

Half Yearly
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 Bakhtari	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

Website: 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)


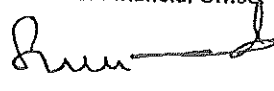
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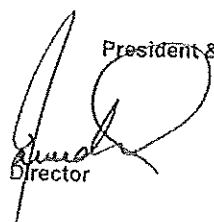
Website: www.cdcsrsl.com

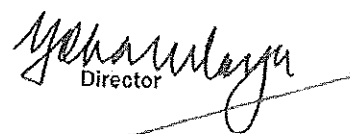
SILKBANK LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

		June 30, 2023	December 31, 2022
	Note	Un-audited	Audited
Rupees in '000			
ASSETS			
Cash and balances with treasury banks	8	12,399,818	10,198,476
Balances with other banks	9	1,672,527	586,790
Lendings to financial institutions	10	2,567,381	8,148,196
Investments	11	203,349,828	165,676,618
Advances	12	54,998,855	64,117,202
Fixed assets	13	4,938,241	5,429,237
Intangible assets	14	351,066	366,437
Deferred tax assets	15	26,656,578	22,661,840
Other assets	16	21,347,836	16,282,612
		328,282,130	293,467,408
LIABILITIES			
Bills payable	17	3,699,165	3,040,491
Borrowings	18	178,261,810	148,016,140
Deposits and other accounts	19	152,119,497	145,298,894
Subordinated debt	20	2,438,666	2,438,666
Deferred tax liabilities		-	-
Other liabilities	21	12,008,689	8,643,979
		348,527,827	307,438,170
NET ASSETS		(20,245,697)	(13,970,762)
REPRESENTED BY			
Shareholders' equity			
Share capital - net		23,431,374	23,431,374
Statutory reserves	22	820,890	820,890
(Deficit) / Surplus on revaluation of assets - net of tax	23	(704,579)	650,238
Accumulated losses		(43,793,382)	(38,873,264)
		(20,245,697)	(13,970,762)
CONTINGENCIES AND COMMITMENTS			
	24		

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


Chief Financial Officer

Director


President & Chief Executive Officer

Director


Director

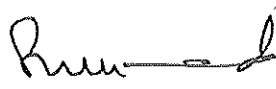
SILKBANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT - UNAUDITED
FOR THE HALF YEAR ENDED JUNE 30, 2023

	Note	Quarter ended		Half year ended	
		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Rupees in '000					
Mark-up / return / profit / interest earned	26	11,327,699	6,905,271	20,510,936	12,728,113
Mark-up / return / profit / interest expensed	27	(13,462,415)	(7,360,844)	(23,837,059)	(12,548,187)
Net Mark-up / return / profit / interest (expense) / income		(2,134,716)	(455,573)	(3,326,123)	179,926
NON MARK-UP / INTEREST INCOME					
Fee and commission income	28	740,233	707,509	1,572,641	1,405,185
Dividend income		11,941	-	11,941	-
Foreign exchange income		120,093	180,413	362,343	258,051
(Loss) / income from derivatives		(7,288)	2	(9,088)	(9,358)
Loss on securities	29	(43,680)	(146,388)	(77,446)	(162,856)
Other income	30	112,144	30,227	142,969	61,885
Total non-markup / interest income		933,443	771,763	2,003,381	1,552,907
Total (loss) / income		(1,201,273)	316,190	(1,322,742)	1,732,833
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	31	(1,905,242)	(1,800,690)	(3,753,813)	(3,573,576)
Workers Welfare Fund		-	-	-	-
Other charges	32	(1,285)	(1,984)	(2,937)	(4,105)
Total non-markup / interest expenses		(1,906,527)	(1,802,674)	(3,756,750)	(3,577,681)
Loss before provisions, extra ordinary / unusual item and taxation		(3,107,800)	(1,486,484)	(5,079,492)	(1,844,848)
Provisions and write offs - net Extra ordinary / unusual items	33	(2,476,234)	(4,419,403)	(2,866,493)	(4,202,943)
LOSS BEFORE TAXATION		(5,584,034)	(5,905,887)	(7,945,985)	(6,047,791)
Taxation	34	2,154,435	2,260,639	3,019,448	3,955,886
LOSS AFTER TAXATION		(3,429,599)	(3,645,248)	(4,926,537)	(2,091,903)
Rupees					
Basic and Diluted Loss Per Share	35	(0.38)	(0.40)	(0.54)	(0.23)

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

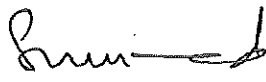
SILKBANK LIMITED


**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED
FOR THE HALF YEAR ENDED JUNE 30, 2023**

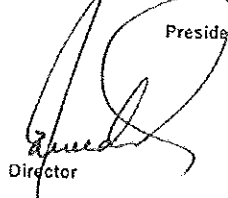
	Quarter ended		Half year ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	Rupees in '000			
Loss after taxation for the period	(3,429,599)	(3,845,246)	(4,926,537)	(2,091,903)
Other comprehensive (loss) / income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Movement in surplus on revaluation of investments - net of tax	(107,202)	(255,948)	(1,353,107)	(428,791)
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	29,339	3,617	26,912
Movement in surplus on revaluation of fixed assets - net of tax	(546)	(545)	(1,092)	(2,094)
Movement in surplus on revaluation of non-banking assets - net of tax	(309)	(309)	(618)	(1,503)
	2,762	28,485	1,907	23,315
Total comprehensive loss	<u>(3,534,039)</u>	<u>(3,872,711)</u>	<u>(6,277,737)</u>	<u>(2,497,379)</u>

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Chief Financial Officer


Director


President & Chief Executive Officer


Director


Director


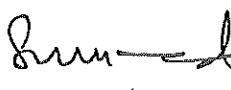
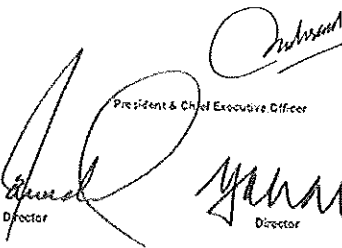
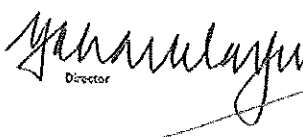
SILKBANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - UNAUDITED
FOR THE HALF YEAR ENDED JUNE 30, 2023

	Surplus / (deficit) on revaluation of		Statutory Reserve*	Accumulated Losses	Total Equity	
	Share Capital - net	Investments				Fixed / Non-Banking Assets
Rupees in '000						
Opening Balance as at January 01, 2022 - Audited	23,431,374	(249,111)	1,526,449	820,850	(12,450,279)	(7,160,645)
Loss after taxation for the half year ended June 30, 2022 - Un-audited	-	-	-	-	(2,091,503)	(2,091,503)
Other comprehensive income / (loss) - net of tax - Un-audited	-	-	-	-	(2,091,503)	(2,091,503)
Movement in surplus on revaluation of investments - net of tax	-	(428,791)	-	-	-	(428,791)
Remeasurement gain on defined benefit obligations - net of tax	-	-	-	-	26,912	26,912
Movement in surplus on revaluation of fixed assets - net of tax	-	-	(2,092)	-	-	(2,092)
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	(1,503)	-	-	(1,503)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	-	1,750	1,750
Transfer from surplus on revaluation of non-banking assets on account of incremental depreciation - net of tax	-	-	-	-	1,012	1,012
Transfer from surplus on revaluation of non-banking assets on account of disposal of assets - net of tax	-	-	-	-	267	267
Closing Balance as at June 30, 2022 - Un-audited	23,431,374	(1,277,912)	1,522,849	820,690	(14,552,294)	(9,654,356)
Loss after taxation for the half year ended December 31, 2022 - Un-audited	-	-	-	-	(4,284,442)	(4,284,442)
Other comprehensive income / (loss) - net of tax - Un-audited	-	-	-	-	(4,284,442)	(4,284,442)
Movement in surplus on revaluation of investments - net of tax	-	7,610	-	-	-	7,610
Remeasurement gain on defined benefit obligations - net of tax	-	-	-	-	(30,667)	(30,667)
Movement in surplus on revaluation of fixed assets - net of tax	-	-	(1,092)	-	-	(1,092)
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	(1,261)	-	-	(1,261)
Transfer to statutory reserves	-	-	-	-	-	-
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	-	1,789	1,789
Transfer from surplus on revaluation of non-banking assets on account of incremental depreciation - net of tax	-	-	-	-	1,014	1,014
Transfer from surplus on revaluation of non-banking assets on account of disposal of assets - net of tax	-	-	-	-	643	643
Closing Balance as at December 31, 2022 - Audited	23,431,374	(1,270,292)	1,520,590	820,890	(18,673,264)	(10,970,742)
Loss after taxation for the half year ended June 30, 2023 - Un-audited	-	-	-	-	(4,526,537)	(4,526,537)
Other comprehensive income / (loss) - net of tax - Un-audited	-	-	-	-	(4,526,537)	(4,526,537)
Movement in surplus on revaluation of investments - net of tax	-	(1,352,107)	-	-	-	(1,352,107)
Remeasurement gain on defined benefit obligations - net of tax	-	-	-	-	3,617	3,617
Movement in surplus on revaluation of fixed assets - net of tax	-	-	(1,092)	-	-	(1,092)
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	(618)	-	-	(618)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	-	1,750	1,750
Transfer from surplus on revaluation of non-banking assets on account of incremental depreciation - net of tax	-	-	-	-	1,012	1,012
Transfer from surplus on revaluation of non-banking assets on account of disposal of assets - net of tax	-	-	-	-	-	-
Closing Balance as at June 30, 2023 - Un-audited	23,431,374	(2,622,399)	1,518,920	820,890	(19,793,382)	(20,245,697)

* 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.

