

NOTICE OF EXTRA-ORDINARY GENERAL MEETING

Notice is hereby given that an Extra-Ordinary General Meeting (EOGM) of Silkbank Limited (the Bank) will be held on November 30, 2018 at 10:30 a.m. at Serena Hotel, Islamabad, to transact the following businesses:

Ordinary Business:

1. To confirm the minutes of the 24th Annual General Meeting of the Bank held on March 30, 2018.

Special Business:

1. To consider & if thought fit, approve reduction of the Bank's share capital subject to confirmation by the Court of Law, and consequential changes in the Memorandum of Association (MoA) and Articles of Association (AoA) of the Bank, by passing with or without modification, the following resolutions as special resolutions:

"Resolved that the Authorized Share Capital of the Bank, be and is hereby reduced from Rs. 105,000,000,000 divided into 10,500,000,000 Ordinary Shares of Rs. 10 each to Rs. 25,000,000,000 divided into 2,500,000,000 Ordinary Shares of Rs. 10 each."

"Resolved that the Paid-up Share Capital of the Bank, be and is hereby reduced from Rs. 90,818,612,000 divided into 9,081,861,200 Ordinary Shares of Rs. 10 each to Rs. 12,573,720,000 divided into 1,257,372,000 Ordinary Shares of Rs. 10 each by the cancellation of 7,824,489,200 Ordinary Shares at nominal value of Rs. 10 each to rank pari passu in every respect with the existing Ordinary Shares of the Bank."

"Resolved that the clause V of Memorandum of Association of the Bank, be and is hereby altered as follows:

The Capital of the Bank is Rs. 25,000,000,000/- (Rupees Twenty Five Billion) divided into 2,500,000,000 (Two Billion & Five Hundred Million) Ordinary Shares of Rs. 10/- (Rupees Ten) each with the rights, privileges and conditions attaching thereto as are provided by regulations of the Company for the time being with powers to increase or reduce the capital and to subdivide the shares in the capital for the time being into several classes, however, that rights as between various classes of ordinary shares, if any, as to profit, votes and other benefits shall be strictly proportionate to the paid up value of shares".

"Resolved that the Article 4 of Articles of Association of the Bank, be and is hereby altered as follows:

The Authorized Capital of the Company is Rs. 25,000,000,000/- (Rupees Twenty Five Billion) divided into 2,500,000,000 (Two Billion & Five Hundred Million) Ordinary Shares of Rs. 10/- (Rupees Ten) each with power to the Company from time to time to increase or reduce its capital and divide the shares in the capital for the time being into several classes subject to any permission required by law".

"The Company shall be entitled to issue Preference Shares in which case, the nature of rights and privileges to be attached to the same shall be prescribed in accordance with the Companies' Share Capital (Variation in Rights & Privileges) Rules, 2000 or such relevant provision of law applicable at the time of the such issue". The Authorized Capital of the Company is Rs. 25,000,000,000/- (Rupees Twenty Five Billion) divided into 2,500,000,000 (Two Billion & Five Hundred Million) Ordinary Shares of Rs. 10/- (Rupees Ten) each."

In view of the proposed changes in the Memorandum & Articles of Association of the Bank, the existing & the proposed clauses of the Memorandum & Articles shall be read as follows:

Clause V of Memorandum of Association

The Capital of the Bank is Rs. 105,000,000,000/- (Rupees One Hundred and Five Billion) divided into 10,500,000,000 (Ten Billion and Five Hundred Million) Ordinary Shares of Rs. 10/- (Rupees Ten) each with the rights, privileges and conditions attaching thereto as are provided by regulations of the banking company for the time being with powers to increase or reduce the capital and to subdivide the shares in the capital for the time being into several classes, however, that rights as between various classes of ordinary shares, if any, as to profit, votes and other benefits shall be strictly proportionate to the paid up value of shares.

