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NOTICE OF EXTRA-ORDINARY GENERAL MEETING

Notice is hereby given that an Extra-Ordinary General Meeting (EOGM) of Silkbank Limited (the Bank) will be held on August 11, 2017 at 10:30 A.M. at Serena Hotel, Islamabad, to transact the following business:

Ordinary Business

1. To confirm the minutes of 23rd Annual General Meeting of the Bank held on March 30, 2017.
2. To elect directors of the Bank for a three-year term. The Board of Directors in their meeting held on April 27, 2017, fixed the number of directors at nine (9). The term of the following nine (9) directors will expire on August 12, 2017:

1) Mr. Munnawar Hamid, OBE
2) Mr. Adnan Afridi
3) Mr. Khalid Aziz Mirza
4) Mr. Nasim Beg
5) Mr. Sadeq Sayeed
6) Mr. Shamsul Hasan
7) Mr. Talha Saeed Ahmed
8) Mr. Tariq Iqbal Khan
9) Mr. Zubair Nawaz Chattha

Special Business:

1. To pass the following resolutions, as special resolution, with or without modifications, additions or deletions:

Conversion of TFCs into Ordinary Shares of the Bank upon the occurrence of a Point of Non-Viability as determined by the State Bank of Pakistan

"Resolved that
in respect of the Term Finance Certificate Issue ("TFCs") of PKR 2,000,000,000 (including Green Shoe Option of up to PKR 500,000,000) issued by Silkbank Limited (the "Bank"), pursuant to the terms of the Trust Deed dated June 19, 2017 and in accordance with the instructions of the State Bank of Pakistan ("SBP") under the 'Instructions for Basel III Implementation in Pakistan' ("Basel III Rules") issued under BPRD Circular No. 06 dated August 15, 2013, as amended from time to time, regarding loss absorbency, in the event the SBP exercises its option to convert the TFCs into ordinary shares of the Bank upon the occurrence of a Point of Non-Viability ("PONV"), such ordinary shares shall be issued other than by way of rights as per the applicable provisions of the Companies Act, 2017 ("Additional Shares")."

"Further Resolved that
the issuance of such Additional Shares shall be based on the market value of the shares of the Bank on the date of trigger of PONV as declared by the SBP and shall be subject to a cap of 1,238,390,093 shares. (One Billion Two Hundred and Thirty Eight Million Three Hundred and Ninety Thousand and Ninety Three) additional ordinary shares being issued, resulting in a minimum share price of PKR 1.615, (i.e. at a maximum discount to par value of PKR 8.385 per share) or such other number as may be agreed in consultation with the SBP".

"Further Resolved that
the issuance of the Additional Shares shall be subject to obtaining all other necessary approvals including, but not limited to approval of the Securities and Exchange Commission of Pakistan, pursuant to Section 82 and other applicable provisions of the Companies Act, 2017, and rules and regulations of the SBP, as may be applicable."

"Further Resolved that
the President/CEO or Company Secretary of the Bank, be and are hereby singly authorized to take all steps, necessary, ancillary and incidental to the above, and are further authorized to sign, execute and deliver all necessary documents, agreements and letters on behalf of the Bank, as may be deemed appropriate and as may be required for the purposes abovementioned."

"Further Resolved that
the Company Secretary and Chief Executive of the Company, be and are hereby jointly and/or severally authorized to take all steps necessary, ancillary and incidental for the issuance of TFCs, but not limited to obtaining all requisite regulatory approvals; engaging legal counsel, filing of all the requisite statutory forms and all other documents as may be required to be filed with SECP, submitting all such documents as may be required with the State Bank of Pakistan (SBP), executing all such certificates, applications, notices, reports, letters and any other document or instrument including any amendments or substitutions to any of the foregoing as may be required in respect of the issuance of TFCs at a discount and all other matters incidental or ancillary thereto."