2/27/23


 Chief Financial Officer

 Director

 President & Chief Executive Officer

 Director

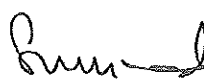
SILKBANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT - UNAUDITED
FOR THE HALF YEAR ENDED JUNE 30, 2023


	Note	June 30, 2023	June 30, 2022
Rupees in '000			
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(7,945,985)	(6,047,791)
Less: dividend income		(11,941)	-
Adjustments:		(7,957,926)	(8,047,791)
Depreciation on fixed assets			
Depreciation on right-of-use assets	31	134,473	142,855
Depreciation on non-banking assets acquired in satisfaction of claims	31	291,023	297,650
Amortization of intangible assets	31	17,312	17,500
Amortization of premium / (discount) on investments - net	31	27,328	27,546
Finance charge on lease liability against right-of-use assets		182,704	(35,365)
Provisions against loans & advances	27	152,969	169,188
Gain on sale of fixed assets	33	3,047,033	4,408,566
Unrealized loss / (gain) on revaluation of investments - held-for-trading	30	(10,199)	-
Unrealized loss on revaluation of investments - REIT Units	29	9,533	(3)
Gain on sale of non-banking assets acquired in satisfaction of claims	29	44,592	14,551
Write offs against fixed assets	30	-	(571)
Write offs against fixed assets - Capital work-in-progress	33	9,102	-
	33	5,887	-
		<u>3,911,757</u>	<u>5,041,937</u>
		(4,046,169)	(1,005,854)
Decrease / (increase) in operating assets			
Lendings to financial institutions		5,580,815	(2,499,760)
Net investments in held-for-trading securities		(10,226,362)	32,276,155
Advances		6,071,314	2,112,579
Other assets (excluding advance taxation)		(4,947,600)	(32,235)
		<u>(3,521,833)</u>	<u>31,856,739</u>
(Decrease) / increase in operating liabilities			
Bills payable		658,674	(1,089,616)
Borrowings		30,245,870	12,562,881
Deposits		6,820,603	4,714,929
Other liabilities (excluding current taxation)		3,612,895	3,139,497
		<u>41,337,842</u>	<u>19,347,691</u>
		33,769,840	50,198,576
Income tax paid		(240,415)	(162,311)
Net cash flow generated from operating activities		<u>33,529,425</u>	<u>50,036,265</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		(29,950,471)	(47,221,269)
Net investment in held-to-maturity securities		48,585	302,158
Dividend received		11,941	-
Net investment in fixed assets and intangible assets		(41,511)	(344,610)
Proceeds on disposal of non-banking assets acquired in satisfaction of claims		-	28,000
Proceeds on disposal of fixed assets		66,323	38,320
Net cash flow used in investing activities		<u>(29,865,133)</u>	<u>(47,197,601)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Payments / receipts of subordinated debts		-	-
Payment of lease liability against right-of-use assets		(377,213)	(313,975)
Net cash flow used in financing activities		<u>(377,213)</u>	<u>(313,975)</u>
Increase in cash and cash equivalents		3,287,079	2,524,669
Cash and cash equivalents at the beginning of the period		10,785,266	12,772,066
Cash and cash equivalents at the end of the period	36	<u>14,072,345</u>	<u>15,296,755</u>

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


Chief Financial
Officer


President & Chief
Executive Officer


Director


Director


Director

SILKBANK Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED FOR THE HALF YEAR ENDED JUNE 30, 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 June 30, 2023, the equity of the Bank is negative Rs. 19.54 billion excluding surplus on revaluation of assets. This includes share capital (net of losses and discount on shares) of negative Rs. 20.36 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 62.66% (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 June 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.

		June 30, 2023	December 31, 2022
		Un-audited	Audited
	Note	Rupees in '000	
8 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		2,340,763	2,265,510
Foreign currencies		849,411	515,560
		3,190,174	2,781,070
With State Bank of Pakistan in			
Local currency current account	8.1	6,538,314	5,714,063
Foreign currency current account		1,113,525	758,204
Foreign currency deposit account	8.2	1,306,847	910,188
		8,958,686	7,382,455
With National Bank of Pakistan in			
Local currency current account		242,737	25,278
National Prize Bonds		8,221	9,673
		<u>12,399,818</u>	<u>10,198,476</u>
8.1	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).		
8.2	This represents account maintained with SBP to comply with Special Cash Reserve requirement (FE-25 scheme, as prescribed by SBP). It carries interest rates ranging from 3.39% to 4.19% (2022: 0.12% to 3.14%).		
		June 30, 2023	December 31, 2022
		Un-audited	Audited
		Rupees in '000	
9 BALANCES WITH OTHER BANKS			
In Pakistan			
In current account		208,735	99,380
In deposit account		89	84
		208,824	99,464
Outside Pakistan			
In current account		1,463,703	487,326
		<u>1,672,527</u>	<u>586,790</u>
10 LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings (Reverse repo)		2,567,381	7,880,102
Foreign placement		-	268,094
		<u>2,567,381</u>	<u>8,148,196</u>
Less: Provision held against Lending to Financial Institutions		-	-
Lendings to Financial Institutions - net of provision		<u>2,567,381</u>	<u>8,148,196</u>

11 INVESTMENTS

		June 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
11.1	Investments by type:	Rupees in '000							
	Held-for-trading securities								
	Federal Government Securities								
	Market Treasury Bills	8,640,688	-	(7,267)	8,633,421	6,906,492	-	1,821	6,908,313
	Pakistan Investment Bonds	9,381,541	-	(1,708)	9,379,833	889,811	-	(111)	889,700
	GOP Ijarah Sukuks	494,406	-	(560)	493,846	395,445	-	(3,185)	392,260
		18,516,635	-	(9,533)	18,507,102	8,291,748	-	(1,475)	8,290,273
	Available-for-sale securities								
	Federal Government Securities								
	Market Treasury Bills	1,902,910	-	(31,376)	1,871,534	15,489,572	-	(31,865)	15,457,707
	Pakistan Investment Bonds	161,430,915	-	(4,157,709)	157,273,206	117,914,919	-	(1,932,866)	115,982,023
	GOP Ijarah Sukuks	3,090,796	-	(124,132)	2,966,664	3,239,178	-	(117,581)	3,121,597
	Shares - Listed								
	Ordinary Shares	110,456	-	12,538	122,994	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	50,151	-	24	50,175	50,278	-	(103)	50,175
	Term Finance Certificates - Unlisted	8,780	(8,780)	-	-	8,780	(8,780)	-	-
		167,509,720	(14,460)	(4,359,807)	163,135,453	137,618,444	(14,460)	(2,097,008)	135,508,978
	Held-to-maturity securities								
	Federal Government Securities								
	Pakistan Investment Bonds	21,707,273	-	-	21,707,273	21,755,858	-	-	21,755,858
	Non Government Debt Securities								
	Shares repurchase (fully provided)	74,910	(74,910)	-	-	74,910	(74,910)	-	-
		21,782,183	(74,910)	-	21,707,273	21,830,768	(74,910)	-	21,755,858
	Associates								
	SPI Insurance Company Limited	-	-	-	-	123,509	-	-	123,509
	Total investments	207,808,538	(89,370)	(4,369,340)	203,349,828	167,864,469	(89,370)	(2,098,481)	165,676,618
11.2	Investments by segments:								
	Federal Government Securities								
	Market Treasury Bills	10,543,598	-	(38,643)	10,504,955	22,396,064	-	(30,044)	22,366,020
	Pakistan Investment Bonds	192,519,729	-	(4,159,415)	188,360,314	140,660,588	-	(1,933,007)	138,727,581
	GOP Ijarah Sukuks	3,585,202	-	(124,692)	3,460,510	3,634,623	-	(120,766)	3,513,857
		206,648,529	-	(4,322,750)	202,325,779	166,691,275	-	(2,083,817)	164,607,458
	Shares								
	Ordinary shares - Listed	110,456	-	12,538	122,994	5	-	-	5
	Ordinary shares - Unlisted	5,680	(5,680)	-	-	5,680	(5,680)	-	-
		116,136	(5,680)	12,538	122,994	5,685	(5,680)	-	5
	Non Government Debt Securities								
	Term Finance Certificates - Listed	50,151	-	24	50,175	50,278	-	(103)	50,175
	Term Finance Certificates - Unlisted	8,780	(8,780)	-	-	8,780	(8,780)	-	-
		58,931	(8,780)	24	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
	Total Investments	207,808,538	(89,370)	(4,369,340)	203,349,828	167,864,469	(89,370)	(2,098,481)	165,676,618

