

Summit S Bank

Ref: SMBL/CSD/2023/03-07

FORM-5

Date: 09.03.2023

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi

Subject: Transmission of Annual Report for the Year Ended December 31, 2022

Dear Sir,

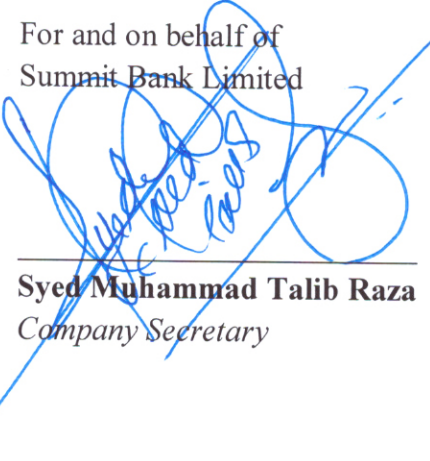
We have to inform you that the Annual Report of Summit Bank Limited for the year ended December 31, 2022 have been transmitted through PUCARS and is also available on Bank's website.

You may please inform the TRE Certificate Holders of the Exchange accordingly.

Thanking You,

Very truly yours,

For and on behalf of
Summit Bank Limited



Syed Muhammad Talib Raza
Company Secretary

COMMITTED TO YOU

Corporate Affairs Division
Summit Tower I Head Office

Level -11, Plot No. G-2, Block - 2, Clifton, Karachi

Direct : +9221-32410851 / 32473205 PABX : +9221-32468400 Ext. 2861 Fax : +9221-32472193
Email : companysecretary@summitbank.com.pk Website : www.summitbank.com.pk

BUILDING TODAY SHAPING TOMORROW

ANNUAL REPORT 2022



Summit **S** *Bank*
Committed to you

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CORPORATE INFORMATION

Board of Directors

Mr. Waseem Mehdi Syed
Chairman / Independent Director

Mr. Jawad Majid Khan
President & CEO / Executive Director

Mr. Wajahat Ahmed Baqai
Non-Executive Director

Mr. Zafar Iqbal Siddiqi
Non-Executive Director

Ms. Fauzia Hasnain
Independent Director

Mr. Salman Zafar Siddiqi
Executive Director

Board Audit Committee

Ms. Fauzia Hasnain
Chairperson

Mr. Wajahat Ahmed Baqai
Member

Mr. Zafar Iqbal Siddiqi
Member

Board Risk Management Committee

Mr. Wajahat Ahmed Baqai
Chairman

Ms. Fauzia Hasnain
Member

Mr. Zafar Iqbal Siddiqi
Member

Mr. Salman Zafar Siddiqi
Member

Board Human Resource & Remuneration Committee

Ms. Fauzia Hasnain
Chairperson

Mr. Zafar Iqbal Siddiqi
Member

Mr. Wajahat Ahmed Baqai
Member

Mr. Jawad Majid Khan
Member

Board Information Technology Committee

Mr. Zafar Iqbal Siddiqi
Chairman

Mr. Waseem Mehdi Syed
Member

Mr. Salman Zafar Siddiqi
Member

Board Compliance Committee

Mr. Wajahat Ahmed Baqai
Chairman

Mr. Waseem Mehdi Syed
Member

Mr. Zafar Iqbal Siddiqi
Member

Mr. Salman Zafar Siddiqi
Member

Shariah Board

Mufti Muhammad Najeeb Khan
Chairman

Mufti Irshad Ahmed Aijaz
Member

Dr. Noor Ahmed Shahtaz
Member

Mufti Bilal Ahmed Qazi
Member

Mufti Syed Zubair Hussain
Resident Shariah Board Member

Chief Financial Officer

Mr. Salman Zafar Siddiqi

Company Secretary

Syed Muhammad Talib Raza

Auditors

Baker Tilly Mehmood Idrees Qamar
Chartered Accountants

Legal Advisors

Hyat & Meerjees

Share Registrar

THK Associates (Private) Limited
Plot No. 32-C, Jami Commercial Street-2,
D.H.A., Phase-VII, Karachi
Tel : 021-111-000-322
Ext : 107-111-115
Fax : 021-35310190
Email : secretariat@thk.com.pk
Website : www.thk.com.pk

Head Office

Summit Tower
Plot No. G-2, Block-2, Clifton, Karachi
UAN : 021-1111-24365
Fax : 021-32463553

Registered Office

Plot No. 9-C, F-6 Markaz, Supermarket,
Islamabad, Pakistan

Email : info@summitbank.com.pk
companysecretary@summitbank.com.pk
Website : www.summitbank.com.pk

VISION

To be the preferred
provider of financial products
& services to the markets



MISSION

- To be a financial institution based on trust, integrity and good governance
- To deliver financial solutions to our customers
- To provide equal opportunities & professional working environment to our employees
- To provide fair returns to our shareholders on their investment
- To serve the community at large
- To discharge corporate social responsibility



CORPORATE GOVERNANCE

Directors' Profile

Mr. Waseem Mehdi Syed

Chairman

Mr. Mehdi has over 40 years of experience and expertise in Financial Sector, Corporate Sector, Investment & Development Banking, Branch Banking and Capital Market as well as he has a vast experience in corporate governance, policy formulation and development, project appraisal implementation, monitoring & evaluation, restructuring and collaboration with international agencies.

He has a first class record in academic qualifications, holds Master from Karachi University, Diploma in Banking (DAIBP) Institute of Banking in Pakistan, Obtained Second Position in order of merit, Bookkeeping & Accountancy Intermediate, London Chamber of Commerce.

He had worked with NDFC (financial Institution) as Chairman and in Senior positions, was looking after the entire Operational and Managerial activities of NDFC including Treasury, Banking, Branch Operation, Capital Market, IT, Loaning functions including appraisal implementation and recovery, Projects Finance, Admin & Human Resources Divisions, was actively involved in computerization of NDFC working and operations, remained involved in process of Amalgamation / Merger of NDFC with NBP under section 47(B) of Banking Companies Ordinance 1962, Developed and implemented Severance Package for NDFC employees along with SBP, Finance Department GOP and World Bank.

Has also worked as Financial Advisor and Consultant for and on behalf of many groups, Mr. Mehdi has worked with the Honorable High Court of Sindh – Karachi for many years as “Member Finance” reporting directly to Honorable Chief Justice of Sindh.

Mr. Jawad Majid Khan

President & CEO

Jawad Majid Khan, a seasoned financial sector professional, joined Summit Bank Limited as the President & Chief Executive Officer on March 26, 2021.

Prior to joining Summit Bank Limited, he was Director – Emaan Islamic Banking, Silk Bank Limited after moving from Dubai Islamic Bank Pakistan Limited as Group Head Distribution, Middle Markets & SME. A Graduate in Economics with Specialization in Development Economics and International Monetary Policy from Quaid-e-Azam University, Islamabad; an alumnus of the Harvard Business School (HBS), Boston USA and National Defence University (NDU), Islamabad (National Security). He has also completed Director's Certification from Lahore University of Management Sciences (LUMS). He holds the distinction of being the youngest Country/Group Head of a Commercial Bank in Pakistan with many milestones to his name in the banking industry in a span of about 23 years.

A pioneer in Islamic Banking in Pakistan his role was pivotal in establishing, conversion & successfully running three Islamic Banks in Pakistan – Alfalah Islamic Banking, Dubai Islamic Bank and Emaan Islamic Banking (Silkbank). The various initiatives have earned him and these organizations International/Regional recognition for products diversity and land mark transactions both on the Corporate & Consumer/Retail Banking under the ambit of Islamic Banking Industry.

He is also on the Board of Advisors for various think tanks and youth forums. He has been delivering lectures at National and International forums on Islamic Finance, Banking and SME/Retail Banking covering Pakistan & Regional Markets and has regular appearance on both National & International media.

On a philanthropic side, he is serving as Chairman, “AL-NASR” Trust, registered with the Government of Pakistan dealing with social development programs of Health, Education, Agriculture and Environmental Development in the Northern Areas of Pakistan.

Mr. Salman Zafar Siddiqi

Director

Mr. Siddiqi is a Fellow Chartered Accountant (FCA) from Institute of Chartered Accountants England & Wales, UK. He has overall thirty-three (33) years of experience at major multinational and national companies.

He started his career from Maurice Apple & Co. Chartered Accountants – London, UK, followed by Coca-Cola Pakistan, Al-Ghurair Group, UAE & Haleeb Foods Limited. Later on, he joined MCB Bank Ltd. where he served as Group Head Audit & Risk Assets Review and Chief Financial Officer (CFO). His last assignment was at International Brands Limited (IBL) as Group Chief Financial Officer (CFO).

Ms. Fauzia Hasnain

Director

Ms. Fauzia has over 33 years of well-rounded Senior Management experience mainly in the Pakistani financial sector, which encompasses a multinational commercial bank (Deutsche Bank AG), two stock brokerage houses (Smith International Securities and AMZ Securities), an investment bank (ORIX) and a development Financial institution (Pak Kuwait Investment Company). In 2008, she was Business Development Head at Arkaan Capital Partners LLC, a Sharjah based finance company, and part of the Emirates Investments Group. In addition, she has worked as an independent Financial Consultant in Karachi as well as the UAE.

Other than working in the financial sector, Fauzia also headed an IT company which was an outsourcing platform for US based companies in the health care sector. She additionally worked as Director Projects for a pharmaceutical company (one of the leading importers & distributors of Oncology and lifesaving drugs in Pakistan), where she was overseeing the Supply Chain, Distribution and Regulatory Affairs Departments.

As a consequence of her working experience in diverse entities, with varied responsibilities, Fauzia has developed significant skills in multiple business areas. In the financial sector, the areas of her expertise include Credit, Corporate Finance and Investment Banking, and she has led transactions which encompass debt / equity fund raising, syndications, IPO's, M&A, private placements and corporate/debt restructuring.

She also conceived and established the Chinese Desk for bonding business at Deutsche Bank, as well as the Credit, Marketing, Credit Monitoring and Portfolio Management divisions at ORIX, and led the listing and fund raising transaction for AMZ's venture capital company. At Arkaan, she was part of the core team in 2007-8 for structuring, developing and marketing an energy fund, in partnership with Credit Suisse. She also established a Distressed Assets Fund for a company in the UAE in 2014.

She was also part of the Executive Management Team at Smith International Securities, ORIX, Pak Kuwait, AMZ Group and AJM Pharma, which was responsible for Corporate Planning, policy matters, formulation of future strategies and human resource development for the said companies.

Due to her background, especially in the financial sector, she is well qualified, and has the relevant experience to play an effective role as a member of the Board of Directors of a bank / financial institution in Pakistan.

While Ms. Fauzia is confident that she would be able to play an effective role in any organization which she become a part of, the areas where she feels that she would be able to add considerable value are Corporate Finance, Credit / Risk, Private Equity, Venture Capital and Strategy. She has already played a significant role in Corporate Finance and Private Equity in her previous assignments, and has also been actively involved in establishing new divisions and/or corporate entities within or on behalf of the companies where she has worked, either individually, or by leading a team.

Ms. Fauzia has always had an excellent rapport with the teams that she has led, and has encouraged the ones who show initiative to take leadership roles. She has additionally structured and developed numerous deals for project or transaction financing, conducted successful negotiations on behalf of her employers and corporate clients, and has abundant experience with regard to trouble shooting and handling of difficult or complicated situations.

Ms. Fauzia's major strengths include integrity and professionalism, both of which have stood her in good stead over the course of her career.

Mr. Wajahat Ahmed Baqai

Director

Mr. Wajahat Ahmed Baqai, who served as a SEVP/Group Chief, Credit Management Group in National Bank of Pakistan (NBP), is a seasoned and top-performing banking professional accredited with managing various credit portfolios over the last 35 years possessing a diverse set of experience enriched with managerial, administrative and functional expertise where he held several leadership and strategy positions during his tenure at NBP.

Mr. Zafar Iqbal Siddiqi

Director

Mr. Zafar Iqbal Siddiqi, a highly admired business professional possessing core expertise in Information Technology (IT) and Finance and had worked in various government authorities to name a few included the State Bank of Pakistan, the Federal Board of Revenue, the Pakistan Ordinance Factories where he was indigenously responsible to implement the automation and IT enabled processes within these government institutions. Based on his commendable performance, the Government of Pakistan was pleased to lend his services to International Monetary Fund (IMF) / World Bank (WB) for his off-shore deputations as Project Incharge / ICT Consultant / Project Manager for IT related banking reforms / business reforms, modernization and automation projects in Tanzania, Kenya, Zanzibar, South Africa, Ghana, Swaziland, Nepal and Bangladesh as WB/IMF funded projects.

Term of References of the Board Sub-Committees

Board Audit Committee

The Board of Directors (BOD) of the Bank have constituted “Board Audit Committee (BAC)” to comply with SBP and SECP instructions. The BOD has established the BAC to share the load of its activities and to have an effective oversight of the Internal Audit Function (IAF). The BAC primarily oversees all matters pertaining to audit - the Bank's internal audit function and performance, the integrity of the Bank's financial statements, and the Bank's accounting processes in general, amongst other things.

The BAC likewise provides oversight on the senior management's activities, as well the Bank's internal and external auditors and monitors and evaluates the adequacy and effectiveness of the Bank's internal control system. The BAC further plays an important role in empowering and elevating the status of the internal audit activity throughout the organization as provider of quality and significant assurance and consulting services that add value to the Bank's governance, risk management and internal control processes.

Board Human Resource & Remuneration Committee

The Board of Directors (BOD) of the Bank have constituted “Board Human Resource & Remuneration Committee (BHR&RC)” to comply with the applicable regulatory requirements. The objective of the BHR&RC is to assist the BOD in fulfilling its obligations, to oversee the establishment of appropriate Human Resource (HR) function, HR policies and strategies including employee compensation that provide the Bank with the capability to achieve its short and long-term objectives. Further, the BHR&RC has to ensure a fair and transparent remuneration to BOD, executive management, senior management and staff in consideration of their services and contribution towards the Bank. Further the BHR&RC has to ensure that the HR policies are implemented as per the regulatory requirements.

Board Risk Management Committee

The Board of Directors (BOD) of the Bank have also constituted “Board Risk Management Committee (BRMC)” to comply with the applicable regulatory requirements. The main objective of BRMC is to ensure that adequate Risk Management infrastructure is instituted within the Bank for identification, measurement, monitoring and controlling risks that the Bank is generally exposed to. Further, other function of the BRMC is to oversee implementation of Risk Management Framework within the Bank, suitable risk management policies are formulated and implemented covering the various types of risks inherent in the Bank's activities, Bank's capital adequacy and liquidity.

Board Information Technology Committee

The Board Information Technology Committee (BITC) has been constituted in compliance of the BPRD Circular No. 05 of 2017 issued by the State Bank of Pakistan. Under the issued ‘Enterprise Technology Governance & Risk Management Framework for Financial Institutions’, the technology governance is an integral part of Bank's corporate governance that will enable the Bank to keep itself abreast with the aggressive and widespread adoption of technology as well as understand and effectively manage technology related risks. It also ensures and helps to align IT strategy and digital strategy with business strategy, optimization of resources, value delivery and performance measurement to achieve business objectives and effective technology risk management.

The BITC shall be mainly responsible for advising and reporting to the Board on the status of technology related activities, major IT projects and digital initiatives within Bank. The Committee shall review IT and digital strategies and get update on the implementation of IT strategies plan and IT risk management framework in the Bank.

Board Compliance Committee

The Board Compliance Committee (BCC) is constituted in compliance with the requirements of the Compliance Risk Management Guidelines issued by the State Bank of Pakistan. The objective of the BCC is to oversee the management of the overall compliance risk of the Bank. In addition to this, the committee shall ensure that the management is maintaining and promoting a high compliance culture and values of honesty and integrity in the Bank.

Mechanism of Board Performance Evaluation

In compliance with G-13 of Corporate Governance Regulatory Framework, 2021 and BPRD Circular No. 11 of 2016 dated August 22, 2016, and precedent adopted by the Summit Bank Limited, the Board has opted for the external assessment rather than conducting the in-house assessment process with an aim to maintain the transparency and integrity of the Board of Directors. The Board Members have approved the Pakistan Institute for Corporate Governance (“PICG”) as an external evaluator for conducting the annual evaluation of board performance as a whole, its committee(s) and individual assessment of each of the Board Members enabling the Bank to get a transparent, fair and un-biased report about the Board composition, integrity, function and its commitment towards maintaining high standards of corporate governance in the Bank.

Shariah Board

In compliance with Fit and Proper Criteria (FAPC) issued by the State Bank of Pakistan, the Shariah Board members including Resident Shariah Board Member (RSBM) are appointed after receiving regulatory clearance. The Shariah Board is comprised of five (5) members including a Chairman and RSBM.

The Shariah Board of the Bank consists of the following eminent Shariah scholars:

Mufti Muhammad Najeeb Khan

Chairman Shariah Board

He holds a degree of specialization in Islamic Jurisprudence/Islamic Finance “Takhassus Fil Iftaa” from Jamia Darul Uloom, Karachi under the supervision of Justice Retd. Mufti Taqi Usmani.

He is a Shariah Advisory Board member of UBL’s – United Composite Islamic Fund and Pak Oman Islamic Fund. Currently, he is also the Chairman of Sindh Bank Shariah Board and Advisor of ‘Hira Foundation School, Hira Institute of Emerging Sciences, Centre for Islamic Economics’.

He is a Member Shariah Committee for Shariah Standard Pakistan Chapter AAOIFI, and Committee of Islamic Accounting standards. Additionally, Member of Committee on Accounting and Auditing Standards for Interest Free Modes of Financing and Investments (ICAP) (From 2003– till date), trainer and member of the HALAL committee for Halal standards for the Government of Pakistan (PSQCR) and Vice Chairman of Technical Committee on Halal Pharma Standards and a Member of Sindh Food Authority Technical Committee. He is a Chairman Shariah Board of the Halal Awareness and Research Council (HARC). He is a Syndicate member of NED University of Engineering and Technology.

He was also a Shariah Board member and trainer for the Committee of Pakistan Accreditation Council (PNAC) and Ex-Member of Shariah Board of Securities & Exchange Commission of Pakistan. As a trainer, he has professional affiliations with the following:

- NIBAF (SBP)
- IDB
- IBA
- LUMS
- Karachi University
- Halal committee of OIC

He is also a member of the Advisory Board for designing Islamic School curriculums in Education – Ummah Relief International – U.S.A, Lecturer – U.M.M.A Centre, Victoria, Australia, Lecturer – Islamic Centre, Monash University, Victoria, Australia, Advisor in Islamic Finance – Various Financial Institutions in Australia, Senior Member of Majlis Ulama – Australia etc.

Mufti Irshad Ahmad Aijaz

Member Shariah Board

Mufti Irshad Ahmad Aijaz graduated from Jamiat-ul-Uloom Islamiyyah, Binnori Town, Karachi. He completed his Takhassus fil-Iftaa (Specialization in Islamic Jurisprudence and Fatwa) from Jamia Dar-ul-Uloom, Karachi.

He currently holds certain advisory positions at a number of institutions, including:

- Chairman Shariah Board of State Bank of Pakistan (SBP)
- Chairman Shariah Board of Securities & Exchange Commission of Pakistan (SECP)
- Chairman Shariah Board of Bank Islami Pakistan Limited
- Member, AAOIFI Shariah Standard Committee – Karachi
- Shariah Advisor of Fortune Islamic Financial Services
- Shariah Advisor of Allied Rental Modaraba, Member
- Member, Shariah Board of Standard Chartered Bank (Pakistan) Limited
- Consultant, Shariah Review Bureau – Bahrain

Prof. Dr. Noor Ahmed Shahtaz

Member Shariah Board

Dr. Noor Ahmed Shahtaz holds a Shahadah Al- Alamia from Tanzem ul Madaris Lahore, M.A(Islamic Studies), M.A (Arabic), LL.B from University of Karachi. He has done Ph.D. in Islamic Studies from Karachi University on the topic of Hudood System of Punishment (from Karachi University).

He is member of Shariah Advisory Board at State Bank of Pakistan.

Dr. Shahtaz has 20 years of experience in Darul Ifta and 27 years of teaching experience in the University of Karachi, Sheikh Zayed Islamic Research Centre and 5 years in different universities, madarsas, institutions, etc.

He had been a member of the Council of Islamic Ideology Govt. of Pakistan for three years and a members of the Pakistan Halal Authority Govt. of Pakistan. He is a Registered Sharia Advisor with the SECP.

At present, he is Sheikh ul Hadith (teaching Hadith Sharif) in Darul Uloom Hanfia, Tariq Road, Karachi.

Mufti Bilal Ahmed Qazi

Member Shariah Board

Mufti Bilal Ahmed Qazi has done his Al-Aalamiyyah (a degree recognized by the Higher Education Commission Pakistan as a Masters in Arabic and Islamic Studies) in 2003 from Jamihtul-Uloom Ul-Islamiyah, Banori Town. Then he completed his specialization in Islamic Jurisprudence (Takhassus Fil Iftaa) from Jamia Darululoom Karachi. He has completed his MBA from IBA (Institute of Business Administration), Karachi, Pakistan. He has been working as a member of the Darul Ifta Jamia Darululoom Karachi. He also holds advisory positions at:

Member Shariah Board Soneri Bank Limited.

Mufti Syed Zubair Hussain

Resident Shariah Board Member

He has done his Al-Aalamiyyah (a degree recognized by the Higher Education Commission Pakistan as a Masters in Arabic and Islamic Studies) in 2006 from Jamiah Dar ul Uloom Karachi. He has completed his MBA in Finance from University of Karachi in 2009.

He also holds degree of specialization in Islamic Jurisprudence/Islamic Finance "Takhassus Fillftaa". Syed Zubair Hussain has been working in the field of Islamic Banking and Finance since 2010 in various capacities. He has been associated with Summit Bank since 2015 overseeing the Shariah Compliance function of the Bank. He is actively involved in all Shariah Compliance matters and critically supervises and guides for all Shariah compliance queries to branches and departments.

He is also a CSAA (Certified Shariah Advisor & Auditor) from AAOIFI (Accounting & Auditing Organization for Islamic Financial Institutions), an international certification.

Shariah Board Term of Reference

The Board of Directors approved the Terms of Reference of Shariah Board after ensuring that it is in accordance with the Shariah Governance Framework issued by the State Bank of Pakistan.

The principal responsibility of Shariah Board is to provide guidance and supervise in all Bank's Shariah related matters. The Shariah Board rulings and fatwah(s) shall be binding on the Bank. The Shariah Board is further responsible for developing the comprehensive Shariah Compliance framework for all areas of the Islamic Bank. Further, the Shariah Board shall review and approve all the procedure manuals, product programs/structures, process flows, related agreements, marketing advertisements, sales illustrations and brochures. All decisions and rulings of the Shariah Board of the Bank shall be in conformity with the directives, regulations, instructions and guidelines issued by the State Bank of Pakistan in accordance with the rulings of Shariah Advisory Committee of the State Bank of Pakistan.

KEY OPERATING AND FINANCIAL DATA

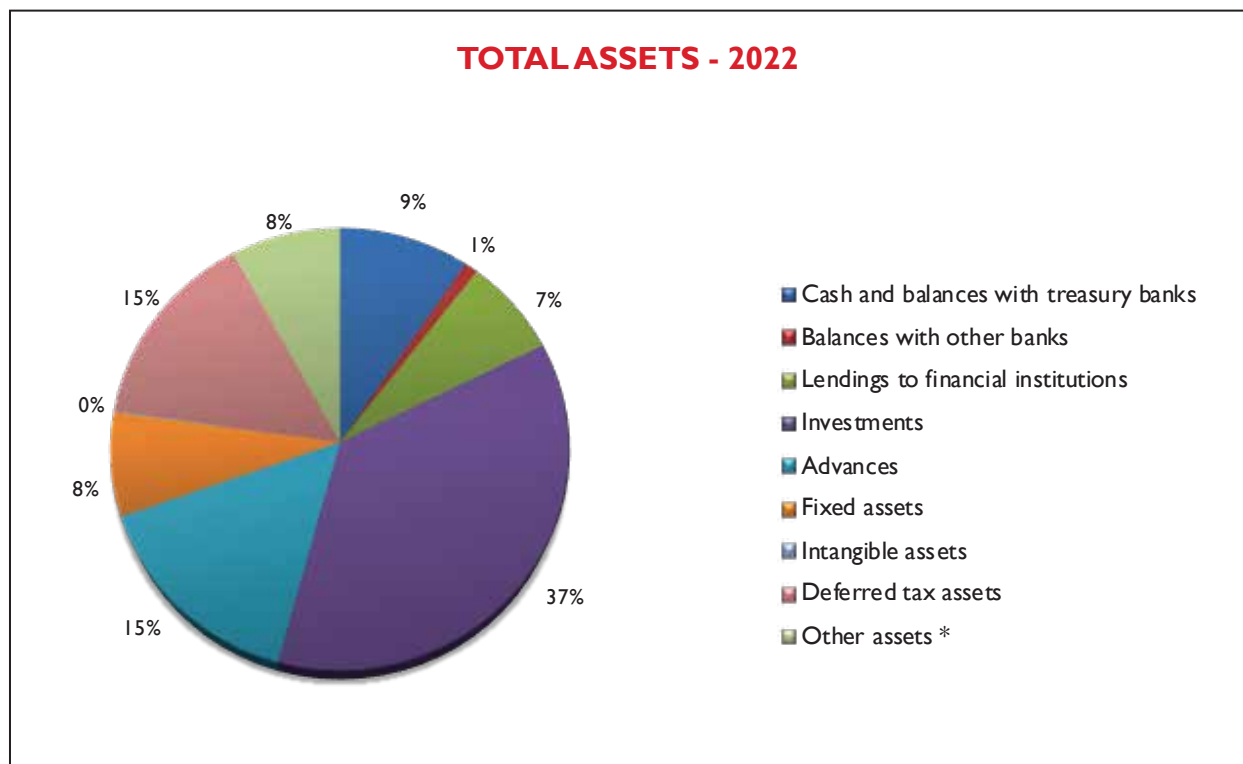
	2022	2021	2020	2019	2018	2017 (Restated)
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----- (Rupees in Million) -----

ASSETS

Cash and balances with treasury banks	13,372	14,415	11,571	5,614	5,043	13,557
Balances with other banks	1,363	1,092	1,359	931	997	2,440
Lendings to financial institutions	10,142	299	-	991	-	10,671
Investments	51,447	31,133	27,903	21,960	19,256	94,940
Advances	21,592	27,044	31,783	43,242	61,246	84,592
Fixed assets	10,651	10,917	10,188	10,181	8,709	12,416
Intangible assets	144	138	91	149	205	249
Deferred tax assets	20,782	16,677	14,279	11,606	7,215	5,804
Other assets *	11,224	10,301	10,483	11,202	11,957	8,864
Total assets	140,717	112,016	107,657	105,876	114,628	233,533

TOTAL ASSETS - 2022



2022	2021	2020	2019	2018	2017 (Restated)
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(Rupees in Million)

LIABILITIES

Bills payable	1,994	2,071	2,403	1,816	1,881	3,065
Borrowings	25,388	6,922	7,669	13,505	19,492	67,308
Deposits and other accounts	121,919	109,483	101,887	88,567	84,676	145,730
Subordinated debt	1,496	1,496	1,496	1,496	1,496	1,496
Other Liabilities *	7,569	6,447	5,390	6,090	4,330	5,693

Total liabilities	158,366	126,419	118,845	111,474	111,875	223,292
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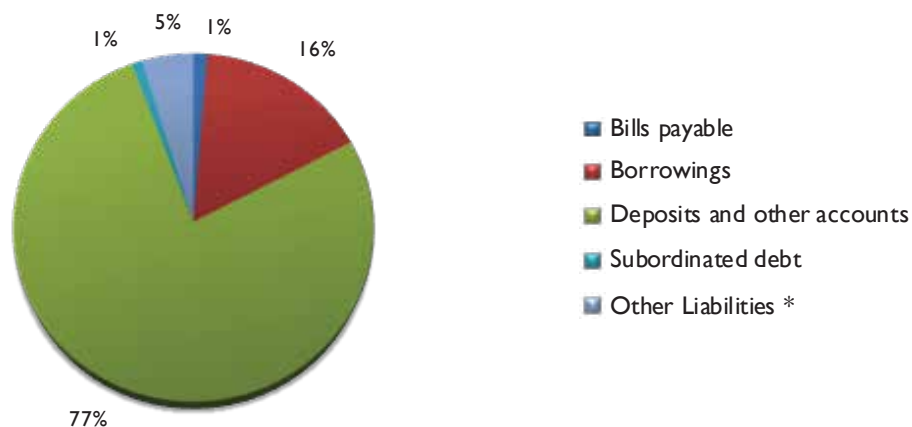
NET ASSETS	(17,649)	(14,403)	(11,188)	(5,598)	2,753	10,241
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REPRESENTED BY

Share capital - net	20,500	20,500	20,500	20,500	20,500	20,500
Reserves	(425)	(425)	(425)	(425)	(425)	(425)
Surplus / (deficit) on revaluation of assets	3,998	4,298	4,812	3,530	2,577	1,495
Accumulated losses	(41,722)	(38,776)	(36,075)	(29,203)	(19,899)	(11,329)

Total equity	(17,649)	(14,403)	(11,188)	(5,598)	2,753	10,241
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TOTAL LIABILITIES - 2022



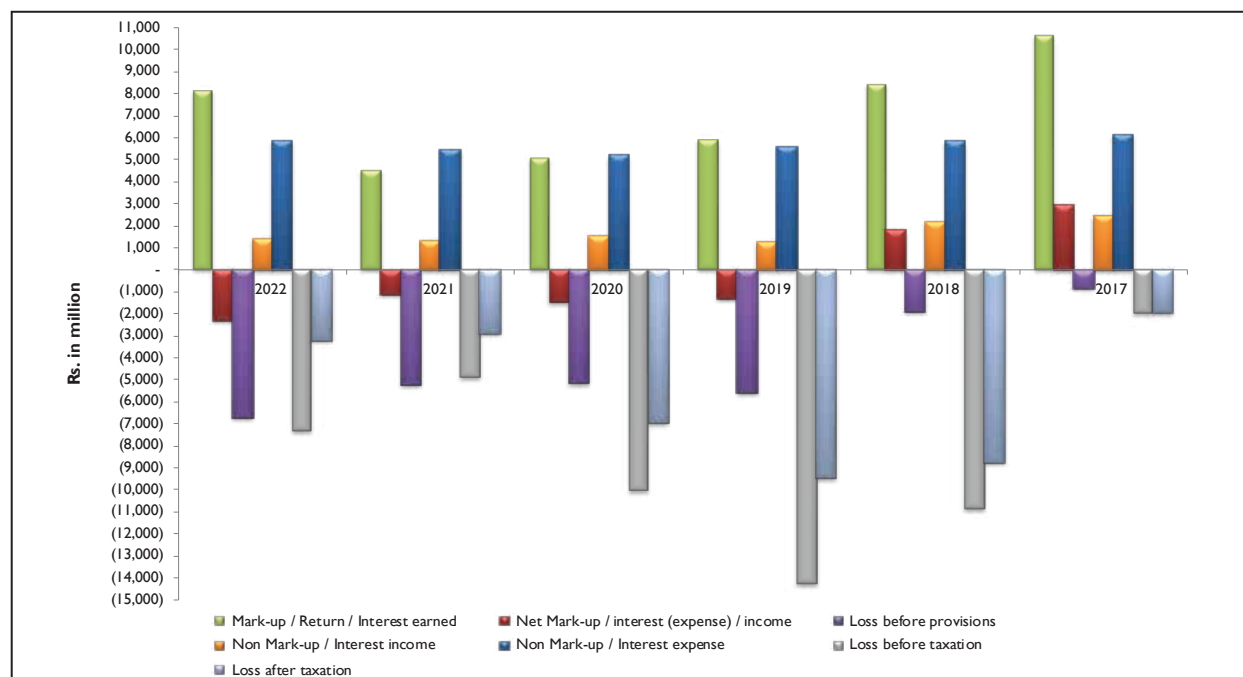
2022	2021	2020	2019	2018	2017
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(Restated)

----- (Rupees in Million) -----

RESULTS OF OPERATIONS

Mark-up / Return / Interest earned	8,141	4,565	5,114	5,909	8,452	10,645
Mark-up / Return / Interest expensed	10,404	5,677	6,595	7,216	6,643	7,745
Net Mark-up / interest (expense) / income	(2,263)	(1,112)	(1,481)	(1,307)	1,809	2,900
Non Mark-up / Interest income	1,396	1,310	1,496	1,232	2,123	2,418
Total Income	(867)	198	15	(75)	3,933	5,318
Non Mark-up / Interest expense	5,845	5,440	5,183	5,514	5,817	6,135
Loss before provisions	(6,712)	(5,242)	(5,168)	(5,589)	(1,885)	(818)
Provisions / (reversals) and write offs - net	584	(308)	4,875	8,682	8,996	1,166
Loss before taxation	(7,296)	(4,934)	(10,043)	(14,271)	(10,881)	(1,983)
Taxation	(4,129)	(2,047)	(3,095)	(4,820)	(2,130)	(44)
Loss after taxation	(3,167)	(2,887)	(6,948)	(9,451)	(8,751)	(1,940)



2022	2021	2020	2019	2018	2017
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(Restated)

FINANCIAL RATIOS

Return on equity (ROE)	N/A	N/A	N/A	N/A	-317.87%	-18.94%
Return on assets (ROA)	-2.25%	-2.58%	-6.45%	-8.93%	-7.63%	-0.83%
Loss before tax to Interest earned	-89.62%	-108.08%	-196.38%	-241.51%	-128.74%	-18.63%
Gross spread ratio	-27.80%	-24.36%	-28.96%	-22.12%	21.40%	27.24%
Advances to deposits - Gross	44.98%	54.63%	63.04%	81.50%	97.78%	68.30%
Advances to deposits - Net	17.71%	24.70%	31.19%	48.82%	72.33%	58.05%
Cost to revenue	170.38%	189.23%	178.18%	178.27%	117.83%	106.25%
Total assets to Total equity (times)	N/A	N/A	N/A	N/A	41.64	22.80
NPL to Gross Advances	65.78%	61.88%	60.29%	56.58%	43.57%	17.15%
Capital adequacy ratio (CAR)	-80.04%	-61.45%	-45.16%	-25.30%	-8.02%	4.15%

SHARE INFORMATION

Loss per share - Basic (Rs.)	(1.20)	(1.09)	(2.63)	(3.58)	(3.32)	(0.86)
Market capitalization (Rs. in mln)	4,485	6,516	4,933	3,060	2,163	7,308

OTHER INFORMATION

Non performing loans (NPL) (Rs. in mln)	36,068	37,012	38,724	40,842	36,072	17,066
Staff Strength	1,645	1,684	1,738	1,731	1,885	2,398
Number of branches (including Islamic)	193	193	193	193	193	193

* Prior year comparative information has been classified and re-arranged, wherever necessary to facilitate comparison.

SIX YEARS VERTICAL ANALYSIS

	2022		2021		2020		2019		2018		2017	
	Rs in 'millions	%	Rs in 'millions	%	Rs in 'millions	%	Rs in 'millions	%	Rs in 'millions	%	Rs in 'millions	%
STATEMENT OF FINANCIAL POSITION												
ASSETS												
Cash and balances with treasury banks	13,372	10%	14,415	13%	11,571	11%	5,614	5%	5,043	4%	13,557	6%
Balances with other banks	1,363	1%	1,092	1%	1,359	1%	931	1%	997	1%	2,440	1%
Lendings to financial institutions	10,142	7%	299	0%	-	0%	991	1%	-	0%	10,671	5%
Investments	51,447	37%	31,133	28%	27,903	26%	21,959	21%	19,256	17%	94,940	41%
Advances	21,592	15%	27,044	24%	31,783	30%	43,242	41%	61,246	53%	84,592	36%
Fixed assets	10,651	8%	10,917	10%	10,188	9%	10,181	10%	8,709	8%	12,416	5%
Intangible assets	144	0%	138	0%	91	0%	149	0%	205	0%	249	0%
Deferred tax assets	20,782	15%	16,677	15%	14,279	13%	11,606	11%	7,215	6%	5,804	2%
Other assets *	11,224	8%	10,301	9%	10,483	10%	11,202	11%	11,957	10%	8,864	4%
	140,717	100%	112,016	100%	107,657	100%	105,875	100%	114,628	100%	233,533	100%
LIABILITIES												
Bills payable	1,994	1%	2,071	2%	2,403	2%	1,816	2%	1,881	2%	3,065	1%
Borrowings	25,388	18%	6,922	6%	7,669	7%	13,505	13%	19,492	17%	67,308	29%
Deposits and other accounts	121,919	87%	109,483	98%	101,887	95%	88,567	84%	84,676	74%	145,730	62%
Liabilities against assets subject to finance lease	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Subordinated debt	1,496	1%	1,496	1%	1,496	1%	1,496	1%	1,496	1%	1,496	1%
Deferred tax liabilities	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Other liabilities *	7,569	5%	6,447	6%	5,390	5%	6,090	6%	4,330	4%	5,693	2%
	158,366	113%	126,419	113%	118,845	110%	111,474	105%	111,875	98%	223,292	96%
NET ASSETS	(17,649)	-13%	(14,403)	-13%	(11,188)	-10%	(5,599)	-5%	2,753	2%	10,241	4%
REPRESENTED BY												
Share capital - net	20,500	15%	20,500	18%	20,500	19%	20,500	19%	20,500	18%	20,500	9%
Reserves	(425)	0%	(425)	0%	(425)	0%	(425)	0%	(425)	0%	(425)	0%
Surplus / (deficit) on revaluation of assets	3,998	3%	4,298	4%	4,812	4%	3,530	3%	2,577	2%	1,495	1%
Accumulated losses	(41,722)	-30%	(38,776)	-35%	(36,075)	-34%	(29,204)	-28%	(19,899)	-17%	(11,329)	-5%
	(17,649)	-13%	(14,403)	-13%	(11,188)	-10%	(5,599)	-5%	2,753	2%	10,241	4%
PROFIT & LOSS ACCOUNT												
Mark-up / return / interest earned	8,141	112%	4,565	96%	5,114	100%	5,909	101%	8,452	68%	10,645	67%
Mark-up / return / interest expensed	10,404	143%	5,677	119%	6,595	129%	7,216	124%	6,643	54%	7,745	49%
Net Mark-up / interest (expense) / income	(2,263)	-31%	(1,112)	-23%	(1,481)	-29%	(1,307)	-22%	1,809	15%	2,900	18%
Non Mark-Up/Interest Income	1,396	19%	1,310	28%	1,496	29%	1,232	21%	2,123	17%	2,418	15%
Total Income	(867)	-12%	198	4%	15	0%	(75)	-1%	3,932	32%	5,318	33%
Non-markup/interest expenses	5,845	80%	5,440	114%	5,183	101%	5,514	95%	5,817	47%	6,135	38%
Loss Before Provisions	(6,712)	-92%	(5,242)	-110%	(5,168)	-101%	(5,589)	-96%	(1,885)	-15%	(817)	-5%
Provisions / (reversals) and write offs - net	584	8%	(308)	-6%	4,875	95%	8,682	149%	8,996	73%	1,166	7%
Extra ordinary / unusual items	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Loss Before Taxation	(7,296)	-100%	(4,934)	-104%	(10,043)	-196%	(14,271)	-245%	(10,881)	-88%	(1,983)	-12%
Taxation	4,129	57%	2,047	43%	3,095	60%	4,820	83%	2,130	17%	44	0%
Loss After Taxation	(3,167)	-44%	(2,887)	-61%	(6,948)	-135%	(9,451)	-162%	(8,751)	-71%	(1,939)	-12%

* Prior year comparative information has been classified and re-arranged, wherever necessary to facilitate comparison.

SIX YEARS HORIZONTAL ANALYSIS

	2022		2021		2020		2019		2018		2017	
	Rs in 'millions	%	Rs in 'millions	%	Rs in 'millions	%	Rs in 'millions	%	Rs in 'millions	%	Rs in 'millions	%
STATEMENT OF FINANCIAL POSITION												
ASSETS												
Cash and balances with treasury banks	13,372	-7%	14,415	25%	11,571	106%	5,614	11%	5,043	-63%	13,557	6%
Balances with other banks	1,363	25%	1,092	-20%	1,359	46%	931	-7%	997	-59%	2,440	-6%
Lendings to financial institutions	10,142	3292%	299	0%	-	-100%	991	0%	-	-100%	10,671	554%
Investments	51,447	65%	31,133	12%	27,903	27%	21,959	14%	19,256	-80%	94,940	5%
Advances	21,592	-20%	27,044	-15%	31,783	-26%	43,242	-29%	61,246	-28%	84,592	6%
Fixed assets	10,651	-2%	10,917	7%	10,188	0%	10,181	17%	8,709	-30%	12,416	3%
Intangible assets	144	4%	138	52%	91	-39%	149	-27%	205	-18%	249	2%
Deferred tax assets	20,782	25%	16,677	17%	14,279	23%	11,606	61%	7,215	24%	5,804	12%
Other assets *	11,224	9%	10,301	-2%	10,483	-6%	11,202	-6%	11,957	35%	8,864	-23%
	140,717	26%	112,016	4%	107,657	2%	105,875	-8%	114,628	-51%	233,533	8%
LIABILITIES												
Bills payable	1,994	-4%	2,071	-14%	2,403	32%	1,816	-3%	1,881	-39%	3,065	-39%
Borrowings	25,388	267%	6,922	-10%	7,669	-43%	13,505	-31%	19,492	-71%	67,308	35%
Deposits and other accounts	121,919	11%	109,483	7%	101,887	15%	88,567	5%	84,676	-42%	145,730	2%
Liabilities against assets subject to finance lease	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Subordinated debt	1,496	0%	1,496	0%	1,496	0%	1,496	0%	1,496	0%	1,496	0%
Deferred tax liabilities	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Other liabilities *	7,569	17%	6,447	20%	5,390	-11%	6,090	41%	4,330	-24%	5,693	26%
	158,366	25%	126,419	6%	118,845	7%	111,474	0%	111,875	-50%	223,292	10%
NET ASSETS	(17,649)	23%	(14,403)	29%	(11,188)	100%	(5,599)	-303%	2,753	-73%	10,241	-19%
REPRESENTED BY												
Share capital - net	20,500	0%	20,500	0%	20,500	0%	20,500	0%	20,500	0%	20,500	24%
Reserves	(425)	0%	(425)	0%	(425)	0%	(425)	0%	(425)	0%	(425)	0%
Surplus / (deficit) on revaluation of assets	3,998	-7%	4,298	-11%	4,812	36%	3,530	37%	2,577	72%	1,495	-29%
Accumulated losses	(41,722)	8%	(38,776)	7%	(36,075)	24%	(29,204)	47%	(19,899)	76%	(11,329)	19%
	(17,649)	23%	(14,403)	29%	(11,188)	100%	(5,599)	-303%	2,753	-73%	10,241	-19%

	2022		2021		2020		2019		2018		2017	
	Rs in 'millions	%	Rs in 'millions	%	Rs in 'millions	%	Rs in 'millions	%	Rs in 'millions	%	Rs in 'millions	%
PROFIT & LOSS ACCOUNT												
Mark-up / return / interest earned	8,141	78%	4,565	-11%	5,114	-13%	5,909	-30%	8,452	-21%	10,645	0%
Mark-up / return / interest expensed	10,404	83%	5,677	-14%	6,595	-9%	7,216	9%	6,643	-14%	7,745	-1%
Net Mark-up / interest (expense) / income	(2,263)	104%	(1,112)	-25%	(1,481)	13%	(1,307)	-172%	1,809	-38%	2,900	5%
Non Mark-Up/Interest Income	1,396	7%	1,310	-12%	1,496	21%	1,232	-42%	2,123	-12%	2,418	-23%
Total Income	(867)	-538%	198	1220%	15	-120%	(75)	-102%	3,932	-26%	5,318	-10%
Non-markup/interest expenses	5,845	7%	5,440	5%	5,183	-6%	5,514	-5%	5,817	-5%	6,135	5%
Loss Before Provisions	(6,712)	28%	(5,242)	1%	(5,168)	-8%	(5,589)	196%	(1,885)	131%	(817)	-2369%
Provisions / (reversals) and write offs - net	584	-290%	(308)	-106%	4,875	-44%	8,682	-3%	8,996	672%	1,166	-40%
Extra ordinary / unusual items	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Loss Before Taxation	(7,296)	48%	(4,934)	-51%	(10,043)	-30%	(14,271)	31%	(10,881)	449%	(1,983)	3%
Taxation	4,129	102%	2,047	-34%	3,095	-36%	4,820	126%	2,130	4741%	44	-117%
Loss After Taxation	(3,167)	10%	(2,887)	-58%	(6,948)	-26%	(9,451)	8%	(8,751)	351%	(1,939)	-11%

* Prior year comparative information has been classified and re-arranged, wherever necessary to facilitate comparison.

CHAIRMAN'S REVIEW

It gives me immense pleasure to present the Annual Report of Summit Bank Limited for the year ended December 31, 2022. I really admire the efforts and outstanding service level by our people and the trust and loyalty of our customers.

Despite a tough operating environment amongst continued macroeconomic challenges and inflationary pressures, the Bank continued the focus on its strategic and operational priorities, as we remain committed to deliver on our key performance indicators.

It was promising to note that the Bank was able to further improve the growth of 7.5% achieved in 2021 to 11.4% in 2022, with year-end deposited reported at Rs. 121.92 billion. Our current accounts registered an impressive growth of 24.3%, and the Bank's CASA mix has improved to 87.46%. We aim to further grow our deposits and increase our market share of liabilities by introducing new value added products and by enhancing the current value proposition. We also reiterate our commitment to augment the performance of trade, cash management and remittance business lines.

As per the commitment, H.E. Nasser Abdulla Hussain Lootah (the Investor) has deposited Rs. 10 Billion with the Bank and the Bank is currently in the process of issuance of shares which would enable the Investor to become the majority shareholder alongside taking management control of the Bank subject to receipt of regulatory approvals. I envisage that the Bank would be well equipped to take on the new year with renewed commitment and convert the past challenges into opportunities by capitalising on the fresh inflow of equity.

The Board is committed to ensuring good corporate governance through ethical and professional business conduct as well as effective risk and control management. The Board continually reviews the Bank's financial and operational soundness and significant policies in line with regulatory requirements. The Board has constituted its subcommittees for oversight of all key areas of the Bank covering risk management, audit related matters, information technology and human resources for achieving the Bank's strategic objectives.

As Chairman of the Board, I thank all shareholders for their continued support, the regulatory authorities for their counsel, and the contribution and hard work of the Bank's management team. I would also like to acknowledge the hard work and dedication of all staff members of the entire Summit family.

Waseem Mehdi Syed
Chairman

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear shareholders,

On behalf of the Board of Directors, we are pleased to present the Directors' Report of the Bank along with the audited financial statements and Auditors' Report for the year ended December 31, 2022.

THE BANK'S PERFORMANCE

The highlights of the financial results for 2022 are as follows:

	(Rupees in millions)
Financial Position	
Shareholders' Equity	(17,649)
Deposits	121,919
Total Assets	140,717
Advances – net	21,593
Investments – net	51,447
Financial Performance	
Net Interest Income and Non Mark-up Income (Total Income)	(867)
Non Markup Expenses	5,845
Provisions and write offs (net)	584
Loss before tax	7,296
Loss after tax	3,167
Basic and diluted loss per share - Rupees	(1.20)

The growth in the policy rate and a record inflation in the current year made it tough to maintain the profit and loss position comparable to the prior year. Despite these challenges, the Bank was able to manage the loss after tax for the year ended December 31, 2022 at Rs. 3.167 billion as compared to a loss after tax of Rs. 2.887 billion for the prior year.

Mark-up income for the year ended December 31, 2022 improved to Rs. 8.141 billion from Rs. 4.565 billion for the comparative prior year, improving by 78% as yields improved reflecting the repricing effect of the gradual increase in policy rates by SBP over the course of the last few months. In spite of the increase in policy rate of 625 bps in 2022 i.e. from 9.75% to 16.00%, the increase in average cost of deposit was restricted to 259 bps only.

Yields on net investments improved notably to 13.33% for the current year as against 7.07% for the prior year, the improved yields enabled the Bank to improve its income from investment by Rs. 2.96 billion. Average net investments improved to Rs. 40.99 billion for the current year as against Rs. 35.49 billion for the prior year.

On a year on year comparison, yields on net advances also remained noticeably higher, at 9.61% for the year ended December 31, 2022 as against 6.80% for the prior year. The Bank's average net advances reduced to Rs. 25.08 billion for the year ended December 31, 2022, as against Rs. 29.59 billion for the prior year. Due to increase in yields, but partially offset by decline in volumes, income from advances ended higher at Rs. 2.41 billion for the current year as against Rs. 2.01 billion for the prior year.

The Bank's year end deposits improved by Rs. 12.435 billion or 11.36% against prior year end levels to end at Rs. 121.919 billion. The Bank's year end CASA growth was recorded at an impressive Rs. 11.443 billion as compared to prior year with mix improving to 87.46%. The growth in Current / Non-Remunerative Account was Rs. 8.828 billion, as a result, Current Account ratio increased from 33.22% to 37.07%. The deposit expense increased by Rs. 3.122 billion as the Bank's average deposit volumes grew by 6.5% year on year or Rs. 6.74 billion against the prior year ending at Rs. 110.134 billion.

As the Bank capitalized on arbitrage opportunities, average borrowings levels increased by Rs. 3.299 billion from December 2021 with the overall costs increasing to 10.48% for the current year as against 4.75% for the prior year.

The Bank earned non-markup income of Rs. 1.397 billion in 2022 as against Rs. 1.309 billion for the prior year, indicating an increase of 6.66% over the prior year, mainly due to a higher foreign exchange earned. Fee and commission income was recorded at Rs. 474.012 million in 2022, largely in line with the prior year and constituted 33.94% of the total non mark-up income (2021: 35.68%).

The Bank continued to prudently manage its operating expenses with a moderate increase of 7.51% despite average CPI being 19.6% during 2022, currency devaluation, rising commodity prices and performance based increments. The total non-mark up expenses were reported at Rs. 5.845 billion as against Rs. 5.440 billion for the prior year.

The Bank recorded a net provision charge of Rs. 584.115 million for the year 2022 as against a net provisioning reversal of Rs. 308.387 million for the prior year.

The Bank's gross NPL ratio (Gross non-performing loans to Gross Advances) as of December 31, 2022 stood at 65.78% as against 61.89% on December 31, 2021, while the coverage ratio at December 31, 2022 improved to 92.14% as against 88.48% on December 31, 2021. At the December end, the Bank's gross advances to deposits ratio (Gross Advances to Total Deposits) stands at 44.98% as compared to 54.63% on December 31, 2021. As a strategy, the management is targeting reduction in risk based assets and deployment of funds in risk free government securities.

As at December 31, 2022, the Bank has deferred tax assets (net) of Rs. 20.782 billion. During 2022, the Bank has further recognized deferred tax assets (net) of Rs. 4.105 billion mainly due to the effect of tax rate change for the banking sector in the Finance Bill 2022 and carried forward tax losses.

As at December 31, 2022, the Investor had deposited Rs. 6 billion and subsequently the Bank received a further Rs. 4 billion aggregating to Rs. 10 billion, in fulfilment of the commitment by the Investor.

HOLDING AND SUBSIDIARY COMPANY

Suroor Investments Limited (SIL), a company incorporated in Mauritius, is the holding company of the Bank. As of December 31, 2022, SIL held 66.77% of the issued, subscribed and paid-up share capital of the Bank.

The Bank has 100% shareholding in Summit Capital (Private) Limited. The Consolidated Financial Statements of the Bank and its subsidiary along with the Auditors' report on these consolidated financial statements make part of the annual report.

CONSOLIDATED RESULTS

Summit Bank Limited posted consolidated loss after tax of Rs. 3.188 billion for the year ended December 31, 2022 as against Rs. 2.912 billion for the prior year. Loss per share was measured at Rs. 1.21 in comparison to Rs. 1.10 for the prior year.

The Bank has 100% shareholding in Summit Capital (Private) Limited, which is engaged in the business of equity brokerage, money market brokerage, interbank foreign exchange brokerage, commodity brokerage and research.

Performance of Subsidiary:

Summit Capital earned an operating revenue of Rs. 67.446 million as compared to Rs. 81.691 million for the prior year. The loss per share for the year was recorded at Rs. 0.48 as against a loss per share of Rs. 0.83 for the prior year. During 2022, the trading activity on the PSX remained dull owing to macroeconomic issues and KSE index fell 9%. This had a negative impact on the company's revenue and profitability. During the current year, the company saw a decrease in operating and administrative expenses by 19% resulting in loss before taxation of Rs. 14.494 million.

CREDIT RATING

In the year 2019, VIS Credit Rating Company Limited suspended the Bank's medium to long-term rating of 'BBB -' (Triple B minus) and short term rating of 'A-3' (A-three). The Bank has initiated the rating process with VIS Credit Rating Company Limited and has requested SBP to allow an extension to complete the credit rating exercise by March 31, 2023. Moreover, the Bank's TFC rating was assigned 'D' (Default) due to non-payment of its latest mark-up payment on account of lock-in-clause invoked by the Bank under the applicable Regulations of the State Bank of Pakistan (SBP). The TFC holders of the Bank in their meeting held on October 27, 2022, further approved another extension of one year in the tenure of the TFC issue along with the extension in the payments of all redemption amounts, with the revised maturity date set at October 27, 2023. The Bank is currently in the process of ensuring compliance with all the applicable laws, rules, regulations and requisite regulatory requirements in this regard.

ECONOMIC REVIEW

Pakistan entered 2022 reeling from the collapse of the regime next door in Afghanistan and the beginnings of an economic crisis. A climate catastrophe also struck Pakistan with the monsoon season, as heavy rains submerged large swaths of Pakistan's south. Increase in global commodity prices, supply chain disruptions, continued pressure on Pak Rupee and political uncertainty have further exacerbated the challenges.

The Current Account posted a deficit of USD 3.7 billion for July-December FY23 against a deficit of USD 9.1 billion last year, mainly due to improvement in trade balance. During July-December FY23, exports declined by 6.8% and were recorded at USD 14.2 billion (USD 15.2 billion last year). The total imports in July-December FY23 also decreased to USD 29.5 billion (USD 36.1 billion last year), thus declined by 18.3%.

The fiscal deficit during July-November FY23 was recorded at 1.4% of GDP as it was recorded in the comparable period last year despite FBR collections being in excess by Rs. 369 billion as compared to the same period last year. The increase in fiscal deficit is driven by a 22.6% growth in current spending mainly on account of rising interest payments due to increase in domestic and foreign interest rates.

Pakistan's FX reserves stood at USD 10.85 billion on December 30, 2022 while the SBP's reserves were recorded at USD 5.59 billion.

SBP raised policy rate cumulatively by 625bps in 2022 from 9.75% to 16.00% to cool down economic activities and to keep inflation expectations anchored. However, since the last monetary policy statement on November 25, 2022, CPI inflation increased to 24.5% in December 2022 as compared to 23.8% in November 2022. Given supply side disruptions and increase in prices of certain food items during the last few weeks, inflation in the near term is expected to remain on higher side.

Economic and political issues negatively affected the PSX in 2022. As a result, KSE index fell 9% in 2022 with PKR falling 27% against the USD.

Moody's Investor Service, in June 2022, initially downgraded Pakistan's rating outlook from stable to negative and subsequently in September 2022, have downgraded the government of Pakistan's sovereign credit rating to Caa1 from B3. The Caa1 rating reflects Moody's view that Pakistan will remain highly reliant on financing from multilateral partners and creditors to meet its debt payments, in the absence of access to market financing at affordable costs.

MODIFICATIONS IN THE AUDITORS REPORT

The Bank's paid-up capital (net of losses), Capital Adequacy Ratio (CAR) and Leverage Ratio (LR) do not meet the requirements provided by the State Bank of Pakistan (SBP) as at December 31, 2022. These conditions indicate the existence of material uncertainty which may cast significant doubt about the Bank's ability to continue as a going concern. However, the Bank is making continued efforts for necessary injection of capital and implementation of the Bank's Plan to comply with applicable capital requirements.

During the year 2018, Law Enforcement Agencies (LEAs) initiated its investigation on certain bank accounts alleged for money laundering activities in various banks including Summit Bank Limited. The matter is currently under NAB investigations and only partial references have been filed in the NAB Courts. The Bank has been and is committed to extending its full cooperation to the Law Enforcement Agencies in their investigations to the best extent possible. The Bank's management is of the view that such investigations will not affect the ongoing operations and functions of the Bank.

The Bank is currently partially non-compliant with the provisions of Banking Companies Ordinance, 1962 with respect to an investment in immovable property. The management has planned to achieve compliance with the same by selling off the part of the property that is in non-compliance with the applicable laws.

The audit report is modified in respect of these matters but the opinion is not qualified.

CORPORATE GOVERNANCE

The Bank is in compliance with the significant requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019. A prescribed statement by the management together with the Auditors' Review Report thereon is annexed as part of the annual report.

The Directors are pleased to give the following statements required under Chapter XII - Reporting and Disclosure of the Listed Companies (Code of Corporate Governance) Regulations, 2019:

1. The total number of Directors are six (06) as per the following:

- Male 05
- Female 01

2. The composition of Board is as follows:

Category	Names
Independent Directors (including Female Director)	Mr. Waseem Mehdi Syed Ms. Fauzia Hasnain
Executive Directors	Mr. Jawad Majid Khan, President & CEO Mr. Salman Zafar Siddiqi
Non-Executive Directors	Mr. Zafar Iqbal Siddiqi Mr. Wajahat Ahmed Baqai

3. The board has formed committees comprising of members given below:

S. No	Board Audit Committee	Position
1	Ms. Fauzia Hasnain	Chairperson
2	Mr. Wajahat Ahmed Baqai	Member
3	Mr. Zafar Iqbal Siddiqi	Member

S. No	Board Human Resource and Remuneration Committee	Position
1	Ms. Fauzia Hasnain	Chairperson
2	Mr. Zafar Iqbal Siddiqi	Member
3	Mr. Wajahat Ahmed Baqai	Member
4	Mr. Jawad Majid Khan	Member

S. No	Board Risk Management Committee	Position
1	Mr. Wajahat Ahmed Baqai	Chairman
2	Ms. Fauzia Hasnain	Member
3	Mr. Zafar Iqbal Siddiqi	Member
4	Mr. Salman Zafar Siddiqi	Member

S. No	Board Information Technology Committee	Position
1	Mr. Zafar Iqbal Siddiqi	Chairman
2	Mr. Waseem Mehdi Syed	Member
3	Mr. Salman Zafar Siddiqi	Member

S. No	Board Compliance Committee	Position
1	Mr. Wajahat Ahmed Baqai	Chairman
2	Mr. Waseem Mehdi Syed	Member
3	Mr. Zafar Iqbal Siddiqi	Member
4	Mr. Salman Zafar Siddiqi	Member

The number of Board and Board Committee meetings held during the year 2022 and the attendance by each director is as follows:

Name of Directors	Board Meetings	Board Audit Committee	Board Human Resources & Compensation Committee	Board Risk Management Committee	Board Information Technology Committee	Board Compliance Committee
Mr. Jawad Majid Khan	11	4**	9	N/A	5**	N/A
Mr. Aziz Morris*	4	N/A	N/A	1	1	1
Mr. Salman Zafar Siddiqi	5	N/A	N/A	2	1	0
Mr. Waseem Mehdi Syed	12	2**	3**	N/A	5	4
Ms. Fauzia Hasnain	12	6	9	5	1**	N/A
Mr. Zafar Iqbal Siddiqi	12	6	9	5	5	4
Mr. Wajahat Ahmed Baqai	12	6	9	5	2**	4
Total meetings held during the year	12	6	9	5	5	4

* Mr. Aziz Morris had resigned as Executive Director on April 20, 2022 and in his place, the Board of Directors had approved the appointment of Mr. Salman Zafar Siddiqi, Chief Financial Officer as the Executive Director of the Bank whose FPT clearance was granted on July 04, 2022 from the State Bank of Pakistan. Mr. Salman Zafar Siddiqi, immediately upon receipt of FPT clearance, started attending all Board Meetings and Board Committee Meetings in place of Mr. Aziz Morris.

** Attended on invitation.

The number of Shariah Board meetings held during the year 2022 and the attendance by each member is as follows:

Name of Shariah Board members	Meetings held	Attendance
Mufti Muhammad Najeeb Khan (Chairman)	4	4
Dr. Noor Ahmad Shahtaz (Member)	4	4
Mufti Irshad Ahmad Aijaz (Member)	4	4
Mufti Bilal Ahmad Qazi (Member)	4	4
Mufti Syed Zubair Hussain (Resident Shariah Board Member)	4	4

Nomination and Appointment of Directors

As per the provisions of the Companies Act, 2017 and the related Corporate Governance Regulatory Framework (CGRF) 2021 issued by the State Bank of Pakistan (SBP), the Directors of the Board are to be elected by the shareholders in their general meeting.

Every Director (including non-executive director, executive director, sponsor director, independent director, and nominee director) has to pass the assessment criteria of Fit and Proper Test (FPT) of SBP prior to appointment on the Board of Directors of the Bank. Further, in compliance of the applicable requirements of CGRF 2021, the self-assessment of the proposed director is to be followed by the Bank before processing the formal FPT document and the relevant documents for the proposed director in SBP.

While appointing a Director, the Bank ensured that the Board should be comprised of Directors who have relevant experience, suitable knowledge, and appropriate skill set / expertise in the field of the Bank's Credit, Commercial Banking, Finance, Internal Audit, Operations, Risk and Information Technology.

Further, the Bank believes in gender equality and therefore a female director has already been appointed on the Board of Directors of the Bank, which further complies with the applicable regulatory requirement.

As far as the appointment of Independent Directors is concerned, the Bank opted for the candidate from the Data Bank maintained with the Pakistan Institute of Corporate Governance (PICG) keeping in view the criteria defined by the State Bank of Pakistan. Further, after becoming the part of the board, an annual undertaking is also taken from the independent directors.

Director Training Program

The current Board of Directors of the Bank stands fully compliant with the applicable requirement of the Directors' Training Program (DTP) as prescribed under the Listed Companies (Code of Corporate Governance) Regulations, 2019 as at December 31, 2022.

Following directors have successfully completed their requisite DTP:

Name of Directors	Course	Passing Year
Mr. Waseem Mehdi Syed	Corporate Governance Leadership Skills (CGLS) - Director Education Program – PICG	December 2021
Ms. Fauzia Hasnain		November 2021
Mr. Wajahat Ahmed Baqai		December 2021
Mr. Salman Zafar Siddiqi		February 2019
Mr. Zafar Iqbal Siddiqi	Enhancing Board Effectiveness – DTP – LUMS	December 2020
Mr. Jawad Majid Khan		October 2016

Besides, complying with the DTP requirement, the Bank had also conducted a specialized full-day training session on Islamic Banking for the Board of Directors during 2022 with an aim to apprise them of their roles and responsibilities as regard to the implementation of Islamic Banking in particular compliance of the Shariah Governance Framework issued by SBP.

Mechanism of Board Performance Evaluation

In compliance with G-13 of Corporate Governance Regulatory Framework, 2021 and BPRD Circular No. 11 of 2016 dated August 22, 2016, and precedent adopted by Summit Bank Limited, the Board has opted for the external assessment rather than conducting the in-house assessment process with an aim to maintain the transparency and integrity of the Board of Directors. The Board Members have approved the Pakistan Institute of Corporate Governance (“PICG”) as an external evaluator for conducting the annual evaluation of board performance as a whole, its committee(s) and individual assessment of each of the Board Members enabling the Bank to get a transparent, fair and un-biased report about the Board composition, integrity, function and its commitment towards maintaining high standards of corporate governance in the Bank.

REMUNERATION PRACTICES OF THE BANK

SMBL follows a Remuneration Policy that is part of its Human Resource Policies, in line with all the applicable Regulations / Circulars / Guidelines issued by the State Bank of Pakistan.

Review of the policy is under the ambit of Board Human Resources & Compensation Committee and is conducted every three year or earlier if required.

The Bank’s basic compensation philosophy is to reward its staff for their valuable contributions with competitive salaries, incentives and variable compensation. In line with SMBL’s corporate cultural values and Human Resource core values, the Bank’s reward principles are as follows:

- To attract and retain highly qualified and competent staff members and to engage them to achieve the highest standards of performance.
- Compensation is to be directly linked with the individual, business unit / division and corporate (Bank’s) performance; and are reviewed and adjusted annually to reflect performance.
- Compensation is to be market driven with the salary determinants being based on market data and on accepted relativities with the market.
- Compensation is to be administered in a manner that is both equitable and fair to all staff.

Compensation Structure

The compensation structures for employees is designed to promote performance, effective risk management and achieve compensation objectives. The forms of compensation to be awarded to employees vary depending on the employee’s position and role and may include cash and other forms of compensation.

The compensation mix is composed of fixed and variable remuneration. The proportion of fixed components to be paid for different business lines is determined by taking into account the nature and level of responsibilities of an employee, business area in which he/she is working and the overall philosophy of compensation policy of the Bank. The proportion of variable compensation takes into account the overall performance of the Bank, respective business units and the individual performance.

The fixed and variable components of total remuneration are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component. The variable component does not exceed 100% of the fixed component of the total remuneration for each employee. Any approval of a higher ratio can only be allowed after the approval of the shareholders upon a detailed recommendation by the Bank giving the reasons for, and the scope of, an approval sought, including the number of staff affected, their functions and the expected impact on the requirement to maintain a sound capital base.

The focus of the policy is to introduce remuneration structure as a mix of the following, based on the identification of MRTs and MRCs and performance of the employees during their performance appraisal cycle;

- **Fixed Pay:** To compensate for skills, experience and competencies and consists of Basic Salary & Allowances.
- **Variable Pay:** Performance related and consists primarily of Annual Performance Bonuses.

Directors' Remuneration

SMBL during a calendar year pays an appropriate remuneration for attending the Board or its Committee(s) Meeting(s) to its Non-Executive Director(s) and the Chairman. The scale of remuneration to be paid to the Non-Executive Director(s) and the Chairman for attending the Board and / or its Committee Meetings is approved by the shareholders on a pre or post facto basis in the Annual General Meeting (AGM).

In the case of Non-Executive Directors, their level of remuneration reflects the experience and level of responsibilities undertaken by these Directors in the Bank. The remuneration of Non-Executive Directors does not include performance-related elements such as grants of shares, share options or other deferred stock-related incentive schemes, bonuses or pension benefits. The Non-Executive Directors do not draw any remuneration from the company except the meeting fee.

At the 15th (Adjourned) Annual General Meeting held on December 21, 2021, the shareholders of the Bank had approved an increase in the remuneration of fee payable to Non-Executive and Independent Directors for attending the Board Meetings and Board Sub-Committee Meetings from Rs. 150,000 to Rs. 300,000 upon recommendation of the Board of Directors. In addition, the Non-Executive and Independent Directors are entitled for boarding, lodging and airfare for attending Board Meetings, Board Sub-Committee Meetings and Shareholder Meetings of the Bank on an actual basis.

The details of fees paid to Non-Executive Directors in 2022 are disclosed in Note 37.2 to the unconsolidated financial statements. No remuneration in respect of meeting fee is being paid to the Executive Directors. Remuneration packages of Executive Director and Chief Executive are disclosed in Note 37.1 to the unconsolidated financial statements.

Remuneration of the Shariah Board

SMBL provides fixed fee to non-resident Shariah Board members and does not provide any performance linked incentives.

The details of remuneration of Shariah Board Members in 2022 are disclosed in Note 37.3 to the unconsolidated financial statements.

Definition and Determination of Material Personnel

Thresholds for pay gap (difference between highest and lowest paid employees) across various levels within the Bank has been defined under this policy.

The bonus is based on the Board approval considering the Bank's overall profitability against the pre-defined targets set out by the Board and shall be deferred as defined in the policy. Target and achieved values against the defined KPIs are assessed which helps to determine the business unit & individual ratings.

The following criteria is being followed for identification of Material Personnel (MP):

- President / CEO / Chief Operating Officer (COO) or any other equivalent person;
- President / CEO / COO of fully owned local and foreign subsidiaries;
- Member of the Board in its management function (Executive Directors, Non-Executive Directors, Independent Directors);
- The staff member of the senior management i.e. direct reporting to the President / CEO / COO or any other equivalent position;
- Total annual remuneration above Rs. 6 million; or
- Employee is within the 0.3% of the number of staff, rounded up to the next integer, who have been awarded the highest total remuneration in the preceding financial year.

Material Risk Takers (MRT)

An employee (or any individuals within his/her control) is considered a Material Risk Taker (MRTs) if he/she is the head of a significant business line who have a material impact on the Bank's risk profile. MRTs are identified as functions and designations rather than as individuals. MRTs have appropriate level of authority and control.

The compensation mix for MRTs is appropriately balanced and the amount of fixed remuneration is sufficiently high in order to ensure that the reduction of the variable remuneration down to zero would be possible and employees are not dependent on the award of variable remuneration as this might otherwise create incentives for short-term-oriented excessive risk taking.

Further, the variable remuneration of MRTs is compensated on achieving the predetermined qualitative and quantitative objectives considering the risk-adjusted performance and long-term health of the Bank. The qualitative factors may override the achievements of quantitative factors in order to discourage undue/ excessive risk taking.

Material Risk Controllers (MRC)

Functions that are established or need to be established for risk identification and risk mitigation functions are considered as Material Risk Controllers (MRCs). An independent control function comprises organizational units, independent of the business and corporate functions that are responsible for controlling and monitoring the operations and risks arising from those operations, ensuring compliance with all applicable laws, rules and regulations and advising the management functions on the matters within their area of expertise. Further, MRC's have suitable autonomy and authority to perform their tasks independently, without influence from the functions they are assigned to review.

The remuneration level of staff in the control and support functions / MRCs allows the Bank to employ qualified and experienced personnel in these functions. SABL ensures that the mix of fixed and variable remuneration for control and support function personnel is weighted in favour of fixed remuneration. The variable remuneration of control functions is to be based on function-specific objectives and is not determined by the financial performance of the business areas they monitor. This compensation structure is designed to ensure that objectivity and independence of these functions is not compromised.

The Bank's Malus and Clawback provisions in the remuneration policy allow the Bank to determine that, if appropriate, unvested elements under the deferred bonus plan can be forfeited / adjusted or the delivered variable remuneration recovered in certain situations. The intention is to allow the Bank to respond appropriately if the performance factors on which reward decisions were based turn out not to reflect the corresponding performance in the longer term. All deferred compensation awards contain provisions that enable the Bank to reduce or cancel the awards of employees whose individual behaviour has had a materially detrimental impact on the Bank during the concerned performance year.

The Bank at present does not have any Employee Stock Option (ESOS) for its employees.

The balance scorecards for the MRTs and MRTs were developed, and the same are in the process of revision in the HR Policy manual.

The Key Performance Indicators (KPI) of individual positions have been developed and will assist the business to reach the annual objectives for the positions and will be evaluated at year end.

RISK MANAGEMENT

Risk management is an integral part of the Bank's strategic decision-making process, which ensures that the Bank's corporate objectives are consistent with the appropriate risk-return trade-off. The Bank's risk management philosophy is that all risks taken must be identified, measured, monitored and managed within a robust risk management framework.

The Board of Directors has oversight on all the risks assumed by the Bank. It approves the risk management strategy, policies and determines the type and level of business risks that the Bank undertakes in achieving its corporate objectives. The Board has delegated to various Committees the authority to facilitate focused oversight of various risks, formulate and review policies on monitoring and managing risk exposures. The major policy decisions and proposals on risk exposures approved by these Committees are subject to review by the Board Risk Management Committee (BRMC). BRMC oversees senior management's activities in managing credit, market, liquidity, operational, IT, legal, fraud & forgery, compliance and other risks to ensure existence of a strong risk management framework in the Bank. In order to strengthen the risk management process, the Bank regularly updates its risk management policies and risk limits.

Various functions like Compliance, Legal, Credit, Risk Management, Internal Audit, Treasury Middle Office, IT Security, and Centralized Operations Units have been functioning independent of the business units to ensure proper management of risks relating to these areas. The Bank has also constituted various Committees comprising of senior staff having relevant experience who meet regularly to deliberate on matters relating to risk exposures in the areas under their respective supervision. Shariah Compliance Department is operating independently under the Shariah Board.

Segregation of duties and various controls have been instituted by the Bank to mitigate the operational risk. Moreover, the Bank has further strengthened its Credit, Operational and Information Security Risk Management functions by employing various risk management tools, techniques and staff resources. Regular Business Continuity and Disaster Recovery tests are conducted to ensure business as usual in contingency situations.

CAPITAL STRUCTURE OF THE BANK

As at December 31, 2022, the Bank's paid up capital (net of losses) stood at negative (-) Rs. 21.801 billion as against the statutory requirement of Rs. 10 billion prescribed by SBP while the Capital Adequacy Ratio of the Bank stood at negative (-) 79.55% as against the minimum requirement of 11.50%.

The Bank is currently finalizing the equity injection and H.E. Nasser Abdulla Hussain Lootah has deposited Rs. 10.070 billion with the Bank and would be acquiring majority shareholding alongside taking management control of the Bank subject to receipt of regulatory approvals.

The Bank is fully prepared to capitalize on the business opportunities available in the market and will continue to focus on its strategy for long-term sustainable growth. For this, the management has prepared a business plan, which has been approved by the Board as detailed in note 1.3 of the unconsolidated financial statements.

UNCERTAINTIES THAT COULD AFFECT THE BANK'S RESOURCE, REVENUES AND OPERATIONS

Factors that may potentially affect the Bank's resource, revenues and operations are:

- Decisions on Discount Rate / Monetary policy;
- Revisions to rate of returns on deposits;
- Repricing of earning assets;
- Geo-Political risks and uncertainties across the geography that we operate in;
- Law and Order situation;
- Local Government rules and regulations;
- Credit rating of the Bank;
- Inflation, fuel and general commodity prices;
- Corporate taxation measures; and
- The potential impacts of changes in accounting and regulatory framework.

STATEMENT ON INTERNAL CONTROLS

This statement is presented to comply with the requirements of State Bank of Pakistan (SBP)'s BSD Circular No. 7 of 2004 dated May 27, 2004 "Guidelines on Internal Controls", SBP's OSED Circular No.01 dated February 07, 2014 and SBP BSD-I Circular Letter No. 1 of 2021 dated July 06, 2021 on "Instructions on Internal Controls over Financial Reporting (ICFR)".

The management of the Bank is responsible for establishing and maintaining an adequate and effective system of internal controls which has the main objective of ensuring effectiveness and efficiency of operations, reliability of financial reporting, safeguarding of assets and compliance with applicable laws and regulations.

The control activities are being closely monitored across the Bank through Compliance, Risk Management, Shariah and Internal Audit departments, which covers all banking activities in general and key risk areas in particular. The Management has Compliance and Internal Control Committee that focus on compliance risk issues and reviews the adequacy of controls and systems to meet the regulatory requirements. The Board of Directors has formed an Audit Committee which has direct oversight responsibility to ensure the independence of the internal and external audit function. The Audit Committee meets at least once every quarter to discuss the scope and results of the work performed by Shariah and Internal Audit departments. The Audit Committee also meets with external auditors prior to approval of half-yearly and annual results of the Bank.

Based on observations and weaknesses found and identified by the auditors both internal and external and the Compliance, Risk Management and Shariah audit teams, improvements are brought about by the management in internal controls to ensure non-recurrence of those exceptions and elimination of such weaknesses to the maximum possible level. Further, to ensure compliance with regulatory requirements including AML/CFT requirements, compliance division has been restructured and strengthened.

While the Internal Controls System is effectively implemented and monitored, there are inherent limitations in the effectiveness of any system, including the possibility of human error or system failure, circumvention and overriding of controls. Accordingly, even an effective internal control system can provide reasonable but not absolute assurance that the system's objective will be achieved.

The Bank had successfully completed all stages of its ICFR program and on that basis, State Bank of Pakistan vide BSD-1 Circular Letter No. 01 of 2021 dated July 6, 2021 has allowed the Banks to discontinue annual submission of Long Form Report (LFR) or Annual Assessment Report (AAR) on efficacy of ICFR to State Bank of Pakistan (SBP). However, the banks shall continue to prepare LFR or AAR on annual basis under ICFR instructions/ framework. The Bank submits annual report on ICFR to the Board Audit Committee.

Based on the above, the Board of Directors endorses the management's assurance on Internal Controls.

CORPORATE SOCIAL RESPONSIBILITY

Summit Bank has always focused on being a customer centric Bank having a great legacy of service and digital innovation spanning over 18 years. Yet again the Bank has taken many digital initiatives and deployed numerous projects in a socially responsible way.

The Bank undertakes CSR initiatives with a vision to contribute towards building a digital and cashless society which is sustainable for all communities. Following tasks were undertaken as CSR activities by the Bank:

- The Bank was amongst top 10 banks to launch RAAST (SBP's payment rail) which will further cater to cashless transactions and bring ease to customers while initiating fund transfers.
 - Phase 1: Digitization of Bulk Payments.
 - Phase 2: Digitization P2P Payments via Alias.
- Successfully launched End to End digitization of Foreign exchange by virtue of its FX Portal. This portal is for foreign exchange applications for our customers (Individual and Corporate clients). Through this innovative digital portal, customers can now initiate various types of Foreign Exchange transactions without visiting any branch.
- Successfully launched Pakistan Single Window (PSW). PSW is an initiative which is led by Pakistan Customs and is focused on reducing both, time as well as the cost of doing business, by digitalizing Pakistan's cross border trade and eliminating paper based manual processes.
- Promoted the usage of Mobile transactions by enabling QR payments at physical merchants for our customers and have constantly promoted the use of this new age technology.
- Promoted the use of Ecommerce transaction and supported documented payments by virtue of promoting newly formed PSO/PSPs.
- Conducted customer awareness campaign about the products and digital channels security through social media and website.
- Endeavoured to build and maintain sound relationships with the customers and other stakeholders through fair communication in order to contribute towards sustainable image building.

EXTERNAL AUDIT

The current auditors, Messrs. Baker Tilly Mehmood Idrees Qamar & Co., Chartered Accountants, retire and, having completed a 5-year term, are no longer eligible for reappointment as per the Code of Corporate Governance. Accordingly, the Board of Directors, on the recommendation of the Board Audit Committee, recommends the appointment of Messrs. Yousuf Adil, Chartered Accountants, as the auditors of the Bank for the financial year 2023 at a fee of Rs 3.235 million with out of pocket expenses and taxes to be paid at actuals. The appointment shall be subject to approval in the forthcoming Annual General Meeting of the Bank's shareholders.

The firm of auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, and that the firm and all their partners are compliant with the International Federation of Accountants' (IFAC) Guidelines on Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan, and meet the requirements for appointment under all applicable laws.

