

TAKING THE PROGRESSIVE DIRECTION

2013 ANNUAL REPORT



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

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CORPORATE INFORMATION



Board of Directors.

Mr. Nasser Abdulla Hussian Lootah
Chairman

Mr. Husain Lawai
President and CEO

Mr. Nasim Beg
Director

Mr. Asadullah Khawaja
Director

Mr. M. Farid Uddin
Director

Mr. Shehryar Faruque
Director

Muhammad Zahir Esmail
Director

Audit Committee

Mr. Asadullah Khawaja
Chairman

Mr. Nasim Beg
Member

Mr. Shehryar Faruque
Member

Risk Management Committee

Mr. Nasim Beg
Chairman

Mr. Asadullah Khawaja
Member

Mr. Shehryar Faruque
Member

Mr. Husain lawai
Member

Human Resource (HR) Committee

Mr. Shehryar Faruque
Chairman

Mr. Nasim Beg
Member

Mr. Asadullah Khawaja
Member

Mr. Husain lawai
Member

CFO & Company Secretary - Acting
Syed Imran Hashmi

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advisors

Tahir Ali Tayebi & Co.
Hyat & Meerjees

Head Office

Arif Habib Centre, 23 M.T Khan Road
Karachi-74000. Pakistan
UAN: (021) 111-124-725
Fax: 021 32435736

Registered Office

Plot No. 6-B, F-6, Supermarket, Islamabad, Pakistan

Share Registrar

Technology Trade (Pvt) Ltd
Dagia House, 241-C, Block 2, PECHS
off Shahrah-e-Qaideen, Karachi-74000, Pakistan
Tel: (021) 34391316-7
Fax: (021) 34391318

Entity Ratings

Rated by JCR-VIS
Medium to Long term "A-"
Short Term "A-3"

Email: info@summitbank.com.pk
website: www.summitbank.com.pk
Toll Free: 0800-24365



VISION

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



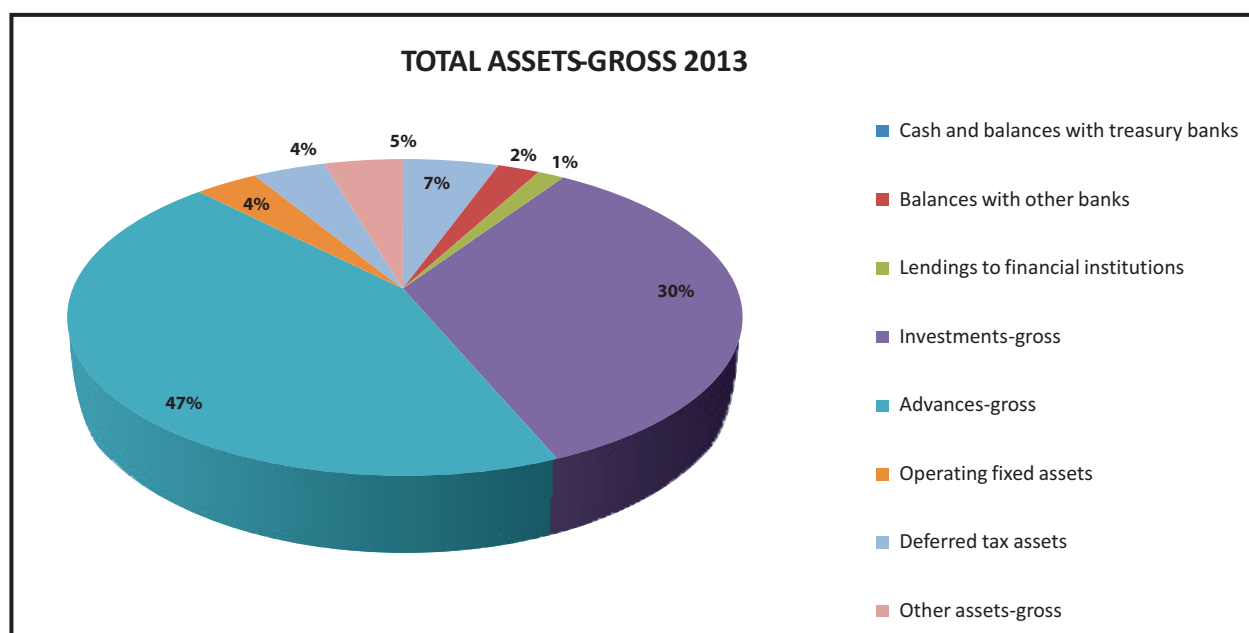
MISSION

- To be a financial institution based on Trust, Integrity and Good Governance.
- To deliver financial solutions to our customers.
- To provide equal opportunities & professional working environment to our employees.
- To provide fair return to our shareholders on their investment.
- To serve the community at large.
- To discharge corporate social responsibility.



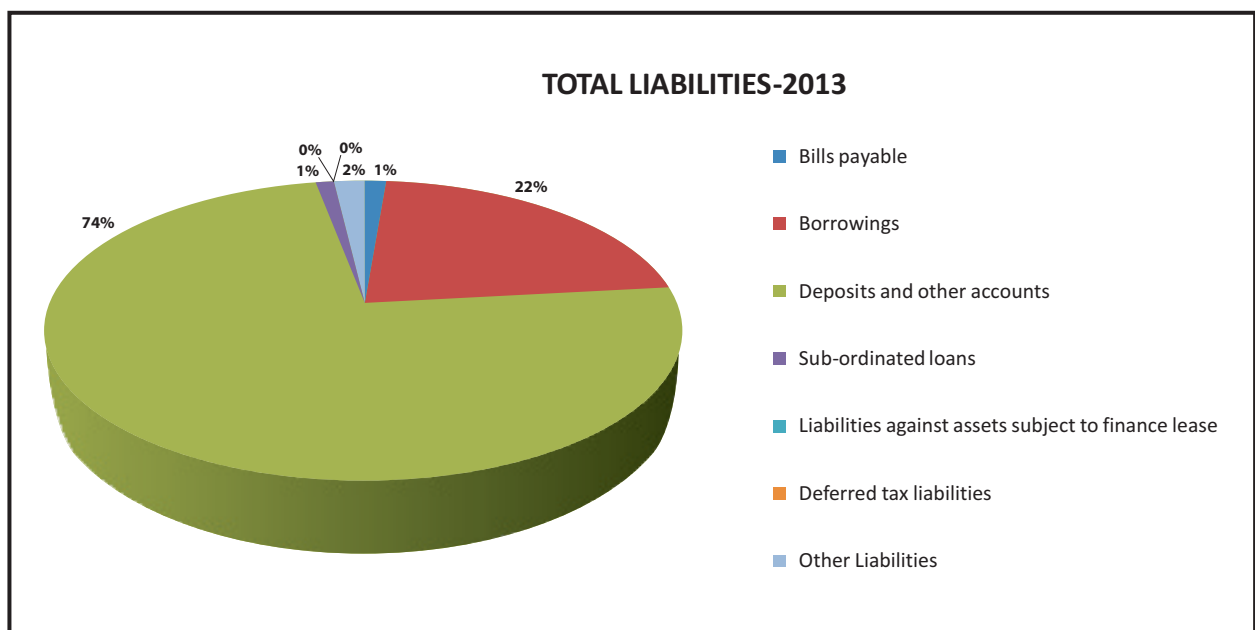
KEY OPERATING AND FINANCIAL DATA

DECEMBER 31	Rupees in Million					
	2008	2009	2010	2011	2012	2013
				Restated*	Restated	
ASSETS						
Cash and balances with treasury banks	1,350	1,924	4,048	6,118	8,110	9,204
Balances with other banks	66	725	338	1,426	3,601	2,302
Lendings to financial institutions	200	1,434	-	1,070	2,039	1,555
Investments-gross	5,576	12,690	21,341	37,634	51,117	41,018
Advances-gross	16,510	21,072	44,495	68,399	64,942	65,569
Operating fixed assets	928	1,571	2,690	6,071	5,385	6,182
Deferred tax assets	361	381	3,203	6,298	6,042	5,800
Other assets-gross	1,070	1,189	2,848	6,231	6,897	7,075
Total assets-gross	26,061	40,986	78,963	133,247	148,133	138,705
Provision against non performing advances	(752)	(2,568)	(5,724)	(12,381)	(12,393)	(11,360)
Provision / Surplus/ (Deficit) on revaluation of investments	(481)	(244)	(840)	(1,365)	(1,172)	(1,330)
Provision held against other assets	(24)	-	(131)	(153)	(182)	(454)
Total provisions	(1,257)	(2,812)	(6,695)	(13,899)	(13,747)	(13,144)
TOTAL ASSETS-NET OF PROVISIONS	24,804	38,174	72,268	119,348	134,386	125,561



KEY OPERATING AND FINANCIAL DATA

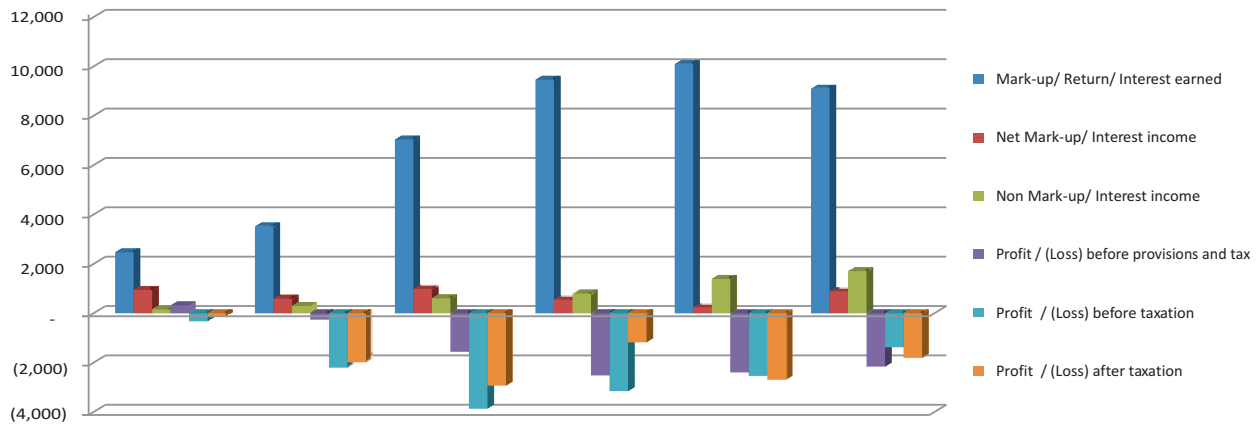
DECEMBER 31	Rupees in Million					
	2008	2009	2010	2011	2012	2013
				Restated*	Restated	
LIABILITIES						
Bills payable	76	213	357	901	1,654	2,205
Borrowings	1,870	1,555	5,257	18,563	28,900	9,961
Deposits and other accounts	16,616	31,307	61,608	89,700	96,916	106,351
Sub-ordinated loans	-	-	-	1,500	1,499	1,499
Liabilities against assets subject to finance lease	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-
Other Liabilities	420	1,044	1,673	2,911	2,352	2,155
Total liabilities	18,982	34,119	68,895	113,575	131,321	122,171
NET ASSETS	5,822	4,055	3,373	5,773	3,065	3,390
REPRESENTED BY						
EQUITY						
Share capital	5,000	5,000	7,251	10,780	10,780	10,780
Convertible preference shares	-	-	-	-	-	2,156
Share premium	1,000	1,000	1,000	1,000	1,000	1,000
Discount on Issue of Shares	-	-	-	(1,297)	(1,297)	(1,297)
Statutory reserves	65	65	65	65	65	65
General reserves	250	-	-	-	-	-
Merger reserves	-	-	(2,400)	(1,579)	(1,579)	(1,579)
Unappropriated profit	(182)	(1,999)	(2,322)	(3,392)	(6,071)	(7,876)
Total equity	6,133	4,066	3,594	5,577	2,898	3,248
(Deficit) / Surplus on revaluation of assets-net	(311)	(11)	(221)	196	167	142



* Numbers represents merged position of Mybank with and into Summit Bank Limited from April 01, 2011.

KEY OPERATING AND FINANCIAL DATA

DECEMBER 31	2008	2009	2010	2011	2012	2013
				Restated*	Restated	
RESULTS OF OPERATIONS						
Mark-up/ Return/ Interest earned	2,472	3,514	7,071	9,552	10,265	9,178
Mark-up/ Return/ Interest expensed	1,586	2,947	6,102	9,021	10,138	8,330
Net Mark-up/Interest income	886	567	968	531	127	849
Net Mark-up/Interest income after provisions	263	(1,474)	(1,362)	(69)	95	1,685
Non Mark-up/Interest income	167	265	582	732	1,377	1,686
Non Mark-up/Interest expense	777	1,077	3,095	3,871	3,997	4,778
Profit/(Loss) before provisions and tax	276	(245)	(1,545)	(2,608)	(2,493)	(2,244)
Provision against non performing loans and advances/writeoff	(623)	(1,817)	(1,937)	(639)	(73)	916
Provision for diminution in the value of investments	-	(224)	(393)	39	41	(79)
Profit /(Loss) before taxation	(347)	(2,286)	(3,875)	(3,208)	(2,525)	(1,407)
Taxation	(156)	(219)	(857)	(1,999)	209	421
Profit /(Loss) after taxation	(191)	(2,067)	(3,018)	(1,209)	(2,734)	(1,828)



DECEMBER 31	2008	2009	2010	2011	2012	2013
				Restated	Restated	
FINANCIAL RATIOS						
Return on equity (ROE)	-3.11%	-50.84%	-83.98%	-21.68%	-94.35%	-56.29%
Return on assets (ROA)	-0.77%	-5.41%	-4.18%	-1.01%	-2.03%	-1.46%
Profit / (Loss) before tax ratio	-14.04%	-65.05%	-54.81%	-33.59%	-24.60%	-15.33%
Gross spread ratio	35.84%	16.14%	13.70%	5.56%	1.24%	9.25%
Advances to deposits ratio-Gross	99.36%	67.31%	72.22%	76.25%	67.01%	61.65%
Advances to deposits ratio-Net	94.84%	59.10%	62.93%	62.45%	54.22%	50.97%
Income to expenses ratio (times)	0.88	0.62	0.66	0.76	0.82	0.89
Cost to revenue ratio	89.54%	106.48%	120.19%	125.36%	121.41%	120.65%
Total assets to shareholders' funds (times)	4.04	9.39	20.11	21.40	46.37	38.66
NPL ratio	16.32%	23.81%	25.61%	32.78%	36.05%	27.16%
Capital adequacy ratio	20.85%	9.83%	5.35%	7.52%	4.25%	4.42%
SHARE INFORMATION						
Weighted average number of shares outstanding	500,000	500,000	541,127	914,892	1,077,980	1,203,090
Loss per share (Rupee)	(0.38)	(4.13)	(5.58)	(1.17)	(2.54)	(1.52)
Market value of shares	13,500	2,765	3,350	2,763	1,854	3,202
Price earning ratio (PE)	(70.68)	(1.34)	(1.11)	(2.28)	(0.68)	(1.75)
Book value per share	11.64	8.11	4.65	5.36	2.84	3.14
NON FINANCIAL INFORMATION						
Non performing loans (NPL) (Rs. in mn)	2,694	5,017	11,394	22,418	23,410	17,809
Number of employees	541	615	1340	2289	2461	2507
Number of branches	33	40	80	165	186	187

* Numbers represents merged position of Mybank with and into Summit Bank Limited from April 01, 2011.

DIRECTORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2013

On behalf of the Board of Directors, I present herewith the Annual Report along with the audited accounts and auditor's report thereon of the Summit Bank Limited for the year ended December 31, 2013.

Performance Review

The summarized financial highlights of the Bank for the year ended are:

	December 31, 2013	December 31, 2012 (Restated)
	Rupees in '000	
Operating loss before provisions and diminution in value of investments	(2,243,578)	(2,492,536)
Reversal / (Provision) against non-performing loans and advances – net	917,704	(33,639)
(Provision) / Reversal for diminution in the value of investments	(79,412)	41,004
Bad-debts written off directly	(1,866)	(39,745)
Loss before tax	(1,407,152)	(2,524,916)
Taxation	(421,072)	(209,240)
Loss after tax	(1,828,224)	(2,734,156)
Basic and diluted loss per share	(1.52)	(2.54)

The operating result of the bank has shown improvement as the Bank has successfully reduced its operating loss to Rs. 1,407 million as compared with a loss of Rs. 2,525 million for the year to December 31, 2012 (before tax). Importantly, the Bank succeeded in passing the barrier of deposits of Rs.100 billion and successfully closed the books with record deposits of Rs. 106 billion as of December 31, 2013.

As a result of the Management's approach to improve its net mark-up income by rationalizing its return on funds deployed, improving recovery against non-performing loans and reducing cost of deposits (CoD), the net mark-up income of Rs. 848.553 million during the current year showed an increase of Rs. 721.227 million or 5.66 times that of the previous year which stood at Rs. 127.326 million.

The Bank has succeeded in reducing its CoD to 6.30% during the year 2013 (Year, 2012: 8.40%), this was achieved despite the fixation of higher mandatory cost on saving deposits by the State Bank of Pakistan (SBP). This reduction of 25% in overall CoD has been achieved through the Management's commitment to increase its CASA deposits, reduction of high cost deposits and widening its customer base.

A major constraint on the Bank's performance is the impact of the high Non Performing Loans (NPLs). The year opened with NPLs of Rs. 23,410 million as of December 31, 2012, however, the Management's concentrated focus and efforts for their early recovery resulted in substantial reduction by Rs. 5,601 million thus reducing the NPLs to a figure of Rs. 17,809 million as of December 31, 2013. This consequently resulted in gross reversals in provision against NPLs by Rs. 3,274 million. However, this was almost absorbed by the additional time based provisions against NPLs made during the year 2013 amounting to Rs. 2,356 million. The additional provisions mainly consist of impact of reduction in recognition of the Forced Sale Value of the collateral held by the Bank and downgrading of existing NPLs in line with regulatory, time based requirements. Nevertheless, very importantly, these efforts by the Management reduced the infection ratio by almost 8.89% which currently stands at 27.16% in comparison with 36.05% as of December 31, 2012. The Management will remain focused to continue the recovery drive.

The fees, commission and brokerage income of the Bank stood at Rs. 846.949 million, i.e., an increase of 36.56% (Rs. 226.729 million) as compared with earnings under this head of Rs. 620.220 million last year. To further improve non-mark-up income of the Bank, the Management is committed to providing swift and quality services to existing customers and new customers.

Economic Review

The overall economy of Pakistan faces critical challenges like severe energy shortages, terrorism and weak law and order situation, fundamental weakness in balance of payments, substantial repayment of IMF loans and other structural impediments. We hope that the Government will succeed in addressing these challenges.

The SBP reduced its discount rate in June 2013 to continue its strategy to boost the investment and uplift the economy but later increased the same by 50 basis points (bps) each in September and November 2013 mainly to control the continuous deterioration in the balance of payments position and worsening of the inflation outlook. Nevertheless, due to earlier reductions in the policy rate, settlement of energy sector circular debt and improved credit to private businesses, the economic activity has shown early signs of recovery. Similarly, fiscal consolidation efforts have been initiated, which are expected to give results going forward.

The continuously positive trend at the Stock Exchange has attracted further foreign investment in the market. At the time of writing of this report, we have also witnessed some serious private sector FDI interest emerge in the textile sector; a very welcome step. This encouraging aspect has promoted the confidence of investors further.

Fiscal Policy

In the Financial Year 2013-14 of the Government's Budget, the target for fiscal deficit was set at 6.3 percent of GDP, significantly lower than the 8.0 percent realized in FY 2012-13. This lower target assumed a substantial growth in tax revenues and reduction in subsidy related expenditures. During first quarter of FY 2014, the fiscal authority managed to keep the fiscal deficit under control. The Government is still relying on expensive domestic borrowings to meet the budget deficit; however, higher foreign inflows are expected in second half of FY 2014, including overdue proceeds from the privatization of PTCL, floatation of euro bonds, and additional flows from new IMF program.

The major cause for continuing fiscal deficit is the escalation in expenditures, primarily driven by the increase in debt servicing, continuing subsidies (albeit, reduction on energy front but increased burden on imported fertilizers) and development spending; these factors played a major role in pushing up the budget deficit to 6.5 percent of GDP. The poor tax collection on the revenue side also contributed to this deficit; in addition the deficit was further impacted by the non-realization of envisaged receipts from the auction of 3G licenses and delay in Coalition Support Fund Payments. With the non-availability of external sources of funding, the burden of financing the deficit fell on domestic sources. This heavy reliance on costly domestic borrowing, in the face of a high budget deficit, has unfavorable implications for the sustainability of Pakistan's public debt.

Banking Sector Overview

The overall banking industry's deposits were around Rs. 7,530 billion at the end of 2013 as compared to Rs. 6,683 billion in 2012, showing an increase of about 12.6%. On the other hand, there is a corresponding increase in the size of total advances and investment. The increasing growth in private sector credit is a positive sign of overall industry which has resulted in the reduction of gross NPLs position of the banking industry by 2% as compared to 2012.

The SBP has aligned the minimum rate of return on saving deposits with the prevailing repo rate. According to this, the return on saving deposits has to be not less than 50 bps below the floor of the interest rate corridor. The consequence of this change and the growth in banking deposits will mean increased lending to the private sector so as to earn decent returns. We believe that the minimum rate of return may continue to impact the bottom-line improvement can come from reduced provisioning and growth in quality lending.

STATE OF AFFAIRS AND FUTURE PLANS

Islamic Banking

By the grace of Allah, after obtaining all regulatory approvals, the Bank has started its first Islamic Banking Branch on March 07, 2014 with a clear vision to convert itself fully into an Islamic Bank in a phased manner over the next three years.

The Bank is now able to offer Shariah compliant products and services to wide range of customers. In order to enhance its ability and capacity, the Bank is focused on training its staff so as to make them fully capable of providing the best of services and products to the valued customers under the Shariah compliant structure.

Business and Branch Network

The overall progress of Summit Bank is attributable by diversified range of products and services for our valued customers. We have ensured the presence of the Bank across the country with the network of 187 branches.

The Bank strongly believes in internal controls and overall efficiency and focuses on placing the best-in-class technology platform to improve customer experiences. During the year 2013, the Bank focused on upgrading its existing data storage technology and acquired enterprise-class storage solution to ensure optimum level of security and availability of customers' and operational data of the Bank. The Bank also achieved and finalized the initial IT plan for implementation of Islamic Banking Operation.

The Bank is also committed to make full use of its technology platform in the area of electronic services and payment systems. The Bank has a network of 204 ATMs including 55 off-site ATMs at convenient locations across the Country to expand the presence of the Bank. The growing network of ATMs resulted a remarkable growth of 18% in its ATM base and 44% in ATM acquiring transactions during the year 2013.

Summit Bank has shown a remarkable year on year growth of 98% in its Bancassurance Portfolio. The Bank is currently offering customized products with a mix of savings and investments of two Business Partner's namely MetLife Alico & Jubilee Life through the entire branch network spread across Pakistan. In line with the Bank's strategy to convert its business towards Islamic Banking, it plans to introduce Banca Takaful in near future. This new addition will provide our customers, the requisite facility whereby they can make investments in a Shriah complaint manner.

New Products and Services

The Bank has continued to introducing new products and services in order to meet the increasing customer's needs. In this regard, the Bank has successfully launched Dolmen Loyalty Debit Card which is especially designed for a niche segment (frequent shopper/visitor of Dolmen Malls) and Young Bee Saving Account for children and teenagers.

The Bank has also launched its first 'Payroll Card' specifically designed to facilitate the Corporate and SME clients of the Bank to enable them pay the salaries of their staff with ease and convenience.

In addition to the above deposit products, the bank has launched Summit Gold Loan as secured running finance / personal loan facility designed to cater to the funding needs of existing and prospective customers of the Bank.

During the year 2014, the Bank plans to launch 'Summit Visa Prepaid Card' with unique features. This prepaid card will provide a reliable and secured alternative to cash and the cardholder will be able to perform cash withdrawal, mobile recharge and pay bills at his convenience. Further, customers will also be able to avail discounts on various outlets across Pakistan.

Minimum Capital Requirement

The State Bank of Pakistan (SBP) has set the minimum capital requirement for banks to Rs.10 billion that was required is to be achieved in a phased manner by December 31, 2013. The paid-up capital as of December 31, 2013 of the Bank was Rs.10 billion. However, the equity of the Bank (net of losses) as of December 31, 2013 amounted to Rs.3,182.812 million.



During the year, the Bank has issued 215,595,916 listed convertible, perpetual, irredeemable, non-cumulative preference shares of Rs. 2.156 billion to raise the equity of Bank. Additionally, the Bank intends to raise further capital of at least Rs.5 billion from domestic and international investors to meet the regulatory capital requirements.

In order to comply with the current shortfall in meeting the regulatory capital requirement, the SBP has allowed extension in meeting the MCR and CAR requirements till September 30, 2014.

Deferred Tax

The Bank has an aggregate amount of deferred tax asset of Rs. 5,800 million which represents Management's best estimate of the probable benefits expected to be realised in future years. The Management of the Bank has prepared a five years business plan which has been approved by the Board of Directors of the Bank. The business plan involves making certain assumptions; the Management has carried out a sensitivity analysis and is confident that the Bank will be able to achieve the profits projected in the business plan and consequently the recorded deferred tax asset will be fully realised in future.

Credit Rating

The medium to long-term rating of the Bank rated by JCR-VIS, credit rating Company, is 'A-' whereas short-term rating of the Bank is 'A-3'.

Future Outlook

The Bank is promoting a culture of excellence, leadership and customer focus to achieve high levels of operating efficiency as well as the ability to deliver outstanding services to customers. The Bank is further strengthening its Compliance Culture and improving all processes, procedures and systems to attain sustained growth and profitability. With fresh capital injection and the introduction of Islamic Banking, it is expected that bank's overall performance will improve significantly.

The Management recognizes that it needs to invest in continuing training and development of the Bank employees at all levels. In addition the Management is committed to continuously improving the work environment and in rewarding good performance by the employees so as to retain high quality human resource.

Loss per share

Basic and diluted loss per share has been disclosed in Note 32.

Pattern of Shareholding

The pattern of Shareholding is annexed to the financial statements.

Corporate and Financial reporting framework

The Directors confirm compliance with the Code of Corporate Governance issued by the SECP and feel pleasure to give the following statement in respect of the Code:

- The financial statements, together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984. These statements present fairly the Company's state of affairs, results of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements except for change in accounting policy as mentioned in note No.5.1.1 of the financial statements. Accounting estimates are based on reasonable and prudent judgment.

- The International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departures there from having a material impact on the financials have been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no significant doubt about the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- Key financial and operating data for the last six years is available in the annual report.
- Book value of investments and placements by Staff Provident Fund and Staff Gratuity Fund as at December 31, 2013 is:
 - o Staff Provident Fund Rs. 548.74 million
 - o Staff Gratuity Fund Rs. 120.88 million
- All the statutory liabilities, if any, have been adequately disclosed in the financial statements.

During 2013 the following Board and sub committees meetings were held and were attended by the Directors as follow:

Name of Directors	Board Meetings		Audit Committee Meetings		Risk Management Meetings		Human Resource Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr. Nasser Abdulla Hussain Lootah	4	3	-	-	-	-	-	-
Mr. Husain Lawai (President & CEO)	4	4	-	-	4	4	4	4
Mr. Nasim Beg	4	3	5	4	4	4	4	4
Mr. Asadullah Khawaja	4	4	5	5	4	4	4	4
Mr. M. Farid Uddin	4	-	-	-	-	-	-	-
Mr. Shehryar Faruque	4	2	5	4	4	4	4	4
Muhammad Zahir Esmail	4	2	-	-	-	-	-	-

Leave of absence was granted in case the directors were not able to attend the meeting.

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 with in an efficient risk management framework and that return must commensurate with the risk taken.

The Board of Directors has the overall responsibility of determining the type and level of business risks that the Bank undertakes in achieving its corporate objectives. The Board has delegated to various Committees the authority to formulate, review and approve policies on monitoring and managing risk exposures. The major policy decisions and proposals on risk exposures approved by these Committees are subject to review by the Risk Management Committee of the Board (RMCB). The Board has appointed the RMCB to oversee senior management's activities in managing credit, market, liquidity, operational, legal and other risks and to ensure that risk management process is in place and functioning.

The various Committees comprise of senior executives of the Bank who meet regularly to deliberate on matters relating to risk exposures in the areas under their respective supervision.

In order to strengthen credit risk management, Bank has updated its credit policy and procedural manual as well as updating its credit risk rating models. Bank is in process of implementing an in-house developed credit model for effective management and monitoring of its credit portfolio. This will also provide improvement in turn around time.

Going forward, the Bank intends to further strengthen the risk management function by implementing various automatic monitoring tools.

Statement on internal control

The Bank's internal controls system has been designed to achieve business objectives, operational efficiency along with ensuring legal and statutory compliance and the accuracy of financial reporting.

It is the responsibility of the Board of Directors and Bank's management to establish and maintain an adequate and effective Internal Control System. In this regard, Management has adopted following specific strategies duly endorsed by the Board of Directors:

- An independent Internal Audit Division reporting directly to the Audit Committee of the Board of Directors is effectively functioning.
- Compliance Division is working to ensure adherence to Laws, Regulations, and Code of ethics with a strong emphasis on KYC & AML.
- An Internal Control Unit has been established to oversee financial and operational controls, accounting system and reporting structures to ensure their adequacy and effectiveness.
- A robust risk management framework exists for identification, measurement, and management of the risks faced by the Bank. Further, Bank is process of developing in-house technology based controls for mitigating Credit and Operations risks.
- The Statement of Ethics and Business Practices has been signed and adopted by the Directors and the employees of the Bank.
- A portfolio of policies approved by the Board, are continuously updated based on the needs and requirements.
- Management responds promptly to the observations & recommendations made by the Bank's Internal and External Auditors for improvements in the internal control system.
- A number of Board and Management Committees are functioning to ensure adequate communication and control.

A reputable consultancy firm has reviewed the existing key processes and controls and submitted its Long Form Report (LFR) for SBP. SBP, after its full review of LFR and status of implementation of Internal Control over Financial Reporting (ICFR) Program, has found the internal control processes adequate and documented.

As part of an ongoing exercise for the identification, evaluation and management of significant risks faced by the Bank, the bank's Internal Control Unit is in process of reviewing the documentation covering the policies, procedures, SOPs etc for assessing their soundness, and has initiated measures to remediate control weaknesses.

Management of the Bank is making concerted efforts to improve the control environment at each business and operational activity through continuous review and streamlining of procedures to prevent and rectify control lapses as well as imparting training at each staff levels.

Based on review reports on internal control system by the Internal Audit Division, Internal Control Unit, Compliance Division and Statutory Auditors, the management of the Bank considers that the existing Internal Control system is adequate and effective.

Corporate Social Responsibility

The technology-driven G2P (Government-to-Person) services were continued during the year 2013 to join hands with the Government of Pakistan for poverty alleviation. The bank has registered more than 165,000 beneficiaries and has disbursed more than Rs. 2.9 billion under the Benazir Income Support Program so far.

Subsidiary

The Bank has 100% shareholding in Summit Capital (Private) Limited.

Appreciation and Acknowledgment

The Board would like to express its appreciation of the efforts the Management and all employees, while acknowledging the role of the State Bank of Pakistan, other Regulators and Federal and Provincial Governments in developing and strengthening the banking and financial service industry.

I would like to take this opportunity to also thank on behalf of the Board and Management of the Summit Bank Limited, the customers and the shareholders for entrusting their confidence in us and assure them that we remain committed to maintaining high service standards and a strong culture of good corporate governance and compliance in all our endeavors.

On Behalf of the Board of Directors

Husain Lawai
President & CEO

Karachi
March 08, 2014

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the Listing Regulation No.35 of the Karachi, Lahore & Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

Summit Bank Limited (the Bank) has applied the principles contained in the Code in the following manner:

1. The Bank encourages representation of independent Directors, non-executive Directors and Directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Directors	Mr. Shehryar Faruque Mr. Asadullah Kawaja (FPT stands approved subsequent to year end-see note 4 below)
Executive Directors	Mr. Husain Lawai, President & CEO Mr. Zahir Esmail, Chief Operating Officer
Non-Executive Directors	Mr. Nasim Beg

The independent directors meet the criteria of independence under clause i (b) of the Code.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies.
3. All the resident directors of the Bank are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or being a member of stock exchange has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurred during the year as a director resigned during the year. His resignation was accepted by the Board in its 51st meeting held on March 05, 2013, and another director was elected in the same meeting. Election of directors was held during the year and all the directors were re-elected at the annual general meeting subject to the approval of SBP. SBP granted its approval for all the directors except for one director for whom SBP granted approval subject to the condition that such director resigns from the Board of one listed Company which has long overdue. Subsequent to the year end, the said director resigned from the Board of that listed Company.
5. 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.
6. The Bank has developed a vision/mission statement, overall corporate strategy and significant policies, which are periodically renewed and updated. A complete record of particulars of significant policies along with the dates on which they were approved or amended is maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the Board.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the Board. The board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors on the Board of the Bank are individuals of repute and integrity with vast diversified experience of the financial and corporate affairs. No training of directors was held during the year. However, two of the directors hold experience of 15 years of acting as directors of listed Company and are well conversant with the local laws and practices.

10. The Board has approved the appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit along with the terms and conditions of their employment. During the year, the Chief Financial Officer of the Bank resigned and an acting CFO was appointed. Furthermore, the Company Secretary resigned subsequent to the year end and the acting CFO was appointed as acting Company Secretary as well, of the Bank.
11. The Directors' Report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed
12. The financial statements of the Bank were duly endorsed by Chief Executive Officer and the Chief Financial Officer before approval of the board.
13. The Directors, Chief Executive Officer and Executives do not hold any interest in the shares of the Bank other than as disclosed in the pattern of shareholding.
14. The Bank has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive Directors and the Chairman of the Committee is an independent Director. Further, an election of directors was held during the year, FPT clearance was received for all the directors except for the chairman of audit committee (refer note 4).
16. The meetings of the Audit committee were held at least once every quarter prior to approval of interim and final results of the Bank as required by the Code. The terms of reference of the committee have been formulated and advised to the committee for compliance.
17. The Board has also constituted a Human Resource Committee comprising of three non-executive Directors and one executive Director. The Chairman of the committee is a non- executive Director. FPT clearance was received for all the directors except for one member of the HR committee (refer note 4).
18. The Board has set up an effective internal audit function. Personnel of the Internal Audit department are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Bank.
19. 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, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'Closed Period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Bank's securities, was determined and intimated to Directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles enshrined in the Code have been complied with.

Husain Lawai
President & CEO
Karachi
March 08, 2014



AUDITORS' REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Summit Bank Limited** (the Bank) for the year ended **31 December 2013** to comply with the Listing Regulations of Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited, where the Bank is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

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 Code requires 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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended 31 December 2013.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the note references where these are stated in the Statement of Compliance:

Note Reference	Description
4,15,17	Approval of one Director from the State Bank of Pakistan was pending subject to his resignation from directorship of another listed Company. The said director resigned from the Board of Directors of the said listed Company subsequent to the year end.
10	Chief Financial Officer (CFO) of the Bank resigned during the year and an acting CFO was appointed in his place.

Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Karachi

March 08, 2014

AUDITORS' REPORT TO THE MEMBERS ON FINANCIAL STATEMENTS OF SUMMIT BANK LIMITED

We have audited the annexed statement of financial position of **Summit Bank Limited** (the Bank) as at **31 December 2013** and the related profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement, together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for twenty branches which have been audited by us 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 our audit.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in case of loans and advances covered more than sixty percent of the total loans and advances of the Bank, we report that:

- (a) in our opinion proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984) and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- (b) in our opinion:
 - (i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes in accounting policies as disclosed in note 5.1 to the accompanying financial statements with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank.
- (c) in our opinion and to the best of our information and according to the explanations given to us the statement of financial position, profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement, together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2013 and its true balance of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

We draw attention to the following matters:

- (i) note 1.3 to the accompanying financial statements, which fully explains the Bank's capital deficiency in terms of the regulatory requirements as prescribed by the State Bank of Pakistan (SBP) and the management's future plans and actions in relation thereto. The said note also indicates the existence of material uncertainties with respect to the recapitalisation of the Bank and, consequently, its sustainability in future. Further, as stated in the above referred note, the SBP has advised the Bank to raise additional equity of Rs.5 billion within the revised timeline of March 31, 2014; and
- (ii) note 13 to the accompanying financial statements relating to deferred tax asset amounting to Rs.5,799.860 (2012: Rs.6,041.513) million. The management has recorded the said asset based upon their assessment of its recoverability, on the basis of financial projections for future years, as approved by the Board of Directors of the Bank, which take into account various assumptions regarding the future business and economic conditions. However, as disclosed in the said note, a significant change in the assumptions used may affect on the realisability of the deferred tax asset recorded in the financial statements.

Our opinion is not qualified in respect of these matters.

Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Karachi

March 08, 2014

Financial Statements



UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2013

		December 31, 2013	December 31, 2012 (Restated Note 5.1.1)
	Note	----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks	7	9,203,568	8,110,185
Balances with other banks	8	2,302,085	3,600,977
Lendings to financial institutions	9	1,555,000	2,038,500
Investments	10	39,688,247	49,945,062
Advances	11	54,208,474	52,549,154
Operating fixed assets	12	6,181,540	5,385,336
Deferred tax assets - net	13	5,799,860	6,041,513
Other assets	14	6,621,261	6,714,468
		125,560,035	134,385,195
LIABILITIES			
Bills payable	15	2,205,414	1,654,302
Borrowings	16	9,961,198	28,900,432
Deposits and other accounts	17	106,351,042	96,916,430
Sub-ordinated loans	18	1,498,620	1,499,310
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	19	2,155,018	2,350,576
		122,171,292	131,321,050
NET ASSETS		3,388,743	3,064,145
REPRESENTED BY			
Share capital	20	10,779,796	10,779,796
Convertible preference shares	20	2,155,959	-
Reserves	21	(1,811,675)	(1,811,675)
Accumulated losses		(7,876,440)	(6,069,740)
		3,247,640	2,898,381
Surplus on revaluation of assets - net of deferred tax	22	141,103	165,764
		3,388,743	3,064,145
CONTINGENCIES AND COMMITMENTS	23		

The annexed notes from 1 to 44 form an integral part of these unconsolidated financial statements.

President &
Chief Executive

Chairman

Director

Director

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2013

		December 31, 2013	December 31, 2012 (Restated Note 5.1.1)
	Note	----- (Rupees in '000) -----	
Mark-up / return / interest earned	24	9,178,427	10,265,092
Mark-up / return / interest expensed	25	(8,329,874)	(10,137,766)
Net mark-up / interest income		848,553	127,326
Reversal of provision / (provision) against non-performing loans and advances-net	11.3.1	917,704	(33,639)
(Provision) / reversal of provision for diminution in the value of investments - net	10.13	(79,412)	41,004
Bad debts written off directly	11.4.1	(1,866)	(39,745)
		836,426	(32,380)
Net mark-up / interest income after provisions		1,684,979	94,946
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		846,949	620,220
Dividend income		112,932	141,826
Gain from dealing in foreign currencies		521,843	387,904
Gain on sale of securities - net	26	53,826	339,444
Gain / (loss) on disposal of operating fixed assets	12.4	7,863	(209,649)
Unrealised loss on revaluation of investments classified as held-for-trading - net	10.16	(1,362)	(5)
Other income	27	144,263	97,360
Total non-mark-up / interest income		1,686,314	1,377,100
		3,371,293	1,472,046
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	28	(4,373,951)	(3,958,079)
Other provisions / write-offs	29	(381,017)	(29,800)
Other charges	30	(23,477)	(9,083)
Total non-mark-up / interest expenses		(4,778,445)	(3,996,962)
		(1,407,152)	(2,524,916)
Extra-ordinary / unusual items		-	-
LOSS BEFORE TAXATION		(1,407,152)	(2,524,916)
Taxation	31		
Current		(105,658)	(76,717)
Prior years		-	-
Deferred		(315,414)	(132,523)
		(421,072)	(209,240)
LOSS AFTER TAXATION		(1,828,224)	(2,734,156)
Loss per share - basic (Rupees)	32	(1.52)	(2.54)

The annexed notes from 1 to 44 form an integral part of these unconsolidated financial statements.

President &
Chief Executive

Chairman

Director

Director



Committed to you

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2013

	December 31, 2013	December 31, 2012 (Restated Note 5.1.1)
	----- (Rupees in '000) -----	
Loss after taxation	(1,828,224)	(2,734,156)
Other comprehensive income - net		
Not to be reclassified to profit and loss account in subsequent periods		
Actuarial gain / (loss) on defined benefit plan	185	(3,810)
Total comprehensive loss for the year	<u>(1,828,039)</u>	<u>(2,737,966)</u>

Surplus / (deficit) on revaluation of 'Available-for-sale securities' and 'Fixed assets' are presented under a separate head below equity as 'surplus / (deficit) on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan vide its BSD Circular No. 20 dated August 04, 2000 and the Companies Ordinance, 1984 respectively.

The annexed notes from 1 to 44 form an integral part of these unconsolidated financial statements.

UNCONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2013

	December 31, 2013	December 31, 2012 (Restated Note 5.1.1) ----- (Rupees in '000) -----
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(1,407,152)	(2,524,916)
Less: Dividend income	(112,932)	(141,826)
	(1,520,084)	(2,666,742)
Adjustments:		
Depreciation	555,573	525,337
Amortisation of intangible assets and deferred cost	77,717	99,653
(Reversal of provision) / provision against non-performing loans and advances - net	(917,704)	33,639
Bad debts directly written off	1,866	39,745
Other provisions / write offs	381,017	29,800
Reversal / (provision) for diminution in the value of investments - net	79,412	(41,004)
Unrealised loss on revaluation of investments in held-for-trading securities - net	1,362	5
Gain on disposal of non-banking assets	(59,359)	(4,976)
(Gain) / loss on disposal of operating fixed assets	(7,863)	209,649
	112,021	891,848
	(1,408,063)	(1,774,894)
Decrease / (increase) in operating assets		
Lendings to financial institutions	483,500	(968,743)
Net (investments) / realisations in 'held-for-trading' securities	(49,785)	28,214
Advances - net	(743,482)	3,395,126
Other assets (excluding advance taxation) - net	(858,483)	(626,563)
	(1,168,250)	1,828,034
Increase / (decrease) in operating liabilities		
Bills payable	551,112	753,552
Borrowings from financial institutions	(18,963,942)	10,336,209
Deposits and other accounts	9,434,612	7,216,611
Other liabilities	(195,373)	(559,053)
	(9,173,591)	17,747,319
Income tax paid	(11,749,904)	17,800,459
	(83,009)	(163,275)
Net cash (used in) / flows from operating activities	(11,832,913)	17,637,184
CASH FLOWS FROM INVESTING ACTIVITIES		
Net realisation / (investments) in 'available-for-sale' securities	9,876,415	(14,281,325)
Net realisation in 'held to maturity' securities	338,814	669,918
Investment in associate	-	(34,998)
Dividend received	112,932	141,826
Investment in operating fixed assets	(1,456,394)	(461,549)
Sale proceeds of property and equipment - disposed off	19,880	318,350
Sale proceeds of non-banking assets - disposed off	555,780	176,500
Net cash flow from / (used in) investing activities	9,447,427	(13,471,278)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts on issue of convertible preference shares	2,155,959	-
Redemption of subordinated loan	(690)	(690)
Net cash flows from / (used in) financing activities	2,155,269	(690)
Increase in cash and cash equivalents	(230,217)	4,165,216
Cash and cash equivalents at beginning of the year	11,669,898	7,504,682
Cash and cash equivalents at end of the year	11,439,681	11,669,898

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The annexed notes from 1 to 44 form an integral part of these unconsolidated financial statements.

President &
Chief Executive

Chairman

Director

Director



Committed to you

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2013

	Capital reserves					Revenue reserves		Grand Total	
	Share capital	Convertible preference shares	Share premium	Discount on issue of shares	Statutory reserve	Reserve arising on amalgamation	Accumulated losses		Total Reserves
	(Rupees in '000)								
Balance as at January 01, 2012	10,779,796	-	1,000,000	(1,297,298)	64,828	(1,579,205)	(3,392,192)	(5,203,867)	5,575,929
Effect of change in accounting policy as stated in note 5.1.1	-	-	-	-	-	-	5,280	5,280	5,280
Balance as at January 01, 2012 (Restated)	10,779,796	-	1,000,000	(1,297,298)	64,828	(1,579,205)	(3,386,912)	(5,198,587)	5,581,209
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred tax	-	-	-	-	-	-	55,138	55,138	55,138
Total comprehensive loss for the year (Restated)	-	-	-	-	-	-	(2,734,156)	(2,734,156)	(2,734,156)
Loss after taxation for the year ended December 31, 2012 (Restated)	-	-	-	-	-	-	(3,810)	(3,810)	(3,810)
Other comprehensive loss (Restated)	-	-	-	-	-	-	(2,737,966)	(2,737,966)	(2,737,966)
Balance as at December 31, 2012 (Restated)	10,779,796	-	1,000,000	(1,297,298)	64,828	(1,579,205)	(6,069,740)	(7,881,415)	2,898,381
Issue of Convertible preference shares - listed	-	2,155,959	-	-	-	-	-	-	2,155,959
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred tax	-	-	-	-	-	-	21,339	21,339	21,339
Total comprehensive loss for the year	-	-	-	-	-	-	(1,828,224)	(1,828,224)	(1,828,224)
Loss after taxation for the year ended December 31, 2013	-	-	-	-	-	-	185	185	185
Other comprehensive income	-	-	-	-	-	-	(1,828,039)	(1,828,039)	(1,828,039)
Balance as at December 31, 2013	10,779,796	2,155,959	1,000,000	(1,297,298)	64,828	(1,579,205)	(7,876,440)	(9,688,115)	3,247,640

President &
Chief Executive

Chairman

Director

Director



Committed to you

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

1. STATUS AND NATURE OF BUSINESS

- 1.1** Summit Bank Limited (the Bank) was incorporated in Pakistan as public company limited by shares on December 09, 2005 under the Companies Ordinance, 1984. It is listed on all the stock exchanges of Pakistan. Registered office of the Bank is situated at Plot No. 6-B, F-6, Supermarket, Islamabad, Pakistan.
- 1.2** The Bank is principally engaged in the business of banking through its 187 branches [2012: 186 Branches in Pakistan as defined in the Banking Companies Ordinance, 1962. The medium to long-term rating of the Bank rated by JCR-VIS, credit rating company, is 'A-' whereas short-term rating of the Bank is 'A-3'.
- 1.3** The State Bank of Pakistan (SBP) through its BSD Circular No. 7 dated April 15, 2009 has prescribed that the minimum paid-up capital (net of losses) for Banks / Development Finance Institutions (DFIs) be raised to Rs.10 billion by the year ending December 31, 2013. The raise is to be achieved in a phased manner requiring Rs.9 billion and Rs.10 billion paid-up capital (free of losses) by the end of the financial year 2012 and 2013, respectively. Further, vide its aforesaid Circular, the SBP has prescribed the banks to achieve minimum Capital Adequacy Ratio (CAR) of 10% with effect from December 31, 2009 irrespective of their CAMEL-S rating, till further instructions. The paid up capital of the Bank (net of losses) as of December 31, 2013 amounted to Rs.3,182.812 million and CAR, as disclosed in note 41.3, remained below the prescribed level of 10%.

SBP vide its letter number BPRD/BA&CP/649/17695/2013 dated December 02, 2013 has allowed the Bank extension in meeting the MCR and CAR requirement till September 30, 2014. The SBP has further advised the bank to raise additional equity of Rs.5 billion within the revised timeline of March 31, 2014.

In view of the above shortfall in meeting the regulatory capital requirements and the financial condition of the Bank, the management and sponsors of the Bank have taken the following steps:

- During the year, the Bank has issued 215,595,916 listed convertible, perpetual, irredeemable, non-cumulative preference shares of Rs.2.156 billion, subject to condition as disclosed in note 20 to the unconsolidated financial statements, as Tier 1 Capital to raise the equity of Bank after getting final approval from the State Bank of Pakistan vide its letter No. BPRD/BAID/649/3813/2013 dated March 28, 2013.
- The Bank intends to raise further capital of Rs.5 billion in addition to above from domestic and international market to meet the regulatory capital requirements.
- The management of the Bank has prepared financial projections for a period of five years for the purpose of setting the future course of action for the Bank. These projections are approved by the Board and envisage additional capital injection through equity into the Bank and indicate future profitable operations based on various assumptions such as growth of deposits and advances, investment returns, recoveries against loan losses, interest rates, cost of funds, etc. Under the said projections, the Bank meets the MCR in the year 2014.

Based on the above, the Bank's management and the Board have made an assessment and are satisfied that the Bank has adequate resources to continue its business in the foreseeable future and therefore, have prepared these financial statements on a going concern basis. In making such assessments, the Board has taken into account the material uncertainties with respect to events or conditions that may impact the recapitalisation plan of the Bank and, consequently, its sustainability in the future.

2. BASIS OF PRESENTATION

- 2.1** These unconsolidated financial statements have been presented in accordance with the requirements of format prescribed by the State Bank of Pakistan's BSD Circular No. 4 dated February 17, 2006.
- 2.2** In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing comprises of purchase of goods by banks from its customers and resale to them at appropriate mark-up in price on deferred payment basis. The purchase and sale arising under these arrangements are not reflected in these unconsolidated financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.

2.3 Items included in unconsolidated financial statements are measured using the currency of the primary economic environment in which the Bank operates. The unconsolidated financial statements are presented in Pak. Rupees, which is the Bank's functional currency. Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

3. STATEMENT OF COMPLIANCE

3.1 These unconsolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the directives issued by State Bank of Pakistan (SBP). In case requirements differ, the provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the directives issued by SBP shall prevail.

3.2 International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 'Financial Instruments: Disclosures' through its notification S.R.O. 411(I)/2008 dated April 28, 2008 are not applicable to banking companies in Pakistan. 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.

3.3 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods beginning on or after)
IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014
IAS 36 – Recoverable Amount for Non-Financial Assets – (Amendment)	January 01, 2014
IFRIC 21 – Levies	January 01, 2014

The Bank expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Bank's financial statements in the period of initial application.

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2014. The Bank expects that such improvements to the standards will not have any material impact on the Bank's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016

4. BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention except that certain operating fixed assets have been stated at revalued amounts and certain investments and derivative financial instruments have been stated at fair value.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unconsolidated financial statements are consistent with those of the previous financial year except as described below in note 5.1:

5.1 New and amended standards and interpretations

The Bank has adopted the following revised standards, amendments and interpretations of IFRSs which became effective during the current year:

- IAS 1 – Presentation of Financial Statements – Presentation of items of other comprehensive income (Amendment)
- IAS 19 – Employee Benefits – (Revised)
- IFRS 7 – Financial Instruments: Disclosures – (Amendments)
– Amendments enhancing disclosures about offsetting of financial assets and financial liabilities
- IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

Improvements to Accounting Standards Issued by the IASB

- IAS 1 – Presentation of Financial Statements - Clarification of the requirements for comparative information
- IAS 16 – Property, Plant and Equipment – Clarification of Servicing Equipment
- IAS 32 – Financial Instruments: Presentation – Tax Effects of Distribution to Holders of Equity Instruments
- IAS 34 – Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The adoption of the above revision, amendments, improvements and interpretation of the standards did not have any effect on the financial statements, other than the amendments to IAS 19 'Employees Benefits' as described in 5.1.1.

5.1.1 Change in accounting policy

The Bank has adopted amendments made to the IAS 19, applicable from January 01, 2013. The significant changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in 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 asset / liability are recognized in other comprehensive income with no subsequent recycling to profit and loss account.
- The distinction between short-term and other long-term employee benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits.
- Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

The adoption of the said amendments has resulted in change in the Bank's accounting policy relating to recognition of actuarial gains and losses according to which actuarial gains and losses are recognised in full in other comprehensive income in the period in which they occur. The changes have been applied retrospectively in accordance with IAS 8 Accounting policies, Changes in Accounting Estimates and Errors, resulting in the restatement of prior year financial information. The financial impact on previous years is as follows:

	(Rs. in '000)
As of January 01, 2012	
Net increase / (decrease) in employees' benefit liability	(5,280)
Net increase / (decrease) in other comprehensive income	5,280
As of December 31, 2012	
Net increase / (decrease) in employees' benefit liability	3,810
Net increase / (decrease) in other comprehensive income	(3,810)

The effect on loss per share relating to the restatement of 2012 figures is less than Re.0.01.

The cumulative effect of the above change is not considered material. Accordingly, third balance sheet as of January 01, 2012 has not been presented in these financial statements.

5.2 Cash and cash equivalents

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

5.3 Lendings to / borrowings from financial and other institutions

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

Repurchase agreement borrowings

Securities sold subject to an agreement to repurchase at a specified future date (repos) continue to be recognised in the 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.

Repurchase agreement lendings

Securities purchased under agreement to resell at a specified future date (reverse repos) are not recognised in the 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 recognised 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.

5.4 Investments

Investments of the Bank, other than investments in subsidiaries and associates, 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, other than those in associates, that do not fall under the held-for-trading or held to maturity categories.

Initial measurement

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

These are initially recognised at cost, being the fair value of the consideration given including, in the case of investments other than held-for-trading, the acquisition cost associated with the investments.

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 profit and loss account.

Held to maturity

These are measured at amortised cost using the effective interest rate method, less any impairment loss recognised 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 statement of financial position below equity and is taken to the profit and loss account when actually realised 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 unconsolidated financial statements. A decline in the carrying value is charged to 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) is made for impairment, if any. Provision for diminution in the value of term finance certificates is made as per the ageing criteria prescribed by the Prudential Regulations issued by the SBP.

Investments in Subsidiaries and Associates

Investments in subsidiaries and associates are valued at cost less impairment, if any. A reversal of an impairment loss on associates and subsidiaries is recognised as it arises provided the increased carrying value does not exceed cost.

Gain and losses arising on sale of investments during the year are taken to the profit and loss account.

5.5 Advances

Advances are stated net of general and specific 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 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.

Leases, 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 recognised at an amount equal to the present value of the minimum lease payments, including guaranteed residual value, if any. Unearned finance income is recognised over the term of the lease, so as to produce a constant periodic return on the outstanding net investment in lease.

5.6 Operating fixed assets and depreciation

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 to write 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 12.2 to the 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 off.

Subsequent costs are included in an asset's carrying amount or recognised 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 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 balance in the above-mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. 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 derecognised 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 recognised in the profit and loss account in the year when asset is derecognised.

Assets held under operating leases

Operating lease assets are stated at cost less accumulated depreciation and impairment, if any. Repairs and maintenance are charged to profit and loss account as and when incurred.

Capital work-in-progress

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

Intangible assets

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 amortisation 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 amortised 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 amortised using the straight line method at the 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.

Amortisation on additions to intangible assets is charged from the month in which an asset is acquired or capitalised while no amortisation is charged for the month in which that asset is disposed off.

Intangible assets with indefinite useful lives are not amortised, 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 supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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 recognised in the profit and loss account.

5.7 Subordinated loans

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

5.8 Assets acquired in satisfaction of claims

The Bank occasionally acquires assets in settlement of certain advances. These are stated at lower of the carrying value of the related advances and the current fair value of such assets.

5.9 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 profit and loss account.

5.10 Staff retirement and other benefits

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 8.33% of basic salary.

Defined benefit plan

The Bank operates an funded gratuity fund 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.

During the current year, the Bank has changed its accounting policy in respect of post retirement defined benefits plans as required under International Accounting Standard (IAS) 19, 'Employee Benefits'. Previously, actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions were amortised over the future expected remaining working lives of the employees, to the extent of the excess over ten percent of the present value of the defined benefit obligation at that date (before deducting plan assets) and 10% of the fair value of any plan assets at that date. According to new policy actuarial gains and losses are recognized in other comprehensive income (OCI) in the periods in which they occur. Amounts recorded in the 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 profit and loss account.

The Bank also maintains an approved funded gratuity scheme for Ex-MyBank employees. Contribution to the said fund has been discontinued since 2002. However, the fund being a separate legal entity still exists and the members entitled to the balance of fund shall be able to draw their balance upon completion of or termination from the employment of the Bank.

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. During the current year, the Bank has changed its accounting policy as required under International Accounting Standard (IAS) 19, 'Employee Benefits'. Previously, actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions were amortised over the future expected remaining working lives of the employees, to the extent of the excess over ten percent of the present value of the defined benefit obligation at that date. According to new policy, actuarial gains and losses are recognized in other comprehensive income (OCI) in the periods in which they occur.

5.11 Taxation

Current

Provision for current taxation is based on taxable income at the current rate of tax after taking with applicable tax credits, rebates and exemptions available, if any. The charge for current tax also include adjustments where considered necessary, relating to prior years which arise from assessments finalised during the year.

Deferred

Deferred tax is recognised on all major temporary differences, tax credits and unused tax losses at the 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 statement of financial position date.

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

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

5.12 Deposits

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

5.13 Provisions

Provisions are recognised 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 statement of financial position date and are adjusted to reflect the current best estimate.

5.14 Foreign currencies

Foreign currency transactions and translations

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 rupees terms at the rates of exchange ruling on the 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 profit and loss account.

5.15 Functional and presentation currency

Items included in the unconsolidated financial statements are measured using the currency of the primary economic environment in which the Bank operates. The financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

5.16 Revenue recognition

Revenue is recognised to the extent that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following recognition criteria are used for revenue recognition:

Advances and investments

Mark-up / return on regular loans / advances and investments is recognised on time proportion basis. Where debt securities are purchased at premium or discount, the same is amortised through the profit and loss account over the remaining period using effective interest method.

Interest or mark-up recoverable on classified loans and advances and investments is recognised on receipt basis. Interest / return / mark-up on rescheduled / restructured loans and advances and investments is recognised as permitted by the regulations of the SBP.

Dividend income is recognised when the Bank's right to receive the dividend is established.

Gain and loss on sale of investments are recognised in the profit and loss account.

Lease financing

Financing method is used in accounting for income from lease financing. 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. Unrealised income on classified leases if any, is recognised on receipt basis.

Gains / losses on termination of lease contracts, documentation charges, front-end fees and other lease income are recognised as income on receipts basis.

Fees, brokerage and commission

Fees, brokerage and commission on letters of credit / guarantees and others are generally recognised on an accrual basis.

5.17 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 legal enforceable right to set off the recognised amounts and the Bank intends either to settle either on a net basis, or to realise the assets and to settle the liabilities simultaneously.

5.18 Financial instruments

Financial assets and liabilities

Financial instruments carried on the 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-recognised 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-recognised 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 recognised in the profit and loss account of the current period.

Derivative financial instruments

Derivative financial instruments are initially recognised 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 profit and loss account.

5.19 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 and the guidance of SBP. The Bank comprises of the following main business segments:

Business segments

- **Corporate finance**

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

- **Trading and sales**

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

- **Retail banking**
Retail banking provides services to small borrowers i.e. consumers, small and medium enterprises (SMEs) and to the agricultural sector. It includes loans, deposits and other transactions with retail customers.
- **Commercial banking**
This includes loans, deposits and other transactions with corporate customers.
- **Payment and settlement**
This includes payments and collections, funds transfer, clearing and settlement with the customers.
- **Geographical segments**
The Bank conducts all its operations in Pakistan.

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Bank's accounting policies, as described in note 5, the management has made the following estimates and judgments which are significant to the financial statements:

- classification of investments (note 5.4);
- determining the residual values and useful lives of property and equipment (note 5.6);
- impairment (note 5.9);
- accounting for post employment benefits (note 5.10);
- recognition of taxation and deferred tax (note 5.11); and
- provisions (note 5.4, 5.5 and 5.13).

7. CASH AND BALANCES WITH TREASURY BANKS

	Note	December 31, 2013	December 31, 2012
----- (Rupees in '000) -----			
In hand			
Local currency		2,292,413	2,429,191
Foreign currencies		467,733	281,730
		2,760,146	2,710,921
National Prize Bonds			
		6,703	12,602
With State Bank of Pakistan in			
Local currency current account	7.1	4,092,821	3,471,876
Foreign currency current account	7.2	36,752	38,357
Foreign currency deposit account			
- Non-remunerative	7.3	334,406	243,846
- Remunerative	7.4	1,003,217	731,537
		5,467,196	4,485,616
With National Bank of Pakistan in			
Local currency current account		969,523	901,046
		9,203,568	8,110,185

- 7.1 Deposits are maintained with SBP to comply with its requirement issued from time to time.
- 7.2 This represents US Dollar Settlement account maintained with SBP.
- 7.3 This represents foreign currency special cash reserve maintained with SBP equivalent to at least 5% of the Bank's foreign currency deposits.
- 7.4 This represents foreign currency special cash reserve account maintained with SBP equivalent to at least 15% of the Bank's foreign currency deposits. Profit rates on this deposit are fixed on a monthly basis by SBP. These deposits currently carry no mark-up (December 31, 2012: 0%).

	Note	December 31, 2013 ----- (Rupees in '000) -----	December 31, 2012 ----- (Rupees in '000) -----
8. BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		198,948	123,073
Outside Pakistan			
On current accounts		1,502,787	3,363,220
On deposit accounts	8.1	600,350	114,684
		2,302,085	3,600,977

- 8.1 These represent placements with correspondent banks, carrying interest rate determined with respect to underlying currency benchmark rates ranging from 0.17% to 3% (2012: 0.6% to 3%) per annum receivable on maturity.

	Note	December 31, 2013 ----- (Rupees in '000) -----	December 31, 2012 ----- (Rupees in '000) -----
9. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	9.2	1,500,000	200,000
Repurchase agreement lendings (reverse repo)	9.3 & 9.4	55,000	1,838,500
		1,555,000	2,038,500
9.1 Particulars of lendings			
In local currency		1,555,000	2,038,500
In foreign currencies		-	-
		1,555,000	2,038,500

- 9.2 This represents call lending to a financial institution carrying mark-up at the rate ranging from 10.5% to 11.5% (December 31, 2012: 9.75%) per annum and is maturing on January 10, 2014.

- 9.3 These are secured against underlying securities, having fair value of Rs.86 million (December 31, 2012: Rs.1,872 million). These carry mark-up rate of 12% (December 31, 2012: 7.75% to 12.50%) per annum maturing latest by January 27, 2014.

	December 31, 2013			December 31, 2012		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
9.4 Securities held as collateral against lendings to financial institutions						
Treasury Bills	-	-	-	1,287,667	-	1,287,667
Pakistan Investment Bonds	-	-	-	288,833	-	288,833
Listed Ordinary shares	55,000	-	55,000	262,000	-	262,000
	55,000	-	55,000	1,838,500	-	1,838,500

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

10. INVESTMENTS

10.1 Investments by types:

Held-for-trading securities

Listed Ordinary shares	10.4	57,267	-	57,267	6,125	-	6,125
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Available-for-sale securities

Market Treasury Bills	10.3	17,556,833	5,705,704	23,262,537	17,297,902	22,778,000	40,075,902
Pakistan Investment Bonds	10.3	11,419,676	-	11,419,676	1,157,294	2,537,191	3,694,485
Listed Ordinary shares	10.4	2,886,908	53,187	2,940,095	2,376,774	-	2,376,774
Preference shares	10.7	111,168	-	111,168	107,941	-	107,941
Unlisted Ordinary shares	10.5	1,000	-	1,000	1,000	-	1,000
Units of open ended mutual funds	10.6	25,000	-	25,000	1,063,363	-	1,063,363
Term Finance Certificates - listed	10.8	186,239	-	186,239	395,502	44,919	440,421
Term Finance Certificates - unlisted	10.9	1,503,982	-	1,503,982	1,425,727	-	1,425,727
Sukuk Bonds	10.10	864,707	-	864,707	905,085	-	905,085
		34,555,513	5,758,891	40,314,404	24,730,588	25,360,110	50,090,698

Held to maturity

Pakistan Investment Bonds	10.3	249,256	-	249,256	588,070	-	588,070
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Associate

Unlisted Ordinary shares		-	-	-	34,998	-	34,998
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Subsidiary

Unlisted Ordinary shares	10.11	396,942	-	396,942	396,942	-	396,942
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Investment at cost

		35,258,978	5,758,891	41,017,869	25,756,723	25,360,110	51,116,833
Less: Provision for diminution in value of investments	10.13	(1,097,236)	-	(1,097,236)	(1,017,824)	-	(1,017,824)

Investments - net of provisions

Deficit on revaluation of held-for-trading securities	10.16	(1,362)	-	(1,362)	(5)	-	(5)
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Surplus / (deficit) on revaluation of available-for-sale securities	22.2	(216,045)	(14,979)	(231,024)	(442,743)	288,801	(153,942)
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Total investments

		33,944,335	5,743,912	39,688,247	24,296,151	25,648,911	49,945,062
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	Note	December 31, 2013 ----- (Rupees in '000) -----	December 31, 2012
10.2 Investments by segments:			
Federal Government Securities:			
- Market Treasury Bills	10.3	23,262,537	40,075,902
- Pakistan Investment Bonds	10.3	11,668,932	4,282,555
Fully paid-up Ordinary Shares / Units / Certificates:			
- Listed companies	10.4	2,997,362	2,382,899
- Unlisted companies	10.5	1,000	1,000
- Mutual funds - open end	10.6	25,000	1,063,363
Preference Shares	10.7	111,168	107,941
Term Finance Certificates and Bonds			
- Listed Term Finance Certificates	10.8	186,239	440,421
- Unlisted Term Finance Certificates	10.9	1,503,982	1,425,727
- Sukuk Bonds	10.10	864,707	905,085
Investment in associate		-	34,998
Investment in subsidiary	10.11	396,942	396,942
Total investment at cost		41,017,869	51,116,833
Less: Provision for diminution in value of investments	10.13	(1,097,236)	(1,017,824)
Investments - net of provisions		39,920,633	50,099,009
(Deficit) / surplus on revaluation of held-for-trading securities	10.16	(1,362)	(5)
Deficit on revaluation of available-for-sale securities	22.2	(231,024)	(153,942)
Total investments		39,688,247	49,945,062

10.3 Market Treasury Bills and Pakistan Investment Bonds are held with SBP and are eligible for rediscounting. Market Treasury Bills embody effective yield ranging from 9.23% to 9.95% (December 31, 2012: 9% to 11.92%) per annum and will mature within 12 months. Pakistan Investment Bonds carry mark-up ranging from 8% to 12% (December 31, 2012: 8% to 13%) per annum on semi-annual basis and will mature within 9 to 10 years. Certain government securities are kept with SBP to meet statutory liquidity requirement calculated on the basis of demand and time liabilities.

10.4 Particulars of investment in Ordinary shares - listed

Name of companies	Number of shares held		Paid-up value per share	Total book value	
	December 31, 2013	December 31, 2012		December 31, 2013	December 31, 2012
				----- (Rupees in '000) -----	
Held-for-trading securities					
D.G. Khan Cement Company Limited	-	60,000	10	-	3,292
Fauji Cement Company	100,000	-	10	1,573	-
MCB Bank Limited	75,000	-	10	21,805	-
Pakistan State Oil Company Limited	100,000	-	10	33,889	-
Pakistan Telecommunication Company Limited	-	164,000	10	-	2,833
				57,267	6,125
Available-for-sale securities					
Agritech Limited - a related party (note 10.4.1)	37,975,034	37,975,034	10	1,104,183	1,104,183
Arif Habib Corporation Limited - a related party	5,866,899	4,624,546	10	158,636	130,472
Askari Bank Limited	900,000	44,717	10	12,423	1,295
Attock Refinery Limited	45,000	-	10	9,683	-
Azgard Nine Limited	500,000	500,000	10	5,911	5,911
Bank Alfalah Limited	-	200,000	10	-	3,289
D.G. Khan Cement Company Limited	137,000	240,000	10	12,672	13,059
Engro Corporation Limited	175,000	286,100	10	29,473	28,184
Fauji Fertilizer Bin Qasim Limited	-	85,000	10	-	3,206
Fauji Fertilizer Company Limited	-	50,000	10	-	5,886
First Capital Securities Corporation Limited	11,308,000	11,308,000	10	94,846	94,846
Hub Power Company Limited	100,000	-	10	6,924	-
ICI Pakistan Limited	150,000	-	10	38,933	-
IGI Insurance Limited	250,000	-	10	41,248	-
Javedan Corporation Limited	7,239,718	3,915,318	10	605,294	372,400
Maple Leaf Company Limited	175,000	-	10	5,158	-
MCB Bank Limited	50,000	-	10	15,655	-
Metropolitan Steel Corporation Limited	3,914,590	-	10	61,177	-
National Bank of Pakistan Limited	-	407,500	10	-	19,871
Nishat Chunian Limited	331,500	-	10	20,026	-
Nishat Power Limited	75,000	400,000	10	751	4,004
Nishat Mills Limited	-	165,000	10	-	10,585
Oil & Gas Development Company Limited	125,000	-	10	34,964	-
Pak Elektron Limited	299,723	299,723	10	12,500	12,500
Pakistan Oilfields Limited	95,000	-	10	47,885	-
Pakistan Petroleum Limited	-	80,000	10	-	14,307
Pakistan State Oil Company Limited	275,000	50,100	10	95,554	11,722
Pakistan Telecommunication Company Limited	200,000	50,000	10	6,322	1,011
SME Leasing Limited	902,350	902,350	10	9,926	9,926
Sui Northern Gas Pipeline Limited	6,263,000	-	10	133,244	-
Sui Southern Gas Company Limited	4,569,500	13,125,000	10	98,016	281,532
Tariq Glass Industries Limited	4,175,000	4,175,000	10	66,806	66,806
Thatta Cement Company Limited - a related party	8,462,835	8,462,835	10	174,829	174,829
United Bank Limited	259,400	-	10	37,056	-
Wateen Telecom Limited	-	695,000	10	-	6,950
				2,940,095	2,376,774
				2,997,362	2,382,899

10.4.1 This includes 27,975,034 ordinary shares of Agritech Limited acquired as a result of the settlement reached with Azgard Nine Limited. Also see note 10.7.

10.5 Particulars of investment in other Ordinary shares - unlisted

Name of companies	Number of units / certificates held		Paid-up value per share	Total book value	
	December 31, 2013	December 31, 2012		December 31, 2013	December 31, 2012
				----- (Rupees in '000) -----	
Arabian Sea Country Club Limited	100,000	100,000	10	1,000	1,000
Chief Executive Officer: Mr. Arif Ali Khan Abbasi Percentage holding 1.29% (December 31, 2012: 1.29%) Net asset value per share was Rs.4.39 as at June 30, 2013 based on audited financial statements (June 30, 2012: Rs.8.72 based on audited financial statements)					
				1,000	1,000

10.6 Particulars of investment in mutual funds

Name of companies	Number of units held		Paid-up value per unit	Total book value	
	December 31, 2013	December 31, 2012		December 31, 2013	December 31, 2012
				----- (Rupees in '000) -----	
Mutual fund (open end)					
National Investment Trust - Equity Fund	-	22,931,376	10	-	1,038,363
AKD Cash Fund	583,060	533,585	50	25,000	25,000
				25,000	1,063,363

10.7 Particulars of investment in preference shares

Name of companies	Number of shares held		Paid-up value per share	Total book value	
	December 31, 2013	December 31, 2012		December 31, 2013	December 31, 2012
				----- (Rupees in '000) -----	
Pak Elektron Limited	3,750,000	3,750,000	10	37,500	37,500
Rate of preference dividend: 9.5% - cumulative Terms of redemption: Redeemable after 6 years of date of issue Terms of conversion: Conversion option to be exercised after 7 years of issue and if not redeemed within 9 years of issue, convertible in 9th year.					
			Balance c/f	37,500	37,500

Name of companies	Number of shares held		Paid-up value per share	Total book value	
	December 31, 2013	December 31, 2012		December 31, 2013	December 31, 2012
				----- (Rupees in '000) -----	
			Balance b/f	37,500	37,500
Javedan Corporation Limited	7,044,100	7,044,100	10	70,441	70,441
Rate of preference dividend: 12% - cumulative					
Terms of conversion: Conversion option to be exercised at the option of the holder					
Aisha Steel Mills Limited - a related party *	408,300	408,300	10	3,227	-
Rate of preference dividend: 6M KIBOR+3% - cumulative					
Terms of conversion: Conversion option to be exercised any time					
				111,168	107,941

* These preference shares were received as a specie dividend from Arif Habib Corporation Limited, a related party.

