



BML

بنك مكرمه
Bank Makramah Ltd.

Ref: BML/CSD/2024/03-06

FORM-5

Date: 08.03.2024

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, 2023**

Dear Sir,

We have to inform you that the Annual Report of Bank Makramah Limited (*formerly known as Summit Bank Limited*) for the year ended December 31, 2023 have been transmitted through PUCARS and is also available on Bank's website.

You may please inform the TREC Holders of the Exchange accordingly.

Thanking you,

Very truly yours,

For and on behalf of
Bank Makramah Limited



Ghazzanfar Ahsan
Acting Company Secretary

Encl: Annual Report for the financial year ended on December 31, 2023

Head Office:

Plot # G-2, Block # 2, Scheme # 5, Clifton, Karachi - Pakistan.

PABX: (021) 32402924 Email: info@bankmakramah.com, Website: www.bankmakramah.com

The Complete **Ring** of **Financial Possibilities**



ANNUAL REPORT 2023

Formerly known as Summit Bank Limited



BML


بنك مكرمه

Bank Makramah Ltd.

Table of *Contents*

Introduction	04
Corporate Information	06
Brand Ethos	08
Corporate Governance	14
Key Operating and Financial Data	25
Six years Vertical Analysis	29
Six years Horizontal Analysis	30
Chairman's Review	31
Directors' Report to the Shareholders	34
Report of the Shari'ah Board	62
Statement of Compliance with The Listed Companies (The Code of Corporate Governance) Regulations, 2019	68
Review Report on Statement of Compliance contained in the Listed Companies (Code of Corporate Governance) Regulations, 2019	72

Service Quality and Customer Complaints Handling	73
Independent Auditors' Report to the Members of Bank Makramah Limited Unconsolidated Financial Statement	78
Unconsolidated Financial Statements	84
Independent Auditors' Report to the Members of Bank Makramah Limited Consolidated Financial Statement	192
Consolidated Financial Statements	197
Categories of Shareholders	306
Pattern of Shareholding	307
Notice of Annual General Meeting	313
Branch Network	317
Form of Proxy	329



The Complete Ring serves as a profound reflection of Bank Makramah Limited's core values and strategic vision, encompassing transparency, results-driven practices, societal upliftment, sincerity to customers, and teamwork. Just as a ring symbolizes unity and wholeness, our operations are guided by a holistic approach, wherein each aspect intertwines seamlessly to form a complete circle of excellence.

In the **Ring of Growth**, transparency and a results-driven mindset propel our expansion efforts, fostering clear communication and accountability, while maximizing value for stakeholders.

Within the **Ring of Opportunities**, each customer interaction is viewed as a chance to uplift communities, driven by sincerity and a commitment to excellence, thereby setting industry benchmarks in professionalism and integrity.

At the heart of our operations lies the **Ring of Values**, where teamwork serves as our core strength, fostering collaboration and unity among diverse perspectives, reinforcing a culture of trust and collective success.

Meanwhile, the **Ring of Innovation** drives continuous improvement through forward-thinking initiatives, pioneering solutions to meet evolving needs, ensuring agility and responsiveness in our operations.

Ultimately, the **Ring of Excellence** reflects our dedication to societal upliftment and customer sincerity, permeating every facet of our operations, and delivering superior service and impactful outcomes.

In essence, the theme signifies our holistic commitment to being a partner guiding stakeholders towards our collective success.



Corporate *Information*

Board of Directors:

Mr. Abdulla Nasser Abdulla Hussain Lootah
Chairman / Non-Executive Director

Mr. Muhammad Salman Alam Fazli
Vice Chairman / Non-Executive Director

Mr. Jawad Majid Khan
President & CEO / Executive Director

Mr. Waseem Mehdi Syed
Independent Director

Mr. Zafar Iqbal Siddiqi
Non-Executive Director

Mr. Wajahat Ahmed Baqai
Non-Executive Director

Ms. Fauzia Hasnain
Independent Director

Board Audit Committee

Ms. Fauzia Hasnain
Chairperson

Mr. Muhammad Salman Alam Fazli
Member

Mr. Zafar Iqbal Siddiqi
Member

Mr. Wajahat Ahmed Baqai
Member

Board Risk Management Committee

Mr. Wajahat Ahmed Baqai
Chairman

Mr. Muhammad Salman Alam Fazli
Member

Mr. Zafar Iqbal Siddiqi
Member

Ms. Fauzia Hasnain
Member

Board Human Resource & Remuneration Committee

Ms. Fauzia Hasnain
Chairperson

Mr. Abdulla Nasser Abdulla Hussain Lootah
Member

Mr. Muhammad Salman Alam Fazli
Member

Mr. Jawad Majid Khan
Member

Mr. Waseem Mehdi Syed
Member

Board Information Technology Committee

Mr. Zafar Iqbal Siddiqi
Chairman

Mr. Abdulla Nasser Abdulla Hussain Lootah
Member

Mr. Muhammad Salman Alam Fazli
Member

Mr. Jawad Majid Khan
Member

Mr. Waseem Mehdi Syed
Member

Board Compliance Committee

Mr. Waseem Mehdi Syed
Chairman

Mr. Abdulla Nasser Abdulla Hussain Lootah
Member

Mr. Muhammad Salman Alam Fazli
Member

Mr. Zafar Iqbal Siddiqi
Member

Mr. Wajahat Ahmed Baqai
Member

Board Special Assets Management Committee:

Mr. Wajahat Ahmed Baqai
Chairman

Mr. Abdulla Nasser Abdulla Hussain Lootah
Member

Mr. Muhammad Salman Alam Fazli
Member

Mr. Jawad Majid Khan
Member

Mr. Waseem Mehdi Syed
Member

Ms. Fauzia Hasnain
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

M/s. Yousuf Adil 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

Head Office Building
Plot No. G-2, Block-2, Clifton, Karachi.

UAN: 021-111-124-365

Fax: 021-32463553

Registered Office

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

Email: info@bankmakramah.com.pk

companysecretary@bankmakramah.com.pk

Website: www.bankmakramah.com.pk

Purpose

BML aims for progressive and advanced banking in Pakistan, driven by values and innovation.



Vision

Our vision is to become the leading service provider in Pakistan, offering innovative and Shariah-compliant solutions.

Mission

Our mission is to synergise Islamic values with advanced banking solutions to provide customised services while nurturing the economic growth of Pakistan.





Results Driven

We create value and build relationships with our customers by making things happen for them.



Transparency

Our commitment to transparency ensures that you have full visibility into our services, so you can trust us with confidence.



Upliftment of the Society

We are committed to making a positive impact on communities through meaningful actions.



Sincerity to Customers

Building a trustworthy relationship with our customers is our topmost priority, achieved through ethical procedures and transparency.



Teamwork

We promote and support a diverse, yet unified team. We work as a team to meet our common goals.



Corporate Governance

CHANGE OF NAME OF THE BANK

The name of “Summit Bank Limited” has been changed to “Bank Makramah Limited” (BML / the Bank) with effect from November 07, 2023. A Certificate of Incorporation on Change of Name has been issued by the Securities and Exchange Commission of Pakistan (SECP) subsequent to the grant of No Objection by Finance Division (Internal Finance Wing), Government of Pakistan.

The new name will signify the Bank's transformation into a full-fledged Shariah-compliant financial institution and its focus on overhauling banking operations with a stronger emphasis on digitalization. This rebranding will enable the Bank to start afresh and present a new face as it transitions into an Islamic Bank.

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 seven (07) as per the following:

- Male 06
- Female 01

2. The composition of Board is as follows:

Category	Name
Independent Directors (including Female Director)	Mr. Waseem Mehdi Syed Ms. Fauzia Hasnain
Non-Executive Directors	Mr. Abdulla Nasser Abdulla Hussain Lootah Mr. Muhammad Salman Alam Fazli Mr. Zafar Iqbal Siddiqi Mr. Wajahat Ahmed Baqai
Executive Director	Mr. Jawad Majid Khan, President & CEO

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

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

S. No.	Board Human Resource & Remuneration Committee	Position
1	Ms. Fauzia Hasnain	Chairperson
2	Mr. Abdulla Nasser Abdulla Hussain Lootah	Member
3	Mr. Muhammad Salman Alam Fazli	Member
4	Mr. Jawad Majid Khan	Member
5	Mr. Waseem Mehdi Syed	Member

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

S. No.	Board Information Technology Committee	Position
1	Mr. Zafar Iqbal Siddiqi	Chairman
2	Mr. Abdulla Nasser Abdulla Hussain Lootah	Member
3	Mr. Muhammad Salman Alam Fazli	Member
4	Mr. Jawad Majid Khan	Member
5	Mr. Waseem Mehdi Syed	Member

S. No.	Board Compliance Committee	Position
1	Mr. Waseem Mehdi Syed	Chairman
2	Mr. Abdulla Nasser Abdulla Hussain Lootah	Member
3	Mr. Muhammad Salman Alam Fazli	Member
4	Mr. Zafar Iqbal Siddiqi	Member
5	Mr. Wajahat Ahmed Baqai	Member

S. No.	Board Special Assets Management Committee	Position
1	Mr. Wajahat Ahmed Baqai	Chairman
2	Mr. Abdulla Nasser Abdulla Hussain Lootah	Member
3	Mr. Muhammad Salman Alam Fazli	Member
4	Mr. Jawad Majid Khan	Member
5	Mr. Waseem Mehdi Syed	Member
6	Ms. Fauzia Hasnain	Member

The number of Board and Board Committee meetings held during the year 2023 and the attendance by each director was as follows:

S. No.	Name of Directors	Numbers of Board Meeting attended	Number of Board Committees Attended					
			Board Audit Committee	Board Human Resources & Remuneration Committee	Board Risk Management Committee	Board Information Technology Committee	Board Compliance Committee	Board Special Assets Management Committee
1	Mr. Abdulla Nasser Abdulla Hussain Lootah**	1	N/A	N/A	N/A	N/A	N/A	N/A
2	Mr. Muhammad Salman Alam Fazli*	5	3	0	1	1	1	2
3	Mr. Jawad Majid Khan	7	4***	5	N/A	5	N/A	2
4	Mr. Waseem Mehdi Syed	7	4***	2	N/A	5	4	2
5	Mr. Zafar Iqbal Siddiqi	7	6	3	5	5	4	1***
6	Mr. Wajahat Ahmed Baqai	6	5	3	4	N/A	4	2
7	Ms. Fauzia Hasnain	7	6	5	5	N/A	1***	2
8	Mr. Salman Zafar Siddiqi**	2	2***	N/A	2	1	1	N/A
	Total meeting held during the year	7	6	5	5	5	4	2

* During the financial year ended December 31, 2023, Mr. Muhammad Salman Alam Fazli had been appointed as a Non-Executive Director to fill-in the seventh (07th) slot lying vacant on the Board of Directors of the Bank whose FPT clearance was granted from the State Bank of Pakistan on April 28, 2023. Mr. Muhammad Salman Alam Fazli, immediately upon receipt of FPT clearance, started attending all Board Meetings and Board Committee Meetings.

** Further, Mr. Salman Zafar Siddiqi had resigned as an Executive Director on April 27, 2023 and in his place, the Board of Directors approved the appointment of Mr. Abdulla Nasser Abdulla Hussain Lootah as the Non-Executive Director of the Bank whose FPT clearance was granted from the State Bank of Pakistan on November 28, 2023. Mr. Abdulla Nasser Abdulla Hussain Lootah, immediately upon receipt of FPT clearance, started attending all Board Meetings and Board Committee Meetings.

*** Attended meeting as an invitee.

**** Leave of absence was granted to the non-attending Board Members/Board Subcommittees members.

DIRECTORS' PROFILE

Abdulla Nasser Abdulla Hussain Lootah

Chairman of the Board of Directors

Mr. Abdulla Nasser Abdulla Hussain Lootah, a highly accomplished professional in the global business arena, has been appointed as the Chairman of the Board of Bank Makramah Limited.

He has also been serving as the Vice Chairman and Director of Nasser Abdulla Lootah Group of Companies (a premier group based out of the United Arab Emirates, with business interests in many countries) since 2009 where he has played a vital role in driving the Group's success through his active involvement in business planning, development, and implementation of effective strategies.

In addition to his contributions to the Group, Mr. Lootah has also co-founded another successful textile enterprise namely NAAR Enterprises LLC which has greatly benefited from his entrepreneurial spirit and strategic direction, leading to its rapid growth.

Mr. Lootah's strong track record and commitment to excellence have earned him significant respect in the global business world.

Muhammad Salman Alam Fazli

Vice Chairman of the Board of Directors

Mr. Fazli is an experienced entrepreneur heading successful ventures in several countries. In addition, with the wealth of knowledge he possesses, he acts as advisor to high net worth individuals, providing them with strategic guidance, and playing a pivotal role in closing multiple high-value transactions, including acquisition of Bank Makramah Limited (then Summit Bank Limited) by His Excellency Nasser Abdulla Hussain Lootah. He is also actively involved in the energy and real estate sectors in Pakistan. In his advisory capacity, he closely works with financial, technical, and legal advisors to ensure successful outcomes for these projects and is currently involved in setting up a Real Estate Investment Trust.

He is also co-founder of a company, NAAR Enterprises LLC, a successful textile business entity based out of the United Arab Emirates.

Mr. Fazli's extensive advisory experience, strategic acumen, and successful project management prowess demonstrate his valuable contributions in the banking, investment, defence, energy and real estate sectors.

Mr. Jawad Majid Khan

President & CEO / Executive Director

Jawad Majid Khan, a seasoned financial sector professional joined Bank Makramah Limited (BML), formerly known as SMBL, as the President & Chief Executive Officer on March 26, 2021.

Prior to joining BML, he served as 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. Waseem Mehdi Syed

Non-Executive Director

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 Recourses 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. Zafar Iqbal Siddiqi

Non-Executive 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.

Mr. Wajahat Ahmed Baqai

Non-Executive 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.

Ms. Fauzia Hasnain

Independent 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 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.

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.

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

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, 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 State Bank of Pakistan 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 prior of 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 (except for the two (2) of the directors representing the sponsors) stands compliant with the applicable requirement of the Directors' Training Program (DTP) as prescribed under the Listed Companies (Code of Corporate Governance) Regulations, 2019 as of December 31, 2023.

Following directors have successfully completed their requisite DTP.

Serial No.	Name of the Director	Name of DTP Course	Passing Year
1	Mr. Waseem Mehdi Syed	Corporate Governance Leadership Skills (CGLS)-Director Education Program-PICG	December, 2021
2	Ms. Fauzia Hasnain	Corporate Governance Leadership Skills (CGLS)-Director Education Program - PICG	November, 2021
3	Mr. Wajahat Ahmed Baqai	Corporate Governance Leadership Skills (CGLS)-Director Education Program - PICG	December, 2021
4	Mr. Zafar Iqbal Siddiqi	Enhancing Board Effectiveness - DTP- LUMS	December, 2020
5	Mr. Jawad Majid Khan	Enhancing Board Effectiveness - DTP- LUMS	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 FY23 with an aim to apprise them with their roles and responsibilities as regard to the implementation of Islamic Banking in particular compliance of the Shariah Governance Framework issued by the State Bank of Pakistan.

DIRECTORS' REMUNERATION

The Bank 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 / Independent Directors for attending the Board Meetings and Board Committee Meetings from Rs. 150,000 to Rs. 300,000 upon recommendation of the Board of Directors. In addition, the Non-Executive / 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 Directors in 2023 are disclosed in Note 37.2 of the unconsolidated financial statements for the financial year ended December 31, 2023.

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 shorts and long-terms 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.

BOARD SPECIAL ASSETS MANAGEMENT COMMITTEE

The purpose of forming of Board Special Assets Management Committee (BSAMC) is to ensure that adequate SAM infrastructure is instituted within the Bank for identification, measurement, monitoring, and controlling risks to which the Bank is generally exposed, and take appropriate measures to reduce the infected Non-Performing Loans (NPLs) of 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 Bank Makramah Limited (formely known as 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 Sind 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.

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

Dr. Shahtaaz 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, madaras, institutions, etc.

He had been a member of the Council of Islamic Ideology Govt. of Pakistan for three years and a member 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 Fil Iftaa”. 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 & 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.

ATTENDANCE OF SHARIAH BOARD MEETING

S. No.	Name of Shariah Board Members	Meeting Held	Attendance
1	Mufti Muhammad Najeeb Khan - Chairman	4	4
2	Mufti Irshad Ahmed Aijaz - Member	4	4
3	Dr. Noor Ahmed Shahtaz - Member	4	4
4	Mufti Bilal Ahmed Qazi - Member	4	4
5	Mufti Syed Zubair Hussain - RSBM	4	4

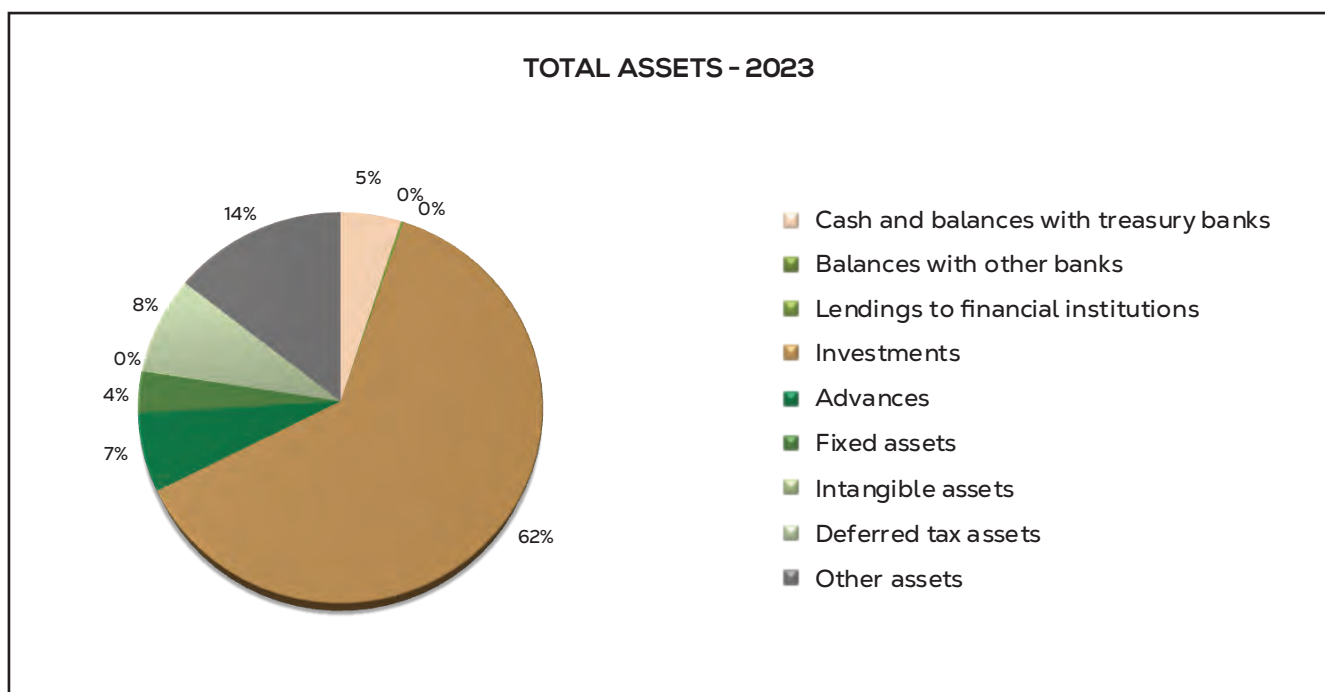
Key Operating and Financial Data

2023	2022	2021	2020	2019	2018
------	------	------	------	------	------

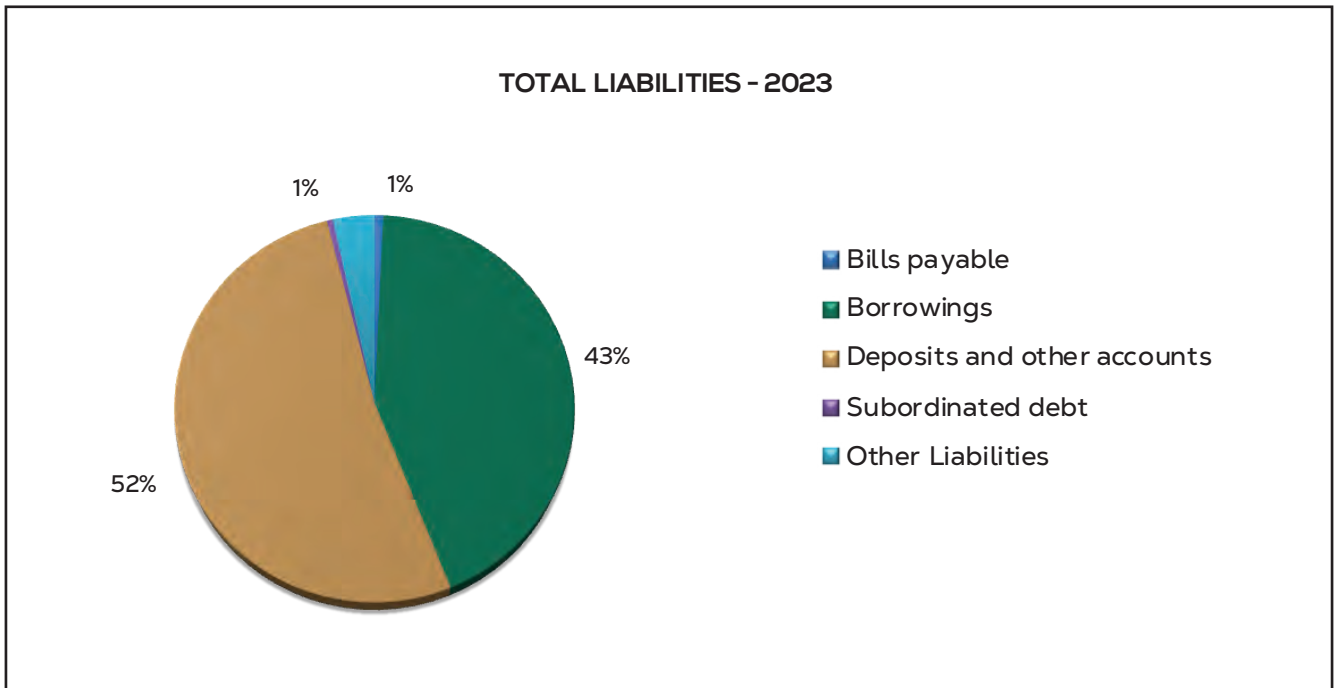
(Rupees in Million)

ASSETS

Cash and balances with treasury banks	14,463	13,372	14,415	11,571	5,614	5,043
Balances with other banks	602	1,363	1,092	1,359	931	997
Lendings to financial institutions	-	10,142	299	-	991	-
Investments	179,900	51,447	31,133	27,903	21,960	19,256
Advances	18,735	21,592	27,044	31,783	43,242	61,246
Fixed assets	9,931	10,651	10,917	10,188	10,181	8,709
Intangible assets	262	144	138	91	149	205
Deferred tax assets	23,255	20,782	16,677	14,279	11,606	7,215
Other assets	41,475	11,224	10,301	10,483	11,202	11,957
Total assets	288,623	140,717	112,016	107,657	105,876	114,628



	2023	2022	2021	2020	2019	2018
(Rupees in Million)						
LIABILITIES						
Bills payable	2,163	1,994	2,071	2,403	1,816	1,881
Borrowings	130,369	25,388	6,922	7,669	13,505	19,492
Deposits and other accounts	156,960	121,919	109,483	101,887	88,567	84,676
Subordinated debt	1,496	1,496	1,496	1,496	1,496	1,496
Other Liabilities	10,449	7,569	6,447	5,390	6,090	4,330
Total liabilities	301,437	158,366	126,419	118,845	111,474	111,875
NET ASSETS	(12,814)	(17,649)	(14,403)	(11,188)	(5,598)	2,753
REPRESENTED BY						
Share capital - net	30,500	20,500	20,500	20,500	20,500	20,500
Reserves	(425)	(425)	(425)	(425)	(425)	(425)
Surplus / (deficit) on revaluation of assets	3,971	3,998	4,298	4,812	3,530	2,577
Accumulated losses	(46,860)	(41,722)	(38,776)	(36,075)	(29,203)	(19,899)
Total equity	(12,814)	(17,649)	(14,403)	(11,188)	(5,598)	2,753

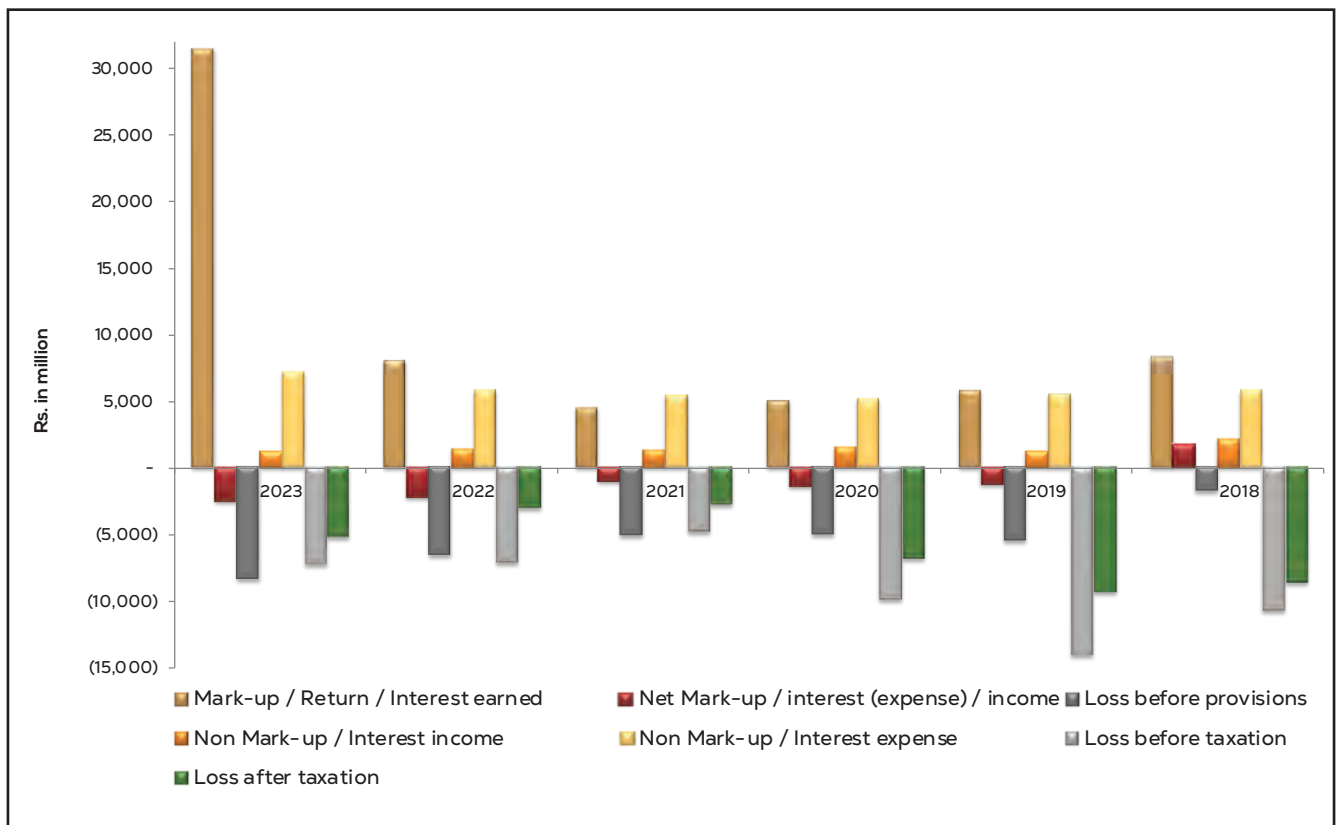


2023	2022	2021	2020	2019	2018
------	------	------	------	------	------

(Rupees in Million)

RESULTS OF OPERATIONS

Mark-up / Return / Interest earned	31,700	8,141	4,565	5,114	5,909	8,452
Mark-up / Return / Interest expensed	34,287	10,404	5,677	6,595	7,216	6,643
Net Mark-up / interest (expense) / income	(2,587)	(2,263)	(1,112)	(1,481)	(1,307)	1,809
Non Mark-up / Interest income	1,197	1,396	1,310	1,496	1,232	2,123
Total Income	(1,390)	(867)	198	15	(75)	3,933
Non Mark-up / Interest expense	7,147	5,845	5,440	5,183	5,514	5,817
Loss before provisions	(8,537)	(6,712)	(5,242)	(5,168)	(5,589)	(1,885)
Provisions / (reversals) and write offs - net	(1,145)	584	(308)	4,875	8,682	8,996
Loss before taxation	(7,392)	(7,296)	(4,934)	(10,043)	(14,271)	(10,881)
Taxation	(2,072)	(4,129)	(2,047)	(3,095)	(4,820)	(2,130)
Loss after taxation	(5,320)	(3,167)	(2,887)	(6,948)	(9,451)	(8,751)



	2023	2022	2021	2020	2019	2018
FINANCIAL RATIOS						
Return on equity (ROE)	N/A	N/A	N/A	N/A	N/A	-317.87%
Return on assets (ROA)	-1.84%	-2.25%	-2.58%	-6.45%	-8.93%	-7.63%
Loss before tax to Interest earned	-23.32%	-89.62%	-108.08%	-196.38%	-241.51%	-128.74%
Gross spread ratio	-8.16%	-27.80%	-24.36%	-28.96%	-22.12%	21.40%
Advances to deposits - Gross	33.74%	44.98%	54.63%	63.04%	81.50%	97.78%
Advances to deposits - Net	11.94%	17.71%	24.70%	31.19%	48.82%	72.33%
Cost to revenue	125.95%	170.38%	189.23%	178.18%	178.27%	117.83%
Total assets to Total equity (times)	N/A	N/A	N/A	N/A	N/A	41.64
NPL to Gross Advances	68.51%	65.78%	61.88%	60.29%	56.58%	43.57%
Capital adequacy ratio (CAR)	-90.27%	-80.04%	-61.45%	-45.16%	-25.30%	-8.02%
SHARE INFORMATION						
Loss per share - Basic (Rs.)	(1.00)	(1.20)	(1.09)	(2.63)	(3.58)	(3.32)
Market capitalization (Rs. in mln)	12,162	4,485	6,516	4,933	3,060	2,163
OTHER INFORMATION						
Non performing loans (NPL) (Rs. in mln)	36,274	36,068	37,012	38,724	40,842	36,072
Staff Strength	1,766	1,645	1,684	1,738	1,731	1,885
Number of branches (including Islamic)	177	193	193	193	193	193

Six Years Vertical Analysis

	2023		2022		2021		2020		2019		2018	
	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	14,463	5%	13,372	10%	14,415	13%	11,571	11%	5,614	5%	5,043	4%
Balances with other banks	602	0%	1,363	1%	1,092	1%	1,359	1%	931	1%	997	1%
Lendings to financial institutions	-	0%	10,142	7%	299	0%	-	0%	991	1%	-	0%
Investments	179,900	62%	51,447	37%	31,133	28%	27,903	26%	21,959	21%	19,256	17%
Advances	18,735	6%	21,592	15%	27,044	24%	31,783	30%	43,242	41%	61,246	53%
Fixed assets	9,931	3%	10,651	8%	10,917	10%	10,188	9%	10,181	10%	8,709	8%
Intangible assets	262	0%	144	0%	138	0%	91	0%	149	0%	205	0%
Deferred tax assets	23,255	8%	20,782	15%	16,677	15%	14,279	13%	11,606	11%	7,215	6%
Other assets *	41,475	14%	11,224	8%	10,301	9%	10,483	10%	11,202	11%	11,957	10%
	288,623	100%	140,717	100%	112,016	100%	107,657	100%	105,875	100%	114,628	100%
LIABILITIES												
Bills payable	2,163	1%	1,994	1%	2,071	2%	2,403	2%	1,816	2%	1,881	2%
Borrowings	130,369	45%	25,388	18%	6,922	6%	7,669	7%	13,505	13%	19,492	17%
Deposits and other accounts	156,960	54%	121,919	87%	109,483	98%	101,887	95%	88,567	84%	84,676	74%
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 *	10,449	4%	7,569	5%	6,447	6%	5,390	5%	6,090	6%	4,330	4%
	301,437	104%	158,366	113%	126,419	113%	118,845	110%	111,474	105%	111,875	98%
NET ASSETS	(12,814)	-4%	(17,649)	-13%	(14,403)	-13%	(11,188)	-10%	(5,599)	-5%	2,753	2%
REPRESENTED BY												
Share capital - net	30,500	11%	20,500	15%	20,500	18%	20,500	19%	20,500	19%	20,500	18%
Reserves	(425)	0%	(425)	0%	(425)	0%	(425)	0%	(425)	0%	(425)	0%
Surplus / (deficit) on revaluation of assets	3,971	1%	3,998	3%	4,298	4%	4,812	4%	3,530	3%	2,577	2%
Accumulated losses	(46,860)	-16%	(41,722)	-30%	(38,776)	-35%	(36,075)	-34%	(29,204)	-28%	(19,899)	-17%
	(12,814)	-4%	(17,649)	-13%	(14,403)	-13%	(11,188)	-10%	(5,599)	-5%	2,753	2%
PROFIT & LOSS ACCOUNT												
	2023		2022		2021		2020		2019		2018	
	Rs in 'millions	%	Rs in 'millions	%	Rs in 'millions	%	Rs in 'millions	%	Rs in 'millions	%	Rs in 'millions	%
Mark-up / return / interest earned	31,700	105%	8,141	112%	4,565	96%	5,114	100%	5,909	101%	8,452	68%
Mark-up / return / interest expensed	34,387	113%	10,404	143%	5,677	119%	6,595	129%	7,216	124%	6,643	54%
Net Mark-up / interest (expense) / income	(2,567)	-9%	(2,263)	-31%	(1,112)	-23%	(1,481)	-29%	(1,307)	-22%	1,809	15%
Non Mark-Up/Interest Income	1,197	4%	1,396	19%	1,310	28%	1,496	29%	1,232	21%	2,123	17%
Total Income	(1,390)	-5%	(867)	-12%	198	4%	15	0%	(75)	-1%	3,932	32%
Non-markup/interest expenses	7,147	24%	5,845	80%	5,440	114%	5,183	101%	5,514	95%	5,817	47%
Loss Before Provisions	(8,537)	-28%	(6,712)	-92%	(5,242)	-110%	(5,168)	-101%	(5,589)	-96%	(1,885)	-15%
Provisions / (reversals) and write offs - net	(1,145)	-4%	584	8%	(308)	-6%	4,875	95%	8,682	149%	8,996	73%
Extra ordinary / unusual items (to be specified)	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
LOSS BEFORE TAXATION	(7,392)	-24%	(7,296)	-100%	(4,934)	-104%	(10,043)	-196%	(14,271)	-245%	(10,881)	-88%
Taxation	2,072	7%	4,129	57%	2,047	43%	3,095	60%	4,820	83%	2,130	17%
LOSS AFTER TAXATION	(5,320)	-18%	(3,167)	-44%	(2,887)	-61%	(6,948)	-135%	(9,451)	-162%	(8,751)	-71%

Six Years Horizontal Analysis

	2023		2022		2021		2020		2019		2018	
	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	14,463	8%	13,372	-7%	14,415	25%	11,571	106%	5,614	11%	5,043	-63%
Balances with other banks	602	-56%	1,363	25%	1,092	-20%	1,359	46%	931	-7%	997	-59%
Lendings to financial institutions	-	-100%	10,142	3292%	299	0%	-	-100%	991	0%	-	-100%
Investments	179,900	250%	51,447	65%	31,133	12%	27,903	27%	21,959	14%	19,256	-80%
Advances	18,735	-13%	21,592	-20%	27,044	-15%	31,783	-26%	43,242	-29%	61,246	-28%
Fixed assets	9,931	-7%	10,651	-2%	10,917	7%	10,188	0%	10,181	17%	8,709	-30%
Intangible assets	262	82%	144	4%	138	52%	91	-39%	149	-27%	205	-18%
Deferred tax assets	23,255	12%	20,782	25%	16,677	17%	14,279	23%	11,606	61%	7,215	24%
Other assets	41,475	270%	11,224	9%	10,301	-2%	10,483	-6%	11,202	-6%	11,957	35%
	288,623	105%	140,717	26%	112,016	4%	107,657	2%	105,875	-8%	114,628	-51%
LIABILITIES												
Bills payable	2,163	4%	1,994	-4%	2,071	-14%	2,403	32%	1,816	-3%	1,881	-39%
Borrowings	130,369	1783%	25,388	267%	6,922	-10%	7,669	-43%	13,505	-31%	19,492	-71%
Deposits and other accounts	156,960	43%	121,919	11%	109,483	7%	101,887	15%	88,567	5%	84,676	-42%
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	10,449	62%	7,569	17%	6,447	20%	5,390	-11%	6,090	41%	4,330	-24%
	301,437	138%	158,366	25%	126,419	6%	118,845	7%	111,474	0%	111,875	-50%
NET ASSETS	(12,814)	-11%	(17,649)	23%	(14,403)	29%	(11,188)	100%	(5,599)	-303%	2,753	-73%
REPRESENTED BY												
Share capital - net	30,500	49%	20,500	0%	20,500	0%	20,500	0%	20,500	0%	20,500	0%
Reserves	(425)	0%	(425)	0%	(425)	0%	(425)	0%	(425)	0%	(425)	0%
Surplus / (deficit) on revaluation of assets	3,971	-8%	3,998	-7%	4,298	-11%	4,812	36%	3,530	37%	2,577	72%
Accumulated losses	(46,860)	21%	(41,722)	8%	(38,776)	7%	(36,075)	24%	(29,204)	47%	(19,899)	76%
	(12,814)	-11%	(17,649)	23%	(14,403)	29%	(11,188)	100%	(5,599)	-303%	2,753	-73%
PROFIT & LOSS ACCOUNT												
	2023		2022		2021		2020		2019		2018	
	Rs in 'millions	%	Rs in 'millions	%	Rs in 'millions	%	Rs in 'millions	%	Rs in 'millions	%	Rs in 'millions	%
Mark-up / return / interest earned	31,700	594%	8,141	78%	4,565	-11%	5,114	-13%	5,909	-30%	8,452	-21%
Mark-up / return / interest expensed	34,287	504%	10,404	83%	5,677	-14%	6,595	-9%	7,216	9%	6,643	-14%
Net Mark-up / interest (expense) / income	(2,587)	133%	(2,263)	104%	(1,112)	-25%	(1,481)	13%	(1,307)	-172%	1,809	-38%
Non Mark-Up/Interest Income	1,197	-9%	1,396	7%	1,310	-12%	1,496	21%	1,232	-42%	2,123	-12%
Total Income	(1,390)	-802%	(867)	-538%	198	1220%	15	-120%	(75)	-102%	3,932	-26%
Non-markup/interest expenses	7,147	31%	5,845	7%	5,440	5%	5,183	-6%	5,514	-5%	5,817	-5%
Loss Before Provisions	(8,537)	63%	(6,712)	28%	(5,242)	1%	(5,168)	-8%	(5,589)	196%	(1,885)	131%
Provisions / (reversals) and write offs - net	(1,145)	272%	584	-290%	(308)	-106%	4,875	-44%	8,682	-3%	8,996	672%
Extra ordinary / unusual items (to be specified)	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
LOSS BEFORE TAXATION	(7,392)	50%	(7,296)	48%	(4,934)	-51%	(10,043)	-30%	(14,271)	31%	(10,881)	449%
Taxation	2,072	1%	4,129	102%	2,047	-34%	3,095	-36%	4,820	126%	2,130	4741%
LOSS AFTER TAXATION	(5,320)	84%	(3,167)	10%	(2,887)	-58%	(6,948)	-26%	(9,451)	8%	(8,751)	351%

Chairman's Review

On behalf of the Board of Directors, it is my privilege to present the Annual Report of Bank Makramah Limited (BML) (formerly Summit Bank Limited) for the financial year ended December 31, 2023.

Bank Makramah Limited (BML) emerged in 2023 after the acquisition of 60.45% shareholding by His Excellency Nasser Abdulla Hussain Lootah, who injected Rs. 10 billion as capital to strengthen the financial foundations of the Bank.

Currently, the Bank is in a consolidation phase, positioning itself towards sustainability. This year has been marked by strategic initiatives as the Bank has modified its vision and strives to become a premier Islamic financial institution. In this regard the Bank will be appointing top tier financial advisors to prepare a restructuring and long term strategic plan.

The Board fully recognises that the success of the Bank depends upon the vision and direction needed to address the present challenges. The Board endeavours to strengthen the level of corporate governance and its values.


In the face of the present challenging environment of the economy, it is promising to note that the Bank was able to substantially grow deposits from Rs. 122 billion in December 2022 to Rs. 157 billion in the year under review. The Bank aims to further grow its deposits and increase its market share by introducing new value-added products. Further, BML managed to more than double its asset base, creating additional opportunities to generate much-needed income from these assets.

The Board is committed to upholding strong corporate governance through ethical and professional business practices, along with effective management of risk and controls. The Board Subcommittees oversee crucial areas such as risk management, audit-related matters, information technology, human resources and special assets management to achieve the Bank's strategic objectives.

Our vision is to continue to focus on building core deposit base at low cost along with providing unparalleled services to our customers. To cater the changing business dynamics and customer banking needs we will accelerate digital transformation and focus on business process reengineering, while increasing investment in quality human capital. Despite the challenging times ahead, we will remain focused on strategic goals and will achieve new milestones.

As Chairman of the Board of Directors, I thank all shareholders for their continued support, the regulatory authorities for their guidance, the Bank's management team and staff members for their dedication and hard work, which has gone a long way towards helping the Bank.

Abdulla Nasser Abdulla Hussain Lootah
Chairman of the Board of Directors



The ring of **growth**

In the **Ring of Growth**, transparency and a results-driven mindset propel our expansion efforts, fostering clear communication and accountability, while maximizing value for stakeholders.





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, 2023.

CHANGE OF NAME OF THE BANK

The name of "Summit Bank Limited" has been changed to "Bank Makramah Limited" (BML) with effect from November 07, 2023 after receiving the requisite approvals.

The new name will signify the Bank's transformation into a full-fledged Shariah-compliant financial institution and its focus on overhauling banking operations with a stronger emphasis on digitalization. This rebranding will enable the Bank to start afresh and present a new face as it transitions into an Islamic Bank.

THE BANK'S PERFORMANCE

The highlights of the financial results for 2023 are as follows:

Financial Position	Rupees in Millions
Shareholders' Equity	(12,813)
Deposits	156,960
Total Assets	288,624
Advances – net	18,735
Investments – net	179,900

Financial Performance	
Net Interest Income and Non Mark-up Income (Total Income)	(1,389)
Non Mark-up Expenses	7,147
(Reversals) / provisions and write offs – net	(1,145)
Loss before tax	7,391
Loss after tax	5,319
Basic and diluted loss per share – Rupees	(1.00)

The Bank posted a loss before tax of Rs. 7.391 billion and a loss after tax of Rs. 5.319 billion for the year 2023, compared to Rs. 7.296 billion and Rs. 3.167 billion, respectively, for the previous year. The loss per share was recorded at Rs. 1.00 per share for the current year, compared to Rs. 1.20 per share for the prior year.

On a year on year comparison, there is a significant improvement in average net investments attributed to multiple factors, including a fresh equity injection and increased deposits and borrowings. Consequently, average net investments surged from Rs. 40.993 billion in the prior year to Rs. 132.562 billion. This substantial increase in net average investments was complemented by enhanced net investment yields, improving from 13.33% in the previous year to 21.65% in the current year. This noteworthy growth in both volume and yields led to a substantial boost in the bank's income from investments, reaching Rs. 28.697 billion for the current year, compared to Rs. 5.465 billion last year. The Bank's IDR (net investments to deposits) on December 31, 2023 stood at 114.61%, as against 42.20% on the year end 2022.

Net yields on advances also improved year on year, reaching 14.27% for the current year, compared to 9.61% for the prior year. This improvement reflects the repricing effect of the continued gradual increase in policy rates by SBP. However, the Bank witnessed a decrease in average net advances, totalling Rs. 19.208 billion for 2023, compared to Rs. 25.075 billion for the prior year aligning with its strategy to reduce risk-weighted assets. Income from advances ended higher at Rs. 2.740 billion for the current year, compared to Rs. 2.409 billion for the prior year, indicating a 13.75% increase.

Deposits were reported at Rs. 156.960 billion as of December 31, 2023, representing an increase of Rs. 35.041 billion or 28.74% compared to the last year. This marks the highest deposit level in the history of the Bank. In terms of averages, the portfolio grew by Rs. 25.500 billion, or 23.2% year on year. Amidst stiff competition for rates, the Bank's focus remained on CASA mix and retaining current accounts. As of December 31, 2023, the Bank's CASA ratio improved to 88.03% (December 2022: 87.46%) despite the transfer of the amount earmarked for investment in the Bank by the Investor from his current account to the share subscription account. The cost of deposits was managed at 12.07% for the current year despite a 6% increase in the policy rate by SBP since December 2022.

As the Bank capitalized on arbitrage opportunities, average borrowings amounted to Rs. 81.964 billion during 2023, compared to Rs. 16.635 billion last year, indicating an increase of Rs. 65.329 billion. Meanwhile, the overall cost increased to 19.87% for the year 2023, up from 10.48% in the prior year.

The Bank's non-funded income totalled to Rs. 1.197 billion, compared to Rs. 1.397 billion in the prior year. The main contributors to this income were foreign exchange earnings, gains from sale of assets and fee income. While the loss on sale of shares reflect Rs. 1.680 billion, there was a net gain of Rs. 445.026 million after accounting for the impairment reversal of Rs. 2.125 billion. We were able to double our trade volume from Rs 76 billion to Rs 139 billion.

Despite challenges such as inflationary pressures, currency devaluation and rising commodity prices, the Bank successfully exhibited prudent control over its operating expenses by continuously monitoring and implementing cost control initiatives. While the average CPI inflation reached 29.7% on year-on-year basis in 2023, the Bank managed to restrict the increase in its operating expenses to 22.29% compared to the same period last year. The Bank's total non-markup expenses amounted to Rs. 7.147 billion, compared to Rs. 5.845 billion for the previous year.

In the current year, there were net provision reversals amounting to Rs. 1.145 billion, indicating a substantial improvement from the net charge of Rs. 584.115 million in the previous year. This improvement is primarily attributed to the impairment reversal of Rs. 2.125 billion recognized on the sale of the equity portfolio.

As of December 31, 2023, the Bank's gross NPL ratio (Gross non-performing loans to Gross Advances) increased to 68.50%, compared to 65.78% recorded on December 31, 2022. This increase is mainly attributed to a reduction in gross advances by Rs. 1.883 billion. Additionally, the coverage ratio at the end of December 2023 improved to 94.31%, compared to 92.14% in December 2022. The Bank's gross advances to deposits ratio (Gross Advances to Total Deposits) decreased to 33.74% in December 2023 from 44.98% on December 2022, reflecting the risk averse strategic outlook.

As of December 31, 2023, the Bank's deferred tax assets (net) totalled Rs. 23.255 billion. In the current year, an additional Rs. 2.474 billion of deferred tax assets (net) was recognized, primarily attributed to taxable losses incurred during the year.

CONSOLIDATED RESULTS

The Bank posted consolidated loss after tax of Rs. 5.327 billion for the current year as against Rs. 3.188 billion for the prior year. Loss per share was measured at Rs. 1.00 in comparison to Rs. 1.21 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.

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.

Performance of Subsidiary:

Summit Capital (Private) Limited reported an operating revenue of Rs. 115.492 million for the current year, compared to Rs. 67.446 million for the previous year. The loss per share for the year was recorded at Re. 0.18 as against a loss per share of Re. 0.48 in the prior year. The exceptional performance of PSX in 2023 resulted in a significant increase in trading activity, positively impacting the company's revenue and pro-fitability. Summit Capital made a profit before tax of Rs. 4.056 million as against a loss before tax of Rs. 13.803 million in the prior year.

CREDIT RATING

In 2019, VIS Credit Rating Company Limited suspended the Bank's medium to long-term rating of 'BBB -' (Triple B Minus) and its short-term rating of 'A-3' (A-Three). The Bank has initiated the rating process with VIS Credit Rating Company Limited and has requested the State Bank of Pakistan to allow the Bank to complete the credit rating exercise by March 31, 2024.

VIS Credit Rating Company Limited has issued a new rating scale for Tier-2 capital instruments. As a result, the Bank's TFC rating has been adjusted to 'B' (Single B) with a 'Rating Watch-Negative' outlook, as stated in their press release dated June 27, 2023. Previously, 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).