PATTERN OF SHAREHOLDING

The ownership structure along with the pattern of shareholding and categories of shareholders as at December 31, 2022 has been made part of the Annual Report.

ACKNOWLEDGEMENT

On behalf of the Board, we would once again like to thank the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan, and other regulatory authorities for their continuous guidance and support. At the same time, we would like to express our gratitude to our shareholders, our customers and the Bank's staff for their continued support.

On behalf of the Board.

Jawad Majid Khan
President and Chief Executive Officer

Fauzia Hasnain
Director

Summit Bank
February 21, 2023
Karachi

بیرونی آڈٹ

موجودہ آڈیٹرز، میسرز بیکر ٹیلی جمودادریس قرائینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو رہے ہیں اور، 5 سال کی مدت پوری کرنے کے بعد، کوڈ آف کارپوریٹ گورننس کے مطابق دوبارہ تقرری کے اہل نہیں ہیں۔ اس کے مطابق، بورڈ آف ڈائریکٹرز، بورڈ آڈٹ کمیٹی کی سفارش پر، میسرز یوسف عادل، چارٹرڈ اکاؤنٹنٹس کو 3.235 ملین روپے کی فیس پر مالی سال 2023ء کے لیے بینک کے آڈیٹرز کے طور پر انتخاب کی سفارش کی ہے، جبکہ دیگر اخراجات اور ٹیکس حقیقی بنیاد پر ادا کیے جائیں گے۔ تقرری بینک کے شیئر ہولڈرز کی آئندہ سالانہ جنرل میٹنگ میں منظوری سے مشروط ہوگی۔

آڈیٹرز کی فرم نے تصدیق کی ہے کہ انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان کے کوالٹی کنٹرول ریویو پروگرام کے تحت انھیں تسلی بخش درجہ بندی دی گئی ہے، اور یہ کہ فرم اور ان کے تمام شراکت دار انٹرنیشنل فیڈریشن آف اکاؤنٹنٹس (IFAC) کی رہنمادہدایات، نیز ضابطہ اخلاق، جیسا کہ انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان نے اپنایا ہے، سے ہم آہنگ ہیں۔ اور تمام قابل اطلاق قوانین کے تحت تقرری کے تقاضے پورے کرتے ہیں۔

شیئر ہولڈنگ کا پیٹرن

31 دسمبر 2022ء کے مطابق شیئر ہولڈنگ کے نمونوں اور شیئر ہولڈرز کے زمروں کے ساتھ ملکیت کا ڈھانچہ سالانہ رپورٹ کا حصہ بنایا گیا ہے۔

تعریف و توثیق

ہم، بورڈ کی جانب سے اسٹیٹ بینک آف پاکستان، سکیورٹیز اینڈ ایکسچینج کمیشن پاکستان، دیگر ضابطہ کاروں کی مسلسل رہنمائی اور معاونت پر شکر گزار ہیں۔ نیز ہم مسلسل معاونت پر ہمارے اسٹیک ہولڈرز، ہمارے صارفین اور بینک کے عملے کا شکریہ ادا کرنا چاہیں گے۔

بورڈ آف ڈائریکٹرز کی جانب سے

فوزیہ حسین
ڈائریکٹر

جواد ماجد خان
صدر اور چیف ایگزیکٹو آفیسر

سمٹ بینک

21 فروری 2023ء

کراچی

بینک نے اپنے ICFR پروگرام کے تمام مراحل کامیابی کے ساتھ مکمل کر لیے تھے اور اسی بنیاد پر، اسٹیٹ بینک آف پاکستان نے بی ایس ڈی 1 سرکلر لیٹر نمبر 01 برائے 2021ء بتاریخ 6 جولائی 2021ء کے ذریعے بینکوں کو لاگ فارم رپورٹ (LFR) کو سالانہ بنیاد پر جمع کرانے یا اسٹیٹ بینک آف پاکستان (SBP) کو ICFR کی افادیت پر سالانہ تشیعی رپورٹ (AAR) کو بند کرنے کی اجازت دی ہے۔ تاہم، بینک ICFR ہدایات/فریم ورک کے تحت سالانہ بنیادوں پر LFR یا AAR تیار کرنا جاری رکھیں گے۔ بینک ICFR پر سالانہ رپورٹ بورڈ کی آڈٹ کمیٹی کو پیش کرتا ہے۔

مندرجہ بالا کی بنیاد پر، بورڈ آف ڈائریکٹرز اندرونی کنٹرول پر انتظامیہ کی یقین دہانی کی توثیق کرتا ہے۔

کارپوریٹ سماجی ذمہ داری

پاکستان میں ایک صارفین پر مرکوز بینک ہونے کے طور پر، سمٹ بینک لمیٹڈ، 18 برسوں پر محیط خدمات اور ڈیجیٹل انویشن کی عظیم میراث کا حامل ہے۔ اب بھی بینک نے بہت سے ڈیجیٹل اقدامات کیے ہیں اور سماجی طور پر ذمہ دارانہ انداز میں متعدد منصوبے بروئے کار لائے ہیں۔

بینک کیونٹری کی ہم آہنگی اور پائیدار ترقی کے لیے شراکت کے نصب العین کے ساتھ ساتھ سی ایس آر اقدامات کرتا ہے۔ بینک کی طرف سے سی ایس آر سرگرمیوں کے طور پر مندرجہ ذیل کام کیے گئے:

- سمٹ بینک راست (اسٹیٹ بینک کا ادا نیگی کا نظام) کا آغاز کرنے والے 10 اہم بینکوں میں شامل تھا جو بے نقدی لین دین سے نئے گا اور فنڈ کی منتقلی کرتے ہوئے صارفین کو آسانی فراہم کرے گا۔
- مرحلہ 1: بھاری ادا نیگیوں کی ڈیجیٹائزیشن۔
- فیئر 2: بذریعہ عرفیت (alias) P2P ادا نیگیوں کی ڈیجیٹائزیشن۔
- سمٹ بینک نے اپنے زر مبادلہ پورٹل کے ذریعے زر مبادلہ کی مکمل ڈیجیٹائزیشن کا کامیابی سے آغاز کیا۔ یہ پورٹل ہمارے صارفین (انفرادی اور کارپوریٹ کلائنٹس) کی جانب سے زر مبادلہ کی درخواستوں کے لیے ہے۔ اس جدید ڈیجیٹل پورٹل کے ذریعے، صارفین اب کسی بھی براؤزنگ کا دورہ کیے بغیر مختلف قسم کے زر مبادلہ لین دین کر سکتے ہیں۔
- سمٹ بینک نے پاکستان سٹنگل ونڈو (PSW) کا بھی کامیابی سے آغاز کیا ہے۔ PSW ایک ایسا اقدام ہے جسے پاکستان گسٹز چارٹی ہے اور پاکستان کی سرحد پار تجارت کو ڈیجیٹائز کر کے اور کاغذ پر مبنی دستی پراسس کو ختم کر کے وقت اور کاروبار کی لاگت دونوں کو کم کرنے پر مرکوز ہے۔
- اپنے صارفین کے لیے فزیکل مرچنٹس پر QR ادا نیگیوں کو فعال کر کے موبائل ٹرانزیکشنز کے استعمال کو فروغ دیا اور اس نئے دور کی ٹیکنالوجی کے استعمال کو مسلسل فروغ دیا ہے۔
- ای کامرس لین دین کے استعمال کو فروغ دیا اور نو تشکیل شدہ پی ایس او/پی ایس بیز کی معاونت سے دستاویزی ادا نیگیوں کی سپورٹ کی۔
- سوشل میڈیا اور ویب سائٹ کے ذریعے مصنوعات اور ڈیجیٹل سٹیبلٹی کی سیکورٹی کے بارے میں صارفین آگاہی مہم چلائی۔
- پائیدار سائیکل کے لیے شفاف ابلاغ کے ذریعے صارفین اور دیگر اسٹیک ہولڈرز کے ساتھ اچھے تعلقات بنانے اور برقرار رکھنے کی کوشش کی۔

- مہنگائی، فیول اور عام اجناس کی قیمتیں؛
- کارپوریٹ ٹیکس کے اقدامات؛ اور
- اکاؤنٹنگ اور ضوابطی فریم ورک میں تبدیلیوں کے ممکنہ اثرات۔

داخلی کنٹرولز پر بیان

اسٹیٹ بینک کے بی ایس ڈی سرکلر نمبر 7 بتاریخ 27 مئی 2004ء "اندرونی کنٹرول سے متعلق رہنما خطوط"، اسٹیٹ بینک کے او ایس ای ڈی سرکلر نمبر 01 بتاریخ 07 فروری 2014ء اور اسٹیٹ بینک کے بی ایس ڈی 1 سرکلر لیٹر نمبر 01 بتاریخ 06 جولائی 2021ء "فنانشل رپورٹنگ (ICFR) پر اندرونی کنٹرول پر ہدایات" کہ مطابق یہ بیان تشکیل دیا گیا ہے۔

بینک کی انتظامیہ داخلی کنٹرول کا ایک مناسب اور موثر نظام قائم کرنے اور اسے برقرار رکھنے کے لیے ذمہ دار ہے جس کا بنیادی مقصد آپریشنز کی اثر انگیزی اور کارکردگی، مالیاتی رپورٹنگ کی اعتباریت، اثاثوں کی حفاظت اور قابل اطلاق قوانین اور ضوابط کی تعمیل کو یقینی بنانا ہے۔

کمپلائنس، انتظام خطر، شریعہ اور داخلی آڈٹ کے شعبوں کے ذریعے پورے بینک میں کنٹرول کی سرگرمیوں کی کڑی نگرانی کی جارہی ہے، جو عمومی طور پر تمام بینکاری سرگرمیوں کا احاطہ کرتی ہے اور بالخصوص خطرے والے اہم شعبوں کا احاطہ کرتی ہے۔ انتظامیہ کے پاس تعمیل اور داخلی کنٹرول کی کمیٹی موجود ہے جو تعمیل کے خطرے کے مسائل پر توجہ مرکوز کرتی ہے اور ضوابطی تقاضوں کو پورا کرنے کے لیے کنٹرولز اور سسٹمز کی مناسبت کا جائزہ لیتی ہے۔ بورڈ آف ڈائریکٹرز نے ایک آڈٹ کمیٹی تشکیل دی ہے جس کی ذمہ داری براہ راست نگرانی کی ہے تاکہ داخلی اور بیرونی آڈٹ فنکشن کی آزادی کو یقینی بنایا جاسکے۔ آڈٹ کمیٹی ہر سہ ماہی میں کم از کم ایک بار

اجلاس کرتی ہے تاکہ شریعہ اور اندرونی آڈٹ کے شعبوں کے ذریعہ انجام دیے گئے کام کے دائرہ کار اور نتائج پر تبادلہ خیال کیا جاسکے۔ آڈٹ کمیٹی بینک کے ششماہی اور سالانہ نتائج کی منظوری سے قبل بیرونی آڈیٹرز سے بھی ملاقات کرتی ہے۔

داخلی اور بیرونی آڈیٹرز اور کمپلائنس، انتظام خطر اور شریعہ آڈٹ ٹیموں کی جانب سے پائے جانے والے مشاہدات اور کمزوریوں کی بنیاد پر، انتظامیہ کی طرف سے داخلی کنٹرولز میں بہتری لائی جاتی ہے تاکہ ان اسٹیجی کے دوبارہ نہ ہونے کو یقینی بنایا جاسکے اور اس طرح کی کمزوریوں کو زیادہ سے زیادہ ممکنہ سطح تک ختم کیا جاسکے۔ مزید برآں، اے ایم ایل/ای ایف ٹی کی ضروریات سمیت ضوابطی تقاضوں کی تعمیل کو یقینی بنانے کے لیے، تعمیل ڈویژن کی تشکیل نو کر کے اسے تقویت دی گئی ہے۔

اگرچہ داخلی کنٹرول کے سسٹم کو موثر طریقے سے لاگو کیا جاتا ہے اور اس کی نگرانی کی جاتی ہے، تاہم انسانی غلطی یا نظام کی ناکامی کا امکان، کنٹرولز اور کنٹرولز کو دور رائیڈنگ سمیت کسی بھی نظام کی اثر انگیزی کی کچھ موروثی حدود ہوتی ہیں۔ اس کے مطابق، ایک موثر داخلی کنٹرول سسٹم بھی معقول، تاہم قطعی نہیں، یقین دہانی کر سکتا ہے کہ نظام کا مقصد حاصل ہو جائے گا۔

تعمیل، قانونی، کریڈٹ، انتظامِ خطر، انٹرنل آڈٹ، بزنس ریویو، آئی ٹی سکیورٹی، اور سنٹرلائزڈ آپریشن یونٹس جیسے مختلف ڈویژن کاروباری یونٹوں سے آزاد کام کر رہے ہیں تاکہ ان شعبوں سے متعلقہ خطرات کے مناسب انتظام کو یقینی بنایا جاسکے۔ بینک نے بینک کے سینئر ایگزیکٹوز پر مشتمل مختلف کمیٹیاں بھی تشکیل دی ہیں جو اپنی نگرانی میں خطرے کے اکتشاف سے متعلق معاملات پر غور کرنے کے لیے باقاعدگی سے ملاقات کرتی ہیں۔ شریعت سے ہم آہنگی پیدا کرنے پر مامور شعبہ شریعت بورڈ کے ماتحت پوری آزادی سے کام کر رہا ہے۔

آپریٹنگ خطرے کو کم کرنے کے لیے بینک کی جانب سے فرائض کی درجہ بندی اور مختلف دیگر کنٹرول قائم کیے گئے ہیں۔ مزید یہ کہ، بینک نے اپنے کریڈٹ، آپریٹنگ اور انفارمیشن سیکورٹی انتظامِ خطر کے افعال کو انتظامِ خطر کے مزید ٹولز اور تکنیکوں کے ذریعے مزید مضبوط کیا ہے۔ ہنگامی حالات میں کاروباری تسلسل کو یقینی بنانے کے لیے باقاعدہ کاروباری تسلسل اور تباہی سے بحالی کے ٹیسٹ کیے جاتے ہیں۔

بینک کی سرمایہ جاتی ساخت

روپے کی قانونی ضرورت کے مقابلے میں اسٹیٹ بینک کی جانب سے مقرر کیے گئے 10 ارب کے مقابلے میں 31 دسمبر 2022ء تک، بینک کا ادا شدہ سرمایہ (خسارے کا خالص) منفی (-) 21.801 ارب روپے تھا، جبکہ بینک کی شرح کفایت سرمایہ کے کم از کم 11.50 فیصد کے تقاضے کے مقابلے میں منفی (-) 79.55 فیصد تھی۔

بینک فی الحال ایکویٹی کے ادخال کو حتمی شکل دے رہا ہے اور آں جناب ناصر عبداللہ حسین لوط نے بینک میں 10.070 ارب روپے جمع کرائے ہیں اور اکثریت شیئر ہولڈنگ حاصل کرنے کے ساتھ ساتھ ضوابطی منظور یوں کے حصول مشروط بینک کا انتظامی کنٹرول سنبھال لیں گے۔

بینک مارکیٹ میں دستیاب کاروباری مواقع سے فائدہ اٹھانے کے لیے پوری طرح تیار ہے اور طویل مدتی پائیدار ترقی کے لیے اپنی حکمت عملی پر توجہ مرکوز رکھے گا۔ اس کے لیے، انتظامیہ نے ایک کاروباری منصوبہ تیار کیا ہے، جسے بورڈ نے منظور کیا ہے اور جو غیر متفقہ مالیاتی بیانات کے نوٹ 1.3 میں تفصیل سے مذکور ہے۔

غیر یقینی حالات جو بینک کے وسائل، محاصل اور آپریٹنگ کو متاثر کرتے ہیں

وہ عوامل جو ممکنہ طور پر بینک کے وسائل، محاصل اور آپریٹنگ کو متاثر کر سکتے ہیں، وہ درج ذیل ہیں:

- ڈسکاونٹ کی شرح / زری پالیسی کے فیصلے؛

- ڈپازٹس پر شرح منافع میں ردوبدل؛

- آمدن اثاثوں کی قیمت بندی؛

- جغرافیائی، سیاسی خطرات اور غیر یقینی صورت حال جس میں ہم کام کرتے ہیں؛

- امن و امان کی صورت حال

- مقامی حکومت کے قواعد و ضوابط

- بینک کی کریڈٹ ریٹنگ؛

کنٹرول اور سپورٹ فنکشنز/ ایم آر میں عملے کے معاوضے کی سطح بینک کو ان افعال میں اہل اور تجربہ کار افراد کو ملازمت دینے کی اجازت دیتی ہے۔ سٹ پیکنگ لیٹنڈ اس بات کو یقینی بناتا ہے کہ کنٹرول اور سپورٹ فنکشن کے اہلکاروں کے لیے مقررہ اور متغیر معاوضے کی ترکیب مقررہ معاوضے کے حق میں سازگار ہے۔ کنٹرول فنکشنز کا متغیر معاوضہ فنکشن کے مخصوص مقاصد پر مبنی ہوتا ہے اور ان کا رو باری شعبوں کی مالی کارکردگی سے طے نہیں ہوتا جن کی وہ نگرانی کرتے ہیں۔ معاوضے کا یہ اسٹرکچر اس بات کو یقینی بنانے کے لیے بنایا گیا ہے کہ ان کاموں کی معروضیت اور غیر جانبداری پر سمجھوتہ نہ کیا جائے۔

معاوضہ پالیسی میں بینک کی Malus اور Clawback کی دفعات بینک کو اس بات کا تعین کرنے کی اجازت دیتی ہیں کہ اگر مناسب ہو تو مؤخر بونس پلان کے تحت غیر منقسم عناصر کو ضبط/ ایڈجسٹ کیا جاسکے یا بعض حالات میں ادا شدہ متغیر معاوضہ وصول کیا جاسکتا ہے۔ اس کی وجہ یہ ہے کہ بینک کو مناسب رد عمل کی اجازت دی جائے اگر کارکردگی کے وہ عوامل جن پر انعامات کے فیصلے کیے گئے تھے وہ طویل مدتی اعتبار سے متعلقہ کارکردگی کی عکاسی نہ کرتے ہوں۔ تمام مؤخر معاوضہ انعامات میں ایسی دفعات شامل ہیں جو بینک کو ان ملازمین کے ایوارڈز کو کم یا منسوخ کرنے کے قابل بناتی ہیں جن کے انفرادی رویے نے متعلقہ کارکردگی کے سال کے دوران بینک کے لیے مادی طور پر نقصان دہ اثر ڈالا ہو۔

فی الحال ملازمین کے لیے کوئی ایسپلائی اسٹاک آپشن (ای ایس او ایس) نہیں ہے۔

ایم آر اور ایم آر ریز کے عہدوں کے لیے متوازن اسکور کارڈ تیار کیے جاتے ہیں جو برقرار ہیں۔ یہ ان کی انفرادی کلیدی کارکردگی کے اظہاریوں پر مبنی ہیں جو بینک کے اہداف میں شریک شعبوں کی مجموعی کارکردگی کے مطابق ہیں۔

بینک بھر میں انفرادی عہدوں کے کلیدی کارکردگی کے اشارے (کے پی آئیز) ابھی تیار کیے جا رہے ہیں۔ یہ کے پی آئیز بینک بھر میں عہدوں کے سالانہ مقاصد کو تیار کرنے میں مدد کریں گے اور ان کے پی آئیز کے مطابق کامیابیوں کی کارکردگی کا جائزہ لیا جائے گا۔

انتظام خطر

انتظام خطر بینک کے اسٹریٹجک فیصلہ سازی کے عمل کا ایک لازمی حصہ ہے، جو اس بات کو یقینی بناتا ہے کہ بینک کے کارپوریٹ مقاصد خطرے کے مناسب انتظام کے مطابق ہوں۔ بینک کا انتظام خطر کا فلسفہ یہ ہے کہ تمام خطرات کی نشاندہی، پیمائش، نگرانی اور انتظام کیا جانا چاہیے۔

بورڈ کی جانب سے بورڈ آف ڈائریکٹرز تمام خطرات کی نگرانی کرتا ہے۔ یہ انتظام خطر کی حکمت عملی اور پالیسیوں کی منظوری دیتا ہے اور کاروباری خطرات کی قسم اور سطح کا تعین کرتا ہے جو بینک اپنے کارپوریٹ مقاصد کے حصول میں استعمال کرتا ہے۔ بورڈ نے مختلف کمیٹیوں کو اختیار تفویض کیا ہے کہ وہ خطرات کی نگرانی اور انتظام کے حوالے سے پالیسیاں مرتب کریں، مختلف خطرات پر توجہ مرکوز کریں۔ ان کمیٹیوں کی جانب سے خطرے کے منظور شدہ اکتشاف کے بارے میں اہم پالیسی فیصلے اور تجاویز بورڈ کی انتظام خطر کمیٹی (بی آر ایم سی) سے مشروط ہیں۔ بورڈ نے بینک میں مضبوط انتظام خطر فریم ورک کے وجود کو یقینی بنانے کے لیے کریڈٹ، مارکیٹ، سیالیت، آپریشنل، آئی ٹی، قانونی، دھوکہ دہی اور جعل سازی، تعمیل اور دیگر خطرات کے انتظام میں سینئر مینجمنٹ کی سرگرمیوں کی نگرانی کے لیے بی آر ایم سی کو مقرر کیا ہے۔ انتظام خطر کے عمل کو مزید مضبوط بنانے کے لیے، بینک اپنی انتظام خطری پالیسیوں اور خطرے کی حدود کو مسلسل اپ ڈیٹ کرتا رہتا ہے۔

مفید ملازم (ایم پی) کی نشان دہی کے لیے درج ذیل معیارات پر عمل کیا جاتا ہے:

- صدر ای سی او/ چیف آپریٹنگ آفیسر (سی او او) یا کوئی دوسرا مساوی شخص؛
- مکمل ملکیت والے مقامی اور غیر ملکی ذیلی اداروں کے صدر ای سی او/ سی او او؛
- بورڈ کے رکن اپنے انتظامی کردار میں (ایگزیکٹو ڈائریکٹرز، نان ایگزیکٹو ڈائریکٹرز، خود مختار ڈائریکٹرز)؛
- سینئر مینجمنٹ کے عملے کا رکن یعنی صدر ای سی او/ سی او او یا کسی اور مساوی پوزیشن کو براہ راست رپورٹ کرنے والے؛
- کل سالانہ معاوضہ 6 ملین روپے سے زائد؛ یا
- ملازم عملے کی تعداد کے 0.3 فیصد کے اندر ہے، جو اگلے عدوتک راولڈ آف کیا جاتا ہے، جنہیں گذشتہ مالی سال میں سب سے زیادہ معاوضہ دیا گیا ہو۔

مادی خطرہ لینے والے (ایم آر ٹی)

ایک ملازم (یا اس کے کنٹرول میں موجود کوئی بھی فرد) کو مادی خطرہ لینے والا (ایم آر ٹیز) سمجھا جاتا ہے اگر وہ کسی اہم کاروباری لائن کا سربراہ ہے جس کا بینک کے خاکہ خطرہ پر مادی اثر پڑتا ہے۔ ایم آر ٹیز کی نشان دہی افراد کی بجائے افعال اور عہدہ کی طور پر کی جاتی ہے۔ ایم آر ٹیز مناسب سطح کے اختیار اور کنٹرول کے حامل ہوتے ہیں۔

ایم آر ٹیز کے لیے معاوضے کی ترکیب مناسب طور پر متوازن ہیا اور معین معاوضے کی مقدار کافی زیادہ ہے تاکہ یہ یقینی بنایا جاسکے کہ متغیر معاوضے کو صرف تک کم کرنا ممکن ہو سکے اور ملازمین متغیر معاوضے کے انعام پر انحصار نہ کریں کیونکہ یہ قلیل مدتی فائدے کے لیے ضرورت سے زیادہ خطرہ لینے کی ترغیب پیدا کر سکتا ہے۔

مزید یہ کہ ایم آر ٹی کے متغیر معاوضے کی ادائیگی پہلے سے طے شدہ معیار اور مقداری مقاصد کے حصول پر ہوتا ہے جو کہ بینک کی برطابق خطرہ کا کردگی اور طویل مدتی صحت پر غور کرتا ہے۔ غیر ضروری/ ضرورت سے زیادہ خطرہ مول لینے کی حوصلہ شکنی کے لیے معیار کے عوامل مقداری عوامل کی کامیابیوں کو زیر کر سکتے ہیں۔

مادی خطرے کے کنٹرولرز (ایم آر سی)

وہ افعال جو خطرے کی نشان دہی اور خطرے کو کم کرنے کے افعال کے لیے قائم کیے گئے ہیں یا جنہیں قائم کیے جانے کی ضرورت ہے انہیں مادی خطرے کے کنٹرولرز (ایم آر سی) سمجھا جاتا ہے۔ ایک خود مختار کنٹرول فنکشن تنظیمی اکائیوں پر مشتمل ہوتا ہے، جو کاروباری اور کارپوریٹ افعال سے آزاد ہوتا ہے جو ان آپریٹرز سے پیدا ہونے والے امور اور خطرات کو کنٹرول کرنے اور ان کی نگرانی کرنے کے ذمہ دار ہوتے ہیں، تمام قابل اطلاق قوانین، قواعد و ضوابط کی تعمیل کو یقینی بناتے ہیں اور اپنی مہارت کے شعبے میں انتظامی افعال کو مشورہ دیتے ہیں۔ مزید یہ کہ ایم آر سی کے پاس مناسب خود مختاری اور اختیارات ہیں کہ وہ اپنے افعال کو آزادانہ طور پر انجام دے سکیں، ان فنکشنز کے اثر سے آزاد جو انہیں جائزہ لینے کے لیے تفویض کیے گئے ہیں۔

ڈائریکٹروں کا اعزاز یہ

سمٹ بینک لمیٹڈ سال کے دوران نان ایگزیکٹو ڈائریکٹرز اور چیئرمین کو بورڈ یا اس کی کمیٹی کے اجلاسوں میں شرکت کے لیے معقول اور مناسب اعزاز یہ ادا کرتا ہے۔ بورڈ اور/یا کمیٹی کے اجلاسوں میں شرکت کے لیے نان ایگزیکٹو ڈائریکٹرز/چیئرمین کو ادا کیے جانے والے اعزاز یہ کی شیئر ہولڈرز سالانہ جنرل میٹنگ (اے جی ایم) میں پہلے یا بعد کی بنیاد پر منظوری دی جا چکی ہے۔

نان ایگزیکٹو ڈائریکٹرز کے ضمن میں، اعزاز یہ کی سطح بینک میں ان ڈائریکٹرز کے تجربہ اور ان کی جانب سے ادا کی گئی ذمہ داریوں کی سطح کو ظاہر کرتی ہے۔ نان ایگزیکٹو ڈائریکٹرز کے معاوضے میں کارکردگی سے متعلقہ عناصر جیسے شیئرز کی گرانٹ، شیئر آپشنز یا دیگر مؤخر اسٹاک سے متعلق ترسیلی اسکیمیں، بونس یا پمشن کے فوائد شامل نہیں ہیں۔ نان ایگزیکٹو ڈائریکٹرز اجلاس کی فیس کے علاوہ کمیٹی سے کوئی معاوضہ نہیں لیتے۔

21 دسمبر 2021ء کو منعقدہ 15 ویں (ملٹوی) سالانہ اجلاس میں، بینک کے شیئر ہولڈرز نے بورڈ آف ڈائریکٹرز کی سفارش پر بورڈ مینٹنڈ اور بورڈ سب کمیٹی کے اجلاسوں میں شرکت کے لیے نان ایگزیکٹو/خود مختار ڈائریکٹرز کو قابل ادا گئی فیس کے معاوضے کو ایک لاکھ 50 ہزار روپے سے بڑھا کر 3 لاکھ روپے کرنے کی منظوری دی۔ اس کے علاوہ، نان ایگزیکٹو/خود مختار ڈائریکٹرز بورڈ مینٹنڈ، بورڈ کی ذیلی کمیٹیوں کے اجلاسوں اور بینک کے شیئر ہولڈرز کے اجلاسوں میں شرکت کے لیے بورڈنگ، قیام اور ہوائی کرائے کے حق دار ہیں۔

2022ء میں نان ایگزیکٹو ڈائریکٹرز کو ادا کی گئی فیس کی تفصیلات نوٹ 37.2 میں غیر جامع مالیاتی بیانات میں ظاہر کی گئی ہیں۔ ایگزیکٹو ڈائریکٹرز کو اجلاس کی فیس کی مدد میں کوئی اعزاز یہ نہیں دیا جاتا۔ ایگزیکٹو ڈائریکٹرز اور چیف ایگزیکٹو کے اعزاز یہ کے بکنج نوٹ 37.1 میں غیر جامع مالیاتی بیانات میں ظاہر کیا گیا ہے۔

شریعت بورڈ کا اعزاز یہ

سمٹ بینک لمیٹڈ شریعت بورڈ کے ارکان کو معین سالانہ فیس کی ادائیگی کے علاوہ کارکردگی سے منسلک کوئی مراعات فراہم نہیں کرتا۔ 2022ء میں شریعت بورڈ کے ارکان کو ادا کیے گئے اعزاز یہ کی تفصیلات نوٹ 37.3 میں غیر جامع مالیاتی بیانات میں ظاہر کی گئی ہیں۔

مفید ملازم کی تعریف اور تعین

اس پالیسی کے تحت بینک کے اندر مختلف سطحوں پر تنخواہ کے فرق (سب سے زیادہ اور سب سے کم تنخواہ والے ملازمین کے درمیان فرق) کی حد مقرر کی گئی ہے۔

بورڈ کی جانب سے پہلے سے طے شدہ اہداف کے مقابلے میں بینک کے مجموعی منافع پر غور کے بعد بورڈ سے منظوری کی بنیاد پر بونس دیا جاتا ہے جسے پالیسی کے مطابق مؤخر بھی کیا جاسکتا ہے۔ مقرر کردہ کے پی آیز کے مطابق ہدف اور حاصل کردہ اقدار کا اندازہ کیا جاتا ہے جو کاروباری یونٹ اور انفرادی درجہ بندیوں کے تعین میں مدد کرتا ہے۔

بینک کا معاوضے کا بنیادی فلسفہ اپنے عملے کو مسابقتی تنخواہوں، مراعات اور متغیر معاوضے کے ساتھ ان کی قیمتی شراکت پر انعام دینا ہے۔ ایس ایم بی ایل کی کارپوریٹ ثقافتی اقدار اور انسانی وسائل کی بنیادی اقدار کے مطابق، بینک کے انعام کے اصول مندرجہ ذیل ہیں:

- اعلیٰ کوالیفائیڈ اور قابل عملے کے ارکان کو اپنی طرف متوجہ کرنا اور ملازمت پر رکھنا اور کارکردگی کے اعلیٰ معیار کو حاصل کرنے کے لیے ان کو مشغول کرنا۔
- معاوضے کا تعین انفرادی، کاروباری یونٹ/ڈویژن اور کارپوریٹ (بینک کی) کارکردگی سے براہ راست منسلک ہوتا ہے؛ اور کارکردگی کی عکاسی کے لیے اس کی سالانہ پڑتال اور رد و بدل کی جاتی ہے۔
- معاوضہ مارکیٹ کے مطابق اور اور تنخواہ کا تعین کرنے والے عاملین مارکیٹ کے اعداد و شمار اور مارکیٹ کے ساتھ قبول شدہ تناسبات پر مبنی ہوتے ہیں۔
- معاوضہ اس انداز میں دیا جاتا ہے جو تمام عملے کے لیے مساویانہ اور منصفانہ ہو۔

معاوضے کی ساخت

ملازمین کے لیے معاوضے کی ساخت کارکردگی، مؤثر انتظام خطر اور معاوضے کے مقاصد کو حاصل کرنے کے لیے وضع کی گئی ہیں۔ ملازمین کو دیے جانے والے معاوضے کی صورتیں ملازم کے عہدے اور کام کے لحاظ سے مختلف ہوتی ہیں اور اس میں نقد رقم اور معاوضے کی دیگر اقسام شامل ہو سکتی ہیں۔

معاوضے کی ترکیب معین اور متغیر معاوضے پر مشتمل ہے۔ مختلف کاروباری لائنوں کے لیے ادا کیے جانے والے معین اجزا کا تناسب کسی ملازم کی نوعیت اور ذمہ داریوں کی سطح، کاروباری علاقہ، جس میں وہ کام کر رہا ہے اور بینک کی معاوضہ پالیسی کے مجموعی فلسفے کو مد نظر رکھتے ہوئے طے کیا جاتا ہے۔ متغیر معاوضے کا تناسب بینک کی مجموعی کارکردگی، متعلقہ کاروباری اکائیوں اور انفرادی کارکردگی کو مد نظر رکھتے ہوئے طے کیا جاتا ہے۔

کل معاوضے کے معین اور متغیر اجزا مناسب طور پر متوازن ہیں اور معین جزو مجموعی معاوضے کے کافی زیادہ تناسب کی نمائندگی کرتا ہے تاکہ متغیر معاوضے کے اجزا پر مکمل طور پر چلک دار پالیسی کو چلایا جاسکے، جس میں کوئی متغیر معاوضہ ادا نہ کرنے کا امکان بھی شامل ہے۔ متغیر جزو ہر ملازم کے مجموعی معاوضے کے معین جزو کے 100 فیصد سے زیادہ نہیں ہے۔ زیادہ تناسب کی کسی بھی منظوری کی اجازت معاوضے کی وجہ، دائرہ کار، بشمول متاثرہ عملے کی تعداد، ان کے افعال اور متوقع اثرات کو شامل کرتے ہوئے بینک کی جانب سے تفصیلی سفارش کے بعد صرف شیئر ہولڈرز کی منظوری کے بعد دی جاسکتی ہے تاکہ مضبوط سرمایہ جاتی اساس برقرار رکھی جاسکے۔

پالیسی کا محور ایم آر شیئر اور ایم آر سیز کی نشان دہی اور کارکردگی کے سالانہ جائزے کے چکر کے دوران ملازمین کی کارکردگی کی جانچ کی بنیاد پر معاوضے کی ترکیب کو متعارف کرانا ہے:

- معین معاوضہ: مہارت، تجربہ اور استعداد کے معاوضے اور بنیادی تنخواہ اور الائنڈس پر مشتمل ہے۔
- متغیر معاوضہ: کارکردگی سے متعلق ہے اور بنیادی طور پر سالانہ کارکردگی کی بنیاد پر مشتمل ہے۔

ڈائریکٹرز کا تربیتی پروگرام

فہرستی کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019ء کے مطابق، بینک کا موجودہ بورڈ آف ڈائریکٹرز ڈائریکٹرز کے تربیتی پروگرام ("DTP") کے قابل اطلاق تقاضوں سے پوری طرح ہم آہنگ ہے۔

درج ذیل ڈائریکٹرز نے اپنے مطلوبہ تربیتی پروگرام کو کامیابی کے ساتھ مکمل کیا ہے:

ڈائریکٹرز کے نام	کورس	کامیابی کا سال
جناب وسیم مہدی سید	کارپوریٹ گورننس لیڈرشپ اسکولز (سی جی ایل ایس)۔ ڈائریکٹر ایجوکیشن پروگرام۔ پی آئی سی جی	دسمبر 2021ء
محترمہ فوزیہ حسین		نومبر 2021ء
جناب وجاہت احمد بٹائی		دسمبر 2021ء
جناب سلمان ظفر صدیقی		فروری 2019ء
جناب ظفر اقبال صدیقی	بورڈ کی اٹھانگریزی کو بڑھانا۔ ڈی ٹی پی۔ لنز	دسمبر 2020ء
جناب جواد ماجد خان		اکتوبر 2016ء

علاوہ ازیں، ڈی ٹی پی کے تقاضے کی تعمیل کرتے ہوئے، بینک نے 2022ء کے دوران بورڈ آف ڈائریکٹرز کے لیے اسلامی بینکاری پر ایک روزہ خصوصی تربیتی سیشن بھی منعقد کیا تھا جس کا مقصد انھیں بالخصوص اسٹیٹ بینک کی طرف سے جاری کردہ شریعہ گورننس فریم ورک کی تعمیل کرتے ہوئے اسلامی بینکاری کے نفاذ کے حوالے سے ان کے کردار اور ذمہ داریوں سے آگاہ کرنا تھا۔

بورڈ کے جائزے کا طریقہ کار

کارپوریٹ نظم و نسق کے ضوابطی فریم ورک کے جی۔ جی۔ 13 اور بی پی آر ڈی سرکلر نمبر 11 برائے 2016ء بتاریخ 22 اگست 2016ء، اور سٹ بینک کی طرف سے اپنائے گئے طریقہ کار کے مطابق، بورڈ نے جائزے کے داخلی عمل کے بجائے بیرونی جائزے کا انتخاب کیا ہے جس کا مقصد بورڈ آف ڈائریکٹرز کی شفافیت اور سلیٹ کو برقرار رکھنا ہے۔ بورڈ ارکان نے پاکستان انسٹی ٹیوٹ فار کارپوریٹ گورننس ("PICG") کو بورڈ کی مجموعی کارکردگی، اس کی کمیٹیوں اور بورڈ اراکین میں سے ہر ایک کا انفرادی جائزہ لینے کے لیے ایک بیرونی جائزہ کار کے طور پر منظوری کیا ہے تاکہ بینک کو اس کے بورڈ کی تشکیل، دیانتداری، امور اور بینک میں کارپوریٹ گورننس کے اعلیٰ معیار کو برقرار رکھنے کے لیے اس کے عزم کے بارے میں شفاف، منصفانہ اور غیر جانبدار اندر رپورٹ حاصل ہو سکے۔

بینک کی جانب سے معاوضے کے تعین کا طریقہ کار

سٹ بینک لیٹیڈ (ایس ایم بی ایل) اسٹیٹ بینک آف پاکستان ("ایس بی پی") کے جاری کردہ تمام قابل اطلاق ضوابط / سرکلرز / رہنما ہدایات سے ہم آہنگ معاوضے کی ایک پالیسی کی پیروی کرتا ہے جو اس کی انسانی وسائل کی پالیسیوں کا حصہ ہے۔

پالیسی کا جائزہ بورڈ کی کمیٹی برائے انفرادی وسائل و معاوضے کے دائرہ کار میں آتا ہے اور اگر ضرورت ہو تو ہر تین سال یا اس سے پہلے اس کا انعقاد کیا جاتا ہے۔

2022ء کے دوران شریعت بورڈ کے اجلاسوں کی تعداد اور شرکاء کی حاضری مندرجہ ذیل تھی:

حاضری	اجلاسوں کی تعداد	شریعت بورڈ کے ارکان کے نام
4	4	مفتی محمد نجیب خان (چیرمین)
4	4	ڈاکٹر نور احمد شاہتاز (رکن)
4	4	مفتی ارشاد احمد اعجاز (رکن)
4	4	مفتی بلال احمد قاضی (رکن)
4	4	مفتی سید زبیر حسین (مقیم شریعت بورڈ رکن)

ڈائریکٹرز کی نامزدگی اور تقرر

کمپنیز ایکٹ 2017ء کی دفعات نیز اسٹیٹ بینک آف پاکستان کے جاری کردہ محتاطیہ ضوابط اور وقتاً فوقتاً جاری کردہ سرکلرز کے مطابق، بورڈ کے ڈائریکٹرز کا انتخاب شیئر ہولڈرز کی جانب سے ان کی جنرل میٹنگ میں کیا جاتا ہے۔

ہر ڈائریکٹر (بشمول نان ایگزیکٹو ڈائریکٹر، ایگزیکٹو ڈائریکٹر، اسپانسرڈ ڈائریکٹر، خود مختار ڈائریکٹر اور نامزد ڈائریکٹر) کو بینک کے بورڈ آف ڈائریکٹرز میں تقرر سے قبل اسٹیٹ بینک آف پاکستان کے فنڈ اینڈ پراپرٹیز (FPT) کے جائزے کے معیار پر پورا اترنا ہوگا۔ مزید برآں، سی جی آر ایف 2021ء کے قابل اطلاق تقاضوں کی تعمیل میں، بینک مجوزہ ڈائریکٹر کے لیے رکی ایف پی ٹی دستاویز اور متعلقہ دستاویزات پر اسٹیٹ بینک میں کارروائی کرنے سے پہلے خود مجوزہ ڈائریکٹر کی خود تفتیش کرے گا۔

ایک ڈائریکٹر کا تقرر کرتے وقت، بینک اس بات کو یقینی بنائے کہ بورڈ ایسے ڈائریکٹرز پر مشتمل ہونا چاہیے جن کے پاس بینک کے کریڈٹ، کمرشل بینکنگ، فنانس، اندرونی آڈٹ، آپریشنز، رسک اور انفارمیشن ٹیکنالوجی کے شعبے میں متعلقہ تجربہ، موزوں علم، اور مناسب مہارتیں ہوں۔

مزید برآں، بینک صنفی مساوات پر یقین رکھتا ہے اور اس لیے بینک کے بورڈ آف ڈائریکٹرز میں پہلے ہی ایک خاتون ڈائریکٹر کا تقرر کیا گیا ہے، جو قابل اطلاق ضوابطی تقاضوں سے ہم آہنگ ہیں۔

جہاں تک خود مختار ڈائریکٹرز کی تقرر کا تعلق ہے، بینک نے اسٹیٹ بینک آف پاکستان کے بیان کردہ معیار کو مد نظر رکھتے ہوئے پاکستان انسٹی ٹیوٹ آف کارپوریٹ گورننس (PICG) کے پاس موجود ڈیٹا بینک سے امیدواروں کا انتخاب کیا۔ مزید برآں، بورڈ کا حصہ بننے کے بعد، خود مختار ڈائریکٹرز سے سالانہ حلف نامہ بھی لیا جاتا ہے۔

سلسلہ نمبر	بورڈ کی انفارمیشن ٹیکنالوجی کی کمیٹی	عہدہ
1	جناب ظفر اقبال صدیقی	چیئر مین
2	جناب وسیم مہدی سید	رکن
3	جناب سلمان ظفر صدیقی	رکن

سلسلہ نمبر	بورڈ کی قسیمی کمیٹی	عہدہ
1	جناب وجاہت احمد بٹائی	چیئر مین
2	جناب وسیم مہدی سید	رکن
3	جناب ظفر اقبال صدیقی	رکن
4	جناب سلمان ظفر صدیقی	رکن

1. 2022ء کے دوران بورڈ اور کمیٹی کے اجلاسوں کی تعداد اور ہر ڈائریکٹر کی حاضری مندرجہ ذیل تھی:

ڈائریکٹر کا نام	بورڈ کے اجلاس	بورڈ کی آڈٹ کمیٹی	بورڈ کی کمیٹی برائے انفرادی وسائل و معاوضے	بورڈ کی انتظامیہ عملیاتی کمیٹی	بورڈ کی انفارمیشن ٹیکنالوجی کی کمیٹی	بورڈ کی قسیمی کمیٹی
جناب جو ادا ماجد خان	11	400	9	قابل اطلاق نہیں	500	قابل اطلاق نہیں
جناب عزیز مورس *	4	قابل اطلاق نہیں	قابل اطلاق نہیں	1	1	1
جناب سلمان ظفر صدیقی *	5	قابل اطلاق نہیں	قابل اطلاق نہیں	2	1	0
جناب وسیم مہدی سید	12	200	200	قابل اطلاق نہیں	5	4
محترمہ فوزیہ حسین	12	6	9	5	قابل اطلاق نہیں	قابل اطلاق نہیں
جناب ظفر اقبال صدیقی	12	6	9	5	5	4
جناب وجاہت احمد بٹائی	12	6	9	5	200	4
دوران سال ہونے والے اجلاس	12	6	9	5	5	4

* 20 اپریل 2022ء کو، جناب عزیز مورس نے ایگزیکٹو ڈائریکٹر کے عہدے سے بھی استعفیٰ دے دیا اور ان کی جگہ، بورڈ نے چیف فنانشل آفیسر جناب سلمان ظفر صدیقی کو بینک کا ایگزیکٹو ڈائریکٹر مقرر کیا اور یکم جولائی 2022ء کو اسٹیٹ بینک کی جانب سے ان کی ایف ٹی پی کیسٹرنس دی گئی۔ ایف ٹی پی کی کیسٹرنس ملنے کے فوراً بعد جناب سلمان ظفر صدیقی جناب عزیز مورس کی جگہ تمام تر بورڈ میٹنگز اور بورڈ کی کمیٹیوں کی میٹنگز میں شرکت کرنے لگے۔

** دعوت پر شرکت

1. بورڈ کی ہیئت ترکیبی درج ذیل ہے:

نام	زمرہ
جناب وسیم مہدی سید محترمہ فوزیہ حسنین	خود مختار ڈائریکٹر (بشمول خاتون ڈائریکٹر)
جناب جواد ماجد خان، صدر اور سی ای او	ایگزیکٹو ڈائریکٹر
جناب ظفر اقبال صدیقی جناب وجاہت احمد بٹائی	نان ایگزیکٹو ڈائریکٹر

2. بورڈ نے ذیل میں دیے گئے ارکان پر مشتمل کمیٹیاں تشکیل دی ہیں:

سلسلہ نمبر	بورڈ آڈٹ کمیٹی	عہدہ
1	محترمہ فوزیہ حسنین	چیئر پرسن
2	جناب وجاہت احمد بٹائی	رکن
3	جناب ظفر اقبال صدیقی	رکن

سلسلہ نمبر	کمیٹی برائے افرادی وسائل و معاوضے	عہدہ
1	محترمہ فوزیہ حسنین	چیئر پرسن
2	جناب ظفر اقبال صدیقی	رکن
3	جناب وجاہت احمد بٹائی	رکن
4	جناب جواد ماجد خان	رکن

سلسلہ نمبر	بورڈ کی انتظامی خطر کی کمیٹی	عہدہ
1	جناب وجاہت احمد بٹائی	چیئر مین
2	محترمہ فوزیہ حسنین	رکن
3	جناب ظفر اقبال صدیقی	رکن
4	جناب سلمان ظفر صدیقی	رکن

2022ء میں معاشی اور سیاسی مسائل نے پاکستان اسٹاک ایکسچینج کو منفی طور پر متاثر کیا۔ نتیجتاً، 2022ء میں کے ایس ای اینڈیکس 9 فیصد گر گیا اور ڈالر کے مقابلے میں روپے کی میں 27 فیصد گھٹ گئی۔

موڈیز انونٹرس نے جون 2022ء میں، ابتدائی طور پر پاکستان کے ریٹنگ آؤٹ لک کو مستحکم سے منفی کر دیا اور بعد ازاں ستمبر 2022ء میں، حکومت پاکستان کی خود مختار کریڈٹ ریٹنگ کو B3 سے گھٹا کر Caa1 کر دیا۔ Caa1 کی درجہ بندی موڈیز کے اس نظریے کی عکاسی کرتی ہے کہ پاکستان سستی لاگتوں پر مارکیٹ فنانسنگ تک رسائی کی عدم موجودگی میں اپنے قرضوں کی ادائیگیوں کے لیے کثیر جہتی شراکت داروں اور قرض دہندگان سے مالی اعانت پر بہت زیادہ انحصار کرے گا۔

آڈیٹرز کی رپورٹ میں تبدیلیاں (آڈیٹرز سے موصول ہونے پر اپ ڈیٹ کیا جائے گا)

31 دسمبر 2022ء تک بینک کا ادا شدہ سرمایہ (خالص خسارے)، شرح کفایت سرمایہ اور لیوراج کی شرح (LR) اسٹیٹ بینک آف پاکستان (SBP) کے تقاضوں پر پورے نہیں اترتے۔ یہ حالات مادی عدم یقینی کی موجودگی کی نشاندہی کرتے ہیں جو کہ بینک کے جاری کاروبار کے طور پر جاری رہنے کی صلاحیت کے بارے میں اہم شک پیدا کر سکتی ہے۔ تاہم، بینک سرمائے کے ضروری ادخال اور قابل اطلاق سرمائے اور سیالیت کے تقاضوں سے ہم آہنگ ہونے کے بینک کے منصوبے پر عمل درآمد کے لیے مسلسل کوششیں کر رہا ہے۔

سال 2018ء کے دوران، قانون نافذ کرنے والی ایجنسیوں (ایل ای ایز) نے سٹ بینک لیمنڈ سمیت مختلف بینکوں میں منی لانڈرنگ کی سرگرمیوں کے لیے مبینہ طور پر بعض بینک اکاؤنٹس کی تحقیقات شروع کی۔ یہ معاملہ فی الحال نیب کے زیر تفتیش ہے اور صرف جزوی ریفرنسز نیب عدالتوں میں دائر کیے گئے ہیں۔ بینک قانون نافذ کرنے والی ایجنسیوں کو ان کی تحقیقات میں ہر ممکن حد تک مکمل تعاون فراہم کرنے کے لیے پرعزم ہے اور رہے گا۔ بینک کی انتظامیہ کا خیال ہے کہ اس طرح کی تحقیقات بینک کے جاری کاموں اور افعال کو متاثر نہیں کریں گی۔

بینک اس وقت غیر منقولہ جائیداد میں سرمایہ کاری کے حوالے سے بینکنگ کمپنیز آرڈیننس، 1962ء کی شقوں سے جزوی طور پر ہم آہنگ نہیں ہے۔ انتظامیہ نے اس ضمن میں تعمیل کے حصول کے لیے اس پر اپنی کا وہ حصہ بیچنے کے لیے منصوبہ بندی کی ہے جو قابل اطلاق قوانین سے ہم آہنگ نہیں ہے۔

ان معاملات کے حوالے سے آڈٹ رپورٹ میں ترمیم کی جاتی ہے، تاہم یہ رپورٹ معتبر ہے۔

کارپوریٹ نظم و نسق

بینک فہرستی کمپنیوں (کوڈ آف کارپوریٹ گورننس) کے ضوابط، 2019ء کے اہم تقاضوں کی تعمیل کر رہا ہے۔ انتظامیہ کی جانب سے آڈیٹرز کی جائزہ رپورٹ کے ساتھ ایک مجوزہ بیانیہ اس سالانہ رپورٹ کے ایک حصے کے طور پر منسلک ہے۔

ڈائریکٹرز باب 12- فہرستی کمپنیوں کی رپورٹنگ اور انکشاف (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019ء کے تحت درکار مندرجہ ذیل بیانات پیش کرتے ہوئے مسرور ہیں :

ڈائریکٹرز کی مجموعی تعداد چھ (06) ہے جو حسب ذیل ہے:

- مرد: 05
- خواتین: 01

کریڈٹ ریٹنگ

2019ء کے دوران، وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ نے بینک کی درمیانی تا طویل مدتی ریٹنگ 'بی بی بی' (ٹرپل بی مائنس) اور قلیل مدتی ریٹنگ 'اے-3' (اے-تھری) معطل کر دی۔ بینک وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ کے ساتھ ریٹنگ کے عمل کا آغاز کر چکا ہے اور اسٹیٹ بینک سے درخواست کی گئی ہے کہ وہ کریڈٹ ریٹنگ کے پراسس کی تکمیل کے لیے 31 مارچ 2023ء تک توسیع فراہم کر دے۔ گاہک مزید یہ کہ، بینک کی ٹی ایف سی ریٹنگ کوڈی (ڈیفالٹ) تفویض کیا گیا تھا کیونکہ کمپنی نے اسٹیٹ بینک آف پاکستان (SBP) کے قابل اطلاق ضوابط کے تحت بینک کی لاک ان دفعہ کے حوالے سے اپنی تازہ ترین سودی ادائیگی نہیں کی تھی۔ بینک کے ٹی ایف سی ہولڈرز نے 27 اکتوبر 2023ء کو ہونے والی اپنی میٹنگ میں ٹی ایف سی ایٹو کی مدت میں ایک سال کی مزید توسیع کی منظوری دی اور ساتھ ہی تمام انفکا کی رقوم کی ادائیگیوں میں توسیع کے ساتھ عرصیت کی نظر ثانی شدہ تاریخ 27 اکتوبر 2022ء مقرر کی۔ بینک اس وقت تمام قابل اطلاق قوانین، قواعد و ضوابط اور اس سلسلے میں مطلوبہ ضوابط کی تعمیل کو یقینی بنانے کے لیے مصروف عمل ہے۔

اقتصادی جائزہ

پاکستان اپنے پڑوسی افغانستان میں حکومت کے خاتمے اور معاشی بحران کے آغاز کے ساتھ 2022ء میں داخل ہوا۔ مون سون کے موسم کے ساتھ ہی موسمیاتی تباہی نے پاکستان کو بھی متاثر کیا، کیونکہ موسلا دھار بارشوں سے پاکستان کے جنوب میں ایک بڑا علاقہ پانی میں ڈوب گیا۔ عالمی اجناس کی قیمتوں میں اضافے، رسدی زنجیر میں قفل، روپے پر مسلسل دباؤ اور سیاسی غیر یقینی صورت حال نے چیلنجز کو مزید بڑھا دیا ہے۔

جولائی تا دسمبر مالی سال 23ء کے لیے ڈالر 3.7 جاری کھاتے (کرنٹ اکاؤنٹ) میں 3.7 ارب ڈالر کا خسارہ دکھائی دیا جبکہ گذشتہ سال 9.1 ارب ڈالر کا خسارہ ہوا تھا، اس کی بنیادی وجہ تجارتی توازن میں بہتری ہے۔ جولائی تا دسمبر مالی سال 23ء کے دوران برآمدات میں 6.8 فیصد کمی ہوئی اور یہ 14.2 ارب ڈالر درج کی گئیں (گذشتہ سال 15.2 ارب ڈالر)۔ جولائی تا دسمبر مالی سال 23ء میں مجموعی درآمدات بھی کم ہو کر 29.5 ارب ڈالر رہ گئیں (گذشتہ سال 36.1 ارب ڈالر)، اس طرح 18.3 فیصد کمی واقع ہوئی۔

گذشتہ برس کے مقابلے میں جولائی تا نومبر مالی سال 23ء کے دوران مالیاتی خسارہ جی ڈی پی کا 1.4 فیصد درج کیا گیا جبکہ ایف بی آر کی وصولیاں گذشتہ برس کے مقابلے میں 369 ارب روپے سے زائد تھیں۔ موجودہ اخراجات میں ہونے والے 22.6 فیصد اضافے کے باعث مالیاتی خسارہ بڑھ گیا، جس کی بنیادی وجہ ملکی اور غیر ملکی شرح سود میں اضافے کی وجہ سے بڑھتی ہوئی سودی ادائیگیاں تھیں۔

30 دسمبر 2022ء کو پاکستان کے زرمبادلہ ذخائر 10.85 ارب ڈالر تھے جبکہ اسٹیٹ بینک کے ذخائر 5.59 ارب ڈالر درج کیے گئے تھے۔

معاشی سرگرمیوں کو معتدل کرنے اور مہنگائی کی توقعات کو برقرار رکھنے کے لیے اسٹیٹ بینک نے 2022ء کے دوران پالیسی ریٹ کو مجموعی طور پر بی بی پی ایس تک بڑھا کر 9.75 فیصد سے 16.00 فیصد کر دیا۔ تاہم، 25 نومبر 2022ء کو زری پالیسی کے آخری بیان کے بعد سے، صارف اشاریہ قیمت (سی پی آئی) مہنگائی نومبر 2022ء کے 23.8 فیصد کے مقابلے میں دسمبر 2022ء میں بڑھ کر 24.5 فیصد ہو گئی۔ گذشتہ چند ہفتوں کے دوران رسدی رکاوٹوں اور بعض غذائی اجناس کی قیمتوں میں اضافے کو دیکھتے ہوئے، توقع ہے کہ مستقبل قریب میں مہنگائی بلند رہے گی۔

31 مارچ 2022ء تک بینک 20.782 ارب روپے کے (خالص) مؤخر ٹیکس اثاثوں کا حامل ہے، جنہیں 4.105 ارب روپے کے مؤخر ٹیکس اثاثے تسلیم کیا گیا ہے، جس کی بنیادی ہدف فنانس بل 2022ء میں بینکاری شعبے میں ٹیکس کی شرح میں تبدیلی کے اثر اور منقولہ ٹیکس خسارے تھے۔

31 دسمبر 2022ء تک، سرمایہ کار نے 6 ارب روپے جمع کرائے تھے اور اس کے بعد بینک کو مزید 4 ارب روپے موصول ہوئے تھے یوں بینک کو سرمایہ کار کے وعدے کی تکمیل میں مجموعی طور پر 10 ارب روپے وصول ہوئے۔

ہولڈنگ اور اجارہ کمپنی

سرورانو سٹیمٹ لمیٹڈ (SIL)، مارشس میں قائم کردہ ایک کمپنی، بینک کی ہولڈنگ کمپنی ہے۔ 31 دسمبر، 2022ء تک، ایس آئی ایل کے پاس بینک کے جاری کردہ، سبسکرائب شدہ اور ادا شدہ شیئرز سرمایے کا 66.77 فیصد حصہ ہے۔

سمٹ کیپٹل (پرائیویٹ) لمیٹڈ میں بینک کی شیئرز ہولڈنگ 100 فیصد ہے۔ بینک اور اس کے ذیلی ادارے کے یکجا مالی گوشواروں کے ساتھ ساتھ ان یکجا مالی گوشواروں پر آڈیٹرز کی رپورٹ اس سالانہ رپورٹ کا حصہ ہے۔

یکجا نتائج

سمٹ بینک لمیٹڈ نے 31 دسمبر 2022ء کو ختم ہونے والے سال کے لیے 3.188 روپے کا مجموعی بعد از ٹیکس خسارہ درج کیا۔ (2020ء: 2.912 ارب روپے)۔ فی شیئر خسارہ 1.21 کا تخمینہ لگایا گیا جبکہ گذشتہ برس کی اسی مدت کے دوران یہ 1.10 فی شیئر تھا۔

بینک سمٹ کیپٹل (پرائیویٹ) لمیٹڈ میں 100 فیصد شیئرز ہولڈنگ کا حامل ہے، جو ایکویٹی بروکرینج، منی مارکیٹ بروکرینج، انٹرنیٹ فارن ایکسچینج بروکرینج، کموڈٹی بروکرینج اور ریسرچ کے کاروبار میں مصروف ہے۔

ذیلی ادارے کی کارکردگی

سمٹ کیپٹل نے گذشتہ برس کے 81.691 ملین روپے کے مقابلے میں 67.446 ملین روپے کے آپریٹنگ ریونیو حاصل کیے۔ سال کے لیے فی شیئر خسارہ 0.48 روپے رہا جبکہ گذشتہ برس یہ 0.83 خسارہ فی شیئر تھا۔ 2022ء کے دوران، کئی معاشی مسائل کے باعث اسٹاک مارکیٹ میں سرگرمی ماند رہی اور کے ایس ای 100 انڈیکس 9 فیصد گھٹ گیا۔ اس سے کمپنی کے محاصل اور نفع آوری پر منفی اثر پڑا۔ موجودہ سال کے دوران، کمپنی کے آپریٹنگ اور انتظامی اخراجات میں 19 فیصد کمی دکھائی دی جس کے نتیجے میں 14.494 ملین روپے کا قبل از ٹیکس نقصان ہوا۔

رواں سال کے دوران خالص سرمایہ کاری پر یافتیں بڑھ کر 13.33 فیصد تک ہو گئی جبکہ گزشتہ برس 7.07 فیصد تھی، بہتر یافتوں سے بینک اس قابل ہو گیا کہ وہ سرمایہ کاری سے اپنی آمدنی میں 2.96 ارب روپے تک اضافہ کر سکے۔ رواں سال میں اوسط خالص سرمایہ کاری بڑھ کر 40.99 ارب روپے ہو گئی جبکہ گزشتہ برس 35.49 ارب روپے تھی۔

سال بسال موازنے کے لحاظ سے، خالص ایڈوانسز پر یافتیں بھی نمایاں طور پر بلند رہیں، جو کہ 31 دسمبر 2022ء کو ختم ہونے والے سال کے لیے 9.61 فیصد تھیں جبکہ گزشتہ برس یہ 6.80 فیصد تھیں۔ 31 دسمبر 2022ء کو ختم ہونے والے سال کے لیے بینک کا اوسط خالص ایڈوانس گزشتہ برس کے 29.59 ارب روپے سے کم ہو کر 25.08 ارب روپے رہ گیا۔ روپے کے مقابلے میں۔ یافتوں میں اضافے کی وجہ سے، تاہم جزیوی طور پر حجم میں کمی کی وجہ سے، ایڈوانسز سے حاصل ہونے والی آمدنی بلند رہی جو رواں سال کے 2.41 ارب روپے رہی جبکہ گزشتہ برس 2.01 ارب روپے تھی۔

گزشتہ برس کے مقابلے میں سال کے اختتام پر بینک کے ذخائر میں 7.596 ارب روپے یا 7.46 فیصد کا اضافہ ہوا اور وہ 31 دسمبر 2022ء تک 109.484 ارب روپے ہو گئے۔ سال کے اختتام پر بینک کی سی اے ایس اے ٹو متاثر کن رہی جو 11.443 ارب روپے درج کی گئی جو گزشتہ برس آمیزے میں بہتری کے ساتھ 87.46 فیصد تک پہنچ گئی۔ جاری/غیر نفع بخش کھاتے کی نمو 8.828 ارب روپے تھی جس کے نتیجے میں جاری کھاتے کا تناسب 33.22 فیصد سے بڑھ کر 37.07 فیصد ہو گیا۔ ڈپازٹس کی مجموعی لاگت میں 3.122 ارب روپے اضافہ ہو گیا کیونکہ بینک کے ڈپازٹس کا اوسط حجم 6.5 فیصد سال بسال یا 6.74 ارب روپے بڑھ گیا جبکہ گزشتہ برس کے اختتام پر یہ 110.134 ارب روپے تھے۔

چونکہ بینک نے ثالثی کے مواقع سے فائدہ اٹھایا، لہذا دسمبر 2021ء سے اوسط قرض گیری کی سطح میں 3.299 ارب روپے کا اضافہ ہو گیا جبکہ موجودہ سال کے لیے روپے کی مجموعی لاگتیں بڑھ کر 10.48 فیصد تک ہو گئیں جبکہ گزشتہ برس یہ 4.75 فیصد تھیں۔

2022ء کے دوران بینک کی نان مارک اپ آمدنی گزشتہ برس کے 1.309 ارب روپے کے مقابلے میں 6.66 فیصد اضافے کے ساتھ 1.397 ارب روپے رہی، اس کی بنیادی وجہ بلند زرمبادلہ تھا۔ 2022ء کے دوران فیس اور کمیشن کی آمدنی 474.012 ملین روپے درج کی گئی جو گزشتہ برس سے ہم آہنگ تھی اور کل نان مارک اپ آمدنی کا 33.94 فیصد بنتی ہے (2021ء: 35.68 فیصد)۔

2022ء کے دوران بینک نے 19.6 فیصد اوسط سی پی آئی، کرنسی کی قدر میں کمی، ایشیا کی بڑھتی ہوئی قیمتوں اور تنخواہوں میں کارکردگی پر مبنی اضافوں کے باوجود 7.51 فیصد کے معتدل اضافے کے ساتھ اپنے آپریٹنگ اخراجات کا محتاط طور پر انتظام جاری رکھا۔ کل نان مارک اپ اخراجات 5.845 ارب روپے درج کیے گئے جبکہ گزشتہ برس 5.440 ارب روپے تھے۔

2022ء کے دوران بینک نے 584.115 ملین روپے تمویں کا خالص چارج درج کیا جبکہ گزشتہ برس 308.387 ملین روپے کا تمویں کا خالص استرداد ہوا۔

31 دسمبر 2022ء تک بینک کا مجموعی غیر فعال قرضوں کا تناسب (مجموعی غیر فعال قرضے اور مجموعی ایڈوانسز) 65.78 فیصد رہا جو گزشتہ برس 61.89 تھا، جبکہ 31 دسمبر 2022ء تک کوریج کا تناسب بڑھ کر 92.14 فیصد ہو گیا جو گزشتہ برس 88.48 فیصد تھا۔ دسمبر کے اختتام پر بینک کا مجموعی ایڈوانسز اور ڈپازٹس کا تناسب (مجموعی ایڈوانسز اور گُل ڈپازٹس) 44.98 فیصد رہا جبکہ 31 دسمبر 2021ء کو یہ 54.63 فیصد تھا۔ حکمت عملی کے طور پر انتظامیہ خطرے پر مبنی اثاثوں میں کمی اور خطرے سے پاک حکومتی تسکات میں رقوم لگانے کو ہدف بنائے ہوئے ہے۔

ڈائریکٹرز پورٹ برائے شیئر ہولڈرز

عزیز شیئر ہولڈرز،

بورڈ آف ڈائریکٹرز کی جانب سے، ہم 31 دسمبر 2022ء کو اختتام پذیر ہونے والے سال کے لیے بینک کے ڈائریکٹرز کی رپورٹ مع آڈٹ شدہ مالی گوشوارے اور آڈیٹرز کی رپورٹ پیش کرتے ہوئے مسرور ہیں۔

بینک کی کارکردگی

2022ء کے مالی نتائج کی جھلکیاں حسب ذیل ہیں:

روپے ملین میں	مالی صورت حال
(17,649)	شیئر ہولڈرز کی ایکویٹی
121,919	امانتیں
140,717	مجموعی اثاثے
21,593	ایڈوانس - خالص
51,447	سرمایہ کاریاں - خالص

مالی کارکردگی

(867)	خالص سودی آمدنی اور غیر سودی آمدنی (مجموعی آمدنی)
5,845	غیر سودی اخراجات
584	حموین کا اسٹرداد اور متروکات (خالص)
7,296	خسارہ قبل از ٹیکس
3,167	خسارہ بعد از ٹیکس
(1.20)	خسارہ فی شیئر بنیادی اور سیال (diluted) - روپے

پالیسی ریٹ میں اضافے اور رواں سال کے دوران درج مہنگائی نے گزشتہ برس کے مقابلے میں منافع اور نقصان کی صورت حال کو برقرار رکھنا مشکل بنا دیا۔ ان دشواریوں کے باوجود، 31 دسمبر 2022ء کو اختتام پذیر ہونے والے سال پر بینک کا خسارہ بعد از ٹیکس 3.167 ارب روپے رہا جبکہ گزشتہ برس کے دوران بینک کا خسارہ بعد از ٹیکس 2.887 ارب روپے رہا تھا۔

31 دسمبر 2022ء کو ختم ہونے والے سال کے لیے سودی آمدنی 78 فیصد اضافے کے ساتھ بڑھ کر 8.141 ارب روپے ہو گئی جبکہ گزشتہ برس کے دوران 4.565 ارب روپے تھی، جس کی وجہ یافتوں کا بڑھنا تھا جو گزشتہ چند مہینوں کے دوران اسٹیٹ بینک کی جانب سے پالیسی کی شرحوں میں ہونے والے بتدریج اضافے کے نوبت بندی کے اثر کی عکاس تھیں۔ 2022ء کے دوران پالیسی ریٹ میں 625 پی پی ایس یعنی 9.75 فیصد سے 16.00 فیصد تک اضافے کے باوجود، ڈپازٹ کی اوسط لاگت میں ہونے والا اضافہ صرف 259 پی پی ایس تک محدود رہا۔

REPORT OF THE SHARI'AH BOARD

For the year ended December 31, 2022

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ
الحمد لله رب العالمين ، والصلاة والسلام على رسوله الكريم، وعلى آله وصحبه اجمعين، وبعد

To monitor overall Shari'ah Compliance environment of the Islamic Banking Division-IBD, there are various controls enforced by the bank as per SBP and Shari'ah Board directives. The bank, besides the Shari'ah Compliance Department which monitors bank's operations as per Shari'ah, also Internal Shari'ah Audit, External Shari'ah Audit and SBP Audit are carried out for the functions and departments working in different areas within the bank which ultimately provide the Shari'ah Board a comfort regarding conformity of Bank's operations with Shari'ah rules and overall environment therein as desired.

The scope of this report is to cover the affairs of the bank from Shari'ah perspective as described under Shari'ah Governance Framework of SBP.

Shari'ah Board's Opinion:

1. While BoD and Executive Management are solely responsible to ensure that the operations of Summit Bank Limited-Islamic Banking Division are carried out in a manner that complies with Shari'ah principles at all times, we are required to submit a report on the overall Shari'ah compliance environment of Summit Bank Limited-Islamic Banking Division.
2. To form our opinion as expressed in this report, the Shari'ah compliance department of the bank carried out reviews, on a test check basis, of each class of transactions, the relevant documentation and process flows. Further, we have also reviewed the reports of the internal, external & SBP Shari'ah audit, carried out & finalized till date. Based on above, we are of the view that:
 - I. The Bank has a mechanism in place to ensure Shari'ah compliance in its overall operations and the Bank has satisfactorily complied with Shari'ah rules and principles and also with the specific fatawa, rulings, guidelines issued by SB and SBP from time to time.
 - II. The Bank took necessary actions on instructions/guidelines given by Shari'ah Board to ensure smooth running of the Bank's operations in Shari'ah compliant manner.
 - III. The Bank has a system in place which is sound enough to ensure that any earnings if realized from sources or by means prohibited in Shari'ah, would be credited to charity account and properly utilized in charitable purposes. During the year under review, no such transaction was found which may attract any charity due to Shari'ah noncompliance. During the year, Rupees 3.75 million were collected on account of late payments and deposited in the charity account.
 - IV. It is important to notice that there is no such Shari'ah related pending issue in the Bank.
 - V. Bank has Pool management system in place which, in our opinion, further needs automation for the transparency and efficiency of Islamic banking profit distribution. SCD reviews monthly profit distribution working as well as Shari'ah Audit performs quarterly review of pool management. All these checks and controls ultimately enhance the profit distribution process between the Rabbul Amwal (depositors) and the Mudarib (Bank) in smooth manner and minimize the chance of error. Since the Bank is going to acquire new core banking system, SB has advised the management to bridge the gaps found in the existing system so that pool management system could smoothly function in line with Shari'ah and SBP-Profit & Loss distribution guidelines.

- VI. The level of awareness, capacity and sensitization of the staff and executive management and BOD for Shari'ah compliance in IBD aspects remained satisfactory.
- VII. Learning & Development (L&D) department along with the SCD & IBD arranged training sessions on Islamic Banking for bank's staff in pursuance of the bank's goal towards becoming a full-fledged Islamic Bank, insha Allah. Despite efforts made by the bank, staff at all level from top to down still needs Islamic banking training to better understand and implement the Shari'ah guidelines issued by SB & SBP-IBD regarding Islamic Banking. There is also need to work on the overall environment of the Bank to promote Islamic Banking. The reputational risk of the Bank would be high if mindset of the staff is not inclined towards Islamic Banking. Further, we recommend that the Executive Management should be well trained in Islamic Banking so that the Bank's objective of achieving complete conversion is smoothly achieved.
- VIII. The Shari'ah Board has already recommended to the management to provide adequate resources to SCD, enabling SCD to discharge its duties efficiently. To ensure Shari'ah Compliance at all levels in the bank as per instructions & guidelines of SB, SBP & BOD, adequate resources should be provided in PD, Internal Shariah Audit and particularly SCD.

May Allah bless us Taufeeq to accomplish His cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes, Aameen.

Mufti Syed Zubair Hussain
Resident Shari'ah Board Member

Mufti Bilal Ahmed Qazi
Shari'ah Board Member

Mufti Irshad Ahmad Aijaz
Shari'ah Board Member

Dr. Noor Ahmed Shahtaz
Shari'ah Board Member

Mufti Muhammad Najeeb Khan
Chairman Shari'ah Board

- .VI اسلامی بینکاری کے تمام پہلوؤں میں شرعی تعمیل کے لیے، عملے اور اعلیٰ انتظامیہ اور بی او ڈی کی آگاہی، صلاحیت اور حساسیت کی سطح تسلی بخش رہی۔
- .VII لرننگ اینڈ ڈویلپمنٹ (ایل اینڈ ڈی) ڈیپارٹمنٹ نے بینک کے ایک مکمل اسلامی بننے کے مقصد کے حصول کے لیے ایس سی ڈی اور آئی بی ڈی کے ساتھ ملکر بینک کے عملے کے لیے اسلامی بینکنگ کے بارے میں تربیتی نشستوں کا اہتمام کیا۔ ان تمام تر کوششوں کے باوجود، تمام ادنیٰ و اعلیٰ عملہ کی تربیتی نشستوں کی مزید ضرورت ہے تاکہ شریعہ بورڈ اور مرکزی بینک کی ہدایات کی تفہیم و تعمیل بہتر طور پر ہو۔ اس کے ساتھ بینک کے عمومی ماحول کو بہتر بنانے کے لیے اسلامی بینکاری کی ترویج کی ضرورت ہے کیونکہ اگر عملہ کامیاب اسلامی بینکاری کی طرف نہیں ہوگا تو یہ بینک کی (اسلامی) سادھ کے لیے ایک پرخطر بات ہے۔ شریعہ بورڈ مزید یہ تجویز پیش کرتا ہے کہ بینک کی اعلیٰ انتظامیہ کی اسلامی بینکنگ کی تربیت ضروری ہے تاکہ بینک اسلامی بینکاری کی مکمل تبدیلی کے ہدف کی جانب بخوبی گامزن رہ سکے۔
- .VIII انٹرنل شریعہ آڈٹ، پریکٹ ڈیولپمنٹ اور خصوصاً شریعہ کپلائنس کے فرائض کی انجام دہی کے لیے خاطر خواہ افراد و وسائل کی فراہمی کے حوالے سے شریعہ بورڈ پہلے ہی انتظامیہ کو ہدایات دے چکا ہے تاکہ شریعہ بورڈ، بورڈ آف ڈائریکٹرز اور مرکزی بینک کی ہدایات اور احکام کے مطابق بینک کے تمام مراحل کی شریعہ کے مطابق تحفیذ ہو۔

اللہ تعالیٰ ہمیں اپنے پسندیدہ اعمال کی توفیق عطا فرمائے، ہمیں اس دنیا اور آخرت میں کامیاب فرمائے اور ہماری غلطیوں کو معاف فرمائے۔۔۔ آمین!

ڈاکٹر نور احمد شاہتاز
شریعیہ بورڈ ممبر

مفتی سید زبیر حسین
ریزیڈنٹ شریعیہ بورڈ ممبر

مفتی ارشاد احمد اعجاز
شریعیہ بورڈ ممبر

مفتی بلال احمد قاضی
شریعیہ بورڈ ممبر

مفتی محمد نجیب خان
چیئرمین شریعیہ بورڈ
سمٹ بینک - اسلامی بینکاری

شریعت بورڈ کی سالانہ رپورٹ ۳۱ دسمبر ۲۰۲۲ - ش (گزارشات مجلس شرعی)

بسم الله الرحمن الرحيم

الحمد لله رب العالمين ، والصلاة والسلام على رسولہ الكريم، وعلى آله وصحبه اجمعين، وبعد

بینک کے مکمل شریعت کھپلائس ماحول کی نگرانی کے لیے اسٹیٹ بینک آف پاکستان اور بینک کے شریعت بورڈ کے احکامات کے مطابق مختلف کنٹریولز بنائے گئے ہیں اور اس اہم مقصد کو حاصل کرنے کے لیے شریعت کھپلائس ڈیپارٹمنٹ کے علاوہ بینک میں انجام دیے جانے والی مختلف سرگرمیوں کے لئے اندرونی، بیرونی اور اسٹیٹ بینک کے شریعت آڈٹس بروئے کار لائے جاتے ہیں جس سے شریعت بورڈ کو مزید اطمینان حاصل ہوتا ہے کہ بینک میں انجام دیے جانے والے معاملات شریعت کے مطابق انجام پاتے ہیں۔

اس رپورٹ کی وسعت و دائرہ کار بینک دولت پاکستان کے شریعت گورننس فریم ورک کے تحت مجوز شرعی نقطہ نظر سے بینک کے امور کا احاطہ کرنا ہے۔
شرعی بورڈ کی رائے:

1. جبکہ بی او ڈی اور ایگزیکٹو مینجمنٹ مکمل طور پر اس بات کو یقینی بنانے کی ذمہ دار ہے کہ سٹ بینک لمیٹڈ - اسلامک بینکنگ کے کاموں کو اس طرح انجام دیا جائے کہ سارے معاملات ہمہ وقت شریعت کے اصولوں کے مطابق رہیں، شریعت بورڈ سے مطالبہ ہے کہ سٹ بینک لمیٹڈ اسلامک بینکنگ کے حوالے سے مجموعی طور پر ایک شریعت رپورٹ پیش کرے۔

2. اس رپورٹ میں بیان کی گئی اپنی رائے کی اظہار کے لیے، بینک کے شرعی کھپلائس ڈیپارٹمنٹ (SCD) نے مختلف قسم کے معاملات، متعلقہ دستاویزات اور اس کے عملی اجراء کا جانچ پڑتال کیا۔ مزید یہ کہ ہم نے تا وقت انجام پانے والے داخلی، خارجی اور اسٹیٹ بینک شریعت آڈٹ کی رپورٹس کا بھی جائزہ لیا ہے۔ مذکورہ امور کی بنیاد پر، ہمارا خیال ہے کہ:

I. بینک اپنے مجموعی کاموں میں شریعت کی تعمیل کو یقینی بنانے کے لیے ایک جامع نظام رکھتا ہے اور بینک نے اطمینان بخش طور پر شرعی قوانین اور اصولوں کی اور مخصوص فتاویٰ و احکامات جو شریعت بورڈ اور اسٹیٹ بینک آف پاکستان کی طرف سے وقتاً فوقتاً جاری کیے جاتے ہیں کی تعمیل کی ہے۔
II. بینک نے شرعی بورڈ کی طرف سے دی گئی ہدایات / احکامات پر ضروری اقدامات کئے تاکہ بینک کے تمام آپریشنز کو شریعت کے مطابق چلایا جاسکے۔
III. بینک کے پاس ایک ایسا نظام موجود ہے جو اس بات کو یقینی بنانے کے لیے کافی ہے کہ اگر شریعت کے منع کردہ ذرائع سے کوئی آمدنی حاصل ہوئی تو اس آمدنی کو خیراتی اکاؤنٹ میں جمع کر دیا جائے اور خیراتی مقاصد میں مناسب طریقے سے استعمال ہو۔ زیر نظر سال کے دوران، ایسا کوئی معاملہ نہیں ملا جس کی آمدنی شریعت کی عدم تعمیل کی وجہ سے خیراتی اکاؤنٹ میں جمع کی جائے۔ سال کے دوران، سینتیس لاکھ پچاس ہزار روپے (₹ 3500000) تاخیر سے ادائیگی کی وجہ سے خیراتی اکاؤنٹ میں جمع کیے گئے۔

IV. یہ بات بہت اہم ہے کہ بینک میں کوئی ایسا مسئلہ نہیں ہے جس کا تعلق شریعت سے ہو اور وہ حل نہ ہو اور۔

V. اگرچہ بینک میں پول مینجمنٹ کا نظام موجود ہے مگر شریعت بورڈ کی نظر میں اس کو مزید خود کار بنانے کی ضرورت ہے تاکہ نفع و نقصان کی تقسیم کی کارکردگی بہتر ہو اور اس میں مزید شفافیت آئے، شریعت کھپلائس ماہانہ بنیاد پر جبکہ شریعت آڈٹ سہ ماہی بنیاد پر نفع نقصان کی تقسیم کا جائزہ لیتا ہے یہ تمام جانچ پڑتال رب المال اور مضارب کے درمیان نفع نقصان کی تقسیم کے عمل کو بہتر اور متوازن بناتے ہیں اور غلطی کے امکان کو کم کرتے ہیں۔ اب جبکہ بینک ایک بنیادی سسٹم حاصل کرنے جا رہا ہے، شریعت بورڈ نے انتظامیہ سے موجودہ سسٹم میں پائے جانے والے سسٹم ختم کرنے کا کہا ہے تاکہ پول مینجمنٹ سسٹم ممکنہ طور پر شریعت اور اسٹیٹ بینک کی نفع نقصان سے متعلق ہدایات کے مطابق و موافق ہو سکے۔

STATEMENT OF COMPLIANCE WITH THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Name of company: Summit Bank Limited ('the Bank')
Year ended: December 31, 2022

The Bank has complied with the requirements of the Regulations in the following manner:

1. The total number of Directors are six (06) as per the following:

- Male 05
- Female 01

2. The composition of Board is as follows *:

Category	Names
Independent Directors (including Female Director)	Mr. Waseem Mehdi Syed Ms. Fauzia Hasnain
Executive Directors	Mr. Jawad Majid Khan, President & CEO Mr. Salman Zafar Siddiqi **
Non-Executive Directors	Mr. Zafar Iqbal Siddiqi Mr. Wajahat Ahmed Baqai

* The seventh (7th) slot on the Board of Directors of the Bank has remained vacant despite of the best efforts of the Board Members to fill-in with the replacement nominations due to their not qualifying the Fit and Proper Test (FPT) clearance from the State Bank of Pakistan. Considering the fact that the Bank's due diligence exercise conducted then by the prospective investor had consummated and the proposed equity injection transaction was close to finalization, thereby the Board Members preferred to seek an exemption from conducting the election of directors that was due in March 30, 2022 with simultaneous extension in the term of the existing Board of Directors until December 31, 2022. Since the completion of the contemplated transaction would entail the reconstitution of the Board with the representation of the majority directors of the investor in near future, thereby the election of directors shall be conducted in further compliance with the direction to be issued in this matter by the Securities and Exchange Commission of Pakistan. Further, there were no quorum issues in convening of Board Meetings at any time during the financial year ended December 31, 2022 whilst proceeding with the current slate of six (6) Board Members.

