

1st Quarterly  
Report

2023

Resilience in  
Motion

**SILKBANK**   
Yes we can

## Corporate Information

### Board of Directors

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

### Company Secretary

Mr. Faiz Ul Hassan Hashmi

### Chief Financial Officer

Mr. Khurram Khan

### Audit Committee:

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

### Nomination, Remuneration & Human Resource Committee:

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

### Risk Management Committee:

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

**Information Technology Committee:**

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

**Auditors**

M/S Grant Thornton Anjum Rahman(GTAR)

Chartered Accountants

Legal Advisor

M/s Abdul Majeed & Co.

Advocate & Corporate Consultants

**Registered Office**

Silkbank Limited

13-1,F-7 Markaz

Islamabad

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

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

Fax (051) 26060-29

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

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

**Share Registrar**

M/s CDC Share Registration Services Limited

CDC House, 99 ---13 Block B

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

Karachi

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

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

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

**SILKBANK LIMITED**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2023**

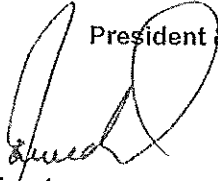
	Note	March 31, 2023 Un-audited Rupees in '000	December 31, 2022 Audited
<b>ASSETS</b>			
Cash and balances with treasury banks	8	12,761,758	10,198,476
Balances with other banks	9	874,361	586,790
Lendings to financial institutions	10	168,572	8,148,196
Investments	11	159,071,670	165,676,618
Advances	12	59,616,555	64,117,202
Fixed assets	13	5,223,358	5,429,237
Intangible assets	14	362,006	366,437
Deferred tax assets	15	24,379,665	22,661,840
Other assets	16	18,113,716	16,282,612
		280,571,661	293,467,408
<b>LIABILITIES</b>			
Bills payable	17	2,138,023	3,040,491
Borrowings	18	138,912,530	148,016,140
Deposits and other accounts	19	143,257,360	145,298,894
Subordinated debt	20	2,438,666	2,438,666
Deferred tax liabilities		-	-
Other liabilities	21	10,538,141	8,643,979
		297,284,720	307,438,170
<b>NET ASSETS</b>		<b>(16,713,059)</b>	<b>(13,970,762)</b>
<b>REPRESENTED BY</b>			
<b>Shareholders' equity</b>			
Share capital - net	22	23,431,374	23,431,374
Reserves		820,890	820,890
(Deficit) / Surplus on revaluation of assets - net of tax	23	(596,522)	650,238
Accumulated losses		(40,368,801)	(38,873,264)
		(16,713,059)	(13,970,762)
<b>CONTINGENCIES AND COMMITMENTS</b>	24		

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

  
Chief Financial Officer

  
President & Chief Executive Officer

  
Director

  
Director

  
Director


**SILKBANK LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT - UNAUDITED**  
**FOR THE QUARTER ENDED MARCH 31, 2023**

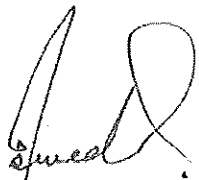
	Note	March 31, 2023	March 31, 2022
Rupees in '000			
Mark-up / return / profit / interest earned	26	9,183,237	5,822,842
Mark-up / return / profit / interest expensed	27	(10,374,644)	(5,187,343)
Net Mark-up / return / profit / interest (expense) / income		(1,191,407)	635,499
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee and commission income	28	832,408	697,676
Dividend income		-	-
Foreign exchange income		242,250	77,638
Loss from derivatives		(1,800)	(9,360)
Loss on securities	29	(33,765)	(16,468)
Other income	30	30,845	31,658
Total non-markup / interest Income		1,069,938	781,144
Total (loss) / income		(121,469)	1,416,643
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Operating expenses	31	(1,848,571)	(1,772,886)
Workers Welfare Fund		-	-
Other charges	32	(1,652)	(2,121)
Total non-markup / interest expenses		(1,850,223)	(1,775,007)
Loss before provisions, extra ordinary / unusual item and taxation		(1,971,692)	(358,364)
Provisions and write offs - net	33	(390,259)	216,460
Extra ordinary / unusual items		-	-
<b>(LOSS) / PROFIT BEFORE TAXATION</b>		<b>(2,361,951)</b>	<b>(141,904)</b>
Taxation	34	865,013	1,695,249
<b>(LOSS) / PROFIT AFTER TAXATION</b>		<b>(1,496,938)</b>	<b>1,553,345</b>
Rupees			
Basic and Diluted (Loss) / Earnings Per Share	35	(0.16)	0.17

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 QUARTER ENDED MARCH 31, 2023**

	March 31, 2023	March 31, 2022
	Rupees in '000	
Loss / (Profit) after taxation for the period	(1,496,938)	1,553,345
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	(1,245,905)	(172,843)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement loss on defined benefit obligations - net of tax	-	(2,427)
Movement in surplus on revaluation of fixed assets - net of tax	(546)	(1,549)
Movement in surplus on revaluation of non-banking assets - net of tax	(309)	(1,194)
	(855)	(5,170)
<b>Total comprehensive loss</b>	<b>(2,743,698)</b>	<b>1,375,332</b>

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 CHANGES IN EQUITY - UNAUDITED**  
**FOR THE QUARTER ENDED MARCH 31, 2023**


	Share Capital - net	Surplus / (deficit) on revaluation of		Statutory Reserve*	Accumulated Losses	Total Equity
		Investments	Property & Equipment / Non Banking Assets			
Rupees in '000						
Opening Balance as at January 01, 2022 - Un-audited	23,431,374	(849,111)	1,926,480	820,890	(32,490,279)	(7,160,646)
Profit after taxation for the quarter ended March 31, 2022 - Un-audited	-	-	-	-	1,553,345	1,553,345
Other comprehensive Income / (loss) - net of tax - Un-audited						
Movement in surplus on revaluation of investments - net of tax	-	(172,843)	-	-	-	(172,843)
Remeasurement loss on defined benefit obligations - net of tax	-	-	-	-	(2,427)	(2,427)
Movement in surplus on revaluation of fixed assets - net of tax	-	-	(1,549)	-	-	(1,549)
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	(1,194)	-	-	(1,194)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	-	895	895
Transfer from surplus on revaluation of non-banking assets on account of incremental depreciation - net of tax	-	-	-	-	506	506
Transfer from surplus on revaluation of non-banking assets on account of disposal of assets - net of tax	-	-	-	-	267	267
Closing Balance as at March 31, 2022 - Un-audited	23,431,374	(1,021,954)	1,923,737	820,890	(30,937,693)	(5,783,646)
Loss after taxation for the nine months period ended December 31, 2022 - Un-audited	-	-	-	-	(7,939,690)	(7,939,690)
Other comprehensive Income / (loss) - net of tax - Un-audited						
Movement in surplus on revaluation of investments - net of tax	-	(248,338)	-	-	-	(248,338)
Remeasurement loss on defined benefit obligations - net of tax	-	-	-	-	(728)	(728)
Movement in surplus on revaluation of fixed assets - net of tax	-	-	(1,637)	-	-	(1,637)
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	(1,570)	-	-	(1,570)
Transfer to statutory reserves	-	-	-	-	-	-
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	-	2,684	2,684
Transfer from surplus on revaluation of non-banking assets on account of incremental depreciation - net of tax	-	-	-	-	1,520	1,520
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)	1,920,530	820,890	(38,873,254)	(13,970,762)
Loss after taxation for the quarter ended March 31, 2023 - Un-audited	-	-	-	-	(1,496,938)	(1,496,938)
Other comprehensive Income / (loss) - net of tax - Un-audited						
Movement in surplus on revaluation of investments - net of tax	-	(1,245,905)	-	-	-	(1,245,905)
Remeasurement gain on defined benefit obligations - net of tax	-	-	-	-	-	-
Movement in surplus on revaluation of fixed assets - net of tax	-	-	(546)	-	-	(546)
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	(309)	-	-	(309)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	-	695	695
Transfer from surplus on revaluation of non-banking assets on account of incremental depreciation - net of tax	-	-	-	-	506	506
Transfer from surplus on revaluation of non-banking assets on account of disposal of assets - net of tax	-	-	-	-	-	-
Closing Balance as at March 31, 2023 - Un-audited	23,431,374	(2,516,197)	1,919,675	820,890	(40,368,801)	(16,713,059)

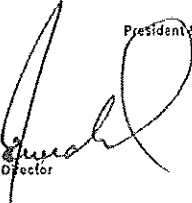
\* Statutory reserves represent amount set aside as per requirements of section 21 of the Banking Companies Ordinance, 1962.