ECONOMIC REVIEW

Pakistan's economy has been on a path of recovery since the start of FY2024 as the improvement in the worldwide economy, combined with eased import restrictions, is helping to alleviate disruptions in the supply of raw materials and providing support to industries focused on exports. Additionally, Foreign Direct Investment (FDI) increased by 34.8% in the first half of FY2024, primarily due to higher Chinese investments and stability in exchange rates. However, Pakistan's economy will remain vulnerable to domestic and external shocks.

The Current Account posted a deficit of USD 831 million for the first half of FY24 against a deficit of USD 3.6 billion last year, mainly due to improvement in trade balance. During the first half FY24, exports increased by 7.5% and were recorded at USD 15.3 billion (USD 14.2 billion last year). The total imports in July-December FY24 declined by 14.7%, reaching USD 25.2 billion.

Despite an increase in revenues, higher markup payments led to an increase in the fiscal deficit to 2.3% of GDP (Rs. 2,407.8 billion) in the first half FY24, compared to 2.0% of GDP (Rs. 1,683.5 billion) last year. The increase in revenue is primarily due to an increase of 109% increase in non-tax revenues, reaching Rs 2.020 trillion.

In 2023, Pakistan experienced an unprecedented average inflation rate of 29.7%, driven mainly by the surge in prices of food, gas, electricity and fuel. Responding to the escalating inflationary trend, the SBP raised the policy rate by 600 bps, escalating from 16% in December 2022 to a historic high of 22% in June 2023. In the last MPC meeting held in December 2023, the SBP's MPC opted to keep the policy rate unchanged at 22%. This decision stems from the persistence of elevated core inflation, which is experiencing a gradual decline.

Over the past 7 years, PKR has faced continuous pressure. In 2023, it depreciated by 20% against the USD, despite some recent recovery. Factors such as an external financing gap, challenges in global financial markets and local political instability have adversely impacted foreign exchange reserves, exerting pressure on the PKR.

Pakistan's FX reserves stood at USD 13.22 billion on December 29, 2023 while the SBP's reserves were recorded at USD 8.15 billion. The IMF Executive Board has completed the first review and approved the release of second tranche of USD 700 million for Pakistan under the USD 3 billion SBA program.

The performance of PSX remained remarkably well in the latter half of 2023 as the KSE 100 index made its fourth consecutive positive monthly closing during December 2023. As a result, KSE index rose 55% in 2023 despite PKR devaluation.

Despite substantial challenges, the overall economic outlook is optimistic, characterized by diminishing inflationary pressures. The twin deficit is on a downward trajectory, signifying improved economic management to reduce economic imbalances. However, careful economic management and deep structural reforms will be required to ensure macroeconomic stability and foster growth.

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 State Bank of Pakistan (SBP) as at December 31, 2023. 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 implementation of the Bank's plan to comply with applicable capital and liquidity requirements and in this regard the initial step of enhancing its equity base has been successfully completed.

The Bank has recognized deferred tax asset of Rs. 23.255 billion which is considered realizable based on the financial projections of taxable profits in foreseeable future.

The Bank holds an immovable property which is partially in contravention with the provisions of Banking Companies Ordinance, 1962. The management has planned steps to achieve compliance with the same by selling 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 seven (07) as per the following:
 - Male 06
 - Female 01

2. The composition of Board is as follows:

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

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

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

S. No	Board Human Resource and Remuneration Committee	Position
1	Ms. Fauzia Hasnain	Chairperson
2	Mr. Abdulla Nasser Abdulla Hussain Lootah	Member
3	Mr. Muhammad Salman Alam Fazli	Member
4	Mr. Jawad Majid Khan	Member
5	Mr. Waseem Mehdi Syed	Member

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

S. No	Board Information Technology Committee	Position
1	Mr. Zafar Iqbal Siddiqi	Chairman
2	Mr. Abdulla Nasser Abdulla Hussain Lootah	Member
3	Mr. Muhammad Salman Alam Fazli	Member
4	Mr. Jawad Majid Khan	Member
5	Mr. Waseem Mehdi Syed	Member

S. No	Board Compliance Committee	Position
1	Mr. Waseem Mehdi Syed	Chairman
2	Mr. Abdulla Nasser Abdulla Hussain Lootah	Member
3	Mr. Muhammad Salman Alam Fazli	Member
4	Mr. Zafar Iqbal Siddiqi	Member
5	Mr. Wajahat Ahmed Baqai	Member

S. No	Board Special Assets Management Committee	Position
1	Mr. Wajahat Ahmed Baqai	Chairman
2	Mr. Abdulla Nasser Abdulla Hussain Lootah	Member
3	Mr. Muhammad Salman Alam Fazli	Member
4	Mr. Jawad Majid Khan	Member
5	Mr. Waseem Mehdi Syed	Member
6	Ms. Fauzia Hasnain	Member

The number of Board and Board Committee meetings held during the year 2023 and the attendance by each director is as follows:

S. No.	Name of Directors	Board Meetings	Board Audit Committee	Board Human Resources & Remuneration Committee	Board Risk Management Committee	Board Information Technology Committee	Board Compliance Committee	Board Special Asset Management Committee
1	Mr. Abdulla Nasser Abdulla Hussain Lootah**	1	N/A	N/A	N/A	N/A	N/A	N/A
2	Mr. Muhammad Salman Alam Fazli*	5	3	0	1	1	1	2
3	Mr. Jawad Majid Khan	7	4***	5	N/A	5	N/A	2
4	Mr. Waseem Mehdi Syed	7	4***	2	N/A	5	4	2
5	Mr. Zafar Iqbal Siddiqi	7	6	3	5	5	4	1***
6	Mr. Wajahat Ahmed Baqai	6	5	3	4	N/A	4	2
7	Ms. Fauzia Hasnain	7	6	5	5	N/A	1***	2
8	Mr. Salman Zafar Siddiqi**	2	2	N/A	2	1	1	N/A
	Total meetings held during the year	7	6	5	5	5	4	2

* During 2023, Mr. Muhammad Salman Alam Fazli had been appointed as a Non-Executive Director to fill-in the seventh (07th) slot lying vacant on the Board of Directors of the Bank whose FPT clearance was granted from the State Bank of Pakistan on April 28, 2023. Mr. Muhammad Salman Alam Fazli, immediately upon receipt of FPT clearance, started attending all Board Meetings and Board Committee Meetings.

** Mr. Salman Zafar Siddiqi had resigned as an Executive Director on April 27, 2023 and in his place, the Board of Directors approved the appointment of Mr. Abdulla Nasser Abdulla Hussain Lootah as the Non-Executive Director of the Bank whose FPT clearance was granted from the State Bank of Pakistan on November 28, 2023. Mr. Abdulla Nasser Abdulla Hussain Lootah, immediately upon receipt of FPT clearance, started attending all Board Meetings and relevant Board Committee Meetings.

*** Attended on invitation.

Leave of absence was granted to those Directors/members, by the Board/Committee, who could not attend some the meetings.

The number of Shariah Board meetings held during the year 2023 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 of December 31, 2023.

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. 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 2023 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 the Bank, 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.

Change in Directors

Mr. Salman Zafar Siddiqi resigned as the Executive Director of the Bank, effective April 27, 2023. The Board acknowledges and appreciates his valuable contributions during his tenure.

Mr. Muhammad Salman Alam Fazli joined the Board as a Non-Executive Director of the Bank on February 21, 2023, and Mr. Abdulla Nasser Abdulla Hussain Lootah assumed the role of Chairman of the Board from December 19, 2023.

The Board welcomes Mr. Muhammad Salman Alam Fazli and Mr. Abdulla Nasser Abdulla Hussain Lootah, looking forward to their valuable contributions.

REMUNERATION PRACTICES OF THE BANK

The Bank 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 the Bank’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

The Bank 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.

The details of fees paid to Non-Executive Directors in 2023 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

The Bank 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 2023 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 (MRT) 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. The Bank 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 MRCs 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 (BoD) has oversight on all the risks undertaken 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 the authority to various Sub-Committees 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 are recommended by these Sub-Committees and are subject to approval by the BoD. The Board Risk Management Committee (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 tolerance levels.

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, 2023, the Bank's paid up capital (net of losses) stood at negative (-) Rs. 16.938 billion as against the statutory requirement of Rs. 10 billion prescribed by SBP while the Capital Adequacy Ratio of the Bank stood at negative (-) 90.27% as against the minimum requirement of 11.50%.

H.E. Naseer Abdulla Hussain Lootah (Investor) has invested an amount of PKR 10 billion to acquire major equity stake in the Bank. During the second quarter of 2023, the Bank received all the necessary regulatory approvals and issued the requisite shares to the Investor. This equity injection will help boost the Bank's capital base and also provide it with the much needed liquidity for its operational requirements.

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-1 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.

EXTERNAL AUDIT

The current auditors, Messrs. Yousuf Adil, Chartered Accountants, retire and, being eligible, offer themselves for reappointment at the Annual General Meeting. 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 2024.

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, 2023 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

Bank Makramah Limited
March 01, 2024
Karachi

Fauzia Hasnain
Director

بینک نے اپنے ICFR پر دو گرام 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 لانگ فارم رپورٹ (LFR) کو سالانہ بنیاد پر جمع کرانے یا اسٹیٹ بینک آف پاکستان (SBP) کو ICFR کی افادیت پر سالانہ تفصیلی رپورٹ (AAR) جمع نہ کروانے 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 داخلی کنٹرول پر انتظامیہ کی یقین دہانی کی توثیق کرتا ہے۔

بیرونی آڈٹ

موجودہ آڈیٹرز، میسرز یوسف عادل، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو رہے ہیں اور اس اسامی کے اہل ہونے کی حیثیت سے سالانہ اجلاس عام میں اپنی دوبارہ تقرری کی پیش کش کر چکے ہیں۔ اس کے مطابق، بورڈ آف ڈائریکٹرز، بورڈ آڈٹ کمیٹی کی سفارش پر، میسرز یوسف عادل، چارٹرڈ اکاؤنٹنٹس کو مالی سال 2024ء کے لیے بینک کے آڈیٹر کے طور پر تقرری کی سفارش کرتا ہے۔

آڈیٹرز کی فرم نے تصدیق کی ہے کہ انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان کے کوالٹی کنٹرول ریویو پروگرام کے تحت انہیں تسلیم شدہ درجہ بندی دی گئی ہے، اور یہ کہ فرم اور ان کے تمام شرکاء و انٹرنیشنل فیڈریشن آف اکاؤنٹنٹس (IFAC) کی رہنما ہدایات، 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 پٹرن

31 دسمبر 2023ء کے مطابق شیئر ہولڈنگ کے نمونوں اور شیئر ہولڈرز کے زمروں کے ساتھ ملکیت کا ڈھانچا سالانہ رپورٹ کا حصہ بنایا گیا ہے۔

تعریف و توثیق

ہم، بورڈ کی جانب سے، ایک بار پھر 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 کرتا چاہیں گے۔

بورڈ آف ڈائریکٹرز کی جانب سے

فوزیہ حسنین
ڈائریکٹر

جواد ماجد خان
صدر اور چیف ایگزیکٹو آفیسر

بینک کمرہ لمیٹڈ
یکم مارچ 2024ء
کراچی

غیر یقینی حالات جو بینک کے وسائل، محاصل اور آپریشنز کو متاثر کرتے ہیں
وہ عوامل جو ممکنہ طور پر بینک کے وسائل، محاصل اور آپریشنز کو متاثر کر سکتے ہیں، وہ درج ذیل ہیں:

- ڈسکاؤنٹ کی شرح / ذریعہ پالیسی کے فیصلے؛
- ڈپازٹس پر شرح منافع میں ردوبدل؛
- آمدن اثاثوں کی نوعیت 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؛
- مہنگائی، فیڈل اور عام اجناس کی قیمتیں؛
- کارپوریٹ ٹیکس کے اقدامات؛ اور
- اکاؤنٹنگ اور ضوابطی فریم ورک میں تبدیلیوں کے ممکنہ اثرات۔

داخلی کنٹرولز پر جان

اسٹیٹ بینک کے بی ایس ڈی سرکلر نمبر 7 بتاریخ 27 مئی 2004ء "داخلی کنٹرولز 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 نمبر 01 بتاریخ 06 جولائی 2021ء "مالی رپورٹنگ پر داخلی کنٹرولز (ICFR) سے متعلق ہدایات" کہ مطابق یہ بیان تشکیل دیا گیا ہے۔

بینک کی انتظامیہ داخلی کنٹرولز 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۔

کپلائنس، انتظامیہ خطر، شریعہ اور داخلی آڈٹ کے شعبوں کے ذریعے پورے بینک میں کنٹرول کی سرگرمیوں کی کڑی نگرانی کی جا رہی ہے، جو عمومی طور پر تمام بینکاری سرگرمیوں کا احاطہ کرتی ہے اور بالخصوص خطرے کے حامل کلیدی شعبوں کا احاطہ کرتی ہے۔ انتظامیہ نے تعمیل اور داخلی کنٹرول کی کمیٹی تشکیل دی ہے جو تعمیل کے خطرے کے مسائل پر توجہ مرکوز کرتی ہے اور ضوابطی تقاضوں کو پورا کرنے کے لیے کنٹرولز اور سسٹمز کی موثریت کا جائزہ لیتی ہے۔ بورڈ آف ڈائریکٹرز نے ایک آڈٹ کمیٹی تشکیل دی ہے جس کی ذمہ داری براہ راست نگرانی ہے تاکہ داخلی اور بیرونی آڈٹ فنکشن کی غیر جانب داری کو یقینی بنایا جاسکے۔ آڈٹ کمیٹی ہر سہ ماہی میں کم از کم ایک بار اجلاس کرتی ہے تاکہ شریعت اور اندرونی آڈٹ کے شعبوں کے 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 کپلائنس، انتظامیہ خطر اور شریعہ آڈٹ ٹیموں کی جانب سے پائے جانے والے مشاہدات اور کنٹرولوں کی بنیاد پر، انتظامیہ کی طرف سے داخلی کنٹرولز میں بہتری لائی جاتی ہے تاکہ ان حالات کے دوبارہ وقوع پذیر نہ ہونے کو یقینی بنایا جاسکے اور اس طرح کی کنٹرولوں کو زیادہ سے زیادہ ممکنہ سطح تک ختم کیا جاسکے۔ مزید برآں، اسے ایم ایل / سی ایف ٹی کی ضروریات سمیت ضوابطی تقاضوں کی تعمیل کو یقینی بنانے کے لیے، کپلائنس ڈویژن کی تشکیل نو کر کے اسے تقویت دی گئی ہے۔

اگرچہ داخلی کنٹرولز 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 کا نفاذ اور انہیں ترک کرنے سمیت کسی بھی نظام کی اثر انگیزی کی کچھ موروثی حدود ہوتی ہیں۔ اسی طرح، ایک موثر داخلی کنٹرول سسٹم بھی معقول اور قطعی یقین دہانی نہیں کر سکتا ہے کہ نظام کا مقصد حاصل ہو جائے گا۔

ایم آر میز اور ایم آر ٹیز کے عہدوں کے لیے متوازن اسکور کارڈ تیار کیے گئے تھے اور ایچ آر پالیسی کے مینوئل میں ان پر نظر ثانی کی جا رہی ہے۔

بینک بھر میں انفرادی عہدوں کے کلیدی کارکردگی کے اشارے (کے پی آئی) تیار کیے جا چکے ہیں اور یہ کاروباری ادارے کے عہدوں کے سالانہ مقاصد کو پورا کرنے میں مدد کریں گے اور سال کے اختتام پر ان 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 سے ہم آہنگ ہیں۔ بینک کا انتظام خطر کا فلسفہ یہ ہے کہ تمام خطرات کی نشاندہی، مینٹننس، 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 ذیلی 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 ذیلی کمیٹیوں کی جانب سے خطرے کے منظور شدہ اکتشاف کے بارے میں اہم پالیسی فیصلے اور تجاویز کی سفارش کی جاتی ہے جو بورڈ آف ڈائریکٹرز (بی او ڈی) کی منظوری سے مشروط ہیں۔ بورڈ کی انتظام خطر کی کمیٹی (بی آر ایم سی) 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 کرتی ہے۔ انتظام خطر کے عمل کو مزید مضبوط بنانے کے لیے، بینک اپنی انتظام خطر کی پالیسیوں اور خطرے کی حدود کو مسلسل اپ ڈیٹ کرتا رہتا ہے۔

تعمیل، قانونی، کریڈٹ، انتظام خطر، انٹرنل آڈٹ، ٹریڈری بلڈ آفس، آئی ٹی سیکورٹی، اور سنٹرلائزڈ آپریشن پونش 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 میٹنگز کرتی ہیں۔ شریعت سے ہم آہنگی پیدا کرنے پر مامور شعبہ شریعت بورڈ کے ماتحت پوری آزادی سے کام کر رہا ہے۔

آپریشنل 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، آپریشنل اور انفارمیشن سیکورٹی انتظام خطر کے انصاف کو انتظام خطر کے مزید ٹولز اور تکنیکیوں کے ذریعے مزید مضبوط بنایا گیا ہے۔ ہنگامی حالات میں کاروباری تسلسل کو یقینی بنانے کے لیے باقاعدہ کاروباری تسلسل اور حادثات 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 2023 تک، بینک کا ادراشدہ سرمایہ (خسارے کا خالص) منفی (-) 16.938 ارب روپے تھا، جبکہ بینک کی شرح کفایت سرمایہ کے کم از کم 11.50 فیصد کے تقاضے کے مقابلے میں منفی (-) 90.27 فیصد تھی۔

ایچ ای نصیر عبداللہ حسین لوہہ (سرمایہ کار) نے بینک میں میجر انیکو بیٹھی حصص حاصل کرنے کے لیے 10 ارب روپے کی سرمایہ کاری کی ہے۔ 2023 کی دوسری سہ ماہی کے دوران، بینک کو تمام ضروری ریگولیٹری منظوری موصول ہوئیں اور سرمایہ کار کو مطلوبہ حصص جاری کر دیے۔ اس انیکو بیٹھی انجیکشن سے بینک کے سرمائے کی بنیاد کو فروغ دینے میں مدد ملے گی اور یہ آپریشنل ضروریات کے لیے انتہائی ضروری لیکویڈیٹی بھی فراہم کرتا ہے۔

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 جامع مالیاتی بیانات کے نوٹ 1.3 میں تفصیل سے مذکور ہے۔

- مفید ملازم (ایم پی) کی نشان دہی کے لیے درج ذیل معیارات پر عمل کیا جاتا ہے:
- صدر / سی ای او / چیف آپریٹنگ آفیسر (سی او او) یا کوئی دوسرا مساوی منصب؛
 - کھل ملکیت والے مقامی اور غیر ملکی ذیلی اداروں کے صدر / سی ای او / سی او او؛
 - بورڈ کے رکن اپنے انتظامی کردار میں (ایگزیکٹو ڈائریکٹرز، نان ایگزیکٹو ڈائریکٹرز، خود مختار ڈائریکٹرز)؛
 - سینئر مینجمنٹ کے عملے کارکن یعنی صدر / سی ای او / سی او او یا کسی اور مساوی عہدے 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 عدد تک راؤنڈ آف کیا جاتا ہے، جنھیں گزشتہ 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 ٹی) سمجھا جاتا ہے اگر وہ کسی اہم کاروباری زمرے کا سربراہ ہے جس کا پیک کے خاکہ خطرہ مادی اثر ہے۔ ایم آر ٹی کی نشان دہی افراد کی بجائے افعال اور عہدے کے طور پر کی جاتی ہے۔ ایم آر ٹی مناسب سطح کے اختیار اور کنٹرول کے حامل ہوتے ہیں۔

ایم آر ٹی کے لیے معاوضے کی ترکیب مناسب طور پر متوازن ہے اور معین معاوضے کی مقدار کافی زیادہ ہے تاکہ یہ یقینی بنایا جاسکے کہ متخیر معاوضے کو صرف تک کم کرنا ممکن ہو سکے اور ملازمین متخیر معاوضے کے انعام پر اطمینان 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 متخیر معاوضے کی ادائیگی پہلے سے طے شدہ معیار اور مقداری مقاصد کے حصول پر ہوتا ہے جو کہ پیک کی بمطابق خطرہ کارکردگی 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 جنھیں قائم کیے جانے کی ضرورت ہے انھیں 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 آپریشنز 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 انھیں جائزہ لینے کے لیے تفویض کیے گئے ہیں۔

کنٹرول اور سپورٹ فنکشنز / ایم آر سی میں عملے کے معاوضے کی سطح پیک کو ان افعال میں اہل اور تجربہ کار افراد کو ملازمت دینے کی اجازت دیتی ہے۔ پیک اس بات کو یقینی بناتا ہے کہ کنٹرول اور سپورٹ فنکشن کے اہلکاروں کے لیے مقررہ اور متخیر معاوضے کی ترکیب مقررہ معاوضے کے حق میں سازگار ہے۔ کنٹرول فنکشنز کا متخیر معاوضہ فنکشن کے مخصوص مقاصد پر مبنی ہوتا ہے اور ان کاروباری 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 پیک کی Malus اور Clawback کی دفعات کے مطابق پیک اس بات کا تعین کرتا ہے کہ اگر مناسب ہو تو مؤخر نوںس پلان کے تحت غیر منقسم عناصر کو ضبط / ایڈجسٹ کیا جاسکے یا بعض حالات میں ادا شدہ متخیر معاوضہ وصول کیا جاسکتا ہے۔ اس کی وجہ یہ ہے کہ 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 تو پیک مناسب رد عمل پیش کر سکے۔ تمام مؤخر شدہ معاوضہ انعامات میں ایسی دفعات شامل ہیں جو پیک کو ان ملازمین کے ایوارڈز کو کم یا منسوخ کرنے کا اہل بناتی ہیں جن کے انفرادی روپے نے متعلقہ کارکردگی کے سال کے دوران پیک پر مادی طور پر نقصان دہ اثر ڈالا ہو۔

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

معاوضے کی ترکیب معین اور متغیر (variable) معاوضے پر مشتمل ہے۔ مختلف کاروباری زمروں کے لیے ادا کیے جانے والے معین اجزاء کا تناسب کسی ملازم کی نوعیت اور ذمہ داریوں کی سطح، کاروباری علاقے، 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۔

مجموعی معاوضے کے معین اور متغیر اجزاء مناسب طور پر متوازن ہیں اور معین جزو مجموعی معاوضے کے کافی زیادہ تناسب کی نمائندگی کرتا ہے تاکہ متغیر معاوضے کے اجزاء مکمل طور پر چیک دہرا پالیسی کو چلا یا 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 مشاہرہ 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 ٹیز 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 الاؤنس پر مشتمل ہے۔

متغیر معاوضہ: کارکردگی سے متعلق ہے اور بنیادی طور پر سالانہ کارکردگی کے بونس پر مشتمل ہے۔

ڈائریکٹروں کا اعزازیہ

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

نان ایگزیکٹو ڈائریکٹرز کے ضمن میں، اعزازیہ کی سطح بینک میں ان ڈائریکٹرز کے تجربے 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 پنشن کے فوائد شامل نہیں ہیں۔ نان ایگزیکٹو ڈائریکٹرز اجلاس کی فیس کے علاوہ کمیٹی سے کوئی معاوضہ نہیں لیتے۔

2023ء 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 اعزازیہ نہیں دیا جاتا۔ ایگزیکٹو ڈائریکٹرز اور چیف ایگزیکٹو کے اعزازیہ کے منیجنگ کو نوٹ 37.1 میں غیر جامع مالیاتی بیانات میں ظاہر کیا گیا ہے۔

شریعت بورڈ کا اعزازیہ

بینک شریعت بورڈ کے ارکان کو معین سالانہ فیس کی ادائیگی کے علاوہ کارکردگی سے منسلک کوئی مراعات فراہم نہیں کرتا۔

2023ء میں شریعت بورڈ کے ارکان کو ادا کیے گئے اعزازیہ کی تفصیلات نوٹ 37.3 میں غیر جامع مالیاتی بیانات میں ظاہر کی گئی ہیں۔

مقید 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 کارکردگی کے کلیدی اظہاریوں (کے پی آئی) 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۔

بورڈ کے جائزے کا طریقہ کار

کارپوریٹ نظم و نسق کے ضوابط کی فریم ورک کے جی۔13 اور بی بی آر ڈی سرکلر نمبر 11 برائے 2016ء بتاریخ 22 اگست 2016ء، اور 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 سالمیت کو برقرار رکھنا ہے۔ بورڈ کے 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 منظور 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 جانبدارانہ رپورٹ حاصل ہو سکے۔

ڈائریکٹرز میں تبدیلیاں

جناب سلمان ظفر صدیقی 27 اپریل 2023ء کو بینک کے ایگزیکٹو ڈائریکٹر کے عہدے سے مستعفی ہو گئے۔ بورڈ ان کی مدت کار کے دوران ان کی گراں قدر خدمات کو تسلیم کرتا اور انہیں خراج تحسین پیش کرتا ہے۔

جناب محمد سلمان عالم فضلی نے 21 فروری 2023ء کو بینک کے نان ایگزیکٹو ڈائریکٹر کی حیثیت سے بورڈ میں شمولیت اختیار کی اور جناب عبداللہ نصر عبداللہ حسین لوتاہ نے 19 دسمبر 2023ء سے بورڈ کے چیئرمین کا عہدہ سنبھالا۔

بورڈ جناب محمد سلمان عالم فضلی اور جناب عبداللہ نصر عبداللہ حسین لوتاہ کو خوش آمدید کہتا ہے اور ان کی گراں قدر خدمات کا متشہ ہے۔

بینک کی جانب سے معاوضے کے تعین کا طریقہ کار

بینک، اسٹیٹ بینک آف پاکستان ("اس بی پی") کے جاری کردہ تمام قابل اطلاق ضوابط / سرکلرز / ہدایات سے ہم آہنگ معاوضے کی ایک پالیسی پر عمل درآمد 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 ہر تین سال بعد یا اگر ضرورت ہو تو قبل ازیں اس کا انعقاد کیا جاتا ہے۔

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

- اعلیٰ اسناد کے حامل (کو ایلیفائیڈ) اور مسابقتی عملے کے ارکان کو اپنی طرف متوجہ کرنا اور ملازمت پر رکھنا اور کارکردگی کے اعلیٰ معیار کو حاصل کرنے کے لیے ان کو شامل رکھنا۔
- 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 پیمائش اور رورڈ ہل کی جاتی ہے۔
- معاوضہ مارکیٹ کے مطابق اور اور تنخواہ کا تعین کرنے والے عالمین مارکیٹ کے اعداد و شمار اور مارکیٹ سے 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 ہے۔ ملازمین کو دیے جانے والے معاوضے کی اشکال 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۔

ڈائریکٹرز کی نامزدگی اور تقرر

کمپنیز ایکٹ 2017ء کی دفعات نیز اسٹیٹ بینک آف پاکستان کی جانب سے 2021ء میں جاری کردہ محتاطیہ ضوابط برائے کارپورٹ نظم و نسق 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، اسپانسر ڈائریکٹر، خود مختار ڈائریکٹر اور نامزد ڈائریکٹر) کو بینک کے بورڈ آف ڈائریکٹرز میں ترقی سے قبل اسٹیٹ بینک آف پاکستان کے فٹ اینڈ پراپرٹیس (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 رسمی ایف ٹی ڈسٹاویز اور متعلقہ دستاویزات پر اسٹیٹ بینک میں کارروائی کرنے سے پہلے خود مجوزہ ڈائریکٹر کی خود تشخیص (self-assessment) کرے گا۔

کسی ڈائریکٹر کا تقرر کرتے وقت، بینک اس بات کو یقینی بنائے کہ بورڈ ایسے ڈائریکٹرز پر مشتمل ہو نا چاہیے جن کے پاس بینک کے کریڈٹ، کمرشل بینکنگ، فنانس، انڈرونی آڈٹ، آپریشنز، ریسک 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 ترقی کا تعلق ہے، بینک نے اسٹیٹ بینک آف پاکستان کے بیان کردہ معیار کو مد نظر رکھتے ہوئے پاکستان انسٹی ٹیوٹ آف کارپورٹ 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۔

ڈائریکٹرز کا ترقی پروگرام

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

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

ڈائریکٹر کے نام	کورس	کامیابی کا سال
جناب وسیم مہدی سید	کارپورٹ گورننس لیڈرشپ اسکولز (سی جی ایل ایس)۔ ڈائریکٹر ایجوکیشن پروگرام۔ پی آئی سی جی	دسمبر 2021ء
محترمہ فوزیہ حسنین		نومبر 2021ء
جناب وجاہت احمد بٹائی		دسمبر 2021ء
جناب ظفر اقبال صدیقی	بورڈ کی اثرا گلیری کو برعہانا ڈی ٹی پی۔ لہر	دسمبر 2020ء
جناب جواد ماجد خان		اکتوبر 2016ء

علاوہ ازیں، ڈی ٹی پی کے تقاضے کی تعمیل کرتے ہوئے، بینک نے 2023ء کے دوران بورڈ آف ڈائریکٹرز کے لیے اسلامی بینکاری پر ایک روزہ خصوصی ترقی سیشن بھی منعقد کیا تھا جس کا مقصد انھیں بالخصوص اسٹیٹ بینک کی طرف سے جاری کردہ شریعہ گورننس فریم ورک کی تعمیل کرنے کے لیے اسلامی بینکاری کے نفاذ کے حوالے سے ان کے کردار اور ذمہ داریوں سے آگاہ کرنا تھا۔

2023ء 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 آؤٹ کمیٹی	بورڈ کی کمیٹی برائے انٹرویو وسائل و سہارے	بورڈ کی انتظامی عملیاتی کمیٹی	بورڈ کی انٹارمیشن ٹیکنالوجی کی کمیٹی	بورڈ کی حتمی کمیٹی	بورڈ کی خصوصی انتظامی امور کی کمیٹی
جناب عبداللہ نصر عبداللہ حسین لوتاہ**	1	قابل اطلاق نہیں	قابل اطلاق نہیں	قابل اطلاق نہیں	قابل اطلاق نہیں	قابل اطلاق نہیں	قابل اطلاق نہیں
جناب محمد سلمان عالم فضلی*	5	3	0	1	1	1	2
جناب جواد ماجد خان	7	4***	5	قابل اطلاق نہیں	5	قابل اطلاق نہیں	2
جناب وسیم مہدی سید	7	4***	2	قابل اطلاق نہیں	5	4	2
جناب ظفر اقبال صدیقی	7	6	3	5	5	4	1***
جناب وجاہت احمد بٹائی	6	5	3	4	قابل اطلاق نہیں	4	2
محترمہ فوزیہ حسنین	7	6	5	5	قابل اطلاق نہیں	1***	2
جناب سلمان ظفر صدیقی	2	2	قابل اطلاق نہیں	2	1	1	قابل اطلاق نہیں
دوران سال ہونے والے اجلاس	7	6	5	5	5	4	2

*2023ء کے دوران بینک کے بورڈ آف ڈائریکٹرز میں خالی ساتویں (07ویں) عہدے کو پر کرنے کے لیے جناب محمد سلمان عالم فضلی کو نان ایگزیکٹو ڈائریکٹر مقرر کیا گیا تھا جس کی ایف پی ٹی کلیئر نس 28 اپریل 2023ء کو اسٹیٹ بینک آف پاکستان کی جانب سے دی گئی۔ ایف پی ٹی کلیئر نس ملنے کے فوراً بعد جناب محمد سلمان عالم فضلی نے تمام بورڈ میٹنگز اور بورڈ کی کمیٹیوں کی میٹنگز میں شرکت کا آغاز کر دیا۔

**27 اپریل 2023ء کو، جناب سلمان ظفر صدیقی نے ایگزیکٹو ڈائریکٹر کے عہدے سے بھی استعفیٰ دے دیا اور ان کی جگہ، بورڈ نے جناب عبداللہ نصر عبداللہ حسین لوتاہ کو بینک کا نان ایگزیکٹو ڈائریکٹر مقرر کیا اور 28 نومبر 2023ء کو اسٹیٹ بینک کی جانب سے ان کی ایف پی ٹی کلیئر نس دی گئی۔ ایف پی ٹی کلیئر نس ملنے کے فوراً بعد جناب عبداللہ نصر عبداللہ حسین لوتاہ نے جناب سلمان ظفر صدیقی کی جگہ تمام بورڈ میٹنگز اور بورڈ کی کمیٹیوں کی میٹنگز میں شرکت کا آغاز کر دیا۔

***دعوت پر شرکت

بورڈ/کمیٹی کی طرف سے ان ڈائریکٹرز/ارکان کو غیر حاضری کی چھٹی دی گئی تھی، جو کچھ اجلاسوں میں شرکت نہیں کر سکے تھے۔

2023ء کے دوران شریعت بورڈ کے اجلاسوں کی تعداد اور ہر ایک شرکاء کی حاضری مندرجہ ذیل تھی:

شریعت بورڈ کے ارکان کے نام	اجلاسوں کی تعداد	حاضری
مفتی محمد نجیب خان (چیئرمین)	4	4
ڈاکٹر نور احمد شاہتاہ (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)	4	4

سلسلہ نمبر	بورڈ کی انتظامیہ خطر کی کمیٹی	مہدہ
1	جناب وجاہت احمد بٹائی	چیئر مین
2	جناب محمد سلمان عالم فضلی	رکن
3	جناب ظفر اقبال صدیقی	رکن
4	محترمہ فوزیہ حسین	رکن

سلسلہ نمبر	بورڈ کی انفارمیشن ٹیکنالوجی کی کمیٹی	مہدہ
1	جناب ظفر اقبال صدیقی	چیئر مین
2	جناب عبداللہ نصر عبداللہ حسین لوتاہ	رکن
3	جناب محمد سلمان عالم فضلی	رکن
4	جناب جواد ماجد خان	رکن
5	جناب وسیم مہدی سید	رکن

سلسلہ نمبر	بورڈ کی قبلی کمیٹی	مہدہ
1	جناب وسیم مہدی سید	چیئر مین
2	جناب عبداللہ نصر عبداللہ حسین لوتاہ	رکن
3	جناب محمد سلمان عالم فضلی	رکن
4	جناب ظفر اقبال صدیقی	رکن
5	جناب وجاہت احمد بٹائی	رکن

سلسلہ نمبر	بورڈ کی خصوصی انتظامیہ جات کی کمیٹی	مہدہ
1	جناب وجاہت احمد بٹائی	چیئر مین
2	جناب عبداللہ نصر عبداللہ حسین لوتاہ	رکن
3	جناب محمد سلمان عالم فضلی	رکن
4	جناب جواد ماجد خان	رکن
5	جناب وسیم مہدی سید	رکن
6	محترمہ فوزیہ حسین	رکن

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

ڈائریکٹرز کی مجموعی تعداد چھ (07) ہے جو حسب ذیل ہے:

- مرد: 06
- خواتین: 01

1. بورڈ کی ہیئت ترکیبی درج ذیل ہے:

نام	زمرہ
جناب وسیم مہدی سید محترمہ فوزیہ حسین	خود مختار ڈائریکٹر (بشمول خاتون ڈائریکٹر)
جناب عبداللہ نصر عبداللہ حسین لوتاہ جناب محمد سلمان عالم فضل جناب ظفر اقبال صدیقی جناب وجاہت احمد بھٹائی	نان ایگزیکٹو ڈائریکٹر
جناب جواد ماجد خان، صدر اور سی ای او	ایگزیکٹو ڈائریکٹر

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

سلسلہ نمبر	بورڈ آڈٹ کمیٹی	مہمہ
1	محترمہ فوزیہ حسین	چیئر پرسن
2	جناب محمد سلمان عالم فضل	رکن
3	جناب ظفر اقبال صدیقی	رکن
4	جناب وجاہت احمد بھٹائی	رکن

سلسلہ نمبر	کمیٹی برائے انفراسٹرکچر اور وسائل و سٹاؤن	مہمہ
1	محترمہ فوزیہ حسین	چیئر پرسن
2	جناب عبداللہ نصر عبداللہ حسین لوتاہ	رکن
3	جناب محمد سلمان عالم فضل	رکن
4	جناب جواد ماجد خان	رکن
5	جناب وسیم مہدی سید	رکن

محاصل میں اضافے کے باوجود، بلند سودی ادائیگیوں کی وجہ سے مالی سال 24ء کی کھلی ششماہی میں مالی خسارہ جی ڈی پی کے 2.3 فیصد (2,407.8 ارب روپے) تک بڑھ گیا، جو گذشتہ برس جی ڈی پی کا 2.0 فیصد (1,683.5 ارب روپے) تھا۔ محاصل میں اضافہ بنیادی طور پر نان ٹیکس محاصل میں 109 فیصد اضافے کی وجہ سے ہوا جو 2020ء کے 2.020 ٹریلین روپے تک پہنچ گیا۔

2023ء کے دوران پاکستان میں مہنگائی کی اوسط شرح 29.7 فیصد رہی جس کی بنیادی وجہ خوراک، گیس، بجلی اور ایندھن کی قیمتوں میں اضافہ ہے۔ مہنگائی کے بڑھتے ہوئے رجحان کے رد عمل میں اسٹیٹ بینک نے پالیسی ریٹ میں 600 بی پی ایس کا اضافہ کیا جو دسمبر 2022ء کے 16 فیصد سے بڑھ کر جون 2023ء میں 22 فیصد کی تاریخی بلند ترین سطح پر پہنچ گیا۔ دسمبر 2023ء میں ہونے والے زری پالیسی کمیٹی کے آخری اجلاس میں اسٹیٹ بینک کی زری پالیسی کمیٹی نے پالیسی ریٹ کو 22 فیصد پر قرار رکھنے کا فیصلہ کیا تھا۔ یہ فیصلہ بلند اساسی مہنگائی کے تسلسل سے پیدا ہوا ہے، جو بتدریج کمی کا شکار ہے۔

گذشتہ 7 برسوں کے دوران، پاکستانی روپے کو مسلسل دباؤ کا سامنا کرنا پڑا ہے۔ حالیہ بحالی کے باوجود 2023ء میں ڈالر کے مقابلے میں روپے کی قدر میں 20 فیصد کمی واقع ہوئی۔ بیرونی مالی تفرق، عالمی مالی منڈیوں میں چیلنجز اور مقامی سیاسی عدم استحکام جیسے عوامل نے زرمبادلہ کے ذخائر پر منفی اثر ڈالا ہے، جس سے روپے پر دباؤ پڑا ہے۔

29 دسمبر 2023ء کو پاکستان کے زرمبادلہ کے ذخائر 13.22 ارب ڈالر تھے جبکہ اسٹیٹ بینک کے ذخائر 8.15 ارب ڈالر رکھنا چاہتے تھے۔ آئی ایم ایف کے ایگزیکٹو بورڈ نے پہلا جائزہ مکمل کر لیا ہے اور 3 ارب ڈالر کے ایس بی اے پر وگرام کے تحت پاکستان کے لیے 70 کروڑ ڈالر کی دوسری قسط جاری کرنے کی منظوری دے دی ہے۔

2023ء کی آخری ششماہی میں پاکستان اسٹاک ایکسچینج کی کارکردگی نمایاں طور پر بہتر رہی کیونکہ کے ایس ای 100 انڈیکس نے دسمبر 2023ء کے دوران مسلسل چوتھی مثبت ماہانہ کلوزنگ کی۔ اس کے نتیجے میں روپے کی قدر میں کمی کے باوجود 2023ء میں کے ایس ای انڈیکس میں 55 فیصد اضافہ ہو گیا۔

کافی دشاویوں کے باوجود، مہنگائی کے دباؤ میں کمی کے پیش نظر مجموعی معاشی منظر نامہ امید افزا ہے۔ جڑواں خسارہ کمی کی طرف گامزن ہے، جو معاشی عدم توازن کو کم کرنے کے لیے بہتر معاشی انتظام کی نشاندہی کرتا ہے۔ تاہم کئی معاشی استحکام کو یقینی بنانے اور ترقی کو فروغ دینے کے لیے محتاط معاشی انتظام اور گہری ساختی اصلاحات کی ضرورت ہوگی۔

آڈیٹرز کی رپورٹ میں تبدیلیاں

31 دسمبر 2023ء تک بینک کا ادائ شدہ سرمایہ (خالص خسارے)، شرح کفالت سرمایہ اور لیوریج 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۔

بینک نے 23.255 ارب روپے کے موثر ٹیکس ہاٹوں کی نشاندہی کی ہے جسے مستقبل قریب میں قابل ٹیکس منافع کے مالی تخمینوں کی بنیاد پر قابل عمل سمجھا گیا ہے۔

بینک اس وقت ایک غیر حقوقہ جائیداد کا حامل ہے جو 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 گاہدہ 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 گورننس

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۔

31 مارچ 2022ء تک بینک 23,255 ارب روپے کے (خالص) موخر ٹیکس اثاثوں کا حامل ہے، جن میں 2,474 ارب روپے کے موخر ٹیکس اثاثے تسلیم کیا گیا ہے، جس کی بنیادی وجہ دوران سال قابل ٹیکس خسارے تھے۔

یکھاناٹاج

بینک نے رواں سال کے لیے 5,327 ارب روپے کا مجموعی بعد از ٹیکس خسارہ درج کیا جبکہ گزشتہ برس یہ 3,188 ارب روپے تھا۔ فی شیئر خسارے کا تخمینہ 1.00 روپے لگایا گیا جبکہ گزشتہ برس کی اسی مدت کے دوران یہ 1.21 روپے فی شیئر تھا۔

بینک سٹ کیپٹل (ہائیڈریٹ) لمیٹڈ میں 100 فیصد شیئر ہولڈنگ کا حامل ہے، جو انکیو بی بروکر ٹیج، منی مارکیٹ بروکر ٹیج، انٹر بینک فارن ایکسچینج بروکر ٹیج، کموڈٹی بروکر ٹیج اور ریسرچ کے کاروبار میں مصروف ہے۔

بینک اور اس کے ماتحت اداروں کے جامع مالی بیانات کے ساتھ ساتھ آڈیٹرز کی رپورٹ بھی سالانہ رپورٹ کا حصہ ہے۔

ذیلی ادارے کی کارکردگی

سٹ کیپٹل (ہائیڈریٹ) لمیٹڈ نے گزشتہ برس کے 67,446 ملین روپے کے مقابلے میں رواں سال 115,492 ملین روپے کے آپریشنل ریونیو حاصل کیے۔ سال کے لیے فی شیئر خسارہ 0.18 روپے رہا جبکہ گزشتہ برس یہ 0.48 خسارہ فی شیئر تھا۔ 2023ء کے دوران اسٹاک مارکیٹ کی زبردست کارکردگی کے نتیجے میں تجارتی سرگرمی نمایاں طور پر بڑھ گئی جس سے کمپنی کے حاصل اور قلع آوری پر مثبت اثر پڑا۔ سٹ کیپٹل نے 4,056 ملین روپے کا قلع از ٹیکس منافع کمایا جبکہ گزشتہ برس 13,803 ملین روپے کا قلع از ٹیکس خسارہ ہوا تھا۔

گریڈ ریٹنگ

2019ء کے دوران، وی آئی ایس گریڈ ریٹنگ کمپنی لمیٹڈ نے بینک کی درمیانی تا طویل مدتی ریٹنگ 'بی بی بی' (ٹرمپل بی مائٹس) اور قلیل مدتی ریٹنگ 'اے-3' (اے-تھری) معطل کر دی۔ بینک وی آئی ایس گریڈ ریٹنگ کمپنی لمیٹڈ کے ساتھ ریٹنگ کے عمل کا آغاز کر چکا ہے اور اسٹیٹ بینک سے درخواست کی گئی ہے کہ وہ گریڈ ریٹنگ کے ہراس کی تکمیل کے لیے 31 مارچ 2024ء تک توسیع فراہم کر دے۔

وی آئی ایس گریڈ ریٹنگ کمپنی لمیٹڈ نے درجہ 2- سرمائے کے آلات کے لیے ایک نیا ریٹنگ اسکیل جاری کیا ہے۔ نتیجتاً، بینک کی ٹی ایف سی ریٹنگ کو ریٹنگ واچ نیگیٹو منظر نامے کے ساتھ 'بی' (منسل بی) میں ایڈجسٹ کیا گیا ہے، جیسا کہ 27 جون، 2023ء کی پریس ریلیز میں بیان کیا گیا۔ قلع از ایس، بینک کی ٹی ایف سی ریٹنگ ڈی (ڈیفالٹ) مقرر کی گئی تھی کیونکہ اسٹیٹ بینک آف پاکستان (ایس بی پی) کے قابل اطلاق ضوابط کے تحت بینک کی جانب سے لاک ان کلاز کی حوالے سے تازہ ترین مارک اپ پیمنٹ کی ادائیگی نہیں کی گئی تھی۔

اقتصادی جائزہ

مالی سال 2024ء کے آغاز سے ہی پاکستان کی معیشت بحالی کی راہ پر گامزن ہے کیونکہ عالمی معیشت میں بہتری، درآمدی پابندیوں میں نرمی سے خام مال کی فراہمی میں رکاوٹوں کو دور کرنے اور برآمدی صنعتوں کو معاونت کی فراہمی میں مدد مل رہی ہے۔ مزید برآں، مالی سال 2024ء کی پہلی ششماہی میں بیرونی براہ راست سرمایہ کاری (ایف ڈی آئی) میں 34.8 فیصد اضافہ ہوا، جس کی بنیادی وجہ بلند چینی سرمایہ کاری اور شرح مبادلہ میں استحکام تھا۔ تاہم پاکستان کی معیشت اندرونی اور بیرونی دھچکوں کا شکار رہے گی۔

مالی سال 24ء کی پہلی ششماہی کے دوران جاری کھاتے (گرنٹ اکاؤنٹ) میں 831 ملین ڈالر کا خسارہ دکھائی دیا جبکہ گزشتہ سال 3.6 ارب ڈالر کا خسارہ ہوا تھا، اس کی بنیادی وجہ تجارتی توازن میں بہتری ہے۔ مالی سال 24ء کی پہلی ششماہی کے دوران برآمدات 7.5 فیصد اضافے سے 15.3 ارب ڈالر درج کی گئیں (گزشتہ سال 14.2 ارب ڈالر)۔ جولائی تا دسمبر مالی سال 24ء میں مجموعی درآمدات 14.7 فیصد کمی سے 25.2 ارب ڈالر رہ گئیں۔

سال بسال موازنے کے لحاظ سے، اوسط خالص سرمایہ کاری میں نمایاں بہتری آئی ہے جس کی وجہ انکوائٹی کے نئے ادخال اور ماتحتوں اور قرضوں میں اضافے سمیت متعدد عوامل ہیں۔ نتیجتاً اوسط خالص سرمایہ کاری گزشتہ برس کے 40,993 ارب روپے سے بڑھ کر 132,562 ارب روپے ہو گئی۔ خالص اوسط سرمایہ کاریوں میں اس نمایاں اضافے کو خالص سرمایہ کاری یا فٹوں میں بہتری سے مدد ملی، جو گزشتہ برس کے 13.33 فیصد سے بڑھ کر رواں سال 21.65 فیصد ہو گیا۔ حجم اور یا فٹوں دونوں میں اس قابل ذکر اضافے کے نتیجے میں بینک کی سرمایہ کاری سے ہونے والی آمدن میں خاطر خواہ اضافہ ہوا جو گزشتہ برس کے 5.465 ارب روپے کے مقابلے میں رواں سال 28.697 ارب روپے تک پہنچ گئی۔ 31 دسمبر 2023 کو بینک کی آئی ڈی آر (ڈپازٹس میں خالص سرمایہ کاری) 114.61 فیصد رہی جبکہ سال 2022ء کے اختتام پر یہ 42.20 فیصد تھی۔

خالص ایڈوانسز پر یافتیں بھی سال بسال بڑھ کر رواں سال 14.27 فیصد ہو گئیں جبکہ گزشتہ برس یہ 9.61 فیصد تھیں۔ یہ اضافہ اسٹیٹ بینک کی جانب سے پالیسی کی شرحوں میں ہونے والے بتدریج اضافے کے نوبت بندی کے اثر کی عکاس تھیں۔ تاہم 2023ء کے دوران بینک کے اوسط خالص ایڈوانسز گھٹ کر مجموعی طور پر 19,208 ارب روپے ہو گئے جبکہ گزشتہ برس یہ 25,075 ارب روپے تھے، جو اس کے بہ وزن خطرہ اثاثوں میں کمی کی حکمت عملی سے ہم آہنگ ہے۔ رواں سال ایڈوانسز سے ہونے والی آمدنی 2,740 ارب روپے رہی جو گزشتہ برس کے 2,409 ارب روپے کے مقابلے میں 13.75 فیصد اضافے کو ظاہر کرتی ہے۔