** Mr. Aziz Morris has resigned as Executive Director on April 20, 2022 and in his place, the Board of Directors had approved the appointment of Mr. Salman Zafar Siddiqi, Chief Financial Officer as the Executive Director of the Bank whose FPT clearance was granted on July 04, 2022 from the State Bank of Pakistan.

3. The directors, have confirmed that none of them is serving as a director on more than seven (07) listed companies, including the Bank.
4. The Bank has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. The Board has ensured that complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the Board were presided over by the Chairman. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
8. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with SBP BPRD Circular No. 03 dated August 17, 2019, Companies Act, 2017 and these Regulations.
9. The current Board of Directors of the Bank is fully compliant with the requirements of the Directors' Training Program under the Code of Corporate Governance Regulations as on December 31, 2022.
10. There have been no new appointments during the year for the positions of Company Secretary, Chief Financial Officer and Head of Internal Audit.
11. The Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed sub-committees comprising of members detailed below:

S. No	Board Audit Committee	Position
1	Ms. Fauzia Hasnain	Chairperson
2	Mr. Wajahat Ahmed Baqai	Member
3	Mr. Zafar Iqbal Siddiqi	Member

S. No	Board Human Resource and Remuneration Committee	Position
1	Ms. Fauzia Hasnain	Chairperson
2	Mr. Zafar Iqbal Siddiqi	Member
3	Mr. Wajahat Ahmed Baqai	Member
4	Mr. Jawad Majid Khan	Member

S. No	Board Risk Management Committee	Position
1	Mr. Wajahat Ahmed Baqai	Chairman
2	Ms. Fauzia Hasnain	Member
3	Mr. Salman Zafar Siddiqi	Member
4	Mr. Zafar Iqbal Siddiqi	Member

S. No	Board Information Technology Committee	Position
1	Mr. Zafar Iqbal Siddiqi	Chairman
2	Mr. Salman Zafar Siddiqi	Member
3	Mr. Waseem Mehdi Syed	Member

S. No	Board Compliance Committee	Position
1	Mr. Wajahat Ahmed Baqai	Chairman
2	Mr. Waseem Mehdi Syed	Member
3	Mr. Salman Zafar Siddiqi	Member
4	Mr. Zafar Iqbal Siddiqi	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.
14. The frequency of meetings of the Board committees were as per following:
- | | |
|---|---|
| Board Audit Committee | 6 Meetings
(2 in the first quarter, 1 in the second quarter, 1 in the third quarter and 2 in the fourth quarter) |
| Board Human Resource and Remuneration Committee | 9 Meetings
(3 in the first quarter, 2 in the second quarter, 2 in the third quarter and 2 in the fourth quarter) |
| Board Risk Management Committee | 5 Meetings
(1 in the first quarter, 1 in the second quarter, 2 in the third quarter and 1 in the fourth quarter) |
| Board Information Technology Committee | 5 Meetings
(1 in the first quarter, 1 in the second quarter, 2 in the third quarter and 1 in the fourth quarter) |
| Board Compliance Committee | 4 Meetings
(1 in the first quarter, 1 in the second quarter, 1 in the third quarter and 1 in the fourth quarter) |
15. The Board has set up an effective internal audit function that is manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Bank.
16. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP) and registered with Audit Oversight Board of Pakistan, that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

JAWAD MAJID KHAN
President and Chief Executive Officer
Summit Bank Limited

WASEEM MEHDI SYED
Chairman
Summit Bank Limited

Place: Karachi

Date: February 21, 2023

REVIEW REPORT ON STATEMENT OF COMPLIANCE CONTAINED IN THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

To the Members of Summit Bank Limited

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Summit Bank Limited (the Bank) for the year ended December 31, 2022 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Bank. Our responsibility is to review, whether the statement of compliance reflects the status of the Bank's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Regulations.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

The Regulations require the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions and also ensure compliance with the requirements of Section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to assess and determine the Bank's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Regulations as applicable to the Bank for the year ended December 31, 2022.

Engagement Partner: Mehmood A. Razzak

Karachi

Date: February 22, 2023

UDIN: CR2022101513YryLAWna

SERVICE QUALITY AND CUSTOMER COMPLAINTS HANDLING

Service Quality Department:

At Summit Bank, Service Quality (SQ) is an integral division that plans, measures, analyses and reports level of services across the board. This includes three major functions i.e. Customer Experience & Service Monitoring, Call Centre and Complaint Resolution & Management Unit. SQ department continuously works through different tools to monitor and improve the service quality to make it more customer friendly. SQ is also responsible to conduct Customer Satisfaction Surveys through different touch points, measures different turnaround times and perform Mystery Shopping to bring the desired improvement.

Fair Treatment to Customers (FTC):

Service Quality with the help of Learning & Development department has a mandate to conduct the FTC trainings country-wide. At Summit Bank Limited (SMBL) a state-of-the-art e-portal for training has been introduced for all relevant staff. This portal can be easily accessible by all employees not only through their systems but also from their mobile phones. These trainings cover staff Grooming Guidelines, Customer Handling, Internal Customer/Stakeholder Management, SMBL Service Standards, Complaint Management and Customer Engagement.

Complaint Resolution & Management Unit (CRMU):

CRMU under the umbrella of SQ Department, is fully committed to address customer grievances in the quickest turnaround time with the utmost customer satisfaction. CRMU is a critical unit of SMBL, where all customer complaints/queries are addressed as per the guidelines provided by the Regulator. All complaints are registered, acknowledged, resolved and closed after final customer communication.

Periodic customer satisfaction surveys/feedback are also performed by an independent unit and results are shared with the Management. These results help CRMU to work on the weaknesses and bring the possible improvements in an efficient manner.

Multiple channels are available for customers to lodge their complaints/grievances:

- 24x7 Call Centre Service
- E-mail
- Letters
- Website
- Internet Banking
- Branches
- State Bank of Pakistan
- Banking Mohtasib Pakistan

Complaint Handling Process

All the complaints received from the above channels are lodged in SMBL's Complaint Management System and sent to the relevant department/branch for investigation.

Meanwhile an acknowledgment SMS/Call/Letter is sent on the customer's registered numbers/address within 48 hours.

Complaint Resolution Management Unit reviews and investigates the complaint with the concerned unit and resolves the matter within the assigned turn-around time.

If any complaint exceeds 10 working days, an interim Call/Letter/SMS is sent to customers to update them on the status of complaint.

Complaint Management Officer communicates the resolution via SMS/Call/Letter to the customer and close his/her complaint on the system.

If customer is not satisfied with the resolution, he/she is given an option to contact Banking Mohtasib Pakistan for redressal of his/her complaint on the given contact details.

To contact Banking Mohtasib Pakistan:

Email: info@bankingmohtasib.gov.pk

Fax: 021-99217375, 99213904

Tel: 021-99217334-38

Address: 5th Floor, Shaheen Complex, M.R. Kiyani Road, Karachi.

Total Number of Complaint and Average Resolution TAT:

Following are the complaint statistics of SMBL for the year 2022:

Total Complaints Received: **14,887**

Total Complaints Resolved: **14,823**

In Process: **64**

Average Complaints' Resolution TAT: **7 days**

The background of the page is a photograph of a sunset or sunrise over a body of water. The sky transitions from a deep blue at the top to a bright orange and yellow near the horizon. The water in the foreground is calm and reflects the colors of the sky. The text is positioned in the upper left quadrant of the page.

UNCONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUMMIT BANK LIMITED

REPORT ON THE AUDIT OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the annexed unconsolidated financial statements of Summit Bank Limited (the Bank), which comprise the unconsolidated statement of financial position as at December 31, 2022, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for 18 branches which have been audited by us and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2022 and of the loss and total comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 1.3 to the unconsolidated financial statements. As more fully described in that note, the Bank has incurred net loss of Rs. 3,166.888 million (2021: Rs. 2,886.924 million) during the year ended December 31, 2022 resulting in accumulated losses of Rs. 41,721.679 million (2021: Rs. 38,776.353 million) and negative net equity of Rs. 17,648.892 million (2021: Rs. 14,403.149 million) as at December 31, 2022. Further, the Bank's paid-up capital (net of losses), Capital Adequacy Ratio and Leverage Ratio (LR) do not meet the requirements provided by the State Bank of Pakistan (SBP) as at December 31, 2022. These conditions indicate the existence of material uncertainty which may cast significant doubt about the Bank's ability to continue as a going concern. However, the Bank is making continued efforts for necessary injection of capital and implementation of the Bank's Plan to comply with applicable capital requirements. Our report is not qualified in respect of this matter.

Emphasis of Matter

We draw attention to the following matters:

- As described in note 22.4 to the unconsolidated financial statements, the National Accountability Bureau (NAB) is currently conducting an investigation against certain bank accounts alleged of involvement in illegal activities in various banks. The Bank management is of the view that such investigations will not affect the ongoing operations and functions of the Bank.
- As described in note 13.3 to the unconsolidated financial statements, the Bank holds an immovable property which is partially in contravention with the provisions of Banking Companies Ordinance, 1962. The same has been held in "Other Assets" for sale at the earliest possible timeline.

Our opinion is not qualified in respect of the matters stated above.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Material Uncertainty Related to Going Concern section, we have determined the following to be the key audit matters to be communicated in our report:

S.No.	Key Audit Matters	How the matter was addressed in our audit
I.	Provision against advances	
	<p>The Bank's credit portfolios include loans and advances, and non-funded credit facilities. The credit portfolio is spread across various domestic branches operations.</p> <p>As per the Bank's accounting policy (refer note 4.4 to the unconsolidated financial statements), the Bank periodically assesses the adequacy of its provisions against non-performing credit exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan. Such regulations require specific provisioning against loan losses on the basis of an age-based criteria which should be supplemented by a subjective evaluation of Bank's credit portfolio. The determination of loan loss provision against certain vulnerable corporate loans, therefore, involve use of management judgment, on a case to case basis, taking into account factors such as the economic and business conditions, borrowers repayment behaviors and realizability of collateral held by the Bank.</p>	<p>We applied a range of audit procedures on selected samples including the following:</p> <ul style="list-style-type: none"> · We reviewed the Bank's process for identification and classification of non-performing loans including the quality of underlying data and systems. As part of such review we performed an analysis of the changes within different categories of classified non-performing accounts from last year to the current reporting date. This analysis was used to gather audit evidence regarding downgrading of impaired loans and declassification of accounts from non-performing to regular, as the case may be; · We performed independent checks for the computations of provisions in line with the requirements of the applicable Prudential Regulations;

S.No.	Key Audit Matters	How the matter was addressed in our audit
	<p>In view of the significance of this area in terms of its impact on the unconsolidated financial statements and the level of involvement of management’s judgment, we identified adequacy and completeness of loan loss provision as a significant area of audit judgment and a key audit matter.</p>	<ul style="list-style-type: none"> · In addition, we selected a representative sample of borrowers from the credit portfolios across various branches including individually significant corporate loans and performed tests and procedures such as review of credit documentation, repayment history and past due status, financial condition as depicted by the borrowers’ financial statements, nature of collateral held by the bank and status of litigation, if any, with the borrower; · Based on the said credit reviews, we identified and discussed with the management the loan accounts where the credit risk appear to have increased. We reviewed the adequacy of provisions against such accounts on the basis of our independent objective evaluation of the risk mitigating factors that exist in such cases; and · We also assessed adequacy of disclosures in the unconsolidated financial statements regarding the non-performing loans and provisions made for the same in accordance with the requirements of the applicable financial reporting framework.
2.	<p>Deferred tax assets</p>	
	<p>The recognition of a deferred tax asset in respect of tax losses is permitted only to the extent that it is probable that future taxable profits will be available to utilize the tax losses carried forward.</p> <p>When considering the availability of future taxable profits, judgment is required when assessing projections of future taxable income which are based on approved business plans / forecasts.</p>	<p>We obtained an understanding and evaluated the design and tested the effectiveness of controls in this area relevant to our audit. We performed substantive audit procedures on the recognition of deferred tax balances based on local tax regulations, and on the analysis of the recoverability of the deferred tax assets in the light of relevant accounting standard.</p> <p>We have evaluated the bank’s assumptions and estimates in relation to the likelihood of generating sufficient future taxable income based on plans, prepared by the management. We have also assessed previous forecast and compared with the actual outcome for evidence of bias.</p> <p>Finally, we reviewed the adequacy of the disclosures made by the bank in this area and recognition / non-recognition of deferred tax asset / liability.</p>

S.No.	Key Audit Matters	How the matter was addressed in our audit
3.	<p>Valuation of investments</p> <p>As at December 31, 2022, the Bank has investments classified as “Available-for-sale” and “Investment in Subsidiary” amounting to Rs. 51,446.799 million (2021: Rs. 31,133.345 million).</p> <p>Investments are carried at cost or fair value in accordance with the Bank's accounting policy relating to their recognition. Provision against investments is based on impairment policy of the Bank which includes both objective and subjective factors.</p> <p>We identified the valuation of investments including determination of impairment allowance on investments classified as “Available-for-sale” and “Investment in Subsidiary” as a key audit matter because of their significance in relation to the total assets of the Bank and judgment / estimates involved in assessing impairment allowance.</p>	<p>Our procedures in respect of valuation of investments included the following:</p> <ul style="list-style-type: none"> · Assessing the design and testing the operating effectiveness of the relevant controls in place relating to valuation of investments; · Checking, on a sample basis, the valuation of investments to supporting documents, observable market and break-up values; and · Evaluating the management's assessment of available for sale investments for any additional impairment in accordance with the Bank's accounting policies and performed an independent assessment of the assumptions.
4.	<p>Litigations and regulatory requirements</p> <p>There are a number of threatened and actual legal, regulatory and tax cases against the Bank. There is a high level of judgement involved in estimating the level of provisioning required.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> · testing key controls surrounding litigation, regulatory and tax procedures; · where relevant, reviewing external legal opinions obtained by management; · discussing open matters with the Bank's general counsel, litigation, regulatory and tax teams; · assessing and challenging management's conclusions through understanding precedents set in similar cases; and · circularization of confirmations where appropriate, to relevant third-party legal representatives.

Information Other than the Unconsolidated and Consolidated Financial Statements and Auditors' Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the unconsolidated and consolidated financial statements and our auditors' reports thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of directors is responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
- b) the unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and

- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

We confirm that for the purpose of our audit we have covered more than sixty per cent of the total loans and advances of the Bank.

The engagement partner on the audit resulting in this independent auditor's report is **Mehmood A. Razzak**.

**BAKERTILLY MEHMOOD IDREES QAMAR
CHARTERED ACCOUNTANTS**

Karachi

Date: February 22, 2023

UDIN:AR202210151M5cul9ntZ

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2022

	Note	2022 ----- (Rupees in '000) -----	2021 -----
ASSETS			
Cash and balances with treasury banks	5	13,372,145	14,415,006
Balances with other banks	6	1,363,429	1,092,288
Lendings to financial institutions	7	10,141,557	298,931
Investments	8	51,446,799	31,133,345
Advances	9	21,592,523	27,043,728
Fixed assets	10	10,650,623	10,917,257
Intangible assets	11	143,606	137,586
Deferred tax assets	12	20,781,731	16,676,625
Other assets	13	11,224,315	10,301,246
		140,716,728	112,016,012
LIABILITIES			
Bills payable	15	1,993,587	2,071,048
Borrowings	16	25,388,560	6,922,040
Deposits and other accounts	17	121,919,068	109,483,658
Liabilities against assets subject to finance lease		-	-
Subordinated debt	18	1,495,515	1,495,515
Deferred tax liabilities		-	-
Other liabilities	19	7,568,890	6,446,900
		158,365,620	126,419,161
NET ASSETS		<u>(17,648,892)</u>	<u>(14,403,149)</u>
REPRESENTED BY			
Share capital - net	20	20,500,194	20,500,194
Reserves		(425,043)	(425,043)
Surplus / (deficit) on revaluation of assets	21	3,997,636	4,298,053
Accumulated losses		(41,721,679)	(38,776,353)
		<u>(17,648,892)</u>	<u>(14,403,149)</u>
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 44 and annexures I and II form an integral part of these unconsolidated financial statements.

President / Chief Executive

Chief Financial Officer

Director

Director

Director

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2022

	Note	2022 ----- (Rupees in '000) -----	2021 ----- (Rupees in '000) -----
Mark-up / return / interest earned	23	8,140,810	4,565,026
Mark-up / return / interest expensed	24	10,404,148	5,676,758
Net Mark-up / interest expense		(2,263,338)	(1,111,732)
NON MARK-UP / INTEREST INCOME			
Fee and commission income	25	474,012	467,200
Dividend income		6,975	28,449
Foreign exchange income		804,074	254,171
Income / (loss) from derivatives		-	-
Gain on securities	26	30,526	495,249
Other income	27	81,090	64,374
Total non-markup / interest income		1,396,677	1,309,443
Total income		(866,661)	197,711
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	28	5,843,690	5,435,691
Workers' welfare fund		-	-
Other charges	29	1,701	4,387
Total non-markup / interest expenses		5,845,391	5,440,078
Loss before provisions		(6,712,052)	(5,242,367)
Provisions / (reversals) and write offs - net	30	584,115	(308,387)
Extra ordinary / unusual items		-	-
LOSS BEFORE TAXATION		(7,296,167)	(4,933,980)
Taxation	31	(4,129,279)	(2,047,056)
LOSS AFTER TAXATION		(3,166,888)	(2,886,924)
----- (Rupees) -----			
Basic loss per share	32	(1.20)	(1.09)
Diluted loss per share	32	(1.20)	(1.09)

The annexed notes 1 to 44 and annexures I and II form an integral part of these unconsolidated financial statements.

President / Chief Executive

Chief Financial Officer

Director

Director

Director

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
	----- (Rupees in '000) -----	
Loss after taxation for the year	(3,166,888)	(2,886,924)
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in (deficit) / surplus on revaluation of investments - net of tax	(52,757)	(465,080)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain on defined benefit obligations	98,456	35,408
Movement in surplus on revaluation of operating fixed assets - net of tax	(82,109)	35,815
Movement in surplus on revaluation of non-banking assets - net of tax	3,986	65,103
Movement in surplus on revaluation of held for sale property - net of tax	(46,431)	-
	(26,098)	136,326
Total comprehensive loss	(3,245,743)	(3,215,678)

The annexed notes I to 44 and annexures I and II form an integral part of these unconsolidated financial statements.

President / Chief Executive

Chief Financial Officer

Director

Director

Director

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2022

	Capital reserves			Surplus / (deficit) on revaluation of			Revenue reserve	Total	
	Share premium	Statutory reserve	Reserve arising on amalgamation	Investments	Fixed / Non banking assets	Property held for sale	Accumulated losses		
Balance as at January 01, 2021	20,500,194	1,000,000	154,162	(1,579,205)	511,688	3,546,085	754,510	(36,074,905)	(11,187,471)
Loss after taxation for the year ended December 31, 2021	-	-	-	-	-	-	-	-	-
Other comprehensive income - net of tax	-	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	(465,080)	100,918	-	-	(2,886,924)	(2,886,924)
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to accumulated losses	-	-	-	-	-	-	-	35,408	(328,754)
Transfer in respect of incremental depreciation from surplus on revaluation of non-banking assets to accumulated losses	-	-	-	-	-	(102,328)	-	102,328	-
Balance as at January 01, 2022	20,500,194	1,000,000	154,162	(1,579,205)	46,608	3,496,935	754,510	(38,776,353)	(14,403,149)
Loss after taxation for the year ended December 31, 2022	-	-	-	-	-	-	-	-	-
Other comprehensive income - net of tax	-	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	(52,757)	(78,123)	(46,431)	98,456	(78,855)
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to accumulated losses	-	-	-	-	-	-	-	-	-
Transfer in respect of incremental depreciation from surplus on revaluation of non-banking assets to accumulated losses	-	-	-	-	-	(100,994)	-	100,994	-
Transfer from surplus on revaluation of fixed assets on disposal to accumulated losses	-	-	-	-	-	(20,239)	-	20,239	-
Balance as at December 31, 2022	20,500,194	1,000,000	154,162	(1,579,205)	(6,149)	3,295,706	708,079	(41,721,679)	(17,648,892)

The annexed notes 1 to 44 and annexures I and II form an integral part of these unconsolidated financial statements.

President / Chief Executive

Chief Financial Officer

Director

Director

Director

UNCONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2022

	Note	2022 ----- (Rupees in '000) -----	2021 -----
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(7,296,167)	(4,933,980)
Less: Dividend income		(6,975)	(28,449)
		<u>(7,303,142)</u>	<u>(4,962,429)</u>
Adjustments:			
Depreciation on operating fixed assets	10.2	454,258	489,697
Depreciation on right-of-use assets	10.3	612,161	566,637
Depreciation on non-banking assets	13.1.1	60,841	87,497
Finance cost of lease liability	24	406,133	360,007
Amortization	11.2	23,099	29,745
Provisions / (reversals) and write-offs excluding recoveries		585,046	(304,841)
(Gain) / loss on forward exchange contracts		(365)	29,921
(Reversal) / charge for defined benefit plan	28.1	(4,502)	78,400
Charge for employees compensated absences	28.1	13,365	21,364
Loss on sale of non banking assets	27	431	-
Gain on termination of lease contracts under IFRS 16	27	(443)	-
Gain on sale of fixed assets	27	(62,667)	(16,006)
		<u>2,087,357</u>	<u>1,342,421</u>
		(5,215,785)	(3,620,008)
(Increase) / decrease in operating assets			
Lendings to financial institutions		(9,842,626)	(298,931)
Advances		4,963,863	4,422,777
Others assets (excluding advance taxation)		(986,184)	59,699
		(5,864,947)	4,183,545
(Decrease) / increase in operating liabilities			
Bills payable		(77,461)	(331,822)
Borrowings from financial institutions		17,765,502	(739,004)
Deposits		12,435,410	7,596,074
Other liabilities (excluding current taxation)		898,634	(59,388)
		31,022,085	6,465,860
Payment on account of staff retirement benefits		(69,423)	(108,329)
Income tax paid		(73,820)	(70,516)
Net cash generated from operating activities		<u>19,798,110</u>	<u>6,850,552</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(20,430,861)	(3,204,589)
Dividends received		6,975	28,449
Investments in operating fixed assets		(114,649)	(308,228)
Investments in intangible assets		(29,119)	(82,268)
Proceeds from sale of fixed assets		100,434	17,553
Proceeds from sale of non-banking assets		45,803	-
Net cash used in investing activities		<u>(20,421,417)</u>	<u>(3,549,083)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of lease liability against right-of-use assets		(849,431)	(716,633)
Net cash used in financing activities		<u>(849,431)</u>	<u>(716,633)</u>
Effect of exchange rate changes on cash and cash equivalents		789,021	274,424
(Decrease) / increase in cash and cash equivalents		<u>(683,717)</u>	<u>2,859,260</u>
Cash and cash equivalents at beginning of the year		14,687,892	12,617,653
Cash and cash equivalents at end of the year	33	<u>14,004,175</u>	<u>15,476,913</u>

The annexed notes 1 to 44 and annexures I and II form an integral part of these unconsolidated financial statements.

President / Chief Executive

Chief Financial Officer

Director

Director

Director

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

I. STATUS AND NATURE OF BUSINESS

I.1 Summit Bank Limited (the Bank) is a banking company incorporated in Pakistan on December 09, 2005 as a public company limited by shares under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Bank's registered office is situated at Plot No. 9-C, F-6 Markaz, Supermarket, Islamabad, Pakistan and its principal office is situated at Summit Tower, Plot No. G-2, Block 2, Scheme 5, Clifton, Karachi, Pakistan. The Bank is a subsidiary of Suoor Investments Limited, a company incorporated in Mauritius, holding 66.77% of the issued, subscribed and paid up capital of the Bank as at December 31, 2022.

The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and is operating through its 179 Conventional Banking Branches and 14 Islamic Banking Branches (2021: 179 Conventional Banking Branches and 14 Islamic Banking Branches) in Pakistan.

I.2 In the year 2019, VIS Credit Rating Company Limited suspended the Bank's medium to long-term rating of 'BBB-' (Triple B minus) and short term rating of 'A-3' (A-three). The Bank has initiated the rating process with VIS Credit Rating Company Limited and has requested SBP to allow an extension to complete the credit rating exercise by March 31, 2023. Moreover, the Bank's TFC rating was assigned 'D' (Default) due to non-payment of its latest mark-up payment on account of lock-in-clause invoked by the Bank under the applicable Regulations of the State Bank of Pakistan (SBP). The TFC holders of the Bank in their meeting held on October 27, 2022, further approved another extension of one year in the tenure of the TFC issue along with the extension in the payments of all redemption amounts, with the revised maturity date set at October 27, 2023. The Bank is currently in the process of ensuring compliance with all the applicable laws, rules, regulations and requisite regulatory requirements in this regard.

I.3 During the year, the Bank has incurred a net loss of Rs. 3,166.888 million resulting in accumulated losses of Rs. 41,721.679 million and negative equity of Rs. 17,648.892 million. As per the applicable laws and regulations, the Bank is required to maintain Minimum Paid-up Capital (net of losses) (MCR) of Rs. 10 billion, Capital Adequacy Ratio (CAR) at 11.50% (inclusive of Capital Conservation Buffer of 1.50%), Leverage Ratio (LR) at 3.00%, Liquidity Coverage Ratio (LCR) at 100% and Net Stable Funding Ratio (NSFR) at 100% as of December 31, 2022. However, the paid up capital of the Bank (net of losses), CAR and LR are negative.

The Bank is making best efforts to comply with applicable capital requirements through increase in capital / capital injection at the earliest. For this, the management has prepared a business plan, which has been approved by the Board.

This plan aims to improve the Bank's capital base and risk absorption capacity and provide impetus to its future growth initiatives. The key assumptions considered in the business plan are as follows:

- Injection of capital;
- Reaping benefits from the expected growth of Islamic finance in Pakistan since the Bank will speed-up the implementation process of its earlier decision of conversion to a full-fledged Islamic bank;
- Recoveries from non-performing advances through strenuous and focused recovery efforts;
- Reduction in overall level of non-earning assets held by the Bank;

- Identifying opportunities for rationalization of the cost structure;
- Improvement in the risk management and technological infrastructure of the Bank to support the business plan;
- Investments / exposures in safe avenues for achieving solid growth in the core business income; and
- Income generation through avenues for mark-up income and non mark-up income.

Further to the Public Announcement of Intention (PAI), dated May 20, 2021, to acquire at least 51% of the issued and paid up capital of the Bank together with the management control, the Investor submitted his offer via a letter dated October 01, 2021 and entered into a Share Subscription Agreement (SSA) with the Bank and the Investor for the proposed subscription of new ordinary shares in the Bank by way of fresh equity injection Without Rights Offering at a discounted price of Rs. 2.51 per share. The Investor's offer as set out in the Share Subscription Agreement was duly approved by the Board of Directors.

Pursuant to the Public Announcement of Offer (PAO) dated March 18, 2022, the Bank dispatched Subscription Entitlement Letters, dated July 05, 2022, to its eligible minority shareholders inviting them to subscribe their respective shares in the Bank at the subscription price of Rs. 2.51 per share. As a result, 5,771 shares of the Bank have been subscribed by minority shareholders. The subscription by minority shareholders and the subsequent allotment of shares are subject to the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and other regulatory approvals.

The Investor, via a letter dated April 28, 2022 shared with the Bank on May 06, 2022, disclosed the inclusion of another Potential Investor in the consortium to acquire the Bank with an intention to subscribe to such number of shares which would enable him to become a maximum of 25% shareholder in the Bank. The Board of Directors in their meeting held on May 09, 2022 approved the inclusion of Potential Investor in the consortium of the Acquirer subject to obtaining the requisite approval from the regulatory authorities and shareholders. The shareholders in the (Adjourned) Extra Ordinary General Meeting (EOGM) held on June 08, 2022 approved the inclusion of Potential Investor in the consortium of the Investor.

The Investor, via a letter dated December 12, 2022, proposed to amend the SSA dated October 04, 2021 to enable him to subscribe to 3,984.064 million ordinary shares by way of other than rights instead of 5,976.096 million ordinary shares at the unchanged subscription price of Rs. 2.51 per share. The Board of Directors in their meeting held on December 13, 2022 authorized the Bank to amend the SSA as proposed by the Investor. In this regard, an Amendment Agreement (AA) to the SSA has been executed between the Investor and the Bank on December 13, 2022. The shareholders in the (Adjourned) Extra Ordinary General Meeting (EOGM) held on January 16, 2023 passed a resolution to approve the AA to the SSA for the proposed acquisition of the majority shareholding and control of the Bank.

The Investor has now deposited Rs. 10.070 billion (Rs. 6.000 billion till December 31, 2022) with the Bank and the Bank is currently in the process of issuance of shares subject to receipt of regulatory approvals.

The management and the Board of Directors are hopeful that with the capital injection along with the growth factors and other key assumptions stipulated in the business plan materialize, the Bank will be able to achieve compliance with applicable regulatory requirements.

2. BASIS OF PRESENTATION

2.1 STATEMENT OF COMPLIANCE

These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017, or the directives issued by 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.

The SBP, vide its BSD Circular Letter no. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments, Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies till further instructions. Moreover, SBP vide BPRD Circular no. 4 of 2015, dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standards (IFAS) 3, Profit and Loss Sharing on Deposits. Further, the SECP, through S.R.O. 411(I)/2008 dated April 28, 2008 has deferred the applicability of IFRS 7 'Financial Instruments: Disclosures', to banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

These unconsolidated financial statements represent separate financial statements of Summit Bank Limited in which investment in subsidiary is accounted for on the basis of direct equity interest rather on the basis of reported results. Accordingly, the consolidated financial statements have been presented separately.

Key financial figures of the Islamic banking branches are disclosed in Annexure - II to these unconsolidated financial statements.

2.2 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year

There are certain new standards and interpretations of and amendments to existing accounting and reporting standards that have become applicable to the Bank for accounting periods beginning on or after January 01, 2022. These are considered either not to be relevant or not to have any significant impact on the Bank's operations and therefore are not detailed in these unconsolidated financial statements.

2.3 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective

The SBP through BPRD Circular no. 3 dated July 05, 2022 has made IFRS 9 'Financial Instruments' applicable to Banks in Pakistan for accounting periods beginning on or after January 01, 2024 (for banks having asset size of less than Rs. 500 billion). The subject circular also envisages the implementation guidelines and the impact of the application of IFRS 9 in Pakistan on the Bank's financial statements is currently being assessed. IFRS 9 replaces the existing guidance in (IAS) 39, 'Financial Instruments, Recognition and Measurement'. The standard includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Furthermore, the following standards, amendments and interpretations as notified under the Companies Act, 2017 will be effective for the accounting periods as stated below:

<u>Standard, Interpretation or Amendment</u>	<u>Effective date (annual periods beginning on or after)</u>
Classification of Liabilities as Current or Non-current - Amendments to IAS I	January 01, 2024
Definition of Accounting estimates - Amendments to IAS 8	January 01, 2023
Disclosure of Accounting Policies - Amendments to IAS I and IFRS Practice Statement 2	January 01, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	January 01, 2023
Lease Liability in a Sale and Leaseback - Amendments to IFRS 16	January 01, 2024
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Not yet finalised

2.4 Critical accounting estimates and judgments

The preparation of these unconsolidated financial statements in conformity with approved accounting standards as applicable in Pakistan requires the management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses as well as in the disclosure of contingent liabilities. It also requires the management to exercise judgements in application of its accounting policies. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgements were made by the management in the application of accounting policies are as follows:

	<u>Note</u>
- Classification and provisioning against investments	4.3, 4.15, 8 and 30
- Classification and provisioning against non-performing loans and advances	4.4, 9 and 30
- Useful lives of fixed and intangible assets, depreciation, amortization and revaluation	4.5.1, 4.5.3.1, 4.6, 10 and 11
- Impairment of assets	4.5.3.1 and 4.15
- Valuation of right-of-use assets and their related lease liability	4.5.3
- Accounting for staff retirement and other benefits	4.11, 35 and 36
- Taxation	4.14 and 31
- Other provisions	4.16
- Fair value of financial instruments	38
- Valuation of non-banking assets acquired in satisfaction of claims	4.7 and 13.1
- Remuneration framework and related disclosures	4.10 and 37

3. BASIS OF MEASUREMENT

3.1 Accounting convention

These unconsolidated financial statements have been prepared under the historical cost convention, except for:

- Certain fixed assets and non-banking assets acquired in satisfaction of claims are stated at revalued amounts less accumulated depreciation / impairment.
- Investments classified as held for trading and available-for-sale, which are measured at fair value.
- Commitments in respect of forward exchange contracts, which are measured at fair value.
- Right-of-use assets and their related lease liabilities, which are measured at their present value adjusted for depreciation, interest cost and lease repayments.
- Net obligation in respect of defined benefit scheme, which is measured at their present value.

3.2 Functional and Presentation Currency

These unconsolidated financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

The amounts are rounded off to the nearest thousand rupees except as stated otherwise.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied and adopted in the preparation of these unconsolidated financial statements are set out below. These policies have been consistently applied to all years presented.

4.1 Cash and cash equivalents

For the purpose of cash flow statements, cash and cash equivalents include cash in hand, national prize bond, balances with treasury banks and balances with other banks (net of overdrawn nostro balances) in current and deposit accounts.

4.2 Lendings to / borrowings from financial institutions

The Bank enters into transactions of borrowings (repo) from and lending (reverse repo) to financial and other institutions, at contracted rates for a specified period of time. These are recorded as under:

a) Sale of securities under repurchase agreements (Repo)

Securities sold subject to an agreement to repurchase at a specified future date (repos) continue to be recognized in the unconsolidated statement of financial position and are measured in accordance with accounting policies for investment securities. The counterparty liability for amounts received under these agreements is included in borrowings. The difference between sale and repurchase price is treated as mark up expense and is accrued over the period of the repo agreement.

b) Other borrowings

Other borrowings include borrowings from the SBP and unsecured call borrowings which are recorded at the proceeds received. Mark-up paid on such borrowings is charged to the unconsolidated profit and loss account over the period of borrowings on time proportionate basis.

c) Purchase of securities under resale agreements (Reverse Repo)

Securities purchased under agreement to resell at a specified future date (reverse repos) are not recognized in the unconsolidated statement of financial position. Amounts paid under these agreements are included in lendings to financial institutions. The difference between purchase and resale price is treated as mark-up earned and is accrued over the period of the reverse repo agreement. Securities purchased are not recognized in the unconsolidated financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability under borrowings from financial institutions.

d) Other lendings

Other lendings include term lendings and unsecured lendings to financial institutions. These are stated net of provision. Return on such lendings is accrued to unconsolidated profit and loss account on a time proportionate basis using effective interest rate method except mark-up on impaired / delinquent lendings, which are recognized on receipt basis in accordance with the requirements of the Prudential Regulations of the SBP.

e) Musharakah

Musharakah is a profit and loss sharing transaction in which the Bank and counterparty place their funds in a pool of specific asset (managed with us in case of acceptance transaction and managed by the counter party in case of placement transaction) yielding a specified return on a predetermined profit sharing ratio. The profit of the pool is shared according to this pre-agreed ratio.

f) Bai Muajjal

Bai Muajjal is a transaction in which a party in need of funds purchases an easily saleable Shariah compliant security (such as Sukuk) from a counter party (the party with excess funds) on deferred payment basis and sells it on spot payment basis to a third party thereby raises liquidity. Receivable against such sale is recognized at the agreed sale price. The difference between the sale price and the carrying value on the date of disposal is accrued and recorded as income in the unconsolidated profit and loss account over the period of credit sale.

4.3 Investments

4.3.1 Classification

Investments of the Bank, other than investments in subsidiary, are classified as held-for-trading, held-to-maturity and available-for-sale. The management determines the appropriate classification of its investments at the time of purchase.

Held-for-trading

These are securities which are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements, dealer's margin or are securities included in portfolio in which a pattern of short-term profit taking exists.

Held-to-maturity

These are securities with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold till maturity.

Available-for-sale

These are investments that do not fall under the held-for-trading or held-to-maturity categories.

Subsidiary

Subsidiary is an entity over which Bank has control. Investment in subsidiary is carried at cost less accumulated impairment losses, if any.

4.3.2 Regular way contracts

All purchases and sales of investments that require delivery within time frame established by regulations or market conventions are recognized at the trade date. Trade date is the date on which the Bank commits to purchase or sell the investment.

4.3.3 Initial recognition and measurement

Investment other than those categorized as held-for-trading are initially recognized at fair value which includes transaction costs associated with the investment. Investment categorized as held-for-trading are initially recognized at fair value and transaction costs are expensed in the unconsolidated profit and loss account.

4.3.4 Subsequent measurement

Held-for-trading

These are measured at subsequent reporting dates at fair value. Gains and losses on re-measurement are included in the unconsolidated profit and loss account.

Held-to-maturity

These are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.

Available-for-sale

Quoted securities classified as available-for-sale investments are measured at subsequent reporting dates at fair value. Any surplus / deficit arising thereon is kept in a separate account shown in the unconsolidated statement of financial position below equity and is taken to the unconsolidated profit and loss account when actually realized upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. The break-up value of these securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. A decline in the carrying value is charged to the unconsolidated profit and loss account. A subsequent increase in the carrying value, up to the cost of the investment, is credited to the unconsolidated profit and loss account. Investments in other unquoted securities are valued at cost less impairment, if any.

Provision for diminution in the value of securities (except term finance certificates and sukuk) is made for impairment, if any. Provision for diminution in the value of term finance certificates and sukuk is made as per the ageing criteria prescribed by the Prudential Regulations issued by the SBP.

Available-for-sale listed equity investments are impaired when there has been a significant or prolonged decline in their fair value below their cost. The determination of what is significant or prolonged requires judgment. In making this judgement, the Bank evaluates, among other factors, the normal level of volatility in a share price.

A subsequent increase in the fair value of a previously impaired listed equity security is recorded in the statement of financial position in the surplus / (deficit) on revaluation of securities account and only recorded in the unconsolidated profit and loss account when realised on disposal.

Investment in subsidiary

Investment in subsidiary is valued at cost less accumulated impairment, if any. A reversal of an impairment loss on subsidiary is recognized as it arises provided the increased carrying value does not exceed cost.

4.4 Advances

Advances are stated net of specific and general provisions. The specific and general provisions for advances are made in accordance with the requirements of Prudential Regulations and other directives issued by the State Bank of Pakistan and are charged to the unconsolidated profit and loss account. Non-performing loans and advances in respect of which the Bank does not expect any recoveries in future years are written off.

Lease, where the Bank transfers substantially all the risks and rewards incidental to the ownership of an asset are classified as finance leases. A receivable is recognized at an amount equal to the present value of the minimum lease payments, including guaranteed residual value, if any. Unearned finance income is recognized over the term of the lease, so as to produce a constant periodic return on the outstanding net investment in lease. Finance lease receivables are included in advances to the customers.

The Bank provides Islamic financing and related assets mainly through Ijarah, Murabaha, Diminishing Musharakah, Salam, Tijarah, Istisna, Musharakah and Export Refinance under SBP Islamic Export Refinance Scheme. The purchases and sales arising under these arrangements are not reflected in these unconsolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of profit thereon. The income on such financing is recognized in accordance with the principles of Islamic Shariah. The Bank determines specific and general provision against Islamic financing and related assets in accordance with the requirements of the Prudential Regulations issued by the SBP. The net provision made / reversed during the year is charged to the unconsolidated profit and loss account and accumulated provision is netted off against Islamic financing and related assets. Islamic financing and related assets are written off when there are no realistic prospects of recovery.

4.5 Fixed assets

4.5.1 Owned

Property and equipment, other than leasehold land (which is not depreciated) and capital work-in-progress, are stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses, if any. Land is carried at revalued amount less impairment losses while capital work-in-progress is stated at cost less impairment losses, if any.

Depreciation is calculated by the Bank using the straight line method which writes down the cost of assets to their residual values over the estimated useful lives. The rates at which the assets are depreciated are disclosed in note 10.2 to these unconsolidated financial statements. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each statement of financial position date.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed of.

Subsequent costs are included in an asset's carrying amount or recognized as a separate asset as appropriate, only when it is probable that future benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the unconsolidated profit and loss account as and when incurred.

Land and buildings are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation is credited to the surplus on revaluation of fixed assets account. Any deficit arising on subsequent revaluation of fixed assets is adjusted against the surplus of that asset or, if no surplus exists, is charged to unconsolidated profit and loss account as an impairment of the asset. The surplus on revaluation of fixed assets, to the extent of incremental depreciation, is transferred to retained earnings.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets is recognized in the unconsolidated profit and loss account in the year when asset is derecognized. Surplus on revaluation realised on disposal of fixed assets is transferred directly to retained earnings.

4.5.2 Capital work-in-progress

Capital work-in-progress are stated at cost less accumulated impairment losses, if any.

4.5.3 Right-of-use assets and their related lease liability

4.5.3.1 Right-of-use assets

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. The Bank does not apply the recognition and measurement approach of IFRS 16 for short-term leases.

Right-of-use assets are subsequently stated at cost less any accumulated depreciation / accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenure.

Right-of-use assets are depreciated on straight-line basis over shorter of expected useful life or the lease term. Depreciation on additions (new leases) is charged from the month in which the leases are entered into.

4.5.3.2 Lease liability against right-of-use assets

The lease liabilities are initially measured as the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Bank's incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or change in lease terms. These remeasurements of lease liabilities are recognised as adjustments to the carrying amount of related right-of-use assets after the date of initial recognition.

Each lease payment is allocated between a reduction of the liability and a finance cost. The finance cost is charged to the profit and loss account as mark-up expense over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

4.6 Intangible assets

4.6.1 Intangible assets in use

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets with finite lives are amortized using the straight line method at rates specified in the relevant note. Intangible assets' residual values, if significant and their useful lives are reviewed at each balance sheet date and adjusted prospectively, if appropriate, at each balance sheet date.

Amortization on additions to intangible assets is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which that asset is disposed of.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supported. If not, the change in useful life from indefinite to finite is made on a prospective basis.

4.6.2 Capital work-in-progress

Capital work-in-progress are stated at cost less accumulated impairment losses, if any.

4.6.3 Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed as an intangible asset.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is tested for impairment annually or whenever there is an indication of impairment as per the requirement of International Accounting Standard (IAS) 36, 'Impairment of Assets'. Impairment charge in respect of goodwill is recognized in the unconsolidated profit and loss account.

4.7 Non-banking assets acquired in satisfaction of claim

Non-banking assets are initially recorded at cost. Non-banking assets acquired in satisfaction of claims are subsequently carried at revalued amounts less accumulated depreciation and impairment loss, if any. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'surplus on revaluation of non-banking assets' account and any deficit arising on revaluation is taken to unconsolidated profit and loss account directly. Legal fees, transfer costs and direct cost of acquiring title to property are charged to the unconsolidated profit and loss account.

Depreciation on non-banking assets acquired in satisfaction of claims is charged to the unconsolidated profit and loss account.

These assets are generally intended for disposal. Gains and losses realised on the disposal of such assets are disclosed separately from gains and losses realised on the disposal of fixed assets. Surplus on revaluation realised on disposal of these assets is transferred directly to retained earnings. If such an asset is subsequently used by the Bank for its own use, the asset, along with any related surplus, are transferred to fixed assets.

4.8 Deposits

Deposits are initially recorded at the amount of proceeds received. Mark-up accrued on deposits is recognized separately as part of other liabilities and is charged to the unconsolidated profit and loss account on a time proportion basis.

Deposits under Islamic Banking operations are accepted on the basis of two modes i.e. Qard and Mudaraba.

Deposits taken on Qard basis are classified as 'Current accounts' and Deposits generated on Mudaraba basis are classified as 'Savings deposits' and 'Fixed deposits'. No profit or loss is passed on to current account depositors, however the funds of current accounts are treated as equity for the purpose of profit calculation and any profit earned / loss incurred on those funds are allocated to the equity of the Bank. While the product features of each product differ, there is usually no restriction on withdrawals or number of transactions in current and saving accounts. In case of fixed deposits, pre-mature withdrawals can be made as per approved terms only.

While the product features of each product differ, there is usually no restriction on withdrawals or number of transactions in current and saving accounts. In case of Islamic Savings Certificates, pre-mature withdrawals can be made as per approved terms only.

Profits realized in investment pools are distributed in pre-agreed profit sharing ratio. Rab-ul-Maal share is distributed among depositors according to weightages assigned at the inception of profit calculation period. Mudarib can distribute its share of profit to Rab-ul-Maal up to a maximum of 60% of its profit as incentive profits (Hiba).

Profits are distributed from the pool such that the depositors (remunerative) bear the risk of assets in the pool during the profit calculation period. In case of loss in a pool during the profit calculation period, the loss is distributed among the depositors (remunerative) according to their ratio of investments.

Asset pools are created at the Bank's discretion and the Bank can add, amend and transfer an asset to any other pool.

4.9 Subordinated debt

Subordinated loans are initially recorded at the amount of proceeds received. Mark-up accrued on subordinated loans is recognized separately as part of other liabilities and is charged to the unconsolidated profit and loss account over the period on an accrual basis.

4.10 Remuneration framework

In accordance with Guidelines on Remuneration Practices, the Bank has developed a comprehensive remuneration framework. The aim of this framework is to promote an effective risk management culture, and to ensure that the remuneration practice at the Bank is in line with the Bank's objectives taking into consideration all risks that the Bank may face. As a result, a fair, objective, transparent and sound remuneration policy, aligned with risks and responsibilities of Financial Intermediation has been put in place.

4.11 Staff retirement benefits

4.11.1 Defined contribution plan

The Bank operates defined contribution provident fund for all its permanent employees. Equal monthly contributions are made both by the Bank and the employees to the fund at the rate of 10% of basic salary.

4.11.2 Defined benefit plan

The Bank operates a funded gratuity plan for all its permanent employees who have completed the minimum qualifying period of five years. Provision is made to meet the cost of such gratuity benefits on the basis of actuarial recommendations. The actuarial valuations are periodically carried out using the 'Projected Unit Credit Method'.

Annual contributions towards the defined benefit schemes are made on the basis of actuarial valuation carried out using the Projected Unit Credit Method.

The Bank follows International Accounting Standard (IAS) 19, 'Employee Benefits'. Actuarial gains and losses are recognized in unconsolidated other comprehensive income (OCI) in the periods in which they occur. Amounts recorded in the unconsolidated profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income / expense. All other changes in the net defined benefit obligation are recognized directly in other comprehensive income with no subsequent recycling through the unconsolidated profit and loss account.

4.11.3 Employees' compensated absences

The Bank provides its liability towards compensated absences accumulated by its employees on the basis of actuarial valuation carried out using the Projected Unit Credit Method as per the requirements given in International Accounting Standard (IAS) 19, 'Employee Benefits'. Actuarial gains and losses are credited or charged to the unconsolidated profit and loss account in the year in which they occur.

4.12 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated into rupees at the exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the unconsolidated statement of financial position date. Forward foreign exchange contracts are valued at forward rates determined with reference to their respective maturities.

Translation gains and losses

Translation gains and losses are included in the unconsolidated profit and loss account.

4.13 Revenue recognition

- Mark-up income / interest on advances and return on investments are recognized on a time proportion basis using the effective yield on the arrangement / instrument except that mark-up / return on non-performing advances and investments are recognized on receipt basis. Interest / return / mark-up on rescheduled / restructured advances and investments is recognized as permitted by the SBP except where in the opinion of the management it would not be prudent to do so.
- Income from lease financing is accounted for using the financing method. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Gains/losses on termination of lease contracts are recognized as income when these are realized.
- Fee, commission and brokerage income is recognized upon performance of obligations. Fees for ongoing account management are charged to the customer's account on monthly basis. Transaction based fees are charged to the customer's account when transaction takes place.
- Dividend income from investments is recognized when the Bank's right to receive the dividend is established.
- Premium or discount on acquisition of investments is amortized using the effective yield method and taken to unconsolidated profit and loss account over the remaining maturity of the security.
- Gains and losses on disposal of investments and certain operating fixed assets are taken to the unconsolidated profit and loss account in the year in which they arise.
- Ijarah income is recognized on an accrual basis as and when the rentals become due.
- Profits on Bai Muajjal lendings are recognized on a straight-line basis.
- Murabaha income is recognized on deferred income basis.

4.14 Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemptions available, if any, or minimum tax on turnover, whichever is higher.

Prior years

The taxation charge for prior years represents adjustments to the tax charge relating to prior years, arising from assessments / changes in laws and changes in estimates made during the current year.

Deferred

Deferred tax is recognized on all major temporary differences, tax credits and unused tax losses at the unconsolidated statement of financial position date between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is calculated at the rates that are expected to apply to the periods when the differences will reverse, based on tax rates that have been enacted or substantially enacted at the unconsolidated statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Bank also recognizes deferred tax asset / liability on deficit / surplus on revaluation of assets which is adjusted against related deficit / surplus in accordance with the requirements of the International Accounting Standard (IAS) 12 'Income Taxes'.

4.15 Impairment

The carrying amounts of assets are reviewed at each statement of financial position date for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The resulting impairment loss is taken to the unconsolidated profit and loss account.

4.16 Other provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each unconsolidated statement of financial position date and are adjusted to reflect the current best estimate.

4.17 Off setting

Financial assets and financial liabilities are off set and the net amount is reported in the unconsolidated financial statements when there is a legally enforceable right to set off the recognized amounts and the Bank intends either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

4.18 Acceptances

Acceptances comprise undertaking by the Bank to pay bill of exchange drawn on customers. The Bank expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as the on balance sheet transactions.

4.19 Financial instruments

Financial Assets and Liabilities

Financial instruments carried on the unconsolidated statement of financial position include cash and bank balances, lendings to financial institutions, investments, advances, certain other receivables, borrowings from financial institutions, deposits and certain other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them. Financial assets are de-recognized when the contractual right to future cash flows from the asset expire or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognized when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liabilities is recognized in the unconsolidated profit and loss account of the current period.

Derivative financial instruments

Derivative financial instruments are initially recognized at their fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the unconsolidated profit and loss account.

4.20 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

4.21 Segment reporting

A segment is a distinguishable component of the Bank that is subject to risks and rewards that are different from those of other segment. A business segment is one that is engaged either in providing certain products or services, whereas a geographical segment is one engaged in providing certain products or services within a particular economic environment. Segment information is presented as per the Bank's functional structure. The Bank comprises of the following main business segments:

4.21.1 Business segments

Corporate finance

This includes underwriting, securitization, investment banking, syndications, IPO related activities (excluding investments) and secondary private placements.

Trading and sales

This segment undertakes the Bank's treasury, money market and capital market activities.

Branch banking

This includes loans, deposits and other banking services to retail, individual customers, agriculture, SME and commercial customers of the Bank.

Islamic banking

This segment pertains to full scale Islamic Banking operations of the Bank.

Others

This includes the head office related activities, and all other activities not tagged to the segments above.

4.21.2 Geographical segments

The Bank conducts all its operations in Pakistan.

5. CASH AND BALANCES WITH TREASURY BANKS	Note	2022 ----- (Rupees in '000) -----	2021 ----- (Rupees in '000) -----
In hand			
Local currency		4,127,390	4,435,269
Foreign currency		356,179	565,956
		4,483,569	5,001,225
With State Bank of Pakistan in			
Local currency current account	5.1	7,827,523	6,966,624
Foreign currency current account	5.2	395,801	518,597
Foreign currency deposit account	5.3	582,381	875,136
		8,805,705	8,360,357
With National Bank of Pakistan in Local currency current account		66,309	959,344
Prize bonds		16,562	94,080
		13,372,145	14,415,006

5.1 These represent current accounts maintained under the Cash Reserve Requirement of the SBP.

5.2 These represent foreign currency current accounts maintained under the Cash Reserve Requirement and Special Cash Reserve Requirement of the SBP.

5.3 These represent deposit accounts maintained under Special Cash Reserve requirement of the SBP and a US Dollar Settlement account maintained with SBP. These carry mark up rate of 0.00% to 3.14% (2021: 0.00%) per annum.

6. BALANCES WITH OTHER BANKS	Note	2022 ----- (Rupees in '000) -----	2021 ----- (Rupees in '000) -----
In Pakistan			
In current account		865	20,641
In deposit account	6.1	16,205	5,391
		17,070	26,032
Outside Pakistan			
In current account		1,288,393	1,022,128
In deposit account	6.2	57,966	44,128
		1,346,359	1,066,256
		1,363,429	1,092,288

6.1 These represent placements with correspondent banks, carrying interest rate determined with respect to underlying currency benchmark rates ranging from 3.50% to 8.25% per annum (2021: 3.94% to 7.25% per annum).

6.2 These represent placements with correspondent banks, carrying interest rate determined with respect to underlying currency benchmark rates ranging from 0.00% to 4.00% per annum (2021: 0.00% to 4.00% per annum).

7. LENDINGS TO FINANCIAL INSTITUTIONS	Note	2022 ----- (Rupees in '000) -----	2021
Repurchase agreement lendings (Reverse Repo)	7.3	10,141,557	298,931
Less: provision held against Lendings to Financial Institutions		-	-
Lendings to Financial Institutions - net of provision		<u>10,141,557</u>	<u>298,931</u>
7.1 Particulars of lending			
In local currency		10,141,557	298,931
In foreign currencies		-	-
		<u>10,141,557</u>	<u>298,931</u>

7.2 Securities held as collateral against Lendings to Financial Institutions

	2022			2021		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
----- (Rupees in '000) -----						
Market Treasury Bills	2,765,807	-	2,765,807	298,931	-	298,931
Pakistan Investment Bonds	7,375,750	-	7,375,750	-	-	-
	<u>10,141,557</u>	-	<u>10,141,557</u>	298,931	-	<u>298,931</u>

7.2.1 The market value of securities held as collateral against repurchase agreement lendings amounted to Rs. 10,159.686 million (2021: 299.282 million).

7.3 This represents lending against securities to a financial institution that carries mark-up rate ranging from 16.05% to 16.75% (2021: 10.70%) per annum which will mature by January 03, 2023 (2021: January 04, 2022).

8. INVESTMENTS

8.1 Investments by type:	2022				2021			
	Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value
----- (Rupees in '000) -----								
Available-for-sale securities								
Federal Government Securities								
- Market Treasury Bills	20,013,762	-	1,975	20,015,737	13,879,696	-	(42,183)	13,837,513
- Pakistan Investment Bonds	14,330,617	-	(13,817)	14,316,800	8,502	-	(173)	8,329
- GoP Ijarah Sukuks	13,988,936	-	(73,186)	13,915,750	13,985,092	-	(65,242)	13,919,850
Shares								
- Fully paid up ordinary shares - Listed	2,588,043	(2,198,059)	124,947	514,931	2,588,043	(2,133,273)	274,127	728,897
- Fully paid up ordinary shares - Unlisted	2,830	(1,000)	-	1,830	2,830	(1,000)	-	1,830
- Preference shares - Unlisted	46,035	(46,035)	-	-	46,035	(46,035)	-	-
Non Government Debt Securities								
- Term Finance Certificates	1,565,786	(1,565,786)	-	-	1,594,950	(1,594,950)	-	-
- Sukuk Bonds	2,700,000	(200,000)	(50,000)	2,450,000	2,700,000	(200,000)	(94,825)	2,405,175
	55,236,009	(4,010,880)	(10,081)	51,215,048	34,805,148	(3,975,258)	71,704	30,901,594
Subsidiary (note no. 8.1.1)	396,942	(165,191)	-	231,751	396,942	(165,191)	-	231,751
Total Investments	55,632,951	(4,176,071)	(10,081)	51,446,799	35,202,090	(4,140,449)	71,704	31,133,345

8.1.1 Particulars of assets and liabilities of subsidiary	2022	2021
	----- (Rupees in '000) -----	
Percentage of holding: 100% (2021: 100%)		
Country of incorporation: Pakistan		
Assets	262,304	288,336
Liabilities	75,266	73,207
Revenue	67,446	81,691
Loss after tax	(14,494)	(24,867)
Total comprehensive loss	(28,091)	(24,132)

8.2 Investments by segments:	2022				2021			
	Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value
----- (Rupees in '000) -----								
Federal Government Securities								
Market Treasury Bills	20,013,762	-	1,975	20,015,737	13,879,696	-	(42,183)	13,837,513
Pakistan Investment Bonds	14,330,617	-	(13,817)	14,316,800	8,502	-	(173)	8,329
GoP Ijarah Sukuks	13,988,936	-	(73,186)	13,915,750	13,985,092	-	(65,242)	13,919,850
	48,333,315	-	(85,028)	48,248,287	27,873,290	-	(107,598)	27,765,692
Shares								
Listed Companies	2,588,043	(2,198,059)	124,947	514,931	2,588,043	(2,133,273)	274,127	728,897
Unlisted Companies	48,865	(47,035)	-	1,830	48,865	(47,035)	-	1,830
	2,636,908	(2,245,094)	124,947	516,761	2,636,908	(2,180,308)	274,127	730,727
Non Government Debt Securities								
Listed	2,507,266	(7,266)	(50,000)	2,450,000	8,616	(8,616)	-	-
Unlisted	1,758,520	(1,758,520)	-	-	4,286,334	(1,786,334)	(94,825)	2,405,175
	4,265,786	(1,765,786)	(50,000)	2,450,000	4,294,950	(1,794,950)	(94,825)	2,405,175
Subsidiary								
Summit Capital (Private) Limited	396,942	(165,191)	-	231,751	396,942	(165,191)	-	231,751
Total Investments	55,632,951	(4,176,071)	(10,081)	51,446,799	35,202,090	(4,140,449)	71,704	31,133,345

8.2.1 Investments given as collateral - Market Value	2022	2021
	----- (Rupees in '000) -----	
Market Treasury Bills	10,280,041	-
Pakistan Investment Bonds	7,894,300	-
	18,174,341	-

8.3 Provision for diminution in value of investments

8.3.1 Opening balance	4,140,449	4,881,353
Charge / reversals		
Charge for the year	64,786	-
Reversals for the year	(29,164)	(2,700)
Reversal on disposals	-	(738,204)
	35,622	(740,904)
Closing balance	4,176,071	4,140,449

8.3.2 Particulars of provision against debt securities

Category of classification	2022		2021	
	NPI	Provision	NPI	Provision
	----- (Rupees in '000) -----			
Domestic				
Loss	1,765,786	1,765,786	1,794,950	1,794,950

8.4 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows:

		Cost																									
		2022	2021																								
		----- (Rupees in '000) -----																									
8.4.1 Federal Government Securities - Government guaranteed																											
Market Treasury Bills		20,013,762	13,879,696																								
Pakistan Investment Bonds		14,330,617	8,502																								
GoP Ijarah Sukuks		13,988,936	13,985,092																								
		48,333,315	27,873,290																								
8.4.2 Shares																											
Listed Companies																											
- Cement		644,937	644,937																								
- Commercial Banks		440,566	440,566																								
- Cable and electrical goods		7,170	7,170																								
- Chemical		1,192,904	1,192,904																								
- Engineering		48,792	48,792																								
- Investment Banks / Investment Companies / Securities Companies		90,067	90,067																								
- Power generation and distribution		124,179	124,179																								
- Transport		39,428	39,428																								
		2,588,043	2,588,043																								
Preference Shares																											
- Sugar and allied industries		46,035	46,035																								
Unlisted Companies																											
	Breakup Value as at	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: center;">2022</th> <th colspan="2" style="text-align: center;">2021</th> </tr> <tr> <th style="text-align: center;">Cost</th> <th style="text-align: center;">Breakup value</th> <th style="text-align: center;">Cost</th> <th style="text-align: center;">Breakup value</th> </tr> <tr> <th colspan="4" style="text-align: center;">----- (Rupees in '000) -----</th> </tr> </thead> <tbody> <tr> <td>Arabian Sea Country Club Ltd.</td> <td style="text-align: center;">June 30, 2020</td> <td style="text-align: right;">1,000</td> <td style="text-align: right;">(1,255)</td> </tr> <tr> <td>Pakistan Mortgage Refinance Company Ltd.</td> <td style="text-align: center;">December 31, 2021</td> <td style="text-align: right;">1,830</td> <td style="text-align: right;">3,242</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">2,830</td> <td style="text-align: right;">1,987</td> </tr> </tbody> </table>		2022		2021		Cost	Breakup value	Cost	Breakup value	----- (Rupees in '000) -----				Arabian Sea Country Club Ltd.	June 30, 2020	1,000	(1,255)	Pakistan Mortgage Refinance Company Ltd.	December 31, 2021	1,830	3,242			2,830	1,987
2022		2021																									
Cost	Breakup value	Cost	Breakup value																								
----- (Rupees in '000) -----																											
Arabian Sea Country Club Ltd.	June 30, 2020	1,000	(1,255)																								
Pakistan Mortgage Refinance Company Ltd.	December 31, 2021	1,830	3,242																								
		2,830	1,987																								
		2,830	2,022																								
8.4.3 Non Government Debt Securities																											
Listed																											
- Unrated		2,507,266	8,616																								
Unlisted																											
- Unrated		1,758,520	4,286,334																								

9. ADVANCES

Note	Performing		Non Performing		Total	
	2022	2021	2022	2021	2022	2021
	----- (Rupees in '000) -----					
Loans, cash credits, running finances, etc.	16,338,130	19,171,122	35,332,731	36,177,174	51,670,861	55,348,296
Islamic financing and related assets	2,351,110	3,090,791	686,002	772,718	3,037,112	3,863,509
Bills discounted and purchased	77,636	533,456	49,335	62,456	126,971	595,912
Advances - gross	18,766,876	22,795,369	36,068,068	37,012,348	54,834,944	59,807,717
Provision against advances						
- Specific	-	-	(33,231,865)	(32,750,104)	(33,231,865)	(32,750,104)
- General	(10,556)	(13,885)	-	-	(10,556)	(13,885)
	(10,556)	(13,885)	(33,231,865)	(32,750,104)	(33,242,421)	(32,763,989)
Advances - net of provision	18,756,320	22,781,484	2,836,203	4,262,244	21,592,523	27,043,728

9.1 Includes Net Investment in Finance Lease as disclosed below:

	2022				2021			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	----- (Rupees in '000) -----							
Lease rentals receivable	120,910	27,195	-	148,105	122,928	83,023	-	205,951
Residual value	116,134	6,846	-	122,980	88,186	66,954	-	155,140
Minimum lease payments	237,044	34,041	-	271,085	211,114	149,977	-	361,091
Financial charges for future periods	(18,805)	(6,745)	-	(25,550)	(19,326)	(7,558)	-	(26,884)
Present value of minimum lease payments	218,239	27,296	-	245,535	191,788	142,419	-	334,207

9.2 This represents Islamic financing and related assets placed under Shariah permissible modes and are presented in Annexure - II to these unconsolidated financial statements.

9.3 Particulars of advances (Gross)

	2022	2021
	----- (Rupees in '000) -----	
In local currency	54,743,589	59,274,340
In foreign currencies	91,355	533,377
	54,834,944	59,807,717

9.4 Advances include Rs. 36,068.068 million (2021: Rs. 37,012.348 million) which have been placed under non-performing status as detailed below:

Category of Classification	2022		2021	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	----- (Rupees in '000) -----			
Domestic				
Other Assets Especially Mentioned	6,174	96	1,126	113
Substandard	149,835	391	16,259	2,645
Doubtful	22,569	6,524	440,901	98,695
Loss	35,889,490	33,224,854	36,554,062	32,648,651
	36,068,068	33,231,865	37,012,348	32,750,104

9.5 Particulars of provision against advances

Note	2022			2021		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	32,750,104	13,885	32,763,989	32,425,544	21,671	32,447,215
Charge for the year	1,397,485	-	1,397,485	2,461,718	-	2,461,718
Reversals	(906,851)	(3,329)	(910,180)	(2,137,158)	(7,786)	(2,144,944)
	490,634	(3,329)	487,305	324,560	(7,786)	316,774
Amounts written off 9.6	(8,873)	-	(8,873)	-	-	-
Closing balance	33,231,865	10,556	33,242,421	32,750,104	13,885	32,763,989

9.5.1 Particulars of provision against advances

	2022			2021		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
In local currency	33,218,147	10,556	33,228,703	32,736,386	13,885	32,750,271
In foreign currencies	13,718	-	13,718	13,718	-	13,718
	33,231,865	10,556	33,242,421	32,750,104	13,885	32,763,989

9.5.2 The general provision against consumer financing is required to be maintained at varying percentages based on the non-performing loan ratio present in the portfolio. These percentages are 1.5% for secured and 6% for unsecured portfolio.

The Bank has maintained general provision against housing finance portfolio at the rate of 1.5% of the performing portfolio and 1% against unsecured performing SE portfolio.

The Bank has availed the Forced Sale Value (FSV) benefit of pledged stocks, mortgaged properties, plant and machinery, and liquid securities held as collateral against non-performing advances as allowed under the applicable Prudential Regulations issued by the State Bank of Pakistan. Had the benefit not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 2,820.580 million (2021: Rs. 4,028.587 million). The positive impact on the profit and loss account arising from availing this benefit - net of tax amounts to Rs. 1,720.554 million (2021: Rs. 2,618.582 million). As per the applicable Prudential Regulations, the positive impact of FSV benefit is not available for distribution either as cash or stock dividend to shareholders and bonus to employees.

9.6 PARTICULARS OF WRITE OFFS:	Note	2022 ----- (Rupees in '000) -----	2021
9.6.1 Against Provisions	9.5	8,873	-
Directly charged to profit and loss account	30	37	-
		8,910	-
9.6.2 Write Offs of Rs. 500,000 and above			
- Domestic		6,690	-
Write Offs of below Rs. 500,000		2,220	-
		8,910	-

9.7 DETAILS OF LOAN WRITE OFF OF Rs. 500,000/- AND ABOVE

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended December 31, 2022 is given in Annexure - I to these unconsolidated financial statements.

10. FIXED ASSETS	Note	2022 ----- (Rupees in '000) -----	2021
Capital work-in-progress	10.1	24,064	6,618
Property and equipment	10.2	7,673,163	8,067,994
Right-of-use assets	10.3	2,953,396	2,842,645
		10,650,623	10,917,257

10.1 Capital work-in-progress

Civil works and related payments / progress billings	12,433	1,992
Advances and other payments to suppliers and contractors	11,631	4,626
Advances and other payments against capital work in progress considered doubtful	1,158,340	1,158,340
Less: Provision held there against	(1,158,340)	(1,158,340)
	-	-
	24,064	6,618

10.2 Property and Equipment

2022						
Leasehold land	Building on leasehold land	Building improvements	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
(Rupees in '000)						
At January 01, 2022						
Cost / Revalued amount	1,806,445	5,391,129	1,895,172	576,852	2,355,060	12,208,928
Accumulated depreciation / impairment	(5,670)	(168,884)	(1,414,951)	(456,115)	(1,961,878)	(4,140,934)
Net book value	<u>1,800,775</u>	<u>5,222,245</u>	<u>480,221</u>	<u>120,737</u>	<u>393,182</u>	<u>8,067,994</u>
Year ended December 31, 2022						
Opening net book value	1,800,775	5,222,245	480,221	120,737	393,182	8,067,994
Additions	-	-	14,384	6,264	60,316	16,239
Disposals						
Cost	-	(38,606)	(4,749)	(3,445)	(50,363)	(97,308)
Accumulated depreciation	-	2,861	4,215	3,337	48,985	59,541
Write off						
Cost	-	-	-	-	(177)	(177)
Accumulated depreciation	-	-	-	-	168	168
Depreciation charge	-	(168,558)	(99,472)	(25,960)	(146,881)	(454,258)
Closing net book value	<u>1,800,775</u>	<u>5,017,942</u>	<u>394,599</u>	<u>100,933</u>	<u>305,230</u>	<u>7,673,163</u>
At December 31, 2022						
Cost / Revalued amount	1,806,445	5,352,523	1,904,807	579,671	2,364,836	12,208,646
Accumulated depreciation / impairment	(5,670)	(334,581)	(1,510,208)	(478,738)	(2,059,606)	(4,535,483)
Net book value	<u>1,800,775</u>	<u>5,017,942</u>	<u>394,599</u>	<u>100,933</u>	<u>305,230</u>	<u>7,673,163</u>
Rate of depreciation (percentage)	-	2.5 - 5	10	10	20 - 25	20

	2021						Total
	Leasehold land	Building on leasehold land	Building improvements	Furniture and fixture	Electrical, office and computer equipment	Vehicles	
	----- (Rupees in '000) -----						
At January 01, 2021							
Cost / Revalued amount	1,806,445	5,391,129	1,909,545	573,629	2,131,922	139,873	11,952,543
Accumulated depreciation / impairment	(5,670)	-	(1,315,807)	(427,818)	(1,823,104)	(125,715)	(3,698,114)
Net book value	<u>1,800,775</u>	<u>5,391,129</u>	<u>593,738</u>	<u>145,811</u>	<u>308,818</u>	<u>14,158</u>	<u>8,254,429</u>
Year ended December 31, 2021							
Opening net book value	1,800,775	5,391,129	593,738	145,811	308,818	14,158	8,254,429
Additions	-	-	3,409	3,810	238,960	60,057	306,236
Disposals							
Cost	-	-	(133)	(116)	(14,759)	(15,660)	(30,668)
Accumulated depreciation	-	-	123	111	13,227	15,660	29,121
Write off							
Cost	-	-	(17,649)	(471)	(1,063)	-	(19,183)
Accumulated depreciation	-	-	16,315	392	1,049	-	17,756
Depreciation charge	-	(168,884)	(115,582)	(28,800)	(153,050)	(23,381)	(489,697)
Closing net book value	<u>1,800,775</u>	<u>5,222,245</u>	<u>480,221</u>	<u>120,737</u>	<u>393,182</u>	<u>50,834</u>	<u>8,067,994</u>
At December 31, 2021							
Cost / Revalued amount	1,806,445	5,391,129	1,895,172	576,852	2,355,060	184,270	12,208,928
Accumulated depreciation / impairment	(5,670)	(168,884)	(1,414,951)	(456,115)	(1,961,878)	(133,436)	(4,140,934)
Net book value	<u>1,800,775</u>	<u>5,222,245</u>	<u>480,221</u>	<u>120,737</u>	<u>393,182</u>	<u>50,834</u>	<u>8,067,994</u>
Rate of depreciation (percentage)	-	2.5 - 5	10	10	20 - 25	20	

10.2.1 The cost of fully depreciated fixed assets that are still in the Bank's use is as follows:	2022	2021
	----- (Rupees in '000) -----	
Building improvements	893,103	768,449
Furniture and fixture	339,838	303,772
Electrical, office and computer equipment	1,721,490	1,618,804
Vehicles	123,901	117,975

10.2.2 The carrying amount of fixed assets held for disposal amounts to Rs. 297.410 million (2021: Rs. 348.321 million).

10.2.3 The properties of the Bank were last revalued by Independent professional valuers as at December 31, 2020. The revaluation was carried out by M/s. Axa Surveyors Pakistan (Pvt.) Ltd and M/s. Pakistan Inspection Company (Pvt.) Ltd. on the basis of professional assessment of the present market values. This revaluation had resulted in an increase in surplus by Rs. 652.965 million. The total surplus arising against revaluation of fixed assets as at December 31, 2022 amounts to Rs 3,925.590 million.

Had there been no revaluation, the carrying value of revalued assets would have been as follows:

	2022	2021
	----- (Rupees in '000) -----	
Leasehold land	827,958	827,958
Buildings on leasehold land	2,107,445	2,209,161
Buildings improvements	394,599	479,941

10.2.4 Sale of fixed assets to related parties are disclosed below:

Particulars of assets	Cost	Net book value	Sale price	Mode of disposal	Particulars of purchaser
	----- (Rupees in '000) -----				
Electrical, office and computer equipment					
Laptop	119	60	62	Buy Back - As Per Policy	Kamran Ashraf (ex-employee)
Laptop	196	-	10	Buy Back - As Per Policy	Aziz Morris (ex-employee)
Laptop	75	-	5	Buy Back - As Per Policy	Syed Shafaat Hussain (ex-employee)
Laptop	76	-	5	Buy Back - As Per Policy	Zubair Aziz (ex-employee)

10.3	Movement in right-of-use assets is as follows:	Note	2022	2021
			----- (Rupees in '000) -----	
	Opening net book value		2,842,645	1,929,248
	Additions		735,144	1,530,132
	Modification - net		1,303	(50,098)
	Derecognition of right-of-use assets		(13,535)	-
	Depreciation charge	28	(612,161)	(566,637)
	Closing net book value		<u>2,953,396</u>	<u>2,842,645</u>

11. INTANGIBLE ASSETS

Capital work-in-progress	11.1	72,550	49,700
Intangible assets in use	11.2	71,056	87,886
		<u>143,606</u>	<u>137,586</u>

11.1 Capital work-in-progress

Advances to suppliers and contractors	72,550	49,700
Advances against capital work-in-progress considered doubtful	142,522	142,522
Less: Provision held there against	(142,522)	(142,522)
	-	-
	<u>72,550</u>	<u>49,700</u>

11.2 Intangible assets in use

	2022			Total
	Computer softwares	Core deposits	Brand name	
----- (Rupees in '000) -----				
At January 01, 2022				
Cost	569,466	209,874	143,838	923,178
Accumulated amortisation and impairment	(481,580)	(209,874)	(143,838)	(835,292)
Net book value	87,886	-	-	87,886
Year ended December 31, 2022				
Opening net book value	87,886	-	-	87,886
Additions:				
- directly purchased	6,269	-	-	6,269
Impairment loss recognized in the profit and loss account - net	-	-	-	-
Amortisation charge	(23,099)	-	-	(23,099)
Closing net book value	71,056	-	-	71,056
At December 31, 2022				
Cost	575,735	209,874	143,838	929,447
Accumulated amortisation and impairment	(504,679)	(209,874)	(143,838)	(858,391)
Net book value	71,056	-	-	71,056
Rate of amortisation (percentage)	20	10	10	
Useful life (years)	5	10	10	
	2021			Total
	Computer softwares	Core deposits	Brand name	
----- (Rupees in '000) -----				
At January 01, 2021				
Cost	490,268	209,874	143,838	843,980
Accumulated amortisation and impairment	(454,902)	(206,314)	(140,233)	(801,449)
Net book value	35,366	3,560	3,605	42,531
Year ended December 31, 2021				
Opening net book value	35,366	3,560	3,605	42,531
Additions:				
- directly purchased	79,198	-	-	79,198
Impairment loss recognized in the profit and loss account - net	(4,098)	-	-	(4,098)
Amortisation charge	(22,580)	(3,560)	(3,605)	(29,745)
Closing net book value	87,886	-	-	87,886
At December 31, 2021				
Cost	569,466	209,874	143,838	923,178
Accumulated amortisation and impairment	(481,580)	(209,874)	(143,838)	(835,292)
Net book value	87,886	-	-	87,886
Rate of amortisation (percentage)	20	10	10	
Useful life (years)	5	10	10	

2022 2021
----- (Rupees in '000) -----

11.2.1 The cost of fully amortised intangible assets that are still in the Bank's use is as follows:

Computer softwares	439,769	436,667
Core deposits	209,874	209,874
Brand name	143,838	143,838

12. DEFERRED TAX ASSETS

2022			
At January 01, 2022	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2022

----- (Rupees in '000) -----

Deductible Temporary Differences on

- Tax losses carried forward
- Provision against advances, off balance sheet etc.
- Provision for impairment loss - Investment
- Provision against intangible assets
- Staff compensated absences
- Provision against other assets
- Minimum tax

9,813,393	3,290,588	-	13,103,981
7,086,935	1,034,309	-	8,121,244
1,449,157	179,511	-	1,628,668
43,107	4,927	-	48,034
50,412	665	-	51,077
149,656	17,103	-	166,759
159,921	(159,921)	-	-
18,752,581	4,367,182	-	23,119,763

Taxable Temporary Differences on

- Surplus on revaluation of fixed assets
- Unrealized loss / (gain) on forward exchange contracts
- Surplus on revaluation of investments
- Surplus on revaluation of property - held for sale
- Surplus on revaluation of non-banking assets
- Accelerated tax depreciation

(1,069,472)	-	(82,109)	(1,151,581)
10,472	(10,614)	-	(142)
(25,096)	-	29,028	3,932
(406,274)	-	(46,431)	(452,705)
(289,666)	-	(43,880)	(333,546)
(295,920)	(108,070)	-	(403,990)
(2,075,956)	(118,684)	(143,392)	(2,338,032)
16,676,625	4,248,498	(143,392)	20,781,731

2021			
At January 01, 2021	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2021

----- (Rupees in '000) -----

Deductible Temporary Differences on

- Tax losses carried forward
- Provision against advances, off balance sheet etc.
- Provision for impairment loss - Investment
- Provision against intangible assets
- Staff compensated absences
- Unrealized loss on forward exchange contracts
- Provision against other assets
- Minimum tax

7,847,641	1,965,752	-	9,813,393
6,878,619	208,316	-	7,086,935
1,708,474	(259,317)	-	1,449,157
43,107	-	-	43,107
46,247	4,165	-	50,412
7,032	3,440	-	10,472
149,656	-	-	149,656
-	159,921	-	159,921
16,680,776	2,082,277	-	18,763,053

Taxable Temporary Differences on

- Surplus on revaluation of fixed assets
- Surplus on revaluation of investments
- Surplus on revaluation of property - held for sale
- Surplus on revaluation of non-banking assets
- Accelerated tax depreciation

(1,105,287)	-	35,815	(1,069,472)
(275,524)	-	250,428	(25,096)
(406,274)	-	-	(406,274)
(280,316)	-	(9,350)	(289,666)
(334,130)	38,210	-	(295,920)
(2,401,531)	38,210	276,893	(2,086,428)
14,279,245	2,120,487	276,893	16,676,625

- 12.1** The net deferred tax asset has been recognized in accordance with the Bank's accounting policy. The management, based on financial projections, estimates that sufficient taxable profits would be available in future against which the deferred tax asset could be realized. The projections includes certain key assumptions underlying management's estimation of profits. Any significant change in such assumptions may have effect on the recoverability of deferred tax asset. The management believes that it is probable that the Bank would be able to achieve the profits and consequently, the deferred tax amount will be fully realized in future.

