

Stronger Together

Director's Report as of March 31, 2021

Dear Shareholders,

We are pleased to present the financial statements of the Bank for the first quarter ended March 31, 2021.

Economic Review

From the start of FY21, Pakistan's economy started to recover after the implementation of new economic policies. Although the economic activity during H1FY21 paced up, FDI, FPI and CAD had gradually improved.

SBP and IMF bailout program in FY21 paved the way for economic recovery whilst restoring foreign investor's confidence. The current account deficit improved during 9MFY21 by \$1.8 billion against \$2.8 billion last year, resulting in 4.6% appreciation of PKR against USD during Q3FY21. Due to the collective decline in current account deficit, disability in exchange rate and decline in yield differentials, Pakistan's foreign exchange reserves fell by 0.45% to 20,603.5 million US during Q3FY21. The inflows from multiple sources accompanied by the improvement in CAD resulted in strengthening of country's FX reserves.

However, the phase of optimism for Pakistan's economy did not last very long after the outbreak of COVID-19. CPI increased by 9.1% on YoY basis in Mar-21 compared to 10.2% in Mar-20 factored mainly by food, clothing and footwear prices. Total revenues grew by 6.5% to PKR 4.9 trillion during 9MFY21 against PKR 4.7 trillion during 9MFY20. The fiscal deficit was contained at 3.5% of GDP during 9MFY21 compared to 4.1% of GDP last year.

SBP took drastic measures to keep monetary system afloat through monetary and quantitative easing. With the policy rate maintained by SBP at 7%, the lower borrowing cost and the electricity support package, the LSM sector grew by 8.9% during 9MFY21 compared to a decline of 5.1% during 9MFY20 despite the inflationary pressure. In order to mitigate the impact of economic shock, government should come up with a greater stimulus package that was introduced last year coupled with more monetary easing.

Banking Sector

As a result of an uptick in economic activity and SBP's focus on increasing digital payments, deposits of the banking sector have grown by 0.16% during Q3FY21 from PKR 17.8tn in Dec-20 to PKR 17.9tn in Mar-21. High deposit growth was complemented by 9.9% increase in investments during Q3FY21 which took investments of Scheduled banks to PKR 12.55tn in Mar-21 against PKR 9.29tn in the same period last year. Similarly, sector advances have increased by a meagre 1.2% in Q3FY21 from PKR 8.49tn in Dec-20 to PKR 8.6tn in Mar-21. Capital Adequacy Ratio (CAR) for the industry was at a concrete 19.1% against the requirement of 12.5%, whereas Common Equity Tier 1 (CET1) ratio stood at a strong 14.8%.

With the interest rate decreased from 13.25% to 7% in the span of one year enabled commercial banks to book one-off capital gains on government securities but at the cost of narrowing spreads. Further, with the introduction of relief package for household and business by SBP, the risk of increase in Non-performing Loans (NPLs) for commercial banks has significantly reduced.

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"Say No To Corruption"

By virtue of prudent intervention by SBP, the banking sector has now built sufficient capital reserves to absorb any potential pressures that may arise from increases in NPLs.

Financial Performance

In the first quarter of 2021, the Bank posted an after-tax loss of Rs. 2.48 billion. During this period, total deposits declined by Rs. 17.58 billion, closing at Rs. 142.65 billion, while gross advances decreased by Rs. 1.56 billion.

Summarized financial performance of Silkbank Limited for the first quarter ended March 31, 2021, is as follows:

	Rs in 'million'
Loss before tax	(3,777)
Tax - Current	-
Prior	(29)
Deferred	1,322
Loss after tax	(2,484)
	Rupee
Loss per share – Basic	(0.27)
Loss per share – Diluted	(0.27)

During the quarter, the Bank achieved a net interest margin of Rs. 407 million, up from Rs. 84 million in the corresponding quarter of the previous year. This increase was primarily driven by reduced discount rates in the market, positively impacting the Bank's overall interest rate margin structure. However, the Bank incurred a loss of Rs. 1.16 billion on the disposal of certain government securities in its portfolio.

Additionally, the Bank recorded a provision of Rs. 1.95 billion. This includes not only the provision required under SBP Prudential Regulation on timeline basis but also additional provisioning for consumer lending that remained delinquent after the statutory grace period granted due to COVID-19. Operating expenses were also slightly reduced due to continued cost control measures.

Business Performance

Branch Banking

Branch Banking served over 218,556 customers contributing more than 62% of the Bank's deposit base. Total deposit as of 31st March 2021 stood at approximately Rs.89 billion. Due to Covid-19 pandemic the business was severely affected and resulted in negative deposit growth of Rs. 2.90 billion till March 31st, 2021, whereas the current account portfolio showed positive growth of Rs. 0.36 billion.

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The biggest highlight of 2021 for branch banking was the launch of Verified by Visa Debit Cards, which added advance security to online shopping experience. The “Verified by Visa” feature made online payments secure and quick. Silkbank always endeavor digital and technological advancements and yet again has accomplished another milestone in the digital world. This development in Debit Cards was a glorious triumph in the history of Silkbank as it unlocked endless possibilities for our customers.

Bancassurance generated business of Rs. 17.04 million in annual premium during Q1-21 which translates into NFI of Rs. 5.68 million.

During this Quarter we also conducted phase II of Business Value Account Plus market storming. This storming activity focused on further increasing the reach of this current account to the target audience, while also soliciting NTB accounts and deposit for the bank. The first phase of Market storming helped driving BVA Plus in an upward momentum, and the second phase further strengthened the product in the market. Business Value Account Plus is an embodiment of Bank’s vision and a testament of excellence at its best. This product has not only surpassed expectations, especially during the uncertain times of Covid-19 but also continues to grow at an accelerated rate.

Consumer Banking

The 1st quarter of 2021 was a recovery phase for Business post Covid where the Business strategized to fill in the vacuum created by Covid impact with a catch up strategy for emerging trends in Consumer Behavior - preference for Digital Mediums for transactions as well as Online Shopping.

Ready Line:

Amid the impacts occurred due to COVID relief packages instructed by SBP, in the 1st Quarter of 2021, Ready Line posted a loss of Rs. 210 million before tax on the outstanding ENR of Rs. 7.16 billion having over 49,695 customer bases. These milestones were achieved with the help of multiple spend & ENR building initiatives such as New Year spend cashback promotion, Digital spend campaigns promoting our Silkmobile App & Internet banking and seasonal tactical campaigns including but not limited to Women’s Day, Pakistan Day & 14th of February.

In February 2021, the Bank introduced a security feature i.e. Verified by Visa for its Ready Line Visa Debit Cards customers enabling them to perform secured online transactions via verified portal backed by Visa.

- **Personal Loan:**

Keeping in mind the return on capital employed for every product and economic outlook, the Bank took a decision to temporarily shift the focus from Personal Instalment Loan fresh acquisition to other products.

At the end of the period, the customer base stood at 20,197 with an outstanding ENR of Rs. 5.0 billion.

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- **Credit Cards:**

Silkbank Credit Cards paced up the momentum of acquisitions by booking 7,893 fresh cards in the first quarter of 2021, thus increasing CIF (Cards in Force) to 172,540 Cards. Total spending recorded on Credit Cards in the first quarter ending on 31st March 2021 was Rs. 6.89 billion and ENR volume of PKR 5.54 billion with a utilization rate of 29%, while the activation rate jumped to 91% at portfolio level.

To achieve these results, Credit Cards Business launched a host of tactical campaigns on E-commerce, 100% Cashback on Grocery Spend, 2X cashback on International spend, Rate break offer on BTF (Balance Transfer Facility), and other installment plan campaigns along with Event-based campaigns including Women's day special discounts and Pakistan Day offers which helped us to post a significant amount of spend and ENR volume even after business restrictions due to waves of Covid-19. ENR growth was further supplemented by FIP (Flexible Instalment Plan) booking of Rs. 762 million during this quarter.

Emaan Islamic Banking (Emaan)

Emaan Islamic Banking is committed to play an active role in the growth of Islamic Banking industry by offering high standard Shariah compliant products and services through its fast-growing banking network across country. Emaan Islamic Banking closed the book at Rs.11.31 billion with CASA TD Mix of 71:29. Advances book closed at Rs. 5.10 billion.

Over 1,486 new bank accounts were opened during the period, taking the total customer base to 34,804. Focus on Service & Quality was maintained throughout the quarter with "Good" rating. Emaan Islamic is fully committed to sustained growth by consistently focusing on best-in-class customer services and product suite along with prudent approach to building the balance sheet.

The Bank will continue to explore opportunities and invest in its digital capabilities and infrastructure to enrich our customers' banking experience through innovative banking solutions. We will continue to further strengthen our control and compliance environment by focusing on our people, culture and system.

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

As of March 31, 2021, the Minimum Capital Requirement (MCR) stood at Rs. 673 million and Capital Adequacy Ratio (CAR) at negative 7.07% against the prescribed minimum limits of Rs. 10 billion and 11.50% respectively.

Credit Rating:

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

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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.

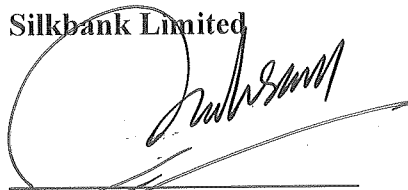
We shall keep our shareholders updated with respect to this Potential Merger by making further announcements as and when the matter progresses.

Acknowledgement:

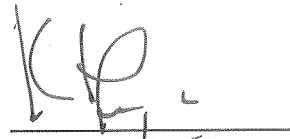
We, once again, take this opportunity to express our deepest gratitude to our customers and business partners for their continued support and trust, and our sincere appreciation to the State Bank of Pakistan for their guidance and cooperation.