10.8 Particulars of investment in listed Term Finance Certificates - face value of Rs.5,000 each

Name of companies	Mark-up rate	Re-payment	Total book value	
			December 31, 2013	December 31, 2012
			----- (Rupees in '000) -----	
Allied Bank Limited 22,975 (December 31, 2012: 22,975) certificates Maturity date: December 06, 2014 Chief Executive Officer: Mr. Tariq Mehmood	6 months KIBOR plus 1.90%	Semi-annually	57,229	114,453
United Bank Limited Nil (December 31, 2012: 16,000) certificates Chief Executive Officer: Mr. Atif R. Bukhari	6 months KIBOR plus 0.85%	Semi-annually	-	24,526
Engro Fertilizers Limited 5,000 (December 31, 2012: 5,000) certificates Maturity date: November 30, 2015 Chief Executive Officer: Mr. Ruhail Muhammad	6 months KIBOR plus 1.55%	Semi-annually	24,812	24,756
		Balance c/f	82,041	163,735

Name of companies	Mark-up rate	Re-payment	Total book value	
			December 31, 2013	December 31, 2012
			----- (Rupees in '000) -----	
		Balance b/f	82,041	163,735
NIB Bank Limited Nil (December 31, 2012: 25,400) certificates Chief Executive Officer: Mr. Badar Kazmi	6 months KIBOR plus 1.15%	Semi-annually	-	126,771
Askari Bank Limited - 2nd issue (unsecured) Nil (December 31, 2012: 6,990) certificates Chief Executive Officer: Syed Majeedullah Husaini	6 months KIBOR plus 1.50%	Semi-annually	-	34,852
Azgard Nine Limited * 56,280 (December 31, 2012: 56,280) certificates Maturity date: March 31, 2017 Chief Executive Officer: Mr. Ahmed H. Shaikh	6 months KIBOR plus 1.25%	Semi-annually	35,792	35,792
Bank Alfalah Limited - 3rd issue (unsecured) Nil (December 31, 2012: 2,000) certificates Chief Executive Officer: Mr. Atif Bajwa	6 months KIBOR plus 1.50%	Semi-annually	-	6,649
Invest Capital Investment Bank Limited (Formerly Al-Zamin Leasing Corporation Limited) - 2nd issue * 2,000 (December 31, 2012: 2,000) certificates Maturity date: September 05, 2013 Chief Executive Officer: Muhammad Khurshid Malik	Cut-off yield on the last successful SBP auction of five-years Pakistan Investment Bonds plus 2.75% with 12.00% per annum as floor and 15.75% per annum as ceiling	Semi-annually	10,000	10,000
Escorts Investment Bank Limited 5,000 (December 31, 2012: 5,000) certificates Maturity date: March 15, 2016 Chief Executive Officer: Ms. Shazia Bashir	6 months KIBOR plus 2.50% (floor of 8% per annum and cap of 17% per annum for first three years and 8% and 18% respectively for 4th and 5th year)	Semi-annually	2,498	4,996
		Balance c/f	130,331	382,795

Name of companies	Mark-up rate	Re-payment	Total book value	
			December 31, 2013	December 31, 2012
			----- (Rupees in '000) -----	
		Balance b/f	130,331	382,795
Pakistan Mobile Communications Limited Nil (December 31, 2012: 2,000) certificates Chief Executive Officer: Mr. Rashid Naseer Khan	6 months KIBOR plus 2.85%	Semi-annually	-	1,664
Telecard Limited * 26,530 (December 31, 2012: 26,530) certificates Maturity date: May 18, 2015 Chief Executive Officer: Syed Aamir Hussain	Simple average of 6 months KIBOR plus 3.75% (ask side)	Semi-annually	48,642	48,696
Trust Investment Bank Limited - 3rd issue * 3,877 (December 31, 2012: 3,877) certificates Maturity date: July 04, 2013 Chief Executive Officer: Mr. Shahid Iqbal	6 months KIBOR plus 1.85%	Semi-annually	7,266	7,266
			186,239	440,421

* Represents non-performing certificates.

10.9 Particulars of investment in unlisted Term Finance Certificates - face value of Rs.5,000 each

Name of companies	Mark-up rate	Re-payment	Total book value	
			December 31, 2013	December 31, 2012
			----- (Rupees in '000) -----	
Agritech Limited - a related party * 100,000 (December 31, 2012: 100,000) certificates Maturity date: December 14, 2015 Chief Executive Officer: Mr. Ahmed Jaudet Bilal	6 months KIBOR plus 1.75%	Semi-annually	499,586	499,586
Avari Hotels Limited 5,000 (December 31, 2012: 5,000) certificates Maturity date: November 1, 2016 Chief Executive Officer: Mr. Byram D. Avari	6 months KIBOR plus 3.25%	Semi-annually	9,308	21,229
		Balance c/f	508,894	520,815

Name of companies	Mark-up rate	Re-payment	Total book value	
			December 31, 2013	December 31, 2012
			----- (Rupees in '000) -----	
		Balance b/f	508,894	520,815
Bunny's Limited * 10,000 (December 31, 2012: 10,000) certificates Maturity date: November 30, 2013 Chief Executive Officer: Ch. Haroon Shafiq	6 months KIBOR plus 2.5%	Semi-annually	50,000	50,000
Flying Board & Paper Products Limited * 5,000 (December 31, 2012: 5,000) certificates Maturity date: July 20, 2014 Chief Executive Officer: Mr. Bader Mehmood	6 months KIBOR plus 1.5%	Semi-annually	25,000	25,000
Gharibwal Cement Limited Nil (December 31, 2012: 5,000) certificates Chief Executive Officer: Mr. Muhammad Tousif Peracha	6 months KIBOR plus 3.0%	Semi-annually	-	24,980
Security Leasing Corporation Limited 2,000 (December 31, 2012: 2,000) certificates Maturity date: March 28, 2014 Chief Executive Officer: Mr. Muhammad Khalid Ali	1-18th month - 3% cash plus 3% accrual, 19th month onwards 1 month KIBOR	Monthly	1,642	1,845
Orix Leasing Pakistan Limited Nil (December 31, 2012: 100) certificates Chief Executive Officer: Mr. Teizoon Kijat	6 months KIBOR plus 1.40%	Semi-annually	-	1,667
Parthenon (Private) Limited 183,689 (December 31, 2012: 160,284) certificate Maturity date: January 31, 2018 Chief Executive Officer: Mr Muhammad Iqbal Khan Noori	3 months KIBOR plus 2.0%	Quarterly	918,446	801,420
			1,503,982	1,425,727

* Represents non-performing certificates.

10.10 Particulars of investment in Sukuk Bonds - face value of Rs.5,000 each

Name of companies	Mark-up rate	Re-payment	Total book value	
			December 31, 2013	December 31, 2012
----- (Rupees in '000) -----				
Arzoo Textile Mills Limited * 40,000 (December 31, 2012: 40,000) certificates Maturity date: April 15, 2014 Chief Executive Officer: Mr. Azhar Majeed Sheikh	6 months KIBOR plus 2% for first 2 year and 1.75% for year 3 onwards	Semi-annually	200,000	200,000
Pak Elektron Limited 40,000 (December 31, 2012: 40,000) certificates Maturity date: March 15, 2015 Chief Executive Officer: Mr. M. Naseem Saigol	3 months Kibor plus 1.0%	Quarterly	200,000	200,000
Liberty Power Tech Limited 100,000 (December 31, 2011: 100,000) certificates Maturity date: March 15, 2015 Chief Executive Officer: Mr. Ashraf Mukati	3 months Kibor plus 3.0%	Quarterly	464,707	505,085
			864,707	905,085

* Represents non-performing bonds.

10.11 Particulars of investment in subsidiary

Summit Capital (Private) Limited - unlisted Chief Executive Officer: Mr. Rahat Saeed Percentage holding 100% (December 31, 2012: 100%) Book value per share is Rs.7.56 as at December 31, 2012 (December 31, 2012: Rs.7.05) based on audited financial statements	30,000,000	30,000,000	10	396,942	396,942
				396,942	396,942

10.12 Quality of available-for-sale securities

	Note	Ratings		Market values	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
				----- (Rupees in '000) -----	
Market Treasury Bills	10.12.1	Unrated	Unrated	23,211,212	40,139,387
Pakistan Investment Bonds	10.12.1	Unrated	Unrated	11,445,662	3,978,155
Listed Ordinary shares	10.12.2				
Agritech Limited - a related party		D	D	481,144	443,169
Arif Habib Corporation Limited - a related party		A1+, AA	Unrated	130,539	111,544
Askari Bank Limited		A1+, AA	A1+, AA	12,600	770
Attock Refinery Limited		A1+, AA	NA	9,345	-
Azgard Nine Limited		D	D	3,570	4,045
Bank Alfalah Limited		A1+, AA	A1+, AA	-	3,364
D.G. Khan Cement Company Limited		Unrated	Unrated	11,745	13,099
Engro Corporation Limited		A1, A	A1, A	27,717	26,333
Fauji Fertilizer Bin Qasim Limited		NA	Unrated	-	3,280
Fauji Fertilizer Company Limited		NA	Unrated	-	5,857
First Capital Securities Corporation Limited		Unrated	Unrated	32,793	41,387
Hub Power Company Limited		A1+, AA+	NA	6,072	-
ICI Pakistan Limited		Unrated	NA	37,953	-
IGI Insurance Limited		AA	NA	41,095	-
Javedan Corporation Limited		Unrated	Unrated	495,921	372,308
Maple Leaf Cement Factory Limited		B, BB	NA	4,800	-
MCB Bank Limited		A1+, AAA	A1+, AA+	14,059	-
Metropolitan Steel Corporation Limited		Unrated	Unrated	73,007	-
National Bank of Pakistan Limited		NA	A1+, AAA	-	20,126
Nishat Chunian Limited		A2, A+	NA	19,956	-
Nishat Mills Limited		NA	A1+, AA-	-	10,535
Nishat Power Limited		A1, A+	A1, A+	2,255	7,800
Oil and Gas Development Company Limited		A1+, AAA	A1+, AAA	34,545	-
Pakistan Oilfields Limited		Unrated	Unrated	47,282	-
Pakistan Petroleum Limited		NA	Unrated	-	14,143
Pakistan State Oil Company Limited		A1+, AA+	A1+, AA+	91,361	11,634
Pakistan Telecommunication Company Limited		Unrated	Unrated	5,688	868
Pak Elektron Limited		Unrated	Unrated	5,991	3,225
SME Leasing Limited		B, BB+	A3, BBB-	4,512	6,768
Sui Northern Gas Pipeline Limited		A1+, AA	A1+, AA	133,402	-
Sui Southern Gas Company Limited		A1+, AA-	A1+, AA-	109,942	269,194
Tariq Glass Industries Limited		Unrated	Unrated	101,035	88,051
Thatta Cement Company Limited - a related party		Unrated	Unrated	211,486	211,571
United Bank Limited		A1+, AA+	A1+, AA+	34,383	-
Wateen Telecom Limited		NA	Unrated	-	2,071
				2,184,198	1,671,142
Unlisted Ordinary shares	10.12.2				
Arabian Sea Country Club Limited		Unrated	Unrated	1,000	1,000
				1,000	1,000
Preference shares					
Pak Elektron Limited		Unrated	Unrated	37,500	37,500
Javedan Corporation Limited		Unrated	Unrated	84,529	98,547
Aisha Steel Mills Limited		Unrated	Unrated	3,262	4,099
				125,291	140,146
			Balance c/f	36,967,363	45,929,830

Note	Ratings		Market values		
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	
			----- (Rupees in '000) -----		
		Balance b/f	36,967,363	45,929,830	
Mutual fund units - open end	10.12.2				
AKD Cash Fund		AA+(f)	AA+(f)	29,352	26,857
National Investment Trust Units		Unrated	Unrated	-	761,092
			29,352	787,949	
Term Finance Certificates - listed					
Allied Bank Limited		AA	AA	57,564	116,663
Invest Capital Investment Bank Limited (formerly Al-Zamin Leasing Corporation Limited)		Unrated	Unrated	10,000	9,549
Askari Bank Limited		NA	AA-	-	35,171
Azgard Nine Limited		D	D	33,645	33,645
Bank Alfalah Limited		NA	AA-	-	6,686
Engro Fertilizers Limited		A	A	24,938	24,334
Escorts Investment Bank Limited		BB	BB	1,842	3,684
Jahangir Siddiqui & Co. Limited		NA	AA+	-	-
NIB Bank Limited		NA	A+	-	127,090
Pakistan Mobile Communications Limited		NA	AA-	-	1,671
Telecard Limited		Unrated	Unrated	36,480	36,521
Trust Investment Bank Limited		Unrated	Unrated	5,450	5,450
United Bank Limited		NA	AA	-	25,505
			169,919	425,969	
Term Finance Certificates - unlisted					
Agritech Limited		D	D	374,690	374,690
Avari Hotels Limited		A-	A-	9,300	20,490
Bunny's Limited		Unrated	Unrated	37,500	37,500
Flying Board & Paper Products Limited		Unrated	Unrated	25,000	25,000
Gharibwal Cement Limited		NA	D	-	24,980
Orix Leasing Pakistan Limited		NA	AA+	-	1,667
Parthenon (Private) Limited		Unrated	Unrated	918,446	801,420
Security Leasing Corporation Limited		Unrated	Unrated	1,026	1,297
			1,365,962	1,287,044	
Sukuk Bonds					
Arzoo Textile Mills Limited		Unrated	Unrated	200,000	200,000
Liberty Power Tech Limited		A+	A+	464,707	505,085
Pak Elektron Limited		Unrated	Unrated	200,000	200,000
			864,707	905,085	
		Total	39,397,303	49,335,877	

10.12.1 These are Government of Pakistan guaranteed securities.

10.12.2 Ratings for these equity securities / units represents 'Entity Ratings'.

10.12.3 Securities have been rated by 'The Pakistan Credit Rating Agency Limited (PACRA) or 'JCR -VIS' Credit Rating Company Limited (JCR - VIS). These ratings reflect independent credit risk assessment by respective credit rating entities.

	Note	December 31, 2013 ----- (Rupees in '000) -----	December 31, 2012
10.13 Particulars of provision			
Opening balance		1,017,824	1,058,828
Charge for the year		458,996	133,680
Reversal during the year		(379,584)	(174,684)
		79,412	(41,004)
Closing balance	10.14	1,097,236	1,017,824
10.14 Particulars of provision in respect of type and segment			
Available-for-sale securities			
Ordinary shares of listed companies		421,830	188,136
Ordinary shares of unlisted companies		1,000	1,000
Mutual fund units		-	337,527
Term Finance Certificates - listed		65,907	40,947
Term Finance Certificates - unlisted		248,252	102,442
Sukuk Bonds		162,475	150,000
Subsidiary	10.15	197,772	197,772
		1,097,236	1,017,824

10.15 The Bank has tested the investment in its subsidiary for impairment by comparing the recoverable value to the carrying value.

For Summit Capital (Private) Limited (SCPL), the recoverable value was determined using a value in use (VIU) calculation using cash flow projections based on financial projections prepared by the management of SCPL for the forecast period.

The pre-tax discount rate of 29.61 (2012: 26.2%) is used for determining the VIU of SCPL, which reflects SCPL management's estimate of the cost of equity applicable to SCPL. The cost of equity has been calculated using the Capital Asset Pricing Model (CAPM). Parameters used in the CAPM calculation are based on published third party data.

	December 31, 2013 ----- (Rupees in '000) -----	December 31, 2012
10.16 Deficit on revaluation of held-for-trading securities		
D.G. Khan Cement Company Limited	-	(17)
Fauji Cement Company	22	-
MCB Bank Limited	(717)	-
Pakistan Telecommunication Company Limited	-	12
Pakistan State Oil Company Limited	(667)	-
	(1,362)	(5)

10.17 The SBP, vide Letter No. BPRD / BRD-(Policy) / 2013-1857 dated February 15, 2013 has permitted banks to maintain provision against classified Term Finance Certificates issued by Azgard Nine Limited and Agritech Limited, at 50% of the exposure and 50% of the deficit on revaluation on Ordinary shares of Agritech Limited. The provision against these exposures amounting to Nil, Rs.173.252 million and Rs.312.364 million against TFCs of Azgard Nine Limited and Agritech Limited and Ordinary shares of Agritech Limited, respectively, have not been recorded in these financial statements based upon the above relaxation from SBP.

11. ADVANCES

	Note	December 31, 2013	December 31, 2012
----- (Rupees in '000) -----			
Loans, cash credits, running finances, etc. - in Pakistan		61,369,573	61,675,373
Net investment in finance lease - in Pakistan	11.2	319,967	285,014
Bills discounted and purchased (excluding Treasury Bills)			
Payable in Pakistan		1,972,577	1,713,160
Payable outside Pakistan		1,906,621	1,268,910
		3,879,198	2,982,070
Advances - gross		65,568,738	64,942,457
Provision against non-performing advances	11.3.1	(11,360,264)	(12,393,303)
Advances - net of provision		54,208,474	52,549,154
11.1 Particulars of advances			
11.1.1 In local currency			
In local currency		63,633,006	63,451,658
In foreign currencies		1,935,732	1,490,799
		65,568,738	64,942,457
11.1.2 Short-term (upto one year)			
Short-term (upto one year)		54,647,058	56,056,410
Long-term (over one year)		10,921,680	8,886,047
		65,568,738	64,942,457

11.2 Net investment in finance lease - in Pakistan

	December 31, 2013				December 31, 2012			
	Later than			Total	Later than			Total
	Not later than one year	one and less than five years	Over five years		Not later than one year	one and less than five years	Over five years	
	----- (Rupees in '000) -----							
Lease rentals receivable	99,183	185,701	-	284,884	95,670	168,088	-	263,758
Residual value	49,991	17,751	-	67,742	46,485	16,599	-	63,084
Minimum lease payments	149,174	203,452	-	352,626	142,155	184,687	-	326,842
Financial charges for future periods	(11,799)	(20,860)	-	(32,659)	(11,893)	(29,935)	-	(41,828)
Present value of minimum lease payments	137,375	182,592	-	319,967	130,262	154,752	-	285,014

11.3 Advances include Rs.17,809.041 million (December 31, 2012: Rs.23,409.947 million) which have been placed under non-performing status as detailed below:

Category of classification	December 31, 2013			December 31, 2012		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
----- (Rupees in '000) -----						
OAEM	13,348	1,335	1,335	-	-	-
Substandard	483,761	39,712	39,712	915,923	227,787	227,787
Doubtful	597,697	151,916	151,916	3,889,308	780,251	780,251
Loss	16,714,235	11,144,996	11,144,996	18,604,716	11,382,777	11,382,777
	17,809,041	11,337,959	11,337,959	23,409,947	12,390,815	12,390,815

11.3.1 Particulars of provision against non-performing advances

	December 31, 2013			December 31, 2012		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	12,390,815	2,488	12,393,303	12,380,176	1,233	12,381,409
Charge for the year	2,336,487	19,817	2,356,304	1,938,087	1,255	1,939,342
Reversals	(3,274,008)	-	(3,274,008)	(1,905,703)	-	(1,905,703)
	(937,521)	19,817	(917,704)	32,384	1,255	33,639
Amount written off	(115,335)	-	(115,335)	(21,745)	-	(21,745)
Closing balance	11,337,959	22,305	11,360,264	12,390,815	2,488	12,393,303

11.3.2 Particulars of provision against non-performing advances

	December 31, 2013			December 31, 2012		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
In local currency	11,337,959	22,305	11,360,264	12,390,815	2,488	12,393,303
In foreign currencies	-	-	-	-	-	-
	11,337,959	22,305	11,360,264	12,390,815	2,488	12,393,303

11.3.3 The SBP amended the Prudential Regulations vide BSD Circular No. 1 of 2011 dated October 21, 2011 in relation to provision for loans and advances, thereby allowing benefit of Forced Sale Value (FSV) of pledged stocks, mortgaged residential, commercial and industrial properties (land and building only) and plant and machinery under charge held as collateral against the non-performing advances (excluding consumer housing finance portfolio). Had this benefit of FSV not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs.5,339 million (December 31, 2012: Rs.7,515 million). Further, the Bank has availed the benefit of certain exemptions from Prudential Regulations requiring provision against non-performing loans which are given by the State Bank of Pakistan amounting to Rs.458 million at year end.

As per SBP IH & SMEFD circular No. 8 dated May 07, 2013, the Revised Prudential Regulations for Small and Medium Enterprise (SME) financing, has been issued, which is effective from September 30, 2013, which among other things requires bank to maintain general provision at 1% of secured performing portfolio and 2% of unsecured performing portfolio against small enterprises (SE) financing and 10% specific provisioning against OAEM category, where principal / mark-up is over due by 90 days.

The FSV and exemptions benefit availed will not be available for the distribution of cash and stock dividend to shareholders.

11.4 Particulars of write offs

	December 31, 2013	December 31, 2012
	----- (Rupees in '000) -----	
11.4.1 Against provisions	115,335	21,745
Directly charged to profit and loss account	1,866	39,745
	117,201	61,490
11.4.2 Write offs of Rs.500,000 and above	112,105	57,820
Write offs of below Rs.500,000	5,096	3,670
	117,201	61,490

11.5 Details of 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 Rs.500,000 or above allowed to persons during the year ended December 31, 2013 is given in Annexure I.

	Note	December 31, 2013 ----- (Rupees in '000) -----	December 31, 2012
11.6 Particulars of loans and advances to Directors, Associated Companies, etc.			
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of the year		1,197,116	1,079,498
Loans granted during the year		528,764	512,930
Repayments during the year		(372,256)	(395,312)
Balance at end of the year		1,353,624	1,197,116
Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members			
Balance at beginning of the year		260,517	107,967
Loans granted during the year		1,996,216	916,062
Repayments during the year		(1,571,229)	(763,512)
Balance at end of the year		685,504	260,517
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of the year		-	18,000
Loans granted during the year		-	-
Repayments during the year		-	(18,000)
Balance at end of the year		-	-
		2,039,128	1,457,633
12. OPERATING FIXED ASSETS			
Capital work-in-progress	12.1	1,304,110	330,579
Property and equipment	12.2	4,579,309	4,671,543
Intangible assets	12.3	298,121	383,214
		6,181,540	5,385,336
12.1 Capital work-in-progress			
Civil works		232,669	198,059
Advances to suppliers and contractors		20,131	37,210
Advance against purchase of land	12.1.1	956,000	-
Advances against computer software		123,165	123,165
Less: Provision there against		(27,855)	(27,855)
		95,310	95,310
		1,304,110	330,579
12.1.1			
This represents advance paid for acquisition of a commercial plot at G-2, Block-2, Scheme No. 5, Clifton, Karachi, measuring 4,000 square yards for construction of head office building. The title of the said property is currently in the process of being transferred in the name of the Bank.			

12.2 Property and equipment

		December 31, 2013									
		COST			ACCUMULATED DEPRECIATION					Net book value at	
Category of classification	Note	At			At	At	Charge		At	December 31,	Rate of
		January 01, 2013	Additions	(Deletions) / (write off) **	December 31, 2013	January 01, 2013	for the year	(Deletion) / (write off) **	December 31, 2013	December 31, 2013	depreciation
		(Rupees in '000)									
		%									
Leasehold land	12.2.1	902,672	-	-	902,672	-	-	-	-	902,672	-
Building on leasehold land	12.2.1	2,965,509	1,299	-	2,966,808	827,000	151,968	-	978,968	1,987,840	5%
Building improvements	12.2.1 & 12.2.2	1,192,982	213,516	(176) (17,797) **	1,388,525	367,094	127,878	(9) (8,197) **	486,766	901,759	10%
Furniture and fixtures	12.2.2	406,426	47,191	(7,244) (559) **	445,814	160,444	41,932	(4,054) (321) **	198,001	247,813	10% - 15%
Electrical, office and computer equipment	12.2.2	1,435,789	174,064	(52,234) (2,047) **	1,555,572	955,022	205,392	(45,274) (1,650) **	1,113,490	442,082	20% - 30%
Vehicles		164,615	49,521	(11,310)	202,826	86,890	28,403	(9,610)	105,683	97,143	20%
December 31, 2013		7,067,993	485,591	(70,964) (20,403) **	7,462,217	2,396,450	555,573	(58,947) (10,168) **	2,882,908	4,579,309	

12.2.1 Revaluation of properties

In 2011, the properties of the Bank were revalued by independent professional valuers. The revaluation was carried out by M/s. Sadruddin Associates on the basis of professional assessment of present market values and resulted in a surplus of Rs.458 million. Had there been no revaluation, the carrying amount of revalued assets as at December 31, 2013 would have been as follows:

	December 31, 2013 -- (Rupees in '000) --
Leasehold land	720,649
Buildings on leasehold land	1,726,719
Buildings improvements	892,395

12.2.2 Included in cost of property and equipment are fully depreciated items still in use amounting to Rs.817 million (December 31, 2012: Rs.668 million).

Category of classification	Note	December 31, 2012									Rate of depreciation
		COST			ACCUMULATED DEPRECIATION			Net book		%	
		At		At	At	Charge	At	value at	December 31,		
		January 01,	(Deletions)/	December 31,	January 01,	for the	(Deletion)/	December 31,			
2012	Additions	write off) **	2012	2012	year	write off) **	2012	2012			
(Rupees in '000)											
Leasehold land	12.2.1	1,373,447	-	(470,775)	902,672	-	-	-	-	902,672	-
Building on leasehold land	12.2.1	3,012,137	125	(46,753)	2,965,509	686,870	150,315	(10,185)	827,000	2,138,509	5%
Building improvements	12.2.1 & 12.2.2	1,076,709	123,969	(7,013)	1,192,982	256,917	113,602	(3,026)	367,094	825,888	10%
				(683) **				(399) **			
Furniture and fixtures	12.2.2	371,754	40,086	(5,370)	406,426	125,236	38,643	(3,426)	160,444	245,982	10% - 15%
				(44) **				(9) **			
Electrical, office and computer equipment	12.2.2	1,282,949	192,071	(39,006)	1,435,789	775,692	205,972	(26,568)	955,022	480,767	20% - 30%
				(225) **				(74) **			
Vehicles		123,226	65,997	(24,608)	164,615	92,406	16,805	(22,321)	86,890	77,725	20%
				-				- **			
December 31, 2012		7,240,222	422,248	(593,525)	7,067,993	1,937,121	525,337	(65,526)	2,396,450	4,671,543	
				(952) **				(482) **			

12.3 Intangible assets

Category of classification	December 31, 2013								Rate of amortisation	
	COST			ACCUMULATED AMORTISATION			Net book			%
	At		At	At	Charge	At	value at			
	January 01,	Additions /	December 31,	January 01,	for the year /	December 31,	December 31,			
2013	(Write off) *	2013	2013	(Write off) *	2013	2013				
(Rupees in '000)										
Computer software	396,061	4,547	338,959	304,659	42,389	297,322	41,637	20 - 30		
		(61,649) *			(49,726) *					
Core deposits	209,874	-	209,874	36,728	20,957	57,685	152,189	10%		
Brand name	143,838	-	143,838	25,172	14,371	39,543	104,295	10%		
December 31, 2013	749,773	4,547	692,671	366,559	77,717	394,550	298,121			
		(61,649) *			(49,726) *					

Category of classification	December 31, 2012								Rate of amortisation	
	COST			ACCUMULATED AMORTISATION			Net book			%
	At		At	At	Charge	At	value at			
	January 01,	Additions	December 31,	January 01,	for the year	December 31,	December 31,			
2012		2012	2012	for the year	2012	2012				
(Rupees in '000)										
Computer software	378,949	17,112	396,061	240,377	64,282	304,659	91,402	20 - 30		
		-								
Core deposits	209,874	-	209,874	15,741	20,987	36,728	173,146	10%		
Brand name	143,838	-	143,838	10,788	14,384	25,172	118,666	10%		
December 31, 2012	732,661	17,112	749,773	266,906	99,653	366,559	383,214			

12.4 Disposal of property and equipment

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchaser
	----- (Rupees in '000) -----						
Building improvements							
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	176	9	167	128	(39)	Insurance claim	Various
Furniture and fixtures							
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	124	56	68	155	87	Insurance claim	Various
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	7,120	3,998	3,122	1,260	(1,862)	Negotiation	Various
Electrical, office and computer equipment							
Generators	1,315	864	451	600	149	Auction	Mr. Abbas Ahmed, Karachi
Generators	10,310	7,280	3,030	3,250	220	Auction	Mr. Aijaz Ahmed, Karachi
Generators	2,451	2,124	327	525	198	Auction	Mr. Rab Nawaz, Karachi
Computer Server	1,786	1,786	-	188	188	Negotiation	The Computer Professional, Karachi
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	31,656	29,625	2,031	3,721	1,690	Negotiation	Various
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	1,276	1,276	-	186	186	Bank's Policy	Various Employees
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	790	587	203	645	442	Auction	Various
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	2,650	1,732	918	1,557	639	Insurance claim	Various
Vehicles							
Toyota Altis 1800cc	1,790	716	1,074	1,193	119	Bank's Policy	Mr. Syed Mohammad Anwar Lutfullah - Executive
Toyota Corolla XLI	1,255	858	397	900	503	Bank's Policy	Mr. Saeed Khan - Executive
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	137	32	105	113	8	Insurance claim	Various
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	771	729	42	171	129	Bank's Policy	Various employees
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	229	228	1	54	53	Bank's Policy	Various employees
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	7,128	7,047	81	5,234	5,153	Auction	Various
	<u>70,964</u>	<u>58,947</u>	<u>12,017</u>	<u>19,880</u>	<u>7,863</u>		
Details of write offs							
Building improvements	17,797	8,197	9,600	-	(9,600)		
Furniture and fixtures	559	321	238	-	(238)		
Software	61,649	49,726	11,923	-	(11,923)		
Electrical, office and computer equipment	2,047	1,650	397	-	(397)		
	<u>82,052</u>	<u>59,894</u>	<u>22,158</u>	<u>-</u>	<u>(22,158)</u>		

13. DEFERRED TAX ASSETS - net

	Note	December 31, 2013 ----- (Rupees in '000) -----	December 31, 2012
Deferred debits arising in respect of:			
Deficit on revaluation of available-for-sale securities		14,289	-
Provision against non performing loans		1,858,017	2,354,472
Provision for compensated absences		34,925	43,164
Provision against other assets		158,981	63,743
Unused tax losses		4,023,485	4,022,092
Provision for diminution in the value of investments		384,033	356,238
		6,473,730	6,839,709
Deferred credits arising in respect of:			
Surplus on revaluation of fixed assets		(87,395)	(102,038)
Surplus on revaluation of available-for-sale securities		-	(52,196)
Operating fixed assets		(586,475)	(643,962)
		(673,870)	(798,196)
	13.1	5,799,860	6,041,513

13.1 The Bank has an aggregate amount of deferred tax asset of Rs.5,799.860 million which represents management's best estimate of the probable benefits expected to be realised in future years in the form of reduced tax liability as the Bank would be able to set off the profits earned in those years against losses carried forward and other taxable temporary differences relating to prior years. The management of the Bank has prepared a five years' business plan which has been approved by the Board of Directors of the Bank. The business plan involves certain key assumptions underlying the estimation of future taxable profits projected in the plan. The determination of future profits is most sensitive to certain key assumptions such as cost to income ratio of the Bank, deposit composition, growth of deposits and advances, investment returns, potential provision against assets, branch expansion plan, etc. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset. The management believes that it is probable that the Bank will be able to achieve the profits projected in the business plan and, consequently, the recorded deferred tax asset will be fully realised in the future.

14. OTHER ASSETS

	Note	December 31, 2013 ----- (Rupees in '000) -----	December 31, 2012
Income / mark-up accrued in local currency		2,061,431	1,874,557
Income / mark-up accrued in foreign currency		1,505	1,939
Advances, deposits, advance rent and other prepayments		419,717	516,538
Non banking assets acquired in satisfaction of claims	14.1	3,443,657	3,383,224
Advance taxation - net of provision		452,421	475,070
Receivable from Arif Habib Investments Limited, a related party		11	11
Receivable from Suroor Investments Limited, the parent company		-	27,000
Stationery and stamps on hand		11,137	10,620
Dividend receivable		758	-
Receivable against sale of property and equipment		-	90
Receivable against sale of equity securities		31,656	-
Commission receivable on guarantee		9,880	9,880
Receivable from other banks against clearing and settlement		21,384	50,284
Unrealised gain on forward foreign exchange contracts		19,613	39,512
Commission receivable on home remittance	14.2	276,303	247,385
Others		326,018	260,482
		7,075,491	6,896,592
Less: Provision held against other assets	14.3	(454,230)	(182,124)
		6,621,261	6,714,468

	Note	December 31, 2013 ----- (Rupees in '000) -----	December 31, 2012
14.1	Market value of non banking assets acquired in satisfaction of claims	4,299,053	4,311,728
14.2	This represents commission receivable from the State Bank of Pakistan in respect of home remittances channelised through the Bank as per agreement entered into with the SBP.		
14.3	Provision held against other assets		
	Opening balance	182,124	152,794
	Charge for the year	272,106	29,330
		454,230	182,124
15. BILLS PAYABLE			
	In Pakistan	2,205,414	1,654,302
	Outside Pakistan	-	-
		2,205,414	1,654,302
16. BORROWINGS			
	In Pakistan	9,888,211	28,859,168
	Outside Pakistan	72,987	41,264
		9,961,198	28,900,432
16.1 Particulars of borrowings with respect to currencies			
	In local currency	9,888,211	28,859,168
	In foreign currencies	72,987	41,264
		9,961,198	28,900,432
16.2 Details of borrowings secured / unsecured			
	Secured		
	Borrowings from State Bank of Pakistan		
	Export refinance scheme	4,149,640	3,191,400
	Long-term financing of export oriented projects	54,790	89,273
	Long-term financing facility	1,008	2,705
	Repurchase agreement borrowings (repo)	5,682,773	25,575,790
	Foreign bills - rediscounted	7,015	-
		9,895,226	28,859,168
	Unsecured		
	Overdrawn nostro accounts	65,972	41,264
	Call borrowings	-	-
		65,972	41,264
		9,961,198	28,900,432

16.2.1 These are secured against promissory notes, export documents and undertakings by the Bank granting the right to SBP to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current accounts maintained with the SBP. The effective mark-up rate on these borrowings is 8.4% (December 31, 2012: 8.5% to 10%) per annum, payable on quarterly basis.

16.2.2 These carry mark-up rate at the rate of 5% (December 31, 2012: 5%) per annum payable on quarterly basis.

16.2.3 These carry mark-up rate of 6.5% (December 31, 2012: rate ranging from 6.5% to 8.8%) per annum payable on quarterly basis.

16.2.4 These represent borrowings from various financial institutions at mark-up rate ranging from 9.9% to 10% (December 31, 2012: 7.45% to 8.97%) per annum, maturing upto January 03, 2014. Market Treasury Bills and Pakistan Investment Bonds amounting to Rs. 5,706 million (December 31, 2012: Rs.25,315 million) have been given as collateral against these borrowings (see note 10).

	December 31, 2013	December 31, 2012
Note	----- (Rupees in '000) -----	
17. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	28,734,921	36,804,444
Savings deposits	43,984,665	31,070,072
Current accounts - non-remunerative	27,460,204	19,168,420
Margin accounts	2,149,204	1,580,182
	102,328,994	88,623,118
Financial institutions		
Non-remunerative deposits	692,375	381,725
Remunerative deposits	3,329,673	7,911,587
	4,022,048	8,293,312
	106,351,042	96,916,430
17.1 Particulars of deposits		
In local currency	99,626,420	92,266,570
In foreign currencies	6,724,622	4,649,860
	106,351,042	96,916,430
18. SUB-ORDINATED LOAN		
Term Finance Certificate, Unquoted, Unsecured	18.1	1,498,620
		1,499,310

18.1 In October 2011, the Bank issued unquoted Term Finance Certificates which are subordinated as to the payment of principal and profit to all other indebtedness of the Bank including the deposits. The terms and conditions for the issue are as under:

Mark-up	:	Base rate (6 months KIBOR - ask side) plus 325 bps
Issue date	:	October 27, 2011
Rating	:	A
Tenor	:	7 years
Redemption	:	0.30% of the issued amount in the first 78 months and the remaining 99.70% of the issued amount in the 84th month
Maturity	:	October 26, 2018

19. OTHER LIABILITIES

	Note	December 31, 2013 ----- (Rupees in '000) -----	December 31, 2012
Mark-up / return / interest payable in local currency		1,349,415	1,466,144
Mark-up / return / interest payable in foreign currency		8,846	12,802
Payable to Bangladesh Bank	19.1	41,389	41,389
Payable to Rupali Bank - Bangladesh, a related party	19.2	16,293	16,293
Payable to vendors / creditors		62,488	87,108
Provision for compensated absences		99,785	123,326
Payable to Bank of Ceylon, Colombo		20,163	20,163
Retention money		8,028	5,015
Branch adjustment account		-	17
Advance against sale of property		9,500	-
Security deposits		88,662	75,571
Accrued expenses		47,033	148,676
Payable to brokers		2,621	12,432
Payable to defined benefit plan	35	50,388	22,131
Withholding taxes and government levies payable		21,137	12,776
Payable to other banks against clearing and settlement		-	14,857
Unclaimed dividend		2,213	2,213
Unearned income	19.3	27,441	46,798
Commission payable on home remittances	19.4	179,582	157,132
Others		120,034	85,733
		2,155,018	2,350,576

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

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

19.3 This represents unearned income mainly pertaining to local and foreign bills discounting.

19.4 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.