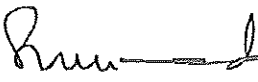
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 Chief Financial Officer

  
 President & Chief Executive Officer

  
 Director

  
 Director

  
 Director

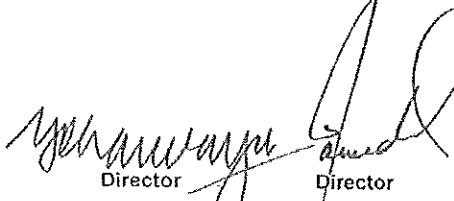
**SILKBANK LIMITED**  
**CONDENSED INTERIM CASH FLOW STATEMENT - UNAUDITED**  
**FOR THE QUARTER ENDED MARCH 31, 2023**

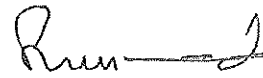
	Note	March 31, 2023	March 31, 2022
Rupees in '000			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(2,361,951)	(141,904)
Less: Dividend income		-	-
		(2,361,951)	(141,904)
<b>Adjustments:</b>			
Depreciation on fixed assets	31	68,455	70,745
Depreciation on right-of-use assets	31	146,510	161,821
Depreciation on non-banking assets acquired in satisfaction of claims	31	8,656	8,750
Amortization of intangible assets	31	13,588	13,934
Amortization of premium on investments - net		83,682	(4,761)
Finance charge on lease liability against right-of-use assets	27	74,937	93,445
Provisions against loans & advances	33	480,311	(113,830)
Gain on sale of fixed assets	30	(5,208)	-
Unrealized (gain) / loss on revaluation of investments - held-for-trading	29	2,458	42,880
Share of loss from associate	30	(266)	-
Loss on sale of non-banking assets acquired in satisfaction of claims	30	-	(571)
Write offs against fixed assets	33	9,102	-
		882,225	272,413
		(1,479,726)	130,509
<b>Decrease / (Increase) in operating assets</b>			
Lendings to financial institutions		7,979,624	815,193
Net investments in held-for-trading securities		7,650,595	24,588,686
Advances		4,020,336	1,928,543
Other assets (excluding advance taxation)		(1,796,044)	1,473,286
		17,854,511	28,805,708
<b>(Decrease) / increase in operating liabilities</b>			
Bills payable		(902,468)	(1,173,618)
Borrowings		(9,103,610)	278,581
Deposits		(2,041,534)	(1,999,433)
Other liabilities (excluding current taxation)		1,990,445	(141,172)
		(10,057,167)	(3,035,642)
		6,317,618	25,900,575
Income tax paid		(99,420)	(61,719)
Net cash flow generated from operating activities		6,218,198	25,838,856
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investment in available-for-sale securities		(3,194,706)	(25,699,762)
Net investment in held-to-maturity securities		20,718	276,344
Net investment in fixed assets and intangible assets		(25,256)	(248,993)
Proceeds on disposal of non-banking assets acquired in satisfaction of claims		-	28,000
Proceeds on disposal of fixed assets		46,341	27,305
Net cash flow used in investing activities		(3,152,903)	(25,617,106)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Payments / receipts of subordinated debts		-	-
Payment of lease liability against right-of-use assets		(214,442)	(159,353)
Net cash flow used in financing activities		(214,442)	(159,353)
(Decrease) / increase in cash and cash equivalents		2,850,853	62,397
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	13,636,119	12,834,463

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



## SILKBANK Limited

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED FOR THE QUARTER ENDED MARCH 31, 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 March 31, 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 March 31, 2023, the equity of the Bank is negative Rs. 16.12 billion excluding surplus on revaluation of assets. This includes share capital (net of losses and discount on shares) of negative Rs. 16.94 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 53.23% (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 March 31, 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.

	Note	March 31, 2023 Un-audited	December 31, 2022 Audited
Rupees in '000			
<b>8 CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency		2,879,228	2,265,510
Foreign currencies		732,539	515,560
		3,611,767	2,781,070
<b>With State Bank of Pakistan In</b>			
Local currency current account	8.1	6,871,440	5,714,063
Foreign currency current account		966,803	758,204
Foreign currency deposit account	8.2	1,144,261	910,188
		8,982,504	7,382,455
<b>With National Bank of Pakistan In</b>			
Local currency current account		157,740	25,278
National Prize Bonds		9,747	9,673
		<u>12,761,758</u>	<u>10,198,476</u>
8.1	Deposits with the SBP are maintained to comply with the statutory requirements of the SBP issued from time to time (section 22 of the Banking Companies Ordinance, 1962).		
8.2	This represents account maintained with SBP to comply with Special Cash Reserve requirement (FE-25 scheme, as prescribed by SBP). It carries interest rates ranging from 3.39% to 3.67% (December 31, 2022: 0.12% to 3.14%).		
		March 31, 2023 Un-audited	December 31, 2022 Audited
Rupees in '000			
<b>9 BALANCES WITH OTHER BANKS</b>			
<b>In Pakistan</b>			
In current account		134,985	99,380
In deposit account		89	84
		135,074	99,464
<b>Outside Pakistan</b>			
In current account		739,287	487,326
		<u>874,361</u>	<u>586,790</u>
<b>10 LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Repurchase agreement lendings (Reverse repo)		-	7,880,102
Foreign placement		168,572	268,094
		168,572	8,148,196
Less: Provision held against Lending to Financial Institutions		-	-
Lendings to Financial Institutions - net of provision		<u>168,572</u>	<u>8,148,196</u>

11 INVESTMENTS

		March 31, 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	155,025	-	20	155,045	6,906,492	-	1,821	6,908,313
	Pakistan Investment Bonds	-	-	-	-	889,811	-	(111)	889,700
	GOP Ijarah Sukuks	484,653	-	(2,478)	482,175	395,445	-	(3,185)	392,260
		639,678	-	(2,458)	637,220	8,291,748	-	(1,475)	8,290,273
	Available-for-sale securities								
	Federal Government Securities								
	Market Treasury Bills	6,794,165	-	(55,012)	6,739,153	15,489,572	-	(31,865)	15,457,707
	Pakistan Investment Bonds	129,831,862	-	(3,946,799)	125,885,063	117,914,919	-	(1,932,898)	115,982,023
	GOP Ijarah Sukuks	3,142,051	-	(123,059)	3,018,992	3,239,178	-	(117,581)	3,121,597
	Shares - Listed								
	Ordinary Shares	110,456	-	-	110,456	5	-	-	5
	Shares - Unlisted								
	Unlisted Ordinary Shares	5,680	(5,680)	-	-	5,680	(5,680)	-	-
	Real Estate Investment Trust Units	910,032	-	(14,561)	895,471	910,032	-	(14,561)	895,471
	Non Government Debt Securities								
	Term Finance Certificates - Listed	50,217	-	(42)	50,175	50,278	-	(103)	50,175
	Term Finance Certificates - Unlisted	8,780	(8,780)	-	-	8,780	(8,780)	-	-
		140,853,243	(14,460)	(4,139,473)	136,699,310	137,618,444	(14,460)	(2,097,006)	135,506,978
	Held-to-maturity securities								
	Federal Government Securities								
	Pakistan Investment Bonds	21,735,140	-	-	21,735,140	21,755,858	-	-	21,755,858
	Non Government Debt Securities								
	Shares repurchase (fully provided)	74,910	(74,910)	-	-	74,910	(74,910)	-	-
		21,810,050	(74,910)	-	21,735,140	21,830,768	(74,910)	-	21,755,858
	Associates								
	SPI Insurance Company Limited	-	-	-	-	123,509	-	-	123,509
	<b>Total Investments</b>	<b>163,302,971</b>	<b>(89,370)</b>	<b>(4,141,931)</b>	<b>159,071,670</b>	<b>167,864,469</b>	<b>(89,370)</b>	<b>(2,098,481)</b>	<b>165,676,618</b>
11.2	Investments by segments:								
	Federal Government Securities								
	Market Treasury Bills	6,849,180	-	(54,992)	6,894,188	22,396,064	-	(30,044)	22,366,020
	Pakistan Investment Bonds	151,567,002	-	(3,946,799)	147,620,203	140,660,588	-	(1,933,007)	138,727,581
	GOP Ijarah Sukuks	3,626,704	-	(125,537)	3,501,167	3,634,623	-	(120,768)	3,513,857
		162,142,886	-	(4,127,328)	158,015,558	166,691,275	-	(2,083,817)	164,607,458
	Shares								
	Ordinary shares - Listed	110,456	-	-	110,456	5	-	-	5
	Ordinary shares - Unlisted	5,680	(5,680)	-	-	5,680	(5,680)	-	-
		116,136	(5,680)	-	110,456	5,685	(5,680)	-	5
	Non Government Debt Securities								
	Term Finance Certificates - Listed	50,217	-	(42)	50,175	50,278	-	(103)	50,175
	Term Finance Certificates - Unlisted	8,780	(8,780)	-	-	8,780	(8,780)	-	-
		58,997	(8,780)	(42)	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	-	(14,561)	895,471	910,032	-	(14,561)	895,471
	Associates								
	SPI Insurance Company Limited	-	-	-	-	123,509	-	-	123,509
	<b>Total Investments</b>	<b>163,302,971</b>	<b>(89,370)</b>	<b>(4,141,931)</b>	<b>159,071,670</b>	<b>167,864,469</b>	<b>(89,370)</b>	<b>(2,098,481)</b>	<b>165,676,618</b>

	March 31, 2023 Un-audited	December 31, 2022 Audited
	Rupees In '000	
11.2.1 Investments given as collateral		
Market Treasury Bills	6,844,666	22,343,885
Pakistan Investment Bonds	125,814,128	116,403,463
	<u>132,658,794</u>	<u>138,747,348</u>
11.3 Provision for diminution in value of Investments		
11.3.1 Opening balance	89,370	89,370
Charge / (reversals)		
Charge for the period / year	-	-
Reversals for the period / year	-	-
Amounts written off	-	-
Closing balance	<u>89,370</u>	<u>89,370</u>

11.3.2 Particulars of provision against debt securities

Category of classification	March 31, 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 SBP vide its letter dated October 13, 2022 has allowed the Bank to stagger its unrealized mark to market losses with respect to a certain portion of its fixed PIB portfolio having face value amounting to Rs 14,071 million. Accordingly, the Bank is allowed to account for 25% unrealized mark to market loss related to respective portfolio upto September 30, 2022, 50% upto December 31, 2022, 75% upto March 31, 2023 and 100% upto June 30, 2023. Had such benefit (i.e. staggering of unrealized losses) not been taken by the Bank, the unrealized mark to market losses would have been higher by Rs. 498 million.