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

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



Shahram Raza Bakhtiari
President & CEO



Khalid Aziz Mirza
Chairman

Karachi, November 14, 2024

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ڈائریکٹرز کی رپورٹ

معزز شیئر ہولڈرز،

ہم نہایت مسرت کے ساتھ 31 مارچ 2021 کو ختم ہونے والی پہلی سہ ماہی کے مالیاتی بیانات پیش کر رہے ہیں۔

معاشی جائزہ

مالی سال 2021 کے آغاز سے پاکستان کی معیشت نئی اقتصادی پالیسیوں کے نفاذ کے بعد بحالی کی راہ پر گامزن ہوئی۔ اگرچہ مالی سال 2021 کی پہلی ششماہی میں معاشی سرگرمیوں میں تیزی آئی، تاہم براہ راست غیر ملکی سرمایہ کاری (FDI)، غیر ملکی پورٹ فولیو سرمایہ کاری (FPI) اور کرنٹ اکاؤنٹ خسارہ (CAD) بتدریج بہتر ہوا۔

مالی سال 2021 میں اسٹیٹ بینک اور آئی ایم ایف کے بیل آؤٹ پروگرام نے معیشت کی بحالی میں مدد فراہم کی اور غیر ملکی سرمایہ کاروں کے اعتماد کو بحال کیا۔ کرنٹ اکاؤنٹ خسارہ مالی سال 2021 کے نو ماہ میں 1.8 بلین ڈالر کی بہتری کے ساتھ 2.8 بلین ڈالر سے کم ہوا اور روپے کی قدر میں 4.6% اضافہ ہوا۔ تاہم، کرنٹ اکاؤنٹ خسارے میں کمی، شرح تبادلہ کی استحکام اور مختلف شرح منافع میں کمی کی وجہ سے پاکستان کے زرمبادلہ کے ذخائر میں 0.45% کمی ہوئی اور یہ 20,603.5 ملین امریکی ڈالر پر آگئے۔ متعدد ذرائع سے آنے والے ترسیلات اور جاری کھاتے کے خسارے (CAD) میں بہتری نے ملک کے زرمبادلہ کے ذخائر کو مستحکم کرنے میں مدد دی۔

تاہم، کوویڈ 19 کے پھیلاؤ کے بعد معیشت کی بہتری کا یہ مرحلہ زیادہ دیر تک قائم نہ رہ سکا۔ مارچ 2021 میں صارفین کی قیمتوں کا اشاریہ (CPI) سالانہ بنیادوں پر 9.1% بڑھا، جو مارچ 2020 میں 10.2% تھا۔ کل آمدنی میں 9MFY21 کے دوران 6.5% اضافہ ہوا اور یہ 4.9 ٹریلین روپے تک پہنچ گئی۔ مالیاتی خسارے کو 9MFY21 کے دوران GDP کے 3.5% تک محدود رکھا گیا، جو پچھلے سال GDP کے 4.1% تھا۔ اسٹیٹ بینک نے مالیاتی اور مقداری نرمی کے ذریعے مالیاتی نظام کو برقرار رکھنے کے لیے سخت اقدامات کیے۔ پالیسی ریٹ کو 7% پر برقرار رکھنے، کم سودی قرضوں اور بجلی کے سپورٹ پیکیج نے بڑے پیمانے کی مینوفیکچرنگ (LSM) میں 8.9% اضافہ کیا، جو پچھلے سال 5.1% کمی کے مقابلے میں بہتر رہا۔

بینکنگ سیکٹر

معاشی سرگرمیوں میں اضافے اور اسٹیٹ بینک کی ڈیجیٹل ادائیگیوں کو بڑھانے پر توجہ کے نتیجے میں، بینکنگ سیکٹر کے ڈپازٹس Q3FY21 کے دوران 0.16% بڑھ کر دسمبر 2020 میں 17.8 ٹریلین روپے سے مارچ 2021 میں 17.9 ٹریلین روپے تک پہنچ گئے۔ ڈپازٹس میں اس نمایاں اضافے کے ساتھ Q3FY21 میں سرمایہ کاری میں 9.9% اضافہ بھی ہوا، جس کی بدولت شیڈولڈ بینکوں کی سرمایہ کاری مارچ 2021 میں 12.55 ٹریلین روپے تک پہنچ گئی، جبکہ گزشتہ سال اسی مدت کے دوران یہ 9.29 ٹریلین روپے تھی۔ اسی طرح، قرضوں میں بھی معمولی 1.2% اضافہ ہوا، جو دسمبر 2020 میں 8.49 ٹریلین روپے سے بڑھ کر مارچ 2021 میں 8.6 ٹریلین روپے تک پہنچ گئے۔ انڈسٹری کے لیے کیپٹل ایڈیکویٹی ریشو (CAR) 12.5% کی ضرورت کے مقابلے میں مضبوط 19.1% پر تھا، جبکہ کم از کم ایکویٹی ٹائر 1 (CET1) ریشو 14.8% کی مستحکم سطح پر تھا۔

گزشتہ ایک سال کے دوران شرح سود کو 13.25% سے کم کر کے 7% کر دیا گیا، جس کی بدولت کمرشل بینکوں کو حکومتی سیکورٹیز پر ایک وقتی سرمایہ فائدہ حاصل کرنے کا موقع ملا، تاہم اس کے نتیجے میں اسپرڈ کم ہو گئے۔ مزید برآں، اسٹیٹ بینک کی جانب سے گھریلو اور کاروباری اداروں کے لیے ریلیف پیکج کے نفاذ نے کمرشل بینکوں کے لیے نان پرفارمنگ قرضوں (NPLs) میں اضافے کے خطرے کو نمایاں طور پر کم کر دیا ہے۔

اسٹیٹ بینک کی دانشمندانہ مداخلت کے نتیجے میں، بینکنگ سیکٹر نے اب اتنے کافی سرمایہ ذخائر بنالے ہیں جو NPLs میں ممکنہ اضافے سے پیدا ہونے والے دباؤ کو برداشت کرنے کی صلاحیت رکھتے ہیں۔

مالیاتی کارکردگی

سال 2021 کی پہلی سہ ماہی میں، بینک نے 2.48 بلین روپے کا بعد از ٹیکس خسارہ ظاہر کیا۔ اس دوران کل ڈپازٹس میں 17.58 بلین روپے کی کمی واقع ہوئی، جس کے بعد یہ 142.65 بلین روپے پر بند ہوئے، جبکہ مجموعی قرضے 1.56 بلین روپے کم ہو گئے۔

31 مارچ 2021 کو اختتام پذیر ہونے والی پہلی سہ ماہی کے لیے سلک بینک لمیٹڈ کی خلاصہ مالیاتی کارکردگی درج ذیل ہے:

روپے ملین میں	
(3,777)	نقصان قبل از ٹیکس
—	ٹیکس۔ موجودہ
(29)	گزشتہ
1,322	ملٹوی شدہ
(2,484)	نقصان فی حصص
روپیہ	
(0.27)	نقصان فی حصص۔ بنیادی
(0.27)	ڈائیلیوٹڈ

اس سہ ماہی کے دوران، بینک نے 407 ملین روپے کا نیٹ انٹرسٹ مارجن حاصل کیا، جو پچھلے سال کی اسی سہ ماہی میں 84 ملین روپے تھا۔ اس اضافہ کی بنیادی وجہ مارکیٹ میں ڈسکاؤنٹ ریٹس میں کمی تھی، جس نے بینک کے مجموعی انٹرسٹ ریٹ مارجن کے ڈھانچے پر مثبت اثر ڈالا۔ تاہم، بینک نے اپنی پورٹ فولیو میں شامل کچھ حکومتی سیکورٹیز کی فروخت پر 1.16 بلین روپے کا نقصان برداشت کیا۔

مزید برآں، بینک نے 1.95 بلین روپے کی پروویژن ریکارڈ کی۔ اس میں اسٹیٹ بینک آف پاکستان کے پراڈینشل ریگولیشن کے تحت وقت کے مطابق درکار پروویژن کے ساتھ ساتھ کنزیومر لینڈنگ کے لیے اضافی پروویژن بھی شامل ہے، جو COVID-19 کی وجہ سے دی گئی قانونی مہلت کے بعد ڈیفالٹ میں رہی۔ آپریٹنگ اخراجات بھی جاری لاگت کنٹرول اقدامات کی وجہ سے معمولی طور پر کم ہوئے۔

کاروباری کارکردگی

برانچ بینکنگ

برانچ بینکنگ نے 218,556 سے زائد صارفین کو خدمات فراہم کیں، جو بینک کی کل ڈپازٹ بیس کا 62% سے زیادہ حصہ ہے۔ 31 مارچ 2021 تک کل ڈپازٹس تقریباً 89 ارب روپے پر پہنچ گئے۔ تاہم، کوویڈ 19 وبا کی وجہ سے کاروبار شدید متاثر ہوا اور 31 مارچ 2021 تک ڈپازٹس میں 2.90 ارب روپے کی منفی ترقی دیکھنے میں آئی، جبکہ کرنٹ اکاؤنٹ پورٹ فولیو میں 0.36 ارب روپے کا مثبت اضافہ ہوا۔

2021 میں برانچ بینکنگ کی سب سے بڑی کامیابی "ویری فائیڈ بائے ویزا" ڈیبٹ کارڈز کا آغاز تھی، جس نے آن لائن شاپنگ کے تجربے میں جدید سیکورٹی کا اضافہ کیا۔ "ویری فائیڈ بائے ویزا" نیچر نے آن لائن ادائیگیوں کو محفوظ اور تیز بنایا۔ سلک بینک ہمیشہ ڈیجیٹل اور تکنیکی ترقی کے لیے کوشاں رہتا ہے اور ایک بار پھر ڈیجیٹل دنیا میں ایک اور سنگ میل عبور کیا ہے۔ ڈیبٹ کارڈز میں یہ ترقی سلک بینک کی تاریخ میں ایک شاندار کامیابی تھی، جس نے ہمارے صارفین کے لیے بے شمار امکانات کو کھول دیا۔

بینک شورنس نے سال 2021 کی پہلی سہ ماہی کے دوران 17.04 ملین روپے کا سالانہ پریمیم بزنس جنریٹ کیا، جو 5.68 ملین روپے کی غیر سودی آمدنی (NFI) میں تبدیل ہوا۔

اس سہ ماہی کے دوران ہم نے بزنس ویلیو اکاؤنٹ پلس کے مارکیٹ اسٹارمنگ کا دوسرا مرحلہ مکمل کیا۔ یہ اسٹارمنگ سرگرمی موجودہ اکاؤنٹ کو ہدف شدہ سامعین تک مزید پہنچانے اور نئے اکاؤنٹس اور ڈپازٹس کے حصول پر مرکوز تھی۔ مارکیٹ اسٹارمنگ کے پہلے مرحلے نے بزنس ویلیو اکاؤنٹ پلس کو اوپر کی طرف لے جانے میں مدد کی، اور دوسرے مرحلے نے مارکیٹ میں اس پروڈکٹ کو مزید مضبوط کیا۔ بزنس ویلیو اکاؤنٹ پلس بینک کے وژن کی عکاسی اور اعلیٰ معیار کی مثال ہے۔ یہ پروڈکٹ توقعات سے بڑھ کر تھی، خاص طور پر کوویڈ 19 کے غیر یقینی حالات کے دوران بھی تیزی سے ترقی کو جاری رکھا۔