20. SHARE CAPITAL

20.1 Authorised capital

	December 31, 2013	December 31, 2012		December 31, 2013	December 31, 2012
	Number of Shares			----- (Rupees in '000) -----	
	1,500,000,000	1,500,000,000	Ordinary shares of Rs.10 each	15,000,000	15,000,000

20.2 Issued, subscribed and paid-up capital

	573,513,200	573,513,200	Ordinary shares of Rs.10 each Fully paid in cash	5,735,132	5,735,132
	454,466,382	454,466,382	Issued for consideration other than cash	4,544,664	4,544,664
	50,000,000	50,000,000	Issued as bonus shares	500,000	500,000
	1,077,979,582	1,077,979,582		10,779,796	10,779,796

20.3 Convertible Preference shares

	215,595,916	-	Convertible preference shares	2,155,959	-
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20.4 During the period, the Bank has issued two classes of listed convertible, perpetual, irredeemable, non-cumulative preference shares (CPS), eligible Tier 1 Capital, namely Class "A" 110,942,434 preference shares and Class "B" 104,653,482 preference shares both at issue price (par value) of Rs.10 per share aggregating to Rs.2,156 million having a tenor of 5 years. The terms and conditions for the issue are as under:

	Class A	Class B
Dividend	5% fixed return in the form of bonus Preference Shares.	Six Months KIBOR + 0.50% will be paid in the form of cash dividend subject to profitability and regulatory compliance. However, if the Bank is not able to pay cash dividend, then subject to profitability and regulatory compliance, the bank will issue bonus Ordinary Shares of equivalent amount at the conversion price.
The dividends should only be paid from current year's earnings and will be subject to the condition that any payment on such instruments should not result in breach of regulatory MCR and CAR requirements set by SBP from time to time.		
Conversion option	Preference Shares including all the returns / dividends in the form of Preference Shares shall be converted into Ordinary Shares after five years from the date of issuance.	Preference shareholders will have the option to convert Preference Shares into Ordinary Shares starting from the end of 42nd month of the date of issuance and every six months thereafter in equal tranches of 25% each at the conversion price agreed. If the investors intend to exercise the conversion option, they will give one month prior notice to the Bank stating their intention to convert the Class B shares as per formula prescribed above. The maximum number of Ordinary shares to be issued at the time of conversion must not exceed the ratio of price of the Preference shares at the time of its issuance divided by 20% of the Bank's Ordinary Shares price at the same time.
Conversion price	Shares will be issued at the audited book value as at December 31, 2012.	The par value i.e. Rs.10.00 per share or Market price per share as quoted on local stock exchanges whichever is lower. In case the market price per share is greater than par value, then the Class B shares will be converted at a 12.5% discount to market price per share. The market price used for determining the conversion price will be the three months average market price per share prior to the date of issuance of conversion notice by Class B shareholders or the completion of its tenor, whichever is earlier.

20.5 As at December 31, 2013, Suroor Investments Limited (SIL), parent company, Arif Habib Corporation Limited and Rupali Bank Limited, Bangladesh, a related party held 554,680,393 (51.46%), 1,000,355 (0.09%) and 32,777,450 (3.04%) [December 31, 2012: 554,680,393 (51.46%), 1,119,355 (0.09%) and 32,777,450 (3.04%)] Ordinary shares in the Bank, respectively.

		December 31, 2013	December 31, 2012
	Note	----- (Rupees in '000) -----	
21. RESERVES			
Share premium		1,000,000	1,000,000
Statutory reserve		64,828	64,828
Discount on issue of shares		(1,297,298)	(1,297,298)
Reserve arising on amalgamation		(1,579,205)	(1,579,205)
		<u>(1,811,675)</u>	<u>(1,811,675)</u>
22. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX			
Surplus / (deficit) arising on revaluation of assets - net of tax:			
Operating fixed assets	22.1	357,838	371,902
Available-for-sale securities	22.2	(216,735)	(206,138)
		<u>141,103</u>	<u>165,764</u>
22.1 Surplus on revaluation of operating fixed assets			
Balance as at January 01		473,945	529,083
Transferred to accumulated losses in respect of			
- Incremental depreciation - net of deferred tax		(14,064)	(11,499)
- Disposal of property		-	(37,448)
- Related deferred tax liability		(7,275)	(6,191)
		<u>(21,339)</u>	<u>(55,138)</u>
		452,606	473,945
Less: Related deferred tax liability on:			
- Revaluation as at January 01		(102,043)	(107,857)
- Disposal of property		-	(377)
- Incremental depreciation		7,275	6,191
		<u>(94,768)</u>	<u>(102,043)</u>
		<u>357,838</u>	<u>371,902</u>
22.2 Surplus / (deficit) on revaluation of available-for-sale securities			
Federal Government Securities			
Market Treasury Bills		(51,323)	63,485
Pakistan Investment Bonds		25,986	283,670
Fully paid-up shares / units			
Listed companies shares		(267,955)	(486,417)
Open end mutual fund units		4,184	62,113
Term Finance Certificates and Bonds			
Term finance certificates		75,152	(59,725)
Sukuks		(17,068)	(17,068)
Total deficit on revaluation of securities		<u>(231,024)</u>	<u>(153,942)</u>
Related deferred tax asset / (liability)		14,289	(52,196)
		<u>(216,735)</u>	<u>(206,138)</u>

December 31, 2013 December 31, 2012
 ----- (Rupees in '000) -----

23. CONTINGENCIES AND COMMITMENTS

23.1 Direct credit substitutes

Including guarantees and standby letters of credit serving as financial guarantees for loans and securities

Financial institutions
 Others

-	400,000
338,797	403,873
338,797	803,873

23.2 Transaction-related contingent liabilities / commitments / guarantees issued favouring

Contingent liability in respect of performance bonds, bid bonds, shipping guarantees and standby letters of credit favouring:

Government
 Banking companies and other financial institutions
 Others

2,385,132	3,254,100
838,820	372,074
5,495,872	3,763,472
8,719,824	7,389,646

23.3 Trade-related contingent liabilities

Letters of credit
 Acceptances

9,753,218	6,196,252
694,559	1,157,134
10,447,777	7,353,386

23.4 Other contingencies - claims against Bank not acknowledged as debts

9,283,736	9,723,708
------------------	-----------

23.5 Contingent asset

There was no contingent asset as at December 31, 2013 (December 31, 2012: Nil).

23.6 Commitments in respect of forward lending

Forward documentary bills
 Commitments to extend credit

4,705,129	2,834,502
12,042,992	9,805,740
16,748,121	12,640,242

23.7 Commitments in respect of forward exchange contracts

Purchase
 Sale

9,293,081	7,633,493
8,517,592	8,836,456
17,810,673	16,469,950

23.8 Commitments for capital expenditure

Civil works (at branches)

8,589	32,488
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23.9 Commitments in respect of purchase of rupee traveller cheques

-	1,210
---	-------

23.10 For tax-related contingencies, refer notes 31.2 to 31.7.

23.11 Other contingencies

In the year 2004, forward sale of Pakistan Investment Bonds (PIB's) with face value of Rs.250 million was entered into with Speedway Fondmetall (Private) Limited (Speedway). The deal was not honoured by Speedway on the due date and the contract was rolled over subject to receipt of Rs.6 million and mortgage of properties. Consequent upon the failure by Speedway to honour the terms of the contract, the Bank served a final notice intimating to settle the deal within stipulated time otherwise the Bank would liquidate the deal, and claim the loss on deal by taking legal recourse. In response, Speedway filed a suit against the Bank and obtained stay order from Honorable High Court of Sindh (the Court) against the sale of PIB's which was vacated by the Court during the year 2005.

The Bank started proceedings during the financial year 2006 to recover the loss on the deal by disposing off the mortgaged properties. However, Speedway filed another suit and obtained stay order from the Court against the sale of the properties mortgaged with the Bank, which was also dismissed as withdrawn by Speedway. Speedway filed third suit in the Banking Court No.2 against publication by which the mortgage properties were put to sale. The Bank has also filed recovery suit against Speedway in the Court. Subsequently, the Bank moved an application for transfer of the suit filed by Speedway in Banking Court No. 2 to the Court, so that the two suits are heard together in the apex Court.

During the financial year 2007, the Court passed a decree in Bank's favour for Rs.25.697 million with mark-up at the rate of 20 percent per annum from the date of filing of the suit till its realisation. The Bank has filed an execution application in the Court. In this regard, provision of Rs.25.697 million has been retained in the financial statements as a matter of prudence against the claim receivable.

December 31, December 31,
2013 2012
----- (Rupees in '000) -----

24. MARK-UP / RETURN / INTEREST EARNED

On loans and advances to:

Customers	5,095,745	6,322,752
-----------	------------------	-----------

On investments in:

Available-for-sale securities	3,861,589	3,687,558
Held to maturity securities	51,499	102,396

On lendings to financial institutions

	159,860	145,762
--	----------------	---------

On deposits with financial institutions

	9,734	6,624
--	--------------	-------

	9,178,427	10,265,092
--	------------------	-------------------

25. MARK-UP / RETURN / INTEREST EXPENSED

Deposits and other accounts	5,953,823	7,399,409
-----------------------------	------------------	-----------

Securities sold under repurchase agreements	1,674,298	2,002,702
---	------------------	-----------

Other short-term borrowings	303,585	351,671
-----------------------------	----------------	---------

Sub-ordinated loan	192,590	222,993
--------------------	----------------	---------

Swap cost on foreign currency transactions	205,578	160,991
--	----------------	---------

	8,329,874	10,137,766
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26. GAIN ON SALE OF SECURITIES - net

Federal Government Securities

- Market Treasury Bills
- Pakistan Investment Bonds

- Listed Ordinary shares
- Unlisted Ordinary shares
- Mutual Funds Units

Note	December 31, 2013	December 31, 2012
	----- (Rupees in '000) -----	
	8,272	47,403
	14,416	19,014
	156,859	221,560
	5,000	20,606
	(130,721)	30,861
	53,826	339,444
	7,946	7,518
	38,334	59,709
	25,066	17,293
27.1	13,558	7,864
	59,359	4,976
	144,263	97,360

27.1 This includes income from related party amounting to Rs.1.800 million.

28. ADMINISTRATIVE EXPENSES

- Salaries, allowances, etc.
- Charge for defined benefit plan - gratuity
- Contribution to defined contribution scheme
- Non-executive directors' fees, allowances and other expenses
- Brokerage and commission
- Rent, taxes, insurance and electricity, etc.
- Legal and professional
- Fees and subscription
- Repairs and maintenance
- Communications
- Stationery and printing
- Advertisement and publicity
- Travelling and conveyance
- Education and training
- Entertainment
- Security services and charges
- Auditors' remuneration
- Depreciation
- Amortisation
- Others

Note	December 31, 2013	December 31, 2012
	----- (Rupees in '000) -----	
	1,542,169	1,459,802
35.1.3	52,043	29,446
35.2	65,205	51,297
	1,120	1,121
	12,327	12,196
	978,357	831,965
	92,447	55,729
	78,203	123,878
	128,609	111,894
	153,491	155,348
	79,387	70,961
	115,261	68,825
	162,456	135,966
	2,511	1,468
	33,504	30,192
	165,948	125,236
28.1	14,272	9,517
12.2	555,573	525,337
12.3	77,717	99,653
	63,351	58,248
	4,373,951	3,958,079

	Note	December 31, 2013 ----- (Rupees in '000) -----	December 31, 2012
28.1 Auditors' remuneration			
Audit fee		2,500	2,500
Certifications, half yearly review and sundry advisory services		9,922	4,775
Tax services		564	1,000
		12,986	8,275
General sales tax		286	-
Out of pocket expenses		1,000	1,242
		14,272	9,517
29. OTHER PROVISIONS / WRITE OFFS			
Fixed assets written off	12.2.3	22,158	470
Provision against other assets	14.3	272,106	29,330
Other assets written off		86,753	-
		381,017	29,800
30. OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		6,506	121
Bank charges		13,218	8,962
Additional tax to FBR		3,753	-
		23,477	9,083
31. TAXATION			
For the year			
Current		105,658	76,717
Deferred		315,414	132,523
		421,072	209,240
For prior year		-	-
		421,072	209,240

31.1 The numerical reconciliation between the average tax rate and applicable tax rate has not been presented in these financial statements as income of the Bank is subject to minimum tax under provisions of section 113 of the Income Tax Ordinance, 2001 (the Ordinance).

31.2 In respect of the assessment years 1997-1998 to 2002-2003 and tax year 2003, the taxation authorities apportioned / allocated administrative and financial charges against exempt income for the said years. The Bank filed an appeal against the said action of the authorities before the Commissioner Inland Revenue (Appeals) [CIR(A)] who decided the issue in favour of the Bank. However, the department filed an appeal against the said order before the Appellate Tribunal Inland Revenue (ATIR), Karachi which through a Larger Bench disapproved the formula of apportionment of expenses between exempt capital gain and other taxable income and set aside the assessment with the direction to the assessing officer to allow expenses against exempt income by identifying their nature and relation amongst the various sources of income. The Bank contends that the jurisdiction of Larger Bench was limited only to answer a legal question related to apportionment of administrative expenses and that it could not include the financial charges as well while deciding the matter.

The revised assessments have not been made by the tax department, accordingly, no tax liability in respect thereof exists at the statement of financial position date nor an estimate could be made of the liability that may result from the unfavourable outcome of the matter.

Based on the opinion of the legal counsel of the Bank and considering the latest judgment of the Honourable Lahore High Court in a similar case, the management believes that the outcome of the above pending assessments would be favourable. Hence, no provision has been made in respect of the above in these financial statements.

- 31.3** In respect of the tax assessments of ATBL relating to tax years 2003 to 2005 and 2008, various disallowances have been made by assessing officer including provision against non-performing advances, leasing losses, allocation of expenses against exempt income and amortisation of intangibles and deferred cost. In relation to tax year 2003, the Bank filed an appeal before ATIR in respect of disallowances of provision for non-performing advances who confirmed the order of CIR(A) against the Bank. Further, the department has filed tax references before the Honourable High Court of Sindh. In respect of tax years 2004, 2005 and 2008 the Bank has filed appeals before CIR(A) in respect of the aforesaid issue. In respect of tax year 2004, the CIR(A) has confirmed the order of the officer and the Bank has preferred an appeal before ATIR. The above matters may result in reduction of claimed tax losses and have an aggregate tax impact of Rs.238.72 million. The management of the Bank is confident about the favourable outcome of the appeals, hence, no provision with regard to the above matters has been made in the financial statements.
- 31.4** For assessment of MBL in respect of tax years 2006, 2007, 2008 and 2009, the Taxation Officer has amended the deemed assessment under Section 122(5A) of the Income Tax Ordinance, 2001 by making various disallowances, out of which an amount of Rs.270.374 million has not been provided for in the books of account for the reason that the disallowances are based on issues which have already been decided at the higher appellate forums in Bank's favour. The Bank's appeal contesting the settled issues is awaiting disposal before the CIR(A) except in respect of the tax year 2006 wherein relief allowed on some issues has been remanded back and few disallowances made have been maintained against which second appeal before the ATIR has been filed. Hence, the disallowances are likely to be decided as per higher appellate forums favouring Bank not requiring further tax provision. During the year ACIR has passed an order under section 122(5A) of the Ordinance in respect of tax year 2011 and has determined a taxable income of Rs.172.242 million as against the business loss of Rs.388.354 million declared by the Bank in its return of income. The said order has been rectified by the ACIR in response to rectification application filed by the Bank and revised taxable income of Rs.113.176 million has been determined by ACIR vide order dated November 30, 2013. The Bank has filed appeal before CIR(A) against the disallowances of Rs.501.529 million where the matter is pending hearing.

During the year, the ACIR vide his orders dated June 26, 2013 and July 31, 2013 under section 122(5A) of the Ordinance for tax years 2007 and 2010 respectively made certain disallowances and reduced the loss as per return of income filed by the Bank. The Bank has filed an appeal before CIR(A) against the ACIR order for tax years 2007 and 2010. In respect of tax year 2007, the CIR(A) vide appellate order dated December 13, 2013 upheld the order of ACIR. The Bank has filed second appeal before ATIR against the order of CIR(A) which is pending adjudication. In respect of tax year 2010, the Bank has filed an appeal before CIR(A) against the order of ACIR which is pending adjudication.

- 31.5** With respect to the assessment of MBL in respect of tax years 2004 and 2005, CIR(A) has maintained the disallowances made by Taxation Officer having an aggregate amount of Rs.29.657 million. No provision has been made against the same for the reason that this relates to settled issues decided in Bank's favour by higher appellate forums. The Bank has filed an appeal before the ATIR, where the matter is awaiting hearing.
- 31.6** With respect to the assessment of tax year 2003, the Bank filed an appeal against the order of ATIR before the Honourable High Court of Sindh (the Court) in Karachi. The Court, after hearing the case, vacated the order and remanded the case back to the Taxation Officer for re-adjudication of the issues strictly as per law. The Taxation Officer passed a new order ignoring the clear direction of the Court against which the Bank has filed an appeal which is presently awaiting hearing before the ATIR. The tax involved in appeal amounts to Rs.36.220 million which relates to a previously settled issue in Bank's favour and, hence, no provision has been made on this account.
- 31.7** With respect to the assessment of SBL in the tax years 2009 to 2011, the Taxation Officer has amended the deemed assessment under section 122(5A) of the Ordinance by making various disallowances aggregating to Rs.1,034.360 million. The Bank has filed an appeal with the CIR(A). During the year CIR(A) has maintained the disallowances made by the Taxation Officer relating to tax years 2009 and 2010, and allowed certain relief for the tax year 2011, in appellate order dated April 27, 2013. No provision has been made against the same for the reason that the Bank has filed an appeal before the ATIR against CIR(A) order, where the matter is pending adjudication and the Bank expects a favourable outcome of the same. Accordingly, provision against disallowances made by CIR(A) in his order has not been made in the financial statements of the Bank.

December 31, 2013 December 31, 2012
(Restated note 5.1.1)
----- (Rupees in '000) -----

32. LOSS PER SHARE - BASIC

Loss for the year		<u>(1,828,224)</u>	<u>(2,734,156)</u>
		----- (Number of shares) -----	
Weighted average number of Ordinary shares		<u>1,203,089,549</u>	<u>1,077,979,582</u>
		----- (Rupees) -----	
Loss per share - basic		<u>(1.52)</u>	<u>(2.54)</u>

32.1 Diluted EPS has not been disclosed in these unconsolidated financial statements as the effect of the potential Ordinary shares is anti-dilutive.

December 31, 2013 December 31, 2012
----- (Rupees in '000) -----

33. CASH AND CASH EQUIVALENTS

	Note		
Cash and balances with treasury banks	7	<u>9,203,568</u>	8,110,185
Balances with other banks	8	<u>2,302,085</u>	3,600,977
Overdrawn nostro accounts	16.2	<u>(65,972)</u>	(41,264)
		<u>11,439,681</u>	<u>11,669,898</u>

----- (Number) -----

34. STAFF STRENGTH

Permanent		<u>1,969</u>	1,912
Contractual basis		<u>159</u>	170
Bank's own staff strength at end of the year		<u>2,128</u>	2,082
Outsourced		<u>379</u>	379
Total staff strength		<u>2,507</u>	<u>2,461</u>

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

35. DEFINED BENEFIT AND CONTRIBUTION SCHEMES

Defined benefit scheme (funded)	35.1	<u>50,388</u>	<u>22,131</u>
Defined contribution scheme (funded)	35.2	<u>65,205</u>	<u>51,297</u>
Compensated absences	35.3	<u>99,785</u>	<u>123,326</u>

35.1 Defined benefit plan

The Bank maintains a funded gratuity scheme under which benefits are payable to permanent and contractual employees on retirement at the age of 60 years or earlier 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. Latest actuarial valuation was carried out as at December 31, 2013 using "Projected Unit Credit Method".

December 31, December 31,
2013 2012
----- % per annum -----

Principal actuarial assumptions

Discount rate - per annum
Expected rate of increase in salaries - per annum
Expected rate of return on plan assets - per annum

13.0%	11.5%
12.0%	11.5%
13.0%	11.5%

----- (Rupees in '000) -----
**(Restated
note 5.2)**

35.1.1 The amount recognised in the statement of financial position is as follows:

Present value of defined benefit obligations
Fair value of plan assets
Net liability

171,269	123,952
(120,881)	(101,821)
50,388	22,131

35.1.2 Movement in liability recognised by the Bank

Opening balance
Charge for the year
Other comprehensive income
Benefits paid on behalf of Fund
Contribution to Fund
Closing balance

22,131	97,644
52,043	29,446
(185)	3,810
-	(2,972)
(23,601)	(105,797)
50,388	22,131

35.1.3 Charge for the year

Current service cost
Interest cost
Expected return on plan assets
Curtailement gain

50,855	42,492
13,404	11,410
(12,216)	(6,254)
-	(18,202)
52,043	29,446

35.1.4 Actual return on plan assets

Expected return on plan assets
Actuarial (losses) / gains on plan assets

12,216	-
(1,977)	-
10,239	-

35.1.5 Movement in present value of defined benefit obligation

Defined benefit obligation as at beginning of the year
Current service cost
Interest cost
Curtailement gain
Benefits paid during the year
Actuarial (gain) / loss
Defined benefit obligation as at end of the year

123,952	97,644
50,855	42,492
13,404	11,410
-	(18,202)
(14,780)	(12,721)
(2,162)	3,329
171,269	123,952

December 31, December 31,
2013 2012
----- (Rupees in '000) -----

35.1.6 Changes in fair value of plan assets

Opening fair value of plan assets	101,821	-
Expected return	12,216	6,254
Actuarial loss	(1,977)	(481)
Contribution by employer	23,601	105,797
Benefit paid	(14,780)	(9,749)
Closing fair value of plan assets	120,881	101,821

The expected future charge for defined benefit scheme is Rs.59.628 million (December 31, 2012: Rs.45.455 million) according to actuarial recommendation.

The expected return on plan assets is based on the market expectation and depends upon the asset portfolio of the Bank, at the beginning of the year, for return over the entire life of the related obligation.

35.1.7 Break-up of category of assets

	2013		2012	
	(Rupees)	Percentage	(Rupees)	Percentage
Treasury Bills	-	0%	96,326,903	95%
Bank deposits	120,881,315	100%	5,494,034	5%
	120,881,315	100%	101,820,937	100%

35.1.8 Sensitivity analysis on significant actuarial assumptions: Actuarial liability

	Change in assumption	----- (Rupees in '000) ----- Impact on present value of DBO	
		(Rupees)	Percentage
Discount rate	1%	(11,260)	12,868
Salary increase rate	1%	13,643	(12,118)
Withdrawal rate	10%	(646)	626
Death rate	10%	7	(8)

35.1.9 Historical information

	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009
	----- (Rupees in '000) -----				
Present value of defined benefit obligation	171,269	123,952	97,644	38,475	17,668
Plan assets	120,881	101,821	-	-	-
	50,388	22,131	97,644	38,475	17,668
Experience adjustments					
- actuarial (gain) / loss on obligation	(2,162)	3,329	(5,280)	2,526	2,096
- actuarial loss on plan assets	1,977	481	-	-	-

35.2 Defined contribution scheme

An amount of Rs.65.205 million (December 31, 2012: Rs.51.297 million) has been charged during the year in respect of contributory provident fund maintained by the Bank.

35.3 Compensated absences

The Bank maintains a staff compensated scheme under which benefits are payable to permanent and contractual employees on retirement at the age of 60 years or earlier 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. The actuarial valuation of the unfunded scheme is carried out periodically. Latest actuarial valuation was carried out as at December 31, 2013 using "Projected Unit Credit Method".

	December 31, 2013	December 31, 2012	
	----- % -----		
35.3.1 Principal actuarial assumptions			
Discount rate	13.0%	11.5%	
Expected rate of salary increase	12.0%	11.5%	
	----- (Rupees in '000) -----		
35.3.2 The amount recognised in the statement of financial position is as follows:			
Present value of defined benefit obligations	99,785	123,326	
35.3.3 Movement in liability recognised by the Bank			
Opening balance	123,326	122,839	
Charge for the year	(14,713)	9,283	
Benefits paid during the year	(8,828)	(8,796)	
Closing balance	99,785	123,326	
35.3.4 Charge for the year			
Current service cost	(14,713)	9,283	
35.3.5 Movement in present value of defined benefit obligation			
Defined benefit obligation as at beginning of the year	123,326	122,839	
Current service cost	(14,713)	9,283	
Benefits paid during the year	(8,828)	(8,796)	
Defined benefit obligation as at end of the year	99,785	123,326	
35.3.6 Sensitivity analysis on significant actuarial assumptions: Actuarial liability			
		----- (Rupees in '000) -----	
	Change in assumption	Impact on present value of DBO	
		Increase in assumption	Decrease in assumption
Discount rate	1%	(6,560)	7,498
Salary increase rate	1%	7,949	(7,060)
Withdrawal rate	10%	(376)	365
Death rate	10%	5	(4)
Leave accumulation factor	1 day	18	(24)

36. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	----- (Rupees in '000) -----					
Fees	-	-	1,120	1,121	-	-
Managerial remuneration	24,000	21,772	-	-	300,917	253,552
Charge for defined contribution plan	-	-	-	-	26,724	18,606
Rent and house maintenance	-	1,227	-	-	135,411	114,097
Utilities	-	273	-	-	30,090	25,354
Dearness allowance	-	455	-	-	50,161	42,266
Medical	-	273	-	-	30,090	25,354
Conveyance allowance	-	-	-	-	75,306	58,993
Car allowance	-	-	-	-	63,711	46,189
General / special allowance	-	-	-	-	41,172	44,057
	24,000	24,000	1,120	1,121	753,582	628,468
Number of person(s)	1	1	2	3	329	278

36.1 Executive means employee, other than the chief executive and directors, whose basic salary exceeds five hundred thousand rupees in a financial year. The Chief Executive and certain executives are provided with free use of Bank maintained cars in accordance with their entitlements.

36.2 Number of persons include outgoing executives.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair values or fair value estimates.

The fair value of traded investments and Federal Government securities are based on quoted market prices and PKRV rates respectively. Fair value of unquoted equity investments is determined on the basis of lower of cost and breakup value of these investments as per the latest available financial statements.

Fair value of fixed term advances, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for non-performing advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.5.

The repricing profile and effective rates and maturity are stated in notes 42.4.4 and 42.5.1 respectively.

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

38. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activities is as follows:

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Total
(Rupees in '000)						
December 31, 2013						
Total income	24,596	1,608,078	1,542,144	7,669,998	19,925	10,864,741
Total expenses	8,189	1,994,624	1,071,841	9,182,197	15,042	12,271,893
Net income / (loss) before tax	16,407	(386,546)	470,303	(1,512,199)	4,883	(1,407,152)
Segment assets (gross)	43,859	52,150,514	11,747,740	74,472,739	56,913	138,471,765
Segment non performing loans	-	-	996,481	16,812,560	-	17,809,041
Segment provision	-	1,097,236	963,870	10,850,624	-	12,911,730
Segment assets (net)	43,859	51,053,278	10,783,870	63,622,115	56,913	125,560,035
Segment liabilities	44,388	48,837,494	22,506,666	48,570,935	2,211,809	122,171,292
Segment return on assets (ROA) (%)	37.41	(0.76)	4.36	(2.38)	8.58	
Segment cost of funds (%)	18.45	4.08	4.76	18.90	0.68	
(Rupees in '000)						
December 31, 2012						
Total income	14,161	4,502,080	1,156,061	5,953,647	16,243	11,642,192
Total expenses	4,762	2,718,069	1,319,257	10,109,915	15,105	14,167,108
Net income / (loss) before tax	9,399	1,784,011	(163,196)	(4,156,268)	1,138	(2,524,916)
Segment assets (gross)	21,660	66,738,553	11,003,106	70,190,284	24,843	147,978,446
Segment non performing loans	-	-	1,838,529	21,571,418	-	23,409,947
Segment provision	-	1,017,824	672,407	11,903,020	-	13,593,251
Segment assets (net)	21,660	65,720,729	10,330,699	58,287,264	24,843	134,385,195
Segment liabilities	43,947	26,338,959	40,550,136	62,673,885	1,714,123	131,321,050
Segment return on assets (ROA) (%)	43.39	2.71	(1.58)	(7.13)	4.58	
Segment cost of funds (%)	10.84	10.32	3.25	16.13	0.88	

39. TRUST ACTIVITIES

The Bank is not engaged in any trust activities.

40. RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its associates, parent company, subsidiary companies, employee benefit plans and its directors and executive officers (including their associates).

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

	December 31, 2013				December 31, 2012					
	Key management personnel	Directors	Parent company	Subsidiary	Associates / other related parties	Key management personnel	Directors	Parent company	Subsidiary	Associates / other related parties
(Rupees in '000)										
Advances										
Balance at beginning of the year	117,626	-	-	-	260,517	103,665	-	-	18,000	107,967
Sanctioned / granted during the year	117,019	-	-	-	1,996,216	48,155	-	-	-	916,062
Payment received during the year	(88,641)	-	-	-	(1,571,229)	(34,194)	-	-	(18,000)	(763,512)
Balance at end of the year	146,004	-	-	-	685,504	117,626	-	-	-	260,517
Deposits										
Balance at beginning of the year	44,192	40,612	-	103,963	68,626	31,770	68,316	-	38,635	60,323
Deposits during the year	606,573	1,695,371	-	6,334,599	1,051,991	483,937	392,851	-	5,071,890	1,079,753
Withdrawal during the year	(619,297)	(1,681,096)	-	(6,341,161)	(1,028,258)	(471,515)	(420,555)	-	(5,006,562)	(1,071,449)
Balance at end of the year	31,468	54,887	-	97,401	92,359	44,192	40,612	-	103,963	68,626

	December 31, 2013					December 31, 2012				
	Key management personnel	Directors	Parent company	Subsidiary	Associates / other related parties	Key management personnel	Directors	Parent company	Subsidiary	Associates / other related parties
	----- (Rupees in '000) -----									
Other transactions / balances										
Convertible preference shares	-	50,000	1,109,361	-	-	-	-	-	-	-
Investment in shares / TFC's	-	-	-	199,170	1,402,235	-	-	-	396,942	343,526
Purchase of investments	-	-	-	10,551	511,207	-	-	-	503,876	285,167
Disposal of investments	-	-	-	-	250,136	-	-	-	501,870	259,066
Guarantees, letters of credit and acceptances	-	-	-	-	451,369	-	-	-	-	125,753
Other receivable	-	-	-	12,360	9,233	-	-	27,000	-	1,312
Other payable	-	1,682	-	1,024	1,326	-	1,222	-	339	12,310
Mark-up payable	133	274	-	811	132	68	250	-	331	137
Mark-up receivable	-	-	-	-	15,412	465	-	-	-	13,642
Transactions, income and expenses										
Brokerage expenses	-	-	-	5,698	964	-	-	-	1,809	-
Professional fees	-	-	-	-	4,220	-	-	-	-	-
Capital gain / (loss)	-	-	-	-	3,594	-	-	-	-	9,995
Dividend income	-	-	-	-	14,667	-	-	-	-	8,408
Contribution to the provident fund	-	-	-	-	65,205	-	-	-	-	51,297
Contribution to the gratuity fund	-	-	-	-	52,043	-	-	-	-	29,446
Remuneration paid	152,345	-	-	-	-	83,277	-	-	-	-
Post employment benefits	6,758	-	-	-	-	5,236	-	-	-	-
Rental income	-	-	-	1,800	-	-	-	-	1,350	-
Mark-up earned	4,189	-	-	8,087	63,517	4,882	-	-	4,393	43,001
Mark-up expensed	998	2,954	-	6,618	1,856	1,337	6,586	-	4,690	1,369
Other income	-	-	-	61	-	-	-	-	-	-
Repair and maintenance charges	-	-	-	-	3,674	-	-	-	-	-
Fees paid	-	1,120	-	-	-	-	1,121	-	-	-

41. CAPITAL ASSESSMENT AND ADEQUACY

41.1.1 Scope of Application of Basel III Framework

Summit Bank Limited is a scheduled bank regulated by the State Bank of Pakistan. The Bank has a wholly owned subsidiary Summit Capital (Private) Limited. The subsidiary is engaged in brokerage business of shares, money market and foreign exchange transactions etc.

The Basel III framework consists of three mutually reinforcing pillars:

- (i) Pillar I: Minimum capital requirements for credit risk, market risk and operational risk
- (ii) Pillar II: Supervisory review of capital adequacy
- (iii) Pillar III: Market Discipline

Market Discipline (Pillar III) comprises of disclosures on the capital adequacy and risk management framework of the Bank. These disclosures have been set out in notes 41 to 41.5 to the financial statements.

Pillar III disclosures apply to Summit Bank Limited and its consolidated entities, wherein Summit Bank Limited is the controlling entity in the Group. Consolidation for capital adequacy is based on consolidated financial statements of Summit Bank Limited and its subsidiary in line with the international accounting standards and guidelines for consolidation. The entity considered for consolidation for capital adequacy include Summit Capital (Private) Limited being wholly owned subsidiary of the Bank, valued at its fair value.

41.1.2 Capital Structure

The total capital consists of following categories:

1) Tier I Capital

1.1 Tier I Capital of Rs.10.779 billion comprises of Ordinary share capital (CET1) with limited liability to its shareholders.

1.2 Additional Tier 1 represents issued, convertible, perpetual, irredeemable, non-cumulative Preference shares amounting to Rs.2.156 billion.

2) Tier II Capital

Sub Ordinated Loan of Rs.1.499 billion represents issued Term Finance Certificate, un-quoted and un-secured. These are subordinated as to the payment of principal and profit to all other indebtedness of the Bank including the deposits.