	June 30, 2023 Un-audited	December 31, 2022 Audited
Rupees in '000		
11.2.1 Investments given as collateral		
Market Treasury Bills	10,314,028	22,343,985
Pakistan Investment Bonds	161,150,164	116,403,463
	<u>171,464,192</u>	<u>138,747,448</u>

11.3 Provision for diminution in value of Investments

	June 30, 2023	December 31, 2022
11.3.1 Opening balance	89,370	69,370
Charge / (reversals)		
Charge for the period / year	-	-
Reversals for the period / year	-	-
Amounts written off	-	-
Closing balance	<u>89,370</u>	<u>69,370</u>

11.3.2 Particulars of provision against debt securities

Category of classification	June 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. 16,708 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 11,940,716 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

	Performing		Non Performing		Total	
	June 30, 2023 Un-audited	December 31, 2022 Audited	June 30, 2023 Un-audited	December 31, 2022 Audited	June 30, 2023 Un-audited	December 31, 2022 Audited
	Rupees in '000					
Note						
Loans, cash credits, running finances, etc.	42,413,210	48,922,016	45,022,218	45,114,993	87,435,428	94,037,009
Islamic financing and related assets	22,544	228,868	195,000	-	217,544	228,868
Bills discounted and purchased	40,747	52,148	2,893	1,858	43,640	54,006
Advances - gross	<u>42,476,601</u>	<u>49,203,032</u>	<u>45,220,111</u>	<u>45,116,851</u>	<u>87,696,612</u>	<u>94,317,883</u>
Less: Provision against advances						
- Specific	-	-	32,068,385	29,495,607	32,068,385	29,495,607
- General	629,372	705,074	-	-	629,372	705,074
	<u>629,372</u>	<u>705,074</u>	<u>32,068,385</u>	<u>29,495,607</u>	<u>32,697,757</u>	<u>30,200,681</u>
Advances - net of provision	<u>41,847,129</u>	<u>48,497,958</u>	<u>13,151,726</u>	<u>15,621,244</u>	<u>54,998,855</u>	<u>64,117,202</u>

	June 30, 2023 Un-audited	December 31, 2022 Audited
Rupees in '000		
12.1 Particulars of advances (Gross)		
In local currency	87,696,612	94,317,883
In foreign currencies	-	-
	<u>87,696,612</u>	<u>94,317,883</u>

12.2 Advances include Rs. 45.22 billion (December 31, 2022: Rs. 45.117 billion) which have been placed under non-performing status as detailed below:

Category of classification - specific	June 30, 2023 - Un-audited		December 31, 2022 - Audited	
	Non Performing Loans	Provision	Non Performing Loans	Provision
Rupees in '000				
Domestic				
Substandard	801,665	114,989	779,626	71,487
Doubtful	703,930	35,967	3,005,846	101,727
Loss	43,714,516	31,917,429	41,331,379	29,322,393
Total	<u>45,220,111</u>	<u>32,068,385</u>	<u>45,116,851</u>	<u>29,495,607</u>

12.3 Particulars of provision against advances:

Note	June 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	3,279,632	-	3,279,632	8,777,383	-	8,777,383
Reversals for the period / year	(156,897)	(75,702)	(232,699)	(1,628,499)	(161,054)	(1,789,553)
	<u>3,122,735</u>	<u>(75,702)</u>	<u>3,047,033</u>	<u>7,148,884</u>	<u>(161,054)</u>	<u>6,987,830</u>
Amounts written off	(549,957)	-	(549,957)	(1,014,707)	-	(1,014,707)
Closing balance	<u>32,068,385</u>	<u>629,372</u>	<u>32,697,757</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 June 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. 7,508 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. 629 million (December 31, 2022: Rs. 705 million) against consumer finance portfolio as required by the Prudential Regulations issued by the SBP.

		June 30, 2023	December 31, 2022
		Un-audited	Audited
	Note	Rupees in '000	
13	FIXED ASSETS		
	Capital work-in-progress	4,779	34,217
	Property and equipment	2,816,172	2,962,766
	Right-of-use assets	2,117,290	2,432,254
		<u>4,938,241</u>	<u>5,429,237</u>
13.1	Capital work-in-progress		
	Civil works	4,779	7,625
	Advances to suppliers and contractors	-	26,592
		<u>4,779</u>	<u>34,217</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 inplace.
- 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.

	June 30, 2023 Un-audited	June 30, 2022 Un-audited
	Rupees in '000	
13.3 Additions to fixed assets		
The following additions have been made to fixed assets during the period:		
Capital work-in-progress	23,539	324,058
Property and equipment		
Furniture and fixture	768	2,289
Electrical, office and computer equipment	8,918	7,855
Vehicles	25,946	168,162
Leasehold Improvements	17,345	4,118
	<u>52,977</u>	<u>182,424</u>
Total	<u><u>76,516</u></u>	<u><u>506,482</u></u>
13.4 Disposal of fixed assets		
The net book value of fixed assets disposed off during the period is as follows:		
Furniture and fixture	637	-
Electrical, office and computer equipment	1,094	-
Vehicles	54,383	38,320
Leasehold Improvements	10	-
Total	<u><u>56,124</u></u>	<u><u>38,320</u></u>
	June 30, 2023 Un-audited	December 31, 2022 Audited
	Rupees in '000	
14 INTANGIBLE ASSETS		
Capital work-in-progress	7,006	77,004
Software	344,060	289,433
	<u><u>351,066</u></u>	<u><u>366,437</u></u>
	June 30, 2023 Un-audited	June 30, 2022 Un-audited
	Rupees in '000	
14.1 Additions to intangible assets		
The following additions have been made to intangible assets during the period:		
Capital work-in-progress	11,957	20,752
Software (directly purchased)	81,955	13,521
Total	<u><u>93,912</u></u>	<u><u>34,273</u></u>

		June 30, 2023	December 31, 2022
		Un-audited	Audited
	Note	Rupees In '000	
15 DEFERRED TAX ASSETS			
Deductible Temporary Differences on			
- Tax losses carried forward		10,658,621	8,518,266
- Deficit on revaluation of investments	23	1,677,256	812,153
- Provision for diminution in value of investments		3,424	3,424
- Provision against non-performing advances		12,809,241	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		112,740	105,988
- Impairment in fixed assets		129,428	129,428
- Unabsorbed tax depreciation		980,489	940,051
		26,763,814	22,773,542
Taxable Temporary Differences on			
- Surplus on revaluation of non-banking assets	23	(13,825)	(14,219)
- Surplus on revaluation of fixed assets	23	(7,677)	(8,375)
- Post retirement employee benefits		(25,515)	(23,202)
- Accelerated tax depreciation		(60,219)	(65,906)
		(107,236)	(111,702)
		26,656,578	22,661,840

15.1 The Bank has an aggregate amount of deferred tax assets of Rs. 26,657 million (December 31, 2022: Rs. 22,662 million) out of which an amount of Rs. 12,809 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.

		June 30, 2023	December 31, 2022
		Un-audited	Audited
		Rupees in '000	
16	OTHER ASSETS		
	Income / mark-up accrued in local currency - net of provision	12,416,187	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	2,053,325	1,400,382
	Profit paid in advance on fixed deposits	113,511	61,895
	Advance taxation (payments less provisions)	2,371,978	2,242,969
	Net defined benefit assets	65,422	59,493
	Non-banking assets	2,996,412	3,013,552
	Branch adjustment account	732,304	413,872
	Mark to market gain on forward contracts	80,060	174,849
	Acceptances	281,225	274,399
	Contract Assets	-	-
	Receivable from sale of non-banking assets acquired in satisfaction of claims	22,850	37,550
	Fee receivable from Credit Card members	194,919	194,114
	Others	806,228	558,206
		<u>22,152,631</u>	<u>17,086,395</u>
	Less: Provision held against other assets	<u>(857,232)</u>	<u>(857,232)</u>
	Other assets - net of provisions	21,295,399	16,229,163
	Surplus on revaluation of non-banking assets	52,437	53,449
	Other assets - total	<u>21,347,836</u>	<u>16,282,612</u>
16.1	Market value of Non-banking assets acquired in satisfaction of claims	<u>2,199,617</u>	<u>2,217,769</u>
16.2	Non-banking assets		
	- acquired in satisfaction of claims	2,949,534	2,928,813
	- under agreement to sale third parties	46,878	84,739
		<u>2,996,412</u>	<u>3,013,552</u>
16.3	The non-banking assets acquired in satisfaction of claims (NBAs) 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 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.		
		June 30, 2023	December 31, 2022
		Un-audited	Audited
		Rupees in '000	
16.6	Provision held against other assets		
	Non-banking assets acquired in satisfaction of claims	849,232	849,232
	Others	8,000	8,000
		<u>857,232</u>	<u>857,232</u>
16.6.1	Movement in provision held against other assets		
	Opening balance	857,232	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>