31 دسمبر 2023 تک بینک کے ذخائر 156,960 ارب روپے تھے، جو گزشتہ برس کے مقابلے میں 35,041 ارب روپے یا 28.74 فیصد اضافے کو ظاہر کرتا ہے۔ یہ بینک کی تاریخ میں ڈپازٹ کی بلند ترین سطح ہے۔ بلحاظ اوسط پورٹ فولیو میں 25,500 ارب روپے یا سال بسال 23.2 فیصد اضافہ ہوا۔ شرح ہائے سود کی سخت مسابقت کے سبب، بینک کی توجہ سی اے ایس اے کے آئیزے اور جاری کھاتوں کو برقرار رکھنے پر مرکوز رہی۔ 31 دسمبر، 2023 تک بینک کا کسی اے ایس اے کا تناسب بڑھ کر 88.03 فیصد ہو گیا (دسمبر 2022ء: 87.46 فیصد)، باوجود اس کے کہ سرمایہ کاری کی جانب سے بینک میں سرمایہ کاری کے لیے مختص رقم کو اس کے جاری کھاتے سے شیئر سبسکریپشن اکاؤنٹ میں منتقل کیا گیا تھا۔ دسمبر 2022ء سے اسٹیٹ بینک کی جانب پالیسی ریٹ میں کیے جانے والے 6 فیصد اضافے کے باوجود رواں سال ڈپازٹس کی لاگت 12.07 فیصد رہی۔

چونکہ بینک نے تالیقی کے مواقع سے فائدہ اٹھایا، لہذا دسمبر 2023ء کے دوران اوسط قرض گیری 65,329 ارب روپے کے اضافے سے 81,964 ارب روپے ہو گئی جبکہ گزشتہ برس یہ 16,635 ارب روپے تھی۔ وریں اثنا، سال 2023ء کے لیے مجموعی لاگت بڑھ کر 19.87 فیصد ہو گئی، جو گزشتہ برس 10.48 فیصد تھی۔

بینک کی غیر مالی (نان فنڈڈ) آمدنی گزشتہ برس کے 1,397 ارب روپے کے مقابلے میں 1,197 ارب روپے رہی۔ اس کی بنیادی وجہ ملکی زر مبادلہ کی آمدنی، اثاثوں کی فروخت سے حاصل ہونے والے منافع اور فیس کی آمدن تھی۔ اگرچہ حصص کی فروخت پر 1,680 ارب روپے کا شمارہ ہوا تاہم 2,125 ارب روپے کے معزرت کے اثر واد کے بعد 445,026 ملین روپے کا خالص فائدہ ہوا۔ ہم اپنے تجارتی حجم کو 76 ارب روپے سے بڑھا کر 139 ارب روپے کرنے میں کامیاب ہو گئے۔

مہنگائی کے دباؤ، کرنسی کی قدر میں کمی، ایشیا کی بڑھتی ہوئی قیمتوں کے باوجود بینک نے لاگت پر قابو پانے کے اقدامات کے نفاذ کے ساتھ اپنے آپریٹنگ اخراجات کا محتاط طور پر انتظام جاری رکھا۔ اگرچہ 2023ء کے دوران سال بسال بنیاد پر اوسط سی پی آئی مہنگائی 29.7 فیصد تک پہنچ گئی، تاہم بینک گزشتہ برس کی اسی مدت کے مقابلے میں اپنے آپریٹنگ اخراجات میں اضافے کو 22.29 فیصد تک محدود رکھنے میں کامیاب رہا۔ بینک کے مجموعی نان مارک اپ اخراجات 7,147 ارب روپے درج کیے گئے جو گزشتہ برس 5,845 ارب روپے تھے۔

رواں سال جموں کے خالص اسٹریڈ 1,145 ارب روپے تھے جو گزشتہ برس کے 584,115 ملین روپے کے خالص چارج میں نمایاں اضافے کو ظاہر کرتے ہیں۔ اس بہتری کی بنیادی وجہ انکوائٹی پورٹ فولیو کی فروخت پر تسلیم شدہ 2,125 ارب روپے کی معزرت تھی۔

31 دسمبر 2023 تک بینک کا مجموعی غیر فعال قرضوں کا تناسب (مجموعی غیر فعال قرضے اور مجموعی ایڈوانسز) بڑھ کر 68.50 فیصد ہو گیا جبکہ گزشتہ برس یہ 65.78 فیصد تھا، اس اضافے کی بنیادی وجہ مجموعی ایڈوانسز میں 1,883 ارب روپے کی کمی تھی۔ مزید برآں، دسمبر 2023ء کے اختتام پر کوریج کا تناسب بہتر ہو کر 94.31 فیصد ہو گیا، جو دسمبر 2022ء میں 92.14 فیصد تھا۔ بینک کا مجموعی ایڈوانسز اور ڈپازٹس کا تناسب (مجموعی ایڈوانسز اور کل ڈپازٹس) دسمبر 2023ء میں کم ہو کر 33.74 فیصد رہ گیا جو دسمبر 2022ء میں 44.98 فیصد تھا، اس سے خطرے سے گریز کے اسٹریٹجک منظر نامے کی عکاسی ہوتی ہے۔

شیر ہولڈرز کے لیے ڈائریکٹروں کی رپورٹ

مزید شیر ہولڈرز

یورڈ آف ڈائریکٹرز کی جانب سے، ہم 31 دسمبر 2023ء 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 سرور ہیں۔

بینک کے نام کی تبدیلی

"سٹ بینک لمیٹڈ" کا نام تبدیل کر کے "بینک مکرمل لمیٹڈ" (بی ایم ایل) کر دیا گیا ہے اور مطلوبہ منظوریاں حاصل کرنے کے بعد 07 نومبر، 2023ء سے اس کا نفاذ کیا جا چکا ہے۔

یہ نیا نام بینک کے شریعت سے ہم آہنگ عمل مالی ادارے میں تبدیلی اور ڈیجیٹلائزیشن پر زیادہ زور دینے کے ساتھ بینکاری امور کو بہتر بنانے پر توجہ مرکوز کرنے کی نشاندہ علامت ہو گا۔ یہ ری برانڈنگ سے بینک کے از سر نو آغاز اور اسلامی بینک میں منتقلی کے ساتھ ایک نیا رخ پیش کرے گی۔

بینک کی کارکردگی

2023ء کے مالی نتائج کی جھلکیاں حسب ذیل ہیں:

روپے ملین میں	مالی صورت حال
(12,813)	شیر ہولڈرز کی ایکویٹی
156,960	امانتیں
288,624	مجموعی اثاثے
18,735	ایڈوائس - خالص
179,900	سرمایہ کاریاں - خالص
	مالی کارکردگی
(1,389)	خالص سودی آمدنی اور غیر سودی آمدنی (مجموعی آمدنی)
7,147	غیر سودی اخراجات
(1,145)	تموین کا اسٹروا اور متروکات (خالص)
7,391	خسارہ قبل از ٹیکس
5,319	خسارہ بعد از ٹیکس
(1.00)	خسارہ فی شیر بنیادی اور سیال (diluted) - روپے

بینک نے سال 2023ء کے دوران 7.391 ارب روپے کا خسارہ قبل از ٹیکس اور 5.319 ارب روپے کا خسارہ بعد از ٹیکس درج کیا جبکہ گذشتہ برس یہ بالترتیب 7.296 ارب اور 3.167 ارب روپے تھا۔ رواں سال خسارہ فی حصص 1.00 روپے فی حصص درج کیا گیا جبکہ گذشتہ سال یہ 1.20 روپے فی حصص تھا۔

Report of the Shari'ah Board

For the year ended December 31, 2023

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

To monitor overall Shari'ah Compliance environment of the Bank Makramah Limited (formerly known as Summit Bank Limited) - Islamic Banking Division- BML 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 Bank Makramah Limited (formerly known as 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 Bank Makramah Limited (formerly known as 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.
3. 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 4.16 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. Urgent attention is required in this matter.
- IX. In line with Federal Shariat Court ruling and SBP initiatives for Islamic conversion of economy, the bank has embarked on transformation journey and has completed its rebranding. We wish and pray that the bank continue to take initiatives for successful achievement of complete transformation of the bank.

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
Shari'ah Board Member

Mufti Bilal Ahmed Qazi
Shari'ah Board Member

Mufti Irshad Ahmed Aijaz
Shari'ah Board Member

Dr. Noor Ahmed Shahtaz
Shari'ah Board Member

Mufti Muhammad Najeeb Khan
Chairman Shari'ah Board

ح: اسلامی بینکاری کے تمام پہلوؤں میں شرعی تعمیل کے لیے عملے، اعلیٰ انتظامیہ اور بورڈ آف ڈائریکٹرز کی آگاہی، صلاحیت اور موضوع سے واقفیت کی سطح تسلی بخش رہی۔

خ: لرننگ اینڈ ڈویلپمنٹ (L&D) ڈیپارٹمنٹ نے بینک کے ایک مکمل اسلامی بننے کے مقصد کے حصول کے لیے شریعہ کیپلائنس ڈیپارٹمنٹ (SCD) اور اسلامی بینکاری ڈیپارٹمنٹ (IBD) کے ساتھ مل کر بینک کے عملے کے لیے اسلامی بینکاری کی تربیتی نشستوں کا اہتمام کیا۔ ہمارے خیال میں ان تمام ترقیاتی کاموں کے باوجود، تمام عملے کی تربیتی نشستوں کی مزید ضرورت ہے تاکہ شریعہ بورڈ اور مرکزی بینک کی ہدایات کی تفہیم و تعمیل بہتر طور پر ہو سکے۔ اس کے ساتھ بینک کے عمومی ماحول کو بہتر بنانے کے لیے اسلامی بینکاری کی ترویج کی مزید ضرورت ہے کیونکہ اگر عملے کا رجحان اسلامی بینکاری کی طرف نہیں ہوگا تو یہ بینک کی (اسلامی) سادھ کے لیے نامناسب بات ہوگی۔ شریعہ بورڈ مزید یہ تجویز پیش کرتا ہے کہ بینک کی اعلیٰ انتظامیہ کی اسلامی بینکاری کی تربیت پر مزید توجہ ضروری ہے تاکہ بینک مکمل تبدیلی کے ہدف کی جانب بخوبی گامزن رہ سکے۔

د: انٹرنل شریعہ آڈٹ، پروڈکٹ ڈیولپمنٹ اور خصوصاً شریعہ کیپلائنس 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 کو شریعت کے مطابق کیا جاسکے۔ البتہ افراد و وسائل کی فراہمی کے حوالے سے اعلیٰ انتظامیہ کی خصوصی توجہ درکار ہے۔

ذ: وفاقی شرعی عدالت کے فیصلے اور اسٹیٹ بینک کے معاشی نظام کی اسلامی نظام میں منتقلی / تبدیلی کے اقدامات کو مد نظر رکھتے ہوئے، بینک نے اسلامی نظام میں تبدیلی کے سفر کا آغاز کیا اور پہلے مرحلے میں بینک کے نام کی تبدیلی اری براؤننگ کا مرحلہ مکمل کر لیا۔ ہم امید کرتے ہیں اور دعا گو ہیں کہ بینک نے اسلامی نظام میں تبدیلی / منتقلی کے جس سفر کا آغاز کیا ہے اس کے حصول کے لیے مزید اقدامات کرتا ہے۔

اللہ تعالیٰ ہمیں اپنے پسندیدہ اعمال کی توفیق عطا فرمائے، ہماری خطاؤں سے درگزر فرمائے اور دنیا اور آخرت میں کامیاب فرمائے۔ آمین!

مفتی بلال احمد قاضی
شریعی بورڈ ممبر

مفتی سید زبیر حسین
ریزیڈنٹ شریعی بورڈ ممبر

ڈاکٹر نور احمد شاہتاز
شریعی بورڈ ممبر

مفتی ارشد احمد اعجاز
شریعی بورڈ ممبر

مفتی محمد نجیب خان
چیئرمین شریعی بورڈ

بسم الله الرحمن الرحيم الحمد لله رب العالمين، والصلاة والسلام على رسوله الكريم، و على آله وصحبه أجمعين، 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 نگرانی کے نظام بنائے گئے ہیں اور اس اہم مقصد کو حاصل کرنے کے لیے شریعت کھپلائس ڈیپارٹمنٹ کے علاوہ بینک میں انجام دی جانے والی مختلف سرگرمیوں کے لئے اندرونی، بیرونی اور اسٹیٹ بینک کے شریعت آڈٹس بروئے کار لائے جاتے ہیں جس سے شریعت بورڈ کو بینک میں انجام دیے جانے والے معاملات کے شریعت کے مطابق ہونے کے بارے میں اطمینان حاصل ہوتا ہے۔

اس رپورٹ کا مقصد بینک دولت پاکستان کے شریعت گورننس فریم ورک کے تقاضوں کے تحت شرعی نقطہ نظر سے بینک کے امور کا جائزہ پیش کرنا ہے۔

شریعت بورڈ کی رائے:

1. بورڈ آف ڈائریکٹرز اور اعلیٰ انتظامیہ مکمل طور پر اس بات کو یقینی بنانے کی ذمہ دار ہے کہ بینک مکرمہ (سابقہ سٹ بینک لمیٹڈ) کی اسلامی بینکاری سرگرمیوں کو اس طرح انجام دیا جائے کہ سارے معاملات ہمہ وقت شریعت کے اصولوں کے مطابق رہیں۔ جبکہ شریعت بورڈ کو بینک مکرمہ (سابقہ سٹ بینک لمیٹڈ) کی اسلامی بینکاری کے حوالے سے مجموعی کارکردگی پر ایک شریعت رپورٹ پیش کرنا ہوتی ہے۔
2. اس رپورٹ میں بیان کی گئی رائے کے اظہار کے لیے ہم نے بینک کے شریعت کھپلائس ڈیپارٹمنٹ (SCD) کی طرف سے جاری شدہ مختلف قسم کے معاملات، متعلقہ دستاویزات اور ان کے عملی اجراء کے بارے میں رپورٹوں کا جائزہ لیا، مزید یہ کہ ہم نے اس دورانیے میں انجام پانے والے داخلی اور خارجی آڈٹ اور اسٹیٹ بینک کی انسپیکشن رپورٹوں کا بھی جائزہ لیا ہے۔
3. مذکورہ بالا امور کی بنیاد پر ہماری رائے یہ ہے کہ:

الف: 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 متعلقہ ہدایات و فتاویٰ و احکامات جو شریعت بورڈ اور اسٹیٹ بینک آف پاکستان کی طرف سے وقتاً فوقتاً جاری کیے جاتے ہیں، کی تعمیل کی ہے۔

ب: بینک نے شریعت بورڈ کی طرف سے دی گئی ہدایات / احکامات پر ضروری اقدامات کئے تاکہ بینک کے تمام معاملات کو شریعت کے مطابق چلایا جاسکے۔

ت: بینک کے پاس ایسا فعال 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، آٹالیس لاکھ باسٹھ ہزار پانچ سو اکیانوے روپے (= 4,162,259) تاخیر سے ادا ہوئی کی مد میں صارفین سے وصول کر کے خیراتی اکاؤنٹ میں جمع کیے گئے۔

ث: یہ بات خوش آئند ہے کہ بینک میں کوئی ایسا مسئلہ ہمارے سامنے نہیں آیا ہے جس کا تعلق شریعت سے ہو اور وہ اب تک حل نہ ہوا ہو۔

ج: اگرچہ بینک میں پول نیچمنٹ کا نظام موجود ہے تاہم شریعت بورڈ کی رائے 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 نیو اینکنگ کمپیوٹرائزڈ سسٹم حاصل کرنے جا رہا ہے، شریعت بورڈ نے انتظامیہ سے موجودہ سسٹم میں پائی جانے والی کمزوریوں کو ختم کرنے اور مزید بہتری لانے کا کہا ہے تاکہ پول نیچمنٹ سسٹم ممکنہ طور پر شریعت اور اسٹیٹ بینک کی نفع نقصان سے متعلق ہدایات کے مطابق اور موافق ہو سکے۔



The ring of **opportunities**

Within the **Ring of Opportunities**, each customer interaction is viewed as a chance to uplift communities, driven by sincerity and a commitment to excellence, thereby setting industry benchmarks in professionalism and integrity.





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

Name of company: **Bank Makramah Limited ('the Bank')**
(formerly known as Summit Bank Limited)

Year ended: **December 31, 2023**

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

1. The total number of Directors are seven (07) as per the following:

Male 06
Female 01

2. The composition of Board is as follows:

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

*	<i>During the financial year ended December 31, 2023, Mr. Muhammad Salman Alam Fazli had been appointed as a Non-Executive Director to fill-in the seventh (07th) slot lying vacant on the Board of Directors of the Bank whose FPT clearance was granted from the State Bank of Pakistan on April 28, 2023. Mr. Muhammad Salman Alam Fazli, immediately upon receipt of FPT clearance, started attending all Board Meetings and Board Committee Meetings.</i>
**	<i>Further, Mr. Salman Zafar Siddiqi had resigned as an Executive Director on April 27, 2023 and in his place, the Board of Directors approved the appointment of Mr. Abdulla Nasser Abdulla Hussain Lootah as the Non-Executive Director of the Bank whose FPT clearance was granted from the State Bank of Pakistan on November 28, 2023. Mr. Abdulla Nasser Abdulla Hussain Lootah, immediately upon receipt of FPT clearance, started attending all Board Meetings and Board Committee Meetings.</i>
***	<i>The current Board is composed of two (2) independent directors in accordance with the applicable regulation which is one-third (1/3) of the seven (7) board members. While calculating the one-third (1/3) of independent directors, fraction had arrived which was not rounded up to one since it was lower than one half.</i>
Note	<i>Subsequent to acquisition of majority shareholding and obtaining management control of the Bank, His Excellency Nasser Abdulla Hussain Lootah, the Sponsor Shareholder has decided to continue with the current Board of Directors in order to ensure continuity and enable effective decision making on strategic matters of the Bank. These strategic matters include, without limitation, the rebranding of products and services, revamping of branches, restructuring of the Bank through the implementation of a new business plan, sale of strategic assets, and the conversion of the entire operations of the Bank from Conventional to Islamic Banking. Thereby, the Board Members preferred to seek an exemption from the Securities and Exchange Commission of Pakistan 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 March 31, 2024.</i>

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 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 (except for two (2) of the directors representing the Sponsor Shareholder) stands compliant with the applicable requirement of the Directors' Training Program (DTP) as prescribed under the Listed Companies (Code of Corporate Governance) Regulations, 2019 as of December 31, 2023.
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. Muhammad Salman Alam Fazli	Member
3	Mr. Zafar Iqbal Siddiqi	Member
4	Mr. Wajahat Ahmed Baqai	Member

S. No.	Board Human Resource & Remuneration Committee	Position
1	Ms. Fauzia Hasnain	Chairperson
2	Mr. Abdulla Nasser Abdulla Hussain Lootah	Member
3	Mr. Muhammad Salman Alam Fazli	Member
4	Mr. Jawad Majid Khan	Member
5	Mr. Waseem Mehdi Syed	Member

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

S. No.	Board Information Technology Committee	Position
1	Mr. Zafar Iqbal Siddiqi	Chairman
2	Mr. Abdulla Nasser Abdulla Hussain Lootah	Member
3	Mr. Muhammad Salman Alam Fazli	Member
4	Mr. Jawad Majid Khan	Member
5	Mr. Waseem Mehdi Syed	Member

S. No.	Board Compliance Committee	Position
1	Mr. Waseem Mehdi Syed	Chairman
2	Mr. Abdulla Nasser Abdulla Hussain Lootah	Member
3	Mr. Muhammad Salman Alam Fazli	Member
4	Mr. Zafar Iqbal Siddiqi	Member
5	Mr. Wajahat Ahmed Baqai	Member

S. No.	Board Special Assets Management Committee	Position
1	Mr. Wajahat Ahmed Baqai	Chairman
2	Mr. Abdulla Nasser Abdulla Hussain Lootah	Member
3	Mr. Muhammad Salman Alam Fazli	Member
4	Mr. Jawad Majid Khan	Member
5	Mr. Waseem Mehdi Syed	Member
6	Ms. Fauzia Hasnain	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
(1 in the first quarter, 2 in the second quarter, 1 in the third quarter and 2 in the fourth quarter)
- Board Human Resource and Remuneration Committee 5 Meetings
(1 in the first quarter, 2 in the second quarter, 1 in the third quarter and 1 in the fourth quarter)
- Board Risk Management Committee 5 Meetings
(2 in the first quarter, 1 in the second quarter, 1 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)
- Board Special Assets Management Committee 2 Meetings
(1 in the third quarter and 1 in the fourth quarter)

(The Board Special Assets Management Committee was formed in 135th Board Meeting held on June 12, 2023)

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.

ABDULLA NASSER ABDULLA HUSSAIN LOOTAH
Chairman of the Board of Directors

JAWAD MAJID KHAN
President & CEO

Place: Karachi

Date: March 01, 2024

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

TO THE MEMBERS OF BANK MAKRAMAH LIMITED (FORMERLY KNOWN AS 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 **Bank Makramah Limited (formerly known as Summit Bank Limited)** (the Bank) for the year ended December 31, 2023 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 a part of our audit of the 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. 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.

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 requirements contained in the Regulations as applicable to the Bank for the year ended December 31, 2023.

Yousuf Adil
Chartered Accountants

Place: Karachi
Date: March 01, 2024
UDIN: CR2023100910eKqQJ4bo

Service Quality and Customer Complaints Handling

Complaint Management Unit (CMU):

The Complaint Management Unit (CMU) operating under Service Quality Division plays a pivotal role in addressing and resolving customer grievances/ complaints in adherence to the guidelines of the State Bank of Pakistan (SBP) defined under Consumer Grievance Handling Mechanism. CMU is a centralized unit that serves as a dedicated hub, ensuring the implementation of robust procedures to handle customer grievances effectively. Furthermore, this unit helps in fostering a culture of transparency and maintain the standards set by the regulator for the benefit of our customers.

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

For the ease of the customers multiple channels are available to lodge their complaints/grievances:

- 24x7 Contact Center
- E-mails
- Letters
- Website
- Internet Banking
- Branches
- Sunwai Portal by State Bank of Pakistan
- Banking Mohtasib Pakistan

CMU ensures that customer complaints are effectively recorded, analyzed and resolved within the specified TAT in order to improve customer service & satisfaction and build long-term customer loyalty.

Complaint/ Grievance Handling Process

All the complaints received from the above channels are lodged in BML Complaint Management System and unique complaint number is generated/communicated to the complainant for reference. All complaints are routed to the relevant department/branch for their feedback.

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

Complaint Management Unit reviews and investigates the complaint with the concerned unit and address 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 and expected time of resolution.

Complaints are escalated to different levels if not resolved with the specified turn around time according to the pre defined escalation matrix.

After resolving the complaint , CMU communicates the resolution details 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 the redressal of his/her complaint on the given contact details.

For 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

Now, customers can also register their grievances through SBP Sunwai portal.

Summary of complaints statistics for the year 2023:

Total Complaints Received in the year 2023 = **28,261**

Total Complaints Resolved in 2023 = **28,204**

In Process = **57**

Within TAT resolution timeliness = **93%**

Average Complaints' Resolution TAT for 2023 = **7 days**

AT BML complaints/grievances are always looked at in a constructive, positive and professional perspective as they are means of receiving feedback from customers and therefore putting improvement plans into action.



UNCONSOLIDATED FINANCIAL STATEMENTS

The background of the entire page is a close-up photograph of a zen garden. The sand is meticulously raked into concentric, overlapping circular patterns that create a sense of depth and rhythm. In the lower right corner, a smooth, dark grey stone is partially visible, resting on the sand. The overall color palette is warm and earthy, dominated by various shades of tan and brown.

The ring of **values**

At the heart of our operations lies the **Ring of Values**, where teamwork serves as our core strength, fostering collaboration and unity among diverse perspectives, reinforcing a culture of trust and collective success.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BANK MAKRAMAH LIMITED (FORMERLY SUMMIT BANK LIMITED)

REPORT ON THE AUDIT OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the annexed unconsolidated financial statements of Bank Makramah Limited (Formerly Summit Bank Limited) (the Bank), which comprise the unconsolidated statement of financial position as at December 31, 2023, 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 material accounting policies 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, 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, 2023 and of the loss and other 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 Auditor's Responsibilities for the Audit of the Unconsolidated 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 a net loss of Rs. 5,318.62 million resulting in accumulated losses of Rs. 46,858.57 million and negative equity of Rs. 12,812.57 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, 2023. However, the paid up capital of the Bank (net of losses), CAR and LR are negative. These conditions, along with other matters as set forth in note 1.3, indicate the existence of material uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern. Our report is not qualified in respect of this matter.

Emphasis of Matter

- As disclosed in note 12.1 to the unconsolidated financial statements, the Bank has recognized a net deferred tax asset of Rs. 23,255.24 million which is considered realisable based on financial projections of taxable profits for five years, which have been approved by the Board of Directors. The preparation of financial projection involves management assumptions regarding future business and economic conditions and therefore any significant change in such assumptions or actual outcome that is different from assumptions, may have an effect on realisability of the deferred tax asset in future .
- As disclosed in note 13.3 to the unconsolidated financial statements, the Bank holds an immovable property which is in contravention with the provisions of Banking Companies Ordinance, 1962.

Our opinion is not modified 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.

Following is the Key Audit Matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	<p>Provision against advances (Refer notes 4.4 and 9.5 to the unconsolidated financial statements)</p>	
	<p>The Bank makes provision against advances on time-based criteria that involves ensuring that all non-performing advances are classified in accordance with the ageing criteria specified in the Prudential Regulations (PRs) issued by the State Bank of Pakistan (SBP).</p> <p>In addition to the above time-based criteria, the PRs require a subjective evaluation of the credit worthiness of borrowers to determine the classification of advances.</p> <p>The PRs also require the creation of general provision for certain categories of advances.</p> <p>The Bank has recognized a net provision against advances amounting to Rs. 975.17 million in the unconsolidated profit and loss account in the current year. As at December 31, 2023, the Bank holds a provision of Rs. 34,216.50 million against advances.</p>	<p>Our audit procedures to verify provision against advances included, amongst others, the following:</p> <ul style="list-style-type: none"> Obtained an understanding of the management process to record provision and ensure that it is consistent with the requirement of PRs; Evaluated the design of the relevant controls established by the Bank to identify loss events and for determining the extent of provisioning required against non-performing advances; Selected a sample of loan accounts and performed the following substantive procedures to evaluate the appropriateness of specific and general provision:

S. No.	Key Audit Matter	How the matter was addressed in our audit
	<p>The determination of provision against advances based on the above criteria remains a significant area of judgement and estimation. Because of the significance of the impact of these judgements / estimations and the materiality of advances relative to the overall unconsolidated financial statements of the Bank, we considered the area of provision against advances as a key audit matter.</p>	<ul style="list-style-type: none"> (i) Checked credit documentation, repayments of loan / mark-up instalments, tested classification of non-performing advances based on the number of days overdue; (ii) Evaluated the management's assessment for classification of a customer's loan facilities as performing or non-performing based on review of repayment pattern, inspection of credit documentation and thorough discussions with the management; (iii) Checked the accuracy of specific provision made against non-performing financing and of general provision by re-computing the provision amount after considering the forced sale value, if any, in accordance with the criteria prescribed under the PRs; and (iv) We had discussions with management to challenge assumptions and judgements used in portfolio review and recording provisions. <ul style="list-style-type: none"> • In case of restructured loans, we reviewed the detailed documentation of restructuring including approvals, legal opinions, terms of restructuring, payment records and any other relevant documents to ensure that restructuring was made in accordance with the PRs; and • We also reviewed minutes of the meeting of credit, risk and compliance and audit committees to identify risky exposures.

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.

Auditor's 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 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 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 auditor's 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 auditor's 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 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.

Report on Other Legal and Regulatory Requirements

1. 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.
2. 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.

Other Matter

The financial statements of the Bank for the year ended December 31, 2022 were audited by another firm of Chartered Accountants who had expressed unmodified opinion thereon vide their audit report issued on February 22, 2023.

The engagement partner on the audit resulting in this independent auditor's report is Nadeem Yousuf Adil.

Yousuf Adil
Chartered Accountants

Place: Karachi
Dated: March 01, 2024
UDIN: AR202310091AJ19ISrG

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2023

	Note	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
ASSETS			
Cash and balances with treasury banks	5	14,463,417	13,372,145
Balances with other banks	6	601,877	1,363,429
Lendings to financial institutions	7	-	10,141,557
Investments	8	179,899,952	51,446,799
Advances	9	18,735,149	21,592,523
Fixed assets	10	9,931,221	10,650,623
Intangible assets	11	262,203	143,606
Deferred tax assets	12	23,255,236	20,781,731
Other assets	13	41,475,212	11,224,315
		288,624,267	140,716,728
LIABILITIES			
Bills payable	15	2,162,537	1,993,587
Borrowings	16	130,369,330	25,388,560
Deposits and other accounts	17	156,960,280	121,919,068
Liabilities against assets subject to finance lease		-	-
Subordinated debt	18	1,495,515	1,495,515
Deferred tax liabilities		-	-
Other liabilities	19	10,449,171	7,568,890
		301,436,833	158,365,620
NET ASSETS		(12,812,566)	(17,648,892)
REPRESENTED BY			
Share capital - net	20	30,500,208	20,500,194
Reserves		(425,043)	(425,043)
Surplus / (deficit) on revaluation of assets	21	3,970,837	3,997,636
Accumulated losses		(46,858,568)	(41,721,679)
		(12,812,566)	(17,648,892)
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, 2023

	Note	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
Mark-up / return / interest earned	23	31,700,037	8,140,810
Mark-up / return / interest expensed	24	34,286,621	10,404,148
Net Mark-up / interest expense		(2,586,584)	(2,263,338)
NON MARK-UP / INTEREST INCOME			
Fee and commission income	25	692,699	474,012
Dividend income		206	6,975
Foreign exchange income		1,078,834	804,074
Income / (loss) from derivatives		-	-
(Loss) / gain on securities	26	(1,303,591)	30,526
Other income	27	729,089	81,090
Total non-markup / interest income		1,197,237	1,396,677
Total income		(1,389,347)	(866,661)
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	28	7,146,413	5,843,690
Workers' welfare fund		-	-
Other charges	29	542	1,701
Total non-markup / interest expenses		7,146,955	5,845,391
Loss before provisions		(8,536,302)	(6,712,052)
(Reversals) / provisions and write offs - net Extra ordinary / unusual items	30	(1,145,472)	584,115
		-	-
LOSS BEFORE TAXATION		(7,390,830)	(7,296,167)
Taxation	31	(2,072,214)	(4,129,279)
LOSS AFTER TAXATION		(5,318,616)	(3,166,888)
----- (Rupees) -----			
Basic loss per share	32	(1.00)	(1.20)
Diluted loss per share	32	(1.00)	(1.20)

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, 2023

	2023	2022
	----- (Rupees in '000) -----	
Loss after taxation for the year	(5,318,616)	(3,166,888)
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in surplus / (deficit) on revaluation of investments - net of tax	188,151	(52,757)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain on defined benefit obligations	50,836	98,456
Movement in surplus on revaluation of operating fixed assets - net of tax	74,212	(82,109)
Movement in surplus on revaluation of non-banking assets - net of tax	(7,237)	3,986
Movement in surplus on revaluation of held for sale property - net of tax	15,613	(46,431)
	133,424	(26,098)
Total comprehensive loss	(4,997,041)	(3,245,743)

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 CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2023

	Share capital		Capital reserves			Surplus / (deficit) on revaluation of				Total
	Issued, subscribed and paid up	Discount on issue of shares	Share premium	Reserve arising on amalgamation	Statutory reserve	Investments	Fixed / Non banking assets	Property held for sale	Accumulated losses	
Balance as at January 01, 2022	26,381,510	(5,881,316)	1,000,000	(1,579,205)	154,162	46,608	3,496,935	754,510	(38,776,353)	(14,403,149)
Loss after taxation for the year ended December 31, 2022	-	-	-	-	-	-	-	-	(3,166,888)	(3,166,888)
Other comprehensive income - net of tax	-	-	-	-	-	(52,757)	(78,123)	(46,431)	98,456	(78,855)
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-
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 sale to accumulated losses	-	-	-	-	-	-	(1,873)	-	1,873	-
Balance as at January 01, 2023	26,381,510	(5,881,316)	1,000,000	(1,579,205)	154,162	(6,149)	3,295,706	708,079	(41,721,679)	(17,848,892)
Loss after taxation for the year ended December 31, 2023	-	-	-	-	-	-	-	-	(5,318,616)	(5,318,616)
Other comprehensive income - net of tax	-	-	-	-	-	188,151	66,975	15,613	50,836	321,575
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to accumulated losses	-	-	-	-	-	-	(98,860)	-	98,860	-
Transfer in respect of incremental depreciation from surplus on revaluation of non-banking assets to accumulated losses	-	-	-	-	-	-	(23,611)	-	23,611	-
Transfer from surplus on revaluation of fixed assets on sale to accumulated losses	-	-	-	-	-	-	(135,032)	-	135,032	-
Transfer from surplus on revaluation of property held for sale on sale to accumulated losses	-	-	-	-	-	-	-	(40,035)	40,035	-
Transactions with owners, recorded directly in equity										
Issue of share capital	39,840,695	(29,840,681)	-	-	-	-	-	-	-	10,000,014
Share issuance cost	-	-	-	-	-	-	-	-	(166,647)	(166,647)
Balance as at December 31, 2023	66,222,205	(35,721,997)	1,000,000	(1,579,205)	154,162	182,002	3,105,178	683,657	(46,858,568)	(2,812,866)

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, 2023

	Note	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(7,390,830)	(7,296,167)
Less: Dividend income		(206)	(6,975)
		<u>(7,391,036)</u>	<u>(7,303,142)</u>
Adjustments:			
Depreciation on operating fixed assets	10.2	417,344	454,258
Depreciation on right-of-use assets	10.3	590,381	612,161
Depreciation on non-banking assets	13.1.1	62,083	60,841
Finance cost of lease liability	24	435,077	406,133
Amortization	11.2	24,192	23,099
(Reversals) / provisions and write-offs excluding recoveries		(1,144,744)	585,046
Gain on forward exchange contracts		(25,762)	(365)
Charge / (Reversal) for defined benefit plan	28.1	69,649	(4,502)
Charge for employees compensated absences	28.1	21,310	13,365
Loss on sale of non banking assets	27	-	431
Gain on termination of lease contracts under IFRS 16	27	(78,949)	(443)
Gain on sale of fixed assets	27	(518,675)	(62,667)
Gain on partial sale of HFS property	27	(116,794)	-
		<u>(264,888)</u>	<u>2,087,357</u>
		<u>(7,655,924)</u>	<u>(5,215,785)</u>
Increase in operating assets			
Lendings to financial institutions		10,141,557	(9,842,626)
Advances		1,882,124	4,963,863
Others assets (excluding advance taxation)		(30,551,593)	(986,184)
		<u>(18,527,912)</u>	<u>(5,864,947)</u>
Increase in operating liabilities			
Bills payable		168,950	(77,461)
Borrowings from financial institutions		105,705,774	17,765,502
Deposits		35,041,212	12,435,410
Other liabilities (excluding current taxation)		2,998,822	898,634
		<u>143,914,758</u>	<u>31,022,085</u>
Payment on account of staff retirement benefits		88,321	(69,423)
Income tax paid		(343,276)	(73,820)
Net cash generated from operating activities		<u>117,475,967</u>	<u>19,798,110</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(126,022,986)	(20,430,861)
Dividends received		206	6,975
Investments in operating fixed assets		(272,743)	(114,649)
Investments in intangible assets		(142,789)	(29,119)
Proceeds from sale of fixed assets		741,240	100,434
Proceeds from partial sale of HFS property		302,877	-
Proceeds from sale of non-banking assets		-	45,803
Net cash used in investing activities		<u>(125,394,195)</u>	<u>(20,421,417)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of lease liability against right-of-use assets		(860,415)	(849,431)
Issue of share capital		10,000,014	-
Share issuance cost		(166,647)	-
Net cash generated from / (used in) financing activities		<u>8,972,952</u>	<u>(849,431)</u>
Effect of exchange rate changes on cash and cash equivalents		528,526	789,021
Increase / (decrease) in cash and cash equivalents		<u>1,583,250</u>	<u>(683,717)</u>
Cash and cash equivalents at beginning of the year		13,475,649	14,687,892
Cash and cash equivalents at end of the year	33	<u>15,058,899</u>	<u>14,004,175</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, 2023

1. STATUS AND NATURE OF BUSINESS

1.1 Bank Makramah Limited, formerly known as 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 engaged in banking services as described in the Banking Companies Ordinance, 1962 and is operating through its 164 Conventional Banking Branches and 13 Islamic Banking Branches (December 31, 2022: 179 Conventional Banking Branches and 14 Islamic Banking Branches) in Pakistan.

1.2 In 2019, VIS Credit Rating Company Limited suspended the Bank's medium to long-term rating of 'BBB -' (Triple B Minus) and its short-term rating of 'A-3' (A-Three). The Bank has initiated the rating process with VIS Credit Rating Company Limited and requested the State Bank of Pakistan (SBP) to allow completion of the credit rating exercise by March 31, 2024.

VIS Credit Rating Company Limited has issued a new rating scale for Tier-2 capital instruments. Consequently, the Bank's TFC rating has been adjusted to 'B' (Single B) with a 'Rating Watch-Negative' outlook, as stated in their press release dated June 27, 2023. Previously, 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 SBP.

1.3 During the year, the Bank has incurred a net loss of Rs. 5,318.616 million resulting in accumulated losses of Rs. 46,858.568 million and negative equity of Rs. 12,812.566 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, 2023. However, the paid up capital of the Bank (net of losses), CAR and LR are negative.

The aforementioned conditions indicate the existence of material uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern and, therefore, the Bank may be unable to realize its assets and discharge its liabilities in the normal course of business. However, the Bank is making its best efforts to comply with the applicable capital requirements and has successfully increased its capital as mentioned in note 20.3. 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, achieve compliance with applicable regulatory requirements and provide impetus to its future growth initiatives. The key assumptions considered in the business plan are as follows:

- Injection of capital;
- Sale of a portion of self-constructed property on the plot of land bearing No. G-2, Block2, Scheme No: 5;

- 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.

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 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.

2.1.1 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(1)/2008 dated April 28, 2008 has deferred the applicability of IFRS 7 'Financial Instruments: Disclosures', on 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 Bank Makramah Limited (formerly known as 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 on the Bank for accounting periods beginning on or after January 01, 2023. 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

IFRS 9 Financial Instruments

The management of the Bank has performed an impact assessment of the application of IFRS 9, taking into account the SBP's application instructions. The assessment is based on currently available information and may be subject to change at the time of recognizing the impact of the initial adoption of IFRS 9. In addition, there will be changes in the classification of certain financial instruments. These changes and impacts are discussed below:

Governance, ownership and responsibilities

The Bank has adopted a governance framework under which the Board Risk Management Committee (BRMC) is tasked with overseeing the implementation of IFRS 9. A Steering Committee for the implementation of IFRS 9 is in place including representation from Risk, Finance, Operations, Special Asset Management and IT.

The Bank's Risk Management Division has developed models / methodologies for calculating the Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD) and Credit Conversion Factors (CCF) for off-balance sheet exposures. These models shall be validated annually including:

- Expected credit loss (ECL) model design, data quality and benchmarking with external best practices.
- Calibration testing which ensures the accuracy of the observed PDs.

The Bank's Finance Division will ensure preparation of disclosures and incorporation of the impacts on the financial statements of the Bank and shall ensure that all disclosures as required by the accounting standard and the SBP formats and guidelines are made.

Classification and measurement

The classification and measurement of financial assets depends on their contractual cash flow characteristics and the Bank's business model. Financial assets are measured at amortized cost, Fair Value Through Profit & Loss (FVTPL) or Fair Value through Other Comprehensive Income (FVOCI). Financial assets that do not meet the Solely Payment of Principal and Interest (SPPI) criteria are measured at FVTPL regardless of the business model in which they are held. The Bank has reviewed the impact of the initial adoption of IFRS 9 on its financial assets as follows:

Equity Securities

The Bank currently has no listed equity securities classified as held-for-trading (HFT), However if acquired, they will be classified as FVTPL.

For certain listed equity securities currently classified as available-for-sale (AFS) with gains and losses recorded in OCI, the Bank will apply the option to classify them as FVOCI. Therefore, the application of IFRS 9 will not have an impact on initial adoption. However, in accordance with the requirements of the standard, gains and losses recognized in OCI will not be recycled through the profit and loss account on derecognition of these securities.

For those listed equity shares currently held as AFS with gains and losses recorded in OCI for which FVOCI election is not made, will, instead, be measured at fair value through profit or loss (FVTPL), with marked to market impacts recorded in profit and loss account for future periods. The AFS reserve related to those securities, which is currently presented as accumulated OCI, will be reclassified from revaluation surplus / deficit to retained earnings, however, there will be no impact on overall equity with respect to such classification.

Unquoted equity securities are required to be measured at fair value under IFRS 9. However, the SBP has allowed banks to carry these investments under the current Prudential Regulations, i.e. at the lower of cost and break-up value, till accounting periods December 31, 2023.

Debt securities and Loans and advances

Debt securities currently classified as AFS and that pass the SPPI test, are expected to be measured at FVOCI as the Bank's business model is to hold the assets to collect contractual cash flows and also to sell those investments.

The Bank currently has no debt securities classified as held-to-maturity (HTM) that pass the SPPI test and are expected to be measured at amortized cost.

The Bank currently has no debt securities classified as HFT which are not expected to pass the SPPI test and expected to be measured at FVTPL.

Impairment

The impairment requirements apply to financial assets measured at amortized cost and FVOCI (other than equity instruments), and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses resulting from potential default events.

Based on the SBP's IFRS 9 application instructions, the Bank has performed an ECL assessment taking into account the following key elements:

- PD: The probability that a counterparty will default, calibrated over the 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2) and incorporating forward looking information.
- LGD: An estimate of the loss incurred on a facility upon default by a customer. LGD is calculated as the difference between contractual cash flows due and those that the Bank expects to receive, including from the liquidation of any form of collateral. It is expressed as a percentage of the exposure outstanding on the date of classification of an obligor.
- EAD: The expected balance sheet exposure at the time of default, incorporating expectations on drawdowns, amortization, pre-payments and forward-looking information where relevant.

For the purpose of ECL calculation, the Bank has used 6 years' data till December 31, 2023. Going forward, data for one additional year shall be included until the Bank has at least 10-year data.

Under the SBP's instructions, Government Securities and credit exposure in local currency guaranteed by the Government are exempted from the application of the ECL framework.

Significant increase in credit risk (SICR)

A SICR is assessed in the context of an increase in the risk of a default occurring over the life of the financial instrument when compared to that expected at the time of initial recognition. It is not assessed in the context of an increase in the ECL. The Bank uses a number of qualitative and quantitative measures in assessing SICR. Quantitative measures relate to deterioration of Obligor Risk Ratings (ORR) or where principal and / or interest payments are 60 days or more past due. Qualitative factors include, inter alia, unavailability of financial information and pending litigations.

At every reporting date, the Bank shall assess whether there has been a SICR since the initial recognition of the asset. If there is a SICR, the asset must be assigned to the appropriate stage of credit impairment (Stage 2 or 3).

Under the SBP's instructions, credit exposure (in local currency) guaranteed by the Government and Government Securities are exempted from the application of ECL Framework. Moreover, until implementation of IFRS 9 has stabilized, Stage 1 and Stage 2 provisions would be made as per IFRS 9 ECL criteria and Stage 3 provisions would be made considering higher of IFRS 9 ECL or provision computed under existing PRs' requirements on a segment basis.

As required by the Application Instructions, financial assets may be reclassified out of Stage 3 if they meet the requirements of Prudential Regulations (PR) issued by SBP. Financial assets in Stage 2 may be reclassified to Stage 1 if the conditions that led to a SICR no longer apply.

Presentation and disclosure

IFRS 9 also introduces expanded disclosure requirements and changes in presentation which will be incorporated as per the SBP's revised format. The State Bank of Pakistan vide BPRD Circular No. 02 of 2023 dated February 09, 2023 has issued revised formats for annual as well as interim financial statements of banks for the accounting periods starting from January 01, 2024.

Impact of adoption of IFRS 9

The Bank has performed a preliminary assessment of the potential impact of the adoption of IFRS 9. This is an estimate and the actual impact on the Bank's financial statements for the year 2023 will depend on the financial instruments that the Bank holds during that period and the economic conditions at that time, as well as accounting elections and judgements that it will make in future.

Financial impact

The total estimated impact (net of tax) of the adoption of IFRS 9 on the opening balance of the Bank's equity as at January 01, 2024 is a decrease of approximately Rs 0.590 billion due to an increase in ECL.

Impact on regulatory capital

In order to mitigate the impact of ECL on capital, the SBP has permitted banks to adopt a transitional approach to phase in the impact over a period of five years. The transitional arrangement applies only to ECL for Stage 1 and 2 financial assets

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

Standards, Interpretations or Amendments	Effective date (annual periods beginning on or after)
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	January 01, 2024
Non - Current Liabilities with Covenants - Amendments to IAS 1	January 01, 2024
Lease Liability in a Sale and Leaseback Transaction - 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	Deferred indefinitely

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

2.4.1 During the year, the Bank has reviewed the useful life of sign boards which are classified as building improvements. This review has resulted in a change in useful life of these assets. These revisions have been accounted for as a change in accounting estimate in accordance with the requirements of IAS 8. Accordingly, the effect of this change in accounting estimate has been recognised prospectively in the unconsolidated profit and loss account from the current year. The impact of this change is disclosed in note 10.2.1 of these unconsolidated financial statements

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. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information related to preparation of these unconsolidated financial statements are consistent with those of the previous financial year, are as follows:

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 raising 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 sukus) is made for impairment, if any. Provision for diminution in the value of term finance certificates and sukus 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, SME and Commercial

This segment provides a wide variety of financial products and services to large and medium-sized clients, along with loan products offered to the Consumer, SME and agriculture segments.

Treasury

This segment is responsible for asset / liability management and includes all treasury related products.

Retail banking

This segment relates to the branch distribution network, its related deposit and other products, and general banking services.

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	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
In hand			
Local currency		4,607,634	4,127,390
Foreign currency		473,765	356,179
		5,081,399	4,483,569
With State Bank of Pakistan in			
Local currency current account	5.1	7,809,752	7,827,523
Foreign currency current account	5.2	501,148	395,801
Foreign currency deposit account	5.3	645,616	582,381
		8,956,516	8,805,705
With National Bank of Pakistan in Local currency current account		400,275	66,309
Prize bonds		25,227	16,562
		14,463,417	13,372,145

- 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 3.39% to 4.34% (2022: 0.00% to 3.14%) per annum.

6. BALANCES WITH OTHER BANKS

	Note	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
In Pakistan			
In current account		12,830	865
In deposit account	6.1	-	16,205
		12,830	17,070
Outside Pakistan			
In current account		512,159	1,288,393
In deposit account	6.2	76,888	57,966
		589,047	1,346,359
		601,877	1,363,429

- 6.1** These represent placements with correspondent banks, carrying interest rate determined with respect to underlying currency benchmark rates ranging from 4.98% to 7.71% per annum (2022: 3.50% to 8.25% 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 6.50% per annum (2022: 0.00% to 4.00% per annum).

7. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
Repurchase agreement lendings (Reverse Repo)	7.3	-	10,141,557
Less: provision held against Lendings to Financial Institutions		-	-
Lendings to Financial Institutions - net of provision		<u>-</u>	<u>10,141,557</u>

7.1 Particulars of lending

In local currency	-	10,141,557
In foreign currencies	-	-
	<u>-</u>	<u>10,141,557</u>

7.2 Securities held as collateral against Lendings to Financial Institutions

	2023			2022		
	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
Pakistan Investment Bonds	-	-	-	7,375,750	-	7,375,750
	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,141,557</u>	<u>-</u>	<u>10,141,557</u>

7.2.1 The market value of securities held as collateral against repurchase agreement lendings amounted to Rs. 10,159.686 million as at December 31, 2022.

7.3 This represented lending against securities to financial institutions that carried mark-up rate ranging from 16.05% to 16.75% per annum which matured on January 03, 2023.