41.1.3 Capital Adequacy Ratio

	December 31, 2013 ----- (Rupees in '000) ----- Amount	December 31, 2012 ----- Amounts subject to Pre - Basel III treatment*	December 31, 2012 ----- Amount	
Common Equity Tier 1 capital (CET1) : Instruments and reserves				
1	Fully Paid-up Capital/ Capital deposited with SBP	10,779,796	-	10,779,796
2	Balance in Share Premium Account	1,000,000	-	1,000,000
3	Reserve for issue of Bonus Shares	-	-	-
4	General / Statutory Reserves	(2,811,675)	-	(2,811,675)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-	-
6	Unappropriated/unremitted profits / (accumulated losses) - restated	(7,876,440)	-	(6,069,740)
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-	-
8	CET 1 before Regulatory Adjustments	1,091,681	-	2,898,381
Common Equity Tier 1 capital: Regulatory adjustments				
9	Goodwill (net of related deferred tax liability)	-	-	-
10	All other intangibles (net of any associated deferred tax liability)	393,431	-	478,524
11	Shortfall of provisions against classified assets	-	-	-
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	4,023,044	-
13	Defined-benefit pension fund net assets	-	-	-
14	Reciprocal cross holdings in CET1 capital instruments	-	-	-
15	Cash flow hedge reserve	-	-	-
16	Investment in own shares/ CET1 instruments	-	-	-
17	Securitization gain on sale	-	-	-
18	Capital shortfall of regulated subsidiaries	-	-	-
19	Deficit on account of revaluation from bank's holdings of property / AFS	97,531	-	-

	December 31, 2013 ----- (Rupees in '000) -----	December 31, 2012
	Amount	Amounts subject to Pre - Basel III treatment*
20	-	325,561
21	-	-
22	-	-
23	-	-
24	-	-
25	-	-
26	-	-
27	-	-
28	-	-
29	-	-
30	-	-
	490,962	4,348,605
	600,719	478,524
	(a)	2,419,857
Common Equity Tier 1		
Additional Tier 1 (AT 1) Capital		
31	-	-
32	2,155,959	-
33	-	-
34	-	-
35	-	-
36	2,155,959	-
Additional Tier 1 Capital: regulatory adjustments		
37	-	-
38	-	-
39	-	-
40	-	-

		December 31, 2013	December 31, 2012
		----- (Rupees in '000) -----	
		Amounts subject to Pre - Basel III treatment*	
		Amount	Amount
41	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation.	-	-
42	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	99,585	99,585
43	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
44	Total of Regulatory Adjustment applied to AT1 capital	99,585	99,585
45	Additional Tier 1 capital		
46	Additional Tier 1 capital recognized for capital adequacy (b)	2,056,374	(99,585)
	Tier 1 Capital (CET1 + admissible AT1) (c=a+b)	2,657,093	2,320,272
Tier 2 Capital			
47	Qualifying Tier 2 capital instruments under Basel III	1,498,620	1,499,310
48	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	-
49	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	-
50	of which: instruments issued by subsidiaries subject to phase out	-	-
51	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	22,305	2,488
52	Revaluation Reserves		
53	of which: Revaluation reserves on Property	161,027	146,618
54	of which: Unrealized Gains/Losses on AFS	-	-
55	Foreign Exchange Translation Reserves	-	-
56	Undisclosed/Other Reserves (if any)	-	-
57	T2 before regulatory adjustments	1,681,952	1,648,416
Tier 2 Capital: regulatory adjustments			
58	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	99,585	99,585
59	Reciprocal cross holdings in Tier 2 instruments	-	-
60	Investment in own Tier 2 capital instrument	-	-
61	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	245,694
62	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-

		December 31, 2013	December 31, 2012
		----- (Rupees in '000) -----	
		Amounts subject to Pre - Basel III treatment*	
		Amount	Amount
63	Amount of Regulatory Adjustment applied to T2 capital	99,585	245,694
64	Tier 2 capital (T2)	1,582,367	-
65	Tier 2 capital recognized for capital adequacy	1,582,367	-
66	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	-
67	Total Tier 2 capital admissible for capital adequacy (d)	1,582,367	-
	TOTAL CAPITAL (T1 + admissible T2) (e=c+d)	<u>4,239,460</u>	<u>3,529,195</u>
	Total Risk Weighted Assets (RWA) (i=f+g+h)	<u>99,696,464</u>	<u>79,793,405</u>
68	Total Credit Risk Weighted Assets (f)	86,568,846	-
69	Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment	86,568,846	-
70	of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity		
71	of which: deferred tax assets	5,799,860	-
72	of which: Defined-benefit pension fund net assets	-	-
73	of which: [insert name of adjustment]	-	-
74	Total Market Risk Weighted Assets (g)	9,763,400	-
75	Total Operational Risk Weighted Assets (h)	3,364,218	-
	Capital Ratios and buffers (in percentage of risk weighted assets)		
76	CET1 to total RWA (a/i)	0.60%	3.03%
77	Tier-1 capital to total RWA (c/i)	2.67%	2.91%
78	Total capital to RWA (e/i)	4.25%	4.42%
79	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	-	-
80	of which: capital conservation buffer requirement	-	-
81	of which: countercyclical buffer requirement	-	-
82	of which: D-SIB or G-SIB buffer requirement	-	-
83	CET1 available to meet buffers (as a percentage of risk weighted assets)	-	-
	National minimum capital requirements prescribed by SBP		
84	CET1 minimum ratio	5.00%	
85	Tier 1 minimum ratio	6.50%	
86	Total capital minimum ratio	10.00%	
	Amounts below the thresholds for deduction (before risk weighting)		
87	Non-significant investments in the capital of other financial entities	-	-
88	Significant investments in the common stock of financial entities	-	-
89	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-

	December 31, 2013	December 31, 2012	
	----- (Rupees in '000) -----		
	Amounts subject to Pre - Basel III treatment*		
Amount			
Applicable caps on the inclusion of provisions in Tier 2			
90 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	22,305	-	-
91 Cap on inclusion of provisions in Tier 2 under standardized approach	1,082,111	-	-
92 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-	-
93 Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-	-

41.2 Risk-Weighted Exposures

	December 31, 2013		December 31, 2012	
	-----Rupees in '000-----			
	Book Value	Risk Adjusted Value	Book Value	Risk Adjusted Value
Credit Risk				
Balance Sheet items				
Cash and other liquid assets	11,754,909	671,361	12,998,828	1,241,603
Money at call	1,500,000	300,000	200,000	40,000
Investments	2,726,414	2,659,390	2,153,617	1,942,813
Loans and advances	54,263,474	46,381,362	54,972,720	45,678,196
Fixed assets	5,788,109	5,788,109	5,385,336	4,906,814
Deferred tax assets	5,799,860	14,499,650	-	-
Other assets	6,621,261	6,160,293	10,561,193	10,561,193
	88,454,027	76,460,165	86,271,694	64,370,619
Off Balance Sheet items				
Loan repayment guarantees	-	-	-	-
Purchase and resale agreements	-	-	-	-
Performance bonds etc.	6,405,879	1,912,612	6,435,466	2,085,131
Revolving underwriting commitments	3,436,038	3,020,052	2,915,187	2,126,881
Standby letters of credit	9,753,218	879,299	6,226,252	612,694
Outstanding foreign exchange contracts	-	-	-	-
- Purchase	9,293,081	2,078,013	6,797,873	112,628
- Sale	8,517,592	2,218,705	2,474,469	35,437
	37,405,808	10,108,681	24,849,247	4,972,771
Credit risk-weighted exposures		86,568,846		69,343,390
Market Risk				
General market risk		7,843,930		4,633,764
Specific market Risk		1,919,470		2,746,052
Market risk-weighted exposures		9,763,400		7,379,816
Operational Risk				
		3,364,218		3,070,199
Total Risk-Weighted Exposures		99,696,464		79,793,405

41.3 Capital Structure Reconciliation

41.3.1

	December 31, 2013	December 31, 2013
	As in published financial statements	Under regulatory scope of consolidation
	----- (Rupees in '000) -----	
Assets		
Cash and balances with treasury banks	9,203,568	9,203,568
Balanced with other banks	2,302,085	2,302,085
Lending to financial institutions	1,555,000	1,555,000
Investments	39,688,247	39,688,247
Advances	54,208,474	54,208,474
Operating fixed assets	6,181,540	6,181,540
Deferred tax assets	5,799,860	5,799,860
Other assets	6,621,261	6,621,261
Total assets	125,560,035	125,560,035
Liabilities and equity		
Bills payable	2,205,414	2,205,414
Borrowings	9,961,198	9,961,198
Deposits and other accounts	106,351,042	106,255,522
Sub-ordinated loans	1,498,620	1,498,620
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	2,155,018	2,231,879
Total liabilities	122,171,292	122,152,633
Share capital	12,935,755	12,935,755
Reserves	(1,811,675)	(1,811,675)
Unappropriated/ Unremitted profit/ (accumulated losses)	(7,876,440)	(7,918,081)
Minority Interest	-	-
Surplus on revaluation of assets	141,103	141,103
Total liabilities and equity	125,560,035	125,499,735

41.3.2

	December 31, 2013 As in published financial statements	December 31, 2013 Under regulatory scope of consolidation	Reference
	----- (Rupees in '000) -----		
Assets			
Cash and balances with treasury banks	9,203,568	9,203,568	
Balanced with other banks	2,302,085	2,302,085	
Lending to financial institutions	1,555,000	1,555,000	
Investments	39,688,247	39,688,247	
<i>of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold</i>	571,255	571,255	a
<i>of which: significant capital investments in financial sector entities exceeding regulatory threshold</i>	-	-	b
<i>of which: Mutual Funds exceeding regulatory threshold</i>	-	-	c
<i>of which: reciprocal crossholding of capital instrument</i>	-	-	d
<i>of which: others (T-Bills, PIBs, TFCs, Shares etc.)</i>	39,116,992	39,116,992	e
Advances	54,208,474	54,208,474	
<i>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB</i>	-	-	f
<i>general provisions reflected in Tier 2 capital</i>	22,305	22,305	g
Fixed Assets	6,181,540	6,181,540	
Deferred Tax Assets	5,799,860	5,799,860	
<i>of which: DTAs excluding those arising from temporary differences</i>	4,023,485	4,035,003	h
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	1,776,375	1,776,927	i
Other assets	6,621,261	6,621,261	
<i>of which: Goodwill</i>	-	-	j
<i>of which: Intangibles</i>	-	-	k
<i>of which: Defined-benefit pension fund net assets</i>	-	-	l
Total assets	125,560,035	125,560,035	
Liabilities & Equity			
Bills payable	2,205,414	2,205,414	
Borrowings	9,961,198	9,961,198	
Deposits and other accounts	106,351,042	106,255,522	
Sub-ordinated loans		-	
<i>of which: eligible for inclusion in AT1</i>	-	-	m
<i>of which: eligible for inclusion in Tier 2</i>	1,498,620	1,498,620	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	
<i>of which: DTLs related to goodwill</i>	-	-	o
<i>of which: DTLs related to intangible assets</i>	-	-	p
<i>of which: DTLs related to defined pension fund net assets</i>	-	-	q
<i>of which: other deferred tax liabilities</i>	-	-	r
Other liabilities	2,155,018	2,231,879	
Total liabilities	122,171,292	122,152,633	

	December 31, 2013 As in published financial statements ----- (Rupees in '000) -----	December 31, 2012 Under regulatory scope of consolidation	Reference
Share capital	12,935,755	12,935,755	
<i>of which: amount eligible for CET1</i>	10,779,796	10,779,796	s
<i>of which: amount eligible for AT1</i>	2,155,959	2,155,959	t
Reserves	(1,811,675)	(1,811,675)	
<i>of which: portion eligible for inclusion in CET1 (provide breakup)</i>	(1,811,675)	(1,811,675)	u
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	v
Unappropriated profit/ (losses)	(7,876,440)	(7,918,081)	w
Minority Interest	-	-	
<i>of which: portion eligible for inclusion in CET1</i>	-	-	x
<i>of which: portion eligible for inclusion in AT1</i>	-	-	y
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	z
Surplus on revaluation of assets	141,103	141,103	
<i>of which: Revaluation reserves on Property</i>	357,838	357,838	aa
<i>of which: Unrealized Gains/Losses on AFS</i>	(216,735)	(216,735)	
<i>In case of Deficit on revaluation (deduction from CET1)</i>			ab
Total liabilities & Equity	125,560,035	125,499,735	

41.3.3 Common Equity Tier 1 capital (CET1): Instruments and reserves

	Component of regulatory capital reported by bank	Source based on reference number from step 2
1 Fully Paid-up Capital/ Capital deposited with SBP	10,779,796	
2 Balance in Share Premium Account	1,000,000	(s)
3 Reserve for issue of Bonus Shares	-	
4 General/ Statutory Reserves	(2,811,675)	(u)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6 Unappropriated/unremitted profits/(losses)	(7,876,440)	(w)
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
8 CET 1 before Regulatory Adjustments	1,091,681	

	Component of regulatory capital reported by bank	Source based on reference number from step 2
Common Equity Tier 1 capital: Regulatory adjustments		
9	-	(j) - (o)
10	393,431	(k) - (p)
11	-	(f)
12	-	{(h) - (r)} * x%
13	-	{(l) - (q)} * x%
14	-	(d)
15	-	
16	-	
17	-	
18	-	
19	97,531	(ab)
20	-	(a) - (ac) - (ae)
21	325,561	
22	-	(b) - (ad) - (af)
23	-	(i)
24	-	
25	-	
26	-	
27	-	
28	-	
29	-	
30	490,962	
	600,719	
Common Equity Tier 1		
Additional Tier 1 (AT 1) Capital		
31	-	
32	2,155,959	(t)
33	-	(m)
34	-	
35	-	(y)
36	2,155,959	
	AT1 before regulatory adjustments	
	Additional Tier 1 Capital: regulatory adjustments	

	Component of regulatory capital reported by bank	Source based on reference number from step 2
37	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-
38	Investment in own AT1 capital instruments	-
39	Reciprocal cross holdings in Additional Tier 1 capital instruments	-
40	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
41	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-
42	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-
43	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
44	Total of Regulatory Adjustment applied to AT1 capital	99,585
45	Additional Tier 1 capital	-
46	Additional Tier 1 capital recognized for capital adequacy	99,585
	Tier 1 Capital (CET1 + admissible AT1)	2,657,093
	Tier 2 Capital	
47	Qualifying Tier 2 capital instruments under Basel III	-
48	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-
49	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-
50	of which: instruments issued by subsidiaries subject to phase out	-
51	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	-
52	Revaluation Reserves eligible for Tier 2	-
53	of which: portion pertaining to Property	-
54	of which: portion pertaining to AFS securities	-
55	Foreign Exchange Translation Reserves	-
56	Undisclosed/Other Reserves (if any)	-
57	T2 before regulatory adjustments	1,681,952

	Component of regulatory capital reported by bank	Source based on reference number from step 2
Tier 2 Capital: regulatory adjustments		
58	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	
	99,585	
59	Reciprocal cross holdings in Tier 2 instruments	
	-	
60	Investment in own Tier 2 capital instrument	
	-	
61	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	
	-	(ae)
62	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	
	-	(af)
63	Amount of Regulatory Adjustment applied to T2 capital	
	99,585	
64	Tier 2 capital (T2)	
	1,681,952	
65	Tier 2 capital recognized for capital adequacy	
	1,681,952	
66	Excess Additional Tier 1 capital recognized in Tier 2 capital	
	-	
67	Total Tier 2 capital admissible for capital adequacy	
	1,582,367	
	4,239,460	
	4,239,460	

41.4 Main Features of Regulatory Capital Instruments

	Main Features	Common Shares	Convertible preference shares - A	Convertible preference shares - B	Sub-ordinated Debt
1	Issuer	Summit Bank Limited	Summit Bank Limited	Summit Bank Limited	Summit Bank Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	SMBL	SMBLCPSA	SMBLCPSB	SMBLFC
3	Governing law(s) of the instrument	Capital Market Law	Capital Market Law	Capital Market Law	Capital Market Law
Regulatory treatment					
4	Transitional Basel III rules	Common Equity Tier 1	Additional Tier 1	Additional Tier 1	Tier 2
5	Post-transitional Basel III rules	Common Equity Tier 1	Additional Tier 1	Additional Tier 1	
6	Eligible at solo / group / group and solo	Solo and Group	Solo and Group	Solo and Group	Solo and Group
7	Instrument type	Ordinary shares	Perpetual non-cumulative preference shares	Perpetual non-cumulative preference shares	Sub-ordinated Debt
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of December 31, 2013)	10,779,796	1,109,424	1,046,535	1,498,620
9	Par value of instrument	PKR 10	PKR 10	PKR 10	PKR 5,000
10	Accounting classification	Shareholders' equity	Shareholders' equity	Shareholders' equity	Liability - amortized cost
11	Original date of issuance	2005	2013	2013	2011
12	Perpetual or dated	Perpetual	Dated	Dated	Dated
13	Original maturity date	No maturity	2018	2018	2018
14	Issuer call subject to prior supervisory approval	No	No	No	No
15	Optional call date, contingent call dates and redemption amount	Not applicable	Not applicable	Not applicable	Not applicable
16	Subsequent call dates, if applicable	Not applicable	Not applicable	Not applicable	Not applicable
Coupons / dividends					
17	Fixed or floating dividend/ coupon	Not applicable	Fixed	Floating	Floating
18	Coupon rate and any related index/ benchmark	Not applicable	5% Bonus Shares	6M KIBOR +50BPS	6M KIBOR +325BPS
19	Existence of a dividend stopper	Not applicable	Yes	Yes	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Partially Discretionary	Partially Discretionary	Partially Discretionary
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Not applicable	Non-Cumulative	Non-Cumulative	Cumulative
23	Convertible or non-convertible	Not applicable	Convertible	Convertible	Non-Convertible
24	If convertible, conversion trigger (s)	Not applicable	Convertible in Ordinary Shares after five years from the date of issuance.	Option to convert Preference Shares into Ordinary Shares starting from the end of 42nd month of the date of issuance and every six months thereafter in equal tranches of 25% or at maturity.	Not applicable
25	If convertible, fully or partially	Not applicable	Always convert fully	Always convert fully	Not applicable
26	If convertible, conversion rate	Not applicable	Shares will be issued at the audited book value as at December 31, 2012.	Shares will be issued at the audited book value as at December 31, 2012.	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Mandatory	Mandatory	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Common Equity Tier 1	Common Equity Tier 1	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	SMBL	SMBL	Not applicable
30	Write-down feature	Not applicable	No	No	Not applicable
31	If write-down, write-down trigger(s)	Not applicable	Not applicable	Not applicable	Not applicable
32	If write-down, full or partial	Not applicable	Not applicable	Not applicable	Not applicable
33	If write-down, permanent or temporary	Not applicable	Not applicable	Not applicable	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable	Common Shares	Common Shares	Preference Shares
36	Non-compliant transitioned features	Not applicable	No	No	No
37	If yes, specify non-compliant features	Not applicable	Not applicable	Not applicable	Not applicable

41.5 Capital Adequacy

Summit Bank Ltd was subject to the Basel II capital adequacy guidelines stipulated by State Bank of Pakistan under BSD Circular 8 of 2006. State Bank of Pakistan issued Basel III guidelines vide its BPRD Circular No. 6 of 2013 being the first part mainly pertaining to eligible capital and related deductions. These guidelines provide a transition schedule for Basel III implementation till December 31, 2019. Upon full implementation, Basel III guidelines, target minimum capital to risk weighted assets ratio would be 12.5%, minimum equity Tier 1 (CET 1) ratio would be 8.5% and minimum Tier 1 ratio would be 10%. As per the transition table, at December 31, 2013, the Bank is required to maintain minimum Common Equity capital ratio (CET 1) of 5%, minimum Tier 1 capital ratio of 6.5% and minimum total capital ratio of 10%.

As on December 31, 2013, total standalone CAR of the Bank stood at 4.25%, which was below the regulatory minimum requirement of 10%. Tier 1 capital of the Bank stood at 2.67% and CET 1 CAR at 0.60%.

Capital Management

The Bank manages its capital to meet regulatory norms and current and future business needs considering the risks in its businesses, expectation of shareholders and investors, and the available options for raising capital.

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

The Bank is fully committed to maintain capital requirements in phased manner as per the SBP's Basel III guidelines. For this purpose, all potential avenues in domestic and offshore markets will be explored and materialized.

The SBP vide its letter number BPRD/BA&CP/649/17695/2013 dated December 02, 2013 has allowed the Bank extension in meeting the MCR and CAR requirement till September 30, 2014.

During the year, the Bank has issued 215,595,916 listed convertible, perpetual, irredeemable, non-cumulative preference shares of Rs.2.156 billion as Additional Tier 1 Capital to raise the equity of Bank.

The management of the Bank has prepared financial projections for a period of seven years for the purpose of setting the future course of action for the Bank. These projections are approved by the Board and envisage additional capital injection through equity into the Bank and indicate future profitable operations based on various assumptions such as growth of deposits and advances, investment returns, recoveries against loan losses, interest rates, cost of funds, etc. Under the said projections, the Bank meets the MCR in the year 2014 and, hence, it has been assumed that necessary relaxation in this regard will be available from the SBP in the future.

Internal Assessment of Capital

The Bank's capital management framework includes a comprehensive internal capital adequacy assessment process (ICAAP) conducted annually which determines the adequate level of capitalization for the Bank to regulatory norms and current and future business needs under stress scenarios.

The ICAAP encompasses capital planning for a five year time horizon, identification and measurement of material risks and the relationship between risk and capital.

The capital management framework is complemented by the risk management framework, which includes a comprehensive assessment of material risks. Stress testing, which is a key aspect of the ICAAP and the risk management framework, provides an insight on the impact of extreme but plausible scenarios on the Bank's risk profile and capital position. Bank conducts stress tests on its various portfolios and assesses the impact on its capital ratios and adequacy.

Monitoring and reporting

The Board of Directors of Summit Bank maintains an active oversight over the Bank's capital adequacy levels.

Risk Exposure and Assessment

As a financial intermediary, the Bank is exposed to various types of risks including credit, market, liquidity, operational, strategic, credit concentration risk, interest rate risk in banking book, legal, compliance and reputation risks. The objective of the risk management framework at the Bank is to ensure that various risks are understood, measured and monitored and that the policies and procedures established to address these risks are strictly adhered to.

Measurement of risks for capital adequacy purpose

Under Pillar 1 of the SBP Guidelines, the Bank follows the standardized approach for credit and market risk and basic indicator approach for operational risk.

The capital requirements for the banking group as per the major risk categories should be indicated in the manner given below:

	Capital Requirements		Risk Weighted Assets	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	----- (Rupees in '000) -----			
Portfolios subject to standardized approach (Simple or Comprehensive)				
Corporate portfolio. etc.	4,618,540	4,657,239	46,185,395	46,572,385
Retail	488,904	472,784	4,889,040	4,727,839
Financial institutions	428,689	204,813	4,286,893	2,048,127
Others	3,120,752	1,599,504	31,207,518	15,995,039
<u>Portfolios subject to Internal Rating Based (IRB) Approach</u>				
e.g. Corporate				
Sovereign				
Retail				
Securitization etc.				
Equity Exposure Risk in the Banking Book				
Equity portfolio subject to market-based approaches				
Under simple risk weight method				
Under Internal models approach				
Equity portfolio subject to PD / LGD				
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	503,150	220,385	6,289,373	2,754,808
Equity position risk etc.	266,505	364,442	3,374,678	4,555,520
Foreign exchange risk etc.	7,948	5,559	99,349	69,487
Capital Requirement for portfolios subject to Internal Models Approach				
Interest rate risk				
Foreign exchange risk etc.				
Operational Risk	310,322	245,616	3,364,218	3,070,199
<u>Capital Requirement for operational risks.</u>				
	9,744,810	7,770,342	99,696,464	79,793,404

		December 31, 2013	December 31, 2012
Capital Adequacy Ratio			
Total eligible regulatory capital held	(e)	4,239,460	3,529,195
Total Risk Weighted Assets	(i)	99,696,464	79,793,404
Capital Adequacy Ratio	(e) / (i)	4.25%	4.42%

42. RISK MANAGEMENT

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. We believe a sound Risk Management Framework provides principles for identifying, assessing and monitoring risk within the Bank. 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, accounting, 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.
- Risk taking decisions are explicit and clear.
- Sufficient capital as buffer is available to mitigate risk.

Risk responsibilities

The Board of Directors is accountable for overall supervision of the risk management process. This is discharged by distributing responsibilities at the senior management level and determining the manner in which risk authorities are set. The Board is also responsible for approval of all risk policies and ensuring that these are properly implemented. Further, the Board shall also seek appointment of senior management personnel capable of managing the risk activities conducted by the Bank.

The Board of Directors approves the policies proposed by risk management committee of the Bank which discharge various responsibilities assigned to it by the Board.

The Risk Management is headed by a Group Head - Enterprise Risk Management responsible to set-up and implement the Framework of the Bank.

Risk management group organisation

A clear management structure has been put in place in the Bank, which clusters around three distinct groups namely, the Business Group, the Support Group and the Risk Management Group. The Business Group is responsible for generation and management of the business and act as the front office of the Bank. The Support Group provides various services necessary for maintaining operations of the Bank on a sustainable basis. The Risk Management Group is responsible for management of the risk inherent in the Bank's operations. The Risk Management Group comprises of (i) Credit Division, (ii) Compliance Division and the (iii) Risk Management Division. Whilst the activities of the Credit Division are focused on independent risk management of the Bank's credit activities, the Compliance Division is dedicated to ensure compliance of all internal and external policies and regulations. The Risk Management Division is

responsible for managing all other risks emanating from various activities of the Bank. In addition to this, the management has established various committees for periodic risk review.

The Bank has acquired and installed a state of the art, hPLUS™, 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.

42.1 Credit risk management

Credit risk is the risk that one party to financial instrument fails to discharge an obligation and cause other party to incur a financial loss. The Bank is exposed to credit risk through its lending and investment activities as well as in cases where it acts as an intermediary of behalf of customers or other third parties or issues guarantees. 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 as well as financing in different consumer products to achieve a strong market position and adequate return on capital.
- Return commensurates 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 is related correctly and risk changes are identified promptly and remedial actions are taken.

The Bank creates loan loss provisions against non-performing commercial advances in accordance with Prudential Regulations issued by SBP. Please refer to note 11.3.1 for reconciliation in loan loss provision.

Concentrations of credit risk (whether on or off statement of financial position) that arise from financial instruments exist for counterparties when they 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 42.1.1 for segment reporting.

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 warns of dangers before the Bank is faced with undesirable positions. For this reason, all facilities of a continuing character are only approved after the next review date, unless otherwise agreed.

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.

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 pledged 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.

42.1.1 Segmental information

Segmental Information is presented in respect of the class of business and geographical distribution of Advances, Deposits, Contingencies and Commitments.

42.1.1.1 Segments by class of business

	December 31, 2013					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, forestry, hunting and fishing	24,940	0.04	617,441	0.58	124,966	0.20
Automobile	1,727,585	2.63	301,061	0.28	339,313	0.54
Banaspati and allied industries	224,853	0.34	510	0.00	62,781	0.10
Carpet	141,709	0.22	26,816	0.03	357,459	0.56
Cement	789,708	1.20	28,605	0.03	408,674	0.65
Chemical and pharmaceutical	2,326,845	3.55	945,565	0.89	1,037,097	1.64
Construction / real estate	2,769,286	4.22	4,089,316	3.85	2,639,820	4.17
Consumer / individuals / staff	2,601,717	3.97	59,482,624	55.93	3,545,233	5.60
Dairy and poultry	158,328	0.24	590,542	0.56	93,493	0.15
Education	273,313	0.42	1,026,923	0.97	344,826	0.54
Electric and electrical goods	1,524,410	2.32	198,549	0.19	451,086	0.71
Energy, oil, gas and power	5,266,956	8.03	2,521,755	2.37	4,953,825	7.82
Exports / imports	1,862,989	2.84	205,354	0.19	1,159,847	1.83
Financial	2,801,909	4.27	4,549,906	4.28	19,001,959	29.99
Food, tobacco and beverages	3,080,973	4.70	194,227	0.18	931,910	1.47
Furniture and allied products	150,515	0.23	51,194	0.05	18,154	0.03
Leather and footwear	366,081	0.56	180,034	0.17	1,209,089	1.91
Glass and ceramics	86,151	0.13	20,950	0.02	13,894	0.02
Health care	143,472	0.22	268,548	0.25	68,505	0.11
Hotels	631,601	0.96	758,996	0.71	92,318	0.15
Insurance	-	0.00	873,396	0.82	3,700	0.01
Mining and quarrying	739,205	1.13	110,716	0.10	176,353	0.28
Miscellaneous manufacturing	1,536,099	2.34	679,337	0.64	1,941,637	3.06
Printing, publishing and allied industries	449,003	0.68	180,760	0.17	1,361,924	2.15
Paper and allied products	58,004	0.09	25,014	0.02	48,442	0.08
Services	3,403,985	5.19	6,080,849	5.72	3,511,235	5.54
Steel and engineering	3,031,937	4.62	300,978	0.28	1,368,824	2.16
Sugar	3,930,397	5.99	304,511	0.29	1,716,533	2.71
Textile	11,800,749	18.00	760,884	0.72	9,307,189	14.69
Transport and communication	1,092,687	1.67	1,423,501	1.34	2,385,889	3.77
Trust	-	0.00	14,785,952	13.90	7,738	0.01
Wholesale and retail trade	9,238,776	14.09	1,927,437	1.81	2,126,922	3.36
Others	3,334,555	5.11	2,838,791	2.66	2,546,882	3.99
	65,568,738	100.00	106,351,042	100.00	63,357,517	100.00

December 31, 2012

	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees	Percent	Rupees	Percent	Rupees	Percent
	in '000		in '000		in '000	
Agriculture, forestry, hunting and fishing	58,981	0.11	455,465	0.48	375,862	0.64
Automobile	1,213,643	1.87	385,252	0.40	275,059	0.50
Banaspati and allied industries	275,719	0.42	543	0.00	42,531	0.08
Carpet	172,295	0.27	21,087	0.02	262,757	0.48
Cement	846,285	1.30	217,090	0.22	362,765	0.66
Chemical and pharmaceutical	2,630,535	4.05	1,580,772	1.63	941,519	1.71
Construction / real estate	3,646,216	5.61	4,166,665	4.30	1,405,934	2.56
Consumer / individuals / staff	2,567,168	3.95	51,353,009	52.99	4,275,992	7.77
Dairy and poultry	40,333	0.06	636,684	0.66	139,999	0.25
Education	281,810	0.43	747,256	0.77	187,840	0.34
Electric and electrical goods	2,162,762	3.33	119,467	0.12	349,716	0.64
Energy, oil, gas and power	6,146,090	9.46	3,059,654	3.16	4,010,663	7.29
Exports / imports	1,476,232	2.27	318,921	0.33	354,510	0.64
Financial	3,394,581	5.23	9,740,672	10.05	17,819,402	32.39
Food, tobacco and beverages	2,195,698	3.38	342,128	0.35	329,465	0.60
Furniture and allied products	-	0.00	32,968	0.03	-	0.00
Leather and footwear	328,458	0.51	74,195	0.08	512,394	0.93
Glass and ceramics	121,855	0.19	13,694	0.01	20,204	0.04
Health care	118,741	0.18	204,043	0.21	99,312	0.18
Hotels	727,403	1.12	490,659	0.51	118,093	0.21
Insurance	533,547	0.82	1,072,486	1.11	3,700	0.01
Mining and quarrying	1,437,163	2.21	188,351	0.19	553,879	1.01
Miscellaneous manufacturing	-	0.00	477,475	0.49	1,702,867	3.10
Printing, publishing and allied industries	523,619	0.81	217,518	0.22	82,828	0.15
Paper and allied products	-	0.00	62,654	0.06	6,654	0.01
Services	3,190,524	4.91	8,604,863	8.88	3,054,234	5.55
Steel and engineering	2,470,199	3.80	510,479	0.53	1,676,720	3.05
Sugar	4,081,761	6.29	81,476	0.08	1,069,740	1.94
Textile	11,742,392	18.08	742,128	0.77	8,723,730	15.86
Transport and communication	2,475,229	3.81	1,699,458	1.75	1,616,480	2.94
Trust	-	0.00	1,902,258	1.96	4,180	0.01
Wholesale and retail trade	5,282,405	8.13	5,358,850	5.53	2,288,846	4.16
Others	4,800,813	7.40	2,038,210	2.11	2,350,526	4.30
	64,942,457	100.00	96,916,430	100.00	55,018,401	100.00

42.1.1.2 Segment by sector

December 31, 2013

Public / Government	5,384,800	8.21	19,520,103	18.35	80,602	0.13
Private	60,183,938	91.79	86,830,939	81.65	63,276,915	99.87
	65,568,738	100.00	106,351,042	100.00	63,357,517	100.00

December 31, 2012

Public / Government	938,800	1.45	18,768,402	19.37	14,403	0.03
Private	64,003,657	98.55	78,148,028	80.63	55,003,998	99.97
	64,942,457	100.00	96,916,430	100.00	55,018,401	100.00

42.1.1.3 Details of non-performing advances and specific provisions by class of business segment

	December 31, 2013		December 31, 2012	
	Classified advances ----- (Rupees in '000) -----	Specific provisions held	Classified advances ----- (Rupees in '000) -----	Specific provisions held
Agriculture, forestry, hunting and fishing	23,915	23,915	29,986	28,929
Automobile	968,918	739,526	947,579	742,123
Banaspati and allied industries	170,635	102,613	188,151	84,224
Carpet	114,238	82,057	72,860	32,294
Cement	329,169	329,169	329,169	329,169
Chemical and pharmaceutical	253,988	146,288	1,359,604	232,760
Construction / real estate	1,103,638	449,599	989,189	269,263
Consumer / individuals / staff	191,641	74,169	197,233	117,884
Dairy and poultry	1,418	1,418	1,418	1,418
Education	58,293	21,634	63,877	20,860
Electric and electrical goods	87,351	46,760	104,097	47,480
Energy oil, gas and power	499,905	332,767	507,613	343,330
Exports / imports	836,682	631,179	1,229,057	789,964
Financial	1,632,844	1,249,160	1,779,145	1,363,268
Food, tobacco and beverages	928,702	381,556	664,960	133,391
Footwear and leather garments	43,478	13,553	57,681	13,869
Furniture and allied products	12,320	8,255	-	-
Glass and ceramics	85,997	49,851	86,077	38,998
Health care	100,835	58,974	104,958	41,896
Hotels	241,798	166,037	241,959	124,299
Jewellery	-	-	-	-
Mining and quarrying	4,670	3,718	20,052	13,776
Others	692,153	360,066	1,404,840	802,653
Paper and allied products	6,258	6,258	6,258	5,428
Printing, publishing and allied industries	230,689	136,527	295,441	113,253
Rubber and plastic products	-	-	-	-
Services	790,696	376,825	970,853	429,221
Sports goods	-	-	-	-
Steel and engineering	1,053,900	297,137	1,041,580	280,823
Sugar	-	-	1,086,882	940,355
Textile	4,405,358	3,554,339	6,560,206	3,496,183
Transport and communication	298,526	225,714	297,230	223,773
Wholesale and retail trade	2,641,026	1,468,895	2,771,992	1,329,931
	17,809,041	11,337,959	23,409,947	12,390,815

42.1.1.4 Details of non-performing advances and specific provisions by sector

	December 31, 2013		December 31, 2012	
	Classified advances ----- (Rupees in '000) -----	Specific provisions held	Classified advances ----- (Rupees in '000) -----	Specific provisions held
Public / Government	-	-	-	-
Private	17,809,041	11,337,959	23,409,947	12,390,815
	17,809,041	11,337,959	23,409,947	12,390,815

42.1.1.5 Geographical segment analysis	Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- (Rupees in '000) -----			
December 31, 2013				
Pakistan	<u>(1,407,152)</u>	<u>125,560,035</u>	<u>3,388,743</u>	<u>63,357,517</u>
December 31, 2012				
Pakistan	<u>(2,524,916)</u>	<u>134,385,195</u>	<u>3,064,145</u>	<u>55,018,401</u>

Total assets employed shown above include mean total assets shown on the statement of financial position and intra group items. Net assets employed mean net assets shown on the statement of financial position.

42.2 Credit risk - general disclosure Basel II specific

42.2.1 Credit risk - general disclosures

The Bank is following standardised approach for all its Credit Risk Exposures.

42.2.1.1 Credit Risk: Disclosures for portfolio subject to Standardised Approach and supervisory risk weights in IRB approach Basel II specific

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. In this connection, the Bank utilises the credit ratings assigned by ECAIs and has recognised agencies such as PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company – Vital Information Systems), Fitch, Moody's and Standard and Poors which are also recognised by the SBP. The Bank also utilises rating scores of Export Credit Agencies (ECA) participating in the "Arrangement on Officially Supported Export Credits".

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

Selection of ECAIs

The Bank selects particular ECAI(s) for each type of claim. Amongst the ECAIs that have been recognised as eligible by SBP, the following are being used against each respective claim type.

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.

Exposures to Public Sector Entities (PSEs): For PSE exposures, ratings of PACRA and JCR-VIS are used to arrive at risk weights.

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.

Corporate Exposures: Ratings assigned by PACRA and JCR-VIS are used for claims on Corporate (excluding equity exposures).

Use of ECAI ratings

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	CCC	7
		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+
			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

Types of exposures and ECAI's used

Exposures	December 31, 2013				
	Fitch	Moody's	S&P	PACRA	JCR-VIS
Corporate	-	-	-	Yes	Yes
Banks	Yes	Yes	Yes	Yes	Yes
Sovereigns	-	-	-	-	-
SME's	-	-	-	-	-
Securitisations	-	-	-	-	-
Others	-	-	-	Yes	Yes

Exposure	Rating category	December 31, 2013			December 31, 2012		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
		----- (Rupees in '000) -----					
Corporate	20%	1,363,180	-	1,363,180	2,405,597	5,809	475,310
	50%	2,244,433	1,180	2,243,253	3,252,615	-	1,626,307
	100%	29,527	-	29,527	-	-	-
	unrated	38,924,242	1,780,955	37,143,287	30,072,542	3,491,588	26,580,954
	150%	339,907	-	339,907	690,099	266,098	769,050
							-
Retail	75%	6,493,228	792,380	5,700,848	6,024,240	657,463	3,860,717
							-
Past due loan	150%	3,025,280	-	3,025,280	5,841,867	-	8,762,800
	100%	1,699,205	-	1,699,205	3,026,151	-	3,026,151
	50%	1,851,558	-	1,851,558	1,927,530	-	963,765
							-
Bank	20%	7,322,912	-	7,322,912	7,234,517	206,026	1,240,877
	50%	620,278	-	620,278	992,274	-	496,137
	100%	125,351	-	125,351	17,390	-	17,390
	150%	-	-	-	195,815	-	293,723
	unrated	-	-	-	-	-	-
							-
Sovereign etc.	0%	8,483,301	-	8,483,301	4,485,616	-	-
							-
Others	0%	-	-	-	2,723,523	-	-
	35%	963,797	2,000	961,797	853,564	-	298,747
	50%	-	-	-	-	-	-
	100%	9,650,426	-	9,650,426	15,794,476	-	15,794,476
	250%	5,628,513	-	5,628,513	34,998	-	52,497
		88,765,138	2,576,515	86,188,623	85,572,814	4,626,984	64,258,901

42.2.1.2 Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardised Approach

The Bank has adopted the Simple Approach of Credit Risk Mitigation for the Banking Book. Since the trading book of the Bank only comprises equity investments; 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 Simple 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 i.e. risk weight of the collateral instrument securing the exposure is substituted for the risk weight of the counter party.

The Bank accepts cash, lien on deposits, government securities and eligible guarantees etc. under the simple 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.

Since no specific asset is available by way of security in the context of unfunded credit protection, the creditworthiness and reliability of the provider and the validity and enforceability of that party's obligations is of paramount importance. Therefore, unfunded credit protection is only "eligible" if it is provided by an appropriate counterparty which may include National Government, Central Bank etc.

42.3 Equity position risk in the banking book

The Bank makes investment for variety of purposes. Some of the investment positions of equity holding are made for revenue generation as part of strategic initiatives, while other equity holdings are held to earn capital gain to support the Bank's business activities.

Classification of investments

Under SBP's directives, equity investment may be classified as "Held-For-Trading (HFT)", "Available-for-Sale (AFS)" or "Investment in Subsidiaries and Associates". Some of the equity investments are listed and traded in public through stock exchanges, while other investments are unlisted and therefore illiquid.

Policies, valuation and accounting of equity investments

In accordance with the requirements of the SBP, quoted securities are carried at market value whereas investments in associates are accounted for in accordance with the directives of SBP.

The unrealised surplus / (deficit) arising on revaluation of the Bank's held-for-trading investment portfolio is taken to the profit and loss account. The surplus / (deficit) arising on revaluation of quoted securities classified as available-for-sale is kept in a separate account shown in the statement of financial position below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account on disposal.

Unquoted equity securities are valued at the lower of cost and break-up value. Subsequent increases or decreases in the carrying value are credited / charged to profit and loss account. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any. Provision for diminution in the value of securities is made after considering impairment, if any, in their value.