2. To consider and if thought fit, to pass with or without modification, the following as special resolutions:

Equity investment in associated company of the Bank

"Resolved that
the approval of the members of the Bank, be and is hereby accorded to the Bank in terms of Section 199 of the Companies Act, 2017, to make additional equity investment of Rs. 11.563/- million in SPI Insurance Company Limited, an associated company of the Bank, for subscription of 1,153,692 right shares offered at par i.e. Rs. 10/- per share, in respect of 12.195% right issue of total amounting Rs. 50 million of SPI Insurance Company Limited, which shall rank pari passu with the existing ordinary shares of SPI Insurance Company Limited in all respects, as per terms and conditions disclosed to the members."

"Further Resolved that
the Company Secretary, be and is hereby authorized to do all acts, deeds and things, take any or all necessary actions to complete all legal formalities and file all necessary documents as may be necessary or incidental for the purpose of implementing the aforesaid resolutions."

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

By Order of the Board

SILKBANK LIMITED

Karachi, July 20, 2017

Uzman Naveed Chaudhary
Company Secretary/Group Head Legal & Compliance

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

Conversion of TFCs into Ordinary Shares of the Bank upon the occurrence of a Point of Non-Viability as determined by the State Bank of Pakistan

Silkbank Limited (the "Bank") is in the process of issuing Term Finance Certificates ("**TFCs**") in the amount of PKR 2,000,000,000 (including Green Shoe Option of up to PKR 500,000,000) to raise Tier 2 Capital. This privately placed, rated, unsecured and subordinated issue has been raised to comply with the State Bank of Pakistan's ("**SBP**") regulation to maintain minimum Capital Adequacy Ratio ("**CAR**").

The SBP through BSD Circular No. 7 dated April 15, 2009 directed all banks to achieve and maintain the minimum CAR of 10% by December 2013. The SBP vide its Circular No. 6 of Banking Policy and Regulation Department ("**BPRD**") dated August 15, 2013 ("**Basel III Circular**"), covering Basel III reforms, gave a roadmap to increase the minimum CAR up to 12.5% in a phased manner by December 31, 2019.

As per the requirements of Basel III under the aforementioned Basel III Circular, the terms and conditions of the TFCs must have a provision of "loss absorbency" for it to be qualified as a Tier 2 Capital instrument.

The relevant portion of the Basel III Circular relating to "loss absorbency" is reproduced below:

"A-5-3 Loss Absorbency of Non-Equity Capital Instruments at the Point of Non-Viability

i. The terms and conditions of all non-CET1 and Tier 2 instruments issued by banks must have a provision in their contractual terms and conditions that the instruments, at the option of the SBP, will either be fully and permanently converted into common share or immediately written off upon the occurrence of a non-viability trigger event called the Point of Non-Viability (PONV) as described below;

ii. The PONV trigger event is the earlier of;

a. A decision made by the SBP that a conversion or temporary/permanent write off is necessary without which the bank would become non-viable.

b. The decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non-viable, as determined by the SBP.

iii. The issuance of any new shares as a result of the trigger event must occur prior to any public sector injection of capital so that the capital provided by the public sector is not diluted.

iv. The amount of non-equity capital to be converted/written-off will be determined by the SBP.

v. Where an Additional Tier 1 Capital instrument or Tier 2 Capital instrument provides for conversion into ordinary shares, the terms of the instruments should include provision that upon a trigger event, the investors holding 5% or more of paid-up shares (ordinary or preferred) will have to fulfill, fit and proper criteria (FPT) of the SBP.

vi. The conversion terms of the instruments must contain pricing formula linked to the market value of common equity on or before the date of trigger event. However, to quantify the maximum dilution and to ensure that prior shareholder/regulatory approvals for any future issue of the required number of shares is held, the conversion method must also include a cap on the maximum number of shares to be issued upon a trigger event.

vii. The conversion method should describe and take into account the order (hierarchy of claims) in which the instruments will absorb losses in liquidation/gone concern basis. These terms must be clearly stated in the offer documents. However, such hierarchy should not impede the ability of the capital instrument to be immediately converted or to be written off.

viii. There should be no impediments (legal or other) to the conversion i.e. the bank should have all prior authorizations (sufficient room in authorized capital etc.) including regulatory approvals to issue the common shares upon conversion.

ix. The contractual terms of all Additional Tier 1 and Tier 2 capital instruments must state that the SBP will have full discretion in deciding/declaring a bank as a non-viable bank. The SBP will, however, form its opinion based on financial and other difficulties by which the bank may no longer remain a going concern on its own unless appropriate measures are taken to revive its operations and thus, enable it to continue as a going concern. The difficulties faced by a bank should be such that these are likely to result in financial losses and raising the CET1/MCR of the bank should be considered as the most appropriate way to prevent the bank from turning non-viable. Such measures will include complete write-off/conversion of non-equity regulatory capital into common shares in combination with or without other measures as considered appropriate by the SBP."

