

Stronger
Together

- 📍 Registered Office:
Silkbank Limited,
13-L, F-7 Markaz, Islamabad.
- ☎ Direct Tel: (051) 26080-26-27-28,
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We are indeed

STRONGER TOGETHER

All this time, we believed in each other, found strength in each other, and therefore, with singular vision, put into action the innovative plans that we made to ensure that our customers stay our main priority and that we continue offering them the very best-in-class services for seamless banking. Together, we have been able to achieve remarkable success and grow through the challenges.

We are living in difficult times. There are challenges aplenty on every corner, and almost every industry in the world has undergone a rapid shift. The banking world is no different, but we at Silkbank know how to be resilient and conquer all challenges with our inventive strategy, perseverance, and determination.



VISION

Benchmark of excellence in Premier Banking.

MISSION

To be the leader in Premier Banking; trusted by customers for accessibility, service, and innovation. Be an employer of choice, creating value for all stakeholders.



CORE VALUES

Customer Focus

At Silkbank, the customer remains at the core of all activities. Service Quality is our key differentiator.

Integrity

At Silkbank, we are honest and upfront, maintaining the highest level of personal and corporate integrity.

Teamwork

Teamwork is our key strength. Our success lies in unity.

Creativity

Out of the box thinking is the enabling factor that allows us to be recognized as an innovative organization.

Meritocracy

Merit remains our key primary criteria for rewarding performance.

Humility

Humility remains at the core of all our relationships.

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CORPORATE INFORMATION

Every team member at Silkbank exhibits an unmatched dedication towards the growth of the Bank. Our strength lies in the sincerity of our teamwork and singularity of our vision. It is what has enabled us to achieve the high benchmarks we set for ourselves in the 3rd Quarter of 2021.



CORPORATE INFORMATION

AS OF JUNE 08, 2022

Board of Directors

| | |
|------------------------|-----------------|
| Khalid Aziz Mirza | Chairman |
| Rashid Akhtar Chughtai | Director |
| Zubair Nawaz Chattha | Director |
| Masroor Ahmed Qureshi | Director |
| Tariq Iqbal Khan, FCA | Director |
| Samia Shahzad Murad | Director |
| Goharulayn Afzal | Director |
| Shahram Raza Bakhtiari | President & CEO |

Company Secretary

Faiz Ul Hasan Hashmi

Chief Financial Officer

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

| | |
|-----------------------|-----------|
| Tariq Iqbal Khan, FCA | Chairman |
| Masroor Ahmed Qureshi | Member |
| Goharulayn Afzal | 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

Advocates & Corporate Consultants

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Email: companysecretary@silkbank.com.pk
Website: www.silkbank.com.pk

Share Registrar

M/s. CDC Share Registrar Services Limited
CDC House, 99 – B, Block 'B',
S.M.C.H.S., Main Shakra-e-Faisal,
Karachi-74400.
Tel: Customer Support Services
(Toll Free): 0800-CDCPL (23275)
Fax: (92-21) 34326053
E-mail: info@cdcsrsl.com
Website: www.cdcsrsl.com



REPORTS & STATEMENTS TO THE MEMBERS

Silkbank, since its inception, has shown remarkable resilience and determination during difficult times. The 3rd Quarter of 2021 was a challenging but together, we were able to navigate through all the impediments and ensure a performance that reflects our grit and determination.

DIRECTORS' REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Dear Shareholders,

We are pleased to present the financial statements of the Bank for the third quarter ended September 30, 2021.



Economic Review

The government set ambitious growth and revenue targets for FY22 after almost all economic indicators for FY21 improved after economic recovery that went south due to outbreak of COVID-19. The government targeted GDP growth of 4-5%, current account deficit of 4% (USD 13Bn), and a fiscal deficit of 6.3% of GDP for FY22. On the revenue side, the government was expected to collect PKR 7.9 trillion. Further, the government expected inflation to increase at 9-11% YoY on average. The robust demand outlook across the board, as evident by the growth in major sectors, coupled with rising Current Account Deficit and increasing commodity prices globally led to an increase in policy rate by the SBP by 25bps which stood at 7.25%. Furthermore, after the outbreak of COVID-19, the average inflation was forecasted to fall below the earlier estimate of 7 - 9%. It is forecasted by SBP to rise to 9-11% in FY22 again.



On the positive side, the increased business activity during Q1FY22 resulted in FBR exceeding its quarterly tax collection; FBR tax collection for Q1FY22 stood at PKR 1.4 trillion against the target of PKR 1.2 trillion. However, the current account posted a deficit of USD 3.4 billion during Q1FY22 as compared to the surplus of USD 865 million in the same period last year, mainly due to an increase in commodity prices and economic recovery that led to increased domestic demand and hence imports.

CPI for the month of Sep-21 & Sep-20 stood at 9% whilst core inflation in Sep-21 leveled at 6.4% compared to 5.5% in Sep-20. Remittances during the quarter showed a remarkable growth of 31% YoY and stood at USD 8.0 billion as compared to USD 7.1 billion during Q1FY21. The country's FX reserves remained stable which stood at 25.98Bn USD in Sep-21 compared to 19.53Bn USD in Sep-20. Furthermore, foreign currency debt repayment was neutralized with expected issuance of Eurobond, international Sukuk, and with the revival of IMF Extended Fund Facility (EFF) financing plan. However, the increase in exports and FDI built sustainable foreign exchange reserves.

Banking Sector

The phase of monetary easing, a cumulative cut of 625 basis points in policy rate since the pandemic struck from 13.25% to 7%, finally came to a halt when SBP decided to increase the policy rate in Sept MPC by 25bps to 7.25% due to an uptick in the headline inflation.



During 1st July-22nd October FY2022, Broad Money (M2) decreased by Rs 409.1 billion (growth of -1.68 percent) as compared with the contraction of Rs 104.5 billion (growth of -0.5 percent) during the same period last year. Deposits of the banking sector grew by 0.17% during Q1FY22 from PKR 19.79tn in Jun-21 to PKR 19.83tn in Sep-21. Similarly, sector advances increased by 3.16% in Q1FY22 from PKR 8.99tn in Jun-21 to PKR 9.29tn in Sep-21.

Overall sustained growth in the banking sector was witnessed since the COVID-19 pandemic. SBP continued to firmly monitor the recovery of the economy and set appropriate responses to keep the inflation and growth numbers in check.

Financial Performance

For the period ending September 30, 2021, the Bank reported a loss before tax of Rs. 10.82 billion and loss after-tax of Rs. 7.17 billion.

During this period, total deposits declined by Rs. 13.07 billion, closing at Rs. 147.17 billion, while gross advances decreased by Rs.4.74 billion

Summarized financial performance of Silkbank Limited for the nine months ended September 30th, 2021, is as follows:

DIRECTORS' REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2021

| Financial Performance | Rs. in million |
|--------------------------|----------------|
| Loss Before Tax | (10,816) |
| Tax - Current | - |
| Prior | (87) |
| Deferred | 3,736 |
| Loss After Tax | (7,167) |
| | Rupee |
| Loss per share - Basic | (0.79) |
| Loss per share - Diluted | (0.79) |

During the period, the Bank incurred a loss of Rs. 1.22 billion on its government securities portfolio due to unfavorable market yield movements. Additionally, a substantial net provision of Rs. 8.51 billion was recorded against non-performing loans, in line with the SBP Prudential Regulations' timeline requirements.

Despite these challenges, the Bank performed well in non-interest income (excluding gain/loss on securities), which increased by Rs. 217 million and reduced operating expenses by Rs. 431 million compared to the same period last year.

BUSINESS PERFORMANCE

Branch Banking

Branch Banking served over 221,713 customers, contributing more than 64% of the Bank's deposit base. Total deposit as of 30th September 2021 stood at approximately Rs.95 billion. The total Year to Date deposit grew by Rs. 2.77 billion till 30th September 2021, out of which the current account portfolio grew by Rs.2.16 billion.



Bancassurance generated business of Rs. 20.99 million in annual premium which translated into NFI of Rs. 8.03 million during the 3rd Quarter 2021.

In this quarter we introduced debit card food festival to motivate and increase customer engagement. With the past Debit Card Campaigns, we saw a noticeable surge in POS and online transactions. To perpetuate the momentum, we launched Debit Card Food Festival Campaign in July 2021. In this campaign, we offered exclusive deals and discount on our customers' favorite eateries. During this campaign, our Debit Card spend increased by Rs. 11 million and hit the mark of Rs.240 million. Number of transactions also increased by 4,777 as compared to the previous month.

Consumer Banking

These nine months of the year 2021 have been exceptional for all unsecured products. Posting a profit before tax of Rs. 1.98 billion on a portfolio of over Rs. 18 billion.

Credit Cards

The 3rd quarter of 2021 proved to be a landmark quarter for Silkbank Credit Cards. Credit Cards' business launched Silkbank Signature Credit Card in July 2021 which is the first



and only Signature credit card in Pakistan with exclusive features and benefits. The credit cards business implemented a number of strategic initiatives to see through its most profitable year. With numerous campaigns and efforts, the Bank succeeded to close the ENR (Ending Net Receivable) at the end of third quarter with Rs. 5.75 billion and posted a profit before tax Rs. 328 million for the quarter, keeping its upward trajectory. With the acquisition of 7,277 new cards, the CIF (Cards in Force) increased to 171,497.

Total spending on Credit Cards in the 3rd quarter of 2021 amounted to Rs. 7.28 billion, with September 2021 producing the spending in a single month of Rs. 2.5 billion. This was further supplemented by FIP (Flexible Instalment Plan) booking of Rs. 803 million.

DIRECTORS' REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Ready Line

Silkbank Ready Line, a running finance facility with its unique and convenient features which facilitate customer to access and utilize their funds anytime, has been customers' favorite since it was launched in 2011. Ready Line has always performed well but this year's performance has been exceptional. At the end of Q3, 2021, the Bank stood at enormous ENR of Rs. 7.64 billion with 47,927 active customers. This was not the only milestone the Bank has achieved but has also posted EBIT of Rs. 319 million in the 3rd quarter of 2021, alone.



In Q3 2021, the Bank launched multiple tactical spend promotions such as schooling can be free to 50 lucky customers on spend of Rs, 25,000 and amazing Foodfest promotion for visa debit card customers, offering different deals throughout the week, including enrollments of value-added services etc.

Personal Loan

The 3rd quarter of 2021 has been a turnaround period for Personal Loan products. Overcoming all the challenges, this product has faced due to economic outlook and repercussions of the pandemic, the Bank has posted Rs. 31 million profit before tax during this period. By the end of September 2021, the portfolio stands at Rs. 4.9 billion with 19,281 active customers.



Emaan Islamic Banking (Emaan)

Emaan Islamic Banking (Emaan) has shown decent growth during the period. Deposit book closed at Rs. 11.85 billion. CASA TD ratio stands at 74:26. Advances book closed at Rs. 2.87 billion. Focus on Service Quality was maintained throughout the period which resulted in significant improvement in service indicators.



During the quarter, Emaan successfully enrolled 4,781 new customers with a total customer base of 37,889 and VDC & SMS conversion rates remained at 72% & 84% respectively, translating into 13% growth.

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

As of Sep 30, 2021, the Minimum Capital Requirement (MCR) stood at negative Rs. 3.92 billion and Capital Adequacy Ratio (CAR) at negative 14% against the prescribed minimum limits of Rs. 10 billion and 11.50% respectively.

Credit Rating

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

DIRECTORS' REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Future Outlook

We wish to inform you that 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.

The Potential Merger remains contingent upon finalizing the deal terms, completing necessary transaction documentation, and obtaining all requisite corporate and regulatory approvals, consents, and authorizations.

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 its guidance and cooperation.

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

For and on Behalf of the Board of Silkbank Limited

Shahram Raza Bakhtiari
President & CEO

Khalid Aziz Mirza
Chairman

November 14, 2024

ڈائریکٹرز کی رپورٹ

30 ستمبر، 2021 تک کے لیے

ریڈی لائن:

سلیک بینک کی ریڈی لائن رنگ فنانس کی سہولت ہے جس کی منفرد اور آسان خصوصیات ہیں جو صارفین کو ان کے فنڈز تک رسائی اور استعمال میں آسانی فراہم کرتی ہیں۔ 2011 میں متعارف ہونے کے بعد سے یہ سہولت صارفین کی پسندیدہ رہی ہے۔ ریڈی لائن ہمیشہ اچھا پر فارم کرتی رہی ہے لیکن اس سال اس کی کارکردگی غیر معمولی رہی ہے۔ تیسری سہ ماہی 2021 کے اختتام تک، بینک نے 7.64 ارب روپے کے ENR کے ساتھ 47,927 فعال صارفین کا ریکارڈ قائم کیا۔ یہ واحد سنگ میل نہیں تھا جسے بینک نے عبور کیا بلکہ اس نے تین تیسری سہ ماہی 2021 میں 319 ملین روپے کا EBIT بھی حاصل کیا۔



2021 کی تیسری سہ ماہی میں، بینک نے متعدد حکمت عملی پر مبنی خرچ کی پروڈیکشن متعارف کرائی جیسے کہ 50 خوش نصیب صارفین کو 25,000 روپے خرچ کرنے پر اسکولوں کی سہولت فری ملے گی اور ویزا ڈی بیٹ کارڈ صارفین کے لیے جرت انگیز فونڈ فیٹس پروموشن جس میں ہفتے بھر مختلف ڈیلیز فراہم کی گئیں۔ اس کے علاوہ پیلو ایڈیٹس و سروسز بھی شامل ہیں۔

پرسٹل لون:

تیسری سہ ماہی 2021 پرسٹل لون مصنوعات کے لیے ایک نیا آغاز ثابت ہوئی۔ اس پروڈکٹ نے معاشی صورتحال اور وبائی اثرات کے باوجود تمام چیلنجز کو عبور کیا۔ اس دوران بینک نے 31 ملین روپے کا منافع قبل از ٹیکس حاصل کیا۔ ستمبر 2021 کے اختتام تک، پورٹ فولیو 4.9 ارب روپے کے ساتھ 19,281 فعال صارفین پر مشتمل تھا۔



ایمان اسلامک بینکنگ (ایمان)

ایمان اسلامک بینکنگ نے اس مدت کے دوران اچھی کارکردگی کا مظاہرہ کیا۔ ڈپازٹس کا حجم 11.85 ارب روپے پر بند ہوا۔ TD CASA کا تناسب 74:26 رہا۔ ایڈوانسز کا مجموعہ 2.87 ارب روپے رہا۔ اس دوران سروس کو ایٹمی پر خصوصی توجہ دی گئی، جس سے سروس کے اشارے نمایاں طور پر بہتر ہوئے۔



اس سہ ماہی کے دوران ایمان نے 4,781 نئے صارفین کو رجسٹر کیا، جس سے کل صارفین کی تعداد 37,889 تک پہنچ گئی۔ SMS اور VDC کے نوٹیشن ریش بالترتیب 72 فیصد اور 84 فیصد رہے، جو کہ 13 فیصد اضافے کی نشاندہی کرتے ہیں۔