11.5 The market value of securities classified as held-to-maturity is Rs. 18,897 million (December 31, 2022: Rs. 17,578 million).

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

12 ADVANCES

	Performing		Non Performing		Total	
	March 31, 2023 Un-audited	December 31, 2022 Audited	March 31, 2023 Un-audited	December 31, 2022 Audited	March 31, 2023 Un-audited	December 31, 2022 Audited
	Rupees In '000					
Loans, cash credits, running finances, etc.	44,547,894	48,922,016	45,121,970	45,114,093	89,669,864	94,037,009
Islamic financing and related assets	228,819	228,868	-	-	228,819	228,868
Bills discounted and purchased	152,634	52,148	2,893	1,658	155,527	54,006
Advances - gross	44,929,347	49,203,032	45,124,863	45,116,851	90,054,210	94,317,883
Less: Provision against advances						
- Specific	-	-	29,776,915	29,495,607	29,776,915	29,495,607
- General	660,740	705,074	-	-	660,740	705,074
Advances - net of provision	44,268,607	48,497,958	15,347,948	15,621,244	59,616,555	64,117,202

	March 31, 2023 Un-audited	December 31, 2022 Audited
	Rupees In '000	
12.1 Particulars of advances (Gross)		
In local currency	90,054,210	94,317,883
In foreign currencies	-	-
	<u>90,054,210</u>	<u>94,317,883</u>

12.2 Advances include Rs. 45.125 billion (December 31, 2022: Rs. 45.117 billion) which have been placed under non-performing status as detailed below.

Category of classification - specific	March 31, 2023 - Un-audited		December 31, 2022 - Audited	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	Rupees In '000			
Domestic	583,365	86,583	770,626	71,487
Substandard	2,225,801	103,918	3,005,846	101,727
Doubtful	42,315,696	29,886,414	41,331,379	29,322,393
Loss	45,124,863	29,776,915	45,116,851	29,495,607

12.3 Particulars of provision against advances:

Note	March 31, 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	608,990	-	608,990	8,777,383	-	8,777,383
Reversals for the period / year	(84,345)	(44,334)	(128,679)	(1,628,499)	(161,054)	(1,789,553)
Amounts written off	524,645	(44,334)	480,311	7,148,884	(161,054)	6,987,830
Closing balance	29,776,915	660,740	30,437,655	29,495,607	705,074	30,200,681

- 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 March 31, 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. 8,378 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. 661 million (December 31, 2022: Rs. 705 million) against consumer finance portfolio as required by the Prudential Regulations issued by the SBP.

	Note	March 31, 2023 Un-audited	December 31, 2022 Audited
		Rupees in '000	
<b>13</b>	<b>FIXED ASSETS</b>		
	Capital work-in-progress	13.1 24,154	34,217
	Property and equipment	2,870,238	2,962,766
	Right-of-use assets	2,328,966	2,432,254
		<u>5,223,358</u>	<u>5,429,237</u>
<b>13.1</b>	<b>Capital work-in-progress</b>		
	Civil works	17,575	7,625
	Advances to suppliers and contractors	6,579	26,592
		<u>24,154</u>	<u>34,217</u>
<b>13.2</b>	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.		
<b>13.2.1</b>	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.		
<b>13.2.2</b>	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.

	March 31, 2023 Un-audited	March 31, 2022 Un-audited
	Rupees in '000	
<b>13.2 Additions to fixed assets</b>		
The following additions have been made to fixed assets during the period:		
Capital work-in-progress	16,323	239,819
<b>Property and equipment</b>		
Furniture and fixture	46	1,362
Electrical, office and computer equipment	209	1,543
Vehicles	25,906	62,057
Leasehold Improvements	-	359
	26,161	65,321
<b>Total</b>	<b>42,484</b>	<b>305,140</b>

**13.3 Disposal of fixed assets**

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

Furniture and fixture	201	-
Electrical, office and computer equipment	1,094	-
Vehicles	39,833	27,305
Leasehold Improvements	5	-
<b>Total</b>	<b>41,133</b>	<b>27,305</b>

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

**14 INTANGIBLE ASSETS**

Capital work-in-progress	83,879	77,004
Software	278,127	289,433
	<b>362,006</b>	<b>366,437</b>

	March 31, 2023 Un-audited	March 31, 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	30,216	8,905
Software (directly purchased)	2,282	6,450
<b>Total</b>	<b>32,498</b>	<b>15,355</b>



		March 31, 2023	December 31, 2022
	Note	Un-audited	Audited
Rupees in '000			
<b>15</b>	<b>DEFERRED TAX ASSETS</b>		
<b>Deductible Temporary Differences on</b>			
- Tax losses carried forward		9,352,995	8,518,266
- Deficit on revaluation of investments	23	1,608,715	812,153
- Provision for diminution in value of investments		3,424	3,424
- Provision against non-performing advances		11,931,810	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		109,364	105,988
- Impairment in fixed assets		129,428	129,428
- Unabsorbed tax depreciation		960,880	940,051
		<b>24,489,231</b>	<b>22,773,542</b>
<b>Taxable Temporary Differences on</b>			
- Surplus on revaluation of non-banking assets	23	(14,022)	(14,219)
- Surplus on revaluation of fixed assets	23	(8,026)	(8,375)
- Post retirement employee benefits		(23,202)	(23,202)
- Accelerated tax depreciation		(64,316)	(65,906)
		<b>(109,566)</b>	<b>(111,702)</b>
		<b>24,379,665</b>	<b>22,661,840</b>

**15.1** The Bank has an aggregate amount of deferred tax assets of Rs. 24,380 million (December 31, 2022: Rs. 22,662 million) out of which an amount of Rs. 11,932 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.

		March 31, 2023	December 31, 2022
		Un-audited	Audited
		Rupees in '000	
<b>16</b>	<b>OTHER ASSETS</b>		
	Income / mark-up accrued in local currency - net of provision	8,860,471	8,636,611
	Income / mark-up accrued in foreign currency - net of provision	1	293
	Accrued rent	18,210	18,210
	Advances, deposits, advance rent and other prepayments	2,024,618	1,400,382
	Profit paid in advance on fixed deposits	82,132	61,895
	Advance taxation (payments less provisions)	2,286,686	2,242,969
	Net defined benefit assets	59,493	59,493
	Non-banking assets	3,005,403	3,013,552
	Branch adjustment account	489,555	413,872
	Mark to market gain on forward contracts	673,175	174,849
	Acceptances	452,010	274,399
	Contract Assets	-	-
	Receivable from sale of non-banking assets acquired in satisfaction of claims	33,350	37,550
	Fee receivable from Credit Card members	210,949	194,114
	Others	721,952	558,206
		<u>18,918,005</u>	<u>17,086,395</u>
	Less: Provision held against other assets	(857,232)	(857,232)
	Other assets - net of provisions	18,060,773	16,229,163
	Surplus on revaluation of non-banking assets	52,943	53,449
	Other assets - total	<u>18,113,716</u>	<u>16,282,612</u>
<b>16.1</b>	<b>Market value of Non-banking assets acquired in satisfaction of claims</b>	<u>2,209,114</u>	<u>2,217,769</u>
<b>16.2</b>	<b>Non-banking assets</b>		
	- acquired in satisfaction of claims	2,958,099	2,928,813
	- under agreement to sale third parties	47,304	84,739
		<u>3,005,403</u>	<u>3,013,552</u>
<b>16.3</b>	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.		
<b>16.4</b>	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.		
<b>16.5</b>	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.		

	March 31, 2023 Un-audited	December 31, 2022 Audited
	Rupees in '000	
<b>16.6 Provision held against other assets</b>		
Non-banking assets acquired in satisfaction of claims	849,232	849,232
Others	8,000	8,000
	<u>857,232</u>	<u>857,232</u>
<b>16.6.1 Movement in provision held against other assets</b>		
Opening balance	857,232	857,232
Charge for the period / year	-	-
Reversals for the period / year	-	-
Net reversal for the period / year	-	-
Reversal on disposal / write off	-	-
Closing balance	<u>857,232</u>	<u>857,232</u>

	March 31, 2023 Un-audited	December 31, 2022 Audited
	Rupees in '000	
<b>17 BILLS PAYABLE</b>		
In Pakistan	2,138,023	3,040,491
Outside Pakistan	-	-
	<u>2,138,023</u>	<u>3,040,491</u>
<b>18 BORROWINGS</b>		
<b>Secured</b>		
<b>Borrowings from State Bank of Pakistan</b>		
- under export refinance scheme	2,647,041	2,691,727
- under Credit Guarantee Scheme for Small and Rural Enterprises	583	667
	<u>2,647,624</u>	<u>2,692,394</u>
Repurchase agreement borrowings	135,790,309	140,017,483
<b>Total secured</b>	<u>138,437,933</u>	<u>142,709,877</u>
<b>Unsecured</b>		
Call borrowings	-	100,000
Trading liability	-	4,815,839
Overdrawn nostro accounts	474,597	390,424
<b>Total unsecured</b>	<u>474,597</u>	<u>5,306,263</u>
	<u>138,912,530</u>	<u>148,016,140</u>