Newly altered Clause

The Capital of the Bank is Rs. 25,000,000,000/- (Rupees Twenty Five Billion) divided into 2,500,000,000 (Two Billion & Five Hundred Million) Ordinary Shares of Rs. 10/- (Rupees Ten) each with the rights, privileges and conditions attaching thereto as are provided by regulations of the Company for the time being with powers to increase or reduce the capital and to subdivide the shares in the capital for the time being into several classes, however, that rights as between various classes of ordinary shares, if any, as to profit, votes and other benefits shall be strictly proportionate to the paid up value of shares.

Article 4 of Articles of Association

The Authorized Capital of the Company is Rs. 105,000,000,000/- (Rupees One Hundred and Five Billion) divided into 10,500,000,000 (Ten Billion and Five Hundred Million) Ordinary Shares of Rs. 10/- (Rupees Ten) each with power to the Company from time to time to increase or reduce its capital and divide the shares in the capital for the time being into several classes subject to any permission required by law.

The Company shall be entitled to issue Preference Shares in which case, the nature of rights and privileges to be attached to the same shall be prescribed in accordance with the Companies' Share Capital (Variation in Rights & Privileges) Rules, 2000 or such relevant provision of law applicable at the time of the such issue. The Authorized Capital of the Company is Rs. 105,000,000,000/- (Rupees One Hundred and Five Billion) divided into 10,500,000,000 (Ten Billion and Five Hundred Million) Ordinary Shares of Rs. 10/- (Rupees Ten) each.

Newly altered Article

The Authorized Capital of the Company is Rs. 25,000,000,000/- (Rupees Twenty Five Billion) divided into 2,500,000,000 (Two Billion & Five Hundred Million) Ordinary Shares of Rs. 10/- (Rupees Ten) each with power to the Company from time to time to increase or reduce its capital and divide the shares in the capital for the time being into several classes subject to any permission required by law.

The Company shall be entitled to issue Preference Shares in which case, the nature of rights and privileges to be attached to the same shall be prescribed in accordance with the Companies' Share Capital (Variation in Rights & Privileges) Rules, 2000 or such relevant provision of law applicable at the time of the such issue. The Authorized Capital of the Company is Rs. 25,000,000,000/- (Rupees Twenty Five Billion) divided into 2,500,000,000 (Two Billion & Five Hundred Million) Ordinary Shares of Rs. 10/- (Rupees Ten) each."

"Further Resolved that the Company Secretary and Chief Executive of the Bank, be and are hereby jointly and / or severally authorized to do all acts, deeds and things, take any or all necessary, ancillary and incidental actions to complete all legal formalities, including but not limited to obtaining all requisite regulatory approvals; engaging legal counsel; filing of all requisite statutory forms / returns to all concerned regulators / authorities and all other documents as may be required to be filed with the regulators / authorities; filing the requisite petition before the Hon'ble Court(s) for obtaining the order of the Hon'ble Court(s) under Section 89 of the Companies Act, 2017 approving the reduction of capital in terms of the foregoing, executing all such certificates, applications, notices, reports, letters and any other document or instrument including any amendments or substitutions to any of the foregoing as may be required for the purpose of implementing the aforesaid resolutions."

2. To transact any other business as may be placed before the meeting with the permission of the chair.

By Order of the Board

Karachi, November 09, 2018

Faiz Ul Hasan Hashmi
Company Secretary



Statement of Material Facts under Section 134(3) of the Companies Act, 2017 relating to the said Special Business:

Reduction of share capital of the Bank:

Silkbank Limited ("the Bank") is in the process of reducing its share capital to write-off the inherited accumulated accounting losses and discount allowed on earlier Right Issues, subject to the approval of the State Bank of Pakistan and sanction under Section 89 of the Companies Act, 2017. Due to this capital reduction, the resulting paid-up capital will more closely reflect the value of the Bank's underlying assets and consequently, the capital employed by the Bank's businesses.

In order to eliminate the accumulated losses and discount on shares, the Board of the Bank has principally resolved and recommended to shareholders the reduction of authorized and paid-up capital of the Bank. This reduction of capital shall positively affect the book value per share (BPS), earnings per share (EPS) and dividend per share (DPS) ratios of the Bank and consequently, increase the shareholders' value and make the capital structure more efficient.