کم از کم کیپٹل کی ضروریات (MCR) اور کیپٹل ایڈیکویسی ریشو (CAR)

30 ستمبر 2021 تک، بینک کا Minimum Capital Requirement (MCR) منفی 3.92 ارب روپے اور Capital Adequacy Ratio (CAR) منفی 14 فیصد رہا، جو مقررہ کم از کم حد یعنی 10 ارب روپے اور 11.50 فیصد تک ہے۔



ڈائریکٹرز کی رپورٹ

30 ستمبر، 2021 تک کے لیے

کریڈٹ ریٹنگ

بینک کی طویل مدتی ادارہ جاتی درجہ بندی A- (سنگل اے مائٹس) اور مختصر مدتی درجہ بندی 2- (اے ٹو) ہے جیسا کہ "جے سی آروی آئی ایس" کریڈٹ ریٹنگ کمپنی لمیٹڈ نے مقرر کیا ہے۔

مستقبل کا منظر نامہ:

جیسا کہ رپورٹ کے مالیاتی سیکشن میں پہلے ہی ذکر کیا گیا ہے، یونائیٹڈ بینک لمیٹڈ ("UBL") نے باضابطہ طور پر سلیک بینک لمیٹڈ ("بینک") کے ساتھ مکمل انضمام کے لیے پیشکش پیش کی ہے۔ UBL نے پاکستان اسٹاک ایکسچینج لمیٹڈ ("PSX") کو اس حوالے سے تمام اہم معلومات سے آگاہ کیا ہے، جس میں مکمل انضمام سے متعلق پیشکش کی تصدیق کی گئی ہے۔ اس کے مطابق بینک نے بھی یکم نومبر 2024 کو اسٹاک ایکسچینج کو آگاہ کر دیا ہے۔ مزید آگاہ کرتے ہیں کہ بینک کے بورڈ آف ڈائریکٹرز نے 6 نومبر 2024 کو منعقدہ اجلاس میں بینک کے یونائیٹڈ بینک لمیٹڈ (UBL) کے ساتھ مکمل انضمام کے لیے اصولی طور پر منظوری دے دی ہے۔ یہ انضمام بینکنگ کمپنیز آرڈیننس 1962 کے سیکشن 48 کے تحت اسٹیٹ بینک آف پاکستان کی منظوری کے ذریعے آئٹیم آف امینیشن کے ذریعے انجام دیا جائے گا ("مکمل انضمام")۔ بینک نے یہ اہم معلومات بھی 6 نومبر 2024 کو پاکستان اسٹاک ایکسچینج لمیٹڈ ("PSX") کو فراہم کیں ہیں۔

اس مکمل انضمام کا انحصار مکمل طور پر اس بات ہے کہ معاہدے کی شرائط کو حتمی شکل دی جائے، ضروری لین دین کی دستاویزات مکمل کی جائیں، اور تمام ضروری کارپوریٹ اور ضابطے کی منظوری، رضامندیوں اور اجازت نامے حاصل کیے جائیں۔

ہم اپنے شیئر ہولڈرز کو اس مکمل انضمام کے حوالے سے آگاہ کرتے رہیں گے اور جو بنی انضمام کی کارروائی قانونی شکل اختیار کرتی ہے ہم اس کی تفصیلات سے شیئر ہولڈرز کو آگاہ کریں گے۔

اظہار تشکر

اس موقع پر ہم ایک بار پھر اپنے صارفین اور کاروباری شراکت داروں کا شکر یہ ادا کرتے ہیں ان کی مسلسل حمایت اور اعتماد کے لیے دل کی گہرائیوں سے اور پاکستان کے اسٹیٹ بینک آف پاکستان کا ان کی رہنمائی اور تعاون کے لیے مخلصانہ شکر یہ ادا کرتے ہیں۔

ہم اپنے شراکت داروں، عملے اور ساتھیوں کے یکساں شکر گزار ہیں جنہوں نے اپنی بھرپور خدمات فراہم کیں، اور ہم ان کی مسلسل حمایت کی توقع رکھتے ہیں۔

Shiraz

شہرام رضا مختیاری

صدر وی ای او

کراچی 14 نومبر 2024

بورڈ آف سلیک بینک لمیٹڈ کی جانب سے

Kh

خالد عزیز مرزا

چیئرمین

ڈائریکٹرز کی رپورٹ

30 ستمبر، 2021 تک کے لیے

معزز شیئرز، ہولڈرز،

ہم نہایت مسرت کے ساتھ 30 ستمبر 2021 کو ختم ہونے والی نصف سالہ مدت کے لیے کمپنی کے مالی بیانات پیش کر رہے ہیں۔



معیشت کا جائزہ:

حکومت نے مالی سال 2022 کے لیے معاشی ترقی اور آمدنی کے بلند اہداف مقرر کیے، کیونکہ مالی سال 2021 میں تقریباً تمام معاشی معاملات میں بہتری پائی گئی، جو کہ کوویڈ 19 کی وبا کے باعث متاثر ہو گئے تھے۔ حکومت نے مالی سال 2022 کے لیے شرح نمو کا ہدف 4 تا 5 فیصد، کرنٹ اکاؤنٹ کے خسارے کا ہدف 4 فیصد (13 ارب امریکی ڈالر) اور مالی خسارے کا ہدف 6.3 فیصد مقرر کیا۔ آمدنی کے لحاظ سے حکومت 7.9 بلین روپے جمع کرنے کی توقع رکھتی تھی۔ حکومت کو مزید توقع یہ بھی تھی کہ مہنگائی 11 تا 9 فیصد کی اوسط سے بڑھے گی۔ اہم شعبوں میں ترقی اور بڑھتے ہوئے کرنٹ اکاؤنٹ خسارے کے ساتھ عالمی سطح پر اجناس کی قیمتوں میں اضافے کی وجہ سے اسٹیٹ بینک نے پالیسی ریٹ میں 25 بیس پوائنٹس (ز) پوائنٹس کا اضافہ کیا، جس سے وہ 7.25 فیصد تک پہنچ گیا۔ کوویڈ 19 کے بعد مہنگائی کی اوسط شرح 7 تا 9 فیصد تک کم ہونے کی پیش گوئی کی گئی تھی لیکن مالی سال 2022 میں اس کا دوبارہ 9 تا 11 فیصد تک پہنچنے کا امکان ظاہر کیا گیا۔

اگر مثبت پہلو کا جائزہ لیا جائے تو مالی سال 2022 کی پہلی سہ ماہی میں بڑھتی ہوئی کاروباری سرگرمیوں کے باعث فیڈرل بورڈ آف ریونیو نے اپنا سہ ماہی ٹیکس ہدف عبور کیا۔ ایف بی آر کی ٹیکس وصولی مالی سال 2022 کی پہلی سہ ماہی میں 1.4 بلین روپے رہی، جبکہ ہدف 1.2 بلین روپے تھا۔ تاہم، کرنٹ اکاؤنٹ خسارہ 3.4 ارب امریکی ڈالر رہا، جو گذشتہ سال اسی عرصے میں 865 بلین امریکی ڈالر سہولت کے مقابلے میں تھا۔ یہ اضافہ اجناس کی قیمتوں میں اضافے اور مقامی مانگ بڑھنے کے باعث ہوا۔ ستمبر 2021 اور ستمبر 2020 کے لیے مہنگائی کی شرح 9 فیصد رہی، جبکہ ستمبر 2021 میں بنیادی مہنگائی 6.4 فیصد اور ستمبر 2020 میں 5.5 فیصد تھی۔ مالی سال 2021 کی پہلی سہ ماہی میں تربیلا زرمیں 31 فیصد اضافہ ہوا، جو 8.0 ارب امریکی ڈالر رہی، جبکہ پچھلے سال یہی رقم 7.1 ارب امریکی ڈالر تھی۔ ملک کے غیر ملکی زرمبادلہ کے ذخائر مستحکم رہے، جو ستمبر 2021 میں 25.98 ارب امریکی ڈالر تھے، جبکہ ستمبر 2020 میں یہ 19.53 ارب امریکی ڈالر تھے۔ غیر ملکی کرنسی کے قرض کی ادائیگی کو یورو بانڈ، بین الاقوامی سلوک کے متوقع اجرا اور آئی ایم ایف کے توسیعی فنڈ سہولت (EFF) کے بحالی منصوبے کے ذریعے متوازن کیا گیا۔ تاہم، برآمدات میں اضافے اور غیر ملکی براہ راست سرمایہ کاری (FDI) نے پائیدار زرمبادلہ کے ذخائر کو مستحکم کیا۔

بینکنگ سیکٹر

پالیسی کی شرح میں کمی کے مرحلہ جو کہ وبا کے آغاز سے لے کر اب تک 13.25 فیصد سے 7 فیصد تک 625 بیس پوائنٹس کی مجموعی کمی پر مشتمل تھا، اس کا اختتام اس وقت ہوا جب اسٹیٹ بینک آف پاکستان (SBP) نے ستمبر کی ماہی پالیسی کمیٹی (MPC) میں پالیسی کی شرح 25 بیس پوائنٹس بڑھا کر 7.25 فیصد کر دی، جس کی وجہ سے کاروباری افراط زر میں اضافے کا رجحان تھا۔

کیم جولائی سے 22 اکتوبر 2021 تک مالی سال 2022 کے دوران وسیع مالیات (M2) میں 409.1 ارب روپے کی کمی آئی (جو کہ 1.68 فیصد کی شرح نمو ہے)، جبکہ گذشتہ سال کے اسی عرصے کے دوران 104.5 ارب روپے کی کمی آئی تھی (جو کہ 0.5 فیصد کی شرح نمو تھی)۔ بینکنگ سیکٹر کے ڈپازٹس میں مالی سال 2022 کی پہلی سہ ماہی 0.17 فیصد اضافہ ہوا۔ جون 2021 میں 19.79 کھرب روپے سے بڑھ کر ستمبر 2021 میں 19.83 کھرب روپے ہو گیا۔ اسی طرح سیکٹر کی ایڈوانسز مالی سال 2022 کی پہلی سہ ماہی میں 3.16 فیصد بڑھ کر جون 2021 میں 8.99 کھرب روپے سے ستمبر 2021 میں 9.29 کھرب روپے تک پہنچ گئے۔



مجموعی طور پر، بینکنگ سیکٹر میں کوویڈ 19 وبا کے بعد مسلسل ترقی دیکھنے میں آئی۔ اسٹیٹ بینک آف پاکستان نے معیشت کی بحالی کی نگرانی کا عمل جاری رکھا اور افراط زر اور ترقی کی شرح کو کنٹرول کرنے کے لیے مناسب ردعمل مرتب کیا۔

مالیاتی کارکردگی

بینک نے 30 ستمبر 2021 کی پہلی ششماہی کے اختتام پر 10.82 ارب روپے کا قبل از ٹیکس خسارہ اور 7.17 بلین بعد از ٹیکس خسارہ ظاہر کیا۔

اس دوران، بینک کے کل ڈپازٹس 13.07 ارب روپے کی کمی کے ساتھ 151.38 ارب روپے تک پہنچ گئے، جبکہ مجموعی ایڈوانسز 14.74 ارب روپے کم ہوئے۔

سلک بینک لمیٹڈ کی 30 ستمبر 2021 کو ختم ہونے والی ششماہی کے لیے مالیاتی کارکردگی کا خلاصہ مندرجہ ذیل ہے:

| مالیاتی کارکردگی | روپے 'ملین' میں |
|-------------------------|-----------------|
| نقصان قبل از ٹیکس | (10,816) |
| ٹیکس - موجودہ | - |
| گزشتہ | (87) |
| ملٹوی شدہ | 3,736 |
| نقصان بعد از ٹیکس | (7,167) |
| روپے | روپے |
| نقصان فی حصص - بنیادی | (0.79) |
| نقصان فی حصص - ڈائیلیوڈ | (0.79) |

ڈائریکٹرز کی رپورٹ

30 ستمبر، 2021 تک کے لیے

اس مدت کے دوران، بینک کو حکومتی سیکورٹیز پورٹ فولیو پر 1.22 ارب روپے کا نقصان ہوا، جو مارکیٹ میں شرح منافع کی ناسازگار تبدیلیوں کی وجہ سے تھا۔ مزید یہ کہ اسٹیٹ بینک کے پراڈیٹس ریگولیشنز کے مطابق مقررہ وقت کے تقاضوں کو پورا کرنے کے لیے غیر فعال قرضوں کے خلاف 8.51 ارب روپے کی نیٹ پروویژن ریکارڈ کی گئی۔

ان چیلنجز کے باوجود، بینک نے نان انٹرسٹ آگم میں شاندار کارکردگی دکھائی (سیکیورٹیز کے فائدے یا نقصان کو چھوڑ کر)، جو پچھلے سال کی اسی مدت کے مقابلے میں 217 ملین روپے بڑھ گئی جبکہ بینک کے آپریٹنگ اخراجات میں پچھلے سال کی اسی مدت کے مقابلے میں 431 ملین روپے کی کمی آئی گئی۔

کاروباری کارکردگی

برانچ بینکنگ

برانچ بینکنگ کے ذریعے 221,713 سے زائد صارفین کو خدمات فراہم کی گئیں، جو کہ بینک کے ڈپازٹ میں 64 فیصد سے زائد ہے۔ 30 ستمبر 2021 تک کل ڈپازٹ تقریباً 95 ارب روپے تھے۔ سال کے ابتداء سے 30 ستمبر 2021 تک کل ڈپازٹ میں 2.77 ارب روپے کا اضافہ ہوا، جس میں سے کرنٹ اکاؤنٹ پورٹ فولیو میں 2.16 ارب روپے کا اضافہ ہوا۔

بینک اسٹورنس نے تیسری سہ ماہی 2021 میں سالانہ پرییم کی مد میں 20.99 ملین روپے کا کاروبار کیا، جس سے 8.03 ملین روپے کا نان فنڈڈ آگم (NFI) حاصل ہوا۔



اس سہ ماہی میں ہم نے ڈیٹ کارڈ فوڈ فیسیٹیول کا آغاز کیا تاکہ صارفین کو متحرک اور ان کی مصروفیت میں اضافہ کیا جاسکے۔ ماضی کی ڈیٹ کارڈ کی ہم میں ہم نے POS اور آن لائن ٹرانزیکشنز میں نمایاں اضافہ دیکھا، اس سے موازنہ کرتے ہوئے ہم نے جولائی 2021 میں ڈیٹ کارڈ فوڈ فیسیٹیول کو متعارف کرایا۔ جس میں ہم نے اپنے صارفین کے پسندیدہ ریستورانوں پر خصوصی ڈیلز اور ڈسکاؤنٹ پیش کیے۔ اس پروموشن کے دوران ہمارے ڈیٹ کارڈ خرچ میں 11 ملین روپے کا اضافہ ہوا اور 240 ملین روپے کا ہدف حاصل کیا۔ گذشتہ مہینے کے مقابلے میں ٹرانزیکشنز کی تعداد بھی 4,777 بڑھ گئی۔ بینک اسٹورنس نے 2021 کی تیسری سہ ماہی میں 20.99 ملین روپے کا سالانہ پرییم کاروبار پیدا کیا، جو 8.03 ملین روپے کی این ایف آئی میں تبدیل ہوا۔