13. OTHER ASSETS	Note	2022 ----- (Rupees in '000) -----	2021
Income / mark-up accrued in local currency		1,468,736	709,304
Income / mark-up accrued in foreign currency		2,848	1,059
Advances, deposits, advance rent and other prepayments		351,962	369,568
Advance taxation (payments less provisions)		571,316	616,715
Non-banking assets acquired in satisfaction of claims	13.1	2,497,513	2,571,374
Branch adjustment account		7,136	174
Receivable from defined benefit plan	35.7	102,958	-
Receivable from other banks against clearing and settlement		459,528	194,464
Mark to market gain on forward foreign exchange contracts		608	6,435
Acceptances		175,931	246,482
Stationery and stamps on hand		7,071	8,663
Commission receivable on home remittance	13.2	2,419	9,936
Property - Held for sale	13.3	3,836,309	3,836,309
Others		556,763	501,587
		10,041,098	9,072,070
Less: Provision held against other assets	13.4	(832,810)	(759,224)
Other assets (net of provision)		9,208,288	8,312,846
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		855,243	827,616
Surplus on revaluation of property - held for sale		1,160,784	1,160,784
Other assets - total		11,224,315	10,301,246
13.1 Market value of non-banking assets acquired in satisfaction of claims		3,451,295	3,519,545

Non-banking assets acquired in satisfaction of claims have been revalued by independent professional valuer as at December 31, 2022. The revaluation was carried out by M/s. Axa Surveyors Pakistan (Pvt.) Ltd, M/s. Pakistan Inspection Company (Pvt.) Ltd. and M/s. Sipra & Company (Pvt.) Ltd on the basis of professional assessment of present market values and resulted in an increase in surplus by Rs. 47.866 million. The total surplus arising against revaluation of non-banking assets acquired in satisfaction of claims as at December 31, 2022 amounts to Rs 855.243 million (2021: Rs. 827.616 million).

13.1.1 Non-banking assets acquired in satisfaction of claims	2022 ----- (Rupees in '000) -----	2021
Opening balance	3,038,883	3,108,443
Revaluation	47,866	74,453
Reversal of revaluation decrease recognized in profit and loss account	12,975	13,044
Disposals	(46,234)	-
Depreciation	(60,841)	(87,497)
Impairment	-	(69,560)
Closing balance	2,992,649	3,038,883

13.2 This represents commission receivable from the SBP in respect of home remittances channelized through the Bank as per agreement entered into with the SBP.

13.3 This represents a portion of the Bank's self constructed property which has been earmarked for selling in the near future. This property is carried at lower of market value / fair value less cost to sell and carrying amount.

13.4 Provision held against other assets	Note	2022 ----- (Rupees in '000) -----	2021
Income / mark-up accrued in local currency		1,389	1,389
Advances, deposits, advance rent and other prepayments		98,008	96,689
Non-banking assets acquired in satisfaction of claims		360,107	360,107
Commission receivable on guarantees		9,880	9,880
Receivable from Dewan Group		45,310	34,436
Account receivable - sundry claims		148,514	141,300
Receivable from Speedway Fondmetal (Pakistan) Limited		25,694	25,694
Others		143,908	89,729
		<u>832,810</u>	<u>759,224</u>

13.4.1 Movement in provision held against other assets

Opening balance	759,224	637,837
Charge for the year	78,252	121,543
Reversals	(4,666)	(156)
Closing balance	<u>832,810</u>	<u>759,224</u>

14. CONTINGENT ASSETS

There were no contingent assets at the balance sheet date.

15. BILLS PAYABLE

In Pakistan	1,993,587	2,071,048
Outside Pakistan	-	-
	<u>1,993,587</u>	<u>2,071,048</u>

16. BORROWINGS

Secured

Borrowings from State Bank of Pakistan

- Under export refinance scheme	16.1	5,710,250	5,858,980
- Under Islamic Export Refinance Scheme (IERF)	16.2	400,000	400,000
- Under long-term financing facility	16.3	428,927	629,075
- Refinance facility for modernization of SMEs	16.4	2,352	3,604
- Repurchase agreement borrowings	16.5	18,115,632	-
Total secured		<u>24,657,161</u>	<u>6,891,659</u>

Unsecured

Overdrawn nostro accounts

Total unsecured		<u>731,399</u>	<u>30,381</u>
		<u>25,388,560</u>	<u>6,922,040</u>

16.1 The Bank has entered into an agreement with SBP for extending export finance to its customers. Borrowing under the export refinance scheme of SBP carry interest at rates ranging from 6.50% to 10.00% per annum (2021: 1.00% to 2.00% per annum). These are secured against demand promissory notes and are due to mature latest by June 19, 2023 (2021: latest by June 14, 2022).

16.2 The Bank has entered into an agreement with SBP for extending export finance to its islamic customers. Borrowing under the export refinance scheme of SBP carry interest at rates ranging from 8.00% to 9.00% per annum (2021: 2.00% per annum). These are secured against demand promissory notes and are due to mature by April 17, 2023 (2021: March 23, 2022).

16.3 These represent borrowings from SBP under scheme for long term financing facility at interest rates ranging from 2.00% to 3.00% per annum (2021: 2.00% to 3.00% per annum) and have varying long term maturities latest due by December 31, 2028 (2021: latest due by December 31, 2028). Under the agreement, SBP has a right to recover the outstanding amount from the Bank at the respective maturity dates of each finance by directly debiting current account of the Bank maintained by the SBP.

16.4 These borrowings have been obtained from the SBP under a scheme to finance modernization of Small and Medium Enterprises by providing financing facilities for setting up of new units, purchase of new plant and machinery for Balancing, Modernization and Replacement (BMR) of existing units at mark up rate of 2.00% per annum (2021: 2.00% per annum), which will mature latest by February 11, 2025 (2021: latest by February 11, 2025).

16.5 These represent borrowings from a SBP at mark-up rates ranging from 15.22% to 16.15% per annum (2021: Nil) which will mature latest by March 03, 2023 (2021: Nil).

16.6 Particulars of borrowings with respect to currencies	2022	2021
	----- (Rupees in '000) -----	
In local currency	24,657,161	6,891,659
In foreign currencies	731,399	30,381
	25,388,560	6,922,040

17. DEPOSITS AND OTHER ACCOUNTS

	2022			2021		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
----- (Rupees in '000) -----						
Customers						
Current deposits	40,907,997	1,534,309	42,442,306	32,419,903	1,394,634	33,814,537
Savings deposits	58,374,143	1,638,923	60,013,066	53,921,219	3,902,261	57,823,480
Term deposits	12,024,797	2,940,083	14,964,880	9,783,869	3,954,546	13,738,415
Others	2,284,400	35,609	2,320,009	2,132,165	27,759	2,159,924
	113,591,337	6,148,924	119,740,261	98,257,156	9,279,200	107,536,356
Financial institutions						
Current deposits	272,625	162,329	434,954	292,720	102,102	394,822
Savings deposits	1,416,481	6	1,416,487	991,330	5	991,335
Term deposits	327,366	-	327,366	561,145	-	561,145
Others	-	-	-	-	-	-
	2,016,472	162,335	2,178,807	1,845,195	102,107	1,947,302
	115,607,809	6,311,259	121,919,068	100,102,351	9,381,307	109,483,658

17.1 Composition of deposits	2022	2021
	----- (Rupees in '000) -----	
- Individuals	83,207,449	72,467,273
- Government (Federal and Provincial)	1,636,443	2,996,123
- Public Sector Entities	89,311	127,302
- Banking Companies	1,249,879	2,068,313
- Non-Banking Financial Institutions	2,636,740	2,524,601
- Private Sector	33,099,246	29,300,046
	121,919,068	109,483,658

17.2 Deposits include Eligible Deposits of Rs. 84,289.724 million (2021: Rs. 71,416.525 million) protected under Depositors Protection Mechanism introduced by the State Bank of Pakistan.

17.3 Deposits include Rs. 6.000 billion held in current deposits (2021: Rs. 2.326 billion [USD 13.180 million] in saving deposits) by H.E. Naseer Abdulla Hussain Lootah (The Investor) which would be transferred to the shares subscription account after the receipt of all regulatory approvals.

18. SUBORDINATED DEBT

Issue amount	Rs.1,500,000,000
Issue date	October 27, 2011
Maturity date	October 27, 2022 (2021: October 27, 2021)

These TFCs were issued by the Bank on October 27, 2011 for an initial tenure of seven years and maturity date of October 27, 2018. In order to protect the interest of the TFC Holders, the tenure of the TFC together with the payment of applicable redemption amounts were extended for fourth time by the Bank to October 27, 2019, October 27, 2020, October 27, 2021 and October 27, 2022 through the extraordinary resolutions passed by the TFC holders on November 19, 2018, April 10, 2019, November 20, 2019, October 22, 2020 and October 26, 2021. The Bank completed necessary regulatory formalities for these extensions and executed the amended Declaration of Trusts on July 23, 2019, September 23, 2020, July 09, 2021 and August 01, 2022. The final approval of these extensions were approved by the SBP vide its letters dated October 21, 2019, October 21, 2020, October 22, 2021 and October 24, 2022.

Recently, the TFC holders of the Bank in their extraordinary meeting held on October 27, 2022 had approved another extension of one year in the tenure of the TFC issue along with the extension in the payments of all redemption amounts (principal and the related mark-up) with the revised maturity date of October 27, 2023. The Bank is currently in the process of ensuring compliance with all the applicable laws, rules and requisite regulatory requirements for seeking final approval from the State Bank of Pakistan.

Rating	'D' (Default).
Security	Unsecured.
Redemption / profit payment frequency	The redemption / profit payment details are mentioned in the above maturity date clause.
Mark-up	Base rate (6 months KIBOR - ask side) plus 325 bps.
Call option	The Bank had an option to call the TFC's subject to SBP's prior written approval, on any profit payment date after the 60th month from the last day of public subscription, with not less than 30 days prior notice to be given to the Trustee. The Call option once announced will not be revocable. Further, no premium will be paid to the TFC Holders in case the call option is exercised by the Bank.
Lock-in-clause	Neither interest nor principal can be paid (even at maturity) if such payments will result in a shortfall in the Bank's Minimum Capital Requirements (MCR) or Capital Adequacy Ratio (CAR) or increase in the existing shortfall in MCR and CAR.

19. OTHER LIABILITIES	Note	2022 ----- (Rupees in '000) -----	2021
Mark-up / return / interest payable in local currency		2,291,978	1,305,054
Mark-up / return / interest payable in foreign currencies		3,475	3,291
Unearned income		70,164	16,329
Accrued expenses		74,270	100,518
Advance against sale of property	19.1	328,731	373,323
Acceptances		175,931	246,482
Unclaimed dividends		2,213	2,213
Mark to market loss on forward foreign exchange contracts		243	36,356
Payable to defined benefit plan	35.7	-	42,992
Charity fund balance		2,154	1,084
Security deposits against lease		246,913	308,321
Payable to Bangladesh Bank	19.2	41,389	41,389
Payable to Rupali Bank - Bangladesh	19.3	16,293	16,293
Payable to vendors / creditors		228,005	196,909
Provision for compensated absences	35.7	130,964	144,030
Payable to Bank of Ceylon, Colombo		20,163	20,163
Retention money		306	3,133
Workers' welfare fund	19.4	13,360	13,360
Withholding taxes and government levies payable		34,946	14,290
Federal excise duty and sales tax payable		6,814	7,062
Commission payable on home remittances	19.5	2,381	3,102
Lease liability against right-of-use assets	19.6	3,494,835	3,215,664
Others		383,362	335,542
		<u>7,568,890</u>	<u>6,446,900</u>

19.1 This includes advance received amounting to Rs. 219.303 million (2021: Rs. 219.303 million) against sale of property included in other assets as property - held for sale.

19.2 This represents mark up payable to Bangladesh Bank up to June 2006 on Fixed Deposit Receipts (FDR) maintained with the Bank.

19.3 This represents amount payable in respect of share of head office expenses of Ex-Rupali Bank Limited - Karachi Branch.

19.4 This represents provision made for Workers' Welfare Fund (WWF) @ 2% of accounting profit before tax.

19.5 This represents commission payable to the foreign currency dealers in respect of home remittances channelized through the Bank as per agreement entered into by the Bank with them.

19.6 Maturity analysis of lease liability	2022 ----- (Rupees in '000) -----	2021
Not later than one year	813,414	739,478
Later than one year and not later than five years	1,913,872	1,752,739
Later than five years	767,549	723,447
	<u>3,494,835</u>	<u>3,215,664</u>

20. SHARE CAPITAL - NET

20.1 Authorized Capital

2022 ----- (Number of shares) -----	2021 ----- (Number of shares) -----		2022 ----- (Rupees in '000) -----	2021 ----- (Rupees in '000) -----
<u>9,000,000,000</u>	<u>9,000,000,000</u>	Ordinary shares of Rs. 10 each	<u>90,000,000</u>	<u>90,000,000</u>

20.2 Issued, subscribed and paid-up capital

2022 ----- (Number of shares) -----	2021 ----- (Number of shares) -----		2022 ----- (Rupees in '000) -----	2021 ----- (Rupees in '000) -----
Ordinary shares				
1,459,686,957	1,459,686,957	Fully paid in cash	14,596,869	14,596,869
673,997,721	673,997,721	Issue of shares upon conversion of preference shares	6,739,977	6,739,977
50,000,000	50,000,000	Issued as bonus shares	500,000	500,000
454,466,382	454,466,382	Issued for consideration other than cash	4,544,664	4,544,664
<u>2,638,151,060</u>	<u>2,638,151,060</u>		<u>26,381,510</u>	<u>26,381,510</u>
		Less: Discount on issue of shares	(5,881,316)	(5,881,316)
<u>2,638,151,060</u>	<u>2,638,151,060</u>		<u>20,500,194</u>	<u>20,500,194</u>

20.3 Number of shares held by the holding company as at December 31, are as follows:

2022 ----- (Number of shares) -----	2021 ----- (Number of shares) -----		2022 -----% age holding-----	2021 -----% age holding-----
<u>1,761,412,119</u>	<u>1,761,412,119</u>	Suroor Investments Limited	<u>66.77%</u>	<u>66.77%</u>

21. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS	Note	2022 ----- (Rupees in '000) -----	2021
Surplus / (deficit) on revaluation of			
- Available for sale securities	8.1	(10,081)	71,704
- Fixed assets	21.1	3,925,590	4,028,457
- Non-banking assets acquired in satisfaction of claims	21.2	855,243	827,616
- Property - held for sale	21.3	1,160,784	1,160,784
		5,931,536	6,088,561
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities		3,932	(25,096)
- Fixed assets	21.1	(1,151,581)	(1,069,472)
- Non-banking assets acquired in satisfaction of claims	21.2	(333,546)	(289,666)
- Property - held for sale	21.3	(452,705)	(406,274)
		(1,933,900)	(1,790,508)
		3,997,636	4,298,053
21.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 01,		4,028,457	4,130,785
Realised on disposal during the year - net of deferred tax		(1,143)	-
Transferred to accumulated losses in respect of incremental depreciation charged during the year - net of deferred tax		(61,606)	(66,513)
Related deferred tax liability on surplus realised on disposal		(730)	-
Related deferred tax liability on incremental depreciation charged during the year		(39,388)	(35,815)
Surplus on revaluation of fixed assets as at December 31,		3,925,590	4,028,457
Less: related deferred tax liability on:			
- revaluation as at January 01,		(1,069,472)	(1,105,287)
- effect of change in tax rate		(122,227)	-
- surplus realised on disposal during the year		730	-
- incremental depreciation charged during the year		39,388	35,815
		(1,151,581)	(1,069,472)
		2,774,009	2,958,985
21.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims			
Surplus on revaluation as at January 01,		827,616	800,903
Recognised during the year		47,866	74,453
Realised on disposal during the year - net of deferred tax		-	-
Transferred to accumulated losses in respect of incremental depreciation charged during the year - net of deferred tax		(12,346)	(31,031)
Related deferred tax liability on incremental depreciation charged during the year		(7,893)	(16,709)
Related deferred tax liability on surplus realised on disposal		-	-
Surplus on revaluation as at December 31,		855,243	827,616
Less: related deferred tax liability on:			
- revaluation as at January 01,		(289,666)	(280,316)
- effect of change in tax rate		(33,105)	-
- revaluation recognised during the year		(18,668)	(26,059)
- incremental depreciation charged during the year		7,893	16,709
		(333,546)	(289,666)
		521,697	537,950

		2022	2021
	Note	----- (Rupees in '000) -----	
21.3 Surplus on revaluation of Property - Held for sale			
Surplus on revaluation as at January 01,		1,160,784	1,160,784
Recognised during the year		-	-
Surplus on revaluation as at December 31,		1,160,784	1,160,784
Less: related deferred tax liability on:			
- revaluation as at January 01,		(406,274)	(406,274)
- effect of change in tax rate		(46,431)	-
- revaluation recognised during the year		-	-
		(452,705)	(406,274)
		708,079	754,510
22. CONTINGENCIES AND COMMITMENTS			
-Guarantees	22.1	11,817,383	9,824,912
-Commitments	22.2	30,862,340	15,287,854
-Other contingent liabilities	22.3	24,065,166	19,203,552
		66,744,889	44,316,318
22.1 Guarantees:			
Financial guarantees		20,470	20,470
Performance guarantees		9,102,570	8,003,196
Other guarantees		2,694,343	1,801,246
		11,817,383	9,824,912
22.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit		1,670,541	1,990,941
Commitments in respect of:			
- forward foreign exchange contracts	22.2.1	4,542,638	7,537,538
- forward lending	22.2.2	6,310,488	5,579,206
Commitments for acquisition of:			
- operating fixed assets		24,552	664
- intangible assets		198,489	179,505
Other commitments	22.2.3	18,115,632	-
		30,862,340	15,287,854

22.2.1 Commitments in respect of forward foreign exchange contracts	Note	2022 ----- (Rupees in '000) -----	2021
Purchase		4,542,638	6,748,974
Sale		-	788,564
		<u>4,542,638</u>	<u>7,537,538</u>

22.2.2 Commitments in respect of forward lending

Forward documentary bills		5,193,241	3,996,813
Undrawn formal standby facilities, credit lines and other commitments to lend	22.2.2.1	1,117,247	1,582,393
		<u>6,310,488</u>	<u>5,579,206</u>

22.2.2.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.

22.2.3 Other commitments	2022 ----- (Rupees in '000) -----	2021
Purchase (Repo)	<u>18,115,632</u>	<u>-</u>
22.3 Other contingent liabilities - claims against the Bank not acknowledged as debts	<u>24,065,166</u>	<u>19,203,552</u>

22.4 During the year 2018, Law Enforcement Agencies (LEAs) initiated its investigation on certain bank accounts alleged for money laundering activities in various banks including Summit Bank Limited. The Honourable Supreme Court of Pakistan under Suo Moto Case HRC-39216-G, appointed a Joint Investigation Team (JIT) which was constituted to investigate the matter. On recommendation of JIT, the matter was referred by the Honourable Supreme Court to the National Accountability Bureau (NAB) for further investigation and filing of references in the National Accountability Courts. The matter is currently under NAB investigations and only partial references have been filed in the NAB Courts. The Bank has been and is committed to extending its full cooperation to the Law Enforcement Agencies in their investigations to the best extent possible and the matter is currently sub judice. These proceedings in the opinion of the management will not have any effect on the operations and functioning of the Bank.

22.5 Contingency for tax payable

Contingency related to tax payable is disclosed in note 31.2.

	Note	2022 ----- (Rupees in '000) -----	2021
23. MARK-UP / RETURN / INTEREST EARNED			
On:			
Loans and advances		2,409,142	2,011,803
Investments		5,465,054	2,509,545
Lendings to financial institutions		250,020	41,997
Balances with banks		16,594	1,681
		<u>8,140,810</u>	<u>4,565,026</u>
24. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		7,239,101	4,116,879
Borrowings		1,743,263	633,817
Subordinated debt		239,225	164,905
Cost of foreign currency swaps against foreign currency deposits / borrowings		776,426	401,150
Finance cost of lease liability		406,133	360,007
		<u>10,404,148</u>	<u>5,676,758</u>
25. FEE AND COMMISSION INCOME			
Branch banking customer fees		51,954	43,289
Consumer finance related fees		5,667	9,367
Card related fees (debit cards)		82,112	72,652
Credit related fees		2,921	4,420
Investment banking fees		29,254	38,896
Commission on trade		171,610	175,791
Commission on guarantees		84,264	99,446
Commission on cash management		984	2,261
Commission on remittances including home remittances		8,259	12,074
Commission on bancassurance		894	979
Alternate delivery channels		36,078	8,009
Others		15	16
		<u>474,012</u>	<u>467,200</u>
26. GAIN ON SECURITIES			
Realised	26.1	<u>30,526</u>	<u>495,249</u>
26.1 Realised gain on:			
Federal Government Securities		30,526	36,225
Shares		-	459,024
		<u>30,526</u>	<u>495,249</u>
27. OTHER INCOME			
Rent on property	27.1	8,201	19,426
Gain on sale of fixed assets - net		62,667	16,006
Loss on sale of non banking assets		(431)	-
Gain on sale of ijarah assets		2,045	21,323
Recoveries against previously expensed items		1,056	984
Gain on termination of lease contracts under IFRS 16		443	-
Income on settlement of nostro balances		448	-
Income against reallocation of shares		-	6,555
Sale of scrap		2,724	-
Liabilities no longer required written back		3,365	-
Others		572	80
		<u>81,090</u>	<u>64,374</u>

27.1 This includes income from Summit Capital Private Limited (subsidiary) amounting to Rs. 4.003 million (2021: Rs. 3.771 million).

28. OPERATING EXPENSES	Note	2022 ----- (Rupees in '000) -----	2021
Total compensation expense	28.1	1,988,248	1,933,188
Property expense			
Rent and taxes		76,520	133,390
Insurance - property		10,493	8,256
Insurance - non banking assets		818	758
Utilities cost		392,722	266,310
Security (including guards)		213,606	194,673
Repair and maintenance (including janitorial charges)		124,591	131,600
Depreciation on owned fixed assets	10.2	268,028	284,466
Depreciation on right-of-use assets	10.3	612,161	566,637
Depreciation on non banking assets	13.1.1	60,841	87,497
		1,759,780	1,673,587
Information technology expenses			
Software maintenance		95,214	86,285
Hardware maintenance		91,122	75,714
Depreciation on computer equipments	10.2	79,118	73,201
Amortisation of computer softwares	11.2	23,099	22,580
Network charges		85,533	86,629
Insurance		2,217	635
		376,303	345,044
Other operating expenses			
Directors' fees and allowances		41,100	26,550
Fees and allowances to Shariah Board		22,050	15,780
Legal and professional charges		77,672	61,378
Outsourced services costs		243,509	174,936
Travelling and conveyance		298,265	171,964
NIFT clearing charges		26,652	25,552
Depreciation	10.2	107,112	132,030
Amortisation of core deposits and brand name	11.2	-	7,165
Training and development		5,115	3,689
Postage and courier charges		43,033	37,617
Communication		43,778	44,915
Stationery and printing		106,682	81,070
Marketing, advertisement and publicity		16,361	5,535
Brokerage and commission		28,317	23,872
Fee and subscription		125,272	171,175
Cash transportation and sorting charges		116,709	110,139
Entertainment		42,182	37,887
Insurance		129,810	147,644
Deposit insurance premium expense		99,729	86,982
Repair and maintenance		98,575	86,416
Auditors' remuneration	28.2	15,389	12,284
Others		32,047	19,292
		1,719,359	1,483,872
		5,843,690	5,435,691

The total cost for the year included in other operating expenses relating to outsourced activities is Rs. 142.148 million (2021: Rs. 120.997 million). This cost pertains to companies incorporated in Pakistan. This includes payments other than outsourced services cost, which are disclosed above.

28.1 Total compensation expense	Note	2022 ----- (Rupees in '000) -----	2021
Fees and allowances etc.		19,956	15,322
Managerial remuneration			
i) Fixed		1,291,107	1,187,087
ii) Variable			
of which;			
a) Cash bonus / awards etc.		-	2,710
b) Incentives and commission		2,641	6,158
(Reversal) / charge for defined benefit plan	35.8.1	(4,502)	78,400
Contribution to defined contribution plan	36	69,670	74,094
Charge for employees compensated absences	35.8.1	13,365	21,364
Rent and house maintenance		410,519	377,538
Utilities		91,223	83,876
Medical		94,269	86,639
Total		1,988,248	1,933,188
28.2 Auditors' remuneration			
Audit fee		3,494	3,494
Fee for other statutory certifications		3,899	3,899
Fee for audit of employee funds		178	178
Special certifications and sundry advisory services		6,431	3,596
Out-of-pocket expenses		1,387	1,117
		15,389	12,284
29. OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		1,451	4,217
Penalties imposed by SECP		250	170
		1,701	4,387
30. PROVISIONS / (REVERSALS) AND WRITE OFFS - NET			
Provision / (reversal of provision) for diminution in value of investments	8.3.1	35,622	(740,904)
Provisions against loans and advances	9.5	487,305	316,774
Provision for capital work in progress		-	1,298
Provision against intangible assets	11.2	-	4,098
Provision against other assets	13.4.1	73,586	121,387
Reversal of revaluation decrease on non-banking assets recognized in profit and loss account	13.1.1	(12,975)	(13,044)
Fixed assets written off	10.2	9	1,427
Bad debts written off directly	9.6.1	37	-
Write off against other assets		500	-
Operational loss		962	4,123
Recoveries against written off / charged off bad debts		(931)	(3,546)
		584,115	(308,387)

31. TAXATION	Note	2022 ----- (Rupees in '000) -----	2021
Current	31.1 & 31.2	119,219	73,431
Prior years		-	-
Deferred	12	(4,248,498)	(2,120,487)
		<u>(4,129,279)</u>	<u>(2,047,056)</u>

31.1 This represents the provision for minimum taxation made in accordance with the requirements of section 113 of the Income Tax Ordinance, 2001. Therefore, reconciliation of tax expense and accounting profit / loss has not been disclosed.

31.2 The Income Tax Returns of the Bank have been submitted up to and including the Bank's financial year ended December 31, 2021 i.e. tax year 2022.

In respect of assessments of Summit Bank Limited from tax years 2009 to tax year 2018 the tax authorities disputed the Bank's treatment on certain issues and created an additional tax demand (net of rectification) of Rs. 418.48 million through amended assessment orders and the same have been paid / stayed / adjusted against available refunds.

In respect of assessments of Summit Bank Limited AJK Region from tax year 2013 to tax year 2017, the tax authorities disputed the Bank's treatment on certain issues and created an additional tax demand of Rs. 9.684 million through amended assessment orders and the same have been paid / adjusted against advance tax paid.

In respect of assessments of ex-My Bank Limited (now Summit Bank Limited) from tax year 2003 to tax year 2011, the tax authorities disputed the Bank's treatment on certain issues and created additional tax demand of Rs. 456.62 million through amended assessment orders and the same have been paid / adjusted against available refunds.

In respect of assessments of ex-Atlas Bank Limited (now Summit Bank Limited) from tax year 2003 to tax year 2010, the tax authorities disputed the Bank's treatment on certain issues and created additional tax demand of Rs. 89.74 million through amended assessment orders and the same have been paid / adjusted against available refunds.

Such issues mainly include disallowances of mark up payable, taxation of mutual fund distribution at corporate tax rate, disallowance of provision against non-performing loans, disallowance of reversal of provisions, allocation of expenses against dividend income and capital gain, disallowances against non-banking assets, disallowances of certain HO expenses, addition to mark-up/interest earned in AJK region etc. The Bank has filed appeals before the various appellate forums against these amended assessment orders which are either pending for hearing or order.

The management of the Bank is confident about the favourable outcome of the appeals hence, no provision / adjustment with respect to the above matters has been made in these unconsolidated financial statements.

32. BASIC AND DILUTED LOSS PER SHARE	Note	2022 ----- (Rupees in '000) -----	2021
Loss for the year		<u>(3,166,888)</u>	<u>(2,886,924)</u>
		2022 ----- (Number of shares) -----	2021
Weighted average number of ordinary shares - Basic		<u>2,638,151,060</u>	<u>2,638,151,060</u>
		2022 ----- (Rupees) -----	2021
Basic loss per share		<u>(1.20)</u>	<u>(1.09)</u>
		2022 ----- (Number of shares) -----	2021
Weighted average number of ordinary shares - Diluted	32.1	<u>2,638,151,060</u>	<u>2,638,151,060</u>
		2022 ----- (Rupees) -----	2021
Diluted loss per share		<u>(1.20)</u>	<u>(1.09)</u>

32.1 There are no potential ordinary shares outstanding as of December 31, 2022.

33. CASH AND CASH EQUIVALENTS	Note	2022 ----- (Rupees in '000) -----	2021 ----- (Rupees in '000) -----
Cash and balances with treasury banks	5	13,372,145	14,415,006
Balances with other banks	6	1,363,429	1,092,288
Overdrawn nostro accounts	16	(731,399)	(30,381)
		14,004,175	15,476,913

33.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2022					
	Liabilities		Equity			Total
	Sub-ordinated debt	Other liabilities	Share Capital	Reserves	Accumulated losses	
----- (Rupees in '000) -----						
Balance as at January 01, 2022	1,495,515	6,446,900	20,500,194	(425,043)	(38,776,353)	(10,758,787)
Changes from financing cash flows						
Payment of lease liability against right-of-use-assets	-	(849,431)	-	-	-	(849,431)
	-	(849,431)	-	-	-	(849,431)
Liability related other changes						
Changes in other liabilities						
- Cash based	-	898,634	-	-	-	898,634
- Non cash based	-	1,072,787	-	-	-	1,072,787
Total liability related other changes	-	1,971,421	-	-	-	1,971,421
Equity related other changes	-	-	-	-	(2,945,326)	(2,945,326)
Balance as at December 31, 2022	1,495,515	7,568,890	20,500,194	(425,043)	(41,721,679)	(12,582,123)
	2021					
	Liabilities		Equity			Total
	Sub-ordinated debt	Other liabilities	Share Capital	Reserves	Accumulated losses	
----- (Rupees in '000) -----						
Balance as at January 01, 2021	1,495,515	5,390,495	20,500,194	(425,043)	(36,074,905)	(9,113,744)
Changes from financing cash flows						
Payment of lease liability against right-of-use-assets	-	(716,633)	-	-	-	(716,633)
	-	(716,633)	-	-	-	(716,633)
Liability related other changes						
Changes in other liabilities						
- Cash based	-	(59,388)	-	-	-	(59,388)
- Non cash based	-	1,832,426	-	-	-	1,832,426
Total liability related other changes	-	1,773,038	-	-	-	1,773,038
Equity related other changes	-	-	-	-	(2,701,448)	(2,701,448)
Balance as at December 31, 2021	1,495,515	6,446,900	20,500,194	(425,043)	(38,776,353)	(10,758,787)

34. STAFF STRENGTH	2022 ----- (Number of employees) -----	2021 ----- (Number of employees) -----
Permanent	1,580	1,628
On Bank contract	65	56
Bank's own staff strength at the end of the year	1,645	1,684

34.1 In addition to the above, 530 (2021: 487) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services.

35. DEFINED BENEFIT PLAN

35.1 General description

The Bank maintains two schemes under defined benefit plan:

- **A funded gratuity plan** - under which benefits are payable to eligible employees on retirement or on cessation of services in lump sum. The benefit is equal to one month's last drawn basic salary for each year of confirmed service, subject to a minimum of five years of service.
- **An unfunded employee compensated absences scheme** - under which benefits are payable to permanent and contractual employees on retirement or at the time of their final settlement. The benefit is equal to a maximum of 45 days gross salary subject to availability of privilege leaves balance.

The actuarial valuation of the funded and unfunded scheme is carried out periodically. Latest actuarial valuation was carried out as at December 31, 2022 using 'Projected Unit Credit Method'.

35.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2022 ----- (Number) -----	2021 ----- (Number) -----
- Gratuity fund	1,580	1,631
- Employees Compensated Absences	1,645	1,684

35.3 Principal actuarial assumptions

Latest actuarial valuation was carried out as at December 31, 2022 using 'Projected Unit Credit Method'.

	2022	2021	2022	2021
	Employees compensated absences (Unfunded)		Gratuity fund (Funded)	
	----- (Per annum) -----			
Discount rate	14.50%	11.75%	14.50%	11.75%
Discount rate for profit and loss	11.75%	9.75%	11.75%	9.75%
Expected rate of salary increase	13.50%	11.75%	10.00%	11.75%
Expected rate of return on plan assets	-	-	14.50%	9.75%
Leave accumulation factor - per annum	10 days	10 days	-	-
Withdrawal rates	Moderate	Moderate	Moderate	Moderate
Mortality rates	SLIC 2001-05	SLIC 2001-05	Adjusted SLIC 2001-05	Adjusted SLIC 2001-05

35.4 Reconciliation of payable to / (receivable from) defined benefit plans

	2022	2021	2022	2021
	Employees compensated absences (Unfunded)		Gratuity fund (Funded)	
Note	----- (Rupees in '000) -----			
Present value of obligations	130,964	144,030	466,179	610,485
Fair value of plan assets	-	-	(569,137)	(567,493)
Payable / (Receivable)	130,964	144,030	(102,958)	42,992

35.5 Movement in defined benefit obligations

Obligations at the beginning of the year	144,030	132,130	610,485	561,442
Current service cost	11,411	8,349	80,436	73,580
Past service cost	-	-	(77,701)	-
Interest cost	15,428	12,421	55,495	53,065
Benefits paid by the Bank	(26,431)	(9,464)	(110,195)	(34,370)
Re-measurement (gain) / loss	(13,474)	594	(92,341)	(43,232)
Obligations at the end of the year	130,964	144,030	466,179	610,485

35.6 Movement in fair value of plan assets

Fair value at the beginning of the year	-	-	567,493	462,577
Interest income on plan assets	-	-	62,732	48,245
Contribution by the Bank - net	-	-	(67,203)	64,495
Re-measurements: Net return on plan assets over interest income (loss) / gain	35.8.2	-	6,115	(7,824)
Fair value at the end of the year	-	-	569,137	567,493

35.7 Movement in (receivable) / payable under defined benefit schemes

Opening balance	144,030	132,130	42,992	98,865
Charge for the year	13,365	21,364	(4,502)	78,400
Contribution by the Bank - net	-	-	67,203	(64,495)
Re-measurement gain recognised in OCI during the year	35.8.2	-	(98,456)	(35,408)
Benefits paid by the Bank	(26,431)	(9,464)	(110,195)	(34,370)
Closing balance	130,964	144,030	(102,958)	42,992

2022	2021	2022	2021
Employees compensated absences (Unfunded)		Gratuity fund (Funded)	
----- (Rupees in '000) -----			

35.8 Charge for defined benefit plans

35.8.1 Cost recognised in profit and loss

Current service cost	(2,063)	8,943	80,436	73,580
Past service cost	-	-	(77,701)	-
Net interest on defined benefit liability / (asset)	15,428	12,421	(7,237)	4,820
	13,365	21,364	(4,502)	78,400

35.8.2 Re-measurements recognised in OCI during the year

(Gain) / loss on obligation				
- Demographic assumptions	-	-	-	-
- Financial assumptions	-	-	(48,912)	5,487
- Experience adjustment	-	-	(43,429)	(48,719)
Return on plan assets over interest income	-	-	(6,115)	7,824
Total re-measurements recognised in OCI	-	-	(98,456)	(35,408)

35.9 Components of plan assets

Cash and cash equivalents - net	-	-	569,137	567,493
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35.10 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:

Change in assumption	Employees compensated absences (Unfunded)		Gratuity fund (Funded)		
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption	
----- (Rupees in '000) -----					
Discount rate	+ - 1%	(8,853)	10,025	(32,906)	37,172
Salary increase rate	+ - 1%	10,685	(9,573)	39,475	(35,437)
Withdrawal rate	+ - 10%	-	-	521	(569)
Mortality rate	+ - 1 Year	-	-	(107)	105

35.11 Expected contributions to be paid to the funds in the next financial year

The Bank contributes to the employee compensated absences and gratuity fund according to the actuary's advice.

Employees compensated absences	Gratuity fund
----- (Rupees in '000) -----	
20,783	50,018

Expected charge for the next financial year

2022	2021	2022	2021
Employees compensated absences (Unfunded)		Gratuity fund (Funded)	

35.12 Maturity profile

The weighted average duration of the obligation (in years) 7.21 7.89 7.69 8.04

35.13 Funding Policy

The Bank endeavours to ensure that liabilities under the various employee benefit schemes are covered by the Fund on any valuation date having regards to the various actuarial assumptions such as projected future salary increase, expected future contributions to the fund, projected increase in liability associated with future service and the projected investment income of the Fund.

35.14 The significant risks associated with Defined Benefits Plans are as under:

Investment Risks:

The risk arises when the actual performance of the investment is lower than expectation and thus creating a shortfall in the funding objectives.

Longevity Risks:

The risks arises when the actual lifetime of retirees is longer than expectation. Thus risk is measured at plan level over the entire retiree population.

Salary Increase Risk:

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impact the liability accordingly.

Withdrawal Risk:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of liability can go either way.

Asset Volatility:

The risk arises due to inclusion of the risky assets in the pension / gratuity fund portfolio, inflation and relevant rate volatility.

Changes in bond yields:

The risk arises when bond yield is lower than the expected return on the plan assets (duration based PIB discount rate).

Inflation risk:

The risk arises if pension / gratuity benefits are linked to inflation and inflation rate is higher or higher than expected, which results in higher liabilities.

36. DEFINED CONTRIBUTION PLAN

An amount of Rs. 69.670 million (2021: Rs. 74.094 million) has been charged during the year in respect of contributory provident fund maintained by the Bank.

37. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

37.1 Total Compensation Expense

Items	2022						
	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Executive (other than CEO)	Non- Executive				
(Rupees in '000)							
Fees and Allowances etc.	7,500	-	33,600	22,050	-	3,672	904
Managerial Remuneration							
i) Fixed	-	10,778	-	1,646	34,294	115,090	74,559
ii) Total variable							
of which							
a) Cash bonus / awards etc.	-	-	-	-	-	-	-
b) Incentives and commission	-	-	-	-	-	-	180
Charge for defined benefit plan	-	1,019	-	676	4,424	13,809	22,304
Contribution to defined contribution plan	-	787	-	106	2,911	8,010	4,354
Charge for employees compensated absences	-	748	-	62	2,333	7,138	7,311
Rent and house maintenance	-	3,541	-	479	13,227	36,044	21,147
Utilities	-	787	-	106	2,939	8,010	4,699
Medical	-	787	-	106	2,939	8,010	4,699
Total	7,500	18,447	33,600	25,231	63,067	199,783	140,157
Number of persons	1	2*	3	5	1	26	28

* Number of persons include outgoing Executive Director.

Mr. Salman Zafar Siddiqi got appointed as an Executive Director on July 04, 2022. His remuneration after being appointed as an Executive Director has been disclosed under Executive Director.

Items	2021						
	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Executive (other than CEO)	Non- Executive				
(Rupees in '000)							
Fees and Allowances etc.	5,100	-	21,450	15,780	-	3,003	662
Managerial Remuneration							
i) Fixed	-	7,817	-	1,097	27,221	108,197	51,193
ii) Total variable							
of which							
a) Cash bonus / awards etc.	-	-	-	-	-	-	2,565
b) Incentives and commission	-	-	-	-	-	-	1,120
Charge for defined benefit plan	-	6,704	-	605	2,600	54,970	21,943
Contribution to defined contribution plan	-	512	-	94	2,404	6,608	2,811
Charge for employees compensated absences	-	1,245	-	71	2,633	13,021	5,165
Rent and house maintenance	-	2,304	-	423	10,499	32,069	14,158
Utilities	-	512	-	94	2,333	7,126	3,146
Medical	-	512	-	94	2,333	7,126	3,146
Total	5,100	19,606	21,450	18,258	50,023	232,120	105,909
Number of Persons	1	1	3	5	2**	26	23

** Number of persons include outgoing CEO.

The Bank's President and Chief Executive Officer and certain executives are provided with free use of Bank's maintained car and club membership fee in accordance with their entitlements.

Key Management personnel include all staff having a direct reporting line to the President and Chief Executive Officer.

The MRT / MRC inclusion criteria has been developed in accordance with the Bank's Remuneration Guidelines.

The aggregate remuneration paid during the year to executives as defined under the Companies Act, 2017 amounted to Rs. 532.480 million (2021: Rs. 410.931 million).

37.2 Remuneration paid to Directors for participation in Board and Committee Meetings

2022							
Meeting Fees and Allowances Paid							
Name of Director	Board Meetings	For Board Committees					Total amount paid
		Board Audit Committee (BAC)	Board Human Resource and Remuneration Committee (BHR&RC)	Board Information Technology Committee (BITC)	Board Risk Management Committee (BRMC)	Board Compliance Committee (BCC)	
----- (Rupees in '000) -----							
Mr. Waseem Mehdi Syed	3,600	600	600	1,500	-	1,200	7,500
Ms. Fauzia Hasnain	3,600	1,800	2,700	300	1,500	-	9,900
Mr. Wajahat Ahmed Baqai	3,600	1,800	2,700	600	1,500	1,200	11,400
Mr. Zafar Iqbal Siddiqi	3,600	1,800	2,700	1,500	1,500	1,200	12,300
Total amount paid	14,400	6,000	8,700	3,900	4,500	3,600	41,100

2021							
Meeting Fees and Allowances Paid							
Name of Director	Board Meetings	For Board Committees					Total amount paid
		Board Audit Committee (BAC)	Board Human Resource and Remuneration Committee (BHR&RC)	Board Information Technology Committee (BITC)	Board Risk Management Committee (BRMC)	Board Compliance Committee (BCC)	
----- (Rupees in '000) -----							
Mr. Waseem Mehdi Syed	2,400	450	600	750	-	900	5,100
Ms. Fauzia Hasnain	2,400	1,200	1,500	-	1,200	-	6,300
Mr. Wajahat Ahmed Baqai	2,400	1,200	1,500	-	1,200	900	7,200
Mr. Zafar Iqbal Siddiqi	2,400	1,200	1,500	750	1,200	900	7,950
Total amount paid	9,600	4,050	5,100	1,500	3,600	2,700	26,550

37.3 Remuneration paid to Shariah Board Members

Items	2022			2021		
	Chairman	Resident Member	Non-Resident Member(s)	Chairman	Resident Members	Non-Resident Member(s)
	----- (Rupees in '000) -----					
Meeting Fees and Allowances	13,950	-	8,100	4,350	-	11,430
Managerial Remuneration						
i) Fixed	-	1,646	-	-	1,097	-
ii) Total variable of which						
a) Cash bonus / awards etc.	-	-	-	-	-	-
b) Incentives and commission	-	-	-	-	-	-
Charge for defined benefit plan	-	676	-	-	605	-
Contribution to defined contribution plan	-	106	-	-	94	-
Charge for employees compensated absences	-	62	-	-	71	-
Rent and house maintenance	-	479	-	-	423	-
Utilities	-	106	-	-	94	-
Medical	-	106	-	-	94	-
Total amount	13,950	3,181	8,100	4,350	2,478	11,430
Total number of persons	1	1	3	2*	1	4**

* Number of persons include outgoing Chairman.

** Number of persons include outgoing Non-Resident Member.

38. FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investment in subsidiary, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

38.1 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).

38.2 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 categorized:

2022			
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	48,248,287		48,248,287
- Shares - Listed	514,931		514,931
- Non Government Debt Securities	2,450,000		2,450,000
Financial assets - disclosed but not measured at fair value			
Investments			
- Shares - Unlisted		3,242	3,242
Non-Financial assets - measured at fair value			
Operating fixed assets		7,213,316	7,213,316
Non banking assets acquired in satisfaction of claims		2,992,649	2,992,649
Off-balance sheet financial instruments - measured at fair value			
Forward purchase of foreign exchange	4,543,003		4,543,003
Forward sale of foreign exchange			

2021			
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	27,765,692		27,765,692
- Shares - Listed	728,897		728,897
- Non Government Debt Securities	2,405,175		2,405,175
Financial assets - disclosed but not measured at fair value			
Investments			
- Shares - Unlisted		3,070	3,070
Non-Financial assets - measured at fair value			
Operating fixed assets		7,503,241	7,503,241
Non banking assets acquired in satisfaction of claims		3,038,883	3,038,883
Off-balance sheet financial instruments - measured at fair value			
Forward purchase of foreign exchange	6,715,915		6,715,915
Forward sale of foreign exchange	785,426		785,426

Valuation techniques used in determination of fair value

Item	Valuation approach and input used
Federal Government Securities	The fair values of Market Treasury Bills (MTB) and Pakistan Investment Bonds (PIB) are determined using the PKRV rates. Floating rate PIBs are revalued using PKFRV rates. The fair values of GOP Ijarah Sukuks are derived using the PKISRV rates.
Ordinary shares - Listed	The fair value of investment in listed equity securities are valued on the basis of closing quoted market price available at the Pakistan Stock Exchange.
Ordinary shares - Unlisted	This represents breakup value of investments.
Non-Government Debt Securities	Investments in debt securities (comprising term finance certificates, bonds and any other security 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.
Forward foreign exchange contracts	The valuation has been incorporated by interpolating the foreign exchange revaluation rates announced by the SBP.
Fixed assets (land and building) and non-banking assets acquired in satisfaction of claims	The valuation experts used a market based approach to arrive at the fair value of the Bank's properties. The market approach used prices and other relevant information generated by market transactions involving identical or comparable or similar properties.

39. SEGMENT INFORMATION

39.1 Segment details with respect to business activities

2022						
Corporate finance	Trading and sales	Branch banking	Islamic	Others	Total	
----- (Rupees in '000) -----						
Profit and Loss						
Net mark-up / return / profit	(750)	1,898,044	(4,781,555)	620,923	-	(2,263,338)
Inter segment revenue - net	-	(996,088)	-	996,088	-	-
Non mark-up / return / interest income	24,325	858,863	492,472	21,017	-	1,396,677
Total income	23,575	1,760,819	(4,289,083)	1,638,028	-	(866,661)
Segment direct expenses	3,036	664,543	4,400,616	715,537	61,659	5,845,391
Inter segment expense allocation	-	-	(144,295)	144,295	-	-
Total expenses	3,036	664,543	4,256,321	859,832	61,659	5,845,391
Provisions / (reversals)	-	35,622	630,342	(68,874)	(12,975)	584,115
Profit / (loss) before tax	20,539	1,060,654	(9,175,746)	847,070	(48,684)	(7,296,167)
Balance Sheet						
Cash and bank balances	-	8,607,872	4,444,506	1,683,196	-	14,735,574
Investments	-	38,939,664	1,394,734	10,880,650	231,751	51,446,799
Net inter segment lending	-	200,000	-	8,051,586	-	8,251,586
Lendings to financial institutions	-	10,141,557	-	-	-	10,141,557
Advances - performing	-	-	16,407,371	2,348,949	-	18,756,320
Advances - non-performing	-	-	2,812,050	24,153	-	2,836,203
Others	133,042	14,934,199	14,788,833	1,374,196	11,570,005	42,800,275
Total assets	133,042	72,823,292	39,847,494	24,362,730	11,801,756	148,968,314
Borrowings	-	18,839,086	6,141,530	407,944	-	25,388,560
Subordinated debt	4,691	994,387	496,437	-	-	1,495,515
Deposits and other accounts	-	-	101,454,635	20,464,433	-	121,919,068
Net inter segment borrowing	-	8,051,586	-	200,000	-	8,251,586
Others	5,334	1,335,468	7,261,331	648,613	311,731	9,562,477
Total liabilities	10,025	29,220,527	115,353,933	21,720,990	311,731	166,617,206
Equity	123,017	43,602,765	(75,506,439)	2,641,740	11,490,025	(17,648,892)
Total equity and liabilities	133,042	72,823,292	39,847,494	24,362,730	11,801,756	148,968,314
Contingencies and Commitments	-	22,018,940	15,893,384	4,544,358	24,288,207	66,744,889

2021						
Corporate finance	Trading and sales	Branch banking	Islamic	Others	Total	
----- (Rupees in '000) -----						
Profit and Loss						
Net mark-up / return / profit	(1,242)	952,618	(2,217,642)	154,534	-	(1,111,732)
Inter segment revenue - net	-	(696,118)	-	696,118	-	-
Non mark-up / return / interest income	37,181	794,810	444,078	33,374	-	1,309,443
Total income	35,939	1,051,310	(1,773,564)	884,026	-	197,711
Segment direct expenses	6,438	514,630	4,529,249	301,506	88,255	5,440,078
Inter segment expense allocation	-	-	(496,893)	496,893	-	-
Total expenses	6,438	514,630	4,032,356	798,399	88,255	5,440,078
Provisions	-	(740,904)	466,218	(20,657)	(13,044)	(308,387)
Profit / (loss) before tax	29,501	1,277,584	(6,272,138)	106,284	(75,211)	(4,933,980)

2021						
Corporate finance	Trading and sales	Branch banking	Islamic	Others	Total	
----- (Rupees in '000) -----						
Balance Sheet						
Cash and Bank balances	-	8,189,994	5,939,387	1,377,913	-	15,507,294
Investments	-	17,873,826	2,186,043	10,841,725	231,751	31,133,345
Net inter segment lending	-	425,000	-	7,644,820	-	8,069,820
Lendings to financial institutions	-	298,931	-	-	-	298,931
Advances - performing	-	-	19,694,216	3,087,268	-	22,781,484
Advances - non-performing	-	-	4,218,887	43,357	-	4,262,244
Others	197,494	10,145,078	15,248,343	638,055	11,803,744	38,032,714
Total Assets	197,494	36,932,829	47,286,876	23,633,138	12,035,495	120,085,832
Borrowings	-	14,503	6,491,659	415,878	-	6,922,040
Subordinated debt	11,261	830,084	654,170	-	-	1,495,515
Deposits and other accounts	-	-	90,540,299	18,943,359	-	109,483,658
Net inter segment borrowing	-	7,644,820	-	425,000	-	8,069,820
Others	908	97,338	6,023,303	2,084,668	311,731	8,517,948
Total liabilities	12,169	8,586,745	103,709,431	21,868,905	311,731	134,488,981
Equity	185,325	28,346,084	(56,422,555)	1,764,233	11,723,764	(14,403,149)
Total equity and liabilities	197,494	36,932,829	47,286,876	23,633,138	12,035,495	120,085,832
Contingencies and Commitments	-	6,911,598	14,944,419	3,076,580	19,383,721	44,316,318

39.1.1 The Bank does not have any operations outside Pakistan.

40. TRUST ACTIVITIES

The Bank undertakes Trustee and other fiduciary activities that result in the holding or placing of assets on behalf of individuals and other organisations. These are not assets of the Bank and, therefore, are not included as such in these unconsolidated financial statements. Assets held under trust are shown in the table below:

2022				
Category	No. of IPS accounts	Securities Held (Face Value)		Total
		Market Treasury Bills	Pakistan Investment Bonds	
----- (Rupees in '000) -----				
Employee Funds	2	-	70,700	70,700
Individual	3	15,000	-	15,000
Insurance company	1	-	16,000	16,000
Total	6	15,000	86,700	101,700

2021				
Category	No. of IPS accounts	Securities Held (Face Value)		Total
		Market Treasury Bills	Pakistan Investment Bonds	
----- (Rupees in '000) -----				
Employee Funds	2	-	70,700	70,700
Insurance company	2	200,000	16,000	216,000
Total	4	200,000	86,700	286,700

41. RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its parent, subsidiary, 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.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	2022				2021					
	Parent company	Directors	Key management personnel	Subsidiary	Other related parties	Parent company	Directors	Key management personnel	Subsidiary	Other related parties
(Rupees in '000)										
Investments										
Opening balance	-	-	396,942	1,692,490	-	-	-	-	396,942	1,692,490
Investment made during the year	-	-	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	-	(27,814)	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	396,942	1,664,676	-	-	-	-	396,942	1,692,490
Provision for diminution in value of investments	-	-	165,191	1,585,428	-	-	-	-	165,191	1,613,242
Advances										
Opening balance	-	-	252,823	786,261	-	-	-	295,706	-	675,185
Addition during the year	-	-	19,755	1,525,485	582,251	-	-	11,465	99,998	1,888,290
Repaid during the year	-	-	(28,281)	(1,637,218)	(582,251)	-	-	(44,026)	(99,998)	(1,777,214)
Transfer in / (out) - net	-	-	(81,592)	(2,640)	-	-	-	(10,322)	-	-
Closing balance	-	-	162,705	671,888	-	-	-	252,823	-	786,261
Provision held against advances	-	-	-	-	-	-	-	-	-	-

	2022					2021				
	Parent company	Directors	Key management personnel	Subsidiary	Other related parties	Parent company	Directors	Key management personnel	Subsidiary	Other related parties
Other Assets										
Interest / mark-up accrued	-	-	-	217	76,337	-	-	-	-	13,630
Advances, deposits, advance rent and other prepayments	-	-	4,250	-	-	-	-	666	-	-
Receivable from defined benefit plan	-	-	-	-	102,958	-	-	-	-	-
Other receivable	699	-	-	-	-	699	-	-	-	-
Provision held against other assets	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts										
Opening balance	-	-	82,005	59,341	2,110,049	-	-	64,072	157,832	2,083,253
Received during the year	-	-	312,104	2,957,326	6,207,533	-	-	670,534	4,229,194	3,638,126
Withdrawn during the year	-	-	(306,636)	(2,959,061)	(6,266,214)	-	-	(660,431)	(4,327,685)	(3,613,898)
Transfer (out) / in - net	-	-	(67,962)	-	678	-	-	7,830	-	2,568
Closing balance	-	-	19,511	57,606	2,052,046	-	-	82,005	59,341	2,110,049
Other Liabilities										
Interest / mark-up payable	-	-	131	574	36,374	-	-	545	44	16,647
Payable to defined benefit plan	-	-	-	-	-	-	-	-	-	42,992
Unearned income	-	-	-	-	692	-	-	-	-	-
Brokerage payable	-	-	-	21	-	-	-	-	11	-
Contingencies and Commitments										
Guarantees, letters of credit and acceptances	-	-	-	-	86,500	-	-	-	-	217,289
Commitments to extend credit	-	-	-	128,409	-	-	-	-	300,000	65,377

	2022				2021					
	Parent company	Directors	Key management personnel	Subsidiary	Other related parties	Parent company	Directors	Key management personnel	Subsidiary	Other related parties
Income										
Mark-up / return / interest earned	-	-	9,409	985	102,978	-	-	10,949	329	78,720
Fee and commission income	-	-	13	63	1,494	-	-	10	74	2,183
Other income	-	-	410	4,003	-	-	-	743	3,771	-
Expense										
Mark-up / return / interest expensed	-	-	2,137	5,873	238,774	-	-	4,371	588	142,462
Operating expenses:										
- Directors' fees and allowances	-	41,100	-	-	-	-	26,550	-	-	-
- Brokerage and commission	-	-	-	201	-	-	-	-	3,243	-
- Fee and subscription	-	-	994	-	-	-	-	1,103	-	-
- Managerial Remuneration	-	-	321,601	-	1,082	-	-	245,518	-	-
- Contribution to defined contribution plan	-	-	-	-	69,670	-	-	-	-	74,094
- Charge for defined benefit plan	-	-	-	-	(4,502)	-	-	-	-	78,400
Reversal of provision for diminution in value of investment	-	-	-	-	(27,814)	-	-	-	-	-

(Rupees in '000)

Directors include Non-Executive Directors only. Executive Directors including the President / CEO are part of key management personnel.

42. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS	2022 ----- (Rupees in '000) -----	2021
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>(21,800,690)</u>	<u>(18,855,364)</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier-I (CET-I) Capital	<u>(43,276,304)</u>	<u>(36,266,670)</u>
Eligible Additional Tier-I (ADT-I) Capital	-	-
Total Eligible Tier-I Capital	<u>(43,276,304)</u>	<u>(36,266,670)</u>
Eligible Tier-2 Capital	-	-
Total Eligible Capital (Tier-I + Tier-2)	<u>(43,276,304)</u>	<u>(36,266,670)</u>
Risk Weighted Assets (RWAs):		
Credit Risk	44,655,013	48,061,227
Market Risk	2,295,820	3,514,273
Operational Risk	7,447,378	7,447,378
Total	<u>54,398,211</u>	<u>59,022,878</u>
Common Equity Tier-I Capital Adequacy Ratio	<u>-79.55%</u>	<u>-61.45%</u>
Tier-I Capital Adequacy Ratio	<u>-79.55%</u>	<u>-61.45%</u>
Total Capital Adequacy Ratio	<u>-79.55%</u>	<u>-61.45%</u>

Under the applicable Laws and Regulations, the Bank is required to maintain a minimum paid-up capital (free of losses) of Rs. 10 billion. Moreover, the Bank is subject to the Basel II capital adequacy guideline stipulated by the State Bank of Pakistan under BSD Circular No. 8 of 2006 and Basel III guideline vide its BPRD Circular No. 6 of 2013. As of December 31, 2022, the Bank is required to maintain minimum CET-I ratio of 6%, minimum Tier-I capital ratio of 7.5% and minimum total capital adequacy ratio of 11.50% (inclusive of Capital Conservation Buffer of 1.50%).

Under Basel III framework, Bank's regulatory capital has been analysed into two tiers as follows:

- a) Tier-I capital (going concern capital), which comprises Common Equity Tier-I (CET-I) and Additional Tier-I (AT-I capital), which includes fully paid up capital, balance in share premium account net of discount on issue of shares, reserves arising on amalgamation and un-appropriated / accumulated losses. Moreover, regulatory deductions pertaining to book value of intangibles, deferred tax assets, reciprocal crossholdings and investment in subsidiary are made from Tier-I capital as per the applicable Basel III guidelines.
- b) Tier-2 Capital (gone concern capital), which includes general provisions for loan losses (up to a maximum of 1.25% of credit risk weighted assets), reserves on revaluation of fixed assets and available for sale investments after deduction of deficit on available for sale investments (as per Basel III requirement). The outstanding sub-ordinated debt / TFC of the Bank has not been included in Tier-2 capital as of December 31, 2022 because the said TFC has less than one year remaining maturity (revised maturity date is October 27, 2023) and therefore not eligible as Tier-2 capital as per the applicable Basel III guidelines.

Due to negative Tier-I capital, the Bank could not take benefit of available Tier-2 capital which includes surplus / (deficit) on revaluation of assets and general provision / reserve for loan losses amounting to Rs. 3,486.495 million.

As on December 31, 2022, the Bank does not meet the applicable requirements stipulated by the SBP as explained above. In this regard management of the Bank is taking various steps to comply with applicable minimum capital requirements. A business plan has been put in place which has been approved by the Board of Directors and aims to improve the Bank's Capital base and risk absorption capacity and to provide impetus to its future growth initiatives. This plan indicates future profitable operations based on various assumptions including capital injection as explained in note 1.3 to these unconsolidated financial statements. Moreover, the management is committed to taking all the necessary steps for successful execution of the business plan to comply with the capital requirements as explained above.

Capital Management

The Bank manages its capital to meet the regulatory requirements and current and future business needs considering the risks associated with its businesses, expectation of shareholders and investors, and the available options for raising capital. The Bank is committed to comply with the capital requirements as per the SBP's Basel III guidelines.

The capital management framework of the Bank is administered by the Finance Division and Risk Management Group under the supervision of the Board of Directors and Board Risk Management Committee.

As per the guidelines issued by the SBP, the Bank is applying standardised approach for the measurement of credit risk, standardised approach for market risk and Basic Indicator Approach for the operational risk.

	2022 ----- (Rupees in '000) -----	2021
Leverage Ratio (LR):		
Eligible Tier-I Capital	(43,276,304)	(36,266,670)
Total Exposures	157,956,814	128,015,223
	<u>-27.40%</u>	<u>-28.33%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	43,961,885	40,325,959
Total Net Cash Outflow	20,348,574	21,880,329
Liquidity Coverage Ratio	<u>216.04%</u>	<u>184.30%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	77,771,056	72,650,421
Total Required Stable Funding	56,155,340	52,487,876
Net Stable Funding Ratio	<u>138.49%</u>	<u>138.41%</u>

Under the applicable Laws and Regulations, the Bank is required to maintain the Leverage Ratio (LR) at 3%, Liquidity Coverage Ratio (LCR) at 100% and Net Stable Funding Ratio (NSFR) at 100%. The Bank's LR is below the applicable regulatory requirement as of December 31, 2022. As more fully explained in note 1.3 of these unconsolidated financial statements, the Bank has made a business plan which envisages the compliance with applicable regulatory requirements.

42.1 The full disclosure on the Capital Adequacy, Leverage Ratio and Liquidity requirements as per SBP instructions has been placed on the website. The link to the full disclosure is <http://summitbank.com.pk/index.php/investor-relations/financial-statements>.

43. RISK MANAGEMENT FRAMEWORK

The acceptance and management of financial risk is inherent to banking business activities. The Bank is exposed to numerous risks in pursuit of its business objectives. The core risks are Credit, Market and Liquidity risks. These risks arise directly through the Bank's commercial activities whilst Operational and Compliance / Legal / Regulatory risks are normal consequences of any business undertaking. A sound Risk Management Framework provides principles for identifying, assessing and monitoring risk. The Framework specifies the key elements of the risk management process in order to maximise opportunities, to minimise adversity and to achieve improved outcomes and outputs based on informed decision making.

Clearly defined risk management policies and procedures covering all activities of the Bank including general banking, trade finance, credit evaluation, credit management, treasury operations, administration and human resources management, compliance functions, risk management, central finance, audit and control are in place. The basic principles employed in formulation of the above policies and procedures involves identification, measurement, monitoring and controlling risks to ensure that:

- The Bank's risk exposure is within the limits established by Board of Directors.
- Risk taking decisions are in line with the business strategy and objectives of the Bank.
- The expected payoffs compensate the risks taken by the Bank.
- The decisions are explicit and clear.
- Sufficient capital as buffer is available to mitigate risk.

Enterprise Risk Management Group

The Board of Directors is responsible for overall supervision of the risk management process. The Board is also responsible for approval of all risk policies and ensuring that these are properly implemented. The Board Risk Management Committee (BRMC) has been mandated by the Board of Directors (BOD) to assist in the design, regular evaluation and timely update of the risk management framework of the Bank. The BRMC aims to ensure that the Bank maintains a complete and prudent integrated risk management framework at all times and exposures are maintained within acceptable levels. The Board approved risk management framework has been developed strictly in line with regulatory requirements and covers all major types of risks that the Bank may be exposed to.

The authority to monitor and manage different risks has been further delegated to the specialized committees comprising of senior members of management with relevant experience and expertise. The committees include:

- Asset and Liability Management Committee (ALCO)
- Central Credit Committee (CCC)

ALCO has the responsibility for the formulation of overall strategy and oversight of the assets and liability management function.

The primary objective of this architecture is to inculcate risk management culture into the organization to ensure that risks are appropriately identified and assessed, properly documented, approved and adequately monitored; and managed in order to enhance long term earnings and to protect the interests of the Bank's depositors and shareholders.

The Bank has setup functions of asset booking and credit approval in which financing exposures and their related risks are analysed in the light of credit limits, applicable controls and segment exposures.

Credit decision-making is a collective and consultative process in the Bank. All credit exposures approval authority rests with Central Credit Committee / Sub-Committees. The Central Credit Committee (CCC) / Sub-Committees comprising of staff having relevant experience and knowledge of credit operation and associated risks.

43.1 Credit Risk

It is the Risk of potential financial loss resulting from the failure of customers to honour the terms of a financing or contract. This Risk arises from the potential that a customer or counterparty is either unwilling to perform an obligation or its ability to perform such obligation is impaired resulting in economic loss to the Bank. Alternatively, economic loss may occur due to actual or perceived losses which may result from reduction in value due to deterioration in credit quality. While the facilities are the largest and most obvious source of credit Risk; it also stems from activities both on and off balance sheet.

Credit Risk also encompasses opportunity costs, transaction costs and expenses associated with a non-performing asset over and above the accounting loss.

The following objectives govern the credit policy of the Bank:

- The Bank complies with the requirements of Prudential Regulations prescribed by SBP.
- Facilities provided by the Bank are well diversified into different sectors and products to achieve a strong market position and adequate return on capital.
- Return commensurate with the risk.
- Lending decision is based on a full appreciation for the risks inherent in the transaction and within the approved limits by the Board of Directors.
- Risk changes are identified promptly and remedial actions are taken in a timely manner.

The Bank creates loan loss provisions against non-performing advances in accordance with the Prudential Regulations issued by SBP. Please refer to note 9.5 for reconciliation in loan loss provision.

Concentrations of credit risk (including funded and non-funded portfolio) arises when the counterparties have similar economic characteristics that would cause their ability to meet contractual obligations to be affected in a similar way by changes in economic or other conditions. As part of managing concentration risk, sector risk is managed on a portfolio basis. Please refer to note 43.1.4, 43.1.5, 43.1.6 and 43.1.7.

Credit approval authorities are based on the nature and size of exposure. Disbursement authorisation, collateral and security management, documentation and monitoring are managed by the Credit Administration Department. Proactive monitoring is ensured for assets under stress. This enable the Bank to put in place viable solutions to prevent further deterioration in credit quality.

As a matter of paramount importance the affairs of the customers enjoying credit facilities are carefully reviewed and reconsidered periodically. The facility review provides a timely signal of unfavourable developments in clients' affairs and identifies the risk before the Bank is faced with undesirable positions. For this reason, facilities of a continuing character are periodically reviewed and approved.

It is the Bank's policy to reduce or mitigate credit risk on credit facilities or exposure, as much as possible, in a given commercial environment by securing credit facilities or exposure with collateral. To correctly assess the extent to which the collateral mitigates the credit risk, the collateral must be valued according to a specified valuation method and documented and monitored. The legal mechanism by which collateral is secured and the Bank's procedures ensure that the Bank has clear rights over the collateral and may liquidate, retain or take legal possession of it in a timely manner in the event of the default, insolvency or bankruptcy or otherwise defined credit event set out in the transaction documentation, of the counterparty and, where applicable, of the custodian holding the collateral.

For effective implementation, the Risk Management function operates independently within the Bank. The function is also responsible for development and oversight of risk policies and plays a pivotal role in monitoring the risks associated with various activities of the Bank. Risk Management function is headed by the Chief Risk Officer (CRO), who reports to the President / Chief Executive.

To ensure the independence of this position, following areas are critical to the Bank's sustainability & profitability placed under the umbrella of ERMG function:

- Credit Risk
- Risk Policies and Industry Analysis
- Enterprise Risk Management
- IT Security

Credit Risk under Enterprise Risk Management Group (ERMG) is playing its due role in conducting due diligence and review of Corporate/Commercial, SME, Agri, FI and Consumer as well as Infrastructure Project Financing related credit applications and presents its observations to CCC/respective approving authorities of the Bank. Credit Risk function adds value to the approval process by validation and assurance to the effect that the financing / investment proposals are in compliance with different policy parameters, regulatory instructions and adherence to the risk appetite of the Bank. Besides, it also conducts assessment of credit proposals on concentration levels of the Bank in terms of large exposures, industry limits, and impact on Capital Adequacy Ratio (CAR) and also identify / record if there are exceptions. Independent validation is helpful for the Central Credit Committee / approving authorities in decision making process. The structure of the Credit Risk function is designed in view of the nature, complexity of business activities of the Bank.

Special Asset Management (SAM) function handles stressed assets to ensure a focused remedial strategy in compliance with the regulatory requirements. The SAM Committee oversee the functions and activities of SAM Division

Risk policies and Industry Analysis Unit of ERMG formulates and updates credit and risk policies of the Bank besides preparing industry analysis and its updates from time to time. During the current year, Bank has updated key policies and frameworks as per the best practices, regulatory compliance and group level action plans ensuring that the Bank's policies are abreast with the latest regulatory requirements and best practices.

Enterprise Risk Management function is responsible for ensuring authenticity, accuracy and timely identification of risks in credit portfolio & market, liquidity and operational risks inherent in Bank's activities and develop policies and procedures to control these risks. Main functions of Enterprise Risk cover Credit Portfolio Risk Management, Basel & IFRS 9 implementation, Market & Liquidity Risk Management, Operational Risk Management and Environmental Risk Management.

Treasury Middle Office (TMO) manages risks relating to treasury operations and reports its findings to ACLO for prompt remedial actions. The Bank's ALCO is responsible for the formulation of overall strategy and oversight of asset and liability management. Liquidity Risk measures are chosen using a range of metrics, including Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), liquidity gaps and various liquidity ratios regularly monitored by Market Risk Management. Liquidity Risk is reviewed by ALCO on a monthly basis and an update is provided to the BRMC on a quarterly basis. The Liquidity Risk Management Policy of the Bank encompasses contingency funding plan for actions to be taken in case of liquidity stress conditions.

For effective management of Operational Risk, the Bank has established an exhaustive operational risk management framework and covers business lines & support units/departments.

Risk Control and Self-Assessment (RCSAs) exercises for each business line and key control functions periodically performed. Through the RCSA exercise, the Bank has been able to develop inventory of risks, controls and Key Risk Indicators (KRI) and mitigation plans are devised for effective control over operational risk.

The Bank has acquired Operational Risk Management (ORM) suite i.e. ORM System "Guardian" for operational loss data collection, RCSAs and KRIs. The system keeps a detailed track of all operational loss events with complete audit trail. The Bank has a Board approved BCP Policy and plans for all functional areas.

It is the policy of the Bank to maintain a well-defined business continuity program which comprises of policy and procedures with clearly defined roles, responsibilities and ownership for Crisis Management, Emergency Response, Business Recovery and IT Disaster Recovery Planning.

The Bank has adopted Basel III guidelines issued by SBP and relevant disclosures are made in the financial statement.

Information Security plays a pivotal role in protecting SMBL's Information assets from both internal and external threats through security risk assessments. These are supported by preventive and detective controls capable of responding to emerging and ever changing threat landscape.

The Bank being cognizant of the importance of risks associated with Money Laundering, Terror financing and Proliferation financing, is continuously aligning its operational strategies, policies & procedures with FATF recommendations and related regulatory requirements. The Bank in this respect has taken number of initiatives including but not limited to acquiring robust Regulatory technology solutions for transaction monitoring, screening against Targeted Financial Sanctions, eKYC, etc. SMBL also closely monitoring risks associated with all above risks associated with Trade business.

In addition to above, Compliance Division ensures compliance of all internal and external policies, laws and regulations. The management has established various committees for periodic risk review.

All the above measures have collectively led to the evolution of a compliance-sensitive culture at SMBL. The tone at the top is clear, as evidenced by the support from the Board, the BRMC and President / Chief Executive.

The Bank has hPLUS™ a core banking software. hPLUS™ is a fully functional, well proven, single integrated banking application and is also capable of generating numerous standard and customised MIS reports. In line with the Bank's strategic direction, work is under way for implementation of a new core banking system which will support the Bank in execution of its plan to convert to a full fledge islamic bank. The new core banking system is expected to improve the risk assessment of the bank by facilitating the management with detailed analytical review reports.

COVID-19 impacted banks in Pakistan on a number of fronts including increase in overall credit risk pertaining to the loans and advances portfolio, reduced fee income due to overall slowdown in economic activity, continuity of business operations and an ever increasing number of customers are being encouraged to use digital channels

Credit administration tasks include the following:

- Maintain credit, custody and security documentation files;
- Register security and collateral documents;
- Tracking of covenants;
- Administer facility fees / receipts / payments;
- Load limits into credit system; and
- Satisfy internal and external risk reporting requirements.

43.1.1 Credit Risk Approach for Capital Adequacy Ratio: Standardised Approach

The Bank has adopted the standardised approach of Basel II for risk weighing its credit risk exposures.

Under standardised approach, the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognised by SBP for capital adequacy purposes.

The Standardised Approach to credit risk sets out fixed risk weights corresponding, where appropriate, to external credit assessment levels or for unrated claims.

Types of exposures and ECAI's used

The following table illustrates the approved External Credit Assessment Institution (ECAI) whose rating are being utilised by the Bank with respect to material categories of exposure:

Exposures	2022				
	Fitch	Moody's	S&P	PACRA	JCR-VIS
Corporate	-	-	-	Yes	Yes
Banks	Yes	Yes	Yes	Yes	Yes
Sovereigns	-	-	-	-	-
SME's	-	-	-	-	-
Securitisations	-	-	-	-	-
PSE's	-	-	-	Yes	Yes
Others	-	-	-	Yes	Yes

Sovereign Exposures: For foreign currency claims on sovereigns, the Bank uses country risk scores of Export Credit Agencies (ECA) participating in the 'Arrangement on Officially Supported Export Credits' available on Organisation for Economic Co-operation and Development (OECD) website.

Exposures to Multilateral Development Banks (MDBs): For exposures on MDBs not eligible for a 0% risk weight, ratings of Moody's, S&P and Fitch are being used to calculate risk-weighted assets.

Bank Exposures: For foreign banks (i.e., incorporated outside Pakistan), ratings of Moody's, S&P and Fitch are being used to arrive at risk weights. However, for local banks (i.e. incorporated in Pakistan) ratings of PACRA and JCR-VIS are used.

The Bank prefers solicited ratings over unsolicited ratings at all times, owing to the greater degree of accuracy (in general) associated with solicited ratings as compared to unsolicited ratings. Unsolicited ratings may only be used in cases where a solicited rating is not available.

Mapping to SBP rating grades

The selected final ratings (after application of the principles stated above) for all exposures need to be translated to the standard rating grades given by the SBP. In this regard, the mapping tables to be used for converting ECAI ratings to SBP rating grades are given below:

Long-Term Rating Grades Mapping

SBP rating grade	Fitch	Moody's	S&P	PACRA	JCR-VIS	ECA scores
1	AAA	Aaa	AAA	AAA	AAA	0
	AA+	Aa1	AA+	AA+	AA+	1
	AA	Aa2	AA	AA	AA	
2	AA-	Aa3	AA-	AA-	AA-	
	A+	A1	A+	A+	A+	2
	A	A2	A	A	A	
3	A-	A3	A-	A-	A-	
	BBB+	Baa1	BBB+	BBB+	BBB+	3
	BBB	Baa2	BBB	BBB	BBB	
4	BBB-	Baa3	BBB-	BBB-	BBB-	
	BB+	Ba1	BB+	BB+	BB+	4
	BB	Ba2	BB	BB	BB	
5	BB-	Ba3	BB-	BB-	BB-	
	B+	B1	B+	B+	B+	5
	B	B2	B	B	B	6
6	B-	B3	B-	B-	B-	
	CCC+ and below	Caa1 and below	CCC+ and below	CCC	CCC	7
		CC		CC	CC	
			C	C		
			D	D		

Short-Term Rating Grades Mapping

SBP Rating grade	Fitch	Moody's	S&P	PACRA	JCR-VIS
S1	F1	P-1	A-1+	A-1+	A-1+
S2	F2	P-2	A-1	A-1	A-1
S3	F3	P-3	A-2	A-2	A-2
S4	Others	Others	A-3	A-3	A-3
			Others	Others	Others

The Bank has used specific rating for risk weighing specific exposures and entity rating for risk weighing claims against the counter parties. Both short and long term ratings have been used for corresponding short and long term exposures.

43.1.2 Credit Risk Mitigation Approach for Capital Adequacy Ratio: Comprehensive Approach

The Bank has adopted the comprehensive approach of Credit Risk Mitigation for the Banking Book. Since the trading book of the Bank does not contain instrument for which benefit is available; therefore no Credit Risk Mitigation benefit is taken in the trading book. In instances where the Bank's exposure on an obligor is secured by collateral that conforms with the eligibility criteria under the comprehensive Approach of CRM, then the Bank reduces its exposure under that particular transaction by taking into account the risk mitigating effect of the collateral for the calculation of capital requirement.

The Bank accepts cash, lien on deposits, government securities and eligible financial instruments etc. under the comprehensive approach of Credit Risk Mitigation. The Bank has in place detailed guidelines with respect to valuation and management of various collateral types. In order to obtain the credit risk mitigation benefit, the Bank uses realizable value of eligible collaterals to the extent of outstanding exposure.