	June 30, 2023 Un-audited Rupees in '000	December 31, 2022 Audited
17	BILLS PAYABLE	
	In Pakistan	3,699,165
	Outside Pakistan	-
	<u>3,699,165</u>	<u>3,040,491</u>
18	BORROWINGS	
	Secured	
	Borrowings from State Bank of Pakistan	
	- under export refinance scheme	2,491,877
	- under Credit Guarantee Scheme for Small and Rural Enterprises	500
	<u>2,492,377</u>	<u>2,692,394</u>
	Repurchase agreement borrowings	175,578,650
	<u>178,071,027</u>	<u>142,709,877</u>
	Unsecured	
	Call borrowings	-
	Trading liability	-
	Overdrawn nostro accounts	190,783
	<u>190,783</u>	<u>390,424</u>
	<u>178,261,810</u>	<u>148,016,140</u>

19 DEPOSITS AND OTHER ACCOUNTS

	June 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					
Customers						
Current deposits	36,832,052	7,106,830	43,938,882	34,174,446	4,638,911	38,813,357
Saving deposits	55,503,777	6,010,363	61,514,140	58,741,273	3,939,459	62,680,732
Term deposits	37,185,291	2,218,420	39,403,711	34,539,699	2,087,904	36,627,603
Margin deposits	1,170,764	-	1,170,764	1,284,723	-	1,284,723
Call deposits	3,004,118	-	3,004,118	1,233,509	-	1,233,509
	<u>133,696,002</u>	<u>15,335,613</u>	<u>149,031,615</u>	<u>129,973,650</u>	<u>10,666,274</u>	<u>140,639,924</u>
Financial Institutions						
Current deposits	156,175	17,433	173,608	305,847	5,436	311,283
Saving deposits	1,381,424	189	1,381,613	2,859,793	29,810	2,889,603
Term deposits	775,930	756,731	1,532,661	875,930	582,154	1,458,084
	<u>2,313,529</u>	<u>774,353</u>	<u>3,087,882</u>	<u>4,041,570</u>	<u>617,400</u>	<u>4,658,970</u>
	<u>136,009,531</u>	<u>16,109,966</u>	<u>152,119,497</u>	<u>134,015,220</u>	<u>11,283,674</u>	<u>145,298,894</u>

		June 30, 2023	December 31, 2022
	Note	Un-audited	Audited
		Rupees in '000	
20 SUBORDINATED DEBT			
Subordinated Term Finance Certificates	20.1	1,998,400	1,998,400
Subordinated Loan from Sponsors	20.2	440,266	440,266
		<u>2,438,666</u>	<u>2,438,666</u>

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

Issue amount	Rs. 2,000 million
Issue date	August 10, 2017
Maturity date	Up to 8 years from date of issue.
Rating	BBB+ (Triple B Plus) by VIS Credit Rating Company Limited (VIS) was announced on October 12, 2020, based on condensed interim financial statements of Silk Bank Limited as of June 30, 2020. Later on, the same rating was harmonized by VIS according to their revised methodology and assigned rating 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 instalments including profit thereon in respect of the above mentioned TFC's. Upon compliance with Capital Adequacy Ratio (CAR), this subordinated loan will be repaid to the Sponsor.

		June 30, 2023	December 31, 2022
	Note	Un-audited	Audited
		Rupees in '000	
21 OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		5,480,985	2,658,665
Mark-up / return / interest payable in foreign currencies		21,161	8,496
Unearned commission and income on bills discounted		74,592	84,740
Accrued expenses		1,008,103	1,011,885
Acceptances		281,225	274,399
Mark to market loss on forward contracts		137,535	38,691
Payable to defined benefit plan - contractual staff		100,689	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		52,043	50,951
Advance received against future sale of operating fixed assets		118,600	118,500
Deferred income against non-banking assets		128,848	128,848
Islamic pool management reserve		10,025	9,220
Lease liability against right-of-use assets		2,721,630	2,969,815
Non checking account		124,451	51,879
PRR remitting account		29,044	28,974
Fund received against application of Housing Scheme		46,730	48,256
Others		1,460,922	867,283
		<u>12,008,689</u>	<u>8,643,979</u>

		June 30, 2023	December 31, 2022
	Note	Un-audited Rupees in '000	Audited
21.1 Provision against off-balance sheet obligations			
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.		
22 SHARE CAPITAL- NET			
22.1 Authorised capital			
June 30, 2023		Un-audited	December 31, 2022 Audited
Number of shares in '000		Number of shares in '000	
<u>10,500,000</u>		<u>10,500,000</u>	<u>10,500,000</u>
		Ordinary shares of Rs.10 each	Ordinary shares of Rs.10 each
		<u>105,000,000</u>	<u>105,000,000</u>
22.2 Issued, subscribed and paid up capital			
June 30, 2023		Un-audited	December 31, 2022 Audited
Number of shares in '000		Number of shares in '000	
9,081,861		9,081,861	9,081,861
-		-	-
<u>9,081,861</u>		<u>9,081,861</u>	<u>9,081,861</u>
		Ordinary shares of Rs. 10 each	Ordinary shares of Rs. 10 each
		Fully paid in cash	Fully paid in cash
		90,818,612	90,818,612
		(67,387,238)	(67,387,238)
		<u>23,431,374</u>	<u>23,431,374</u>
		Less: Discount on issue of shares	Less: Discount on issue of shares
23 (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
(Deficit) / Surplus on revaluation of			
- Available for sale securities		(4,300,655)	(2,082,445)
- Fixed assets		42,958	44,748
- Non-banking assets acquired in satisfaction of claims		1,897,364	1,898,376
		<u>(2,360,333)</u>	<u>(139,321)</u>
Deferred tax on (deficit) / surplus on revaluation of			
- Available for sale securities	15	1,677,256	812,153
- Fixed assets	15	(7,677)	(8,375)
- Non-banking assets acquired in satisfaction of claims	15	(13,825)	(14,219)
		<u>1,655,754</u>	<u>789,559</u>
		<u>(704,579)</u>	<u>650,238</u>
24 CONTINGENCIES AND COMMITMENTS			
Guarantees	24.1	11,968,270	12,893,547
Commitments	24.2	19,213,159	19,054,007
Contingent liabilities	24.3	857,300	872,945
		<u>32,038,729</u>	<u>32,820,499</u>
24.1 Guarantees:			
Financial guarantees		854,940	854,940
Performance guarantees		7,432,921	8,214,534
Other guarantees		3,680,409	3,824,073
		<u>11,968,270</u>	<u>12,893,547</u>
24.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit		2,250,838	1,727,963
Commitments in respect of:			
- forward foreign exchange contracts	24.2.1	16,962,321	17,323,466
- forward government securities transactions	24.2.2	-	-
Commitments for acquisition of:			
- operating fixed assets		-	2,578
		<u>19,213,159</u>	<u>19,054,007</u>

	June 30, 2023 Un-audited	December 31, 2022 Audited
	Rupees in '000	
24.2.1 Commitments in respect of forward foreign exchange contracts		
Purchase	13,840,604	12,572,932
Sale	3,121,717	4,750,534
	<u>16,962,321</u>	<u>17,323,466</u>

24.2.2 Commitments in respect of forward government securities transactions

Purchase	-	-
Sale	-	-
	<u>-</u>	<u>-</u>

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

	June 30, 2023 Un-audited	December 31, 2022 Audited
	Rupees in '000	
24.3 Contingent liabilities:		
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. 24.46 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

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

Counterparties

Hedging

- Banks	15,517,693	(56,494)
- Other entities	1,444,628	(981)
Total	<u>16,962,321</u>	<u>(57,475)</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
Total	<u>17,323,466</u>	<u>136,157</u>

		June 30, 2023	June 30, 2022
	Note	Un-audited	Un-audited
		Rupees in '000	
26	MARK-UP / RETURN / PROFIT / INTEREST EARNED		
	On:		
	a) Loans and advances	5,051,262	4,554,191
	b) Investments	15,340,654	7,945,865
	c) Lendings to financial institutions	102,768	227,631
	d) Balances with banks	16,252	426
		<u>20,510,936</u>	<u>12,728,113</u>
27	MARK-UP / RETURN / PROFIT / INTEREST EXPENSED		
	On:		
	a) Deposits	8,307,365	4,986,716
	b) Borrowings	14,721,439	7,034,376
	c) Subordinated debt	223,041	93,648
	d) Cost of foreign currency swaps against foreign currency deposits / borrowings	416,020	252,870
	e) Lease liability against right-of-use assets	152,969	169,188
	f) Others	16,225	11,389
		<u>23,837,059</u>	<u>12,548,187</u>
28	FEE & COMMISSION INCOME		
	Branch banking customer fees	132,302	93,383
	Card related fees (debit and credit cards)	1,129,622	998,088
	Credit related fees	158,900	159,782
	Commission on trade	74,255	78,932
	Commission on guarantees	39,699	41,473
	Commission on remittances including home remittances	9,231	11,331
	Commission on bancassurance	21,967	19,428
	Others	6,665	2,768
		<u>1,572,641</u>	<u>1,405,185</u>
29	(LOSS) / GAIN ON SECURITIES		
	Realised	29.1 (23,320)	(148,298)
	Unrealised - held for trading	(9,533)	3
	Unrealised - REIT Units	(44,592)	(14,561)
		<u>(77,445)</u>	<u>(162,856)</u>
29.1	Realised loss on:		
	Federal Government Securities	(9,997)	(148,298)
	Shares	(13,323)	-
		<u>(23,320)</u>	<u>(148,298)</u>
30	OTHER INCOME / (LOSS)		
	Rent on property and non-banking assets	637	-
	Gain on sale of fixed assets - net	10,199	-
	Gain on sale of non-banking assets - net	-	571
	Rent on lockers	10,641	11,739
	Postage, telex and other service charges recovered	26,223	25,500
	Early loan termination charges	12,286	24,075
	Gain / (Loss) on termination / adjustment of leases	83,003	-
		<u>142,989</u>	<u>61,885</u>