اس سہ ماہی میں، صارفین کی دلچسپی بڑھانے کے لیے ڈیٹ کارڈ فوڈ فیسیٹیول متعارف کروایا گیا۔ پچھلی ڈیٹ کارڈ پروموشنز کے ذریعے، پوائنٹ آف سیل اور آن لائن ٹرانزیکشنز میں نمایاں اضافہ دیکھنے میں

آیا۔ اسی رفتار کو برقرار رکھنے کے لیے، جولائی 2021 میں ڈیٹ کارڈ فوڈ فیسیٹیول ہم شروع کی گئی، جس میں صارفین کی پسندیدہ فوڈ برانڈز پر خصوصی ڈیلز اور رعایتیں فراہم کی گئیں۔ اس مہم کے دوران، ڈیٹ کارڈ کے اخراجات میں 11 ملین روپے کا اضافہ ہوا اور یہ 240 ملین روپے تک پہنچ گئے جبکہ ٹرانزیکشنز کی تعداد پچھلے مہینے کے مقابلے میں 4,777 تک بڑھ گئی۔

کنزیومر بینکنگ

سال 2021 کے ابتدائی نو ماہ تمام ان سیکورٹیز پر ڈسکونٹ کے لیے شاندار رہے۔ بینک نے 18 ارب روپے کے پورٹ فولیو پر 1.98 ارب روپے کا قبل از ٹیکس منافع ریکارڈ کیا۔



کریڈٹ کارڈز:

2021 کی تیسری سہ ماہی، سلک بینک کریڈٹ کارڈز کے لیے ایک اہم موڑ ثابت ہوئی۔ جولائی 2021 میں، بینک نے پاکستان میں پہلا اور واحد "سلک بینک سکنچر کریڈٹ کارڈ" متعارف کروایا، یہ پاکستان کا پہلا اور واحد سکنچر کارڈ ہے جو نہ صرف منفرد خصوصیات اور فوائد شامل ہیں۔ کریڈٹ کارڈز کے کاروبار نے مختلف حکمت عملی پر مبنی اقدامات کے ذریعے اپنے سب سے منافع بخش سال کا کامیاب بنایا۔ متعدد مہم اور کوششوں کے نتیجے میں، بینک نے تیسرے سہ ماہی کے اختتام پر 5.75 ارب روپے پر ای این آر (Ending Net Receivable) کو بند کیا اور سہ ماہی کے لیے 328 ملین روپے کا قبل از ٹیکس منافع حاصل کیا، جس سے ترقی کار رجحان برقرار رہا۔ اس دوران، 7,277 نئے کارڈز کے اجرا کے ساتھ ہی آئی ایف (ForceInCards) کی تعداد بڑھ کر 171,497 ہو گئی۔



تیسری سہ ماہی 2021 کے دوران کریڈٹ کارڈز پر مجموعی اخراجات 7.28 ارب روپے رہے، جبکہ ستمبر 2021 میں ایک ماہ میں سب سے زیادہ اخراجات 2.5 ارب روپے ریکارڈ کیے گئے۔ مزید برآں، ایف آئی پی (Plan Instalment Flexible) کے تحت 803 ملین روپے کی بکنگ نے اس کارکردگی کو مزید تقویت بخشی



FINANCIAL STATEMENTS

For the quarter ended March 31, 2021

Perseverance has been one of our defining traits throughout the years, and we kept that alive in the year 2021 as well which reflected in our financial outcomes. Ending yet another fiscal year on a high is testimony to our resilience and commitment to work together towards excellence.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2021

| | Note | September 30, 2021 Un-audited | December 31, 2020 Audited |
|---|------|-------------------------------------|---------------------------------|
| Rupees in '000 | | | |
| ASSETS | | | |
| Cash and balances with treasury banks | 8 | 12,316,251 | 13,795,269 |
| Balances with other banks | 9 | 1,042,965 | 543,571 |
| Lendings to financial institutions | 10 | 3,437,108 | 6,759,921 |
| Investments | 11 | 100,463,316 | 115,449,492 |
| Advances | 12 | 79,403,653 | 91,961,645 |
| Fixed assets | 13 | 5,702,151 | 6,762,402 |
| Intangible assets | 14 | 380,618 | 283,831 |
| Deferred tax assets | 15 | 12,268,493 | 8,795,256 |
| Other assets | 16 | 20,759,473 | 23,326,620 |
| | | 235,774,028 | 267,678,007 |
| LIABILITIES | | | |
| Bills payable | 17 | 3,037,309 | 3,088,780 |
| Borrowings | 18 | 77,996,890 | 89,347,953 |
| Deposits and other accounts | 19 | 147,169,886 | 160,237,608 |
| Liabilities against assets subject to finance lease | | - | - |
| Subordinated debt | 20 | 2,438,666 | 2,439,066 |
| Deferred tax liabilities | | - | - |
| Other liabilities | 21 | 6,935,125 | 7,695,019 |
| | | 237,577,876 | 262,808,426 |
| NET ASSETS | | (1,803,848) | 4,869,581 |
| REPRESENTED BY | | | |
| Shareholders' equity | | | |
| Share capital - net | 22 | 23,431,374 | 23,431,374 |
| Statutory Reserves | | 820,890 | 820,890 |
| Surplus on revaluation of assets - net of tax | 23 | 1,298,797 | 893,462 |
| Accumulated losses | | (27,354,909) | (20,276,145) |
| | | (1,803,848) | 4,869,581 |

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 44 form an integral part of these condensed interim financial statements.







Khurram Khan
Chief Financial Officer

Shahram Raza Bakhtiari
President & CEO

Goharulayn Afzal
Director

Masroor Qureshi
Director

Samia Murad
Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT - UN-AUDITED

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

| Note | Quarter ended | | Nine Months ended | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|--------------------|
| | September 30, 2021 | September 30, 2020 | September 30, 2021 | September 30, 2020 | |
| Rupees in '000 | | | | | |
| Mark-up / return / profit / interest earned | 26 | 4,010,002 | 6,385,584 | 11,975,579 | 18,203,936 |
| Mark-up / return / profit / interest expensed | 27 | (3,279,173) | (5,318,210) | (9,937,003) | (16,269,534) |
| Net Mark-up / return / profit / interest income | | 730,829 | 1,067,374 | 2,038,576 | 1,934,402 |
| NON MARK-UP / INTEREST INCOME | | | | | |
| Fee and commission income | 28 | 597,372 | 547,860 | 1,685,406 | 1,634,969 |
| Dividend income | | - | - | - | - |
| Foreign exchange income / (loss) | | 74,683 | 115,077 | 196,752 | (389,830) |
| Income / (loss) from derivatives | | 301 | (430) | (91,196) | 722,389 |
| (Loss) / gain on securities | 29 | (103,247) | (135,700) | (1,219,291) | 5,428,279 |
| Other income / (loss) | 30 | 66,702 | (290,913) | 154,286 | (239,291) |
| Total non-markup / interest income | | 635,811 | 235,894 | 725,957 | 7,156,516 |
| Total income | | 1,366,640 | 1,303,268 | 2,764,533 | 9,090,918 |
| NON MARK-UP / INTEREST EXPENSES | | | | | |
| Operating expenses | 31 | (1,736,271) | (2,051,171) | (5,206,925) | (5,638,459) |
| Workers Welfare Fund | | - | 52,616 | - | (12,274) |
| Other charges | 32 | (134,923) | (11,199) | (151,172) | (28,434) |
| Total non-markup / interest expenses | | (1,871,194) | (2,009,754) | (5,358,097) | (5,679,167) |
| (Loss) / profit before provisions, extra ordinary / unusual item and taxation | | (504,554) | (706,486) | (2,593,564) | 3,411,751 |
| Provisions and write offs - net | 33 | (1,120,075) | (1,871,686) | (8,222,048) | (2,810,318) |
| Extra ordinary / unusual items | | - | - | - | - |
| (LOSS) / PROFIT BEFORE TAXATION | | (1,624,629) | (2,578,172) | (10,815,612) | 601,433 |
| Taxation | 34 | 493,113 | 842,557 | 3,649,158 | (450,589) |
| (LOSS) / PROFIT AFTER TAXATION | | (1,131,516) | (1,735,615) | (7,166,454) | 150,844 |
| Rupee | | | | | |
| Basic and Diluted (Loss) / Earning Per Share | 35 | (0.12) | (0.19) | (0.79) | 0.02 |

The annexed notes 1 to 44 form an integral part of these condensed interim financial statements.







Khurram Khan
Chief Financial Officer

Shahram Raza Bakhtiari
President & CEO

Goharulayn Afzal
Director

Masroor Qureshi
Director

Samia Murad
Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME - UN-AUDITED

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

| | Quarter ended | | Nine Months ended | |
|--|--------------------|--------------------|--------------------|--------------------|
| | September 30, 2021 | September 30, 2020 | September 30, 2021 | September 30, 2020 |
| | Rupees in '000 | | | |
| (Loss) / profit after tax for the period | (1,131,516) | (1,735,615) | (7,166,454) | 150,844 |
| 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 | (121,712) | (2,142,049) | 450,405 | (2,037,282) |
| Items that will not be reclassified to profit and loss account in subsequent periods: | | | | |
| Remeasurement gain on defined benefit obligations - net of tax | - | - | 41,126 | 33,191 |
| Movement in surplus on revaluation of fixed assets - net of tax | (581) | (582) | (1,745) | (1,744) |
| Movement in surplus on revaluation of non-banking assets - net of tax | (42,376) | - | (43,325) | (1,318) |
| | (42,957) | (582) | (3,944) | 30,129 |
| Total comprehensive loss | (1,296,185) | (3,878,246) | (6,719,993) | (1,856,309) |

The annexed notes 1 to 44 form an integral part of these condensed interim financial statements.







Khurram Khan Chief Financial Officer
 Shahram Raza Bakhtiari President & CEO
 Goharulayn Afzal Director
 Masroor Qureshi Director
 Samia Murad Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - UN-AUDITED

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

| | Share Capital | Surplus / (deficit) on revaluation of | | Capital Reserve | Revenue Reserve | Total Equity |
|--|----------------|---------------------------------------|----------------------------|--------------------|--------------------|--------------|
| | | Investments | Fixed / Non Banking Assets | Statutory Reserve* | Accumulated Losses | |
| | Rupees in '000 | | | | | |
| Opening balance as at January 01, 2020 - Audited | 23,431,374 | 182,726 | 73,784 | 820,890 | (13,736,887) | 10,771,887 |
| Profit after taxation for the nine months ended September 30, 2020 - Un-audited | - | - | - | - | 150,844 | 150,844 |
| Other comprehensive income / (loss) - net of tax - Un-audited | - | (2,037,282) | (3,062) | - | 33,191 | (2,007,153) |
| 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 disposal of assets - net of tax | - | - | - | - | 1,318 | 1,318 |
| Closing balance as at September 30, 2020 - Un-audited | 23,431,374 | (1,854,556) | 70,722 | 820,890 | (13,548,850) | 8,919,580 |
| Loss after taxation for the quarter ended December 31, 2020 - Un-audited | - | - | - | - | (6,722,696) | (6,722,696) |
| Other comprehensive income / (loss) - net of tax - Un-audited | - | 773,425 | 1,903,871 | - | (5,710) | 2,671,586 |
| Transfer to statutory reserves | - | - | - | - | - | - |
| 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 disposal of assets - net of tax | - | - | - | - | 216 | 216 |
| Closing balance as at December 31, 2020 - Audited | 23,431,374 | (1,081,131) | 1,974,593 | 820,890 | (20,276,145) | 4,869,581 |
| Loss after taxation for the nine months ended September 30, 2021 - Un-audited | - | - | - | - | (7,166,454) | (7,166,454) |
| Other comprehensive income / (loss) - net of tax - Un-audited | - | 450,405 | (45,070) | - | 41,126 | 446,461 |
| Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax | - | - | - | - | 2,684 | 2,684 |
| Transfer from surplus on revaluation of non banking assets on account of incremental depreciation - net of tax | - | - | - | - | 1,586 | 1,586 |
| Transfer from surplus on revaluation of non-banking assets on account of disposal of assets - net of tax | - | - | - | - | 42,294 | 42,294 |
| Closing balance as at September 30, 2021 - Un-audited | 23,431,374 | (630,726) | 1,929,523 | 820,890 | (27,354,909) | (1,803,848) |

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

Every banking company incorporated in Pakistan is required to transfer 20% of its profit after tax to a statutory reserve until the amount of the reserve equals the paid-up share capital. Thereafter, 10% of the profit after tax of the Bank is required to be transferred to this reserve. Consequent to the loss for the year, no amount has been transferred during the year.

The annexed notes 1 to 44 form an integral part of these condensed interim financial statements.







Khurram Khan Chief Financial Officer
 Shahram Raza Bakhtiari President & CEO
 Goharulayn Afzal Director
 Masroor Qureshi Director
 Samia Murad Director

CONDENSED INTERIM CASH FLOW STATEMENT - UN-AUDITED

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

| | Note | September 30, 2021 | September 31, 2020 |
|---|------|-----------------------|-----------------------|
| Rupees in '000 | | | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Profit / (Loss) before taxation | | (10,815,612) | 601,433 |
| Less: Dividend income | | - | - |
| | | (10,815,612) | 601,433 |
| Adjustments: | | | |
| Depreciation on fixed assets | 31 | 248,544 | 299,431 |
| Depreciation on right-of-use assets | 31 | 457,131 | 505,034 |
| Depreciation on non-banking assets acquired in satisfaction of claims | 31 | 34,492 | 47,926 |
| Amortization of intangible assets | 31 | 34,458 | 52,085 |
| Amortization of premium on investments - net | | 173,968 | (242,560) |
| Finance charge on lease liability against right-of-use assets | 27 | 278,864 | 333,459 |
| Provisions against loans & advances | 33 | 8,612,218 | 2,914,815 |
| Gain on sale of fixed assets | 30 | (8,288) | (1,288) |
| Unrealized gain on revaluation of investments - held-for-trading | 29 | (662) | (16,200) |
| Share of profit from associate | 30 | (3,454) | (8,665) |
| Loss on sale of non-banking assets acquired in satisfaction of claims | 30 | 44,072 | 352,445 |
| Provision against other assets - net | 33 | (51,094) | - |
| Write offs against fixed assets | 33 | 21,275 | 9,841 |
| | | 9,841,524 | 4,246,323 |
| | | (974,088) | 4,847,756 |
| Decrease / (Increase) in operating assets | | | |
| Lendings to financial institutions | | 3,322,813 | 10,507,741 |
| Net investments in held-for-trading securities | | 3,518,491 | (24,105,815) |
| Advances | | 3,945,774 | 3,158,567 |
| Other assets (excluding advance taxation) | | 2,725,195 | (1,363,692) |
| | | 13,512,273 | (11,803,199) |
| (Decrease) / Increase in operating liabilities | | | |
| Bills payable | | (51,471) | (299,332) |
| Borrowings | | (11,351,063) | 76,927,629 |
| Deposits | | (13,067,722) | 5,233,859 |
| Other liabilities (excluding current taxation) | | (99,633) | (992,813) |
| | | (24,569,889) | 80,869,343 |
| Income tax paid | | (12,031,704) | 73,913,900 |
| | | (260,505) | (406,550) |
| Net cash flow (used in) / generated from operating activities | | (12,292,209) | 73,507,350 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Net investment in available-for-sale securities | | 11,940,681 | (57,444,155) |
| Net investment in held-to-maturity securities | | 50,085 | (15,918,240) |
| Net investment in fixed assets and intangible assets | | (295,845) | (187,954) |
| Proceeds on disposal of non-banking assets acquired in satisfaction of claims | | 51,000 | 191,203 |
| Proceeds on disposal of fixed assets | | 117,796 | 65,889 |
| Net cash flow generated from / (used in) investing activities | | 11,863,717 | (73,293,257) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| (Payments) / Receipts of subordinated debts | | (400) | 313,648 |
| Payment of lease liability against right-of-use assets | | (550,732) | (547,274) |
| Net cash flow used in financing activities | | (551,132) | (233,626) |
| Decrease in cash and cash equivalents | | (979,624) | (19,533) |
| Cash and cash equivalents at the beginning of the period | | 14,338,840 | 13,006,845 |
| Cash and cash equivalents at the end of the period | 36 | 13,359,216 | 12,987,312 |

The annexed notes 1 to 44 form an integral part of these condensed interim financial statements.







