

3rd Quarterly  
Report

2023

Resilience in  
Motion

**SILKBANK**   
Yes we can

## Corporate Information

### Board of Directors

Mr. Khalid Aziz Mirza	Chairman
Mr. Masroor Ahmed Qureshi	Director
Mr. Zubair Nawaz Chattha	Director
Mr. Rashid Akhtar Chughtai	Director
Mrs. Samia Shahzad Murad	Director
Mr. Goharulayn Afzal	Director
Mr. Shahram Raza Bakhtiari	President & CEO

### Company Secretary

Mr. Faiz Ul Hassan Hashmi

### Chief Financial Officer

Mr. Khurram Khan

### Audit Committee:

- Masroor Ahmed Qureshi	Chairman
- Tariq Iqbal Khan, FCA	Member
- Samia Shahzad Murad	Member
- Head of Audit	Secretary

### Nomination, Remuneration & Human Resource Committee:

- Khalid Aziz Mirza	Chairman
- Rashid Akhtar Chughtai	Member
- Samia Shahzad Murad	Member
- Head of HR	Secretary

### Risk Management Committee:

- Goharulayn Afzal	Chairman
- Masroor Ahmed Qureshi	Member
- Samia Shahzad Murad	Member
- Chief Risk Officer	Secretary

**Information Technology Committee:**

- |                         |           |
|-------------------------|-----------|
| - Zubair Nawaz Chattha  | Chairman  |
| - Masroor Ahmed Qureshi | Member    |
| - Goharulayn Afzal      | Member    |
| Head of IT              | Secretary |

**Auditors**

M/S Grant Thornton Anjum Rahman(GTAR)

Chartered Accountants

Legal Advisor

M/s Abdul Majeed & Co.

Advocate & Corporate Consultants

**Registered Office**

Silkbank Limited

13-1,F-7 Markaz

Islamabad

Direct Tel:( 051) 26080-26-27-28

PABX: (051) 26080-77-78-79 EXT 111

Fax (051) 26060-29

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

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

**Share Registrar**

M/s CDC Share Registration Services Limited

CDC House, 99 ---13 Block B

S.M.C.H.S main shahra e faisal

Karachi

Tel Customer support services (TollFree) 0800-CDCPL (23275)

Email: [info@cdcsrsl.com](mailto:info@cdcsrsl.com)

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

**SILKBANK LIMITED**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2023**

		September 30, 2023 Un-audited	December 31, 2022 Audited
	Note	Rupees in '000	
<b>ASSETS</b>			
Cash and balances with treasury banks	8	11,929,636	10,198,476
Balances with other banks	9	1,554,208	586,790
Lendings to financial institutions	10	-	8,148,196
Investments	11	175,415,235	165,676,618
Advances	12	52,494,422	64,117,202
Fixed assets	13	4,766,799	5,429,237
Intangible assets	14	332,634	366,437
Deferred tax assets	15	27,917,692	22,661,840
Other assets	16	22,233,724	16,282,612
		<b>296,644,350</b>	<b>293,467,408</b>
<b>LIABILITIES</b>			
Bills payable	17	1,961,775	3,040,491
Borrowings	18	147,983,924	148,016,140
Deposits and other accounts	19	154,576,577	145,298,894
Subordinated debt	20	2,438,666	2,438,666
Deferred tax liabilities		-	-
Other liabilities	21	11,936,673	8,643,979
		<b>318,897,615</b>	<b>307,438,170</b>
<b>NET ASSETS</b>		<b>(22,253,265)</b>	<b>(13,970,762)</b>
<b>REPRESENTED BY</b>			
<b>Shareholders' equity</b>			
Share capital - net	22	23,431,374	23,431,374
Statutory reserves		820,890	820,890
(Deficit) / Surplus on revaluation of assets - net of tax	23	(186,708)	650,238
Accumulated losses		<b>(46,318,821)</b>	<b>(38,873,264)</b>
		<b>(22,253,265)</b>	<b>(13,970,762)</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	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

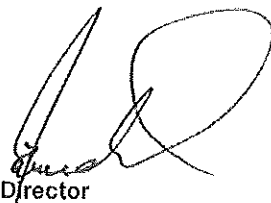
  
Director

**SILKBANK LIMITED****CONDENSED INTERIM PROFIT AND LOSS ACCOUNT - UNAUDITED****FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023**

	Note	Quarter ended		Nine Months ended	
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Rupees in '000					
Mark-up / return / profit / interest earned	26	12,697,698	7,528,476	33,208,634	20,256,589
Mark-up / return / profit / interest expensed	27	(15,143,425)	(8,496,570)	(38,980,484)	(21,044,757)
Net Mark-up / return / profit / interest (expense) / income		(2,445,727)	(968,094)	(5,771,850)	(788,168)
<b>NON MARK-UP / INTEREST INCOME</b>					
Fee and commission income	28	776,814	719,412	2,349,455	2,124,597
Dividend income		11,940	-	23,881	-
Foreign exchange income		30,607	196,425	392,950	454,476
Income / (loss) from derivatives		7,351	3,330	(1,737)	(6,028)
Gain / (loss) on securities	29	24,907	(33,620)	(52,538)	(196,476)
Other income	30	45,372	25,700	188,361	87,585
Total non-markup / interest income		896,991	911,247	2,900,372	2,464,154
Total (loss) / income		(1,548,736)	(58,847)	(2,871,478)	1,675,986
<b>NON MARK-UP / INTEREST EXPENSES</b>					
Operating expenses	31	(2,033,714)	(1,996,898)	(5,787,527)	(5,570,474)
Workers Welfare Fund		-	-	-	-
Other charges	32	(3,544)	(1,670)	(6,481)	(5,775)
Total non-markup / interest expenses		(2,037,258)	(1,998,568)	(5,794,008)	(5,576,249)
Loss before provisions, extra ordinary / unusual item and taxation		(3,585,994)	(2,055,415)	(8,665,486)	(3,900,263)
Provisions and write offs - net Extra ordinary / unusual items	33	(477,356)	444,501	(3,343,849)	(3,758,442)
<b>LOSS BEFORE TAXATION</b>		(4,063,350)	(1,610,914)	(12,009,335)	(7,658,705)
Taxation	34	1,536,510	585,506	4,555,958	4,541,394
<b>LOSS AFTER TAXATION</b>		(2,526,840)	(1,025,408)	(7,453,377)	(3,117,311)
Rupees					
Basic and Diluted Loss Per Share	35	(0.28)	(0.11)	(0.82)	(0.34)

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


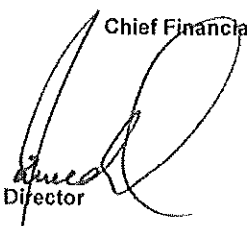
**SILKBANK LIMITED**

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED**

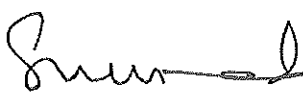
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023**

	Quarter ended		Nine Months ended	
	September 30,	September 30,	September 30,	September 30,
	2023	2022	2023	2022
	Rupees in '000			
Loss after taxation for the period	(2,526,840)	(1,025,408)	(7,453,377)	(3,117,311)
Other comprehensive (loss) / income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Movement in surplus on revaluation of investments - net of tax	518,726	468,638	(834,381)	39,847
Items that will not be reclassified to profit and loss account in subsequent periods:				
Remeasurement gain on defined benefit obligations - net of tax	-	-	3,617	26,912
Movement in surplus on revaluation of fixed assets - net of tax	(546)	(546)	(1,638)	(2,640)
Movement in surplus on revaluation of non-banking assets - net of tax	(309)	(952)	(927)	(2,455)
	(855)	(1,498)	1,052	21,817
Total comprehensive loss	<u>(2,008,969)</u>	<u>(558,268)</u>	<u>(8,286,706)</u>	<u>(3,055,647)</u>

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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, 2023**

	Share Capital - net	Surplus / (deficit) on revaluation of		Statutory Reserve*	Accumulated Losses	Total Equity
		Investments	Fixed / Non Banking Assets			
Rupees in '000						
Opening Balance as at January 01, 2022 - Audited	23,431,374	(849,111)	1,926,480	820,890	(32,490,279)	(7,160,646)
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						
Movement in surplus on revaluation of investments - net of tax	-	39,847	-	-	-	39,847
Remeasurement gain on defined benefit obligations - net of tax	-	-	-	-	26,912	26,912
Movement in surplus on revaluation of fixed assets - net of tax	-	-	(2,640)	-	-	(2,640)
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	(2,455)	-	-	(2,455)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	-	2,685	2,685
Transfer from surplus on revaluation of non-banking assets on account of incremental depreciation - net of tax	-	-	-	-	1,518	1,518
Transfer from surplus on revaluation of non-banking assets on account of disposal of assets - net of tax	-	-	-	-	910	910
Closing Balance as at September 30, 2022 - Un-audited	23,431,374	(809,264)	1,921,385	820,890	(35,575,565)	(10,211,180)
Loss after taxation for the quarter ended December 31, 2022 - Un-audited	-	-	-	-	(3,269,034)	(3,269,034)
Other comprehensive income / (loss) - net of tax - Un-audited						
Movement in surplus on revaluation of investments - net of tax	-	(451,028)	-	-	-	(451,028)
Remeasurement gain on defined benefit obligations - net of tax	-	-	-	-	(30,067)	(30,067)
Movement in surplus on revaluation of fixed assets - net of tax	-	-	(546)	-	-	(546)
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	(309)	-	-	(309)
Transfer to statutory reserves	-	-	-	-	-	-
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	-	694	694
Transfer from surplus on revaluation of non-banking assets on account of incremental depreciation - net of tax	-	-	-	-	508	508
Transfer from surplus on revaluation of non-banking assets on account of disposal of assets - net of tax	-	-	-	-	-	-
Closing Balance as at December 31, 2022 - Audited	23,431,374	(1,270,292)	1,920,530	820,890	(38,873,264)	(13,970,762)
Loss after taxation for the nine months period ended September 30, 2023 - Un-audited	-	-	-	-	(7,453,377)	(7,453,377)
Other comprehensive income / (loss) - net of tax - Un-audited						
Movement in surplus on revaluation of investments - net of tax	-	(834,381)	-	-	-	(834,381)
Remeasurement gain on defined benefit obligations - net of tax	-	-	-	-	3,617	3,617
Movement in surplus on revaluation of fixed assets - net of tax	-	-	(1,638)	-	-	(1,638)
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	(927)	-	-	(927)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	-	2,685	2,685
Transfer from surplus on revaluation of non-banking assets on account of incremental depreciation - net of tax	-	-	-	-	1,518	1,518
Transfer from surplus on revaluation of non-banking assets on account of disposal of assets - net of tax	-	-	-	-	-	-
Closing Balance as at September 30, 2023 - Un-audited	23,431,374	(2,104,673)	1,917,965	820,890	(46,318,821)	(22,253,265)