8. INVESTMENTS

8.1 Investments by type:	2023				2022			
	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	25,272,804	-	12,008	25,284,812	20,013,762	-	1,975	20,015,737
- Pakistan Investment Bonds	108,328,519	-	(10,996)	108,317,523	14,330,617	-	(13,817)	14,316,800
- GoP Ijarah Sukuks	43,396,876	-	341,195	43,738,071	13,988,936	-	(73,186)	13,915,750
Shares								
- Fully paid up ordinary shares - Listed	99,922	(99,906)	(2)	14	2,588,043	(2,198,059)	124,947	514,931
- 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	1,542,217	(1,542,217)	-	-	1,565,786	(1,565,786)	-	-
- Sukuk Bonds	2,569,792	(200,000)	(43,841)	2,325,951	2,700,000	(200,000)	(50,000)	2,450,000
	181,258,995	(1,889,158)	298,364	179,668,201	55,236,009	(4,010,880)	(10,081)	51,215,048
Subsidiary (note no. 8.11)	396,942	(165,191)	-	231,751	396,942	(165,191)	-	231,751
Total Investments	181,655,937	(2,054,349)	298,364	179,899,952	55,632,951	(4,176,071)	(10,081)	51,446,799

8.1.1 Particulars of assets and liabilities of subsidiary	2023	2022
	----- (Rupees in '000) -----	
Percentage of holding: 100% (2022: 100%)		
Country of incorporation: Pakistan		
Assets	382,287	262,304
Liabilities	200,098	75,266
Revenue	115,492	67,446
Loss after tax	(8,103)	(14,494)
Total comprehensive loss	(4,849)	(28,091)

8.2 Investments by segments:	2023				2022			
	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	25,272,804	-	12,008	25,284,812	20,013,762	-	1,975	20,015,737
Pakistan Investment Bonds	108,328,519	-	(10,996)	108,317,523	14,330,617	-	(13,817)	14,316,800
GoP Ijarah Sukuks	43,396,876	-	341,195	43,738,071	13,988,936	-	(73,186)	13,915,750
	176,998,199	-	342,207	177,340,406	48,333,315	-	(85,028)	48,248,287
Shares								
Listed Companies	99,922	(99,906)	(2)	14	2,588,043	(2,198,059)	124,947	514,931
Unlisted Companies	48,865	(47,035)	-	1,830	48,865	(47,035)	-	1,830
	148,787	(146,941)	(2)	1,844	2,636,908	(2,245,094)	124,947	516,761
Non Government Debt Securities								
Listed	2,377,058	(7,266)	(43,841)	2,325,951	2,507,266	(7,266)	(50,000)	2,450,000
Unlisted	1,734,951	(1,734,951)	-	-	1,758,520	(1,758,520)	-	-
	4,112,009	(1,742,217)	(43,841)	2,325,951	4,265,786	(1,765,786)	(50,000)	2,450,000
Subsidiary								
Summit Capital (Private) Limited	396,942	(165,191)	-	231,751	396,942	(165,191)	-	231,751
Total Investments	181,655,937	(2,054,349)	298,364	179,899,952	55,632,951	(4,176,071)	(10,081)	51,446,799

	2023	2022
	----- (Rupees in '000) -----	
8.2.1 Investments given as collateral - Market Value		
Market Treasury Bills	19,453,473	10,280,041
Pakistan Investment Bonds	104,870,972	7,894,300
	<u>124,324,445</u>	<u>18,174,341</u>

8.3 Provision for diminution in value of investments

8.3.1 Opening balance	4,176,071	4,140,449
Charge / reversals		
Charge for the year	26,943	64,786
Reversals for the year	(23,569)	(29,164)
Reversal on disposals	(2,125,096)	-
	<u>(2,121,722)</u>	35,622
 Closing balance	 <u>2,054,349</u>	 <u>4,176,071</u>

8.3.2 Particulars of provision against debt securities

Category of classification	2023		2022	
	NPI	Provision	NPI	Provision
	----- (Rupees in '000) -----			
Domestic				
Loss	1,742,217	1,742,217	1,765,786	1,765,786
	<u>1,742,217</u>	<u>1,742,217</u>	<u>1,765,786</u>	<u>1,765,786</u>

8.4 Quality of Available for Sale Securities

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

	Cost	
	2023	2022
----- (Rupees in '000) -----		
8.4.1 Federal Government Securities - Government guaranteed		
Market Treasury Bills	25,272,804	20,013,762
Pakistan Investment Bonds	108,328,519	14,330,617
GoP Ijarah Sukuks	43,396,876	13,988,936
	<u>176,998,199</u>	<u>48,333,315</u>

8.4.2 Shares

Listed Companies

- Cement	-	644,937
- Commercial Banks	-	440,566
- Cable and electrical goods	-	7,170
- Chemical	15	1,192,904
- Engineering	-	48,792
- Investment Banks / Investment Companies / Securities Companies	-	90,067
- Power generation and distribution	99,907	124,179
- Transport	-	39,428
	<u>99,922</u>	<u>2,588,043</u>

Preference Shares

- Sugar and allied industries	<u>46,035</u>	<u>46,035</u>
-------------------------------	---------------	---------------

Unlisted Companies	Breakup Value as at	2023		2022	
		Cost	Breakup value	Cost	Breakup value
----- (Rupees in '000) -----					
Arabian Sea Country Club Ltd.	June 30, 2020	1,000	(1,255)	1,000	(1,255)
Pakistan Mortgage Refinance Company Ltd.	December 31, 2022	1,830	3,848	1,830	3,242
		<u>2,830</u>	<u>2,593</u>	<u>2,830</u>	<u>1,987</u>

8.4.3 Non Government Debt Securities

Listed

- Unrated	<u>2,377,058</u>	<u>2,507,266</u>
-----------	------------------	------------------

Unlisted

- Unrated	<u>1,734,951</u>	<u>1,758,520</u>
-----------	------------------	------------------

9. ADVANCES

	Note	Performing		Non Performing		Total	
		2023	2022	2023	2022	2023	2022
(Rupees in '000)							
Loans, cash credits, running finances, etc.	9.1	13,596,524	16,338,130	35,952,899	35,332,731	49,549,423	51,670,861
Islamic financing and related assets	9.2	2,439,460	2,351,110	274,364	686,002	2,713,824	3,037,112
Bills discounted and purchased		641,308	77,636	47,089	49,335	688,397	126,971
Advances - gross		16,677,292	18,766,876	36,274,352	36,068,068	52,951,644	54,834,944
Provision against advances							
- Specific		-	-	(34,211,166)	(33,231,865)	(34,211,166)	(33,231,865)
- General		(5,329)	(10,556)	-	-	(5,329)	(10,556)
		(5,329)	(10,556)	(34,211,166)	(33,231,865)	(34,216,495)	(33,242,421)
Advances - net of provision		16,671,963	18,756,320	2,063,186	2,836,203	18,735,149	21,592,523

9.1 Includes Net Investment in Finance Lease as disclosed below:

	2023				2022			
	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	85,922	17,744	-	103,666	120,910	27,195	-	148,105
Residual value	82,487	5,434	-	87,921	116,134	6,846	-	122,980
Minimum lease payments	168,409	23,178	-	191,587	237,044	34,041	-	271,085
Financial charges for future periods	(15,182)	(4,698)	-	(19,880)	(18,805)	(6,745)	-	(25,550)
Present value of minimum lease payments	153,227	18,480	-	171,707	218,239	27,296	-	245,535

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.

	2023	2022
(Rupees in '000)		
9.3 Particulars of advances (Gross)		
In local currency	52,311,597	54,743,589
In foreign currencies	640,047	91,355
	52,951,644	54,834,944

9.4 Advances include Rs. 36,274.352 million (2022: Rs. 36,068.068 million) which have been placed under non-performing status as detailed below:

Category of Classification	2023		2022	
	Non Performing Loans	Provision	Non Performing Loans	Provision
----- (Rupees in '000) -----				
Domestic				
Other Assets Especially Mentioned	11,034	657	6,174	96
Substandard	25,438	1,092	149,835	391
Doubtful	102,297	6,397	22,569	6,524
Loss	36,135,583	34,203,020	35,889,490	33,224,854
	36,274,352	34,211,166	36,068,068	33,231,865

9.5 Particulars of provision against advances

	2023			2022		
	Specific	General	Total	Specific	General	Total
Note	----- (Rupees in '000) -----					
Opening balance	33,231,865	10,556	33,242,421	32,750,104	13,885	32,763,989
Charge for the year	2,958,975	-	2,958,975	1,397,485	-	1,397,485
Reversals	(1,978,573)	(5,227)	(1,983,800)	(906,851)	(3,329)	(910,180)
	980,402	(5,227)	975,175	490,634	(3,329)	487,305
Amounts written off 9.6	(1,101)	-	(1,101)	(8,873)	-	(8,873)
Closing balance	34,211,166	5,329	34,216,495	33,231,865	10,556	33,242,421

9.5.1 Particulars of provision against advances

	2023			2022		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
In local currency	34,197,448	5,329	34,202,777	33,218,147	10,556	33,228,703
In foreign currencies	13,718	-	13,718	13,718	-	13,718
	34,211,166	5,329	34,216,495	33,231,865	10,556	33,242,421

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 ranges from 1% to 2.5% for secured and 4% to 7% for unsecured portfolio. Currently, these percentages are 1.5% for secured and 5% 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. 1,982.581 million (2022: Rs. 2,820.580 million). The positive impact on the profit and loss account arising from availing this benefit - net of tax amounts to Rs. 1,209.374 million (2022: Rs. 1,143.701 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.

	Note	2023 ----- (Rupees in '000) -----	2022 -----
9.6 PARTICULARS OF WRITE OFFS:			
9.6.1 Against Provisions	9.5	1,101	8,873
Directly charged to profit and loss account	30	75	37
		<u>1,176</u>	<u>8,910</u>
9.6.2 Write Offs of Rs. 500,000 and above			
- Domestic		-	6,690
Write Offs of below Rs. 500,000		1,176	2,220
		<u>1,176</u>	<u>8,910</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, 2023 is given in Annexure - I to these unconsolidated financial statements.

	Note	2023 ----- (Rupees in '000) -----	2022 -----
10. FIXED ASSETS			
Capital work-in-progress	10.1	71,286	24,064
Property and equipment	10.2	7,138,730	7,673,163
Right-of-use assets	10.3	2,721,205	2,953,396
		<u>9,931,221</u>	<u>10,650,623</u>
10.1 Capital work-in-progress			
Civil works and related payments / progress billings		3,487	12,433
Advances and other payments to suppliers and contractors		67,799	11,631
Advances and other payments against capital work in progress considered doubtful		1,155,814	1,158,340
Less: Provision held there against		(1,155,814)	(1,158,340)
		-	-
		<u>71,286</u>	<u>24,064</u>

10.2 Property and Equipment

	2023						
	Leasehold land	Building on leasehold land	Building improvements	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
	(Rupees in '000)						
At January 01, 2023							
Cost / Revalued amount	1,806,445	5,352,523	1,904,807	579,671	2,364,836	200,364	12,208,646
Accumulated depreciation / impairment	(5,670)	(334,581)	(1,510,208)	(478,738)	(2,059,606)	(146,680)	(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>53,684</u>	<u>7,673,163</u>
Year ended December 31, 2023							
Opening net book value	1,800,775	5,017,942	394,599	100,933	305,230	53,684	7,673,163
Additions	-	-	106,769	21,628	72,003	25,121	225,521
Movement in surplus on assets revalued during the year	-	(2,678)	-	-	-	-	(2,678)
Reversal of revaluation decrease recognized in profit and loss account	-	269	-	-	-	-	269
Disposals							
Cost	(70,000)	(275,363)	(25,691)	(1,203)	(24,387)	(25,667)	(422,311)
Accumulated depreciation	-	21,544	24,563	1,141	23,845	13,525	84,618
Write off							
Cost	-	-	(80,817)	(3,600)	(3,580)	-	(87,997)
Accumulated depreciation	-	-	78,326	3,596	3,567	-	85,489
Depreciation charge	-	(165,592)	(83,959)	(22,471)	(129,891)	(15,431)	(417,344)
Closing net book value	<u>1,730,775</u>	<u>4,596,122</u>	<u>413,790</u>	<u>100,024</u>	<u>246,787</u>	<u>51,232</u>	<u>7,138,730</u>
At December 31, 2023							
Cost / Revalued amount	1,736,445	5,062,093	1,905,068	596,496	2,408,872	199,818	11,908,792
Accumulated depreciation / impairment	(5,670)	(465,971)	(1,491,278)	(496,472)	(2,162,085)	(148,586)	(4,770,062)
Net book value	<u>1,730,775</u>	<u>4,596,122</u>	<u>413,790</u>	<u>100,024</u>	<u>246,787</u>	<u>51,232</u>	<u>7,138,730</u>
Rate of depreciation (percentage)	-	2.5 - 5	10 - 25	10	20 - 25	20	

	2022						
	Leasehold land	Building on leasehold land	Building improvements	Furniture and fixture	Electrical, office and computer	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	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>
Year ended December 31, 2022							
Opening net book value	1,800,775	5,222,245	480,221	120,737	393,182	50,834	8,067,994
Additions	-	-	14,384	6,264	60,316	16,239	97,203
Movement in surplus on assets revalued during the year	-	-	-	-	-	-	-
Reversal of revaluation decrease recognized in profit and loss account	-	-	-	-	-	-	-
Disposals							
Cost	-	(38,606)	(4,749)	(3,445)	(50,363)	(145)	(97,308)
Accumulated depreciation	-	2,861	4,215	3,337	48,985	143	59,541
Write off							
Cost	-	-	-	-	(177)	-	(177)
Accumulated depreciation	-	-	-	-	168	-	168
Depreciation charge	-	(168,558)	(99,472)	(25,960)	(146,881)	(13,387)	(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>53,684</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	200,364	12,208,646
Accumulated depreciation / impairment	(5,670)	(334,581)	(1,510,208)	(478,738)	(2,059,606)	(146,680)	(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>53,684</u>	<u>7,673,163</u>
Rate of depreciation (percentage)	-	2.5 - 5	10	10	20 - 25	20	

10.2.1 With effect from December 01, 2023, the estimated useful life of sign boards has been revised from 10 years to 4 years which is more reflective of consumption factor of the assets. The effect of this change in depreciation expense is as follows:

	2023	2022
	----- (Rupees in '000) -----	
Increase in depreciation expense of sign board	756	-

10.2.2 The cost of fully depreciated fixed assets that are still in the Bank's use is as follows:

Building improvements	972,814	893,103
Furniture and fixture	372,782	339,838
Electrical, office and computer equipment	1,808,345	1,721,490
Vehicles	121,734	123,901

10.2.3 The carrying amount of fixed assets held for disposal amounts to Rs. 201.733 million (2022: Rs. 297.410 million).

10.2.4 The properties of the Bank were revalued by M/s. Sadruddin Associates (Pvt.) Ltd., M/s. Pakistan Inspection Company (Pvt.) Ltd. and M/s. Sipra & Company (Pvt.) Ltd as at December 31, 2023 based on their professional assessment of the present market value. The revaluation resulted in decrease of Rs. 2.678 million in the surplus. The total surplus arising from the revaluation of fixed assets as at December 31, 2023 amounts to Rs. 3,689.020 million. No additional surplus was booked on building improvements during the current revaluation exercise. While accounting for revaluation, in accordance with the allowed treatment in IAS 16, the Bank eliminated the accumulated depreciation against the gross carrying amount of the asset.

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

	2023		2022	
	Original Cost	Book Value	Original Cost	Book Value
	----- Rupees in '000 -----			
Leasehold land	803,044	797,374	833,628	827,958
Buildings on leasehold land	3,600,667	1,882,511	3,923,900	2,107,445
Buildings improvements	1,807,417	413,790	1,801,189	394,599

10.2.5 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) -----				
Vehicles					
Toyota Land Cruiser	23,500	12,142	12,142	As per employment contract	Jawad Majid Khan (President & CEO)

10.3 Movement in right-of-use assets is as follows:

	2023	2022
	----- (Rupees in '000) -----	
Opening net book value	2,953,396	2,842,645
Additions	581,344	735,144
Modification - net	9,197	1,303
Derecognition of right-of-use assets	(232,351)	(13,535)
Depreciation charge	(590,381)	(612,161)
Closing net book value	<u>2,721,205</u>	<u>2,953,396</u>

11. INTANGIBLE ASSETS

Capital work-in-progress	11.1	194,998	72,550
Intangible assets in use	11.2	67,205	71,056
		<u>262,203</u>	<u>143,606</u>

11.1 Capital work-in-progress

Advances to suppliers and contractors	194,998	72,550
Advances against capital work-in-progress considered doubtful	142,522	142,522
Less: Provision held there against	(142,522)	(142,522)
	<u>194,998</u>	<u>72,550</u>

11.2 Intangible assets in use

	2023			Total
	Computer softwares	Core deposits	Brand name	
----- (Rupees in '000) -----				
At January 01, 2023				
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
Year ended December 31, 2023				
Opening net book value	71,056	-	-	71,056
Additions:				
- directly purchased	20,341	-	-	20,341
Impairment loss recognized in the profit and loss account - net	-	-	-	-
Amortisation charge	(24,192)	-	-	(24,192)
Closing net book value	67,205	-	-	67,205
At December 31, 2023				
Cost	596,076	209,874	143,838	949,788
Accumulated amortisation and impairment	(528,871)	(209,874)	(143,838)	(882,583)
Net book value	67,205	-	-	67,205
Rate of amortisation (percentage)	20	10	10	
Useful life (years)	5	10	10	
----- (Rupees in '000) -----				
	Computer softwares	Core deposits	Brand name	Total
----- (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	

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

	2023	2022
	----- (Rupees in '000) -----	
Computer softwares	451,898	439,769
Core deposits	209,874	209,874
Brand name	143,838	143,838

12. DEFERRED TAX ASSETS

2023			
At January 01, 2023	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2023
----- (Rupees in '000) -----			
Deductible Temporary Differences on			
- Tax losses carried forward	13,103,981	2,407,221	-
- Provision against advances, off balance sheet etc.	8,121,244	881,683	-
- Provision for impairment loss - Investment	1,628,668	(827,472)	-
- Provision against intangible assets	48,034	-	-
- Staff compensated absences	51,077	2,601	-
- Provision against other assets	166,759	-	-
	23,119,763	2,464,033	-
			25,583,796
Taxable Temporary Differences on			
- Surplus on revaluation of fixed assets	(1,151,581)	-	76,890
- Surplus on revaluation of investments	3,932	-	(120,294)
- Unrealized gain on forward exchange contracts	(142)	(9,905)	-
- Surplus on revaluation of property - held for sale	(452,705)	-	15,613
- Surplus on revaluation of non-banking assets	(333,546)	-	19,725
- Accelerated tax depreciation	(403,990)	27,443	-
	(2,338,032)	17,538	(8,066)
			(2,328,560)
	20,781,731	2,481,571	(8,066)
			23,255,236
----- (Rupees in '000) -----			
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	3,290,588	-
- Provision against advances, off balance sheet etc.	7,086,935	1,034,309	-
- Provision for impairment loss - Investment	1,449,157	179,511	-
- Provision against intangible assets	43,107	4,927	-
- Staff compensated absences	50,412	665	-
- Provision against other assets	149,656	17,103	-
- (Deficit) / surplus on revaluation of investments	(25,096)	-	29,028
- Minimum tax	159,921	(159,921)	-
	18,727,485	4,367,182	29,028
			23,123,695
Taxable Temporary Differences on			
- Surplus on revaluation of fixed assets	(1,069,472)	-	(82,109)
- Unrealized loss / (gain) on forward exchange contracts	10,472	(10,614)	-
- 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	(295,920)	(108,070)	-
	(2,050,860)	(118,684)	(172,420)
			(2,341,964)
	16,676,625	4,248,498	(143,392)
			20,781,731

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	2023 (Rupees in '000)	2022 (Rupees in '000)
	7,915,376	1,468,736
	2,822	2,848
	370,131	351,962
	505,235	571,316
13.1	2,352,910	2,497,513
	-	7,136
35.7	-	102,958
	1,391,209	459,528
	23,000,000	-
	27,833	608
	409,685	175,931
	6,792	7,071
13.2	184	2,419
13.3	3,692,787	3,836,309
	709,558	556,763
	40,384,522	10,041,098
13.4	(834,729)	(832,810)
	39,549,793	9,208,288
	804,670	855,243
	1,120,749	1,160,784
	41,475,212	11,224,315
13.1	2,799,292	3,451,295

Non-banking assets acquired in satisfaction of claims have been revalued by independent professional valuer as at December 31, 2023. The revaluation was conducted by M/s. Sadruddin Associates (Pvt.) Ltd., M/s. Pakistan Inspection Company (Pvt.) Ltd. and M/s. Sipra & Company (Pvt.) Ltd based on their professional assessment of present market values. This resulted in an increase in surplus by Rs. 11.399 million. The total surplus arising against revaluation of non-banking assets acquired in satisfaction of claims as at December 31, 2023 amounts to Rs 804.670 million (2022: Rs. 855.243 million).

Note	2023 (Rupees in '000)	2022 (Rupees in '000)
13.1.1	2,992,649	3,038,883
	11,399	47,866
21.2	2,042	12,975
30	-	(46,234)
	(62,083)	(60,841)
28	(146,534)	-
	2,797,473	2,992,649
13.1.2		
	-	45,803
	-	46,234
13.1.1	-	-
	-	46,234
	-	(431)
13.2		
13.3		

	2023	2022
	----- (Rupees in '000) -----	
13.4 Provision held against other assets		
Income / mark-up accrued in local currency	1,389	1,389
Advances, deposits, advance rent and other prepayments	98,008	98,008
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	45,310
Account receivable - sundry claims	156,546	148,514
Receivable from Speedway Fondmetal (Pakistan) Limited	25,694	25,694
Others	137,795	143,908
	<u>834,729</u>	<u>832,810</u>

13.4.1 Movement in provision held against other assets

Opening balance	832,810	759,224
Charge for the year	8,032	78,252
Reversals	(6,000)	(4,666)
Amount written off	(113)	-
Closing balance	<u>834,729</u>	<u>832,810</u>

14. CONTINGENT ASSETS

There were no contingent assets at the balance sheet date.

15. BILLS PAYABLE

	2023	2022
	----- (Rupees in '000) -----	
In Pakistan	2,162,537	1,993,587
Outside Pakistan	-	-
	<u>2,162,537</u>	<u>1,993,587</u>

16. BORROWINGS

Secured

Borrowings from State Bank of Pakistan			
- Under export refinance scheme	16.1	4,691,400	5,710,250
- Under Islamic Export Refinance Scheme (IERF)	16.2	90,000	400,000
- Under long-term financing facility	16.3	239,398	428,927
- Refinance facility for modernization of SMEs	16.4	1,100	2,352
- Repurchase agreement borrowings	16.5	123,027,721	18,115,632
		<u>128,049,619</u>	24,657,161
Repurchase agreement borrowings	16.6	2,313,316	-
Total secured		<u>130,362,935</u>	24,657,161

Unsecured

Overdrawn nostro accounts		6,395	731,399
Total unsecured		<u>6,395</u>	731,399
		<u>130,369,330</u>	<u>25,388,560</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 17.00% to 18.00% per annum (2022: 6.50% to 10.00% per annum). These are secured against demand promissory notes and are due to mature latest by June 19, 2024 (2022: latest by June 19, 2023).

16.2 The Bank has entered into an agreement with SBP for extending export finance to its islamic banking customers. Borrowing under the export refinance scheme of SBP carry interest at rate of 15.00% per annum (2022: 8.00% to 9.00% per annum). These are secured against demand promissory notes and are due to mature by April 02, 2024 (2022: April 17, 2023).

- 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 (2022: 2.00% to 3.00% per annum) and have varying long term maturities latest due by December 31, 2028 (2022: 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 (2022: 2.00% per annum), which will mature latest by February 11, 2025 (2022: latest by February 11, 2025).
- 16.5** These represent borrowings from a SBP at mark-up rates ranging from 22.08% to 22.26% per annum (2022: 15.22% to 16.15%) which will mature latest by January 26, 2024 (2022: March 03, 2023).
- 16.6** These represent borrowings from financial institutions at mark-up rates ranging from 22.10% to 22.90% per annum (2022: nil) which will mature latest by January 02, 2024 (2022: nil).

	2023	2022
	----- (Rupees in '000) -----	
16.7 Particulars of borrowings with respect to currencies		
In local currency	130,362,935	24,657,161
In foreign currencies	6,395	731,399
	<u>130,369,330</u>	<u>25,388,560</u>

17. DEPOSITS AND OTHER ACCOUNTS

	2023			2022		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	----- (Rupees in '000) -----					
Customers						
Current deposits	43,315,999	1,722,463	45,038,462	40,907,997	1,534,309	42,442,306
Savings deposits	84,046,183	2,168,138	86,214,321	58,374,143	1,638,923	60,013,066
Term deposits	14,520,225	3,489,167	18,009,392	12,024,797	2,940,083	14,964,880
Others	4,110,091	44,326	4,154,417	2,284,400	35,609	2,320,009
	145,992,498	7,424,094	153,416,592	113,591,337	6,148,924	119,740,261
Financial institutions						
Current deposits	230,114	43,445	273,559	272,625	162,329	434,954
Savings deposits	2,494,955	8	2,494,963	1,416,481	6	1,416,487
Term deposits	668,059	107,107	775,166	327,366	-	327,366
Others	-	-	-	-	-	-
	3,393,128	150,560	3,543,688	2,016,472	162,335	2,178,807
	149,385,626	7,574,654	156,960,280	115,607,809	6,311,259	121,919,068

	2023	2022
	----- (Rupees in '000) -----	
17.1 Composition of deposits		
- Individuals	96,759,737	83,207,449
- Government (Federal and Provincial)	2,463,277	1,636,443
- Public Sector Entities	5,145,970	89,311
- Banking Companies	303,939	1,249,879
- Non-Banking Financial Institutions	3,239,749	2,636,740
- Private Sector	49,047,608	33,099,246
	<u>156,960,280</u>	<u>121,919,068</u>

- 17.2** Deposits include Eligible Deposits of Rs. 113,902.550 million (2022: Rs. 84,289.724 million) protected under Depositors Protection Mechanism introduced by the State Bank of Pakistan.

18. SUBORDINATED DEBT

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

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.

Subsequent to the approval granted by the TFC Holders (in their last meeting held on October 27, 2022) for extension in the maturity date and associated rescheduling of the coupon payments of the Term Finance Certificate upto October 27, 2023, the Bank after complying with all the applicable legal and regulatory requirements had furnished a formal request in SBP for seeking aforesaid extension which is currently under consideration and no formal SBP approval has been received.

Rating	'B' (Single B).
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	2023 ----- (Rupees in '000) -----	2022
Mark-up / return / interest payable in local currency		4,236,243	2,291,978
Mark-up / return / interest payable in foreign currencies		1,625	3,475
Unearned income		71,476	70,164
Accrued expenses		110,084	74,270
Advance against sale of property	19.1	211,103	328,731
Acceptances		409,685	175,931
Unclaimed dividends		2,213	2,213
Mark to market loss on forward foreign exchange contracts		2,071	243
Payable to defined benefit plan	35.7	18,813	-
Charity fund balance		4,317	2,154
Branch adjustment account		29,074	-
Security deposits against lease		187,514	246,913
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		367,873	228,005
Provision for compensated absences	35.7	137,637	130,964
Payable to Bank of Ceylon, Colombo		20,163	20,163
Retention money		542,370	306
Workers' welfare fund	19.4	13,360	13,360
Withholding taxes and government levies payable		261,913	34,946
Federal excise duty and sales tax payable		10,724	6,814
Commission payable on home remittances	19.5	213	2,381
Lease liability against right-of-use assets	19.6	3,348,737	3,494,835
Others		404,281	383,362
		<u>10,449,171</u>	<u>7,568,890</u>

19.1 This includes advance received amounting to Rs. 101.675 million (2022: 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.

	2023 ----- (Rupees in '000) -----	2022
19.6 Maturity analysis of lease liability		
Not later than one year	778,144	813,414
Later than one year and not later than five years	1,890,404	1,913,872
Later than five years	680,189	767,549
	<u>3,348,737</u>	<u>3,494,835</u>

20. SHARE CAPITAL - NET

20.1 Authorized Capital

2023	2022		2023	2022
----- (Number of shares) -----			----- (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

2023	2022		2023	2022
----- (Number of shares) -----			----- (Rupees in '000) -----	
		<u>Ordinary shares</u>		
5,443,756,473	1,459,686,957	Fully paid in cash	54,437,564	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>6,622,220,576</u>	<u>2,638,151,060</u>		<u>66,222,205</u>	<u>26,381,510</u>
		Less: Discount on issue of shares	(35,721,997)	(5,881,316)
<u>6,622,220,576</u>	<u>2,638,151,060</u>		<u>30,500,208</u>	<u>20,500,194</u>

20.3 Number of shares held by the associated companies as at December 31, are as follows:

2023	2022		2023	2022
----- (Number of shares) -----			----- % age holding -----	
<u>1,761,412,119</u>	<u>1,761,412,119</u>	Suroor Investments Limited	<u>26.60%</u>	<u>66.77%</u>

20.4 During the year, the Bank issued 3,984,069,516 ordinary shares with a face value of Rs. 10/- each, other than right shares, to His Excellency Naseer Abdulla Hussain Lootah and minority shareholders at a subscription price of Rs. 2.51 per share. Through this issue, an amount of Rs. 10,000.014 million was raised, comprising Rs. 39,840.695 million for ordinary share capital and Rs. 29,840.681 million for the discount on issue of shares. The paid-up capital of the Bank, before issuance of shares, was Rs. 26,381.511 million (divided into 2,638,151,060 shares of Rs. 10 each). After the issuance of shares, has increased to Rs. 66,222.206 million (divided into 6,622,220,576 shares of Rs. 10 each). The shares were issued after having all requisite approvals.

21. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS

Surplus / (deficit) on revaluation of

- Available for sale securities
- Fixed assets
- Non-banking assets acquired in satisfaction of claims
- Property - held for sale

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

	2023	2022
8.1	298,364	(10,081)
21.1	3,689,020	3,925,590
21.2	804,670	855,243
21.3	1,120,749	1,160,784
	5,912,803	5,931,536

Deferred tax on surplus / (deficit) on revaluation of:

- Available for sale securities
- Fixed assets
- Non-banking assets acquired in satisfaction of claims
- Property - held for sale

21.1	(116,362)	3,932
21.1	(1,074,691)	(1,151,581)
21.2	(313,821)	(333,546)
21.3	(437,092)	(452,705)
	(1,941,966)	(1,933,900)

3,970,837 **3,997,636**

21.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets as at January 01,

Recognised during the year

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

Related deferred tax liability on surplus realised on disposal

Related deferred tax liability on incremental depreciation charged during the year

Surplus on revaluation of fixed assets as at December 31,

10.2	3,925,590	4,028,457
	(2,678)	-
	(97,741)	(1,143)
	(60,305)	(61,606)
	(37,291)	(730)
	(38,555)	(39,388)
	3,689,020	3,925,590

Less: related deferred tax liability on:

- revaluation as at January 01,
- effect of change in tax rate
- revaluation recognised during the year
- surplus realised on disposal during the year
- incremental depreciation charged during the year

	(1,151,581)	(1,069,472)
	-	(122,227)
	1,044	-
	37,291	730
	38,555	39,388
	(1,074,691)	(1,151,581)

2,614,329 **2,774,009**

	2023	2022
Note	----- (Rupees in '000) -----	
21.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims		
Surplus on revaluation as at January 01,	855,243	827,616
Recognised during the year	13.1.1 11,399	47,866
Reversed on adjustment during the year - net of deferred tax	(23,400)	-
Related deferred tax liability on surplus reversed on adjustment	(14,961)	-
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	(14,403)	(12,346)
Related deferred tax liability on incremental depreciation charged during the year	(9,208)	(7,893)
Related deferred tax liability on surplus realised on disposal	-	-
Surplus on revaluation as at December 31,	804,670	855,243
Less: related deferred tax liability on:		
- revaluation as at January 01,	(333,546)	(289,666)
- effect of change in tax rate	-	(33,105)
- revaluation recognised during the year	(4,444)	(18,668)
- surplus reversed on adjustment	14,961	-
- incremental depreciation charged during the year	9,208	7,893
	(313,821)	(333,546)
	490,849	521,697
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	-	-
Realised on disposal during the year - net of deferred tax	(24,422)	-
Related deferred tax liability on surplus realised on disposal	(15,613)	-
Surplus on revaluation as at December 31,	1,120,749	1,160,784
Less: related deferred tax liability on:		
- revaluation as at January 01,	(452,705)	(406,274)
- effect of change in tax rate	-	(46,431)
- revaluation recognised during the year	-	-
- surplus realised on disposal during the year	15,613	-
	(437,092)	(452,705)
	683,657	708,079
22. CONTINGENCIES AND COMMITMENTS		
-Guarantees	22.1 13,557,375	11,817,383
-Commitments	22.2 147,372,771	30,862,340
-Other contingent liabilities	22.3 22,748,472	24,065,166
	183,678,618	66,744,889

	Note	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
22.1 Guarantees:			
Financial guarantees		20,470	20,470
Performance guarantees		9,761,374	9,102,570
Other guarantees		3,775,531	2,694,343
		<u>13,557,375</u>	<u>11,817,383</u>
22.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit		8,868,111	1,670,541
Commitments in respect of:			
- forward foreign exchange contracts	22.2.1	6,935,713	4,542,638
- forward lending	22.2.2	5,985,317	6,310,488
Commitments for acquisition of:			
- operating fixed assets		109,562	24,552
- intangible assets		133,031	198,489
Other commitments	22.2.3	125,341,037	18,115,632
		<u>147,372,771</u>	<u>30,862,340</u>
22.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		6,180,469	4,542,638
Sale		755,244	-
		<u>6,935,713</u>	<u>4,542,638</u>
22.2.2 Commitments in respect of forward lending			
Forward documentary bills		4,916,896	5,193,241
Undrawn formal standby facilities, credit lines and other commitments to lend	22.2.2.1	1,068,421	1,117,247
		<u>5,985,317</u>	<u>6,310,488</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.			
		2023	2022
		----- (Rupees in '000) -----	----- (Rupees in '000) -----
22.2.3 Other commitments			
Purchase (Repo)		<u>125,341,037</u>	<u>18,115,632</u>
22.3 Other contingent liabilities - claims against the Bank not acknowledged as debts		<u>22,748,472</u>	<u>24,065,166</u>
22.4 Contingency for tax payable			
Contingency related to tax payable is disclosed in note 31.2.			

	2023	2022
	----- (Rupees in '000) -----	
23. MARK-UP / RETURN / INTEREST EARNED		
On:		
Loans and advances	2,740,470	2,409,142
Investments	28,696,822	5,465,054
Lendings to financial institutions	197,314	250,020
Balances with banks	65,431	16,594
	<u>31,700,037</u>	<u>8,140,810</u>
24. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	16,365,317	7,239,101
Borrowings	16,282,744	1,743,263
Subordinated debt	348,940	239,225
Cost of foreign currency swaps against foreign currency deposits / borrowings	854,543	776,426
Finance cost of lease liability	435,077	406,133
	<u>34,286,621</u>	<u>10,404,148</u>
25. FEE AND COMMISSION INCOME		
Branch banking customer fees	126,915	51,954
Consumer finance related fees	4,303	5,667
Card related fees (debit cards)	123,563	82,112
Credit related fees	4,061	2,921
Investment banking fees	2,122	29,254
Commission on trade	270,946	171,610
Commission on guarantees	115,550	84,264
Commission on cash management	47	984
Commission on remittances including home remittances	9,434	8,259
Commission on bancassurance	1,812	894
Alternate delivery channels	33,895	36,078
Others	51	15
	<u>692,699</u>	<u>474,012</u>

	Note	2023 ----- (Rupees in '000) -----	2022 -----
26. (LOSS) / GAIN ON SECURITIES			
Realised	26.1	<u>(1,303,591)</u>	<u>30,526</u>
26.1 Realised (loss) / gain on:			
Federal Government Securities		376,479	30,526
Shares		(1,680,070)	-
		<u>(1,303,591)</u>	<u>30,526</u>
27. OTHER INCOME			
Rent on property	27.1	7,884	8,201
Gain on sale of fixed assets - net		518,675	62,667
Gain on partial sale of HFS property		116,794	-
Loss on sale of non banking assets		-	(431)
Gain on sale of ijarah assets		865	2,045
Recoveries against previously expensed items		-	1,056
Gain on termination of lease contracts under IFRS 16		78,949	443
Income on settlement of nostro balances		-	448
Sale of scrap		-	2,724
Liabilities no longer required written back		-	3,365
Refund from Gratuity Fund		4,516	-
Others		1,406	572
		<u>729,089</u>	<u>81,090</u>

27.1 This includes income from Summit Capital Private Limited (subsidiary) amounting to Rs. 4.220 million (2022: Rs. 4.003 million).

28. OPERATING EXPENSES

	Note	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
Total compensation expense	28.1	2,375,519	1,988,248
Property expense			
Rent and taxes		103,921	76,520
Insurance - property		8,979	10,493
Insurance - non banking assets		851	818
Utilities cost		503,335	392,722
Security (including guards)		237,042	213,606
Repair and maintenance (including janitorial charges)		169,645	124,591
Depreciation on owned fixed assets	10.2	249,551	268,028
Depreciation on right-of-use assets	10.3	590,381	612,161
Depreciation on non banking assets	13.1.1	62,083	60,841
		1,925,788	1,759,780
Information technology expenses			
Software maintenance		167,414	95,214
Hardware maintenance		148,755	91,122
Depreciation on computer equipments	10.2	67,281	79,118
Amortisation of computer softwares	11.2	24,192	23,099
Network charges		94,839	85,533
Insurance		2,713	2,217
		505,194	376,303
Other operating expenses			
Directors' fees and allowances		35,700	41,100
Fees and allowances to Shariah Board		23,700	22,050
Legal and professional charges		126,398	77,672
Outsourced services costs		303,881	243,509
Travelling and conveyance		460,061	298,265
NIFT clearing charges		31,287	26,652
Depreciation	10.2	100,512	107,112
Training and development		9,029	5,115
Postage and courier charges		41,364	43,033
Communication		103,202	43,778
Stationery and printing		160,220	106,682
Marketing, advertisement and publicity		55,213	16,361
Brokerage and commission		40,164	28,317
Fee and subscription		179,382	125,272
Cash transportation and sorting charges		142,922	116,709
Entertainment		69,878	42,182
Insurance		148,521	129,810
Deposit insurance premium expense		134,864	99,729
Repair and maintenance		130,008	98,575
Auditors' remuneration	28.2	11,125	15,389
Others		32,481	32,047
		2,339,912	1,719,359
		7,146,413	5,843,690

The total cost for the year included in other operating expenses relating to outsourced activities is Rs. 164.468 million (2022: Rs. 142.148 million). This cost pertains to companies incorporated in Pakistan. This includes payments other than outsourced services cost, which are disclosed above.

	Note	2023 ----- (Rupees in '000) -----	2022 -----
28.1 Total compensation expense			
Fees and allowances etc.		20,584	19,956
Managerial remuneration			
i) Fixed		1,481,352	1,291,107
ii) Variable			
of which;			
a) Cash bonus / awards etc.		-	-
b) Incentives and commission		5,785	2,641
Charge / (reversal) for defined benefit plan	35.8.1	69,649	(4,502)
Contribution to defined contribution plan	36	80,309	69,670
Charge for employees compensated absences	35.8.1	21,310	13,365
Rent and house maintenance		480,593	410,519
Utilities		106,970	91,223
Medical		108,967	94,269
Total		2,375,519	1,988,248

28.2 Auditors' remuneration

Audit fee		3,656	3,494
Fee for other statutory certifications		4,039	3,899
Fee for audit of employee funds		-	178
Special certifications and sundry advisory services		2,496	6,431
Out-of-pocket expenses		934	1,387
		11,125	15,389

29. OTHER CHARGES

Penalties imposed by State Bank of Pakistan		542	1,451
Penalties imposed by SECP		-	250
		542	1,701

	Note	2023 ----- (Rupees in '000) -----	2022 -----
30. (REVERSALS) / PROVISIONS AND WRITE OFFS - NET			
(Reversal of provision) / provision for diminution in value of investments	8.3.1	(2,121,722)	35,622
Provision against loans and advances	9.5	975,175	487,305
Provision for capital work in progress		(2,526)	-
Provision against other assets	13.4.1	2,032	73,586
Reversal of revaluation decrease on fixed assets recognized in profit and loss account	10.2	(269)	-
Reversal of revaluation decrease on non-banking assets recognized in profit and loss account	13.1.1	(2,042)	(12,975)
Fixed assets written off	10.2	2,508	9
Bad debts written off directly	9.6.1	75	37
Write off against other assets		-	500
Operational loss		2,025	962
Recoveries against written off / charged off bad debts		(728)	(931)
		<u>(1,145,472)</u>	<u>584,115</u>

31. TAXATION

Current	31.1 & 31.2	409,357	119,219
Prior years		-	-
Deferred	12	(2,481,571)	(4,248,498)
		<u>(2,072,214)</u>	<u>(4,129,279)</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, 2022 i.e. tax year 2023.

In respect of assessments of Bank Makramah Limited (formerly known as Summit Bank Limited) from tax years 2009 to tax year 2018 and 2022 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 Bank Makramah Limited (formerly known as 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. 57.96 million through amended assessment orders and the same have been paid / stayed / adjusted against advance tax paid.

In respect of assessments of ex-My Bank Limited (now Bank Makramah 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 Bank Makramah 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.

In pursuance of SRO 1588(I)/2023 dated 21 November 2023, banking companies have been designated to be the 'sector' for the purpose of section 99D of the Income Tax Ordinance 2001, for the tax years 2022 and 2023. The Bank through its legal council has challenged the above levy, and the High Court of Sindh, has suspended the operation of the aforementioned SRO and granted stay to the Bank. Further, the Islamabad High Court and the Lahore High Court has suspended the operation in other similar petitions. The matter remains pending and the stay order still holds the field.

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.

	2023	2022
	Note	(Rupees in '000)
32. BASIC AND DILUTED LOSS PER SHARE		
Loss for the year	<u>(5,318,616)</u>	<u>(3,166,888)</u>
	2023	2022
	----- (Number of shares) -----	
Weighted average number of ordinary shares - Basic	<u>5,334,220,021</u>	<u>2,638,151,060</u>
	2023	2022
	----- (Rupees) -----	
Basic loss per share	<u>(1.00)</u>	<u>(1.20)</u>
	2023	2022
	----- (Number of shares) -----	
Weighted average number of ordinary shares - Diluted	32.1 <u>5,334,220,021</u>	<u>2,638,151,060</u>
	2023	2022
	----- (Rupees) -----	
Diluted loss per share	<u>(1.00)</u>	<u>(1.20)</u>

32.1 There are no potential ordinary shares outstanding as of December 31, 2023.

33. CASH AND CASH EQUIVALENTS

	Note	2023 ----- (Rupees in '000) -----	2022
Cash and balances with treasury banks	5	14,463,417	13,372,145
Balances with other banks	6	601,877	1,363,429
Overdrawn nostro accounts	16	(6,395)	(731,399)
		<u>15,058,899</u>	<u>14,004,175</u>

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

	2023					
	Liabilities		Equity			Total
	Sub-ordinated debt	Other liabilities	Share Capital	Reserves	Accumulated losses	
	----- (Rupees in '000) -----					
Balance as at January 01, 2023	1,495,515	7,568,890	20,500,194	(425,043)	(41,721,679)	(12,582,123)
Changes from financing cash flows						
Issue of share capital	-	-	10,000,014	-	-	10,000,014
Share issuance cost	-	-	-	-	(166,647)	(166,647)
Payment of lease liability against right-of-use-assets	-	(860,415)	-	-	-	(860,415)
	-	(860,415)	10,000,014	-	(166,647)	8,972,952
Liability related other changes						
Changes in other liabilities						
- Cash based	-	2,998,822	-	-	-	2,998,822
- Non cash based	-	741,874	-	-	-	741,874
Total liability related other changes	-	3,740,696	-	-	-	3,740,696
Equity related other changes	-	-	-	-	(4,970,242)	(4,970,242)
Balance as at December 31, 2023	<u>1,495,515</u>	<u>10,449,171</u>	<u>30,500,208</u>	<u>(425,043)</u>	<u>(46,858,568)</u>	<u>(4,838,717)</u>
	----- (Rupees in '000) -----					
	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	<u>1,495,515</u>	<u>7,568,890</u>	<u>20,500,194</u>	<u>(425,043)</u>	<u>(41,721,679)</u>	<u>(12,582,123)</u>

	2023	2022
	----- (Number of employees) -----	
34. STAFF STRENGTH		
Permanent	1,713	1,580
On Bank contract	53	65
Bank's own staff strength at the end of the year	<u>1,766</u>	<u>1,645</u>

34.1 In addition to the above, 550 (2022: 530) 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, 2023 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:

	2023	2022
	----- (Number) -----	
- Gratuity fund	<u>1,716</u>	<u>1,580</u>
- Employees Compensated Absences	<u>1,766</u>	<u>1,645</u>

35.3 Principal actuarial assumptions

Latest actuarial valuation was carried out as at December 31, 2023 using 'Projected Unit Credit Method'.

	2023	2022	2023	2022
	Employees compensated absences (Unfunded)		Gratuity fund (Funded)	
	(Per annum)			
Discount rate	15.50%	14.50%	15.50%	14.50%
Discount rate for profit and loss	14.50%	11.75%	14.50%	11.75%
Expected rate of salary increase	10.00%	13.50%	10.00%	10.00%
Expected rate of return on plan assets	-	-	15.50%	14.50%
Leave accumulation factor - per annum	22 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

	2023	2022	2023	2022
	Employees compensated absences (Unfunded)		Gratuity fund (Funded)	
	(Per annum)			
Note				
Present value of obligations	137,637	130,964	515,836	466,179
Fair value of plan assets	-	-	(497,023)	(569,137)
Payable / (Receivable)	137,637	130,964	18,813	(102,958)

35.5 Movement in defined benefit obligations

Obligations at the beginning of the year	130,964	144,030	466,179	610,485
Current service cost	16,006	11,411	77,895	80,436
Past service cost	-	-	-	(77,701)
Interest cost	18,092	15,428	61,959	55,495
Benefits paid by the Bank	(14,637)	(26,431)	(66,978)	(110,195)
Re-measurement (gain) / loss	(12,788)	(13,474)	(23,219)	(92,341)
Obligations at the end of the year	137,637	130,964	515,836	466,179

35.6 Movement in fair value of plan assets

Fair value at the beginning of the year	-	-	569,137	567,493
Interest income on plan assets	-	-	70,205	62,732
Contribution by the Bank - net	-	-	(169,936)	(67,203)
Re-measurements: Net return on plan assets over interest income (loss) / gain	35.8.2	-	27,617	6,115
Fair value at the end of the year	-	-	497,023	569,137

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

Opening balance	130,964	144,030	(102,958)	42,992
Charge for the year	21,310	13,365	69,649	(4,502)
Contribution by the Bank - net	-	-	169,936	67,203
Re-measurement gain recognised in OCI during the year	35.8.2	-	(50,836)	(98,456)
Benefits paid by the Bank	(14,637)	(26,431)	(66,978)	(110,195)
Closing balance	137,637	130,964	18,813	(102,958)

	2023	2022	2023	2022
	Employees compensated absences (Unfunded)		Gratuity fund (Funded)	
	----- (Per annum) -----			
35.8 Charge for defined benefit plans				
35.8.1 Cost recognised in profit and loss				
Current service cost	3,218	(2,063)	77,895	80,436
Past service cost	-	-	-	(77,701)
Net interest on defined benefit liability / (asset)	18,092	15,428	(8,246)	(7,237)
	21,310	13,365	69,649	(4,502)
35.8.2 Re-measurements recognised in OCI during the year				
(Gain) / loss on obligation				
- Demographic assumptions	-	-	-	-
- Financial assumptions	-	-	(18,404)	(48,912)
- Experience adjustment	-	-	(4,815)	(43,429)
Return on plan assets over interest income	-	-	(27,617)	(6,115)
Total re-measurements recognised in OCI	-	-	(50,836)	(98,456)
35.9 Components of plan assets				
Cash and cash equivalents - net	-	-	497,023	569,137

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%	(9,149)	10,327	(36,067)	40,591
Salary increase rate	+ - 1%	11,025	(9,908)	43,214	(38,934)
Withdrawal rate	+ - 10%	-	-	105	(104)
Mortality rate	+ -1 Year	-	-	305	(342)

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) -----	
Expected charge for the next financial year	23,994	79,447

	2023	2022	2023	2022
	Employees compensated absences (Unfunded)		Gratuity fund (Funded)	

35.12 Maturity profile

The weighted average duration of the obligation (in years)	7.09	7.21	7.43	7.69
--	------	------	------	------

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. 80.309 million (2022: Rs. 69.670 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	2023						
	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	-	28,200	23,700	-	-	1,993
Managerial Remuneration							
i) Fixed	-	5,645	-	2,099	42,113	132,844	104,395
ii) Total variable							
of which							
a) Cash bonus / awards etc.	-	-	-	-	-	-	-
b) Incentives and commission	-	-	-	-	-	-	23
Charge for defined benefit plan	-	1,087	-	993	8,691	18,192	33,916
Contribution to defined contribution plan	-	425	-	134	3,608	6,778	6,275
Charge for employees compensated absences	-	791	-	147	6,207	9,101	10,726
Rent and house maintenance	-	1,911	-	601	16,237	44,417	30,026
Utilities	-	425	-	134	3,608	9,870	6,672
Medical	-	425	-	134	3,748	9,870	6,672
Total	7,500	10,709	28,200	27,942	84,212	231,072	200,698
Number of persons	2*	1**	5***	5	1	13	34

* Number of persons include outgoing Chairman

On December 19, 2023, Mr. Abdulla Nasser Abdulla Hussain Lootah was appointed as Chairman, replacing Mr. Waseem Mehdi Syed.