کنزومر بینکنگ

سال 2021 کی پہلی سہ ماہی کاروبار کے لیے کوویڈ 19 کے بعد کی بحالی کا مرحلہ تھا، جس میں کاروبار نے صارفین کے رویوں میں ابھرتے ہوئے رجحانات کے مطابق حکمت عملی اپنائی تاکہ کوویڈ 19 کے اثرات سے پیدا ہونے والے خلا کو پر کیا جاسکے، جیسے کہ ٹرانزیکشنز کے لیے ڈیجیٹل ذرائع اور آن لائن خریداری کی ترجیح وغیرہ۔

ریڈی لائن:

کوویڈ 19 ریلیف پیکیج کے اثرات کے دوران، اسٹیٹ بینک کی ہدایات کے مطابق، 2021 کی پہلی سہ ماہی میں ریڈی لائن نے 7.16 ارب روپے کے بقایا ENR پر 210 ملین روپے کا قبل از ٹیکس نقصان ریکارڈ کیا، جس میں 49,695 سے زائد صارفین شامل ہیں۔ یہ سنگ میل متعدد اخراجات اور ENR بلڈنگ اقدامات کے ذریعے حاصل کیے گئے، جیسے کہ نیا سال کی نقد واپسی پروموشن، سلک موبائل ایپ اور انٹرنیٹ بینکنگ کو فروغ دینے والے ڈیجیٹل اخراجات کی مہمات، اور حکمت عملی کی مہمات جن میں خواتین کے دن، یوم پاکستان اور 14 فروری شامل ہیں، لیکن ان تک محدود نہیں ہیں۔

فروری 2021 میں، بینک نے اپنی ریڈی لائن ویزا ڈیبٹ کارڈ کے صارفین کے لیے ایک سکیورٹی فچر "ویری فائیڈ بائے ویزا" متعارف کروایا، جس سے صارفین کو تصدیق شدہ پورٹل کے ذریعے محفوظ آن لائن ٹرانزیکشنز کرنے میں مدد ملی۔

پرسنل لون:

ہر پروڈکٹ کے لیے سرمایہ کاری پروا پس اور اقتصادی منظر نامے کو مد نظر رکھتے ہوئے، بینک نے فیصلہ کیا کہ پرسنل انسٹالمنٹ لون کی نئی خریداری پر توجہ عارضی طور پر دیگر پروڈکٹس کی طرف منتقل کی جائے۔

مدت کے اختتام پر، صارفین کی تعداد 20,197 تھی اور آؤٹ اسٹینڈنگ ENR 5.0 ارب روپے تھا۔

کریڈٹ کارڈز:

سلک بینک کریڈٹ کارڈز نے 2021 کی پہلی سہ ماہی میں 7,893 نئے کارڈز جاری کر کے حصول میں تیزی حاصل کی، جس کے نتیجے میں CIF (کارڈ زان فورس) 172,540 کارڈز تک پہنچ گیا۔ 31 مارچ 2021 کو ختم ہونے والی پہلی سہ ماہی میں کریڈٹ کارڈز پر کل خرچ 6.89 ارب روپے تھا اور ENR والیوم 5.54 ارب روپے تھا، جس کی استعمال کی شرح 29% تھی، جبکہ فعال کارڈز کی شرح 91% تک پہنچ گئی۔

یہ نتائج حاصل کرنے کے لیے، کریڈٹ کارڈز کے کاروبار نے ای کامرس پر متعدد پروموشنز شروع کیں، جیسے کہ گروسری خرچ پر 100% کیش بیک، بین الاقوامی خرچ پر 2X کیش بیک، BTF (بیلنس ٹرانسفر فیسلٹی) پر ریٹ بریک آفر، اور دیگر قسطوں کی منصوبہ بندی کی پروموشنز، ساتھ ہی ایونٹ پرمی کیپیٹیز جیسے خواتین کے دن پر خصوصی رعایت اور پاکستان ڈے آفرز بھی شامل کیں، جنہوں نے ہمیں کوویڈ 19 کی لہر کے دوران کاروباری پابندیوں کے باوجود خرچ اور ENR والیوم میں خاطر خواہ اضافہ کرنے میں مدد دی۔ ENR کی ترقی کو اس سہ ماہی میں FIP (فلکیبل انسٹالمنٹ پلان) کی بنگلہ سے مزید معاونت حاصل ہوئی، جو کہ 762 ملین روپے رہی۔

ایمان اسلامک بینکنگ (ایمان)

ایمان اسلامک بینکنگ، اسلامی بینکنگ کی صنعت کی ترقی میں فعال کردار ادا کرنے کے لیے پُر عزم ہے، اور اپنے تیزی سے بڑھتے ہوئے بینکنگ نیٹ ورک کے ذریعے شریعت کے مطابق اعلیٰ معیار کی مصنوعات اور خدمات پیش کر رہی ہے۔ ایمان اسلامک بینکنگ نے 11.31 ارب روپے کی مالیت کے ساتھ کتب بندکیں، جس میں CASA TD کس 71:29 تھا۔ ایڈوانسز کی کتب 5.10 ارب روپے پر بند ہوئی۔

اس دوران 1,486 سے زائد نئے بینک اکاؤنٹس کھولے گئے، جس سے کل صارفین کی تعداد 34,804 تک پہنچ گئی۔ سہولت اور معیار پر پورے سہ ماہی میں توجہ دی گئی اور بینک کی درجہ بندی "Good" رہی۔ ایمان اسلامی بینکنگ مسلسل بہترین کسٹمر سروسز اور مصنوعات کی پیشکش پر توجہ مرکوز کرتے ہوئے متوازن بیلنس شیٹ بنانے کے لیے پُر عزم ہے۔

بینک اپنے صارفین کے بینکنگ تجربے کو جدید بینکنگ حل کے ذریعے بڑھانے کے لیے اپنی ڈیجیٹل صلاحیتوں اور انفراسٹرکچر میں سرمایہ کاری اور مواقع تلاش کرتا رہے گا۔ ہم اپنے لوگوں، ثقافت اور نظام پر توجہ مرکوز کرتے ہوئے اپنے کنٹرول اور کمپلائنس ماحول کو مزید مضبوط کرتے رہیں گے۔

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

31 مارچ 2021 تک، کم از کم سرمایہ کی ضرورت (MCR) 673 ملین روپے تھی اور سرمایہ کاری کی مناسبت کا تناسب (CAR) منفی 7.07% تھا، جو مقررہ کم از کم حد یعنی 10 ارب روپے اور 11.50% سے کم ہے۔

کرڈٹ ریٹنگ:

بینک کی طویل مدتی ریٹنگ A- (سنگل اے مائنس) اور مختصر مدتی ریٹنگ A-2 (سنگل اے مائنس ٹو) ہے، جو JCR VIS کرڈٹ ریٹنگ کمپنی لمیٹڈ نے دی ہے۔

مستقبل کا منظر نامہ:

ہم آپ کو اطلاع دینا چاہتے ہیں کہ یونائیٹڈ بینک لمیٹڈ (UBL) نے باضابطہ طور پر سلک بینک لمیٹڈ کے ممکنہ انضمام کے لیے اپنی پیشکش دی ہے۔ UBL نے پاکستان اسٹاک ایکسچینج (PSX) کو اس حوالے سے پیشکش کی اطلاع دی ہے۔ اس کے مطابق، بینک نے بھی یہ معلومات پاکستان اسٹاک ایکسچینج کو یکم نومبر 2024 کو فراہم کیں۔

مزید، بینک کے بورڈ آف ڈائریکٹرز نے 6 نومبر 2024 کو ہونے والے اجلاس میں UBL کے ساتھ ممکنہ انضمام کی اصولی منظوری دے دی ہے۔ یہ انضمام بینکنگ کمپنیز آرڈیننس 1962 کے سیکشن 48 کے تحت اسٹیٹ بینک آف پاکستان کی منظوری سے عمل میں آئے گا۔ اس مواد کو بھی 6 نومبر 2024 کو پاکستان اسٹاک ایکسچینج کو فراہم کیا گیا۔ یہ ممکنہ انضمام معاہدے کی شرائط، ضروری دستاویزات کی تکمیل، اور تمام کارپوریٹ اور قانونی منظوریوں کی شرط پر منحصر ہے۔ ہم اپنے شیئر ہولڈرز کو اس ممکنہ انضمام سے متعلق مزید معلومات فراہم کرتے رہیں گے۔

اظہار تشکر

ہم ایک بار پھر اپنے صارفین اور کاروباری شراکت داروں کا اُن کے بینک پر اعتماد اور تعاون کے لیے تہہ دل سے شکریہ ادا کرتے ہیں، اور اسٹیٹ بینک آف پاکستان کی راہنمائی اور تعاون کے لیے دلی قدردانی کا اظہار کرتے ہیں۔ ہم اپنے ساتھیوں، عملے اور دیگر اسٹاف کے عزم اور خدمات کا بھی شکریہ ادا کرتے ہیں، اور ان کے مسلسل تعاون کے منتظر ہیں۔

بینک کے بورڈ کی جانب سے:

سلک بینک لمیٹڈ

خالد عزیز مرزا

چیئر مین

شہرام رضا بختیاری

پریذیڈنٹ اینڈ سی ای او

SILKBANK LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2021

		March 31, 2021 Un-audited	December 31, 2020 Audited
	Note	Rupees in '000	
ASSETS			
Cash and balances with treasury banks	8	10,775,518	13,795,269
Balances with other banks	9	262,220	543,571
Lendings to financial institutions	10	4,960,803	6,759,921
Investments	11	83,182,597	115,449,492
Advances	12	88,832,573	91,961,645
Fixed assets	13	6,481,956	6,762,402
Intangible assets	14	299,849	283,831
Deferred tax assets	15	9,978,055	8,795,256
Other assets	16	20,002,882	23,326,620
		224,776,453	267,678,007
LIABILITIES			
Bills payable	17	2,857,577	3,088,780
Borrowings	18	66,853,296	89,347,953
Deposits and other accounts	19	142,653,751	160,237,608
Liabilities against assets subject to finance lease		-	-
Subordinated debt	20	2,438,866	2,439,066
Deferred tax liabilities		-	-
Other liabilities	21	7,328,007	7,695,019
		222,131,497	262,808,426
NET ASSETS		2,644,956	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	1,151,561	893,462
Accumulated losses		(22,758,869)	(20,276,145)
		2,644,956	4,869,581
CONTINGENCIES AND COMMITMENTS			
	24		