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


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

  
 Chief Financial Officer

  
 President & Chief Executive Officer

  
 Director

  
 Director

  
 Director

**SILKBANK LIMITED**

**CONDENSED INTERIM CASH FLOW STATEMENT - UNAUDITED  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023**

	Note	September 30, 2023	September 30, 2022
		Rupees in '000	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(12,009,335)	(7,658,705)
Less: dividend income		(23,881)	-
		<u>(12,033,216)</u>	<u>(7,658,705)</u>
<b>Adjustments:</b>			
Depreciation on fixed assets	31	194,881	216,208
Depreciation on right-of-use assets	31	425,014	448,862
Depreciation on non-banking assets acquired in satisfaction of claims	31	25,653	26,156
Amortization of intangible assets	31	45,760	41,341
Amortization of premium / (discount) on investments - net		254,859	(52,445)
Finance charge on lease liability against right-of-use assets	27	233,119	251,311
Provisions against loans & advances	33	3,612,340	4,046,449
Gain on sale of fixed assets	30	(10,408)	(41)
Unrealized loss / (gain) on revaluation of investments - held-for-trading	29	204	(1,385)
Unrealized loss on revaluation of investments - REIT Units	29	44,592	14,561
Loss on sale of non-banking assets acquired in satisfaction of claims	30	-	1,461
Write offs against property and equipment	33	9,102	-
Write offs against fixed assets - Capital work-in-progress	33	5,887	-
		<u>4,841,003</u>	<u>4,992,478</u>
		<u>(7,192,213)</u>	<u>(2,666,227)</u>
<b>Decrease / (Increase) in operating assets</b>			
Lendings to financial institutions		8,148,196	1,923,801
Net investments in held-for-trading securities		7,916,877	28,560,251
Advances		8,010,440	3,143,819
Other assets (excluding advance taxation)		<u>(5,734,449)</u>	<u>220,635</u>
		18,341,064	33,848,506
<b>(Decrease) / increase in operating liabilities</b>			
Bills payable		<u>(1,078,716)</u>	<u>(2,284,051)</u>
Borrowings		<u>(32,216)</u>	<u>8,255,424</u>
Deposits		9,277,683	(3,082,705)
Other liabilities (excluding current taxation)		<u>3,590,079</u>	<u>1,544,673</u>
		<u>11,756,830</u>	<u>4,433,341</u>
		<u>22,905,681</u>	<u>35,615,620</u>
Income tax paid		<u>(403,498)</u>	<u>(261,908)</u>
<b>Net cash flow generated from operating activities</b>		<u>22,502,183</u>	<u>35,353,712</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investment in available-for-sale securities		<u>(19,393,491)</u>	<u>(39,962,040)</u>
Net investment in held-to-maturity securities		70,504	321,962
Dividend received		23,881	-
Net investment in fixed assets and intangible assets		<u>(49,813)</u>	<u>(390,757)</u>
Proceeds on disposal of non-banking assets acquired in satisfaction of claims		-	97,500
Proceeds on disposal of fixed assets		90,725	53,309
<b>Net cash flow used in investing activities</b>		<u>(19,258,194)</u>	<u>(39,880,026)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Payments / receipts of subordinated debts		-	-
Payment of lease liability against right-of-use assets		<u>(545,411)</u>	<u>(503,493)</u>
<b>Net cash flow used in financing activities</b>		<u>(545,411)</u>	<u>(503,493)</u>
Increase in cash and cash equivalents		2,698,578	(5,029,807)
Cash and cash equivalents at the beginning of the period		10,785,266	12,772,066
<b>Cash and cash equivalents at the end of the period</b>	36	<u>13,483,844</u>	<u>7,742,259</u>

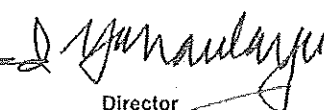
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Chief Financial  
Officer

  
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, 2023

#### 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 105 branches (December 31, 2022: 111 branches) including 23 (December 31, 2022: 27) Islamic banking branches in Pakistan. During the year, 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.
- 1.2 Major shareholders of the Bank as on June 30, 2023 are Sinthos Capital (comprising of Mr. Shaukat Tarin, Mr. Sadeq Sayeed and Mr. Azmat Tarin), Arif Habib Corporation Limited, International Finance Corporation (IFC), Nomura European Investment Limited, Bank Muscat S.A.O.G and Mr. Zulqarnain Nawaz Chatta / Mr. Zubair Nawaz Chatta of Gourmet Group.
- 1.3 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.
- 1.4 As at September 30, 2023, the equity of the Bank is negative Rs. 22.07 billion excluding surplus on revaluation of assets. This includes share capital (net of losses and discount on shares) of negative Rs. 22.89 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 69.18% (December 31, 2022: negative 45.89%) as against the minimum CAR requirement of SBP of 11.50% (December 31, 2022: 11.50%). Consequently, the Bank is non-compliant with MCR and CAR at September 30, 2023 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.
- 1.4.1 On October 31, 2024, 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 its meeting held on November 06, 2024, accorded its in-principle approval for the Amalgamation.

Later, 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 Amalgamation Agreement, 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 three hundred and twenty five (325) already issued shares of the Bank, each share having a face value of PKR 10/- (Pakistan Rupee Ten Only), resulting in the issuance of 27,944,188 ordinary shares of UBL, other than by way of 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.

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

On December 18, 2024, a suit was filed in the Honorable Sindh High Court and the Court passed an ad-interim imposing restrictions on certain shareholders from acting on the instructions of certain other shareholders, however, no order was passed against the Bank or the holding of the Extraordinary General Meeting (EOGM). Subsequently, on December 26, 2024, the Bank's shareholders, in an EOGM, approved the Amalgamation with and into UBL as per the Scheme of Amalgamation previously approved by the Board of Directors.

The Amalgamation shall remain subject to all requisite regulatory approvals and completion of legal formalities including sanction of scheme of Amalgamation by SBP and approval from the Competition Commission of Pakistan.

Upon completion of the Amalgamation, the Bank's assets, liabilities and obligations shall be merged with and into UBL and be realized and settled in ordinary course of business by the amalgamated entity.

## **2 BASIS OF PREPARATION**

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

## **3 STATEMENT OF COMPLIANCE**

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

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

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

- 3.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. Further, the SECP has deferred the applicability of IFRS 7 'Financial Instruments: Disclosures' on banks through S.R.O. 411(1) / 2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.
- 3.3 IFRS 8, 'Operating Segments' is effective for the Bank's accounting periods beginning on or after January 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, effective from the accounting year ended December 31, 2019. The management of the Bank believes that as the SBP has defined the segment categorization in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these condensed interim financial statements is based on the requirements as laid down by the SBP.

- 3.4 The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of IFAS-3 for Profit & Loss Sharing on Deposits (IFAS-3) issued by the ICAP and notified by the SECP, vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IIFS). The standard will result in certain new disclosures in the condensed interim financial statements of the Bank.
- 3.5 The disclosures made in these condensed interim financial statements are limited based on the format prescribed by the SBP vide BPRD circular letter No. 5 dated March 22, 2019 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2022.

#### **4 BASIS OF MEASUREMENT**

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

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

#### **5 SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies and methods of computation adopted for the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the annual financial statements of the Bank for the year ended December 31, 2022.

##### **5.1 Standards, interpretations of and amendments to accounting and reporting standards that are effective in the year 2023**

As referred to in note 4.3 to the Bank's annual financial statements for the year ended December 31, 2022, there are certain standards, amendments and interpretations that are effective for the annual period beginning on or after January 01, 2023. 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**

###### **- 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.

The SBP has granted an exemption to the Bank from the requirements of IFRS 9 'Financial Instruments'. This exemption will remain effective until the completion of the merger process with the UBL.

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, 2022, that are mandatory for the Bank's accounting periods beginning on or after January 01, 2023 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, 2022.

## 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, 2022.

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, 2022.

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, 2022 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, 2023	December 31, 2022
		Un-audited	Audited
	Note	Rupees in '000	
<b>8 CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency		1,783,029	2,265,510
Foreign currencies		875,090	515,560
		<b>2,658,119</b>	<b>2,781,070</b>
<b>With State Bank of Pakistan in</b>			
Local currency current account	8.1	6,434,529	5,714,063
Foreign currency current account		1,006,749	758,204
Foreign currency deposit account	8.2	1,289,762	910,188
		<b>8,731,040</b>	<b>7,382,455</b>
<b>With National Bank of Pakistan in</b>			
Local currency current account		532,681	25,278
National Prize Bonds		7,796	9,673
		<b>11,929,636</b>	<b>10,198,476</b>
<b>8.1</b>	Deposits with SBP are maintained to comply with the statutory requirements of SBP issued from time to time (section 22 of Banking Companies Ordinance, 1962).		
<b>8.2</b>	This represents account maintained with SBP to comply with Special Cash Reserve requirement (FE-25 scheme, as prescribed by SBP). It carries interest rates ranging from 3.39 to 4.33 (2022: 0.12% to 3.14%).		
		September 30, 2023	December 31, 2022
		Un-audited	Audited
		Rupees in '000	
<b>9 BALANCES WITH OTHER BANKS</b>			
<b>In Pakistan</b>			
In current account		195,233	99,380
In deposit account		97	84
		<b>195,330</b>	<b>99,464</b>
<b>Outside Pakistan</b>			
In current account		1,358,878	487,326
		<b>1,554,208</b>	<b>586,790</b>
<b>10 LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Repurchase agreement lendings (Reverse repo)		-	7,880,102
Foreign placement		-	268,094
		-	<b>8,148,196</b>
Less: Provision held against Lending to Financial Institutions		-	-
Lendings to Financial Institutions - net of provision		-	<b>8,148,196</b>