As required under section 14(1) of the Banking Companies Ordinance, 1962, the subscribed and paid-up capital of the Bank should not be less than 50% of its authorized capital. In order to comply with the provisions of this section, the Board of Directors of the Bank has recommended to shareholders the reduction of the authorized capital of the Bank as well.

The information required to be annexed, as per S.R.O. 423 (I)/2018 of SECP, to the note is set out below:

S. No.	Requirement	Information					
i.	Reason and purpose of reduction of share capital.	The purpose is to write-off the full amount of the accumulated losses and discount on shares. The discount on shares was consequent to the issuance of right shares at a value which was less than the par/face value of the shares. Whereas, the accumulated losses were caused from increased non-performing loans during the past years. Due to this capital reduction, the part of the paid-up capital that is no longer represented by the available assets would be consolidated, and the resulting paid-up capital will closely reflect the value of the Bank's underlying assets and consequently, the capital employed by the Bank's businesses. This capital reduction will further help the Bank to re-profile its balance sheet.					
ii.	Brief details of terms and conditions associated with reduction of share capital.	The proposed reduction shall be subject to the approval of the regulators and the sanction of the Court.					
iii.	The amount and number of shares proposed to be cancelled.		Authorized Capital No. of shares in '000'	Paid-up Share Capital No. of shares in '000'	Authorized Capital Rupees in '000'	Paid-up Share Capital Rupees in '000'	
		Share capital to be cancelled	8,000,000	7,824,489	80,000,000	78,244,890	
iv.	Effect of reduction of share capital along with comparison of existing share capital and post cancellation share capital;		Authorized Capital No. of shares in '000'	Paid-up Share Capital No. of shares in '000'	Authorized Capital Rupees in '000'	Paid-up Share Capital Rupees in '000'	
		Before Share Capital Reduction	10,500,000	9,081,861	105,000,000	90,818,612	
		After Share Capital Reduction	2,500,000	1,257,372	25,000,000	12,573,720	
v.	Details of assets, liabilities and shareholders' equity as per company's latest annual financial statements and subsequent interim financial statements, if any;				September 30, 2018 Un-audited	December 31, 2017 Audited	
					Rupees in '000'		
		ASSETS					
		Cash and balances with treasury banks			9,195,407	8,413,176	
		Balances with other banks			305,929	218,420	
		Lending to financial institutions			2,002,007	8,620,649	
		Investments – net			26,213,704	38,266,735	
		Advances – net			99,435,802	85,850,715	
		Operating fixed assets			4,219,166	4,176,746	
		Deferred tax assets - net			3,076,598	3,476,129	
		Other assets			16,841,865	17,831,962	
					161,310,478	166,854,532	
		LIABILITIES					
		Bills payable			2,045,758	3,192,981	
		Borrowings			17,494,413	35,582,000	
		Deposits and other accounts			122,330,628	110,277,807	
		Sub-ordinated loans			1,999,600	2,000,000	
		Liabilities against assets subject to finance lease			3,758	6,880	
		Deferred tax liabilities			-	-	
		Other liabilities			3,110,319	2,613,518	
					146,984,476	153,673,186	
		NET ASSETS			14,326,002	13,181,346	



		REPRESENTED BY		
		Share capital	90,818,612	90,818,612
		Discount on issue of right shares	(67,387,238)	(67,387,238)
		Reserves	554,903	554,903
		Accumulated loss	(9,608,787)	(10,857,654)
			14,337,490	13,128,623
		(Deficit) / Surplus on revaluation of assets - net of deferred tax	(51,488)	52,723
			14,326,002	13,181,346
vi.	List of creditors of the company along with information on nature and amount involved, if substantial or material;	Category of Creditors	December 31, 2017 Audited Rupees in '000'	
		Bills payable	3,192,981	
		Borrowings	35,582,000	
		Deposits and other accounts	110,277,807	
		Sub-ordinated loans	2,000,000	
		Liabilities against assets subject to finance lease	6,880	
		Other liabilities	2,613,518	
vii.	Brief details of qualifications, reservations or adverse remarks or disclaimer, if any, made by the auditor in his audit report on the latest annual financial statements relevant to the reduction of share capital;	NIL		
viii.	Details of any pending inspection, inquiry or investigation against the company under the Act.	NIL		
ix	The nature and extent of the interest, if any, therein of every director, whether directly or indirectly, reason and effects of reduction of share capital.	None of the directors is interested in the resolution for reduction of authorized and paid-up capital of the Bank.		