	June 30, 2023 Un-audited	June 30, 2022 Un-audited
	Rupees in '000	
31 OPERATING EXPENSES		
Total compensation expense	1,505,538	1,703,414
Property expense		
Rent & taxes	5,260	7,500
Insurance on non-banking assets acquired in satisfaction of claims	306	4,954
Utilities cost	90,376	102,430
Security (including guards)	68,209	14,806
Repair & maintenance (including janitorial charges)	58,948	29,094
Depreciation on buildings	32,282	35,589
Depreciation on right-of-use assets	291,023	297,660
Depreciation on non-banking assets acquired in satisfaction of claims	17,312	17,500
Professional charges	-	2,179
	563,716	511,712
Information technology expenses		
Software maintenance	189,053	146,566
Hardware maintenance	82,731	56,792
Depreciation	29,798	34,790
Amortisation	27,328	27,546
Website development charges	319	289
	329,229	265,983
Other operating expenses		
Directors' fees and allowances	41,990	16,772
Fees and allowances to Shariah Board	10,156	7,846
Legal & professional charges	50,004	53,225
Outsourced services costs	20,025	106,894
Travelling & conveyance	37,890	35,107
NIFT clearing charges	7,883	5,416
Depreciation	72,393	72,476
Training & development	714	1,421
Postage & courier charges	1,843	564
Communication	584,083	287,838
Stationery & printing	48,628	48,032
Marketing, advertisement & publicity	82,542	148,156
Auditors' remuneration	13,416	12,175
Insurance (including deposit protection)	107,561	83,151
Repairs & maintenance	48,210	40,585
Brokerage and commission	4,450	2,752
Subscriptions and news papers	9,976	10,157
Entertainment	13,725	18,795
Vehicle running & maintenance	20,933	13,543
Card related expenses (debit and credit cards)	156,712	99,024
Security	19,148	25,462
Others	3,048	3,076
	1,355,330	1,092,467
	3,763,813	3,573,576
32 OTHER CHARGES		
Penalties imposed by State Bank of Pakistan	1,158	1,840
Operational loss	1,779	2,265
	2,937	4,105

		June 30, 2023	June 30, 2022
	Note	Un-audited Rupees in '000	Un-audited
33	PROVISIONS & WRITE OFFS - NET		
	Impairment in the value of investments	11.3.1 -	-
	Provisions against loans & advances	12.3 3,047,033	4,408,566
	Provision against other assets - net	16.6.1 -	-
	Reversal against off balance sheet items	21.1 -	-
	Write offs against fixed assets	9,102	-
	Write offs against fixed assets - Capital work-in-progress	5,887	-
	Recovery of written off / charged off bad debts	<u>(195,529)</u>	<u>(205,623)</u>
		<u>2,866,493</u>	<u>4,202,943</u>
34	TAXATION		
	Current	-	-
	Prior periods	111,406	84,760
	Deferred	<u>(3,130,854)</u>	<u>(4,040,648)</u>
		<u>(3,019,448)</u>	<u>(3,955,888)</u>

34.1 The prior year tax amounting to Rs. 111 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.

		June 30, 2023	June 30, 2022
		Un-audited Rupees in '000	Un-audited
35	BASIC AND DILUTED EARNINGS PER SHARE		
	Loss after taxation for the period	<u>(4,926,537)</u>	<u>(2,091,903)</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>(0.54)</u>	<u>(0.23)</u>
36	CASH AND CASH EQUIVALENTS		
	Cash and balance with treasury banks	12,399,818	14,291,844
	Balance with other banks	<u>1,672,527</u>	<u>1,004,911</u>
		<u>14,072,345</u>	<u>15,296,755</u>

37 FAIR VALUE MEASUREMENTS

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

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

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

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

37.1 Fair value of financial assets

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

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

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

	June 30, 2023 - Un-audited				
	Carrying Value	Level 1	Level 2	Level 3	Total
Rupees in '000					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments:					
Federal Government Securities					
Market Treasury Bills	10,504,955	-	10,504,955	-	10,504,955
Pakistan Investment Bonds	188,360,314	-	188,360,314	-	188,360,314
GOP Ijarah Sukuks	3,460,510	-	3,460,510	-	3,460,510
Shares					
Listed companies	122,994	122,994	-	-	122,994
Non-Government Debt Securities					
Term Finance Certificates - Listed	50,175	-	50,175	-	50,175
	202,498,948	122,994	202,375,954	-	202,498,948
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	12,399,818	-	-	-	-
Balances with other banks	1,672,527	-	-	-	-
Lendings to financial institutions	2,567,381	-	-	-	-
Advances	54,998,855	-	-	-	-
Other assets	12,732,226	-	-	-	-
	84,370,807	-	-	-	-
	286,869,755	122,994	202,375,954	-	202,498,948
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	13,840,604	-	13,840,604	-	13,840,604
Forward sale of foreign exchange	3,121,717	-	3,121,717	-	3,121,717
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				
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments:				
Federal Government Securities				
Market Treasury Bills	22,366,020	-	22,366,020	-
Pakistan Investment Bonds	138,727,581	-	138,727,581	-
GOP Ijarah Sukuks	3,513,857	-	3,513,857	-
Shares				
Listed companies	5	5	-	-
Non-Government Debt Securities				
Term Finance Certificates - Listed	50,175	-	50,175	-
	164,657,638	5	164,657,633	-
				164,657,638
Financial assets - disclosed but not measured at fair value				
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
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	12,572,932	-	12,572,932	-
Forward sale of foreign exchange	4,750,534	-	4,750,534	-
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:

June 30, 2023 - Un-audited				
Carrying Value	Level 1	Level 2	Level 3	Total
Rupees In '000				
Operating fixed assets - land and buildings	2,011,949	-	2,011,949	2,011,949
Non-banking assets acquired in satisfaction of claims	2,199,617	-	2,199,617	2,199,617
	4,211,566	-	4,211,566	4,211,566
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

June 30, 2023 - Un-audited				
Consumer / SME	Whole Sale Banking	Treasury	Total	
Rupees in '000				
Profit and Loss Account				
Net mark-up / return / profit / (expense)	4,046,670	(6,276,354)	(1,096,339)	(3,326,123)
Inter segment revenue - net	-	-	-	-
Non mark-up / interest income	1,489,593	200,549	313,239	2,003,381
Total income / (loss)	5,536,163	(6,075,805)	(783,100)	(1,322,742)
Segment direct expenses	(2,183,248)	(1,521,793)	(61,709)	(3,766,760)
Inter segment expense allocation	(782,080)	827,609	(45,529)	-
Total expenses	(2,965,328)	(694,184)	(97,238)	(3,756,760)
Provisions	(135,374)	(2,731,119)	-	(2,866,493)
Profit / (loss) before tax	2,435,461	(9,501,108)	(880,338)	(7,845,885)
Statement of Financial Position				
Cash & Bank balances	-	5,915,449	8,156,896	14,072,345
Investments	-	-	203,349,828	203,349,828
Net inter segment lending	119,759,483	(236,710,098)	118,950,615	-
Lendings to financial institutions	-	-	2,567,381	2,567,381
Advances - performing - net	19,078,125	22,769,004	-	41,847,129
Advances - non-performing - net	915,547	12,236,179	-	13,151,726
Others	1,742,631	48,812,848	2,738,242	53,293,721
Total Assets	141,495,786	(146,976,618)	333,762,962	328,282,130
Borrowings	421,936	2,070,441	175,769,433	178,261,810
Subordinated debt	-	2,438,666	-	2,438,666
Deposits & other accounts	122,549,786	29,569,711	-	152,119,497
Net inter segment borrowing	14,109,818	(169,884,018)	165,774,200	-
Others	4,414,246	6,346,469	4,947,139	15,707,854
Total liabilities	141,495,786	(129,458,731)	336,480,772	348,527,827
Equity	-	(17,517,887)	(2,727,810)	(20,245,697)
Total Equity & liabilities	141,495,786	(146,976,618)	333,762,962	328,282,130
Contingencies & Commitments	821,650	14,254,748	16,982,321	32,038,729