As per the loss absorbency conditions, upon the occurrence of a "Point of Non-Viability" event ("**PONV**"), the SBP may at its option, fully and permanently convert the TFCs into common shares of the issuer, i.e. the Bank and/or have them immediately written off (either partially or in full).

In light of the above conditions, the Bank is required to obtain all approvals for the issuance of such additional shares, which additional shares shall be issued based on the market value of the shares of the Bank on the date of trigger of PONV as declared by SBP and shall be subject to a cap of 1,238,390,093 additional ordinary shares being issued, resulting in a minimum share price of PKR 1.615 (i.e. at a maximum discount to par value of PKR 8.385 per share), or such other number as may be agreed in consultation with the SBP. It may further be noted that issuance of such additional shares shall further be subject to approval of the Securities and Exchange Commission of Pakistan ("**SECP**") in accordance with Section 82 and other applicable provisions of the Companies Act, 2017 and the SBP regulations.

The information required to be annexed to the notice is set out below:

Name of the persons to whom shares will be issued.	The shares will be issued to the TFC Holders (at that time) in accordance with the directions of the SBP at the time of trigger of PONV.
Price at which the proposed shares will be issued.	The shares shall be at the market value of shares of the Bank at the time of trigger of PONV as declared by the SBP.
Purpose of the issue, utilization of the proceeds of the issue and benefits to the Bank and its shareholders with necessary details.	To convert the outstanding TFC amount (in whole or part) into shares of the Bank in accordance with the directions of the SBP.
Existing shareholding of the persons to whom the proposed shares will be issued.	Not Applicable
Total shareholding of the persons after the proposed issue of shares.	Not Applicable
Whether the persons have provided written consent for purchase of such shares.	The terms of the Trust Deed for the TFC Issue contain the details regarding such conversion.
Justification as to why proposed shares are to be issued otherwise than rights and not as right shares.	This is in accordance with the requirements of the SBP Circular No. 6 of Banking Policy and Regulation Department ("**BPRD**") dated August 15, 2013, as amended from time to time.

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Justification, with details of the latest available market price and break-up value per share, if such price differs from par value.	Market Price taken is Rs. 1.66 as at March 31, 2017. **Break-up value per share*** Excluding impact of surplus on revaluation of assets 1.361 Including impact of surplus on revaluation of assets 1.376

Equity investment in associated company of the Bank:

An additional equity investment in SPI Insurance Company Limited, an associated company of the Bank, is required to meet the capital requirements of the associate company. SPI Insurance Company has issued Right Shares for which the total amount of investment required from the Bank is Rs. 11.536 million divided into ordinary shares of Rs. 10/- each, offered as right shares.

The approval of members of the Bank is required under section 199 of the Companies Act, 2017, to make the additional equity investment in the associated company of the Bank.

Information under Clause 3 (1) (a) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulation, 2012