11 INVESTMENTS

		September 30, 2023 - Un-audited				December 31, 2022 - Audited			
		Cost / amortised cost	Provision for dimlnution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for dimlnution	Surplus / (deficit)	Carrying value
11.1	Investments by type:	Rupees in '000							
	Held-for-trading securities								
	Federal Government Securities								
	Market Treasury Bills	150,262	-	84	150,346	6,908,492	-	1,821	6,908,313
	Pakistan Investment Bonds	-	-	-	-	989,811	-	(111)	989,700
	GOP Ijarah Sukuks	223,134	-	(288)	222,846	395,445	-	(3,185)	392,260
		373,396	-	(204)	373,192	8,291,748	-	(1,475)	8,290,273
	Available-for-sale securities								
	Federal Government Securities								
	Market Treasury Bills	1,983,440	-	(4,896)	1,978,544	15,489,572	-	(31,885)	15,457,707
	Pakistan Investment Bonds	150,445,657	-	(3,323,359)	147,122,298	117,914,919	-	(1,932,896)	115,982,023
	GOP Ijarah Sukuks	3,366,468	-	(126,315)	3,240,153	3,239,178	-	(117,581)	3,121,597
	Shares - Listed								
	Ordinary Shares	110,456	-	4,183	114,639	5	-	-	5
	Shares - Unlisted								
	Unlisted Ordinary Shares	5,680	(5,680)	-	-	5,680	(5,680)	-	-
	Real Estate Investment Trust Units	910,032	-	(59,152)	850,880	910,032	-	(14,561)	895,471
	Non Government Debt Securities								
	Term Finance Certificates - Listed	50,072	-	103	50,175	50,278	-	(103)	50,175
	Term Finance Certificates - Unlisted	8,780	(8,780)	-	-	8,780	(8,780)	-	-
		156,880,585	(14,460)	(3,509,436)	153,356,689	137,618,444	(14,460)	(2,097,006)	135,508,978
	Held-to-maturity securities								
	Federal Government Securities								
	Pakistan Investment Bonds	21,685,354	-	-	21,685,354	21,755,858	-	-	21,755,858
	Non Government Debt Securities								
	Shares repurchase (fully provided)	74,910	(74,910)	-	-	74,910	(74,910)	-	-
		21,760,264	(74,910)	-	21,685,354	21,830,768	(74,910)	-	21,755,858
	Associates								
	SPI Insurance Company Limited	-	-	-	-	123,509	-	-	123,509
	<b>Total Investments</b>	<b>179,014,245</b>	<b>(89,370)</b>	<b>(3,509,640)</b>	<b>175,415,235</b>	<b>167,864,469</b>	<b>(89,370)</b>	<b>(2,098,481)</b>	<b>165,676,618</b>
11.2	Investments by segments:								
	Federal Government Securities								
	Market Treasury Bills	2,133,702	-	(4,812)	2,128,890	22,396,064	-	(30,044)	22,366,020
	Pakistan Investment Bonds	172,131,011	-	(3,323,359)	168,807,652	140,660,588	-	(1,933,007)	138,727,581
	GOP Ijarah Sukuks	3,589,602	-	(126,603)	3,462,999	3,634,623	-	(120,766)	3,513,857
		177,854,315	-	(3,454,774)	174,399,541	166,691,275	-	(2,083,817)	164,607,458
	Shares								
	Ordinary shares - Listed	110,456	-	4,183	114,639	5	-	-	5
	Ordinary shares - Unlisted	5,680	(5,680)	-	-	5,680	(5,680)	-	-
		116,136	(5,680)	4,183	114,639	5,685	(5,680)	-	5
	Non Government Debt Securities								
	Term Finance Certificates - Listed	50,072	-	103	50,175	50,278	-	(103)	50,175
	Term Finance Certificates - Unlisted	8,780	(8,780)	-	-	8,780	(8,780)	-	-
		58,852	(8,780)	103	50,175	59,058	(8,780)	(103)	50,175
	Shares repurchase (fully provided)	74,910	(74,910)	-	-	74,910	(74,910)	-	-
	Real Estate Investment Trust Units	910,032	-	(59,152)	850,880	910,032	-	(14,561)	895,471
	Associates								
	SPI Insurance Company Limited	-	-	-	-	123,509	-	-	123,509
	<b>Total Investments</b>	<b>179,014,245</b>	<b>(89,370)</b>	<b>(3,509,640)</b>	<b>175,415,235</b>	<b>167,864,469</b>	<b>(89,370)</b>	<b>(2,098,481)</b>	<b>165,676,618</b>

	September 30, 2023 Un-audited	December 31, 2022 Audited
	Rupees in '000	
11.2.1 Investments given as collateral		
Market Treasury Bills	-	22,343,985
Pakistan Investment Bonds	141,697,514	116,403,463
	<u>141,697,514</u>	<u>138,747,448</u>

11.3 Provision for diminution in value of Investments

	September 30, 2023	December 31, 2022
	Rupees in '000	
11.3.1 Opening balance	69,370	69,370
Charge / (reversals)		
Charge for the period / year	-	-
Reversals for the period / year	-	-
Amounts written off	-	-
Closing balance	<u>69,370</u>	<u>69,370</u>

11.3.2 Particulars of provision against debt securities

Category of classification	September 30, 2023 - Un-audited		December 31, 2022 - Audited	
	Non Performing Investments	Provision	Non Performing Investments	Provision
	Rupees in '000			
Domestic	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	83,690	83,690	83,690	83,690
Total	<u>83,690</u>	<u>83,690</u>	<u>83,690</u>	<u>83,690</u>

11.4 The market value of securities classified as held-to-maturity is Rs. 16,244 million (2022: Rs. 17,578 million).

11.5 During the year 2021, a scheme of merger between SPI Insurance Company Limited (SPI) and United Insurance Company of Pakistan Limited (UIC) was approved by the members of SPI and UIC in their respective extra ordinary general meetings held on October 23, 2021 and October 16, 2021 respectively. Under the scheme, a share swap ratio of 0.9 UIC share against 1 SPI share (0.9 : 1) was agreed. After completion of all the requisite legal formalities, the merger subsequently has come in effect on March 31, 2023 and the Bank has received 11,840,716 UIC shares in exchange of 13,267,462 SPI shares and now been carried as listed shares under 'Available for Sale' category of investment.

12 ADVANCES

Note	Performing		Non Performing		Total	
	September 30, 2023 Un-audited	December 31, 2022 Audited	September 30, 2023 Un-audited	December 31, 2022 Audited	September 30, 2023 Un-audited	December 31, 2022 Audited
	Rupees in '000					
Loans, cash credits, running finances, etc.	40,359,342	48,922,016	44,824,110	45,114,993	85,183,452	94,037,009
Islamic financing and related assets	14,619	226,868	195,000	-	209,619	226,868
Bills discounted and purchased	118,253	52,148	2,893	1,858	121,146	54,006
Advances - gross	<u>40,492,214</u>	<u>49,201,032</u>	<u>45,022,003</u>	<u>45,116,851</u>	<u>85,514,217</u>	<u>94,317,883</u>
Less: Provision against advances						
- Specific	-	-	32,409,626	29,495,607	32,409,626	29,495,607
- General	610,169	705,074	-	-	610,169	705,074
Advances - net of provision	<u>39,882,045</u>	<u>48,495,958</u>	<u>12,612,377</u>	<u>15,621,244</u>	<u>52,494,422</u>	<u>64,117,202</u>

	September 30, 2023 Un-audited	December 31, 2022 Audited
	Rupees in '000	
12.1 Particulars of advances (Gross)		
In local currency	85,514,217	94,317,883
In foreign currencies	-	-
	<u>85,514,217</u>	<u>94,317,883</u>

12.2 Advances include Rs. 45.022 billion (December 31, 2022: Rs. 45.117 billion) which have been placed under non-performing status as detailed below:

Category of classification - specific	September 30, 2023 - Un-audited		December 31, 2022 - Audited	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	Rupees in '000			
Domestic	375,182	78,386	779,626	71,487
Substandard	571,962	93,705	3,005,846	101,727
Doubtful	44,074,859	32,237,535	41,331,379	29,322,393
Loss	45,022,003	32,409,626	45,116,851	29,495,607
Total	<u>45,022,003</u>	<u>32,409,626</u>	<u>45,116,851</u>	<u>29,495,607</u>

12.3 Particulars of provision against advances:

Note	September 30, 2023 - Un-audited			December 31, 2022 - Audited		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	29,495,607	705,074	30,200,681	23,361,430	866,128	24,227,558
Charge for the period / year	3,932,604	-	3,932,604	8,777,383	-	8,777,383
Reversals for the period / year	(225,359)	(94,905)	(320,264)	(1,628,499)	(161,054)	(1,789,553)
Amounts written off	3,707,245	(94,905)	3,612,340	7,148,884	(161,054)	6,987,830
Closing balance	<u>32,409,626</u>	<u>610,169</u>	<u>33,019,795</u>	<u>29,495,607</u>	<u>705,074</u>	<u>30,200,681</u>

- 12.3.1 It includes non-performing advances amounting to Rs. 19,283 million (December 31, 2022 : 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 (Note 16.4) 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, 2023, 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. 7,498 million (December 31, 2022: Rs. 8,186 million), which shall not be available for payment of cash or stock dividend / bonus to employees.
- 12.3.4 General provision represents provision amounting to Rs. 610 million (December 31, 2022: Rs. 705 million) against consumer finance portfolio as required by the Prudential Regulations issued by the SBP.

		September 30, 2023	December 31, 2022
	Note	Un-audited Rupees in '000	Audited
<b>13</b>	<b>FIXED ASSETS</b>		
	Capital work-in-progress	6,858	34,217
	Property and equipment	2,737,794	2,962,766
	Right-of-use assets	<u>2,022,147</u>	<u>2,432,254</u>
		<u><u>4,766,799</u></u>	<u><u>5,429,237</u></u>
<b>13.1</b>	<b>Capital work-in-progress</b>		
	Civil works	3,043	7,625
	Advances to suppliers and contractors	<u>3,815</u>	<u>26,592</u>
		<u><u>6,858</u></u>	<u><u>34,217</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 Certain Constitution Petitions was filed against the high rise construction at the Property. These includes the petition filed by SBP on October 2, 2018 in Honorable High Court of Sindh which granted Stay on October 4, 2018 against any construction at the Property site. Reportedly, the counter party had accepted the objections of SBP and had resolved respective concerns/issues about which SBP was duly communicated through thier letter dated October 23, 2021. However, the matter is still pending at SBP and the Court's Stay on construction is still in place.

- 13.2.2 Due to the Court's stay 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.