** On April 27, 2023 Mr. Salman Zafar Siddiqi resigned as the Executive Director of the Bank. Currently, there are no other Executive Directors in the Bank, aside from CEO.

*** On February 21, 2023 Mr. Muhammad Salman Alam Fazli was appointed as the Non - Executive Director of the Bank.

Items	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.

The Bank's President and Chief Executive Officer is entitled to use of Bank's maintained car and club membership fee in accordance with entitlement. While certain Key executives of the Bank are entitled to 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. 753.853 million (2022: Rs. 532.480 million).

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

2023								
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)	Board Special Assets Management Committee (BSAMC)	
----- (Rupees in '000) -----								
Mr. Waseem Mehdi Syed	2,100	1,200	600	1,500	-	1,200	600	7,200
Ms. Fauzia Hasnain	2,100	1,800	1,500	-	1,500	300	600	7,800
Mr. Wajahat Ahmed Baqai	1,800	1,500	900	-	1,200	1,200	600	7,200
Mr. Zafar Iqbal Siddiqui	2,100	1,800	900	1,500	1,500	1,200	300	9,300
Mr. Muhammad Salman Alam Fazli	1,500	900	-	300	300	300	600	3,900
Mr. Abdulla Nasser Abdulla Hussain Lootah	300	-	-	-	-	-	-	300
Total amount paid	9,900	7,200	3,900	3,300	4,500	4,200	2,700	35,700

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)	Board Special Assets Management Committee (BSAMC)	
----- (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 Siddiqui	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

During its 135th meeting on June 12, 2023, the Board of Directors formed a Board Special Assets Management Committee (BSAMC). The purpose of this committee is to support the Board by overseeing the identification, measurement, monitoring, and control of risks to which the Bank is exposed. Additionally, the committee is tasked with implementing measures to reduce the burden of Non-Performing Loans of the Bank.

37.3 Remuneration paid to Shariah Board Members

Items	2023			2022		
	Chairman	Resident Member	Non-Resident Member(s)	Chairman	Resident Members	Non-Resident Member(s)
----- (Rupees in '000) -----						
Meeting Fees and Allowances	15,600	-	8,100	13,950	-	8,100
Managerial Remuneration						
i) Fixed	-	2,099	-	-	1,646	-
ii) Total variable						
of which						
a) Cash bonus / awards etc.	-	-	-	-	-	-
b) Incentives and commission	-	-	-	-	-	-
Charge for defined benefit plan	-	993	-	-	676	-
Contribution to defined contribution plan	-	134	-	-	106	-
Charge for employees compensated absences	-	147	-	-	62	-
Rent and house maintenance	-	601	-	-	479	-
Utilities	-	134	-	-	106	-
Medical	-	134	-	-	106	-
Total amount	<u>15,600</u>	<u>4,242</u>	<u>8,100</u>	<u>13,950</u>	<u>3,181</u>	<u>8,100</u>
Total number of persons	<u>1</u>	<u>1</u>	<u>3</u>	<u>1</u>	<u>1</u>	<u>3</u>

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:

	2023			
	Level1	Level2	Level3	Total
----- (Rupees in '000) -----				
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
- Federal Government Securities	-	177,340,406	-	177,340,406
- Shares - Listed	14	-	-	14
- Non Government Debt Securities	-	2,325,951	-	2,325,951
Financial assets - disclosed but not measured at fair value				
Investments				
- Shares - Unlisted	-	-	3,848	3,848
Non-Financial assets - measured at fair value				
Operating fixed assets	-	-	6,740,687	6,740,687
Non banking assets acquired in satisfaction of claims	-	-	2,797,473	2,797,473
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	6,204,424	-	6,204,424
Forward sale of foreign exchange	-	753,437	-	753,437
----- (Rupees in '000) -----				
	2022			
	Level1	Level2	Level3	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	-	-	-	-

Valuation techniques used in determination of fair value

Item	Valuation approach and input used
Federal Government Securities - Unlisted	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.
Federal Government Securities - Listed	The fair value of investment in listed GOP Ijarah Sukuks are valued on the basis of closing quoted market price available at the Pakistan Stock Exchange.
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

	2023				Total
	Corporate, SME & Commercial	Treasury	Retail Banking	Others	
----- (Rupees in '000) -----					
Profit and Loss					
Net mark-up / return / profit	802,970	12,569,421	(15,483,482)	(475,493)	(2,586,584)
Inter segment revenue - net	(1,355,528)	(12,747,513)	23,893,057	(9,790,016)	-
Non mark-up / return / interest income	230,144	(181,204)	425,899	722,398	1,197,237
Total income	(322,414)	(359,296)	8,835,474	(9,543,111)	(1,389,347)
Segment direct expenses	195,559	96,983	4,763,082	2,091,331	7,146,955
Inter segment expense allocation	605,095	186,468	1,189,621	(1,981,184)	-
Total expenses	800,654	283,451	5,952,703	110,147	7,146,955
Provisions / (reversals)	979,054	(2,121,722)	-	(2,804)	(1,145,472)
(Loss) / profit before tax	(2,102,122)	1,478,975	2,882,771	(9,650,454)	(7,390,830)

	2023				Total
	Corporate, SME & Commercial	Treasury	Retail Banking	Others	
----- (Rupees in '000) -----					
Balance Sheet					
Cash and bank balances	197,817	9,958,667	4,908,810	-	15,065,294
Investments	-	179,899,952	-	-	179,899,952
Net inter segment lending	3,099,470	54,276,571	144,616,478	168,729	202,161,248
Lendings to financial institutions	-	-	-	-	-
Advances - performing	14,706,718	-	384,646	1,580,599	16,671,963
Advances - non-performing	1,582,648	-	472,592	7,946	2,063,186
Others	629,959	30,187,746	3,746,440	40,359,727	74,923,872
Total assets	20,216,612	274,322,936	154,128,966	42,117,001	490,785,515
Borrowings	5,021,898	125,347,432	-	-	130,369,330
Subordinated debt	-	-	-	1,495,515	1,495,515
Deposits and other accounts	7,971,400	-	148,988,880	-	156,960,280
Net inter segment borrowing	6,971,002	147,416,551	903,968	46,869,727	202,161,248
Others	252,312	1,558,953	4,236,118	6,564,325	12,611,708
Total liabilities	20,216,612	274,322,936	154,128,966	54,929,567	503,598,081
Equity	-	-	-	(12,812,566)	(12,812,566)
Total equity and liabilities	20,216,612	274,322,936	154,128,966	42,117,001	490,785,515
Contingencies and Commitments	49,925,894	132,276,749	-	1,475,975	183,678,618

	2022 (Restated)				
	Corporate, SME & Commercial	Treasury	Retail Banking	Others	Total
	(Rupees in '000)				
Profit and Loss					
Net mark-up / return / profit	1,308,642	3,491,031	(6,730,991)	(332,020)	(2,263,338)
Inter segment revenue - net	(1,527,685)	(4,239,578)	12,663,020	(6,895,757)	-
Non mark-up / return / interest income	191,720	803,082	339,533	62,342	1,396,677
Total income	(27,323)	54,535	6,271,562	(7,165,435)	(866,661)
Segment direct expenses	143,667	58,244	4,059,398	1,584,082	5,845,391
Inter segment expense allocation	548,651	165,221	822,918	(1,536,790)	-
Total expenses	692,318	223,465	4,882,316	47,292	5,845,391
Provisions	487,873	35,622	-	60,620	584,115
(Loss) / profit before tax	(1,207,514)	(204,552)	1,389,246	(7,273,347)	(7,296,167)

	2022 (Restated)				
	Corporate, SME & Commercial	Treasury	Retail Banking	Others	Total
	(Rupees in '000)				
Balance Sheet					
Cash and bank balances	189,077	10,235,444	4,311,053	-	14,735,574
Investments	-	51,446,799	-	-	51,446,799
Net inter segment lending	58,085	58,056,574	111,577,524	-	169,692,183
Lendings to financial institutions	-	10,141,557	-	-	10,141,557
Advances - performing	16,656,436	-	664,537	1,435,347	18,756,320
Advances - non-performing	2,836,203	-	-	-	2,836,203
Others	571,743	797,710	2,897,243	38,533,579	42,800,275
Total Assets	20,311,544	130,678,084	119,450,357	39,968,926	310,408,911
Borrowings	6,541,530	18,847,030	-	-	25,388,560
Subordinated debt	-	-	-	1,495,515	1,495,515
Deposits and other accounts	6,622,694	-	115,296,374	-	121,919,068
Net inter segment borrowing	6,965,614	111,625,098	717,298	50,384,173	169,692,183
Others	181,706	205,956	3,436,685	5,738,130	9,562,477
Total liabilities	20,311,544	130,678,084	119,450,357	57,617,818	328,057,803
Equity	-	-	-	(17,648,892)	(17,648,892)
Total equity and liabilities	20,311,544	130,678,084	119,450,357	39,968,926	310,408,911
Contingencies and Commitments	42,141,197	22,658,270	-	1,945,422	66,744,889

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:

2023					
Category	No. of IPS accounts	Securities Held (Face Value)			Total
		GoP Ijarah Sukuks	Market Treasury Bills	Pakistan Investment Bonds	
----- (Rupees in '000) -----					
Employee Funds	3	1,200,000	72,595	295,700	1,568,295
Individual	10	48,850	24,000	25,600	98,450
Insurance company	1	-	-	16,000	16,000
Total	14	1,248,850	96,595	337,300	1,682,745

2022					
Category	No. of IPS accounts	Securities Held (Face Value)			Total
		GoP Ijarah Sukuks	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

	2023					2022				
	Parent company	Directors	Key management personnel	Subsidiary	Other related parties	Parent company	Directors	Key management personnel	Subsidiary	Other related parties
----- (Rupees in '000) -----										
Other Assets										
Interest / mark-up accrued	-	-	-	2,559	-	-	-	-	217	76,337
Advances, deposits, advance rent and other prepayments	-	-	4,022	-	-	-	-	4,250	-	-
Receivable from defined benefit plan	-	-	-	-	-	-	-	-	-	102,958
Other receivable	-	-	-	-	2,949	699	-	-	-	-
Provision held against other assets	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts										
Opening balance	-	-	19,511	57,606	2,052,046	-	-	82,005	59,341	2,110,049
Received during the year	-	-	714,248	5,600,783	3,126,796	-	-	312,104	2,957,326	6,207,533
Withdrawn during the year	-	-	(718,348)	(5,574,260)	(4,400,329)	-	-	(306,636)	(2,959,061)	(6,266,214)
Transfer (out) / in - net	-	109,345	214	-	1,387	-	-	(67,962)	-	678
Closing balance	-	109,345	15625	84,129	779,900	-	-	19,511	57,606	2,052,046
Other Liabilities										
Interest / mark-up payable	-	1,951	298	1,792	13,355	-	-	131	574	36,374
Payable to defined benefit plan	-	-	-	-	18,813	-	-	-	-	-
Unearned income	-	-	-	-	692	-	-	-	-	692
Brokerage payable	-	-	-	2,914	-	-	-	-	21	-
Contingencies and Commitments										
Guarantees, letters of credit and acceptances	-	-	-	-	86,500	-	-	-	-	86,500
Commitments to extend credit	-	-	-	131,389	-	-	-	-	128,409	-

	2023					2022				
	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	-	-	12,101	6,427	-	-	-	9,409	985	102,978
Fee and commission income	-	7	35	76	1,398	-	-	13	63	1,494
(Loss) / gain on securities	-	-	-	-	(797,694)	-	-	-	-	-
Other income	-	-	-	4,220	-	-	-	410	4,003	-
Expense										
Mark-up / return / interest expensed	-	9,715	1,031	11,104	206,219	-	-	2,137	5,873	238,774
Operating expenses:										
- Directors' fees and allowances	-	35,700	-	-	-	-	41,100	-	-	-
- Brokerage and commission	-	-	-	4,309	-	-	-	-	201	-
- Fee and subscription	-	-	1,792	-	-	-	-	994	-	-
- Managerial remuneration	-	-	352,352	-	1,395	-	-	321,601	-	1,082
- Contribution to defined contribution plan	-	-	-	-	80,309	-	-	-	-	69,670
- Charge for defined benefit plan	-	-	-	-	69,649	-	-	-	-	(4,502)
Provision against loans and advances	-	-	-	-	671,901	-	-	-	-	-
Reversal of provision for diminution in value of investment	-	-	-	-	(1,137,225)	-	-	-	-	(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

	2023	2022
	----- (Rupees in '000) -----	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>(16,937,565)</u>	<u>(21,800,690)</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier-1 (CET-1) Capital	<u>(40,909,154)</u>	<u>(43,276,304)</u>
Eligible Additional Tier-1 (ADT-1) Capital	<u>-</u>	<u>-</u>
Total Eligible Tier-1 Capital	<u>(40,909,154)</u>	<u>(43,276,304)</u>
Eligible Tier-2 Capital	<u>-</u>	<u>-</u>
Total Eligible Capital (Tier-1 + Tier-2)	<u>(40,909,154)</u>	<u>(43,276,304)</u>
Risk Weighted Assets (RWAs):		
Credit Risk	39,240,005	44,655,013
Market Risk	5,935,021	2,295,820
Operational Risk	143,387	7,447,378
Total	<u>45,318,413</u>	<u>54,398,211</u>
Common Equity Tier-1 Capital Adequacy Ratio	<u>-90.27%</u>	<u>-79.55%</u>
Tier-1 Capital Adequacy Ratio	<u>-90.27%</u>	<u>-79.55%</u>
Total Capital Adequacy Ratio	<u>-90.27%</u>	<u>-79.55%</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, 2023, the Bank is required to maintain minimum CET-1 ratio of 6%, minimum Tier-1 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-1 capital (going concern capital), which comprises Common Equity Tier-1 (CET-1) and Additional Tier-1 (AT-1 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-1 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-1 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. 3,485.317 million.

As on December 31, 2023, 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.

	2023	2022
	----- (Rupees in '000) -----	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	(40,909,154)	(43,276,304)
Total Exposures	374,092,249	157,956,814
Leverage Ratio	<u>-10.94%</u>	<u>-27.40%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	73,491,142	43,961,885
Total Net Cash Outflow	27,494,992	20,348,574
Liquidity Coverage Ratio	<u>267.29%</u>	<u>216.04%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	102,118,423	77,771,056
Total Required Stable Funding	64,870,949	56,155,340
Net Stable Funding Ratio	<u>157.42%</u>	<u>138.49%</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, 2023. 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 <https://www.bankmakramah.com/financial-statement/>.

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.

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 Bank'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. BML 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 BML. 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.

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	2023				
	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	
	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 CC C D	CCC CC C D	7

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+ A-1	A-1+ A-1
S2	F2	P-2	A-2	A-2	A-2
S3	F3	P-3	A-3	A-3	A-3
S4	Others	Others	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	2023			2022		
	Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
----- (Rupees in '000) -----						
Exposure category:						
Corporate						
20%	351,039	-	351,039	275,481	-	275,481
50%	2,556,921	153,198	2,403,723	1,877,224	153,257	1,723,967
100%	35,939	-	35,939	51,934	-	51,934
unrated	6,895,190	1,298,008	5,597,182	9,328,614	2,190,809	7,137,804
125%	3,678,508	700,949	2,977,559	4,619,133	-	4,619,133
Retail						
75%	2,131,732	42,189	2,089,543	942,581	47,269	895,312
Past due loan						
150%	956,336	-	956,336	748,085	119,120	628,965
100%	218,378	-	218,378	399,469	2,467	397,002
50%	888,501	-	888,501	1,697,648	451,139	1,246,509
Bank						
20%	486,266	-	486,266	10,555,122	-	10,555,122
50%	404,042	-	404,042	461,843	-	461,843
100%	-	-	-	-	-	-
150%	15,885	-	15,885	5,610	-	5,610
unrated	767,697	-	767,697	636,855	-	636,855
Sovereign etc.						
0%	-	-	-	21,244,605	-	21,244,605
Others						
0%	2,325,951	-	2,325,951	2,457,204	-	2,457,204
35%	1,376,840	39	1,376,801	2,235,967	46	2,235,922
50%	-	-	-	-	-	-
100%	18,699,885	-	18,699,885	18,729,346	-	18,729,346
150%	-	-	-	-	-	-
250%	-	-	-	-	-	-
	41,789,110	2,194,383	39,594,727	76,266,721	2,964,106	73,302,616

43.1.4 Lendings to financial institutions

	2023	2022	2023	2022	2023	2022
	Gross lendings		Non-performing lendings		Provision held	
----- (Rupees in '000) -----						
Credit risk by public / private sector						
Public / Government	-	-	-	-	-	-
Private	-	10,141,557	-	-	-	-
	-	10,141,557	-	-	-	-

43.1.5 Investment in debt securities

	2023	2022	2023	2022	2023	2022
	Gross investments		Non-performing investments		Provision held	
----- (Rupees in '000) -----						
Credit risk by industry sector						
Textile	200,000	200,000	200,000	200,000	200,000	200,000
Chemical and pharmaceuticals	448,203	471,772	448,202	471,772	448,202	471,772
Sugar	281,567	281,566	281,567	281,566	281,567	281,566
Financial	8,807	8,807	8,807	8,807	8,807	8,807
Transport	2,325,950	2,450,000	-	-	-	-
Services	803,641	803,641	803,641	803,641	803,641	803,641
	4,068,168	4,215,786	1,742,217	1,765,786	1,742,217	1,765,786
Credit risk by public / private sector						
Public / Government	2,325,950	2,450,000	-	-	-	-
Private	1,742,218	1,765,786	1,742,217	1,765,786	1,742,217	1,765,786
	4,068,168	4,215,786	1,742,217	1,765,786	1,742,217	1,765,786

43.1.6 Advances

	2023	2022	2023	2022	2023	2022
	Gross advances		Non-performing advances		Provision held	
Credit risk by industry sector	----- (Rupees in '000) -----					
Agriculture, forestry, hunting and fishing	1,949,615	2,026,007	1,122,792	1,125,575	966,406	952,706
Automobile and transportation equipment	1,160,436	1,260,035	1,137,352	1,213,805	1,060,451	1,097,069
Banaspati and allied industries	82,663	82,663	82,663	82,663	82,663	82,663
Carpet	1,041	1,041	1,041	1,041	1,041	1,041
Cement	381,153	445,511	329,169	329,169	329,169	329,169
Chemical and pharmaceuticals	2,058,592	2,412,093	1,938,308	1,157,122	1,760,563	1,132,667
Construction	2,025,501	2,174,876	1,730,722	1,750,150	1,502,576	1,319,871
Dairy and poultry	278	611	-	-	-	-
Education	18,978	22,208	3,081	3,145	3,081	3,145
Electronics and electrical appliances	572,586	1,068,206	378,117	447,938	377,871	415,382
Exports / imports	2,553,846	2,609,398	2,234,670	2,257,890	2,171,127	2,139,251
Financial	3,515,994	3,520,261	3,003,463	3,054,628	2,765,994	2,430,091
Food, tobacco and beverages	1,526,576	1,642,851	611,897	769,648	597,423	722,677
Footwear and leather garments	41,558	340,868	35,302	35,326	35,302	35,326
Furniture and allied products	27,129	28,307	6,973	25,370	4,899	23,406
Glass and ceramics	83,036	83,095	77,139	77,268	75,320	75,448
Health care	100,643	134,664	17,772	17,792	17,772	17,792
Hotels	113,365	126,760	105,809	105,809	33,624	33,624
Individuals	2,257,253	2,478,275	261,557	308,037	186,872	211,088
Mining and quarrying	884,912	974,912	884,912	-	884,912	-
Miscellaneous manufacturing	157,269	254,463	97,759	125,237	90,247	113,970
Paper and allied products	21,596	22,634	20,588	21,936	20,588	21,936
Power (electricity), gas, water, sanitary	2,031,767	2,274,504	2,030,470	1,985,216	1,686,211	1,927,666
Printing, publishing and allied industries	296,172	400,229	113,996	238,288	102,931	220,106
Services	1,609,527	1,646,737	503,457	559,795	398,180	467,402
Steel and engineering	2,860,000	2,874,512	2,688,123	2,714,824	2,648,363	2,614,741
Sugar	8,802,944	9,011,212	7,735,032	8,365,030	7,663,616	8,054,355
Textile	9,459,586	9,539,617	3,369,342	3,520,270	3,327,671	3,496,696
Transport, storage and communication	784,570	798,146	488,619	491,239	379,229	345,385
Wholesale and retail trade	2,969,155	1,835,243	1,269,216	1,303,011	1,248,829	1,209,333
Others	4,603,903	4,745,005	3,995,011	3,980,846	3,788,235	3,737,859
	52,951,644	54,834,944	36,274,352	36,068,068	34,211,166	33,231,865
Credit risk by public / private sector						
Public / Government	-	-	-	-	-	-
Private	52,951,644	54,834,944	36,274,352	36,068,068	34,211,166	33,231,865
	52,951,644	54,834,944	36,274,352	36,068,068	34,211,166	33,231,865

43.1.7 Contingencies and Commitments

2023 2022
----- (Rupees in '000) -----

Credit risk by industry sector

Agriculture, forestry, hunting and fishing	1,336,583	123,108
Automobile and transportation equipment	652,189	233,696
Banaspati and allied industries	1,328,036	-
Carpet	493,750	399,277
Cement	246,473	399,591
Chemical and pharmaceuticals	122,293	473,108
Construction	6,914,832	3,086,853
Consumer	23,025	169,122
Education	-	-
Electronics and electrical appliances	1,836,397	1,110,841
Exports / imports	918,742	1,113,743
Financial	132,119,486	23,703,292
Food, tobacco and beverages	1,204,828	1,255,062
Footwear and leather garments	854	115,508
Furniture and allied products	1,593	64,731
Glass and ceramics	36,063	29,357
Health care	115,545	89,651
Hotels	46,140	47,149
Individuals	6,277,262	6,202,230
Mining and quarrying	2,000	-
Miscellaneous manufacturing	316,648	976,941
Others	793,538	1,862,634
Paper and allied products	19,183	12,084
Power (electricity), gas, water, sanitary	838,787	551,299
Printing, publishing and allied industries	19,318	26,670
Services	4,792,674	5,846,082
Steel and engineering	1,844,850	828,409
Sugar	4,785,840	5,785,838
Textile	10,942,901	11,331,832
Transport, Storage and Communication	446,752	405,901
Wholesale and retail trade	5,202,036	500,880

	183,678,618	66,744,889
--	-------------	------------

Credit risk by public / private sector

Public / Government	128,253,448	21,524,850
Private	55,425,170	45,220,039

	183,678,618	66,744,889
--	-------------	------------

43.1.8 Concentration of Advances

The Bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 15,825.535 million (2022: Rs. 14,109.513 million) are as follows:

	2023	2022
	----- (Rupees in '000) -----	
Funded	11,203,338	12,529,834
Non Funded	4,622,198	1,579,679
Total Exposure	15,825,536	14,109,513

The sanctioned limits against these top 10 exposures aggregated to Rs. 15,831.404 million (2022: Rs. 14,109.513 million).

	2023		2022	
	Amount	Provision held	Amount	Provision held
	----- (Rupees in '000) -----			
Total funded classified therein				
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	5,889,910	5,867,644	8,903,415	8,247,878
Total	5,889,910	5,867,644	8,903,415	8,247,878

43.1.9 Advances - Province / Region-wise Disbursement & Utilization

Disbursements	2023					
	Utilization					
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	----- (Rupees in '000) -----					
Province / Region						
Punjab	16,201,865	16,194,429	404	3,349	-	3,683
Sindh	13,261,853	-	13,261,853	-	-	-
KPK including FATA	-	-	-	-	-	-
Balochistan	7,099	7,099	-	-	-	-
Islamabad	3,240	-	-	-	3,240	-
AJK including Gilgit-Baltistan	16,861	-	-	-	-	16,861
Total	29,490,918	16,201,528	13,262,257	3,349	-	6,923

Disbursements	2022					
	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

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

	2023			2022		
	Banking book	Trading book	Total	Banking book	Trading book	Total
----- (Rupees in '000) -----						
Cash and balances with treasury banks	14,463,417	-	14,463,417	13,372,145	-	13,372,145
Balances with other banks	601,877	-	601,877	1,363,429	-	1,363,429
Lendings to financial institutions	-	-	-	10,141,557	-	10,141,557
Investments	118,308,986	61,590,966	179,899,952	9,168,281	42,278,518	51,446,799
Advances	18,735,149	-	18,735,149	21,592,523	-	21,592,523
Fixed assets	9,931,221	-	9,931,221	10,650,623	-	10,650,623
Intangible assets	262,203	-	262,203	143,606	-	143,606
Deferred tax assets	23,255,236	-	23,255,236	20,781,731	-	20,781,731
Other assets	41,475,212	-	41,475,212	11,224,315	-	11,224,315
	227,033,301	61,590,966	288,624,267	98,438,210	42,278,518	140,716,728

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.

	2023				2022			
	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	10,576,559	(18,390,237)	5,425,225	34,392,021	2,387,407	6,312,149	4,542,638	617,896
Great Britain Pound Sterling	223,282	(721,152)	539,303	1,483,737	573,567	543,337	-	30,230
Euro	781,489	(1,159,750)	215,941	2,157,180	336,325	361,388	-	(25,063)
Other currencies	-	-	-	-	46,164	16,251	-	29,913
	11,581,330	(20,271,139)	6,180,469	38,032,938	3,343,463	7,233,125	4,542,638	652,976

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
	----- (Rupees in '000) -----			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account		298,397	15,769,417	38,897
- 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.

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
	----- (Rupees in '000) -----			
Impact of 5% change in equity prices on				
- Profit and loss account	-	1	-	28,190
- 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.

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
	----- (Rupees in '000) -----			
Impact of 1% change in interest rates on				
- Profit and loss account	159,705	-	60,697	-
- Other comprehensive income	-	201,923	-	64,666

43.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

		2023										Non-interest bearing financial instruments
		Exposed to Yield / Interest risk										
Effective Yield / Interest Rate	Total	Upto 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	Non-interest bearing financial instruments	
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.18%	14,463,417	1,146,763	-	-	-	-	-	-	-	-	13,316,654
Balances with other banks	4.02%	60,187	76,888	-	-	-	-	-	-	-	-	524,989
Lendings to financial institutions	15.76%	-	-	-	-	-	-	-	-	-	-	-
Investments	21.65%	179,899,952	50,977,611	40,194,365	20,722,646	-	-	-	-	-	-	233,594
Advances	5.23%	18,735,149	1,271,605	2,335,842	58,186	83,615	59,422	111,646	177,448	2,176,861	-	-
Other assets	-	33,080,053	-	-	-	-	-	-	-	-	-	33,080,053
		246,780,448	53,472,867	52,654,889	20,780,832	83,615	59,422	111,646	177,448	2,176,861	-	47,155,290
Liabilities												
Bills payable	-	2,162,537	-	-	-	-	-	-	-	-	-	2,162,537
Borrowings	19.87%	130,369,330	130,214,278	975	-	-	-	147,682	-	-	-	6,395
Deposits and other accounts	12.07%	156,960,280	107,331,223	21,200	10,859	29,182	9,691	12,300	78,562	825	-	49,466,438
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	23.33%	1,495,515	1,495,515	-	-	-	-	-	-	-	-	-
Other liabilities	12.96%	9,445,360	559,123	220,021	-	558,123	1,332,281	226,244	680,189	-	-	6,096,623
		300,433,022	239,599,139	22,175	230,880	29,182	567,814	1,344,581	681,014	-	-	57,731,993
		(53,652,574)	(86,126,272)	52,632,714	20,751,650	(484,199)	(14,598)	(14,598)	(503,566)	2,176,861	-	(10,576,703)
Off-balance sheet financial instruments												
Commitments in respect of:												
- forward foreign exchange contracts		6,935,713	6,935,713	-	-	-	-	-	-	-	-	-
		6,935,713	6,935,713	-	-	-	-	-	-	-	-	-
		(179,190,559)	52,632,714	69,876,698	20,751,650	(484,199)	(14,598)	(14,598)	(503,566)	2,176,861	-	(10,576,703)
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												
2023												
-- (Rupees in '000) --												
		246,780,448										
Add: Non financial assets												
Fixed assets		9,891,221										
Intangible assets		262,203										
Deferred tax assets		23,255,236										
Other assets		8,395,159										
Total assets as per statement of financial position		288,624,267										
Total financial liabilities		300,433,022										
Add: Non financial liabilities												
Other liabilities		1,003,811										
Total liabilities as per statement of financial position		301,436,833										

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
----- (Rupees in '000) -----										
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	-	-	-	-	-	-	-	-
13.33%	51,446,799	23,764,477	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	-	-	-	-	-	-	-	-	2,402,232
	100,318,685	36,068,747	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	65,738	54,543	1,747	-	167,269	-	731,999
6.57%	121,919,068	66,702,654	4,811,223	1,893,650	2,674,568	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	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)	(131,241)	(327,599)	(167,269)	2,836,203	(37,796,673)
On-balance sheet gap										
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	-	-	-	-	-	-	-
	(37,811,528)	8,880,438	14,207,711	(2,436,255)	(131,241)	77,914	(327,599)	(167,269)	2,836,203	(37,796,673)
Total Yield / Interest Risk Sensitivity Gap										
	(37,811,528)	(28,931,090)	(14,723,379)	(17,159,634)	(17,290,875)	(17,212,961)	(17,540,560)	(17,707,829)	(14,871,626)	(52,668,299)
Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities										
2022										
-- (Rupees in '000) --										
Total financial assets	100,318,685									
Add: Non financial assets										
Fixed assets	10,650,623									
Intangible assets	143,606									
Deferred tax assets	20,781,731									
Other assets	8,822,083									
Total assets as per statement of financial position	140,716,728									
Total financial liabilities	157,529,622									
Add: Non financial liabilities										
Other liabilities	835,998									
Total liabilities as per statement of financial position	158,365,620									

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

2023

	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	14,463,417	12,795,606	9,1727	124,673	283,382	314,913	165,064	233,749	222,560	216,758	5,680	856	76
Balances with other banks	601,877	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	179,899,952	-	-	-	-	-	-	8,996,452	10,068,708	45,174,346	21,435,250	48,415,756	2,559,531
Advances	187,351,49	205,719	2,745	2,129,361	1,887,776	2,104,003	432,161	936,796	875,643	3,160,322	479,057	747,348	1,885,218
Fixed assets	9,931,221	1,112	7,781	17,784	33,345	33,345	100,036	100,036	176,879	405,701	405,701	646,877	7,995,955
Intangible assets	262,203	49	295	344	786	1,473	4,419	4,419	199,662	17,921	17,921	13,441	-
Deferred tax assets	23,285,236	(256)	(1,593)	(8,849)	(3,987)	(7,686)	(3,577)	(3,577)	(21,340)	1,418,012	5,702,464	11,541,535	4,692,900
Other assets	41,475,212	661,945	3,573,661	4,324,339	16,017,789	8,389,908	182,489	396,231	396,231	3,181,052	3,181,052	774,284	-
	288,624,267	14,060,333	3,876,478	4,459,033	18,445,115	10,835,956	2,262,461	14,016,371	11,709,149	47,018,179	29,623,938	58,202,807	17,133,680
Liabilities													
Bills payable	2,162,537	2,162,537	-	-	-	-	-	-	-	-	-	-	-
Borrowings	130,369,330	6,395	58,341,037	12,096,600	55,469,825	1,692,830	1,326,600	1,240,214	29,288	17,884	975	-	-
Deposits and other accounts	156,960,280	138,860,819	995,442	1,352,980	3,075,323	3,417,503	1,791,316	2,536,695	2,415,274	2,352,309	61,641	9,291	825
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	1,495,515	1,495,515	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	10,449,171	1,728,777	93,945	202,189	991,693	1,180,348	461,569	723,755	103,833	1,327,179	1,082,195	1,753,095	680,189
	301,436,833	144,254,043	59,430,424	13,651,769	59,536,841	6,290,681	3,579,485	4,500,664	2,548,395	3,697,372	1,144,811	1,762,386	681,014
Net assets	<u>(12,812,566)</u>	<u>(30,193,710)</u>	<u>(55,553,946)</u>	<u>(9,193,736)</u>	<u>(41,091,726)</u>	<u>4,545,275</u>	<u>(1,317,024)</u>	<u>9,515,707</u>	<u>9,160,754</u>	<u>43,320,807</u>	<u>28,479,127</u>	<u>56,440,421</u>	<u>16,452,666</u>
Share capital - net	30,500,208												
Reserves	(425,043)												
Accumulated losses	(46,858,568)												
Surplus on revaluation of assets	3,970,837												
	<u>(12,812,566)</u>												

2022

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	13,372,145	11,778,753	53,741	281,268	181,205	346,482	207,686	166,551	126,797	28,235	5,998	35,931	-
Balances with other banks	1,363,429	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	10,141,557	10,141,557	-	-	-	-	-	-	-	-	-	-	-
Investments	51,446,799	472	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	2,683,581
Advances	21,592,523	2,801	66,837	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	3,643,300
Fixed assets	10,650,623	1,218	7,314	19,504	36,571	36,571	109,722	109,722	139,871	444,943	444,943	686,398	8,605,333
Intangible assets	143,606	54	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)	(36,174)	(72,683)	(145,252)	(144,896)	(30,753)	(8,891)	(7,034)	1,268,680	5,385,684	10,459,031	4,150,193
Other assets	11,224,315	50,158	374,158	1,559,791	354,198	148,514	370,010	370,010	370,010	3,338,529	3,338,529	839,982	-
	140,716,728	13,192,257	10,475,362	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	19,082,407

Liabilities

Bills payable	1,993,587	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	25,398,560	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	121,919,068	1,454,024	489,980	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	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	7,568,890	268,385	43,649	345,235	761,468	269,939	376,304	226,633	1,287,589	1,156,177	1,225,124	820,611	706,273
	158,365,620	111,880,362	1,516,173	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	873,542

Net assets

	(17,648,892)	(98,688,105)	8,959,189	(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	18,208,865
--	--------------	--------------	-----------	-------------	-------------	-------------	-----------	---------	-----------	-----------	------------	------------	------------

Share capital - net

Reserves

Accumulated losses

Surplus on revaluation of assets

20,500,194	(425,043)	(41,721,679)	3,997,636	(17,648,892)
------------	-----------	--------------	-----------	--------------

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.

2023

	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	14,463,417	1,203,299	733,681	290,782	598,519	24,898	12,335	1,928,930	4,899,650	4,771,323
Balances with other banks	601,877	601,877	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	179,899,952	1	-	8,996,450	55,243,054	21,435,250	48,415,756	43,249,909	2,327,781	2,31,751
Advances	18,735,149	2,337,825	3,991,779	4,321,161	1,812,439	3,160,322	479,057	747,348	440,832	1,444,386
Fixed assets	9,931,221	33,345	66,691	100,036	276,915	405,701	405,701	646,877	1,386,963	6,608,992
Intangible assets	262,203	1,474	2,946	4,419	204,081	17,921	17,921	13,441	-	-
Deferred tax assets	23,255,236	(7,685)	(15,371)	(35,677)	(40,941)	1,418,012	5,702,464	11,541,535	5,669,517	(976,618)
Other assets	41,475,212	24,577,734	8,572,397	396,231	792,462	3,181,052	3,181,052	774,284	-	-
	288,624,267	28,747,870	13,352,123	14,073,402	58,886,529	29,643,156	58,214,286	58,902,324	14,724,743	12,079,834
Liabilities										
Bills payable	2,162,537	2,162,537	-	-	-	-	-	-	-	-
Borrowings	130,369,330	125,913,857	3,019,430	1,240,214	47,172	975	-	147,682	-	-
Deposits and other accounts	156,960,280	13,058,475	7,962,077	3,155,627	6,495,263	270,203	133,857	20,933,187	53,172,116	51,779,475
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	1,495,515	1,495,515	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	10,449,171	3,016,604	1,641,917	723,755	1,431,012	1,082,195	1,753,095	120,404	680,189	-
	301,436,833	145,646,988	12,623,424	5,119,596	7,973,447	1,353,373	1,886,952	21,201,273	53,852,305	51,779,475
Net assets	(12,812,566)	(116,899,118)	728,699	8,953,806	50,913,082	28,289,783	56,327,334	37,701,051	(39,127,562)	(39,699,641)
Share capital - net	30,500,208									
Reserves	(425,043)									
Accumulated losses	(46,858,568)									
Surplus on revaluation of assets	3,970,837									
	(12,812,566)									

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	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	10,141,557	-	-	-	-	-	-	-	-	-
Investments	51,446,799	10,491,804	5,994,165	6,958,000	2,951,100	14,346,250	3,977,200	2,451,830	231,751	231,751
Advances	21,592,523	3,977,884	4,960,198	3,409,454	1,479,820	1,109,076	425,533	459,411	3,183,889	3,183,889
Fixed assets	10,650,623	36,570	73,141	109,712	249,583	444,943	686,398	1,490,333	7,115,000	7,115,000
Intangible assets	143,606	1,558	3,115	4,672	82,154	18,948	14,211	-	-	-
Deferred tax assets	20,781,731	(145,032)	(290,148)	(30,753)	(15,925)	1,268,680	5,385,684	4,956,108	(805,914)	(805,914)
Other assets	11,224,315	2,094,532	502,712	370,010	740,021	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	13,822,885	14,104,680	
Liabilities										
Bills payable	1,993,587	-	-	-	-	-	-	-	-	-
Borrowings	25,388,560	16,194,958	1,357,380	1,357,380	65,738	54,543	1,747	167,269	-	-
Deposits and other accounts	121,919,068	7,242,942	2,239,289	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	-	-	-	-	-	-	-	-	-
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)									

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 March 01, 2024 by the Board of Directors of the Bank.

President / Chief Executive

Chief Financial Officer

Director

Director

Director

**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED
DURING THE YEAR ENDED DECEMBER 31, 2023**

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, 2023				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	Total				
1	2	3	4	5	6	7	8	9	10	11	12
----- (Rupees in '000) -----											
1	Farid Ahmed Shaikh House # A-369, Block- C North Nazimabad Karachi	Farid Ahmed Shaikh House # A-369, Block- C North Nazimabad Karachi (35202-0378248-1)	Faqeer Ali Sheikh	1,095	1,020	-	2,115	328	1,020	-	1,348
TOTAL				1,095	1,020	-	2,115	328	1,020	-	1,348

ISLAMIC BANKING BUSINESS

The Bank commenced its Islamic Banking Operations in Pakistan on March 07, 2014 and is operating with 13 (2022: 14) Islamic banking branches and 35 (2022: 35) Islamic banking windows at the end of the year.

**STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023**

	Note	2023 ----- (Rupees in '000) -----	2022 -----
ASSETS			
Cash and balances with treasury banks		2,064,488	1,447,196
Balances with other banks		102,863	236,000
Due from financial institutions	1	2,788,300	8,051,586
Investments	2	37,213,598	10,880,650
Islamic financing and related assets - net	3	2,632,858	2,373,102
Fixed assets		249,752	320,139
Intangible assets		-	82
Due from Head Office		-	-
Deferred tax assets		-	12,622
Other assets		2,608,328	1,041,353
Total Assets		47,660,187	24,362,730
LIABILITIES			
Bills payable		444,820	235,430
Due to financial institutions	4	4,705,668	607,944
Deposits and other accounts	5	36,330,124	20,464,433
Due to Head Office		-	-
Subordinated debt		-	-
Deferred tax liabilities		134,120	-
Other liabilities		1,390,303	413,183
Total Liabilities		43,005,035	21,720,990
NET ASSETS		4,655,152	2,641,740
REPRESENTED BY			
Islamic Banking Fund		1,000,000	1,000,000
Reserves		-	-
(Deficit) / surplus on revaluation of assets		219,705	(9,815)
Unappropriated / Unremitted profit	7	3,435,447	1,651,555
		4,655,152	2,641,740
CONTINGENCIES AND COMMITMENTS	8		

**ISLAMIC BANKING BUSINESS
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Note	2023 ----- (Rupees in '000) -----	2022
Profit / return earned	9	5,819,330	2,776,737
Profit / return expensed	10	3,961,762	1,159,726
Net Profit / return		1,857,568	1,617,011
Other income			
Fee and commission income		98,164	51,321
Dividend income		-	-
Foreign exchange loss		(6,397)	(26,314)
Income / (loss) from derivatives		-	-
Gain / (loss) on sale of securities		103,789	(7,559)
Other income		9,453	3,569
Total other income		205,009	21,017
Total income		2,062,577	1,638,028
Other expenses			
Operating expenses		864,100	859,704
Workers' welfare fund		-	-
Other charges		-	128
Total other expenses		864,100	859,832
Profit before provisions		1,198,477	778,196
(Reversals) / provisions and write offs - net		(582,224)	(68,874)
Profit before taxation		1,780,701	847,070
Taxation		-	-
Profit after taxation		1,780,701	847,070

ISLAMIC BANKING BUSINESS
NOTES TO THE ANNEXURE - II
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023			2022		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
1. Due from Financial Institutions	Note ----- (Rupees in '000) -----					
Unsecured						
Bai Muajjal Receivable from other Financial Institutions	2,788,300	-	2,788,300	8,051,586	-	8,051,586

1.1 This represents Bai Muajjal agreements with conventional operations of Bank Makramah Limited (Formerly known as Summit Bank Limited) and carries profit rate at 21.75% per annum (2022: 15.75% per annum) and are due to mature latest by January 08, 2024 (2022: January 31, 2023).

2. Investments

	2023				2022			
	Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value
Investments by segments:	----- (Rupees in '000) -----							
Federal Government Securities								
- GOP Ijarah Sukuks	34,580,383	-	307,264	34,887,647	8,496,681	-	(66,031)	8,430,650
Non Government Debt Securities								
- Listed	2,369,792	-	(43,841)	2,325,951	2,500,000	-	(50,000)	2,450,000
Total Investments	36,950,175	-	263,423	37,213,598	10,996,681	-	(116,031)	10,880,650

	Note	2023	2022
		----- (Rupees in '000) -----	
3. Islamic financing and related assets			
Ijarah	3.1	479,172	394,844
Murabaha	3.2	-	-
Running Musharakah		354,382	231,889
Diminishing Musharakah		967,149	1,753,890
Diminishing Musharakah-IERF		300,000	-
Tijarah		605,998	629,998
Advance against Ijarah		7,123	26,491
Tijarah Inventory		-	-
Payment against Document		-	-
Gross Islamic financing and related assets		2,713,824	3,037,112
Less: provision against Islamic financings			
- Specific		(79,889)	(661,849)
- General		(1,077)	(2,161)
		(80,966)	(664,010)
Islamic financing and related assets - net of provision		2,632,858	2,373,102

3.1 Ijarah

	2023						Book Value as at December 31, 2023
	Cost			Accumulated Depreciation			
	As at January 01, 2023	Additions / (deletions)	As at December 31, 2023	As at January 01, 2023	Charge for the year	As at December 31, 2023	
	----- (Rupees in '000) -----						
Plant and Machinery	-	-	-	-	-	-	-
Vehicles consumer	588,551	92,105	680,656	193,707	7,777	201,484	479,172
Vehicles corporate	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-
Total	588,551	92,105	680,656	193,707	7,777	201,484	479,172

	2022						Book Value as at December 31, 2023
	Cost			Accumulated Depreciation			
	As at January 01, 2023	Additions / (deletions)	As at December 31, 2023	As at January 01, 2023	Charge for the year	As at December 31, 2023	
	----- (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

Future Ijarah payments receivable

	2023				2022			
	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	21,885	457,287	-	479,172	37,293	357,551	-	394,844

	Note	2023 ----- (Rupees in '000) -----	2022 -----
3.2 Murabaha			
Murabaha financing	3.2.1	-	-
		<u>-</u>	<u>-</u>
		<u><u>-</u></u>	<u><u>-</u></u>
3.2.1 Murabaha receivable - gross	3.2.2	-	-
Less: Deferred murabaha income	3.2.3	-	-
Murabaha financings		<u>-</u>	<u>-</u>
		<u><u>-</u></u>	<u><u>-</u></u>
3.2.2 The movement in Murabaha financing during the year is as follows:			
Opening balance		-	963
Sales during the year		-	-
Adjusted during the year		-	(963)
Closing balance		<u>-</u>	<u>-</u>
		<u><u>-</u></u>	<u><u>-</u></u>
3.2.3 Deferred murabaha income			
Opening balance		-	201
Arising during the year		-	-
Less: Recognised during the year		-	(201)
Closing balance		<u>-</u>	<u>-</u>
		<u><u>-</u></u>	<u><u>-</u></u>
4. Due to financial institutions			
Secured			
Acceptances from the SBP under Islamic Export Refinance Scheme	4.1	90,000	400,000
Total secured		<u>90,000</u>	<u>400,000</u>
Unsecured			
Overdrawn nostro accounts		115,668	7,944
Musharakah	4.2	4,500,000	200,000
Total unsecured		<u>4,615,668</u>	<u>207,944</u>
		<u><u>4,705,668</u></u>	<u><u>607,944</u></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 rate of 15.00% per annum (2022: 8.00% to 9.00% per annum). These are secured against demand promissory notes and are due to mature by April 02, 2024 (2022: April 17, 2023).		
4.2	This represents acceptance of funds by Islamic operations of Bank Makramah Limited (formerly known as Summit Bank Limited) from conventional operations of Bank Makramah Limited (formerly known as Summit Bank Limited) on Musharakah basis.		

5. Deposits

	2023			2022		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
----- (Rupees in '000) -----						
Customers						
Current deposits	10,873,527	615,187	11,488,714	5,929,857	426,025	6,355,882
Savings deposits	21,568,709	194,150	21,762,859	12,470,238	182,913	12,653,151
Term deposits	1,391,933	589,284	1,981,217	929,434	133,928	1,063,362
Others	664,289	-	664,289	223,829	-	223,829
	34,498,458	1,398,621	35,897,079	19,553,358	742,866	20,296,224
Financial Institutions						
Current deposits	5,725	78	5,803	5,629	171	5,800
Savings deposits	277,242	-	277,242	162,409	-	162,409
Term deposits	150,000	-	150,000	-	-	-
	432,967	78	433,045	168,038	171	168,209
	34,931,425	1,398,699	36,330,124	19,721,396	743,037	20,464,433

5.1 Composition of deposits

	2023	2022
	----- (Rupees in '000) -----	
- Individuals	21,362,657	13,370,997
- Government (Federal and Provincial)	937,168	552,644
- Public Sector Entities	3,860,268	3,720
- Banking Companies	5	49,294
- Non-Banking Financial Institutions	433,040	354,485
- Private Sector	9,736,986	6,133,293
	36,330,124	20,464,433

5.2 Deposits include Eligible Deposits of Rs. 16,044.851 million (2022: Rs. 10,672.273 million) protected under Depositors Protection Mechanism introduced by the State Bank of Pakistan.

6. Charity Fund

	2023	2022
	----- (Rupees in '000) -----	
Opening balance	2,154	1,084
Additions during the year		
- Received from customers on account of delayed payment	4,163	3,370
- Dividend purification amount	-	-
- Other Non-Shariah compliant income	-	-
- Profit on charity saving account	-	-
	4,163	3,370
Payments / utilization during the year		
- Education	-	(300)
- Health	-	-
- Community development	(2,000)	(2,000)
	(2,000)	(2,300)
Closing balance	4,317	2,154

	2023	2022
	----- (Rupees in '000) -----	
7. Unappropriated / Unremitted profit		
Opening balance	1,651,555	801,294
Add : Islamic Banking profit for the year	1,780,701	847,070
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to accumulated profit	3,191	3,191
Closing balance	<u>3,435,447</u>	<u>1,651,555</u>
8. CONTINGENCIES AND COMMITMENTS		
-Guarantees	3,880,588	3,110,325
-Commitments	6,236,815	1,434,033
-Other contingent liabilities	-	-
	<u>10,117,403</u>	<u>4,544,358</u>
9. Profit / Return Earned of Financing, Investments and Placement		
Profit earned on:		
Financing	273,642	302,989
Investments	4,390,745	1,426,051
Placements	1,154,798	1,046,977
Balances with banks	145	720
	<u>5,819,330</u>	<u>2,776,737</u>
10. Profit on Deposits and other Dues Expensed		
Deposits and other accounts	3,745,215	1,072,351
Due to Financial Institutions	200,347	67,330
Finance cost of lease liability	16,200	20,045
	<u>3,961,762</u>	<u>1,159,726</u>

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

Bank Makramah Limited (formerly known as Summit Bank Limited) - Islamic Banking Division (BML-IBD) operates General and Specific Pools for deposits and interbank funds accepted under Modaraba and Musharkah 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 Musharkah are also maintained by the Bank to meet liquidity requirement of the Bank. BML-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 Modaraba. An unrestricted Modaraba 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 Modaraba must be exercised only in accordance with the interests of the parties and the objectives of the Modaraba contract, which is making profit. Therefore, the actions of the Bank must be in accordance with the business customs relating to the Banking operations. BML-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 Bank Makramah Limited (formerly known as Summit Bank Limited) 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. Bank Makramah Limited (formerly known as Summit Bank Limited) 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.
- Modaraba Placement of Bank Makramah Limited (formerly known as 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 Modaraba 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.