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


Chief Financial Officer


President & Chief Executive Officer


Director


Director



Director

SILKBANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT - UNAUDITED
FOR THE QUARTER ENDED MARCH 31, 2021

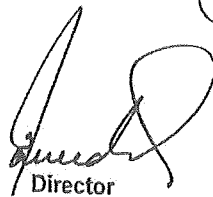
	Note	March 31, 2021	March 31, 2020
		Rupees in '000	
Mark-up / return / profit / interest earned	26	3,954,049	5,730,288
Mark-up / return / profit / interest expensed	27	(3,546,647)	(5,645,876)
Net Mark-up / return / profit / interest income		407,402	84,412
NON MARK-UP / INTEREST INCOME			
Fee and commission income	28	556,150	603,456
Dividend income		-	-
Foreign exchange income		49,203	55,075
(Loss) / income from derivatives		(76,740)	89,337
(Loss) / gain on securities	29	(1,144,158)	922,177
Other income	30	34,744	58,282
Total non-markup / interest (loss) / Income		(580,801)	1,728,327
Total (loss) / income		(173,399)	1,812,739
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	31	(1,804,177)	(1,836,840)
Workers Welfare Fund		-	-
Other charges	32	(3,841)	(12,359)
Total non-markup / interest expenses		(1,808,018)	(1,849,199)
Loss before provisions, extra ordinary / unusual item and taxation		(1,981,417)	(36,460)
Provisions and write offs - net	33	(1,795,814)	(856,612)
Extra ordinary / unusual items		-	-
LOSS BEFORE TAXATION		(3,777,231)	(893,072)
Taxation	34	1,292,825	312,571
LOSS AFTER TAXATION		(2,484,406)	(580,501)
Basic and Diluted Loss Per Share			
	35	(0.27)	(0.06)

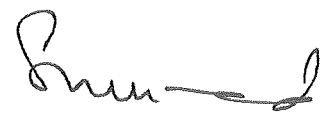
The annexed notes 1 to 44 form an integral part of these condensed interim financial statements.


Chief Financial Officer


President & Chief Executive Officer


Director


Director


Director


SILKBANK LIMITED

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED
FOR THE QUARTER ENDED MARCH 31, 2021

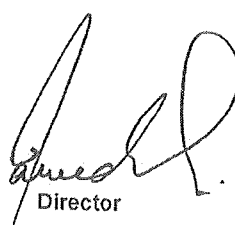
	March 31, 2021	March 31, 2020
	Rupees in '000	
Loss after taxation for the period	(2,484,406)	(580,501)
Other comprehensive income / (loss)		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in surplus on revaluation of investments - net of tax	259,279	1,948,052
Items that will not be reclassified to profit and loss account in subsequent periods:		
Movement in surplus on revaluation of fixed assets - net of tax	(582)	(581)
Movement in surplus on revaluation of non-banking assets - net of tax	(598)	-
	(1,180)	(581)
Total comprehensive (loss) / income	<u>(2,226,307)</u>	<u>1,366,970</u>

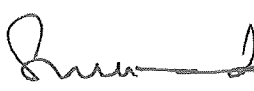
The annexed notes 1 to 44 form an integral part of these condensed interim financial statements.


Chief Financial Officer


President & Chief Executive Officer


Director


Director


Director

SILKBANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - UNAUDITED
FOR THE QUARTER ENDED MARCH 31, 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
Loss after taxation for the quarter ended March 31, 2020 - Un-audited	-	-	-	-	(580,501)	(580,501)
Other comprehensive (loss) / income - net of tax - Un-audited	-	1,948,052	(581)	-	-	1,947,471
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	-	894	894
Closing balance as at March 31, 2020 - Un-audited	23,431,374	2,130,778	73,203	820,890	(14,316,494)	12,139,751
Loss after taxation for the nine months ended December 31, 2020	-	-	-	-	(5,991,351)	(5,991,351)
Other comprehensive (loss) / income - net of tax	-	(3,211,909)	1,901,390	-	27,481	(1,283,038)
Transfer to statutory reserves	-	-	-	-	-	-
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	-	2,685	2,685
Transfer from surplus on revaluation of non-banking assets on account of disposal of assets - net of tax	-	-	-	-	1,534	1,534
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 quarter ended March 31, 2021 - Un-audited	-	-	-	-	(2,484,406)	(2,484,406)
Other comprehensive (loss) / income - net of tax - Un-audited	-	259,279	(1,180)	-	-	258,099
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	-	895	895
Transfer from surplus on revaluation of non-banking assets on account of incremental depreciation - net of tax	-	-	-	-	540	540
Transfer from surplus on revaluation of non-banking assets on account of disposal of assets - net of tax	-	-	-	-	247	247
Closing balance as at March 31, 2021 - Un-audited	23,431,374	(821,852)	1,973,413	820,890	(22,758,869)	2,644,956

* 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.

Chief Financial Officer

President & Chief Executive Officer

Director

Director

Director

SILKBANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT - UNAUDITED
FOR THE QUARTER ENDED MARCH 31, 2021

	March 31, 2021	March 31, 2020
Note	Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(3,777,231)	(893,072)
Less: Dividend income	-	-
	(3,777,231)	(893,072)
Adjustments:		
Depreciation on fixed assets	31 87,720	103,566
Depreciation on right-of-use assets	31 157,984	168,345
Depreciation on non-banking assets acquired in satisfaction of claims	31 11,862	16,164
Amortization of intangible assets	31 11,596	18,497
Amortization of premium on investments - net	91,223	(194,961)
Finance charge on lease liability against right-of-use assets	27 101,552	113,445
Provisions against loans & advances	33 1,905,670	899,553
Gain on sale of fixed assets	30 (944)	(299)
Unrealized gain on revaluation of investments - held-for-trading	29 (11,316)	(48,842)
Loss on sale of non-banking assets acquired in satisfaction of claims	30 21,831	21,404
Provision against other assets - net	33 (24,847)	-
Write offs against fixed assets	33 21,275	8
	2,373,606	1,096,860
	(1,403,625)	203,808
Decrease / (increase) in operating assets		
Lendings to financial institutions	1,799,118	4,305,526
Net investments in held-for-trading securities	(1,823,756)	(10,491,317)
Advances	1,223,402	1,696,657
Other assets (excluding advance taxation)	3,323,322	(672,939)
	4,522,086	(5,162,073)
(Decrease) / increase in operating liabilities		
Bills payable	(231,203)	(1,034,462)
Borrowings	(22,494,657)	28,578,089
Deposits	(17,583,857)	10,464,929
Other liabilities (excluding current taxation)	(179,476)	(142,200)
	(40,489,193)	37,866,356
	(37,370,732)	32,908,091
	(88,515)	(107,266)
	(37,459,247)	32,800,825
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in available-for-sale securities	34,395,326	(32,543,459)
Net investment in held-to-maturity securities	14,310	-
Net investment in fixed assets and intangible assets	(140,227)	(68,554)
Proceeds on disposal of non-banking assets acquired in satisfaction of claims	51,000	60,000
Proceeds on disposal of fixed assets	32,692	9,524
Net cash flow generated from / (used in) investing activities	34,353,101	(32,542,489)
CASH FLOW FROM FINANCING ACTIVITIES		
(Repayments) / Receipts of subordinated debts	(200)	60,800
Payment of lease liability against right-of-use assets	(194,756)	(181,465)
Net cash flow used in financing activities	(194,956)	(100,665)
(Decrease) / increase in cash and cash equivalents	(3,301,102)	157,671
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 11,037,738	13,164,516

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

Chief Financial
Officer

President & Chief
Executive Officer

Director

Director

SILKBANK Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED **FOR THE QUARTER ENDED MARCH 31, 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. 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 March 31, 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 March 31 2021, the equity of the Bank is positive Rs. 1.49 billion excluding surplus on revaluation of assets. This includes share capital (net of losses and discount on shares) of positive Rs. 0.67 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 7.07% (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 March 31, 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.

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.

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 1, 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

- 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.

		March 31, 2021 Un-audited	December 31, 2020 Audited
	Note	Rupees in '000	
8 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		2,828,134	2,578,287
Foreign currencies		1,210,241	2,278,531
		4,038,375	4,856,818
With State Bank of Pakistan in			
Local currency current account	8.1	5,215,147	7,074,718
Foreign currency current account		577,206	637,477
Foreign currency deposit account	8.2	773,722	853,872
		6,566,075	8,566,067
With National Bank of Pakistan in			
Local currency current account		87,035	250,363
National Prize Bonds		84,033	122,021
		<u>10,775,518</u>	<u>13,795,269</u>
8.1	Deposits with the SBP are maintained to comply with the statutory requirements of the SBP issued from time to time (section 22 of the Banking Companies Ordinance, 1962).		
8.2	This represents account maintained with SBP to comply with Special Cash Reserve requirement (FE-25 scheme, as prescribed by SBP). It carries interest rates of 0% (December 31, 2020: 0% to 0.76%).		