**19 DEPOSITS AND OTHER ACCOUNTS**

	March 31, 2023 - Un-audited			December 31, 2022 - Audited		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	Rupees in '000					
<b>Customers</b>						
Current deposits	35,238,807	4,964,230	40,203,037	34,174,446	4,638,911	38,813,357
Saving deposits	53,649,483	5,358,772	59,008,255	58,741,273	3,939,459	62,680,732
Term deposits	34,960,326	3,393,555	38,353,881	34,539,699	2,087,904	36,627,603
Margin deposits	1,154,983	-	1,154,983	1,284,723	-	1,284,723
Call deposits	1,313,174	-	1,313,174	1,233,509	-	1,233,509
	<u>128,316,773</u>	<u>13,716,557</u>	<u>140,033,330</u>	<u>129,973,650</u>	<u>10,666,274</u>	<u>140,639,924</u>
<b>Financial Institutions</b>						
Current deposits	229,707	24,317	254,024	305,847	5,436	311,283
Saving deposits	1,567,978	185	1,568,163	2,859,793	29,810	2,889,603
Term deposits	650,930	750,913	1,401,843	875,930	582,154	1,458,084
	<u>2,448,615</u>	<u>775,415</u>	<u>3,224,030</u>	<u>4,041,570</u>	<u>617,400</u>	<u>4,658,970</u>
	<u>128,765,388</u>	<u>14,491,972</u>	<u>143,257,360</u>	<u>134,015,220</u>	<u>11,283,674</u>	<u>145,298,894</u>

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

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

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

	Note	March 31,	December 31,
		2023	2022
		Un-audited	Audited
		Rupees in '000	
<b>21 OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		4,026,743	2,658,665
Mark-up / return / interest payable in foreign currencies		30,186	8,496
Unearned commission and income on bills discounted		78,295	84,740
Accrued expenses		1,013,901	1,011,885
Acceptances		452,010	274,399
Mark to market loss on forward contracts		257,684	38,691
Payable to defined benefit plan - contractual staff		77,571	81,171
Provision against off-balance sheet obligations	21.1	109,812	109,812
Workers' Welfare Fund (WWF)		102,395	102,394
Advance received against future sale of non banking assets		57,550	50,951
Advance received against future sale of operating fixed assets		118,500	118,500
Deferred income against non-banking assets		128,848	128,848
Islamic pool management reserve		9,505	9,220
Lease liability against right-of-use assets		2,873,532	2,969,815
Non checking account		55,078	51,879
PR1 remitting account		30,879	28,974
Funds received against application of Housing Scheme		46,918	48,256
Others		1,069,734	867,283
		<u>10,538,141</u>	<u>8,643,979</u>

		March 31, 2023 Un-audited	December 31, 2022 Audited
	Note	Rupees In '000	
<b>21.1 Provision against off-balance sheet obligations</b>			
Opening balance		109,812	109,812
Charge for the period / year		-	-
Reversals for the period / year		-	-
Amount written off		-	-
Closing balance	21.1.1	<u>109,812</u>	<u>109,812</u>
<b>21.1.1</b> This includes provisions made against letters of guarantee issued by the Bank.			
<b>22 SHARE CAPITAL- NET</b>			
<b>22.1 Authorised capital</b>			
March 31, 2023 Un-audited	December 31, 2022 Audited		
Number of shares in '000			
<u>10,500,000</u>	<u>10,500,000</u>	Ordinary shares of Rs.10 each	<u>105,000,000</u>
<u>105,000,000</u>	<u>105,000,000</u>		
<b>22.2 Issued, subscribed and paid up capital</b>			
March 31, 2023 Un-audited	December 31, 2022 Audited		
Number of shares in '000			
9,081,861	9,081,861	Ordinary shares of Rs. 10 each	
-	-	Fully paid in cash	90,818,612
-	-	Less: Discount on issue of shares	(67,387,238)
<u>9,081,861</u>	<u>9,081,861</u>		<u>23,431,374</u>
			<u>23,431,374</u>
<b>23 (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>			
(Deficit) / Surplus on revaluation of			
- Available for sale securities		(4,124,912)	(2,082,445)
- Fixed assets		43,853	44,748
- Non-banking assets acquired in satisfaction of claims		1,897,870	1,898,376
		(2,183,189)	(139,321)
Deferred tax on (deficit) / surplus on revaluation of			
- Available for sale securities	15	1,608,715	812,153
- Fixed assets	15	(8,026)	(8,375)
- Non-banking assets acquired in satisfaction of claims	15	(14,022)	(14,219)
		1,586,667	789,559
		(596,522)	650,238
<b>24 CONTINGENCIES AND COMMITMENTS</b>			
Guarantees	24.1	12,083,815	12,893,547
Commitments	24.2	23,733,420	19,054,007
Contingent liabilities	24.3	907,300	872,945
		<u>36,724,535</u>	<u>32,820,499</u>
<b>24.1 Guarantees:</b>			
Financial guarantees		854,940	854,940
Performance guarantees		7,377,412	8,214,534
Other guarantees		3,851,463	3,824,073
		<u>12,083,815</u>	<u>12,893,547</u>
<b>24.2 Commitments:</b>			
Documentary credits and short-term trade-related transactions			
- letters of credit		2,428,406	1,727,963
Commitments in respect of:			
- forward foreign exchange contracts	24.2.1	21,299,153	17,323,466
- forward government securities transactions	24.2.2	-	-
Commitments for acquisition of:			
- operating fixed assets		5,861	2,578
		<u>23,733,420</u>	<u>19,054,007</u>

	March 31, 2023 Un-audited	December 31, 2022 Audited
Rupees in '000		
<b>24.2.1 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	15,595,031	12,572,932
Sale	5,704,122	4,750,534
	<u>21,299,153</u>	<u>17,323,466</u>

<b>24.2.2 Commitments in respect of forward government securities transactions</b>		
Purchase	-	-
Sale	-	-
	<u>-</u>	<u>-</u>

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

	March 31, 2023 Un-audited	December 31, 2022 Audited
Rupees in '000		
<b>24.3 Contingent liabilities:</b>		
Claims against the Bank not acknowledged as debt	871,660	837,305
Claims against the Bank by Competition Commission of Pakistan & others	35,640	35,640
	<u>907,300</u>	<u>872,945</u>

**24.3.1** Suits for damages of Rs. 24.34 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

March 31, 2023 - Un-audited	
Forward Contracts	
Notional Principal	Mark to Market gain / (loss)
Rupees in '000	

### Counterparties

#### Hedging

- Banks
- Other entities

#### Total

20,562,006	405,758
737,147	9,733
<u>21,299,153</u>	<u>415,491</u>

### December 31, 2022 - Audited

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

### Counterparties

#### Hedging

- Banks
- Other entities

#### Total

17,218,522	129,824
104,944	6,333
<u>17,323,466</u>	<u>136,157</u>

		March 31, 2023 Un-audited	March 31, 2022 Un-audited
	Note	Rupees in '000	
<b>26</b>	<b>MARK-UP / RETURN / PROFIT / INTEREST EARNED</b>		
	On:		
	a) Loans and advances	2,453,883	2,499,951
	b) Investments	6,685,394	3,237,535
	c) Lendings to financial institutions	36,921	85,335
	d) Balances with banks	7,039	21
		<u>9,183,237</u>	<u>5,822,842</u>
<b>27</b>	<b>MARK-UP / RETURN / PROFIT / INTEREST EXPENSED</b>		
	On:		
	a) Deposits	3,616,805	2,304,301
	b) Borrowings	6,483,247	2,610,170
	c) Subordinated debt	87,415	46,565
	d) Cost of foreign currency swaps against foreign currency deposits / borrowings	101,810	127,139
	e) Lease liability against right-of-use assets	74,937	93,445
	f) Others	8,430	5,723
		<u>10,374,644</u>	<u>5,187,343</u>
<b>28</b>	<b>FEE &amp; COMMISSION INCOME</b>		
	Branch banking customer fees	75,004	43,405
	Card related fees (debit and credit cards)	601,154	492,162
	Credit related fees	77,664	79,396
	Commission on trade	28,207	49,422
	Commission on guarantees	21,425	20,913
	Commission on remittances including home remittances	5,356	3,887
	Commission on bancassurance	12,555	6,807
	Others	11,043	1,684
		<u>832,408</u>	<u>697,676</u>
<b>29</b>	<b>(LOSS) / GAIN ON SECURITIES</b>		
	Realised	29.1 (31,307)	26,412
	Unrealised - held for trading	(2,458)	(42,880)
		<u>(33,765)</u>	<u>(16,468)</u>
<b>29.1</b>	<b>Realised (loss) / gain on:</b>		
	Federal Government Securities	(17,983)	26,412
	Shares	(13,324)	-
		<u>(31,307)</u>	<u>26,412</u>
<b>30</b>	<b>OTHER INCOME</b>		
	Gain on sale of fixed assets - net	5,208	-
	Gain on sale of non-banking assets - net	-	571
	Rent on lockers	5,680	6,342
	Postage, telex and other service charges recovered	13,058	12,610
	Share of profit from associate	266	-
	Early loan termination charges	6,633	12,135
		<u>30,845</u>	<u>31,658</u>