Khurram Khan
Chief Financial Officer

Shahram Raza Bakhtiar
President & CEO

Goharulayn Afzal
Director

Masroor Qureshi
Director

Samia Murad
Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

1 STATUS AND NATURE OF BUSINESS

1.1 Silkbank Limited ("the Bank") was incorporated in Pakistan on April 04, 1994 as a public limited company under the Companies Act, 2017. The Bank commenced commercial operations on May 07, 1995. The Bank's shares are quoted on Pakistan Stock Exchange Limited. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962. The Bank operates through 111 branches (December 31, 2020: 123 branches) including 27 (December 31, 2020: 30) Islamic banking branches in Pakistan. During the period, the Bank has closed its 12 branches which includes 3 Islamic banking branches. Additionally, the Bank closed 6 more branches including 4 Islamic branches in 2023. The Bank's registered office is located at Silkbank Building, 13-L, F-7 Markaz, Islamabad.

Major shareholders of the Bank as on September 30, 2021 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.

1.2 In October 2020, the short-term and long-term credit ratings of 'A-2' and 'A-' respectively was assigned to the Bank by VIS Credit Rating Company Limited ("VIS") based on the Bank's condensed interim financial statements for the period ended June 30, 2020. Thereafter, no credit ratings have been issued and the VIS shall review the ratings once these and other subsequent financial statements are issued.

1.3 As at September 30, 2021, the equity of the Bank is negative Rs. 3.10 billion excluding surplus on revaluation of assets. This includes share capital (net of losses and discount on shares) of negative Rs. 3.92 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 14% (December 31, 2020: negative 4.45%) as against the minimum CAR requirement of SBP of 11.50% (December 31, 2020: 11.50%). Consequently, the Bank is non-compliant with MCR and CAR at September 30, 2021 which resulted in various reduced prudential limits and may expose the Bank to regulatory actions under the Banking laws. As per the available management accounts of September 30, 2024, the equity and CAR of the Bank has been further deteriorated. These material uncertainties and conditions may cast significant doubts on the Bank's ability to continue as a going concern.

1.4 On October 31, 2024, the United Bank Limited (UBL), after completion of detailed due diligence of the Bank has submitted an offer to the Bank for its amalgamation with UBL pursuant to a scheme of amalgamation to be filed with and sanctioned by the SBP under section 48 of the Banking Companies Ordinance, 1962 (Amalgamation). As consideration of the Amalgamation, UBL has proposed to issue and allot new UBL ordinary shares to the shareholders of the Bank on the basis of a ratio of one (1) new UBL ordinary shares of every three hundred and twenty five (325) the Bank's ordinary shares.

1.4.1 The Board of Directors of the Bank, in their meeting held on November 06, 2024, has accorded its in-principle approval for Amalgamation of the Bank with UBL, in terms of a scheme of amalgamation to be sanctioned by SBP under section 48 of the Banking Companies Ordinance, 1962.

The Amalgamation remains subject to finalization of the deal terms, transaction documents and obtaining of all requisite corporate and regulatory approvals, consents and authorizations.

On Amalgamation, the Bank assets and liabilities shall be merged with UBL and be realized and settled in ordinary course of business of the amalgamated entity.

2 BASIS OF PREPARATION

2.1 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

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 1, 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, 2020.

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, 2020.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

5.1 Standards, interpretations of and amendments to accounting and reporting standards that are effective in the year 2021

As referred to in note 4.3 to the Bank's annual financial statements for the year ended December 31, 2020, there are certain standards, amendments and interpretations that are effective for the annual period beginning on or after January 01, 2021. These are considered either not to be relevant or not to have any significant impact on the Bank's condensed interim financial statements.

5.2 Standards, interpretations of and amendments to accounting and reporting standards that are not yet effective

The following new standards and interpretations of and amendments to existing accounting and reporting standards will be effective from the dates mentioned below against the respective standard, interpretation or amendment:

| Standard, Interpretation or Amendment | Effective date (Annual periods beginning on or after) |
|--|--|
| - IAS 16 - Property plant and equipment (Amendments) | January 01, 2022 |
| - IAS 37 - Provisions, contingent liabilities and contingent assets (Amendments) | January 01, 2022 |

The above mentioned amendments are not likely to have a material effect on the Bank's condensed interim financial statements.

- IFRS 9 - 'Financial Instruments'

IFRS 9: 'Financial Instruments' addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'Expected Credit Losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL has impact on all assets of the Bank which are exposed to credit risk.

The IFRS 9 shall be applicable on Banks for the financial period starting from January 01, 2024 as per the pronouncement made by SBP vide its BPRD Circular Letter No. 07 dated, April 13, 2023.

There are certain new and amended standards and interpretations as referred to in note 4.3 to the Bank's annual financial statements for the year ended December 31, 2020, that are mandatory for the Bank's accounting periods beginning on or after January 01, 2021 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, 2020.

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, 2020.

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, 2020.

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, 2020 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

| | Note | September 30, 2021 Un-audited | December 31, 2020 Audited |
|--|---|----------------------------------|------------------------------|
| Rupees in '000 | | | |
| 8 CASH AND BALANCES WITH TREASURY BANKS | | | |
| In hand | | | |
| Local currency | | 3,528,567 | 2,578,287 |
| Foreign currencies | | 709,404 | 2,278,531 |
| | | 4,237,971 | 4,856,818 |
| With State Bank of Pakistan in | | | |
| Local currency current account | 8.1 | 6,301,048 | 7,074,718 |
| Foreign currency current account | | 634,499 | 637,477 |
| Foreign currency deposit account | 8.2 | 838,782 | 853,872 |
| | | 7,774,329 | 8,566,067 |
| With National Bank of Pakistan in | | | |
| Local currency current account | | 178,309 | 250,363 |
| National Prize Bonds | | 125,642 | 122,021 |
| | | 12,316,251 | 13,795,269 |
| 8.1 | Deposits with the SBP are maintained to comply with the statutory requirements of the SBP issued from time to time (section 22 of the Banking Companies Ordinance, 1962). | | |
| 8.2 | This represents account maintained with the SBP to comply with Special Cash Reserve requirement (FE-25 scheme, as prescribed by SBP). It carries interest rates of 0% (December 31, 2020: 0% to 0.76%). | | |
| 9 BALANCES WITH OTHER BANKS | | | |
| In Pakistan | | | |
| In current account | | 242,775 | 62,732 |
| In deposit account | | 78 | 74 |
| | | 242,853 | 62,806 |
| Outside Pakistan | | | |
| In current account | | 800,112 | 480,765 |
| | | 1,042,965 | 543,571 |
| 10 LENDINGS TO FINANCIAL INSTITUTIONS | | | |
| Repurchase agreement lendings (Reverse repo) | | 1,985,600 | 2,664,165 |
| Foreign placement | | 1,451,508 | 1,301,113 |
| Bai Muajjal receivable from State Bank of Pakistan | | - | 2,794,643 |
| | | 3,437,108 | 6,759,921 |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

| 11 INVESTMENTS | September 30, 2021 - Un-audited | | | | December 31, 2020 - 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 | Note | | | | | | | |
| Federal Government Securities | | | | | | | | |
| Market Treasury Bills | 4,946,047 | - | (1,117) | 4,944,930 | 13,653,249 | - | 150 | 13,653,399 |
| Pakistan Investment Bonds | 12,009,691 | - | 1,779 | 12,011,470 | 6,790,944 | - | 29,886 | 6,820,830 |
| | 16,955,738 | - | 662 | 16,956,400 | 20,444,193 | - | 30,036 | 20,474,229 |
| Available-for-sale securities | | | | | | | | |
| Federal Government Securities | | | | | | | | |
| Pakistan Investment Bonds | 62,770,667 | - | (1,020,534) | 61,750,133 | 74,824,514 | - | (1,575,735) | 73,248,779 |
| GOP Ijarah Sukuks | 5,376,779 | - | (21,442) | 5,355,337 | 5,011,889 | - | (68,078) | 4,943,811 |
| Shares - Listed | | | | | | | | |
| Ordinary Shares | 25,609 | - | 72,004 | 97,613 | 438,801 | - | (18,814) | 419,987 |
| Shares - Unlisted | | | | | | | | |
| Ordinary Shares | 5,680 | (5,680) | - | - | 5,680 | (5,680) | - | - |
| Non Government Debt Securities | | | | | | | | |
| Term Finance Certificates - Listed | 50,500 | - | (375) | 50,125 | 63,000 | - | (653) | 62,347 |
| Term Finance Certificates - Unlisted | 8,780 | (8,780) | - | - | 8,780 | (8,780) | - | - |
| | 68,238,015 | (14,460) | (970,347) | 67,253,208 | 80,352,664 | (14,460) | (1,663,280) | 78,674,924 |
| Held-to-maturity securities | | | | | | | | |
| Federal Government Securities | | | | | | | | |
| Pakistan Investment Bonds | 15,847,830 | - | - | 15,847,830 | 15,897,915 | - | - | 15,897,915 |
| Bai Muajjal | 257,658 | - | - | 257,658 | 257,658 | - | - | 257,658 |
| Non Government Debt Securities | | | | | | | | |
| Shares repurchase (fully provided) | 74,910 | (74,910) | - | - | 74,910 | (74,910) | - | - |
| | 16,180,398 | (74,910) | - | 16,105,488 | 16,230,483 | (74,910) | - | 16,155,573 |
| Associates | | | | | | | | |
| SPI Insurance Company Limited | 148,220 | - | - | 148,220 | 144,766 | - | - | 144,766 |
| Total investments | 101,522,371 | (89,370) | (969,685) | 100,463,316 | 117,172,106 | (89,370) | (1,633,244) | 115,449,492 |
| 11.2 Investments by segments: | Note | | | | | | | |
| Federal Government Securities | | | | | | | | |
| Market Treasury Bills | 4,946,047 | - | (1,117) | 4,944,930 | 13,653,249 | - | 150 | 13,653,399 |
| Pakistan Investment Bonds | 90,628,188 | - | (1,018,755) | 89,609,433 | 97,513,373 | - | (1,545,849) | 95,967,524 |
| GOP Ijarah Sukuks | 5,376,779 | - | (21,442) | 5,355,337 | 5,011,889 | - | (68,078) | 4,943,811 |
| Bai Muajjal | 257,658 | - | - | 257,658 | 257,658 | - | - | 257,658 |
| | 101,208,672 | - | (1,041,314) | 100,167,358 | 116,436,169 | - | (1,613,777) | 114,822,392 |
| Shares | | | | | | | | |
| Listed companies | 25,609 | - | 72,004 | 97,613 | 438,801 | - | (18,814) | 419,987 |
| Unlisted companies | 5,680 | (5,680) | - | - | 5,680 | (5,680) | - | - |
| | 31,289 | (5,680) | 72,004 | 97,613 | 444,481 | (5,680) | (18,814) | 419,987 |
| Non Government Debt Securities | | | | | | | | |
| Term Finance Certificates - Listed | 50,500 | - | (375) | 50,125 | 63,000 | - | (653) | 62,347 |
| Term Finance Certificates - Unlisted | 8,780 | (8,780) | - | - | 8,780 | (8,780) | - | - |
| | 59,280 | (8,780) | (375) | 50,125 | 71,780 | (8,780) | (653) | 62,347 |
| Shares repurchase (fully provided) | 74,910 | (74,910) | - | - | 74,910 | (74,910) | - | - |
| Associates | | | | | | | | |
| SPI Insurance Company Limited | 148,220 | - | - | 148,220 | 144,766 | - | - | 144,766 |
| Total investments | 101,522,371 | (89,370) | (969,685) | 100,463,316 | 117,172,106 | (89,370) | (1,633,244) | 115,449,492 |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

| | September 30, 2021 Un-audited | December 31, 2020 Audited |
|--|----------------------------------|------------------------------|
| Rupees in '000 | | |
| 11.2.1 Investments given as collateral | | |
| Market Treasury Bills | 4,908,145 | 10,940,440 |
| Pakistan Investment Bonds | 70,980,377 | 76,767,023 |
| | 75,888,522 | 87,707,463 |
| 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 | 89,370 | 89,370 |

11.3.2 Particulars of provision against debt securities

| Category of classification | September 30, 2021 - Un-audited | | December 31, 2020 - 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 | 83,690 | 83,690 | 83,690 | 83,690 |

11.4 The market value of securities classified as held-to-maturity is Rs. 16,105 million (December 31, 2020: Rs. 16,156 million).