Profit and loss on sale of investments is included in income.

Composition of equity investments - market values

	December 31, 2013			December 31, 2012		
	Held-for-trading	Available-for-sale	Investment in subsidiaries and associates	Held-for-trading	Available-for-sale	Investment in subsidiaries and associates
----- (Rupees in '000) -----						
Equity investments	55,905	1,580,399	199,170	6,120	1,808,189	234,168
Mutual fund units						
- Open end	-	29,352	-	-	787,949	-
Total value	<u>55,905</u>	<u>1,609,751</u>	<u>199,170</u>	<u>6,120</u>	<u>2,596,138</u>	<u>234,168</u>

The cumulative realised gain on sale of equity securities amounted to Rs.31.138 million (December 31, 2012: Rs.273.027 million), however, unrealised loss of Rs.263.771million (December 31, 2012: Rs.424.304 million) was recognised in the statement of financial position in respect of available-for-sale securities.

42.4 Market risk

Market Risk is the risk that the value of on and off statement of financial positions 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 credit spreads resulting in a loss of earnings and capital.

The Bank is primarily exposed to interest rate risk which is reflected in the level of future income and expense produced by these positions versus levels that would be generated by current levels of interest rates. Other risks include exposures to foreign exchange rates, as well as mortgage, equity market and issuer credit risk factors. The Bank is in the process of developing Value at Risk (VAR) and stress testing models for management of such risks.

42.4.1 Interest rate risk

Interest Rate risk is the potential impact on a bank's earnings and asset values with variation in interest rates. Interest rate risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specified period. These positions include loans, debt securities, certain trading-related assets and liabilities, deposits and borrowings. The Bank's overall goal is to manage interest rate sensitivity so that movements in interest rates do not adversely affect net interest income. Interest rate risk is measured as the potential volatility in our net interest income caused by changes in market interest rates. The Bank seeks to mitigate interest rate risk in a variety of ways including taking offsetting positions and other asset and liability management process. Whilst the Treasury and the Risk Management Division of the Bank monitor and manage the interest rate risk on a daily basis, the overall interest rate risk position and strategies are reviewed on an ongoing basis by Asset and Liability Committee (ALCO).

42.4.2 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 currency swap and forward contract to hedge the related exposure.

	December 31, 2013			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- (Rupees in '000) -----			
Pakistan rupee	119,894,694	115,331,321	(2,717,774)	1,845,599
United States dollar	5,307,239	5,504,071	1,901,083	1,704,251
Great Britain pound	162,772	608,552	435,549	(10,231)
Japanese yen	31	1,869	3,009	1,171
Euro	121,003	531,018	279,213	(130,802)
Other currencies	74,296	194,461	98,920	(21,245)
	<u>125,560,035</u>	<u>122,171,292</u>	<u>-</u>	<u>3,388,743</u>

December 31, 2012				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- (Rupees in '000) -----			
Pakistan rupee	128,142,985	126,665,117	1,633,689	3,111,557
United States dollar	5,753,942	3,398,149	(2,372,997)	(17,204)
Great Britain pound	69,961	509,858	424,080	(15,817)
Japanese yen	189	-	-	189
Euro	401,172	742,620	315,228	(26,220)
Other currencies	16,946	5,306	-	11,640
	<u>134,385,195</u>	<u>131,321,050</u>	<u>-</u>	<u>3,064,145</u>

42.4.3 Equity position risk

Equity market risk is risk to earnings on capital that results from adverse changes in the value of equity related portfolios. Equity market risk arises from exposure to securities that represent an ownership interest in a company. The Bank is exposed to the equity market risk on its equity trading portfolio only. Apart from on statement of financial position exposure, some off statement of financial position equity exposure also comes from the future contracts. Bank is in the process of instituting measures to mitigate the risk associated with the trading equity portfolio through future contracts and active trading on stop loss basis. The strategic equity portfolio however remains exposed to market variations. The Board with the recommendations of ALCO approves exposure limits applicable to investments in trading book.

Effective yield / interest rate	December 31, 2012										Non-interest bearing financial instruments	
	Exposed to yield / interest risk											
	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			
Total	8,110,185	731,537	-	-	-	-	-	-	-	-	-	7,378,648
Cash and balances with treasury banks	3,600,977	114,684	-	-	-	-	-	-	-	-	-	3,486,293
Balances with other banks	2,038,500	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	49,945,062	8,348,705	24,913,777	7,064,004	296,159	-	-	669,176	-	-	2,798,305	2,837,692
Investments	52,549,154	16,680,605	5,217,638	8,667,398	132,434	-	-	318,000	-	-	220,000	107,724
Advances	2,170,322	-	-	-	-	-	-	-	-	-	-	2,170,322
Other assets	118,414,200	22,120,952	30,131,415	15,731,402	428,593	134,596	748,129	987,176	-	-	3,019,305	15,980,679
Liabilities												
Bills payable	1,654,302	-	-	-	-	-	-	-	-	-	-	1,654,302
Borrowings	28,900,432	25,676,754	484,800	689	40,307	-	-	-	-	-	-	-
Deposits and other accounts	96,916,430	18,640,708	9,715,144	10,256,858	482,722	-	-	789,060	-	-	-	21,135,147
Sub-ordinated loans	1,499,310	1,499,310	1,499,310	-	-	-	-	-	-	-	-	-
Other liabilities	2,350,576	-	-	-	-	-	-	-	-	-	-	2,350,576
On-balance sheet gap	131,321,050	44,317,462	38,123,078	10,257,547	523,029	394,002	77,593	789,060	-	-	-	25,140,025
	(12,906,850)	(22,196,510)	(8,991,125)	5,473,855	(94,436)	(259,406)	670,536	198,116	-	-	-	(9,159,346)
Off-balance sheet financial instruments												
Foreign currency forward purchase	7,633,493	1,841,616	4,544,634	-	-	-	-	-	-	-	-	-
Foreign currency forward sale	8,836,456	7,536,283	1,185,794	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	(1,202,963)	(5,694,667)	3,358,840	1,132,864	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap	(14,109,813)	(27,891,177)	(5,632,285)	5,473,855	(94,436)	(259,406)	670,536	198,116	-	-	-	3,019,305
Cumulative yield / interest risk sensitivity gap	(14,109,813)	(27,891,177)	(33,523,462)	(8,484,582)	(8,579,018)	(8,838,424)	(8,167,888)	(7,969,772)	-	-	-	(4,950,467)

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

	December 31, 2012
	Rupees '000
Total financial assets	118,414,200
Add: Non financial assets	
Operating fixed assets	5,385,336
Deferred tax assets	6,041,513
Other assets	4,544,146
Total assets as per statement of financial position	134,385,195
Total financial liabilities	131,321,050
Add: Non financial liabilities	
Other liabilities	-
Total liabilities as per statement of financial position	131,321,050

December 31, 2012

	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
Assets										
Cash and balances with treasury banks	8,110,185	8,110,185	-	-	-	-	-	-	-	-
Balances with other banks	3,600,977	3,600,977	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,038,500	2,038,500	-	-	-	-	-	-	-	-
Investments	49,945,062	2,557,098	8,466,645	22,759,473	10,018,595	587,063	407,145	2,020,344	329,394	2,799,305
Advances	52,549,154	3,017,550	13,006,957	4,125,352	20,423,973	3,969,670	1,993,796	3,273,509	2,444,545	2,93,802
Operating fixed assets	5,385,336	363,290	66,579	99,869	200,029	344,719	299,747	494,085	828,248	2,688,770
Deferred tax assets	6,041,513	145,409	400,181	1,019,100	461,404	33,393	459,630	795,259	1,800,017	927,120
Other assets	6,714,468	4,177,050	845,806	845,806	845,806	-	-	-	-	-
	134,385,195	24,010,059	22,786,168	28,849,600	31,949,807	4,934,845	3,160,318	6,583,197	5,402,204	6,708,997
Liabilities										
Bills payable	1,654,302	1,654,302	-	-	-	-	-	-	-	-
Borrowings	28,900,432	25,676,754	2,646,900	484,800	689	40,307	-	50,982	-	-
Deposits and other accounts	96,916,430	22,757,834	17,925,457	11,021,296	10,256,858	482,722	33,656,592	26,611	789,060	-
Sub-ordinated loans	1,499,310	-	-	-	-	-	-	-	1,499,310	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	2,350,576	2,350,576	-	-	-	-	-	-	-	-
	131,321,050	52,439,466	20,572,357	11,506,096	10,257,547	523,029	33,656,592	77,593	2,288,370	-
Net assets	3,064,145	(28,429,407)	2,213,811	17,343,504	21,692,260	4,411,816	(30,496,274)	6,505,604	3,113,834	6,708,997
Share capital	10,779,796									
Reserves	(1,811,675)									
Accumulated loss	(6,069,740)									
Surplus on revaluation of assets - net	165,764									
	3,064,145									





42.5.2 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the Bank

	December 31, 2013									
	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	
Assets										
Cash and balances with treasury banks	9,203,568	-	-	-	-	-	-	-	-	-
Balances with other banks	2,302,085	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,555,000	-	-	-	-	-	-	-	-	-
Investments	39,688,247	496,767	7,525,223	2,406,395	415,919	665,963	1,830,477	10,154,921	199,170	
Advances	54,208,474	5,705,812	11,468,602	4,791,051	19,832,164	1,979,533	4,039,947	2,208,340	870,739	
Operating fixed assets	6,181,540	1,243,604	69,608	104,412	208,824	302,633	488,755	802,899	2,606,974	
Deferred tax assets	5,799,860	122,911	326,490	785,281	372,555	484,051	819,764	1,910,250	952,418	
Other assets	6,621,261	-	-	-	-	-	-	-	-	-
	125,560,035	27,251,008	19,389,923	21,674,156	22,819,938	3,432,180	7,178,943	15,076,410	4,629,301	
Liabilities										
Bills payable	2,205,414	-	-	-	-	-	-	-	-	-
Borrowings	9,961,198	5,837,945	2,349,040	1,762,124	12,089	-	-	-	-	-
Deposits and other accounts	106,351,042	77,772,877	11,226,643	9,051,532	6,805,973	531,166	100,607	742,849	119,395	-
Sub-ordinated loans	1,498,620	-	-	-	-	-	-	-	1,498,620	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	2,155,018	2,155,018	-	-	-	-	-	-	-	-
	122,171,292	87,971,254	13,575,683	10,813,656	6,818,062	531,166	100,607	1,618,015	-	-
Net assets	3,388,743	(60,720,246)	5,814,240	10,860,500	16,001,876	3,331,573	6,436,094	13,458,395	4,629,301	
Share capital	12,935,755									
Reserves	(1,811,675)									
Accumulated loss	(7,876,440)									
Deficit on revaluation of assets - net	141,103									
	3,388,743									

(Rupees in '000)

December 31, 2012

Assets	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 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
Cash and balances with treasury banks										
Balances with other banks										
Lendings to financial institutions	8,110,185	8,110,185	-	-	-	-	-	-	-	-
Investments	3,600,977	3,600,977	-	-	-	-	-	-	-	-
Advances	2,038,500	2,038,500	-	-	-	-	-	-	-	-
Operating fixed assets	49,945,062	2,557,098	8,466,645	22,759,473	10,018,595	587,063	407,145	2,020,344	329,394	2,799,305
Deferred tax assets	52,549,154	3,017,550	13,006,957	4,125,352	20,423,973	3,969,670	1,993,796	3,273,509	2,444,545	293,802
Other assets	5,385,336	363,290	66,579	99,869	200,029	344,719	299,747	494,085	828,248	2,688,770
	6,041,513	145,409	400,181	1,019,100	461,404	33,393	459,630	795,259	1,800,017	927,120
	6,714,468	6,714,468	-	-	-	-	-	-	-	-
Liabilities	134,385,195	26,547,477	21,940,362	28,003,794	31,104,001	4,934,845	3,160,318	6,583,197	5,402,204	6,708,997
Bills payable										
Borrowings										
Deposits and other accounts	1,654,302	1,654,302	-	-	-	-	-	-	-	-
Sub-ordinated loans	28,900,432	25,676,754	2,646,900	484,800	689	40,307	-	50,982	-	-
Liabilities against assets subject to finance lease	96,916,430	64,639,052	10,606,735	9,637,046	10,351,602	472,322	394,002	26,611	789,060	-
Other liabilities	1,499,310	-	-	-	-	-	-	-	1,499,310	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	2,350,576	2,350,576	-	-	-	-	-	-	-	-
Net assets	131,321,050	94,320,684	13,253,635	10,121,846	10,352,291	5,12,629	394,002	77,593	2,288,370	-
	3,064,145	(67,773,207)	8,686,727	17,881,948	20,751,710	4,422,216	2,766,316	6,505,604	3,113,834	6,708,997
Share capital	10,779,796									
Reserves	(1,811,675)									
Accumulated loss	(6,069,740)									
Deficit on revaluation of assets - net	165,764									
	3,064,145									



42.6 Operational risk management

The Bank, like all financial institutions, is exposed to many types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and procedures and the execution of legal, fiduciary and agency responsibilities.

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 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.

The Bank is currently in the process of implementing internationally accepted Internal Control-Integrated Framework published by the Committee of Sponsoring Organisations of the Tread way Commission (COSO), with a view to consolidate and enhance the existing internal control processes.

43. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 08, 2014 by the Board of Directors of the Bank.

44. GENERAL

44.1 Figures have been re-arranged and re-classified, wherever necessary, for the purpose of better presentation.

44.2 The figures in the financial statements have been rounded off to the nearest thousand.

President &
Chief Executive

Chairman

Director

Director



**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED
DURING THE YEAR ENDED DECEMBER 31, 2013**

Sr. No.	Name and address of the borrower	Name of individuals / partners / directors (with N.I.C. No.)	Father's / husband's name	Outstanding Liabilities at beginning of year				Total	Principal written-off	Interest / mark-up written-off	Other financial relief provided	Total (9+10+11)
				Principal	Interest / mark-up	Others	Total					
1	2	3	4	5	6	7	8	9	10	11	12	
	Printing Services (Pvt.) Limited F-42/A, Hub River Road, SITE, Karachi	Mr. Misbahuddin Khan 42301-8243975-3 Mrs. Anis Fatima 42301-0993959-2 Ms. Musarrat Misbah 42301-0983750-0 Mr. Fazale Azeem 42201-8514923-5 Mrs. Farhat Haseeb 42301-0998356-2	Mohammad Zaki Khan Mr. Misbahuddin Khan Mr. Misbahuddin Khan Mr. Fazal-ur-Rehman Mr. Mohammad Haseeb Khan	62,240	26,255	-	88,495	32,140	26,255	-	58,395	
2	Century 21 Textile C-55, KDA Scheme No.1, Karsaz Road, Karachi.	Zahid A Razzak 42000-0571249-5	Abdul Razzak	86,229	29,293	-	115,522	28,729	29,293	-	58,022	
3	M.F. Corporation Pvt., Ltd. 16-E, Rashid Minhas Street, PECHS, Block-6, Karachi.	Amanullah Farouk 42201-4239187-5 Obedullah Farouk 42301-9457940-7 Assadullah Farouk 42301-1064590-7	Muhammad Farouk Muhammad Farouk Mian Mohammad	39,999	27,048	-	67,047	-	27,048	-	27,048	
4	Jaliawala Trading co. Suit No.519-5th Floor, Madina City Mall, Near Zainab Market, Abdullah Haroon Road, Saddar, Karachi.	Muhammad Saleem (Late) 42201-0721248-5	Muhammad Siddique	8,347	3,253	-	11,600	1,347	3,253	-	4,600	
5	Aftab Silk Industries Factory: B-13, SITE, Opp: MSD Pharmaceuticals, Near SITE, Post Office Chowrangli, Karachi. Godown: No.12, Madina Square Market, Near Kharadar Police Chowki, Kharadar, Karachi.	1. Mohammad Yousuf Vohra 42101-0189680-5 2. Tanveer Yousuf Vohra 516-85-104426 3. Rehana Ilyas 521-65-415068 4. Mrs. Amina 516-89-104424 5. Rukhsana Salim 42101-8608813-6	Omer G. Vohra Mohammad Yousuf Vohra Mohammad Ilyas Vohra Mohammad Yousuf Vohra Mohammad Salim	1,234	128	4,112	5,474	534	128	4,112	4,774	
6	Mohammad Shahid Durvesh Karachi Stock Exchange (Guaranteed) Ltd. Office No.712-713, 7th Floor, New Karachi Stock Exchange Building, Karachi.	Mohammad Shahid Durvesh 42301-0846049-3	Abdul Rehman	4,392	-	-	4,392	1,542	-	-	1,542	
7	Rabia Exports International Suit # 25-B, 3rd Floor, Textile Plaza, M.A Jinnah Road Karachi	Muhammad Aslam 511-57-092208	Muhammad Ibrahim	2,868	2,265	-	5,133	1,843	2,265	-	4,108	

DIRECTORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2013

On behalf of the Board of Directors of Summit Bank Limited ("the Bank"), I am pleased to present the consolidated annual financial statements of Summit Bank Limited (holding company) and Summit Capital (Pvt.) Limited (subsidiary company) together with the Auditor's Report thereon for the year ended December 31, 2013.

Financials

The Consolidated Financial Statements of the Bank for the year ended December 31, 2013 are summarized as follows:

	December 31, 2013	December 31, 2012 Restated
	Rupees in '000'	
Operating Loss before provision and taxation	(2,222,203)	(2,475,899)
Provisions	(836,426)	(22,942)
Loss before taxation	(1,385,777)	(2,498,841)
(Charge) / Reversal of provision for taxation	(427,698)	(218,185)
Loss after taxation	(1,813,475)	(2,717,026)
Incremental Depreciation – net of tax	21,339	55,138
Other Comprehensive loss	103	3,536
Accumulated loss brought forward	(6,126,046)	(3,460,622)
Accumulated loss carried forward	(7,918,079)	(6,126,046)
Loss per share - Basic and diluted (Rupees)	(1.51)	(2.52)

Pattern of Shareholdings

The pattern of shareholding as at December 31, 2013 is annexed with the Financial Statements of Summit Bank Limited.

For and on the behalf of the Board of Directors.

Husain Lawai
President and Chief Executive

Karachi
March 08, 2014

AUDITORS' REPORT TO THE MEMBERS ON CONSOLIDATED FINANCIAL STATEMENTS

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Summit Bank Limited (the Bank) as at 31 December 2013 and the related consolidated profit and loss account, consolidated cash flow statement, consolidated statement of comprehensive income and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Summit Capital (Private) Limited, a subsidiary company, dated 28 February 2014. These financial statements are responsibility of the Bank's management. Our responsibility is to express our opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan and accordingly included such tests of accounting records and such other audit procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of the Bank and its subsidiary company as at 31 December 2013 and the results of their operations for the year then ended.

We draw attention to the following matters:

- i) note 1.5 to the accompanying financial statements, which fully explains the Bank's capital deficiency in terms of the regulatory requirements as prescribed by the State Bank of Pakistan (SBP) and the management's future plans and actions in relation thereto. The said note also indicates the existence of material uncertainties with respect to the recapitalisation of the Bank and, consequently, its sustainability in future. Further, as stated in the above referred note, the SBP has advised the Bank to raise additional equity of Rs.5 billion within the revised timeline of 31 March 2014; and
- (ii) note 13 to the accompanying financial statements relating to deferred tax asset amounting to Rs.5,742.710 (2012: Rs.5,986.434) million. The management has recorded the said asset based upon their assessment of its recoverability, on the basis of financial projections for future years, as approved by the Board of Directors of the Bank, which take into account various assumptions regarding the future business and economic conditions. However, as disclosed in the said note, a significant change in the assumptions used may affect the realisability of the deferred tax asset recorded in the financial statements.

Our opinion is not qualified in respect of these matters.

Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Dated: March 08, 2014
Karachi

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2013

		December 31, 2013	December 31, 2012 (Restated Note 5.1.1)
	Note	----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks	7	9,203,573	8,110,198
Balances with other banks	8	2,302,189	3,601,183
Lendings to financial institutions	9	1,555,000	2,038,500
Investments	10	39,526,939	49,770,923
Advances	11	54,208,474	52,549,154
Operating fixed assets	12	6,258,010	5,456,565
Deferred tax assets - net	13	5,742,710	5,986,434
Other assets	14	6,702,886	6,776,109
		125,499,781	134,289,066
LIABILITIES			
Bills payable	15	2,205,414	1,654,302
Borrowings	16	9,961,198	28,900,432
Deposits and other accounts	17	106,255,566	96,815,372
Sub-ordinated loans	18	1,498,620	1,499,310
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	19	2,231,879	2,411,811
		122,152,677	131,281,227
NET ASSETS		3,347,104	3,007,839
REPRESENTED BY			
Share capital	20	10,779,796	10,779,796
Convertible preference shares	20	2,155,959	-
Reserves	21	(1,811,675)	(1,811,675)
Accumulated losses		(7,918,079)	(6,126,046)
		3,206,001	2,842,075
Surplus on revaluation of assets - net of deferred tax	22	141,103	165,764
		3,347,104	3,007,839
CONTINGENCIES AND COMMITMENTS	23		

The annexed notes from 1 to 44 form an integral part of these unconsolidated financial statements.

President &
Chief Executive

Chairman

Director

Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2013

		December 31, 2013	December 31, 2012 (Restated Note 5.1.1)
	Note	----- (Rupees in '000) -----	
Mark-up / return / interest earned	24	9,173,938	10,262,500
Mark-up / return / interest expensed	25	(8,323,255)	(10,133,076)
Net mark-up / interest income		850,683	129,424
Reversal of provision / (provision) against non-performing loans and advances-net	11.3.1	917,704	(33,639)
(Provision) / reversal of provision for diminution in the value of investments - net	10.12	(79,412)	50,442
Bad debts written off directly	11.4.1	(1,866)	(39,745)
		836,426	(22,942)
Net mark-up / interest income after provisions		1,687,109	106,482
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		895,833	652,577
Dividend income		135,541	141,826
Gain from dealing in foreign currencies		521,843	387,904
Gain on sale of securities - net	26	52,847	358,415
Gain / (loss) on disposal of operating fixed assets	12.4	7,927	(212,408)
Unrealised loss on revaluation of investments classified as held-for-trading - net	10.14	(1,894)	(5)
Other income	27	143,477	97,341
Total non-mark-up / interest income		1,755,574	1,425,650
		3,442,683	1,532,132
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	28	(4,429,293)	(4,005,835)
Other provisions / write-offs	29	(375,249)	(14,924)
Other charges	30	(23,918)	(11,487)
Total non-mark-up / interest expenses		(4,828,460)	(4,032,246)
Share of profit from associate		-	1,273
		(1,385,777)	(2,498,841)
Extra-ordinary / unusual items		-	-
LOSS BEFORE TAXATION		(1,385,777)	(2,498,841)
Taxation	31		
Current		(110,213)	(78,984)
Prior years		-	-
Deferred		(317,485)	(139,201)
		(427,698)	(218,185)
LOSS AFTER TAXATION		(1,813,475)	(2,717,026)
Loss per share - basic (Rupees)	32	(1.51)	(2.52)

The annexed notes from 1 to 44 form an integral part of these unconsolidated financial statements.

President &
Chief Executive

Chairman

Director

Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2013

	December 31, 2013	December 31, 2012 (Restated Note 5.1.1)
	----- (Rupees in '000) -----	
Loss after taxation	(1,813,475)	(2,717,026)
Other comprehensive income - net		
Not to be reclassified to profit and loss account in subsequent periods		
Actuarial gain / (loss) on defined benefit plan	103	(3,536)
Total comprehensive loss for the year	<u>(1,813,372)</u>	<u>(2,720,562)</u>

Surplus / (deficit) on revaluation of 'Available-for-sale securities' and 'Fixed assets' are presented under a separate head below equity as 'surplus / (deficit) on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan vide its BSD Circular No. 20 dated August 04, 2000 and the Companies Ordinance, 1984 respectively.

The annexed notes from 1 to 44 form an integral part of these unconsolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2013

	December 31, 2013	December 31, 2012 (Restated Note 5.1.1)
Note	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(1,385,777)	(2,498,841)
Less: Dividend income	(135,541)	(141,826)
	(1,521,318)	(2,640,667)
Adjustments:		
Depreciation	559,571	529,220
Amortisation of intangible assets and deferred cost	78,024	100,102
(Reversal of provision) / provision against non-performing loans and advances - net	(917,704)	33,639
Bad debts directly written off	1,866	39,745
Other provisions / write offs	375,249	14,924
Reversal / (provision) for diminution in the value of investments - net	79,412	(50,442)
Unrealised loss on revaluation of investments in held-for-trading securities - net	1,894	5
Gain on disposal of non-banking assets	(59,359)	(4,976)
(Gain) / loss on disposal of operating fixed assets	(7,927)	212,408
	111,026	874,625
	(1,410,292)	(1,766,042)
Decrease / (increase) in operating assets		
Lendings to financial institutions	483,500	(968,743)
Net (investments) / realisations in 'held-for-trading' securities	(62,761)	28,214
Advances - net	(743,482)	3,377,126
Other assets (excluding advance taxation) - net	(869,070)	(622,545)
	(1,191,813)	1,814,052
Increase / (decrease) in operating liabilities		
Bills payable	551,112	753,552
Borrowings from financial institutions	(18,963,942)	10,336,209
Deposits and other accounts	9,440,194	7,150,071
Other liabilities	(179,829)	(524,954)
	(9,152,465)	17,714,878
Income tax paid	(11,754,570)	17,762,888
	(91,168)	(169,249)
Net cash (used in) / flows from operating activities	(11,845,738)	17,593,639
CASH FLOWS FROM INVESTING ACTIVITIES		
Net realisation / (investments) in 'available-for-sale' securities	9,876,028	(14,312,376)
Net realisation in 'held to maturity' securities	338,814	669,918
Investment in associate	-	3,205
Dividend received	135,541	141,826
Investment in operating fixed assets	(1,468,208)	(432,491)
Sale proceeds of property and equipment - disposed off	22,187	318,631
Sale proceeds of non-banking assets - disposed off	555,780	176,500
Net cash flow from / (used in) investing activities	9,460,142	(13,434,787)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts on issue of convertible preference shares	2,155,959	-
Redemption of subordinated loan	(690)	(690)
Net cash flows from / (used in) financing activities	2,155,269	(690)
Increase in cash and cash equivalents	(230,327)	4,158,162
Cash and cash equivalents at beginning of the year	11,670,117	7,511,955
Cash and cash equivalents at end of the year	11,439,790	11,670,117

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The annexed notes from 1 to 44 form an integral part of these unconsolidated financial statements.

President &
Chief Executive

Chairman

Director

Director



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2013

	Capital reserves				Revenue reserves		Grand Total		
	Share capital	Convertible preference shares	Discount on issue of shares	Statutory reserve	Reserve arising on amalgamation	Accumulated losses		Total Reserves	
Balance as at January 01, 2012	10,779,796	-	1,000,000	(1,297,298)	64,828	(1,579,205)	(3,465,687)	(5,277,362)	5,502,434
Effect of change in accounting policy as stated in note 5.1.1	-	-	-	-	-	-	5,065	5,065	5,065
Balance as at January 01, 2012 (Restated)	10,779,796	-	1,000,000	(1,297,298)	64,828	(1,579,205)	(3,460,622)	(5,272,297)	5,507,499
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred tax	-	-	-	-	-	-	55,138	55,138	55,138
Total comprehensive loss for the year (Restated)	-	-	-	-	-	-	-	-	-
Loss after taxation for the year ended December 31, 2012 (Restated)	-	-	-	-	-	-	(2,717,026)	(2,717,026)	(2,717,026)
Other comprehensive loss (Restated)	-	-	-	-	-	-	(3,536)	(3,536)	(3,536)
	-	-	-	-	-	-	(2,720,562)	(2,720,562)	(2,720,562)
Balance as at December 31, 2012 (Restated)	10,779,796	-	1,000,000	(1,297,298)	64,828	(1,579,205)	(6,126,046)	(7,937,721)	2,842,075
Issue of Convertible preference shares - listed	-	2,155,959	-	-	-	-	-	-	2,155,959
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred tax	-	-	-	-	-	-	21,339	21,339	21,339
Total comprehensive loss for the year	-	-	-	-	-	-	-	-	-
Loss after taxation for the year ended December 31, 2013	-	-	-	-	-	-	(1,813,475)	(1,813,475)	(1,813,475)
Other comprehensive income	-	-	-	-	-	-	103	103	103
	-	-	-	-	-	-	(1,813,372)	(1,813,372)	(1,813,372)
Balance as at December 31, 2013	10,779,796	2,155,959	1,000,000	(1,297,298)	64,828	(1,579,205)	(7,918,079)	(9,729,754)	3,206,001

The annexed notes from 1 to 44 form an integral part of these unconsolidated financial statements.

President &
Chief Executive

Chairman

Director

Director



Committed to you

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

1. STATUS AND NATURE OF BUSINESS

- 1.1 The Group comprises of Summit Bank Limited - the holding company (the Bank) and Summit Capital (Private) Limited (SCPL) - a wholly owned subsidiary. The ultimate holding company of the Group is Suroor Investments Limited, (SIL) a company incorporated in Mauritius.
- 1.2 Summit Bank Limited (the Bank) was incorporated in Pakistan as public company limited by shares on December 09, 2005 under the Companies Ordinance, 1984. It is listed on all the stock exchanges of Pakistan. Registered office of the Bank is situated at Plot No. 6-B, F-6, Supermarket, Islamabad, Pakistan.
- 1.3 The Bank is principally engaged in the business of banking through its 187 branches [2012: 186 Branches in Pakistan as defined in the Banking Companies Ordinance, 1962. The medium to long-term rating of the Bank rated by JCR-VIS, credit rating company, is 'A-' whereas short-term rating of the Bank is 'A-3'.
- 1.4 SCPL, the subsidiary company was incorporated in Pakistan on March 08, 2006 under the Companies Ordinance, 1984. The subsidiary company is a corporate member of Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited, Islamabad Stock Exchange (Guarantee) Limited and Pakistan Mercantile Exchange Limited (formerly National Commodity Exchange Limited). The principal activities of the subsidiary company are equity and money market brokerage, advisory and consultancy services. The Group acquired interest in SCPL by virtue of amalgamation of Atlas Bank Limited.
- 1.5 The State Bank of Pakistan (SBP) through its BSD Circular No. 7 dated April 15, 2009 has prescribed that the minimum paid-up capital (net of losses) for Banks / Development Finance Institutions (DFIs) be raised to Rs.10 billion by the year ending December 31, 2013. The raise is to be achieved in a phased manner requiring Rs.9 billion and Rs.10 billion paid-up capital (free of losses) by the end of the financial year 2012 and 2013, respectively. Further, vide its aforesaid Circular, the SBP has prescribed the banks to achieve minimum Capital Adequacy Ratio (CAR) of 10% with effect from December 31, 2009 irrespective of their CAMEL-S rating, till further instructions. The paid up capital of the Bank (net of losses) as of December 31, 2013 amounted to Rs.3,182.812 million and CAR, as disclosed in note 41.3, remained below the prescribed level of 10%.

SBP vide its letter number BPRD/BA&CP/649/17695/2013 dated December 02, 2013 has allowed the Bank extension in meeting the MCR and CAR requirement till September 30, 2014. The SBP has further advised the bank to raise additional equity of Rs.5 billion within the revised timeline of March 31, 2014.

In view of the above shortfall in meeting the regulatory capital requirements and the financial condition of the Bank, the management and sponsors of the Bank have taken the following steps:

- During the year, the Bank has issued 215,595,916 listed convertible, perpetual, irredeemable, non-cumulative preference shares of Rs.2.156 billion, subject to condition as disclosed in note 20 to the consolidated financial statements, as Tier 1 Capital to raise the equity of Bank after getting final approval from the State Bank of Pakistan vide its letter No. BPRD/BAID/649/3813/2013 dated March 28, 2013.
- The Bank intends to raise further capital of Rs.5 billion in addition to above from domestic and international market to meet the regulatory capital requirements.
- The management of the Bank has prepared financial projections for a period of five years for the purpose of setting the future course of action for the Bank. These projections are approved by the Board and envisage additional capital injection through equity into the Bank and indicate future profitable operations based on various assumptions such as growth of deposits and advances, investment returns, recoveries against loan losses, interest rates, cost of funds, etc. Under the said projections, the Bank meets the MCR in the year 2014.

Based on the above, the Bank's management and the Board have made an assessment and are satisfied that the Bank has adequate resources to continue its business in the foreseeable future and therefore, have prepared these financial statements on a going concern basis. In making such assessments, the Board has taken into account the material uncertainties with respect to events or conditions that may impact the recapitalisation plan of the Bank and, consequently, its sustainability in the future.



2. BASIS OF PRESENTATION

- 2.1** These consolidated financial statements have been presented in accordance with the requirements of format prescribed by the State Bank of Pakistan's BSD Circular No. 4 dated February 17, 2006.
- 2.2** In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing comprises of purchase of goods by banks from its customers and resale to them at appropriate mark-up in price on deferred payment basis. The purchase and sale arising under these arrangements are not reflected in these consolidated financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.
- 2.3** Items included in consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. The consolidated financial statements are presented in Pak. Rupees, which is the Group's functional currency. Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

3. STATEMENT OF COMPLIANCE

- 3.1** These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the directives issued by State Bank of Pakistan (SBP). In case requirements differ, the provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the directives issued by SBP shall prevail.

- 3.2** International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 'Financial Instruments: Disclosures' through its notification S.R.O. 411(I)/2008 dated April 28, 2008 are not applicable to banking companies in Pakistan. 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.

3.3 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods beginning on or after)
IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014
IAS 36 – Recoverable Amount for Non-Financial Assets – (Amendment)	January 01, 2014
IFRIC 21 – Levies	January 01, 2014

The Group expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Group's financial statements in the period of initial application.

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2014. The Group expects that such improvements to the standards will not have any material impact on the Group's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016

4. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except that certain operating fixed assets have been stated at revalued amounts and certain investments and derivative financial instruments have been stated at fair value.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year except as described below in note 5.1:

5.1 New and amended standards and interpretations

The Group has adopted the following revised standards, amendments and interpretations of IFRSs which became effective during the current year:

IAS 1 – Presentation of Financial Statements – Presentation of items of other comprehensive income (Amendment)

IAS 19 – Employee Benefits – (Revised)

IFRS 7 – Financial Instruments: Disclosures – (Amendments)
– Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

Improvements to Accounting Standards Issued by the IASB

IAS 1 – Presentation of Financial Statements - Clarification of the requirements for comparative information

IAS 16 – Property, Plant and Equipment – Clarification of Servicing Equipment

IAS 32 – Financial Instruments: Presentation – Tax Effects of Distribution to Holders of Equity Instruments

IAS 34 – Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The adoption of the above revision, amendments, improvements and interpretation of the standards did not have any effect on the financial statements, other than the amendments to IAS 19 'Employees Benefits' as described in 5.1.1.

5.1.1 Change in accounting policy

The Group has adopted amendments made to the IAS 19, applicable from January 01, 2013. The significant changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in 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 asset / liability are recognized in other comprehensive income with no subsequent recycling to profit and loss account.
- The distinction between short-term and other long-term employee benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits.
- Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

The adoption of the said amendments has resulted in change in the Group's accounting policy relating to recognition of actuarial gains and losses according to which actuarial gains and losses are recognised in full in other comprehensive income in the period in which they occur. The changes have been applied retrospectively in accordance with IAS 8 Accounting policies, Changes in Accounting Estimates and Errors, resulting in the restatement of prior year financial information. The financial impact on previous years is as follows:

Bank	(Rs. in '000)
As of January 01, 2012	
Net increase / (decrease) in employees' benefit liability	(5,280)
Net increase / (decrease) in other comprehensive income	5,280
As of December 31, 2012	
Net increase / (decrease) in employees' benefit liability	3,810
Net increase / (decrease) in other comprehensive income	(3,810)
Subsidiary	
As of January 01, 2012	
Net increase / (decrease) in employees' benefit liability	215
Net increase / (decrease) in other comprehensive income	(215)
As of December 31, 2012	
Net increase / (decrease) in employees' benefit liability	(529)
Net increase / (decrease) in other comprehensive income	274
Net increase / (decrease) in profit for the year	255

The effect on loss per share relating to the restatement of 2012 figures is less than Re.0.01.

The cumulative effect of the above change is not considered material. Accordingly, third balance sheet as of January 01, 2012 has not been presented in these financial statements.

5.2 Cash and cash equivalents

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

5.3 Lendings to / borrowings from financial and other institutions

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

Repurchase agreement borrowings

Securities sold subject to an agreement to repurchase at a specified future date (repos) continue to be recognised in the 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.

Repurchase agreement lendings

Securities purchased under agreement to resell at a specified future date (reverse repos) are not recognised in the 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 recognised 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.

5.4 Investments

Investments of the Group, other than investments in associates, 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, other than those in associates, that do not fall under the held-for-trading or held to maturity categories.