	2023	2022
	----- (Rupees in '000) -----	
Avenues / sectors of economy / business where deposits have been deployed*		
Agriculture, forestry, hunting and fishing	447,295	457,295
Cement	976	65,369
Chemical and pharmaceuticals	177,545	177,545
Construction	36,456	36,456
Electronics and electrical appliances	-	458,995
GOP Ijarah Sukuks	36,950,175	10,996,681
Individuals	118,739	181,003
Miscellaneous manufacturing	-	120,300
Paper and allied products	-	29
Services	352,683	229,891
Sugar	605,998	629,998
Transport, storage and communication	3,000	5,666
Wholesale and retail trade	1,699	2,736
Total gross Islamic financing and related assets and investments	<u>38,694,566</u>	<u>13,361,964</u>
Due from financial institutions	2,788,300	8,051,586
Total deployed funds	<u><u>41,482,866</u></u>	<u><u>21,413,550</u></u>

* Staff financing amounting to Rs. 969.433 million (2022: Rs. 671.829 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 Modarib 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
	2023	
	-----%-----	
Rab-ul-Maal	50%	2%
Mudarib	50%	98%

Mudarib share (in amount and percentage of distributable income)

	2023	2022	2023	2022
	----- (Rupees in '000) -----		-----%-----	
Rab-ul-Maal	3,099,191	1,031,987	76%	73%
Mudarib	1,003,624	373,616	24%	27%
	<u>4,102,815</u>	<u>1,405,603</u>		

Amount and percentage of Mudarib share transferred to depositors through Hiba

	2023	2022
	----- (Rupees in '000) -----	
Mudarib share	829,623	327,829
Hiba	174,001	45,786
	-----%-----	
Hiba percentage of Mudarib share	17	12

Profit rate earned vs profit rate distributed to the depositors during the year ended December 31, 2023

	2023	2022
	-----%-----	
Profit rate earned	19.79%	12.64%
Profit rate distributed to depositors	15.77%	8.16%



CONSOLIDATED FINANCIAL STATEMENTS



The ring of **innovation**

The **Ring of Innovation** drives continuous improvement through forward-thinking initiatives, pioneering solutions to meet evolving needs, ensuring agility and responsiveness in our operations.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BANK MAKRAMAH LIMITED (FORMERLY SUMMIT BANK LIMITED)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the annexed consolidated financial statements of Bank Makramah Limited (Formerly Summit Bank Limited) and its subsidiary (the Group), which comprise the consolidated statement of financial position as at December 31, 2023, 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, and notes to the consolidated financial statements, including material accounting policies 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 consolidated statement of financial position, consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement together with the notes forming part thereof conform 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. 5,326.72 million resulting in accumulated losses of Rs. 46,979.56 million and negative equity of Rs. 12,926.55 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, 2023. However, the paid up capital of the Group (net of losses), CAR and LR are negative. These conditions, along with other matters as set forth in note 1.2, indicate the existence of material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our report is not qualified in respect of this matter.

Emphasis of Matter

- As disclosed in note 12.1 to the consolidated financial statements, the Group has recognized a net deferred tax asset of Rs. 23,199.81 million which is considered realisable based on financial projections of taxable profits for five years, which have been approved by the Board of Directors. The preparation of financial projection involves management assumptions regarding future business and economic conditions and therefore any significant change in such assumptions or actual outcome that is different from assumptions, may have an effect on realisability of the deferred tax asset in future.
- As disclosed in note 13.3 to the consolidated financial statements, the Group holds an immovable property which is in contravention with the provisions of Banking Companies Ordinance, 1962.

Our opinion is not modified 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.

Following is the Key Audit Matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	<p>Provision against advances (Refer notes 4.4 and 9.5 to the consolidated financial statements)</p>	
	<p>The Group makes provision against advances on time-based criteria that involves ensuring that all non-performing advances are classified in accordance with the ageing criteria specified in the Prudential Regulations (PRs) issued by the State Bank of Pakistan (SBP).</p> <p>In addition to the above time-based criteria, the PRs require a subjective evaluation of the credit worthiness of borrowers to determine the classification of advances.</p> <p>The PRs also require the creation of general provision for certain categories of advances.</p> <p>The Group has recognized a net provision against advances amounting to Rs. 975.18 million in the consolidated profit and loss account in the current year. As at December 31, 2023, the Group holds a provision of Rs. 34,216.50 million against advances.</p>	<p>Our audit procedures to verify provision against advances included, amongst others, the following:</p> <ul style="list-style-type: none"> Obtained an understanding of the management process to record provision and ensure that it is consistent with the requirement of PRs; Evaluated the design of the relevant controls established by the Group to identify loss events and for determining the extent of provisioning required against non-performing advances; Selected a sample of loan accounts and performed the following substantive procedures to evaluate the appropriateness of specific and general provision:

S. No.	Key Audit Matter	How the matter was addressed in our audit
	<p>The determination of provision against advances based on the above criteria remains a significant area of judgement and estimation. Because of the significance of the impact of these judgements / estimations and the materiality of advances relative to the overall consolidated financial statements of the Group, we considered the area of provision against advances as a key audit matter.</p>	<ul style="list-style-type: none"> (i) Checked credit documentation, repayments of loan / mark-up instalments, tested classification of non-performing advances based on the number of days overdue; (ii) Evaluated the management's assessment for classification of a customer's loan facilities as performing or non-performing based on review of repayment pattern, inspection of credit documentation and thorough discussions with the management; (iii) Checked the accuracy of specific provision made against non-performing financing and of general provision by re-computing the provision amount after considering the forced sale value, if any, in accordance with the criteria prescribed under the PRs; and (iv) We had discussions with management to challenge assumptions and judgements used in portfolio review and recording provisions. <ul style="list-style-type: none"> • In case of restructured loans, we reviewed the detailed documentation of restructuring including approvals, legal opinions, terms of restructuring, payment records and any other relevant documents to ensure that restructuring was made in accordance with the PRs; and • We also reviewed minutes of the meeting of credit, risk and compliance and audit committees to identify risky exposures.

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, 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 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.

Auditor's 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.

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.

Other Matter

The financial statements of the Group for the year ended December 31, 2022 were audited by another firm of Chartered Accountants who had expressed unmodified opinion thereon vide their audit report issued on February 22, 2023.

The engagement partner on the audit resulting in this independent auditor's report is Nadeem Yousuf Adil.

Yousuf Adil
Chartered Accountants

Place: Karachi
Dated: March 01, 2024
UDIN: AR202310091AGEyCPtb4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2023

	Note	2023 ----- (Rupees in '000) -----	2022 -----
ASSETS			
Cash and balances with treasury banks	5	14,463,419	13,372,146
Balances with other banks	6	603,944	1,364,568
Lendings to financial institutions	7	-	10,141,557
Investments	8	179,747,913	51,255,291
Advances	9	18,652,824	21,593,564
Fixed assets	10	9,960,930	10,681,413
Intangible assets	11	264,723	146,135
Deferred tax assets	12	23,199,809	20,726,644
Other assets	13	41,644,440	11,343,215
		288,538,002	140,624,533
LIABILITIES			
Bills payable	15	2,162,537	1,993,587
Borrowings	16	130,369,330	25,388,560
Deposits and other accounts	17	156,876,151	121,861,462
Liabilities against assets subject to finance lease		-	-
Subordinated debt	18	1,495,515	1,495,515
Deferred tax liabilities		-	-
Other liabilities	19	10,561,018	7,643,430
		301,464,551	158,382,554
NET ASSETS		(12,926,549)	(17,758,021)
REPRESENTED BY			
Share capital - net	20	30,500,208	20,500,194
Reserves		(425,043)	(425,043)
Surplus / (deficit) on revaluation of assets	21	3,977,847	4,003,547
Accumulated losses		(46,979,561)	(41,836,719)
		(12,926,549)	(17,758,021)

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, 2023

	Note	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
Mark-up / return / interest earned	23	31,698,151	8,143,517
Mark-up / return / interest expensed	24	34,275,517	10,398,230
Net mark-up / interest (expense)		(2,577,366)	(2,254,713)
NON MARK-UP / INTEREST INCOME			
Fee and commission income	25	762,719	516,280
Dividend income		3,484	10,013
Foreign exchange income		1,078,834	804,074
Income / (loss) from derivatives		-	-
Gain on securities	26	(1,289,995)	30,526
Other income	27	727,211	89,354
Total non-markup / interest income		1,282,253	1,450,247
Total income		(1,295,113)	(804,466)
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	28	7,236,596	5,919,683
Workers' welfare fund		-	-
Other charges	29	542	1,701
Total non-markup / interest expenses		7,237,138	5,921,384
Loss before provisions		(8,532,251)	(6,725,850)
Provisions / (reversals) and write offs - net	30	(1,145,472)	584,115
Extra ordinary / unusual items		-	-
LOSS BEFORE TAXATION		(7,386,779)	(7,309,965)
Taxation	31	(2,060,055)	(4,121,980)
LOSS AFTER TAXATION		(5,326,724)	(3,187,985)
----- (Rupee) -----			
Basic loss per share	32	(1.00)	(1.21)
Diluted loss per share	32	(1.00)	(1.21)

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, 2023

	2023	2022
	----- (Rupees in '000) -----	
Loss after taxation for the year	(5,326,724)	(3,187,985)
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in surplus / (deficit) on revaluation of investments - net of tax	189,250	(64,221)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain / (loss) on defined benefit obligations	52,991	96,323
Movement in surplus on revaluation of operating fixed assets - net of tax	74,212	(82,109)
Movement in surplus on revaluation of non-banking assets - net of tax	(7,237)	3,986
Movement in surplus on revaluation of held for sale property - net of tax	15,613	(46,431)
	135,579	(28,231)
Total comprehensive loss	<u>(5,001,895)</u>	<u>(3,280,437)</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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2023

	Share capital		Capital reserves		Statutory reserve	Surplus / (deficit) on revaluation of			Accumulated losses	Total
	Issued, subscribed and paid up	Discount on issue of shares	Share premium	Reserve arising on amalgamation		Fixed / Non banking assets	Investments	Property held for sale		
Balance as at January 01, 2022	26,381,510	(5,881,316)	1,000,000	(1,579,205)	154,162	63,983	3,496,935	754,510	(38,868,163)	(14,477,584)
Loss after taxation for the year ended December 31, 2022	-	-	-	-	-	-	-	-	(3,187,985)	(3,187,985)
Other comprehensive income - net of tax	-	-	-	-	-	(64,221)	(78,123)	(46,431)	96,323	(92,452)
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-
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 sale to accumulated losses	-	-	-	-	-	-	(1,873)	-	1,873	-
Balance as at January 01, 2023	26,381,510	(5,881,316)	1,000,000	(1,579,205)	154,162	(238)	3,295,706	708,079	(41,836,719)	(17,758,021)
Loss after taxation for the year ended December 31, 2023	-	-	-	-	-	-	-	-	(5,326,724)	(5,326,724)
Other comprehensive income - net of tax	-	-	-	-	-	189,250	66,975	15,613	52,991	324,829
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to accumulated losses	-	-	-	-	-	-	(98,860)	-	98,860	-
Transfer in respect of incremental depreciation from surplus on revaluation of non-banking assets to accumulated losses	-	-	-	-	-	-	(23,611)	-	23,611	-
Transfer from surplus on revaluation of fixed assets on sale to accumulated losses	-	-	-	-	-	-	(135,032)	-	135,032	-
Transfer from surplus on revaluation of property held for sale on sale to accumulated losses	-	-	-	-	-	-	-	(40,035)	40,035	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-
Issue of share capital	39,840,695	(29,840,681)	-	-	-	-	-	-	-	10,000,014
Share issuance cost	-	-	-	-	-	-	-	-	(166,647)	(166,647)
Balance as at December 31, 2023	66,222,205	(35,721,997)	1,000,000	(1,579,205)	154,162	189,012	3,105,178	683,657	(46,979,561)	(12,926,549)

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 CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2023

		2023	2022
	Note	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(7,386,779)	(7,309,965)
Less: Dividend income		(3,484)	(10,013)
		<u>(7,390,263)</u>	<u>(7,319,978)</u>
Adjustments:			
Depreciation on operating fixed assets	10.2	417,915	455,231
Depreciation on right-of-use assets	28	590,381	612,161
Depreciation on non-banking assets	13.1.1	62,438	61,204
Finance cost of lease liability	24	435,077	406,133
Amortization	11.2	24,201	23,111
(Reversals) / provision and write-offs excluding recoveries		(1,144,744)	585,046
(Gain) / Loss on forward exchange contracts		(25,762)	(365)
Charge / (Reversal) for defined benefit plan	28.1	70,748	(6,387)
Charge for employees compensated absences	28.1	22,318	14,063
Loss on sale of non banking assets	27	-	431
Gain on termination of lease contracts under IFRS 16	27	(78,949)	(443)
(Gain) / loss on sale of fixed assets	27	(518,680)	(72,443)
Gain on partial sale of HFS property	27	(116,794)	-
Unrealised loss on revaluation of investments classified as held-for-trading securities - net	8.1	6,226	-
		<u>(255,625)</u>	<u>2,077,742</u>
		<u>(7,645,888)</u>	<u>(5,242,236)</u>
Increase in operating assets			
Lendings to financial institutions		10,141,557	(9,842,626)
Held-for-trading securities		(44,595)	-
Advances		1,965,490	4,963,559
Others assets (excluding advance taxation)		<u>(30,605,895)</u>	<u>(953,508)</u>
		<u>(18,543,443)</u>	<u>(5,832,575)</u>
Increase in operating liabilities			
Bills Payable		168,950	(77,461)
Borrowings from financial institutions		105,705,774	17,765,502
Deposits		35,014,689	12,437,146
Other liabilities (excluding current taxation)		<u>3,035,405</u>	<u>901,225</u>
		<u>143,924,818</u>	<u>31,026,412</u>
Payments on account of staff retirement benefits		89,093	(71,616)
Income tax paid		<u>(351,476)</u>	<u>(80,631)</u>
Net cash generated from operating activities		<u>117,473,104</u>	<u>19,799,354</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		<u>(126,022,987)</u>	<u>(20,448,882)</u>
Dividends received		3,484	10,013
Investments in operating fixed assets		<u>(272,822)</u>	<u>(114,942)</u>
Investments in intangible assets		<u>(142,789)</u>	<u>(29,119)</u>
Proceeds from sale of fixed assets		741,834	113,819
Proceeds from partial sale of HFS property		302,877	-
Proceeds from sale of non-banking assets		-	45,803
Net cash used in investing activities		<u>(125,390,403)</u>	<u>(20,423,308)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of lease liability against right-of-use assets		(860,415)	(849,431)
Issue of share capital		10,000,014	-
Share issuance cost		<u>(166,647)</u>	<u>-</u>
Net cash generated from / (used in) financing activities		<u>8,972,952</u>	<u>(849,431)</u>
Effect of exchange rate changes on cash and cash equivalents		528,526	789,021
Increase / (decrease) in cash and cash equivalents		<u>1,584,179</u>	<u>(684,364)</u>
Cash and cash equivalents at beginning of the year		13,476,789	14,689,679
Cash and cash equivalents at end of the year	33	<u>15,060,968</u>	<u>14,005,315</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, 2023

1. STATUS AND NATURE OF BUSINESS

1.1 The Group comprises of:

1.1.1 Holding Company: Bank Makramah Limited (formerly known as Summit Bank Limited)

Bank Makramah Limited, formerly known as 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 engaged in banking services as described in the Banking Companies Ordinance, 1962 and is operating through its 164 Conventional Banking Branches and 13 Islamic Banking Branches (2022: 179 Conventional Banking Branches and 14 Islamic Banking Branches) in Pakistan.

In 2019, VIS Credit Rating Company Limited suspended the Bank's medium to long-term rating of 'BBB -' (Triple B Minus) and its short-term rating of 'A-3' (A-Three). The Bank has initiated the rating process with VIS Credit Rating Company Limited and requested the State Bank of Pakistan (SBP) to allow completion of the credit rating exercise by March 31, 2024.

VIS Credit Rating Company Limited has issued a new rating scale for Tier-2 capital instruments. Consequently, the Bank's TFC rating has been adjusted to 'B' (Single B) with a 'Rating Watch-Negative' outlook, as stated in their press release dated June 27, 2023. Previously, 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 SBP.

1.1.2 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.

1.2 During the year, the Group has incurred a net loss of Rs. 5,326.724 million resulting in accumulated losses of Rs. 46,979,561 million and negative equity of Rs. 12,926.549 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, 2023. However, the paid up capital of the Group (net of losses), CAR and LR are negative.

The aforementioned conditions indicate the existence of material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable to realize its assets and discharge its liabilities in the normal course of business. However, the Group is making its best efforts to comply with the applicable capital requirements and has successfully increased its capital as mentioned in note 20.3. 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, achieve compliance with applicable regulatory requirements and provide impetus to its future growth initiatives. The key assumptions considered in the business plan are as follows:

- Injection of capital;
- Sale of a portion of self-constructed property on the plot of land bearing No. G-2, Block2, Scheme No: 5;
- 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.

2. BASIS OF PRESENTATION

2.1 STATEMENT OF COMPLIANCE

These consolidated financial statements represent financial statements of the Holding Company - Bank Makramah Limited (formerly known as 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 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(1)/2008 dated April 28, 2008 has deferred the applicability of IFRS 7 'Financial Instruments: Disclosures', on 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 on the Group for accounting periods beginning on or after January 01, 2023. 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

IFRS 9 Financial Instruments

The management of the Bank has performed an impact assessment of the application of IFRS 9, taking into account the SBP's application instructions. The assessment is based on currently available information and may be subject to change at the time of recognizing the impact of the initial adoption of IFRS 9. In addition, there will be changes in the classification of certain financial instruments. These changes and impacts are discussed below:

Governance, ownership and responsibilities

The Bank has adopted a governance framework under which the Board Risk Management Committee (BRMC) is tasked with overseeing the implementation of IFRS 9. A Steering Committee for the implementation of IFRS 9 is in place including representation from Risk, Finance, Operations, Special Asset Management and IT.

The Bank's Risk Management Division has developed models / methodologies for calculating the Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD) and Credit Conversion Factors (CCF) for off-balance sheet exposures. These models shall be validated annually including:

- Expected credit loss (ECL) model design, data quality and benchmarking with external best practices.
- Calibration testing which ensures the accuracy of the observed PDs.

The Bank's Finance Division will ensure preparation of disclosures and incorporation of the impacts on the financial statements of the Bank and shall ensure that all disclosures as required by the accounting standard and the SBP formats and guidelines are made.

Classification and measurement

The classification and measurement of financial assets depends on their contractual cash flow characteristics and the Bank's business model. Financial assets are measured at amortized cost, Fair Value Through Profit & Loss (FVTPL) or Fair Value through Other Comprehensive Income (FVOCI). Financial assets that do not meet the Solely Payment of Principal and Interest (SPPI) criteria are measured at FVTPL regardless of the business model in which they are held. The Bank has reviewed the impact of the initial adoption of IFRS 9 on its financial assets as follows:

Equity Securities

The Bank currently has no listed equity securities classified as held-for-trading (HFT), However if acquired, they will be classified as FVTPL.

For certain listed equity securities currently classified as available-for-sale (AFS) with gains and losses recorded in OCI, the Bank will apply the option to classify them as FVOCI. Therefore, the application of IFRS 9 will not have an impact on initial adoption. However, in accordance with the requirements of the standard, gains and losses recognized in OCI will not be recycled through the profit and loss account on derecognition of these securities.

For those listed equity shares currently held as AFS with gains and losses recorded in OCI for which FVOCI election is not made, will, instead, be measured at fair value through profit or loss (FVTPL), with marked to market impacts recorded in profit and loss account for future periods. The AFS reserve related to those securities, which is currently presented as accumulated OCI, will be reclassified from revaluation surplus / deficit to retained earnings, however, there will be no impact on overall equity with respect to such classification.

Unquoted equity securities are required to be measured at fair value under IFRS 9. However, the SBP has allowed banks to carry these investments under the current Prudential Regulations, i.e. at the lower of cost and break-up value, till accounting periods December 31, 2023.

Debt securities and Loans and advances

Debt securities currently classified as AFS and that pass the SPPI test, are expected to be measured at FVOCI as the Bank's business model is to hold the assets to collect contractual cash flows and also to sell those investments.

The Bank currently has no debt securities classified as held-to-maturity (HTM) that pass the SPPI test and are expected to be measured at amortized cost.

The Bank currently has no debt securities classified as HFT which are not expected to pass the SPPI test and expected to be measured at FVTPL.

Impairment

The impairment requirements apply to financial assets measured at amortized cost and FVOCI (other than equity instruments), and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses resulting from potential default events.

Based on the SBP's IFRS 9 application instructions, the Bank has performed an ECL assessment taking into account the following key elements:

- PD: The probability that a counterparty will default, calibrated over the 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2) and incorporating forward looking information.
- LGD: An estimate of the loss incurred on a facility upon default by a customer. LGD is calculated as the difference between contractual cash flows due and those that the Bank expects to receive, including from the liquidation of any form of collateral. It is expressed as a percentage of the exposure outstanding on the date of classification of an obligor.
- EAD: The expected balance sheet exposure at the time of default, incorporating expectations on drawdowns, amortization, pre-payments and forward-looking information where relevant.

For the purpose of ECL calculation, the Bank has used 6 years' data till December 31, 2023. Going forward, data for one additional year shall be included until the Bank has at least 10-year data.

Under the SBP's instructions, Government Securities and credit exposure in local currency guaranteed by the Government are exempted from the application of the ECL framework.

Significant increase in credit risk (SICR)

A SICR is assessed in the context of an increase in the risk of a default occurring over the life of the financial instrument when compared to that expected at the time of initial recognition. It is not assessed in the context of an increase in the ECL. The Bank uses a number of qualitative and quantitative measures in assessing SICR. Quantitative measures relate to deterioration of Obligor Risk Ratings (ORR) or where principal and / or interest payments are 60 days or more past due. Qualitative factors include, inter alia, unavailability of financial information and pending litigations.

At every reporting date, the Bank shall assess whether there has been a SICR since the initial recognition of the asset. If there is a SICR, the asset must be assigned to the appropriate stage of credit impairment (Stage 2 or 3).

Under the SBP's instructions, credit exposure (in local currency) guaranteed by the Government and Government Securities are exempted from the application of ECL Framework. Moreover, until implementation of IFRS 9 has stabilized, Stage 1 and Stage 2 provisions would be made as per IFRS 9 ECL criteria and Stage 3 provisions would be made considering higher of IFRS 9 ECL or provision computed under existing PRs' requirements on a segment basis.

As required by the Application Instructions, financial assets may be reclassified out of Stage 3 if they meet the requirements of Prudential Regulations (PR) issued by SBP. Financial assets in Stage 2 may be reclassified to Stage 1 if the conditions that led to a SICR no longer apply.

Presentation and disclosure

IFRS 9 also introduces expanded disclosure requirements and changes in presentation which will be incorporated as per the SBP's revised format. The State Bank of Pakistan vide BPRD Circular No. 02 of 2023 dated February 09, 2023 has issued revised formats for annual as well as interim financial statements of banks for the accounting periods starting from January 01, 2024.

Impact of adoption of IFRS 9

The Bank has performed a preliminary assessment of the potential impact of the adoption of IFRS 9. This is an estimate and the actual impact on the Bank's financial statements for the year 2023 will depend on the financial instruments that the Bank holds during that period and the economic conditions at that time, as well as accounting elections and judgements that it will make in future.

Financial Impact

The total estimated impact (net of tax) of the adoption of IFRS 9 on the opening balance of the Bank's equity as at January 01, 2024 is a decrease of approximately Rs 0.590 billion due to an increase in ECL.

Impact on regulatory capital

In order to mitigate the impact of ECL on capital, the SBP has permitted banks to adopt a transitional approach to phase in the impact over a period of five years. The transitional arrangement applies only to ECL for Stage 1 and 2 financial assets.

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

Standards, Interpretations or Amendments	Effective date (annual periods beginning on or after)
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	January 01, 2024
Non - Current Liabilities with Covenants - Amendments to IAS 1	January 01, 2024
Lease Liability in a Sale and Leaseback Transaction - 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	Deferred indefinitely

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:

	Note
- 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
- aluation 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

2.7.1 During the year, the Bank has reviewed the useful life of sign boards which are classified as building improvements. This review has resulted in a change in useful life of these assets. These revisions have been accounted for as a change in accounting estimate in accordance with the requirements of IAS 8. Accordingly, the effect of this change in accounting estimate has been recognised prospectively in the unconsolidated profit and loss account from the current year. The impact of this change is disclosed in note 10.2.1 of these unconsolidated financial statements.

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. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information related to preparation of these consolidated financial statements are consistent with those of the previous financial year, are as follows:

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 raising 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 sukus) is made for impairment, if any. Provision for diminution in the value of term finance certificates and sukus 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, SME and Commercial

This segment provides a wide variety of financial products and services to large and medium-sized clients, along with loan products offered to the Consumer, SME and agriculture segments.

Treasury

This segment is responsible for asset / liability management and includes all treasury related products.

Retail banking

This segment relates to the branch distribution network, its related deposit and other products, and general banking services.

Brokerage business

It includes brokerage activities handled through the Subsidiary - Summit Capital (Private) Limited.

Others

This segment 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.

	2023	2022
Note	----- (Rupees in '000) -----	
5. CASH AND BALANCES WITH TREASURY BANKS		
In hand		
Local currency	4,607,636	4,127,391
Foreign currency	473,765	356,179
	5,081,401	4,483,570
With State Bank of Pakistan in		
Local currency current account	5.1 7,809,752	7,827,523
Foreign currency current account	5.2 501,148	395,801
Foreign currency deposit account	5.3 645,616	582,381
	8,956,516	8,805,705
With National Bank of Pakistan in Local currency current account	400,275	66,309
Prize bonds	25,227	16,562
	<u>14,463,419</u>	<u>13,372,146</u>

- 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 3.39% to 4.34% (2022: 0.00% to 3.14%) per annum.

	2023	2022
Note	----- (Rupees in '000) -----	
6. BALANCES WITH OTHER BANKS		
In Pakistan		
In current account	14,858	2,003
In deposit account	6.1 39	16,206
	14,897	18,209
Outside Pakistan		
In current account	512,159	1,288,393
In deposit account	6.2 76,888	57,966
	589,047	1,346,359
	<u>603,944</u>	<u>1,364,568</u>

- 6.1** These represent placements with correspondent banks, carrying interest rate determined with respect to underlying currency benchmark rates ranging from 4.98% to 7.71% per annum (2022: 3.50% to 8.25% 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 6.50% per annum (2022: 0.00% to 4.00% per annum).

	Note	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
7. LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings (Reverse Repo)	7.3	-	10,141,557
Less: provision held against Lendings to Financial Institutions		-	-
Lendings to Financial Institutions - net of provision		<u>-</u>	<u>10,141,557</u>

7.1 Particulars of lending

In local currency	-	10,141,557
In foreign currencies	-	-
	<u>-</u>	<u>10,141,557</u>

7.2 Securities held as collateral against Lendings to Financial Institutions

	2023			2022		
	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
Pakistan Investment Bonds	-	-	-	7,375,750	-	7,375,750
	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,141,557</u>	<u>-</u>	<u>10,141,557</u>

7.2.1 The market value of securities held as collateral against repurchase agreement lendings amounted to Rs. 10,159.686 million as at December 31, 2022.

7.3 This represented lending against securities to financial institutions that carried mark-up rate ranging from 16.05% to 16.75% per annum which matured on January 03, 2023.

8. INVESTMENTS

8.1 Investments by type:	2023				2022			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
----- (Rupees in '000) -----								
Held for trading								
Shares								
- Fully paid up ordinary shares - Listed	44,595	-	(6,226)	38,369	-	-	-	-
Available-for-sale securities								
Federal Government Securities								
- Market Treasury Bills	25,272,804	-	12,008	25,284,812	20,013,762	-	1,975	20,015,737
- Pakistan Investment Bonds	108,328,519	-	(10,996)	108,317,523	14,330,617	-	(13,817)	14,316,800
- GoP Ijarah Sukuks	43,396,876	-	341,195	43,738,071	13,988,936	-	(73,186)	13,915,750
Shares								
- Fully paid up ordinary shares - Listed	128,886	(99,906)	6,982	35,962	2,610,662	(2,198,059)	130,866	543,469
- Fully paid up ordinary shares - Unlisted	8,131	(1,000)	-	7,131	14,475	(1,000)	-	13,475
- Preference shares - Unlisted	46,035	(46,035)	-	-	46,035	(46,035)	-	-
Non Government Debt Securities								
- Term Finance Certificates	1,542,217	(1,542,217)	-	-	1,565,786	(1,565,786)	-	-
- Sukuk Bonds	2,569,792	(200,000)	(43,841)	2,325,951	2,700,000	(200,000)	(50,000)	2,450,000
Units of mutual funds - Listed	68	-	26	94	68	-	(8)	60
Total Investments	181,337,923	(1,889,158)	299,148	179,747,913	55,270,341	(4,010,880)	(4,170)	51,255,291

8.2 Investments by segments:	2023				2022			
	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	25,272,804	-	12,008	25,284,812	20,013,762	-	1,975	20,015,737
Pakistan Investment Bonds	108,328,519	-	(10,996)	108,317,523	14,330,617	-	(13,817)	14,316,800
GoP Ijarah Sukuks	43,396,876	-	341,195	43,738,071	13,988,936	-	(73,186)	13,915,750
	176,998,199	-	342,207	177,340,406	48,333,315	-	(85,028)	48,248,287
Shares								
Listed Companies	173,481	(99,906)	756	74,331	2,610,662	(2,198,059)	130,866	543,469
Unlisted Companies	54,166	(47,035)	-	7,131	60,510	(47,035)	-	13,475
	227,647	(146,941)	756	81,462	2,671,172	(2,245,094)	130,866	556,944
Non Government Debt Securities								
Listed	2,377,058	(7,266)	(43,841)	2,325,951	2,507,266	(7,266)	(50,000)	2,450,000
Unlisted	1,734,951	(1,734,951)	-	-	1,758,520	(1,758,520)	-	-
	4,112,009	(1,742,217)	(43,841)	2,325,951	4,265,786	(1,765,786)	(50,000)	2,450,000
Units of mutual funds - Listed	68	-	26	94	68	-	(8)	60
Total Investments	181,337,923	(1,889,158)	299,148	179,747,913	55,270,341	(4,010,880)	(4,170)	51,255,291

	2023	2022
	----- (Rupees in '000) -----	
8.2.1 Investments given as collateral - Market Value		
Market Treasury Bills	19,453,473	10,280,041
Pakistan Investment Bonds	104,870,972	7,894,300
	<u>19,453,473</u>	<u>10,280,041</u>

8.3 Provision for diminution in value of investments

8.3.1 Opening balance	4,010,880	3,975,258
Charge / reversals		
Charge for the year	26,943	64,786
Reversals for the year	(23,569)	(29,164)
Reversal on disposals	(2,125,096)	-
	(2,121,722)	35,622
Closing Balance	<u>1,889,158</u>	<u>4,010,880</u>

8.3.2 Particulars of provision against debt securities

Category of classification	2023		2022	
	NPI	Provision	NPI	Provision
	----- (Rupees in '000) -----			
Domestic				
Loss	1,742,217	1,742,217	1,765,786	1,765,786

8.4 Quality of Available for Sale Securities

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

	Cost	
	2023	2022
	----- (Rupees in '000) -----	
8.4.1 Federal Government Securities - Government guaranteed		
Market Treasury Bills	25,272,804	20,013,762
Pakistan Investment Bonds	108,328,519	14,330,617
GoP Ijarah Sukuks	43,396,876	13,988,936
	<u>176,998,199</u>	<u>48,333,315</u>

8.4.2 Shares

Listed Companies

- Cement	-	644,937
- Commercial banks	-	440,566
- Cable and electrical goods	-	7,170
- Chemical	15	1,192,904
- Engineering	-	48,792
- Investment banks / investment companies / securities companies	28,963	112,686
- Power generation and distribution	99,907	124,179
- Transport	-	39,428
	<u>128,885</u>	<u>2,610,662</u>

Preference Shares

- Sugar and allied industries	<u>46,035</u>	<u>46,035</u>
-------------------------------	---------------	---------------

Unlisted Companies	Breakup Value as at	2023		2022	
		Cost	Breakup value	Cost	Breakup value
		----- (Rupees in '000) -----			
Arabian Sea Country Club Ltd	June 30, 2020	1,000	(1,255)	1,000	(1,255)
Pakistan Mortgage Refinance Company Limited	December 31, 2022	1,830	3,848	1,830	3,242
ISE Towers REIT Management Company Limited	June 30, 2023	5,301	62,264	5,301	52,988
LSE Financial Services Limited	June 30, 2022	-	-	6,344	16,407
		<u>8,131</u>	<u>64,857</u>	<u>14,475</u>	<u>71,382</u>

8.4.3 Non Government Debt Securities

Listed

- Unrated	<u>2,377,058</u>	<u>2,507,266</u>
-----------	------------------	------------------

Unlisted

- Unrated	<u>1,734,951</u>	<u>1,758,520</u>
-----------	------------------	------------------

8.4.4 Units of mutual funds

	Cost	
	2023	2022
	----- (Rupees in '000) -----	
Listed		
HBL Investments Fund - Class A	17	17
HBL Investments Fund - Class B	51	51
	68	68

9. ADVANCES

	Note	Performing		Non-Performing		Total	
		2023	2022	2023	2022	2023	2022
		----- (Rupees in '000) -----					
Loans, cash credits, running finances, etc.	9.1	13,514,199	16,339,171	35,952,899	35,332,731	49,467,098	51,671,902
Islamic financing and related assets	9.2	2,439,460	2,351,110	274,364	686,002	2,713,824	3,037,112
Bills discounted and purchased		641,308	77,636	47,089	49,335	688,397	126,971
Advances - gross		16,594,967	18,767,917	36,274,352	36,068,068	52,869,319	54,835,985
Provision against advances							
- Specific		-	-	(34,211,166)	(33,231,865)	(34,211,166)	(33,231,865)
- General		(5,329)	(10,556)	-	-	(5,329)	(10,556)
		(5,329)	(10,556)	(34,211,166)	(33,231,865)	(34,216,495)	(33,242,421)
Advances - net of provision		16,589,638	18,757,361	2,063,186	2,836,203	18,652,824	21,593,564

9.1 Includes Net Investment in finance lease as disclosed below:

	2023				2022			
	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	85,922	17,744	-	103,666	120,910	27,195	-	148,105
Residual value	82,487	5,434	-	87,921	116,134	6,846	-	122,980
Minimum lease payments	168,409	23,178	-	191,587	237,044	34,041	-	271,085
Financial charges for future periods	(15,182)	(4,698)	-	(19,880)	(18,805)	(6,745)	-	(25,550)
Present value of minimum lease payments	153,227	18,480	-	171,707	218,239	27,296	-	245,535

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)

	2023	2022
	----- (Rupees in '000) -----	
In local currency	52,229,272	54,744,630
In foreign currencies	640,047	91,355
	52,869,319	54,835,985

- 9.4 Advances include Rs. 36,274.352 million (2022: Rs. 36,068.068 million) which have been placed under non-performing status as detailed below:

Category of Classification	2023		2022	
	Non Performing Loans	Provision	Non Performing Loans	Provision
----- (Rupees in '000) -----				
Domestic				
Other Assets Especially Mentioned	11,034	657	6,174	96
Substandard	25,438	1,092	149,835	391
Doubtful	102,297	6,397	22,569	6,524
Loss	36,135,583	34,203,020	35,889,490	33,224,854
	36,274,352	34,211,166	36,068,068	33,231,865

- 9.5 Particulars of provision against advances

	2023			2022		
	Specific	General	Total	Specific	General	Total
Note ----- (Rupees in '000) -----						
Opening balance	33,231,865	10,556	33,242,421	32,750,104	13,885	32,763,989
Charge for the year	2,958,975	-	2,958,975	1,397,485	-	1,397,485
Reversals	(1,978,573)	(5,227)	(1,983,800)	(906,851)	(3,329)	(910,180)
	980,402	(5,227)	975,175	490,634	(3,329)	487,305
Amounts written off	9.6 (1,101)	-	(1,101)	(8,873)	-	(8,873)
Closing balance	34,211,166	5,329	34,216,495	33,231,865	10,556	33,242,421

- 9.5.1 Particulars of provision against advances

	2023			2022		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
In local currency	34,197,448	5,329	34,202,777	33,218,147	10,556	33,228,703
In foreign currencies	13,718	-	13,718	13,718	-	13,718
	34,211,166	5,329	34,216,495	33,231,865	10,556	33,242,421

- 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 ranges from 1% to 2.5% for secured and 4% to 7% for unsecured portfolio. Currently, these percentages are 1.5% for secured and 5% 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.

- 9.5.3 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. 1,982.581 million (2022: Rs. 2,820.580 million). The positive impact on the profit and loss account arising from availing this benefit - net of tax amounts to Rs. 1,209.374 million (2022: Rs. 1,720.554 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.

	Note	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
9.6 PARTICULARS OF WRITE OFFS:			
9.6.1 Against Provisions	9.5	1,101	8,873
Directly charged to profit and loss account	30	75	37
		<u>1,176</u>	<u>8,910</u>

9.6.2 Write Offs of Rs. 500,000 and above

- Domestic		-	6,690
Write Offs of Below Rs. 500,000		1,176	2,220
		<u>1,176</u>	<u>8,910</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, 2023 is given in Annexure - I to these consolidated financial statements.

	Note	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
10. FIXED ASSETS			
Capital work-in-progress	10.1	73,786	26,564
Property and equipment	10.2	7,165,939	7,701,453
Right-of-use assets	10.3	2,721,205	2,953,396
		<u>9,960,930</u>	<u>10,681,413</u>

10.1 Capital work-in-progress

Civil works and related payments / progress billings		5,987	14,933
Advances and other payments to suppliers and contractors		67,799	11,631
Advances and other payments against capital work in progress considered doubtful		1,155,814	1,158,340
Less: Provision held there against		(1,155,814)	(1,158,340)
		-	-
		<u>73,786</u>	<u>26,564</u>

10.2 Property and Equipment

	2023						
	Leasehold land	Building on leasehold land	Building improvements	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
	(Rupees in '000)						
At January 01, 2023							
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	<u>1,800,775</u>	<u>5,042,142</u>	<u>394,851</u>	<u>101,290</u>	<u>308,075</u>	<u>54,320</u>	<u>7,701,453</u>
Year ended December 31, 2023							
Opening net book value	1,800,775	5,042,142	394,851	101,290	308,075	54,320	7,701,453
Additions	-	-	106,769	21,628	72,082	25,121	225,600
Movement in surplus on assets during the year	-	(2,678)	-	-	-	-	(2,678)
Reversal of revaluation decrease recognized in profit and loss account	-	269	-	-	-	-	269
Disposals							
Cost	(70,000)	(275,363)	(25,788)	(1,473)	(24,387)	(27,460)	(424,471)
Accumulated depreciation	-	21,544	24,637	1,364	23,845	14,799	86,189
Write off							
Cost	-	-	(80,817)	(3,600)	(3,580)	-	(87,997)
Accumulated depreciation	-	-	78,326	3,596	3,567	-	85,489
Depreciation charge	-	(165,592)	(83,983)	(22,504)	(130,288)	(15,548)	(417,915)
Closing net book value	<u>1,730,775</u>	<u>4,620,322</u>	<u>413,995</u>	<u>100,301</u>	<u>249,314</u>	<u>51,232</u>	<u>7,165,939</u>
At December 31, 2023							
Cost / Revalued amount	1,736,445	5,086,293	1,906,211	597,861	2,421,724	199,820	11,948,354
Accumulated depreciation / impairment	(5,670)	(465,971)	(1,492,216)	(497,560)	(2,172,410)	(148,588)	(4,782,415)
Net book value	<u>1,730,775</u>	<u>4,620,322</u>	<u>413,995</u>	<u>100,301</u>	<u>249,314</u>	<u>51,232</u>	<u>7,165,939</u>
Rate of depreciation (percentage)	-	2.5 - 5	10 - 25	10	10 - 30	20	

	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
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
Movement in surplus on assets during the year	-	-	-	-	-	-	-
Reversal of revaluation decrease recognized in profit and loss account	-	-	-	-	-	-	-
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)
Closing net book value	1,800,775	5,042,142	394,851	101,290	308,075	54,320	7,701,453
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
Rate of depreciation (percentage)	-	2.5 - 5	10	10	10 - 30	20	

10.2.1 With effect from December 01, 2023, the estimated useful life of sign boards has been revised from 10 years to 4 years which is more reflective of consumption factor of the assets. The effect of this change in depreciation expense is as follows:

	2023	2022
	----- (Rupees in '000) -----	
Increase in depreciation expense of sign board	756	-

10.2.2 The cost of fully depreciated fixed assets that are still in the Group's use is as follows:

Building improvements	972,814	893,103
Furniture and fixture	372,782	339,838
Electrical, office and computer equipment	1,806,449	1,721,490
Vehicles	121,734	123,901

10.2.3 The carrying amount of fixed assets held for disposal amounts to Rs. 201.733 million (2022: Rs. 297.410 million).

10.2.4 The properties of the Bank were revalued by M/s. Sadruddin Associates (Pvt.) Ltd., M/s. Pakistan Inspection Company (Pvt.) Ltd. and M/s. Sipra & Company (Pvt.) Ltd as at December 31, 2023 based on their professional assessment of the present market value. The revaluation resulted in decrease of Rs. 2.678 million in the surplus. The total surplus arising from the revaluation of fixed assets as at December 31, 2023 amounts to Rs. 3,689.020 million. No additional surplus was booked on building improvements during the current revaluation exercise. While accounting for revaluation, in accordance with the allowed treatment in IAS 16, the Bank eliminated the accumulated depreciation against the gross carrying amount of the asset.

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

	2023		2022	
	Original Cost	Book Value	Original Cost	Book Value
	----- Rupees in '000 -----			
Leasehold land	803,044	797,374	833,628	827,958
Buildings on leasehold land	3,838,100	1,906,711	3,948,100	2,131,645
Buildings improvements	1,808,455	413,995	1,802,324	394,851

10.2.5 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) -----				
Vehicles					
Toyota Land Cruiser	23,500	12,142	12,142	As per employment contract	Jawad Majid Khan (President & CEO)

10.3 Movement in right-of-use assets is as follows:

	Note	2023	2022
		----- (Rupees in '000) -----	
Opening net book value		2,953,396	2,842,645
Additions		581,344	735,144
Modification - net		9,197	1,303
Derecognition of right-of-use assets		(232,351)	(13,535)
Depreciation charge	28	(590,381)	(612,161)
Closing net book value		<u>2,721,205</u>	<u>2,953,396</u>

11. INTANGIBLE ASSETS

Capital work-in-progress	11.1	194,998	72,550
Intangible assets in use	11.2	69,725	73,585
		<u>264,723</u>	<u>146,135</u>

11.1 Capital work-in-progress

Advances to suppliers and contractors		194,998	72,550
Advances against capital work in progress considered doubtful		142,522	142,522
Less: Provision held there against		(142,522)	(142,522)
		-	-
		<u>194,998</u>	<u>72,550</u>

11.2 Intangible assets in use

2023					
Computer softwares	Core deposits	Brand name	Trading Rights Entitlement Certificate	Total	
----- (Rupees in '000) -----					
At January 01, 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
Year ended December 31, 2022					
Opening net book value	71,085	-	-	2,500	73,585
Additions:					
- directly purchased	20,341	-	-	-	20,341
Impairment loss recognized in the profit and loss account - net	-	-	-	-	-
Amortisation charge	(24,201)	-	-	-	(24,201)
Closing net book value	67,225	-	-	2,500	69,725
At December 31, 2022					
Cost	601,434	209,874	143,838	4,386	959,532
Accumulated amortisation and impairment	(534,209)	(209,874)	(143,838)	(1,886)	(889,807)
Net book value	67,225	-	-	2,500	69,725
Rate of amortization (percentage)	20 - 30	10	10		
Useful life (years)	3.33 - 5	10	10		

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 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:

	2023	2022
	----- (Rupees in '000) -----	
Computer softwares	451,898	439,769
Core deposits	209,874	209,874
Brand name	143,838	143,838

12. DEFERRED TAX ASSETS

2023			
At January 01, 2023	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2023
----- (Rupees in '000) -----			
Deductible Temporary Differences on			
- Tax losses carried forward	13,108,527	2,407,221	-
- Provision against advances, off balance sheet etc.	8,121,244	881,683	-
- Provision for impairment loss - Investment	1,564,243	(827,472)	-
- Provision against intangible assets	48,034	-	-
- Staff compensated absences	51,955	2,623	-
- Provision against other assets	166,759	-	-
- Minimum tax	354	479	-
- Alternative Corporate tax	3,800	(752)	-
	23,064,916	2,463,782	-
			25,528,698
Taxable Temporary Differences on			
- Surplus on revaluation of fixed assets	(1,151,581)	-	76,890
- Surplus on revaluation of investments	3,932	-	(120,294)
- Unrealized gain on forward exchange contracts	(142)	(9,905)	-
- Surplus on revaluation of property - held for sale	(452,705)	-	15,613
- Surplus on revaluation of non-banking assets	(333,546)	-	19,725
- Accelerated tax depreciation	(404,230)	27,354	-
	(2,338,272)	17,449	(8,066)
			(2,328,889)
	20,726,644	2,481,231	(8,066)
			23,199,809
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	-
- Unrealised loss on HFT Portfolio	-	-	-
- Unrealized gain on forward exchange contracts	-	-	-
- 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

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	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
Income / mark-up accrued in local currency		7,912,817	1,468,519
Income / mark-up accrued in foreign currency		2,822	2,848
Advances, deposits, advance rent and other prepayments		393,824	383,911
Advance taxation (payments less provisions)		538,944	608,644
Non-banking assets acquired in satisfaction of claims	13.1	2,370,326	2,515,284
Branch adjustment account		-	7,136
Receivable from defined benefit plan	35.1.7	-	102,958
Receivable from other banks against clearing and settlement		1,391,209	459,528
Receivable against Government Securities		23,000,000	-
Mark to market gain on forward foreign exchange contracts		27,833	608
Acceptances		409,685	175,931
Stationery and stamps on hand		6,792	7,076
Commission receivable on home remittance	13.2	184	2,419
Commission receivable on brokerage		8,355	3,492
Property - held for sale	13.3	3,692,787	3,836,309
Account receivable		144,497	84,455
Others		709,562	556,766
		40,609,637	10,215,884
Less: Provision held against other assets	13.4	(890,616)	(888,696)
Other assets (net of provision)		39,719,021	9,327,188
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		804,670	855,243
Surplus on revaluation of Property - Held for sale		1,120,749	1,160,784
Other assets - total		41,644,440	11,343,215
13.1 Market value of non-banking assets acquired in satisfaction of claims		2,822,995	3,476,395

Non-banking assets acquired in satisfaction of claims have been revalued by independent professional valuer as at December 31, 2023. The revaluation was conducted by M/s. Sadruddin Associates (Pvt.) Ltd., M/s. Pakistan Inspection Company (Pvt.) Ltd., M/s. Sipra & Company (Pvt.) and M/s. Appraisals Ltd based on their professional assessment of present market values. This resulted in an increase in surplus by Rs. 11.399 million. The total surplus arising against revaluation of non-banking assets acquired in satisfaction of claims as at December 31, 2023 amounts to Rs 804.670 million (2022: Rs. 855.243 million).

	Note	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
13.1.1 Non-banking assets acquired in satisfaction of claims			
Opening balance		3,010,420	3,057,017
Revaluation	21.2	11,399	47,866
Reversal of revaluation decrease recognized in profit and loss account	30	2,042	12,975
Disposals		-	(46,234)
Depreciation	28	(62,438)	(61,204)
Other adjustments		(146,534)	-
Closing balance		2,814,889	3,010,420
13.1.2 Loss on disposal of non-banking assets acquired in satisfaction of claims			
Disposal proceeds		-	45,803
less			
- Cost	13.1.1	-	46,234
- Impairment / Depreciation		-	-
		-	46,234
Loss		-	(431)
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.			