12 ADVANCES

| | Performing | | Non Performing | | Total | |
|---|----------------------------------|------------------------------|----------------------------------|------------------------------|----------------------------------|------------------------------|
| | September 30, 2021 Un-audited | December 31, 2020 Audited | September 30, 2021 Un-audited | December 31, 2020 Audited | September 30, 2021 Un-audited | December 31, 2020 Audited |
| Rupees in '000 | | | | | | |
| Loans, cash credits, running finances, etc. | 53,915,972 | 60,407,983 | 44,706,117 | 40,703,634 | 98,622,089 | 101,111,617 |
| Islamic financing and related assets | 2,874,417 | 3,089,668 | - | 2,108,100 | 2,874,417 | 5,197,768 |
| Bills discounted and purchased | 419,332 | 342,712 | 3,113 | 3,113 | 422,445 | 345,825 |
| Advances - gross | 57,209,721 | 63,840,363 | 44,709,230 | 42,814,847 | 101,918,951 | 106,655,210 |
| Provision against advances | | | | | | |
| - Specific | - | - | (21,674,290) | (13,951,531) | (21,674,290) | (13,951,531) |
| - General | (841,008) | (742,034) | - | - | (841,008) | (742,034) |
| | (841,008) | (742,034) | (21,674,290) | (13,951,531) | (22,515,298) | (14,693,565) |
| Advances - net of provision | 56,368,713 | 63,098,329 | 23,034,940 | 28,863,316 | 79,403,653 | 91,961,645 |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

| | September 30, 2021 Un-audited | December 31, 2020 Audited |
|---|----------------------------------|------------------------------|
| Rupees in '000 | | |
| 12.1 Particulars of advances (Gross) | | |
| In local currency | 101,918,951 | 106,655,210 |
| In foreign currencies | - | - |
| | 101,918,951 | 106,655,210 |

12.2 Advances include Rs. 44.71 billion (December 31, 2020: Rs. 42.81 billion) which have been placed under non-performing status as detailed below:

| Category of classification - specific | September 30, 2021 - Un-audited | | December 31, 2020 - Audited | |
|---------------------------------------|---------------------------------|-------------------|-----------------------------|-------------------|
| | Non Performing Loans | Provision | Non Performing Loans | Provision |
| Rupees in '000 | | | | |
| Domestic | | | | |
| Substandard | 1,299,580 | 293,067 | 2,844,340 | 448,526 |
| Doubtful | 814,734 | 289,770 | 5,493,237 | 683,828 |
| Loss | 42,594,916 | 21,091,453 | 34,477,270 | 12,819,177 |
| Total | 44,709,230 | 21,674,290 | 42,814,847 | 13,951,531 |

12.3 Particulars of provision against advances:

| | September 30, 2021 - Un-audited | | | December 31, 2020 - Audited | | |
|--|---------------------------------|----------------|-------------------|-----------------------------|----------------|-------------------|
| | Specific | General | Total | Specific | General | Total |
| Rupees in '000 | | | | | | |
| Opening balance | 13,951,531 | 742,034 | 14,693,565 | 6,077,627 | 784,308 | 6,861,935 |
| Charge for the period / year | 8,930,961 | 98,974 | 9,029,935 | 9,424,399 | - | 9,424,399 |
| Reversals for the period / year | (417,717) | - | (417,717) | (306,895) | (42,274) | (349,169) |
| Amounts written off during the period / year | 8,513,244 | 98,974 | 8,612,218 | 9,117,504 | (42,274) | 9,075,230 |
| | (790,485) | - | (790,485) | (1,243,600) | - | (1,243,600) |
| Closing balance | 21,674,290 | 841,008 | 22,515,298 | 13,951,531 | 742,034 | 14,693,565 |

12.3.1 It includes non-performing advances amounting to Rs. 20,161 million (December 31, 2020: Rs. 20,161 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.

12.3.1.1 Subsequent to the period end, the Bank for the purpose of settlement of these exposures have entered into Real Estate Investment Trust (REIT) arrangements which is 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 subsequently been established. The certain land mortgaged with the Bank as a collateral securing these non-performing exposures have been subsequently released and transferred in favour of SIDR and SWIR respectively. However, after such transfer of land, the Bank still hold other land of the Respective Borrowers under mortgage having market value of around Rs. 24 billion. At transfer of land to SIDR, an initial sale proceed of Rs. 878 million have been realised for settlement against these exposures. Further REIT units having par value of Rs. 5 billion have been subsequently issued by SWIR in favour of the Respective borrowers which along with dividend thereon have been assigned in favour of the Bank.

12.3.2 SBP vide various circulars has amended Prudential Regulations in respect of provisioning against non-performing advances under which the benefit of Forced Sale Value (FSV) has been allowed for plant and machinery under charge, pledged stock and mortgaged residential, commercial and industrial properties (land and building only) held as collateral against non-performing advances upto five years from the date of classification.

12.3.3 As of September 30, 2021, 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.13,982 million (December 31, 2020: Rs. 15,508 million), which shall not be available for payment of cash or stock dividend / bonus to employees.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

15.1 The Bank has an aggregate amount of deferred tax assets of Rs. 12,268 million (December 31, 2020: Rs. 8,795 million) out of which an amount of Rs. 7,763 million (December 31, 2020: 5,160 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.

| 16 OTHER ASSETS | Note | September 30, 2021 | December 31, 2020 |
|---|------|--------------------|-------------------|
| | | Un-audited | Audited |
| | | Rupees in '000 | |
| Income / mark-up accrued in local currency - net of provision | | 6,560,912 | 9,345,868 |
| Income / mark-up accrued in foreign currency - net of provision | | 6 | 468 |
| Accrued rent | | 96,618 | 96,618 |
| Advances, deposits, advance rent and other prepayments | | 200,960 | 250,722 |
| Profit paid in advance on fixed deposits | | 8,691 | 39,635 |
| Advance taxation (payments less provisions) | | 1,977,337 | 1,804,089 |
| Net defined benefit assets - permanent staff | | 97,797 | 34,526 |
| Non-banking assets | 16.2 | 9,274,005 | 9,674,889 |
| Branch adjustment account | | 164,470 | 158,474 |
| Mark to market gain on forward contracts | | 154,009 | 111,778 |
| Acceptances | | 433,767 | 545,553 |
| Receivable from sale of non-banking assets acquired in satisfaction of claims | | 69,050 | 88,650 |
| Fee receivable from Credit Card members | | 157,478 | 243,586 |
| Others | | 879,551 | 254,156 |
| | | <u>20,074,651</u> | <u>22,649,012</u> |
| Less: Provision held against other assets | 16.5 | (1,219,129) | (1,270,223) |
| Other assets - net of provisions | | 18,855,522 | 21,378,789 |
| Surplus on revaluation of non-banking assets acquired in satisfaction of claims | 23 | 1,903,951 | 1,947,831 |
| Other assets - total | | <u>20,759,473</u> | <u>23,326,620</u> |
| 16.1 Market value of Non-banking assets acquired in satisfaction of claims | 16.4 | <u>9,966,827</u> | <u>10,360,497</u> |
| 16.2 Non-banking assets | | | |
| - acquired in satisfaction of claims | | 3,067,248 | 3,335,059 |
| - under agreement to sale third parties | | 6,157,807 | 6,290,453 |
| - with buy back option with customers | | 48,950 | 49,377 |
| | | <u>9,274,005</u> | <u>9,674,889</u> |

16.3 The non-banking assets acquired in satisfaction of claims (NBAs) aggregating to Rs. 9,335 million (December 31, 2020: Rs. 9,401 million) are currently un-developed and have been evaluated based on the valuation reports from the valuers on Pakistan Banks' Association list of approved valuers. The Bank exposure exceeds the prescribed limit of 2.5% of aggregate advances and investments (excluding investment in Government securities) as prescribed by SBP under regulation Debt Property Swap.

16.4 Subsequent to the period end, in addition to the collateral land (as detailed in Note 12.3.1), certain land classified here under NBA have been transferred to SIDR and SWIR. At transfer of such land, an initial sale proceeds of Rs. 1,560 million have been realised to the Bank from SIDR, whereas the SWIR has issued its REIT units having par value of Rs. 910 million in favour of the Bank against respective land transferred to these REITs.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

| 16.5 Provision held against other assets | Note | September 30, 2021 | December 31, 2020 |
|---|------|--------------------|-------------------|
| | | Un-audited | Audited |
| | | Rupees in '000 | |
| Non-banking assets acquired in satisfaction of claims | | 1,211,129 | 1,262,223 |
| Others | | 8,000 | 8,000 |
| | | <u>1,219,129</u> | <u>1,270,223</u> |
| 16.5.1 Movement in provision held against other assets | | | |
| Opening balance | | 1,270,223 | 602,274 |
| Charge for the period / year | | - | 876,007 |
| Reversals for the period / year | | (51,094) | (208,058) |
| Net reversal for the period / year | 33 | (51,094) | 667,949 |
| Write off | | - | - |
| Closing balance | | <u>1,219,129</u> | <u>1,270,223</u> |
| 17 BILLS PAYABLE | | | |
| In Pakistan | | 3,037,309 | 3,088,780 |
| Outside Pakistan | | - | - |
| | | <u>3,037,309</u> | <u>3,088,780</u> |
| 18 BORROWINGS | | | |
| Secured | | | |
| Borrowings from State Bank of Pakistan | | | |
| - under export refinance scheme | | 1,738,459 | 1,862,925 |
| - under Credit Guarantee Scheme for Small and Rural Enterprises | | 1,083 | - |
| Repurchase agreement borrowings | | 76,076,297 | 87,331,738 |
| Total secured | | <u>77,815,839</u> | <u>89,194,663</u> |
| Unsecured | | | |
| Call borrowings | | 100,000 | - |
| Overdrawn nostro accounts | | 81,051 | 153,290 |
| Total unsecured | | <u>181,051</u> | <u>153,290</u> |
| | | <u>77,996,890</u> | <u>89,347,953</u> |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

19 DEPOSITS AND OTHER ACCOUNTS

| | September 30, 2021 - Un-audited | | | December 31, 2020 - Audited | | |
|-------------------------------|---------------------------------|-----------------------|--------------------|-----------------------------|-----------------------|--------------------|
| | In Local Currency | In Foreign Currencies | Total | In Local Currency | In Foreign Currencies | Total |
| Rupees in '000 | | | | | | |
| Customers | | | | | | |
| Current deposits | 30,872,092 | 3,900,154 | 34,772,246 | 28,460,310 | 4,239,277 | 32,699,587 |
| Saving deposits | 54,445,538 | 3,688,236 | 58,133,774 | 59,844,993 | 3,454,791 | 63,299,784 |
| Term deposits | 45,036,505 | 2,238,680 | 47,275,185 | 52,342,596 | 2,200,683 | 54,543,279 |
| Margin deposits | 959,322 | - | 959,322 | 926,612 | - | 926,612 |
| Call deposits | 1,422,773 | - | 1,422,773 | 1,226,588 | - | 1,226,588 |
| | 132,736,230 | 9,827,070 | 142,563,300 | 142,801,099 | 9,894,751 | 152,695,850 |
| Financial Institutions | | | | | | |
| Current deposits | 215,150 | 56,866 | 272,016 | 153,679 | 24,248 | 177,927 |
| Saving deposits | 3,448,850 | 22,391 | 3,471,241 | 6,736,426 | 20,949 | 6,757,375 |
| Term deposits | 765,030 | 98,299 | 863,329 | 514,390 | 92,066 | 606,456 |
| | 4,429,030 | 177,556 | 4,606,586 | 7,404,495 | 137,263 | 7,541,758 |
| | 137,165,260 | 10,004,626 | 147,169,886 | 150,205,594 | 10,032,014 | 160,237,608 |

20 SUBORDINATED DEBT

| | Note | September 30, 2021 Un-audited Rupees in '000 | December 31, 2020 Audited |
|--|------|--|------------------------------|
| Subordinated Term Finance Certificates | 20.1 | 1,998,400 | 1,998,800 |
| Subordinated Loan from Sponsors | 20.2 | 440,266 | 440,266 |
| | | 2,438,666 | 2,439,066 |

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 were harmonized by VIS according to their 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. |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

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.

21 OTHER LIABILITIES

| | Note | September 30, 2021 Un-audited Rupees in '000 | December 31, 2020 Audited |
|--|------|--|------------------------------|
| Mark-up / return / interest payable in local currency | | 870,526 | 894,554 |
| Mark-up / return / interest payable in foreign currencies | | 9,238 | 6,367 |
| Unearned commission and income on bills discounted | | 76,429 | 52,959 |
| Accrued expenses | | 721,759 | 553,317 |
| Acceptances | | 433,767 | 545,553 |
| Mark to market loss on forward contracts | | 75,111 | 158,312 |
| Payable to defined benefit plan - contractual staff | | 79,890 | 70,185 |
| Provision against off-balance sheet obligations | 21.1 | 116,012 | 116,012 |
| Workers' Welfare Fund (WWF) | | 102,394 | 134,504 |
| Advance received against future sale of non-banking assets | | 70,448 | 95,917 |
| Advance received against future sale of operating fixed assets | | 118,500 | 118,500 |
| Deferred income against non-banking assets | | 135,743 | 135,743 |
| Islamic pool management reserve | | 8,092 | 7,729 |
| Lease liability against right-of-use assets | | 3,217,510 | 3,877,771 |
| Non checking account | | 45,328 | 243,463 |
| PRI remitting account | | 91,003 | 45,931 |
| Fund received against application of Housing Scheme | | 55,390 | 66,224 |
| Others | | 707,985 | 571,978 |
| | | 6,935,125 | 7,695,019 |

21.1 Provision against off-balance sheet obligations

| | Note | September 30, 2021 Un-audited Rupees in '000 | December 31, 2020 Audited |
|---------------------------------|--------|--|------------------------------|
| Opening balance | | 116,012 | 116,012 |
| Charge for the period / year | | - | - |
| Reversals for the period / year | | - | - |
| Amount written off | | - | - |
| Closing balance | 21.1.1 | 116,012 | 116,012 |

21.1.1 This includes provisions made against letters of guarantees issued by the Bank.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

22 SHARE CAPITAL- NET

22.1 Authorised capital

| September 30, 2021 Un-audited Number of shares in '000 | December 31, 2020 Audited | | September 30, 2021 Un-audited Rupees in '000 | December 31, 2020 Audited |
|--|------------------------------|-------------------------------|--|------------------------------|
| 10,500,000 | 10,500,000 | Ordinary shares of Rs.10 each | 105,000,000 | 105,000,000 |

22.2 Issued, subscribed and paid up capital

| September 30, 2021 Un-audited Number of shares in '000 | December 31, 2020 Audited | | September 30, 2021 Un-audited Rupees in '000 | December 31, 2020 Audited |
|--|------------------------------|-----------------------------------|--|------------------------------|
| 9,081,861 | 9,081,861 | Ordinary shares of Rs. 10 each | 90,818,612 | 90,818,612 |
| - | - | Fully paid in cash | (67,387,238) | (67,387,238) |
| 9,081,861 | 9,081,861 | Less: Discount on issue of shares | 23,431,374 | 23,431,374 |

23 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

| Surplus / (Deficit) on revaluation of: | Note | September 30, 2021 Un-audited | December 31, 2020 Audited |
|---|------|----------------------------------|------------------------------|
| - Available for sale securities | 11.1 | (970,347) | (1,663,280) |
| - Fixed assets | | 49,222 | 51,906 |
| - Non-banking assets acquired in satisfaction of claims | 16 | 1,903,951 | 1,947,831 |
| | | 982,826 | 336,457 |
| Deferred tax on (deficit) / surplus on revaluation of: | | | |
| - Available for sale securities | 15 | 339,621 | 582,149 |
| - Fixed assets | 15 | (9,082) | (10,021) |
| - Non-banking assets acquired in satisfaction of claims | 15 | (14,568) | (15,123) |
| | | 315,971 | 557,005 |
| | | 1,298,797 | 893,462 |

24 CONTINGENCIES AND COMMITMENTS

| | Note | September 30, 2021 Un-audited | December 31, 2020 Audited |
|------------------------|------|----------------------------------|------------------------------|
| Guarantees | 24.1 | 14,008,763 | 12,649,548 |
| Commitments | 24.2 | 16,152,943 | 27,295,663 |
| Contingent liabilities | 24.3 | 819,194 | 1,258,480 |
| | | 30,980,900 | 41,203,691 |