	March 31, 2023 Un-audited	March 31, 2022 Un-audited
	Rupees in '000	
<b>31 OPERATING EXPENSES</b>		
Total compensation expense	721,300	852,784
<b>Property expense</b>		
Rent & taxes	2,910	2,868
Insurance on non-banking assets acquired in satisfaction of claims	-	3,303
Utilities cost	40,332	40,272
Security (including guards)	34,884	7,833
Repair & maintenance (including janitorial charges)	30,708	14,861
Depreciation on buildings	16,098	17,786
Depreciation on right-of-use assets	146,510	161,821
Depreciation on non-banking assets acquired in satisfaction of claims	8,656	8,750
Professional charges	-	2,179
	<b>280,098</b>	<b>259,473</b>
<b>Information technology expenses</b>		
Software maintenance	94,807	82,279
Hardware maintenance	39,086	19,551
Depreciation	15,207	17,712
Amortisation	13,588	13,934
Website development charges	157	148
	<b>162,845</b>	<b>133,624</b>
<b>Other operating expenses</b>		
Directors' fees and allowances	21,845	8,341
Fees and allowances to Shariah Board	4,135	3,045
Legal & professional charges	18,267	20,112
Outsourced services costs	9,330	50,059
Travelling & conveyance	17,595	17,514
NIFT clearing charges	4,267	2,649
Depreciation	37,150	35,247
Training & development	330	929
Postage & courier charges	1,570	1,367
Communication	298,599	148,635
Stationery & printing	23,108	21,393
Marketing, advertisement & publicity	50,525	69,476
Auditors' remuneration	6,474	6,474
Insurance (including deposit protection)	53,172	42,465
Repairs & maintenance	12,903	18,774
Brokerage and commission	1,664	1,404
Subscriptions and news papers	5,236	5,767
Entertainment	6,842	10,372
Vehicle running & maintenance	11,530	4,023
Card related expenses (debit and credit cards)	93,079	47,100
Security	6,448	9,689
Others	259	2,170
	<b>684,328</b>	<b>527,005</b>
	<b>1,848,571</b>	<b>1,772,886</b>
<b>32 OTHER CHARGES</b>		
Penalties imposed by State Bank of Pakistan	1,141	1,130
Operational loss	511	991
	<b>1,652</b>	<b>2,121</b>



		March 31, 2023	March 31, 2022
		Un-audited	Un-audited
	Note	Rupees in '000	
<b>33</b>	<b>PROVISIONS &amp; WRITE OFFS - NET</b>		
	Impairment in the value of investments	11.3.1	-
	Provisions against loans & advances	12.3	480,311
	Provision against other assets - net	16.6.1	-
	Reversal against off balance sheet items	21.1	-
	Write offs against fixed assets		9,102
	Recovery of written off / charged off bad debts		(102,630)
		<u>390,259</u>	<u>(216,460)</u>

<b>34</b>	<b>TAXATION</b>		
	Current	-	-
	Prior periods	55,703	42,380
	Deferred	<u>(920,716)</u>	<u>(1,737,629)</u>
		<u>(865,013)</u>	<u>(1,695,249)</u>

**34.1** The prior year tax amounting to Rs. 56 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(6A) 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.

		March 31, 2023	March 31, 2022
		Un-audited	Un-audited
		Rupees in '000	
<b>35</b>	<b>BASIC AND DILUTED EARNINGS PER SHARE</b>		
	(Loss) / Profit after taxation for the period	<u>(1,496,938)</u>	<u>1,553,345</u>
	Weighted average number of ordinary shares (Number of shares)	<u>9,081,861</u>	<u>9,081,861</u>
	Basic and diluted (loss) / earning per share (Rupee)	<u>(0.16)</u>	<u>0.17</u>
<b>36</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	Cash and balance with treasury banks	12,761,758	12,196,920
	Balance with other banks	874,361	637,543
		<u>13,636,119</u>	<u>12,834,463</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:

	March 31, 2023 - Un-audited				Total
	Carrying Value	Level 1	Level 2	Level 3	
Rupees in '000					
<b>On balance sheet financial instruments</b>					
<b>Financial assets - measured at fair value</b>					
<b>Investments:</b>					
<b>Federal Government Securities</b>					
Market Treasury Bills	6,894,198	-	6,894,198	-	6,894,198
Pakistan Investment Bonds	147,620,203	-	147,620,203	-	147,620,203
GOP Ijarah Sukuks	3,501,167	-	3,501,167	-	3,501,167
<b>Shares</b>					
Listed companies	110,456	110,456	-	-	110,456
<b>Non-Government Debt Securities</b>					
Term Finance Certificates - Listed	50,175	-	50,175	-	50,175
	<b>158,176,199</b>	<b>110,456</b>	<b>158,065,743</b>	<b>-</b>	<b>158,176,199</b>
<b>Financial assets - disclosed but not measured at fair value</b>					
Cash and balances with treasury banks	12,761,758	-	-	-	-
Balances with other banks	874,361	-	-	-	-
Lendings to financial institutions	188,572	-	-	-	-
Advances	59,616,555	-	-	-	-
Other assets	9,796,156	-	-	-	-
	<b>83,217,402</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>241,393,601</b>	<b>110,456</b>	<b>158,065,743</b>	<b>-</b>	<b>158,176,199</b>
<b>Off-balance sheet financial instruments - measured at fair value</b>					
Forward purchase of foreign exchange	15,595,031	-	15,595,031	-	15,595,031
Forward sale of foreign exchange	5,704,122	-	5,704,122	-	5,704,122
Forward purchase of government securities transactions	-	-	-	-	-
Forward sale of government securities transactions	-	-	-	-	-

December 31, 2022 - Audited					
Carrying Value	Level 1	Level 2	Level 3	Total	
Rupees in '000					
<b>On balance sheet financial instruments</b>					
<b>Financial assets - measured at fair value</b>					
<b>Investments:</b>					
<b>Federal Government Securities</b>					
Market Treasury Bills	22,366,020	-	22,366,020	-	22,366,020
Pakistan Investment Bonds	138,727,581	-	138,727,581	-	138,727,581
GOP Ijarah Sukuks	3,513,857	-	3,513,857	-	3,513,857
<b>Shares</b>					
Listed companies	5	5	-	-	5
<b>Non-Government Debt Securities</b>					
Term Finance Certificates - Listed	50,175	-	50,175	-	50,175
	<u>164,657,638</u>	<u>5</u>	<u>164,657,633</u>	<u>-</u>	<u>164,657,638</u>
<b>Financial assets - disclosed but not measured at fair value</b>					
Cash and balances with treasury banks	10,198,476	-	-	-	-
Balances with other banks	586,790	-	-	-	-
Lendings to financial institutions	8,148,196	-	-	-	-
Advances	64,117,202	-	-	-	-
Other assets	9,081,627	-	-	-	-
	<u>92,112,291</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>256,769,929</u>	<u>5</u>	<u>164,657,633</u>	<u>-</u>	<u>164,657,638</u>
<b>Off-balance sheet financial instruments - measured at fair value</b>					
Forward purchase of foreign exchange	12,572,932	-	12,572,932	-	12,572,932
Forward sale of foreign exchange	4,750,534	-	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 sukk 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:

March 31, 2023 - Un-audited				
Carrying Value	Level 1	Level 2	Level 3	Total
Rupees in '000				
Operating fixed assets - land and buildings	2,014,873	-	2,014,873	2,014,873
Non-banking assets acquired in satisfaction of claims	2,209,114	-	2,209,114	2,209,114
	<u>4,223,987</u>	<u>-</u>	<u>4,223,987</u>	<u>4,223,987</u>
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
	<u>4,235,567</u>	<u>-</u>	<u>4,235,567</u>	<u>4,235,567</u>

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.

## 39 SEGMENT INFORMATION

## Segment Details with respect to Business Activities

March 31, 2023 - Un-audited				
Consumer / SME	Whole Sale Banking	Treasury	Total	
Rupees in '000				
<b>Profit and Loss Account</b>				
Net mark-up / return / profit / (expense)	1,993,849	(2,861,497)	(323,759)	(1,191,407)
Inter segment revenue - net	-	-	-	-
Non mark-up / interest income / (loss)	798,972	57,122	213,844	1,069,938
<b>Total income / (loss)</b>	<b>2,792,821</b>	<b>(2,804,375)</b>	<b>(109,916)</b>	<b>(121,469)</b>
Segment direct expenses	(1,116,649)	(709,145)	(24,429)	(1,850,223)
Inter segment expense allocation	(380,128)	401,915	(21,787)	-
<b>Total expenses</b>	<b>(1,496,777)</b>	<b>(307,230)</b>	<b>(46,216)</b>	<b>(1,850,223)</b>
Provisions	(43,659)	(346,600)	-	(390,259)
<b>Profit / (loss) before tax</b>	<b>1,252,385</b>	<b>(3,458,205)</b>	<b>(156,131)</b>	<b>(2,361,951)</b>
<b>Statement of Financial Position</b>				
Cash & Bank balances	-	5,573,441	8,062,678	13,636,119
Investments	-	-	159,071,670	159,071,670
Net inter segment lending	113,682,350	(228,201,282)	114,518,932	-
Lendings to financial institutions	-	168,672	-	168,672
Advances - performing - net	20,246,417	24,022,190	-	44,268,607
Advances - non-performing - net	1,002,824	14,345,124	-	15,347,948
Others	1,854,513	44,260,404	1,963,828	48,078,745
<b>Total Assets</b>	<b>136,786,104</b>	<b>(139,831,551)</b>	<b>283,617,108</b>	<b>280,571,661</b>
Borrowings	600,100	2,147,524	136,264,906	138,912,530
Subordinated debt	-	2,438,666	-	2,438,666
Deposits & other accounts	116,667,640	26,689,720	-	143,267,360
Net inter segment borrowing	15,582,613	(161,399,422)	145,816,909	-
Others	4,035,851	4,852,443	3,787,870	12,676,164
<b>Total liabilities</b>	<b>136,786,104</b>	<b>(126,371,069)</b>	<b>285,869,685</b>	<b>297,284,720</b>
Equity	-	(14,460,482)	(2,252,577)	(16,713,059)
<b>Total Equity &amp; liabilities</b>	<b>136,786,104</b>	<b>(139,831,551)</b>	<b>283,617,108</b>	<b>280,571,661</b>
Contingencies & Commitments	871,660	14,653,722	21,299,153	36,724,535