13.2.3 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, 2023 Un-audited	September 30, 2022 Un-audited
	Rupees in '000	
<b>13.3 Additions to fixed assets</b>		
The following additions have been made to fixed assets during the period:		
Capital work-in-progress	37,025	365,399
<b>Property and equipment</b>		
Furniture and fixture	768	2,289
Electrical, office and computer equipment	12,858	17,086
Vehicles	25,947	266,825
Leasehold Improvements	19,886	4,118
	<u>59,459</u>	<u>290,318</u>
<b>Total</b>	<u><u>96,484</u></u>	<u><u>655,717</u></u>
<b>13.4 Disposal of fixed assets</b>		
The net book value of fixed assets disposed off during the period is as follows:		
Furniture and fixture	637	-
Electrical, office and computer equipment	1,301	83
Vehicles	78,369	53,185
Leasehold Improvements	10	-
<b>Total</b>	<u><u>80,317</u></u>	<u><u>53,268</u></u>
	September 30, 2023 Un-audited	December 31, 2022 Audited
	Rupees in '000	
<b>14 INTANGIBLE ASSETS</b>		
Capital work-in-progress	7,006	77,004
Software	325,628	289,433
	<u>332,634</u>	<u>366,437</u>
	September 30, 2023 Un-audited	September 30, 2022 Un-audited
	Rupees in '000	
<b>14.1 Additions to intangible assets</b>		
The following additions have been made to intangible assets during the period:		
Capital work-in-progress	19,134	25,359
Software (directly purchased)	81,955	13,521
<b>Total</b>	<u><u>101,089</u></u>	<u><u>38,880</u></u>



15	DEFERRED TAX ASSETS	Note	September 30,	December 31,
			2023	2022
			Un-audited	Audited
			Rupees In '000	
	<b>Deductible Temporary Differences on</b>			
	- Tax losses carried forward		12,112,959	8,518,266
	- Deficit on revaluation of investments	23	1,345,611	812,153
	- Provision for diminution in value of investments		3,424	3,424
	- Provision against non-performing advances		12,918,258	11,871,617
	- Provision against Workers' Welfare Fund (WWF)		52,476	52,476
	- Provision against other assets		340,139	340,139
	- Depreciation on non-banking assets		116,993	105,988
	- Impairment in fixed assets		129,428	129,428
	- Unabsorbed tax depreciation		1,004,127	940,051
			28,022,415	22,773,542
	<b>Taxable Temporary Differences on</b>			
	- Surplus on revaluation of non-banking assets	23	(13,628)	(14,219)
	- Surplus on revaluation of fixed assets	23	(7,328)	(8,375)
	- Post retirement employee benefits		(26,516)	(23,202)
	- Accelerated tax depreciation		(58,252)	(65,906)
			(104,723)	(111,702)
			27,917,692	22,661,840

15.1 The Bank has an aggregate amount of deferred tax assets of Rs. 27,918 million (December 31, 2022: Rs. 22,662 million) out of which an amount of Rs. 12,918 million (December 31, 2022: 11,872 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, 2023	December 31, 2022
	Note	Un-audited	Audited
		Rupees in '000	
<b>16 OTHER ASSETS</b>			
Income / mark-up accrued in local currency - net of provision		12,940,641	8,636,611
Income / mark-up accrued in foreign currency - net of provision		-	293
Accrued rent		18,210	18,210
Advances, deposits, advance rent and other prepayments		1,998,714	1,400,382
Profit paid in advance on fixed deposits		129,828	61,895
Advance taxation (payments less provisions)		2,479,368	2,242,969
Net defined benefit assets		66,422	59,493
Non-banking assets	16.2	2,989,419	3,013,552
Branch adjustment account		942,860	413,872
Mark to market gain on forward contracts		84,073	174,849
Acceptances		414,481	274,399
Contract Assets	16.4	-	-
Receivable from sale of non-banking assets acquired in satisfaction of claims	16.5	22,850	37,550
Fee receivable from Credit Card members		200,479	194,114
Others		752,701	558,206
		<u>23,039,026</u>	<u>17,086,395</u>
Less: Provision held against other assets	16.6	<u>(857,232)</u>	<u>(857,232)</u>
Other assets - net of provisions		22,181,794	16,229,163
Surplus on revaluation of non-banking assets		51,930	53,449
Other assets - total		<u>22,233,724</u>	<u>16,282,612</u>

**16.1 Market value of Non-banking assets acquired in satisfaction of claims** 2,192,117      2,217,769

**16.2 Non-banking assets**

- acquired in satisfaction of claims 2,942,967      2,928,813
- under agreement to sale third parties 46,452      84,739

2,989,419      3,013,552

**16.3** The non-banking assets acquired in satisfaction of claims (NBAs with market value) aggregating to Rs.1,802 million (December 31, 2022: Rs.1,802 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 the 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** REIT units of SWIR having par value equivalent to Rs. 910 million had 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 held as Investments (Note 11). 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.

	September 30, 2023	December 31, 2022
	Un-audited	Audited
	Rupees in '000	
<b>16.6 Provision held against other assets</b>		
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>
<b>16.6.1 Movement in provision held against other assets</b>		
Opening balance	857,232	857,232
Charge for the period / year	-	-
Reversals for the period / year	-	-
Net reversal for the period / year	-	-
Reversal on disposal / write off	-	-
Closing balance	<u>857,232</u>	<u>857,232</u>

	September 30, 2023 Un-audited	December 31, 2022 Audited
	Rupees in '000	
<b>17</b>	<b>BILLS PAYABLE</b>	
	In Pakistan	1,961,776
	Outside Pakistan	-
	<u>1,961,775</u>	<u>3,040,491</u>
<b>18</b>	<b>BORROWINGS</b>	
	<b>Secured</b>	
	<b>Borrowings from State Bank of Pakistan</b>	
	- under export refinance scheme	2,144,527
	- under Credit Guarantee Scheme for Small and Rural Enterprises	500
	<u>2,145,027</u>	<u>2,692,394</u>
	Repurchase agreement borrowings	145,110,597
	<b>Total secured</b>	<u>147,255,624</u>
	<b>Unsecured</b>	
	Call borrowings	-
	Trading liability	-
	Overdrawn nostro accounts	728,300
	<b>Total unsecured</b>	<u>728,300</u>
	<u>147,983,924</u>	<u>148,016,140</u>

**19 DEPOSITS AND OTHER ACCOUNTS**

	September 30, 2023 - Un-audited			December 31, 2022 - Audited		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	Rupees in '000					
<b>Customers</b>						
Current deposits	33,637,822	6,496,281	40,134,103	34,174,446	4,638,911	38,813,357
Saving deposits	64,722,829	4,760,168	69,472,987	58,741,273	3,939,459	62,680,732
Term deposits	36,050,610	2,780,397	38,831,007	34,539,699	2,087,904	36,627,603
Margin deposits	1,182,313	-	1,182,313	1,284,723	-	1,284,723
Call deposits	1,767,636	-	1,767,636	1,233,509	-	1,233,509
	<u>137,361,210</u>	<u>14,026,836</u>	<u>151,388,046</u>	<u>129,973,650</u>	<u>10,666,274</u>	<u>140,639,924</u>
<b>Financial Institutions</b>						
Current deposits	190,269	14,629	204,898	305,847	5,436	311,283
Saving deposits	1,671,157	190	1,671,347	2,859,793	29,810	2,889,603
Term deposits	550,930	761,356	1,312,286	875,930	582,154	1,458,084
	<u>2,412,356</u>	<u>776,175</u>	<u>3,188,531</u>	<u>4,041,570</u>	<u>617,400</u>	<u>4,658,970</u>
	<u>139,773,566</u>	<u>14,803,011</u>	<u>154,576,577</u>	<u>134,015,220</u>	<u>11,283,674</u>	<u>145,298,894</u>

		September 30, 2023	December 31, 2022
	Note	Un-audited	Audited
		Rupees in '000	
<b>20 SUBORDINATED DEBT</b>			
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 66 of the Companies Act, 2017 and the Basel III guidelines issued by the SBP. The key features of the issue are as follows:

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

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

		September 30, 2023	December 31, 2022
	Note	Un-audited	Audited
		Rupees in '000	
<b>21 OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		6,001,715	2,658,665
Mark-up / return / interest payable in foreign currencies		35,949	8,496
Unearned commission and income on bills discounted		74,565	84,740
Accrued expenses		1,001,691	1,011,885
Acceptances		414,481	274,399
Mark to market loss on forward contracts		449,834	38,691
Payable to defined benefit plan - contractual staff		114,883	81,171
Provision against off-balance sheet obligations	21.1	109,812	109,812
Workers' Welfare Fund (WWF)		102,394	102,394
Advance received against future sale of non-banking assets		55,809	50,951
Advance received against future sale of operating fixed assets		118,500	118,500
Deferred income against non-banking assets		128,848	128,848
Islamic pool management reserve		10,500	9,220
Lease liability against right-of-use assets		2,672,430	2,969,815
Non checking account		81,380	51,879
PRR remitting account		29,565	28,974
Fund received against application of Housing Scheme		47,246	48,256
Others		1,487,071	867,283
		<u>11,936,673</u>	<u>8,643,979</u>

		September 30, 2023	December 31, 2022
	Note	Un-audited	Audited
		Rupees in '000	
<b>21.1 Provision against off-balance sheet obligations</b>			
Opening balance		109,812	109,812
Charge for the period / year		-	-
Reversals for the period / year		-	-
Amount written off		-	-
Closing balance	21.1.1	<u>109,812</u>	<u>109,812</u>
21.1.1 This includes provisions made against letters of guarantee issued by the Bank.			
<b>22 SHARE CAPITAL- NET</b>			
<b>22.1 Authorised capital</b>			
September 30, 2023	December 31, 2022		
Un-audited	Audited		
Number of shares in '000			
<u>10,500,000</u>	<u>10,500,000</u>	Ordinary shares of Rs.10 each	<u>105,000,000</u> <u>105,000,000</u>
<b>22.2 Issued, subscribed and paid up capital</b>			
September 30, 2023	December 31, 2022		
Un-audited	Audited		
Number of shares in '000			
9,081,861	9,081,861	Ordinary shares of Rs. 10 each	
-	-	Fully paid in cash	90,818,612      90,818,612
<u>9,081,861</u>	<u>9,081,861</u>	Less: Discount on issue of shares	<u>(67,387,238)</u> <u>(67,387,238)</u>
			<u>23,431,374</u> <u>23,431,374</u>
<b>23 (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>			
(Deficit) / Surplus on revaluation of			
- Available for sale securities		(3,460,284)	(2,082,445)
- Fixed assets		42,063	44,748
- Non-banking assets acquired in satisfaction of claims		1,896,858	1,898,376
		(1,511,363)	(139,321)
Deferred tax on (deficit) / surplus on revaluation of			
- Available for sale securities	15	1,345,611	812,153
- Fixed assets	15	(7,328)	(8,375)
- Non-banking assets acquired in satisfaction of claims	15	(13,628)	(14,219)
		1,324,655	789,559
		(186,708)	650,238
<b>24 CONTINGENCIES AND COMMITMENTS</b>			
Guarantees	24.1	11,383,889	12,893,547
Commitments	24.2	16,604,697	19,054,007
Contingent liabilities	24.3	857,300	872,945
		<u>27,845,886</u>	<u>32,820,499</u>
<b>24.1 Guarantees:</b>			
Financial guarantees		854,940	854,940
Performance guarantees		7,416,241	8,214,534
Other guarantees		3,112,708	3,824,073
		<u>11,383,889</u>	<u>12,893,547</u>
<b>24.2 Commitments:</b>			
Documentary credits and short-term trade-related transactions			
- letters of credit		2,405,619	1,727,963
Commitments in respect of:			
- forward foreign exchange contracts	24.2.1	13,199,178	17,323,466
- forward government securities transactions	24.2.2	-	-
Commitments for acquisition of:			
- operating fixed assets		-	2,578
		<u>16,604,697</u>	<u>19,054,007</u>