43.1.3 Credit Risk Summary for On-Balance Sheet Exposures:

The below summary of Credit risk for On-Balance Sheet Banking book exposures are calculated using the policies described above:

Rating category	2022			2021		
	Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
----- (Rupees in '000) -----						
Exposure category:						
Corporate						
20%	275,481	-	275,481	250,592	-	250,592
50%	1,877,224	153,257	1,723,967	2,247,432	153,305	2,094,127
100%	51,934	-	51,934	-	-	-
unrated	9,328,614	2,190,809	7,137,804	11,940,226	2,200,530	9,739,696
125%	4,619,133	-	4,619,133	5,808,359	102	5,808,257
Retail						
75%	942,581	47,269	895,312	607,964	13,527	594,437
Past due loan						
150%	748,085	119,120	628,965	1,175,075	45,954	1,129,121
100%	399,469	2,467	397,002	1,627,711	186,166	1,441,545
50%	1,697,648	451,139	1,246,509	1,459,459	214,323	1,245,136
Bank						
20%	10,555,122	-	10,555,122	1,620,553	-	1,620,553
50%	461,843	-	461,843	316,560	-	316,560
100%	-	-	-	10,877	-	10,877
150%	5,610	-	5,610	17,591	-	17,591
unrated	636,855	-	636,855	919,640	-	919,640
Sovereign etc.						
0%	21,244,605	-	21,244,605	20,931,537	-	20,931,537
Others						
0%	2,457,204	-	2,457,204	2,409,835	-	2,409,835
35%	2,235,967	46	2,235,922	1,814,268	8,827	1,805,441
50%	-	-	-	-	-	-
100%	18,729,346	-	18,729,346	18,744,042	-	18,744,042
150%	-	-	-	-	-	-
250%	-	-	-	-	-	-
	76,266,721	2,964,107	73,302,614	71,901,721	2,822,734	69,078,987

43.1.4 Lendings to financial institutions

Credit risk by public / private sector	Gross lendings		Non-performing lendings		Provision held	
	2022	2021	2022	2021	2022	2021
----- (Rupees in '000) -----						
Public / Government	-	-	-	-	-	-
Private	10,141,557	298,931	-	-	-	-
	10,141,557	298,931	-	-	-	-

43.1.5 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2022	2021	2022	2021	2022	2021
----- (Rupees in '000) -----						
Textile	200,000	200,000	200,000	200,000	200,000	200,000
Chemical and pharmaceuticals	471,772	499,586	471,772	499,586	471,772	499,586
Sugar	281,566	281,566	281,566	281,566	281,566	281,566
Financial	8,807	10,157	8,807	10,157	8,807	10,157
Transport	2,450,000	2,405,175	-	-	-	-
Services	803,641	803,641	803,641	803,641	803,641	803,641
	4,215,786	4,200,125	1,765,786	1,794,950	1,765,786	1,794,950

Credit risk by public / private sector

Public / Government	2,450,000	2,405,175	-	-	-	-
Private	1,765,786	1,794,950	1,765,786	1,794,950	1,765,786	1,794,950
	4,215,786	4,200,125	1,765,786	1,794,950	1,765,786	1,794,950

43.1.6 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2022	2021	2022	2021	2022	2021
----- (Rupees in '000) -----						
Agriculture, forestry, hunting and fishing	2,026,007	2,039,490	1,125,575	1,024,259	952,706	965,768
Automobile and transportation equipment	1,260,035	1,288,924	1,213,805	1,224,410	1,097,069	1,053,623
Banaspoti and allied industries	82,663	84,978	82,663	82,895	82,663	82,895
Carpet	1,041	5,040	1,041	1,041	1,041	1,041
Cement	445,511	538,389	329,169	329,169	329,169	329,169
Chemical and pharmaceuticals	2,412,093	3,001,350	1,157,122	1,338,280	1,132,667	1,242,295
Construction	2,174,876	2,319,255	1,750,150	1,533,654	1,319,871	1,219,686
Dairy and poultry	611	18,487	-	-	-	-
Education	22,208	58,616	3,145	3,382	3,145	3,382
Electronics and electrical appliances	1,068,206	1,298,827	447,938	447,688	415,382	403,365
Exports / imports	2,609,398	2,862,923	2,257,890	2,459,314	2,139,251	2,173,719
Financial	3,520,261	3,595,583	3,054,628	3,054,628	2,430,091	2,108,777
Food, tobacco and beverages	1,642,851	1,770,898	769,648	866,986	722,677	760,850
Footwear and leather garments	340,868	611,174	35,326	35,381	35,326	35,381
Furniture and allied products	28,307	31,945	25,370	28,198	23,406	25,627
Glass and ceramics	83,095	86,963	77,268	80,900	75,448	76,358
Health care	134,664	174,038	17,792	36,606	17,792	36,606
Hotels	126,760	131,304	105,809	106,460	33,624	106,240
Individuals	2,478,275	2,999,550	308,037	331,855	211,088	209,334
Mining and quarrying	974,912	1,094,757	-	4,670	-	4,670
Miscellaneous manufacturing	254,463	554,707	125,237	145,360	113,970	127,682
Paper and allied products	22,634	23,225	21,936	21,967	21,936	21,700
Power (electricity), gas, water, sanitary	2,274,504	2,414,647	1,985,216	1,985,216	1,927,666	1,854,371
Printing, publishing and allied industries	400,229	474,620	238,288	301,131	220,106	224,370
Services	1,646,737	2,103,713	559,795	604,001	467,402	451,180
Steel and engineering	2,874,512	2,879,415	2,714,824	2,729,723	2,614,741	2,427,754
Sugar	9,011,212	9,265,480	8,365,030	8,597,238	8,054,355	7,963,130
Textile	9,539,617	10,282,858	3,520,270	3,582,036	3,496,696	3,556,513
Transport, storage and communication	798,146	817,164	491,239	493,646	345,385	223,720
Wholesale and retail trade	1,835,243	2,236,240	1,303,011	1,486,852	1,209,333	1,312,690
Others	4,745,005	4,743,157	3,980,846	4,075,402	3,737,859	3,748,208
	54,834,944	59,807,717	36,068,068	37,012,348	33,231,865	32,750,104

Credit risk by public / private sector

Public / Government	-	-	-	-	-	-
Private	54,834,944	59,807,717	36,068,068	37,012,348	33,231,865	32,750,104
	54,834,944	59,807,717	36,068,068	37,012,348	33,231,865	32,750,104

43.1.7 Contingencies and Commitments

2022 **2021**
 ----- (Rupees in '000) -----

Credit risk by industry sector

Agriculture, forestry, hunting and fishing	123,108	132,450
Automobile and transportation equipment	233,696	211,925
Banaspati and allied industries	-	414
Carpet	399,277	316,309
Cement	399,591	294,460
Chemical and pharmaceuticals	473,108	420,187
Construction	3,086,853	2,159,662
Consumer	169,122	439,122
Education	-	691
Electronics and electrical appliances	1,110,841	1,139,708
Exports / imports	1,113,743	1,353,172
Financial	23,703,292	8,754,053
Food, tobacco and beverages	1,255,062	1,641,773
Footwear and leather garments	115,508	402,735
Furniture and allied products	64,731	99,828
Glass and ceramics	29,357	106,263
Health care	89,651	52,118
Hotels	47,149	52,480
Individuals	6,202,230	4,850,768
Miscellaneous manufacturing	976,941	625,908
Others	1,862,634	1,611,562
Paper and allied products	12,084	19,297
Power (electricity), gas, water, sanitary	551,299	553,631
Printing, publishing and allied industries	26,670	14,696
Services	5,846,082	5,775,256
Steel and engineering	828,409	566,445
Sugar	5,785,838	999,998
Textile	11,331,832	10,452,997
Transport, Storage and Communication	405,901	410,986
Wholesale and retail trade	500,880	857,424

	66,744,889	44,316,318
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Credit risk by public / private sector

Public / Government	21,524,850	6,225,060
Private	45,220,039	38,091,258

	66,744,889	44,316,318
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43.1.8 Concentration of Advances

The Bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 14,109.513 million (2021: Rs. 14,085.214 million) are as follows:

	2022 ----- (Rupees in '000) -----	2021 ----- (Rupees in '000) -----
Funded	12,529,834	13,519,403
Non Funded	1,579,679	565,811
Total Exposure	14,109,513	14,085,214

The sanctioned limits against these top 10 exposures aggregated to Rs. 14,109.513 million (2021: Rs. 14,141.242 million).

	2022		2021	
	Amount	Provision held	Amount	Provision held
----- (Rupees in '000) -----				
Total funded classified therein				
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	8,903,415	8,247,878	7,898,061	6,758,495
Total	8,903,415	8,247,878	7,898,061	6,758,495

43.1.9 Advances - Province / Region-wise Disbursement & Utilization

Province / Region	2022						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
----- (Rupees in '000) -----							
Punjab	13,807,594	13,794,847	880	7,052	-	4,815	-
Sindh	13,171,501	-	13,171,501	-	-	-	-
KPK including FATA	45,350	-	-	45,350	-	-	-
Balochistan	10,461	-	-	-	10,461	-	-
Islamabad	48,041	-	-	-	-	48,041	-
AJK including Gilgit-Baltistan	59,193	-	-	-	-	-	59,193
Total	27,142,140	13,794,847	13,172,381	52,402	10,461	52,856	59,193

Province / Region	2021						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
----- (Rupees in '000) -----							
Punjab	24,787,775	24,782,779	747	1,538	-	2,711	-
Sindh	12,567,387	-	12,567,387	-	-	-	-
KPK including FATA	53,859	-	-	53,859	-	-	-
Balochistan	41,933	-	-	-	41,933	-	-
Islamabad	469,155	-	-	-	-	469,155	-
AJK including Gilgit-Baltistan	40,923	8	-	-	-	-	40,915
Total	37,961,032	24,782,787	12,568,134	55,397	41,933	471,866	40,915

43.2 Market Risk

Market risk is the risk that the value of on-balance sheet and off-balance sheet exposures of the Bank will be adversely affected by movements in market rates or prices such as interest rates, foreign exchange rates, equity prices and / or commodity prices resulting in a loss to earnings and capital. Market risks arise generally from trading activities, open foreign currency positions, holding common equity and other products. All such instruments and transactions are exposed to general and specific market movements.

The Bank seeks to mitigate market risk by employing strategies that correlate price, rate and spread movements of its earning assets, liabilities and trading activities. Treasury front office and market risk management / treasury middle office perform market risk management activities within the Bank.

43.2.1 Balance sheet split by trading and banking books

	2022			2021		
	Banking book	Trading book	Total	Banking book	Trading book	Total
----- (Rupees in '000) -----						
Cash and balances with treasury banks	13,372,145	-	13,372,145	14,415,006	-	14,415,006
Balances with other banks	1,363,429	-	1,363,429	1,092,288	-	1,092,288
Lendings to financial institutions	10,141,557	-	10,141,557	298,931	-	298,931
Investments	9,168,281	42,278,518	51,446,799	9,127,056	22,006,289	31,133,345
Advances	21,592,523	-	21,592,523	27,043,728	-	27,043,728
Fixed assets	10,650,623	-	10,650,623	10,917,257	-	10,917,257
Intangible assets	143,606	-	143,606	137,586	-	137,586
Deferred tax assets	20,781,731	-	20,781,731	16,676,625	-	16,676,625
Other assets	11,224,315	-	11,224,315	10,301,246	-	10,301,246
	98,438,210	42,278,518	140,716,728	90,009,723	22,006,289	112,016,012

43.2.2 Foreign Exchange Risk

The Bank has set the following objectives for managing the inherent risk on foreign currency exposures:

- Maximise profitability with minimum risk by keeping the exposure at desirable levels in view of strict compliance of regulatory / international standards and the Bank's internal guidelines.
- Manage appropriate maturity mismatch gaps.
- Identify warning and stress zones for mismatch gaps.
- Usage of different tools to manage the inherent risk of product and market, such as compliance of credit limit, monitoring of foreign exchange exposure limit, review of mark to market portfolio and safe settlement, etc.
- Foreign exchange risk represents exposures to changes in the values of current holdings and future cash flows denominated in foreign currencies. The potential for loss arises from the process of revaluing foreign currency positions in rupee terms. The Bank's foreign exchange risk is presently limited to future cash flows in foreign currencies arising from foreign exchange transactions and translation of net open position in foreign currencies. The Bank is carefully monitoring the net foreign currency exposure as well as utilizing the forward contract to hedge the related exposure.

	2022				2021			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
----- (Rupees in '000) -----								
United States Dollar	2,387,407	6,312,149	4,542,638	617,896	3,126,871	8,781,737	5,744,624	89,758
Great Britain Pound Sterling	573,567	543,337	-	30,230	223,871	464,692	235,855	(4,966)
Euro	336,325	361,388	-	(25,063)	451,422	413,467	(20,069)	17,886
Other currencies	46,164	16,251	-	29,913	22,779	8,610	-	14,169
	3,343,463	7,233,125	4,542,638	652,976	3,824,943	9,668,506	5,960,410	116,847

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
----- (Rupees in '000) -----				
Impact of 1% change in foreign exchange rates on				
- Profit and loss account		38,897	45,426	58,436
- Other comprehensive income		-	-	-

43.2.3 Equity position Risk

Equity position risk is the risk that the fair value of financial instruments will fluctuate due to changes in the prices of individual stocks or the level of equity indices. The Bank's equity book comprises of held for trading (HFT) and available for sale (AFS) portfolios. The objective of the HFT portfolio is to make short-term capital gains, whilst the AFS portfolio is maintained with a medium term view of earning both capital gains and dividend income. Policies and procedures have been developed to provide guidelines on the risk and their mitigants, limits and related controls for the equity portfolio of the Bank.

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
	----- (Rupees in '000) -----			
Impact of 5% change in equity prices on				
- Profit and loss account	-	28,190	-	36,445
- Other comprehensive income	-	-	-	-

43.2.4 Interest Rate Risk

Interest rate risk is the risk that fair value of a financial instrument will fluctuate as a result of changes in interest rates, including changes in the shape of yield curves. Interest rate risk is inherent in many of the Bank's businesses and arises from mismatches between the contractual maturities or the re-pricing of on and off-balance sheet assets and liabilities. The interest rate sensitivity profile is prepared on a quarterly basis based on the re-pricing or contractual maturities of assets and liabilities.

Interest rate risk is monitored and managed by performing periodic gap analysis, sensitivity analysis and stress testing and taking appropriate actions where required.

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
	----- (Rupees in '000) -----			
Impact of 1% change in interest rates on				
- Profit and loss account	60,697	-	112,720	-
- Other comprehensive income	-	64,666	-	33,704

43.2.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

		2022										Non-interest bearing financial instruments
		Exposed to Yield/ Interest risk										
Effective Yield / Interest Rate	Total	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
On-balance sheet financial instruments												
Assets												
-	13,372,145	969,891	-	-	-	-	-	-	-	-	-	12,402,254
1.73%	1,363,429	57,967	-	-	-	-	-	-	-	-	-	1,305,462
12.86%	10,141,557	10,141,557	-	-	-	-	-	-	-	-	-	-
12.10%	51,446,799	23,764,477	12,276,361	14,657,450	-	-	-	-	-	-	-	748,511
4.17%	21,592,523	1,134,855	14,201,040	304,051	180,733	134,350	-	-	-	2,836,203	-	2,402,232
-	100,318,685	36,068,747	26,477,401	17,458,741	304,051	180,733	134,350	-	-	2,836,203	-	16,858,459
Liabilities												
-	1,993,587	-	-	-	-	-	-	-	-	-	-	1,993,587
10.48%	25,388,560	6,815,526	16,194,958	1,357,380	65,738	54,543	1,747	-	167,269	-	-	731,399
6.57%	121,919,068	66,702,654	4,811,223	1,893,650	2,674,568	257,431	54,689	327,599	-	-	-	45,197,254
-	-	-	-	-	-	-	-	-	-	-	-	-
16.00%	1,495,515	1,495,515	-	-	-	-	-	-	-	-	-	-
-	6,732,892	-	-	-	-	-	-	-	-	-	-	6,732,892
-	157,529,622	75,013,695	21,006,181	3,251,030	2,740,306	311,974	56,436	327,599	167,269	-	-	54,655,132
-	(57,210,937)	(38,944,948)	5,471,220	14,207,711	(2,436,255)	(31,241)	77,914	(327,599)	(167,269)	2,836,203	-	(37,796,673)
Off-balance sheet financial instruments												
Commitments in respect of:												
-	4,542,638	1,133,420	3,409,218	-	-	-	-	-	-	-	-	-
Off-balance sheet gap												
-	4,542,638	1,133,420	3,409,218	-	-	-	-	-	-	-	-	-
Total financial assets												
Add: Non financial assets												
-	10,650,623	-	-	-	-	-	-	-	-	-	-	-
-	143,606	-	-	-	-	-	-	-	-	-	-	-
-	20,781,731	-	-	-	-	-	-	-	-	-	-	-
-	8,822,083	-	-	-	-	-	-	-	-	-	-	-
-	140,716,728	-	-	-	-	-	-	-	-	-	-	-
Total assets as per statement of financial position												
Total financial liabilities												
Add: Non financial liabilities												
-	835,998	-	-	-	-	-	-	-	-	-	-	-
Total liabilities as per statement of financial position												
Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities												
2022												
-- (Rupees in '000) --												
100,318,685												
10,650,623												
143,606												
20,781,731												
8,822,083												
140,716,728												
157,529,622												
835,998												
158,365,620												
Total Yield / Interest Risk Sensitivity Gap												
Cumulative Yield / Interest Risk Sensitivity Gap												
Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities												
2022												
-- (Rupees in '000) --												
100,318,685												
10,650,623												
143,606												
20,781,731												
8,822,083												
140,716,728												
157,529,622												
835,998												
158,365,620												

		2021										Non-interest bearing financial instruments
		Exposed to Yield/ Interest risk										
Effective Yield / Interest Rate	Total	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
0.00%	14,415,006	1,388,807	-	-	-	-	-	-	-	-	-	13,026,199
0.19%	1,092,288	-	-	-	44,128	-	-	-	-	-	-	1,048,160
8%	298,931	298,931	-	-	-	-	-	-	-	-	-	-
7.05%	31,133,345	13,386,399	6,884,014	9,892,125	8,329	-	-	-	-	-	-	962,478
6.80%	27,043,728	1,477,564	17,350,309	2,361,373	1,161,342	147,354	135,554	3,361	-	-	-	4,262,244
-	1,367,013	-	-	-	-	-	-	-	-	-	-	1,367,013
	75,350,311	16,551,701	24,234,323	12,253,498	1,213,799	147,354	135,554	3,361	-	-	-	16,548,477
Liabilities												
-	2,071,048	-	-	-	-	-	-	-	-	-	-	2,071,048
4.75%	6,922,040	44,350	5,697,130	517,500	51,742	301,110	81,989	2,519	195,319	-	-	30,381
3.98%	109,483,658	5,138,089	61,524,115	2,110,164	4,078,662	92,650	46,731	130,759	-	-	-	36,362,488
-	1,495,515	-	-	-	-	-	-	-	-	-	-	-
11.03%	5,469,667	-	-	1,495,515	-	-	-	-	-	-	-	-
-	125,441,928	5,182,439	67,221,245	4,123,179	4,130,404	393,760	128,720	133,278	195,319	-	-	43,933,584
	(50,091,617)	11,369,262	(42,986,922)	8,130,319	(2,916,605)	(246,406)	6,834	(129,917)	(195,319)	-	-	(27,385,107)
Off-balance sheet financial instruments												
Commitments in respect of:												
	7,537,538	7,537,538	-	-	-	-	-	-	-	-	-	-
	7,537,538	7,537,538	-	-	-	-	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap												
	18,906,800	(42,986,922)	8,130,319	(2,916,605)	(246,406)	6,834	(129,917)	(195,319)	4,262,244	-	-	(27,385,107)
Cumulative Yield / Interest Risk Sensitivity Gap												
	18,906,800	(24,080,122)	(15,249,803)	(18,866,408)	(19,112,814)	(19,105,980)	(19,235,897)	(19,431,216)	(15,168,972)	-	-	(42,554,079)
Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities												
2021												
-- (Rupees in '000) --												
Total financial assets												
	75,350,311											
Add: Non financial assets												
	10,917,257											
	137,586											
	16,676,625											
	8,934,233											
Total assets as per statement of financial position												
	112,016,012											
Total financial liabilities												
	125,441,928											
Add: Non financial liabilities												
	977,233											
Total liabilities as per statement of financial position												
	126,419,161											

43.3 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Board Risk Management Committee oversees the implementation of operational risk management which is governed by the Operational Risk Management Policy and Procedures of the Bank. In compliance with the regulatory guidelines, a separate unit is established within the Risk Management Division which is responsible for the implementation of the risk management framework across the Bank.

In accordance with the Operational Risk policy and framework, various tools and techniques are being implemented to identify, assess, measure and control operational risk embedded in the exposures, products, systems and processes. These tools include collection of operational loss data, development and monitoring of Key Risk Indicators and Risk Control Self Assessment exercise.

The Bank seeks to manage the operational risk from two perspectives, firstly by way of ensuring compliance of standard operating procedures including defined processes for prevention and detection of any fraud and forgery, and work place safety and security, secondly through contingency planning to ensure continuity of business. Policies and procedures covering all activities in Bank are in place. Besides these, to ensure business continuity, the Bank has implemented Business Continuity Plan (BCP) across the Bank for which BCP and Disaster Recovery Tests are performed on a regular basis. A dedicated Business Continuity Plan was also developed and implemented at head office and branches to ensure business continuity under the COVID-19 pandemic.

The Bank maintains a system of internal controls designed to keep operational risk at appropriate levels, in view of the Bank's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated to conform to the industry best practices.

The Bank implemented the Internal Control Guidelines issued by the State Bank of Pakistan and had successfully completed the road map issued with respect to internal controls over financial reporting. Moreover, a separate Internal Control Unit has been setup to continuously monitor the implementation of sound internal controls within the Bank.

The Bank has set up IT Security Division to manage IT security risk faced by the Bank. The Bank will continue to strengthen its cyber defence mechanism by utilising effective preventive and detective information security measure to counter evolving cyber challenges.

43.4 Liquidity Risk

Liquidity Risk is the risk that the Bank may be unable to meet its payment obligations as they become due, or to fund assets, at a reasonable cost, because of an inability to liquidate assets, or to obtain adequate funding.

The liquidity risk policy of the Bank is formulated keeping in view State Bank guidelines on risk management and best market practice. The Bank's Asset and Liability Committee (ALCO) reviews the liquidity position on a periodic basis. Liquidity Management policy of the Bank aims to maintain adequate liquidity at all times and in all currencies under both normal and stress conditions, to meet the Bank's contractual and potential payment obligations without incurring additional and unacceptable cost to the business. Treasury is responsible for managing liquidity under the guidance of Asset and Liability Committee of the Bank.

The Bank maintains a portfolio of highly marketable assets i.e. Market Treasury Bills, Pakistan Investment Bonds and GoP Ijarah Sukuk, that can either be sold in the open market or funds can be arranged there against under repo arrangements. This is further supported by investments in short term securities. In line with its liquidity risk management policy, the Bank aims to maintain a cushion over and above the minimum statutory liquidity requirement prescribed by SBP for maintaining liquidity reserves to ensure continuity of cash flows.

The Bank uses liquidity gap ladder to assess the liquidity gaps and liquidity needs in different time buckets, under normal and stressed scenarios. Sources of liquidity are regularly reviewed / monitored by the Asset and Liability Committee (ALCO). The ALCO reviews the current economic situation, projected cash flows and asset / liability mix and approves strategy for managing appropriate liquidity. The liquidity risk management policy of the Bank encompasses liquidity contingency plan for actions to be taken in case of liquidity crises.

43.4.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank

2022													
(Rupees in '000)													
Total	Up to 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 Years
Assets													
Cash and balances with treasury banks	13,372,145	11,778,753	159,478	53,741	281,268	181,205	346,492	207,696	166,551	126,797	28,235	5,998	35,931
Balances with other banks	1,363,429	1,363,429	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	10,141,557	-	10,141,557	-	-	-	-	-	-	-	-	-	-
Investments	51,446,799	472	20,985	21,455	4,001,787	10,405,982	85,822	5,994,165	-	6,958,000	2,951,100	14,346,250	3,977,200
Advances	21,592,523	2,801	66,837	42,842	2,474,827	2,115,180	1,862,654	4,960,198	1,875,036	1,534,419	1,479,820	1,109,076	425,533
Fixed assets	10,650,623	1,218	7,314	8,533	19,504	36,571	36,571	109,712	139,871	444,943	444,943	444,943	686,398
Intangible assets	143,606	54	311	363	831	1,557	1,557	4,672	4,672	77,482	18,948	18,948	14,211
Deferred tax assets	20,781,731	(4,628)	(31,546)	(36,174)	(72,683)	(145,252)	(144,896)	(30,753)	(8,891)	1,268,680	1,268,680	5,385,684	10,459,031
Other assets	11,224,315	50,158	110,426	374,158	1,559,791	354,198	146,514	370,010	370,010	370,010	3,338,529	3,338,529	839,982
	140,716,728	13,192,257	10,475,362	464,918	8,265,325	12,949,441	2,336,714	11,615,700	2,517,090	9,199,545	9,530,255	24,649,428	16,438,286
Liabilities													
Bills payable	1,993,587	1,993,587	-	-	-	-	-	-	-	-	-	-	-
Borrowings	25,388,560	18,500	1,454,024	489,980	6,797,026	14,208,558	1,986,400	1,357,380	13,082	57,656	54,543	1,747	-
Deposits and other accounts	121,919,068	107,391,476	-	-	2,564,428	1,652,121	3,159,102	1,893,650	1,518,508	1,156,060	257,431	54,689	327,599
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	1,495,515	1,495,515	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	7,568,890	268,385	43,649	81,503	345,235	761,468	269,939	376,304	226,633	1,287,589	1,156,177	1,225,124	820,611
	158,365,620	111,880,362	1,516,173	571,483	9,706,689	16,622,147	5,415,441	3,627,334	1,758,223	2,496,305	1,468,151	1,281,560	1,148,210
Net assets	(17,648,892)	(98,688,105)	8,959,189	(106,565)	(1,441,364)	(3,672,706)	(3,078,727)	7,988,366	758,867	6,703,240	8,062,104	23,367,868	15,290,076
Share capital - net	20,500,194												
Reserves	(425,043)												
Accumulated losses	(41,721,679)												
Surplus on revaluation of assets	3,997,636												
	<u>(17,648,892)</u>												

2021													
Total	Up to 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
(Rupees in '000)													
Assets													
Cash and balances with treasury banks	12,559,819	672,111	103,301	478,443	126,135	229,686	277,832	198,604	338,407	12,199	6,153	17,216	-
Balances with other banks	1,092,288	-	-	-	-	-	-	17,651	26,477	-	-	-	-
Lending to financial institutions	298,931	298,931	-	-	-	-	-	-	-	-	-	-	-
Investments	31,133,345	665	6,010,595	60,741	3,080,641	4,046,339	1,337,724	8,329	-	-	-	13,919,850	2,638,756
Advances	27,043,728	29,772	1,036,739	2,741,186	2,109,682	1,926,361	5,211,240	2,683,986	2,400,055	1,782,092	1,130,454	637,353	5,286,890
Fixed assets	10,917,257	1,347	9,429	21,553	40,411	40,411	121,233	121,233	134,586	491,668	491,668	721,214	8,714,422
Intangible assets	137,586	66	449	1,027	1,926	1,926	5,779	5,779	55,800	23,436	23,436	17,577	-
Deferred tax assets	16,676,625	3,190	274,615	536,378	1,076,004	1,077,035	3,505,028	(3,993)	(42,799)	(396,770)	2,118,112	5,475,671	2,750,590
Other assets	10,301,246	23,220	108,651	715,152	272,054	164,917	385,851	371,968	371,968	3,378,469	3,378,469	879,922	-
	112,016,012	13,666,239	7,685,733	4,554,480	6,706,853	7,486,675	10,844,687	3,403,557	3,323,014	5,291,094	7,148,292	21,668,803	19,390,658
Liabilities													
Bills payable	2,071,048	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	6,922,040	30,381	44,350	-	3,428,050	2,269,080	517,500	17,942	33,800	301,110	81,989	2,519	195,319
Deposits and other accounts	109,483,658	95,393,295	784,581	3,633,832	958,012	1,744,493	2,110,164	1,508,419	2,570,243	92,650	46,731	1,307,759	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	1,495,515	-	-	-	-	-	-	-	1,495,515	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	6,446,900	20,402	803,225	304,119	496,857	361,716	320,526	134,808	941,082	1,181,991	997,090	846,823	723,447
	126,419,161	97,515,126	864,645	3,937,951	4,882,919	4,375,289	2,948,190	1,661,169	5,040,640	1,575,751	1,125,810	982,101	918,766
Net assets	(14,403,149)	(83,848,887)	255,123	6,821,088	1,823,934	3,111,386	7,896,497	1,742,388	(1,717,626)	3,715,343	6,022,482	20,686,702	18,471,892
Share capital - net	20,500,194												
Reserves	(425,043)												
Accumulated losses	(38,776,353)												
Surplus on revaluation of assets	4,298,053												
	(14,403,149)												

Share capital - net
Reserves
Accumulated losses
Surplus on revaluation of assets

43.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

Maturity gaps of all assets and liabilities are based on contractual maturities. The maturity profile of certain non-contractual assets and liabilities is based on the behavioural study. The Bank has used VAR methodology which excludes 5% extreme volatilities thus leaving 95% confidence results.

		2022									
		Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
		(Rupees in '000)									
Assets											
Cash and balances with treasury banks	13,372,145	1,194,662	794,410	245,606	441,764	41,010	13,628	1,795,908	4,465,203	4,379,954	
Balances with other banks	1,363,429	1,363,429	-	-	-	-	-	-	-	-	
Lendings to financial institutions	10,141,557	10,141,557	-	-	-	-	-	-	-	-	
Investments	51,446,799	4,044,699	10,491,804	5,994,165	6,958,000	2,951,100	14,346,250	3,977,200	2,451,830	231,751	
Advances	21,592,523	2,587,308	3,977,834	4,960,198	3,409,454	1,479,820	1,109,076	425,533	459,411	3,183,889	
Fixed assets	10,650,623	3,6570	73,141	109,712	249,583	444,943	444,943	686,398	1,490,333	7,115,000	
Intangible assets	143,606	1,558	3,115	4,672	82,154	18,948	18,948	14,211	-	-	
Deferred tax assets	20,781,731	(145,032)	(290,148)	(30,753)	(15,925)	1,268,680	5,385,684	10,459,031	4,956,108	(805,914)	
Other assets	11,224,315	2,094,532	502,712	370,010	740,021	3,338,529	3,338,529	839,982	-	-	
	140,716,728	21,319,283	15,552,868	11,653,610	11,865,051	9,543,030	24,657,058	18,198,263	13,822,885	14,104,680	
Liabilities											
Bills payable	1,993,587	1,993,587	-	-	-	-	-	-	-	-	
Borrowings	25,388,560	7,546,925	16,194,958	1,357,380	65,738	54,543	1,747	-	167,269	-	
Deposits and other accounts	121,919,068	10,892,207	7,242,942	2,239,289	4,027,735	373,901	124,251	16,373,995	40,711,000	39,933,748	
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	
Subordinated debt	1,495,515	1,495,515	-	-	-	-	-	-	-	-	
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	
Other liabilities	7,568,890	738,772	1,031,407	376,304	1,514,222	1,156,177	1,225,124	820,611	687,715	18,558	
	158,365,620	22,667,006	24,469,307	3,972,973	5,607,695	1,584,621	1,351,122	17,194,606	41,565,984	39,952,306	
Net assets	(17,648,892)	(1,347,723)	(8,916,439)	7,680,637	6,257,356	7,958,409	23,305,936	1,003,657	(27,743,099)	(25,847,626)	
Share capital - net	20,500,194										
Reserves	(425,043)										
Accumulated losses	(41,721,679)										
Surplus on revaluation of assets	3,997,636										
	(17,648,892)										

2021									
Total	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
(Rupees in '000)									
Assets									
Cash and balances with treasury banks	14,415,006	1,346,444	628,333	320,200	694,411	14,680	1,802,427	4,535,963	4,440,688
Balances with other banks	1,092,288	1,048,160	-	-	44,128	-	-	-	-
Lendings to financial institutions	298,931	298,931	-	-	-	-	-	-	-
Investments	31,133,345	6,101,706	7,126,980	1,337,724	8,329	-	13,919,850	2,407,005	231,751
Advances	27,043,728	3,875,615	4,036,042	5,211,240	5,084,042	1,130,454	637,353	594,662	4,692,228
Fixed assets	10,917,257	40,412	80,822	121,233	255,819	491,668	721,214	1,537,053	7,177,368
Intangible assets	137,586	1,926	3,853	5,779	61,579	23,436	17,577	-	-
Deferred tax assets	16,676,625	1,079,228	2,153,039	3,505,028	(8,273)	2,118,112	5,475,671	2,938,959	(188,369)
Other assets	10,301,246	1,097,629	436,971	385,851	743,935	3,378,469	879,922	-	-
	112,016,012	14,890,051	14,466,040	10,887,055	6,883,970	7,156,819	23,454,014	12,013,642	16,353,666
Liabilities									
Bills payable	2,071,048	2,071,048	-	-	-	-	-	-	-
Borrowings	6,922,040	74,731	5,697,130	517,500	51,742	81,989	2,519	195,319	-
Deposits and other accounts	109,483,658	10,226,407	4,772,259	2,431,953	5,274,135	111,494	13,689,645	34,451,168	33,727,548
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Subordinated debt	1,495,515	-	-	-	1,495,515	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
Other liabilities	6,446,900	440,561	858,573	320,526	1,075,889	997,090	848,823	699,003	24,444
	126,419,161	12,812,747	11,327,962	3,269,979	7,897,281	1,190,573	14,540,987	35,345,490	33,751,992
Net assets									
	(14,403,149)	2,077,304	3,138,078	7,617,076	(1,013,311)	5,966,246	8,913,027	(23,331,848)	(17,398,326)
Share capital - net	20,500,194								
Reserves	(425,043)								
Accumulated losses	(38,776,353)								
Surplus on revaluation of assets	4,298,053								
	(14,403,149)								

43.5 Derivative Risk

The policy guidelines for taking derivative exposures are approved by the Board of Directors (BOD). Bank's Asset and Liability Committee (ALCO) is responsible for reviewing and managing associated risks of the transactions.

The overall responsibility for managing derivatives and sustaining profitability lies with the treasury front office / Head of Treasury. Treasury middle office (TMO) / market risk management function of the Bank is responsible for monitoring the risk exposure and for analysis of present and potential risk factors arising from the same. The TMO also monitors associated risks in line with the Board of Directors' approved limits / policies and coordinates with the business for necessary approvals of the derivatives risk limits and also produces necessary reports / analysis as may be required.

44. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue on February 21, 2023 by the Board of Directors of the Bank.

Annexure - I

**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2022**

S.No.	Name and address of the Borrower	Name of individuals / partners / directors with CNIC No.	Father's / Husband's Name	Outstanding Liabilities as at January 01, 2022					Total	Principal written-off	Interest / Mark-up written-off / waived	Other financial relief provided	Total (9+10+11)
				Principal	Interest / Mark-up	Other than Interest / Mark-up	5	6					
1	2	3	4	5	6	7	8	9	10	11	12		
(Rupees in '000)													
1	National Rice Mills Waqil Khan Road Industrial State Kamoke Gujranwala	National Rice Mills Waqil Khan Road Industrial State Kamoke Gujranwala (34102-3080749-3)	Chudhary Abdul Waqel Khan	59,993	10,276	-	70,270	5,993	10,276	-	-	16,269	
2	Saif-Ur-Relhman Muhallah Fazalabad Village Walaabad Gujranwala Tehsil Charbagh District Swat	Saif-Ur-Relhman Muhallah Fazalabad Village Walaabad Gujranwala Tehsil Charbagh District Swat (13403-6936904-5)	Karim Ullah	750	230	-	980	697	230	-	-	927	
3	Zafar Ali Shop35 Mansfield Street 3 Saddar Karachi	Zafar Ali Shop35 Mansfield Street 3 Saddar Karachi (42301-0905173-7)	Akhtar Hussain	499	479	-	978	149	479	-	-	628	
4	Muhammad Sharif Village Kot Khewan Mall P/O Mandiala Taiga Distt Gujranwala	Muhammad Sharif Village Kot Khewan Mall P/O Mandiala Taiga Distt Gujranwala (34102-0426872-1)	Kutab Din	444	503	-	947	131	503	-	-	634	
TOTAL				61,686	11,489	-	73,176	6,970	11,489	-	-	18,459	

ISLAMIC BANKING BUSINESS

The Bank commenced its Islamic Banking Operations in Pakistan on March 07, 2014 and is operating with 14 (2021: 14) Islamic banking branches and 35 (2021: 35) Islamic banking windows at the end of the year.

**ISLAMIC BANKING BUSINESS
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022**

	Note	2022 ----- (Rupees in '000) -----	2021 -----
ASSETS			
Cash and balances with treasury banks		1,447,196	1,344,202
Balances with other banks		236,000	33,711
Due from financial institutions	1	8,051,586	7,644,820
Investments	2	10,880,650	10,841,725
Islamic financing and related assets - net	3	2,373,102	3,130,625
Fixed assets		320,139	337,895
Intangible assets		82	409
Due from Head Office		-	-
Deferred tax assets		12,622	19,956
Other assets		1,041,353	279,795
Total Assets		24,362,730	23,633,138
LIABILITIES			
Bills payable		235,430	253,005
Due to financial institutions	4	607,944	840,878
Deposits and other accounts	5	20,464,433	18,943,359
Due to Head Office		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities		413,183	1,831,663
		21,720,990	21,868,905
NET ASSETS		2,641,740	1,764,233
REPRESENTED BY			
Islamic Banking Fund		1,000,000	1,000,000
Reserves		-	-
(Deficit) / surplus on revaluation of assets		(9,815)	(37,061)
Unappropriated / Unremitted profit	7	1,651,555	801,294
		2,641,740	1,764,233
CONTINGENCIES AND COMMITMENTS	8		

Annexure - II

**ISLAMIC BANKING BUSINESS
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Note	2022 ----- (Rupees in '000) -----	2021 -----
Profit / return earned	9	2,776,737	1,605,989
Profit / return expensed	10	1,159,726	755,337
Net Profit / return		1,617,011	850,652
Other income			
Fee and commission income		51,321	40,658
Dividend income		-	-
Foreign exchange loss		(26,314)	(21,862)
Income / (loss) from derivatives		-	-
Loss on sale of securities		(7,559)	(9,169)
Other income		3,569	23,747
Total other income		21,017	33,374
Total income		1,638,028	884,026
Other expenses			
Operating expenses		859,704	798,386
Workers' welfare fund		-	-
Other charges		128	13
Total other expenses		859,832	798,399
Profit before provisions		778,196	85,627
(Reversals) / provisions and write offs - net		(68,874)	(20,657)
Profit before taxation		847,070	106,284
Taxation		-	-
Profit after taxation		847,070	106,284

**ISLAMIC BANKING BUSINESS
NOTES TO THE ANNEXURE - II
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Note	2022			2021		
		In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
----- (Rupees in '000) -----							
I. Due from Financial Institutions							
Unsecured							
Bai Muajjal Receivable from other Financial Institutions	1.1	8,051,586	-	8,051,586	7,644,820	-	7,644,820

1.1 This represents Bai Muajjal agreements with conventional operations of Summit Bank Limited and carries profit rate at 15.75% per annum (2021: 8.50% to 9.50% per annum) and are due to mature latest by January 31, 2023 (2021: February 07, 2022).

2. Investments

	2022				2021			
	Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value
----- (Rupees in '000) -----								
Investments by segments:								
Federal Government Securities								
- GOP Ijarah Sukuks	8,496,681	-	(66,031)	8,430,650	8,495,528	-	(58,978)	8,436,550
Non Government Debt Securities								
- Listed	2,500,000	-	(50,000)	2,450,000	2,500,000	-	(94,825)	2,405,175
Total Investments	10,996,681	-	(116,031)	10,880,650	10,995,528	-	(153,803)	10,841,725

	Note	2022	2021
		----- (Rupees in '000) -----	
3. Islamic financing and related assets			
Ijarah	3.1	394,844	284,662
Murabaha	3.2	-	762
Running Musharakah		231,889	539,651
Diminishing Musharakah		1,753,890	2,281,155
Tijarah		629,998	699,998
Advance against Ijarah		26,491	22,791
Tijarah Inventory		-	2,400
Payment against Document		-	32,090
Gross Islamic financing and related assets		3,037,112	3,863,509
Less: provision against Islamic financings			
- Specific		(661,849)	(729,361)
- General		(2,161)	(3,523)
		(664,010)	(732,884)
Islamic financing and related assets - net of provision		2,373,102	3,130,625

3.1 Ijarah

2022							Book Value as at December 31, 2022
Cost			Accumulated Depreciation				
As at January 01, 2022	Additions / (deletions)	As at December 31, 2022	As at January 01, 2022	Charge for the year	As at December 31, 2022		
----- (Rupees in '000) -----							
Plant and Machinery	-	-	-	-	-	-	-
Vehicles consumer	495,900	92,651	588,551	211,238	(17,531)	193,707	394,844
Vehicles corporate	2,000	(2,000)	-	2,000	(2,000)	-	-
Equipment	-	-	-	-	-	-	-
Total	497,900	90,651	588,551	213,238	(19,531)	193,707	394,844

2021							Book Value as at December 31, 2021
Cost			Accumulated Depreciation				
As at January 01, 2021	Additions / (deletions)	As at December 31, 2021	As at January 01, 2021	Charge for the year	As at December 31, 2021		
----- (Rupees in '000) -----							
Plant and Machinery	-	-	-	-	-	-	-
Vehicles consumer	524,422	(28,522)	495,900	226,003	(14,765)	211,238	284,662
Vehicles corporate	567,993	(565,993)	2,000	438,977	(436,977)	2,000	-
Equipment	-	-	-	-	-	-	-
Total	1,092,415	(594,515)	497,900	664,980	(451,742)	213,238	284,662

Future Ijarah payments receivable

2022				2021				
Not later than 1 year	Later than 1 year & less than 5 years	Over Five years	Total	Not later than 1 year	Later than 1 year & less than 5 years	Over Five years	Total	
----- (Rupees in 000) -----								
Ijarah rental receivables	37,293	357,551	-	394,844	43,808	240,854	-	284,662

		2022 ----- (Rupees in '000) -----	2021
3.2 Murabaha	Note		
Murabaha financing	3.2.1	-	762
		<u>-</u>	<u>762</u>
3.2.1 Murabaha receivable - gross	3.2.2	-	963
Less: Deferred murabaha income	3.2.3	-	(201)
Murabaha financings		<u>-</u>	<u>762</u>
3.2.2 The movement in Murabaha financing during the year is as follows:			
Opening balance		963	6,910
Sales during the year		-	-
Adjusted during the year		(963)	(5,947)
Closing balance		<u>-</u>	<u>963</u>
3.2.3 Deferred murabaha income			
Opening balance		201	567
Arising during the year		-	-
Less: Recognised during the year		(201)	(366)
Closing balance		<u>-</u>	<u>201</u>
4. Due to financial institutions			
Secured			
Acceptances from the SBP under Islamic Export Refinance Scheme	4.1	400,000	400,000
Total secured		<u>400,000</u>	<u>400,000</u>
Unsecured			
Overdrawn nostro accounts		7,944	15,878
Musharakah	4.2	200,000	425,000
Total unsecured		<u>207,944</u>	<u>440,878</u>
		<u>607,944</u>	<u>840,878</u>

4.1 The Bank has entered into an agreement with SBP for extending export finance to its Islamic customers. Borrowing under the export refinance scheme of SBP carry profit at rates ranging from 8.00% to 9.00% per annum (2021: 2.00% per annum). These are secured against demand promissory notes and are due to mature by April 17, 2023 (2021: March 23, 2022).

4.2 This represents acceptance of funds by Islamic operations of Summit Bank Limited from conventional operations of Summit Bank Limited on Musharakah basis.

5. Deposits	2022			2021		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	----- (Rupees in '000) -----					
Customers						
Current deposits	5,929,857	426,025	6,355,882	6,037,564	445,290	6,482,854
Savings deposits	12,470,238	182,913	12,653,151	11,135,390	98,557	11,233,947
Term deposits	929,434	133,928	1,063,362	785,378	176,683	962,061
Others	223,829	-	223,829	164,091	-	164,091
	19,553,358	742,866	20,296,224	18,122,423	720,530	18,842,953
Financial Institutions						
Current deposits	5,629	171	5,800	10,385	139	10,524
Savings deposits	162,409	-	162,409	78,882	-	78,882
Term deposits	-	-	-	11,000	-	11,000
	168,038	171	168,209	100,267	139	100,406
	19,721,396	743,037	20,464,433	18,222,690	720,669	18,943,359

5.1 Composition of deposits	2022	2021
	----- (Rupees in '000) -----	
- Individuals	13,370,997	13,418,155
- Government (Federal and Provincial)	552,644	426,994
- Public Sector Entities	3,720	19,569
- Banking Companies	49,294	38,264
- Non-Banking Financial Institutions	354,485	275,886
- Private Sector	6,133,293	4,764,491
	20,464,433	18,943,359

5.2 Deposits include Eligible Deposits of Rs. 10,672.273 million (2021: Rs. 11,054.384 million) protected under Depositors Protection Mechanism introduced by the State Bank of Pakistan.

6. Charity Fund	2022	2021
	----- (Rupees in '000) -----	
Opening balance	1,084	2,317
Additions during the year		
- Received from customers on account of delayed payment	3,370	1,467
- Dividend purification amount	-	-
- Other Non-Shariah compliant income	-	-
- Profit on charity saving account	-	-
	3,370	1,467
Payments / utilization during the year		
- Education	(300)	(1,100)
- Health	-	(1,100)
- Community development	(2,000)	(500)
	(2,300)	(2,700)
Closing balance	2,154	1,084

7. Unappropriated / Unremitted profit	2022	2021
Opening balance	801,294	691,819
Add : Islamic Banking profit for the year	847,070	106,284
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to accumulated profit	3,191	3,191
Closing balance	1,651,555	801,294

8. CONTINGENCIES AND COMMITMENTS	2022 ----- (Rupees in '000) -----	2021 -----
-Guarantees	3,110,325	1,732,852
-Commitments	1,434,033	1,343,728
-Other contingent liabilities	-	-
	4,544,358	3,076,580
9. Profit / Return Earned of Financing, Investments and Placement		
Profit earned on:		
Financing	302,989	272,959
Investments	1,426,051	606,730
Placements	1,046,977	725,640
Balances with banks	720	660
	2,776,737	1,605,989
10. Profit on Deposits and other Dues Expensed		
Deposits and other accounts	1,072,351	696,783
Due to Financial Institutions	67,330	34,123
Finance cost of lease liability	20,045	24,431
	1,159,726	755,337
11. Deposits		

Deposits are generated on the basis of two modes i.e. Qard and Mudaraba.

Deposits taken on Qard basis are classified as 'Current accounts' and deposits generated on Mudaraba basis are classified as 'Savings deposits' and 'Fixed deposits'. No profit or loss is passed on to current account depositors, however the funds of current accounts are treated as equity for the purpose of profit calculation and any profit earned / loss incurred on those funds are allocated to the equity of the Bank. While the product features of each product differ, there is usually no restriction on withdrawals or number of transactions in current and saving accounts. In case of fixed deposits, pre-mature withdrawals can be made as per approved terms only.

Profits realized in investment pools are distributed in pre-agreed profit sharing ratio. Rab-ul-Maal share is distributed among depositors according to weightages assigned at the inception of profit calculation period. Mudarib can distribute its share of profit to Rab-ul-Maal upto a maximum of 60% of its profit as Incentive profits (Hiba).

Profits are distributed from the pool such that the depositors (remunerative) bear the risk of assets in the pool during the profit calculation period. In case of loss in a pool during the profit calculation period, the loss is distributed among the depositors (remunerative) according to their ratio of investments.

Asset pools are created at the Bank's discretion and the Bank can add, amend, and transfer an asset to any other pool.

12. Pool Management

Summit Bank Limited - Islamic Banking Division (SMBL-IBD) operates General and Specific Pools for deposits and interbank funds accepted under Mudaraba and Musharakah modes.

Features, risks and rewards of the pools are given below:

(i) Specific pool

Specific pools are operated for funds acquired / accepted from customers in foreign currencies (FCY) in addition to Pakistani Rupees (PKR) for customers willing to invest in specific sectors / industry / exposures for want of higher returns. These pools operate in accordance with the rules as specified under general pool disclosure, however, varies in degree of risks associated with the investments / assets. Similarly, for interbank acceptances specific pool(s) based on Musharakah are also maintained by the Bank to meet liquidity requirement of the Bank. SMBL-IBD maintains 10 (Ten) Local Currency (LCY) and 01 (one) Foreign Currency (FCY) specific pools.

(ii) General pool

General pool is the basket in which all the deposits from depositors are placed along with the Bank's own equity as well as funds from other financial institutions. The general pool is based on the principle of unrestricted Mudaraba. An unrestricted Mudaraba contract is a contract in which the depositor permits the Bank to administer the funds without any restrictions. In this case, the Bank has a wide range of trade or business freedom on the basis of trust and the business expertise the Bank has acquired.

However, such unrestricted business freedom in an unrestricted Mudaraba must be exercised only in accordance with the interests of the parties and the objectives of the Mudaraba contract, which is making profit. Therefore, the actions of the Bank must be in accordance with the business customs relating to the Banking operations. SABL-IBD maintains 01 LCY and 01 FCY General pool.

(iii) Treasury pool(s)

Treasury pool(s) may be created from time to time by obtaining funds from financial institutions. Treasury pool will be created on the basis of Mudaraba, Musharakah or Wakalah, as per agreement between Summit Bank and counter party.

Treasury pool may be created for one or more of the following reasons:

- a) Foreseeable major withdrawals by existing depositors;
- b) Expected new disbursement / financing requirement; and
- c) Meeting general liquidity requirement.

In case a major withdrawal has been requested from any depositor in an existing pool, the Bank may arrange funds from financial institution by creating a separate pool. The Bank will transfer matching asset(s) from the pool in which the withdrawal request has been made, to the treasury pool. These pools need to be maintained separately due to its peculiar nature (i.e. liquidity management).

(iv) IERS Pool

IERS is a SBP program to offer Islamic equivalent of ERF and enables exporters to avail refinance through Islamic Banks under Shariah compliant modes. Summit Islamic Banking has been providing this refinance facility to its customers. Hence, this pool is created for the same purpose on Musharakah basis. The profit distribution works exactly the same as pre agreed profit sharing. As this is structured as Musharakah (partnership) as opposed to Mudarabah (fund management), there is no Mudarib fee sharing mechanism.

(a) Priority of utilization of funds in the general pool shall be :

- Depositor Funds.
- Equity Funds.
- Placement / Investments of Other IBI.
- Mudaraba Placement of Summit Bank Limited (Counterparty).

(b) Weightages for distribution of profit in general pool

The weightages are calculated and declared monthly as the pool is constructively liquidated at end of each month and created simultaneously. The Bank declares such weightages at least 3 days before the beginning of the month, after the approval of the Shariah Advisor / RSBM of the Bank. The maximum weightage to the Mudaraba based deposit of any nature, tenor and amount does not exceed 3 times of the weightages assigned to normal saving deposits (minimum balance category).

The weightages assigned to all categories of pool deposits are assigned uniformly on a consistent basis, based on the following parameters / criteria (but not limited to):

- contracted period of deposits;
- frequency of profit distribution, monthly, quarterly or on maturity;
- volume of the deposit;
- product structure; and
- management discretion.

(c) Identification and allocation of pool related income and expenditure

The allocation of income and expenses to different pools is based on pre-defined basis and accounting principles / standards. According to Shariah rules and principles, all direct expenses are expensed out of the total profit i.e. always charged to the pool.

The direct expenses to be charged to the pool shall include all the direct cost of transaction including the following:

- depreciation of Ijarah assets;
- cost of sales of inventories;
- Takaful expenses of pool assets;
- taxes (sales tax and service tax levied by the provincial government);
- stamp fee or documentation charges;
- other costs / foreign exchange losses (if ascertainable);
- brokerage fee for purchase of securities / commodities etc.; and
- impairment / losses due to physical damages to specific assets in pools etc.

Indirect expenses can be categorized as those which are agreed with the saving and deposit account holders to be borne by the Mudarib.

All income pertaining to specific assets for specific periods should be allocated to the pool to which the assets are tagged during the period. Due care should be taken while recognizing revenue from assets. Revenue recognition for each type / class of assets should be in-line with the respective Shariah principles. Further, the financing will be diversified across different sectors and in compliance with the prudential regulation for exposure of individual and corporate clients. Income generated from non-financing activities (fee / commission / service charges) that were not relevant to the general pool were not credited to the pool and relevant expenses were also not charged to the pool.

(d) Parameters associated with risk and rewards

- (i) The risks related to any pool depend upon the nature of the pool and the purpose for which the pool has been created. Considering the low risk tolerance of the investors of the profit and loss distribution pool, the key objective remained to earn competitive returns while containing the risk (volatility) of the returns to a minimum.

(ii) Risks to which the financing assets of the Bank may be exposed to are:

Credit risk which is generally defined as the potential that a counter party fails to meet its obligations in accordance with agreed terms. Therefore, the Bank has sound credit risk management policies to protect the depositors' / Investment Account Holders (IAH) from loss due to credit risk;

Market risk is generally defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices i.e. fluctuations in values in tradable or marketable assets (including Sukuks) and in off-balance sheet individual portfolios (for example restricted investment accounts). The risks relate to the current and future volatility of market values of specific assets and of foreign exchange rates; and

Equity Investment Risk is generally defined as risk associated with holding equity investments during unfavourable situations, where decline in investment caused by market conditions in turn gives volatility of earnings of Musharakah and Modaraba investments.

(iii) Risks to which the profit and loss distribution pool may be exposed to are:

Liquidity risk which is the potential loss to the Bank arising from their inability either to meet their obligations or to fund increases in assets as they fall due without incurring unacceptable costs or losses. In order to mitigate the liquidity risk the Bank should invest in a combination of liquid and illiquid assets to be able to meet their obligations towards the depositors' / investment account holder; and

Rate of return risk to which the Bank may be exposed to in the context of its overall balance sheet exposures. An increase in benchmark rates may result in savings account holders having expectations of a higher rate of return. A consequence of rate of return risk may be displaced commercial risk. Therefore, the Bank employ a gapping method for allocating positions into time bands with remaining maturities or re-pricing dates, whichever is earlier.

Avenues / sectors of economy / business where deposits have been deployed*	2022 ----- (Rupees in '000) -----	2021
Agriculture, forestry, hunting and fishing	457,295	100,000
Cement	65,369	151,198
Chemical and pharmaceuticals	177,545	207,136
Construction	36,456	6,276
Electronics and electrical appliances	458,995	688,493
Exports / imports	-	762
GOP Ijarah Sukuks	10,996,681	10,995,528
Food, tobacco and beverages	-	309,383
Individuals	181,003	446,934
Miscellaneous manufacturing	120,300	180,449
Paper and allied products	29	351
Services	229,891	551,306
Sugar	629,998	699,998
Transport, storage and communication	5,666	6,953
Wholesale and retail trade	2,736	40,134
Others	-	49,735
Total gross Islamic financing and related assets and investments	13,361,964	14,434,636
Due from financial institutions	8,051,586	7,644,820
Total deployed funds	21,413,550	22,079,456

* Staff financing amounting to Rs. 671.829 million (2021: Rs. 424.401 million) is not included as it is financed through Islamic Banking Fund.

Basis of profit allocation

Profit of the general pool has been distributed between Mudarib and Rab-ul-Maal by using pre-agreed profit sharing ratio. The profit was distributed between Mudarib and Rab-ul-Maal on the under mentioned profit sharing ratios based upon gross income level less direct expenses.

	Profit sharing ratio	
	LCY Deposits	FCY Deposits
	2022	
	-----%-----	
Rab-ul-Maal	50%	3%
Mudarib	50%	97%

Mudarib share (in amount and percentage of distributable income)

	2022	2021	2022	2021
	----- (Rupees in '000) -----		-----%-----	
Rab-ul-Maal	1,031,987	672,349	73%	77%
Mudarib	373,616	200,838	27%	23%
	<u>1,405,603</u>	<u>873,187</u>		

Amount and percentage of Mudarib share transferred to depositors through Hiba

	2022	2021
	----- (Rupees in '000) -----	
Mudarib share	327,829	180,662
Hiba	45,786	20,177
	-----%-----	
Hiba percentage of Mudarib share	12	10

Profit rate earned vs profit rate distributed to the depositors during the year ended December 31, 2022

	2022	2021
	-----%-----	
Profit rate earned	12.64%	7.67%
Profit rate distributed to depositors	8.16%	5.59%



**CONSOLIDATED
FINANCIAL STATEMENTS**

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUMMIT BANK LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the annexed consolidated financial statements of Summit Bank Limited and its subsidiary (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 1.2 to the consolidated financial statements. As more fully described in that note, the Group has incurred a net loss of Rs. 3,187.985 million (2021: Rs. 2,911.791 million) during the year ended December 31, 2022, resulting in accumulated losses of Rs. 41,836.719 million (2021: Rs. 38,868.163 million and negative equity of Rs. 17,758.021 million (2021: Rs. 14,477.584 million) as at December 31, 2022. Further, the Group's paid-up capital (net of losses), Capital Adequacy Ratio and Leverage Ratio (LR) do not meet the requirements provided by State Bank of Pakistan (SBP) as at December 31, 2022. These conditions indicate the existence of material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. However, the Group is making continued efforts for necessary injection of capital and implementation of the Group's Plan to comply with applicable capital requirements. Our opinion is not qualified in respect of this matter.

Emphasis of Matter

We draw attention to the following matters:

- As described in note 22.4 to the consolidated financial statements, the National Accountability Bureau (NAB) is currently conducting an investigation against certain bank accounts alleged of involvement in illegal activities in various banks. The Group's management is of the view that such investigations will not affect the ongoing operations and functions of the Group.
- As described in note 13.3 to the consolidated financial statements, the Group holds an immovable property which is partially in contravention with the provisions of Banking Companies Ordinance, 1962. The same has been held in "Other Assets" for sale at the earliest possible timeline.

Our opinion is not qualified in respect of the matters stated above.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Material Uncertainty Related to Going Concern section, we have determined the following to be the key audit matters to be communicated in our report:

S.No.	Key Audit Matters	How the matter was addressed in our audit
1.	Provision against advances	
	<p>The Group's credit portfolios include loans and advances, and non-funded credit facilities. The credit portfolio is spread across various domestic branches operations.</p> <p>As per the Group's accounting policy (refer note 4.4 to the consolidated financial statements), the Group periodically assesses the adequacy of its provisions against non-performing credit exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan. Such regulations require specific provisioning against loan losses on the basis of an age-based criteria which should be supplemented by a subjective evaluation of Group's credit portfolio. The determination of loan loss provision against certain vulnerable corporate loans, therefore, involve use of management judgment, on a case to case basis, taking into account factors such as the economic and business conditions, borrowers repayment behaviors and realizability of collateral held by the Group.</p>	<p>We applied a range of audit procedures on selected samples including the following:</p> <ul style="list-style-type: none"> · We reviewed the Group's process for identification and classification of non- performing loans including the quality of underlying data and systems. As part of such review we performed an analysis of the changes within different categories of classified non-performing accounts from last year to the current reporting date. This analysis was used to gather audit evidence regarding downgrading of impaired loans and declassification of accounts from non-performing to regular, as the case may be; · We performed independent checks for the computations of provisions in line with the requirements of the applicable Prudential Regulations;

S.No.	Key Audit Matters	How the matter was addressed in our audit
	<p>In view of the significance of this area in terms of its impact on the consolidated financial statements and the level of involvement of management's judgment, we identified adequacy and completeness of loan loss provision as a significant area of audit judgment and a key audit matter.</p>	<ul style="list-style-type: none"> · In addition, we selected a representative sample of borrowers from the credit portfolios across various branches including individually significant corporate loans and performed tests and procedures such as review of credit documentation, repayment history and past due status, financial condition as depicted by the borrowers' financial statements, nature of collateral held by the group and status of litigation, if any, with the borrower; · Based on the said credit reviews, we identified and discussed with the management the loan accounts where the credit risk appear to have increased. We reviewed the adequacy of provisions against such accounts on the basis of our independent objective evaluation of the risk mitigating factors that exist in such cases; and · We also assessed adequacy of disclosures in the consolidated financial statements regarding the non-performing loans and provisions made for the same in accordance with the requirements of the applicable financial reporting framework.
2.	<p>Deferred tax assets</p>	
	<p>The recognition of a deferred tax asset in respect of tax losses is permitted only to the extent that it is probable that future taxable profits will be available to utilize the tax losses carried forward.</p> <p>When considering the availability of future taxable profits, judgement is required when assessing projections of future taxable income which are based on approved business plans / forecasts.</p>	<p>We obtained an understanding and evaluated the design and tested the effectiveness of controls in this area relevant to our audit. We performed substantive audit procedures on the recognition of deferred tax balances based on local tax regulations, and on the analysis of the recoverability of the deferred tax assets in the light of relevant accounting standard.</p> <p>We have evaluated the group's assumptions and estimates in relation to the likelihood of generating sufficient future taxable income based on plans, prepared by the management. We have also assessed previous forecast and compared with the actual outcome for evidence of bias.</p> <p>Finally, we reviewed the adequacy of the disclosures made by the group in this area and recognition / non-recognition of deferred tax asset / liability.</p>

S.No.	Key Audit Matters	How the matter was addressed in our audit
3.	<p>Valuation of investments</p> <p>As at December 31, 2022, the Group has investments classified as “Available-for-sale” amounting to Rs. 51,255.291 million (2021: Rs. 30,935.280 million).</p> <p>Investments are carried at cost or fair value in accordance with the Group's accounting policy relating to their recognition. Provision against investments is based on impairment policy of the Group which includes both objective and subjective factors.</p> <p>We identified the valuation of investments including determination of impairment allowance on investments classified as “Available-for-sale” as a key audit matter because of their significance in relation to the total assets of the Group and judgment/estimates involved in assessing impairment allowance.</p>	<p>Our procedures in respect of valuation of investments included the following:</p> <ul style="list-style-type: none"> · Assessing the design and testing the operating effectiveness of the relevant controls in place relating to valuation of investments; · Checking, on a sample basis, the valuation of investments to supporting documents, observable market and break-up values; and · Evaluating the management's assessment of available for sale investments for any additional impairment in accordance with the Group's accounting policies and performed an independent assessment of the assumptions.
4.	<p>Litigations and regulatory requirements</p> <p>There are a number of threatened and actual legal, regulatory and tax cases against the Group. There is a high level of judgement involved in estimating the level of provisioning required.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> · testing key controls surrounding litigation, regulatory and tax procedures; · where relevant, reviewing external legal opinions obtained by management; · discussing open matters with the Group's general counsel, litigation, regulatory and tax teams; · assessing and challenging management's conclusions through understanding precedents set in similar cases; and · circularizing confirmations where appropriate, to relevant third-party legal representatives.

Information Other than the Consolidated and Unconsolidated Financial Statements and Auditors' Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated and unconsolidated financial statements and our auditors' reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of directors is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is **Mehmood A. Razzak**.

**BAKERTILLY MEHMOOD IDREES QAMAR
CHARTERED ACCOUNTANTS**

Karachi

Date: February 22, 2023

UDIN:AR2022101510a4NrLuDv

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2022

	Note	2022 ----- (Rupees in '000) -----	2021 -----
ASSETS			
Cash and balances with treasury banks	5	13,372,146	14,415,012
Balances with other banks	6	1,364,568	1,094,069
Lendings to financial institutions	7	10,141,557	298,931
Investments	8	51,255,291	30,935,280
Advances	9	21,593,564	27,044,465
Fixed assets	10	10,681,413	10,952,336
Intangible assets	11	146,135	140,127
Deferred tax assets	12	20,726,644	16,624,648
Other assets	13	11,343,215	10,450,563
		140,624,533	111,955,431
LIABILITIES			
Bills payable	15	1,993,587	2,071,048
Borrowings	16	25,388,560	6,922,040
Deposits and other accounts	17	121,861,462	109,424,316
Liabilities against assets subject to finance lease		-	-
Subordinated debt	18	1,495,515	1,495,515
Deferred tax liabilities		-	-
Other liabilities	19	7,643,430	6,520,096
		158,382,554	126,433,015
NET ASSETS		(17,758,021)	(14,477,584)
REPRESENTED BY			
Share capital - net	20	20,500,194	20,500,194
Reserves		(425,043)	(425,043)
Surplus / (deficit) on revaluation of assets	21	4,003,547	4,315,428
Accumulated losses		(41,836,719)	(38,868,163)
		(17,758,021)	(14,477,584)
CONTINGENCIES AND COMMITMENTS		22	

The annexed notes 1 to 44 and annexures I and II form an integral part of these consolidated financial statements.

President / Chief Executive

Chief Financial Officer

Director

Director

Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2022

	Note	2022 ----- (Rupees in '000) -----	2021 ----- (Rupees in '000) -----
Mark-up / return / interest earned	23	8,143,517	4,567,698
Mark-up / return / interest expensed	24	10,398,230	5,676,168
Net mark-up / interest expense		(2,254,713)	(1,108,470)
NON MARK-UP / INTEREST INCOME			
Fee and commission income	25	516,280	534,093
Dividend income		10,013	31,350
Foreign exchange income		804,074	254,171
Income / (loss) from derivatives		-	-
Gain on securities	26	30,526	495,249
Other income	27	89,354	63,594
Total non-markup / interest income		1,450,247	1,378,457
Total income		(804,466)	269,987
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	28	5,919,683	5,527,435
Workers' welfare fund		-	-
Other charges	29	1,701	4,387
Total non-markup / interest expenses		5,921,384	5,531,822
Loss before provisions		(6,725,850)	(5,261,835)
Provisions / (reversals) and write offs - net	30	584,115	(309,676)
Extra ordinary / unusual items		-	-
LOSS BEFORE TAXATION		(7,309,965)	(4,952,159)
Taxation	31	(4,121,980)	(2,040,368)
LOSS AFTER TAXATION		(3,187,985)	(2,911,791)
----- (Rupees) -----			
Basic loss per share	32	(1.21)	(1.10)
Diluted loss per share	32	(1.21)	(1.10)

The annexed notes 1 to 44 and annexures I and II form an integral part of these consolidated financial statements.

President / Chief Executive

Chief Financial Officer

Director

Director

Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
	----- (Rupees in '000) -----	
Loss after taxation for the year	(3,187,985)	(2,911,791)
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in (deficit) / surplus on revaluation of investments - net of tax	(64,221)	(466,795)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain / (loss) on defined benefit obligations	96,323	37,858
Movement in surplus on revaluation of operating fixed assets - net of tax	(82,109)	35,815
Movement in surplus on revaluation of non-banking assets - net of tax	3,986	65,103
Movement in surplus on revaluation of held for sale property - net of tax	(46,431)	-
	18,200	138,776
Total comprehensive loss	(3,234,006)	(3,239,810)

The annexed notes 1 to 44 and annexures I and II form an integral part of these consolidated financial statements.

President / Chief Executive

Chief Financial Officer

Director

Director

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2022

	Capital reserves		Surplus / (deficit) on revaluation of			Revenue reserve	Total
	Share premium	Statutory reserve	Reserve arising on amalgamation	Investments	Fixed / Non banking assets	Property held for sale	
Share capital							
	20,500,194	1,000,000	154,162	(1,579,205)	3,546,085	754,510	(11,237,774)
Balance as at January 01, 2021				(Rupees in '000)			
Loss after taxation for the year ended December 31, 2021	-	-	-	-	-	-	(2,911,791)
Other comprehensive income - net of tax	-	-	-	(466,795)	100,918	-	37,858
Transfer to statutory reserve	-	-	-	-	-	-	(328,019)
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to accumulated losses	-	-	-	-	(102,328)	-	102,328
Transfer in respect of incremental depreciation from surplus on revaluation of non-banking assets to accumulated losses	-	-	-	-	(47,740)	-	47,740
Balance as at January 01, 2022	20,500,194	1,000,000	154,162	(1,579,205)	3,496,935	754,510	(14,477,584)
Loss after taxation for the year ended December 31, 2022	-	-	-	-	-	-	(3,187,985)
Other comprehensive income - net of tax	-	-	-	(64,221)	(78,123)	(46,431)	96,323
Transfer to statutory reserve	-	-	-	-	-	-	(92,452)
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to accumulated losses	-	-	-	-	(100,994)	-	100,994
Transfer in respect of incremental depreciation from surplus on revaluation of non-banking assets to accumulated losses	-	-	-	-	(20,239)	-	20,239
Transfer from surplus on revaluation of fixed assets on disposal to accumulated losses	-	-	-	-	(1,873)	-	1,873
Balance as at December 31, 2022	20,500,194	1,000,000	154,162	(1,579,205)	3,295,706	708,079	(17,758,021)

The annexed notes I to 44 and annexures I and II form an integral part of these consolidated financial statements.

President / Chief Executive

Chief Financial Officer

Director

Director

Director

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2022

	Note	2022 ----- (Rupees in '000) -----	2021 -----
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(7,309,965)	(4,952,159)
Less: Dividend income		(10,013)	(31,350)
		<u>(7,319,978)</u>	<u>(4,983,509)</u>
Adjustments:			
Depreciation on operating fixed assets	10.2	455,231	491,532
Depreciation on right-of-use assets	28	612,161	566,637
Depreciation on non-banking assets	13.1.1	61,204	87,867
Finance cost of lease liability	24	406,133	360,007
Amortization	11.2	23,111	29,763
(Reversals) / provision and write-offs excluding recoveries		585,046	(306,130)
(Gain) / Loss on forward exchange contracts		(365)	29,921
Charge for defined benefit plan	28.1	(6,387)	79,559
Charge for employees compensated absences	28.1	14,063	21,239
Loss on sale of non banking assets	27	431	-
Gain on termination of lease contracts under IFRS 16	27	(443)	-
(Gain) / loss on sale of fixed assets	27	(72,443)	(17,066)
		<u>2,077,742</u>	<u>1,343,329</u>
		<u>(5,242,236)</u>	<u>(3,640,180)</u>
(Increase) / decrease in operating assets			
Lendings to financial institutions		(9,842,626)	(298,931)
Advances		4,963,559	4,422,817
Others assets (excluding advance taxation)		(953,508)	78,186
		<u>(5,832,575)</u>	<u>4,202,072</u>
(Decrease) / increase in operating liabilities			
Bills Payable		(77,461)	(331,822)
Borrowings from financial institutions		17,765,502	(739,004)
Deposits		12,437,146	7,694,565
Other liabilities (excluding current taxation)		901,225	(157,713)
		<u>31,026,412</u>	<u>6,466,026</u>
Payments on account of staff retirement benefits		(71,616)	(107,762)
Income tax paid		(80,631)	(78,174)
Net cash generated from operating activities		<u>19,799,354</u>	<u>6,841,982</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(20,448,882)	(3,204,589)
Dividends received		10,013	31,350
Investments in operating fixed assets		(114,942)	(308,380)
Investments in intangible assets		(29,119)	(82,268)
Proceeds from sale of fixed assets		113,819	19,352
Proceeds from sale of non-banking assets		45,803	-
Net cash used in investing activities		<u>(20,423,308)</u>	<u>(3,544,535)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of lease liability against right-of-use assets		(849,431)	(716,633)
Net cash used in financing activities		<u>(849,431)</u>	<u>(716,633)</u>
Effect of exchange rate changes on cash and cash equivalents		789,021	274,424
		<u>(684,364)</u>	<u>2,855,238</u>
(Decrease) / increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		14,689,679	12,623,462
Cash and cash equivalents at end of the year	33	<u>14,005,315</u>	<u>15,478,700</u>

The annexed notes 1 to 44 and annexures I and II form an integral part of these consolidated financial statements.

President / Chief Executive

Chief Financial Officer

Director

Director

Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

I. STATUS AND NATURE OF BUSINESS

I.1 The Group comprises of:

I.1.1 Holding Company: Summit Bank Limited

Summit Bank Limited (the Bank) is a banking company incorporated in Pakistan on December 09, 2005 as a public company limited by shares under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Bank's registered office is situated at Plot No. 9-C, F-6 Markaz, Supermarket, Islamabad, Pakistan and its principal office is situated at Summit Tower, Plot No. G-2, Block 2, Scheme 5, Clifton, Karachi, Pakistan. The Bank is a subsidiary of Suroor Investments Limited, a company incorporated in Mauritius, holding 66.77% of the issued, subscribed and paid up capital of the Bank as at December 31, 2022.

The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and is operating through its 179 Conventional Banking Branches and 14 Islamic Banking Branches (2021: 179 Conventional Banking Branches and 14 Islamic Banking Branches) in Pakistan.

In the year 2019, VIS Credit Rating Company Limited suspended the Bank's medium to long-term rating of 'BBB-' (Triple B minus) and short term rating of 'A-3' (A-three). The Bank has initiated the rating process with VIS Credit Rating Company Limited and has requested SBP to allow an extension to complete the credit rating exercise by March 31, 2023. Moreover, the Bank's TFC rating was assigned 'D' (Default) due to non-payment of its latest mark-up payment on account of lock-in-clause invoked by the Bank under the applicable Regulations of the State Bank of Pakistan (SBP). The TFC holders of the Bank in their meeting held on October 27, 2022, further approved another extension of one year in the tenure of the TFC issue along with the extension in the payments of all redemption amounts, with the revised maturity date set at October 27, 2023. The Bank is currently in the process of ensuring compliance with all the applicable laws, rules, regulations and requisite regulatory requirements in this regard.

I.1.2 Subsidiary

Summit Capital Private Limited - 100 % Shareholding

SCPL, the subsidiary company was incorporated in Pakistan on March 08, 2006 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The subsidiary company is a corporate member / TREC holder of Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited. The principal activities of the subsidiary company are equity and money market brokerage, interbank foreign exchange brokerage, commodity brokerage and research. The registered office of the Subsidiary is situated at 701-702, 7th Floor, Business and Finance Centre, opposite State Bank of Pakistan, I.I. Chundrigar Road, Karachi. The Group acquired interest in SCPL by virtue of amalgamation of Atlas Bank Limited.

I.2 During the year, the Group has incurred a net loss of Rs. 3,187.985 million resulting in accumulated losses of Rs. 41,836.719 million and negative equity of Rs. 17,758.021 million. As per the applicable laws and regulations, the Group is required to maintain Minimum Paid-up Capital (net of losses) (MCR) of Rs. 10 billion, Capital Adequacy Ratio (CAR) at 11.50% (inclusive of Capital Conservation Buffer of 1.50%), Leverage Ratio (LR) at 3.00%, Liquidity Coverage Ratio (LCR) at 100% and Net Stable Funding Ratio (NSFR) at 100% as of December 31, 2022. However, the paid up capital of the Group (net of losses), CAR and LR are negative.

The Group is making best efforts to comply with applicable capital requirements through increase in capital / capital injection at the earliest. For this, the management has prepared a business plan, which has been approved by the Board.

This plan aims to improve the Group's capital base and risk absorption capacity and provide impetus to its future growth initiatives. The key assumptions considered in the business plan are as follows:

- Injection of capital
- Reaping benefits from the expected growth of Islamic finance in Pakistan since the Group will speed-up the implementation process of its earlier decision of conversion to a full-fledged Islamic bank.
- Recoveries from non-performing advances through strenuous and focused recovery efforts;
- Reduction in overall level of non-earning assets held by the Group;
- Identifying opportunities for rationalization of the cost structure;
- Improvement in the risk management and technological infrastructure of the Group to support the business plan;
- Investments / exposures in safe avenues for achieving solid growth in the core business income; and
- Income generation through avenues for mark up income and non-mark up income.

Further to the Public Announcement of Intention (PAI), dated May 20, 2021, to acquire at least 51% of the issued and paid up capital of the Group together with the management control, the Investor submitted his offer via a letter dated October 01, 2021 and entered into a Share Subscription Agreement (SSA) with the Bank and the Investor for the proposed subscription of new ordinary shares in the Bank by way of fresh equity injection Without Rights Offering at a discounted price of Rs. 2.51 per share. The Investor's offer as set out in the Share Subscription Agreement was duly approved by the Board of Directors.

Pursuant to the Public Announcement of Offer (PAO) dated March 18, 2022, the Bank dispatched Subscription Entitlement Letters, dated July 05, 2022, to its eligible minority shareholders inviting them to subscribe their respective shares in the Bank at the subscription price of Rs. 2.51 per share. As a result, 5,771 shares of the Bank have been subscribed by minority shareholders. The subscription by minority shareholders and the subsequent allotment of shares are subject to the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and other regulatory approvals.

The Investor, via a letter dated April 28, 2022 shared with the Bank on May 06, 2022, disclosed the inclusion of another Potential Investor in the consortium to acquire the Bank with an intention to subscribe to such number of shares which would enable him to become a maximum of 25% shareholder in the Bank. The Board of Directors in their meeting held on May 09, 2022 approved the inclusion of Potential Investor in the consortium of the Acquirer subject to obtaining the requisite approval from the regulatory authorities and shareholders. The shareholders in the (Adjourned) Extra Ordinary General Meeting (EOGM) held on June 08, 2022 approved the inclusion of Potential Investor in the consortium of the Investor.

The Investor, via a letter dated December 12, 2022, proposed to amend the SSA dated October 04, 2021 to enable him to subscribe to 3,984.064 million ordinary shares by way of other than rights instead of 5,976.096 million ordinary shares at the unchanged subscription price of Rs. 2.51 per share. The Board of Directors in their meeting held on December 13, 2022 authorized the Bank to amend the SSA as proposed by the Investor. In this regard, an Amendment Agreement (AA) to the SSA has been executed between the Investor and the Bank on December 13, 2022. The shareholders in the (Adjourned) Extra Ordinary General Meeting (EOGM) held on January 16, 2023 passed a resolution to approve the AA to the SSA for the proposed acquisition of the majority shareholding and control of the Bank.

The Investor has now deposited Rs. 10.070 billion (Rs. 6.000 billion till December 31, 2022) with the Bank and the Bank is currently in the process of issuance of shares subject to receipt of regulatory approvals.

The management and the Board of Directors are hopeful that with the capital injection along with the growth factors and other key assumptions stipulated in the business plan materialize, the Bank will be able to achieve compliance with applicable regulatory requirements.

2. BASIS OF PRESENTATION

2.1 STATEMENT OF COMPLIANCE

These consolidated financial statements represent financial statements of the Holding Company - Summit Bank Limited and its subsidiary. The assets and liabilities of subsidiary have been consolidated on a line-by-line basis and the investment held by the holding company is eliminated against the corresponding share capital of the subsidiary in these consolidated financial statements.

2.2 These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017, or the directives issued by 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.

The SBP, vide its BSD Circular Letter no. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments, Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies till further instructions. Moreover, SBP vide BPRD Circular no. 4 of 2015, dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standards (IFAS) 3, Profit and Loss Sharing on Deposits. Further, the SECP, through S.R.O. 411(I)/2008 dated April 28, 2008 has deferred the applicability of IFRS 7 'Financial Instruments: Disclosures', to banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

2.3 Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its investment with investee and has the ability to effect these return through its power over the investee.

These consolidated financial statements incorporate the financial statements of subsidiary from the date that control commences until the date that control ceases.

Non-controlling interests are that part of the net results of operations and of net assets of subsidiary attributable to the interest which are not owned by the Group. Material intra-group balances and transactions are eliminated.

2.4 Key financial figures of the Islamic banking branches are disclosed in Annexure - II to these consolidated financial statements.

2.5 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year

There are certain new standards and interpretations of and amendments to existing accounting and reporting standards that have become applicable to the Group for accounting periods beginning on or after January 01, 2022. These are considered either not to be relevant or not to have any significant impact on the Group's operations and therefore are not detailed in these consolidated financial statements.