24.1 Guarantees:

| | September 30, 2021 Un-audited | December 31, 2020 Audited |
|------------------------|----------------------------------|------------------------------|
| Financial guarantees | 509,521 | 59,940 |
| Performance guarantees | 8,453,524 | 7,892,158 |
| Other guarantees | 5,045,718 | 4,697,450 |
| | 14,008,763 | 12,649,548 |

24.2 Commitments:

| | Note | September 30, 2021 Un-audited | December 31, 2020 Audited |
|---|--------|----------------------------------|------------------------------|
| Documentary credits and short-term trade-related transactions | | | |
| - letters of credit | | 2,869,240 | 3,309,778 |
| Commitments in respect of: | | | |
| - forward foreign exchange contracts | 24.2.1 | 12,659,547 | 10,148,208 |
| - forward government securities transactions | 24.2.2 | 501,641 | 13,609,696 |
| Commitments for acquisition of: | | | |
| - operating fixed assets | | - | 187 |
| - intangible assets | 24.2.3 | 122,515 | 227,794 |
| | | 16,152,943 | 27,295,663 |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

24.2.1 Commitments in respect of forward foreign exchange contracts

| | September 30, 2021 Un-audited | December 31, 2020 Audited |
|----------|----------------------------------|------------------------------|
| Purchase | 9,240,938 | 7,452,132 |
| Sale | 3,418,609 | 2,696,076 |
| | 12,659,547 | 10,148,208 |

24.2.2 Commitments in respect of forward government securities transactions

| | September 30, 2021 Un-audited | December 31, 2020 Audited |
|----------|----------------------------------|------------------------------|
| Purchase | 501,641 | - |
| Sale | - | 13,609,696 |
| | 501,641 | 13,609,696 |

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

| | September 30, 2021 Un-audited | December 31, 2020 Audited |
|--|----------------------------------|------------------------------|
| Contingent liabilities: | | |
| Claims against the Bank not acknowledged as debt | 783,554 | 1,222,840 |
| Claims against the Bank by Competition Commission of Pakistan & others | 35,640 | 35,640 |
| | 819,194 | 1,258,480 |

24.3 Contingent liabilities:

| | September 30, 2021 Un-audited | December 31, 2020 Audited |
|--|----------------------------------|------------------------------|
| Claims against the Bank not acknowledged as debt | 783,554 | 1,222,840 |
| Claims against the Bank by Competition Commission of Pakistan & others | 35,640 | 35,640 |
| | 819,194 | 1,258,480 |

24.3.1 Suits for damages of Rs. 24.41 billion (December 31, 2020: Rs. 24.38 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

Counterparties

Hedging

- Banks
- Other entities

Total

September 30, 2021 - Un-audited

| Forward Contracts | |
|--------------------|------------------------------|
| Notional Principal | Mark to Market gain / (loss) |
| | Rupees in '000 |
| 501,069 | 572 |
| - | - |
| 501,069 | 572 |

December 31, 2020 - Audited

| Forward Contracts | |
|--------------------|------------------------------|
| Notional Principal | Mark to Market gain / (loss) |
| | Rupees in '000 |
| 13,666,992 | 90,304 |
| - | - |
| 13,666,992 | 90,304 |

Counterparties

Hedging

- Banks
- Other entities

Total

| | September 30, 2021 Un-audited | December 31, 2020 Audited |
|----------------|----------------------------------|------------------------------|
| Banks | 501,069 | 572 |
| Other entities | - | - |
| | 501,069 | 572 |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

| | Note | September 30, 2021 Un-audited | September 30, 2020 Un-audited |
|--|------|-------------------------------------|-------------------------------------|
| Rupees in '000 | | | |
| 26 MARK-UP / RETURN / PROFIT / INTEREST EARNED | | | |
| On: | | | |
| a) Loans and advances | | 5,938,830 | 8,995,574 |
| b) Investments | | 5,807,905 | 8,056,297 |
| c) Lendings to financial institutions | | 228,780 | 1,151,294 |
| d) Balances with banks | | 64 | 771 |
| | | 11,975,579 | 18,203,936 |
| 27 MARK-UP / RETURN / PROFIT / INTEREST EXPENSED | | | |
| On: | | | |
| a) Deposits | | 5,319,054 | 9,452,363 |
| b) Borrowings | | 3,926,063 | 5,994,159 |
| c) Subordinated debt | | 138,673 | 213,608 |
| d) Cost of foreign currency swaps against foreign currency deposits / borrowings | | 259,128 | 260,714 |
| e) Lease liability against right-of-use assets | | 278,864 | 333,459 |
| f) Others | | 15,221 | 15,231 |
| | | 9,937,003 | 16,269,534 |
| 28 FEE & COMMISSION INCOME | | | |
| Branch banking customer fees | | 133,374 | 137,602 |
| Card related fees (debit and credit cards) | | 1,083,803 | 1,020,233 |
| Credit related fees | | 238,640 | 256,159 |
| Commission on trade | | 125,039 | 107,576 |
| Commission on guarantees | | 54,643 | 52,848 |
| Commission on remittances including home remittances | | 10,579 | 12,831 |
| Commission on bancassurance | | 24,869 | 38,501 |
| Others | | 14,459 | 9,219 |
| | | 1,685,406 | 1,634,969 |
| 29 (LOSS) / GAIN ON SECURITIES | | | |
| Realised | 29.1 | (1,219,953) | 5,412,079 |
| Unrealised - held for trading | | 662 | 16,200 |
| | | (1,219,291) | 5,428,279 |
| 29.1 Realised (loss) / gain on: | | | |
| Federal Government Securities | | (1,159,464) | 5,370,284 |
| Shares | | (60,489) | 41,154 |
| Non Government Debt Securities | | - | 641 |
| | | (1,219,953) | 5,412,079 |
| 30 OTHER INCOME / (LOSS) | | | |
| Rent on property and non-banking assets | | 40,103 | 102 |
| Gain on sale of fixed assets - net | | 8,288 | 1,288 |
| Loss on sale of non-banking assets - net | | (44,072) | (352,445) |
| Rent on lockers | | 16,697 | 16,740 |
| Postage, telex and other service charges recovered | | 13,557 | 40,850 |
| Share of profit from associate | | 3,454 | 8,665 |
| Early loan termination charges | | 40,665 | 45,509 |
| Gain on termination leases | | 75,594 | - |
| | | 154,286 | (239,291) |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

| | September 30, 2021 Un-audited | September 30, 2020 Un-audited |
|---|-------------------------------------|-------------------------------------|
| Rupees in '000 | | |
| 31 OPERATING EXPENSES | | |
| Total compensation expense | 2,702,075 | 2,883,822 |
| Property expense | | |
| Rent & taxes | 8,198 | 29,055 |
| Insurance on non-banking assets acquired in satisfaction of claims | 2,477 | 938 |
| Utilities cost | 154,153 | 152,683 |
| Security (including guards) | 20,864 | 23,265 |
| Repair & maintenance (including janitorial charges) | 43,769 | 49,627 |
| Depreciation on buildings | 51,717 | 68,892 |
| Depreciation on right-of-use assets | 457,131 | 505,034 |
| Depreciation on non-banking assets acquired in satisfaction of claims | 34,492 | 47,926 |
| Professional charges | 2,826 | 7,533 |
| | 775,627 | 884,953 |
| Information technology expenses | | |
| Software maintenance | 156,153 | 167,910 |
| Hardware maintenance | 80,929 | 63,332 |
| Depreciation | 60,050 | 55,121 |
| Amortisation | 34,458 | 52,085 |
| Website development charges | 431 | 298 |
| | 332,021 | 338,746 |
| Other operating expenses | | |
| Directors' fees and allowances | 21,850 | 29,698 |
| Fees and allowances to Shariah Board | 11,499 | 11,291 |
| Legal & professional charges | 138,731 | 102,328 |
| Outsourced services costs | 140,935 | 140,716 |
| Travelling & conveyance | 45,411 | 76,160 |
| NIFT clearing charges | 7,934 | 8,317 |
| Depreciation | 136,777 | 175,418 |
| Training & development | 4,099 | 7,446 |
| Postage & courier charges | 5,883 | 26,604 |
| Communication | 331,566 | 316,804 |
| Stationery & printing | 67,689 | 55,746 |
| Marketing, advertisement & publicity | 101,433 | 191,335 |
| Auditors' remuneration | 17,695 | 18,975 |
| Insurance (including deposit protection) | 114,073 | 122,964 |
| Repairs & maintenance | 52,724 | 66,650 |
| Brokerage and commission | 5,865 | 7,960 |
| Subscriptions and news papers | 17,398 | 14,464 |
| Entertainment | 28,554 | 31,942 |
| Vehicle running & maintenance | 18,518 | 16,323 |
| Card related expenses (debit and credit cards) | 105,818 | 90,079 |
| Security | 21,229 | 18,881 |
| Others | 1,521 | 837 |
| | 1,397,202 | 1,530,938 |
| | 5,206,925 | 5,638,459 |
| 32 OTHER CHARGES | | |
| Penalties imposed by State Bank of Pakistan | 140,151 | 1,133 |
| Operational loss | 11,021 | 27,301 |
| | 151,172 | 28,434 |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

| | Note | September 30, 2021 Un-audited Rupees in '000 | September 30, 2020 Un-audited |
|---|--|---|-------------------------------------|
| 33 PROVISIONS & WRITE OFFS - NET | | | |
| Provisions against loans & advances | 12.3 | 8,612,218 | 2,914,815 |
| Provision against other assets - net | 16.5.1 | (51,094) | - |
| Write offs against fixed assets | | 21,275 | 9,841 |
| Recovery of written off / charged off bad debts | | (360,351) | (114,338) |
| | | <u>8,222,048</u> | <u>2,810,318</u> |
| 34 TAXATION | | | |
| Current | | - | 125,348 |
| Prior years | | 87,257 | - |
| Deferred | | (3,736,415) | 325,241 |
| | | <u>(3,649,158)</u> | <u>450,589</u> |
| 34.1 | The income tax returns of the Bank have been e-filed upto tax year 2021. The Commissioner Inland Revenue has amended the assessment of the Bank, and the Bank has filed appeals against the amendments. The appeals are pending before Appellate Tribunal Inland Revenue (ATIR) against certain disallowances amounting to Rs.3,026 million (2020: Rs.1,996 million) relating to Assessment / Tax Year(s) 2000-2001, 2001-2002, 2002-2003, 2004 and 2015 to 2019. The appeals which are pending before Commissioner (Appeals) against the disallowances amounting to Rs.682 million (2020: Rs.1,712 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 Ordinance have been concluded. However, no order has been passed by the Commissioner to date. For the tax year 2021, return of income e-filed is deemed to be an assessment order under section 120 of the Ordinance. | | |
| 34.3 | The proceedings regarding monitoring of withholding taxes pertaining to the Tax Years 2011 to 2019 were initiated and completed. Orders were issued by the Assessing Officer creating total tax demand of Rs.241.880 million which includes penalty and default surcharge out of which the Bank has paid an amount of Rs.169.312 million. The matters for the tax years 2011 and 2012 have been concluded, the Bank has not filed further appeals and the Bank has paid the demand so created. The Bank's appeals for Tax Years 2013 and 2014 before the CIR (A) were rejected after which appeals before the ATIR, Karachi have been filed. The ATIR has remanded-back the case to the Assessing Officer, however, no proceedings were initiated. With respect to Tax Years 2015 and 2016, the Bank has filed appeals against orders before CIR (A). The CIR (A) remanded back the matter to the Assessing Officer, however, no proceedings were initiated. With respect to Tax Years 2017 to 2019, the Bank has filed appeals against orders before CIR (A), the CIR (A) remanded back the matter to the Assessing Officer. The Assessing Officer passed the orders by creating tax demands of Rs.499,831 for tax year 2017, Rs.303,191 for tax year 2018 and no tax demand for tax year 2019. The orders passed for the tax years 2017 to 2019 are subject to rectification, therefore an application under section 221 of the Ordinance was filed. The proceedings regarding monitoring of withholding taxes for the tax year 2020 has been initiated, however, no order is passed by the Assessing Officer. | | |
| 34.4 | The income tax returns of the Bank's Azad Kashmir operations have been filed up to the tax year 2021. The Commissioner Inland Revenue has amended the assessment from the tax years 2016 to 2020 and passed orders under section 122(5A) of the Ordinance (for tax years 2016 and 2017) and under section 122(1) of the Ordinance (for the tax years 2018, 2019 and 2020). Appeals against orders were filed and these matters are pending for adjudication before the Commissioner (Appeals) and ATIR. The management of the Bank, in consultation with its tax advisor, is confident that the decisions in respect of these appeals would be in the Bank's favor. | | |
| | | September 30, 2021 Un-audited | September 30, 2020 Un-audited |
| 35 BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE | | | |
| (Loss) / Profit after taxation for the period (Rupees in 000) | | (7,166,454) | 150,844 |
| Weighted average number of ordinary shares (Number of shares) | | 9,081,861 | 9,081,861 |
| Basic and diluted (loss) / earning per share (Rupee) | | (0.79) | 0.02 |
| | | September 30, 2021 Un-audited | September 30, 2020 Un-audited |
| 36 CASH AND CASH EQUIVALENTS | | | |
| Cash and balance with treasury banks | | 12,316,251 | 12,635,213 |
| Balance with other banks | | 1,042,965 | 352,099 |
| | | <u>13,359,216</u> | <u>12,987,312</u> |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

| | September 30, 2021 Un-audited | September 30, 2020 Un-audited | September 30, 2021 Un-audited | September 30, 2020 Un-audited |
|--|----------------------------------|----------------------------------|--|----------------------------------|
| 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 liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). | | | | |
| Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs). | | | | |
| The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised: | | | | |
| | | | September 30, 2021 - Un-audited | |
| | | | Carrying Value | Total |
| | | | Level 1 | Level 2 |
| | | | Level 3 | Level 3 |
| | | | Rupees in '000 | |
| On balance sheet financial instruments | | | | |
| Financial assets - measured at fair value | | | | |
| Investments: | | | | |
| Federal Government Securities | | | | |
| Market Treasury Bills | 4,944,930 | - | 4,944,930 | - |
| Pakistan Investment Bonds | 89,609,433 | - | 89,609,433 | - |
| GOP Ijarah Sukuks | 5,355,337 | - | 5,355,337 | - |
| Bai Muajjal | 257,658 | - | 257,658 | - |
| Shares | | | | |
| Listed companies | 97,613 | 97,613 | - | - |
| Non-Government Debt Securities | | | | |
| Term Finance Certificates - Listed | 50,125 | - | 50,125 | - |
| | <u>103,315,096</u> | <u>97,613</u> | <u>100,217,483</u> | <u>-</u> |
| Financial assets - disclosed but not measured at fair value | | | | |
| Cash and balances with treasury banks | 12,316,251 | - | - | - |
| Balances with other banks | 1,042,965 | - | - | - |
| Lendings to financial institutions | 3,437,108 | - | - | - |
| Advances | 79,403,653 | - | - | - |
| Other assets | 7,038,073 | - | - | - |
| | <u>103,238,050</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>203,553,146</u> | <u>97,613</u> | <u>100,217,483</u> | <u>-</u> |
| Off-balance sheet financial instruments - measured at fair value | | | | |
| Forward purchase of foreign exchange | 9,240,938 | - | 9,240,938 | - |
| Forward sale of foreign exchange | 3,418,609 | - | 3,418,609 | - |
| Forward purchase of government securities transactions | 501,641 | - | 501,641 | - |
| Forward sale of government securities transactions | - | - | - | - |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