	September 30, 2023 Un-audited	December 31, 2022 Audited
	Rupees in '000	
<b>24.2.1 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	11,043,744	12,572,932
Sale	2,165,434	4,750,534
	<u>13,199,178</u>	<u>17,323,466</u>

<b>24.2.2 Commitments in respect of forward government securities transactions</b>		
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, 2023 Un-audited	December 31, 2022 Audited
	Rupees in '000	
<b>24.3 Contingent liabilities:</b>		
Claims against the Bank not acknowledged as debt	821,660	837,305
Claims against the Bank by Competition Commission of Pakistan & others	35,640	35,640
	<u>857,300</u>	<u>872,945</u>

24.3.1 Suits for damages of Rs. 24.42 billion (December 31, 2022: Rs. 24.45 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 For contingencies relating to taxation refer note 34.1-34.4.

## 25 DERIVATIVE INSTRUMENTS

### Product Analysis

September 30, 2023 - Un-audited	
Forward Contracts	
Notional Principal	Mark to Market gain / (loss)
	Rupees in '000

### Counterparties

#### Hedging

- Banks	11,737,286	(361,231)
- Other entities	1,461,892	(14,530)
<b>Total</b>	<u>13,199,178</u>	<u>(365,761)</u>

### December 31, 2022 - Audited

Forward Contracts	
Notional Principal	Mark to Market gain / (loss)
	Rupees in '000

### Counterparties

#### Hedging

- Banks	17,218,522	129,824
- Other entities	104,944	6,333
<b>Total</b>	<u>17,323,466</u>	<u>136,157</u>

		September 30, 2023	September 30, 2022
		Un-audited	Un-audited
	Note	Rupees in '000	
<b>26</b>	<b>MARK-UP / RETURN / PROFIT / INTEREST EARNED</b>		
	On:		
	a) Loans and advances	7,545,234	6,745,644
	b) Investments	25,396,755	13,204,039
	c) Lendings to financial institutions	237,831	303,763
	d) Balances with banks	28,814	3,143
		<u>33,208,634</u>	<u>20,256,589</u>
<b>27</b>	<b>MARK-UP / RETURN / PROFIT / INTEREST EXPENSED</b>		
	On:		
	a) Deposits	13,662,066	8,199,479
	b) Borrowings	23,936,578	12,109,487
	c) Subordinated debt	336,823	157,386
	d) Cost of foreign currency swaps against foreign currency deposits / borrowings	788,891	308,822
	e) Lease liability against right-of-use assets	233,119	251,311
	f) Others	23,007	18,272
		<u>38,980,484</u>	<u>21,044,757</u>
<b>28</b>	<b>FEE &amp; COMMISSION INCOME</b>		
	Branch banking customer fees	196,449	120,598
	Card related fees (debit and credit cards)	1,687,744	1,550,032
	Credit related fees	249,331	225,061
	Commission on trade	107,458	111,720
	Commission on guarantees	58,415	61,722
	Commission on remittances including home remittances	13,020	15,551
	Commission on bancassurance	32,059	28,709
	Others	4,979	11,204
		<u>2,349,455</u>	<u>2,124,597</u>
<b>29</b>	<b>(LOSS) / GAIN ON SECURITIES</b>		
	Realised	29.1 (7,742)	(183,300)
	Unrealised - held for trading	(204)	1,385
	Unrealised - REIT Units	(44,592)	(14,561)
		<u>(52,538)</u>	<u>(196,476)</u>
<b>29.1</b>	<b>Realised (loss) / gain on:</b>		
	Federal Government Securities	5,581	(191,763)
	Shares	(13,323)	8,463
		<u>(7,742)</u>	<u>(183,300)</u>
<b>30</b>	<b>OTHER INCOME</b>		
	Rent on property and non-banking assets	637	212
	Gain on sale of fixed assets - net	10,408	41
	Loss on sale of non-banking assets - net	-	(1,461)
	Rent on lockers	16,824	18,095
	Postage, telex and other service charges recovered	39,696	38,530
	Early loan termination charges	18,494	31,836
	Gain / (Loss) on termination / adjustment of leases	102,302	332
		<u>188,361</u>	<u>87,585</u>

	September 30, 2023 Un-audited	September 30, 2022 Un-audited
	Rupees in '000	
<b>31 OPERATING EXPENSES</b>		
Total compensation expense	2,285,463	2,621,274
<b>Property expense</b>		
Rent & taxes	7,064	11,964
Insurance on non-banking assets acquired in satisfaction of claims	398	4,954
Utilities cost	170,178	190,011
Security (including guards)	7,205	53,820
Repair & maintenance (including janitorial charges)	50,678	53,504
Depreciation on buildings	48,039	53,326
Depreciation on right-of-use assets	425,014	448,862
Depreciation on non-banking assets acquired in satisfaction of claims	25,653	26,156
Professional charges	-	2,179
	<b>734,229</b>	<b>844,776</b>
<b>Information technology expenses</b>		
Software maintenance	337,626	223,182
Hardware maintenance	105,921	100,410
Depreciation	43,277	50,466
Amortisation	46,760	41,341
Website development charges	48	434
	<b>532,632</b>	<b>415,833</b>
<b>Other operating expenses</b>		
Directors' fees and allowances	66,430	26,980
Fees and allowances to Shariah Board	11,576	12,155
Legal & professional charges	81,577	87,107
Outsourced services costs	158,984	106,894
Travelling & conveyance	57,438	52,453
NIFT clearing charges	13,148	5,424
Depreciation	103,565	112,416
Training & development	1,223	3,812
Postage & courier charges	2,144	7,094
Communication	976,282	472,434
Stationery & printing	71,378	72,845
Marketing, advertisement & publicity	114,263	192,875
Auditors' remuneration	21,292	17,877
Insurance (including deposit protection)	168,326	149,346
Repairs & maintenance	71,371	75,050
Brokerage and commission	7,207	3,858
Subscriptions and news papers	15,137	14,836
Entertainment	23,174	29,781
Vehicle running & maintenance	31,003	32,452
Card related expenses (debit and credit cards)	216,638	179,814
Security	30,245	29,727
Others	3,802	3,361
	<b>2,235,203</b>	<b>1,688,591</b>
	<b>5,787,627</b>	<b>5,570,474</b>
<b>32 OTHER CHARGES</b>		
Penalties imposed by State Bank of Pakistan	1,210	2,148
Operational loss	5,271	3,627
	<b>6,481</b>	<b>5,775</b>



		September 30, 2023	September 30, 2022
	Note	Un-audited	Un-audited
		Rupees in '000	
<b>33</b>	<b>PROVISIONS &amp; WRITE OFFS - NET</b>		
	Impairment in the value of investments	11.3.1	-
	Provisions against loans & advances	12.3	3,612,340
	Provision against other assets - net	16.6.1	-
	Reversal against off balance sheet items	21.1	-
	Write offs against property and equipment		9,102
	Write offs against fixed assets - Capital work-in-progress		5,887
	Recovery of written off / charged off bad debts		(283,480)
		<u>3,343,849</u>	<u>3,758,442</u>
<b>34</b>	<b>TAXATION</b>		
	Current	-	-
	Prior periods	167,109	127,139
	Deferred	<u>(4,723,067)</u>	<u>(4,668,533)</u>
		<u>(4,555,958)</u>	<u>(4,541,394)</u>

34.1 The prior year tax amounting to Rs. 167 million pertains to minimum tax for the financial year 2018 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 the tax year 2023. The Commissioner Inland Revenue has made amendments in the assessments, and the Bank has filed appeals against these amendments. The appeals are pending before Appellate Tribunal Inland Revenue (ATIR) against certain disallowances amounting to Rs.3,026 million (2022: 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 (CIR-A) against the disallowances amounting to Rs.682 million (2022: 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 has been concluded. However, no order has been passed to date. For the tax years 2021, 2022 and 2023 returns of income filed by the Bank are deemed to be assessment orders 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 (AO) creating total tax demands of Rs.241.880 million inclusive of penalties and default surcharges. Against these tax demands, the Bank has paid an amount of Rs.169.312 million. The matters pertaining to the tax years 2011 and 2012 have been concluded, the Bank has not contested the matters in appeals and has paid the demands created by the AO. 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 AO, 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 AO, 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 AO. The AO afterwards 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. Since, the orders passed by the AO are in favor of the Bank, therefore, no appeals were preferred. However, these orders are subject to rectification, accordingly, applications under section 221 of the Income Tax Ordinance, 2001 were filed in each case, though no rectified orders have been passed.

The proceedings regarding monitoring of withholding taxes for the tax year 2020 has been initiated and notice under section 161(1A) of the Ordinance has been issued. However, no order has been passed by the AO.