	2023	2022
	----- (Rupees in '000) -----	
13.4 Provision held against other assets		
Income / mark-up accrued in local currency	1,389	1,389
Advances, deposits, advance rent and other prepayments	98,008	98,008
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	45,310
Account Receivable - sundry claims	212,433	204,400
Receivable from Speedway Fondmetal (Pakistan) Limited	25,694	25,694
Others	137,795	143,908
	890,616	888,696

13.4.1 Movement in provision held against other assets

Opening balance	888,696	815,110
Charge for the year	8,032	78,252
Reversals	(6,000)	(4,666)
Written off	(112)	-
Closing balance	890,616	888,696

14. CONTINGENT ASSETS

There were no contingent assets at the balance sheet date.

15. BILLS PAYABLE

	2023	2022
	----- (Rupees in '000) -----	
In Pakistan	2,162,537	1,993,587
Outside Pakistan	-	-
	2,162,537	1,993,587

16. BORROWINGS

Secured

Borrowings from State Bank of Pakistan			
- Under export refinance scheme	16.1	4,691,400	5,710,250
- Under Islamic Export Refinance Scheme (IERF)	16.2	90,000	400,000
- Under long-term financing facility	16.3	239,398	428,927
- Refinance facility for modernization of SMEs	16.4	1,100	2,352
- Repurchase agreement borrowings	16.5	123,027,721	18,115,632
		128,049,619	24,657,161
Repurchase agreement borrowings	16.6	2,313,316	-
Total secured		130,362,935	24,657,161

Unsecured

Overdrawn nostro accounts		6,395	731,399
Total unsecured		6,395	731,399
		130,369,330	25,388,560

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 17.00% to 18.00% per annum (2022: 6.50% to 10.00% per annum). These are secured against demand promissory notes and are due to mature latest by June 19, 2024 (2022: latest by June 19, 2023).

16.2 The Bank has entered into an agreement with SBP for extending export finance to its islamic banking customers. Borrowing under the export refinance scheme of SBP carry interest at rate of 15.00% per annum (2022: 8.00% to 9.00% per annum). These are secured against demand promissory notes and are due to mature by April 02, 2024 (2022: April 17, 2023).

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 (2022: 2.00% to 3.00% per annum) and have varying long term maturities latest due by December 31, 2028 (2022: 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 (2022: 2.00% per annum), which will mature latest by February 11, 2025 (2022: latest by February 11, 2025).

16.5 These represent borrowings from a SBP at mark-up rates ranging from 22.08% to 22.26% per annum (2022: 15.22% to 16.15%) which will mature latest by January 26, 2024 (2022: March 03, 2023).

16.6 These represent borrowings from financial institutions at mark-up rates ranging from 22.10% to 22.90% per annum (2022: nil) which will mature latest by January 02, 2024 (2022: nil).

	2023	2022
	----- (Rupees in '000) -----	
16.7 Particulars of borrowings with respect to currencies		
In local currency	130,362,935	24,657,161
In foreign currencies	6,395	731,399
	<u>130,369,330</u>	<u>25,388,560</u>

17. DEPOSITS AND OTHER ACCOUNTS

	2023			2022		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	----- (Rupees in '000) -----					
Customers						
Current deposits	43,315,999	1,722,463	45,038,462	40,907,997	1,534,309	42,442,306
Savings deposits	84,046,183	2,168,138	86,214,321	58,374,143	1,638,923	60,013,066
Term deposits	14,520,225	3,489,167	18,009,392	12,024,797	2,940,083	14,964,880
Others	4,110,091	44,326	4,154,417	2,284,400	35,609	2,320,009
	<u>145,992,498</u>	<u>7,424,094</u>	<u>153,416,592</u>	<u>113,591,337</u>	<u>6,148,924</u>	<u>119,740,261</u>
Financial institutions						
Current deposits	230,014	43,445	273,459	272,524	162,329	434,853
Savings deposits	2,410,926	8	2,410,934	1,358,976	6	1,358,982
Term deposits	668,059	107,107	775,166	327,366	-	327,366
Others	-	-	-	-	-	-
	<u>3,308,999</u>	<u>150,560</u>	<u>3,459,559</u>	<u>1,958,866</u>	<u>162,335</u>	<u>2,121,201</u>
	<u>149,301,497</u>	<u>7,574,654</u>	<u>156,876,151</u>	<u>115,550,203</u>	<u>6,311,259</u>	<u>121,861,462</u>

	2023	2022
	----- (Rupees in '000) -----	
17.1 Composition of deposits		
- Individuals	96,759,737	83,207,449
- Government (Federal and Provincial)	2,463,277	1,636,443
- Public Sector Entities	5,145,970	89,311
- Banking Companies	303,939	1,249,879
- Non-Banking Financial Institutions	3,155,620	2,579,134
- Private Sector	49,047,608	33,099,246
	<u>156,876,151</u>	<u>121,861,462</u>

17.2 Deposits include Eligible Deposits of Rs. 113,902.550 million (2022: Rs. 84,289.724 million) protected under Depositors Protection Mechanism introduced by the State Bank of Pakistan.

18. SUBORDINATED DEBT

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

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.

Subsequent to the approval granted by the TFC Holders (in their last meeting held on October 27, 2022) for extension in the maturity date and associated rescheduling of the coupon payments of the Term Finance Certificate upto October 27, 2023, the Bank after complying with all the applicable legal and regulatory requirements had furnished a formal request in SBP for seeking aforesaid extension which is currently under consideration and no formal SBP approval has been received.

Rating	'B' (Single B).
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	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
Mark-up / return / interest payable in local currency		4,236,243	2,291,490
Mark-up / return / interest payable in foreign currencies		1,625	3,475
Unearned income		71,476	70,164
Accrued expenses		115,181	78,399
Advance against sale of property	19.1	211,103	328,731
Acceptances		409,685	175,931
Unclaimed dividends		2,213	2,213
Mark to market loss on forward foreign exchange contracts		2,071	243
Payable to defined benefit plan	35.1.7	18,813	-
Charity fund balance		4,317	2,154
Branch adjustment account		29,074	-
Security deposits against lease		187,644	247,222
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		367,873	228,005
Provision for compensated absences	35.1.7 & 35.2.7	141,538	134,141
Payable to Bank of Ceylon, Colombo		20,163	20,163
Retention money		542,370	306
Workers' welfare fund	19.4	13,360	13,360
Withholding taxes and government levies payable		264,364	34,946
Federal excise duty and sales tax payable		10,724	6,814
Commission payable on home remittances	19.5	213	2,381
Lease liability against right-of-use assets	19.6	3,348,737	3,494,835
Account payable		99,928	66,754
Others		404,621	384,021
		<u>10,561,018</u>	<u>7,643,430</u>

19.1 This includes advance received amounting to Rs. 101.675 million (2022: 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	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
Not later than one year	778,144	813,414
Later than one year and not later than five years	1,890,404	1,913,872
Later than five years	680,189	767,549
	<u>3,348,737</u>	<u>3,494,835</u>

20. SHARE CAPITAL - NET

20.1 Authorized Capital

2023	2022		2023	2022
----- (Number of shares) -----			----- (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

2023	2022		2023	2022
----- (Number of shares) -----			----- (Rupees in '000) -----	
<u>Ordinary shares</u>				
5,443,756,473	1,459,686,957	Fully paid in cash	54,437,564	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>6,622,220,576</u>	<u>2,638,151,060</u>		<u>66,222,205</u>	<u>26,381,510</u>
		Less: Discount on issue of shares	(35,721,997)	(5,881,316)
<u>6,622,220,576</u>	<u>2,638,151,060</u>		<u>30,500,208</u>	<u>20,500,194</u>

20.3 Number of shares held by the associated companies as at December 31, are as follows:

2023	2022		2023	2022
----- (Number of shares) -----			----- % age holding -----	
<u>1,761,412,119</u>	<u>1,761,412,119</u>	Suroor Investments Limited	<u>26.60%</u>	<u>66.77%</u>

20.4 During the year, the Bank issued 3,984,069,516 ordinary shares with a face value of Rs. 10/- each, other than right shares, to His Excellency Naseer Abdulla Hussain Lootah and minority shareholders at a subscription price of Rs. 2.51 per share. Through this issue, an amount of Rs. 10,000.014 million was raised, comprising Rs. 39,840.695 million for ordinary share capital and Rs. 29,840.681 million for the discount on issue of shares. The paid-up capital of the Bank, before issuance of shares, was Rs. 26,381.511 million (divided into 2,638,151,060 shares of Rs. 10 each). After the issuance of shares, has increased to Rs. 66,222.206 million (divided into 6,622,220,576 shares of Rs. 10 each). The shares were issued after having all requisite approvals.

21. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS

Surplus / (deficit) on revaluation of

	2023	2022
- Available for sale securities	305,374	(4,170)
- Fixed assets	3,689,020	3,925,590
- Non-banking assets acquired in satisfaction of claims	804,670	855,243
- Property - held for sale	1,120,749	1,160,784
	5,919,813	5,937,447

Deferred tax on surplus / (deficit) on revaluation of:

- Available for sale securities	(116,362)	3,932
- Fixed assets	(1,074,691)	(1,151,581)
- Non-banking assets acquired in satisfaction of claims	(313,821)	(333,546)
- Property - held for sale	(437,092)	(452,705)
	(1,941,966)	(1,933,900)

3,977,847	4,003,547
------------------	------------------

21.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets as at January 01,

Recognised during the year

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

Related deferred tax liability on surplus realised on disposal

Related deferred tax liability on incremental depreciation charged during the year

Surplus on revaluation of fixed assets as at December 31,

3,925,590	4,028,457
(2,678)	-
(97,741)	(1,143)
(60,305)	(61,606)
(37,291)	(730)
(38,555)	(39,388)
3,689,020	3,925,590

Less: related deferred tax liability on:

- revaluation as at January 01,

- effect of change in tax rate

- revaluation recognised during the year

- surplus realised on disposal during the year

- incremental depreciation charged during the year

(1,151,581)	(1,069,472)
-	(122,227)
1,044	-
37,291	730
38,555	39,388
(1,074,691)	(1,151,581)

2,614,329	2,774,009
------------------	------------------

	2023	2022
Note	----- (Rupees in '000) -----	
21.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims		
Surplus on revaluation as at January 01	855,243	827,616
Recognised during the year	11,399	47,866
Reversed on adjustment during the year - net of deferred tax	(23,400)	-
Related deferred tax liability on surplus reversed on adjustment	(14,961)	-
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	(14,403)	(12,346)
Related deferred tax liability on incremental depreciation charged during the year	(9,208)	(7,893)
Surplus on revaluation as at December 31	804,670	855,243
Less: related deferred tax liability on:		
- revaluation as at January 01	(333,546)	(289,666)
- effect of change in tax rate	-	(33,105)
- revaluation recognised during the year	(4,444)	(18,668)
- surplus reversed on adjustment	14,961	-
- incremental depreciation charged during the year	9,208	7,893
	(313,821)	(333,546)
	490,849	521,697
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	-	-
Realised on disposal during the year - net of deferred tax	(24,422)	-
Related deferred tax liability on surplus realised on disposal	(15,613)	-
Surplus on revaluation as at December 31	1,120,749	1,160,784
Less: related deferred tax liability on:		
- revaluation as at January 01	(452,705)	(406,274)
- effect of change in tax rate	-	(46,431)
- revaluation recognized during the year	15,613	-
	(437,092)	(452,705)
	683,657	708,079
22. CONTINGENCIES AND COMMITMENTS		
Guarantees	22.1 13,557,375	11,817,383
Commitments	22.2 147,241,382	30,733,931
Other contingent liabilities	22.3 22,748,472	24,065,166
	183,547,229	66,616,480

	Note	2023 ----- (Rupees in '000) -----	2022
22.1 Guarantees:			
Financial guarantees		20,470	20,470
Performance guarantees		9,761,374	9,102,570
Other guarantees		3,775,531	2,694,343
		<u>13,557,375</u>	<u>11,817,383</u>
22.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit		8,868,111	1,670,541
Commitments in respect of:			
- forward foreign exchange contracts	22.2.1	6,935,713	4,542,638
- forward lending	22.2.2	5,853,928	6,182,079
Commitments for acquisition of:			
- operating fixed assets		109,562	24,552
- intangible assets		133,031	198,489
Other commitments	22.2.3	125,341,037	18,115,632
		<u>147,241,382</u>	<u>30,733,931</u>
22.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		6,180,469	4,542,638
Sale		755,244	-
		<u>6,935,713</u>	<u>4,542,638</u>
22.2.2 Commitments in respect of forward lending			
Forward documentary bills		4,916,896	5,193,241
Undrawn formal standby facilities, credit lines and other commitments to lend	22.2.2.1	937,032	988,838
		<u>5,853,928</u>	<u>6,182,079</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.			
		2023	2022
		----- (Rupees in '000) -----	
22.2.3 Other commitments			
Purchase (Repo)		125,341,037	18,115,632
22.3 Other contingent liabilities - claims against the Group not acknowledged as debts		<u>22,748,472</u>	<u>24,065,166</u>
22.4 Contingency for tax payable			
Contingency related to tax payable is disclosed in note 31.2.			

	2023	2022
	----- (Rupees in '000) -----	
23. MARK-UP / RETURN / INTEREST EARNED		
On:		
Loans and advances	2,734,109	2,408,236
Investments	28,696,822	5,465,054
Lendings to financial institutions	197,314	250,020
Balances with banks	69,906	20,207
	<u>31,698,151</u>	<u>8,143,517</u>
24. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	16,354,213	7,233,183
Borrowings	16,282,744	1,743,263
Subordinated debt	348,940	239,225
Cost of foreign currency swaps against foreign currency deposits / borrowings	854,543	776,426
Finance cost of lease liability	435,077	406,133
	<u>34,275,517</u>	<u>10,398,230</u>
25. FEE AND COMMISSION INCOME		
Branch banking customer fees	126,839	51,891
Consumer finance related fees	4,303	5,667
Card related fees (debit cards)	123,563	82,112
Credit related fees	4,061	2,921
Investment banking fees	2,122	29,254
Commission on trade	270,946	171,610
Commission on guarantees	115,550	84,264
Commission on cash management	47	984
Commission on remittances including home remittances	9,434	8,259
Commission on bancassurance	1,812	894
Commission on brokerage	68,653	42,318
Alternate delivery channels (ADC)	33,895	36,078
Others	1,494	28
	<u>762,719</u>	<u>516,280</u>

	Note	2023 ----- (Rupees in '000) -----	2022
26. GAIN ON SECURITIES			
Unrealized gain on HFT investments		(6,226)	-
Realised	26.1	(1,283,769)	30,526
		<u>(1,289,995)</u>	<u>30,526</u>
26.1 Realised gain on:			
Federal Government Securities		394,860	30,526
Shares		(1,678,629)	-
		<u>(1,283,769)</u>	<u>30,526</u>
27. OTHER INCOME			
Rent on property		6,001	6,322
Gain on sale of fixed assets - net		518,680	72,443
Gain on partial sale of HFS property		116,794	-
Loss on sale of non banking assets		-	(431)
Gain on sale of ijarah assets		865	2,045
Recoveries against previously expensed items		-	1,056
Gain on termination of lease contracts under IFRS 16		78,949	443
Income on settlement of nostro balances		-	448
Sale of scrap		-	2,724
Liabilities no longer required written back		-	3,365
Refund from Gratuity Fund		4,516	-
Others		1,406	939
		<u>727,211</u>	<u>89,354</u>

28. OPERATING EXPENSES

	Note	2023	2022
----- (Rupees in '000) -----			
Total compensation expense	28.1	2,439,576	2,031,852
Property expense			
Rent and taxes		104,546	77,161
Insurance - Property		8,979	10,493
Insurance - Non Banking Assets		873	840
Utilities cost		507,649	396,842
Security (including guards)		237,042	213,606
Repair and maintenance (including janitorial charges)		171,612	126,441
Depreciation on owned fixed assets	10.2	249,575	268,056
Depreciation on right-of-use assets	10.3	590,381	612,161
Depreciation on non banking assets	13.1.1	62,438	61,204
		1,933,095	1,766,804
Information technology expenses			
Software maintenance		168,085	97,303
Hardware maintenance		149,271	92,563
Depreciation on computer equipments	10.2	67,447	79,354
Amortisation of computer softwares	11.2	24,201	23,111
Network charges		99,601	89,586
Insurance		2,713	2,217
		511,318	384,134
Other operating expenses			
Directors' fees and allowances		35,700	41,100
Fees and allowances to Shariah Board		23,700	22,050
Legal and professional charges		128,528	79,553
Outsourced services costs		304,205	243,833
Travelling and conveyance		464,765	302,314
NIFT clearing charges		31,287	26,652
Depreciation	10.2	100,893	107,821
Training and development		9,029	5,115
Postage and courier charges		41,574	43,310
Communication		104,960	45,574
Stationery and printing		161,094	107,322
Marketing, advertisement and publicity		55,213	16,361
Brokerage and commission		35,861	28,124
Fee and subscription		180,028	125,870
Cash transportation and sorting charges		142,922	116,709
Entertainment		72,002	43,873
Insurance		150,889	132,034
Deposit insurance premium expense		134,864	99,729
Repair and maintenance		130,008	98,575
Auditors' remuneration	28.2	12,316	16,348
Others		32,769	34,626
		2,352,607	1,736,893
		7,236,596	5,919,683

The total cost for the year included in other operating expenses relating to outsourced activities is Rs. 164.468 million (2022: Rs. 142.148 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	2023 ----- (Rupees in '000) -----	2022 -----
Fees and allowances etc.		20,584	19,956
Managerial remuneration			
i) Fixed		1,537,956	1,330,900
ii) Variable			
of which;			
a) Cash bonus / awards etc.		-	-
b) Incentives and commission		6,135	3,259
Charge for defined benefit plan	35.1.8.1 & 35.2.5	70,748	(6,387)
Contribution to defined contribution plan	36	82,730	71,710
Charge for employees compensated absences	35.1.8.1 & 35.2.7	22,318	14,063
Rent and house maintenance		480,593	410,519
Utilities		106,970	91,223
Medical		110,799	96,017
Employee old age benefit institution		743	592
Total		2,439,576	2,031,852
28.2 Auditors' remuneration			
Audit fee		4,560	3,928
Fee for other statutory certifications		-	3,899
Fee for audit of employee funds		2,496	178
Special certifications and sundry advisory services		1,496	6,900
Out-of-pocket expenses		108	1,443
		8,660	16,348
29. OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		542	1,451
Penalties imposed by SECP		-	250
		542	1,701

	Note	2023 ----- (Rupees in '000) -----	2022 -----
30. (REVERSALS) / PROVISIONS AND WRITE OFFS - NET			
(Reversal of provision) / provision for diminution in value of investments	8.3.1	(2,121,722)	35,622
Provision against loans and advances	9.5	975,175	487,305
Provision for capital work in progress		(2,526)	-
Provision against other assets	13.4.1	2,032	73,586
Reversal of revaluation decrease on fixed assets recognized in profit and loss account	10.2	(269)	-
Reversal of revaluation decrease on non-banking assets recognized in profit and loss account	13.1.1	(2,042)	(12,975)
Fixed assets written off	10.2	2,508	9
Bad debts written off directly	9.6.1	75	37
Write off against other assets		-	500
Other provision / operational loss		2,025	962
Recovery of written off / charged off bad debts		(728)	(931)
		<u>(1,145,472)</u>	<u>584,115</u>

31. TAXATION

Current	31.1 & 31.2	421,176	123,408
Prior years		-	-
Deferred	12	(2,481,231)	(4,245,388)
		<u>(2,060,055)</u>	<u>(4,121,980)</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, 2022 i.e. tax year 2023.

In respect of assessments of Bank Makramah Limited (formerly known as Summit Bank Limited) from tax years 2009 to tax year 2018 and 2022 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 Bank Makramah Limited (formerly known as 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. 57.96 million through amended assessment orders and the same have been paid / stayed / adjusted against advance tax paid.

In respect of assessments of ex-My Bank Limited (now Bank Makramah 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 Bank Makramah 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.

In pursuance of SRO 1588(I)/2023 dated 21 November 2023, banking companies have been designated to be the 'sector' for the purpose of section 99D of the Income Tax Ordinance 2001, for the tax years 2022 and 2023. The Bank through its legal council has challenged the above levy, and the High Court of Sindh, has suspended the operation of the aforementioned SRO and granted stay to the Bank. Further, the Islamabad High Court and the Lahore High Court has suspended the operation in other similar petitions. The matter remains pending and the stay order still holds the field.

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.

	2023	2022
	----- (Rupees in '000) -----	
32. BASIC AND DILUTED LOSS PER SHARE		
Loss for the year	<u>(5,326,724)</u>	<u>(3,187,985)</u>
	2023	2022
	----- (Number of shares) -----	
Weighted average number of ordinary shares - Basic	<u>5,334,220,021</u>	<u>2,638,151,060</u>
	2023	2022
Basic loss per share	<u>(1.00)</u>	<u>(1.21)</u>
	2023	2022
	----- (Number of shares) -----	
Weighted average number of ordinary shares - Diluted	32.1 <u>5,334,220,021</u>	<u>2,638,151,060</u>
	2023	2022
Diluted loss per share	<u>(1.00)</u>	<u>(1.21)</u>

32.1 There are no potential ordinary shares outstanding as of December 31, 2023.

33. CASH AND CASH EQUIVALENTS

	Note	2023 (Rupees in '000)	2022 (Rupees in '000)
Cash and balances with treasury banks	5	14,463,419	13,372,146
Balances with other banks	6	603,944	1,364,568
Overdrawn nostro accounts	16	(6,395)	(731,399)
		<u>15,060,968</u>	<u>14,005,315</u>

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

	2023					
	Liabilities		Equity			Total
	Subordinated debt	Other liabilities	Share Capital	Reserves	Accumulated losses	
	(Rupees in '000)					
Balance as at January 01, 2023	1,495,515	7,643,430	20,500,194	(425,043)	(41,836,719)	(12,622,623)
Changes from financing cash flows						
Issue of share capital	-	-	10,000,014	-	-	10,000,014
Share issuance cost	-	-	-	-	(166,647)	(166,647)
Payment of lease liability against right-of-use-assets	-	(860,415)	-	-	-	(860,415)
	-	(860,415)	10,000,014	-	(166,647)	8,972,952
Liability related other changes						
Changes in other liabilities						
- Cash based	-	3,035,405	-	-	-	3,035,405
- Non cash based	-	742,598	-	-	-	742,598
Total liability related other changes	-	3,778,003	-	-	-	3,778,003
Equity related other changes	-	-	-	-	(4,976,195)	(4,976,195)
Balance as at December 31, 2023	<u>1,495,515</u>	<u>10,561,018</u>	<u>30,500,208</u>	<u>(425,043)</u>	<u>(46,979,561)</u>	<u>(4,847,863)</u>
	2022					
	Liabilities		Equity			Total
	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	<u>1,495,515</u>	<u>7,643,430</u>	<u>20,500,194</u>	<u>(425,043)</u>	<u>(41,836,719)</u>	<u>(12,622,623)</u>

	2023	2022
	----- (Number of employees) -----	
34. STAFF STRENGTH		
Permanent	1,749	1,621
On Group contract	55	72
Group's own staff strength at the end of the year	<u>1,804</u>	<u>1,693</u>

34.1 In addition to the above, 550 (2022: 530) 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 - Bank Makramah Limited (formerly known as 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, 2023 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:

	2023	2022
	----- (Number) -----	
- Gratuity fund	<u>1,716</u>	<u>1,580</u>
- Employees Compensated Absences	<u>1,766</u>	<u>1,645</u>

35.1.3 Principal actuarial assumptions

Latest actuarial valuation was carried out as at December 31, 2023 using 'Projected Unit Credit Method'.

	2023	2022	2023	2022
	Employees compensated absences (Unfunded)		Gratuity fund (Funded)	
	(Per annum)			
Discount rate	15.50%	14.50%	15.50%	14.50%
Discount rate for profit and loss	14.50%	11.75%	14.50%	11.75%
Expected rate of salary increase	10.00%	13.50%	10.00%	10.00%
Expected rate of return on plan assets	-	-	15.50%	14.50%
Leave accumulation factor - per annum	22 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

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

	2023	2022	2023	2022
	Employees compensated absences (Unfunded)		Gratuity fund (Funded)	
Note	(Rupees in '000)			
Present value of obligations	137,637	130,964	515,836	466,179
Fair value of plan assets	-	-	(497,023)	(569,137)
Payable	137,637	130,964	18,813	(102,958)

35.1.5 Movement in defined benefit obligations

Obligations at the beginning of the year	130,964	144,030	466,179	610,485
Current service cost	16,006	11,411	77,895	80,436
Past service cost	-	-	-	(77,701)
Interest cost	18,092	15,428	61,959	55,495
Benefits paid by the holding company	(14,637)	(26,431)	(66,978)	(110,195)
Re-measurement (gain) / loss	(12,788)	(13,474)	(23,219)	(92,341)
Obligations at the end of the year	137,637	130,964	515,836	466,179

35.1.6 Movement in fair value of plan assets

Fair value at the beginning of the year	-	-	569,137	567,493
Interest income on plan assets	-	-	70,205	62,732
Contribution by the holding company - net	-	-	(169,936)	(67,203)
Re-measurements: Net return on plan assets over interest income (loss) / gain	35.1.8.2	-	27,617	6,115
Fair value at the end of the year	-	-	497,023	569,137

35.1.7 Movement in payable under defined benefit schemes

Opening balance	130,964	144,030	(102,958)	42,992
Charge for the year	21,310	13,365	69,649	(4,502)
Contribution by the holding company - net	-	-	169,936	67,203
Re-measurement (gain) recognised in OCI during the year	35.1.8.2	-	(50,836)	(98,456)
Benefits paid by the holding company	(14,637)	(26,431)	(66,978)	(110,195)
Closing balance	137,637	130,964	18,813	(102,958)

	2023	2022	2023	2022
	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	3,218	(2,063)	77,895	80,436
Past service cost	-	-	-	(77,701)
Net interest on defined benefit liability	18,092	15,428	(8,246)	(7,237)
	21,310	13,365	69,649	(4,502)
35.1.8.2 Re-measurements recognised in OCI during the year				
Loss / (gain) on obligation				
- Demographic assumptions	-	-	-	-
- Financial assumptions	-	-	(18,404)	(48,912)
- Experience adjustment	-	-	(4,815)	(43,429)
Return on plan assets over interest income	-	-	(27,617)	(6,115)
Total re-measurements recognised in OCI	-	-	(50,836)	(98,456)
35.1.9 Components of plan assets				
Cash and cash equivalents - net	-	-	497,023	569,137

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%	(9,149)	10,327	(36,067)	40,591
Salary increase rate	+ - 1%	11,025	(9,908)	43,214	(38,934)
Withdrawal rate	+ - 10%	-	-	105	(104)
Mortality	+ -1 Year	-	-	305	(342)

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	<u>23,994</u>	<u>79,447</u>		
	2023	2022	2023	2022
	Employees compensated absences (Unfunded)		Gratuity fund (Funded)	
	----- (Rupees in '000) -----			

35.1.12 Maturity profile

The weighted average duration of the obligation (in years)	<u>7.09</u>	<u>7.21</u>	<u>7.43</u>	<u>7.69</u>
--	-------------	-------------	-------------	-------------

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, 2023.

35.2.2 Principal actuarial assumptions

	2023	2022
	----- % per annum -----	

The following principal assumptions were used for the valuation:

Estimated rate of increase in salary of the employees	16.00	13.50
Expected rate of return on plan assets	16.00	13.50
Discount rate	16.00	13.50

35.2.3 Reconciliation of payable to / (receivable from) defined benefit plan

	2023	2022
	----- (Rupees in '000) -----	

Present value of defined benefit obligation	12,664	11,735
Fair value of plan assets	(12,664)	(11,735)
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	1,099	(1,885)
Negative contribution	1,806	1,302
Other comprehensive (loss) / income - OCI	(2,155)	2,133
Contributions paid to the fund during the year	(750)	(1,550)
Closing net (asset) / liability	<u>-</u>	<u>-</u>

	2023	2022
	----- (Rupees in '000) -----	
35.2.5 (Income) / expense charged in profit and loss account		
Current service cost	1,150	1,227
Net interest	(51)	(326)
Curtailment / Settlement Gain / Loss	-	(2,786)
	<u>1,099</u>	<u>(1,885)</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 %	11,497	13,998
Salary Increase Rate	± 1 %	14,048	11,436
Withdrawal Rate	± 1 %	12,660	12,669
1 year mortality age set	Back/Forward	12,666	12,663

	2023	2022
	----- (Rupees in '000) -----	
35.2.7 Provision for staff compensated absences		
Opening balance	3,177	4,424
Charge / (reversal) for the year	1,008	698
Encashment during the year	(284)	(1,945)
Closing balance	<u>3,901</u>	<u>3,177</u>

36. DEFINED CONTRIBUTION PLAN

36.1 Holding Company - Bank Makramah Limited (formerly known as Summit Bank Limited)

An amount of Rs. 80.309 million (2022: Rs. 69.670 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. 2.421 million (2022: Rs. 2.040 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	Directors			2023			
	Chairman	Executive (other than CEO)	Non- Executive	Members Shariah Board	President/ CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	(Rupees in '000)						
Fees and allowances etc.	7,500	-	28,200	23,700	-	-	1,993
Managerial remuneration							
i) Fixed	-	5,645	-	2,099	42,113	143,676	104,395
ii) Total variable							
of which							
a) Cash bonus / awards	-	-	-	-	-	-	-
b) Incentives and commission	-	-	-	-	-	342	23
Charge for defined benefit plan	-	1,087	-	993	8,691	18,192	33,916
Contribution to defined contribution plan	-	425	-	134	3,608	7,635	6,275
Charge for employees compensated absences	-	791	-	147	6,207	9,101	10,726
Rent and house maintenance	-	1,911	-	601	16,237	48,656	30,026
Utilities	-	425	-	134	3,608	10,812	6,672
Medical	-	425	-	134	3,748	10,000	6,672
Total	7,500	10,709	28,200	27,942	84,212	248,414	200,698
Number of persons	2*	1**	5***	5	1	18	34

* Number of persons include outgoing Chairman

On December 19, 2023, Mr. Abdulla Nasser Abdulla Hussain Lootah was appointed as Chairman, replacing Mr. Waseem Mehdi Syed.

** On April 27, 2023 Mr. Salman Zafar Siddiqi resigned as the Executive Director of the Bank. Currently, there are no other Executive Directors in the Bank, aside from CEO.

*** On February 21, 2023 Mr. Muhammad Salman Alam Fazli was appointed as the Non - Executive Director of the Bank.

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) 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.

The Bank's President and Chief Executive Officer is entitled to use of Bank's maintained car and club membership fee in accordance with entitlement. While certain Key executives of the Bank are entitled to 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. 753.853 million (2022: Rs. 532.480 million).

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

2023								
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)	Board Special Assets Management Committee (BSAMC)	
----- (Rupees in '000) -----								
Mr. Waseem Mehdi Syed	2,100	1,200	600	1,500	-	1,200	600	7,200
Ms. Fauzia Hasnain	2,100	1,800	1,500	-	1,500	300	600	7,800
Mr. Wajahat Ahmed Baqai	1,800	1,500	900	-	1,200	1,200	600	7,200
Mr. Zafar Iqbal Siddiqui	2,100	1,800	900	1,500	1,500	1,200	300	9,300
Mr. Muhammad Salman Alam Fazli	1,500	900	-	300	300	300	600	3,900
Mr. Abdulla Nasser Abdulla Hussain Lootah	300	-	-	-	-	-	-	300
Total amount paid	9,900	7,200	3,900	3,300	4,500	4,200	2,700	35,700

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)	Board Special Assets Management Committee (BSAMC)	
----- (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 Siddiqui	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

During its 135th meeting on June 12, 2023, the Board of Directors formed a Board Special Assets Management Committee (BSAMC). The purpose of this committee is to support the Board by overseeing the identification, measurement, monitoring, and control of risks to which the Bank is exposed. Additionally, the committee is tasked with implementing measures to reduce the burden of Non-Performing Loans of the Bank.

37.3 Remuneration paid to Shariah Board Members

Items	2023			2022		
	Chairman	Resident Member	Non-Resident Member(s)	Chairman	Resident Member	Non-Resident Member(s)
	------(Rupees in '000)-----					
Meeting fees and allowances	15,600	-	8,100	13,950	-	8,100
Managerial Remuneration						
i) Fixed	-	2,099	-	-	1,646	-
ii) Total variable						
of which						
a) Cash bonus / awards etc.	-	-	-	-	-	-
b) Incentives and commission	-	-	-	-	-	-
Charge for defined benefit plan	-	993	-	-	676	-
Contribution to defined contribution plan	-	134	-	-	106	-
Charge for employees compensated absences	-	147	-	-	62	-
Rent and house maintenance	-	601	-	-	479	-
Utilities	-	134	-	-	106	-
Medical	-	134	-	-	106	-
Total amount	<u>15,600</u>	<u>4,242</u>	<u>8,100</u>	<u>13,950</u>	<u>3,181</u>	<u>8,100</u>
Total number of persons	<u>1</u>	<u>1</u>	<u>3</u>	<u>1</u>	<u>1</u>	<u>3</u>

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:

	2023			Total
	Level1	Level2	Level3	
----- (Rupees in '000) -----				
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
- Federal Government Securities	-	177,340,406	-	177,340,406
- Shares - Listed	74,331	-	-	74,331
- Non Government Debt Securities	-	2,325,951	-	2,325,951
- Units of mutual funds	-	94	-	94
Financial assets - disclosed but not measured at fair value				
Investments				
- Shares - Unlisted	-	-	66,112	66,112
Non-Financial assets - measured at fair value				
Operating fixed assets	-	-	6,765,092	6,765,092
Non banking assets acquired in satisfaction of claims	-	-	2,814,889	2,814,889
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	6,204,424	-	6,204,424
Forward sale of foreign exchange	-	753,437	-	753,437

	2022			Total
	Level1	Level2	Level3	
----- (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	543,469	-	-	543,469
- Non Government Debt Securities	-	2,450,000	-	2,450,000
- Units of mutual funds	-	60	-	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	7,237,768
Non banking assets acquired in satisfaction of claims	-	-	3,010,420	3,010,420
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	-	-	-	-

Valuation techniques used in determination of fair value

Item	Valuation approach and input used
Federal Government Securities-Unlisted	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.
Federal Government Securities-Listed	The fair value of investment in listed GOP Ijarah Sukuk are valued on the basis of closing quoted market price available at the Pakistan Stock Exchange.
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

	2023					
	Corporate, SME & Commercial	Treasury	Retail Banking	Brokerage Business	Others	Total
	----- (Rupees in '000) -----					
Profit and loss						
Net mark-up / return / profit	820,501	12,569,421	(15,483,482)	(8,313)	(475,493)	(2,577,366)
Inter segment revenue - net	(1,355,528)	(12,747,513)	23,893,057	-	(9,790,016)	-
Non mark-up / return / interest income	230,144	(181,204)	425,823	89,312	718,178	1,282,253
Total income	(304,883)	(359,296)	8,835,398	80,999	(9,547,331)	(1,295,113)
Segment direct expenses	195,559	92,674	4,763,082	94,487	2,091,336	7,237,138
Inter segment expense allocation	605,095	186,468	1,189,621	-	(1,981,184)	-
Total expenses	800,654	279,142	5,952,703	94,487	110,152	7,237,138
Provisions / (reversals)	979,054	(2,121,722)	-	(2,804)	-	(1,145,472)
(Loss) / profit before tax	(2,084,591)	1,483,284	2,882,695	(10,684)	(9,657,483)	(7,386,779)

	2023					
	Corporate, SME & Commercial	Treasury	Retail Banking	Brokerage Business	Others	Total
	----- (Rupees in '000) -----					
Balance Sheet						
Cash and bank balances	114,461	9,958,667	4,908,810	85,425	-	15,067,363
Investments	-	179,668,201	-	79,712	-	179,747,913
Net inter segment lending	3,092,846	54,508,322	144,616,478	-	121,738	202,339,384
Lendings to financial institutions	-	-	-	-	-	-
Advances - performing	14,624,318	-	384,646	75	1,580,599	16,589,638
Advances - non-performing	1,582,648	-	472,592	-	7,946	2,063,186
Others	629,959	30,187,746	3,746,440	210,451	40,295,306	75,069,902
Total assets	20,044,232	274,322,936	154,128,966	375,663	42,005,589	490,877,386
Borrowings	4,939,498	125,347,432	-	82,400	-	130,369,330
Subordinated debt	-	-	-	-	1,495,515	1,495,515
Deposits and other accounts	7,887,271	-	148,988,880	-	-	156,876,151
Net inter segment borrowing	6,971,002	147,416,551	903,968	178,136	46,869,727	202,339,384
Others	246,461	1,558,953	4,236,118	117,698	6,564,325	12,723,555
Total liabilities	20,044,232	274,322,936	154,128,966	378,234	54,929,567	503,803,935
Equity	-	-	-	(2,571)	(12,923,978)	(12,926,549)
Total equity and liabilities	20,044,232	274,322,936	154,128,966	375,663	42,005,589	490,877,386
Contingencies and Commitments	49,794,505	132,276,749	-	-	1,475,975	183,547,229

2022 (Restated)

Corporate, SME & Commercial	Treasury	Retail Banking	Brokerage Business	Others	Total
-----------------------------------	----------	----------------	-----------------------	--------	-------

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

Profit and loss

Net mark-up / return / profit	1,314,560	3,491,031	(6,730,991)	2,707	(332,020)	(2,254,713)
Inter segment revenue - net	(1,527,685)	(4,239,578)	12,663,020	-	(6,895,757)	-
Non mark-up / return / interest income	191,720	803,082	339,465	57,636	58,344	1,450,247
Total income	(21,405)	54,535	6,271,494	60,343	(7,169,433)	(804,466)
Segment direct expenses	143,667	58,044	4,059,398	76,193	1,584,082	5,921,384
Inter segment expense allocation	548,651	165,221	822,918	-	(1,536,790)	-
Total expenses	692,318	223,265	4,882,316	76,193	47,292	5,921,384
Provisions / (reversals)	487,873	35,622	-	-	60,620	584,115
(Loss) / profit before tax	(1,201,596)	(204,352)	1,389,178	(15,850)	(7,277,345)	(7,309,965)

2022 (Restated)

Corporate, SME & Commercial	Treasury	Retail Banking	Brokerage Business	Others	Total
-----------------------------------	----------	----------------	-----------------------	--------	-------

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

Balance Sheet

Cash and bank balances	189,077	10,235,444	4,311,053	1,140	-	14,736,714
Investments	-	51,215,048	-	40,243	-	51,255,291
Net inter segment lending	58,085	58,288,325	111,577,524	-	-	169,923,934
Lendings to financial institutions	-	10,141,557	-	-	-	10,141,557
Advances - performing	16,656,436	-	664,537	1,041	1,435,347	18,757,361
Advances - non-performing	2,836,203	-	-	-	-	2,836,203
Others	571,743	797,710	2,897,243	162,722	38,467,989	42,897,407
Total assets	20,311,544	130,678,084	119,450,357	205,146	39,903,336	310,548,467
Borrowings	6,541,530	18,847,030	-	-	-	25,388,560
Subordinated debt	-	-	-	-	1,495,515	1,495,515
Deposits and other accounts	6,622,694	-	115,238,768	-	-	121,861,462
Net inter segment borrowing	6,965,614	111,625,119	774,904	129,880	50,428,417	169,923,934
Others	181,706	205,935	3,436,685	75,266	5,737,425	9,637,017
Total liabilities	20,311,544	130,678,084	119,450,357	205,146	57,661,357	328,306,488
Equity	-	-	-	-	(17,758,021)	(17,758,021)
Total equity and liabilities	20,311,544	130,678,084	119,450,357	205,146	39,903,336	310,548,467
Contingencies and Commitments	42,012,788	22,658,270	-	-	1,945,422	66,616,480

39.11 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:

2023					
Category	No. of IPS accounts	Securities Held (Face Value)			Total
		GoP Ijarah Sukuks	Market Treasury Bills	Pakistan Investment Bonds	
----- (Rupees in '000) -----					
Employee Funds	3	1,200,000	72,595	295,700	1,568,295
Individual	10	48,850	24,000	25,600	98,450
Insurance company	1	-	-	16,000	16,000
Total	14	1,248,850	96,595	337,300	1,682,745

2022					
Category	No. of IPS accounts	Securities Held (Face Value)			Total
		GoP Ijarah Sukuks	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

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:

	2023					2022				
	Parent company	Directors	Key management personnel	Other related parties	Parent company	Directors	Key management personnel	Other related parties	Key management personnel	Other related parties
----- (Rupees in '000) -----										
Investments										
Opening balance	-	-	-	1,664,676	-	-	-	-	-	1,692,490
Investment made during the year	-	-	-	15	-	-	-	-	-	-
Investment redeemed / disposed of during the year	-	-	-	(1,216,473)	-	-	-	-	-	(27,814)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	448,218	-	-	-	-	-	1,664,676
Provision for diminution in value of investments										
Provision for diminution in value of investments	-	-	-	448,203	-	-	-	-	-	1,585,428
Advances										
Opening balance	-	-	162,705	671,888	-	-	-	252,823	-	786,261
Addition during the year	-	-	210,330	13	-	-	-	19,755	-	1,525,485
Repaid during the year	-	-	(73,085)	-	-	-	-	(28,281)	-	(1,637,218)
Transfer in / (out) - net	-	-	3,555	-	-	-	-	(81,592)	-	(2,640)
Closing balance	-	-	303,505	671,901	-	-	-	162,705	-	671,888
Provision held against advances	-	-	-	671,901	-	-	-	-	-	-

	2023				2022			
	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
Advances, deposits, advance rent and other prepayments	-	-	4,022	-	-	-	4,250	-
Receivable from defined benefit plan	-	-	-	-	-	-	-	248,908
Other receivable	-	-	-	2,949	699	-	-	-
Provision against other assets	-	-	-	-	-	-	-	-
Deposits and other accounts								
Opening balance	-	-	19,511	2,052,046	-	-	82,005	2,110,049
Received during the year	-	-	714,248	3,126,796	-	-	312,104	6,207,533
Withdrawn during the year	-	-	(718,348)	(4,400,329)	-	-	(306,636)	(6,266,214)
Transfer in / (out) - net	-	-	214	1,387	-	-	(67,962)	678
Closing balance	-	-	15,625	779,900	-	-	19,511	2,052,046
Other Liabilities								
Interest / mark-up payable	-	1,951	298	13,355	-	-	131	36,374
Payable to defined benefit plan	-	-	-	18,813	-	-	-	-
Unearned income	-	-	-	692	-	-	-	692
Contingencies and Commitments								
Guarantees, letters of credit and acceptances	-	-	-	86,500	-	-	-	86,500
Commitments to extend credit	-	-	-	-	-	-	-	-

	2023				2022			
	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	-	-	12,101	-	-	-	9,409	102,978
Fee and commission income	-	7	35	1,398	-	-	13	1,494
(Loss) / gain on securities	-	-	-	(797,694)	-	-	-	-
Other income	-	-	-	-	-	-	410	-
Expense								
Mark-up / return / interest paid	-	9,715	1,031	206,219	-	-	2,137	238,774
Operating expenses:								
- Directors' fees and allowances	-	35,700	-	-	-	41,100	-	-
- Fee and subscription	-	-	1,792	-	-	-	994	-
- Managerial remuneration	-	-	352,352	1,395	-	-	321,601	1,082
- Contribution to defined contribution plan	-	-	-	82,730	-	-	-	71,710
- Charge for defined benefit plan	-	-	-	70,748	-	-	-	(6,387)
Provision against loans and advances	-	-	-	671,901	-	-	-	-
Reversal of provision for diminution in value of investment	-	-	-	(1,137,225)	-	-	-	(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

Minimum Capital Requirement (MCR):

	2023	2022
	----- (Rupees in '000) -----	
Paid-up capital (net of losses)	<u>(17,058,558)</u>	<u>(21,915,730)</u>

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier-1 (CET-1) Capital	<u>(40,745,819)</u>	<u>(43,134,166)</u>
Eligible Additional Tier-1 (ADT-1) Capital	<u>-</u>	<u>-</u>
Total Eligible Tier-1 Capital	<u>(40,745,819)</u>	<u>(43,134,166)</u>
Eligible Tier-2 Capital	<u>-</u>	<u>-</u>

Total Eligible Capital (Tier-1 + Tier-2)	<u>(40,745,819)</u>	<u>(43,134,166)</u>
--	---------------------	---------------------

Risk Weighted Assets (RWAs):

Credit Risk	39,440,428	44,703,398
Market Risk	6,083,839	2,298,794
Operational Risk	7,447,378	3,800,036

Total	<u>52,971,645</u>	<u>50,802,228</u>
-------	-------------------	-------------------

Common Equity Tier 1 Capital Adequacy ratio	<u>-76.92%</u>	<u>-84.91%</u>
Tier 1 Capital Adequacy Ratio	<u>-76.92%</u>	<u>-84.91%</u>
Total Capital Adequacy Ratio	<u>-76.92%</u>	<u>-84.91%</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, 2023, the Group is required to maintain minimum CET-1 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-1 capital (going concern capital), which comprises Common Equity Tier-1 (CET-1) and Additional Tier-1 (AT-1 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-1 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 1 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. 3,492.327 million.

As on December 31, 2023, 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.

	2023	2022
	----- (Rupees in '000) -----	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	(40,745,819)	(43,134,166)
Total Exposures	374,312,880	158,019,813
	<u>-10.89%</u>	<u>-27.30%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	73,491,142	43,961,885
Total Net Cash Outflow	27,494,992	20,348,574
Liquidity Coverage Ratio	<u>267.29%</u>	<u>216.04%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	102,118,423	77,771,056
Total Required Stable Funding	64,870,949	56,155,340
Net Stable Funding Ratio	<u>157.42%</u>	<u>138.49%</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 <https://www.bankmakramah.com/financial-statement/>

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 ACLO 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 . BML 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 BML. 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.