Initial measurement

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

These are initially recognised at cost, being the fair value of the consideration given including, in the case of investments other than held-for-trading, the acquisition cost associated with the investments.

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 profit and loss account.

Held to maturity

These are measured at amortised cost using the effective interest rate method, less any impairment loss recognised 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 statement of financial position below equity and is taken to the profit and loss account when actually realised 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 consolidated financial statements. A decline in the carrying value is charged to 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) is made for impairment, if any. Provision for diminution in the value of term finance certificates is made as per the ageing criteria prescribed by the Prudential Regulations issued by the SBP.

Investments in Subsidiaries and Associates

Investments in subsidiaries and associates are valued at cost less impairment, if any. A reversal of an impairment loss on associates and subsidiaries is recognised as it arises provided the increased carrying value does not exceed cost.

Gain and losses arising on sale of investments during the year are taken to the profit and loss account.

5.5 Advances

Advances are stated net of general and specific 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 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.

Leases, 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 recognised at an amount equal to the present value of the minimum lease payments, including guaranteed residual value, if any. Unearned finance income is recognised over the term of the lease, so as to produce a constant periodic return on the outstanding net investment in lease.

5.6 Operating fixed assets and depreciation

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 to write 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 12.2 to the consolidated financial statements. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each statement of financial position.

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 off.

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset as appropriate, only when it is probable that future 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 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 balance in the above-mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. 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 derecognised 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 recognised in the profit and loss account in the year when asset is derecognised.

Assets held under operating leases

Operating lease assets are stated at cost less accumulated depreciation and impairment, if any. Repairs and maintenance are charged to profit and loss account as and when incurred.

Capital work-in-progress

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

Intangible assets

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 amortisation 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 amortised 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 amortised using the straight line method at the 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.

Amortisation on additions to intangible assets is charged from the month in which an asset is acquired or capitalised while no amortisation is charged for the month in which that asset is disposed off.

Intangible assets with indefinite useful lives are not amortised, 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 supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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 recognised in the profit and loss account.

5.7 Subordinated loans

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

5.8 Assets acquired in satisfaction of claims

The Bank occasionally acquires assets in settlement of certain advances. These are stated at lower of the carrying value of the related advances and the current fair value of such assets.

5.9 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 profit and loss account.

5.10 Staff retirement and other benefits

Defined contribution plan

The Group operates defined contribution provident fund for all its permanent employees. Equal monthly contributions are made both by the Group and the employees to the fund at the rate of 8.33% of basic salary.

Defined benefit plan

The Group operates an funded gratuity fund 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.

During the current year, the Group has changed its accounting policy in respect of post retirement defined benefits plans as required under International Accounting Standard (IAS) 19, 'Employee Benefits'. Previously, actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions were amortised over the future expected remaining working lives of the employees, to the extent of the excess over ten percent of the present value of the defined benefit obligation at that date (before deducting plan assets) and 10% of the fair value of any plan assets at that date. According to new policy actuarial gains and losses are recognized in other comprehensive income (OCI) in the periods in which they occur. Amounts recorded in the 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 profit and loss account.

The Bank also maintains an approved funded gratuity scheme for Ex-MyBank employees. Contribution to the said fund has been discontinued since 2002. However, the fund being a separate legal entity still exists and the members entitled to the balance of fund shall be able to draw their balance upon completion of or termination from the employment of the Bank.

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. During the current year, the Bank has changed its accounting policy as required under International Accounting Standard (IAS) 19, 'Employee Benefits'. Previously, actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions were amortised over the future expected remaining working lives of the employees, to the extent of the excess over ten percent of the present value of the defined benefit obligation at that date. According to new policy, actuarial gains and losses are recognized in other comprehensive income (OCI) in the periods in which they occur.

The subsidiary provides its liability towards compensated absences on the basis of employee entitlements to annual leaves which are recognised when they accrue to employees. A provision is made for the estimated liability for annual leaves as a result of services rendered by employees upto the statement of financial position date.

5.11 Taxation

Current

Provision for current taxation is based on taxable income at the current rate of tax after taking with applicable tax credits, rebates and exemptions available, if any. The charge for current tax also include adjustments where considered necessary, relating to prior years which arise from assessments finalised during the year.

Deferred

Deferred tax is recognised on all major temporary differences, tax credits and unused tax losses at the 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 statement of financial position date.

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

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

5.12 Deposits

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

5.13 Provisions

Provisions are recognised 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 statement of financial position date and are adjusted to reflect the current best estimate.

5.14 Foreign currencies

Foreign currency transactions and translations

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 rupees terms at the rates of exchange ruling on the 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 profit and loss account.

5.15 Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. The financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.

5.16 Revenue recognition

Revenue is recognised to the extent that the economic benefits will flow to the Group and the revenue can be reliably measured. The following recognition criteria are used for revenue recognition:

Advances and investments

Mark-up / return on regular loans / advances and investments is recognised on time proportion basis. Where debt securities are purchased at premium or discount, the same is amortised through the profit and loss account over the remaining period using effective interest method.

Interest or mark-up recoverable on classified loans and advances and investments is recognised on receipt basis. Interest / return / mark-up on rescheduled / restructured loans and advances and investments is recognised as permitted by the regulations of the SBP.

Dividend income is recognised when the Group's right to receive the dividend is established.

Gain and loss on sale of investments are recognised in the profit and loss account.

Lease financing

Financing method is used in accounting for income from lease financing. 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. Unrealised income on classified leases if any, is recognised on receipt basis.

Gains / losses on termination of lease contracts, documentation charges, front-end fees and other lease income are recognised as income on receipts basis.

Fees, brokerage and commission

Fees, brokerage and commission on letters of credit / guarantees and others are generally recognised on an accrual basis.

5.17 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 legal enforceable right to set off the recognised amounts and the Group intends either to settle either on a net basis, or to realise the assets and to settle the liabilities.

5.18 Financial instruments

Financial assets and liabilities

Financial instruments carried on the 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-recognised 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-recognised 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 recognised in the profit and loss account of the current period.

Derivative financial instruments

Derivative financial instruments are initially recognised 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 profit and loss account.

5.19 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 and the guidance of SBP. The Group comprises of the following main business segments:

Business segments

- **Corporate finance**

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

- **Trading and sales**

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

- **Retail banking**

Retail banking provides services to small borrowers i.e. consumers, small and medium enterprises (SMEs) and to the agricultural sector. It includes loans, deposits and other transactions with retail customers.

- **Commercial banking**

This includes loans, deposits and other transactions with corporate customers.

- **Payment and settlement**

This includes payments and collections, funds transfer, clearing and settlement with the customers.

- **Geographical segments**

The Bank conducts all its operations in Pakistan.

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, as described in note 5, the management has made the following estimates and judgments which are significant to the financial statements:

- classification of investments (note 5.4);
- determining the residual values and useful lives of property and equipment (note 5.6);
- impairment (note 5.9);
- accounting for post employment benefits (note 5.10);
- recognition of taxation and deferred tax (note 5.11); and
- provisions (note 5.4, 5.5 and 5.13).

7. CASH AND BALANCES WITH TREASURY BANKS

In hand

Local currency		2,292,418	2,429,204
Foreign currencies		467,733	281,730
		2,760,151	2,710,934

National Prize Bonds

6,703 12,602

With State Bank of Pakistan in

Local currency current account	7.1	4,092,821	3,471,876
Foreign currency current account	7.2	36,752	38,357
Foreign currency deposit account			
- Non-remunerative	7.3	334,406	243,846
- Remunerative	7.4	1,003,217	731,537
		5,467,196	4,485,616

With National Bank of Pakistan in

Local currency current account		969,523	901,046
		9,203,573	8,110,198

7.1 Deposits are maintained with SBP to comply with its requirement issued from time to time.

7.2 This represents US Dollar Settlement account maintained with SBP.

7.3 This represents foreign currency special cash reserve maintained with SBP equivalent to at least 5% of the Bank's foreign currency deposits.

7.4 This represents foreign currency special cash reserve account maintained with SBP equivalent to at least 15% of the Bank's foreign currency deposits. Profit rates on this deposit are fixed on a monthly basis by SBP. These deposits currently carry no mark-up (December 31, 2012: 0%).

8. BALANCES WITH OTHER BANKS

	Note	December 31, 2013	December 31, 2012
----- (Rupees in '000) -----			
In Pakistan			
On current accounts		198,992	123,135
On deposit accounts		60	144
Outside Pakistan			
On current accounts		1,502,787	3,363,220
On deposit accounts	8.1	600,350	114,684
		2,302,189	3,601,183

8.1 These represent placements with correspondent banks, carrying interest rate determined with respect to underlying currency benchmark rates ranging from 0.17% to 3% (2012: 0.6% to 3%) per annum receivable on maturity.

9. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	December 31, 2013 ----- (Rupees in '000) -----	December 31, 2012
Call money lendings	9.2	1,500,000	200,000
Repurchase agreement lendings (reverse repo)	9.3 & 9.4	55,000	1,838,500
		1,555,000	2,038,500

9.1 Particulars of lendings

In local currency	1,555,000	2,038,500
In foreign currencies	-	-
	1,555,000	2,038,500

9.2 This represents call lending to a financial institution carrying mark-up at the rate ranging from 10.5% to 11.5% (December 31, 2012: 9.75%) per annum and is maturing on January 10, 2014.

9.3 These are secured against underlying securities, having fair value of Rs.86 million (December 31, 2012: Rs.1,872 million). These carry mark-up rate of 12% (December 31, 2012: 7.75% to 12.50%) per annum maturing latest by January 27, 2014.

Note	December 31, 2013			December 31, 2012		
	Held by group	Given as collateral	Total	Held by group	Given as collateral	Total
9.4 Securities held as collateral against lendings to financial institutions						
Treasury Bills	-	-	-	1,287,667	-	1,287,667
Pakistan Investment Bonds	-	-	-	288,833	-	288,833
Listed Ordinary shares	55,000	-	55,000	262,000	-	262,000
	55,000	-	55,000	1,838,500	-	1,838,500

10. INVESTMENTS

10.1 Investments by types:

Held-for-trading securities

Listed Ordinary shares	10.4	70,775	-	70,775	6,125	-	6,125
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Available-for-sale securities

Market Treasury Bills	10.3	17,556,833	5,705,704	23,262,537	17,297,902	22,778,000	40,075,902
Pakistan Investment Bonds	10.3	11,419,676	-	11,419,676	1,157,294	2,537,191	3,694,485
Listed Ordinary shares	10.4	2,886,908	53,187	2,940,095	2,376,774	-	2,376,774
Preference shares	10.7	111,168	-	111,168	107,941	-	107,941
Unlisted Ordinary shares	10.5	25,886	-	25,886	25,886	-	25,886
Units of open ended mutual funds	10.6	25,000	-	25,000	1,063,363	-	1,063,363
Term Finance Certificates - listed	10.8	186,239	-	186,239	395,502	44,919	440,421
Term Finance Certificates - unlisted	10.9	1,503,982	-	1,503,982	1,425,727	-	1,425,727
Sukuk Bonds	10.10	864,707	-	864,707	905,085	-	905,085
		34,580,399	5,758,891	40,339,290	24,755,474	25,360,110	50,115,584

Held to maturity

Pakistan Investment Bonds	10.3	249,256	-	249,256	588,070	-	588,070
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Associate

Unlisted Ordinary shares	14.5	-	-	-	35,143	-	35,143
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Investment at cost

		34,900,430	5,758,891	40,659,321	25,384,812	25,360,110	50,744,922
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Less: Provision for diminution in value of investments	10.12	(899,464)	-	(899,464)	(820,052)	-	(820,052)
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Investments - net of provisions

Deficit on revaluation of held-for-trading securities	10.14	(1,894)	-	(1,894)	(5)	-	(5)
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Surplus / (deficit) on revaluation of available-for-sale securities	22.2	(216,045)	(14,979)	(231,024)	(442,743)	288,801	(153,942)
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Total investments		33,783,027	5,743,912	39,526,939	24,122,012	25,648,911	49,770,923
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	Note	December 31, 2013 ----- (Rupees in '000) -----	December 31, 2012
10.2 Investments by segments:			
Federal Government Securities:			
- Market Treasury Bills	10.3	23,262,537	40,075,902
- Pakistan Investment Bonds	10.3	11,668,932	4,282,555
Fully paid-up Ordinary Shares / Units / Certificates:			
- Listed companies	10.4	3,010,870	2,382,899
- Unlisted companies	10.5	25,886	25,886
- Mutual funds - open end	10.6	25,000	1,063,363
Preference Shares	10.7	111,168	107,941
Term Finance Certificates and Bonds			
- Listed Term Finance Certificates	10.8	186,239	440,421
- Unlisted Term Finance Certificates	10.9	1,503,982	1,425,727
- Sukuk Bonds	10.10	864,707	905,085
Investment in associate	14.5	-	35,143
Total investment at cost		40,659,321	50,744,922
Less: Provision for diminution in value of investments	10.12	(899,464)	(820,052)
Investments - net of provisions		39,759,857	49,924,870
(Deficit) / surplus on revaluation of held-for-trading securities	10.14	(1,894)	(5)
Deficit on revaluation of available-for-sale securities	22.2	(231,024)	(153,942)
Total investments		39,526,939	49,770,923

10.3 Market Treasury Bills and Pakistan Investment Bonds are held with SBP and are eligible for rediscounting. Market Treasury Bills embody effective yield ranging from 9.23% to 9.95% (December 31, 2012: 9% to 11.92%) per annum and will mature within 12 months. Pakistan Investment Bonds carry mark-up ranging from 8% to 12% (December 31, 2012: 8% to 13%) per annum on semi-annual basis and will mature within 9 to 10 years. Certain government securities are kept with SBP to meet statutory liquidity requirement calculated on the basis of demand and time liabilities.

10.4 Particulars of investment in Ordinary shares - listed

Name of companies	Number of shares held		Paid-up value per share	Total book value	
	December 31, 2013	December 31, 2012		December 31, 2013	December 31, 2012
----- (Rupees in '000) -----					
Held-for-trading securities					
Attock Refinery Limited	6,000	-	10	1,430	-
D.G. Khan Cement Company Limited	25,500	60,000	10	2,159	3,292
Engro Foods Limited	18,500	-	10	2,106	-
Fauji Cement Company	140,000	-	10	2,236	-
Lafarge Pakistan Cement Limited	100,000	-	10	1,064	-
Lucky Cement Limited	2,000	-	10	606	-
Maple Leaf Cement Factory Limited	14,000	-	10	404	-
MCB Bank Limited	75,000	-	10	21,805	-
Nishat Chunian Limited	18,500	-	10	1,107	-
Oil & Gas Development Company Ltd.	5,000	-	10	1,400	-
Pakistan State Oil Company Limited	108,000	-	10	36,458	-
Pakistan Telecommunication Company Limited	-	164,000	10	-	2,833
				70,775	6,125
Available-for-sale securities					
Agritech Limited - a related party (note 10.4.1)	37,975,034	37,975,034	10	1,104,183	1,104,183
Arif Habib Corporation Limited - a related party	5,866,899	4,624,546	10	158,636	130,472
Askari Bank Limited	900,000	44,717	10	12,423	1,295
Attock Refinery Limited	45,000	-	10	9,683	-
Azgard Nine Limited	500,000	500,000	10	5,911	5,911
Bank Alfalah Limited	-	200,000	10	-	3,289
D.G. Khan Cement Company Limited	137,000	240,000	10	12,672	13,059
Engro Corporation Limited	175,000	286,100	10	29,473	28,184
Fauji Fertilizer Bin Qasim Limited	-	85,000	10	-	3,206
Fauji Fertilizer Company Limited	-	50,000	10	-	5,886
First Capital Securities Corporation Limited	11,308,000	11,308,000	10	94,846	94,846
Hub Power Company Limited	100,000	-	10	6,924	-
ICI Pakistan Limited	150,000	-	10	38,933	-
IGI Insurance Limited	250,000	-	10	41,248	-
Javedan Corporation Limited	7,239,718	3,915,318	10	605,294	372,400
Maple Leaf Company Limited	175,000	-	10	5,158	-
MCB Bank Limited	50,000	-	10	15,655	-
Metropolitan Steel Corporation Limited	3,914,590	-	10	61,177	-
National Bank of Pakistan Limited	-	407,500	10	-	19,871
Nishat Chunian Limited	331,500	-	10	20,026	-
Nishat Power Limited	75,000	400,000	10	751	4,004
Nishat Mills Limited	-	165,000	10	-	10,585
Oil & Gas Development Company Limited	125,000	-	10	34,964	-
Pak Elektron Limited	299,723	299,723	10	12,500	12,500
Pakistan Oilfields Limited	95,000	-	10	47,885	-
Pakistan Petroleum Limited	-	80,000	10	-	14,307
Pakistan State Oil Company Limited	275,000	50,100	10	95,554	11,722
Pakistan Telecommunication Company Limited	200,000	50,000	10	6,322	1,011
SME Leasing Limited	902,350	902,350	10	9,926	9,926
Sui Northern Gas Pipeline Limited	6,263,000	-	10	133,244	-
Sui Southern Gas Company Limited	4,569,500	13,125,000	10	98,016	281,532
Tariq Glass Industries Limited	4,175,000	4,175,000	10	66,806	66,806
Thatta Cement Company Limited - a related party	8,462,835	8,462,835	10	174,829	174,829
United Bank Limited	259,400	-	10	37,056	-
Wateen Telecom Limited	-	695,000	10	-	6,950
				2,940,095	2,376,774
				3,010,870	2,382,899

10.4.1 This includes 27,975,034 ordinary shares of Agritech Limited acquired as a result of the settlement reached with Azgard Nine Limited. Also see note 10.7.

10.5 Particulars of investment in other Ordinary shares - unlisted

Name of companies	Number of units / certificates held		Paid-up value per share	Total book value	
	December 31, 2013	December 31, 2012		December 31, 2013	December 31, 2012
<p>Arabian Sea Country Club Limited</p> <p>Chief Executive Officer: Mr. Arif Ali Khan Abbasi Percentage holding 1.29% (December 31, 2012: 1.29%) Net asset value per share was Rs.4.39 as at June 30, 2013 based on audited financial statements (June 30, 2012: Rs.8.72 based on audited financial statements)</p>	100,000	100,000	10	1,000	1,000
<p>Karachi Stock Exchange Limited</p> <p>Managing Director: Mr. Nadeem Naqvi Percentage holding 1% (December 31, 2012: 1%) Net asset value per share was Rs.10.08 as at June 30, 2013 based on audited financial statements (refer note 11.5.1) (December 31, 2012: Rs.9.95 based on unaudited financial statements)</p>	4,007,383	4,007,383	10	4,360	4,360
<p>Lahore Stock Exchange Limited</p> <p>Managing Director / CEO: Mr. Aftab Ahmad Ch. Percentage holding 1% (December 31, 2012: 1%) Net asset value per share was Rs.11.08 as at June 30, 2013 based on audited financial statements (refer note 11.5.1) (December 31, 2012: Rs.10.84 based on unaudited financial statements)</p>	843,975	843,975	10	6,344	6,344
<p>Islamabad Stock Exchange Limited</p> <p>Managing Director: Mr. Mian Ayyaz Afzal Percentage holding 1% (December 31, 2012: 1%) Net asset value per share was Rs.10.68 as at June 30, 2013 based on audited financial statements (refer note 11.5.1) (December 31: Rs.10.62 based on unaudited financial statements)</p>	3,034,603	3,034,603	10	14,182	14,182
				25,886	25,886

Pursuant to the promulgation of the Stock Exchanges (Corporatisation, Demutualisation and Integration) Act, 2012 (the Act), the ownership in a stock exchange has been segregated from the right to trade on the exchange due to which the membership cards of the Karachi, Lahore and Islamabad Stock Exchange (KSE) have now been replaced with (a) Shares in the exchanges and (b) Trading Rights Entitlement Certificates (TREC).

The Company's entitlement in respect of the shares is determined on the basis of valuation of KSE, LSE and ISE as approved by the Securities and Exchange Commission of Pakistan (SECP), whereby the Company has been allotted 4,007,363 shares of the face value of Rs.10 against the membership of KSE, 843,975 shares of the face value of Rs.10 against the membership of LSE and 3,034,603 shares of the face value of Rs.10 against the membership of ISE. Forty per cent of the allotted shares have been received by the Company and the remaining 60% shares have been kept in a blocked CDC Account maintained at respective exchanges. Divestment of the blocked shares will be done in accordance with the Act, however, rights to the proceeds of the shares, bonus / dividends vests with the Company, while voting rights attached to these shares are suspended.

The accounting treatment for the exchange of membership card with TREC and shares of stock exchange has been determined on the basis of the guidance provided by The Institute of Chartered Accountants of Pakistan (ICAP) on queries raised by certain members of stock exchange. According to ICAP's guidance, the cost of assets received shall be measured at the carrying amount of the asset given up and no gain or loss shall arise on the exchange. Further, the guidance suggested that the allocation of the carrying value of a membership card between the assets (Shares and TREC) may be made using a basis which is considered reasonable by management.

Consequently, for the said allocation, the management has considered the share value, and notional values assigned to TRECs, for the purpose of Base Minimum Capital (BMC) by the KSE, LSE and ISE, vide their notices KSE/N-2863 dated December 18, 2013, No. 4143 dated July 31, 2013 and Circular 197 dated September 16, 2013 respectively. Hence, the existing cost of the membership card has been bifurcated in the light of above values and comparative figures have also been adjusted.

10.6 Particulars of investment in mutual funds

Name of companies	Number of units held		Paid-up value per unit	Total book value	
	December 31, 2013	December 31, 2012		December 31, 2013	December 31, 2012
----- (Rupees in '000) -----					
Mutual fund (open end)					
National Investment Trust - Equity Fund	-	22,931,376	10	-	1,038,363
AKD Cash Fund	583,060	533,585	50	25,000	25,000
				25,000	1,063,363

10.7 Particulars of investment in preference shares

Pak Elektron Limited	3,750,000	3,750,000	10	37,500	37,500
Rate of preference dividend: 9.5% - cumulative					
Terms of redemption: Redeemable after 6 years of date of issue					
Terms of conversion: Conversion option to be exercised after 7 years of issue and if not redeemed within 9 years of issue, convertible in 9th year.					
Javedan Corporation Limited	7,044,100	7,044,100	10	70,441	70,441
Rate of preference dividend: 12% - cumulative					
Terms of conversion: Conversion option to be exercised at the option of the holder					
			Balance c/f	107,941	107,941

Name of companies	Number of shares held		Paid-up value per share	Total book value	
	December 31, 2013	December 31, 2012		December 31, 2013	December 31, 2012
				----- (Rupees in '000) -----	
			Balance b/f	107,941	107,941
Aisha Steel Mills Limited - a related party *	408,300	408,300	10	3,227	-
Rate of preference dividend: 6M KIBOR+3% - cumulative					
Terms of conversion: Conversion option to be exercised any time					
				111,168	107,941

* These preference shares were received as a specie dividend from Arif Habib Corporation Limited, a related party.

10.8 Particulars of investment in listed Term Finance Certificates - face value of Rs.5,000 each

Name of companies	Mark-up rate	Re-payment	Total book value	
			December 31, 2013	December 31, 2012
			----- (Rupees in '000) -----	
Allied Bank Limited 22,975 (December 31, 2012: 22,975) certificates Maturity date: December 06, 2014 Chief Executive Officer: Mr. Tariq Mehmood	6 months KIBOR plus 1.90%	Semi-annually	57,229	114,453
United Bank Limited Nil (December 31, 2012: 16,000) certificates Chief Executive Officer: Mr. Atif R. Bukhari	6 months KIBOR plus 0.85%	Semi-annually	-	24,526
Engro Fertilizers Limited 5,000 (December 31, 2012: 5,000) certificates Maturity date: November 30, 2015 Chief Executive Officer: Mr. Ruhail Muhammad	6 months KIBOR plus 1.55%	Semi-annually	24,812	24,756
NIB Bank Limited Nil (December 31, 2012: 25,400) certificates Chief Executive Officer: Mr. Badar Kazmi	6 months KIBOR plus 1.15%	Semi-annually	-	126,771
Askari Bank Limited - 2nd issue (unsecured) Nil (December 31, 2012: 6,990) certificates Chief Executive Officer: Syed Majeedullah Husaini	6 months KIBOR plus 1.50%	Semi-annually	-	34,852
		Balance c/f	82,041	325,358

Name of companies	Mark-up rate	Re-payment	Total book value	
			December 31, 2013	December 31, 2012
			----- (Rupees in '000) -----	
		Balance b/f	82,041	325,358
Azgard Nine Limited * 56,280 (December 31, 2012: 56,280) certificates Maturity date: March 31, 2017 Chief Executive Officer: Mr. Ahmed H. Shaikh	6 months KIBOR plus 1.25%	Semi-annually	35,792	35,792
Bank Alfalah Limited - 3rd issue (unsecured) Nil (December 31, 2012: 2,000) certificates Chief Executive Officer: Mr. Atif Bajwa	6 months KIBOR plus 1.50%	Semi-annually	-	6,649
Invest Capital Investment Bank Limited (Formerly Al-Zamin Leasing Corporation Limited) - 2nd issue * 2,000 (December 31, 2012: 2,000) certificates Maturity date: September 05, 2013 Chief Executive Officer: Muhammad Khurshid Malik	Cut-off yield on the last successful SBP auction of five-years Pakistan Investment Bonds plus 2.75% with 12.00% per annum as floor and 15.75% per annum as ceiling	Semi-annually	10,000	10,000
Escorts Investment Bank Limited 5,000 (December 31, 2012: 5,000) certificates Maturity date: March 15, 2016 Chief Executive Officer: Ms. Shazia Bashir	6 months KIBOR plus 2.50% (floor of 8% per annum and cap of 17% per annum for first three years and 8% and 18% respectively for 4th and 5th year)	Semi-annually	2,498	4,996
Pakistan Mobile Communications Limited Nil (December 31, 2012: 2,000) certificates Chief Executive Officer: Mr. Rashid Naseer Khan	6 months KIBOR plus 2.85%	Semi-annually	-	1,664
Telecard Limited * 26,530 (December 31, 2012: 26,530) certificates Maturity date: May 18, 2015 Chief Executive Officer: Syed Aamir Hussain	Simple average of 6 months KIBOR plus 3.75% (ask side)	Semi-annually	48,642	48,696
		Balance c/f	178,973	433,155



Name of companies	Mark-up rate	Re-payment	Total book value	
			December 31, 2013	December 31, 2012
			----- (Rupees in '000) -----	
		Balance b/f	178,973	433,155
Trust Investment Bank Limited - 3rd issue * 3,877 (December 31, 2012: 3,877) certificates Maturity date: July 04, 2013 Chief Executive Officer: Mr. Shahid Iqbal	6 months KIBOR plus 1.85%	Semi-annually	7,266	7,266
			186,239	440,421

* Represents non-performing certificates.

10.9 Particulars of investment in unlisted Term Finance Certificates - face value of Rs.5,000 each

Agritech Limited - a related party * 100,000 (December 31, 2012: 100,000) certificates Maturity date: December 14, 2015 Chief Executive Officer: Mr. Ahmed Jaudet Bilal	6 months KIBOR plus 1.75%	Semi-annually	499,586	499,586
Avari Hotels Limited 5,000 (December 31, 2012: 5,000) certificates Maturity date: November 1, 2016 Chief Executive Officer: Mr. Byram D. Avari	6 months KIBOR plus 3.25%	Semi-annually	9,308	21,229
Bunny's Limited * 10,000 (December 31, 2012: 10,000) certificates Maturity date: November 30, 2013 Chief Executive Officer: Ch. Haroon Shafiq	6 months KIBOR plus 2.5%	Semi-annually	50,000	50,000
Flying Board & Paper Products Limited * 5,000 (December 31, 2012: 5,000) certificates Maturity date: July 20, 2014 Chief Executive Officer: Mr. Bader Mehmood	6 months KIBOR plus 1.5%	Semi-annually	25,000	25,000
Gharibwal Cement Limited Nil (December 31, 2012: 5,000) certificates Chief Executive Officer: Mr. Muhammad Tousif Peracha	6 months KIBOR plus 3.0%	Semi-annually	-	24,980
		Balance c/f	583,894	620,795

Name of companies	Mark-up rate	Re-payment	Total book value	
			December 31, 2013	December 31, 2012
			----- (Rupees in '000) -----	
		Balance b/f	583,894	620,795
Security Leasing Corporation Limited 2,000 (December 31, 2012: 2,000) certificates Maturity date: March 28, 2014 Chief Executive Officer: Mr. Muhammad Khalid Ali	1-18th month - 3% cash plus 3% accrual, 19th month onwards 1 month KIBOR	Monthly	1,642	1,845
Orix Leasing Pakistan Limited Nil (December 31, 2012: 100) certificates Chief Executive Officer: Mr. Teizoon Kisat	6 months KIBOR plus 1.40%	Semi-annually	-	1,667
Parthenon (Private) Limited 183,689 (December 31, 2012: 160,284) certificate Maturity date: January 31, 2018 Chief Executive Officer: Mr Muhammad Iqbal Khan Noori	3 months KIBOR plus 2.0%	Quarterly	918,446	801,420
			1,503,982	1,425,727

* Represents non-performing certificates.

10.10 Particulars of investment in Sukuk Bonds - face value of Rs.5,000 each

Arzoo Textile Mills Limited * 40,000 (December 31, 2012: 40,000) certificates Maturity date: April 15, 2014 Chief Executive Officer: Mr. Azhar Majeed Sheikh	6 months KIBOR plus 2% for first 2 year and 1.75% for year 3 onwards	Semi-annually	200,000	200,000
Pak Elektron Limited 40,000 (December 31, 2012: 40,000) certificates Maturity date: March 15, 2015 Chief Executive Officer: Mr. M. Naseem Saigol	3 months Kibor plus 1.0%	Quarterly	200,000	200,000
Liberty Power Tech Limited 100,000 (December 31, 2011: 100,000) certificates Maturity date: March 15, 2015 Chief Executive Officer: Mr. Ashraf Mukati	3 months Kibor plus 3.0%	Quarterly	464,707	505,085
			864,707	905,085

* Represents non-performing bonds.

10.11 Quality of available-for-sale securities

Note	Ratings		Market values	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
			----- (Rupees in '000) -----	
Market Treasury Bills	10.11.1	Unrated	23,211,212	40,139,387
Pakistan Investment Bonds	10.11.1	Unrated	11,445,662	3,978,155
Listed Ordinary shares	10.11.2			
Agritech Limited - a related party		D	481,144	443,169
Arif Habib Corporation Limited - a related party		A1+, AA	130,539	111,544
Askari Bank Limited		A1+, AA	12,600	770
Attock Refinery Limited		A1+, AA	9,345	-
Azgard Nine Limited		D	3,570	4,045
Bank Alfalah Limited		A1+, AA	-	3,364
D.G. Khan Cement Company Limited		Unrated	11,745	13,099
Engro Corporation Limited		A1, A	27,717	26,333
Fauji Fertilizer Bin Qasim Limited		NA	-	3,280
Fauji Fertilizer Company Limited		NA	-	5,857
First Capital Securities Corporation Limited		Unrated	32,793	41,387
Hub Power Company Limited		A1+, AA+	6,072	-
ICI Pakistan Limited		Unrated	37,953	-
IGI Insurance Limited		AA	41,095	-
Javedan Corporation Limited		Unrated	495,921	372,308
Maple Leaf Cement Factory Limited		B, BB	4,800	-
MCB Bank Limited		A1+, AAA	14,059	-
Metropolitan Steel Corporation Limited		Unrated	73,007	-
National Bank of Pakistan Limited		NA	-	20,126
Nishat Chunian Limited		A2, A+	19,956	-
Nishat Mills Limited		NA	-	10,535
Nishat Power Limited		A1, A+	2,255	7,800
Oil and Gas Development Company Limited		A1+, AAA	34,545	-
Pakistan Oilfields Limited		Unrated	47,282	-
Pakistan Petroleum Limited		NA	-	14,143
Pakistan State Oil Company Limited		A1+, AA+	91,361	11,634
Pakistan Telecommunication Company Limited		Unrated	5,688	868
Pak Elektron Limited		Unrated	5,991	3,225
SME Leasing Limited		B, BB+	4,512	6,768
Sui Northern Gas Pipeline Limited		A1+, AA	133,402	-
Sui Southern Gas Company Limited		A1+, AA-	109,942	269,194
Tariq Glass Industries Limited		Unrated	101,035	88,051
Thatta Cement Company Limited - a related party		Unrated	211,486	211,571
United Bank Limited		A1+, AA+	34,383	-
Wateen Telecom Limited		NA	-	2,071
			2,184,198	1,671,142
Unlisted Ordinary shares	10.11.2			
Arabian Sea Country Club Limited		Unrated	1,000	1,000
Karachi Stock Exchange Limited		Unrated	4,360	4,360
Lahore Stock Exchange Limited		Unrated	6,344	6,344
Islamabad Stock Exchange Limited		Unrated	14,182	14,182
			25,886	25,886
Preference shares				
Pak Elektron Limited		Unrated	37,500	37,500
Javedan Corporation Limited		Unrated	84,529	98,547
Aisha Steel Mills Limited		Unrated	3,262	4,099
			125,291	140,146
		Balance c/f	36,992,249	45,954,716

Note	Ratings		Market values	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	----- (Rupees in '000) -----			
		Balance b/f	36,992,249	45,954,716
Mutual fund units - open end	10.11.2			
AKD Cash Fund	AA+(f)	AA+(f)	29,352	26,857
National Investment Trust Units	Unrated	Unrated	-	761,092
			29,352	787,949
Term Finance Certificates - listed				
Allied Bank Limited	AA	AA	57,564	116,663
Invest Capital Investment Bank Limited (formerly Al-Zamin Leasing Corporation Limited)	Unrated	Unrated	10,000	9,549
Askari Bank Limited	NA	AA-	-	35,171
Azgard Nine Limited	D	D	33,645	33,645
Bank Alfalah Limited	NA	AA-	-	6,686
Engro Fertilizers Limited	A	A	24,938	24,334
Escorts Investment Bank Limited	BB	BB	1,842	3,684
Jahangir Siddiqui & Co. Limited	NA	AA+	-	-
NIB Bank Limited	NA	A+	-	127,090
Pakistan Mobile Communications Limited	NA	AA-	-	1,671
Telecard Limited	Unrated	Unrated	36,480	36,521
Trust Investment Bank Limited	Unrated	Unrated	5,450	5,450
United Bank Limited	NA	AA	-	25,505
			169,919	425,969
Term Finance Certificates - unlisted				
Agriotech Limited	D	D	374,690	374,690
Avari Hotels Limited	A-	A-	9,300	20,490
Bunny's Limited	Unrated	Unrated	37,500	37,500
Flying Board & Paper Products Limited	Unrated	Unrated	25,000	25,000
Gharibwal Cement Limited	NA	D	-	24,980
Orix Leasing Pakistan Limited	NA	AA+	-	1,667
Parthenon (Private) Limited	Unrated	Unrated	918,446	801,420
Security Leasing Corporation Limited	Unrated	Unrated	1,026	1,297
			1,365,962	1,287,044
Sukuk Bonds				
Arzoo Textile Mills Limited	Unrated	Unrated	200,000	200,000
Liberty Power Tech Limited	A+	A+	464,707	505,085
Pak Elektron Limited	Unrated	Unrated	200,000	200,000
			864,707	905,085
		Total	39,422,189	49,360,763

10.11.1 These are Government of Pakistan guaranteed securities.

10.11.2 Ratings for these equity securities / units represents 'Entity Ratings'.

10.11.3 Securities have been rated by 'The Pakistan Credit Rating Agency Limited' (PACRA) or 'JCR - VIS' Credit Rating Company Limited (JCR - VIS). These ratings reflect independent credit risk assessment by respective credit rating entities.

		December 31, 2013	December 31, 2012
	Note	----- (Rupees in '000) -----	
10.12 Particulars of provision			
Opening balance		820,052	870,494
Charge for the year		458,996	133,680
Reversal during the year		(379,584)	(184,122)
		79,412	(50,442)
Closing balance	10.13	899,464	820,052

10.13 Particulars of provision in respect of type and segment

Available-for-sale securities

Ordinary shares of listed companies	421,830	188,136
Ordinary shares of unlisted companies	1,000	1,000
Mutual fund units	-	337,527
Term Finance Certificates - listed	65,907	40,947
Term Finance Certificates - unlisted	248,252	102,442
Sukuk Bonds	162,475	150,000
	899,464	820,052

		December 31, 2013	December 31, 2012
		----- (Rupees in '000) -----	
10.14 Deficit on revaluation of held-for-trading securities			
Attock Refinery Limited		(183)	-
D.G. Khan Cement Company Limited		27	(17)
Engro Foods Limited		(174)	-
Fauji Cement Company		(3)	-
Lafarge Pakistan Cement Limited		(228)	-
Lucky Cement Limited		(6)	-
Maple Leaf Cement Factory Limited		(20)	-
MCB Bank Limited		(718)	-
Nishat Chunain Limited		7	-
Pakistan Telecommunication Company Limited		-	12
Oil & Gas Development Company Limited		(18)	-
Pakistan State Oil Company Limited		(578)	-
		(1,894)	(5)

- 10.15** The SBP, vide Letter No. BPRD / BRD-(Policy) / 2013-1857 dated February 15, 2013 has permitted banks to maintain provision against classified Term Finance Certificates issued by Azgard Nine Limited and Agritech Limited, at 50% of the exposure and 50% of the deficit on revaluation on Ordinary shares of Agritech Limited. The provision against these exposures amounting to Nil, Rs.173.252 million and Rs.312.364 million against TFCs of Azgard Nine Limited and Agritech Limited and Ordinary shares of Agritech Limited, respectively, have not been recorded in these financial statements based upon the above relaxation from SBP.