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 have amended the assessments from the tax years 2016 to 2020 and passed orders under section 122(5A) of the Ordinance (for tax years 2016 and 2017) and under section 122(1) of the 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 CIR-A 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, 2023	September 30, 2022
		Un-audited	Un-audited
		Rupees in '000	
<b>35</b>	<b>BASIC AND DILUTED EARNINGS PER SHARE</b>		
	Loss after taxation for the period	<u>(7,453,377)</u>	<u>(3,117,311)</u>
	Weighted average number of ordinary shares (Number of shares)	<u>9,081,861</u>	<u>9,081,861</u>
	Basic and diluted loss per share (Rupee)	<u>(0.82)</u>	<u>(0.34)</u>
<b>36</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	Cash and balance with treasury banks	11,929,636	7,027,950
	Balance with other banks	1,554,208	714,309
		<u>13,483,844</u>	<u>7,742,259</u>

37 FAIR VALUE MEASUREMENTS

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

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

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

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

37.1 Fair value of financial assets

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

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

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

	September 30, 2023 - Un-audited				
	Carrying Value	Level 1	Level 2	Level 3	Total
	Rupees in '000				
<b>On balance sheet financial instruments</b>					
<b>Financial assets - measured at fair value</b>					
<b>Investments:</b>					
<b>Federal Government Securities</b>					
Market Treasury Bills	2,128,890	-	2,128,890	-	2,128,890
Pakistan Investment Bonds	168,807,652	-	168,807,652	-	168,807,652
GOP Ijarah Sukuks	3,462,999	-	3,462,999	-	3,462,999
<b>Shares</b>					
Listed companies	114,639	114,639	-	-	114,639
<b>Non-Government Debt Securities</b>					
Term Finance Certificates - Listed	50,175	-	50,175	-	50,175
	<b>174,564,355</b>	<b>114,639</b>	<b>174,449,716</b>	<b>-</b>	<b>174,564,355</b>
<b>Financial assets - disclosed but not measured at fair value</b>					
Cash and balances with treasury banks	11,929,636	-	-	-	-
Balances with other banks	1,554,208	-	-	-	-
Lendings to financial institutions	-	-	-	-	-
Advances	52,494,422	-	-	-	-
Other assets	13,266,253	-	-	-	-
	<b>79,244,519</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>253,808,874</b>	<b>114,639</b>	<b>174,449,716</b>	<b>-</b>	<b>174,564,355</b>
<b>Off-balance sheet financial instruments - measured at fair value</b>					
Forward purchase of foreign exchange	11,043,744	-	11,043,744	-	11,043,744
Forward sale of foreign exchange	2,155,434	-	2,155,434	-	2,155,434
Forward purchase of government securities transactions	-	-	-	-	-
Forward sale of government securities transactions	-	-	-	-	-

December 31, 2022 - Audited				
Carrying Value	Level 1	Level 2	Level 3	Total
Rupees in '000				
<b>On balance sheet financial instruments</b>				
<b>Financial assets - measured at fair value</b>				
<b>Investments:</b>				
<b>Federal Government Securities</b>				
Market Treasury Bills	22,366,020	22,366,020	-	22,366,020
Pakistan Investment Bonds	138,727,581	138,727,581	-	138,727,581
GOP Ijarah Sukuks	3,513,857	3,513,857	-	3,513,857
<b>Shares</b>				
Listed companies	5	5	-	5
<b>Non-Government Debt Securities</b>				
Term Finance Certificates - Listed	50,175	50,175	-	50,175
	164,657,638	5 164,657,633	-	164,657,638
<b>Financial assets - disclosed but not measured at fair value</b>				
Cash and balances with treasury banks	10,198,476	-	-	-
Balances with other banks	586,790	-	-	-
Lendings to financial institutions	8,148,196	-	-	-
Advances	64,117,202	-	-	-
Other assets	9,061,627	-	-	-
	92,112,291	-	-	-
	256,769,929	5 164,657,633	-	164,657,638
<b>Off-balance sheet financial instruments - measured at fair value</b>				
Forward purchase of foreign exchange	12,572,932	12,572,932	-	12,572,932
Forward sale of foreign exchange	4,760,534	4,760,534	-	4,760,534
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 and level 3 are:

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

### 37.2 Fair value of non-financial assets

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

September 30, 2023 - Un-audited				
Carrying Value	Level 1	Level 2	Level 3	Total
Rupees in '000				
Operating fixed assets - land and buildings	2,009,025	-	2,009,025	2,009,025
Non-banking assets acquired in satisfaction of claims	2,192,117	-	2,192,117	2,192,117
	4,201,142	-	4,201,142	4,201,142
December 31, 2022 - Audited				
Carrying Value	Level 1	Level 2	Level 3	Total
Rupees in '000				
Operating fixed assets - land and buildings	2,017,798	-	2,017,798	2,017,798
Non-banking assets acquired in satisfaction of claims	2,217,769	-	2,217,769	2,217,769
	4,235,567	-	4,235,567	4,235,567

37.2.1 Certain categories of operating fixed assets (land and buildings) and non-banking assets acquired in satisfaction of claims are carried at revalued amounts (level 3 measurement) determined by professional valuers based on their assessment of the market values as disclosed in annual financial statements for the year ended December 31, 2022.

## 38 SEGMENT INFORMATION

## Segment Details with respect to Business Activities

September 30, 2023 - Un-audited				
Consumer / SME	Whole Sale Banking	Treasury	Total	
Rupees in '000				
<b>Profit and Loss Account</b>				
Net mark-up / return / profit / (expense)	6,023,612	(10,216,601)	(1,578,861)	(5,771,850)
Inter segment revenue - net	-	-	-	-
Non mark-up / interest income	2,223,261	272,616	404,495	2,900,372
<b>Total income / (loss)</b>	<b>8,246,873</b>	<b>(9,943,985)</b>	<b>(1,174,366)</b>	<b>(2,871,478)</b>
Segment direct expenses	(3,304,023)	(2,408,483)	(81,502)	(5,794,008)
Inter segment expense allocation	(1,237,892)	1,308,108	(70,216)	-
<b>Total expenses</b>	<b>(4,641,915)</b>	<b>(1,100,375)</b>	<b>(151,718)</b>	<b>(5,794,008)</b>
Provisions	(205,476)	(3,138,373)	-	(3,343,849)
<b>Profit / (loss) before tax</b>	<b>3,499,482</b>	<b>(14,182,733)</b>	<b>(1,326,084)</b>	<b>(12,009,335)</b>
<b>Statement of Financial Position</b>				
Cash & Bank balances	-	4,903,368	8,580,476	13,483,844
Investments	-	-	175,415,235	175,415,235
Net inter segment lending	121,714,428	(243,560,260)	121,845,822	-
Lendings to financial institutions	-	-	-	-
Advances - performing - net	18,491,002	21,391,043	-	39,882,045
Advances - non-performing - net	912,452	11,699,925	-	12,612,377
Others	1,627,775	51,343,006	2,280,068	55,250,849
<b>Total Assets</b>	<b>142,745,657</b>	<b>(154,222,908)</b>	<b>308,121,601</b>	<b>296,644,350</b>
Borrowings	502,300	1,340,241	146,141,383	147,983,924
Subordinated debt	-	2,438,666	-	2,438,666
Deposits & other accounts	124,183,438	30,393,139	-	154,576,577
Net inter segment borrowing	14,059,836	(173,995,312)	159,935,476	-
Others	4,000,083	6,297,657	4,600,708	13,898,448
<b>Total liabilities</b>	<b>142,745,657</b>	<b>(134,525,609)</b>	<b>310,677,667</b>	<b>318,897,615</b>
Equity	-	(19,697,299)	(2,656,866)	(22,253,265)
<b>Total Equity &amp; liabilities</b>	<b>142,745,657</b>	<b>(154,222,908)</b>	<b>308,121,601</b>	<b>296,644,350</b>
<b>Contingencies &amp; Commitments</b>	<b>821,660</b>	<b>13,825,048</b>	<b>13,199,178</b>	<b>27,845,886</b>

September 30, 2022 - (Un-audited)				
Consumer / SME	Whole Sale Banking	Treasury	Total	
Rupees in '000				
<b>Profit and Loss Account</b>				
Net mark-up / return / profit / (expense)	5,777,045	(5,731,388)	(833,825)	(788,168)
Inter segment revenue - net	-	-	-	-
Non mark-up / interest income	2,055,930	224,400	183,824	2,464,154
<b>Total income / (loss)</b>	<b>7,832,975</b>	<b>(5,506,988)</b>	<b>(650,001)</b>	<b>1,675,986</b>
Segment direct expenses	(3,150,209)	(2,358,528)	(67,512)	(5,576,249)
Inter segment expense allocation	(1,111,519)	1,133,097	(21,578)	-
<b>Total expenses</b>	<b>(4,261,728)</b>	<b>(1,225,431)</b>	<b>(89,090)</b>	<b>(5,576,249)</b>
Provisions	(70,779)	(3,687,663)	-	(3,758,442)
<b>Profit / (loss) before tax</b>	<b>3,500,468</b>	<b>(10,420,082)</b>	<b>(739,091)</b>	<b>(7,658,705)</b>

December 31, 2022 - Audited				
Consumer / SME	Whole Sale Banking	Treasury	Total	
Rupees in '000				
<b>Statement of Financial Position</b>				
Cash & Bank balances	-	4,378,750	6,408,516	10,785,266
Investments	-	-	165,676,618	165,676,618
Net inter segment lending	111,958,604	(232,139,218)	120,180,614	-
Lendings to financial institutions	-	268,094	7,880,102	8,148,196
Advances - performing - net	17,918,737	30,577,221	-	48,495,958
Advances - non-performing - net	12,231,131	3,390,113	-	15,621,244
Others	2,047,092	41,068,192	1,624,842	44,740,126
<b>Total Assets</b>	<b>144,155,564</b>	<b>(152,456,848)</b>	<b>301,768,692</b>	<b>293,467,408</b>
Borrowings	545,452	2,146,941	145,323,747	148,016,140
Subordinated debt	-	2,438,666	-	2,438,666
Deposits & other accounts	115,395,672	29,903,222	-	145,298,894
Net inter segment borrowing	16,634,861	(171,608,673)	154,973,812	-
Others	11,579,579	(2,744,590)	2,849,481	11,684,470
<b>Total liabilities</b>	<b>144,155,564</b>	<b>(139,864,434)</b>	<b>303,147,040</b>	<b>307,438,170</b>
Equity	-	(12,592,414)	(1,378,348)	(13,970,762)
<b>Total Equity &amp; liabilities</b>	<b>144,155,564</b>	<b>(152,456,848)</b>	<b>301,768,692</b>	<b>293,467,408</b>
<b>Contingencies &amp; Commitments</b>	<b>837,305</b>	<b>14,659,728</b>	<b>17,323,466</b>	<b>32,820,499</b>