2.6 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective

The SBP through BPRD Circular no. 3 dated July 05, 2022 has made IFRS 9 'Financial Instruments' applicable to Banks in Pakistan for accounting periods beginning on or after January 01, 2024 (for banks having asset size of less than Rs. 500 billion). The subject circular also envisages the implementation guidelines and the impact of the application of IFRS 9 in Pakistan on the Group's financial statements is currently being assessed. IFRS 9 replaces the existing guidance in (IAS) 39, 'Financial Instruments, Recognition and Measurement'. The standard includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Furthermore, the following standards, amendments and interpretations as notified under the Companies Act, 2017 will be effective for the accounting periods as stated below:

<u>Standard, Interpretation or Amendment</u>	<u>Effective date (annual periods beginning on or after)</u>
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	January 01, 2024
Definition of Accounting estimates - Amendments to IAS 8	January 01, 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	January 01, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	January 01, 2023
Lease Liability in a Sale and Leaseback - Amendments to IFRS 16	January 01, 2024
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Not yet finalized

2.7 Critical accounting estimates and judgments

The preparation of these consolidated financial statements in conformity with approved accounting standards as applicable in Pakistan requires the management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses as well as in the disclosure of contingent liabilities. It also requires the managements to exercise judgement in application of its accounting policies. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an going basis. Revision to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgements were made by the management in the application of accounting policies are as follows:

	<u>Note</u>
- Classification and provisioning against investments	4.3, 4.15, 8 and 30
- Classification and provisioning against non-performing loans and advances	4.4, 9 and 30
- Useful lives of fixed and intangible assets, depreciation, amortization and revaluation	4.5.1, 4.5.3.1, 4.6, 10 and 11
- Impairment of assets	4.5.3.1 and 4.15
- Valuation of right-of-use assets and their related lease liability	4.5.3
- Accounting for staff retirement and other benefits	4.11, 35 and 36
- Taxation	4.14 and 31
- Other provisions	4.16
- Fair value of financial instruments	38
- Valuation of non-banking assets acquired in satisfaction of claims	4.7 and 13.1.1
- Remuneration framework and related disclosures	4.10 and 37

3. BASIS OF MEASUREMENT

3.1 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention, except for:

- Certain fixed assets and non-banking assets acquired in satisfaction of claims are stated at revalued amounts less accumulated depreciation / impairment.
- Investments classified as held for trading and available-for-sale, which are measured at fair value.
- Commitments in respect of forward exchange contracts, which are measured at fair value.
- Right-of-use assets and their related lease liabilities, which are measured at their present value adjusted for depreciation, interest cost and lease repayments.
- Net obligation in respect of defined benefit scheme, which is measured at their present value.

3.2 Functional and Presentation Currency

These consolidated financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.

The amounts are rounded off to the nearest thousand rupees except as stated otherwise.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied and adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented.

4.1 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash in hand, national prize bond, balances with treasury banks and balances with other banks (net of overdrawn nostro balances) in current and deposit accounts.

4.2 Lendings to / borrowings from financial institutions

The Group enters into transactions of borrowings (repo) from and lending (reverse repo) to financial and other institutions, at contracted rates for a specified period of time. These are recorded as under:

a) Sale of securities under repurchase agreements (Repo)

Securities sold subject to an agreement to repurchase at a specified future date (repos) continue to be recognized in the consolidated statement of financial position and are measured in accordance with accounting policies for investment securities. The counterparty liability for amounts received under these agreements is included in borrowings. The difference between sale and repurchase price is treated as mark up expense and is accrued over the period of the repo agreement.

b) Other borrowings

Other borrowings include borrowings from the SBP and unsecured call borrowings which are recorded at the proceeds received. Mark up paid on such borrowings is charged to the consolidated profit and loss account over the period of borrowings on time proportionate basis.

c) Purchase of securities under resale agreements (Reverse Repo)

Securities purchased under agreement to resell at a specified future date (reverse repos) are not recognized in the consolidated statement of financial position. Amounts paid under these agreements are included in lendings to financial institutions. The difference between purchase and resale price is treated as mark up earned and is accrued over the period of the reverse repo agreement. Securities purchased are not recognized in the consolidated financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability under borrowings from financial institutions.

d) Other lendings

Other lendings include term lendings and unsecured lendings to financial institutions. These are stated net of provision. Return on such lendings is accrued to consolidated profit and loss account on a time proportionate basis using effective interest rate method except mark-up on impaired / delinquent lendings, which are recognized on receipt basis in accordance with the requirements of the Prudential Regulations of the SBP.

e) Musharakah

Musharakah is a profit and loss sharing transaction in which the Group and counterparty place their funds in a pool of specific asset (managed with us in case of acceptance transaction and managed by the counter party in case of placement transaction) yielding a specified return on a predetermined profit sharing ratio. The profit of the pool is shared according to this pre-agreed ratio.

f) Bai Muajjal

Bai Muajjal is a transaction in which a party in need of funds purchases an easily saleable Shariah compliant security (such as Sukuk) from a counter party (the party with excess funds) on deferred payment basis and sells it on spot payment basis to a third party thereby raises liquidity. Receivable against such sale is recognized at the agreed sale price. The difference between the sale price and the carrying value on the date of disposal is accrued and recorded as income in the consolidated profit and loss account over the period of credit sale.

4.3 Investments

4.3.1 Classification

Investments of the Group, other than investments in subsidiary, are classified as held-for-trading, held-to-maturity and available-for-sale. The management determines the appropriate classification of its investments at the time of purchase.

Held-for-trading

These are securities which are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements, dealer's margin or are securities included in portfolio in which a pattern of short-term profit taking exists.

Held-to-maturity

These are securities with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold till maturity.

Available-for-sale

These are investments that do not fall under the held-for-trading or held-to-maturity categories.

4.3.2 Regular way contracts

All purchases and sales of investments that require delivery within time frame established by regulations or market conventions are recognized at the trade date. Trade date is the date on which the Group commits to purchase or sell the investment.

4.3.3 Initial recognition and measurement

Investment other than those categorized as held-for-trading are initially recognized at fair value which includes transaction costs associated with the investment. Investment categorized as held-for-trading are initially recognized at fair value and transaction costs are expensed in the consolidated profit and loss account.

4.3.4 Subsequent measurement

Held-for-trading

These are measured at subsequent reporting dates at fair value. Gains and losses on re-measurement are included in the consolidated profit and loss account.

Held-to-maturity

These are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.

Available-for-sale

Quoted securities classified as available-for-sale investments are measured at subsequent reporting dates at fair value. Any surplus / deficit arising thereon is kept in a separate account shown in the consolidated statement of financial position below equity and is taken to the consolidated profit and loss account when actually realized upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. The break-up value of these securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. A decline in the carrying value is charged to the consolidated profit and loss account. A subsequent increase in the carrying value, up to the cost of the investment, is credited to consolidated the profit and loss account. Investments in other unquoted securities are valued at cost less impairment, if any.

Provision for diminution in the value of securities (except term finance certificates and sukuk) is made for impairment, if any. Provision for diminution in the value of term finance certificates and sukuk is made as per the ageing criteria prescribed by the Prudential Regulations issued by the SBP.

Available-for-sale listed equity investments are impaired when there has been a significant or prolonged decline in their fair value below their cost. The determination of what is significant or prolonged requires judgment. In making this judgement, the Group evaluates, among other factors, the normal level of volatility in a share price.

A subsequent increase in the fair value of a previously impaired listed equity security is recorded in the consolidated statements of financial position in the surplus / deficit on revaluation of securities accounts and only recorded in the consolidated profit and loss account when realised on disposal.

4.4 Advances

Advances are stated net of specific and general provisions. The specific and general provisions for advances are made in accordance with the requirements of Prudential Regulations and other directives issued by the State Bank of Pakistan and are charged to the consolidated profit and loss account. Non-performing loans and advances in respect of which the Group does not expect any recoveries in future years are written off.

Leases, where the Group transfers substantially all the risks and rewards incidental to the ownership of an asset are classified as finance leases. A receivable is recognized at an amount equal to the present value of the minimum lease payments, including guaranteed residual value, if any. Unearned finance income is recognized over the term of the lease, so as to produce a constant periodic return on the outstanding net investment in lease. Finance lease receivables are included in advances to the customers.

The Group provides Islamic financing and related assets mainly through Ijarah, Murabaha, Diminishing Musharakah, Salam, Tijarah, Istisna, Musharakah and Export Refinance under SBP Islamic Export Refinance Scheme. The purchases and sales arising under these arrangements are not reflected in these consolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of profit thereon. The income on such financing is recognized in accordance with the principles of Islamic Shariah. The Group determines specific and general provision against Islamic financing and related assets in accordance with the requirements of the Prudential Regulations issued by the SBP. The net provision made / reversed during the year is charged to the consolidated profit and loss account and accumulated provision is netted off against Islamic financing and related assets. Islamic financing and related assets are written off when there are no realistic prospects of recovery.

4.5 Fixed assets

4.5.1 Owned

Property and equipment, other than leasehold land (which is not depreciated) and capital work-in-progress, are stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses, if any. Land is carried at revalued amount less impairment losses while capital work-in-progress is stated at cost less impairment losses, if any.

Depreciation is calculated by the Group using the straight line method which writes down the cost of assets to their residual values over the estimated useful lives. The rates at which the assets are depreciated are disclosed in note 10.2 to these consolidated financial statements. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each statement of financial position date.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed of.

Subsequent costs are included in an asset's carrying amount or recognized as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated profit and loss account as and when incurred.

Land and buildings are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation is credited to the surplus on revaluation of fixed assets account. Any deficit arising on subsequent revaluation of fixed assets is adjusted against the surplus of that asset or, if no surplus exists, is charged to consolidated profit and loss account as an impairment of the asset. The surplus on revaluation of fixed assets, to the extent of incremental depreciation, is transferred to retained earnings.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets is recognized in the consolidated profit and loss account in the year when asset is derecognized. Surplus on revaluation realised on disposal of fixed assets is transferred directly to retained earning.

4.5.2 Capital work-in-progress

Capital work-in-progress are stated at cost less accumulated impairment losses, if any.

4.5.3 Right-of-use assets and their related lease liability

4.5.3.1 Right-of-use assets

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. The Group does not apply the recognition and measurement approach of IFRS 16 for short-term leases.

Right-of-use assets are subsequently stated at cost less any accumulated depreciation / accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenure.

Right-of-use assets are depreciated on straight line basis over shorter of expected useful life or the lease term. Depreciation on additions (new leases) is charged from the month in which the leases are entered into.

4.5.3.2 Lease liability against right-of-use assets

The lease liabilities are initially measured as the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Bank's incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or change in lease terms. These remeasurements of lease liabilities are recognised as adjustments to the carrying amount of related right-of-use assets after the date of initial recognition.

Each lease payment is allocated between a reduction of the liability and a finance cost. The finance cost is charged to the profit and loss account as mark-up expense over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

4.6 Intangible assets

4.6.1 Intangible assets in use

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets with finite lives are amortized using the straight line method at rates specified in the relevant note. Intangible assets' residual values, if significant and their useful lives are reviewed at each balance sheet date and adjusted prospectively, if appropriate, at each balance sheet date.

Amortization on additions to intangible assets is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which that asset is disposed of.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supported. If not, the change in useful life from indefinite to finite is made on a prospective basis.

4.6.2 Capital work-in-progress

Capital work-in-progress are stated at cost less accumulated impairment losses, if any.

4.6.3 Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed as an intangible asset.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is tested for impairment annually or whenever there is an indication of impairment as per the requirement of International Accounting Standard (IAS) 36, 'Impairment of Assets'. Impairment charge in respect of goodwill is recognized in the consolidated profit and loss account.

4.7 Non-banking assets acquired in satisfaction of claim

Non-banking assets are initially recorded at cost. Non-banking assets acquired in satisfaction of claims are subsequently carried at revalued amounts less accumulated depreciation and impairment loss, if any. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'surplus on revaluation of non-banking assets' account and any deficit arising on revaluation is taken to consolidated profit and loss account directly. Legal fees, transfer costs and direct cost of acquiring title to property are charged to the consolidated profit and loss account.

Depreciation on non-banking assets acquired in satisfaction of claims is charged to the consolidated profit and loss account.

These assets are generally intended for disposal. Gains and losses realised on the disposal of such assets are disclosed separately from gains and losses realised on the disposal of fixed assets. Surplus on revaluation realized on disposal of these assets is transferred directly to retained earnings. If such an asset is subsequently used by the Bank for its own use, the asset, along with any related surplus, are transferred to fixed assets.

4.8 Deposits

Deposits are initially recorded at the amount of proceeds received. Mark-up accrued on deposits is recognized separately as part of other liabilities and is charged to the consolidated profit and loss account on a time proportion basis.

Deposits under Islamic Banking operations are accepted on the basis of two modes i.e. Qard and Mudaraba.

Deposits taken on Qard basis are classified as 'Current accounts' and Deposits generated on Mudaraba basis are classified as 'Savings deposits' and 'Fixed deposits'. No profit or loss is passed on to current account depositors, however the funds of current accounts are treated as equity for the purpose of profit calculation and any profit earned / loss incurred on those funds are allocated to the equity of the Bank. While the product features of each product differ, there is usually no restriction on withdrawals or number of transactions in current and saving accounts. In case of fixed deposits, pre-mature withdrawals can be made as per approved terms only.

While the product features of each product differ, there is usually no restriction on withdrawals or number of transactions in current and saving accounts. In case of Islamic Savings Certificates, pre-mature withdrawals can be made as per approved terms only.

Profits realized in investment pools are distributed in pre-agreed profit sharing ratio. Rab-ul-Maal share is distributed among depositors according to weightages assigned at the inception of profit calculation period. Mudarib can distribute its share of profit to Rab-ul-Maal up to a maximum of 60% of its profit as incentive profits (Hiba).

Profits are distributed from the pool such that the depositors (remunerative) bear the risk of assets in the pool during the profit calculation period. In case of loss in a pool during the profit calculation period, the loss is distributed among the depositors (remunerative) according to their ratio of investments.

Asset pools are created at the Group's discretion and the Group can add, amend and transfer an asset to any other pool.

4.9 Subordinated debt

Subordinated loans are initially recorded at the amount of proceeds received. Mark-up accrued on subordinated loans is recognized separately as part of other liabilities and is charged to the consolidated profit and loss account over the period on an accrual basis.

4.10 Remuneration framework

In accordance with Guidelines on Remuneration Practices, the Group has developed a comprehensive remuneration framework. The aim of this framework is to promote an effective risk management culture, and to ensure that the remuneration practice at the Bank is in line with the Group's objectives taking into consideration all risks that the Bank may face. As a result, a fair, objective, transparent and sound remuneration policy, aligned with risks and responsibilities of Financial Intermediation has been put in place.

4.11 Staff retirement benefits

4.11.1 Defined contribution plan

The Bank and Summit Capital (Private) Limited (SCPL) operate their separate defined contribution provident funds for all their permanent employees. Equal monthly contributions are made both by the Group and its employees to the respective funds at the rate of 10% of basic salary respectively.

4.11.2 Defined benefit plan

The Bank and Summit Capital (Private) Limited (SCPL) operate their separate funded gratuity plans for all their permanent employees who have completed the minimum qualifying period as per their respective fund rules. Provision is made by respective funds to meet the cost of such gratuity benefits on the basis of actuarial recommendations. The actuarial valuations are periodically carried out using the 'Projected Unit Credit Method'.

Annual contributions towards the defined benefit schemes are made on the basis of actuarial valuation carried out using the Projected Unit Credit Method.

The Group follows International Accounting Standard (IAS) 19, 'Employee Benefits'. Actuarial gains and losses are recognized in consolidated other comprehensive income (OCI) in the periods in which they occur. Amounts recorded in the consolidated profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income / expense. All other changes in the net defined benefit obligation are recognized directly in other comprehensive income with no subsequent recycling through the consolidated profit and loss account.

4.11.3 Employees' compensated absences

The Group provides its liability towards compensated absences accumulated by its employees on the basis of actuarial valuation carried out using the Projected Unit Credit Method as per the requirements given in International Accounting Standard (IAS) 19, 'Employee Benefits'. Actuarial gains and losses are credited or charged to the consolidated profit and loss account in the year in which they occur.

4.12 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated into rupee at the exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupees terms at the rates of exchange ruling on the consolidated statement of financial position date. Forward foreign exchange contracts are valued at forward rates determined with reference to their respective maturities.

Translation gains and losses

Translation gains and losses are included in the consolidated profit and loss account.

4.13 Revenue recognition

- Mark-up income / interest on advances and return on investments are recognized on a time proportion basis using the effective yield on the arrangement / instrument except that mark-up / return on non-performing advances and investments are recognized on receipt basis. Interest / return / mark-up on rescheduled / restructured advances and investments is recognized as permitted by the SBP except where in the opinion of the management it would not be prudent to do so.

- Income from lease financing is accounted for using the financing method. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Gains / losses on termination of lease contracts are recognized as income when these are realized.
- Fee, commission and brokerage income is recognized upon performance of obligations. Fees for ongoing account management are charged to the customer's account on monthly basis. Transaction based fees are charged to the customer's account when transaction takes place.
- Dividend income from investments is recognized when the Group's right to receive the dividend is established.
- Premium or discount on acquisition of investments is amortized using the effective yield method and taken to consolidated profit and loss account over the remaining maturity of the security.
- Gains and losses on disposal of investments and certain operating fixed assets are taken to the consolidated profit and loss account in the year in which they arise.
- Ijarah income is recognized on an accrual basis as and when the rentals become due.
- Profits on Bai Muajjal lendings are recognized on a straight-line basis.
- Murabaha income is recognized on deferred income basis.

4.14 Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemptions available, if any, or minimum tax on turnover, whichever is higher.

Prior years

The taxation charge for prior years represents adjustments to the tax charge relating to prior years, arising from assessments / changes in laws and changes in estimates made during the current year.

Deferred

Deferred tax is recognized on all major temporary differences, tax credits and unused tax losses at the consolidated statement of financial position date between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is calculated at the rates that are expected to apply to the periods when the differences will reverse, based on tax rates that have been enacted or substantially enacted at the consolidated statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Group also recognizes deferred tax asset / liability on deficit / surplus on revaluation of assets which is adjusted against related deficit / surplus in accordance with the requirements of the International Accounting Standard (IAS) 12 'Income Taxes'.

4.15 Impairment

The carrying amounts of assets are reviewed at each statement of financial position date for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The resulting impairment loss is taken to the consolidated profit and loss account.

4.16 Other provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each consolidated statement of financial position date and are adjusted to reflect the current best estimate.

4.17 Off setting

Financial assets and financial liabilities are off set and the net amount is reported in the consolidated financial statements when there is a legally enforceable right to set off the recognized amounts and the Group intends either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

4.18 Acceptances

Acceptances comprise undertaking by the Group to pay bill of exchange drawn on customers. The Group expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as on the balance sheet transactions.

4.19 Financial instruments

Financial Assets and Liabilities

Financial instruments carried on the consolidated statement of financial position include cash and bank balances, lendings to financial institutions, investments, advances, certain other receivables, borrowings from financial institutions, deposits and certain other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them. Financial assets are de-recognized when the contractual right to future cash flows from the asset expire or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognized when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liabilities is recognized in the consolidated profit and loss account of the current period.

Derivative financial instruments

Derivative financial instruments are initially recognized at their fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the consolidated profit and loss account.

4.20 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

4.21 Segment reporting

A segment is a distinguishable component of the Group that is subject to risks and rewards that are different from those of other segment. A business segment is one that is engaged either in providing certain products or services, whereas a geographical segment is one engaged in providing certain products or services within a particular economic environment. Segment information is presented as per the Group's functional structure. The Group comprises of the following main business segments:

4.21.1 Business segments

Corporate finance

This includes underwriting, securitization, investment banking, syndications, IPO related activities (excluding investments) and secondary private placements.

Trading and sales

This segment undertakes the Group's treasury, money market and capital market activities.

Branch banking

This includes loans, deposits and other banking services to retail, individual customers, agriculture, SME and commercial customers of the Group.

Islamic banking

This segment pertains to full scale Islamic Banking operations of the Group.

Brokerage business

It includes brokerage activities handled through the Subsidiary - Summit Capital (Private) Limited.

Others

This includes the head office related activities, and all other activities not tagged to the segments above.

4.21.2 Geographical segments

The Group conducts all its operations in Pakistan.

5. CASH AND BALANCES WITH TREASURY BANKS	Note	2022 ----- (Rupees in '000) -----	2021 ----- (Rupees in '000) -----
In hand			
Local currency		4,127,391	4,435,275
Foreign currency		356,179	565,956
		4,483,570	5,001,231
With State Bank of Pakistan in			
Local currency current account	5.1	7,827,523	6,966,624
Foreign currency current account	5.2	395,801	518,597
Foreign currency deposit account	5.3	582,381	875,136
		8,805,705	8,360,357
With National Bank of Pakistan in Local currency current account		66,309	959,344
Prize bonds		16,562	94,080
		13,372,146	14,415,012

5.1 These represent current accounts maintained under the Cash Reserve Requirement of the SBP.

5.2 These represent foreign currency current accounts maintained under the Cash Reserve Requirement and Special Cash Reserve Requirement of the SBP.

5.3 These represent deposit accounts maintained under Special Cash Reserve requirement of the SBP and a US Dollar Settlement account maintained with SBP. These carry mark up rate of 0.00% (2021: 0.00%) per annum.

6. BALANCES WITH OTHER BANKS	Note	2022 ----- (Rupees in '000) -----	2021 ----- (Rupees in '000) -----
In Pakistan			
In current account		2,003	22,412
In deposit account	6.1	16,206	5,401
		18,209	27,813
Outside Pakistan			
In current account		1,288,393	1,022,128
In deposit account	6.2	57,966	44,128
		1,346,359	1,066,256
		1,364,568	1,094,069

6.1 These represent placements with correspondent banks, carrying interest rate determined with respect to underlying currency benchmark rates ranging from 3.50% to 8.25% per annum (2021: 3.94% to 7.25% per annum).

6.2 These represent placements with correspondent banks, carrying interest rate determined with respect to underlying currency benchmark rates ranging from 0.00% to 4.00% per annum (2021: 0.00% to 4.00% per annum).

7. LENDINGS TO FINANCIAL INSTITUTIONS	Note	2022 ----- (Rupees in '000) -----	2021 ----- (Rupees in '000) -----
Repurchase agreement lendings (Reverse Repo)	7.3	10,141,557	298,931
Less: provision held against Lendings to Financial Institutions		-	-
Lendings to Financial Institutions - net of provision		<u>10,141,557</u>	<u>298,931</u>

7.1 Particulars of lending

In local currency	10,141,557	298,931
In foreign currencies	-	-
	<u>10,141,557</u>	<u>298,931</u>

7.2 Securities held as collateral against Lendings to Financial Institutions

	2022			2021		
	Held by Group	Further given as collateral	Total	Held by Group	Further given as collateral	Total
	----- (Rupees in '000) -----					
Market Treasury Bills	2,765,807	-	2,765,807	298,931	-	298,931
Pakistan Investment Bonds	7,375,750	-	7,375,750	-	-	-
	<u>10,141,557</u>	-	<u>10,141,557</u>	298,931	-	298,931

7.2.1 The market value of securities held as collateral against repurchase agreement lendings amounted to Rs. 10,159.686 million (2021: 299.282 million).

7.3 This represents lending against securities to a financial institution that carries mark-up rate ranging from 16.05% to 16.75% (2021: 10.70%) per annum which will mature by January 2023 (2021: January 2022).

8. INVESTMENTS

8.1 Investments by type:

2022				2021			
Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value

(Rupees in '000)

Available-for-sale securities

Federal Government Securities

- Market Treasury Bills	20,013,762	-	1,975	20,015,737	13,879,696	-	(42,183)	13,837,513
- Pakistan Investment Bonds	14,330,617	-	(13,817)	14,316,800	8,502	-	(173)	8,329
- GoP Ijarah Sukuks	13,988,936	-	(73,186)	13,915,750	13,985,092	-	(65,242)	13,919,850

Shares

- Fully paid up ordinary shares - Listed	2,610,662	(2,198,059)	130,866	543,469	2,592,709	(2,133,273)	291,502	750,938
- Fully paid up ordinary shares - Unlisted	14,475	(1,000)	-	13,475	14,475	(1,000)	-	13,475
- Preference shares - Unlisted	46,035	(46,035)	-	-	46,035	(46,035)	-	-

Non Government Debt Securities

- Term Finance Certificates	1,565,786	(1,565,786)	-	-	1,594,950	(1,594,950)	-	-
- Sukuk Bonds	2,700,000	(200,000)	(50,000)	2,450,000	2,700,000	(200,000)	(94,825)	2,405,175

Units of mutual funds - Listed

	68	-	(8)	60	-	-	-	-
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55,270,341 (4,010,880) (4,170) 51,255,291 34,821,459 (3,975,258) 89,079 30,935,280

Total Investments

	55,270,341	(4,010,880)	(4,170)	51,255,291	34,821,459	(3,975,258)	89,079	30,935,280
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8.2 Investments by segments:

2022				2021			
Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value

(Rupees in '000)

Federal Government Securities

Market Treasury Bills	20,013,762	-	1,975	20,015,737	13,879,696	-	(42,183)	13,837,513
Pakistan Investment Bonds	14,330,617	-	(13,817)	14,316,800	8,502	-	(173)	8,329
GoP Ijarah Sukuks	13,988,936	-	(73,186)	13,915,750	13,985,092	-	(65,242)	13,919,850
	48,333,315	-	(85,028)	48,248,287	27,873,290	-	(107,598)	27,765,692

Shares

Listed Companies	2,610,662	(2,198,059)	130,866	543,469	2,592,709	(2,133,273)	291,502	750,938
Unlisted Companies	60,510	(47,035)	-	13,475	60,510	(47,035)	-	13,475
	2,671,172	(2,245,094)	130,866	556,944	2,653,219	(2,180,308)	291,502	764,413

Non Government Debt Securities

Listed	2,507,266	(7,266)	(50,000)	2,450,000	8,616	(8,616)	-	-
Unlisted	1,758,520	(1,758,520)	-	-	4,286,334	(1,786,334)	(94,825)	2,405,175
	4,265,786	(1,765,786)	(50,000)	2,450,000	4,294,950	(1,794,950)	(94,825)	2,405,175

Units of mutual funds - Listed

	68	-	(8)	60	-	-	-	-
--	----	---	-----	----	---	---	---	---

Total Investments

	55,270,341	(4,010,880)	(4,170)	51,255,291	34,821,459	(3,975,258)	89,079	30,935,280
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	2022	2021
	----- (Rupees in '000) -----	
8.2.1 Investments given as collateral - Market Value		
Market Treasury Bills	10,280,041	-
Pakistan Investment Bonds	7,894,300	-
	<u>10,280,041</u>	<u>-</u>

8.3 Provision for diminution in value of investments

8.3.1 Opening balance	3,975,258	4,716,162
Charge / reversals		
Charge for the year	64,786	-
Reversals for the year	(29,164)	(2,700)
Reversal on disposals	-	(738,204)
	35,622	(740,904)
Closing Balance	<u>4,010,880</u>	<u>3,975,258</u>

8.3.2 Particulars of provision against debt securities

Category of classification	2022		2021	
	NPI	Provision	NPI	Provision
	----- (Rupees in '000) -----			
Domestic				
Loss	1,765,786	1,765,786	1,794,950	1,794,950

8.4 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows:

	Cost	
	2022	2021
	----- (Rupees in '000) -----	
8.4.1 Federal Government Securities - Government guaranteed		
Market Treasury Bills	20,013,762	13,879,696
Pakistan Investment Bonds	14,330,617	8,502
GoP Ijarah Sukuks	13,988,936	13,985,092
	48,333,315	27,873,290

8.4.2 Shares

Listed Companies

- Cement	644,937	644,937
- Commercial banks	440,566	440,566
- Cable and electrical goods	7,170	7,170
- Chemical	1,192,904	1,192,904
- Engineering	48,792	48,792
- Investment banks / investment companies / securities companies	112,686	94,733
- Power generation and distribution	124,179	124,179
- Transport	39,428	39,428
	2,610,662	2,592,709

Preference Shares

- Sugar and allied industries	46,035	46,035
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Unlisted Companies

	Breakup Value as at	2022		2021	
		Cost	Breakup value	Cost	Breakup value
		----- (Rupees in '000) -----			
Arabian Sea Country Club Ltd	June 30, 2020	1,000	(1,255)	1,000	(1,048)
Pakistan Mortgage Refinance Company Limited	December 31, 2021	1,830	3,242	1,830	3,070
ISE Towers REIT Management Company Limited	June 30, 2022	5,301	52,988	5,301	50,902
LSE Financial Services Limited	June 30, 2022	6,344	16,407	6,344	20,534
		14,475	71,382	14,475	73,458

8.4.3 Non Government Debt Securities

Listed

- Unrated	2,507,266	8,616
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Unlisted

- Unrated	1,758,520	4,286,334
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8.4.4 Units of mutual funds

Listed

HBL Investments Fund - Class A	17	-
HBL Investments Fund - Class B	51	-
	68	-

9. ADVANCES

Note	Performing		Non-Performing		Total	
	2022	2021	2022	2021	2022	2021
	----- (Rupees in '000) -----					
Loans, cash credits, running finances, etc.	16,339,171	19,171,859	35,332,731	36,177,174	51,671,902	55,349,033
Islamic financing and related assets	2,351,110	3,090,791	686,002	772,718	3,037,112	3,863,509
Bills discounted and purchased	77,636	533,456	49,335	62,456	126,971	595,912
Advances - gross	18,767,917	22,796,106	36,068,068	37,012,348	54,835,985	59,808,454
Provision against advances						
- Specific	-	-	(33,231,865)	(32,750,104)	(33,231,865)	(32,750,104)
- General	(10,556)	(13,885)	-	-	(10,556)	(13,885)
	(10,556)	(13,885)	(33,231,865)	(32,750,104)	(33,242,421)	(32,763,989)
Advances - net of provision	18,757,361	22,782,221	2,836,203	4,262,244	21,593,564	27,044,465

9.1 Includes Net Investment in finance lease as disclosed below:

	2022				2021			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	----- (Rupees in '000) -----							
Lease rentals receivable	120,910	27,195	-	148,105	122,928	83,023	-	205,951
Residual value	116,134	6,846	-	122,980	88,186	66,954	-	155,140
Minimum lease payments	237,044	34,041	-	271,085	211,114	149,977	-	361,091
Financial charges for future periods	(18,805)	(6,745)	-	(25,550)	(19,326)	(7,558)	-	(26,884)
Present value of minimum lease payments	218,239	27,296	-	245,535	191,788	142,419	-	334,207

9.2 This represents Islamic financing and related assets placed under Shariah permissible modes and are presented in Annexure - II to these consolidated financial statements.

9.3 Particulars of advances (Gross)

	2022	2021
	----- (Rupees in '000) -----	
In local currency	54,744,630	59,275,077
In foreign currencies	91,355	533,377
	<u>54,835,985</u>	<u>59,808,454</u>

9.4 Advances include Rs. 36,068.068 million (2021: Rs. 37,012.348 million) which have been placed under non-performing status as detailed below:

Category of Classification	2022		2021	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	----- (Rupees in '000) -----			
Domestic				
Other Assets Especially Mentioned	6,174	96	1,126	113
Substandard	149,835	391	16,259	2,645
Doubtful	22,569	6,524	440,901	98,695
Loss	35,889,490	33,224,854	36,554,062	32,648,651
	36,068,068	33,231,865	37,012,348	32,750,104

9.5 Particulars of provision against advances

Note	2022			2021		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	32,750,104	13,885	32,763,989	32,425,544	21,671	32,447,215
Charge for the year	1,397,485	-	1,397,485	2,461,718	-	2,461,718
Reversals	(906,851)	(3,329)	(910,180)	(2,137,158)	(7,786)	(2,144,944)
	490,634	(3,329)	487,305	324,560	(7,786)	316,774
Amounts written off 9.6	(8,873)	-	(8,873)	-	-	-
Closing balance	33,231,865	10,556	33,242,421	32,750,104	13,885	32,763,989

9.5.1 Particulars of provision against advances

	2022			2021		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
In local currency	33,218,147	10,556	33,228,703	32,736,386	13,885	32,750,271
In foreign currencies	13,718	-	13,718	13,718	-	13,718
	33,231,865	10,556	33,242,421	32,750,104	13,885	32,763,989

9.5.2 The general provision against consumer financing is required to be maintained at varying percentages based on the non-performing loan ratio present in the portfolio. These percentages are 1.5% for secured and 6% for unsecured portfolio.

The Group has maintained general provision against housing finance portfolio at the rate of 1.5% of the performing portfolio and 1% against unsecured performing SE portfolio.

The Group has availed the Forced Sale Value (FSV) benefit of pledged stocks, mortgaged properties, plant and machinery, and liquid securities held as collateral against non-performing advances as allowed under the applicable Prudential Regulations issued by the State Bank of Pakistan. Had the benefit not been taken by the Group, the specific provision against non-performing advances would have been higher by Rs. 2,820.580 million (2021: Rs. 4,028.587 million). The positive impact on the profit and loss account arising from availing this benefit - net of tax amounts to Rs. 1,720.554 million (2021: Rs. 2,618.582 million). As per the applicable Prudential Regulations, the positive impact of FSV benefit is not available for distribution either as cash or stock dividend to shareholders and bonus to employees.

9.6 PARTICULARS OF WRITE OFFS:	Note	2022	2021
		----- (Rupees in '000) -----	
9.6.1 Against Provisions	9.5	8,873	-
Directly charged to profit and loss account	30	37	-
		<u>8,910</u>	<u>-</u>
9.6.2 Write Offs of Rs. 500,000 and above			
- Domestic		6,690	-
Write Offs of Below Rs. 500,000		2,220	-
		<u>8,910</u>	<u>-</u>

9.7 DETAILS OF LOAN WRITE OFF OF Rs. 500,000/- AND ABOVE

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended December 31, 2022 is given in Annexure - I to these consolidated financial statements.

10. FIXED ASSETS	Note	2022	2021
		----- (Rupees in '000) -----	
Capital work-in-progress	10.1	26,564	9,118
Property and equipment	10.2	7,701,453	8,100,573
Right-of-use assets	10.3	2,953,396	2,842,645
		<u>10,681,413</u>	<u>10,952,336</u>
10.1 Capital work-in-progress			
Civil works and related payments / progress billings		14,933	4,492
Advances and other payments to suppliers and contractors		11,631	4,626
Advances and other payments against capital work in progress considered doubtful		1,158,340	1,158,340
Less: Provision held there against		(1,158,340)	(1,158,340)
		<u>26,564</u>	<u>9,118</u>

10.2 Property and Equipment

2022						
Leasehold land	Building on leasehold land	Building improvements	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total

(Rupees in '000)

At January 01, 2022

Cost / Revalued amount	1,806,445	5,415,329	1,896,412	578,490	2,382,982	203,001	12,282,659
Accumulated depreciation / impairment	(5,670)	(168,884)	(1,415,911)	(457,356)	(1,986,456)	(147,809)	(4,182,086)

Net book value	1,800,775	5,246,445	480,501	121,134	396,526	55,192	8,100,573
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Year ended December 31, 2022

Opening net book value	1,800,775	5,246,445	480,501	121,134	396,526	55,192	8,100,573
Additions	-	-	14,384	6,264	60,609	16,239	97,496

Disposals

Cost	-	(38,606)	(4,749)	(3,448)	(65,805)	(17,081)	(129,689)
Accumulated depreciation	-	2,861	4,215	3,340	64,129	13,768	88,313

Write off

Cost	-	-	-	-	(177)	-	(177)
Accumulated depreciation	-	-	-	-	168	-	168

Depreciation charge	-	(168,558)	(99,500)	(26,000)	(147,375)	(13,798)	(455,231)
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Closing net book value	1,800,775	5,042,142	394,851	101,290	308,075	54,320	7,701,453
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At December 31, 2022

Cost / Revalued amount	1,806,445	5,376,723	1,906,047	581,306	2,377,609	202,159	12,250,289
Accumulated depreciation / impairment	(5,670)	(334,581)	(1,511,196)	(480,016)	(2,069,534)	(147,839)	(4,548,836)

Net book value	1,800,775	5,042,142	394,851	101,290	308,075	54,320	7,701,453
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Rate of depreciation (percentage)	-	2.5 - 5	10	10	10 - 30	20	
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2021							
Leasehold land	Building on leasehold land	Building improvements	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total	
----- (Rupees in '000) -----							
At January 01, 2021							
Cost / Revalued amount	1,806,445	5,415,329	1,910,785	575,267	2,159,692	161,046	12,028,564
Accumulated depreciation / impairment	(5,670)	-	(1,316,736)	(429,015)	(1,847,099)	(140,614)	(3,739,134)
Net book value	1,800,775	5,415,329	594,049	146,252	312,593	20,432	8,289,430
Year ended December 31, 2021							
Opening net book value	1,800,775	5,415,329	594,049	146,252	312,593	20,432	8,289,430
Additions	-	-	3,409	3,810	239,112	60,057	306,388
Disposals							
Cost	-	-	(133)	(116)	(14,759)	(18,102)	(33,110)
Accumulated depreciation	-	-	123	111	13,227	17,363	30,824
Write off							
Cost	-	-	(17,649)	(471)	(1,063)	-	(19,183)
Accumulated depreciation	-	-	16,315	392	1,049	-	17,756
Depreciation charge	-	(168,884)	(115,613)	(28,844)	(153,633)	(24,558)	(491,532)
Closing net book value	1,800,775	5,246,445	480,501	121,134	396,526	55,192	8,100,573
At December 31, 2021							
Cost / Revalued amount	1,806,445	5,415,329	1,896,412	578,490	2,382,982	203,001	12,282,659
Accumulated depreciation / impairment	(5,670)	(168,884)	(1,415,911)	(457,356)	(1,986,456)	(147,809)	(4,182,086)
Net book value	1,800,775	5,246,445	480,501	121,134	396,526	55,192	8,100,573
Rate of depreciation (percentage)	-	2.5 - 5	10	10	10 - 30	20	

	2022	2021
	---- (Rupees in '000) ----	
10.2.1 The cost of fully depreciated fixed assets that are still in the Group's use is as follows:		
Building improvements	893,103	768,449
Furniture and fixture	339,838	303,772
Electrical, office and computer equipment	1,721,490	1,618,804
Vehicles	123,901	117,975

10.2.2 The carrying amount of fixed assets held for disposal amounts to Rs. 297.410 million (2021: Rs. 348.321 million).

10.2.3 The properties of the Bank were last revalued by Independent professional valuers as at December 31, 2020. The revaluation was carried out by M/s. Axa Surveyors Pakistan (Pvt.) Ltd and M/s. Pakistan Inspection Company (Pvt.) Ltd. on the basis of professional assessment of the present market values. This revaluation had resulted in an increase in surplus by Rs. 652.965 million. The total surplus arising against revaluation of fixed assets as at December 31, 2022 amounts to Rs 3,925.590 million.

Had there been no revaluation, the carrying value of revalued assets would have been as follows:

	2022	2021
	----- Rupees in '000 -----	
Carrying value at cost model		
Leasehold land	827,958	827,958
Buildings on leasehold land	2,131,645	2,233,361
Buildings improvements	394,851	480,221

10.2.4 Sale of fixed assets to related parties are disclosed below:

Particulars of assets	Cost	Net book value	Sale price	Mode of disposal	Particulars of purchaser
Electrical, office and computer equipment					
Laptop	119	60	62	Buy Back - As Per Policy	Kamran Ashraf (ex-employee)
Laptop	196	-	10	Buy Back - As Per Policy	Aziz Morris (ex-employee)
Laptop	75	-	5	Buy Back - As Per Policy	Syed Shafaat Hussain (ex-employee)
Laptop	76	-	5	Buy Back - As Per Policy	Zubair Aziz (ex-employee)

10.3	Movement in right-of-use assets is as follows:	Note	2022	2021
			----- (Rupees in '000) -----	
	Opening net book value		2,842,645	1,929,248
	Additions		735,144	1,530,132
	Modification - net		1,303	(50,098)
	Derecognition of right-of-use assets		(13,535)	-
	Depreciation charge	28	(612,161)	(566,637)
	Closing net book value		<u>2,953,396</u>	<u>2,842,645</u>

11. INTANGIBLE ASSETS

Capital work-in-progress	11.1	72,550	49,700
Intangible assets in use	11.2	73,585	90,427
		<u>146,135</u>	<u>140,127</u>

11.1 Capital work-in-progress

Advances to suppliers and contractors		72,550	49,700
Advances against capital work in progress considered doubtful		142,522	142,522
Less: Provision held there against		(142,522)	(142,522)
		-	-
		<u>72,550</u>	<u>49,700</u>

11.2 Intangible assets in use

2022					
Computer softwares	Core deposits	Brand name	Trading Rights Entitlement Certificate	Total	
(Rupees in '000)					
At January 01, 2022					
Cost	574,824	209,874	143,838	4,386	932,922
Accumulated amortisation and impairment	(486,897)	(209,874)	(143,838)	(1,886)	(842,495)
Net book value	87,927	-	-	2,500	90,427
Year ended December 31, 2022					
Opening net book value	87,927	-	-	2,500	90,427
Additions:					
- directly purchased	6,269	-	-	-	6,269
Impairment loss recognized in the profit and loss account - net	-	-	-	-	-
Amortisation charge	(23,111)	-	-	-	(23,111)
Closing net book value	71,085	-	-	2,500	73,585
At December 31, 2022					
Cost	581,093	209,874	143,838	4,386	939,191
Accumulated amortisation and impairment	(510,008)	(209,874)	(143,838)	(1,886)	(865,606)
Net book value	71,085	-	-	2,500	73,585
Rate of amortization (percentage)	20 - 30	10	10	-	
Useful life (years)	3.33 - 5	10	10	-	
2021					
Computer softwares	Core deposits	Brand name	Trading Rights Entitlement Certificate	Total	
(Rupees in '000)					
At January 01, 2021					
Cost	495,626	209,874	143,838	4,386	853,724
Accumulated amortisation and impairment	(460,201)	(206,314)	(140,233)	(1,886)	(808,634)
Net book value	35,425	3,560	3,605	2,500	45,090
Year ended December 31, 2021					
Opening net book value	35,425	3,560	3,605	2,500	45,090
Additions:					
- directly purchased	79,198	-	-	-	79,198
Impairment loss recognized in the profit and loss account - net	(4,098)	-	-	-	(4,098)
Amortisation charge	(22,598)	(3,560)	(3,605)	-	(29,763)
Closing net book value	87,927	-	-	2,500	90,427
At December 31, 2021					
Cost	574,824	209,874	143,838	4,386	932,922
Accumulated amortisation and impairment	(486,897)	(209,874)	(143,838)	(1,886)	(842,495)
Net book value	87,927	-	-	2,500	90,427
Rate of amortisation (percentage)	20 - 30	10	10	-	
Useful life (years)	3.33 - 5	10	10	-	

11.2.1 The cost of fully amortised intangible assets that are still in the Group's use is as follows:

	2022	2021
	(Rupees in '000)	
Computer softwares	439,769	436,667
Core deposits	209,874	209,874
Brand name	143,838	143,838

12. DEFERRED TAX ASSETS

2022			
At January 01, 2022	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2022
----- (Rupees in '000) -----			
Deductible Temporary Differences on			
- Tax losses carried forward	9,813,393	3,295,134	-
- Provision against advances, off balance sheet etc.	7,086,935	1,034,309	-
- Provision for impairment loss - Investment	1,391,340	172,903	-
- Provision against intangible assets	43,107	4,927	-
- Staff compensated absences	51,647	308	-
- Provision against other assets	149,656	17,103	-
- Minimum tax	160,275	(159,921)	-
- Alternative Corporate tax	4,235	(435)	-
	18,700,588	4,364,328	-
			23,064,916
Taxable Temporary Differences on			
- Surplus on revaluation of fixed assets	(1,069,472)	-	(82,109)
- Unrealized gain on forward exchange contracts	10,472	(10,614)	-
- Surplus on revaluation of investments	(25,096)	-	29,028
- Surplus on revaluation of property - held for sale	(406,274)	-	(46,431)
- Surplus on revaluation of non-banking assets	(289,666)	-	(43,880)
- Accelerated tax depreciation	(295,904)	(108,326)	-
	(2,075,940)	(118,940)	(143,392)
			(2,338,272)
	16,624,648	4,245,388	(143,392)
			20,726,644
2021			
At January 01, 2021	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2021
----- (Rupees in '000) -----			
Deductible Temporary Differences on			
- Tax losses carried forward	7,847,641	1,965,752	-
- Provision against advances, off balance sheet etc.	6,878,619	208,316	-
- Provision for impairment loss - Investment	1,650,657	(259,317)	-
- Provision against intangible assets	43,107	-	-
- Staff compensated absences	47,744	3,903	-
- Unrealized gain on forward exchange contracts	7,032	3,440	-
- Provision against other assets	149,656	-	-
- Minimum tax	76	160,199	-
- Alternative Corporate tax	4,512	(277)	-
	16,629,044	2,082,016	-
			18,711,060
Taxable Temporary Differences on			
- Surplus on revaluation of fixed assets	(1,105,287)	-	35,815
- Surplus on revaluation of investments	(275,524)	-	250,428
- Surplus on revaluation of property - held for sale	(406,274)	-	-
- Surplus on revaluation of non-banking assets	(280,316)	-	(9,350)
- Accelerated tax depreciation	(334,149)	38,245	-
	(2,401,550)	38,245	276,893
			(2,086,412)
	14,227,494	2,120,261	276,893
			16,624,648

12.1 The net deferred tax asset has been recognized in accordance with the Group's accounting policy. The management based on financial projections, estimates that sufficient taxable profits would be available in future against which the deferred tax asset could be realized. The projections includes certain key assumptions underlying management's estimation of profits. Any significant change in such assumptions may have effect on the recoverability of deferred tax asset. The management believes that it is probable that the Group would be able to achieve the profits and consequently, the deferred tax amount will be fully realized in future.

13. OTHER ASSETS	Note	2022 ----- (Rupees in '000) -----	2021 ----- (Rupees in '000) -----
Income / mark-up accrued in local currency		1,468,519	709,304
Income / mark-up accrued in foreign currency		2,848	1,059
Advances, deposits, advance rent and other prepayments		383,911	421,504
Advance taxation (payments less provisions)		608,644	651,421
Non-banking assets acquired in satisfaction of claims	13.1	2,515,284	2,589,508
Branch adjustment account		7,136	174
Receivable from defined benefit plan	35.1.7	102,958	-
Receivable from other banks against clearing and settlement		459,528	194,464
Mark to market gain on forward foreign exchange contracts		608	6,435
Acceptances		175,931	246,482
Stationery and stamps on hand		7,076	8,663
Commission receivable on home remittance	13.2	2,419	9,936
Commission receivable on brokerage		3,492	7,050
Property - held for sale	13.3	3,836,309	3,836,309
Account receivable		84,455	93,374
Others		556,766	501,590
		10,215,884	9,277,273
Less: Provision held against other assets	13.4	(888,696)	(815,110)
Other assets (net of provision)		9,327,188	8,462,163
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		855,243	827,616
Surplus on revaluation of Property - Held for sale		1,160,784	1,160,784
Other assets - total		11,343,215	10,450,563
13.1 Market value of non-banking assets acquired in satisfaction of claims		3,476,395	3,547,156

Non-banking assets acquired in satisfaction of claims have been revalued by independent professional valuer as at December 31, 2022. The revaluation was carried out by M/s. Axa Surveyors Pakistan (Pvt.) Ltd, M/s. Pakistan Inspection Company (Pvt.) Ltd, M/s. Sipra & Company (Pvt.) Ltd and M/s. Appraisals on the basis of professional assessment of present market values and resulted in an increase in surplus by Rs. 47.866 million. The total surplus arising against revaluation of non-banking assets acquired in satisfaction of claims as at December 31, 2022 amounts to Rs 855.243 million (2021: Rs 827.616 million).

13.1.1 Non-banking assets acquired in satisfaction of claims	2022 ----- (Rupees in '000) -----	2021 ----- (Rupees in '000) -----
Opening balance	3,057,017	3,126,947
Revaluation	47,866	74,453
Reversal of revaluation decrease recognized in profit and loss account	12,975	13,044
Disposals	(46,234)	
Depreciation	(61,204)	(87,867)
Impairment	-	(69,560)
Closing balance	3,010,420	3,057,017
13.2 This represents commission receivable from the SBP in respect of home remittances channelized through the Group as per agreement entered into with the SBP.		
13.3 This represents a portion of the Group's self constructed property which has been earmarked for selling in the near future. This property is carried at lower of market value / fair value less cost to sell and carrying amount.		

13.4 Provision held against other assets	Note	2022 ----- (Rupees in '000) -----	2021
Income / mark-up accrued in local currency		1,389	1,389
Advances, deposits, advance rent and other prepayments		98,008	96,689
Non banking assets acquired in satisfaction of claims		360,107	360,107
Commission receivable on guarantees		9,880	9,880
Receivable from Dewan Group		45,310	34,436
Account Receivable - sundry claims		204,400	197,186
Receivable from Speedway Fondmetal (Pakistan) Limited		25,694	25,694
Others		143,908	89,729
		888,696	815,110

13.4.1 Movement in provision held against other assets

Opening balance	815,110	695,012
Charge for the year	78,252	121,543
Reversals	(4,666)	(1,445)
Closing balance	888,696	815,110

14. CONTINGENT ASSETS

There were no contingent assets at the balance sheet date.

15. BILLS PAYABLE

In Pakistan	1,993,587	2,071,048
Outside Pakistan	-	-
	1,993,587	2,071,048

16. BORROWINGS

Secured

Borrowings from State Bank of Pakistan			
- Under export refinance scheme	16.1	5,710,250	5,858,980
- Under Islamic Export Refinance Scheme (IERF)	16.2	400,000	400,000
- Under long-term financing facility	16.3	428,927	629,075
- Refinance facility for modernization of SMEs	16.4	2,352	3,604
-Repurchase agreement borrowings	16.5	18,115,632	-
Total secured		24,657,161	6,891,659

Unsecured

Overdrawn nostro accounts		731,399	30,381
Total unsecured		731,399	30,381
		25,388,560	6,922,040

16.1 The Bank has entered into an agreement with SBP for extending export finance to its customers. Borrowing under the export refinance scheme of SBP carry interest at rates ranging from 6.50% to 10.00% per annum (2021: 1.00% to 2.00% per annum). These are secured against demand promissory notes and are due to mature latest by June 19, 2023 (2021: latest by June 14, 2022).

16.2 The Bank has entered into an agreement with SBP for extending export finance to its islamic customers. Borrowing under the export refinance scheme of SBP carry interest at rates ranging from 8.00% to 9.00% per annum (2021: 2.00% per annum). These are secured against demand promissory notes and are due to mature by April 17, 2023 (2021: March 23, 2022).

- 16.3** These represent borrowings from SBP under scheme for long term financing facility at interest rates ranging from 2.00% to 3.00% per annum (2021: 2.00% to 3.00% per annum) and have varying long term maturities latest due by December 31, 2028 (2021: latest due by December 31, 2028). Under the agreement, SBP has a right to recover the outstanding amount from the Bank at the respective maturity dates of each finance by directly debiting current account of the Bank maintained by the SBP.
- 16.4** These borrowings have been obtained from the SBP under a scheme to finance modernization of Small and Medium Enterprises by providing financing facilities for setting up of new units, purchase of new plant and machinery for Balancing, Modernization and Replacement (BMR) of existing units at mark up rate of 2.00% per annum (2021: 2.00% per annum), which will mature latest by February 11, 2025 (2021: latest by February 11, 2025).
- 16.5** These represent borrowings from a SBP at mark-up rates ranging from 15.22% to 16.15% per annum (2021: Nil) which will mature latest by March 03, 2023 (2021: Nil).

16.6 Particulars of borrowings with respect to currencies	2022	2021
	----- (Rupees in '000) -----	
In local currency	24,657,161	6,891,659
In foreign currencies	731,399	30,381
	<u>25,388,560</u>	<u>6,922,040</u>

17. DEPOSITS AND OTHER ACCOUNTS

	2022			2021		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	----- (Rupees in '000) -----					
Customers						
Current deposits	40,907,997	1,534,309	42,442,306	32,419,903	1,394,634	33,814,537
Savings deposits	58,374,143	1,638,923	60,013,066	53,921,219	3,902,261	57,823,480
Term deposits	12,024,797	2,940,083	14,964,880	9,783,869	3,954,546	13,738,415
Others	2,284,400	35,609	2,320,009	2,132,165	27,759	2,159,924
	113,591,337	6,148,924	119,740,261	98,257,156	9,279,200	107,536,356
Financial institutions						
Current deposits	272,524	162,329	434,853	239,464	102,102	341,566
Savings deposits	1,358,976	6	1,358,982	985,244	5	985,249
Term deposits	327,366	-	327,366	561,145	-	561,145
Others	-	-	-	-	-	-
	1,958,866	162,335	2,121,201	1,785,853	102,107	1,887,960
	<u>115,550,203</u>	<u>6,311,259</u>	<u>121,861,462</u>	<u>100,043,009</u>	<u>9,381,307</u>	<u>109,424,316</u>

17.1 Composition of deposits	2022	2021
	----- (Rupees in '000) -----	
- Individuals	83,207,449	72,467,273
- Government (Federal and Provincial)	1,636,443	2,996,123
- Public Sector Entities	89,311	127,302
- Banking Companies	1,249,879	2,068,313
- Non-Banking Financial Institutions	2,579,134	2,465,259
- Private Sector	33,099,246	29,300,046
	<u>121,861,462</u>	<u>109,424,316</u>

17.2 Deposits include Eligible Deposits of Rs. 84,289.724 million (2021: Rs. 71,416.525 million) protected under Depositors Protection Mechanism introduced by the State Bank of Pakistan.

17.3 Deposits include Rs. 6.000 billion held in current deposits (2021: Rs. 2.326 billion [USD 13.180 million] in saving deposits) by H.E. Naseer Abdulla Hussain Lootah (The Investor) which would be transferred to the shares subscription account after the receipt of all regulatory approvals.

18. SUBORDINATED DEBT

Issue amount	Rs.1,500,000,000
Issue date	October 27, 2011
Maturity date	October 27, 2022 (2021: October 27, 2021)

These TFCs were issued by the Bank on October 27, 2011 for an initial tenure of seven years and maturity date of October 27, 2018. In order to protect the interest of the TFC Holders, the tenure of the TFC together with the payment of applicable redemption amounts were extended for fourth time by the Bank to October 27, 2019, October 27, 2020, October 27, 2021 and October 27, 2022 through the extraordinary resolutions passed by the TFC holders on November 19, 2018, April 10, 2019, November 20, 2019, October 22, 2020 and October 26, 2021. The Bank completed necessary regulatory formalities for these extensions and executed the amended Declaration of Trusts on July 23, 2019, September 23, 2020, July 09, 2021 and August 01, 2022. The final approval of these extensions were approved by the SBP vide its letters dated October 21, 2019, October 21, 2020, October 22, 2021 and October 24, 2022.

Recently, the TFC holders of the Bank in their extraordinary meeting held on October 27, 2022 had approved another extension of one year in the tenure of the TFC issue along with the extension in the payments of all redemption amounts (principal and the related mark-up) with the revised maturity date of October 27, 2023. The Bank is currently in the process of ensuring compliance with all the applicable laws, rules and requisite regulatory requirements for seeking final approval from the State Bank of Pakistan.

Rating	'D' (Default).
Security	Unsecured.
Redemption / profit payment frequency	The redemption / profit payment details are mentioned in the above maturity date clause.
Mark-up	Base rate (6 months KIBOR - ask side) plus 325 bps.
Call option	The Bank had an option to call the TFC's subject to SBP's prior written approval, on any profit payment date after the 60th month from the last day of public subscription, with not less than 30 days prior notice to be given to the Trustee. The Call option once announced will not be revocable. Further, no premium will be paid to the TFC Holders in case the call option is exercised by the Bank.
Lock-in-clause	Neither interest nor principal can be paid (even at maturity) if such payments will result in a shortfall in the Bank's Minimum Capital Requirements (MCR) or Capital Adequacy Ratio (CAR) or increase in the existing shortfall in MCR and CAR.

19. OTHER LIABILITIES	Note	2022 ----- (Rupees in '000) -----	2021 -----
Mark-up / return / interest payable in local currency		2,291,490	1,305,054
Mark-up / return / interest payable in foreign currencies		3,475	3,291
Unearned income		70,164	16,329
Accrued expenses		78,399	105,415
Advance against sale of property	19.1	328,731	373,323
Acceptances		175,931	246,482
Unclaimed dividends		2,213	2,213
Mark to market loss on forward foreign exchange contracts		243	36,356
Payable to defined benefit plan	35.1.7	-	42,992
Charity fund balance		2,154	1,084
Security deposits against lease		247,222	310,050
Payable to Bangladesh Bank	19.2	41,389	41,389
Payable to Rupali Bank - Bangladesh	19.3	16,293	16,293
Payable to vendors / creditors		228,005	196,909
Provision for compensated absences	35.1.7 & 35.2.7	134,141	148,454
Payable to Bank of Ceylon, Colombo		20,163	20,163
Retention money		306	3,133
Workers' welfare fund	19.4	13,360	13,360
Withholding taxes and government levies payable		34,946	14,290
Federal excise duty and sales tax payable		6,814	7,062
Commission payable on home remittances	19.5	2,381	3,102
Lease liability against right-of-use assets	19.6	3,494,835	3,215,664
Account payable		66,754	61,560
Others		384,021	336,128
		7,643,430	6,520,096

19.1 This includes advance received amounting to Rs. 219.303 million (2021: Rs. 219.303 million) against sale of property included in other assets as property - held for sale.

19.2 This represents mark up payable to Bangladesh Bank up to June 2006 on Fixed Deposit Receipts (FDR) maintained with the Group.

19.3 This represents amount payable in respect of share of Head office expenses of Ex-Rupali Bank Limited - Karachi Branch.

19.4 This represents provision made for Workers' Welfare Fund (WWF) @ 2% of accounting profit before tax.

19.5 This represents commission payable to the foreign currency dealers in respect of home remittances channelized through the Group as per agreement entered into by the Group with them.

19.6 Maturity analysis of lease liability	2022 ----- (Rupees in '000) -----	2021 -----
Not later than one year	813,414	739,478
Later than one year and not later than five years	1,913,872	1,752,739
Later than five years	767,549	723,447
	3,494,835	3,215,664

20. SHARE CAPITAL - NET

20.1 Authorized Capital

2022 ----- (Number of shares) -----	2021 ----- (Number of shares) -----		2022 ----- (Rupees in '000) -----	2021 ----- (Rupees in '000) -----
<u>9,000,000,000</u>	<u>9,000,000,000</u>	Ordinary shares of Rs. 10 each	<u>90,000,000</u>	<u>90,000,000</u>

20.2 Issued, subscribed and paid-up capital

2022 ----- (Number of shares) -----	2021 ----- (Number of shares) -----		2022	2021
		Ordinary shares		
1,459,686,957	1,459,686,957	Fully paid in cash	14,596,869	14,596,869
673,997,721	673,997,721	Issue of shares upon conversion of preference shares	6,739,977	6,739,977
50,000,000	50,000,000	Issued as bonus shares	500,000	500,000
454,466,382	454,466,382	Issued for consideration other than cash	4,544,664	4,544,664
<u>2,638,151,060</u>	<u>2,638,151,060</u>		<u>26,381,510</u>	<u>26,381,510</u>
		Less: Discount on issue of shares	(5,881,316)	(5,881,316)
<u>2,638,151,060</u>	<u>2,638,151,060</u>		<u>20,500,194</u>	<u>20,500,194</u>

20.3 Number of shares held by the holding company as at December 31, are as follows:

2022 ----- (Number of shares) -----	2021 ----- (Number of shares) -----		2022 -----%age holding-----	2021 -----%age holding-----
<u>1,761,412,119</u>	<u>1,761,412,119</u>	Suroor Investments Limited	<u>66.77%</u>	<u>66.77%</u>

21. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS	Note	2022 ----- (Rupees in '000) -----	2021
Surplus / (deficit) on revaluation of			
- Available for sale securities	8.1	(4,170)	89,079
- Fixed assets	21.1	3,925,590	4,028,457
- Non-banking assets acquired in satisfaction of claims	21.2	855,243	827,616
- Property - held for sale	21.3	1,160,784	1,160,784
		5,937,447	6,105,936
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities		3,932	(25,096)
- Fixed assets	21.1	(1,151,581)	(1,069,472)
- Non-banking assets acquired in satisfaction of claims	21.2	(333,546)	(289,666)
- Property - held for sale	21.3	(452,705)	(406,274)
		(1,933,900)	(1,790,508)
		<u>4,003,547</u>	<u>4,315,428</u>
21.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 01,		4,028,457	4,130,785
Realised on disposal during the year - net of deferred tax		(1,143)	-
Transferred to accumulated losses in respect of incremental depreciation charged during the year - net of deferred tax		(61,606)	(66,513)
Related deferred tax liability on surplus realised on disposal		(730)	-
Related deferred tax liability on incremental depreciation charged during the year		(39,388)	(35,815)
Surplus on revaluation of fixed assets as at December 31,		3,925,590	4,028,457
Less: related deferred tax liability on:			
- revaluation as at January 01,		(1,069,472)	(1,105,287)
- effect of change in tax rate		(122,227)	-
- surplus realised on disposal during the year		730	-
- incremental depreciation charged during the year		39,388	35,815
		(1,151,581)	(1,069,472)
		<u>2,774,009</u>	<u>2,958,985</u>
21.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims			
Surplus on revaluation as at January 01		827,616	800,903
Recognised during the year		47,866	74,453
Realised on disposal during the year - net of deferred tax		-	-
Transferred to accumulated losses in respect of incremental depreciation charged during the year - net of deferred tax		(12,346)	(31,031)
Related deferred tax liability on incremental depreciation charged during the year		(7,893)	(16,709)
Surplus on revaluation as at December 31		855,243	827,616
Less: related deferred tax liability on:			
- revaluation as at January 01		(289,666)	(280,316)
- effect of change in tax rate		(33,105)	-
- revaluation recognised during the year		(18,668)	(26,059)
- incremental depreciation charged during the year		7,893	16,709
		(333,546)	(289,666)
		<u>521,697</u>	<u>537,950</u>

		2022	2021
		----- (Rupees in '000) -----	
21.3 Surplus on revaluation of Property - Held for sale	Note		
Surplus on revaluation as at January 01		1,160,784	1,160,784
Recognised during the year		-	-
Surplus on revaluation as at December 31		1,160,784	1,160,784
Less: related deferred tax liability on:			
- revaluation as at January 01		(406,274)	(406,274)
- effect of change in tax rate		(46,431)	-
- revaluation recognized during the year		-	-
		(452,705)	(406,274)
		708,079	754,510
22. CONTINGENCIES AND COMMITMENTS			
Guarantees	22.1	11,817,383	9,824,912
Commitments	22.2	30,733,931	14,987,854
Other contingent liabilities	22.3	24,065,166	19,203,552
		66,616,480	44,016,318
22.1 Guarantees:			
Financial guarantees		20,470	20,470
Performance guarantees		9,102,570	8,003,196
Other guarantees		2,694,343	1,801,246
		11,817,383	9,824,912
22.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit		1,670,541	1,990,941
Commitments in respect of:			
- forward foreign exchange contracts	22.2.1	4,542,638	7,537,538
- forward lending	22.2.2	6,182,079	5,279,206
Commitments for acquisition of:			
- operating fixed assets		24,552	664
- intangible assets		198,489	179,505
Other commitments	22.2.3	18,115,632	-
		30,733,931	14,987,854

22.2.1 Commitments in respect of forward foreign exchange contracts	Note	2022 ----- (Rupees in '000) -----	2021
Purchase		4,542,638	6,748,974
Sale		-	788,564
		<u>4,542,638</u>	<u>7,537,538</u>

22.2.2 Commitments in respect of forward lending

Forward documentary bills		5,193,241	3,996,813
Undrawn formal standby facilities, credit lines and other commitments to lend	22.2.2.1	988,838	1,282,393
		<u>6,182,079</u>	<u>5,279,206</u>

22.2.2.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Group without the risk of incurring significant penalty or expense.

22.2.3 Other commitments	2022 ----- (Rupees in '000) -----	2021
Purchase (Repo)	<u>18,115,632</u>	-
22.3 Other contingent liabilities - claims against the Group not acknowledged as debts	<u>24,065,166</u>	<u>19,203,552</u>

22.4 During the year 2018, Law Enforcement Agencies (LEAs) initiated its investigation on certain bank accounts alleged for money laundering activities in various banks including Summit Bank Limited. The Honourable Supreme Court of Pakistan under Suo Moto Case HRC-39216-G, appointed a Joint Investigation Team (JIT) which was constituted to investigate the matter. On recommendation of JIT, the matter was referred by the Honourable Supreme Court to the National Accountability Bureau (NAB) for further investigation and filing of references in the National Accountability Courts. The matter is currently under NAB investigations and only partial references have been filed in the NAB Courts. The Group has been and is committed to extending its full cooperation to the Law Enforcement Agencies in their investigations to the best extent possible and the matter is currently sub judice. These proceedings in the opinion of the management will not have any effect on the operations and functioning of the Group.

22.5 Contingency for tax payable

Contingency related to tax payable is disclosed in note 31.2.

	Note	2022 ----- (Rupees in '000) -----	2021 ----- (Rupees in '000) -----
23. MARK-UP / RETURN / INTEREST EARNED			
On:			
Loans and advances		2,408,236	2,011,558
Investments		5,465,054	2,509,545
Lendings to financial institutions		250,020	41,997
Balances with banks		20,207	4,598
		<u>8,143,517</u>	<u>4,567,698</u>
24. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		7,233,183	4,116,289
Borrowings		1,743,263	633,817
Subordinated debt		239,225	164,905
Cost of foreign currency swaps against foreign currency deposits / borrowings		776,426	401,150
Finance cost of lease liability		406,133	360,007
		<u>10,398,230</u>	<u>5,676,168</u>
25. FEE AND COMMISSION INCOME			
Branch banking customer fees		51,891	43,212
Consumer finance related fees		5,667	9,367
Card related fees (debit cards)		82,112	72,652
Credit related fees		2,921	4,420
Investment banking fees		29,254	38,896
Commission on trade		171,610	175,791
Commission on guarantees		84,264	99,446
Commission on cash management		984	2,261
Commission on remittances including home remittances		8,259	12,074
Commission on bancassurance		894	979
Commission on brokerage		42,318	66,865
Alternate delivery channels (ADC)		36,078	8,009
Others		28	121
		<u>516,280</u>	<u>534,093</u>
26. GAIN ON SECURITIES			
Realised	26.1	<u>30,526</u>	<u>495,249</u>
26.1 Realised gain on:			
Federal Government Securities		30,526	36,225
Shares		-	459,024
		<u>30,526</u>	<u>495,249</u>
27. OTHER INCOME			
Rent on property		6,322	17,586
Gain on sale of fixed assets - net		72,443	17,066
Loss on sale of non banking assets		(431)	-
Gain on sale of ijarah assets		2,045	21,323
Recoveries against previously expensed items		1,056	984
Gain on termination of lease contracts under IFRS 16		443	-
Income on settlement of nostro balances		448	-
Income against reallocation of shares		-	6,555
Sale of scrap		2,724	-
Liabilities no longer required written back		3,365	-
Others		939	80
		<u>89,354</u>	<u>63,594</u>

28. OPERATING EXPENSES	Note	2022 ----- (Rupees in '000) -----	2021
Total compensation expense	28.1	2,031,852	1,995,510
Property expense			
Rent and taxes		77,161	134,014
Insurance - Property		10,493	8,256
Insurance - Non Banking Assets		840	785
Utilities cost		396,842	269,739
Security (including guards)		213,606	194,673
Repair and maintenance (including janitorial charges)		126,441	133,131
Depreciation on owned fixed assets	10.2	268,056	284,497
Depreciation on right-of-use assets	10.3	612,161	566,637
Depreciation on non banking assets	13.1.1	61,204	87,867
		1,766,804	1,679,599
Information technology expenses			
Software maintenance		97,303	87,311
Hardware maintenance		92,563	76,237
Depreciation on computer equipments	10.2	79,354	73,501
Amortisation of computer softwares	11.2	23,111	22,598
Network charges		89,586	90,030
Insurance		2,217	635
		384,134	350,312
Other operating expenses			
Directors' fees and allowances		41,100	26,550
Fees and allowances to Shariah Board		22,050	15,780
Legal and professional charges		79,553	62,529
Outsourced services costs		243,833	175,260
Travelling and conveyance		302,314	175,783
NIFT clearing charges		26,652	25,552
Depreciation	10.2	107,821	133,534
Amortisation of core deposit and brand name	11.2	-	7,165
Training and development		5,115	3,689
Postage and courier charges		43,310	37,905
Communication		45,574	46,786
Stationery and printing		107,322	81,847
Marketing, advertisement and publicity		16,361	5,535
Brokerage and commission		28,124	19,928
Fee and subscription		125,870	171,769
Cash transportation and sorting charges		116,709	110,139
Entertainment		43,873	39,551
Insurance		132,034	150,466
Deposit insurance premium expense		99,729	86,982
Repair and maintenance		98,575	86,416
Auditors' remuneration	28.2	16,348	13,601
Others		34,626	25,247
		1,736,893	1,502,014
		5,919,683	5,527,435

The total cost for the year included in other operating expenses relating to outsourced activities is Rs. 142.148 million (2021: Rs. 120.997 million). This cost pertains to companies incorporated in Pakistan. This includes payments other than outsourced services cost, which are disclosed above.

28.1 Total compensation expense	Note	2022 ----- (Rupees in '000) -----	2021
Fees and allowances etc.		19,956	15,322
Managerial remuneration			
i) Fixed		1,330,900	1,239,620
ii) Variable			
of which;			
a) Cash bonus / awards etc.		-	2,710
b) Incentives and commission		3,259	9,496
Charge for defined benefit plan	35.1.8.1 & 35.2.5	(6,387)	79,559
Contribution to defined contribution plan	36	71,710	77,053
Charge for employees compensated absences	35.1.8.1 & 35.2.7	14,063	21,239
Rent and house maintenance		410,519	377,538
Utilities		91,223	83,876
Medical		96,017	88,555
Employee old age benefit institution		592	542
Total		2,031,852	1,995,510
28.2 Auditors' remuneration			
Audit fee		3,928	3,928
Fee for other statutory certifications		3,899	3,899
Fee for audit of employee funds		178	178
Special certifications and sundry advisory services		6,900	4,427
Out-of-pocket expenses		1,443	1,169
		16,348	13,601
29. OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		1,451	4,217
Penalties imposed by SECP		250	170
		1,701	4,387
30. PROVISIONS / (REVERSAL) AND WRITE OFFS - NET			
Provision / (reversal of provision) for diminution in value of investments	8.3.1	35,622	(740,904)
Provisions against loans and advances	9.5	487,305	316,774
Provision for capital work in progress		-	1,298
Provision against intangible assets	11.2	-	4,098
Provision against other assets	13.4.1	73,586	120,098
Reversal of revaluation decrease on non-banking assets recognized in profit and loss account	13.1.1	(12,975)	(13,044)
Fixed assets written off	10.2	9	1,427
Bad debts written off directly	9.6.1	37	-
Write off against other assets		500	-
Other provision / operational loss		962	4,123
Recovery of written off / charged off bad debts		(931)	(3,546)
		584,115	(309,676)

31. TAXATION	Note	2022 ----- (Rupees in '000) -----	2021
Current	31.1 & 31.2	123,408	79,893
Prior years		-	-
Deferred	12	(4,245,388)	(2,120,261)
		<u>(4,121,980)</u>	<u>(2,040,368)</u>

31.1 This represents the provision for minimum taxation made in accordance with the requirements of section 113 of the Income Tax Ordinance, 2001. Therefore, reconciliation of tax expense and accounting profit / loss has not been disclosed.

31.2 The Income Tax Returns of the Bank and its subsidiary have been submitted up to and including financial year ended December 31, 2021 i.e. tax year 2022.

In respect of assessments of Summit Bank Limited from tax years 2009 to tax year 2018 the tax authorities disputed the Bank's treatment on certain issues and created an additional tax demand (net of rectification) of Rs. 418.48 million through amended assessment orders and the same have been paid / stayed / adjusted against available refunds.

In respect of assessments of Summit Bank Limited AJK Region from tax year 2013 to tax year 2017, the tax authorities disputed the Bank's treatment on certain issues and created an additional tax demand of Rs. 9.684 million through amended assessment orders and the same have been paid / adjusted against advance tax paid.

In respect of assessments of ex-My Bank Limited (now Summit Bank Limited) from tax year 2003 to tax year 2011, the tax authorities disputed the Bank's treatment on certain issues and created additional tax demand of Rs. 456.62 million through amended assessment orders and the same have been paid / adjusted against available refunds.

In respect of assessments of ex-Atlas Bank Limited (now Summit Bank Limited) from tax year 2003 to tax year 2010, the tax authorities disputed Bank's treatment on certain issues and created additional tax demand of Rs. 89.74 million through amended assessment orders and the same have been paid/adjusted against available refunds.

Such issues mainly include disallowances of mark up payable, taxation of mutual fund distribution at corporate tax rate, disallowance of provision against non-performing loans, disallowance of reversal of provisions, allocation of expenses against dividend income and capital gain, disallowances against non-banking assets, disallowances of certain HO expenses, addition to mark-up / interest earned in AJK region etc. The Bank has filed appeals before the various appellate forums against these amended assessment orders which are either pending for hearing or order.

The management of the Group is confident about the favourable outcome of the appeals hence, no provision / adjustment with respect to the above matters has been made in these consolidated financial statements.

32. BASIC AND DILUTED LOSS PER SHARE	Note	2022 ----- (Rupees in '000) -----	2021
Loss for the year		<u>(3,187,985)</u>	<u>(2,911,791)</u>
		2022 ----- (Number of shares) -----	2021
Weighted average number of ordinary shares - Basic		<u>2,638,151,060</u>	<u>2,638,151,060</u>
		2022 ----- (Rupees) -----	2021
Basic loss per share		<u>(1.21)</u>	<u>(1.10)</u>
		2022 ----- (Number of shares) -----	2021
Weighted average number of ordinary shares - Diluted	32.1	<u>2,638,151,060</u>	<u>2,638,151,060</u>
		2022 ----- (Rupees) -----	2021
Diluted loss per share		<u>(1.21)</u>	<u>(1.10)</u>

32.1 There are no potential ordinary shares outstanding as of December 31, 2022.

33. CASH AND CASH EQUIVALENTS	Note	2022	2021
		(Rupees in '000)	
Cash and balances with treasury banks	5	13,372,146	14,415,012
Balances with other banks	6	1,364,568	1,094,069
Overdrawn nostro accounts	16	(731,399)	(30,381)
		14,005,315	15,478,700

33.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2022					Total
	Liabilities		Equity			
	Subordinated debt	Other liabilities	Share Capital	Reserves	Accumulated losses	
	(Rupees in '000)					
Balance as at January 01, 2022	1,495,515	6,520,096	20,500,194	(425,043)	(38,868,163)	(10,777,401)
Changes from financing cash flows						
Payment of lease liability against right-of-use-assets	-	(849,431)	-	-	-	(849,431)
	-	(849,431)	-	-	-	(849,431)
Liability related other changes						
Changes in other liabilities						
- Cash based	-	901,225	-	-	-	901,225
- Non cash based	-	1,071,540	-	-	-	1,071,540
Total liability related other changes	-	1,972,765	-	-	-	1,972,765
Equity related other changes	-	-	-	-	(2,968,556)	(2,968,556)
Balance as at December 31, 2022	1,495,515	7,643,430	20,500,194	(425,043)	(41,836,719)	(12,622,623)

	2021					Total
	Liabilities		Equity			
	Subordinated debt	Other liabilities	Share Capital	Reserves	Accumulated losses	
	(Rupees in '000)					
Balance as at January 01, 2021	1,495,515	5,562,865	20,500,194	(425,043)	(36,144,298)	(9,010,767)
Changes from financing cash flows						
Payment of lease liability against right-of-use-assets	-	(716,633)	-	-	-	(716,633)
	-	(716,633)	-	-	-	(716,633)
Liability related other changes						
Changes in other liabilities						
- Cash based	-	(157,713)	-	-	-	(157,713)
- Non cash based	-	1,831,577	-	-	-	1,831,577
Total liability related other changes	-	1,673,864	-	-	-	1,673,864
Equity related other changes	-	-	-	-	(2,723,865)	(2,723,865)
Balance as at December 31, 2021	1,495,515	6,520,096	20,500,194	(425,043)	(38,868,163)	(10,777,401)

34. STAFF STRENGTH	2022	2021
	----- (Number of employees) -----	
Permanent	1,621	1,670
On Group contract	72	59
Group's own staff strength at the end of the year	1,693	1,729

34.1 In addition to the above, 530 (2021: 487) employees of outsourcing services companies were assigned to the Group as at the end of the year to perform services other than guarding and janitorial services.

35. DEFINED BENEFIT PLAN

35.1 Holding Company - Summit Bank Limited

35.1.1 General description

The Holding Company maintains two schemes under defined benefit plan:

- **A funded gratuity plan** - under which benefits are payable to eligible employees on retirement or on cessation of services in lump sum. The benefit is equal to one month's last drawn basic salary for each year of confirmed service, subject to a minimum of five years of service.
- **An unfunded employee compensated absences scheme** - under which benefits are payable to permanent and contractual employees on retirement or at the time of their final settlement. The benefit is equal to a maximum of 45 days gross salary subject to availability of privilege leaves balance.

The actuarial valuation of the funded and unfunded scheme is carried out periodically. Latest actuarial valuation was carried out as at December 31, 2022 using 'Projected Unit Credit Method'.

35.1.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2022	2021
	----- (Number) -----	
- Gratuity fund	1,580	1,631
- Employees Compensated Absences	1,645	1,684

35.1.3 Principal actuarial assumptions

Latest actuarial valuation was carried out as at December 31, 2022 using 'Projected Unit Credit Method'.