		March 31, 2021 Un-audited	December 31, 2020 Audited
		Rupees in '000	
9 BALANCES WITH OTHER BANKS			
In Pakistan			
In current account		39,174	62,732
In deposit account		76	74
		39,250	62,806
Outside Pakistan			
In current account		222,970	480,765
		<u>262,220</u>	<u>543,571</u>
10 LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings (Reverse repo)		3,423,230	2,664,165
Foreign placement		1,537,573	1,301,113
Bai Muajjal receivable from State Bank of Pakistan		-	2,794,643
		<u>4,960,803</u>	<u>6,759,921</u>

11 INVESTMENTS

		March 31, 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:	Note	Rupees in '000							
Held-for-trading securities									
Federal Government Securities									
Market Treasury Bills		8,661,068	-	1,527	8,662,595	13,653,249	-	150	13,653,399
Pakistan Investment Bonds		11,743,084	-	17,852	11,760,936	6,790,944	-	29,886	6,820,830
GOP Ijarah Sukuks		1,893,833	-	(8,063)	1,885,770	-	-	-	-
		22,297,985	-	11,316	22,309,301	20,444,193	-	30,036	20,474,229
Available-for-sale securities									
Federal Government Securities									
Pakistan Investment Bonds		42,138,799	-	(1,268,950)	40,869,849	74,824,514	-	(1,575,735)	73,248,779
GOP Ijarah Sukuks		3,324,728	-	(6,758)	3,317,970	5,011,889	-	(68,078)	4,943,811
Shares - Listed									
Ordinary Shares		325,128	-	11,746	336,874	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		63,000	-	(426)	62,574	63,000	-	(653)	62,347
Term Finance Certificates - Unlisted		8,780	(8,780)	-	-	8,780	(8,780)	-	-
23		45,866,115	(14,460)	(1,264,388)	44,587,267	80,352,664	(14,460)	(1,663,280)	78,674,924
Held-to-maturity securities									
Federal Government Securities									
Pakistan Investment Bonds		15,883,605	-	-	15,883,605	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)	-	-
		16,216,173	(74,910)	-	16,141,263	16,230,483	(74,910)	-	16,155,573
Associates									
SPI Insurance Company Limited		144,766	-	-	144,766	144,766	-	-	144,766
Total investments		84,525,039	(89,370)	(1,253,072)	83,182,597	117,172,106	(89,370)	(1,633,244)	115,449,492

11.2 Investments by segments:

Federal Government Securities								
Market Treasury Bills	8,661,068	-	1,527	8,662,595	13,653,249	-	150	13,653,399
Pakistan Investment Bonds	69,765,488	-	(1,251,098)	68,514,390	97,513,373	-	(1,545,849)	95,967,524
GOP Ijarah Sukuks	5,218,561	-	(14,821)	5,203,740	5,011,889	-	(68,078)	4,943,811
Bai Muajjal	257,658	-	-	257,658	257,658	-	-	257,658
	83,902,775	-	(1,264,392)	82,638,383	116,436,169	-	(1,613,777)	114,822,392
Shares								
Listed companies	325,128	-	11,746	336,874	438,801	-	(18,814)	419,987
Unlisted companies	5,680	(5,680)	-	-	5,680	(5,680)	-	-
	330,808	(5,680)	11,746	336,874	444,481	(5,680)	(18,814)	419,987
Non Government Debt Securities								
Term Finance Certificates - Listed	63,000	-	(426)	62,574	63,000	-	(653)	62,347
Term Finance Certificates - Unlisted	8,780	(8,780)	-	-	8,780	(8,780)	-	-
	71,780	(8,780)	(426)	62,574	71,780	(8,780)	(653)	62,347
Shares repurchase (fully provided)	74,910	(74,910)	-	-	74,910	(74,910)	-	-
Associates								
SPI Insurance Company Limited	144,766	-	-	144,766	144,766	-	-	144,766
Total Investments	84,525,039	(89,370)	(1,253,072)	83,182,597	117,172,106	(89,370)	(1,633,244)	115,449,492

	March 31, 2021 Un-audited	December 31, 2020 Audited
	Rupees In '000	
11.2.1 Investments given as collateral		
Market Treasury Bills	8,667,158	10,940,440
Pakistan Investment Bonds	61,617,015	76,767,023
	<u>60,174,173</u>	<u>87,707,463</u>

11.3 Provision for diminution in value of investments

11.3.1 Opening balance	89,370	89,370
Charge / (reversals)		
Charge for the period / year	-	-
Reversals for the period / year	-	-
Amounts written off	-	-
Closing balance	<u>89,370</u>	<u>89,370</u>

11.3.2 Particulars of provision against debt securities

Category of classification	March 31, 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	<u>83,690</u>	<u>83,690</u>	<u>83,690</u>	<u>83,690</u>

11.4 The market value of securities classified as held-to-maturity is Rs. 16,141 million (December 31, 2020: Rs. 16,156 million).

12 ADVANCES

	Note	Performing		Non Performing		Total	
		March 31, 2021 Un-audited	December 31, 2020 Audited	March 31, 2021 Un-audited	December 31, 2020 Audited	March 31, 2021 Un-audited	December 31, 2020 Audited
		Rupees In '000					
Loans, cash credits, running finances, etc.		57,364,356	60,407,983	42,458,865	40,703,634	99,823,221	101,111,617
Islamic financing and related assets	41.3	2,982,369	3,089,668	2,108,100	2,108,100	5,100,469	5,197,768
Bills discounted and purchased		168,724	342,712	3,113	3,113	171,837	345,825
Advances - gross		<u>60,525,449</u>	<u>63,840,363</u>	<u>44,570,078</u>	<u>42,814,847</u>	<u>105,095,527</u>	<u>106,655,210</u>
Provision against advances	12.3						
- Specific		-	-	(15,453,372)	(13,951,531)	(15,453,372)	(13,951,531)
- General		(809,582)	(742,034)	-	-	(809,582)	(742,034)
		<u>(809,582)</u>	<u>(742,034)</u>	<u>(15,453,372)</u>	<u>(13,951,531)</u>	<u>(16,262,954)</u>	<u>(14,693,565)</u>
Advances - net of provision		<u>59,715,867</u>	<u>63,098,329</u>	<u>29,116,706</u>	<u>28,863,316</u>	<u>88,832,573</u>	<u>91,961,645</u>

	March 31, 2021 Un-audited	December 31, 2020 Audited
	Rupees In '000	
12.1 Particulars of advances (Gross)		
In local currency	105,095,527	106,655,210
In foreign currencies	-	-
	<u>105,095,527</u>	<u>106,655,210</u>

12.2 Advances include Rs. 44.57 billion (December 31, 2020: Rs. 42.81 billion) which have been placed under non-performing status as detailed below:

Category of classification - specific	Note	March 31, 2021 - Un-audited		December 31, 2020 - Audited	
		Non Performing Loans	Provision	Non Performing Loans	Provision
		Rupees In '000			
Domestic		962,984	179,031	2,844,340	448,526
Substandard		8,193,359	1,457,801	5,493,237	683,828
Doubtful		35,413,735	13,816,540	34,477,270	12,819,177
Loss		44,670,078	15,453,372	42,814,847	13,951,531
Total	12.3.1	<u>44,670,078</u>	<u>15,453,372</u>	<u>42,814,847</u>	<u>13,951,531</u>

12.3 Particulars of provision against advances:

	Note	March 31, 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		1,946,440	67,548	2,013,988	9,424,399	-	9,424,399
Reversals for the period / year		(108,318)	-	(108,318)	(306,895)	(42,274)	(349,169)
		<u>1,838,122</u>	<u>67,548</u>	<u>1,905,670</u>	<u>9,117,504</u>	<u>(42,274)</u>	<u>9,075,230</u>
Amounts written off	33	(336,281)	-	(336,281)	(1,243,600)	-	(1,243,600)
Closing balance		<u>15,453,372</u>	<u>809,582</u>	<u>16,262,954</u>	<u>13,951,531</u>	<u>742,034</u>	<u>14,693,565</u>

- 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 March 31, 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.15,702 million (December 31, 2020: Rs. 15,508 million), which shall not be available for payment of cash or stock dividend / bonus to employees.
- 12.3.4 As per Prudential Regulation for consumer financing issued by the SBP, percentage of reserve is linked to non-performing loans to gross loans ratio. Consequently, the general provisioning on consumer financing is maintained at 4% (December 31, 2020: 4%) of unsecured portfolio of the Bank.

	Note	March 31, 2021 Un-audited	December 31, 2020 Audited
		Rupees in '000	
13	FIXED ASSETS		
Capital work-in-progress	13.1	67,177	7,333
Property and equipment		3,168,334	3,256,308
Right-of-use assets		3,246,445	3,498,761
		<u>6,481,956</u>	<u>6,762,402</u>
13.1	Capital work-in-progress		
Civil works		55,696	521
Advances to suppliers and contractors		11,481	6,812
		<u>67,177</u>	<u>7,333</u>
13.2	On September 10, 2015, the Bank entered into an Agreement to Sell (the Agreement) with respect to its previous Head Office Land and Building (the Property) situated at I. I. Chundrigar Road against sale consideration of Rs. 2,370 million. Pursuant to the terms of the Agreement, the Bank received a down payment of Rs. 118.50 million, which is currently reported in 'other liabilities' (note 21). The remaining balance was required to be paid by the buyer within 5 years from the date of the Agreement. Under the agreement, the counter-party is permitted for new construction at the Property site while keeping the building facade intact being the heritage and required to be protected under Heritage regulations.		
13.2.1	Due to certain litigations and restrictions against the proposed construction along with severe economic slowdown occurred due to COVID-19, the construction activities at the Property site were badly hampered at various time-intervals due to which the counter-party has requested the Bank to extend the term of the agreement. Accordingly, the agreement was initially extended for one year and thereafter till September 2024.		
13.2.2	At the time of issuance of these condensed interim financial statements, the remaining payment under the agreement has not been realized to the Bank. The buyer of the property has not complied with the terms of the agreement, and despite of non-compliance of the terms has filed a suit in May 2024 to restrain the Bank from interfering in its possession, dispossessing the buyer from the property and other actions. The Bank has also filed a counter suit in the Sindh High Court in August 2024 that the agreement be considered null and void due to its non-compliance by the buyer.		

13.3 Additions to fixed assets

The following additions have been made to fixed assets during the period:

	March 31, 2021 Un-audited	March 31, 2020 Un-audited
Rupees in '000		
Capital work-in-progress	67,177	2,839
Property and equipment		
Furniture and fixture	688	2,925
Electrical, office and computer equipment	45,426	16,509
Vehicles	6,422	41,525
Leasehold Improvements	233	4,334
	52,769	65,293
Total	119,946	68,132

13.4 Disposal of fixed assets

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

Electrical, office and computer equipment	58	111
Vehicles	31,690	9,114
Total	31,748	9,225

14 INTANGIBLE ASSETS

Capital work-in-progress
Software

	March 31, 2021 Un-audited	December 31, 2020 Audited
Rupees in '000		
Capital work-in-progress	46,617	66,586
Software	253,232	217,245
	299,849	283,831
	March 31, 2021 Un-audited	March 31, 2020 Un-audited
Rupees in '000		

14.1 Additions to intangible assets

The following additions have been made to intangible assets during the period:

Capital work-in-progress	4,354	20,492
Software (directly purchased)	47,583	6,938
Total	51,937	27,430

		March 31, 2021 Un-audited	December 31, 2020 Audited
	Note	Rupees in '000	
15 DEFERRED TAX ASSETS			
Deductible Temporary Differences on			
- Tax losses carried forward		2,562,545	1,768,466
- Deficit on revaluation of investments	23	442,536	582,149
- Provision for diminution in value of investments		3,073	3,073
- Provision against non-performing advances		5,671,328	5,160,513
- Provision against Workers' Welfare Fund (WWF)		47,094	47,094
- Provision against other assets		441,104	449,800
- Depreciation on non-banking assets		102,514	102,295
- Unabsorbed tax depreciation		689,271	664,770
- Impairment in value of fixed assets		116,153	116,153
		10,075,618	8,894,313
Taxable Temporary Differences on			
- Surplus on revaluation of non-banking assets	23	(14,934)	(15,123)
- Surplus on revaluation of fixed assets	23	(9,708)	(10,021)
- Post retirement employee benefits		(12,084)	(12,083)
- Accelerated tax depreciation		(60,837)	(61,830)
		(97,563)	(99,057)
		9,978,055	8,795,256

- 15.1** The Bank has an aggregate amount of deferred tax assets of Rs. 8,894 million (December 31, 2020: Rs. 8,795 million) out of which an amount of Rs. 5,671 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.