June 30, 2022 - (Un-audited)				
Consumer / SME	Whole Sale Banking	Treasury	Total	
Rupees in '000				
Profit and Loss Account				
Net mark-up / return / profit / (expense)	3,734,190	(3,058,890)	(485,374)	179,926
Inter segment revenue - net	-	-	-	-
Non mark-up / interest income	1,346,358	153,620	52,929	1,552,907
Total income / (loss)	5,080,548	(2,905,270)	(442,445)	1,732,833
Segment direct expenses	(2,014,790)	(1,519,633)	(43,258)	(3,577,681)
Inter segment expense allocation	(721,257)	721,155	102	-
Total expenses	(2,736,047)	(798,478)	(43,156)	(3,577,681)
Provisions	(33,162)	(4,169,781)	-	(4,202,943)
Profit / (loss) before tax	2,311,339	(7,873,529)	(485,601)	(6,047,791)

December 31, 2022 - Audited				
Consumer / SME	Whole Sale Banking	Treasury	Total	
Rupees in '000				
Statement of Financial Position				
Cash & Bank balances	-	4,378,750	6,406,516	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
Total Assets	144,155,564	(152,456,848)	301,768,692	293,467,408
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
Total liabilities	144,155,564	(139,864,434)	303,147,040	307,438,170
Equity	-	(12,592,414)	(1,378,348)	(13,970,762)
Total Equity & liabilities	144,155,564	(152,456,848)	301,768,692	293,467,408
Contingencies & Commitments	837,305	14,659,728	17,323,466	32,820,499

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:

	June 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								
Balances								
Investments								
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	-	-	-	-	-	-	-	-
Closing balance	-	-	-	4	-	-	123,509	4
Advances								
Opening balance	1,992	40,856	-	2,009,636	1,412	20,967	-	2,139,641
Addition during the period / year	5,585	66,160	-	113,917	13,752	188,689	-	41,428
Repaid during the period / year	(5,888)	(77,994)	-	(134,124)	(13,172)	(168,800)	-	(171,433)
Closing balance	1,689	29,022	-	1,989,429	1,992	40,856	-	2,009,636
Provision held against advances	-	-	-	681,129	-	-	-	680,667
Other Assets								
Interest / mark-up accrued	-	1,671	-	61,364	-	1,309	-	50,123
Subordinated debt								
Opening balance	-	-	-	440,266	-	-	-	440,266
Issued / purchased during the period / year	-	-	-	-	-	-	-	-
Redemption during the period / year	-	-	-	-	-	-	-	-
Closing balance	-	-	-	440,266	-	-	-	440,266
Deposits and other accounts								
Opening balance	21,521	79,485	20,749	557,218	38,168	110,508	38,059	790,636
Received during the period / year	47,303	265,673	22,465	1,049,446	88,627	601,901	82,539	3,133,926
Withdrawn during the period / year	(50,289)	(297,680)	(43,214)	(1,033,116)	(105,274)	(632,924)	(99,849)	(3,367,344)
Closing balance	18,525	47,478	-	573,548	21,521	79,485	20,749	557,218
Other Liabilities								
Interest / mark-up payable	-	2	-	-	-	-	37	98
Contingencies and Commitments								
Other contingencies	-	-	-	17,389	-	-	4,654	17,389

	June 30, 2023 - Un-audited				June 30, 2022 - Un-audited			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
Rupees in '000								
Transactions								
Income								
Mark-up / return / interest earned	-	4,341	-	100,568	-	2,160	-	63,995
Net loss on sale of securities	-	-	(13,323)	-	-	-	-	-
Expense								
Mark-up / return / interest paid	1,065	1,313	182	42,265	1,109	1,479	955	16,442
Short term employment benefits	38,360	127,040	-	-	26,790	155,417	-	-
Contribution to Defined Benefit Plan	1,415	4,988	-	-	1,132	5,425	-	-
Meeting fee	37,145	-	-	-	15,960	-	-	-

40 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

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

Minimum Capital Requirement (MCR)

Paid-up capital (net of losses) (20,362,008) (15,441,890)

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital (49,136,880) (39,006,704)

Eligible Additional Tier 1 (ADT 1) Capital - -

Total Eligible Tier 1 Capital (49,136,880) (39,006,704)

Eligible Tier 2 Capital - -

Total Eligible Capital (Tier 1 + Tier 2) (49,136,880) (39,006,704)

Risk Weighted Assets (RWAs):

Credit Risk	69,941,966	77,140,611
Market Risk	1,414,602	839,751
Operational Risk	7,061,942	7,018,572
Total	78,418,510	84,998,934

Common Equity Tier 1 Capital Adequacy Ratio	<u>-62.66%</u>	<u>-45.89%</u>
Tier 1 Capital Adequacy Ratio	<u>-62.66%</u>	<u>-45.89%</u>
Total Capital Adequacy Ratio	<u>-62.66%</u>	<u>-45.89%</u>

Leverage Ratio (LR):

Eligible Tier-1 Capital	(49,136,880)	(39,006,704)
Total Exposures	341,869,373	308,068,643
Leverage Ratio	<u>-14.37%</u>	<u>-12.66%</u>

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	14,365,420	39,301,752
Total Net Cash Outflow	22,749,066	25,912,315
Liquidity Coverage Ratio	<u>63.15%</u>	<u>151.67%</u>

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	188,374,695	170,731,662
Total Required Stable Funding	104,274,049	105,027,366
Net Stable Funding Ratio	<u>180.65%</u>	<u>162.56%</u>

41 ISLAMIC BANKING BUSINESS

The Bank is operating with 23 Islamic Banking branches at the end of June 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 June 30, 2023, are as follows:

		June 30, 2023	December 31, 2022
	Note	Un-audited	Audited
Rupees In '000			
ASSETS			
Cash and balances with treasury banks		1,651,686	1,773,437
Balances with other banks		25,968	21,101
Due from financial institutions	41.1	21,504,577	26,511,693
Investments	41.2	2,617,039	3,218,147
Islamic financing and related assets - net	41.3	197,269	226,868
Fixed assets		659,116	632,095
Intangible assets		4,698	4,909
Due from Head Office		-	-
Other assets		803,833	1,177,012
Total assets		27,364,086	33,565,262
LIABILITIES			
Bills payable		1,131,657	414,267
Deposits and other accounts	41.4	16,706,474	15,932,153
Due to Head Office		480,746	9,224,948
Other liabilities		1,076,169	970,722
Total liabilities		19,394,046	26,542,090
NET ASSETS		7,970,040	7,023,172
REPRESENTED BY			
Islamic banking fund		6,625,000	6,625,000
Reserves		-	-
Deficit on revaluation of assets		(97,224)	(117,581)
Un-appropriated profit	41.8	1,442,264	515,753
		7,970,040	7,023,172
CONTINGENCIES AND COMMITMENTS	41.5		

The profit and loss account of the Bank's Islamic banking branches for the half year ended June 30, 2023 is as follows:

		June 30, 2023	June 30, 2022
	Note	Un-audited	Un-audited
Rupees In '000			
Profit / return earned	41.6	1,904,111	1,598,062
Profit / return expensed	41.7	(590,616)	(879,477)
Net profit / return		1,313,495	718,585
Other Income			
Fee and commission income		14,002	20,399
Foreign exchange loss		33,641	20,450
Income from derivatives		-	-
Loss on securities		(382)	(2)
Other income		16,340	13,641
Total other income		63,601	54,488
Total Income		1,377,096	773,073
Other expenses			
Operating expenses		(423,379)	(413,056)
Workers Welfare Fund		-	(7,200)
Other charges		(17)	-
Total other expenses		(423,396)	(420,256)
Profit before provisions		953,700	352,817
Provisions and write offs - net		(27,189)	-
Profit for the period		926,511	352,817

41.1	Due from Financial Institutions	June 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	21,604,677	-	21,604,677	26,511,693	-	26,511,693
		<u>21,604,677</u>	<u>-</u>	<u>21,604,677</u>	<u>26,511,693</u>	<u>-</u>	<u>26,511,693</u>

41.2	Investments by segments:	June 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	2,614,661	-	(97,522)	2,517,039	3,336,158	-	(118,011)	3,218,147
	Total Investments	<u>2,614,661</u>	<u>-</u>	<u>(97,522)</u>	<u>2,517,039</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	June 30, 2023	December 31, 2022
			Un-audited	Audited
			Rupees in '000	
	Murabaha		12,544	14,493
	Diminishing Musharaka		205,000	212,375
	Gross Islamic financing and related assets	12	<u>217,544</u>	<u>226,868</u>
	Less: provision against Islamic financings			
	- Specific		(20,275)	-
	- General		-	-
			<u>(20,276)</u>	<u>-</u>
	Islamic financing and related assets - net of provision		<u>197,269</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	June 30, 2023 - Un-audited		December 31, 2022 - Audited	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	Rupees in '000			
Domestic				
Substandard	-	-	-	-
Doubtful	195,000	20,276	-	-
Loss	-	-	-	-
Total	<u>195,000</u>	<u>20,276</u>	<u>-</u>	<u>-</u>

41.3.2 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.