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

39 RELATED PARTY TRANSACTIONS

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

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

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

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

	September 30, 2023 - Un-audited				December 31, 2022 - Audited			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
Rupees in '000								
<b>Balances</b>								
<b>Investments</b>								
Opening balance	-	-	123,509	4	-	-	147,933	4
Investment made / share profit during the period / year	-	-	-	-	-	-	(24,424)	-
Investment redeemed / disposed off during the period / year	-	-	(123,509)	-	-	-	-	-
Revaluation of investment during the period / year	-	-	-	6	-	-	-	-
Closing balance	-	-	-	9	-	-	123,509	4
<b>Advances</b>								
Opening balance	1,992	40,856	-	2,009,636	1,412	20,967	-	2,139,641
Addition during the period / year	5,585	74,241	-	246,309	13,752	188,689	-	41,428
Repaid during the period / year	(5,888)	(103,050)	-	(288,496)	(13,172)	(168,800)	-	(171,433)
Closing balance	1,689	12,047	-	1,967,449	1,992	40,856	-	2,009,636
Provision held against advances	-	-	-	681,129	-	-	-	680,667
<b>Other Assets</b>								
Interest / mark-up accrued	-	141	-	56,304	-	1,309	-	50,123
<b>Subordinated debt</b>								
Opening balance	-	-	-	440,266	-	-	-	440,266
Issued / purchased during the period / year	-	-	-	-	-	-	-	-
Redemption during the period / year	-	-	-	-	-	-	-	-
Closing balance	-	-	-	440,266	-	-	-	440,266
<b>Deposits and other accounts</b>								
Opening balance	21,521	79,485	20,749	557,218	38,168	110,508	38,059	790,636
Received during the period / year	88,086	472,416	22,465	1,620,427	88,627	601,901	82,539	3,133,926
Withdrawn during the period / year	(82,924)	(484,896)	(43,214)	(1,466,708)	(105,274)	(632,924)	(99,849)	(3,367,344)
Closing balance	26,683	67,004	-	710,937	21,521	79,485	20,749	557,218
<b>Other Liabilities</b>								
Interest / mark-up payable	39	644	-	347	-	-	37	98
<b>Contingencies and Commitments</b>								
Other contingencies	-	-	-	17,389	-	-	4,654	17,389

	September 30, 2023 - Un-audited				September 30, 2022 - Un-audited			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
Rupees in '000								
<b>Transactions</b>								
<b>Income</b>								
Mark-up / return / interest earned	-	5,216	-	182,402	-	3,466	-	109,031
Net loss on sale of securities	-	-	(13,323)	-	-	-	-	-
<b>Expense</b>								
Mark-up / return / interest paid	1,736	2,901	182	74,162	1,427	3,119	1,372	30,717
Short term employment benefits	54,875	192,165	-	-	39,945	235,936	-	-
Contribution to Defined Benefit Plan	2,109	8,482	-	-	1,687	8,670	-	-
Meeting fee	54,435	-	-	-	26,980	-	-	-

September 30, 2023 Un-audited	December 31, 2022 Audited
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Rupees in '000

40 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

**Minimum Capital Requirement (MCR)**

Paid-up capital (net of losses)	<u>(22,887,447)</u>	<u>(15,441,890)</u>
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**Capital Adequacy Ratio (CAR):**

Eligible Common Equity Tier 1 (CET 1) Capital	(52,386,821)	(39,006,704)
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	<u>(52,386,821)</u>	<u>(39,006,704)</u>
Eligible Tier 2 Capital	-	-
Total Eligible Capital (Tier 1 + Tier 2)	<u>(52,386,821)</u>	<u>(39,006,704)</u>

**Risk Weighted Assets (RWAs):**

Credit Risk	67,749,249	77,140,611
Market Risk	910,300	839,751
Operational Risk	7,061,942	7,018,572
Total	75,721,491	84,998,934

Common Equity Tier 1 Capital Adequacy Ratio	<u>-69.18%</u>	<u>-45.89%</u>
Tier 1 Capital Adequacy Ratio	<u>-69.18%</u>	<u>-45.89%</u>
Total Capital Adequacy Ratio	<u>-69.18%</u>	<u>-45.89%</u>

**Leverage Ratio (LR):**

Eligible Tier-1 Capital	(52,386,821)	(39,006,704)
Total Exposures	<u>310,097,959</u>	<u>308,068,643</u>
Leverage Ratio	<u>-16.89%</u>	<u>-12.66%</u>

**Liquidity Coverage Ratio (LCR):**

Total High Quality Liquid Assets	16,648,400	39,301,752
Total Net Cash Outflow	<u>23,899,201</u>	<u>25,912,315</u>
Liquidity Coverage Ratio	<u>69.66%</u>	<u>151.67%</u>

**Net Stable Funding Ratio (NSFR):**

Total Available Stable Funding	171,023,862	170,731,662
Total Required Stable Funding	<u>103,877,676</u>	<u>105,027,366</u>
Net Stable Funding Ratio	<u>164.64%</u>	<u>162.56%</u>

#### 41 ISLAMIC BANKING BUSINESS

The Bank is operating with 23 Islamic Banking branches at the end of September 30, 2023 (December 31, 2022: 27). During the period, the Bank closed 4 Islamic banking branches.

The statement of financial position of these branches as at September 30, 2023, are as follows:

		September 30, 2023	December 31, 2022
		Un-audited	Audited
	Note	Rupees in '000	
<b>ASSETS</b>			
Cash and balances with treasury banks		1,352,655	1,773,437
Balances with other banks		24,076	21,101
Due from financial institutions	41.1	21,327,200	26,511,693
Investments	41.2	2,590,427	3,218,147
Islamic financing and related assets - net	41.3	169,069	226,868
Fixed assets		498,696	632,095
Intangible assets		1,558	4,909
Due from Head Office		-	-
Other assets		1,305,777	1,177,012
<b>Total assets</b>		<b>27,269,457</b>	<b>33,565,262</b>
<b>LIABILITIES</b>			
Bills payable		329,997	414,267
Deposits and other accounts	41.4	15,639,955	15,932,153
Due to Head Office		1,564,738	8,224,948
Other liabilities		1,031,696	970,722
<b>Total liabilities</b>		<b>18,566,386</b>	<b>26,542,090</b>
<b>NET ASSETS</b>		<b>8,713,071</b>	<b>7,023,172</b>
<b>REPRESENTED BY</b>			
Islamic banking fund		6,625,000	6,625,000
Reserves		-	-
Deficit on revaluation of assets		(98,912)	(117,581)
Un-appropriated profit	41.8	2,186,983	515,753
		<b>8,713,071</b>	<b>7,023,172</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	41.5		

The profit and loss account of the Bank's Islamic banking branches for the nine months period ended September 30, 2023 is as follows:

		September 30, 2023	September 30, 2022
		Un-audited	Un-audited
	Note	Rupees in '000	
Profit / return earned	41.6	3,225,191	2,581,313
Profit / return expensed	41.7	(1,046,119)	(1,349,182)
<b>Net profit / return</b>		<b>2,179,072</b>	<b>1,232,131</b>
<b>Other Income</b>			
Fee and commission income		24,145	22,588
Foreign exchange loss		37,387	34,808
Income from derivatives		-	-
(Loss) / Gain on securities		(1,140)	228
Other income		74,294	16,092
<b>Total other income</b>		<b>134,686</b>	<b>73,716</b>
<b>Total Income</b>		<b>2,313,758</b>	<b>1,305,847</b>
<b>Other expenses</b>			
Operating expenses		(595,048)	(639,983)
Workers Welfare Fund		-	(13,317)
Other charges		(17)	-
<b>Total other expenses</b>		<b>(595,065)</b>	<b>(653,300)</b>
<b>Profit before provisions</b>		<b>1,718,693</b>	<b>652,547</b>
Provisions and write offs - net		(47,463)	-
<b>Profit for the period</b>		<b>1,671,230</b>	<b>652,547</b>

41.1	Due from Financial Institutions	September 30, 2023 - Un-audited			December 31, 2022 - Audited		
		In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
		Rupees in '000					
	Bai Muajjal receivable from other financial institution	21,327,200	-	21,327,200	26,511,693	-	26,511,693
		<u>21,327,200</u>	<u>-</u>	<u>21,327,200</u>	<u>26,511,693</u>	<u>-</u>	<u>26,511,693</u>

41.2	Investments by segments:	September 30, 2023 - Un-audited				December 31, 2022 - Audited			
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
		Rupees in '000							
	Federal Government Securities:								
	Ijarah Sukuks	2,689,628	-	(99,201)	2,590,427	3,336,158	-	(118,011)	3,218,147
	<b>Total Investments</b>	<u>2,689,628</u>	<u>-</u>	<u>(99,201)</u>	<u>2,590,427</u>	<u>3,336,158</u>	<u>-</u>	<u>(118,011)</u>	<u>3,218,147</u>

41.3	Islamic financing and related assets - net	Note	September 30, 2023	December 31, 2022
			Un-audited	Audited
			Rupees in '000	
	Murabaha		5,869	14,493
	Diminishing Musharaka		203,750	212,375
	<b>Gross Islamic financing and related assets</b>	12	<u>209,619</u>	<u>226,868</u>
	Less: provision against Islamic financings			
	- Specific		(40,650)	-
	- General		-	-
			<u>(40,650)</u>	<u>-</u>
	<b>Islamic financing and related assets - net of provision</b>		<u>169,069</u>	<u>226,868</u>

41.3.1 Islamic financing includes Rs.195 Million (December 31, 2022: Nil) which have been placed under non-performing status as detailed below:

Category of classification - specific	September 30, 2023 - Un-audited		December 31, 2022 - Audited	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	Rupees in '000			
Domestic	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	195,000	40,650	-	-
<b>Total</b>	<u>195,000</u>	<u>40,650</u>	<u>-</u>	<u>-</u>

41.3.3 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.