		March 31, 2021 Un-audited	December 31, 2020 Audited
	Note	Rupees in '000	
16 OTHER ASSETS			
Income / mark-up accrued in local currency - net of provision		6,153,888	9,345,868
Income / mark-up accrued in foreign currency - net of provision		671	468
Accrued rent		96,618	96,618
Advances, deposits, advance rent and other prepayments		298,070	250,722
Profit paid in advance on fixed deposits		33,739	39,635
Advance taxation (payments less provisions)		1,863,518	1,804,089
Net defined benefit assets - permanent staff		34,526	34,526
Non-banking assets	16.2	9,590,984	9,674,889
Branch adjustment account		216,453	158,474
Mark to market gain on forward contracts		111,671	111,778
Acceptances		374,839	545,553
Receivable from sale of non-banking assets acquired in satisfaction of claims		83,050	88,650
Fee receivable from Credit Card members		164,408	243,586
Others		278,779	254,156
		<u>19,301,214</u>	<u>22,649,012</u>
Less: Provision held against other assets	16.5	<u>(1,245,376)</u>	<u>(1,270,223)</u>
Other assets - net of provisions		18,055,838	21,378,789
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	23	1,947,044	1,947,831
Other assets - total		<u>20,002,882</u>	<u>23,326,620</u>
16.1 Market value of Non-banking assets acquired in satisfaction of claims		<u>10,300,652</u>	<u>10,360,497</u>
16.2 Non-banking assets			
- acquired in satisfaction of claims		3,317,697	3,335,059
- under agreement to sale third parties		6,224,070	6,290,453
- with buy back option with customers		49,217	49,377
		<u>9,590,984</u>	<u>9,674,889</u>
16.3	The non-banking assets acquired in satisfaction of claims (NBAs) aggregating to Rs. 9,384 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 Bank' Association list of approved valuers. The Bank exposure exceeds the prescribed limit of 2.5% of aggregate advances and investments (excluding investment in Government securities) as prescribed by SBP under regulation Debt Property Swap.		
16.4	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.		
		March 31, 2021 Un-audited	December 31, 2020 Audited
	Note	Rupees in '000	
16.5 Provision held against other assets			
Non-banking assets acquired in satisfaction of claims		1,237,376	1,262,223
Others		8,000	8,000
		<u>1,245,376</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	33	(24,847)	(208,058)
Net (reversals) / charge for the period / year		(24,847)	667,949
Write off		-	-
Closing balance		<u>1,245,376</u>	<u>1,270,223</u>

		March 31, 2021 Un-audited	December 31, 2020 Audited
		Rupees in '000	
17	BILLS PAYABLE		
	In Pakistan	2,857,577	3,088,780
	Outside Pakistan	-	-
		<u>2,857,577</u>	<u>3,088,780</u>
18	BORROWINGS		
	Secured		
	Borrowings from State Bank of Pakistan under export refinance scheme	1,782,527	1,862,925
	Repurchase agreement borrowings	<u>60,045,701</u>	<u>87,331,738</u>
	Total secured	<u>61,828,228</u>	<u>89,194,663</u>
	Unsecured		
	Call borrowings	3,150,000	-
	Trading liability	1,542,147	-
	Overdrawn nostro accounts	332,459	153,290
	Overdrawn local bank accounts	462	-
	Total unsecured	<u>5,025,068</u>	<u>153,290</u>
		<u>66,853,296</u>	<u>89,347,953</u>

19 **DEPOSITS AND OTHER ACCOUNTS**

	March 31, 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	29,634,824	3,649,059	33,283,883	28,460,310	4,239,277	32,699,587
Saving deposits	52,709,633	3,268,916	55,978,549	59,844,993	3,454,791	63,299,784
Term deposits	44,112,270	2,056,810	46,169,080	52,342,596	2,200,683	54,543,279
Margin deposits	919,135	-	919,135	926,612	-	926,612
Call deposits	1,113,384	-	1,113,384	1,226,588	-	1,226,588
	<u>128,489,246</u>	<u>8,974,785</u>	<u>137,464,031</u>	<u>142,801,099</u>	<u>9,894,751</u>	<u>152,695,850</u>
Financial Institutions						
Current deposits	199,495	5,283	204,778	153,679	24,248	177,927
Saving deposits	3,312,902	20,021	3,332,923	6,736,426	20,949	6,757,375
Term deposits	1,564,030	87,989	1,652,019	514,390	92,066	606,456
	<u>5,076,427</u>	<u>113,293</u>	<u>5,189,720</u>	<u>7,404,495</u>	<u>137,263</u>	<u>7,541,758</u>
	<u>133,565,673</u>	<u>9,088,078</u>	<u>142,653,751</u>	<u>150,205,594</u>	<u>10,032,014</u>	<u>160,237,608</u>

		March 31, 2021 Un-audited	December 31, 2020 Audited
		Rupees in '000	
20	SUBORDINATED DEBT		
	Subordinated Term Finance Certificates	20.1 1,998,600	1,998,800
	Subordinated loan from Sponsors	20.2 440,266	440,266
		<u>2,438,866</u>	<u>2,439,066</u>

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

Issue amount	Rs. 2,000 million
Issue date	August 10, 2017
Maturity date	Up to 8 years from date of issue.
Rating	BBB+ (Triple B Plus) by VIS Credit Rating Company Limited (VIS) was announced on October 12, 2020, based on condensed interim financial statements of Silk Bank Limited as of June 30, 2020. Later on, the same rating 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.

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

Note	March 31, 2021 Un-audited	December 31, 2020 Audited
	Rupees in '000	
21 OTHER LIABILITIES		
Mark-up / return / interest payable in local currency	678,013	894,554
Mark-up / return / interest payable in foreign currencies	9,008	6,367
Unearned commission and income on bills discounted	51,498	52,959
Accrued expenses	652,656	553,317
Acceptances	374,839	545,553
Mark to market loss on forward contracts	219,925	158,312
Payable to defined benefit plan - contractual staff	74,392	70,185
Provision against off-balance sheet obligations	116,012	116,012
Workers' Welfare Fund (WWF)	102,394	134,504
Advance received against future sale of non-banking assets	85,562	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	7,850	7,729
Lease liability against right-of-use assets	3,690,235	3,877,771
Non checking account	49,107	243,463
PRI remitting account	100,405	45,931
Fund received against application of Housing Scheme	61,007	66,224
Others	800,861	571,978
	7,328,007	7,695,019

		March 31, 2021 Un-audited	December 31, 2020 Audited
		Rupees in '000	
Note			
21.1	Provision against off-balance sheet obligations		
	Opening balance	116,012	116,012
	Charge for the period / year	-	-
	Reversals for the period / year	-	-
	Amount written off	-	-
	Closing balance	116,012	116,012
21.1.1			
21.1.1	This includes provisions made against letters of guarantees issued by the Bank.		
22	SHARE CAPITAL- NET		
22.1	Authorised capital		
	March 31, 2021 Un-audited		December 31, 2020 Audited
	Number of shares in '000		
	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		
	March 31, 2021 Un-audited		December 31, 2020 Audited
	Number of shares in '000		
	9,081,861	9,081,861	Ordinary shares of Rs. 10 each
	-	-	Fully paid in cash
	9,081,861	9,081,861	Less: Discount on issue of shares
		90,818,612	90,818,612
		(67,387,238)	(67,387,238)
		23,431,374	23,431,374
23	SURPLUS ON REVALUATION OF ASSETS - NET OF TAX		
	Surplus / (Deficit) on revaluation of		
	- Available for sale securities	(1,264,388)	(1,663,280)
	- Fixed assets	51,011	51,906
	- Non-banking assets acquired in satisfaction of claims	1,947,044	1,947,831
		733,667	336,457
	Deferred tax on (deficit) / surplus on revaluation of		
	- Available for sale securities	442,536	582,149
	- Fixed assets	(9,708)	(10,021)
	- Non-banking assets acquired in satisfaction of claims	(14,934)	(15,123)
		417,894	557,005
		1,151,561	893,462
24	CONTINGENCIES AND COMMITMENTS		
	Guarantees	12,270,870	12,649,548
	Commitments	24,460,401	27,295,663
	Contingent liabilities	1,185,943	1,258,480
		37,917,214	41,203,691
24.1	Guarantees:		
	Financial guarantees	59,940	59,940
	Performance guarantees	7,693,089	7,892,158
	Other guarantees	4,517,841	4,697,450
		12,270,870	12,649,548

	March 31, 2021 Un-audited	December 31, 2020 Audited
	Rupees in '000	
24.2 Commitments:		
Documentary credits and short-term trade-related transactions		
- letters of credit	3,534,695	3,309,778
Commitments in respect of:		
- forward foreign exchange contracts	11,464,953	10,148,208
- forward government securities transactions	9,200,729	13,609,696
Commitments for acquisition of:		
- operating fixed assets	57,680	187
- intangible assets	202,344	227,794
24.2.3	24,460,401	27,295,663

24.2.1 Commitments in respect of forward foreign exchange contracts

Purchase	7,981,014	7,452,132
Sale	3,483,939	2,696,076
	11,464,953	10,148,208

24.2.2 Commitments in respect of forward government securities transactions

Purchase	-	-
Sale	9,200,729	13,609,696
	9,200,729	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.