Number of shares and respective percentage of shareholdings of sponsors, major shareholders and general public of the Bank before and after reduction of share capital are as under:

Sponsors, Major Shareholders and General Public	Shareholding before reduction of share capital		Shareholding after reduction of share capital	
	No. of shares	%	No. of shares	%
1. International Finance Corporation	702,689,067	7.74	97,286,397.37	7.74
2. Nomura European Investments Ltd.	356,676,342	3.93	49,381,380.71	3.93
3. Bank Muscat S.A.O.G	315,776,969	3.48	43,718,915.13	3.48
4. Mr. Shaukat Tarin	1,106,091,792	12.18	153,136,985.70	12.18
5. Arif Habib Corporation Ltd.	2,563,901,924	28.23	354,968,923.11	28.23
6. Mr. Zulqarnain Nawaz Chattha	678,126,000	7.47	93,885,672.34	7.47
7. Mr. Zubair Nawaz Chattha	415,626,000	4.58	57,542,885.03	4.58
8. Bangash & Family	1,282,051,282	14.12	177,498,350.73	14.12
9. General Public (including Individuals & Institutions)	1,660,921,861	18.29	229,952,495.00	18.29
	9,081,861,237	100	1,257,372,005	100



Notes:

1. Closure of Share Transfer Books:

The Share Transfer Books of the Bank will remain closed from November 23, 2018 to November 30, 2018 (both days inclusive). Share Transfers received at M/s. Central Depository Company of Pakistan Limited (CDC), Share Registrar Department CDC House, 99 - B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi-74400 by the close of business hours (05:00 P.M.) on Thursday, November 22, 2018, will be treated as being in time for the purpose of above entitlement to the transferees.

2. Participation in the Meeting:

All members of the Bank are entitled to attend the meeting and vote there in-person or through a Proxy. A Proxy duly appointed shall have such rights as respect to the speaking and voting at the meeting as are available to a member. The proxies shall produce their original CNICs or original passport at the time of the meeting.

Members can also avail video conference facility in Karachi, Lahore, Rawalpindi/Islamabad, Peshawar and Quetta. In this regard, please fill the enclosed Consent for video conference facility and submit to registered address of the Bank, seven (7) days before the holding of the general meeting.

If the Bank receives Consent from members, holding in aggregate 10% or more shareholding and residing at a geographical location, to participate in the meeting through video conference at least seven (7) days prior to the date of the meeting, the Bank will arrange a video conference facility in the city, subject to availability of such facility in that city.

The Bank will intimate members regarding the venue of video conference facility at least five (5) days before the date of the general meeting along with complete information necessary to enable them to access such facility.

3. For Appointing Proxy

A member entitled to attend and vote at the EOGM is entitled to appoint another member as a proxy to attend and vote on his / her behalf. A corporation, being a member, may appoint its proxy or any of its official or any other person whether a member of the Bank or not. In case of a corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

In order to be effective, duly filled and signed Proxy Form must be received at the Registered Office of the Bank i.e. 13-L, F-7 Markaz, Islamabad, not less than forty eight (48) hours before the time for holding the meeting.

4. Members who have deposited their shares into CDC will further have to follow the undermentioned guidelines as laid down in circular 01 of 2000 dated January 26th, 2000, issued by the Securities and Exchange Commission of Pakistan:

For Attending the Meeting:

- i. In case of individuals, the Account Holder and / or Sub-account Holder whose registration details are uploaded as per the CDC regulations, shall authenticate his / her identity by showing his / her original, valid CNIC or original passport at the time of attending the meeting.
- ii. In case of a corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

5. Change of Address:

Members are requested to immediately notify the change, if any, in their registered address to the Share Registrar M/s. Central Depository Company of Pakistan Limited (CDC), Share Registrar Department CDC House, 99 - B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi-74400.