S.No.	Requirement	Information
i.	Name of associated company	SPI Insurance Company Limited
ii.	Criteria of associated relationship	Equity Investment
iii.	Purpose, benefits and period of investment	To meet the capital requirements of the associated company and generate funds by earning return on investment through dividend income in order to enhance overall profit of the Bank and capital appreciation in the long-term.
v.	Maximum amount of investment	Rs. 11,536,920
v.	Maximum price at which securities will be acquired	Rs. 10 per share
vi.	Maximum number of securities to be acquired	1,153,692 shares
vii.	Number of securities and percentage thereof held before and after the proposed investment	**Number of securities held** **Percentage** Before 9,460,277 23.07% After 10,613,969 23.07%
viii.	In case of an investment in unlisted securities, fair market value of securities is determined in terms of the Regulation 6(1)	Rs. 10.51/-
ix.	Break-up value of securities intended to be acquired on the basis of the latest audited financial statements	Rs. 10.49 per share as on December, 2016
x.	Earnings per share of the associated company for the last three (3) years	Year ended December 31, 2016 Rs. 0.84 Year ended December 31, 2015 Rs. 1.76 Year ended December 31, 2014 Rs. 1.24
xi.	Sources of fund from which securities will be acquired	Own sources of the Bank
xii.	Where the securities are intended to be acquired using borrowed funds: (I) Justification for investment through borrowings (II) Detail of guarantees and assets pledged for obtaining such funds	Not Applicable
xiii.	Salient features of the agreement(s), if any, entered into with the associated company with regard to the proposed investment	Not Applicable
xiv.	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or the transaction under consideration	Not Applicable
xv.	Any other important details necessary for the members to understand the transaction	Approval required under section 199 of the Companies Act, 2017 to meet the capital requirements of the Associated company as prescribed by the SECP.
xvi.	In case of investment in securities of a project of the associated company that has not commenced operations: (I) Description of the project and its history since conceptualization (II) Starting and expected date of completion of work (III) Time by which such project shall become commercially operational (IV) Expected time by which the project shall start paying return-on-investment	Not Applicable
xvii.	The interest of the associated Company, its sponsors and directors in the investing Company.	Not Applicable
xviii.	Status of implementation of the decision made in earlier general meeting of investing Company to make investment in the associated Company.	Not Applicable

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Notes:

1. **Closure of Share Transfer Books:**

   The Share Transfer Book of the Bank will remain closed from August 04, 2017 to August 11, 2017 (both days inclusive). Share Transfers received at M/s. Central Depository Company of Pakistan Limited (CDC), Share Registrar Department CDC House, 99 - B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400 by the close of business hours (05:00 P.M) on Thursday, August 03, 2017, will be treated as being in time for the purpose of above entitlement to the transferees.

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

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

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

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

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

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

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

For attending the Meeting:

i. In case of individuals, the Account holder and/or Sub-account holder whose registration details are uploaded as per the CDC regulations, shall authenticate his/her identity by showing his/her original valid CNIC or original passport at the time of attending the meeting.

ii. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

5. **For Election of Directors:**
In accordance with Section 159(1) of the Companies Act, 2017, the number of directors to be elected has been fixed at nine (9) by the Board of Directors of the Bank.

In terms of Section 159(3) of the Companies Act, 2017, any person who seeks to contest election to the office of a director, whether he is a retiring director or otherwise, shall file with the Bank at its Registered Office, not later than fourteen (14) days before the date of this meeting, the following documents:

a. Notice of his/her intention to offer himself/herself for election as a director, provided that any such person may, at any time before the holding of election, withdraw such notice.
b. Consent to act as a Director u/s 167 of the Companies Act, 2017.
c. A detailed profile along with office address as required under SECP's SRO 25 (1) 2012 dated January 16, 2012.
d. A Declaration confirming that:
    i. He/she is aware of the duties of directors under the Companies Act, 2017, the Memorandum and Articles of Association and the listing regulations of the Pakistan Stock Exchange.
    ii. He/she does not violate any of the provisions or conditions prescribed by the SBP for holding such office and further that such person shall fully comply with all the SBP directives issued or to be issued by the SBP in the form of circulars, notifications, directions, letters, instructions, and other orders.
    iii. He/she is not ineligible to become a director of the Company under any applicable laws and regulations.
    iv. He/she is not serving as a director of more than seven listed companies including this Company and excluding directorships in listed subsidiaries of listed holding companies.

Furthermore, in terms of the State Bank of Pakistan (the "**SBP**") BPRD Circular No. 4 of 2007 dated April 23, 2007 on Fit and Proper Test (FPT), appointment of the Director requires prior clearance in writing from the State Bank of Pakistan and all request for seeking approval of the SBP for appointment of Directors of the Bank should be routed through the Bank along with information as per Performa "Fit and Proper Test" given in above circular.

The copies of the proforma and other documents complete in all respects must be submitted to the Bank not later than fourteen (14) days before the date of this meeting for submission to the SBP.

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

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