| | December 31, 2020 - Audited | | | | Total |
|---|-----------------------------|---------|-------------|---------|-------------|
| | Carrying Value | Level 1 | Level 2 | Level 3 | |
| Rupees in '000 | | | | | |
| On balance sheet financial instruments | | | | | |
| Financial assets - measured at fair value | | | | | |
| Investments: | | | | | |
| Federal Government Securities | | | | | |
| Market Treasury Bills | 13,653,399 | - | 13,653,399 | - | 13,653,399 |
| Pakistan Investment Bonds | 95,967,524 | - | 95,967,524 | - | 95,967,524 |
| GOP Ijarah Sukuks | 4,943,811 | - | 4,943,811 | - | 4,943,811 |
| Bai Muajjal | 257,658 | - | 257,658 | - | 257,658 |
| Shares | | | | | |
| Listed companies | 419,987 | 419,987 | - | - | 419,987 |
| Non-Government Debt Securities | | | | | |
| Term Finance Certificates - Listed | 62,347 | - | 62,347 | - | 62,347 |
| | 115,304,726 | 419,987 | 114,884,739 | - | 115,304,726 |
| Financial assets - disclosed but not measured at fair value | | | | | |
| Cash and balances with treasury banks | 13,795,269 | - | - | - | - |
| Balances with other banks | 543,571 | - | - | - | - |
| Lendings to financial institutions | 6,759,921 | - | - | - | - |
| Advances | 91,961,645 | - | - | - | - |
| Other assets | 9,886,968 | - | - | - | - |
| | 122,947,374 | - | - | - | - |
| | 238,252,100 | 419,987 | 114,884,739 | - | 115,304,726 |
| Off-balance sheet financial instruments - measured at fair value | | | | | |
| Forward purchase of foreign exchange | 7,452,132 | - | 7,452,132 | - | 7,452,132 |
| Forward sale of foreign exchange | 2,696,076 | - | 2,696,076 | - | 2,696,076 |
| Forward purchase of government securities transactions | - | - | - | - | - |
| Forward sale of government securities transactions | 13,609,696 | - | 13,609,696 | - | 13,609,696 |

Valuation techniques used in determination of fair valuation of financial instruments within level 2 are:

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

37.2 Fair value of non-financial assets

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

| | September 30, 2021 - Un-audited | | | | Total |
|---|---------------------------------|---------|---------|------------|------------|
| | Carrying Value | Level 1 | Level 2 | Level 3 | |
| Rupees in '000 | | | | | |
| Operating fixed assets - land and buildings | 2,032,422 | - | - | 2,032,422 | 2,032,422 |
| Non-banking assets acquired in satisfaction of claims | 9,966,827 | - | - | 9,966,827 | 9,966,827 |
| | 11,999,429 | - | - | 11,999,429 | 11,999,429 |
| December 31, 2020 - Audited | | | | | |
| | Carrying Value | Level 1 | Level 2 | Level 3 | Total |
| Rupees in '000 | | | | | |
| Operating fixed assets - land and buildings | 2,041,196 | - | - | 2,041,196 | 2,041,196 |
| Non-banking assets acquired in satisfaction of claims | 10,360,497 | - | - | 10,360,497 | 10,360,497 |
| | 12,401,693 | - | - | 12,401,693 | 12,401,693 |

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, 2020.

38 SEGMENT INFORMATION

Segment Details with respect to Business Activities

| | September 30, 2021- Un-audited | | | Total |
|--|--------------------------------|----------------------|--------------------|---------------------|
| | Consumer / SME | Whole Sale Banking | Treasury | |
| Rupees in '000 | | | | |
| Profit and Loss Account | | | | |
| Net mark-up / return / profit / (loss) | 4,718,213 | (3,442,632) | 762,995 | 2,038,576 |
| Inter segment revenue - net | - | - | - | - |
| Non mark-up / interest income / (loss) | 1,625,889 | 253,942 | (1,153,874) | 725,957 |
| Total Income / (loss) | 6,344,102 | (3,188,690) | (390,879) | 2,764,533 |
| Segment direct expenses | (2,857,823) | (2,440,512) | (59,762) | (5,358,097) |
| Inter segment expense allocation | (1,108,476) | 1,164,242 | (55,766) | - |
| Total expenses | (3,966,299) | (1,276,270) | (115,528) | (5,358,097) |
| Provisions | (211,796) | (8,010,252) | - | (8,222,048) |
| Profit / (loss) before tax | 2,166,007 | (12,475,212) | (506,407) | (10,815,612) |
| Statement of Financial Position | | | | |
| Cash & Bank balances | - | 4,665,656 | 8,693,560 | 13,359,216 |
| Investments | - | - | 100,463,316 | 100,463,316 |
| Net inter segment lending | 96,101,109 | (206,151,132) | 110,050,023 | - |
| Lendings to financial institutions | 1,233,782 | 217,726 | 1,985,600 | 3,437,108 |
| Advances - performing | 24,156,927 | 32,211,786 | - | 56,368,713 |
| Advances - non-performing - net of provision | 1,461,641 | 21,573,299 | - | 23,034,940 |
| Others | 2,578,976 | 36,514,445 | 17,314 | 39,110,735 |
| Total Assets | 125,532,435 | (110,968,220) | 221,209,813 | 235,774,028 |
| Borrowings | 599,481 | 1,001,941 | 76,395,468 | 77,996,890 |
| Subordinated debt | - | 2,438,666 | - | 2,438,666 |
| Deposits & other accounts | 100,042,264 | 47,127,622 | - | 147,169,886 |
| Net inter segment borrowing | 20,457,446 | (165,557,509) | 145,100,063 | - |
| Others | 4,433,244 | 4,843,282 | 695,908 | 9,972,434 |
| Total Liabilities | 125,532,435 | (110,145,998) | 222,191,439 | 237,577,876 |
| Equity | - | (822,222) | (981,626) | (1,803,848) |
| Total Equity & liabilities | 125,532,435 | (110,968,220) | 221,209,813 | 235,774,028 |
| Contingencies & Commitments | 783,554 | 17,036,158 | 13,161,188 | 30,980,900 |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

| | September 30, 2020 - Un-audited | | | |
|--|---------------------------------|----------------------|--------------------|--------------------|
| | Consumer / SME | Whole Sale Banking | Treasury | Total |
| | Rupees in '000 | | | |
| Profit and Loss Account | | | | |
| Net mark-up / return / profit / (loss) | 4,173,232 | (3,343,436) | 1,104,606 | 1,934,402 |
| Inter segment revenue - net | - | - | - | - |
| Non Mark-up / Interest Income / (Loss) | 1,570,854 | (125,775) | 5,711,437 | 7,156,516 |
| Total Income / (Loss) | 5,744,086 | (3,469,211) | 6,816,043 | 9,090,918 |
| Segment direct expenses | (2,844,212) | (2,772,086) | (62,869) | (5,679,167) |
| Inter segment expense allocation | (1,108,225) | 1,172,637 | (64,412) | - |
| Total expenses | (3,952,437) | (1,599,449) | (127,281) | (5,679,167) |
| Provisions | (695,538) | (2,114,780) | - | (2,810,318) |
| Profit / (Loss) before tax | 1,096,111 | (7,183,440) | 6,688,762 | 601,433 |
| | December 31, 2020 - Audited | | | |
| | Consumer / SME | Whole Sale Banking | Treasury | Total |
| | Rupees in '000 | | | |
| Statement of Financial Position | | | | |
| Cash & Bank balances | - | 5,056,591 | 9,282,249 | 14,338,840 |
| Investments | - | - | 115,449,492 | 115,449,492 |
| Net inter segment lending | 94,681,076 | (207,299,852) | 112,618,776 | - |
| Lendings to financial institutions | 1,105,946 | 195,167 | 5,458,808 | 6,759,921 |
| Advances - performing | 26,914,000 | 36,184,329 | - | 63,098,329 |
| Advances - non-performing - net of provision | 1,732,091 | 27,131,225 | - | 28,863,316 |
| Others | 784,581 | 38,253,216 | 130,312 | 39,168,109 |
| Total Assets | 125,217,694 | (100,479,324) | 242,939,637 | 267,678,007 |
| Borrowings | 726,225 | 1,136,700 | 87,485,028 | 89,347,953 |
| Subordinated debt | - | 2,439,066 | - | 2,439,066 |
| Deposits & other accounts | 98,338,154 | 61,899,454 | - | 160,237,608 |
| Net inter segment borrowing | 22,064,057 | (178,169,222) | 156,105,165 | - |
| Others | 4,089,258 | 6,263,962 | 430,579 | 10,783,799 |
| Total Liabilities | 125,217,694 | (106,430,040) | 244,020,772 | 262,808,426 |
| Equity | - | 5,950,715 | (1,081,135) | 4,869,581 |
| Total Equity & Liabilities | 125,217,694 | (100,479,325) | 242,939,637 | 267,678,007 |
| Contingencies & Commitments | 1,222,840 | 16,222,947 | 23,757,904 | 41,203,691 |

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, investments, 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:

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

| | September 30, 2021 - Un-audited | | | | December 31, 2020 - Audited | | | |
|---|---------------------------------|--------------------------|------------|-----------------------|---------------------------------|--------------------------|------------|-----------------------|
| | Directors | Key Management Personnel | Associates | Other Related Parties | Directors | Key Management Personnel | Associates | Other Related Parties |
| | Rupees in '000 | | | | | | | |
| Balances | | | | | | | | |
| Investments | | | | | | | | |
| Opening balance | - | - | 144,766 | 413,197 | - | - | 131,881 | 416,226 |
| Investment made / share profit during the period / year | - | - | 3,454 | - | - | - | 12,885 | 602,706 |
| Investment redeemed / disposed off during the period / year | - | - | - | (413,192) | - | - | - | (605,735) |
| Closing balance | - | - | 148,220 | 5 | - | - | 144,766 | 413,197 |
| Advances | | | | | | | | |
| Opening balance | 626 | 18,250 | - | 2,162,921 | 22,342 | 9,925 | - | 2,312,557 |
| Addition during the period / year | 7,285 | 55,825 | - | 1,882,985 | 48,865 | 126,373 | - | 116,960 |
| Repaid during the period / year | (6,006) | (45,962) | - | (1,906,488) | (70,581) | (118,048) | - | (266,596) |
| Closing balance | 1,905 | 28,113 | - | 2,139,418 | 626 | 18,250 | - | 2,162,921 |
| Provision held against advances | - | - | - | 268,345 | - | - | - | 130,608 |
| Other Assets | | | | | | | | |
| Interest / mark-up accrued | - | 490 | - | 36,816 | - | 311 | - | 165,994 |
| Insurance claim receivable | - | - | 52,958 | - | - | - | 21,787 | - |
| Prepaid insurance | - | - | 785 | - | - | - | 661 | - |
| Subordinated debt | | | | | | | | |
| Opening balance | - | - | - | 440,266 | - | - | - | 126,218 |
| Issued / purchased during the period / year | - | - | - | - | - | - | - | 314,048 |
| Redemption during the period / year | - | - | - | - | - | - | - | - |
| Closing balance | - | - | - | 440,266 | - | - | - | 440,266 |
| Deposits and other accounts | | | | | | | | |
| Opening balance | 11,303 | 139,705 | 40,956 | 1,332,045 | 7,076 | 85,006 | 41,608 | 1,488,688 |
| Received during the period / year | 83,980 | 680,779 | 130,107 | 5,125,485 | 393,096 | 584,149 | 186,749 | 3,352,869 |
| Withdrawn during the period / year | (60,438) | (708,366) | (124,453) | (5,570,458) | (388,869) | (529,450) | (187,401) | (3,509,512) |
| Closing balance | 34,845 | 112,118 | 46,610 | 887,072 | 11,303 | 139,705 | 40,956 | 1,332,045 |
| Other Liabilities | | | | | | | | |
| Interest / mark-up payable | 99 | 7 | 413 | 794 | - | - | 783 | 4,079 |
| Others | - | 4 | - | 662 | - | - | - | - |
| Contingencies and Commitments | | | | | | | | |
| Other contingencies | - | - | - | 17,389 | - | - | - | 17,389 |
| | September 30, 2021 - Un-audited | | | | September 30, 2020 - Un-audited | | | |
| | Directors | Key Management Personnel | Associates | Other Related Parties | Directors | Key Management Personnel | Associates | Other Related Parties |
| | Rupees in '000 | | | | | | | |
| Transactions | | | | | | | | |
| Income | | | | | | | | |
| Mark-up / return / interest earned | - | 2,246 | - | 108,311 | 992 | 1,998 | - | 206,267 |
| Net gain on sale of securities | - | - | - | (60,489) | - | - | - | 31,359 |
| Share of profit from associate | - | - | 3,454 | - | - | - | 8,665 | - |
| Expense | | | | | | | | |
| Mark-up / return / interest paid | 613 | 1,758 | 2,325 | 33,623 | 214 | 2,171 | 2,216 | 100,631 |
| Short term employment benefits | 30,472 | 256,729 | - | - | 97,706 | 325,866 | - | - |
| Contribution to Defined Benefit Plan | 93 | 8,586 | - | - | 3,860 | 10,903 | - | - |
| Meeting fee | 21,850 | - | - | - | 23,060 | - | - | - |
| Insurance premium paid | - | - | 22,534 | - | - | - | 38,950 | - |
| Insurance claims settled | - | - | 112 | - | - | - | 2,867 | - |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

| | September 30, 2021 Un-audited | December 31, 2020 Audited |
|---|-------------------------------------|---------------------------------|
| Rupees in '000 | | |
| 40 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS | | |
| Minimum Capital Requirement (MCR) | | |
| Paid-up capital (net of losses) | (3,923,535) | 3,155,229 |
| Capital Adequacy Ratio (CAR): | | |
| Eligible Common Equity Tier 1 (CET 1) Capital | (16,777,913) | (6,286,981) |
| Eligible Additional Tier 1 (ADT 1) Capital | - | - |
| Total Eligible Tier 1 Capital | (16,777,913) | (6,286,981) |
| Eligible Tier 2 Capital | - | - |
| Total Eligible Capital (Tier 1 + Tier 2) | (16,777,913) | (6,286,981) |
| Risk Weighted Assets (RWAs): | | |
| Credit Risk | 103,756,663 | 126,719,475 |
| Market Risk | 4,217,961 | 2,775,895 |
| Operational Risk | 11,872,140 | 11,864,897 |
| Total | 119,846,764 | 141,360,267 |
| Common Equity Tier 1 Capital Adequacy Ratio | -14.00% | -4.45% |
| Tier 1 Capital Adequacy Ratio | -14.00% | -4.45% |
| Total Capital Adequacy Ratio | -14.00% | -4.45% |
| Leverage Ratio (LR): | | |
| Eligible Tier-1 Capital | (16,777,913) | (6,286,981) |
| Total Exposures | 251,880,200 | 283,240,383 |
| Leverage Ratio | -6.66% | -2.22% |
| Liquidity Coverage Ratio (LCR): | | |
| Total High Quality Liquid Assets | 38,944,502 | 45,709,875 |
| Total Net Cash Outflow | 30,359,956 | 39,459,649 |
| Liquidity Coverage Ratio | 128.28% | 115.84% |
| Net Stable Funding Ratio (NSFR): | | |
| Total Available Stable Funding | 142,930,449 | 170,804,491 |
| Total Required Stable Funding | 111,648,521 | 125,032,907 |
| Net Stable Funding Ratio | 128.02% | 136.61% |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

41 ISLAMIC BANKING BUSINESS

The Bank is operating with 27 Islamic Banking branches at the end of September 30, 2021 (December 31, 2020: 30). During the period, the Bank has closed its 3 Islamic banking branches. Additionally, the Bank closed 4 more Islamic Banking branches in 2023.