March 31, 2022 - (Un-audited)				
Consumer / SME	Whole Sale Banking	Treasury	Total	
Rupees in '000				
<b>Profit and Loss Account</b>				
Net mark-up / return / profit / (expense)	1,723,866	(1,066,430)	(21,937)	635,499
Inter segment revenue - net	-	-	-	-
Non mark-up / interest income	654,348	95,828	30,968	781,144
<b>Total income / (loss)</b>	<b>2,378,214</b>	<b>(970,602)</b>	<b>9,031</b>	<b>1,416,643</b>
Segment direct expenses	(981,925)	(770,062)	(23,020)	(1,775,007)
Inter segment expense allocation	(356,853)	376,408	(19,555)	-
<b>Total expenses</b>	<b>(1,338,778)</b>	<b>(393,654)</b>	<b>(42,575)</b>	<b>(1,775,007)</b>
Provisions	(30,240)	246,700	-	216,460
<b>Profit / (loss) before tax</b>	<b>1,009,196</b>	<b>(1,117,556)</b>	<b>(33,544)</b>	<b>(141,904)</b>

December 31, 2022 - Audited				
Consumer / SME	Whole Sale Banking	Treasury	Total	
Rupees in '000				
<b>Statement of Financial Position</b>				
Cash & Bank balances	-	4,378,750	6,406,516	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
<b>Total Assets</b>	<b>144,155,564</b>	<b>(152,456,848)</b>	<b>301,768,692</b>	<b>293,467,408</b>
Borrowings	545,452	2,146,941	145,323,747	148,016,140
Subordinated debt	-	2,438,666	-	2,438,666
Deposits & other accounts	115,395,672	29,903,222	-	145,298,894
Net inter segment borrowing	16,634,861	(171,608,673)	154,973,812	-
Others	11,570,579	(2,744,590)	2,849,481	11,684,470
<b>Total liabilities</b>	<b>144,155,564</b>	<b>(139,864,434)</b>	<b>303,147,040</b>	<b>307,438,170</b>
Equity	-	(12,592,414)	(1,378,348)	(13,970,762)
<b>Total Equity &amp; liabilities</b>	<b>144,155,564</b>	<b>(152,456,848)</b>	<b>301,768,692</b>	<b>293,467,408</b>
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:

	March 31, 2023 - Un-audited				December 31, 2022 - Audited			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
Rupees in '000								
<b>Balances</b>								
<b>Investments</b>								
Opening balance	-	-	123,509	4	-	-	147,933	4
Investment made / share profit during the period / year	-	-	-	-	-	-	(24,424)	-
Investment redeemed / disposed off during the period / year	-	-	(123,509)	-	-	-	-	-
Revaluation of investment during the period / year	-	-	-	1	-	-	-	-
Closing balance	-	-	-	5	-	-	123,509	4
<b>Advances</b>								
Opening balance	1,992	40,856	-	2,009,636	1,412	20,967	-	2,139,641
Addition during the period / year	2,827	38,855	-	108,477	13,752	188,689	-	41,428
Repaid during the period / year	(3,016)	(32,951)	-	(129,285)	(13,172)	(168,800)	-	(171,433)
Closing balance	1,803	46,760	-	1,988,828	1,992	40,856	-	2,009,636
Provision held against advances	-	-	-	681,129	-	-	-	680,667
<b>Other Assets</b>								
Interest / mark-up accrued	-	1,698	-	44,070	-	1,309	-	50,123
<b>Subordinated debt</b>								
Opening balance	-	-	-	440,266	-	-	-	440,266
Issued / purchased during the period / year	-	-	-	-	-	-	-	-
Redemption during the period / year	-	-	-	-	-	-	-	-
Closing balance	-	-	-	440,266	-	-	-	440,266
<b>Deposits and other accounts</b>								
Opening balance	21,521	79,465	20,749	557,218	38,168	110,508	38,059	790,636
Received during the period / year	23,397	137,407	22,465	552,559	88,627	601,901	82,539	3,133,926
Withdrawn during the period / year	(26,214)	(140,304)	(43,214)	(595,058)	(105,274)	(632,924)	(89,849)	(3,367,344)
Closing balance	18,704	76,568	-	514,719	21,521	79,465	20,749	557,218
<b>Other Liabilities</b>								
Interest / mark-up payable	16	108	52	390	-	-	37	98
<b>Contingencies and Commitments</b>								
Other contingencies	-	-	-	17,389	-	-	4,654	17,389
Rupees in '000								
<b>Transactions</b>								
<b>Income</b>								
Mark-up / return / interest earned	-	2,205	-	45,103	-	966	-	47,363
Net loss on sale of securities	-	-	(13,323)	-	-	-	-	-
<b>Expense</b>								
Mark-up / return / interest paid	385	673	182	18,162	580	834	484	8,239
Short term employment benefits	13,736	67,424	-	-	13,724	88,513	-	-
Contribution to Defined Benefit Plan	556	2,654	-	-	577	2,736	-	-
Meeting fee	18,810	-	-	-	7,220	-	-	-

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

40 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

**Minimum Capital Requirement (MCR)**

Paid-up capital (net of losses)	<u>(16,937,427)</u>	<u>(15,441,890)</u>
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**Capital Adequacy Ratio (CAR):**

Eligible Common Equity Tier 1 (CET 1) Capital	(43,338,578)	(39,006,704)
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Eligible Additional Tier 1 (ADT 1) Capital	-	-
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Total Eligible Tier 1 Capital	<u>(43,338,578)</u>	<u>(39,006,704)</u>
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Eligible Tier 2 Capital	-	-
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Total Eligible Capital (Tier 1 + Tier 2)	<u>(43,338,578)</u>	<u>(39,006,704)</u>
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**Risk Weighted Assets (RWAs):**

Credit Risk	73,755,627	77,140,611
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Market Risk	596,679	839,751
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Operational Risk	7,061,942	7,018,572
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Total	81,414,248	84,998,934
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Common Equity Tier 1 Capital Adequacy Ratio	<u>-53.23%</u>	<u>-45.89%</u>
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Tier 1 Capital Adequacy Ratio	<u>-53.23%</u>	<u>-45.89%</u>
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Total Capital Adequacy Ratio	<u>-53.23%</u>	<u>-45.89%</u>
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**Leverage Ratio (LR):**

Eligible Tier-1 Capital	(43,338,578)	(39,006,704)
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Total Exposures	294,621,093	308,068,643
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Leverage Ratio	<u>-14.71%</u>	<u>-12.66%</u>
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**Liquidity Coverage Ratio (LCR):**

Total High Quality Liquid Assets	10,404,691	39,301,752
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Total Net Cash Outflow	21,477,372	25,912,915
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Liquidity Coverage Ratio	<u>48.44%</u>	<u>151.67%</u>
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**Net Stable Funding Ratio (NSFR):**

Total Available Stable Funding	165,612,073	170,731,662
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Total Required Stable Funding	106,762,585	105,027,366
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Net Stable Funding Ratio	<u>155.12%</u>	<u>162.56%</u>
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#### 41 ISLAMIC BANKING BUSINESS

The Bank is operating with 23 Islamic Banking branches at the end of March 31, 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 March 31, 2023, are as follows:

		March 31, 2023 Un-audited	December 31, 2022 Audited
	Note	Rupees in '000	
<b>ASSETS</b>			
Cash and balances with treasury banks		1,330,069	1,773,437
Balances with other banks		36,967	21,101
Due from financial institutions	41.1	18,249,191	26,511,693
Investments	41.2	2,338,826	3,218,147
Islamic financing and related assets - net	41.3	228,819	226,868
Fixed assets		617,396	632,095
Intangible assets		4,764	4,909
Due from Head Office		-	-
Other assets		911,016	1,177,012
<b>Total assets</b>		<b>23,717,037</b>	<b>33,565,262</b>
<b>LIABILITIES</b>			
Bills payable		396,691	414,267
Deposits and other accounts	41.4	14,117,784	15,932,153
Due to Head Office		849,400	9,224,948
Other liabilities		848,832	970,722
<b>Total liabilities</b>		<b>16,212,707</b>	<b>26,542,090</b>
<b>NET ASSETS</b>		<b>7,504,330</b>	<b>7,023,172</b>
<b>REPRESENTED BY</b>			
Islamic banking fund		6,626,000	6,625,000
Reserves		-	-
Deficit on revaluation of assets		(87,854)	(117,581)
Un-appropriated profit	41.8	967,184	515,753
		<b>7,504,330</b>	<b>7,023,172</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	41.5		