March 31, 2021 Un-audited	December 31, 2020 Audited
Rupees in '000	

24.3 Contingent liabilities:

Claims against the Bank not acknowledged as debt	1,150,303	1,222,840
Claims against the Bank by Competition Commission of Pakistan & others	35,640	35,640
	1,185,943	1,258,480

24.3.1 Suits for damages of Rs. 24.38 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

March 31, 2021 - Un-audited	
Forward Contracts	
Notional Principal	Mark to Market gain / (loss)
Rupees in '000	

Counterparties

Hedging

- Banks	8,987,653	12,187
- Other entities	-	-
Total	8,987,653	12,187

December 31, 2020 - Audited	
Forward Contracts	
Notional Principal	Mark to Market gain / (loss)
Rupees in '000	

Counterparties

Hedging

- Banks	13,666,992	90,304
- Other entities	-	-
Total	13,666,992	90,304

		March 31, 2021 Un-audited	March 31, 2020 Un-audited
	Note	Rupees in '000	
26	MARK-UP / RETURN / PROFIT / INTEREST EARNED		
	On:		
	a) Loans and advances	1,768,378	3,427,460
	b) Investments	2,134,919	1,990,775
	c) Lendings to financial institutions	50,726	311,446
	d) Balances with banks	26	607
		<u>3,954,049</u>	<u>5,730,288</u>
27	MARK-UP / RETURN / PROFIT / INTEREST EXPENSED		
	On:		
	a) Deposits	1,809,599	3,829,369
	b) Borrowings	1,493,633	1,490,471
	c) Subordinated debt	44,502	77,720
	d) Cost of foreign currency swaps against foreign currency deposits / borrowings	92,060	130,119
	e) Lease liability against right-of-use assets	101,552	113,445
	f) Others	5,301	4,752
		<u>3,546,647</u>	<u>5,645,876</u>
28	FEE & COMMISSION INCOME		
	Branch banking customer fees	41,141	48,049
	Card related fees (debit and credit cards)	323,298	353,159
	Credit related fees	92,980	108,639
	Commission on trade	53,727	52,184
	Commission on guarantees	16,903	18,781
	Commission on remittances including home remittances	3,487	3,714
	Commission on bancassurance	17,488	16,132
	Others	7,126	2,798
		<u>556,150</u>	<u>603,456</u>
29	(LOSS) / GAIN ON SECURITIES		
	Realised	29.1 (1,155,474)	873,335
	Unrealised - held for trading	11.1 11,316	48,842
		<u>(1,144,158)</u>	<u>922,177</u>
29.1	Realised (loss) / gain on:		
	Federal Government Securities	(1,141,871)	873,735
	Shares	(13,603)	(400)
		<u>(1,155,474)</u>	<u>873,335</u>
30	OTHER INCOME / (LOSS)		
	Rent on property and non-banking assets	97	39,456
	Gain on sale of fixed assets - net	944	299
	Loss on sale of non-banking assets - net	(21,831)	(21,404)
	Rent on lockers	5,700	5,898
	Postage, telex and other service charges recovered	12,211	14,447
	Early loan termination charges	14,493	19,586
	Gain on termination leases	23,130	-
		<u>34,744</u>	<u>58,282</u>

	March 31, 2021 Un-audited	March 31, 2020 Un-audited
	Rupees in '000	
31 OPERATING EXPENSES		
Total compensation expense	961,401	934,841
Property expense		
Rent & taxes	2,459	10,221
Insurance on non-banking assets acquired in satisfaction of claims	310	319
Utilities cost	41,488	41,694
Security (including guards)	2,931	7,972
Repair & maintenance (including janitorial charges)	18,438	16,411
Depreciation on buildings	18,879	23,639
Depreciation on right-of-use assets	157,984	168,345
Depreciation on non-banking assets acquired in satisfaction of claims	11,862	16,164
Professional charges	485	4,666
	254,836	289,431
Information technology expenses		
Software maintenance	38,317	49,092
Hardware maintenance	43,145	25,665
Depreciation	20,020	18,117
Amortisation	11,596	18,497
Website development charges	170	92
	113,248	111,463
Other operating expenses		
Directors' fees and allowances	3,420	-
Fees and allowances to Shariah Board	3,733	3,669
Legal & professional charges	31,600	34,735
Outsourced services costs	53,432	41,107
Travelling & conveyance	18,382	35,097
NIFT clearing charges	3,006	3,054
Depreciation	48,821	61,810
Training & development	2,505	5,298
Postage & courier charges	1,690	15,276
Communication	111,894	103,886
Stationery & printing	22,162	21,211
Marketing, advertisement & publicity	38,930	48,705
Auditors' remuneration	5,886	6,325
Insurance (including deposit protection)	37,942	29,992
Repairs & maintenance	17,824	21,691
Brokerage and commission	2,190	3,122
Subscriptions and news papers	7,022	4,536
Entertainment	11,389	12,746
Vehicle running & maintenance	5,957	5,675
Card related expenses (debit and credit cards)	35,910	35,048
Security	5,557	5,766
Others	5,440	2,356
	474,692	501,105
	<u>1,804,177</u>	<u>1,836,840</u>
32 OTHER CHARGES		
Penalties imposed by State Bank of Pakistan	95	4
Operational loss	3,746	12,355
	<u>3,841</u>	<u>12,359</u>

		March 31, 2021 Un-audited	March 31, 2020 Un-audited
	Note	Rupees in '000	
33 PROVISIONS & WRITE OFFS - NET			
Provisions against loans & advances	12.3	1,905,670	899,553
Reversal of provision against other assets - net	16.5.1	(24,847)	-
Write offs against fixed assets		21,275	8
Recovery of written off / charged off bad debts		(106,284)	(42,949)
		<u>1,795,814</u>	<u>856,612</u>
34 TAXATION			
Current		-	-
Prior years		29,086	-
Deferred		(1,321,911)	(312,571)
		<u>(1,292,825)</u>	<u>(312,571)</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.

		March 31, 2021 Un-audited	March 31, 2020 Un-audited
35 BASIC AND DILUTED LOSS PER SHARE			
Loss after taxation for the period (Rupees in '000)		<u>(2,484,406)</u>	<u>(580,501)</u>
Weighted average number of ordinary shares (Number of shares)		<u>9,081,861</u>	<u>9,081,861</u>
Basic and Diluted loss per share (Rupee)		<u>(0.27)</u>	<u>(0.06)</u>
36 CASH AND CASH EQUIVALENTS			
Cash and balance with treasury banks		10,775,518	12,018,975
Balance with other banks		262,220	1,145,541
		<u>11,037,738</u>	<u>13,164,516</u>

37 FAIR VALUE MEASUREMENTS

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

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

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

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

37.1 Fair value of financial assets

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

- Level 1:** Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2:** Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or 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:

March 31, 2021 - Un-audited					
Carrying Value	Level 1	Level 2	Level 3	Total	
Rupees in '000					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments:					
Federal Government Securities					
Market Treasury Bills	8,662,595	-	8,662,595	-	8,662,595
Pakistan Investment Bonds	68,514,390	-	68,514,390	-	68,514,390
GOP Ijarah Sukuks	5,203,740	-	5,203,740	-	5,203,740
Bai Muajjal	257,658	-	257,658	-	257,658
Shares					
Listed companies	336,874	336,874	-	-	336,874
Non-Government Debt Securities					
Term Finance Certificates - Listed	62,574	-	62,574	-	62,574
	83,037,831	336,874	82,700,957	-	83,037,831
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	10,775,518	-	-	-	-
Balances with other banks	262,220	-	-	-	-
Lendings to financial institutions	4,960,803	-	-	-	-
Advances	88,832,573	-	-	-	-
Other assets	6,693,356	-	-	-	-
	111,524,470	-	-	-	-
	194,562,301	336,874	82,700,957	-	83,037,831
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	7,981,014	-	7,981,014	-	7,981,014
Forward sale of foreign exchange	3,483,939	-	3,483,939	-	3,483,939
Forward sale of government securities transactions	9,200,729	-	9,200,729	-	9,200,729

December 31, 2020 - Audited					
Carrying Value	Level 1	Level 2	Level 3	Total	
Rupees in '000					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments:					
Federal Government Securities					
Market Treasury Bills	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 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.

37.2 Fair value of non-financial assets

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

March 31, 2021 - Un-audited					
	Carrying Value	Level 1	Level 2	Level 3	Total
Rupees in '000					
Operating fixed assets - land and buildings	2,038,271	-	-	2,038,271	2,038,271
Non-banking assets acquired in satisfaction of claims	10,300,652	-	-	10,300,652	10,300,652
	12,338,923	-	-	12,338,923	12,338,923
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

March 31, 2021 - Un-audited				
Consumer / SME	Whole Sale Banking	Treasury	Total	
Rupees in '000				
Profit and Loss Account				
Net mark-up / return / profit / (loss)	1,494,875	(1,396,998)	309,525	407,402
Inter segment revenue - net	-	-	-	-
Non mark-up / interest income / (loss)	549,091	42,865	(1,172,757)	(580,801)
Total Income / (loss)	2,043,966	(1,354,133)	(863,232)	(173,399)
Segment direct expenses	(984,799)	(803,394)	(19,825)	(1,808,018)
Inter segment expense allocation	(369,322)	387,359	(18,037)	-
Total expenses	(1,354,121)	(416,035)	(37,862)	(1,808,018)
Provisions	(207,219)	(1,588,595)	-	(1,795,814)
Profit / (loss) before tax	482,626	(3,358,763)	(901,094)	(3,777,231)
Statement of Financial Position				
Cash & Bank balances	-	4,175,443	6,862,295	11,037,738
Investments	-	-	83,182,597	83,182,597
Net inter segment lending	90,591,603	(199,676,781)	109,085,178	-
Lendings to financial institutions	1,306,937	230,636	3,423,230	4,960,803
Advances - performing	25,127,882	34,587,985	-	59,715,867
Advances - non-performing - net of provision	956,034	28,160,672	-	29,116,706
Others	2,854,851	33,893,505	14,386	36,762,742
Total Assets	120,837,307	(98,628,540)	202,567,686	224,776,453
Borrowings	710,827	1,071,700	65,070,769	66,853,296
Subordinated debt	-	2,438,866	-	2,438,866
Deposits & other accounts	95,724,566	46,929,185	-	142,653,751
Net inter segment borrowing	20,609,467	(158,365,229)	137,755,762	-
Others	3,792,447	5,795,545	597,592	10,185,584
Total Liabilities	120,837,307	(102,129,933)	203,424,123	222,131,497
Equity	-	3,501,393	(856,437)	2,644,956
Total Equity & Liabilities	120,837,307	(98,628,540)	202,567,686	224,776,453
Contingencies & Commitments	1,150,303	16,101,229	20,665,682	37,917,214