The statement of financial position of these branches as at September 30, 2021 are as follows:

| | September 30, 2021 Un-audited | December 31, 2020 Audited |
|--|-------------------------------------|---------------------------------|
| Rupees in '000 | | |
| ASSETS | | |
| Cash and balances with treasury banks | 2,155,405 | 2,449,222 |
| Balances with other banks | 50,036 | 77,341 |
| Due from financial institutions | 25,916,096 | 28,273,097 |
| Investments | 5,612,995 | 5,201,469 |
| Islamic financing and related assets - net | 2,874,417 | 5,127,314 |
| Fixed assets | 998,450 | 1,207,205 |
| Intangible assets | 5,238 | 4,623 |
| Due from Head Office | 2,740,210 | 2,880,092 |
| Other assets | 1,496,350 | 1,298,517 |
| Total assets | 41,849,197 | 46,518,880 |
| LIABILITIES | | |
| Bills payable | 461,423 | 563,474 |
| Deposits and other accounts | 33,098,478 | 37,515,414 |
| Other liabilities | 1,450,082 | 1,630,406 |
| Total liabilities | 35,009,983 | 39,709,294 |
| NET ASSETS | 6,839,214 | 6,809,586 |
| REPRESENTED BY | | |
| Islamic banking fund | 6,625,000 | 6,625,000 |
| Reserves | - | - |
| Deficit on revaluation of assets | (21,442) | (68,078) |
| Un-appropriated profits | 235,656 | 252,664 |
| CONTINGENCIES AND COMMITMENTS | 6,839,214 | 6,809,586 |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

The profit and loss account of the Bank's Islamic banking branches for the nine months ended September 30, 2021 is as follows:

| | Note | September 30, 2021 Un-audited Rupees in '000 | September 30, 2020 Un-audited |
|---------------------------------------|------|--|----------------------------------|
| Profit / return earned | 41.6 | 1,909,792 | 5,935,332 |
| Profit / return expensed | 41.7 | (1,314,880) | (2,241,731) |
| Net profit / return | | 594,912 | 3,693,601 |
| Other Income | | | |
| Fee and commission income | | 24,911 | 13,885 |
| Foreign exchange income / (loss) | | 17,315 | (64,968) |
| Income from derivatives | | - | 87,254 |
| (Loss) / Gain on securities | | (2,723) | 10,471 |
| Other income | | 14,268 | 9,860 |
| Total other income | | 53,771 | 56,502 |
| Total income | | 648,683 | 3,750,103 |
| Other expenses | | | |
| Operating expenses | | (599,856) | (634,515) |
| Workers Welfare Fund | | - | (64,187) |
| Other charges | | (23,790) | (725) |
| Total other expenses | | (623,646) | (699,427) |
| Profit before provisions | | 25,037 | 3,050,676 |
| Provisions and write offs - net | | (42,045) | 94,480 |
| (Loss) / Profit for the period | | (17,008) | 3,145,156 |

| September 30, 2021 - Un-audited | | | December 31, 2020 - Audited | | |
|---------------------------------|-----------------------|-------|-----------------------------|-----------------------|-------|
| In Local Currency | In Foreign Currencies | Total | In Local Currency | In Foreign Currencies | Total |
| Rupees in '000 | | | | | |

41.1 Due from Financial Institutions

| | | | | | | |
|---|------------|---|------------|------------|---|------------|
| Bai Muajjal receivable from State Bank of Pakistan | - | - | - | 2,794,643 | - | 2,794,643 |
| Bai Muajjal receivable from other financial institution | 25,916,096 | - | 25,916,096 | 25,478,454 | - | 25,478,454 |
| | 25,916,096 | - | 25,916,096 | 28,273,097 | - | 28,273,097 |

| September 30, 2021 - Un-audited | | | | December 31, 2020 - Audited | | | |
|---------------------------------|--------------------------|---------------------|----------------|-----------------------------|--------------------------|---------------------|----------------|
| Cost / Amortised cost | Provision for diminution | Surplus / (Deficit) | Carrying Value | Cost / Amortised cost | Provision for diminution | Surplus / (Deficit) | Carrying Value |
| Rupees in '000 | | | | | | | |

41.2 Investments by segments:

Federal Government Securities:

| | | | | | | | | |
|--------------------------|------------------|----------|-----------------|------------------|------------------|----------|-----------------|------------------|
| Ijarah Sukuks | 5,376,779 | - | (21,442) | 5,355,337 | 5,011,889 | - | (68,078) | 4,943,811 |
| Bai Muajjal | 257,658 | - | - | 257,658 | 257,658 | - | - | 257,658 |
| Total Investments | 5,634,437 | - | (21,442) | 5,612,995 | 5,269,547 | - | (68,078) | 5,201,469 |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

| | Note | September 30, 2021 Un-audited Rupees in '000 | December 31, 2020 Audited |
|--|------|--|------------------------------|
| 41.3 Islamic financing and related assets - net | | | |
| Murabaha | | 18,129 | 401,852 |
| Diminishing Musharaka | | 2,856,288 | 4,795,916 |
| Gross Islamic financing and related assets | 12 | 2,874,417 | 5,197,768 |
| Less: provision against Islamic financings | | | |
| - Specific | | - | (70,454) |
| - General | | - | (70,454) |
| Islamic financing and related assets - net of provision | | 2,874,417 | 5,127,314 |

41.3.1 Islamic financing includes Nil (December 31, 2020: Rs. 2.11 billion) which have been placed under non-performing status as detailed below:

| September 30, 2021 - Un-audited | | December 31, 2020 - Audited | |
|---------------------------------|-----------|-----------------------------|-----------|
| Non Performing Loans | Provision | Non Performing Loans | Provision |
| Rupees in '000 | | | |

Category of classification - specific

Domestic

| | | | | |
|--------------|----------|----------|------------------|---------------|
| Substandard | - | - | 116,500 | 800 |
| Doubtful | - | - | 1,612,857 | 27,427 |
| Loss | - | - | 378,743 | 42,227 |
| Total | - | - | 2,108,100 | 70,454 |

41.3.2 During the period Non Performing Loans (NPL) owned by Emaan Islamic Banking were transferred to Conventional Banking at a sale consideration of of Rs. 2,108 million (December 31, 2020 Rs. 22,561 million)

41.3.3 SBP vide various circulars has amended Prudential Regulations in respect of provisioning against non-performing advances under which the benefit of Forced Sale Value (FSV) has been allowed for plant and machinery under charge, pledged stock and mortgaged residential, commercial and industrial properties (land and building only) held as collateral against non-performing advances upto five years from the date of classification.

41.4 Deposits

| September 30, 2021 - Un-audited | | | December 31, 2020 Audited | | |
|---------------------------------|-----------------------|-------|---------------------------|-----------------------|-------|
| In Local Currency | In Foreign currencies | Total | In Local Currency | In Foreign currencies | Total |
| Rupees in '000 | | | | | |

Customers

| | | | | | | |
|------------------|------------|-----------|------------|------------|-----------|------------|
| Current deposits | 3,590,147 | 465,738 | 4,055,885 | 3,070,149 | 527,791 | 3,597,940 |
| Saving deposits | 18,289,080 | 851,235 | 19,140,315 | 19,933,850 | 674,152 | 20,608,002 |
| Term deposits | 7,136,942 | 442,430 | 7,579,372 | 6,993,727 | 374,348 | 7,368,075 |
| Margin deposits | 31,200 | - | 31,200 | 32,560 | - | 32,560 |
| Call deposits | 64,222 | - | 64,222 | 63,459 | - | 63,459 |
| | 29,111,591 | 1,759,403 | 30,870,994 | 30,093,745 | 1,576,291 | 31,670,036 |

Financial Institutions

| | | | | | | |
|------------------|------------|-----------|------------|------------|-----------|------------|
| Current deposits | 92,228 | 745 | 92,973 | 59,562 | 9,962 | 69,524 |
| Saving deposits | 2,033,411 | - | 2,033,411 | 5,474,754 | - | 5,474,754 |
| Term deposits | 101,100 | - | 101,100 | 301,100 | - | 301,100 |
| | 2,226,739 | 745 | 2,227,484 | 5,835,416 | 9,962 | 5,845,378 |
| | 31,338,330 | 1,760,148 | 33,098,478 | 35,929,161 | 1,586,253 | 37,515,414 |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

| | September 30, 2021 Un-audited | December 31, 2020 Audited |
|--|-------------------------------------|-------------------------------------|
| Rupees in '000 | | |
| 41.5 Contingencies and Commitments | | |
| Guarantees | 958,694 | 956,667 |
| Commitments | 1,366,200 | 1,311,856 |
| | <u>2,324,894</u> | <u>2,268,523</u> |
| | September 30, 2021 Un-audited | September 30, 2020 Un-audited |
| | Rupees in '000 | |
| 41.6 Profit / return earned of financing, investments and placement | | |
| On: | | |
| Financing | 322,817 | 5,034,245 |
| Investments | 212,096 | 142,873 |
| Due from Financial Institutions | 1,374,879 | 758,214 |
| | <u>1,909,792</u> | <u>5,935,332</u> |
| 41.7 Profit expensed on Deposits and other Dues Expensed | | |
| On: | | |
| Deposits and other accounts | 1,188,730 | 2,069,913 |
| Due to Financial Institutions | - | (296) |
| Cost of foreign currency swaps against foreign currency deposits / borrowings | 64,384 | 79,723 |
| Lease liability against right-of-use assets | 61,766 | 92,391 |
| | <u>1,314,880</u> | <u>2,241,731</u> |
| | September 30, 2021 Un-audited | December 31, 2020 Audited |
| | Rupees in '000 | |
| 41.8 Islamic Banking Business Un-appropriated profit / (Accumulated loss) | | |
| Opening Balance | 252,664 | (3,490,439) |
| Add: Islamic Banking (loss) / profit for the period / year | (17,008) | 3,743,103 |
| Closing Balance | <u>235,656</u> | <u>252,664</u> |

42 GENERAL

42.1 Corresponding figures have been rearranged / reclassified to reflect more appropriate presentation.

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

43 NON-ADJUSTING EVENTS AFTER THE REPORTING DATE

There are no adjusting events that are required to be adjusted or disclosed in the condensed interim financial statements.

44 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on November 14, 2024, by the Board of Directors of the Bank.

| | | | | |
|---|---|---|--|---|
|  |  |  |  |  |
| Khurram Khan Chief Financial Officer | Shahram Raza Bakhtiari President & CEO | Goharulayn Afzal Director | Masroor Qureshi Director | Samia Murad Director |

SILKBANK 
Yes we can

BRANCH NETWORK

ISLAMIC BANKING (SOUTH)

Abdul Haleem Arshi
Branch Manager
Shahrah-e-Faisal Branch (5017)
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ISLAMIC BANKING (CENTRAL)

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Syed Muhammad Asif Naqvi
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Rehan Hameed Syed
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Syed Muhammad Ali Sherazi
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Dir: (051) 2364505

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SOUTH REGION

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Nauman Waheed
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Allah Bux
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JP Morgan
Westpac Banking Corp

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Raiffeisen Bank International AG
Commerzbank

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BMI Bank BSC
Habib Bank Ltd
United Bank Ltd
National Bank of Pakistan
Kuwait Turkish Participation Bank Inc

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Bank Al Falah
Sonali Bank Ltd

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Commerzbank AG
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Denmark

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Commerzbank Budapest RT

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Bank of America
JP Morgan
Commerzbank AG
DBS Bank (Hong Kong) Limited
HBZ Finance Ltd
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National Bank of Pakistan
West LB AG

India

Mashreqbank
JP Morgan
Axis bank

Indonesia

JP Morgan

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UBI Banca
Banca Monte Parma
Banco Popolare Di Bari S.P.A
Commerzbank Ag
Banca Carige S.P.A
Mizuho Corporate Bank Ltd
Banca Monte Dei Paschi
Banca Ubae SPA
Unicredit SPA
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Japan

JP Morgan
Commerzbank AG
Mizuho Corporate Bank Ltd
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Sumitomo Mitsui Banking Corp

Kazakhstan

BTA Bank JSC

Kuwait

Gulf Bank K.S.C.
Alahli Bank of Kuwait K.S.C.
National Bank of Kuwait
Mashreqbank psc

Korea

Korea Exchange Bank
Korea Development Bank
Kookmin Bank
JP Morgan
National Bank of Pakistan
The Saudi British Bank
Alinma Bank
Shuhup Bank
Woori Bank

Lebanon

Habib Bank Ltd

Malaysia

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Mauritius

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Morocco

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JP Morgan
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Commerzbank AG
Citibank NA
Fortis Bank SA
DBS Bank Ltd
Habib Bank Ltd
Mizuho Corporate Bank
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Serbia

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Slovakia

Commerzbank AG

Spain

Bankinter SA
Bankia SA
Caja Mediterraneo
Caixa Bank (LA Caixa)
Commerzbank
Unicaja Banco SA
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Sri Lanka

Muslim Commercial Bank Ltd
Habib Bank Ltd
Hatton National Bank
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Banque Cantonale Voudoise
Habib Bank AG Zurich
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Arab Bank
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Taiwan

Bank of New York
Bank of America NA Taipei
JP Morgan
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Thailand

Bank of Ayudha Public Company Ltd
Export Import Bank of Thailand
JP Morgan

Turkey

Habib Bank Ltd
Turkiye Vakiflar Bankasi T.A.O
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Axis Bank Limited
Mashreq Bank Psc
Commerzbank AG
Dubai Islamic Bank
Emirates NBD Bank
Habib Bank Ltd
Habib Bank AG Zurich
Emirates Islamic Bank
MCB
National Bank of Fujairah
Noor Islamic Bank
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U.K.

ABC International bank plc
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Wells Fargo NA
Bank of America NA
Newyork Commercial Bank
Intensa Sanpolo SPA
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