The profit and loss account of the Bank's Islamic banking branches for the quarter ended March 31, 2023 is as follows:

		March 31, 2023 Un-audited	March 31, 2022 Un-audited
	Note	Rupees in '000	
Profit / return earned	41.6	869,543	696,864
Profit / return expensed	41.7	(230,683)	(434,167)
<b>Net profit / return</b>		<b>638,860</b>	<b>262,697</b>
<b>Other income</b>			
Fee and commission income		3,495	6,557
Foreign exchange loss		24,658	5,424
Income from derivatives		-	-
Gain on securities		-	-
Other income		9,962	9,502
<b>Total other income</b>		<b>38,116</b>	<b>21,483</b>
<b>Total income</b>		<b>676,975</b>	<b>284,180</b>
<b>Other expenses</b>			
Operating expenses		(218,630)	(201,983)
Workers Welfare Fund		-	(1,644)
Other charges		-	-
<b>Total other expenses</b>		<b>(218,630)</b>	<b>(203,627)</b>
<b>Profit before provisions</b>		<b>458,345</b>	<b>80,553</b>
Provisions and write offs - net		(6,914)	-
<b>Profit for the period</b>		<b>451,431</b>	<b>80,553</b>

41.1	Due from Financial Institutions	March 31, 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	18,249,191	-	18,249,191	26,511,693	-	26,511,693
		<u>18,249,191</u>	<u>-</u>	<u>18,249,191</u>	<u>26,511,693</u>	<u>-</u>	<u>26,511,693</u>

41.2	Investments by segments:	March 31, 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	2,429,167	-	(90,332)	2,338,825	3,336,158	-	(118,011)	3,218,147
	<b>Total Investments</b>	<u>2,429,167</u>	<u>-</u>	<u>(90,332)</u>	<u>2,338,825</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	March 31, 2023	December 31, 2022
			Un-audited	Audited
			Rupees in '000	
	Murabaha		17,944	14,493
	Diminishing Musharaka		210,876	212,375
	<b>Gross Islamic financing and related assets</b>	12	<u>228,819</u>	<u>226,868</u>
	Less: provision against Islamic financings			
	- Specific		-	-
	- General		-	-
	<b>Islamic financing and related assets - net of provision</b>		<u>228,819</u>	<u>226,868</u>

41.4	Deposits	March 31, 2023 - Un-audited			December 31, 2022 - Audited		
		In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
		Rupees in '000					
	<b>Customers</b>						
	Current deposits	4,021,455	963,713	4,985,168	4,333,066	846,177	5,179,243
	Saving deposits	5,097,294	1,768,008	6,865,302	5,839,108	1,417,923	7,257,031
	Term deposits	1,704,573	349,490	2,054,063	2,848,626	324,136	3,172,762
	Margin deposits	26,686	-	26,686	26,686	-	26,686
	Call deposits	73,191	-	73,191	67,308	-	67,308
		<u>10,923,199</u>	<u>3,081,211</u>	<u>14,004,410</u>	<u>13,114,794</u>	<u>2,588,236</u>	<u>15,703,030</u>
	<b>Financial Institutions</b>						
	Current deposits	85,217	1,118	86,335	106,127	909	107,036
	Saving deposits	27,039	-	27,039	22,087	-	22,087
	Term deposits	-	-	-	100,000	-	100,000
		<u>112,256</u>	<u>1,118</u>	<u>113,374</u>	<u>228,214</u>	<u>909</u>	<u>229,123</u>
		<u>11,035,455</u>	<u>3,082,329</u>	<u>14,117,784</u>	<u>13,343,008</u>	<u>2,589,145</u>	<u>15,932,153</u>



	March 31, 2023 Un-audited	December 31, 2022 Audited
	Rupees in '000	
<b>41.5 Contingencies and Commitments</b>		
Guarantees	452,010	764,311
Commitments	<u>2,620,427</u>	<u>2,153,395</u>
	<u><u>3,072,437</u></u>	<u><u>2,917,706</u></u>
	March 31, 2023 Un-audited	March 31, 2022 Un-audited
	Rupees in '000	
<b>41.6 Profit / return earned of financing, investments and placement</b>		
<b>On:</b>		
Financing	4,912	74,603
Investments	76,432	96,499
Due from Financial Institutions	<u>788,199</u>	<u>525,762</u>
	<u><u>869,543</u></u>	<u><u>696,864</u></u>
<b>41.7 Profit expensed on Deposits and other Dues Expensed</b>		
<b>On:</b>		
Deposits and other accounts	191,118	377,544
Cost of foreign currency swaps against foreign currency deposits / borrowings	22,212	31,481
Lease liability against right-of-use assets	<u>17,353</u>	<u>25,142</u>
	<u><u>230,683</u></u>	<u><u>434,167</u></u>
	March 31, 2023 Un-audited	December 31, 2022 Audited
	Rupees in '000	
<b>41.8 Islamic Banking Business Un-appropriated profit</b>		
Opening Balance	515,753	276,696
Add: Islamic Banking profit for the period / year	<u>451,431</u>	<u>239,057</u>
Closing Balance	<u><u>967,184</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

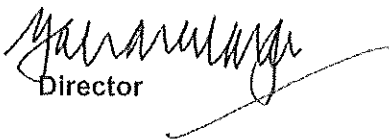
These condensed interim financial statements were authorised for issue on 28-Dec-20<sup>24</sup> by the Board of Directors of the Bank.



Chief Financial Officer



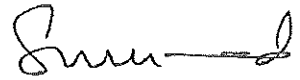
President & Chief Executive Officer



Director



Director



Director

## Director's Report as of March 31, 2023

**Dear Shareholders,**

We are pleased to present the financial statements of the Bank for the first quarter ended March 31, 2023.

### **Economic Review:**

The global economy continues to face challenges arising from supply chain disruptions and Russia – Ukraine war. Globally central banks have embarked on stabilization measures and taking the inflation head on. This has resulted in central bankers taking monetary measures resulting in higher interest rates. The interest rates upward adjustment cycle is expected to continue through 2023 until the inflation numbers start receding. International Monetary Fund has trimmed the global growth rate outlook to 2.8%.

The 2022 super floods have left a devastating humanitarian and economic crisis in Pakistan. As per the National Disaster Management Authority (NDMA), more than thirty million people were displaced and nearly a million homes have been partially or completely destroyed. The government's Post Disaster Needs Assessment (PDNA) report has placed estimated cost of damages, loss and needs caused by devastating floods at US\$ 15billion.

Macro instability, super floods and delay in IMF program have kept Pakistan's economy under stress. Consumer and Business confidence continued to fall. International Monetary Fund now expects the GDP growth to fall to 0.50% as compared to earlier expectations of 2.00%. Pakistan foreign exchanges reserves continued to plummet with total liquid foreign reserves at US\$ 9.76billion and SBP foreign reserves at US\$ 4.2billion as on March 31, 2023. Foreign direct investment declined by 40.1% to be at US\$ 784 million from July 2021 – February 2022 as compared to same period in corresponding year.

Imports declined by 22.7% to stand US\$ 42.50 billion whereas, exports decreased by 6.8% to US\$ 23.41billion from July to February FY 2023 as compared to US\$ 54.97billion & US\$ 25.11 billion respectively in the same period of the corresponding year. The global economic slowdown had its impact on worker's remittances which declined by 10.90% on year on year basis. July – February FY 2023 remittances were recorded at US\$ 17.99 billion versus US\$ 20.18 billion in the previous year.

On the external side, monthly current account deficit was posted at US\$ 74 million in February 2023 which is the lowest monthly deficit since last two years, driven by improvement in trade balance. Owing to higher contraction in imports as compared to exports, current account deficit reduced to US\$ 3.86 billion during Jul-Feb FY2023 as compared to deficit of US\$ 12.07 billion during the same period last year.

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Consumer price index increased to 35.4% in March 2023. This was highest recorded number during last fifty years. Food prices recorded an increase of 50.2% in rural areas and stood witnessed as increase of 47.1% in urban areas. Average inflation for nine months July – March FY 2023 stood at 27.2% versus 10.74% for same period previous year.

Large Scale Manufacturing (LSM) declined by 4.4% during Jul-Jan FY2023 on the back of supply chain disruptions, global recessionary pressure and hike in policy rate. During Jul-Jan FY2023, only four sectors witnessed positive growth, i.e., Wearing apparel, Leather Products, Furniture and Other Manufacturing (Footballs).

In order to curb the inflation SBP increased the interest rates to 21%. A cumulative increase of 600bps during fiscal year 22/23. USD PKR parity was 283.79 as on March 31, 2023 depreciated by 25.3% since December 31, 2022

Central Bank continued to take corrective measures thus increasing the policy rate to 15.00% in July 2022. The cumulative increase in policy rate has been 525 basis points since December 2021. It is expected that Pakistan will be able to avail IMF extended facility

### Financial Performance

In the first quarter of 2023, the Bank posted loss after tax of Rs. 1.50 billion as compared to Profit after tax amounting to Rs. 1.55 billion recorded in the last corresponding period. During this period, total deposits declined by Rs. 2 billion, closing at Rs. 143.26 billion, while gross advances decreased by Rs. 4.26 billion.