	March 31, 2020 - (Un-audited)			
	Consumer / SME	Whole Sale Banking	Treasury	Total
	Rupees in '000			
Profit and Loss Account				
Net mark-up / return / profit / (loss)	1,613,707	(1,519,814)	(9,481)	84,412
Inter segment revenue - net	-	-	-	-
Non mark-up / interest income	558,306	131,770	1,038,251	1,728,327
Total Income / (Loss)	2,172,013	(1,388,044)	1,028,770	1,812,739
Segment direct expenses	(931,194)	(897,429)	(20,576)	(1,849,199)
Inter segment expense allocation	(344,467)	363,361	(18,894)	-
Total expenses	(1,275,661)	(534,068)	(39,470)	(1,849,199)
Provisions	(218,569)	(638,043)	-	(856,612)
Profit / (loss) before tax	677,783	(2,560,155)	989,300	(893,072)

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	-	5,950,716	(1,081,135)	4,869,581
Total Equity & Liabilities	125,217,694	(100,479,324)	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:

	March 31, 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	-	-	-	-	-	-	12,885	602,706
Investment redeemed / disposed off during the period / year	-	-	-	(113,674)	-	-	-	(605,735)
Closing balance	-	-	144,766	299,523	-	-	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	1,347	20,629	-	1,283,200	48,865	126,373	-	116,960
Repaid during the period / year	(1,591)	(18,138)	-	(1,083,386)	(70,581)	(118,048)	-	(266,596)
Closing balance	382	20,741	-	2,362,735	626	18,250	-	2,162,921
Provision held against advances	-	-	-	130,608	-	-	-	130,608
Other Assets								
Interest / mark-up accrued	-	367	-	178,039	-	311	-	165,994
Insurance claim receivable	-	-	18,591	-	-	-	21,787	-
Prepaid insurance	-	-	8,521	-	-	-	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	10,624	320,144	58,362	2,595,872	393,096	584,149	186,749	3,352,869
Withdrawn during the period / year	(16,865)	(284,201)	(53,105)	(2,747,722)	(388,869)	(529,450)	(187,401)	(3,509,512)
Closing balance	5,062	175,648	46,213	1,180,195	11,303	139,705	40,956	1,332,045
Other Liabilities								
Interest / mark-up payable	55	325	1,065	871	-	-	783	4,079
Others	209	3	-	-	-	-	-	-
Contingencies and Commitments								
Other contingencies	-	-	-	17,389	-	-	-	17,389

	March 31, 2021 - Un-audited				March 31, 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	-	673	-	37,006	520	447	-	84,835
Net (loss) / gain on sale of securities	-	-	-	(13,603)	-	-	-	866
Expense								
Mark-up / return / interest paid	114	930	751	17,393	80	692	767	40,305
Short term employment benefits	7,271	92,956	-	-	30,512	100,366	-	-
Contribution to Defined Benefit Plan	93	3,164	-	-	1,402	3,381	-	-
Meeting fee	3,420	-	-	-	-	-	-	-
Insurance premium paid	-	-	22,513	-	-	-	24,032	-
Insurance claims settled	-	-	20	-	-	-	2,861	-

CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

March 31, December 31,
2021 2020
Un-audited Audited
Rupees in '000

Minimum Capital Requirement (MCR)

Paid-up capital (net of losses)

672,505	3,155,229
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Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital

(9,807,212)	(6,286,981)
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Eligible Additional Tier 1 (ADT 1) Capital

-	-
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Total Eligible Tier 1 Capital

(9,807,212)	(6,286,981)
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Eligible Tier 2 Capital

-	-
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Total Eligible Capital (Tier 1 + Tier 2)

(9,807,212)	(6,286,981)
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Risk Weighted Assets (RWAs):

Credit Risk

123,240,350	126,719,475
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Market Risk

3,613,588	2,775,895
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Operational Risk

11,864,897	11,864,897
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Total

138,718,835	141,360,267
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Common Equity Tier 1 Capital Adequacy Ratio

-7.07%	-4.45%
--------	--------

Tier 1 Capital Adequacy Ratio

-7.07%	-4.45%
--------	--------

Total Capital Adequacy Ratio

-7.07%	-4.45%
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Leverage Ratio (LR):

Eligible Tier-1 Capital

(9,807,212)	(6,286,981)
-------------	-------------

Total Exposures

240,094,332	283,240,383
-------------	-------------

Leverage Ratio

-4.08%	-2.22%
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Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets

37,674,510	45,709,875
------------	------------

Total Net Cash Outflow

30,028,888	39,459,649
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Liquidity Coverage Ratio

125.46%	115.84%
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Net Stable Funding Ratio (NSFR):

Total Available Stable Funding

143,946,187	170,804,491
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Total Required Stable Funding

119,816,037	125,032,907
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Net Stable Funding Ratio

120.14%	136.61%
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41 ISLAMIC BANKING BUSINESS

The Bank is operating with 27 Islamic Banking branches at the end of March 31, 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 March 31, 2021 are as follows:

		March 31, 2021 Un-audited	December 31, 2020 Audited
	Note	Rupees in '000	
ASSETS			
Cash and balances with treasury banks		2,072,422	2,449,222
Balances with other banks		31,693	77,341
Due from financial institutions	41.1	23,202,789	28,273,097
Investments	41.2	3,575,628	5,201,469
Islamic financing and related assets - net	41.3	4,995,401	5,127,314
Fixed assets		1,097,549	1,207,205
Intangible assets		5,999	4,623
Due from Head Office		3,892,399	2,880,092
Other assets		1,215,042	1,298,517
Total assets		40,088,822	46,518,880
LIABILITIES			
Bills payable		682,910	563,474
Deposits and other accounts	41.4	31,218,242	37,515,414
Other liabilities		1,424,695	1,630,406
Total liabilities		33,325,847	39,709,294
NET ASSETS			
		6,762,975	6,809,586
REPRESENTED BY			
Islamic banking fund		6,625,000	6,625,000
Reserves		-	-
Deficit on revaluation of assets		(6,758)	(68,078)
Un-appropriated profits	41.8	144,733	252,664
		6,762,975	6,809,586
CONTINGENCIES AND COMMITMENTS			
	41.5		

The profit and loss account of the Bank's Islamic banking branches for the quarter ended March 31, 2021 is as follows:

		March 31, 2021 Un-audited	March 31, 2020 Un-audited
	Note	Rupees in '000	
Profit / return earned	41.6	581,228	334,567
Profit / return expensed	41.7	(453,465)	(1,014,944)
Net profit / return / (loss)		127,763	(680,377)
Other Income			
Fee and commission income		9,550	4,731
Foreign exchange income / (loss)		6,154	(152,521)
Income from derivatives		-	157,592
(Loss) / Gain on securities		(3,946)	9,506
Other income		10,867	4,299
Total other income		22,625	23,607
Total income / (loss)		150,388	(656,770)
Other expenses			
Operating expenses		(216,214)	(212,879)
Workers Welfare Fund		-	-
Other charges		(60)	(725)
Total other expenses		(216,274)	(213,604)
Loss before provisions		(65,886)	(870,374)
Provisions and write offs - net		(42,045)	(406,948)
Loss for the period		(107,931)	(1,277,322)

41.1 Due from Financial Institutions

Bai Muajjal receivable from State Bank of Pakistan
Bai Muajjal receivable from other financial institution

March 31, 2021 - Un-audited			December 31, 2020 - Audited		
In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
Rupees in '000					
-	-	-	2,794,643	-	2,794,643
23,202,789	-	23,202,789	25,478,454	-	25,478,454
23,202,789	-	23,202,789	28,273,097	-	28,273,097

41.2 Investments by segments:

Federal Government Securities:

Ijarah Sukuks

Bai Muajjal

Total Investments

March 31, 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							
3,324,728	-	(6,758)	3,317,970	5,011,889	-	(68,078)	4,943,811
257,658	-	-	257,658	257,658	-	-	257,658
3,582,386	-	(6,758)	3,575,628	5,269,547	-	(68,078)	5,201,469

41.3 Islamic financing and related assets - net

Murabaha

Diminishing Musharaka

Gross Islamic financing and related assets

Less: provision against Islamic financings

- Specific

- General

Islamic financing and related assets - net of provision

March 31, 2021
Un-audited
Rupees in '000

Note

December 31, 2020
Audited
Rupees in '000

254,629	401,852
4,845,840	4,795,916
5,100,469	5,197,768
(105,068)	(70,454)
-	-
(105,068)	(70,454)
4,995,401	5,127,314

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

Category of classification - specific

Domestic

Substandard

Doubtful

Loss

Total

March 31, 2021 - Un-audited		December 31, 2020 - Audited	
Non Performing Loans	Provision	Non Performing Loans	Provision
Rupees in '000			
-	-	116,500	800
1,716,500	27,436	1,612,857	27,427
391,600	77,632	378,743	42,227
2,108,100	105,068	2,108,100	70,454

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

41.3.4 As of March 31, 2021, the Bank has availed FSV benefits against all non performing advances. Had the benefit not been taken by the Bank, loss would have been higher by Rs.1,144 million (December 31, 2020: profit would have been lower by Rs.1,144 million), which shall not be available for payment of cash or stock dividend / bonus to employees.

41.4 Deposits

Customers

Current deposits

Saving deposits

Term deposits

Margin deposits

Call deposits

Financial Institutions

Current deposits

Saving deposits

Term deposits

March 31, 2021 - Un-audited			December 31, 2020 - Audited		
In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
Rupees in '000					
3,401,261	482,272	3,883,533	3,070,149	527,791	3,597,940
17,753,616	615,990	18,369,606	19,933,850	674,152	20,608,002
6,160,948	422,693	6,583,641	6,993,727	374,348	7,368,075
32,560	-	32,560	32,560	-	32,560
51,440	-	51,440	63,459	-	63,459
27,399,825	1,520,955	28,920,780	30,093,745	1,576,291	31,670,036
72,345	704	73,049	59,562	9,962	69,524
1,923,313	-	1,923,313	5,474,754	-	5,474,754
301,100	-	301,100	301,100	-	301,100
2,296,758	704	2,297,462	5,835,416	9,962	5,845,378
29,696,583	1,521,659	31,218,242	35,929,161	1,586,253	37,515,414

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