	2022	2021	2022	2021
	Employees compensated absences (Unfunded)		Gratuity fund (Funded)	
	----- (Per annum) -----			
Discount rate	14.50%	9.75%	14.50%	11.75%
Discount rate for profit and loss	11.75%	11.25%	11.75%	9.75%
Expected rate of salary increase	13.50%	9.75%	10.00%	11.75%
Expected rate of return on plan assets	-	-	14.50%	9.75%
Leave accumulation factor - per annum	10 days	10 days	-	-
Withdrawal rates	Moderate SLIC 2001-05	Moderate SLIC 2001-05	Moderate Adjusted SLIC 2001-05	Moderate Adjusted SLIC 2001-05
Mortality rates				

35.1.4 Reconciliation of payable to / (receivable from) defined benefit plans

	2022	2021	2022	2021
	Employees compensated absences (Unfunded)		Gratuity fund (Funded)	
Note	----- (Rupees in '000) -----			
Present value of obligations	130,964	144,030	466,179	610,485
Fair value of plan assets	-	-	(569,137)	(567,493)
Payable	130,964	144,030	(102,958)	42,992

35.1.5 Movement in defined benefit obligations

Obligations at the beginning of the year	144,030	132,130	610,485	561,442
Current service cost	11,411	8,349	80,436	73,580
Past service cost	-	-	(77,701)	-
Interest cost	15,428	12,421	55,495	53,065
Benefits paid by the holding company	(26,431)	(9,464)	(110,195)	(34,370)
Re-measurement (gain) / loss	(13,474)	594	(92,341)	(43,232)
Obligations at the end of the year	130,964	144,030	466,179	610,485

35.1.6 Movement in fair value of plan assets

Fair value at the beginning of the year	-	-	567,493	462,577
Interest income on plan assets	-	-	62,732	48,245
Contribution by the holding company - net	-	-	(67,203)	64,495
Re-measurements: Net return on plan assets over interest income (loss) / gain	35.1.8.2	-	6,115	(7,824)
Fair value at the end of the year	-	-	569,137	567,493

35.1.7 Movement in payable under defined benefit schemes

Opening balance	144,030	132,130	42,992	98,865
Charge for the year	13,365	21,364	(4,502)	78,400
Contribution by the holding company - net	-	-	67,203	(64,495)
Re-measurement (gain) recognised in OCI during the year	35.1.8.2	-	(98,456)	(35,408)
Benefits paid by the holding company	(26,431)	(9,464)	(110,195)	(34,370)
Closing balance	130,964	144,030	(102,958)	42,992

2022	2021	2022	2021
Employees compensated absences (Unfunded)		Gratuity fund (Funded)	
----- (Rupees in '000) -----			

35.1.8 Charge for defined benefit plans
35.1.8.1 Cost recognised in profit and loss

Current service cost	(2,063)	8,943	80,436	73,580
Past service cost	-	-	(77,701)	-
Net interest on defined benefit liability	15,428	12,421	(7,237)	4,820
	13,365	21,364	(4,502)	78,400

35.1.8.2 Re-measurements recognised in OCI during the year

Loss / (gain) on obligation				
- Demographic assumptions	-	-	-	-
- Financial assumptions	-	-	(48,912)	5,487
- Experience adjustment	-	-	(43,429)	(48,719)
Return on plan assets over interest income	-	-	(6,115)	7,824
Total re-measurements recognised in OCI	-	-	(98,456)	(35,408)

35.1.9 Components of plan assets

Cash and cash equivalents - net	-	-	569,137	527,071
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35.1.10 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:

Change in assumption	Employees Compensated Absences (Unfunded)		Gratuity fund (Funded)	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
----- (Rupees in '000) -----				
Discount rate +- 1%	(8,853)	10,025	(32,906)	37,172
Salary increase rate +- 1%	10,685	(9,573)	39,475	(35,437)
Withdrawal rate +- 10%	-	-	521	(569)
Mortality +-1 Year	-	-	(107)	105

35.1.11 Expected contributions to be paid to the funds in the next financial year

The Holding Company contributes to the employee Compensated absences and gratuity funds according to the actuary's advice.

Employees compensated absences	Gratuity fund
----- (Rupees in '000) -----	

Expected charge for the next financial year

20,783	50,018
--------	--------

2022	2021	2022	2021
Employees compensated absences (Unfunded)		Gratuity fund (Funded)	

35.1.12 Maturity profile

The weighted average duration of the obligation (in years)	7.21	7.89	7.69	8.04
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35.1.13 Funding Policy

The Holding Company endeavours to ensure that liabilities under the various employee benefit schemes are covered by the Fund on any valuation date having regards to the various actuarial assumptions such as projected future salary increase, expected future contributions to the fund, projected increase in liability associated with future service and the projected investment income of the Fund.

35.1.14 The significant risks associated with Defined Benefits Plans are as under:

Investment Risks:

The risk arises when the actual performance of the investment is lower than expectation and thus creating a shortfall in the funding objectives.

Longevity Risks:

The risks arises when the actual lifetime of retirees is longer than expectation. Thus risk is measured at plan level over the entire retiree population.

Salary Increase Risk:

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impact the liability accordingly.

Withdrawal Risk:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of liability can go either way.

Asset Volatility:

The risk arises due to inclusion of the risky assets in the pension / gratuity fund portfolio, inflation and relevant rate volatility.

Changes in bond yields:

The risk arises when bond yield is lower than the expected return on the plan assets (duration based PIB discount rate).

Inflation risk:

The risk arises if pension/gratuity benefits are linked to inflation and inflation rate is higher or higher than expected, which results in higher liabilities.

35.2 Subsidiary - Summit Capital (Private) Limited

35.2.1 General description

The Company has a gratuity fund that has been recognized by the Income Tax Authorities under Part III of Sixth Schedule to the Income Tax Ordinance, 2001 on November 03, 2007. The trust deed for the fund has been duly executed on July 12, 2007.

The cost of providing benefits under gratuity fund is determined using the Projected Unit Credit method, with actuarial valuation being carried out as at balance sheet date. The latest valuation was carried out as on December 31, 2022.

35.2.2 Principal actuarial assumptions

The following principal assumptions were used for the valuation:

	2022	2021
	----- % per annum -----	
Estimated rate of increase in salary of the employees	13.50	10.75
Expected rate of return on plan assets	13.50	10.75
Discount rate	13.50	10.75

35.2.3 Reconciliation of payable to / (receivable from) defined benefit plan

	2022	2021
	----- (Rupees in '000) -----	
Present value of defined benefit obligation	11,735	13,299
Fair value of plan assets	(11,735)	(13,299)
Asset / liability recognized in balance sheet	<u>-</u>	<u>-</u>

35.2.4 Movement in net liability recognized

Opening net (asset) / liability	-	-
(Reversal) / charge for the year	(1,885)	1,159
Negative contribution	1,302	4,041
Other comprehensive (loss) / income - OCI	2,133	(2,450)
Contributions paid to the fund during the year	(1,550)	(2,750)
Closing net (asset) / liability	<u>-</u>	<u>-</u>

35.2.5 (Income) / expense charged in profit and loss account

Current service cost	1,227	1,419
Net interest	(326)	(260)
Curtailement / Settlement Gain / Loss	(2,786)	-
	<u>(1,885)</u>	<u>1,159</u>

35.2.6 Sensitivity analysis on significant actuarial assumptions

	Change in assumption	Impact on present value of DBO	
		Increase in assumption	Decrease in assumption
		----- (Rupees in '000) -----	
Discount Rate	± 1 %	10,607	13,033
Salary Increase Rate	± 1 %	13,080	10,549
Withdrawal Rate	± 1 %	11,734	11,736
1 year mortality age set	Back/Forward	11,739	11,732

35.2.7 Provision for staff compensated absences

	2022	2021
	----- (Rupees in '000) -----	
Opening balance	4,424	5,273
Charge / (reversal) for the year	698	(125)
Encashment during the year	(1,945)	(724)
Closing balance	<u>3,177</u>	<u>4,424</u>

36. DEFINED CONTRIBUTION PLAN

36.1 Holding Company - Summit Bank Limited

An amount of Rs. 69.670 million (2021: Rs. 74.094 million) has been charged during the year in respect of contributory provident fund maintained by the Holding Company.

36.2 Subsidiary Company - Summit Capital (Private) Limited

An amount of Rs. 2.040 million (2021: Rs. 2.959 million) has been charged during the year in respect of contributory provident fund maintained by the Subsidiary Company.

37. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

37.1 Total Compensation Expense

Items	2022						
	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Executive (other than CEO)	Non-Executive				
(Rupees in '000)							
Fees and allowances etc.	7,500	-	33,600	22,050	-	3,672	904
Managerial remuneration							
i) Fixed	-	10,778	-	1,646	34,294	123,818	74,559
ii) Total variable of which							
a) Cash bonus / awards	-	-	-	-	-	-	-
b) Incentives and commission	-	-	-	-	-	-	180
Charge for defined benefit plan	-	1,019	-	676	4,424	13,809	22,304
Contribution to defined contribution plan	-	787	-	106	2,911	8,743	4,354
Charge for employees compensated absences	-	748	-	62	2,333	7,719	7,311
Rent and house maintenance	-	3,541	-	479	13,227	39,460	21,147
Utilities	-	787	-	106	2,939	8,769	4,699
Medical	-	787	-	106	2,939	8,140	4,699
Total	7,500	18,447	33,600	25,231	63,067	214,130	140,157
Number of persons	1	2*	3	5	1	31	28

* Number of persons include outgoing Executive Director.

Mr. Salman Zafar Siddiqi got appointed as an Executive Director on July 04, 2022. His remuneration after being appointed as an Executive Director has been disclosed under Executive Director.

Items	2021						
	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Executive (other than CEO)	Non-Executive				
(Rupees in '000)							
Fees and allowances etc.	5,100	-	21,450	15,780	-	3,003	662
Managerial remuneration							
i) Fixed	-	7,817	-	1,097	27,221	127,519	51,193
ii) Total variable							
of which							
a) Cash bonus / awards	-	-	-	-	-	-	2,565
b) Commission	-	-	-	-	-	1,596	1,120
Charge for defined benefit plan	-	6,704	-	605	2,600	54,970	21,943
Contribution to defined contribution plan	-	512	-	94	2,404	8,101	2,811
Charge for employees							
compensated absences	-	1,245	-	71	2,633	13,021	5,165
Rent and house maintenance	-	2,304	-	423	10,499	38,788	14,158
Utilities	-	512	-	94	2,333	8,619	3,146
Medical	-	512	-	94	2,333	7,386	3,146
Total	5,100	19,606	21,450	18,258	50,023	263,003	105,909
Number of persons	1	1	3	5	2**	34	23

** Number of persons include outgoing CEO.

The Bank's President and Chief Executive Officer and certain executives are provided with free use of bank maintained car and club membership fee in accordance with their entitlements.

Key Management personnel of the Group includes all the staff having a direct reporting line to the Bank's President and Chief Executive Officer and the key management personnel classified by the subsidiary company.

The MRT / MRC inclusion criteria has been developed in accordance with the Bank's Remuneration Guidelines.

The aggregate remuneration paid during the year to executives as defined under the Companies Act, 2017 amounted to Rs. 548.746 million (2021: Rs. 441.814 million).

37.2 Remuneration paid to Directors for participation in Board and Committee Meetings

2022							
Name of Director	Meeting Fees and Allowances Paid						
	Board Meetings	For Board Committees					Total Amount Paid
		Board Audit Committee (BAC)	Board Human Resource and Remuneration Committee (BHR&RC)	Board Information Technology Committee (BITC)	Board Risk Management Committee (BRMC)	Board Compliance Committee (BCC)	
(Rupees in '000)							
Mr. Waseem Mehdi Syed	3,600	600	600	1,500	-	1,200	7,500
Ms. Fauzia Hasnain	3,600	1,800	2,700	300	1,500	-	9,900
Mr. Wajahat Ahmed Baqai	3,600	1,800	2,700	600	1,500	1,200	11,400
Mr. Zafar Iqbal Siddiqi	3,600	1,800	2,700	1,500	1,500	1,200	12,300
Total amount paid	14,400	6,000	8,700	3,900	4,500	3,600	41,100

2021							
Name of Director	Meeting Fees and Allowances Paid						
	Board Meetings	For Board Committees					Total Amount Paid
		Board Audit Committee (BAC)	Board Human Resource and Remuneration Committee (BHR&RC)	Board Information Technology Committee (BITC)	Board Risk Management Committee (BRMC)	Board Compliance Committee (BCC)	
(Rupees in '000)							
Mr. Waseem Mehdi Syed	2,400	450	600	750	-	900	5,100
Ms. Fauzia Hasnain	2,400	1,200	1,500	-	1,200	-	6,300
Mr. Wajahat Ahmed Baqai	2,400	1,200	1,500	-	1,200	900	7,200
Mr. Zafar Iqbal Siddiqi	2,400	1,200	1,500	750	1,200	900	7,950
Total amount paid	9,600	4,050	5,100	1,500	3,600	2,700	26,550

37.3 Remuneration paid to Shariah Board Members

Items	2022			2021		
	Chairman	Resident Member	Non-Resident Member(s)	Chairman	Resident Member	Non-Resident Member(s)
	----- (Rupees in '000) -----					
Meeting fees and allowances	13,950	-	8,100	4,350	-	11,430
Managerial Remuneration						
i) Fixed	-	1,646	-	-	1,097	-
ii) Total variable						
of which						
a) Cash bonus / awards etc.	-	-	-	-	-	-
b) Incentives and commission	-	-	-	-	-	-
Charge for defined benefit plan	-	676	-	-	605	-
Contribution to defined contribution plan	-	106	-	-	94	-
Charge for employees compensated absences	-	62	-	-	71	-
Rent and house maintenance	-	479	-	-	423	-
Utilities	-	106	-	-	94	-
Medical	-	106	-	-	94	-
Total amount	13,950	3,181	8,100	4,350	2,478	11,430
Total number of persons	1	1	3	2*	1	4**

* Number of persons include outgoing Chairman.

** Number of persons include outgoing Non-Resident Member.

38. FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

38.1 Fair value of financial assets

The Group 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).

38.2 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 categorized:

2022			
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	-	48,248,287	-
- Shares - Listed	543,469	-	-
- Non Government Debt Securities	-	2,450,000	-
- Units of mutual funds	-	60	-
			48,248,287
			543,469
			2,450,000
			60
Financial assets - disclosed but not measured at fair value			
Investments			
- Shares - Unlisted	-	-	72,637
			72,637
Non-Financial assets - measured at fair value			
Operating fixed assets	-	-	7,237,768
Non banking assets acquired in satisfaction of claims	-	-	3,010,420
			7,237,768
			3,010,420
Off-balance sheet financial instruments - measured at fair value			
Forward purchase of foreign exchange	-	4,543,003	-
Forward sale of foreign exchange	-	-	-
			4,543,003

2021			
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	-	27,765,692	-
- Shares - Listed	750,938	-	-
- Non Government Debt Securities	-	2,405,175	-
- Units of mutual funds	-	-	-
			27,765,692
			750,938
			2,405,175
			-
Financial assets - disclosed but not measured at fair value			
Investments			
- Shares - Unlisted	-	-	13,475
			13,475
Non-Financial assets - measured at fair value			
Operating fixed assets	-	-	7,527,721
Non banking assets acquired in satisfaction of claims	-	-	3,057,017
			7,527,721
			3,057,017
Off-balance sheet financial instruments - measured at fair value			
Forward purchase of foreign exchange	-	6,715,915	-
Forward sale of foreign exchange	-	785,426	-
			6,715,915
			785,426

Valuation techniques used in determination of fair value

Item	Valuation approach and input used
Federal Government Securities	The fair values of Market Treasury Bills (MTB) and Pakistan Investment Bonds (PIB) are determined using the PKRV rates. Floating rate PIBs are revalued using PKFRV rates. The fair values of GOP Ijarah Sukuks are derived using the PKISRV rates.
Units of mutual funds	The fair values of investments in units of mutual funds are determined based on their net asset values as published at the close of each business day.
Ordinary shares - Listed	The fair value of investment in listed equity securities are valued on the basis of closing quoted market price available at the Pakistan Stock Exchange.
Ordinary shares - Unlisted	This represents breakup value of investments.
Non-Government Debt Securities	Investments in debt securities (comprising term finance certificates, bonds and any other security 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.
Forward foreign exchange contracts	The valuation has been incorporated by interpolating the foreign exchange revaluation rates announced by the SBP.
Operating fixed assets (land and building) and non-banking assets acquired in satisfaction of claims	The valuation experts used a market based approach to arrive at the fair value of the Group's properties. The market approach used prices and other relevant information generated by market transactions involving identical or comparable or similar properties.

39. SEGMENT INFORMATION

39.1 Segment details with respect to business activities

	2022						Total
	Corporate finance	Trading and sales	Branch banking	Islamic	Brokerage business	Others	
	(Rupees in '000)						
Profit and loss							
Net mark-up / return / profit	(750)	1,898,044	(4,781,555)	620,923	8,625	-	(2,254,713)
Inter segment revenue - net	-	(996,088)	-	996,088	-	-	-
Non mark-up / return / interest income	24,325	858,863	488,206	21,017	57,836	-	1,450,247
Total income	23,575	1,760,819	(4,293,349)	1,638,028	66,461	-	(804,466)
Segment direct expenses	3,036	664,543	4,396,345	715,537	80,264	61,659	5,921,384
Inter segment expense allocation	-	-	(144,295)	144,295	-	-	-
Total expenses	3,036	664,543	4,252,050	859,832	80,264	61,659	5,921,384
Provisions / (reversals)	-	35,622	630,342	(68,874)	-	(12,975)	584,115
Profit / (loss) before tax	20,539	1,060,654	(9,175,741)	847,070	(13,803)	(48,684)	(7,309,965)
Balance Sheet							
Cash and bank balances	-	8,607,872	4,387,348	1,683,196	58,298	-	14,736,714
Investments	-	38,939,664	1,394,734	10,880,650	40,243	-	51,255,291
Net inter segment lending	-	200,000	-	8,051,586	-	-	8,251,586
Lendings to financial institutions	-	10,141,557	-	-	-	-	10,141,557
Advances - performing	-	-	16,407,371	2,348,949	1,041	-	18,757,361
Advances - non-performing	-	-	2,812,050	24,153	-	-	2,836,203
Others	133,042	14,934,199	14,788,833	1,374,196	162,722	11,504,415	42,897,407
Total assets	133,042	72,823,292	39,790,336	24,362,730	262,304	11,504,415	148,876,119
Borrowings	-	18,839,086	6,141,530	407,944	-	-	25,388,560
Subordinated debt	4,691	994,387	496,437	-	-	-	1,495,515
Deposits and other accounts	-	-	101,397,029	20,464,433	-	-	121,861,462
Net inter segment borrowing	-	8,051,586	-	200,000	-	-	8,251,586
Others	5,334	1,335,468	7,261,331	648,613	75,266	311,005	9,637,017
Total liabilities	10,025	29,220,527	115,296,327	21,720,990	75,266	311,005	166,634,140
Equity	123,017	43,602,765	(75,505,991)	2,641,740	187,038	11,193,410	(17,758,021)
Total equity and liabilities	133,042	72,823,292	39,790,336	24,362,730	262,304	11,504,415	148,876,119
Contingencies and Commitments	-	22,018,940	15,764,975	4,544,358	-	24,288,207	66,616,480

	2021						Total
	Corporate finance	Trading and sales	Branch banking	Islamic	Brokerage business	Others	
	(Rupees in '000)						
Profit and loss							
Net mark-up / return / profit	(1,242)	952,618	(2,217,642)	154,534	3,262	-	(1,108,470)
Inter segment revenue - net	-	(696,118)	-	696,118	-	-	-
Non mark-up / return / interest income	37,181	794,810	436,281	33,374	76,811	-	1,378,457
Total income	35,939	1,051,310	(1,781,361)	884,026	80,073	-	269,987
Segment direct expenses	6,438	514,630	4,521,452	301,506	99,541	88,255	5,531,822
Inter segment expense allocation	-	-	(496,893)	496,893	-	-	-
Total expenses	6,438	514,630	4,024,559	798,399	99,541	88,255	5,531,822
Provisions / (reversals)	-	(740,904)	466,218	(20,657)	(1,289)	(13,044)	(309,676)
Profit / (loss) before tax	29,501	1,277,584	(6,272,138)	106,284	(18,179)	(75,211)	(4,952,159)

2021							
Corporate finance	Trading and sales	Branch banking	Islamic	Brokerage business	Others	Total	
(Rupees in '000)							
Balance Sheet							
Cash and bank balances	-	8,189,994	5,880,299	1,377,913	60,875	-	15,509,081
Investments	-	17,873,826	2,186,043	10,841,725	33,686	-	30,935,280
Net inter segment lending	-	425,000	-	7,644,820	-	-	8,069,820
Lendings to financial institutions	-	298,931	-	-	-	-	298,931
Advances - performing	-	-	19,694,216	3,087,268	737	-	22,782,221
Advances - non-performing	-	-	4,218,887	43,357	-	-	4,262,244
Others	197,494	10,145,078	15,248,343	638,055	193,038	11,745,666	38,167,674
Total assets	197,494	36,932,829	47,227,788	23,633,138	288,336	11,745,666	120,025,251
Borrowings	-	14,503	6,491,659	415,878	-	-	6,922,040
Subordinated debt	11,261	830,084	654,170	-	-	-	1,495,515
Deposits and other accounts	-	-	90,480,957	18,943,359	-	-	109,424,316
Net inter segment borrowing	-	7,644,820	-	425,000	-	-	8,069,820
Others	908	97,338	6,023,303	2,084,668	73,207	311,720	8,591,144
Total liabilities	12,169	8,586,745	103,650,089	21,868,905	73,207	311,720	134,502,835
Equity	185,325	28,346,084	(56,422,301)	1,764,233	215,129	11,433,946	(14,477,584)
Total equity and liabilities	197,494	36,932,829	47,227,788	23,633,138	288,336	11,745,666	120,025,251
Contingencies and Commitments	-	6,911,598	14,644,419	3,076,580	-	19,383,721	44,016,318

39.1.1 The Group does not have any operations outside Pakistan.

40. TRUST ACTIVITIES

The Group undertakes Trustee and other fiduciary activities that result in the holding or placing of assets on behalf of individuals and other organisations. These are not assets of the Group and, therefore, are not included as such in these consolidated financial statements. Assets held under trust are shown in the table below:

2022				
Category	No. of IPS accounts	Securities Held (Face Value)		Total
		Market Treasury Bills	Pakistan Investment Bonds	
(Rupees in '000)				
Employee Funds	2	-	70,700	70,700
Individual	3	15,000	-	15,000
Insurance company	1	-	16,000	16,000
Total	6	15,000	86,700	101,700

2021				
Category	No. of IPS accounts	Securities Held (Face Value)		Total
		Market Treasury Bills	Pakistan Investment Bonds	
(Rupees in '000)				
Employee Funds	2	-	70,700	70,700
Insurance company	2	200,000	16,000	216,000
Total	4	200,000	86,700	286,700

41. RELATED PARTY TRANSACTIONS

The Group has related party transactions with its parent, employee benefit plans and its directors and Key Management Personnel.

The Group 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.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	2022				2021			
	Parent company	Directors	Key management personnel	Other related parties	Parent company	Directors	Key management personnel	Other related parties
	(Rupees in '000)							
Investments								
Opening balance	-	-	-	1,692,490	-	-	-	1,692,490
Investment made during the year	-	-	-	-	-	-	-	-
Investment redeemed / disposed of during the year	-	-	-	(27,814)	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-
Closing balance	-	-	-	1,664,676	-	-	-	1,692,490
Provision for diminution in value of investments	-	-	-	1,585,428	-	-	-	1,613,242
Advances								
Opening balance	-	-	252,823	786,261	-	-	295,706	675,185
Addition during the year	-	-	19,755	1,525,485	-	-	11,465	1,888,290
Repaid during the year	-	-	(28,281)	(1,637,218)	-	-	(44,026)	(1,777,214)
Transfer in / (out) - net	-	-	(81,592)	(2,640)	-	-	(10,322)	-
Closing balance	-	-	162,705	671,888	-	-	252,823	786,261
Provision held against advances	-	-	-	-	-	-	-	-

	2022				2021			
	Parent company	Directors	Key management personnel	Other related parties	Parent company	Directors	Key management personnel	Other related parties
(Rupees in '000)								
Other Assets								
Interest / mark-up accrued	-	-	-	76,337	-	-	-	13,630
Advances, deposits, advance rent and other prepayments	-	-	4,250	-	-	-	-	-
Receivable from defined benefit plan	-	-	-	102,958	-	-	-	-
Other receivable	699	-	-	-	699	-	666	-
Provision against other assets	-	-	-	-	-	-	-	-
Deposits and other accounts								
Opening balance	-	-	82,005	2,110,049	-	-	64,072	2,083,253
Received during the year	-	-	312,104	6,207,533	-	-	670,534	3,638,126
Withdrawn during the year	-	-	(306,636)	(6,266,214)	-	-	(660,431)	(3,613,898)
Transfer in / (out) - net	-	-	(67,962)	678	-	-	7,830	2,568
Closing balance	-	-	19,511	2,052,046	-	-	82,005	2,110,049
Other Liabilities								
Interest / mark-up payable	-	-	131	36,374	-	-	545	16,647
Payable to defined benefit plan	-	-	-	-	-	-	-	42,992
Unearned income	-	-	-	692	-	-	-	-
Contingencies and Commitments								
Guarantees, letters of credit and acceptances	-	-	-	86,500	-	-	-	217,289
Commitments to extend credit	-	-	-	-	-	-	-	65,377

	2022				2021			
	Parent company	Directors	Key management personnel	Other related parties	Parent company	Directors	Key management personnel	Other related parties
----- (Rupees in '000) -----								
Income								
Mark-up / return / interest earned	-	-	9,409	102,978	-	-	10,949	78,720
Fee and commission income	-	-	13	1,494	-	-	-	5
Other income	-	-	410	-	-	-	743	-
Expense								
Mark-up / return / interest paid	-	-	2,137	238,774	-	-	4,371	142,462
Operating expenses:								
- Directors' fees and allowances	-	41,100	-	-	-	26,550	-	-
- Fee and subscription	-	-	994	-	-	-	1,103	-
- Managerial remuneration	-	-	321,601	1,082	-	-	251,226	-
- Contribution to defined contribution plan	-	-	-	71,710	-	-	-	77,053
- Charge for defined benefit plan	-	-	-	(6,387)	-	-	-	79,559
Reversal of provision for diminution in value of investment	-	-	-	(27,814)	-	-	-	-

Directors include Non-Executive Directors only. Executive Directors including the President / CEO are part of key management personnel.

42. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS	2022 ----- (Rupees in '000) -----	2021 ----- (Rupees in '000) -----
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>(21,915,730)</u>	<u>(18,947,174)</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier-I (CET-I) Capital	<u>(43,134,166)</u>	<u>(36,088,938)</u>
Eligible Additional Tier-I (ADT-I) Capital	-	-
Total Eligible Tier-I Capital	<u>(43,134,166)</u>	<u>(36,088,938)</u>
Eligible Tier-2 Capital	-	-
Total Eligible Capital (Tier-I + Tier-2)	<u>(43,134,166)</u>	<u>(36,088,938)</u>
Risk Weighted Assets (RWAs):		
Credit Risk	44,703,398	48,061,826
Market Risk	2,298,794	3,558,355
Operational Risk	3,800,036	3,800,036
Total	<u>50,802,228</u>	<u>55,420,217</u>
Common Equity Tier I Capital Adequacy ratio	<u>-84.91%</u>	<u>-65.12%</u>
Tier I Capital Adequacy Ratio	<u>-84.91%</u>	<u>-65.12%</u>
Total Capital Adequacy Ratio	<u>-84.91%</u>	<u>-65.12%</u>

Under the applicable Laws and Regulations, the Group is required to maintain a minimum paid-up capital (free of losses) of Rs. 10 billion. Moreover, the Group is subject to the Basel II capital adequacy guideline stipulated by the State Bank of Pakistan under BSD Circular No. 8 of 2006 and Basel III guideline vide its BPRD Circular No. 6 of 2013. As of December 31, 2022, the Group is required to maintain minimum CET-I ratio of 6%, minimum Tier-I capital ratio of 7.5% and minimum total capital adequacy ratio of 11.50% (inclusive of Capital Conservation Buffer of 1.50%).

Under Basel III framework, Group's regulatory capital has been analysed into two tiers as follows:

- a) Tier-I capital (going concern capital), which comprises Common Equity Tier-I (CET-I) and Additional Tier-I (AT-I capital), which includes fully paid up capital, balance in share premium account net of discount on issue of shares, reserves arising on amalgamation and un-appropriated / accumulated losses. Moreover, regulatory deductions pertaining to book value of intangibles, deferred tax assets, reciprocal crossholdings and investment in subsidiary are made from Tier-I capital as per the applicable Basel III guidelines.
- b) Tier-2 Capital (gone concern capital), which includes general provisions for loan losses (up to a maximum of 1.25% of credit risk weighted assets), reserves on revaluation of fixed assets and available for sale investments after deduction of deficit on available for sale investments (as per Basel III requirement). The outstanding sub-ordinated debt / TFC of the Bank has not been included in Tier-2 capital as of December 31, 2022 because the said TFC has less than one year remaining maturity (revised maturity date is October 27, 2023) and therefore not eligible as Tier-2 capital as per the applicable Basel III guidelines.

Due to negative Tier I capital, the Group could not take benefit of available Tier 2 capital which includes surplus/ (deficit) on revaluation of assets and general provision/reserve for loan losses amounting to Rs. 3,492.406 million.

As on December 31, 2022, the Group does not meet the applicable requirements stipulated by the SBP as explained above. In this regard management of the Group is taking various steps to comply with applicable minimum capital requirements. A business plan has been put in place which has been approved by the Board of Directors and aims to improve the Group's Capital base and risk absorption capacity and to provide impetus to its future growth initiatives. This plan indicates future profitable operations based on various assumptions including capital injection as explained in note 1.2 to these consolidated financial statements. Moreover, the management is committed to taking all the necessary steps for successful execution of the business plan to comply with the capital requirements as explained above.

Capital Management

The Group manages its capital to meet the regulatory requirements and current and future business needs considering the risks associated with its businesses, expectation of shareholders and investors, and the available options for raising capital. The Group is committed to comply with the capital requirements as per the SBP's Basel III guidelines.

The capital management framework of the Group is administered by the Finance Division and Risk Management Group under the supervision of the Board of Directors and Board Risk Management Committee.

As per the guidelines issued by the SBP, the Group is applying standardised approach for the measurement of credit risk, standardised approach for market risk and Basic Indicator Approach for the operational risk.

	2022 ----- (Rupees in '000) -----	2021 ----- (Rupees in '000) -----
Leverage Ratio (LR):		
Eligible Tier-I Capital	(43,134,166)	(36,088,938)
Total Exposures	158,019,813	127,883,112
	<u>-27.30%</u>	<u>-28.22%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	43,961,885	40,325,959
Total Net Cash Outflow	20,348,574	21,880,329
	<u>216.04%</u>	<u>184.30%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	77,771,056	72,650,421
Total Required Stable Funding	56,155,340	52,487,876
	<u>138.49%</u>	<u>138.41%</u>

Under the applicable Laws and Regulations, the Group is required to maintain the Leverage Ratio (LR) at 3%, Liquidity Coverage Ratio (LCR) at 100% and Net Stable Funding Ratio (NSFR) at 100%. The Group's LR is below the applicable regulatory requirement as of December 31, 2022. As more fully explained in note 1.2 of these consolidated financial statements, the Group has made a business plan which envisages the compliance with applicable regulatory requirements.

42.1 The full disclosure on the Capital Adequacy, Leverage Ratio and Liquidity requirements as per SBP instructions has been placed on the website. The link to the full disclosure is <http://summitbank.com.pk/index.php/investor-relations/financial-statements>.

43. RISK MANAGEMENT FRAMEWORK

The acceptance and management of financial risk is inherent to banking business activities. The Group is exposed to numerous risks in pursuit of its business objectives. The core risks are Credit, Market and Liquidity risks. These risks arise directly through the Group's commercial activities whilst Operational and Compliance / Legal / Regulatory risks are normal consequences of any business undertaking. A sound Risk Management Framework provides principles for identifying, assessing and monitoring risk. The Framework specifies the key elements of the risk management process in order to maximise opportunities, to minimise adversity and to achieve improved outcomes and outputs based on informed decision making.

Clearly defined risk management policies and procedures covering all activities of the Group including general banking, trade finance, credit evaluation, credit management, treasury operations, administration and human resources management, compliance functions, risk management, central finance, audit and control are in place. The basic principles employed in formulation of the above policies and procedures involves identification, measurement, monitoring and controlling risks to ensure that:

- The Group's risk exposure is within the limits established by Board of Directors.
- Risk taking decisions are in line with the business strategy and objectives of the Group.
- The expected payoffs compensate the risks taken by the Group.
- The decisions are explicit and clear.
- Sufficient capital as buffer is available to mitigate risk.

Enterprise Risk Management Group

The Board of Directors is responsible for overall supervision of the risk management process. The Board is also responsible for approval of all risk policies and ensuring that these are properly implemented. The Board Risk Management Committee (BRMC) has been mandated by the Board of Directors (BOD) to assist in the design, regular evaluation and timely update of the risk management framework of the Group. The BRMC aims to ensure that the Group maintains a complete and prudent integrated risk management framework at all times and exposures are maintained within acceptable levels. The Board approved risk management framework has been developed strictly in line with regulatory requirements and covers all major types of risks that the Bank may be exposed to.

The authority to monitor and manage different risks has been further delegated to the specialized committees comprising of senior members of management with relevant experience and expertise. The committees include:

- Asset and Liability Management Committee (ALCO)
- Central Credit Committee (CCC)

ALCO has the responsibility for the formulation of overall strategy and oversight of the assets and liability management function.

The primary objective of this architecture is to inculcate risk management culture into the organization to ensure that risks are appropriately identified and assessed, properly documented, approved and adequately monitored; and managed in order to enhance long term earnings and to protect the interests of the Bank's depositors and shareholders.

The Group has setup functions of asset booking and credit approval in which financing exposures and their related risks are analyzed in the light of credit limits, applicable controls and segment exposures.

Credit decision-making is a collective and consultative process in the Bank. All credit exposures approval authority rests with Central Credit Committee / Sub-Committees. The Central Credit Committee (CCC) / Sub-Committees comprising of staff having relevant experience and knowledge of credit operation and associated risks.

43.1 Credit Risk

It is the Risk of potential financial loss resulting from the failure of customers to honor the terms of a financing or contract. This Risk arises from the potential that a customer or counterparty is either unwilling to perform an obligation or its ability to perform such obligation is impaired resulting in economic loss to the Group. Alternatively, economic loss may occur due to actual or perceived losses which may result from reduction in value due to deterioration in credit quality. While the facilities are the largest and most obvious source of credit Risk; it also stems from activities both on and off balance sheet.

Credit Risk also encompasses opportunity costs, transaction costs and expenses associated with a non-performing asset over and above the accounting loss.

The following objectives govern the credit policy of the Group:

- The Group complies with the requirements of Prudential Regulations prescribed by SBP.
- Facilities provided by the Group are well diversified into different sectors and products to achieve a strong market position and adequate return on capital.
- Return commensurate with the risk.
- Lending decision is based on a full appreciation for the risks inherent in the transaction and within the approved limits by the Board of Directors.
- Risk changes are identified promptly and remedial actions are taken in a timely manner.

The Group creates loan loss provisions against non-performing advances in accordance with the Prudential Regulations issued by SBP. Please refer to note 9.5 for reconciliation in loan loss provision.

Concentrations of credit risk (including funded and non-funded portfolio) arises when the counterparties have similar economic characteristics that would cause their ability to meet contractual obligations to be affected in a similar way by changes in economic or other conditions. As part of managing concentration risk, sector risk is managed on a portfolio basis. Please refer to note 43.1.4, 43.1.5, 43.1.6 and 43.1.7

Credit approval authorities are based on the nature and size of exposure. Disbursement authorisation, collateral and security management, documentation and monitoring are managed by the Credit Administration Department. Proactive monitoring is ensured for assets under stress. This enable the Group to put in place viable solutions to prevent further deterioration in credit quality.

As a matter of paramount importance the affairs of the customers enjoying credit facilities are carefully reviewed and reconsidered periodically. The facility review provides a timely signal of unfavourable developments in clients' affairs and identifies the risk before the Group is faced with undesirable positions. For this reason, facilities of a continuing character are periodically reviewed and approved.

It is the Group's policy to reduce or mitigate credit risk on credit facilities or exposure, as much as possible, in a given commercial environment by securing credit facilities or exposure with collateral. To correctly assess the extent to which the collateral mitigates the credit risk, the collateral must be valued according to a specified valuation method and documented and monitored. The legal mechanism by which collateral is secured and the Group's procedures ensure that the Group has clear rights over the collateral and may liquidate, retain or take legal possession of it in a timely manner in the event of the default, insolvency or bankruptcy or otherwise defined credit event set out in the transaction documentation, of the counterparty and, where applicable, of the custodian holding the collateral.

For effective implementation, the Risk Management function operates independently within the Group. The function is also responsible for development and oversight of risk policies and plays a pivotal role in monitoring the risks associated with various activities of the Group. Risk Management function is headed by the Chief Risk Officer (CRO), who reports to the President / Chief Executive.

To ensure the independence of this position, following areas are critical to the Group's sustainability & profitability placed under the umbrella of ERMG function:

- Credit Risk
- Risk Policies and Industry Analysis
- Enterprise Risk Management
- IT Security

Credit Risk under Enterprise Risk Management Group (ERMG) is playing its due role in conducting due diligence and review of Corporate/Commercial, SME, Agri, FI and Consumer as well as Infrastructure Project Financing related credit applications and presents its observations to CCC/respective approving authorities of the Group. Credit Risk function adds value to the approval process by validation and assurance to the effect that the financing/investment proposals are in compliance with different policy parameters, regulatory instructions and adherence to the risk appetite of the Group. Besides, it also conducts assessment of credit proposals on concentration levels of the Group in terms of large exposures, industry limits, and impact on Capital Adequacy Ratio (CAR) and also identify/record if there are exceptions. Independent validation is helpful for the Central Credit Committee/ approving authorities in decision making process. The structure of the Credit Risk function is designed in view of the nature, complexity of business activities of the Group.

Special Asset Management (SAM) function handles stressed assets to ensure a focused remedial strategy in compliance with the regulatory requirements. The SAM Committee oversee the functions and activities of SAM Division

Risk policies and Industry Analysis Unit of ERMG formulates and updates credit and risk policies of the Group besides preparing industry analysis and its updates from time to time. During the current year, Group has updated key policies and frameworks as per the best practices, regulatory compliance and group level action plans ensuring that the Bank's policies are abreast with the latest regulatory requirements and best practices.

Enterprise Risk Management function is responsible for ensuring authenticity, accuracy and timely identification of risks in credit portfolio & market, liquidity and operational risks inherent in Group's activities and develop policies and procedures to control these risks. Main functions of Enterprise Risk cover Credit Portfolio Risk Management, Basel & IFRS 9 implementation, Market & Liquidity Risk Management, Operational Risk Management and Environmental Risk Management.

Treasury Middle Office (TMO) manages risks relating to treasury operations and reports its findings to ACL0 for prompt remedial actions. The Group's ALCO is responsible for the formulation of overall strategy and oversight of asset and liability management. Liquidity Risk measures are chosen using a range of metrics, including Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), liquidity gaps and various liquidity ratios regularly monitored by Market Risk Management. Liquidity Risk is reviewed by ALCO on a monthly basis and an update is provided to the BRMC on a quarterly basis. The Liquidity Risk Management Policy of the Group encompasses contingency funding plan for actions to be taken in case of liquidity stress conditions.

For effective management of Operational Risk, the Group has established an exhaustive operational risk management framework and covers business lines & support units/departments.

Risk Control and Self-Assessment (RCSAs) exercises for each business line and key control functions periodically performed. Through the RCSA exercise, the Group has been able to develop inventory of risks, controls and Key Risk Indicators (KRI) and mitigation plans are devised for effective control over operational risk.

The Group has acquired Operational Risk Management (ORM) suite i.e. ORM System "Guardian" for operational loss data collection, RCSAs and KRIs. The system keeps a detailed track of all operational loss events with complete audit trail. The Group has a Board approved BCP Policy and plans for all functional areas.

It is the policy of the Group to maintain a well-defined business continuity program which comprises of policy and procedures with clearly defined roles, responsibilities and ownership for Crisis Management, Emergency Response, Business Recovery and IT Disaster Recovery Planning.

The Group has adopted Basel III guidelines issued by SBP and relevant disclosures are made in the financial statement.

Information Security plays a pivotal role in protecting SMBL's Information assets from both internal and external threats through security risk assessments. These are supported by preventive and detective controls capable of responding to emerging and ever changing threat landscape.

The Group being cognizant of the importance of risks associated with Money Laundering, Terror financing and Proliferation financing, is continuously aligning its operational strategies, policies & procedures with FATF recommendations and related regulatory requirements. The Group in this respect has taken number of initiatives including but not limited to acquiring robust Regulatory technology solutions for transaction monitoring, screening against Targeted Financial Sanctions, eKYC, etc. SMBL also closely monitoring risks associated with all above risks associated with Trade business.

In addition to above, Compliance Division ensures compliance of all internal and external policies, laws and regulations. The management has established various committees for periodic risk review.

All the above measures have collectively led to the evolution of a compliance-sensitive culture at SMBL. The tone at the top is clear, as evidenced by the support from the Board, the BRMC and President / Chief Executive.

The Group has hPLUS™ a core banking software. hPLUS™ is a fully functional, well proven, single integrated banking application and is also capable of generating numerous standard and customized MIS reports. In line with the Bank's strategic direction, work is under way for implementation of a new core banking system which will support the Bank in execution of its plan to convert to a full fledged Islamic bank. The new core banking system is expected to improve the risk assessment of the bank by facilitating the management with detailed analytical review reports.

COVID-19 impacted banks in Pakistan on a number of fronts including increase in overall credit risk pertaining to the loans and advances portfolio, reduced fee income due to overall slowdown in economic activity, continuity of business operations and an ever increasing number of customers are being encouraged to use digital channels.

Credit administration tasks include the following:

- Maintain credit, custody and security documentation files;
- Register security and collateral documents;
- Tracking of covenants;
- Administer facility fees / receipts / payments;
- Load limits into credit system; and
- Satisfy internal and external risk reporting requirements.

43.1.1 Credit Risk Approach for Capital Adequacy Ratio: Standardised Approach

The Group has adopted the standardized approach of Basel II for risk weighing its credit risk exposures.

Under standardised approach, the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognised by SBP for capital adequacy purposes.

The standardised approach to credit risk sets out fixed risk weights corresponding, where appropriate, to external credit assessment levels or for unrated claims.

Types of exposures and ECAI's used

The following table illustrates the approved External Credit Assessment Institution (ECAI) whose rating are being utilised by the Group with respect to material categories of exposure:

Exposures	2022				
	Fitch	Moody's	S&P	PACRA	JCR-VIS
Corporate	-	-	-	Yes	Yes
Banks	Yes	Yes	Yes	Yes	Yes
Sovereigns	-	-	-	-	-
SME's	-	-	-	-	-
Securitisations	-	-	-	-	-
Others	-	-	-	Yes	Yes

Sovereign Exposures: For foreign currency claims on sovereigns, the Group uses country risk scores of Export Credit Agencies (ECA) participating in the “Arrangement on Officially Supported Export Credits” available on Organisation for Economic Co-operation and Development (OECD) website.

Exposures to Multilateral Development Banks (MDBs): For exposures on MDBs not eligible for a 0% risk weight, ratings of Moody’s, S&P and Fitch are being used to calculate risk-weighted assets.

Bank Exposures: For foreign banks (i.e., incorporated outside Pakistan), ratings of Moody’s, S&P and Fitch are being used to arrive at risk weights. However, for local banks (i.e. incorporated in Pakistan) ratings of PACRA and JCR-VIS are used.

The Group prefers solicited ratings over unsolicited ratings at all times, owing to the greater degree of accuracy (in general) associated with solicited ratings as compared to unsolicited ratings. Unsolicited ratings may only be used in cases where a solicited rating is not available.

Mapping to SBP rating grades

The selected final ratings (after application of the principles stated above) for all exposures need to be translated to the standard rating grades given by the SBP. In this regard, the mapping tables to be used for converting ECAI ratings to SBP rating grades are given below:

Long-Term Rating Grades Mapping

SBP rating grade	Fitch	Moody’s	S&P	PACRA	JCR-VIS	ECA scores
1	AAA	Aaa	AAA	AAA	AAA	0
	AA+	Aa1	AA+	AA+	AA+	1
	AA	Aa2	AA	AA	AA	
	AA-	Aa3	AA-	AA-	AA-	
2	A+	A1	A+	A+	A+	2
	A	A2	A	A	A	
	A-	A3	A-	A-	A-	
3	BBB+	Baa1	BBB+	BBB+	BBB+	3
	BBB	Baa2	BBB	BBB	BBB	
	BBB-	Baa3	BBB-	BBB-	BBB-	
4	BB+	Ba1	BB+	BB+	BB+	4
	BB	Ba2	BB	BB	BB	
	BB-	Ba3	BB-	BB-	BB-	
5	B+	B1	B+	B+	B+	5
	B	B2	B	B	B	6
	B-	B3	B-	B-	B-	
6	CCC+ and below	Caa1 and below	CCC+ and below	CCC	CCC	7
		CC		CC		
				C		
				D		

Short-Term Rating Grades Mapping

SBP Rating grade	Fitch	Moody’s	S&P	PACRA	JCR-VIS
S1	F1	P-1	A-1+	A-1+	A-1+
S2	F2	P-2	A-1	A-1	A-1
S3	F3	P-3	A-2	A-2	A-2
S4	Others	Others	A-3	A-3	A-3
			Others	Others	Others

The Group has used specific rating for risk weighing specific exposures and entity rating for risk weighing claims against the counter parties. Both short and long term ratings have been used for corresponding short and long term exposures.

43.1.2 Credit Risk Mitigation Approach for Capital Adequacy Ratio: Comprehensive Approach

The Group has adopted the comprehensive approach of Credit Risk Mitigation for the Banking Book. Since the trading book of the Group only comprises equity investments; therefore no Credit Risk Mitigation benefit is taken in the trading book. In instances where the Group's exposure on an obligor is secured by collateral that confirms with the eligibility criteria under the comprehensive Approach of CRM, then the Group reduces its exposure under that particular transaction by taking into account the risk mitigating effect of the collateral for the calculation of capital requirement.

The Group accepts cash, lien on deposits, government securities and eligible financial instruments etc. under the comprehensive approach of Credit Risk Mitigation. The Group has in place detailed guidelines with respect to valuation and management of various collateral types. In order to obtain the credit risk mitigation benefit, the Group uses realizable value of eligible collaterals to the extent of outstanding exposure.

43.1.3 Credit Risk Summary for On-Balance Sheet Exposures:

The below summary of Credit risk for On-Balance Sheet Banking book exposures are calculated using the policies described above:

Rating category	2022			2021		
	Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
----- (Rupees in '000) -----						
Exposure category:						
Corporate						
20%	275,481	-	275,481	250,592	-	250,592
50%	1,877,224	153,257	1,723,967	2,247,432	153,305	2,094,127
100%	51,934	-	51,934	-	-	-
unrated	9,328,614	2,190,810	7,137,804	11,940,226	2,200,530	9,739,696
125%	4,619,133	-	4,619,133	5,808,359	102	5,808,257
Retail						
75%	943,622	48,310	895,312	608,700	13,527	595,173
Past due loan						
150%	748,085	119,120	628,965	1,175,075	45,954	1,129,121
100%	399,469	2,467	397,002	1,627,711	186,166	1,441,545
50%	1,697,648	451,139	1,246,509	1,459,459	214,323	1,245,136
Bank						
20%	10,556,261	-	10,556,261	1,622,334	-	1,622,334
50%	461,843	-	461,843	316,560	-	316,560
100%	-	-	-	10,877	-	10,877
150%	5,610	-	5,610	17,591	-	17,591
unrated	636,855	-	636,855	919,640	-	919,640
Sovereign etc.						
0%	21,278,734	-	21,278,734	20,966,250	-	20,966,250
Others						
0%	2,457,204	-	2,457,204	2,409,835	-	2,409,835
35%	2,235,967	45	2,235,922	1,814,268	8,827	1,805,441
50%	-	-	-	-	-	-
100%	18,841,708	-	18,841,708	18,893,732	-	18,893,732
150%	-	-	-	-	-	-
250%	-	-	-	-	-	-
	76,415,392	2,965,148	73,450,244	72,088,641	2,822,734	69,265,907

43.1.4 Lendings to financial institutions

	Gross lendings		Non-performing lendings		Provision held	
	2022	2021	2022	2021	2022	2021
----- (Rupees in '000) -----						
Credit risk by public / private sector						
Public / Government	-	-	-	-	-	-
Private	10,141,557	298,931	-	-	-	-
	10,141,557	298,931	-	-	-	-

43.1.5 Investment in debt securities

	Gross investments		Non-performing investments		Provision held	
	2022	2021	2022	2021	2022	2021
----- (Rupees in '000) -----						
Credit risk by industry sector						
Textile	200,000	200,000	200,000	200,000	200,000	200,000
Chemical and pharmaceuticals	471,772	499,586	471,772	499,586	471,772	499,586
Sugar	281,566	281,566	281,566	281,566	281,566	281,566
Financial	8,807	10,157	8,807	10,157	8,807	10,157
Transport	2,450,000	2,405,175	-	-	-	-
Services	803,641	803,641	803,641	803,641	803,641	803,641
	4,215,786	4,200,125	1,765,786	1,794,950	1,765,786	1,794,950
Credit risk by public / private sector						
Public / Government	2,450,000	2,405,175	-	-	-	-
Private	1,765,786	1,794,950	1,765,786	1,794,950	1,765,786	1,794,950
	4,215,786	4,200,125	1,765,786	1,794,950	1,765,786	1,794,950

43.1.6 Advances

	Gross advances		Non-performing advances		Provision held	
	2022	2021	2022	2021	2022	2021
----- (Rupees in '000) -----						
Credit risk by industry sector						
Agriculture, forestry, hunting and fishing	2,026,007	2,039,490	1,125,575	1,024,259	952,706	965,768
Automobile and transportation equipment	1,260,035	1,288,924	1,213,805	1,224,410	1,097,069	1,053,623
Banaspati and allied industries	82,663	84,978	82,663	82,895	82,663	82,895
Carpet	1,041	5,040	1,041	1,041	1,041	1,041
Cement	445,511	538,389	329,169	329,169	329,169	329,169
Chemical and pharmaceuticals	2,412,093	3,001,350	1,157,122	1,338,280	1,132,667	1,242,295
Construction	2,174,876	2,319,255	1,750,150	1,533,654	1,319,871	1,219,686
Dairy and poultry	611	18,487	-	-	-	-
Education	22,208	58,616	3,145	3,382	3,145	3,382
Electronics and electrical appliances	1,068,206	1,298,827	447,938	447,688	415,382	403,365
Exports / imports	2,609,398	2,862,923	2,257,890	2,459,314	2,139,251	2,173,719
Financial	3,520,261	3,595,583	3,054,628	3,054,628	2,430,091	2,108,777
Food, tobacco and beverages	1,642,851	1,770,898	769,648	866,986	722,677	760,850
Footwear and leather garments	340,868	611,174	35,326	35,381	35,326	35,381
Furniture and allied products	28,307	31,945	25,370	28,198	23,406	25,627
Glass and ceramics	83,095	86,963	77,268	80,900	75,448	76,358
Health care	134,664	174,038	17,792	36,606	17,792	36,606
Hotels	126,760	131,304	105,809	106,460	33,624	106,240
Individuals	2,479,316	3,000,287	308,037	331,855	211,088	209,334
Mining and quarrying	974,912	1,094,757	-	4,670	-	4,670
Miscellaneous manufacturing	254,463	554,707	125,237	145,360	113,970	127,682
Paper and allied products	22,634	23,225	21,936	21,967	21,936	21,700
Power (electricity), gas, water, sanitary	2,274,504	2,414,647	1,985,216	1,985,216	1,927,666	1,854,371
Printing, publishing and allied industries	400,229	474,620	238,288	301,131	220,106	224,370
Services	1,646,737	2,103,713	559,795	604,001	467,402	451,180
Steel and engineering	2,874,512	2,879,415	2,714,824	2,729,723	2,614,741	2,427,754
Sugar	9,011,212	9,265,480	8,365,030	8,597,238	8,054,355	7,963,130
Textile	9,539,617	10,282,858	3,520,270	3,582,036	3,496,696	3,556,513
Transport, storage and communication	798,146	817,164	491,239	493,646	345,385	223,720
Wholesale and retail trade	1,835,243	2,236,240	1,303,011	1,486,852	1,209,333	1,312,690
Others	4,745,005	4,743,157	3,980,846	4,075,402	3,737,859	3,748,208
	54,835,985	59,808,454	36,068,068	37,012,348	33,231,865	32,750,104
Credit risk by public / private sector						
Public / Government	-	-	-	-	-	-
Private	54,835,985	59,808,454	36,068,068	37,012,348	33,231,865	32,750,104
	54,835,985	59,808,454	36,068,068	37,012,348	33,231,865	32,750,104

43.1.7 Contingencies and Commitments

 2022 2021
 ----- (Rupees in '000) -----

Credit risk by industry sector

Agriculture, forestry, hunting and fishing	123,108	132,450
Automobile and transportation equipment	233,696	211,925
Banaspati and allied industries	-	414.00
Carpet	399,277	316,309
Cement	399,591	294,460
Chemical and pharmaceuticals	473,108	420,187
Construction	3,086,853	2,159,662
Consumer	169,122	439,122
Education	-	691
Electronics and electrical appliances	1,110,841	1,139,708
Exports / imports	1,113,743	1,353,172
Financial	23,574,883	8,454,053
Food, tobacco and beverages	1,255,062	1,641,773
Footwear and Leather garments	115,508	402,735
Furniture and allied products	64,731	99,828
Glass and ceramics	29,357	106,263
Health care	89,651	52,118
Hotels	47,149	52,480
Individuals	6,202,230	4,850,768
Miscellaneous manufacturing	976,941	625,908
Others	1,862,634	1,611,562
Paper and allied products	12,084	19,297
Power (electricity), gas, water, sanitary	551,299	553,631
Printing, publishing and allied industries	26,670	14,696
Services	5,846,082	5,775,256
Steel and engineering	828,409	566,445
Sugar	5,785,838	999,998
Textile	11,331,832	10,452,997
Transport, Storage and Communication	405,901	410,986
Wholesale and retail trade	500,880	857,424

	66,616,480	44,016,318
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Credit risk by public / private sector

Public / Government	21,524,850	6,225,060
Private	45,091,630	37,791,258

	66,616,480	44,016,318
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43.1.8 Concentration of Advances

The Group top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 14,109.513 million (2021: Rs. 14,085.214 million) are as follows:

	2022 ----- (Rupees in '000) -----	2021 ----- (Rupees in '000) -----
Funded	12,529,834	13,519,403
Non Funded	1,579,679	565,811
Total Exposure	14,109,513	14,085,214

The sanctioned limits against these top 10 exposures aggregated to Rs. 14,109.513 million (2021: Rs. 14,141.242 million).

	2022		2021	
	Amount	Provision held	Amount	Provision held
----- (Rupees in '000) -----				
Total funded classified therein				
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	8,903,415	8,247,878	7,898,061	6,758,495
Total	8,903,415	8,247,878	7,898,061	6,758,495

43.1.9 Advances - Province / Region-wise Disbursement & Utilization

	2022						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
----- (Rupees in '000) -----							
Province / Region							
Punjab	13,807,594	13,794,847	880	7,052	-	4,815	-
Sindh	13,171,501	-	13,171,501	-	-	-	-
KPK including FATA	45,350	-	-	45,350	-	-	-
Balochistan	10,461	-	-	-	10,461	-	-
Islamabad	48,041	-	-	-	-	48,041	-
AJK including Gilgit-Baltistan	59,193	-	-	-	-	-	59,193
Total	27,142,140	13,794,847	13,172,381	52,402	10,461	52,856	59,193

	2021						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
----- (Rupees in '000) -----							
Province / Region							
Punjab	24,787,775	24,782,779	747	1,538	-	2,711	-
Sindh	12,567,387	-	12,567,387	-	-	-	-
KPK including FATA	53,859	-	-	53,859	-	-	-
Balochistan	41,933	-	-	-	41,933	-	-
Islamabad	469,155	-	-	-	-	469,155	-
AJK including Gilgit-Baltistan	40,923	8	-	-	-	-	40,915
Total	37,961,032	24,782,787	12,568,134	55,397	41,933	471,866	40,915

43.2 Market Risk

Market risk is the risk that the value of on-balance sheet and off-balance sheet exposures of the Group will be adversely affected by movements in market rates or prices such as interest rates, foreign exchange rates equity prices and / or commodity prices resulting in a loss to earnings and capital. Market risks arise generally from trading activities, open foreign currency positions, holding common equity and other products. All such instruments and transactions are exposed to general and specific market movements.

The Group seeks to mitigate market risk by employing strategies that correlate price, rate and spread movements of its earning assets, liabilities and trading activities. Treasury front office and market risk management / treasury middle office perform market risk management activities within the Group.

43.2.1 Balance sheet split by trading and banking books

	2022			2021		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	----- (Rupees in '000) -----					
Cash and balances with treasury banks	13,372,146	-	13,372,146	14,415,012	-	14,415,012
Balances with other banks	1,364,568	-	1,364,568	1,094,069	-	1,094,069
Lendings to financial institutions	10,141,557	-	10,141,557	298,931	-	298,931
Investments	8,998,510	42,307,116	51,255,291	8,928,991	27,705,145	30,935,280
Advances	21,593,564	-	21,593,564	27,044,465	-	27,044,465
Fixed assets	10,681,413	-	10,681,413	10,952,336	-	10,952,336
Intangible assets	146,135	-	146,135	140,127	-	140,127
Deferred tax assets	20,726,644	-	20,726,644	16,624,648	-	16,624,648
Other assets	11,343,215	-	11,343,215	10,450,563	-	10,450,563
	98,367,752	42,307,116	140,624,533	89,949,142	27,705,145	111,955,431

43.2.2 Foreign Exchange Risk

The Group has set the following objectives for managing the inherent risk on foreign currency exposures:

- Maximize profitability with minimum risk by keeping the exposure at desirable levels in view of strict compliance of regulatory / international standards and the Group's internal guidelines.
- Manage appropriate maturity mismatch gaps.
- Identify warning and stress zones for mismatch gaps.
- Usage of different tools to manage the inherent risk of product and market, such as compliance of credit limit, monitoring of foreign exchange exposure limit, review of mark to market portfolio and safe settlement, etc.
- Foreign exchange risk represents exposures to changes in the values of current holdings and future cash flows denominated in foreign currencies. The potential for loss arises from the process of revaluing foreign currency positions in rupee terms. The Group's foreign exchange risk is presently limited to future cash flows in foreign currencies arising from foreign exchange transactions and translation of net open position in foreign currencies. The Group is carefully monitoring the net foreign currency exposure as well as utilizing the forward contract to hedge the related exposure.

	2022				2021			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- Rupees in '000) -----							
United States Dollar	2,387,407	6,312,149	4,542,638	617,896	3,126,871	8,781,737	5,744,624	89,758
Great Britain Pound Sterling	573,567	543,337	-	30,230	223,871	464,692	235,855	(4,966)
Euro	336,325	361,388	-	(25,063)	451,422	413,467	(20,069)	17,886
Japanese Yen	-	-	-	-	-	-	-	-
Other currencies	46,164	16,251	-	29,913	22,779	8,610	-	14,169
	3,343,463	7,233,125	4,542,638	652,976	3,824,943	9,668,506	5,960,410	116,847

2022		2021	
Banking book	Trading book	Banking book	Trading book
----- (Rupees in '000) -----			

Impact of 1% change in foreign exchange rates on

- Profit and loss account	38,897	45,426	58,436	58,436
- Other comprehensive income	-	-	-	-

43.2.3 Equity position Risk

Equity position risk is the risk that the fair value of financial instruments will fluctuate due to changes in the prices of individual stocks or the level of equity indices. The Group's equity book comprises of held for trading (HFT) and available for sale (AFS) portfolios. The objective of the HFT portfolio is to make short-term capital gains, whilst the AFS portfolio is maintained with a medium term view of earning both capital gains and dividend income. Policies and procedures have been developed to provide guidelines on the risk and their mitigants, limits and related controls for the equity portfolio of the Group.

2022		2021	
Banking book	Trading book	Banking book	Trading book
----- (Rupees in '000) -----			

Impact of 5% change in equity prices on

- Profit and loss account	-	28,190	-	36,445
- Other comprehensive income	-	-	-	-

43.2.4 Interest Rate Risk

Interest rate risk is the risk that fair value of a financial instrument will fluctuate as a result of changes in interest rates, including changes in the shape of yield curves. Interest rate risk is inherent in many of the Group's businesses and arises from mismatches between the contractual maturities or the re-pricing of on and off-balance sheet assets and liabilities. The interest rate sensitivity profile is prepared on a quarterly basis based on the re-pricing or contractual maturities of assets and liabilities.

Interest rate risk is monitored and managed by performing periodic gap analysis, sensitivity analysis and stress testing and taking appropriate actions where required.

2022		2021	
Banking book	Trading book	Banking book	Trading book
----- (Rupees in '000) -----			

Impact of 1% change in interest rates on

- Profit and loss account	60,689	-	112,693	-
- Other comprehensive income	-	64,666	-	33,704

43.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

2022												
Effective Yield / Interest Rate	Total	Exposed to Yield / Interest risk						Non-interest bearing financial instruments				
		Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
(Rupees in '000)												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	13,372,146	969,892	-	-	-	-	-	-	-	-	-	12,402,254
Balances with other banks	1,364,568	59,106	-	-	-	-	-	-	-	-	-	1,305,462
Lendings to financial institutions	10,141,557	10,141,557	-	-	-	-	-	-	-	-	-	-
Investments	51,255,291	23,764,477	12,276,361	14,657,450	-	-	-	-	-	-	-	557,003
Advances	21,593,564	1,134,855	14,201,040	2,801,291	305,092	134,350	-	-	-	-	-	2,836,203
Other assets	2,434,079	-	-	-	-	-	-	-	-	-	-	2,434,079
	100,161,205	36,069,887	26,477,401	17,458,741	305,092	134,350	-	-	-	-	-	16,698,798
Liabilities												
Bills payable	1,993,587	-	-	-	-	-	-	-	-	-	-	1,993,587
Borrowings	25,388,560	6,815,526	16,194,958	1,357,380	65,738	1,747	-	-	-	-	-	731,399
Deposits and other accounts	121,861,462	66,702,654	4,811,223	1,893,650	2,674,568	257,431	54,689	327,599	167,269	-	-	45,139,648
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	1,495,515	1,495,515	-	-	-	-	-	-	-	-	-	-
Other liabilities	6,799,817	-	-	-	-	-	-	-	-	-	-	6,799,817
	157,538,941	75,013,695	21,006,181	3,251,030	2,740,306	311,974	56,436	327,599	167,269	-	-	54,664,451
	(57,377,736)	(38,943,808)	5,471,220	14,207,711	(2,435,214)	(131,241)	77,914	(327,599)	(167,269)	2,836,203	-	(37,965,653)
On-balance sheet gap												
Off-balance sheet financial instruments												
Commitments in respect of:												
- forward foreign exchange contracts	4,542,638	1,133,420	3,409,218	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	4,542,638	1,133,420	3,409,218	-	-	-	-	-	-	-	-	-
	(37,810,388)	8,880,438	14,207,711	(2,435,214)	(131,241)	77,914	(327,599)	(167,269)	2,836,203	(37,965,653)		
Total Yield / Interest Risk Sensitivity Gap												
Cumulative Yield / Interest Risk Sensitivity Gap												
Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities												
2022												
-- (Rupees in '000) --												
Total financial assets	100,161,205											
Add: Non financial assets												
Fixed assets	10,681,413											
Intangible assets	146,135											
Deferred tax assets	20,726,644											
Other assets	8,909,136											
Total assets as per statement of financial position	140,624,533											
Total financial liabilities	157,538,941											
Add: Non financial liabilities												
Other liabilities	843,613											
Total liabilities as per statement of financial position	158,382,554											

2021											
Effective Yield / Interest Rate	Total	Exposed to Yield / Interest risk						Non-interest bearing financial instruments			
		Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
		(Rupees in '000)									
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	14,415,012	1,388,808	-	-	-	-	-	-	-	-	13,026,204
Balances with other banks	1,094,069	-	-	44,128	-	-	-	-	-	-	1,049,941
Lendings to financial institutions	298,931	298,931	-	-	-	-	-	-	-	-	-
Investments	30,935,280	13,386,399	6,884,014	9,892,125	8,329	-	-	-	-	-	764,413
Advances	27,044,465	1,477,564	17,350,309	2,362,110	1,161,342	147,354	135,554	3,361	-	-	144,627
Other assets	1,411,554	-	-	-	-	-	-	-	-	-	1,411,554
	75,199,311	16,551,702	24,234,323	12,254,235	1,213,799	147,354	135,554	3,361	-	-	16,396,739
Liabilities											
Bills payable	2,071,048	-	-	-	-	-	-	-	-	-	2,071,048
Borrowings	6,922,040	44,350	5,697,130	517,500	51,742	301,110	81,989	2,519	195,319	-	30,381
Deposits and other accounts	109,424,316	5,078,747	61,524,115	2,110,164	4,078,662	92,650	46,731	130,759	-	-	36,362,488
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	1,495,515	-	-	1,495,515	-	-	-	-	-	-	-
Other liabilities	5,531,813	-	-	-	-	-	-	-	-	-	5,531,813
	125,444,732	5,123,097	67,221,245	4,123,179	4,130,404	393,760	128,720	133,278	195,319	-	43,995,730
On-balance sheet gap	(50,245,421)	11,428,605	(42,986,922)	8,131,056	(2,916,605)	(246,406)	6,834	(129,917)	(195,319)	4,262,244	(27,598,991)
Off-balance sheet financial instruments											
Commitments in respect of:											
- forward foreign exchange contracts	7,537,538	7,537,538	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	7,537,538	7,537,538	-	-	-	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap	18,966,143	(42,986,922)	8,131,056	(2,916,605)	(246,406)	(246,406)	6,834	(129,917)	(195,319)	4,262,244	(27,598,991)
Cumulative Yield / Interest Risk Sensitivity Gap	18,966,143	(24,020,779)	(15,889,723)	(8,806,328)	(18,806,328)	(19,052,734)	(19,045,900)	(19,175,817)	(19,371,136)	(15,108,892)	(42,707,883)
Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities											
	2021										
	-- (Rupees in '000) --										
Total financial assets	75,199,311										
Add: Non financial assets											
Fixed assets	10,952,336										
Intangible assets	140,127										
Deferred tax assets	16,624,648										
Other assets	9,039,009										
Total assets as per statement of financial position	111,955,431										
Total financial liabilities	125,444,732										
Add: Non financial liabilities											
Other liabilities	988,283										
Total liabilities as per statement of financial position	126,433,015										

43.3 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Board Risk Management Committee oversees the implementation of operational risk management which is governed by the Operational Risk Management Policy and Procedures of the Group. In compliance with the regulatory guidelines, a separate unit is established within the Risk Management Division which is responsible for the implementation of the risk management framework across the Group.

In accordance with the Operational Risk policy and framework, various tools and techniques are being implemented to identify, assess, measure and control operational risk embedded in the exposures, products, systems and processes. These tools include collection of operational loss data, development and monitoring of Key Risk Indicators and Risk Control Self Assessment exercise.

The Group seeks to manage the operational risk from two perspectives, firstly by way of ensuring compliance of standard operating procedures including defined processes for prevention and detection of any fraud and forgery, and work place safety and security, secondly through contingency planning to ensure continuity of business. Policies and procedures covering all activities in Group are in place. Besides these, to ensure business continuity, the Group has implemented Business Continuity Plan (BCP) across the Group for which BCP and Disaster Recovery Tests are performed on a regular basis.

The Group maintains a system of internal controls designed to keep operational risk at appropriate levels, in view of the Group's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated to conform to the industry best practices.

The Group implemented the Internal Control Guidelines issued by the State Bank of Pakistan and had successfully completed the road map issued with respect to internal controls over financial reporting. Moreover, a separate Internal Control Unit has been setup to continuously monitor the implementation of sound internal controls within the Group.

The Group has set up IT Security Division to manage IT security risk faced by the Group. The Group will continue to strengthen its cyber defence mechanism by utilising effective preventive and detective information security measure to counter evolving cyber challenges.

43.4 Liquidity Risk

Liquidity Risk is the risk that the Group may be unable to meet its payment obligations as they become due, or to fund assets, at a reasonable cost, because of an inability to liquidate assets, or to obtain adequate funding.

The liquidity risk policy of the Group is formulated keeping in view State Bank guidelines on risk management and best market practice. The Group's Asset and Liability Committee (ALCO) reviews the liquidity position on a periodic basis. Liquidity Management policy of the Group aims to maintain adequate liquidity at all times and in all currencies under both normal and stress conditions, to meet the Group's contractual and potential payment obligations without incurring additional and unacceptable cost to the business. Treasury is responsible for managing liquidity under the guidance of Asset and Liability Committee of the Group.

The Group maintains a portfolio of highly marketable assets i.e. Market Treasury Bills, Pakistan Investment Bonds and GoP Ijarah Sukuk, that can either be sold in the open market or funds can be arranged there against under repo arrangements. This is further supported by investments in short term securities. In line with its liquidity risk management policy, the Group aims to maintain a cushion over and above the minimum statutory liquidity requirement prescribed by SBP for maintaining liquidity reserves to ensure continuity of cash flows.

The Group uses liquidity gap ladder to assess the liquidity gaps and liquidity needs in different time buckets, under normal and stressed scenarios. Sources of liquidity are regularly reviewed / monitored by the Asset and Liability Committee (ALCO). The ALCO reviews the current economic situation, projected cash flows and asset / liability mix and approves strategy for managing appropriate liquidity. The liquidity risk management policy of the Group encompasses liquidity contingency plan for actions to be taken in case of liquidity crises.

43.4.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Group

2022														
(Rupees in '000)														
	Total	Up to 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
Assets														
Cash and balances with treasury banks	13,372,146	11,777,999	159,553	53,767	281,401	181,291	346,656	207,795	166,629	126,857	28,249	6,001	35,948	-
Balances with other banks	1,364,568	1,364,568	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	10,141,557	10,141,557	-	-	-	-	-	-	-	-	-	-	-	-
Investments	51,255,291	498	22,151	22,647	4,004,170	10,410,748	90,588	6,008,464	-	6,958,000	2,951,100	14,346,250	3,977,200	2,463,475
Advances	21,593,564	2,802	66,837	42,842	2,474,827	2,115,180	1,862,654	4,960,198	1,875,036	1,535,459	1,479,820	1,109,076	425,533	3,643,300
Fixed assets	10,681,413	1,225	7,346	8,570	19,590	36,730	36,730	110,191	110,191	142,877	446,886	446,886	688,389	8,625,802
Intangible assets	146,135	54	323	376	860	1,613	4,838	4,838	4,838	77,657	19,623	19,623	14,717	-
Deferred tax assets	20,726,644	(4,631)	(31,563)	(36,195)	(72,724)	(145,333)	(144,976)	(30,755)	(8,893)	(7,036)	1,268,965	5,355,931	10,431,444	4,152,410
Other assets	11,343,215	48,370	201,798	360,566	1,533,042	333,855	161,327	408,444	408,444	408,444	3,325,824	3,325,824	827,277	-
	140,624,533	13,190,885	10,568,002	452,573	8,241,166	12,934,084	2,354,592	11,669,175	2,556,245	9,242,258	9,520,467	24,609,591	16,400,508	18,884,987
Liabilities														
Bills payable	1,993,587	1,993,587	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	25,388,560	731,399	18,500	-	6,797,026	14,208,558	1,986,400	1,357,380	13,082	52,656	54,543	1,747	-	167,269
Deposits and other accounts	121,861,462	107,333,870	1,454,024	489,980	2,564,428	1,652,121	3,159,102	1,893,650	1,518,508	1,156,040	257,431	54,689	327,599	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	1,495,515	1,495,515	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	7,643,430	268,407	43,310	81,675	345,579	762,156	270,627	378,369	226,633	1,287,589	1,191,046	1,259,993	821,773	706,273
	158,382,554	111,822,778	1,515,834	571,655	9,707,033	16,622,835	5,416,129	3,629,399	1,758,223	2,496,305	1,503,020	1,316,429	1,149,372	873,542
Net assets	(17,758,021)	(98,631,893)	9,052,168	(119,082)	(1,465,867)	(3,688,751)	(3,061,537)	8,039,776	798,022	6,745,953	8,017,447	23,293,162	15,251,136	18,011,445
Share capital - net	20,500,194													
Reserves	(425,043)													
Accumulated losses	(41,836,719)													
Surplus on revaluation of assets	4,003,547													
	(17,758,021)													

2021													
Total	Up to 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years

(Rupees in '000)

Assets

Cash and balances with treasury banks	14,415,012	12,558,817	103,357	478,703	126,204	229,811	277,982	198,712	338,591	12,205	6,156	17,226	-
Balances with other banks	1,094,069	1,049,941	-	-	-	-	-	17,651	26,477	-	-	-	-
Lendings to financial institutions	298,931	-	-	-	-	-	-	-	-	-	-	-	-
Investments	30,935,280	687	6,011,513	62,578	3,084,314	4,050,012	1,348,744	8,329	-	-	-	13,919,850	2,418,650
Advances	27,044,465	29,771	1,036,739	2,741,187	2,109,682	1,927,098	5,211,240	2,683,986	2,400,055	1,782,092	1,130,454	637,353	5,286,890
Fixed assets	10,952,336	1,355	8,126	21,670	40,631	40,631	121,894	121,894	137,783	494,346	494,346	724,342	8,735,837
Intangible assets	140,127	64	385	1,028	1,927	1,927	5,782	5,782	55,803	23,447	23,447	17,585	2,500
Deferred tax assets	16,624,648	3,192	274,616	536,380	1,076,007	1,077,038	3,505,021	(4,001)	(4,287)	(408,363)	2,107,666	5,454,821	2,741,514
Other assets	10,450,563	23,712	118,959	722,653	287,056	179,919	430,856	416,972	416,972	3,365,885	3,365,885	867,338	-
	111,955,431	13,667,539	857,214	7,690,512	4,564,199	6,725,821	10,901,519	3,449,325	3,371,394	52,696,612	7,127,954	21,638,515	19,185,391

Liabilities

Bills payable	2,071,048	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	6,922,040	30,381	44,350	-	3,428,050	2,269,080	517,500	17,942	33,800	301,110	81,989	2,519	195,319
Deposits and other accounts	109,424,316	510,479	784,581	3,633,832	958,012	1,744,493	2,110,164	1,508,419	2,570,243	92,650	46,731	130,759	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	1,495,515	-	-	-	-	-	-	-	1,495,515	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	6,520,096	20,429	80,501	304,528	497,673	362,532	322,975	134,808	941,082	1,215,115	1,030,214	850,874	723,447
	126,433,015	97,455,811	590,980	3,938,360	4,883,735	4,376,105	2,950,639	1,661,169	5,040,640	1,608,875	1,158,934	984,152	918,766

Net assets

	(14,477,584)	(83,786,272)	266,234	6,825,663	625,839	1,842,086	3,130,331	1,788,156	(1,669,246)	3,660,737	5,969,020	20,654,363	18,266,625
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Share capital - net

Reserves

Accumulated losses

Surplus on revaluation of assets

(14,477,584)

43.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Group

Maturity gaps of all assets and liabilities are based on contractual maturities. The maturity profile of certain non-contractual assets and liabilities is based on the behavioural study. The Bank has used VAR methodology which excludes 5% extreme volatilities thus leaving 95% confidence results.

		2022								
		(Rupees in '000)								
Total	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
Assets										
Cash and balances with treasury banks	13,372,146	1,195,229	788,464	245,772	441,973	41,029	13,634	1,796,757	4,467,314	4,382,024
Balances with other banks	1,364,568	1,364,568	-	-	-	-	-	-	-	-
Lendings to financial institutions	10,141,557	10,141,557	-	-	-	-	-	-	-	-
Investments	51,255,291	4,049,466	10,501,336	6,008,464	6,958,000	2,951,100	14,346,250	3,977,200	2,463,475	-
Advances	21,593,564	2,587,308	3,977,834	4,960,198	3,410,495	1,479,820	1,109,076	425,533	459,411	3,183,889
Fixed assets	10,681,413	36,730	73,461	110,191	253,068	446,886	446,886	688,389	1,494,668	7,131,134
Intangible assets	146,135	1,612	3,226	4,838	82,496	19,623	19,623	14,717	-	-
Deferred tax assets	20,726,644	(145,113)	(290,309)	(30,755)	(15,929)	1,268,965	5,355,931	10,431,444	4,958,214	(805,804)
Other assets	11,343,215	2,143,775	495,183	408,444	816,888	3,325,824	3,325,824	827,277	-	-
	140,624,533	21,375,132	15,549,195	11,707,102	11,946,991	9,533,247	24,617,224	18,161,317	13,843,082	13,891,243
Liabilities										
Bills payable	1,993,587	1,993,587	-	-	-	-	-	-	-	-
Borrowings	25,388,560	7,546,925	16,194,958	1,357,380	65,738	54,543	1,747	-	167,269	-
Deposits and other accounts	121,861,462	10,892,207	7,185,336	2,239,289	4,027,735	373,901	124,251	16,373,995	40,711,000	39,933,748
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	1,495,515	1,495,515	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	7,643,430	738,971	1,032,783	378,369	1,514,222	1,191,046	1,259,993	821,773	687,715	18,558
	158,382,554	22,667,205	24,413,077	3,975,038	5,607,695	1,619,490	1,385,991	17,195,768	41,565,984	39,952,306
Net assets	(17,758,021)	(1,292,073)	(8,863,882)	7,732,064	6,339,296	7,913,757	23,231,233	965,549	(27,722,902)	(26,061,063)
Share capital - net	20,500,194									
Reserves	(425,043)									
Accumulated losses	(41,836,719)									
Surplus on revaluation of assets	4,003,547									
	(17,758,021)									

2021									
	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets									
Cash and balances with treasury banks	1,339,358	628,674	320,373	694,788	632,203	14,688	1,803,405	4,538,425	4,443,098
Balances with other banks	1,049,941	-	-	44,128	-	-	-	-	-
Lendings to financial institutions	298,931	-	-	-	-	-	-	-	-
Investments	6,105,380	7,134,327	1,348,744	8,329	-	-	13,919,850	2,418,650	-
Advances	27,044,465	4,036,042	5,211,977	5,084,042	1,782,092	1,130,454	637,353	594,662	4,692,228
Fixed assets	10,952,336	40,631	121,894	259,677	494,346	494,346	724,342	1,542,336	7,193,502
Intangible assets	140,127	1,928	5,782	61,584	23,447	23,447	17,585	-	2,500
Deferred tax assets	16,624,648	1,079,230	3,505,021	(8,287)	(408,363)	2,107,666	5,454,821	2,929,784	(188,269)
Other assets	10,450,563	1,119,679	430,856	833,945	3,365,885	3,365,885	867,338	-	-
	111,955,431	14,910,693	10,944,647	6,978,206	5,889,610	7,136,486	23,424,694	12,023,857	16,143,059
Liabilities									
Bills payable	2,071,048	-	-	-	-	-	-	-	-
Borrowings	6,922,040	5,697,130	517,500	51,742	301,110	81,989	2,519	195,319	-
Deposits and other accounts	109,424,316	4,772,259	2,431,953	5,274,135	4,799,049	111,494	13,689,645	34,451,168	33,727,548
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Subordinated debt	1,495,515	-	-	1,495,515	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
Other liabilities	6,520,096	441,376	322,975	1,075,889	1,215,115	1,030,214	850,874	699,003	24,444
	126,433,015	12,754,220	3,272,428	7,897,281	6,315,274	1,223,697	14,543,038	35,345,490	33,751,992
Net assets	(14,477,584)	2,156,473	7,672,219	(919,075)	(425,664)	5,912,789	8,881,656	(23,321,633)	(17,608,933)
Share capital - net	20,500,194								
Reserves	(425,043)								
Accumulated losses	(38,868,163)								
Surplus on revaluation of assets	4,315,428								
	(14,477,584)								

Share capital - net
Reserves
Accumulated losses
Surplus on revaluation of assets

43.5 Derivative Risk

The policy guidelines for taking derivative exposures are approved by the Board of Directors (BOD). Group's Asset and Liability Committee (ALCO) is responsible for reviewing and managing associated risks of the transactions.