Summarized financial performance of Silkbank Limited for the first quarter ended March 31, 2023, is as follows:

	Rs in 'million'
Loss before tax	(2,362)
Tax - Current	-
Prior	(56)
Deferred	921
Loss after tax	(1,497)
	Rupee
Loss per share – Basic & diluted	(0.16)

Compared to the corresponding period last year, the Bank's net profitability turned negative, closing at a loss of Rs. 1.50 billion – a net decline of Rs. 3.05 billion. This downturn was primarily driven by a deteriorated position in Net Interest Income (NII), additional provisioning in

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compliance with Prudential Regulations, and a reduction in deferred tax benefits compared to the same period last year.

NII decreased by Rs. 1.83 billion during the quarter, mainly due to increased markup suspensions, the adverse impact of rising interest rates on the Bank's Cost of Deposits, and a rise in non-earning assets. Despite these challenges, the Bank performed well with respect to non-markup income, which increased by Rs. 288.80 million compared to the corresponding period of last year.

The higher deferred tax benefit in the corresponding period last year was largely attributed to the initial incorporation of the effects of increased tax rates on tax differences.

### **Business Performance:**

#### **Branch Banking**

Branch Banking served over 251,587 customers contributing more than 77% of the Bank's deposit base. Total deposit as of 31st March 2023 stood at approximately Rs.110.86 billion. The total Year to Date deposit grew by Rs. 1.62 billion till 31 March 2023 whereas the current account portfolio shows positive growth of Rs. 1.90 billion.

The branch banking sales team continues to capitalize on the added benefits of the AIO Current Account product, supported by various marketing activities to raise customer awareness through social media platforms during Q1-2023. With value addition in All-in-One Current Account now offers several unmatched transactional and complimentary insurance benefits for our customers, including life, hospitalization, and travel insurance coverages.

During Q1' 23 the Banca Sales campaign was launched aimed at enhancing Bancassurance performance yielded Rs. 21.92 million in annual premiums during Q1 2023, contributing an additional Rs. 12.56 million in non-funded income (NFI).

During this quarter, we conducted Business Value Account Plus market storming by engaging branches sales team. This activity aimed to further extend the reach of this current account to the target audience, to acquire new-to-bank (NTB) accounts and deposits. The market storming successfully propelled BVA Plus upward and has further solidified the product's market presence. Business Value Account Plus embodies the bank's vision and stands as a testament to excellence.

#### **Consumer Banking:**

2023 was a slow growth year for the bank. During 1<sup>st</sup> quarter of year 2023, Consumer Banking Business was able to post a profit before tax of Rs. 568 million on unsecured portfolio of around Rs. 16.58 billion.

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- **Ready Line:**

In the 1st Quarter of 2023 Ready Line has posted a profit of Rs. 299 million before tax on the outstanding ENR of Rs. 7.22 billion with having over 44,000 customer bases despite slow acquisition. These milestones were achieved with the help of multiple portfolio level initiatives with special focus on managing NPLs by launching Ready Line Bill Payment campaigns and during the quarter a lucky draw campaign to win LED TV on Ready line bill payment was launched.

- **Personal Loan:**

In lieu of the economic outlook, the Bank took a decision to temporarily shift the focus from Personal Instalment Loan fresh acquisition to other products. Despite this challenge, product was able to make a profit before tax of Rs. 60 million during the 1<sup>st</sup> Quarter 2023. At the end of the period our customer base stands at 15,391 accounts with the outstanding ENR of Rs. 2.68 billion.

- **Credit Cards:**

Silkbank Credit Cards paced up the momentum of acquisitions by booking 2,338 fresh cards in first quarter of 2023, thus increasing CIF (Cards in Force) to 174,735 Cards. Total spending recorded on Credit Cards in the first quarter ending at 31st March 2023 was Rs. 9.8 billion and ENR volume of Rs. 6.68 billion.

To achieve these results, Credit Cards Business launched a host of tactical campaigns on E-commerce, 100% Cashback on Grocery Spend, Cashback campaigns on Online spend, Event-based campaigns including Women's day special discounts and Pakistan Day offers which helped us to post a significant amount of spend. ENR growth was further supplemented by FIP (Flexible Instalment Plan) booking of Rs. 683 million during this quarter.

### **Emaan Islamic Banking (Emaan)**

Emaan Islamic Banking is dedicated to actively contributing to the growth of the Islamic banking sector by offering high-quality Shariah-compliant products and services through its expanding network nationwide. As of the most recent reporting period, Emaan Islamic Banking has achieved total deposits amounting to Rs. 14.11 billion, with a CASA to time deposit ratio of 85:15. During this period, over 817 new bank accounts were established, increasing the total customer base to 42,925.

Emaan Islamic Banking remains committed to sustainable growth, consistently prioritizing exceptional customer service and a comprehensive range of products while maintaining a prudent approach to balance sheet management.

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**CSO Excellence -Training Program:**

CSO Excellence sessions conducted for 109 branch staff in 2022. The purpose of this reinforcement is to help branches to remain focused on delivering consistent and smooth services to our valued customers. Also, Branches can monitor their daily performance at different intervals on a day-to-day basis.

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

As of March 31, 2023, the Minimum Capital Requirement (MCR) stood at negative Rs. 16.94 billion and Capital Adequacy Ratio (CAR) at negative 53.23% against the prescribed minimum limits of Rs. 10 billion and 11.50% respectively.

**Credit Rating:**

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

**Future Outlook:**

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

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

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

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

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

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

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

**Acknowledgement:**

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

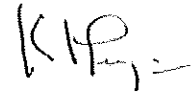
We are also equally thankful to our associates, staff and colleagues for their committed services, and look forward to their continued support.

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



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**Shahram Raza Bakhtiari  
President & CEO**



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**Khalid Aziz Mirza  
Chairman**

**Karachi, December 28, 2024**

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**Chairman Message:**

On behalf of the Board of Directors, I am pleased to present the Annual Report of Silkbank Limited for the year ended December 31, 2023.

The year 2023 has been a period marked by significant challenges at both global and domestic levels. On the international stage, economies continued to grapple with the long-term effects of the global economic crises, compounded by geopolitical tensions and inflationary pressures. These factors have created an uncertain and difficult operating environment for financial markets, which have also impacted emerging economies like Pakistan.

Locally, Pakistan faced a complex set of economic and political challenges throughout the year. High inflation, a widening fiscal deficit, and foreign exchange constraints have strained the nation's economic framework, while political instability added to the volatility in the markets, further dampening investor confidence. Despite these hurdles, the financial sector, and particularly the banking industry, has proven resilient, adapting to an ever-changing environment and continuing to support the broader economy.

In this turbulent landscape, the banking sector in Pakistan has remained a critical pillar of economic stability. It has not only supported businesses and facilitated trade but has also made strides in advancing financial inclusion and technological innovation. However, the sector has faced significant headwinds, including high interest rates, inflationary pressures, exchange rate volatility, and recessionary conditions, which have negatively impacted industrial growth and posed challenges to profitability.

Silkbank reported a post-tax loss of Rs. 15.35 billion for the year, primarily driven by negative Net Interest Income (NII) of Rs. 12.045 billion and provisions for non-performing loans (NPLs) in compliance with SBP Prudential Regulations. A 22% policy rate significantly impacted the Bank's markup spread. The Bank was also operating under certain specific regulatory constraints which affected its operational performance. Despite these challenges, the Bank has exercised rigorous cost control measures, limiting the increase in operating expenses to Rs. 96.41 million, even amidst inflationary pressures and a higher Rupee-US Dollar parity. Additionally, non-interest income increased by Rs. 499 million, reflecting the Bank's ability to diversify revenue streams and mitigate some of the challenges posed by the economic environment. Moreover, the Bank focused on improving asset quality by actively reducing the corporate book and recovering non-performing loans, which has contributed positively to its financial position.

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In light of the Bank's negative equity and deteriorating financial position, United Bank Limited (UBL) submitted a proposal on October 31, 2024, to amalgamate Silkbank under a scheme of amalgamation, subject to approval by the State Bank of Pakistan (SBP) under Section 48 of the Banking Companies Ordinance, 1962. Following a meeting on November 6, 2024, the Board granted in-principle approval for the amalgamation. Subsequent meetings on December 2 and 4, 2024, saw both UBL and Silkbank's Boards approve the amalgamation through a share swap arrangement, with one (1) UBL share issued for every 325 Silkbank shares, resulting in the issuance of 27,944,188 UBL shares. The Agreement to Amalgamate was executed on December 6, 2024, and the process is now subject to the completion of all legal formalities and necessary approvals from corporate, regulatory, and third-party stakeholders. An extraordinary general meeting was convened in late December 2024 for shareholder approval, which was successfully obtained.

Considering all the above circumstances, the external auditors have raised a 'Material Uncertainty related to Going Concern' in their audit opinion.

As we reflect on 2023, I would like to express my deepest gratitude to our Board Members for their steadfast support and invaluable contributions during these challenging times. I also extend my heartfelt thanks to our shareholders for their trust and continued belief in the Bank's leadership and vision.

I would like to extend my sincere gratitude to our valued shareholders for their unwavering support during this transformative period. As the Bank moves forward with its amalgamation into UBL, we remain committed to ensuring that this strategic decision will create long-term value for you. Your continued trust and confidence in the Bank's leadership will undoubtedly play a pivotal role in the success of this new chapter, and we are confident that the integration with UBL will offer promising growth opportunities for all stakeholders.

Thank you for your continued support.



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**Khalid Aziz Mirza**

**Chairman**

**Dated: December 28, 2024**

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