41.4	Deposits	September 30, 2023 - Un-audited			December 31, 2022 - Audited		
		In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
		Rupees in '000					
	<b>Customers</b>						
	Current deposits	3,770,021	930,520	4,700,550	4,333,066	846,177	5,179,243
	Saving deposits	6,895,489	1,251,457	8,146,946	6,839,108	1,417,923	7,257,031
	Term deposits	2,137,411	310,038	2,447,449	2,848,626	324,136	3,172,762
	Margin deposits	26,686	-	26,686	26,686	-	26,686
	Call deposits	121,697	-	121,697	67,308	-	67,308
		<u>12,951,304</u>	<u>2,492,024</u>	<u>15,443,328</u>	<u>13,114,784</u>	<u>2,588,236</u>	<u>15,703,030</u>
	<b>Financial Institutions</b>						
	Current deposits	40,261	1,193	41,454	106,127	909	107,036
	Saving deposits	30,173	-	30,173	22,087	-	22,087
	Term deposits	125,000	-	125,000	100,000	-	100,000
		<u>195,434</u>	<u>1,193</u>	<u>196,627</u>	<u>228,214</u>	<u>909</u>	<u>229,123</u>
		<u>13,146,738</u>	<u>2,493,217</u>	<u>15,639,955</u>	<u>13,343,008</u>	<u>2,589,145</u>	<u>15,932,153</u>



	September 30, 2023 Un-audited	December 31, 2022 Audited
	Rupees in '000	
<b>41.5 Contingencies and Commitments</b>		
Guarantees	929,880	764,311
Commitments	<u>2,301,296</u>	<u>2,153,395</u>
	<u><u>3,231,176</u></u>	<u><u>2,917,706</u></u>
	September 30, 2023 Un-audited	September 30, 2022 Un-audited
	Rupees in '000	
<b>41.6 Profit / return earned of financing, investments and placement</b>		
On:		
Financing	6,972	175,679
Investments	323,185	325,257
Due from Financial Institutions	<u>2,895,034</u>	<u>2,080,377</u>
	<u><u>3,225,191</u></u>	<u><u>2,581,313</u></u>
<b>41.7 Profit expensed on Deposits and other Dues Expensed</b>		
On:		
Deposits and other accounts	735,341	1,192,956
Cost of foreign currency swaps against foreign currency deposits / borrowings	257,980	88,193
Lease liability against right-of-use assets	<u>52,798</u>	<u>68,033</u>
	<u><u>1,046,119</u></u>	<u><u>1,349,182</u></u>
	September 30, 2023 Un-audited	December 31, 2022 Audited
	Rupees in '000	
<b>41.8 Islamic Banking Business Un-appropriated profit</b>		
Opening Balance	515,753	276,696
Add: Islamic Banking profit for the period / year	<u>1,671,230</u>	<u>239,057</u>
Closing Balance	<u><u>2,186,983</u></u>	<u><u>515,753</u></u>

42 GENERAL

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

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

43 DATE OF AUTHORISATION FOR ISSUE

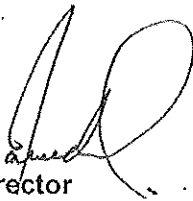
These condensed interim financial statements were authorised for issue on 28-Dec-2024 by the Board of Directors of the Bank.



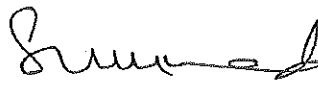
Chief Financial Officer



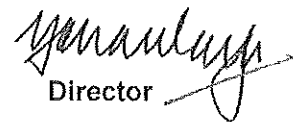
President & Chief Executive Officer



Director



Director



Director

**Director's Report as of September 30, 2023**

**Dear Shareholders,**

We are pleased to present the financial statements of the Bank for the third quarter ended September 30, 2023.

**Economic Review:**

Global economic outlook remained moderate as Central Banks continue to take inflation head on with rise in interest rates. China property market slump has casted a shadow on overall outlook. Monetary tightening weighed on demand in US and Europe.

Pakistan's economy is undergoing a stabilization period. This has kept the overall demand weak, with high inflation and low GDP growth. Favorable weather conditions since last one year has started yielding results with improvements in agriculture output. Early sign indicates a bumper cotton crop with expected 55million bales.

Macroeconomic measures resulted in negative growth of Large Scale Manufacturing (LSM). On year on year (YoY) basis, LSM declined by 1.09% in the month of July 2023, while on Month on Month (MoM) basis, it decreased by 3.62%. During the period, 9 out of 22 sectors witnessed growth including Food, Tobacco, Wearing Apparel, Chemicals, Pharmaceuticals, Rubber Products, Non-Metallic Mineral Products, Machinery and Equipment and others (Football).

Trade balance improved drastically which reflected in notable improvement in Current account balance. Trade deficit during July – September 2024 stood at US\$6.13billion compared to US\$9.28 in Q1FY22. Imports during July – September 2023 were reported at US\$14.85billion versus US\$18.38billion during the same period last year. Exports were recorded at US\$8.72billion during July – September 2023 as compared to US\$ 9.10billion during the comparative period last year. In comparison to the corresponding periods imports and exports were down 19.2% and 4.1% respectively. During Q1FY24, Workers' remittances fell by 19.8% to reach at US\$6.33billion as compared to US\$7.89 billion during Q1FY23. Monthly remittances in September 2023, increased by 5.3% on MoM basis, whereas on YoY basis it declined by 11.3%.

USD PKR parity was at 287/73 as on September 30<sup>th</sup>, 2023. PKR remained stable during the period. Stability in the currency shall have a positive impact on different sectors of economy.

Consumer price index increased by 31.40% during September 2023. In Q1FY23 inflation was reported at 29.03% as compared to 25.13% in Q1FY22. In order to ensure external account stability and to pacify inflation SBP increased the policy rate to 22% in September 2023.

The performance of Pakistan Stock Exchange (PSX) remained volatile and KSE-100 index closed at 46,233 as on September 28, 2023. The market capitalization recorded at Rs. 6,716 billion as of August 31, 2023.

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

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## Financial Performance

In the nine-month period ended September 30, 2023, the Bank posted loss after tax of Rs. 7.45 billion as compared to Rs. 3.12 billion sustained in the last corresponding period. During this period, total deposits decreased by Rs. 9.28 billion, closing at Rs. 154.58 billion, while gross advances decreased by Rs. 8.80 billion.

Summarized financial performance of Silkbank Limited for the nine-month period ended September 30, 2023, is as follows:

	Rs in 'million'
<b>Loss before tax</b>	<b>(12,009)</b>
<b>Tax - Current</b>	<b>-</b>
<b>Prior</b>	<b>167</b>
<b>Deferred</b>	<b>(4,723)</b>
<b>Loss after tax</b>	<b>(7,453)</b>
	<b>Rupee</b>
<b>Loss per share – Basic and diluted</b>	<b>(0.82)</b>

Compared to the corresponding period last year, the Bank reported a decline in Net Interest Income (NII) of Rs. 4.98 billion, an increase in operating expenses of Rs. 218 million, and an improvement in non-markup income of Rs. 436 million. Additionally, provisioning against non-performing loans (NPLs), recorded in accordance with SBP Prudential Regulations, decreased by Rs. 415 million.

The reduction in NII was primarily driven by higher interest rates during the period compared to the corresponding period, leading to an increased cost of funding for the Bank. Further, higher markup suspension on non-performing loans and an increase in non-earning assets further deteriorated Bank's NII.

On the non-markup /interest income front, the Bank's earnings improved by Rs. 225 million, driven by higher fee and commission income, along with a reduced loss on the sale of securities amounting to Rs. 144 million during the current period.

Operating expenses increased by Rs. 217 million compared to the same period last year, mainly due to higher inflation and the adverse impact of the deteriorated Rupee-US Dollar exchange rate.

### Business Performance:

#### Branch Banking

Branch Banking served over 253,314 customers contributing more than 76% of the Bank's deposit base. Total deposit as of 30 September 2023 stood at approximately Rs.117.99 billion. The total

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Year to Date deposit grew by Rs. 8.75 billion till 30<sup>th</sup> September 2023 out of which the current account portfolio grew by Rs. 2.63 billion.

Bancassurance generated business of Rs. 15.71 million in annual premium which translates into NFI of Rs. 9.44 million during Q3-23

Starting in June, we planned and launched a quarter-long AIO market storming and sales activation in Karachi, Lahore, and Islamabad. This activity took place at key malls in these cities, where our sales team was deployed to educate customers on the benefits of AIO accounts and generate leads. The branch sales teams received a great response from the market, generating leads that facilitated the opening of quality funded AIO current accounts

#### **Consumer Banking:**

These nine months of the year 2023 have been exceptional for all unsecured products. Posting a profit before tax of Rs. 1.37 billion on a portfolio of over Rs. 15.3 billion

- **Credit Cards:**

During 3rd quarter of 2023, Credit Cards business implemented a number of strategic initiatives to see through its most profitable year including Online Spend campaigns & Bill payment Campaigns. Many tactical campaigns were also launched to tap every event of the year. With numerous campaigns and efforts, we were able to post highest ever monthly spend of Rs. 3.66 billion in Aug-23, totaling the YTD spend to 30 billion, closing off the quarter with ENR Rs. 6.6 billion keeping its upward trajectory. With the acquisition of 4,273 new cards in 3rd Quarter, the CIF (Cards in Force) increased to 166,758. This was further supplemented by 0% installment plan campaign Azaadi Promo helping Business achieve FIP (Flexible Instalment Plan) booking of Rs. 833 million in 3rd quarter of 2023.

- **Ready Line:**

Silkbank Ready Line a running finance facility with its unique and convenient features which facilitate customer to access and utilize their funds anytime, have been customers' favorite since it is launched in 2011. At the end of Q3, 2023 we stand at an ENR of Rs. 6.7 billion with 41,923 active customers and also posted EBIT of Rs. 218 million in 3rd quarter alone totaling to nine months EBIT YTD from Jan-Sep 2023 of Rs. 763 million that was achieved with multiple tactical promotions such as 100% cashback on spend of Rs. 25,000 or more.

- **Personal Loan:**

In 3rd Quarter of 2023, Personal Loan despite slow acquisition, posted Rs. 7 million profit before income & tax, totalling to 9 months EBIT of 98 million. By the end of September 2023, the portfolio stands at Rs. 1.9 billion with 12,500 active customers.

#### **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. 15.63 billion, with a

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CASA to time deposit ratio of 84:16. A consistent emphasis on service quality throughout the period has resulted in significant improvements in service indicators.

During the year, Emaan successfully enrolled 2,672 new customers, increasing the total customer base to 44,653. Service and quality remain paramount for Emaan Islamic Banking, which prides itself on integrating service excellence into every aspect of its operations. The bank's commitment to customer service is reflected in its attainment of a "Very Good" rating for the year.

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

As of Sep 30, 2023, the Minimum Capital Requirement (MCR) stood at negative Rs. 22.89 billion and the Capital Adequacy Ratio (CAR) at negative 69.18% 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.

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On December 26, 2024, the Bank's shareholders, in an EOGM, approved the Amalgamation with and into UBL as per the Scheme of Amalgamation previously approved by the Board of Directors.

This amalgamation remains subject to the fulfillment of all necessary legal formalities and obtaining the requisite corporate, regulatory, and third-party approvals.

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.

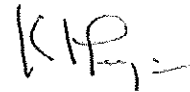
We are also equally thankful to our associates, staff and colleagues for their committed services, and look forward to their continued support.

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



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**Shahram Raza Bakhtiari**  
President & CEO



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**Khalid Aziz Mirza**  
Chairman

**December 28, 2024**

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