41.4	Deposits	June 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					
	Customers						
	Current deposits	4,669,616	842,555	5,512,171	4,333,066	846,177	5,179,243
	Saving deposits	4,391,539	2,481,195	6,872,734	5,839,108	1,417,923	7,257,031
	Term deposits	2,970,993	368,775	3,329,768	2,848,626	324,136	3,172,762
	Margin deposits	26,685	-	26,685	26,686	-	26,686
	Call deposits	789,436	-	789,436	67,308	-	67,308
		<u>12,848,269</u>	<u>3,682,525</u>	<u>16,530,794</u>	<u>13,114,784</u>	<u>2,588,236</u>	<u>15,703,030</u>
	Financial Institutions						
	Current deposits	44,108	1,613	45,721	106,127	909	107,036
	Saving deposits	28,959	-	28,959	22,087	-	22,087
	Term deposits	100,000	-	100,000	100,000	-	100,000
		<u>173,067</u>	<u>1,613</u>	<u>174,680</u>	<u>228,214</u>	<u>909</u>	<u>229,123</u>
		<u>13,021,336</u>	<u>3,684,138</u>	<u>16,705,474</u>	<u>13,343,008</u>	<u>2,589,145</u>	<u>15,932,153</u>

	June 30, 2023 Un-audited	December 31, 2022 Audited
	Rupees in '000	
41.5 Contingencies and Commitments		
Guarantees	924,034	764,311
Commitments	<u>3,018,596</u>	<u>2,153,395</u>
	<u><u>3,942,630</u></u>	<u><u>2,917,706</u></u>
	June 30, 2023 Un-audited	June 30, 2022 Un-audited
	Rupees in '000	
41.6 Profit / return earned of financing, investments and placement		
On:		
Financing	6,228	163,241
Investments	187,203	203,017
Due from Financial Institutions	<u>1,710,680</u>	<u>1,231,804</u>
	<u><u>1,904,111</u></u>	<u><u>1,598,062</u></u>
41.7 Profit expensed on Deposits and other Dues Expensed		
On:		
Deposits and other accounts	423,603	766,739
Cost of foreign currency swaps against foreign currency deposits / borrowings	131,241	67,055
Lease liability against right-of-use assets	<u>35,772</u>	<u>45,683</u>
	<u><u>590,616</u></u>	<u><u>879,477</u></u>
	June 30, 2023 Un-audited	December 31, 2022 Audited
	Rupees in '000	
41.8 Islamic Banking Business Un-appropriated profit		
Opening Balance	515,753	276,696
Add: Islamic Banking profit for the period / year	<u>926,511</u>	<u>239,057</u>
Closing Balance	<u><u>1,442,264</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.

05/12



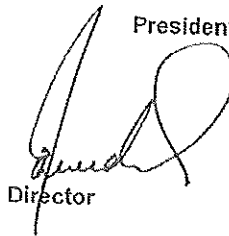
Chief Financial Officer



Director



President & Chief Executive Officer



Director



Director

INDEPENDENT AUDITOR'S REVIEW REPORT**TO THE MEMBERS OF SILKBANK LIMITED
REPORT ON REVIEW OF CONDENSED INTERIM
FINANCIAL STATEMENTS**

**Grant Thornton Anjum
Rahman**
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Modern Motors House,
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Introduction

We have reviewed the accompanying condensed interim statement of financial position of the **Silkbank Limited** (the Bank) as at **June 30, 2023**, and the related condensed interim profit and loss account and condensed interim comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements as of and for the half year ended **June 30, 2023**, is not prepared, in all material respects, in accordance with the accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter

We draw attention to the following matters:

1. We draw attention to note 1.4 to the condensed interim financial statements, which indicate, among other things, that the Bank has incurred a net loss of Rs. 4,926.54 million (2022: Rs. 2,091.9 million) for the period ended June 30, 2023, resulting in accumulated losses of Rs. 43,793.38 million (December 31, 2022: Rs. 38,873.264 million) and negative net equity of Rs. 20,245.7 million (December 31, 2022: negative net equity of Rs. 13,970.762 million) as at June 30, 2023. Furthermore, the Bank's paid-up capital (net of losses), Capital Adequacy Ratio (CAR), and Minimum Capital Requirement (MCR) do not meet the thresholds prescribed by the State Bank of Pakistan (SBP) as of June 30, 2023.

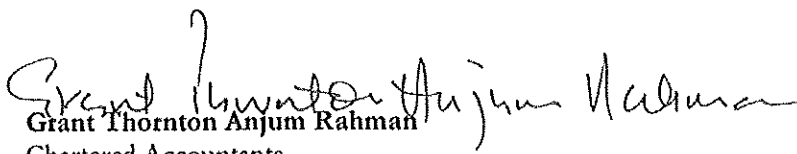
2. We draw attention to note 1.4.1 to the condensed interim financial statements, regarding the proposed amalgamation of the Bank with and into UBL. This amalgamation remains subject to obtaining all necessary regulatory approvals and the completion of legal formalities, including the sanction of the scheme of amalgamation by the State Bank of Pakistan (SBP) and approval from the Competition Commission of Pakistan.
3. As fully explained in note 13.2.2 of the condensed interim financial statements, there is an ongoing litigation between the buyer and the bank on the sales transaction of the office building.
4. As disclosed in note 15.1 of the condensed interim financial statements, which states that the deferred tax asset has been recorded based on the expectation that the acquiring bank, as part of the amalgamation arrangement (as disclosed in Note 1.4), will be able to realize the asset through its future profitability and the available tax benefits from provisions against non-performing loans. The recognition of the deferred tax asset relies on management's assumptions about the future financial performance and the successful completion of the merger.
5. As disclosed in note 16.3 to the condensed interim financial statements that refers to the excess of prescribed limit by the Bank under Debt Property Swap Regulation.
6. As disclosed in note 24.3.1 to the condensed interim financial statements that describes the effects to the Suits for damages which have been filed against the Bank up to the tune of Rs. 24.46 (December 31, 2022: 24.45) billion by various borrowers / employees in respect of certain disputes relating to loans and advances.

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

Other Matter

The figures of the condensed interim profit and loss account and the condensed interim statement of comprehensive income for the quarters ended June 30, 2023, and 2022 have not been reviewed and we do not express a conclusion on them, as we are required to review only the cumulative figures for six-month period ended June 30, 2023.

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


Grant Thornton Anjum Rahman
Chartered Accountants
Karachi

Date: January 08, 2025

UDIN: RR202310126wgs4VzCj8

Director's Report as of June 30, 2023

Dear Shareholders,

We are pleased to present the financial statements of the Bank for the half year ended June 30, 2023.

Economic Review:

After growing 3.1 percent last year, the global economy is set to slow substantially in 2023, to 2.1 percent, amid continued monetary policy tightening to rein in high inflation. Tight global financial conditions and subdued external demand are expected to weigh on growth across emerging market and developing economies (EMDEs). Projections for many countries have been revised down over the forecast horizon, with upgrades primarily due to stronger-than-expected data at the beginning of 2023 more than offset by downgrades thereafter. Inflation has been persistent but is projected to decline gradually as demand weakens and commodity prices moderate, provided longer-term inflation expectations remain anchored.

Like other emerging markets Pakistan economy continued to be affected by prolonged impacts of floods, macro instability, inflation, PKR volatility and falling foreign exchange reserves. The first half of the financial year in spite its daunting challenges ended on a good note for Pakistan as International Monetary Fund board approved nine months US\$ 3 billion standby facilities. GDP is expected to fall to negative 0.5% versus earlier expectations of positive 0.5%.

Large Scale Manufacturing (LSM) showed negative growth due to supply chain disruptions, inflationary pressures and ongoing strict policy stance at domestic level to stabilize macroeconomic imbalances. LSM growth reduced by 14.37% Year on Year (YoY) basis in May 2023, whereas on Month on Month (MoM) basis it grew by 5.88% despite above mentioned hurdles. In FY23, a major decline of 37.4% has been witnessed in the production of automobile sector and total sales dropped by 37.8%.

Imports declined by 29% to stand at US\$ 60 billion for FY 2023 as compared to US\$ 84.48 billion in FY 22. Year on year basis imports witnessed a decline of 55%. Exports registered a decline of 11% in FY 23 with absolute number at US\$ 35.21 billion versus US\$ 39.59 billion. Current account posted a remarkable improvement with a deficit of US\$ 2.6 billion in FY23 as compared to a deficit of US\$ 17.5 billion during last year. SBP total foreign reserves as on June 30, 2023 were at US\$9.81 billion out of SBP held reserves were US\$ 4.46 billion.

USD PKR parity was at 285/99 as June 30th, 2022. During the fiscal year 22/23 PKR depreciated by 39%. from 204/84 as on June 30th, 2022. Since, December 31st, 2022 PKR devalued by 26.30% from 226/43.

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Website: www.silkbank.com.pk

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Workers' remittances were recorded at US\$ 27.02 billion during FY23 as compared to US\$ 31.32 billion during FY22, a drop of 14% as compared to last year. Global slow down and the gap of official and unofficial markets were the main reasons for the drop. Remittances during June 2023 were US\$ 2.18 billion as compared to US\$ 2.10 billion for the month of May 2023.