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	2023				
	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	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 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	2023			2022		
	Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
----- (Rupees in '000) -----						
Exposure category:						
Corporate						
20%	351,039	-	351,039	275,481	-	275,481
50%	2,556,921	153,198	2,403,723	1,877,224	153,257	1,723,967
100%	35,939	-	35,939	51,934	-	51,934
unrated	6,895,190	1,298,008	5,597,182	9,328,614	2,190,810	7,137,804
125%	3,590,854	612,437	2,978,417	4,619,133	-	4,619,133
Retail						
75%	2,131,732	42,188	2,089,544	943,622	48,310	895,312
Past due loan						
150%	956,336	-	956,336	748,085	119,120	628,965
100%	218,378	-	218,378	399,469	2,467	397,002
50%	888,501	-	888,501	1,697,648	451,139	1,246,509
Bank						
20%	488,333	-	488,333	10,556,261	-	10,556,261
50%	404,042	-	404,042	461,843	-	461,843
100%	-	-	-	-	-	-
150%	15,885	-	15,885	5,610	-	5,610
unrated	767,697	-	767,697	636,855	-	636,855
Sovereign etc.						
0%	-	-	-	21,278,734	-	21,278,734
Others						
0%	2,325,951	-	2,325,951	2,457,204	-	2,457,204
35%	1,376,840	38	1,376,802	2,235,967	45	2,235,922
50%	-	-	-	-	-	-
100%	18,898,822	-	18,898,822	18,841,708	-	18,841,708
150%	-	-	-	-	-	-
250%	-	-	-	-	-	-
	41,902,460	2,105,869	39,796,591	76,415,392	2,965,148	73,450,244

43.1.4 Lendings to financial institutions

	2023	2022	2023	2022	2023	2022
	Gross lendings		Non-performing lendings		Provision held	
----- (Rupees in '000) -----						
Credit risk by public / private sector						
Public / Government	-	-	-	-	-	-
Private	-	10,141,557	-	-	-	-
	-	10,141,557	-	-	-	-

43.1.5 Investment in debt securities

	2023	2022	2023	2022	2023	2022
	Gross investments		Non-performing investments		Provision held	
----- (Rupees in '000) -----						
Credit risk by industry sector						
Textile	200,000	200,000	200,000	200,000	200,000	200,000
Chemical and pharmaceuticals	448,203	471,772	448,202	471,772	448,202	471,772
Sugar	281,567	281,566	281,567	281,566	281,567	281,566
Financial	8,807	8,807	8,807	8,807	8,807	8,807
Transport	2,325,950	2,450,000	-	-	-	-
Services	803,641	803,641	803,641	803,641	803,641	803,641
	4,068,168	4,215,786	1,742,217	1,765,786	1,742,217	1,765,786
Credit risk by public / private sector						
Public / Government	2,325,950	2,450,000	-	-	-	-
Private	1,742,218	1,765,786	1,742,217	1,765,786	1,742,217	1,765,786
	4,068,168	4,215,786	1,742,217	1,765,786	1,742,217	1,765,786

43.1.6 Advances

	2023	2022	2023	2022	2023	2022
	Gross advances		Non-performing advances		Provision held	
----- (Rupees in '000) -----						
Credit risk by industry sector						
Agriculture, forestry, hunting and fishing	1,949,615	2,026,007	1,122,792	1,125,575	966,406	952,706
Automobile and transportation equipment	1,160,436	1,260,035	1,137,352	1,213,805	1,060,451	1,097,069
Banaspati and allied industries	82,663	82,663	82,663	82,663	82,663	82,663
Carpet	1,041	1,041	1,041	1,041	1,041	1,041
Cement	381,153	445,511	329,169	329,169	329,169	329,169
Chemical and pharmaceuticals	2,058,592	2,412,093	1,938,308	1,157,122	1,760,563	1,132,667
Construction	2,025,501	2,174,876	1,730,722	1,750,150	1,502,576	1,319,871
Dairy and poultry	278	611	-	-	-	-
Education	18,978	22,208	3,081	3,145	3,081	3,145
Electronics and electrical appliances	572,586	1,068,206	378,117	447,938	377,871	415,382
Exports / imports	2,553,846	2,609,398	2,234,670	2,257,890	2,171,127	2,139,251
Financial	3,433,669	3,520,261	3,003,463	3,054,628	2,765,994	2,430,091
Food, tobacco and beverages	1,526,576	1,642,851	611,897	769,648	597,423	722,677
Footwear and leather garments	41,558	340,868	35,302	35,326	35,302	35,326
Furniture and allied products	27,129	28,307	6,973	25,370	4,899	23,406
Glass and ceramics	83,036	83,095	77,139	77,268	75,320	75,448
Health care	100,643	134,664	17,772	17,792	17,772	17,792
Hotels	113,365	126,760	105,809	105,809	33,624	33,624
Individuals	2,257,253	2,479,316	261,557	308,037	186,872	211,088
Mining and quarrying	884,912	974,912	884,912	-	884,912	-
Miscellaneous manufacturing	157,269	254,463	97,759	125,237	90,247	113,970
Paper and allied products	21,596	22,634	20,588	21,936	20,588	21,936
Power (electricity), gas, water, sanitary	2,031,767	2,274,504	2,030,470	1,985,216	1,686,211	1,927,666
Printing, publishing and allied industries	296,172	400,229	113,996	238,288	102,931	220,106
Services	1,609,527	1,646,737	503,457	559,795	398,180	467,402
Steel and engineering	2,860,000	2,874,512	2,688,123	2,714,824	2,648,363	2,614,741
Sugar	8,802,944	9,011,212	7,735,032	8,365,030	7,663,616	8,054,355
Textile	9,459,586	9,539,617	3,369,342	3,520,270	3,327,671	3,496,696
Transport, storage and communication	784,570	798,146	488,619	491,239	379,229	345,385
Wholesale and retail trade	2,969,155	1,835,243	1,269,216	1,303,011	1,248,829	1,209,333
Others	4,603,903	4,745,005	3,995,011	3,980,846	3,788,235	3,737,859
	52,869,319	54,835,985	36,274,352	36,068,068	34,211,166	33,231,865
Credit risk by public / private sector						
Public / Government	-	-	-	-	-	-
Private	52,869,319	54,835,985	36,274,352	36,068,068	34,211,166	33,231,865
	52,869,319	54,835,985	36,274,352	36,068,068	34,211,166	33,231,865

43.1.7 Contingencies and Commitments

	2023	2022
Credit risk by industry sector	----- (Rupees in '000) -----	
Agriculture, forestry, hunting and fishing	1,336,583	123,108
Automobile and transportation equipment	652,189	233,696
Banaspati and allied industries	1,328,036	-
Carpet	493,750	399,277
Cement	246,473	399,591
Chemical and pharmaceuticals	122,293	473,108
Construction	6,914,832	3,086,853
Consumer	23,025	169,122
Education	-	-
Electronics and electrical appliances	1,836,397	1,110,841
Exports / imports	918,742	1,113,743
Financial	131,988,097	23,574,883
Food, tobacco and beverages	1,204,828	1,255,062
Footwear and Leather garments	854	115,508
Furniture and allied products	1,593	64,731
Glass and ceramics	36,063	29,357
Health care	115,545	89,651
Hotels	46,140	47,149
Individuals	6,277,262	6,202,230
Mining and quarrying	2,000	-
Miscellaneous manufacturing	316,648	976,941
Others	793,538	1,862,634
Paper and allied products	19,183	12,084
Power (electricity), gas, water, sanitary	838,787	551,299
Printing, publishing and allied industries	19,318	26,670
Services	4,792,674	5,846,082
Steel and engineering	1,844,850	828,409
Sugar	4,785,840	5,785,838
Textile	10,942,901	11,331,832
Transport, Storage and Communication	446,752	405,901
Wholesale and retail trade	5,202,036	500,880
	<u>183,547,229</u>	<u>66,616,480</u>
Credit risk by public / private sector		
Public / Government	128,253,448	21,524,850
Private	55,293,781	45,091,630
	<u>183,547,229</u>	<u>66,616,480</u>

43.1.8 Concentration of Advances

The Group top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 15,825.535 million (2022: Rs. 14,109.513 million) are as follows:

	2023	2022
	----- (Rupees in '000) -----	
Funded	11,203,338	12,529,834
Non Funded	4,622,198	1,579,679
Total Exposure	<u>15,825,536</u>	<u>14,109,513</u>

The sanctioned limits against these top 10 exposures aggregated to Rs. 15,831.404 million (2022: Rs. 14,109.513 million).

	2023		2022	
	Amount	Provision held	Amount	Provision held
	----- (Rupees in '000) -----			
Total funded classified therein				
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	5,889,910	5,867,644	8,903,415	8,247,878
Total	<u>5,889,910</u>	<u>5,867,644</u>	<u>8,903,415</u>	<u>8,247,878</u>

43.1.9 Advances - Province / Region-wise Disbursement & Utilization

Disbursements	2023					
	Utilization					
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	----- (Rupees in '000) -----					
Province / Region						
Punjab	16,201,865	16,194,429	404	3,349	-	3,683
Sindh	13,261,853	-	13,261,853	-	-	-
KPK including FATA	-	-	-	-	-	-
Balochistan	7,099	7,099	-	-	-	-
Islamabad	3,240	-	-	-	3,240	-
AJK including Gilgit-Baltistan	16,861	-	-	-	-	16,861
Total	<u>29,490,918</u>	<u>16,201,528</u>	<u>13,262,257</u>	<u>3,349</u>	<u>6,923</u>	<u>16,861</u>

Disbursements	2022					
	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	<u>27,142,140</u>	<u>13,794,847</u>	<u>13,172,381</u>	<u>52,402</u>	<u>52,856</u>	<u>59,193</u>

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

	2023			2022		
	Banking book	Trading book	Total	Banking book	Trading book	Total
----- (Rupees in '000) -----						
Cash and balances with treasury banks	14,463,419	-	14,463,419	13,372,146	-	13,372,146
Balances with other banks	603,944	-	603,944	1,364,568	-	1,364,568
Lendings to financial institutions	-	-	-	10,141,557	-	10,141,557
Investments	118,344,889	61,403,024	179,747,913	8,998,510	42,307,116	51,255,291
Advances	18,652,824	-	18,652,824	21,593,564	-	21,593,564
Fixed assets	9,960,930	-	9,960,930	10,681,413	-	10,681,413
Intangible assets	264,723	-	264,723	146,135	-	146,135
Deferred tax assets	23,199,809	-	23,199,809	20,726,644	-	20,726,644
Other assets	41,644,440	-	41,644,440	11,343,215	-	11,343,215
	227,134,978	61,403,024	288,538,002	98,367,752	42,307,116	140,624,533

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.

	2023				2022			
	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	-	-	-	617,896	2,387,407	6,312,149	4,542,638	617,896
Great Britain Pound Sterling	10,576,559	(18,390,237)	5,425,225	30,230	573,567	543,337	-	30,230
Euro	223,282	(721,152)	539,303	(25,063)	336,325	361,388	-	(25,063)
Other currencies	781,489	(1,159,750)	-	29,913	46,164	16,251	-	29,913
	11,581,330	(20,271,139)	5,964,528	652,976	3,343,463	7,233,125	4,542,638	652,976

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
	----- (Rupees in '000) -----			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account		298,397	15,769,417	38,897
- 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.

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
	----- (Rupees in '000) -----			
Impact of 5% change in equity prices on				
- Profit and loss account	-	3,716	-	28,190
- 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.

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
	----- (Rupees in '000) -----			
Impact of 1% change in interest rates on				
- Profit and loss account	94,715	-	60,689	-
- Other comprehensive income	-	201,923	-	64,666

43.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

2023

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	14,463,419	645,616	-	-	-	-	-	-	-	-	-	13,817,803
Balances with other banks	603,944	76,927	-	-	-	-	-	-	-	-	-	527,017
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-
Investments	179,747,913	50,977,612	40,194,365	67,771,736	20,722,646	-	-	-	-	-	-	81,554
Advances	18,652,824	1,271,605	12,460,524	2,335,842	58,186	-	-	111,646	59,422	-	-	2,094,536
Other assets	33,174,463	-	-	-	-	-	-	-	-	-	-	33,174,463
	246,642,563	52,971,760	52,654,889	70,107,578	20,780,832	83,615	59,422	111,646	177,448	2,094,536	47,600,837	
Liabilities												
Bills payable	2,162,537	-	-	-	-	-	-	-	-	-	-	2,162,537
Borrowings	130,369,330	125,907,462	3,019,430	1,240,214	47,172	-	-	147,682	-	-	-	6,395
Deposits and other accounts	156,876,151	94,733,997	5,208,818	2,536,695	4,767,584	61,641	9,291	90,862	825	-	-	49,466,438
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	1,495,515	1,495,515	-	-	-	-	-	-	-	-	-	-
Other liabilities	9,445,700	558,123	-	220,021	-	558,123	1,332,281	-	680,189	-	-	6,096,963
	300,349,233	222,695,097	8,228,248	3,996,930	4,814,756	620,739	1,341,572	238,544	681,014	(503,566)	577,32,333	
On-balance sheet gap	(53,706,670)	(69,723,337)	44,426,641	66,110,648	15,966,076	(537,124)	(1,282,150)	(126,898)	(503,566)	2,094,536	(101,31,496)	
Off-balance sheet financial instruments												
Commitments in respect of:												
- forward foreign exchange contracts	6,935,713	6,935,713	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	6,935,713	6,935,713	-	-	-	-	-	-	-	-	-	
Total Yield / Interest Risk Sensitivity Gap	(46,770,957)	(76,659,050)	44,426,641	66,110,648	15,966,076	(537,124)	(1,282,150)	(126,898)	(503,566)	2,094,536	(101,31,496)	
Cumulative Yield / Interest Risk Sensitivity Gap	(62,787,624)	(118,360,983)	(52,250,335)	(36,284,259)	(36,821,383)	(38,230,431)	(38,733,997)	(36,639,461)	(46,770,957)			

Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities

2023	
--- (Rupees in '000) ---	
Total financial assets	246,642,563
Add: Non financial assets	9,960,930
Fixed assets	264,723
Intangible assets	23,199,809
Deferred tax assets	8,469,977
Other assets	288,538,002
Total assets as per statement of financial position	300,349,233
Add: Non financial liabilities	1,115,318
Other liabilities	301,464,551
Total liabilities as per statement of financial position	(46,770,957)

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.

43.41 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Group

2023

	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	14,463,419	12,794,713	91,776	124,740	283,534	315,082	1,651,53	2,222,680	216,874	5,683	857	8,377	76
Balances with other banks	603,944	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	179,747,913	4,240	4,240	4,700	9,399	18,799	18,799	10,068,708	45,174,346	21,435,250	48,415,756	43,249,909	2,333,082
Advances	18,652,824	205,719	2,745	2,129,361	2,129,361	2,104,003	1,887,776	936,796	875,643	3,160,322	479,057	747,348	1,802,893
Fixed assets	9,860,930	1,115	6,697	7,814	17,860	33,487	33,487	100,461	179,828	407,423	407,423	648,637	8,016,237
Intangible assets	264,723	51	306	357	815	1,528	1,528	4,585	199,837	18,593	18,593	13,945	-
Deferred tax assets	23,199,809	(4,383)	(28,917)	(33,298)	(66,781)	(133,376)	(133,376)	(4,951)	(6,422)	1,439,124	5,692,522	11,542,466	4,983,365
Other assets	41,644,440	662,683	5,495,198	6,246,605	19,899,761	742,852	199,314	446,707	446,707	3,168,228	3,168,228	761,460	-
	288,558,002	14,058,564	5,775,009	63,553,663	222,233,949	3,082,275	2,172,661	11,764,986	47,076,813	29,634,623	56,182,436	56,972,142	17,135,653
Liabilities													
Bills payable	2,162,537	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	130,369,330	6,395	58,341,037	12,086,600	55,469,825	1,692,830	1,326,600	29,288	17,884	975	-	147,682	-
Deposits and other accounts	156,876,151	138,776,690	995,442	1,352,980	3,075,323	3,417,503	1,791,316	2,415,274	2,252,309	61,641	9,291	90,862	825
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	1,495,515	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	10,561,018	1,728,805	94,129	202,401	994,569	1,181,198	462,418	103,833	1,327,179	1,133,673	1,804,573	121,748	680,189
	301,464,551	144,169,942	59,430,608	13,651,981	59,539,717	6,291,531	3,580,334	2,548,395	3,697,372	1,196,289	1,813,864	360,292	681,014
Net assets	(12,926,549)	(30,111,358)	(53,655,599)	(7,299,318)	(37,305,768)	(3,209,156)	(1,407,653)	9,216,591	43,379,441	28,439,334	56,368,572	56,611,850	16,454,639
Share capital - net	30,500,208												
Reserves	(425,043)												
Accumulated losses	(46,979,561)												
Surplus on revaluation of assets	3,977,847												
	(12,926,549)												

2022

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	11,77,999	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	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	10,141,557	10,141,557	-	-	-	-	-	-	-	-	-	-	-
Investments	51,255,291	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	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	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	376	860	1,613	1,613	4,838	4,838	77,657	19,623	19,623	14,717	-
Deferred tax assets	20,726,644	(4,631)	(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	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	2,556,245	9,242,258	9,520,467	24,609,591	16,400,508	18,884,987

Liabilities

Bills payable	1,989,587	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	25,388,560	18,500	6,797,026	14,208,558	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	1,454,024	489,980	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	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	7,643,430	268,407	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	11,822,778	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)	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
Reserves
Accumulated losses
Surplus on revaluation of assets

(17,758,021)

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	13,372,146	1,195,229	788,464	2,45,722	441,973	13,634	1,796,757	4,467,314	4,382,024
Balances with other banks	1,364,568	-	-	-	-	-	-	-	-
Lendings to financial institutions	10,141,557	-	-	-	-	-	-	-	-
Investments	51,255,291	10,501,336	6,008,464	6,958,000	2,951,100	14,346,250	3,971,200	2,463,475	-
Advances	21,593,564	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	73,461	110,191	253,068	446,886	446,886	688,389	1,494,668	7,131,134
Intangible assets	146,135	3,226	4,838	82,496	19,623	19,623	14,717	-	-
Deferred tax assets	20,726,644	(145,113)	(30,755)	(290,309)	1,268,965	5,355,931	10,431,444	4,958,214	(805,804)
Other assets	11,343,215	2,143,775	408,444	816,888	3,325,824	3,325,824	827,277	-	-
	140,624,533	21,375,132	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	1,357,380	65,738	54,543	1,747	-	167,269	-
Deposits and other accounts	121,861,462	10,892,207	7,185,336	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	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	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)	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)								

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 March 01, 2024 by the Board of Directors of the Group.

President / Chief Executive

Chief Financial Officer

Director

Director

Director

**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED
DURING THE YEAR ENDED DECEMBER 31, 2023**

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, 2023				Interest / Mark-up written-off / waived	Other financial relief provided	Total (9+10+11)	
				Principal	Interest / Mark-up	Other than Interest / Mark-up	Total				
1	2	3	4	5	6	7	8	9	10	11	12
----- (Rupees in '000) -----											
1	Farid Ahmed Shaikh House # A-369, Block- C North Nazimabad Karachi	Farid Ahmed Shaikh House # A-369, Block- C North Nazimabad Karachi (35202-0378248-1)	Faqeer Ali Sheikh	1,095	1,020	-	2,115	328	1,020	-	1,348
TOTAL				1,095	1,020	-	2,115	328	1,020	-	1,348

ISLAMIC BANKING BUSINESS

The Bank commenced its Islamic Banking Operations in Pakistan on March 07, 2014 and is operating with 13 (2022: 14) Islamic banking branches and 35 (2022: 35) Islamic banking windows at the end of the year.

**STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023**

	Note	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
ASSETS			
Cash and balances with treasury banks		2,064,488	1,447,196
Balances with other banks		102,863	236,000
Due from financial institutions	1	2,788,300	8,051,586
Investments	2	37,213,598	10,880,650
Islamic financing and related assets - net	3	2,632,858	2,373,102
Fixed assets		249,752	320,139
Intangible assets		-	82
Due from Head Office		-	-
Deferred tax assets		-	12,622
Other assets		2,608,328	1,041,353
Total Assets		47,660,187	24,362,730
LIABILITIES			
Bills payable		444,820	235,430
Due to financial institutions	4	4,705,668	607,944
Deposits and other accounts	5	36,330,124	20,464,433
Due to Head Office		-	-
Subordinated debt		-	-
Deferred tax liabilities		134,120	-
Other liabilities		1,390,303	413,183
Total Liabilities		43,005,035	21,720,990
NET ASSETS		4,655,152	2,641,740
REPRESENTED BY			
Islamic Banking Fund		1,000,000	1,000,000
Reserves		-	-
(Deficit) / surplus on revaluation of assets		219,705	(9,815)
Unappropriated / Unremitted profit	7	3,435,447	1,651,555
		4,655,152	2,641,740
CONTINGENCIES AND COMMITMENTS	8		

**ISLAMIC BANKING BUSINESS
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Note	2023 ----- (Rupees in '000) -----	2022
Profit / return earned	9	5,819,330	2,776,737
Profit / return expensed	10	3,961,762	1,159,726
Net Profit / return		1,857,568	1,617,011
Other income			
Fee and commission income		98,164	51,321
Dividend income		-	-
Foreign exchange loss		(6,397)	(26,314)
Income / (loss) from derivatives		-	-
Gain / (loss) on sale of securities		103,789	(7,559)
Other income		9,453	3,569
Total other income		205,009	21,017
Total income		2,062,577	1,638,028
Other expenses			
Operating expenses		864,100	859,704
Workers' welfare fund		-	-
Other charges		-	128
Total other expenses		864,100	859,832
Profit before provisions		1,198,477	778,196
(Reversals) / provisions and write offs - net		(582,224)	(68,874)
Profit before taxation		1,780,701	847,070
Taxation		-	-
Profit after taxation		1,780,701	847,070

ISLAMIC BANKING BUSINESS
NOTES TO THE ANNEXURE - II
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023			2022		
		In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
----- (Rupees in '000) -----							
1. Due from Financial Institutions							
Unsecured							
Bai Muajjal Receivable from other Financial Institutions	1.1	2,788,300	-	2,788,300	8,051,586	-	8,051,586

1.1 This represents Bai Muajjal agreements with conventional operations of Bank Makramah Limited (Formerly known as Summit Bank Limited) and carries profit rate at 21.75% per annum (2022: 15.75% per annum) and are due to mature latest by January 08, 2024 (2022: January 31, 2023).

2. Investments

	2023				2022			
	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	34,580,383	-	307,264	34,887,647	8,496,681	-	(66,031)	8,430,650
Non Government Debt Securities								
- Listed	2,369,792	-	(43,841)	2,325,951	2,500,000	-	(50,000)	2,450,000
Total Investments	36,950,175	-	263,423	37,213,598	10,996,681	-	(116,031)	10,880,650

	Note	2023	2022
		----- (Rupees in '000) -----	
3. Islamic financing and related assets			
Ijarah	3.1	479,172	394,844
Murabaha	3.2	-	-
Running Musharakah		354,382	231,889
Diminishing Musharakah		967,149	1,753,890
Diminishing Musharakah-IERF		300,000	-
Tijarah		605,998	629,998
Advance against Ijarah		7,123	26,491
Tijarah Inventory		-	-
Payment against Document		-	-
Gross Islamic financing and related assets		2,713,824	3,037,112
Less: provision against Islamic financings			
- Specific		(79,889)	(661,849)
- General		(1,077)	(2,161)
		(80,966)	(664,010)
Islamic financing and related assets - net of provision		2,632,858	2,373,102

3.1 Ijarah

	2023						
	Cost			Accumulated Depreciation			Book Value as at December 31, 2023
	As at January 01, 2023	Additions / (deletions)	As at December 31, 2023	As at January 01, 2023	Charge for the year	As at December 31, 2023	
	----- (Rupees in '000) -----						
Plant and Machinery	-	-	-	-	-	-	-
Vehicles consumer	588,551	92,105	680,656	193,707	7,777	201,484	479,172
Vehicles corporate	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-
Total	588,551	92,105	680,656	193,707	7,777	201,484	479,172

	2022						
	Cost			Accumulated Depreciation			Book Value as at December 31, 2023
	As at January 01, 2023	Additions / (deletions)	As at December 31, 2023	As at January 01, 2023	Charge for the year	As at December 31, 2023	
	----- (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

Future Ijarah payments receivable

	2023				2022			
	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	21,885	457,287	-	479,172	37,293	357,551	-	394,844

	Note	2023 ----- (Rupees in '000) -----	2022 -----
3.2 Murabaha			
Murabaha financing	3.2.1	-	-
		<u>-</u>	<u>-</u>
		<u><u>-</u></u>	<u><u>-</u></u>
3.2.1 Murabaha receivable - gross	3.2.2	-	-
Less: Deferred murabaha income	3.2.3	-	-
Murabaha financings		<u>-</u>	<u>-</u>
		<u><u>-</u></u>	<u><u>-</u></u>
3.2.2 The movement in Murabaha financing during the year is as follows:			
Opening balance		-	963
Sales during the year		-	-
Adjusted during the year		-	(963)
Closing balance		<u>-</u>	<u>-</u>
		<u><u>-</u></u>	<u><u>-</u></u>
3.2.3 Deferred murabaha income			
Opening balance		-	201
Arising during the year		-	-
Less: Recognised during the year		-	(201)
Closing balance		<u>-</u>	<u>-</u>
		<u><u>-</u></u>	<u><u>-</u></u>
4. Due to financial institutions			
Secured			
Acceptances from the SBP under Islamic Export Refinance Scheme	4.1	90,000	400,000
Total secured		<u>90,000</u>	<u>400,000</u>
Unsecured			
Overdrawn nostro accounts		115,668	7,944
Musharakah	4.2	4,500,000	200,000
Total unsecured		<u>4,615,668</u>	<u>207,944</u>
		<u><u>4,705,668</u></u>	<u><u>607,944</u></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 rate of 15.00% per annum (2022: 8.00% to 9.00% per annum). These are secured against demand promissory notes and are due to mature by April 02, 2024 (2022: April 17, 2023).

4.2 This represents acceptance of funds by Islamic operations of Bank Makramah Limited (formerly known as Summit Bank Limited) from conventional operations of Bank Makramah Limited (formerly known as Summit Bank Limited) on Musharakah basis.

5. Deposits

	2023			2022		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
----- (Rupees in '000) -----						
Customers						
Current deposits	10,873,527	615,187	11,488,714	5,929,857	426,025	6,355,882
Savings deposits	21,568,709	194,150	21,762,859	12,470,238	182,913	12,653,151
Term deposits	1,391,933	589,284	1,981,217	929,434	133,928	1,063,362
Others	664,289	-	664,289	223,829	-	223,829
	34,498,458	1,398,621	35,897,079	19,553,358	742,866	20,296,224
Financial Institutions						
Current deposits	5,725	78	5,803	5,629	171	5,800
Savings deposits	277,242	-	277,242	162,409	-	162,409
Term deposits	150,000	-	150,000	-	-	-
	432,967	78	433,045	168,038	171	168,209
	34,931,425	1,398,699	36,330,124	19,721,396	743,037	20,464,433

5.1 Composition of deposits

	2023	2022
	----- (Rupees in '000) -----	
- Individuals	21,362,657	13,370,997
- Government (Federal and Provincial)	937,168	552,644
- Public Sector Entities	3,860,268	3,720
- Banking Companies	5	49,294
- Non-Banking Financial Institutions	433,040	354,485
- Private Sector	9,736,986	6,133,293
	36,330,124	20,464,433

5.2 Deposits include Eligible Deposits of Rs. 16,044.851 million (2022: Rs. 10,672.273 million) protected under Depositors Protection Mechanism introduced by the State Bank of Pakistan.

6. Charity Fund

	2023	2022
	----- (Rupees in '000) -----	
Opening balance	2,154	1,084
Additions during the year		
- Received from customers on account of delayed payment	4,163	3,370
- Dividend purification amount	-	-
- Other Non-Shariah compliant income	-	-
- Profit on charity saving account	-	-
	4,163	3,370
Payments / utilization during the year		
- Education	-	(300)
- Health	-	-
- Community development	(2,000)	(2,000)
	(2,000)	(2,300)
Closing balance	4,317	2,154

	2023	2022
	----- (Rupees in '000) -----	
7. Unappropriated / Unremitted profit		
Opening balance	1,651,555	801,294
Add : Islamic Banking profit for the year	1,780,701	847,070
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to accumulated profit	3,191	3,191
Closing balance	<u>3,435,447</u>	<u>1,651,555</u>
8. CONTINGENCIES AND COMMITMENTS		
-Guarantees	3,880,588	3,110,325
-Commitments	6,236,815	1,434,033
-Other contingent liabilities	-	-
	<u>10,117,403</u>	<u>4,544,358</u>
9. Profit / Return Earned of Financing, Investments and Placement		
Profit earned on:		
Financing	273,642	302,989
Investments	4,390,745	1,426,051
Placements	1,154,798	1,046,977
Balances with banks	145	720
	<u>5,819,330</u>	<u>2,776,737</u>
10. Profit on Deposits and other Dues Expensed		
Deposits and other accounts	3,745,215	1,072,351
Due to Financial Institutions	200,347	67,330
Finance cost of lease liability	16,200	20,045
	<u>3,961,762</u>	<u>1,159,726</u>
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

Bank Makramah Limited (formerly known as Summit Bank Limited) - Islamic Banking Division (BML-IBD) operates General and Specific Pools for deposits and interbank funds accepted under Modaraba and Musharkah 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 Musharkah are also maintained by the Bank to meet liquidity requirement of the Bank. BML-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 Modaraba. An unrestricted Modaraba 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 Modaraba must be exercised only in accordance with the interests of the parties and the objectives of the Modaraba contract, which is making profit. Therefore, the actions of the Bank must be in accordance with the business customs relating to the Banking operations. BML-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 Bank Makramah Limited (formerly known as Summit Bank Limited) 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. Bank Makramah Limited (formerly known as Summit Bank Limited) 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.
- Modaraba Placement of Bank Makramah Limited (formerly known as 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 Modaraba 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.

	2023	2022
	----- (Rupees in '000) -----	
Avenues / sectors of economy / business where deposits have been deployed*		
Agriculture, forestry, hunting and fishing	447,295	457,295
Cement	976	65,369
Chemical and pharmaceuticals	177,545	177,545
Construction	36,456	36,456
Electronics and electrical appliances	-	458,995
GOP Ijarah Sukuks	36,950,175	10,996,681
Individuals	118,739	181,003
Miscellaneous manufacturing	-	120,300
Paper and allied products	-	29
Services	352,683	229,891
Sugar	605,998	629,998
Transport, storage and communication	3,000	5,666
Wholesale and retail trade	1,699	2,736
Total gross Islamic financing and related assets and investments	<u>38,694,566</u>	<u>13,361,964</u>
Due from financial institutions	2,788,300	8,051,586
Total deployed funds	<u><u>41,482,866</u></u>	<u><u>21,413,550</u></u>

* Staff financing amounting to Rs. 969.433 million (2022: Rs. 671.829 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 Modarib 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
	2023	
	-----%-----	
Rab-ul-Maal	50%	2%
Mudarib	50%	98%

Mudarib share (in amount and percentage of distributable income)

	2023	2022	2023	2022
	----- (Rupees in '000) -----		-----%-----	
Rab-ul-Maal	3,099,191	1,031,987	76%	73%
Mudarib	1,003,624	373,616	24%	27%
	<u>4,102,815</u>	<u>1,405,603</u>		

Amount and percentage of Mudarib share transferred to depositors through Hiba

	2023	2022
	----- (Rupees in '000) -----	
Mudarib share	829,623	327,829
Hiba	174,001	45,786
	-----%-----	
Hiba percentage of Mudarib share	17	12

Profit rate earned vs profit rate distributed to the depositors during the year ended December 31, 2023

	2023	2022
	-----%-----	
Profit rate earned	19.79%	12.64%
Profit rate distributed to depositors	15.77%	8.16%



The ring of
excellence

The Ring of Excellence reflects our dedication to societal upliftment and customer sincerity, permeating every facet of our operations, and delivering superior service and impactful outcomes.



Categories of Shareholders

As on December 31, 2023

	NUMBER OF SHAREHOLDERS	SHARE HELD	PERCENTAGE %
SPONSOR			
HIS EXCELLENCY NASSER ABDULLA HUSSAIN LOOTAH	2	4,003,060,595	60.4489
ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES			
SUROOR INVESTMENTS LIMITED (SIL)	1	1,761,412,119	26.5985
RUPALI BANK LIMITED	1	32,777,450	0.4950
SUB TOTAL	2	1,794,189,569	27.0935
DIRECTORS			
MR. ABDULLA NASSER ABDULLA HUSSAIN LOOTAH		2	
MR. MUHAMMAD SALMAN ALAM FAZLI		2	
MR. JAWAD MAJID KHAN		5	
MR. WASEEM MEHDI SYED		2	
MR. ZAFAR IQBAL SIDDIQI		2	
MR. WAJAHAT AHMED BAQAI		2	
MS. FAUZIA HASNAIN		2	
SUB TOTAL	7	17	0.0000
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS	15	151,854,324	2.2931
NATIONAL INVESTMENT TRUST & INVESTMENT CORPORATION OF PAKISTAN		-	-
FOREIGN SHAREHOLDERS	256	28,980,819	0.4376
INDIVIDUAL	40,999	388,475,810	5.8662
OTHERS	81	255,659,442	3.8606
TOTAL	41,362	6,622,220,576	100.0000
SHAREHOLDERS HOLDING FIVE PERCENT OR MORE (EXCLUDING SIL)			
HIS EXCELLENCY NASSER ABDULLA HUSSAIN LOOTAH	2	4,003,060,595	60.4489

Pattern of Shareholding

As on December 31, 2023

No. of Shareholders	Having Shares		Total Shares Held
	From	To	
8081	1	100	348745
3634	101	500	1000614
21932	501	1000	12450415
5513	1001	5000	11171994
773	5001	10000	5782143
291	10001	15000	3642419
199	15001	20000	3582851
133	20001	25000	3115655
79	25001	30000	2210931
45	30001	35000	1464990
49	35001	40000	1884262
21	40001	45000	909932
78	45001	50000	3863102
37	50001	55000	1948799
21	55001	60000	1210052
12	60001	65000	755629
13	65001	70000	895232
20	70001	75000	1456481
9	75001	80000	715000
8	80001	85000	667388
8	85001	90000	712725
7	90001	95000	646115
58	95001	100000	5789500
9	100001	105000	921377
7	105001	110000	754904
7	110001	115000	790611
4	115001	120000	475544
6	120001	125000	735742
4	125001	130000	519897
1	130001	135000	131500
4	135001	140000	557149
1	140001	145000	140500
14	145001	150000	2084857

No. of Shareholders	Having Shares		Total Shares Held
	From	To	
3	150001	155000	457768
3	155001	160000	477000
4	160001	165000	648059
4	165001	170000	676172
6	170001	175000	1042706
5	175001	180000	890300
1	180001	185000	184000
1	190001	195000	194000
25	195001	200000	4991444
1	200001	205000	201500
4	205001	210000	830987
2	210001	215000	429000
5	215001	220000	1090222
5	220001	225000	1115720
1	225001	230000	227500
1	230001	235000	235000
3	235001	240000	716000
4	240001	245000	974000
6	245001	250000	1500000
2	250001	255000	503501
4	255001	260000	1032178
3	260001	265000	786455
5	265001	270000	1345500
2	270001	275000	546000
2	280001	285000	566932
1	290001	295000	293000
8	295001	300000	2395500
1	300001	305000	300500
1	315001	320000	317500
1	320001	325000	325000
2	325001	330000	655500
1	335001	340000	338885
1	340001	345000	341500

No. of Shareholders	Having Shares		Total Shares Held
	From	To	
4	345001	350000	1399913
2	355001	360000	714978
1	360001	365000	360500
1	365001	370000	365080
1	375001	380000	380000
1	380001	385000	380709
2	385001	390000	775000
2	390001	395000	789109
5	395001	400000	1999500
1	410001	415000	414555
10	415001	420000	4175568
1	420001	425000	423500
1	425001	430000	429000
1	430001	435000	432000
1	435001	440000	440000
1	440001	445000	442500
1	445001	450000	448000
3	455001	460000	1372543
1	460001	465000	463000
1	480001	485000	480500
11	495001	500000	5500000
1	500001	505000	501000
1	505001	510000	506978
2	510001	515000	1023000
1	515001	520000	518400
1	525001	530000	528212
2	535001	540000	1077000
2	545001	550000	1098000
2	550001	555000	1107000
1	555001	560000	555710
1	565001	570000	569000
1	575001	580000	580000
1	590001	595000	593000

No. of Shareholders	Having Shares		Total Shares Held
	From	To	
4	595001	600000	2400000
1	610001	615000	611000
1	625001	630000	626000
2	645001	650000	1300000
1	655001	660000	660000
1	670001	675000	673500
3	675001	680000	2034000
1	695001	700000	700000
1	700001	705000	703980
1	715001	720000	720000
1	745001	750000	749500
1	755001	760000	755555
1	770001	775000	772000
2	780001	785000	1567000
2	795001	800000	1600000
1	805001	810000	807000
1	860001	865000	860500
2	895001	900000	1800000
1	925001	930000	929000
1	955001	960000	957000
1	975001	980000	979000
7	995001	1000000	7000000
1	1015001	1020000	1020000
1	1020001	1025000	1021500
1	1040001	1045000	1042500
1	1075001	1080000	1078500
1	1130001	1135000	1135000
1	1140001	1145000	1141000
1	1145001	1150000	1150000
1	1165001	1170000	1170000
2	1195001	1200000	2399000
1	1225001	1230000	1228000
1	1280001	1285000	1281888

No. of Shareholders	Having Shares		Total Shares Held
	From	To	
1	1295001	1300000	1300000
1	1375001	1380000	1380000
1	1415001	1420000	1415500
1	1545001	1550000	1547443
1	1620001	1625000	1622717
1	1785001	1790000	1790000
1	1795001	1800000	1798677
1	1830001	1835000	1835000
1	1850001	1855000	1852500
1	1980001	1985000	1981500
1	1995001	2000000	2000000
1	2190001	2195000	2192500
1	2195001	2200000	2200000
1	2415001	2420000	2416800
1	2455001	2460000	2459500
1	2510001	2515000	2510500
1	2600001	2605000	2600500
1	2840001	2845000	2843500
1	2915001	2920000	2917500
1	3065001	3070000	3067000
1	3495001	3500000	3500000
1	3895001	3900000	3900000
1	3995001	4000000	4000000
1	4345001	4350000	4350000
1	4465001	4470000	4465500
3	4995001	5000000	15000000
1	5295001	5300000	5300000
1	5840001	5845000	5841389
1	5855001	5860000	5857429
1	5995001	6000000	6000000
1	9995001	10000000	10000000
1	13550001	13555000	13554128
1	13730001	13735000	13735000

No. of Shareholders	Having Shares		Total Shares Held
	From	To	
1	14025001	14030000	14025888
1	15195001	15200000	15200000
1	22985001	22990000	22986500
1	32775001	32780000	32777450
1	33995001	34000000	34000000
2	49995001	50000000	100000000
1	54215001	54220000	54216512
1	66820001	66825000	66822946
1	68225001	68230000	68228986
1	69695001	69700000	69700000
1	82425001	82430000	82427063
1	1761410001	1761415000	1761412119
1	3989505001	3989510000	3989506467
41362			6622220576

Notice of the Eighteenth Annual General Meeting of the Shareholders of Bank Makramah Limited (Formerly Known As Summit Bank Limited)

NOTICE is hereby given that the Eighteenth (18th) Annual General Meeting of the Shareholders (the "Shareholders") of Bank Makramah Limited (formerly known as Summit Bank Limited) (the "Bank") will be held on Friday, March 29, 2024 at 12:00 p.m. at Serena Hotel, Islamabad to transact the following business.

AGENDA

Ordinary Business:

1. To confirm the minutes of the Extraordinary General Meeting of the Bank held on August 15, 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, 2023.
3. To appoint external auditors of the Bank for the financial year ending on December 31, 2024 till the conclusion of the next Annual General Meeting and fix their remuneration (The present external auditors', M/s. Yousuf Adil, Chartered Accountants being eligible have offered themselves for re-appointment).

Other Business:

4. To transact any other business with the permission of the chair.

By order of the Board

Place: Karachi
Date: March 08, 2024

Jawad Majid Khan
President and Chief Executive Officer

Notes:

1. The share transfer books of the Bank will be closed from March 22, 2024 to March 29, 2024 (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 21, 2024 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 officials 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 a corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

For Appointing of Proxies:

- i. In case of individuals, the accountholder or sub-acountholder and/or the person whose securities are in a 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), members 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 members should provide their consent as per the following format and submit it 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 Bank Makramah Limited (formerly known as 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 AGM and the latest audited annual/quarterly financial statements have further been placed on the website of the Bank: <https://www.bankmakramah.com/financial-statements/>
12. Subsequent to the approval of the shareholders of the Bank and in compliance of the S.R.O. 389 (I)/2023 dated March 21, 2023 issued by the Securities and Exchange Commission of Pakistan (SECP), the Bank has adopted the circulation of Annual Financial Statements through QR code and weblink. Further, in compliance of the aforementioned SRO, the Bank has embodied herewith the QR code and the weblink of the Annual Financial Report for the year ended on December 31, 2023.

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 it to us at the given addresses.

13. Pursuant to the 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 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

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-1 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

Shop # 1 & 2, Commercial Plot # C-122,
Block-IV, Dhoraji Cooperative Housing
Society, Scheme # 7, Karachi.

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 I

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 II

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 II

B-44, Block 13/A, Main University Road, Gulshan-e-Iqbal, Karachi
Tel: 021-34987688, 34987739-40
Fax: 021-34987689

I. I. Chundrigar Road Branch I - 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 I

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

Nagan Chowrangi Branch

Shop/ Showroom #. 1, Plot #. SC-28,
Sector No. 11-H, Situated at North, Karachi

New Challi Branch

Plot No. 27, Survey No. 27, (New Challi),
Altaf 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

North Nazimabad Branch

Shop / Showroom #. 04, Commercial
Plot # B-64, Block-L, North Nazimabad
K.D.A Scheme # - 2, Karachi
PABX # 021-36724992-94
FAX # 021-36724972

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

Rizvia Society Branch

B-12, Rizvia Cooperative Society,
Nazimabad, Karachi
Tel: 021-36600956-57
Fax: 021-36600958

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

Safoora Goth Branch

Shop # 01 & 02, Vital Dreams Apartment,
Block-7, Gulistan-e-Jouhar, Main
University Road, Karachi
PABX # 021-34618691-93

Sea View, Clifton Branch

Plot No. G - 2, Block 2, (Ground Floor),
Clifton, Karachi.
Tel: 021 - 3572020 -22
Fax: 021 - 3572023

Shahrah-e-Faisal - Branch II

Business Avenue Block-6, P.E.C.H.S., Karachi
Tel: 021-34386417-18 & 34374476
Fax: 021-34531819

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

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

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 11
Main Gate, Main Bedian Road, Lahore Cantt
Tel: 042-37165300-03
Fax: 042-37165304

Cantt Branch

Day building 1482/A, Abdul Rehman Road,
Lahore Cantt
Tel: 042- 36603061-63
Fax: 042-36603065

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 Phase- VI Branch

Property No 16-MB, Block MB, Phase VI,
DHA, Lahore
Tel: 042 -37189650 -52
Fax: 042-37189653

DHA Phase-VIII Branch

Plaza No. 223, Broadway Commercial,
B-Block, Phase-VIII, DHA, Lahore
Tel: 042-37199915

DHA G Block Branch

Plot # 13 G, Commercial Zone DHA,
Phase-I, Lahore Cantt.
Tel: 042-35691173-78
Fax: 042-35691171

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, Sufiabab, 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

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, Shahrah-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

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

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

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/11-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

Hayatabad Branch

Shop # 1, 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 Musjid, 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

Muzzafarabad Branch

49 Garipan Chowk, Domail,
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

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

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

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: 022-2638451-54
Fax: 022-2638450

Qasimabad Branch

Shop No. 23, 24 & 25, Rani Arcade,
Qasimabad, Hyderabad
Tel: 022-2650742-43 & 2652204-5
Fax: 022-2650745

JEHLUM

Jhelum Branch

Property #. 1 Survey #. 222 (Part)
Dada Bhai Building, Kazim Kamal
Road, Jhelum Cantt.
Tel: 0544-720216 - 18
Fax: 0544-720219

KAMOKE

Kamoke - GT Road Branch

Madni Trade Centre, G.T Road, Kamoke
Tel: 055- 6815175-76
Fax: 055-6815184

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
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
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

Main Dhangri Chowk, Opposite Garden
Public School, Mansehra
PABX: 0977-391606, 303180
Fax: 0997-303135

MARDAN

The Mall Branch

Plot No. 337, 337-A,
The Mall, Mardan
Tel: 0937-865344-45
Fax: 0937-865342

MIRPURKHAS

Umer Kot Road Branch

Plot No : 988 to 991 Umerkot,
Gharibabad, Mirpur Khas
Tel: 0233- 875113-7
Fax: 0233-875118

MURIDKE - Shekhupra

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
Tel: 0244 - 372042 - 44
Fax: 0244-372045

OKARA

M. A. Jinnah Road Branch

Ghulam Mustafa Centre,
M. A. Jinnah Road, Okara.
Tel: 044-2528755, 2525355 & 2551956

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
Tel: 0726-522057-59
Fax: 0726-522060

SIALKOT**Kashmir Road Branch**

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 -1,
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
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: 051-4902240

ISLAMIC BANKING BRANCHES

KARACHI

Fish Harbour Branch

Plot No. L - 2, Block "L" Fish Harbour,
Dockyard Road, West Wharf, Karachi
PABX: 021-32312166-68
Fax: 021-32312165

Fortune Tower Branch

Showroom # 9, Ground Floor Plot # 43/1-A,
Fortune Towers, P.E.C.H.S, Block-6
Shahrah-e-Faisal, Karachi
PABX: 021-32368002-4
Fax: 021-32368008

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

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-II 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

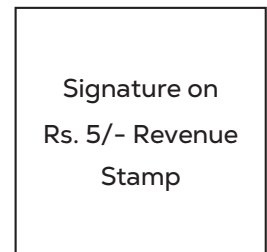
18th Annual General Meeting
The Company Secretary
Bank Makramah Limited
(Formerly known as Summit Bank Limited)
Head Office
Level-11, Plot No. G-2, Block-2, Clifton, Karachi.

I / We _____ s/o, d/o, w/o _____
being a / the member(s) of Bank Makramah Limited (formerly known as 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 18th Annual General Meeting of the Bank to be held on March 29, 2024 and /or any adjournment thereof.

Signed this _____ day of _____ 2024.

Witnesses:

1. Name : _____
Address : _____
CNIC No. : _____
Signature : _____
2. Name : _____
Address : _____
CNIC No. : _____
Signature : _____



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. 2, 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.

Fold Here



BML

بنك مكرمه
Bank Makramah Ltd.

Please affix
correct
postage

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

Fold Here

نمائندے کا فارم

اٹھارھواں سالانہ اجلاس عام
جناب کمپنی سیکریٹری
بینک مکرمل لمیٹڈ
(سابقہ سمٹ بینک لمیٹڈ)
ہیڈ آفس
لیول-۱۱، پلاٹ نمبر جی-۲،
بلاک ۲- کلفٹن کراچی۔

میں / ہم _____ بن / بنت / زوج _____ بینک مکرمل لمیٹڈ (سابقہ سمٹ بینک لمیٹڈ) کے ایک رکن /
ارکان، اور رجسٹرڈ فوئیو / سی ڈی سی اکاؤنٹ نمبر _____ کے مطابق _____ عمومی (آرڈنری) شیئرز کا
حامل ہونے کی حیثیت سے، یہاں، جناب / محترمہ _____ سکنہ _____ (مکمل پتہ) یا اس کی
عدم موجودگی میں جناب / محترمہ _____ سکنہ _____ (مکمل پتہ) کو ۲۹ مارچ ۲۰۲۳ء کو
ہونے والے بینک کے اٹھارھویں سالانہ اجلاس عام میں یا اس کے کسی ملتوی اجلاس میں، میرے / ہمارے نمائندے کے طور پر شرکت کرنے، میری / ہماری جانب سے ووٹ
دینے کے لیے اپنا / اپنی نمائندہ تعینات کرتا / کرتی ہوں۔

دستخط _____ بتاریخ _____ ۲۰۲۳ء

گوہان

۱- نام _____
پتہ _____
شناختی کارڈ نمبر _____
دستخط _____
۲- نام _____
پتہ _____
شناختی کارڈ نمبر _____
دستخط _____

نوٹس

- (i) اس اجلاس میں شرکت کرنے اور ووٹ دینے کا حق دار رکن اپنی طرف سے شرکت کرنے، بولنے اور ووٹ دینے کے لیے کسی دوسرے رکن کو اپنا پراکسی مقرر کر سکتا ہے۔
- (ii) اکاؤنٹ ہولڈرز، ذیلی اکاؤنٹ ہولڈرز پر کسی یا نامزد شخص کو اجلاس میں شرکت کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ دکھا کر اپنی شناخت کی تصدیق کروانا ہوگی۔
- (iii) کارپوریٹ ادارے کی صورت میں، بورڈ آف ڈائریکٹرز کی قرارداد / مختار نامہ جس میں نامزد شخص کے دستخط موجود ہوں گے اجلاس کے وقت پیش کیا جائے گا (اگر پہلے فراہم نہ کیا گیا ہو)۔
- (iv) پراکسی فارمز پر دو گوہان کے دستخط اور مہر مع گوہان کے نام، پتے اور قومی شناختی کارڈ نمبر درج کیے جائیں، اور انھیں بینک کے شیئرز رجسٹرار، میسرز ٹی ایچ کے ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، سی-۳۲، جامی کمرشل اسٹریٹ نمبر ۲، ڈی ایچ اے، فیڑے، کراچی کے پاس اجلاس کے وقت سے کم از کم ۳۸ گھنٹے پہلے جمع کروانا ضروری ہے۔
- (v) افراد کی صورت میں، پراکسی فارم کے ساتھ استفادہ کنندہ (beneficial owners) اور پراکسی کے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقل پیش کی جائے گی۔
- (vi) کارپوریٹ ادارے کی صورت میں، بورڈ آف ڈائریکٹرز کی قرارداد / مختار نامہ کو دستخط کے نمونے اور پراکسی کے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقل پیش کی جائے گی۔

Fold Here



BML

بنك مكرمه
Bank Makramah Ltd.

Please affix
correct
postage

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








Fold Here




**Be aware, Be alert,
Be safe**

**Learn about investing at
www.jamapunji.pk**

Key features:

-  Licensed Entities Verification
-  Scam meter*
-  Jamapunji games*
-  Tax credit calculator*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered

-  Stock trading simulator
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler*
-  Financial calculator
-  Subscription to Alerts (event
notifications, corporate and
regulatory actions)
-  Jamapunji application for
mobile device
-  Online Quizzes



Jama Punji is an Investor
Education Initiative of
Securities and Exchange
Commission of Pakistan

 jamapunji.pk

 [@jamapunji_pk](https://twitter.com/jamapunji_pk)

*Mobile apps are also available for download for android and ios devices