The overall responsibility for managing derivatives and sustaining profitability lies with the treasury front office / Head of Treasury. Treasury Middle Office (TMO) / market risk management function of the Group is responsible for monitoring the risk exposure and for analysis of present and potential risk factors arising from the same. The TMO also monitors associated risks in line with the Board of Directors' approved limits / policies and coordinates with the business for necessary approvals of the derivatives risk limits and also produces necessary reports / analysis as may be required.

44. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on February 21, 2023 by the Board of Directors of the Group.

President / Chief Executive

Chief Financial Officer

Director

Director

Director

Annexure - I

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2022

S.No.	Name and address of the Borrower	Name of individuals / partners / directors with CNIC No.	Father's / Husband's Name	Outstanding Liabilities as at January 01, 2022					Total (9+10+11)		
				Principal	Interest / Mark-up	Other than Interest / Mark-up	Total	Principal written-off		Interest / Mark-up written-off / waived	Other financial relief provided
1	2	3	4	5	6	7	8	9	10	11	12
(Rupees in '000)											
1	National Rice Mills Waqil Khan Road Industrial State Kamoke Gujranwala	National Rice Mills Waqil Khan Road Industrial State Kamoke Gujranwala (34102-3080749-3)	Chudhary Abdul Waqel Khan	59,993	10,276	-	70,270	5,993	10,276	-	16,269
2	Saif-Ur-Rehman Muhallah Fazalabad Village Wailabad Gulbagh Tehsil Charbagh District Swat	Saif-Ur-Rehman Muhallah Fazalabad Village Wailabad Gulbagh Tehsil Charbagh District Swat (13403-6936904-5)	Karim Ullah	750	230	-	980	697	230	-	927
3	Zafar Ali Shop35 Mansfield Street 3 Saddar Karachi	Zafar Ali Shop35 Mansfield Street 3 Saddar Karachi (42301-0905173-7)	Akhtar Hussain	499	479	-	978	149	479	-	628
4	Muhammad Sharif Village Kot Khewan Mall P/O Mandiala Taiga Distt Gujranwala	Muhammad Sharif Village Kot Khewan Mall P/O Mandiala Taiga Distt Gujranwala (34102-0426872-1)	Kutab Din	444	503	-	947	131	503	-	634
TOTAL				61,686	11,489	-	73,176	6,970	11,489	-	18,459

ISLAMIC BANKING BUSINESS

The Bank commenced its Islamic Banking Operations in Pakistan on March 07, 2014 and is operating with 14 (2021: 14) Islamic banking branches and 35 (2021: 35) Islamic banking windows at the end of the year.

**ISLAMIC BANKING BUSINESS
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022**

	Note	2022 ----- (Rupees in '000) -----	2021 -----
ASSETS			
Cash and balances with treasury banks		1,447,196	1,344,202
Balances with other banks		236,000	33,711
Due from financial institutions	1	8,051,586	7,644,820
Investments	2	10,880,650	10,841,725
Islamic financing and related assets - net	3	2,373,102	3,130,625
Fixed assets		320,139	337,895
Intangible assets		82	409
Due from Head Office		-	-
Deferred tax assets		12,622	19,956
Other assets		1,041,353	279,795
Total Assets		24,362,730	23,633,138
LIABILITIES			
Bills payable		235,430	253,005
Due to financial institutions	4	607,944	840,878
Deposits and other accounts	5	20,464,433	18,943,359
Due to Head Office		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities		413,183	1,831,663
		21,720,990	21,868,905
NET ASSETS		2,641,740	1,764,233
REPRESENTED BY			
Islamic Banking Fund		1,000,000	1,000,000
Reserves		-	-
(Deficit) / surplus on revaluation of assets		(9,815)	(37,061)
Unappropriated / Unremitted profit	7	1,651,555	801,294
		2,641,740	1,764,233
CONTINGENCIES AND COMMITMENTS	8		

Annexure - II

**ISLAMIC BANKING BUSINESS
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Note	2022 ----- (Rupees in '000) -----	2021 -----
Profit / return earned	9	2,776,737	1,605,989
Profit / return expensed	10	1,159,726	755,337
Net Profit / return		1,617,011	850,652
Other income			
Fee and commission income		51,321	40,658
Dividend income		-	-
Foreign exchange loss		(26,314)	(21,862)
Income / (loss) from derivatives		-	-
Loss on sale of securities		(7,559)	(9,169)
Other income		3,569	23,747
Total other income		21,017	33,374
Total income		1,638,028	884,026
Other expenses			
Operating expenses		859,704	798,386
Workers' welfare fund		-	-
Other charges		128	13
Total other expenses		859,832	798,399
Profit before provisions		778,196	85,627
(Reversals) / provisions and write offs - net		(68,874)	(20,657)
Profit before taxation		847,070	106,284
Taxation		-	-
Profit after taxation		847,070	106,284

**ISLAMIC BANKING BUSINESS
NOTES TO THE ANNEXURE - II
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Note	2022			2021		
		In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
----- (Rupees in '000) -----							
I. Due from Financial Institutions							
Unsecured							
Bai Muajjal Receivable from other Financial Institutions	1.1	8,051,586	-	8,051,586	7,644,820	-	7,644,820

1.1 This represents Bai Muajjal agreements with conventional operations of Summit Bank Limited and carries profit rate at 15.75% per annum (2021: 8.50% to 9.50% per annum) and are due to mature latest by January 31, 2023 (2021: February 07, 2022).

2. Investments

	2022				2021			
	Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value
----- (Rupees in '000) -----								
Investments by segments:								
Federal Government Securities								
- GOP Ijarah Sukuks	8,496,681	-	(66,031)	8,430,650	8,495,528	-	(58,978)	8,436,550
Non Government Debt Securities								
- Listed	2,500,000	-	(50,000)	2,450,000	2,500,000	-	(94,825)	2,405,175
Total Investments	10,996,681	-	(116,031)	10,880,650	10,995,528	-	(153,803)	10,841,725

3. Islamic financing and related assets

	Note	2022 ----- (Rupees in '000) -----	2021
Ijarah	3.1	394,844	284,662
Murabaha	3.2	-	762
Running Musharakah		231,889	539,651
Diminishing Musharakah		1,753,890	2,281,155
Tijarah		629,998	699,998
Advance against Ijarah		26,491	22,791
Tijarah Inventory		-	2,400
Payment against Document		-	32,090
Gross Islamic financing and related assets		3,037,112	3,863,509
Less: provision against Islamic financings			
- Specific		(661,849)	(729,361)
- General		(2,161)	(3,523)
		(664,010)	(732,884)
Islamic financing and related assets - net of provision		2,373,102	3,130,625

3.1 Ijarah

	2022						Book Value as at December 31, 2022
	Cost			Accumulated Depreciation			
	As at January 01, 2022	Additions / (deletions)	As at December 31, 2022	As at January 01, 2022	Charge for the year	As at December 31, 2022	
	(Rupees in '000)						
Plant and Machinery	-	-	-	-	-	-	-
Vehicles consumer	495,900	92,651	588,551	211,238	(17,531)	193,707	394,844
Vehicles corporate	2,000	(2,000)	-	2,000	(2,000)	-	-
Equipment	-	-	-	-	-	-	-
Total	497,900	90,651	588,551	213,238	(19,531)	193,707	394,844

	2021						Book Value as at December 31, 2021
	Cost			Accumulated Depreciation			
	As at January 01, 2021	Additions / (deletions)	As at December 31, 2021	As at January 01, 2021	Charge for the year	As at December 31, 2021	
	(Rupees in '000)						
Plant and Machinery	-	-	-	-	-	-	-
Vehicles consumer	524,422	(28,522)	495,900	226,003	(14,765)	211,238	284,662
Vehicles corporate	567,993	(565,993)	2,000	438,977	(436,977)	2,000	-
Equipment	-	-	-	-	-	-	-
Total	1,092,415	(594,515)	497,900	664,980	(451,742)	213,238	284,662

Future Ijarah payments receivable

	2022				2021			
	Not later than 1 year	Later than 1 year & less than 5 years	Over Five years	Total	Not later than 1 year	Later than 1 year & less than 5 years	Over Five years	Total
	(Rupees in 000)							
Ijarah rental receivables	37,293	357,551	-	394,844	43,808	240,854	-	284,662

		2022 ----- (Rupees in '000) -----	2021
3.2 Murabaha	Note		
Murabaha financing	3.2.1	-	762
		-	762
3.2.1 Murabaha receivable - gross	3.2.2	-	963
Less: Deferred murabaha income	3.2.3	-	(201)
Murabaha financings		-	762
3.2.2 The movement in Murabaha financing during the year is as follows:			
Opening balance		963	6,910
Sales during the year		-	-
Adjusted during the year		(963)	(5,947)
Closing balance		-	963
3.2.3 Deferred murabaha income			
Opening balance		201	567
Arising during the year		-	-
Less: Recognised during the year		(201)	(366)
Closing balance		-	201
4. Due to financial institutions			
Secured			
Acceptances from the SBP under Islamic Export Refinance Scheme	4.1	400,000	400,000
Total secured		400,000	400,000
Unsecured			
Overdrawn nostro accounts		7,944	15,878
Musharakah	4.2	200,000	425,000
Total unsecured		207,944	440,878
		607,944	840,878

4.1 The Bank has entered into an agreement with SBP for extending export finance to its Islamic customers. Borrowing under the export refinance scheme of SBP carry profit at rates ranging from 8.00% to 9.00% per annum (2021: 2.00% per annum). These are secured against demand promissory notes and are due to mature by April 17, 2023 (2021: March 23, 2022).

4.2 This represents acceptance of funds by Islamic operations of Summit Bank Limited from conventional operations of Summit Bank Limited on Musharakah basis.

5. Deposits	2022			2021		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	----- (Rupees in '000) -----					
Customers						
Current deposits	5,929,857	426,025	6,355,882	6,037,564	445,290	6,482,854
Savings deposits	12,470,238	182,913	12,653,151	11,135,390	98,557	11,233,947
Term deposits	929,434	133,928	1,063,362	785,378	176,683	962,061
Others	223,829	-	223,829	164,091	-	164,091
	19,553,358	742,866	20,296,224	18,122,423	720,530	18,842,953
Financial Institutions						
Current deposits	5,629	171	5,800	10,385	139	10,524
Savings deposits	162,409	-	162,409	78,882	-	78,882
Term deposits	-	-	-	11,000	-	11,000
	168,038	171	168,209	100,267	139	100,406
	19,721,396	743,037	20,464,433	18,222,690	720,669	18,943,359

5.1 Composition of deposits	2022	2021
	----- (Rupees in '000) -----	
- Individuals	13,370,997	13,418,155
- Government (Federal and Provincial)	552,644	426,994
- Public Sector Entities	3,720	19,569
- Banking Companies	49,294	38,264
- Non-Banking Financial Institutions	354,485	275,886
- Private Sector	6,133,293	4,764,491
	20,464,433	18,943,359

5.2 Deposits include Eligible Deposits of Rs. 10,672.273 million (2021: Rs. 11,054.384 million) protected under Depositors Protection Mechanism introduced by the State Bank of Pakistan.

6. Charity Fund	2022	2021
	----- (Rupees in '000) -----	
Opening balance	1,084	2,317
Additions during the year		
- Received from customers on account of delayed payment	3,370	1,467
- Dividend purification amount	-	-
- Other Non-Shariah compliant income	-	-
- Profit on charity saving account	-	-
	3,370	1,467
Payments / utilization during the year		
- Education	(300)	(1,100)
- Health	-	(1,100)
- Community development	(2,000)	(500)
	(2,300)	(2,700)
Closing balance	2,154	1,084

7. Unappropriated / Unremitted profit	2022	2021
Opening balance	801,294	691,819
Add : Islamic Banking profit for the year	847,070	106,284
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to accumulated profit	3,191	3,191
Closing balance	1,651,555	801,294

8. CONTINGENCIES AND COMMITMENTS	2022 ----- (Rupees in '000) -----	2021 -----
-Guarantees	3,110,325	1,732,852
-Commitments	1,434,033	1,343,728
-Other contingent liabilities	-	-
	4,544,358	3,076,580
9. Profit / Return Earned of Financing, Investments and Placement		
Profit earned on:		
Financing	302,989	272,959
Investments	1,426,051	606,730
Placements	1,046,977	725,640
Balances with banks	720	660
	2,776,737	1,605,989
10. Profit on Deposits and other Dues Expensed		
Deposits and other accounts	1,072,351	696,783
Due to Financial Institutions	67,330	34,123
Finance cost of lease liability	20,045	24,431
	1,159,726	755,337
11. Deposits		

Deposits are generated on the basis of two modes i.e. Qard and Mudaraba.

Deposits taken on Qard basis are classified as 'Current accounts' and deposits generated on Mudaraba basis are classified as 'Savings deposits' and 'Fixed deposits'. No profit or loss is passed on to current account depositors, however the funds of current accounts are treated as equity for the purpose of profit calculation and any profit earned / loss incurred on those funds are allocated to the equity of the Bank. While the product features of each product differ, there is usually no restriction on withdrawals or number of transactions in current and saving accounts. In case of fixed deposits, pre-mature withdrawals can be made as per approved terms only.

Profits realized in investment pools are distributed in pre-agreed profit sharing ratio. Rab-ul-Maal share is distributed among depositors according to weightages assigned at the inception of profit calculation period. Mudarib can distribute its share of profit to Rab-ul-Maal upto a maximum of 60% of its profit as Incentive profits (Hiba).

Profits are distributed from the pool such that the depositors (remunerative) bear the risk of assets in the pool during the profit calculation period. In case of loss in a pool during the profit calculation period, the loss is distributed among the depositors (remunerative) according to their ratio of investments.

Asset pools are created at the Bank's discretion and the Bank can add, amend, and transfer an asset to any other pool.

12. Pool Management

Summit Bank Limited - Islamic Banking Division (SMBL-IBD) operates General and Specific Pools for deposits and interbank funds accepted under Mudaraba and Musharakah modes.

Features, risks and rewards of the pools are given below:

(i) Specific pool

Specific pools are operated for funds acquired / accepted from customers in foreign currencies (FCY) in addition to Pakistani Rupees (PKR) for customers willing to invest in specific sectors / industry / exposures for want of higher returns. These pools operate in accordance with the rules as specified under general pool disclosure, however, varies in degree of risks associated with the investments / assets. Similarly, for interbank acceptances specific pool(s) based on Musharakah are also maintained by the Bank to meet liquidity requirement of the Bank. SMBL-IBD maintains 10 (Ten) Local Currency (LCY) and 01 (one) Foreign Currency (FCY) specific pools.

(ii) General pool

General pool is the basket in which all the deposits from depositors are placed along with the Bank's own equity as well as funds from other financial institutions. The general pool is based on the principle of unrestricted Mudaraba. An unrestricted Mudaraba contract is a contract in which the depositor permits the Bank to administer the funds without any restrictions. In this case, the Bank has a wide range of trade or business freedom on the basis of trust and the business expertise the Bank has acquired.

However, such unrestricted business freedom in an unrestricted Mudaraba must be exercised only in accordance with the interests of the parties and the objectives of the Mudaraba contract, which is making profit. Therefore, the actions of the Bank must be in accordance with the business customs relating to the Banking operations. SMBL-IBD maintains 01 LCY and 01 FCY General pool.

(iii) Treasury pool(s)

Treasury pool(s) may be created from time to time by obtaining funds from financial institutions. Treasury pool will be created on the basis of Mudaraba, Musharakah or Wakalah, as per agreement between Summit Bank and counter party.

Treasury pool may be created for one or more of the following reasons:

- a) Foreseeable major withdrawals by existing depositors;
- b) Expected new disbursement / financing requirement; and
- c) Meeting general liquidity requirement.

In case a major withdrawal has been requested from any depositor in an existing pool, the Bank may arrange funds from financial institution by creating a separate pool. The Bank will transfer matching asset(s) from the pool in which the withdrawal request has been made, to the treasury pool. These pools need to be maintained separately due to its peculiar nature (i.e. liquidity management).

(iv) IERS Pool

IERS is a SBP program to offer Islamic equivalent of ERF and enables exporters to avail refinance through Islamic Banks under Shariah compliant modes. Summit Islamic Banking has been providing this refinance facility to its customers. Hence, this pool is created for the same purpose on Musharakah basis. The profit distribution works exactly the same as pre agreed profit sharing. As this is structured as Musharakah (partnership) as opposed to Mudarabah (fund management), there is no Mudarib fee sharing mechanism.

(a) Priority of utilization of funds in the general pool shall be :

- Depositor Funds.
- Equity Funds.
- Placement / Investments of Other IBI.
- Mudaraba Placement of Summit Bank Limited (Counterparty).

(b) Weightages for distribution of profit in general pool

The weightages are calculated and declared monthly as the pool is constructively liquidated at end of each month and created simultaneously. The Bank declares such weightages at least 3 days before the beginning of the month, after the approval of the Shariah Advisor / RSBM of the Bank. The maximum weightage to the Mudaraba based deposit of any nature, tenor and amount does not exceed 3 times of the weightages assigned to normal saving deposits (minimum balance category).

The weightages assigned to all categories of pool deposits are assigned uniformly on a consistent basis, based on the following parameters / criteria (but not limited to):

- contracted period of deposits;
- frequency of profit distribution, monthly, quarterly or on maturity;
- volume of the deposit;
- product structure; and
- management discretion.

(c) Identification and allocation of pool related income and expenditure

The allocation of income and expenses to different pools is based on pre-defined basis and accounting principles / standards. According to Shariah rules and principles, all direct expenses are expensed out of the total profit i.e. always charged to the pool.

The direct expenses to be charged to the pool shall include all the direct cost of transaction including the following:

- depreciation of Ijarah assets;
- cost of sales of inventories;
- Takaful expenses of pool assets;
- taxes (sales tax and service tax levied by the provincial government);
- stamp fee or documentation charges;
- other costs / foreign exchange losses (if ascertainable);
- brokerage fee for purchase of securities / commodities etc.; and
- impairment / losses due to physical damages to specific assets in pools etc.

Indirect expenses can be categorized as those which are agreed with the saving and deposit account holders to be borne by the Mudarib.

All income pertaining to specific assets for specific periods should be allocated to the pool to which the assets are tagged during the period. Due care should be taken while recognizing revenue from assets. Revenue recognition for each type / class of assets should be in-line with the respective Shariah principles. Further, the financing will be diversified across different sectors and in compliance with the prudential regulation for exposure of individual and corporate clients. Income generated from non-financing activities (fee / commission / service charges) that were not relevant to the general pool were not credited to the pool and relevant expenses were also not charged to the pool.

(d) Parameters associated with risk and rewards

- (i) The risks related to any pool depend upon the nature of the pool and the purpose for which the pool has been created. Considering the low risk tolerance of the investors of the profit and loss distribution pool, the key objective remained to earn competitive returns while containing the risk (volatility) of the returns to a minimum.

(ii) Risks to which the financing assets of the Bank may be exposed to are:

Credit risk which is generally defined as the potential that a counter party fails to meet its obligations in accordance with agreed terms. Therefore, the Bank has sound credit risk management policies to protect the depositors' / Investment Account Holders (IAH) from loss due to credit risk;

Market risk is generally defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices i.e. fluctuations in values in tradable or marketable assets (including Sukuks) and in off-balance sheet individual portfolios (for example restricted investment accounts). The risks relate to the current and future volatility of market values of specific assets and of foreign exchange rates; and

Equity Investment Risk is generally defined as risk associated with holding equity investments during unfavourable situations, where decline in investment caused by market conditions in turn gives volatility of earnings of Musharakah and Modaraba investments.

(iii) Risks to which the profit and loss distribution pool may be exposed to are:

Liquidity risk which is the potential loss to the Bank arising from their inability either to meet their obligations or to fund increases in assets as they fall due without incurring unacceptable costs or losses. In order to mitigate the liquidity risk the Bank should invest in a combination of liquid and illiquid assets to be able to meet their obligations towards the depositors' / investment account holder; and

Rate of return risk to which the Bank may be exposed to in the context of its overall balance sheet exposures. An increase in benchmark rates may result in savings account holders having expectations of a higher rate of return. A consequence of rate of return risk may be displaced commercial risk. Therefore, the Bank employ a gapping method for allocating positions into time bands with remaining maturities or re-pricing dates, whichever is earlier.

Avenues / sectors of economy / business where deposits have been deployed*	2022	2021
	----- (Rupees in '000) -----	
Agriculture, forestry, hunting and fishing	457,295	100,000
Cement	65,369	151,198
Chemical and pharmaceuticals	177,545	207,136
Construction	36,456	6,276
Electronics and electrical appliances	458,995	688,493
Exports / imports	-	762
GOP Ijarah Sukuks	10,996,681	10,995,528
Food, tobacco and beverages	-	309,383
Individuals	181,003	446,934
Miscellaneous manufacturing	120,300	180,449
Paper and allied products	29	351
Services	229,891	551,306
Sugar	629,998	699,998
Transport, storage and communication	5,666	6,953
Wholesale and retail trade	2,736	40,134
Others	-	49,735
Total gross Islamic financing and related assets and investments	13,361,964	14,434,636
Due from financial institutions	8,051,586	7,644,820
Total deployed funds	21,413,550	22,079,456

* Staff financing amounting to Rs. 671.829 million (2021: Rs. 424.401 million) is not included as it is financed through Islamic Banking Fund.

Basis of profit allocation

Profit of the general pool has been distributed between Mudarib and Rab-ul-Maal by using pre-agreed profit sharing ratio. The profit was distributed between Mudarib and Rab-ul-Maal on the under mentioned profit sharing ratios based upon gross income level less direct expenses.

	Profit sharing ratio	
	LCY Deposits	FCY Deposits
	2022	
	-----%-----	
Rab-ul-Maal	50%	3%
Mudarib	50%	97%

Mudarib share (in amount and percentage of distributable income)

	2022	2021	2022	2021
	----- (Rupees in '000) -----		-----%-----	
Rab-ul-Maal	1,031,987	672,349	73%	77%
Mudarib	373,616	200,838	27%	23%
	<u>1,405,603</u>	<u>873,187</u>		

Amount and percentage of Mudarib share transferred to depositors through Hiba

	2022	2021
	----- (Rupees in '000) -----	
Mudarib share	327,829	180,662
Hiba	45,786	20,177
	-----%-----	
Hiba percentage of Mudarib share	12	10

Profit rate earned vs profit rate distributed to the depositors during the year ended December 31, 2022

	2022	2021
	-----%-----	
Profit rate earned	12.64%	7.67%
Profit rate distributed to depositors	8.16%	5.59%

CATEGORIES OF SHAREHOLDERS

AS OF DECEMBER 31, 2022

	NUMBER OF SHAREHOLDERS	SHARE HELD	PERCENTAGE %
ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES			
SUROOR INVESTMENTS LIMITED	1	1,761,412,119	66.77
RUPALI BANK LIMITED	1	32,777,450	1.24
SUB TOTAL	2	1,794,189,569	68.01
SHAREHOLDERS HOLDING FIVE PERCENT OR MORE (EXCLUDING SIL)			
NIL	-	-	-
DIRECTORS			
MR. WASEEM MEHDI SYED		2	
MR. JAWAD MAJID KHAN		7	
MS. FAUZIA HASNAIN		2	
MR. ZAFAR IQBAL SIDDIQI		2	
MR. WAJAHAT AHMED BAQAI		2	
MR. SALMAN ZAFAR SIDDIQI		2	
SUB TOTAL	6	17	0.00
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS	13	155,372,392	5.89
NATIONAL INVESTMENT TRUST & INVESTMENT CORPORATON OF PAKISTAN	-	-	-
FOREIGN SHAREHOLDERS	252	46,398,998	1.76
INDIVIDUAL	41,277	386,351,471	14.64
OTHERS	84	255,838,613	9.70
TOTAL	41,634	2,638,151,060	100.00

PATTERN OF SHAREHOLDING

AS OF DECEMBER 31, 2022

No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
8094	1	100	349430
3655	101	500	1006138
22070	501	1000	12541316
5646	1001	5000	11427714
789	5001	10000	5883981
297	10001	15000	3704419
200	15001	20000	3595743
118	20001	25000	2746419
65	25001	30000	1803254
49	30001	35000	1592266
44	35001	40000	1689950
26	40001	45000	1126512
61	45001	50000	3021102
33	50001	55000	1740081
30	55001	60000	1750552
12	60001	65000	756566
15	65001	70000	1028232
25	70001	75000	1823808
14	75001	80000	1102000
4	80001	85000	333332
4	85001	90000	356725
4	90001	95000	365115
50	95001	100000	4995000
12	100001	105000	1219328
8	105001	110000	865331
6	110001	115000	676111
6	115001	120000	710044
7	120001	125000	866815
4	125001	130000	517397
3	130001	135000	398000
3	135001	140000	416649
2	140001	145000	287500
14	145001	150000	2090357
2	150001	155000	307268
4	155001	160000	636000
3	160001	165000	485559
5	165001	170000	843172
6	170001	175000	1037706
4	175001	180000	709800
1	180001	185000	181500
1	185001	190000	189800
2	190001	195000	388500
23	195001	200000	4593944
6	205001	210000	1246987
2	210001	215000	426500
3	215001	220000	653222

No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
5	220001	225000	1117220
3	225001	230000	682500
1	230001	235000	235000
2	235001	240000	476000
2	240001	245000	489000
2	245001	250000	500000
2	250001	255000	503500
2	255001	260000	514178
4	260001	265000	1050955
2	265001	270000	536500
1	275001	280000	275500
1	280001	285000	285000
1	290001	295000	293000
8	295001	300000	2398000
2	300001	305000	605500
1	320001	325000	325000
1	325001	330000	330000
1	330001	335000	332500
2	335001	340000	678885
1	340001	345000	341500
4	345001	350000	1395913
3	355001	360000	1074978
1	360001	365000	360500
2	365001	370000	735080
2	375001	380000	757500
1	385001	390000	389000
7	395001	400000	2797500
1	400001	405000	405000
8	415001	420000	3336568
1	420001	425000	423500
1	430001	435000	432000
1	445001	450000	448000
1	455001	460000	455591
1	485001	490000	487388
9	495001	500000	4500000
1	500001	505000	501000
1	505001	510000	506978
2	510001	515000	1023000
1	515001	520000	518400
1	525001	530000	528212
2	535001	540000	1076000
3	545001	550000	1648000
1	550001	555000	552000
1	555001	560000	557500
1	575001	580000	576500
2	585001	590000	1171710

No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
1	590001	595000	593000
3	595001	600000	1800000
1	610001	615000	611000
1	625001	630000	626000
2	645001	650000	1300000
1	655001	660000	657500
2	660001	665000	1326555
1	670001	675000	673500
3	675001	680000	2034000
1	685001	690000	688000
1	690001	695000	695000
1	695001	700000	700000
1	700001	705000	703980
1	715001	720000	720000
1	720001	725000	724000
2	745001	750000	1498500
1	755001	760000	755555
1	760001	765000	764000
1	770001	775000	772000
1	790001	795000	795000
1	795001	800000	800000
1	840001	845000	841000
1	860001	865000	860500
2	895001	900000	1796500
1	925001	930000	929000
1	955001	960000	957000
5	995001	1000000	5000000
1	1020001	1025000	1020500
1	1075001	1080000	1078500
1	1095001	1100000	1100000
1	1130001	1135000	1135000
1	1165001	1170000	1170000
1	1180001	1185000	1182000
1	1195001	1200000	1200000
1	1225001	1230000	1228000
1	1345001	1350000	1347443
1	1375001	1380000	1380000
1	1415001	1420000	1415500
1	1445001	1450000	1450000
1	1545001	1550000	1550000
1	1620001	1625000	1622717
1	1785001	1790000	1790000
1	1795001	1800000	1798677
1	1815001	1820000	1820000
1	1830001	1835000	1835000
1	1880001	1885000	1882500

No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
1	1980001	1985000	1981500
1	1985001	1990000	1987500
1	1995001	2000000	2000000
1	2020001	2025000	2024500
1	2040001	2045000	2042500
1	2250001	2255000	2255000
1	2415001	2420000	2416800
1	2600001	2605000	2600500
2	2915001	2920000	5836000
1	2995001	3000000	3000000
1	3245001	3250000	3250000
2	3495001	3500000	7000000
1	3995001	4000000	4000000
1	4465001	4470000	4465500
1	5085001	5090000	5090000
1	5295001	5300000	5300000
1	5440001	5455000	5442722
1	5840001	5845000	5841389
1	5855001	5860000	5857429
1	5995001	6000000	6000000
1	6345001	6350000	6349000
1	7145001	7150000	7148500
1	8210001	8215000	8211500
1	9210001	9215000	9213388
1	10180001	10185000	10182000
1	13550001	13555000	13554128
1	13730001	13735000	13735000
1	15195001	15200000	15200000
1	22985001	22990000	22986500
1	32775001	32780000	32777450
1	33995001	34000000	34000000
1	49995001	50000000	50000000
1	50000001	50005000	50002500
1	54215001	54220000	54216512
1	66820001	66825000	66822946
1	68225001	68230000	68228986
1	69695001	69700000	69700000
1	86275001	86280000	86277063
1	1761410001	1761415000	1761412119
41634			2638151060

NOTICE OF THE SEVENTEENTH ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF SUMMIT BANK LIMITED

NOTICE is hereby given that the Seventeenth Annual General Meeting of the Shareholders (the “Shareholders”) of Summit Bank Limited (the “Bank”) will be held on Thursday, March 30, 2023 at 12:00 p.m. at Serena Hotel, Islamabad to transact the following business:

AGENDA

Ordinary Business:

1. To confirm the minutes of the Adjourned Extraordinary General Meeting of the Bank held on January 16, 2023.
2. To receive, consider and adopt the audited financial statements of the Bank together with the Directors’ and Auditors’ Reports for the financial year ended December 31, 2022.
3. To appoint M/s. Yousuf Adil, Chartered Accountants as the new external auditors of the Bank for the financial year ending on December 31, 2023 and fix their remuneration thereof.

(The present auditors’ M/s. Baker Tilly Mehmood Idrees Qamar, Chartered Accountants have completed their five years’ term of audit engagement services with the Bank and are not eligible for re-appointment in accordance with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 as applicable on Banks in Pakistan).

Other Business:

4. To transact any other business with the permission of the chair.

By order of the Board

Place: Karachi
Date: March 09, 2023

Syed Muhammad Talib Raza
Company Secretary

Notes:

1. The share transfer books of the Bank will be closed from March 23, 2023 to March 30, 2023 (both days inclusive). Transfers received by our Shares Registrar, M/s. THK Associates (Private) Limited, 32-C, Jami Commercial Street No. II, D.H.A, Phase-VII, Karachi at the close of business i.e. March 22, 2023 shall be treated in time for the purpose of entitlement to attend the said AGM.
2. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend, speak and vote on his / her behalf. A corporation being a member may appoint as its proxy any of its official or any other person whether a member of the Bank or otherwise.
3. An instrument of proxy and a Power of Attorney or other authority (if any) under which it is signed or notarized, copy of such Power of Attorney must be valid and deposited with the Share Registrar of the Bank, M/s. THK Associates (Pvt.) Limited not less than 48 hours before the time of the meeting.

4. Those shareholders whose shares are deposited with Central Depository Company of Pakistan Limited (CDC) are requested to bring their original Computerized National Identity Card (CNIC) along with the participant ID number and their account / sub-account numbers in CDC to facilitate identification at the time of AGM. In case of proxy, attested copies of proxy, CNIC or passport, Account and Participant I.D. numbers must be deposited along with the Form of Proxy with our Share Registrar. In case of proxy for corporate members, the Board of Directors' Resolution / Power of Attorney with specimen signature of the nominee shall be produced at the time of the meeting (unless it has been provided earlier to the Share Registrar).
5. Shareholders having physical scrip of shares are requested to promptly notify change in their postal address and / or email address if any, to our Share Registrar, in writing, whereas CDC accounts holders are requested to contact their CDC Participant / CDC Account Services.
6. In accordance with SECP's directives, it is mandatory for all the shareholders to have their valid CNIC number recorded with the Bank. Members who have not yet submitted photocopies of their CNICs to the Registrar are requested once again to submit a valid attested copy of their CNIC.

For Attending the Meeting:

- i. In case of individuals, the account holders or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card ("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.

For Appointing of Proxies:

- i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per the above requirement.
- ii. The proxy form shall be witnessed by the two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii. Attested copy of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv. The proxy shall produce his/her original CNIC or passport at the time of the meeting.
- v. In case of corporate entity, the Board of Directors Resolution / Power of Attorney with specimen signature shall be submitted along with proxy form of the Bank.

7. A Proxy Form, both in English and Urdu language, is being separately sent to the members, along with the Notice of AGM.
8. In accordance with SECP Circular No. 10 of 2014 dated May 21, 2014 (the Circular), member holding in an aggregate of 10% or more shareholding in the paid-up capital of the Bank residing in a city, may avail video conference facility to attend the meeting.

Requirement and procedure for availing video conference facility as stipulated in the Circular are detailed here as under:

The member should provide their consent as per the following format and submit to the registered address of the Bank 10 days before holding of general meeting.

Consent Form for Video Conference Facility

I/We _____ of _____
being a member of Summit Bank Limited, holder of _____ ordinary
shares as per Register Folio / CDC Account No _____
hereby opt for video conference facility at _____
(geographical location).

9. As per Section 72 of the Companies Act, 2017, every existing listed company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the Commission, within a period not exceeding four years from the commencement of this Act, i.e., May 30, 2017.

The Shareholders having physical shareholding are encouraged to open CDC sub-account with any of the brokers or Investor Account directly with CDC to place their physical shares into scrip less form, this will facilitate them in many ways, including safe custody and sale of shares, any time they want, as the trading of physical shares is not permitted as per existing regulations of the Pakistan Stock Exchange.

10. Shareholders who could not collect their dividend / physical shares are advised to contact our Share Registrar to collect/enquire about their unclaimed dividend or shares, if any. In compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, all such dividend and shares outstanding for a period of three (3) years or more from the date due and payable shall be deposited to the credit of the Federal Government in case of unclaimed dividend and in case of shares, shall be delivered to the SECP.
11. Copies of the Notice of AGM and the latest audited annual/quarterly financial statements of the Bank have been kept at the Registered Office of the Bank which can be obtained and/or inspected during the business hours on any working day from the date of publication of this Notice till the conclusion of the AGM by the members and other persons entitled to attend the Meeting. Notice of the Seventeenth (17th) AGM and the latest audited annual/quarterly financial statements have further been placed on the website of the Bank: www.summitbank.com.pk.

12. The Securities & Exchange Commission of Pakistan (SECP) through its SRO 470(1)/2016 dated May 31, 2016 has allowed the companies to circulate its Audited Annual Financial Statements to its members through CD/DVD/USB or any electronic media at their registered addresses.

However, shareholders who wish to receive the hard copy of the Financial Statements shall have to fill out the 'Standard Request Form' available on the Bank's website and send to us at the given addresses.

13. Pursuant to Companies (Postal Ballot) Regulations, 2018, for any other agenda item subject to the requirements of Section 143 and 144 of Companies Act, 2017, members present in person, through video-link or by proxy, and having not less than one-tenth of the total voting power can also demand a poll and exercise their right of vote through postal ballot, that is voting by post or through any electronic mode, in accordance with requirements and procedure contained in the aforementioned regulations.

Interest of Directors

The Directors of the Bank have no personal interest, directly or indirectly, that would require further disclosure.

Inspection of Documents

The copies of the Memorandum and Articles of Association of the Bank and the minutes of the last Adjourned Extraordinary General Meeting of the Bank may be inspected / procured free of cost during the business hours on any working day from the Registered Office / Head Office of the Bank from the date of publication of the accompanying notice till the conclusion of the Annual General Meeting of the Bank.

BRANCH NETWORK

CONVENTIONAL BANKING BRANCHES

KARACHI

Abdullah Haroon Road Branch

282/3, Abdullah Haroon Road, Area, Saddar, Karachi
Tel: 021-35685269, 35685393, 35685940
Fax: 021-35683991

Adamjee Nagar Branch

115-A/Z, Block 7/8, Tipu Sultan Road, Karachi
Tel: 021- 34312984-9
Fax: 021-34312980

Atrium Mall Branch

Shop No. 6 and 21 Ground floor, Plot No. 249, Atrium Mall, Staff Lines, Zaibunnisa Street, Saddar, Karachi
Tel: 021-35641001-7
Fax: 021-35641008

Badar Commercial Branch

Plot No. 41-C, Badar Commercial, Street No. 10, Phase-V Extension, DHA Karachi
Tel: 021-35348501-3
Fax: 021-35348504

Bahadur Shah Center Branch

Bahadur Shah Center, Urdu Bazar,
Off: M.A. Jinnah Road, Karachi
Tel: 021-32768547, 32768559
Fax: 021-32765083

Bahadurabad Branch

Plot # C-23, Shop # 1&2 Block-3, BMC Commercial Area Bahadurabad, Karachi
Tel: 021-34913447 & 49
Fax: 021-34913453

Barkat-e-Hyderi Branch

Almas Square, Block-G, North Nazimabad, Karachi
Tel: 021-36628931, 36706896-7
Fax: 021-36723165

Burns Road Branch

Plot No. 55-A, Survey Sheet A.M., Artillery Maidan Quarters (Burns Road), Karachi.
Tel: 021-32215174,75 & 76
Fax: 021-32215289

Clifton Branch

Pearl Heaven Apartments, Khayaban-e-Roomi, Block No-5, Clifton, Karachi
Tel: 021-35823469, 35824171, 35823619
Fax: 021-35821463

Cloth Market Branch

41, Saleh Muhammad Street, Cloth Market, Karachi
Tel: 021-32461601-03 & 32461605
Fax: 021-32461608

Com-3, Clifton Branch, Karachi

Show Room No. 12, Com-3, (Opp: Bar B.Q. Tonight), Block 6, Clifton, Karachi.
Tel: 021-35148311 - 13
Fax: 021-35148314

Defence Branch

55-C, Phase-II, D.H.A, Opp Toyota Motors, Main Korangi Road, Karachi.
Tel: 021-35387809-35396263 - 35312592
Fax: 021-35387810

DHA Phase I Branch

101-C, Commercial Area 'B', Phase-I DHA, Karachi
Tel: 021- 35314061, 35314063-67, 35314105
Fax: 021-35314070

DHA Phase IV Branch

Plot # 129, 9th Commercial Street, Phase IV, DHA, Karachi
Tel: 021-35313068-70
Fax: 021-35313071

Dhoraji Colony Branch

Plot No. 133, Block No. 7 & 8 Dhoraji Colony, C.P & Berar Co-operative Housing Society, Karachi
Tel: 021-34860773-75
Fax: 021-34860772

Electronic Market (Abdullah Haroon Road) Branch

Shop No 1 & 2, Plot # 19, Ghafoor Chambers, Preedy Quarters, Saddar, Karachi
Tel: 021-32711614-8
Fax: 021-32716113

Fish Harbour Branch

K - 3, Export Zone, Adjacent Main Auction Hall, Fish Harbour, Karachi
PABX: 021-32315383 - 85
Fax: 021-32315386

Garden East Branch

Shop No. 1,2,3,4, 5 & 6, Jumani Centre Plot No. 177-B, Garden East, Karachi
Tel: 021-32243311-13
Fax: 021-32243314

Gulistan-e-Jauhar - Branch 1

Plot # 118/A-B, Shop # 02, 03, 04 Ground Floor Ruffi
Paradise Block-18 Gulistan-e-Jauhar, Karachi
Tel: 021-34621281-4
Fax: 021-34621285

Gulistan-e-Jauhar - Branch 2

Shop No. 5, 6,7 & Office No. D-2,
Farhan Centre Block No. 1.
Gulistan-e-Jauhar, Karachi
Tel: 021-34022259, 34613674, 34016488-9
Fax: 021-34022639

Gulshan-e-Iqbal - Branch 1

Ground Floor, Hasan Center, Block-16,
Main University Road, Karachi
Tel: 021-34829024-27
Fax: 021-34829023

Gulshan-e-Iqbal - Branch 2

B-44, Block 13/A, Main University Road,
Gulshan-e-Iqbal, Karachi
Tel: 021-34987688, 34987739-40
Fax: 021-34987689

Hyderi Branch

D-10 Block-F, North Nazimabad, Hyderi, Karachi.
Tel: 021-36724991-4
Fax: 021-36724972

I. I. Chundrigar Road Branch 1 - Unitower

Uni Towers, I.I. Chundrigar Road, Karachi.
Tel: 021-32466410-13
Fax: 021-32466500

Jami Commercial, DHA Branch

64 C, Jami Commercial Phase VII, 7th Street, DHA, Karachi
Tel: 021-35316200-07
Fax: 021-35316199

Jamshed Quarters Branch

Showroom no. 3 & 4, AB Arcade Plot # 714-6-1
Block A, New M.A. Jinnah Road, Karachi
Tel: 021-34860422-23, 34860425
Fax: 021-34860424

Jodia Bazar - Branch 1

A/25/28 Daryalal Street, Jodia Bazar, Karachi
Tel: 021-32500121-5
Fax: 021-32500128

Karachi Stock Exchange Branch

Office No. 52, 52-A, 52-B,
(1st Floor) KSE Building, Karachi
Tel: 021-32462850, 32462844-9
Fax: 021-32462843

Karimabad Branch

Plot No BS-16, Block 1, FB Area, Karimabad, Karachi
Tel: 021- 36826646-48
Fax: 021-36826649

Khayaban-e-Shahbaz Branch

Plot No. 21-C Khayaban-e-Shahbaz, Phase VI, DHA, Karachi
Tel: 021-35344952, 353444957 & 35344963
Fax: 021-35344942

Khayaban-e-Tanzeem Branch

C 4-C, Tauheed Commercial, Khayaban-e-Tanzeem,
Phase-5, DHA, Karachi
Tel: 021-35869147-35810977 & 35871640
Fax: 021-35869342

Korangi Industrial Area Branch

33/1, Sector-15, Korangi Industrial Area, Karachi
Tel: 021-35114290, 35121294, 35122231-32
Fax: 021-35114282

Khayaban-e-Ittehad Branch

Plot No. 22-C, Khayaban-e-Ittehad,
Phase-VI, DHA, Karachi
Tel: 021-35176607-09

Malir Cantt Branch

Army Shopping Complex, Adjacent Tooba Army Store
Malir Cantonment, Karachi
Tel: 021-34196142-44
Fax: 021-34196145

M. A. Jinnah Road Branch

Mezzanine & Ground Floor, Plot Survey # 19, Street #
R.B.6. Shop # 3, 4, Ram Bagh Quarters 166 M.A. Jinnah
Road, Karachi
Tel: 021- 32218395, 32218409,32218428
Fax: 021-32218376

Muhammad Ali Society Branch

Plot # 4-C Commercial Area, Muhammad Ali
Co-Operative Housing Society, Karachi
Tel: 021-34168036-37
Fax: 021-34186045

Nazimabad (Gol Market) Branch

Plot # 7, Sub Block 'E', in Block # III (III-E-7), Nazimabad
(Gole Market), Karachi
Tel: 021-36620261-63 & 36620267
Fax: 021-36620264

New Challi Branch

Plot No. 27, Survey No. 27, (New Challi),
Altat Hussain Road, Karachi.
Tel: 021 - 32423999 - 32423737
Fax: 021 - 32422051

North Karachi Industrial Area Branch

Plot No. R-14, Gabol Town, North Karachi
Industrial Area, Karachi
Tel: 021-32015919, 36995925 & 36963445
Fax: 021-36975919

PAF-Base Faisal Branch

Camp-2, Faisal Arcade, PF-I, Market
PAF-Base Faisal, Karachi
PABX: 021-34601360-62
Fax: 021-34601363

Paper Market Branch

Al-Abbas Centre, Paper Market, Shahrah-e-Liaquat,
Karachi
Tel: 021-32639671-2 & 32634135
Fax: 021-32639670

Plaza Quarters Branch

Al-Shafi Building Noman Street,
Off: M.A. Jinnah Road, Karachi
Tel: 021-32771515-16-18
Fax: 021-32771517

Ranchore Line Branch

R.C. 11, Old Survey # E-7/143, Ranchore Line, New
Lakhpati Hotel, Karachi
Tel: 021-32767234-36
Fax: 021-32767460

Rizvia Society Branch

B-12, Rizvia Cooperative Society, Nazimabad, Karachi
Tel: 021-36600956-57
Fax: 021-36600958

Sea View, Clifton Branch, Karachi

Plot No. G - 2, Block 2, (Ground Floor), Clifton, Karachi.
Tel: 021 - 3572020 -22
Fax: 021 - 3572023

S.I.T.E. Branch

B/9-B/3, Near Metro Chowrangi, S.I.T.E., Area, Karachi
Tel: 021-32586801-4, 32587166-8
Fax: 021-32586806

Saeedabad Branch

Plot # 1004/1 & 1004-A/1 (5G/102-A & 5G/012-A/2),
Saeedabad, Baldia, Mahajir Camp, Karachi
Tel: 021-32815092-94
Fax: 021-32815095

Shahrah-e-Faisal Branch

Business Avenue Block-6, P.E.C.H.S., Karachi
Tel: 021-34386417-18 & 34374476
Fax: 021-34531819

Shershah Branch

Plot # D-175, Industrial Trading Estate Area, Trans Lyari
Qrtrs, Shershah, Karachi
Tel: 021-32588191-93
Fax: 021-32588195

Soldier Bazar Branch

Shop # 4, 5 & 6, Plot No 14, Survey # 13-B-2, Soldier Bazar
Quarters, Karachi
Tel: 021-32231559-60
Fax: 021-32231556

Steel Market Branch

Ground Floor, Shop # G-13, 14, 32, 33 Steel Market,
Ranchore lines Quarters, Karachi
Tel: 021-32763001- 07
Fax: 021-32763009

Tariq Road Branch

C-51, Central Commercial Area, Near Pizza Max Tariq Road,
P.E.C.H.S., Karachi
Tel: 021-34556486, 34556682
Fax: 021-34555478

Timber Market Branch

Siddique Wahab Road, Karachi
Tel: 021-32732729, 32766995
Fax: 021-32733214

Water Pump Branch

Lateef Square, Block-16, Federal 'B' Area, Main
Water Pump Market, Karachi
Tel: 021-36321387, 36314817
Fax: 021-36314848

LAHORE

Allama Iqbal Town Branch

56/12, Karim Block, Allama Iqbal Town, Lahore
Tel: 042-35434160-61, 35434163
Fax: 042-35434164

Azam Cloth Market Branch

285-286, Punjab Block, Azam Cloth Market, Lahore
Tel: 042-37661686,
37660341 & 37660298
Fax: 042-37661863

Badami Bagh Branch

25 - Peco Road Badami Bagh Lahore
Tel: 042-37724583, 37720382, 37705036
Fax: 042-37730867

Bahria Town Branch

Plot No. 31 - B, Sector 'C', Bahria Town, Lahore
Tel: 042 - 37862380 - 82
Fax: 042-37862379

Bedian Road Branch

Plot No. 3025/20925, Opposite Askari I I,
Main Gate, Main Bedian Road, Lahore Cantt.
Tel: 042-37165300-03
Fax: 042-37165304

Circular Road Branch

Babar Centre, 51, Circular Road, Lahore
Tel: 042-37379371 - 75
Fax: 042-37379370

Darogawala Branch

Near Shalimar garden G.T.Road Darogawala Lahore
Tel: 042-36520681-83
Fax: 042-36520684

DHA G Block Branch

Plot # 13 G, Commercial Zone DHA,
Phase-I, Lahore Cantt.
Tel: 042-35691173-78
Fax: 042-35691171

DHA Phase - VI Branch

Property No 16-MB , Block MB, Phase VI DHA Lahore
Tel: 042 -37189650 -52
Fax: 042-37189653

DHA Y Block Branch

163, Block Y, Phase III, DHA Lahore Cantt
Tel: 042-35692531-36
Fax: 042-35692690

Egerton Road Branch

27-Ajmal House, Egerton Road, Lahore
Tel: 042-36364522, 36364532
Fax: 042-36364542

Empress Road Branch

Plot #. 29, Empress Road, Lahore
Tel: 042-36300670-3
Fax: 042-36310362

Faisal Town Branch

853/D, Akbar Chowk, Faisal Town, Lahore
Tel: 042-35204101-3
Fax: 042-35204104

Ferozpur Road Branch

Siza Farmer Factory, Sufiabad, Lahore
Tel: 042- 35401751-3, 35401754
Fax: 042-35800094

Gulberg Branch

Plot 61, Main Gulberg, Lahore
Tel: 042-35870832-3, 35870975-6
Fax: 042-35870834

Ichra More Branch

House # 146, Muhallah Ferozpur Road, Ichra More, Lahore
Tel: 042-37572090-93 - 042-37426301
Fax: 042-37572089

Johar Town Branch

Plot # 85, Block G/1, M.A Johar Town-Lahore
Tel: 042-35291172-74
Fax: 042-35171047

Kashmir Block, Allama Iqbal Town Branch

Plot # 1, Kashmir Block, Allama Iqbal Town
Scheme, Lahore
Tel: 042-37809021-24
Fax: 042-37809026

Lahore - Cantt Branch

Day building 1482/A, Abdul Rehman Road, Lahore Cantt
Tel: 042- 36603061-63
Fax: 042-36603065

Lahore Stock Exchange Branch

Office No. 1, Lower Ground floor # 1, Lahore Stock
Exchange Plaza, Plot No. 19, Khasra No. 1047, 19,
Khayaban e Aiwan e Iqbal, Lahore
Tel: 042-36280853 - 56
Fax: 042-36280851

Liberty Market Branch

Shop No.02 & 03, Ground floor, Diamond Tower,
28 Commercial Zone, Liberty Market, Gulberg III, Lahore
Tel: 042- 35717273, 35763308
Fax: 042-35763310

Mall Road Branch

56, Ground Floor, Sh-e-Quaid-e-Azam (The Mall), Lahore
Tel: 042-36284801-3
Fax: 042-36284805

Model Town Branch

14-15, Central Commercial Market, Model Town, Lahore
Tel: 042-35915540-42 & 35915548
Fax: 042-35915549

New Garden Town Branch

19-A, Ali Block, New Garden Town, Lahore
Tel: 042-35911361-4
Fax: 042-35911365

Shah Alam Gate Branch

12-A, Shah Alam Gate, Lahore
Tel: 042-37666854 - 57
Fax: 042-37663488

Urdu Bazar Branch

S - 38-R, Urdu Bazar Chowk - 205, Circular Road, Lahore
Tel: 042-37116001-3
Fax: 042-37116004

Wahdat Road Branch

Mauza Ichra, Wahdat Road, Lahore
Tel: 042-37503001-3
Fax: 042-37503004

Z Block DHA Branch

323-Z, DHA, Phase-3, Lahore
Tel: 042-35693112-5
Fax: 042-35693117

ISLAMABAD

Bahria Town Branch

Plot # 3-4, Express Way, Sufiyan Plaza,
Phase VII, Bahria Town, Islamabad
Tel: 051- 5707360 – 63-65
Fax: 051-5707358

Barah Koh Branch

Murree Road, Tehsil / District,
Islamabad
Tel: 051- 2321712- 13
Fax: 051-2321714

Blue Area Branch

20 - Al- Asghar Plaza, Blue Area,
Islamabad
Tel: 051-2823204, 2872913
Fax: 051-2274276

F-10 Markaz Branch

Plot No. 08, Maroof Hospital, F-10
Markaz, Islamabad
Tel: 051-2222860-62
Fax: 051-2222863

F-11 Markaz Branch

Plot # 29, Select Center, F-11
Markaz, Islamabad
Tel: 051-2228027-28
Fax: 051-2228365

G-11 Markaz Branch

Shop #. 25-34, Plot # 23, Sajid Sharif
plaza, G-11 Markaz, Islamabad
Tel: 051-2220973-6
Fax: 051-2220977

I-9 Markaz Branch

Plot # 3/L, Shops Nos. 6, 7, 13, & 14, I-9,
Markaz, Islamabad
Tel: 051-4449832-35
Fax: 051-4449836

Stock Exchange Branch

Plot # 109, East F-7/G-7, Jinnah Avenue,
Blue Area, Islamabad
Tel: 051-2806281-83
Fax: 051-2806284

Super Market Branch

Shop No. 9, Block - C, F-6 Markaz, Islamabad.
Tel: 051-2279168-170 & 051-2824533-34
Fax: 051-2279166

RAWALPINDI

Raja Bazar Branch

Raja Bazar, Rawalpindi
Tel: 051-5553504, 5557244 & 5777707 - 5534173-5557244
Fax: 051-5559544

Shamsabad Muree Road Branch

DD/29, Shamsabad Murree Road, Ojri Kalan, Rawalpindi
Tel: 051-4854400, 4854401-03
Fax: 051-4854404

The Mall Road Branch, Rawalpindi

Shop No. 31-A/4, The Mall Road,
Opp: State Life Bldg., Saddar,
Rawalpindi Cantt.
Tel: 051-5564123, 051-5120777-80
Fax: 051-5528148

FAISALABAD

Jail Road Branch

House No. P-62, opposite Punjab Medical College,
Jail Road, Faisalabad
Tel: 041-8813541-43
Fax: 041-8813544

Kotwali Road Branch

P-12, Kotwali Road, Faisalabad
Tel: 041-2412151-53
Fax: 041-2412154

Liaquat Road Branch

Liaquat Road, Chak # 212, Faisalabad
Tel: 041-2541257-59
Fax: 041-2541255

Satiana Road Branch

679-DGM, Batala Colony, Satiana Road, Faisalabad
Tel: 041 - 8500569 - 71
Fax: 041 - 8500568

Susan Road Branch

Chak No. 213/RB Susan Road, Faisalabad
Tel: 041-8502367-69
Fax: 041-8502371

MULTAN

Abdali Road Branch

Plot No. 66-A & 66-B/9, Abdali Road, Multan
Tel: 061-4588171, 4588172 & 4588175-78
Fax: 061-4516762

Hussain Agahi Road Branch

2576, Hussain Agahi Road, Multan
Tel: 061-4548083, 4583268, 4583168 & 4584815
Fax: 061-4543794

Qadafi Chowk Branch

Plot # 43, Block T, New Multan Road, Qadafi Chowk-Multan
Tel: 061-6770882-84
Fax: 061-6770889

Vehari Road Branch

Plot # 2227-A, Chowk Shah Abbas, Vehari Road, Multan
Tel: 061-6241015-17
Fax: 061-6241014

SUKKUR

Marich Bazar Branch

B – 885, Marich Bazar, Sukkur
Tel: 071-5627781-2
Fax: 071-5627755

Shikarpur Road Branch

Shop # D-195, Ward D, Near A Section Police Station Shikarpur Road, Sukkur
Tel: 071-5617142-44
Fax: 071-5617145

Workshop Road Branch

City Survey # 3403/2/1 and C.S # 3403/2M/6, Ward-B Tooba Tower Workshop Road, Sukkur
Tel: 071-5616663, 5616664, 5616582
Fax: 071-5616584

GUJRANWALA

GT Road Branch

B/II-S7/103, G. T. Road, Gujranwala
Tel: 055-3842751-3842729
Fax: 055-3842890

Gujranwala Branch

G.T. Rd., Opp. General Bus Stand, Gujranwala
Tel: 055-3820401-3
Fax: 055-3820404

Wapda Town Branch

Plot # B - III, MM - 53, Hamza Centre, Wapda Town, Gujranwala
Tel: 055-4800204-06
Fax: 055-4800203

GUJRAT

GT Road Branch

Small Estate, G. T. Road , Gujrat
Tel: 053-3534208, 3533949 & 3534208
Fax: 053-3533934

Gujrat Branch

Main GT Road Tehsil & Distt., Gujrat
Tel: 053-3517051-54
Fax: 053-3516756

Katchery Chowk Branch

Shop #. 1263 & 1270 B-II, Katchery Chowk, Opp. Zahoor Elahi Satadium, Near New Narala Bakers, Gujrat
Tel: 053-3601021-24
Fax: 053-3601025

PESHAWAR

Deans Trade Center Branch

Deans Trade Centre, Islamia Road, Peshawar
Tel: 091-5253081 -3 & 5
Fax: 091-5253080

Fruit Market Branch

Near Fruit Market, G.T. Road, Peshawar
Tel: 091-2260373-4
Fax: 091-2260375

Hayatabad Branch

Shop# I, Hayatabad Mall, Baghee-Naran Road, Phase II, Sector J-I Hayatabad Peshawar.
Tel: 091-5822923-25
Fax: 091-5822926

Main University Road Branch

Tehkal Payan, Main University Road-Peshawar
Tel: 091-5850540-41 & 5850548-9
Fax: 091-5850546

Milad Chowk Branch

Milad Chowk, New Gate, Peshawar City
Tel: 091-2550477, 2550466, 2217131
Fax: 091-2550488

QUETTA

Fatima Jinnah Road Branch

Plot No. Khasra No.134 & 138, Ward No. 19, Urban # 1, Fatima Jinnah Road, Quetta
Tel: 081-2301094-95
Fax: 081-2301096

Liaquat Bazar Branch

Ainuddin Street, Quetta
Tel: 081-2837300-1
Fax: 081-2837302

M. A. Jinnah Road Branch

Ground Floor, Malik Plaza, Near Adara-e-Saqafat,
M.A. Jinnah Road, Quetta.
Tel: 081-2865590-95
Fax: 081-2865587

Regal Chowk Branch

Regal Chowk, Jinnah Road, Quetta
Tel: 081-2837028-29
Fax: 081-2825065

ABBOTTABAD

Abbottabad Branch

Ground Floor Shalimar Motors, Ali Plaza,
Near Sethi Masjid, Mansehra Road, Abbottabad.
Tel: 0992- 863158, 863148
Fax: 0992-385935

ATTOCK

Hassan Abdal Branch

Survey No. 1269/1624, Khasra No. 1935, G. T. Road,
Hassan Abdal, District Attock
Tel: 057-2520328-331 & 2520320-321

Fateh Jang Branch

Main Rawalpindi Road, Fateh
Jang Distt Attock
Tel: 057-2210321-23
Fax: 057-2210324

AZAD KASHMIR

Dadyal Branch

Choudhary Centre, Ara Jattan, Dadyal, Azad Kashmir
Tel: 05827-463475
Fax: 05827-465316

Mirpur Azad Kashmir - Branch I

NS Tower 119 F/1, Kotli Road
Mirpur, Azad Kashmir
Tel: 05827- 437193-97
Fax: 05827-437192

Mirpur Azad Kashmir Branch II

Ghazi Archade, 6-B/3, Part II, Allama Iqbal Road,
Mirpur, Azad Kashmir
Tel: 05827-446405, 446407-9
Fax: 05827-446406

Muzaffarabad Branch

Sangam Hotel, Muzaffarabad - Azad Jammu Kashmir (AJK)
Tel: 05822-924203-5
Fax: 05822-924206

Shaheed Chowk Branch

Deen Plaza, Shaheed Chowk, Kotli, Azad Kashmir
Tel: 05826-448453-54
Fax: 05826-448455

CHAK GHANIAN

Chak Ghanian Branch

Plot No. 547-548, Iqbal Mandi, G. T. Road, Sarai Alamgir.
Tel: 0544-654402-03, 655155
Fax: 0544-654401

CHAKWAL

Chakwal Branch

Al- Noor Plaza Sabzi Mandi, Talagang Road, Chakwal
Tel: 0543-554796, 540650-51
Fax: 0543-554797

Dalwal Branch

Village & Post Office Dalwal, Tehsil
Choha, Saidan Shah, Distt Chakwal
Tel: 0543-582834
Fax: 0543-582842

CHAMMAN

Chamman Branch

Khashra No. 1323 & 2324 Abdali Bazar, Dola Ram Road,
Tehsil Chaman, District Qila Abdullah, Baluchistan
Tel: 0826- 618137-39
Fax: 0826-618143

DADU

Dadu Branch

CS No. 1036/2, Ward 'B', Station Road,
Dadu, Sindh
Tel: 0254-711471-3
Fax: 0254-711474

DINA

Dina Branch

Mian G.T. Road Dina
Tel: 0544-634471 -3
Fax: 0544-636675

GAWADAR

Gawadar Branch

Plot Askani Hotel, Mullah Faazul Chowk, Gawadar
Tel: 0864-212144- 212146
Fax: 0864-212147

GHOTKI

Ghotki Branch

CS # 395 & 407, Muhallah Machhi Bazar,
Opp: Sarkari Bagh, Ghotki, Sindh
Tel: 0723-681571 - 73
Fax: 0723-681574

GILGIT

Gilgit Branch

Khasra # 1103, 1112, 1113,
Haji Ghulam Hussain Building
Raja Bazar Gilgit
Tel: 05811-457366-68
Fax: 05811-457369

GUJAR KHAN

Gujar Khan Branch

Plot # 58-D, 59-C, Sector/Block Area
Development, Scheme # 1, Akbar Kayani
Plaza, G. T, Road, Gujjar Khan
Tel: 051-3516431-4 & 3516436
Fax: 051-3516435

HARIPUR

Haripur Branch

Ground Floor, Akbar Arcade, Main G.T. Road, Haripur
Tel: 0995- 610832 - 34
Fax: 0995-610829

HAZRO

Hazro Branch

Plot # B -386, 386-A, Dawood Centre, Bank Square,
Ziaul Haq Road, Hazro
Tel: 057-2313283 - 85
Fax: 057-2313286

HYDERABAD

Bohri Bazar Hyderabad Branch

41/364, Saddar, Bohri Bazar-Hyderabad
Tel: 022-2730911-14
Fax: 022-2730910

Latifabad No. 7 Branch

Latifabad # 7, 5/D Unit # 7, Hyderabad
Tel: 022-3810524 & 3810525
Fax: 022-3810515

Market Chowk Branch

Shop CS # A/2772/2, Ward -A,
Market Road, Hyderabad
Tel: 022-2638451-5
Fax: 022-2638450

Qasimabad Branch

Shop No. 23, 24 & 25, Rani Arcade,
Qasimabad, Hyderabad
Tel: 022-2650742-43 & 2652204-5
Fax: 022-2650745

JACOBABAD

Jacobabad Branch

C.S. No. 480, Ward # 5, Town, Jacobabad - Sindh
Tel: 0722-650071 - 73
Fax: 0722-650074

JEHLUM

Jhelum Branch

Property # 1 Survey # 222 (Part)
Dada Bhai Building, Kazim Kamal Road, Jhelum Cantt.
Tel: 0544-720216 - 18
Fax: 0544-720219

KAMBAR

Shahdad Kot Branch

C.S. No. 1048, 1051, 1052, 1054, Ward 'B',
Taluqa Shahdad Kot, District Kambar, Sindh
Tel: 074-4014461-63
Fax: 074-4014464

KAMOKE

Kamoke - GT Road Branch

Madni Trade Centre, G.T Road, Kamoke
Tel: 055- 6815175-76
Fax: 055-6815184

KANDH KOT

Kandh Kot Branch

Registry # 505 & 520, Mukhi Muhallah,
Adjacent: Press Club, Kandh Kot, Sindh
Tel: 0722-572604 - 6 & 0722-675607
Fax: 0722-572607

KASUR

Kasur Branch

Near Pul Qatal Gahri, Kutchery Road, Kasur.
Tel: 049-2721993
Fax: 049-2721994

KHAIRPUR

Pacca Chang Branch

CS No. 418/1-08, Deh. Pacca Chang,
Taluqa Faiz Ganj, District Khairpur, Sindh
Tel: 0243-557403-5
Fax: 0243-557406

KOT ADDU

Kot Addu Branch

Property # 43, RH, 48/A-49-50, Ward B-III,
Kot Addu District, Muzaffar Garh
Tel: 066-2240206-07
Fax: 066-2240208

LALAMUSA

Lalamusa Branch

G. T. Road, Lalamusa
Tel: 0537 -515694,515699, 515697,519977
Fax: 0537-515685

LARKANA

Larkana Branch

C.S. No. 1808, Pakistan Chowk, Larkana , Sindh
Tel: 074-4053608-10
Fax: 074-4053611

MANDI BHAUDDIN

Mandi Bahauddin Branch

Khasra # 143/112, Chak #51, Bank Road,
Off Railway Road, Ghalla Mandi, Mandi
Bahauddin
Tel: 0546-600901, 600903-4-5
Fax: 0546-600902

MANSEHRA

Mansehra Branch

Al- Hadeed Corporation Market Shahrah
Resham, Mansehra
Tel: 0997-303186, 303180
Fax: 0997-303135

MARDAN

The Mall Branch

Plot No. 337, 337-A, The Mall, Mardan.
Tel: 0937-865344-45
Fax: 0937-865342

MIRPURKHAS

Khipro Bus Stand Branch

Plot No. 92-93, Samanabad, Khipro District,
Ghumanabad Chowk, Khipro Bus Stand - Mirpurkhas
Tel: 0233-876384 & 874518
Fax: 0233-875925

Umer Kot Road Branch

Plot No : 988 to 991 Umerkot Gharibabad,
Mirpur Khas
Tel: 0233- 875113-7
Fax: 0233-875118

MURIDKE

Muridke Branch

774, G.T. Road Muridke
Tel: 042-37950456,37994711-12
Fax: 042-37994713

NAROWAL

Katchery Road Branch

Katchery Road, Narowal
Tel: 0542-414105-7
Fax: 0542-414089

NAWABSHAH

Nawabshah Branch

Survey No. 77, Masjid Road,
Nawabshah, Sindh
Tel: 0244 - 372042 - 44
Fax: 0244-372045

JAMSHORO

Nooriabad Branch

Ground Floor, SITE Office Building Nooriabad,
Dist Jamshoro, Sindh
Tel: 025-4670433-8
Fax: 025-4670434

OKARA

M.A. Jinnah Road, Okara Branch

Ghulam Mustafa Centre,
Tel: 044-2528755, 2525355
Fax: 044-2525356

RABWAH

Rabwah Branch

Plot No-9-10, Block-14, Darul Sadar, Gol Bazar,
(Chenab Nagar) Rabwah
Tel: 047-6213795-97 & 6213792
Fax: 047-621 3797

RAHIM YAR KHAN

Rahim Yar Khan Branch

31/34 Shahi Road, Rahimyar Khan
Tel: 068-5877821-5883876
Fax: 068-5876776

SADIQABAD

Sadiqabad Branch

Mozzah Khuda Bux Dehar, Macchi Goth,
KLP Road, Sadiqabad
Tel: 068- 5951303 & 5951301-2
Fax: 068-5951300

SAHIWAL

High Street Branch

558/8-1, Navid, Plaza, High Street Sahiwal.
Tel: 040-4229247, 4221615, 4229247
Fax: 040-4460960

SARGODHA

Sargodha Branch

Prince Cinema Market Railway Road, Sargodha
Tel: 048-3768113-5
Fax: 048-3768116

Satellite Town Branch

Satellite Town, Ground Floor, Afzal Towers,
Plot # 302-A, Main Satellite Town, Sargodha.
Tel: 048-3221025-28
Fax: 048-3221029

SHIKARPUR

Shikarpur Branch

C.S. No.52/33/1, Ward 'B', Lakhi Gate, Shikarpur, Sindh
Tel: 0726-522057-59
Fax: 0726-522060

SIALKOT

Kashmir Road Branch

Address: Block 'A', ZHC, Kashmir Road, Sialkot
Tel: 052-3573304-7
Fax: 052-3573310

Paris Road Branch

B1, 16S, 71/A/1, Paris Road, Sialkot
Tel: 052-4602712-17
Fax: 052-4598849

Small Industrial Area Branch

Plot No. 32 / A, S.I.E - I, Small Industrial Estate,
UGOKE Road, Sialkot
Tel: 052-3242690 - 92
Fax: 052-3242695

SWABI

Swabi Branch

Property bearing No. 3361, Main Mardan Road, Swabi
Tel: 0938-222968 - 69
Fax: 0938-221572

TANDO ALLAH YAR

Tando Allah Yar Branch

C-1, Survey # 274, Main Road, Tando Allah Yar - Sindh
Tel: 022-2763181-83
Fax: 022-2763184

TURBAT

Main Bazar Branch

Main Bazar, Turbat
Tel: 0852-413874 & 411606
Fax: 0852-414048

WAH CANTT

Wah Cantt Branch

Plot No. 17/37, Civic Center, Aslam Market, Wah Cantt
Tel: 051-4902238-39 & 4902241
Fax: 051-490224

ISLAMIC BANKING BRANCHES

KARACHI

Fortune Towers Branch

Showroom No. 9 S-09, Ground Floor,
Plot No. 43/1-A, Fortune Towers,
P.E.C.H.S., Block-VI,
Shahrah-e-Faisal, Karachi
PABX: 021-32368002-4
Fax: 021-32368008

Fish Harbour Branch

Plot No. L - 2, Block L
Fish Harbour, Dockyard Road,
West Wharf, Karachi
PABX: 021-32312166-68
Fax: 021-32312165

I. I. Chundrigar Road Branch II

5-Business & Finance Centre,
Opposite State Bank of Pakistan,
Karachi.
Tel: 021-32438212, 32472176, 32471796
Fax: 021-32438218

Super Highway Branch

Shop No. 29 & 30, Plot # 1-B/3, Sub Sector 1-A,
Scheme No. 33, main Super Highway, Karachi.
Tel: 021 - 36830161-3
Fax: 021-36830162

Zamzama Branch

Shop No. 3, 4, 5, 6 & 7, Plot No. 16-C, 2nd
Zamzama Commercial Lane DHA - Karachi
Tel: 021 - 35373135-7
Fax: 021 - 35373138

LAHORE

PIA Society Islamic Banking Branch

Plot # 40, Block-D, Main Boulevard PIA Society,
Opp Wapda Town Roundabout, Lahore
Tel: 042-35189957 - 59
Fax: 042-35210895

HUB

Hub Branch

Shop No. 12 - 14, Khasra No. 106/4,
Int. Shopping Mall Hotel, Mouza Berot,
Tehsil Hub, Lasbella, Baluchistan
Tel: 0853 - 363056 - 058
Fax: 0853 - 363050

CHILAS

Chilas Branch

Khasra No. 02, Bazar Area, Chillas,
District Baltistan
Tel: 05812 - 450702-3
Fax: 05812-450704

SKARDU

Skardu Branch

Khasra No. 1265/39, Yadgar Chowk,
Tehsil Skardu, District Baltistan
Tel: 05815 - 456693-94
Fax: 05815-456696

ISLAMABAD

DHA Phase-2 Branch

Plot No. 7, Street SSZBS Al Nahayaan, Sector-A,
DHA Phase-2, Near Al Ghurair, Main Boulevard, Islamabad
Tel: 051-4918314 -16
Fax: 051-4918317

Naval Anchorage Branch

Plot # 19, Commercial No. 2, Naval Officers'
Housing Scheme Anchorage, Islamabad
Tel: 051 - 5159126 - 28
Fax: 051 - 5159129

CHITRAL

Chitral Branch

Attalique Bazar, Bank Square,
Opp: NBP Building, Chitral
Tel: 0943 - 412536-37
Fax: 0943 - 414352

HYDERBAD

DHA Plaza Branch

Shop No. 1 & 2, Block C,
Defence Plaza, Thandi Sarak, Hyderabad
Tel: 022- 2108474, 2108478
Fax # 022-210847

RAWALPINDI

Bahria Town Branch Phase-IV

Plot # 1, Bahria Town, Civic Centre,
Phase IV, Rawalpindi
Tel: 051-5733945-46
Fax: 051-5733967

FORM OF PROXY

17th Annual General Meeting

The Company Secretary
Summit Bank Limited
Summit Tower, Head Office
Level-I I, Plot No. G-2, Block-2,
Clifton, Karachi.

I / We _____ s/o, d/o, w/o _____

being a / the member(s) of Summit Bank Limited holding _____ ordinary shares as per Register Folio No./

CDC A/c No. _____ hereby appoint **Mr./ Mrs./ Miss** _____

of _____

(full address) or failing him/her to **Mr./Mrs./ Miss** _____

of (full address) _____

(being member of the Bank) as my / our Proxy to attend, act and vote for me/us and on my/our behalf at the 17th Annual General Meeting of the Bank to be held on March 30, 2023 and /or any adjournment thereof.

Signed this _____ day of _____ 2023.

Witnesses:

1. Name : _____
Address : _____
CNIC No. : _____
Signature : _____
2. Name : _____
Address : _____
CNIC No. : _____
Signature : _____

Signature on
Rs. 5/-
Revenue Stamp

NOTICE:

- (i) A member entitled to attend and vote at the meeting may appoint another member as his / her proxy who shall have such rights as respect to attending, speaking and voting at the meeting as are available to a member.
- (ii) The account holders, sub-account holders, proxy or nominee shall authenticate his/her identity by showing his/her original national identity card (NIC) or original passport and bring his/her folio number at the time of attending the meeting.
- (iii) In the case of corporate entity Board of Directors' resolution/power of attorney with specimen signature of the nominee shall also be produced (unless provided earlier) at the time of meeting.
- (iv) In order to be effective, the proxy forms must be received at the office of our registrar M/s THK Associates (Private) Limited, Plot No. 32-C, Jami Commercial Street No. II, D.H.A., Phase VII, Karachi not later than 48 hours before the meeting duly signed and stamped and witnessed by two persons with their names, addresses and NIC numbers mentioned on the form.
- (v) In the case of individuals attested copies of NIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (vi) In the case of proxy by a corporate entity, Board of Directors resolution/power of attorney with specimen signature and attested copies of the NIC or passport of the proxy shall be submitted along with proxy form.

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REGISTRAR

M/s. THK Associates (Private) Limited

Plot No. 32-C, Jami Commercial
Street No. 2, D.H.A., Phase - VII,
Karachi.

Tel : 021-111-000-322 Ext: 107-111-115

Fax : 021-35310190

Email : secretariat@thk.com.pk

Website : www.thk.com.pk

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پروکسی فارم

سزھواں سالانہ اجلاس عام

جناب کمپنی سیکرٹری

گیارہویں منزل

سمٹ ٹاور (ہیڈ آفس)

پلاٹ نمبر 2 - G، بلاک 2،

کلفٹن، کراچی۔

میں/ہم از سمٹ بینک لمیٹڈ کا ممبر (ز) ہونے کے ناطے
..... اعزازی شیئرز کا حامل بمطابق رجسٹری ڈی سی ا کاؤنٹ نمبر
..... بذریعہ بلڈ محترم/محترمہ کا تقرر کرتا ہوں جس کا مکمل پتہ
..... ہے یا اس کی عدم موجودگی میں
..... محترم/محترمہ جس کا مکمل پتہ
..... ہے، میں (بینک کا ممبر ہونے کے ناطے) بطور پروکسی تقرر کرتا ہوں جسے میرے/ہمارے جانب
..... سے ۳۰ مارچ ۲۰۲۳ کو منعقد ہونے والے سزھویں سالانہ اجلاس عام یا کسی التواء میں شرکت کرنے، عمل کرنے اور میرے/ہمارے جانب سے ووٹ ڈالنے کی اجازت دی جائے۔

دستخط از مورخہ 2023 ء

گواہان:

1. نام:

پتہ:

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر:

دستخط:

2. نام:

پتہ:

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر:

دستخط:

اطلاع:

- (i) ایک ممبر جو اجلاس میں شرکت اور ووٹ دینے کا اہل ہو وہ کسی اور ممبر کو اپنا/اپنی پروکسی مقرر کر سکتا/سکتی ہے جسے اجلاس میں شرکت، بولنے اور ووٹ ڈالنے کے اُتے ہی اختیار حاصل ہوں گے جتنے ایک ممبر کو حاصل ہوتے ہیں۔
- (ii) اکاؤنٹ ہولڈرز، سب اکاؤنٹ ہولڈرز، پروکسی یا نامزد کو اپنا اصل قومی شناختی کارڈ (CNIC) یا پاسپورٹ دکھا کر اپنے/اپنی شناخت کی تصدیق کروانی ہوگی اور اجلاس میں شرکت کے وقت اپنا فوٹیو نمبر ہمراہ لانا ہوگا۔
- (iii) کاروباری ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ نامزد شخص کے دستخط کے نمونے کے ساتھ (اگر پہلے فراہم نہ کیے گئے ہوں) بھی اجلاس کے وقت پیش کرنے ہوں گے۔
- (iv) پروکسی فارم کے موثر ہونے کیلئے ضروری ہے کہ وہ ہمارے رجسٹرار کے دفتر میسرز ٹی ایچ کے ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، پلاٹ نمبر ۳۲-سی، جامی کمرشل اسٹریٹ نمبر ۲، ڈی۔ ایچ۔ اے۔، فیز VII، کراچی۔ مناسب طور پر مہر لگی ہوئی، دستخط شدہ اور دو افراد کی گواہی کے ساتھ اجلاس سے زیادہ سے زیادہ 48 گھنٹے قبل وصول ہو جائیں۔
- (v) انفرادی صورت میں ہینڈلڈ آرز اور پروکسی کے قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقل بھی پروکسی فارم کے ساتھ فراہم کرنا ہوں گی۔
- (vi) کاروباری ادارے کی صورت میں پروکسی فارم کے ساتھ بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ، نامزد شخص کے دستخط کے نمونے کے ساتھ اور پروکسی کے قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقل بھی جمع کروانی ہوگی۔

پانچ روپے کی مالیت کے
ڈاک ٹکٹ پر دستخط

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REGISTRAR

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Tel : 021-111-000-322 Ext: 107-111-115

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Website : www.thk.com.pk















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*Mobile apps are also available for download for android and ios devices



Plot No. G-2, Block 2, Clifton, Karachi.
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