Consumer price index increased by 29.40% in June 2023. It was down considerably from the peak of 38% in Mar 2023. CPI for April to June 2023 was reported at 34.6% versus 31.5% during January – March 2023. During the fiscal year 22/22 inflation came at 29.05% as compared to 12.08% during last fiscal year. Factor for the upside was mainly PKR depreciation which in turn had an impact on food, transportation, electricity and rentals. Going forward we expect inflation to gradually come down

Financial Performance

In the first half year of 2023, the Bank posted loss after tax of Rs. 4.93 billion as compared to Rs. 2.09 billion sustained in the last corresponding period. During this period, total deposits increased by Rs. 6.82 billion, closing at Rs. 152.12 billion, while gross advances decreased by Rs. 6.62 billion.

Summarized financial performance of Silkbank Limited for the half year ended June 30, 2023, is as follows:

	Rs in 'million'
Loss before tax	(7,946)
Tax - Current	-
Prior	111
Deferred	(3,131)
Loss after tax	(4,926)
	Rupee
Loss per share – Basic and diluted	(0.54)

In the current year, the Bank's Net Interest Income (NII) decreased by Rs. 3.51 billion compared to the corresponding period last year, while operating expenses increased by Rs. 180.24 million. However, these adverse impacts were partially offset by a reduction in provisioning by Rs. 1.34 billion and an improvement in non-markup income by Rs. 451 million.

The Bank's NII turned negative mainly due to increased markup suspensions, the impact of rising interest rates on the Bank's Cost of Deposits, and a rise in non-earning assets. On the other hand, non-markup income showed improvement, driven by an increase in fee income and exchange gains totaling Rs. 271.75 million, along with a reduced loss on sale of securities amounting to Rs. 85.41 million as compared to the corresponding period.

Operating expenses rose mainly due to US – Dollar denominated payments, which incurred higher cost as a result of the Pakistan Rupee's devaluation during the current period.

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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 June 2023 stood at approximately Rs.116.09 billion. The total Year to Date deposit grew by Rs. 6.85 billion till 30th June 2023 out of which the current account portfolio grew by Rs.5.56 Billion.

Bancassurance generated business of Rs. 19.75 million in annual premium which translates into NFI of Rs. 9.41 million during Q2-23

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: In the 1st half of year 2023 consumer banking were able to achieve many innovative milestones and kept on adding new products & features to its already hefty menu. As a result, our unsecured portfolio stands at Rs. 15.58 billion with a profit before tax of over Rs. 1 billion.

- **Credit Cards:**

Q2 of 2023 was a slow acquisition phase of Credit Cards. Despite that, Business posted profit before tax of Rs. 363 million in first half of the year after being hit by the adverse impacts of acquisition slowdown. Business closed off the half year with 6.39 billion ENR with the acquisition of 3,500 new cards from January to June 2023, portfolio CIF (Cards in Force) stood at 168,915 as of June, 2023. Total spending on Credit Cards in six months of 2023 totalled to Rs. 20 billion. To achieve these milestones, Business launched a host of spend and tactical campaigns with special focus on Bill payment Campaign for Credit Cards

- **Ready Line:**

First half of the year 2023 was focused towards Spend and Bill Payment campaigns for Ready Line. Various tactical campaigns were launched to facilitate customers spending and also enable them to pay their bills online.

As a result, to these and many other successful initiatives, we were able to record a profit before tax of Rs. 545 million in Q2, 2023. By the end of June 2023, the ENR stood at Rs. 6.92 billion with 43,486 customers

- **Personal Loan:**

As a result of strategic Business decision in 2023 of temporarily shifting the focus on other high yielding products, the growth was slow, still Business was able to make a profit before tax of 91 million from 13,484 active accounts having an ENR balance of Rs. 2.27 billion.

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Emaan Islamic Banking (Emaan)

Emaan Islamic Banking demonstrated commendable performance during the year 2023, successfully navigating challenging economic conditions and a difficult business environment. The deposit portfolio closed at Rs. 20.44 billion, with a CASA to time deposit ratio of 65:35. Throughout the year, 1,791 new accounts were opened, increasing the total to 43,857 accounts.

Service and quality have been paramount for Emaan Islamic Banking, which takes pride in integrating service excellence into every aspect of its operations. Service indicators reflect the bank's commitment to customer service, culminating in a "Very Good" rating for the year

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

As of June 30, 2023 the Minimum Capital Requirement (MCR) stood at negative Rs. 20.36 billion and the Capital Adequacy Ratio (CAR) at negative 62.66% against the prescribed minimum limits of Rs. 10 billion and 11.50% respectively.

Credit Rating:

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

Future Outlook:

As already mentioned in the Financial Section of the report, United Bank Limited ("UBL") has formally conveyed its offer for the potential merger of Silkbank Limited ("Bank") with and into UBL. UBL has disclosed this material information to the Pakistan Stock Exchange Limited ("PSX"), confirming the submission of an offer regarding a possible merger. Accordingly, the Bank also disseminated its material information to the PSX on November 1, 2024.

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

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

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

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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. In light of this process, the external auditors have included a note in their audit opinion, highlighting a 'Material Uncertainty Related to Going Concern.

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

Acknowledgement:

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

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

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



**Shahram Raza Bakhtiari
President & CEO**

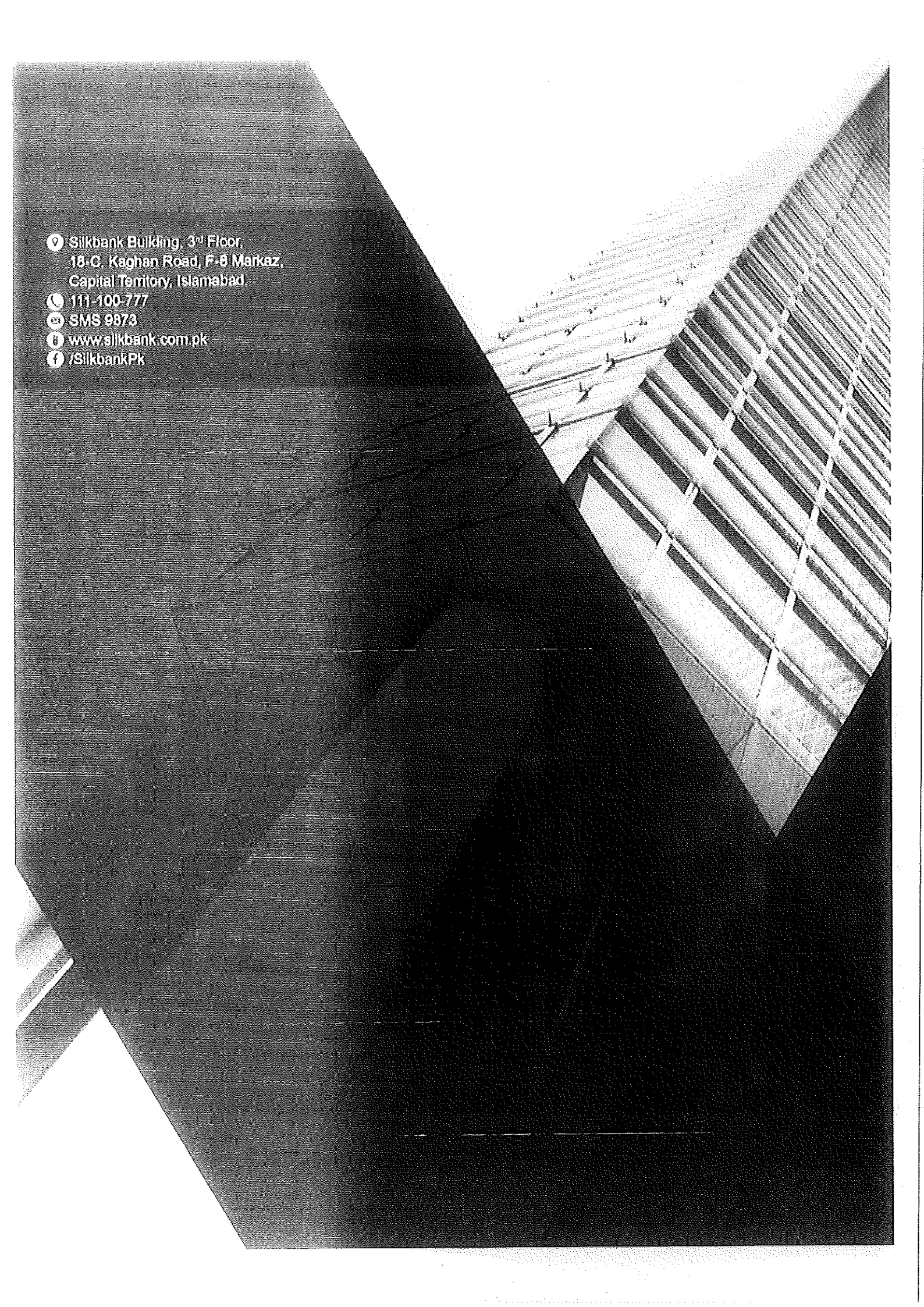


**Khalid Aziz Mirza
Chairman**

December 28, 2024

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