11. ADVANCES

	Note	December 31, 2013 ----- (Rupees in '000) -----	December 31, 2012
Loans, cash credits, running finances, etc. - in Pakistan		61,369,573	61,675,373
Net investment in finance lease - in Pakistan	11.2	319,967	285,014
Bills discounted and purchased (excluding Treasury Bills)			
Payable in Pakistan		1,972,577	1,713,160
Payable outside Pakistan		1,906,621	1,268,910
		3,879,198	2,982,070
Advances - gross		65,568,738	64,942,457
Provision against non-performing advances	11.3.1	(11,360,264)	(12,393,303)
Advances - net of provision		54,208,474	52,549,154

11.1 Particulars of advances

11.1.1 In local currency	63,633,006	63,451,658
In foreign currencies	1,935,732	1,490,799
	65,568,738	64,942,457
11.1.2 Short-term (upto one year)	54,647,058	56,056,410
Long-term (over one year)	10,921,680	8,886,047
	65,568,738	64,942,457

11.2 Net investment in finance lease - in Pakistan

	December 31, 2013				December 31, 2012			
	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	99,183	185,701	-	284,884	95,670	168,088	-	263,758
Residual value	49,991	17,751	-	67,742	46,485	16,599	-	63,084
Minimum lease payments	149,174	203,452	-	352,626	142,155	184,687	-	326,842
Financial charges for future periods	(11,799)	(20,860)	-	(32,659)	(11,893)	(29,935)	-	(41,828)
Present value of minimum lease payments	137,375	182,592	-	319,967	130,262	154,752	-	285,014

11.3 Advances include Rs.17,809.041 million (December 31, 2012: Rs.23,409.947 million) which have been placed under non-performing status as detailed below:

Category of classification	December 31, 2013			December 31, 2012		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
	----- (Rupees in '000) -----					
OAEM	13,348	1,335	1,335	-	-	-
Substandard	483,761	39,712	39,712	915,923	227,787	227,787
Doubtful	597,697	151,916	151,916	3,889,308	780,251	780,251
Loss	16,714,235	11,144,996	11,144,996	18,604,716	11,382,777	11,382,777
	17,809,041	11,337,959	11,337,959	23,409,947	12,390,815	12,390,815

11.3.1 Particulars of provision against non-performing advances

	December 31, 2013			December 31, 2012		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	12,390,815	2,488	12,393,303	12,380,176	1,233	12,381,409
Charge for the year	2,336,487	19,817	2,356,304	1,938,087	1,255	1,939,342
Reversals	(3,274,008)	-	(3,274,008)	(1,905,703)	-	(1,905,703)
	(937,521)	19,817	(917,704)	32,384	1,255	33,639
Amount written off	(115,335)	-	(115,335)	(21,745)	-	(21,745)
Closing balance	11,337,959	22,305	11,360,264	12,390,815	2,488	12,393,303

11.3.2 Particulars of provision against non-performing advances

	December 31, 2013			December 31, 2012		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
In local currency	11,337,959	22,305	11,360,264	12,390,815	2,488	12,393,303
In foreign currencies	-	-	-	-	-	-
	11,337,959	22,305	11,360,264	12,390,815	2,488	12,393,303

11.3.3 The SBP amended the Prudential Regulations vide BSD Circular No. 1 of 2011 dated October 21, 2011 in relation to provision for loans and advances, thereby allowing benefit of Forced Sale Value (FSV) of pledged stocks, mortgaged residential, commercial and industrial properties (land and building only) and plant and machinery under charge held as collateral against the non-performing advances (excluding consumer housing finance portfolio). Had this benefit of FSV not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs.5,339 million (December 31, 2012: Rs.7,515 million). Further, the Bank has availed the benefit of certain exemptions from Prudential Regulations requiring provision against non-performing loans which are given by the State Bank of Pakistan amounting to Rs.458 million at year end.

As per SBP IH & SMEFD circular No. 8 dated May 07, 2013, the Revised Prudential Regulations for Small and Medium Enterprise (SME) financing, has been issued, which is effective from September 30, 2013, which among other things requires bank to maintain general provision at 1% of secured performing portfolio and 2% of unsecured performing portfolio against small enterprises (SE) financing and 10% specific provisioning against OAEM category, where principal / mark-up is over due by 90 days.

The FSV and exemptions benefit availed will not be available for the distribution of cash and stock dividend to shareholders.

	December 31,	December 31,
	2013	2012
	----- (Rupees in '000) -----	
11.4 Particulars of write offs		
11.4.1 Against provisions	115,335	21,745
Directly charged to profit and loss account	1,866	39,745
	117,201	61,490
11.4.2 Write offs of Rs.500,000 and above	112,105	57,820
Write offs of below Rs.500,000	5,096	3,670
	117,201	61,490
11.5 Details of 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 Rs.500,000 or above allowed to persons during the year ended December 31, 2013 is given in Annexure I.

	December 31, 2013	December 31, 2012
Note	----- (Rupees in '000) -----	
11.6 Particulars of loans and advances to Directors, Associated Companies, etc.		
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons		
Balance at beginning of the year	1,197,116	1,079,498
Loans granted during the year	528,764	512,930
Repayments during the year	(372,256)	(395,312)
Balance at end of the year	1,353,624	1,197,116
Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members		
Balance at beginning of the year	260,517	107,967
Loans granted during the year	1,996,216	916,062
Repayments during the year	(1,571,229)	(763,512)
Balance at end of the year	685,504	260,517
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties		
Balance at beginning of the year	-	18,000
Loans granted during the year	-	-
Repayments during the year	-	(18,000)
Balance at end of the year	-	-
	2,039,128	1,457,633

12. OPERATING FIXED ASSETS

Capital work-in-progress	12.1	1,306,610	333,079
Property and equipment	12.2	4,646,398	4,733,084
Intangible assets	12.3	305,002	390,402
		6,258,010	5,456,565
12.1 Capital work-in-progress			
Civil works		232,669	200,559
Advances to suppliers and contractors		22,631	37,210
Advance against purchase of land	12.1.1	956,000	-
Advances against computer software		123,165	123,165
Less: Provision there against		(27,855)	(27,855)
		95,310	95,310
		1,306,610	333,079

12.1.1 This represents advance paid for acquisition of a commercial plot at G-2, Block-2, Scheme No. 5, Clifton, Karachi, measuring 4,000 square yards for construction of head office building. The title of the said property is currently in the process of being transferred in the name of the Bank.

12.2 Property and equipment

Category of classification	Note	December 31, 2013									
		COST				ACCUMULATED DEPRECIATION				Net book value at	
		At January 01, 2013	Additions	(Deletions) / (write off) / * (adjustments)**	At December 31, 2013	At January 01, 2013	Charge for the year	(Deletions) / (write off) / * (adjustments)**	At December 31, 2013	December 31, 2013	Rate of depreciation
(Rupees in '000)											
Leasehold land	12.2.1	902,672	-	-	902,672	-	-	-	-	902,672	-
Building on leasehold land	12.2.1	3,013,209	1,299	-	3,014,508	828,751	152,403	-	981,154	2,033,354	5%
Building improvements	12.2.1 & 12.2.2	1,194,222	213,516	(176) (17,797) *	1,389,765	367,614	127,950	(9) (8,197) *	487,358	902,407	10%
Furniture and fixtures	12.2.2	407,772	47,191	(7,244) (559) *	447,295	161,029	42,008	(4,054) (321) *	198,797	248,498	10% - 15%
Electrical, office and computer equipment	12.2.2	1,459,235	174,506	(52,234) (2,083) *	1,581,856	971,154	206,543	(45,274) (1,661) *	1,133,194	448,662	20% - 30%
Vehicles		178,167	60,893	(17,819) -	221,240	93,645	30,667	(13,876) -	110,435	110,805	20%
December 31, 2013		7,155,277	497,405	(77,473) (20,439) *	7,557,336	2,422,193	559,571	(63,213) (10,179) *	2,910,938	4,646,398	
				2,566 **				2,566 **			

12.2.1 Revaluation of properties

In 2011, the properties of the Bank were revalued by independent professional valuers. The revaluation was carried out by M/s. Sadruddin Associates on the basis of professional assessment of present market values and resulted in a surplus of Rs.458 million. Had there been no revaluation, the carrying amount of revalued assets as at December 31, 2013 would have been as follows:

	December 31, 2013 -- (Rupees in '000) --
Leasehold land	720,649
Buildings on leasehold land	1,772,233
Buildings improvements	893,043

12.2.2 Included in cost of property and equipment are fully depreciated items still in use amounting to Rs.817 million (December 31, 2012: Rs.668 million).

Category of classification	Note	December 31, 2012									
		COST			ACCUMULATED DEPRECIATION				Net book value at		Rate of depreciation
		At January 01, 2012	Additions	(Deletions) / write off **	At December 31, 2012	At January 01, 2012	Charge for the year	(Deletion) / write off **	At December 31, 2012	December 31, 2012	
(Rupees in '000)											
Leasehold land	12.2.1	1,373,447	-	(470,775)	902,672	-	-	-	-	902,672	-
Building on leasehold land	12.2.1	3,058,437	1,525	(46,753)	3,013,209	688,177	150,759	(10,185)	828,751	2,184,458	5%
Building improvements	12.2.1 & 12.2.2	1,084,388	123,969	(10,566) (3,569)**	1,194,222	260,009	113,777	(4,550) (1,622)**	367,614	826,608	10%
Furniture and fixtures	12.2.2	374,440	40,086	(6,710) (44)**	407,772	126,325	38,746	(4,033) (9)**	161,029	246,743	10% - 15%
Electrical, office and computer equipment	12.2.2	1,308,161	192,663	(39,492) (2,097)**	1,459,235	792,143	207,434	(26,776) (1,647)**	971,154	488,081	20% - 30%
Vehicles		136,778	65,997	(24,608)	178,167	97,462	18,504	(22,321)	93,645	84,522	20%
December 31, 2012		7,335,651	424,240	(598,904) (5,710)**	7,155,277	1,964,116	529,220	(67,865) (3,278)**	2,422,193	4,733,084	

12.3 Intangible assets

Category of classification	December 31, 2013								
	COST			ACCUMULATED AMORTISATION			Net book value at		Rate of amortisation
	At January 01, 2013	Additions / (Write off) *	At December 31, 2013	At January 01, 2013	Charge for the year / (Write off) *	At December 31, 2013	December 31, 2013		
(Rupees in '000)									
Computer software	401,420	4,547 (61,649) *	344,318	308,995	42,696 (49,726) *	301,965	42,353	20 - 30	
Trading Rights Entitlement Certificate (TREC)	6,165	-	6,165	-	-	-	6,165		
Core deposits	209,874	-	209,874	36,728	20,957	57,685	152,189	10%	
Brand name	143,838	-	143,838	25,172	14,371	39,543	104,295	10%	
December 31, 2013	761,297	4,547 (61,649) *	704,195	370,895	78,024 (49,726) *	399,193	305,002		

Category of classification	December 31, 2012 (Restated)								
	COST			ACCUMULATED AMORTISATION			Net book value at		Rate of amortisation
	At January 01, 2012	Additions / write off / Adjustment **	At December 31, 2012	At January 01, 2012	Charge for the year / write off *	At December 31, 2012	December 31, 2012		
(Rupees in '000)									
Computer software	385,134	17,112 (826) *	401,420	244,968	64,731 (704) *	308,995	92,425	20 - 30	
Trading Rights Entitlement Certificate (TREC)	31,051	- (24,886)**	6,165	-	-	-	6,165	0%	
Core deposits	209,874	-	209,874	15,741	20,987	36,728	173,146	10%	
Brand name	143,838	-	143,838	10,788	14,384	25,172	118,666	10%	
December 31, 2012	769,897	17,112 (826) * (24,886)**	761,297	271,497	100,102 (704) * - **	370,895	390,402		

12.4 Disposal of property and equipment

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchaser
----- (Rupees in '000) -----							
Building improvements							
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	176	9	167	128	(39)	Insurance claim	Various
Furniture and fixtures							
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	124	56	68	155	87	Insurance claim	Various
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	7,120	3,998	3,122	1,260	(1,862)	Negotiation	Various
Electrical, office and computer equipment							
Generators	1,315	864	451	600	149	Auction	Mr. Abbas Ahmed, Karachi
Generators	10,310	7,280	3,030	3,250	220	Auction	Mr. Aijaz Ahmed, Karachi
Generators	2,451	2,124	327	525	198	Auction	Mr. Rab Nawaz, Karachi
Computer Server	1,786	1,786	-	188	188	Negotiation	The Computer Professional, Karachi
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	31,656	29,625	2,031	3,721	1,690	Negotiation	Various
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	1,276	1,276	-	186	186	Bank's Policy	Various Employees
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	790	587	203	645	442	Auction	Various
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	2,650	1,732	918	1,557	639	Insurance claim	Various
Vehicles							
Toyota Altis 1800cc	1,790	716	1,074	1,193	119	Bank's Policy	Mr. Syed Mohammad Anwar Lutfullah - Executive
Toyota Corolla XLI	1,255	858	397	900	503	Bank's Policy	Mr. Saeed Khan - Executive
Honda City	902	650	252	252	-	Compay's Policy	Mr. Kamran K. Naqvi
Suzuki Cultus	801	510	291	291	-	Compay's Policy	Mr. Amir Saeed Bhatti
Suzuki Cultus	803	506	297	297	-	Compay's Policy	Mr. Muzammil Hussain
Daihatsu Cuore	742	393	349	413	64	Compay's Policy	Mr. Muhammad Farhan
Daihatsu Cuore	719	421	298	298	-	Compay's Policy	Mr. Zain ul Abedin
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	137	32	105	113	8	Insurance claim	Various
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	771	729	42	171	129	Bank's Policy	Various employees
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	2,544	1,787	757	757	-	Compay's Policy	Various employees
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	229	228	1	53	52	Bank's Policy	Various employees
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	7,126	7,046	80	5,234	5,154	Auction	Various
	77,473	63,213	14,260	22,187	7,927		
Details of write offs							
Building improvements	17,797	8,197	9,600	-	(9,600)		
Furniture and fixtures	559	321	238	-	(238)		
Software	61,649	49,726	11,923	-	(11,923)		
Electrical, office and computer equipment	2,083	1,661	422	-	(422)		
	82,088	59,905	22,183	-	(22,183)		

13. DEFERRED TAX ASSETS - net
Deferred debits arising in respect of:

Deficit on revaluation of available-for-sale securities	
Provision against non performing loans	
Provision for gratuity	
Provision for compensated absences	
Provision against other assets	
Unused tax losses	
Minimum tax	
Provision for diminution in the value of investments	

Deferred credits arising in respect of:

Surplus on revaluation of fixed assets	
Surplus on revaluation of available-for-sale securities	
Operating fixed assets	

Note
December 31, 2013
December 31, 2012
 ----- (Rupees in '000) -----

	December 31, 2013	December 31, 2012
	14,289	-
	1,858,017	2,354,472
		840
	35,416	43,164
	158,981	63,743
	4,035,003	4,035,855
	541	345
	314,813	287,018
	6,417,060	6,785,437
	(87,395)	(102,038)
	-	(52,196)
	(586,955)	(644,769)
	(674,350)	(799,003)
	5,742,710	5,986,434

13.1

13.1 The Group has an aggregate amount of deferred tax asset of Rs.5,742.710 million which represents management's best estimate of the probable benefits expected to be realised in future years in the form of reduced tax liability as the Bank would be able to set off the profits earned in those years against losses carried forward and other taxable temporary differences relating to prior years. The management of the Bank has prepared a five years' business plan which has been approved by the Board of Directors of the Bank. The business plan involves certain key assumptions underlying the estimation of future taxable profits projected in the plan. The determination of future profits is most sensitive to certain key assumptions such as cost to income ratio of the Bank, deposit composition, growth of deposits and advances, investment returns, potential provision against assets, branch expansion plan, etc. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset. The management believes that it is probable that the Bank will be able to achieve the profits projected in the business plan and, consequently, the recorded deferred tax asset will be fully realised in the future.

14. OTHER ASSETS

Income / mark-up accrued in local currency	
Income / mark-up accrued in foreign currency	
Advances, deposits, advance rent and other prepayments	
Non banking assets acquired in satisfaction of claims	14.1
Advance taxation - net of provision	
Receivable from Arif Habib Investments Limited, a related party	
Receivable from Suroor Investments Limited, the parent company	
Stationery and stamps on hand	
Dividend receivable	
Receivable against sale of property and equipment	
Receivable against sale of equity securities	
Commission receivable on guarantee	
Receivable from other banks against clearing and settlement	
Unrealised gain on forward foreign exchange contracts	
Commission receivable on home remittance	14.2
Others	
Less: Provision held against other assets	14.3

Note
December 31, 2013
December 31, 2012
 ----- (Rupees in '000) -----

	December 31, 2013	December 31, 2012
	2,061,431	1,874,557
	1,505	1,939
	549,291	635,864
	3,443,657	3,383,224
	469,749	488,794
	11	11
	-	27,000
	11,137	10,620
	758	-
	-	90
	31,656	-
	9,880	9,880
	21,384	50,284
	19,613	39,512
	276,303	247,385
	326,018	260,143
	7,222,393	7,029,303
	(519,507)	(253,194)
	6,702,886	6,776,109

	Note	December 31, 2013 ----- (Rupees in '000) -----	December 31, 2012
14.1	Market value of non banking assets acquired in satisfaction of claims	4,299,053	4,311,728
14.2	This represents commission receivable from the State Bank of Pakistan in respect of home remittances channelised through the Bank as per agreement entered into with the SBP.		
14.3	Provision held against other assets		
	Opening balance	253,194	240,825
	Charge for the year	266,313	29,330
	Reversal	-	(16,961)
		519,507	253,194
15.	BILLS PAYABLE		
	In Pakistan	2,205,414	1,654,302
	Outside Pakistan	-	-
		2,205,414	1,654,302
16.	BORROWINGS		
	In Pakistan	9,888,211	28,859,168
	Outside Pakistan	72,987	41,264
		9,961,198	28,900,432
16.1	Particulars of borrowings with respect to currencies		
	In local currency	9,888,211	28,859,168
	In foreign currencies	72,987	41,264
		9,961,198	28,900,432
16.2	Details of borrowings secured / unsecured		
	Secured		
	Borrowings from State Bank of Pakistan		
	Export refinance scheme	16.2.1	4,149,640
	Long-term financing of export oriented projects	16.2.2	3,191,400
	Long-term financing facility	16.2.3	54,790
	Repurchase agreement borrowings (repo)	16.2.4	1,008
	Foreign bills - rediscounted		5,682,773
			7,015
			9,895,226
			28,859,168
	Unsecured		
	Overdrawn nostro accounts		65,972
	Call borrowings		-
			65,972
			41,264
			9,961,198
			28,900,432
16.2.1	These are secured against promissory notes, export documents and undertakings by the Bank granting the right to SBP to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current accounts maintained with the SBP. The effective mark-up rate on these borrowings is 8.4% (December 31, 2012: 8.5% to 10%) per annum, payable on quarterly basis.		
16.2.2	These carry mark-up rate at the rate of 5% (December 31, 2012: 5%) per annum payable on quarterly basis.		
16.2.3	These carry mark-up rate of 6.5% (December 31, 2012: rate ranging from 6.5% to 8.8%) per annum payable on quarterly basis.		

16.2.4 These represent borrowings from various financial institutions at mark-up rate ranging from 9.9% to 10% (December 31, 2012: 7.45% to 8.97%) per annum, maturing upto January 03, 2014. Market Treasury Bills and Pakistan Investment Bonds amounting to Rs. 5,706 million (December 31, 2012: Rs.25,315 million) have been given as collateral against these borrowings (see note 10).

December 31, December 31,
2013 2012
----- (Rupees in '000) -----

17. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	28,734,921	36,804,444
Savings deposits	43,984,665	31,070,072
Current accounts - non-remunerative	27,460,204	19,168,420
Margin accounts	2,149,204	1,580,182
	102,328,994	88,623,118

Financial institutions

Non-remunerative deposits	692,343	381,725
Remunerative deposits	3,234,229	7,810,529
	3,926,572	8,192,254
	106,255,566	96,815,372

17.1 Particulars of deposits

In local currency	99,530,944	92,165,512
In foreign currencies	6,724,622	4,649,860
	106,255,566	96,815,372

18. SUB-ORDINATED LOAN

Term Finance Certificate, Unquoted, Unsecured	18.1	1,498,620	1,499,310
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18.1 In October 2011, the Bank issued unquoted Term Finance Certificates which are subordinated as to the payment of principal and profit to all other indebtedness of the Bank including the deposits. The terms and conditions for the issue are as under:

Mark-up	:	Base rate (6 months KIBOR - ask side) plus 325 bps
Issue date	:	October 27, 2011
Rating	:	A
Tenor	:	7 years
Redemption	:	0.30% of the issued amount in the first 78 months and the remaining 99.70% of the issued amount in the 84th month
Maturity	:	October 26, 2018

December 31, December 31,
2013 2012
----- (Rupees in '000) -----

19. OTHER LIABILITIES

	Note	December 31, 2013	December 31, 2012
Mark-up / return / interest payable in local currency		1,348,609	1,465,815
Mark-up / return / interest payable in foreign currency		8,846	12,802
Payable to Bangladesh Bank	19.1	41,389	41,389
Payable to Rupali Bank - Bangladesh, a related party	19.2	16,293	16,293
Payable to vendors / creditors		135,510	144,435
Provision for compensated absences		102,229	125,711
Payable to Bank of Ceylon, Colombo		20,163	20,163
Retention money		8,028	5,015
Branch adjustment account		-	17
Advance against sale of property		9,500	-
Security deposits		88,962	76,383
Accrued expenses		49,958	150,300
Payable to brokers		1,597	12,432
Payable to defined benefit plan	35	50,388	21,817
Withholding taxes and government levies payable		21,137	12,776
Payable to other banks against clearing and settlement		-	14,857
Unclaimed dividend		2,213	2,213
Unearned income	19.3	27,441	46,798
Commission payable on home remittances	19.4	179,582	157,132
Others		120,034	85,463
		2,231,879	2,411,811

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

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

19.3 This represents unearned income mainly pertaining to local and foreign bills discounting.

19.4 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.

20. SHARE CAPITAL

20.1 Authorised capital

	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Number of Shares			----- (Rupees in '000) -----	
1,500,000,000	1,500,000,000		15,000,000	15,000,000

Ordinary shares
of Rs.10 each

20.2 Issued, subscribed and paid-up capital

573,513,200	573,513,200	Ordinary shares of Rs.10 each	5,735,132	5,735,132
454,466,382	454,466,382	Fully paid in cash	4,544,664	4,544,664
50,000,000	50,000,000	Issued for consideration other than cash	500,000	500,000
1,077,979,582	1,077,979,582	Issued as bonus shares	10,779,796	10,779,796

20.3 Convertible Preference shares

215,595,916	-	Convertible preference shares	2,155,959	-
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20.4 During the period, the Bank has issued two classes of listed convertible, perpetual, irredeemable, non-cumulative preference shares (CPS), eligible Tier 1 Capital, namely Class "A" 110,942,434 preference shares and Class "B" 104,653,482 preference shares both at issue price (par value) of Rs.10 per share aggregating to Rs.2,156 million having a tenor of 5 years. The terms and conditions for the issue are as under:

	Class A	Class B
Dividend	5% fixed return in the form of bonus Preference Shares.	Six Months KIBOR + 0.50% will be paid in the form of cash dividend subject to profitability and regulatory compliance. However, if the Bank is not able to pay cash dividend, then subject to profitability and regulatory compliance, the bank will issue bonus Ordinary Shares of equivalent amount at the conversion price.
<p>The dividends should only be paid from current year's earnings and will be subject to the condition that any payment on such instruments should not result in breach of regulatory MCR and CAR requirements set by SBP from time to time.</p>		
Conversion option	Preference Shares including all the returns / dividends in the form of Preference Shares shall be converted into Ordinary Shares after five years from the date of issuance.	Preference shareholders will have the option to convert Preference Shares into Ordinary Shares starting from the end of 42nd month of the date of issuance and every six months thereafter in equal tranches of 25% each at the conversion price agreed. If the investors intend to exercise the conversion option, they will give one month prior notice to the Bank stating their intention to convert the Class B shares as per formula prescribed above. The maximum number of Ordinary shares to be issued at the time of conversion must not exceed the ratio of price of the Preference shares at the time of its issuance divided by 20% of the Bank's Ordinary Shares price at the same time.
Conversion price	Shares will be issued at the audited book value as at December 31, 2012.	The par value i.e. Rs.10.00 per share or Market price per share as quoted on local stock exchanges whichever is lower. In case the market price per share is greater than par value, then the Class B shares will be converted at a 12.5% discount to market price per share. The market price used for determining the conversion price will be the three months average market price per share prior to the date of issuance of conversion notice by Class B shareholders or the completion of its tenor, whichever is earlier.

20.5 As at December 31, 2013, Suroor Investments Limited (SIL), parent company, Arif Habib Corporation Limited and Rupali Bank Limited, Bangladesh, a related party held 554,680,393 (51.46%), 1,000,355 (0.09%) and 32,777,450 (3.04%) [December 31, 2012: 554,680,393 (51.46%), 1,119,355 (0.09%) and 32,777,450 (3.04%)] Ordinary shares in the Bank, respectively.

December 31, December 31,
2013 2012
----- (Rupees in '000) -----

21. RESERVES

Share premium	1,000,000	1,000,000
Statutory reserve	64,828	64,828
Discount on issue of shares	(1,297,298)	(1,297,298)
Reserve arising on amalgamation	(1,579,205)	(1,579,205)
	(1,811,675)	(1,811,675)

**22. SURPLUS ON REVALUATION
OF ASSETS - NET OF DEFERRED TAX**

**Surplus / (deficit) arising on revaluation
of assets - net of tax:**

Operating fixed assets	22.1	357,838	371,902
Available-for-sale securities	22.2	(216,735)	(206,138)
		141,103	165,764

22.1 Surplus on revaluation of operating fixed assets

Balance as at January 01	473,945	529,083
Transferred to accumulated losses in respect of		
- Incremental depreciation - net of deferred tax	(14,064)	(11,499)
- Disposal of property	-	(37,448)
- Related deferred tax liability	(7,275)	(6,191)
	(21,339)	(55,138)
	452,606	473,945
Less: Related deferred tax liability on:		
- Revaluation as at January 01	(102,043)	(107,857)
- Disposal of property	-	(377)
- Incremental depreciation	7,275	6,191
	(94,768)	(102,043)
	357,838	371,902

22.2 Surplus / (deficit) on revaluation of available-for-sale securities

Federal Government Securities			
Market Treasury Bills	(51,323)	63,485	
Pakistan Investment Bonds	25,986	283,670	
Fully paid-up shares / units			
Listed companies shares	(267,955)	(486,417)	
Open end mutual fund units	4,184	62,113	
Term Finance Certificates and Bonds			
Term finance certificates	75,152	(59,725)	
Sukuks	(17,068)	(17,068)	
Total deficit on revaluation of securities	(231,024)	(153,942)	
Related deferred tax asset / (liability)	14,289	(52,196)	
	(216,735)	(206,138)	

December 31, 2013 December 31, 2012
 ----- (Rupees in '000) -----

23. CONTINGENCIES AND COMMITMENTS

23.1 Direct credit substitutes

Including guarantees and standby letters of credit serving as financial guarantees for loans and securities

Financial institutions
 Others

-	400,000
338,797	403,873
338,797	803,873

23.2 Transaction-related contingent liabilities / commitments / guarantees issued favouring

Contingent liability in respect of performance bonds, bid bonds, shipping guarantees and standby letters of credit favouring:

Government
 Banking companies and other financial institutions
 Others

2,385,132	3,254,100
838,820	372,074
5,495,872	3,763,472
8,719,824	7,389,646

23.3 Trade-related contingent liabilities

Letters of credit
 Acceptances

9,753,218	6,196,252
694,559	1,157,134
10,447,777	7,353,386

23.4 Other contingencies - claims against Bank not acknowledged as debts

9,283,736	9,723,708
------------------	------------------

23.5 Contingent asset

There was no contingent asset as at December 31, 2013 (December 31, 2012: Nil).

23.6 Commitments in respect of forward lending

Forward documentary bills
 Commitments to extend credit

4,705,129	2,834,502
12,042,992	9,805,740
16,748,121	12,640,242

23.7 Commitments in respect of forward exchange contracts

Purchase
 Sale

9,293,081	7,633,493
8,517,592	8,836,456
17,810,673	16,469,950

23.8 Commitments for capital expenditure

Civil works (at branches)

8,589	32,488
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23.9 Commitments in respect of purchase of rupee traveller cheques

-	1,210
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23.10 For tax-related contingencies, refer notes 31.2 to 31.7.

23.11 Other contingencies

In the year 2004, forward sale of Pakistan Investment Bonds (PIB's) with face value of Rs.250 million was entered into with Speedway Fondmetall (Private) Limited (Speedway). The deal was not honoured by Speedway on the due date and the contract was rolled over subject to receipt of Rs.6 million and mortgage of properties. Consequent upon the failure by Speedway to honour the terms of the contract, the Bank served a final notice intimating to settle the deal within stipulated time otherwise the Bank would liquidate the deal, and claim the loss on deal by taking legal recourse. In response, Speedway filed a suit against the Bank and obtained stay order from Honorable High Court of Sindh (the Court) against the sale of PIB's which was vacated by the Court during the year 2005.

The Bank started proceedings during the financial year 2006 to recover the loss on the deal by disposing off the mortgaged properties. However, Speedway filed another suit and obtained stay order from the Court against the sale of the properties mortgaged with the Bank, which was also dismissed as withdrawn by Speedway. Speedway filed third suit in the Banking Court No.2 against publication by which the mortgage properties were put to sale. The Bank has also filed recovery suit against Speedway in the Court. Subsequently, the Bank moved an application for transfer of the suit filed by Speedway in Banking Court No. 2 to the Court, so that the two suits are heard together in the apex Court.

During the financial year 2007, the Court passed a decree in Bank's favour for Rs.25.697 million with mark-up at the rate of 20 percent per annum from the date of filing of the suit till its realisation. The Bank has filed an execution application in the Court. In this regard, provision of Rs.25.697 million has been retained in the financial statements as a matter of prudence against the claim receivable.

24. MARK-UP / RETURN / INTEREST EARNED

	December 31, 2013	December 31, 2012
	----- (Rupees in '000) -----	
On loans and advances to:		
Customers	5,097,481	6,318,464
On investments in:		
Available-for-sale securities	3,861,589	3,687,558
Held to maturity securities	51,499	102,396
On lendings to financial institutions	151,834	145,762
On deposits with financial institutions	11,535	8,320
	<u>9,173,938</u>	<u>10,262,500</u>

25. MARK-UP / RETURN / INTEREST EXPENSED

Deposits and other accounts	5,947,204	7,394,719
Securities sold under repurchase agreements	1,674,298	2,002,702
Other short-term borrowings	303,585	351,671
Sub-ordinated loan	192,590	222,993
Swap cost on foreign currency transactions	205,578	160,991
	<u>8,323,255</u>	<u>10,133,076</u>

	Note	December 31, 2013	December 31, 2012
		----- (Rupees in '000) -----	
26. GAIN ON SALE OF SECURITIES - net			
Federal Government Securities			
- Market Treasury Bills		8,272	47,403
- Pakistan Investment Bonds		14,416	19,014
Listed Ordinary shares		156,025	240,531
Unlisted Ordinary shares		4,855	20,606
Mutual Funds Units		(130,721)	30,861
		52,847	358,415

27. OTHER INCOME

Bad debts recovered		7,946	7,518
Account maintenance and other relevant charges		38,447	61,040
Recovery of expenses from customers		25,066	17,293
Rent of property / locker	27.1	12,659	6,514
Gain on sale of non-banking assets		59,359	4,976
		143,477	97,341

27.1 This includes income from related party amounting to Rs.1.800 million.

	Note	December 31, 2013	December 31, 2012
		----- (Rupees in '000) -----	
28. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		1,577,058	1,487,582
Charge for defined benefit plan - gratuity	35.1.3 & 35.4.5	52,426	29,848
Contribution to defined contribution scheme	35.2 & 35.6	66,847	52,489
Non-executive directors' fees, allowances and other expenses		1,120	1,121
Brokerage and commission		6,629	10,387
Rent, taxes, insurance and electricity, etc.		986,222	840,444
Legal and professional		93,081	56,089
Fees and subscription		78,749	124,262
Repairs and maintenance		132,579	113,755
Communications		157,202	155,348
Stationery and printing		79,849	71,398
Advertisement and publicity		115,261	68,825
Travelling and conveyance		163,034	138,633
Education and training		2,511	1,468
Entertainment		34,598	31,047
Security services and charges		165,948	125,236
Auditors' remuneration	28.1	14,983	10,101
Depreciation	12.2	559,571	529,220
Amortisation	12.3	78,024	100,102
Others		63,601	58,480
		4,429,293	4,005,835

	Note	December 31, 2013 ----- (Rupees in '000) -----	December 31, 2012
28.1 Auditors' remuneration			
Audit fee		2,725	2,700
Certifications, half yearly review and sundry advisory services		10,071	4,930
Tax services		825	1,164
		13,621	8,794
General sales tax		286	-
Out of pocket expenses		1,076	1,307
		14,983	10,101
29. OTHER PROVISIONS / WRITE OFFS			
Fixed assets written off	12.2.3	22,183	2,555
Provision against other assets	14.3	266,313	12,369
Other assets written off		86,753	-
		375,249	14,924
30. OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		6,506	121
Bank charges		13,220	11,366
Additional tax to FBR		3,753	-
Workers' welfare fund		439	-
		23,918	11,487
31. TAXATION			
For the year			
Current		110,213	78,984
Deferred		317,485	139,201
		427,698	218,185
For prior year		-	-
		427,698	218,185

31.1 The numerical reconciliation between the average tax rate and applicable tax rate has not been presented in these financial statements as income of the Group is subject to minimum tax under provisions of section 113 of the Income Tax Ordinance, 2001 (the Ordinance).

31.2 In respect of the assessment years 1997-1998 to 2002-2003 and tax year 2003, the taxation authorities apportioned / allocated administrative and financial charges against exempt income for the said years. The Bank filed an appeal against the said action of the authorities before the Commissioner Inland Revenue (Appeals) [CIR(A)] who decided the issue in favour of the Bank. However, the department filed an appeal against the said order before the Appellate Tribunal Inland Revenue (ATIR), Karachi which through a Larger Bench disapproved the formula of apportionment of expenses between exempt capital gain and other taxable income and set aside the assessment with the direction to the assessing officer to allow expenses against exempt income by identifying their nature and relation amongst the various sources of income. The Bank contends that the jurisdiction of Larger Bench was limited only to answer a legal question related to apportionment of administrative expenses and that it could not include the financial charges as well while deciding the matter.

The revised assessments have not been made by the tax department, accordingly, no tax liability in respect thereof exists at the statement of financial position date nor an estimate could be made of the liability that may result from the unfavourable outcome of the matter.

Based on the opinion of the legal counsel of the Bank and considering the latest judgment of the Honourable Lahore High Court in a similar case, the management believes that the outcome of the above pending assessments would be favourable. Hence, no provision has been made in respect of the above in these financial statements.

31.3 In respect of the tax assessments of ATBL relating to tax years 2003 to 2005 and 2008, various disallowances have been made by assessing officer including provision against non-performing advances, leasing losses, allocation of expenses against exempt income and amortisation of intangibles and deferred cost. In relation to tax year 2003, the Bank filed an appeal before ATIR in respect of disallowances of provision for non-performing advances who confirmed the order of CIR(A) against the Bank. Further, the department has filed tax references before the Honourable High Court of Sindh. In respect of tax years 2004, 2005 and 2008 the Bank has filed appeals before CIR(A) in respect of the aforesaid issue. In respect of tax year 2004, the CIR(A) has confirmed the order of the officer and the Bank has preferred an appeal before ATIR. The above matters may result in reduction of claimed tax losses and have an aggregate tax impact of Rs.238.72 million. The management of the Bank is confident about the favourable outcome of the appeals, hence, no provision with regard to the above matters has been made in the financial statements.

31.4 For assessment of MBL in respect of tax years 2006, 2007, 2008 and 2009, the Taxation Officer has amended the deemed assessment under Section 122(5A) of the Income Tax Ordinance, 2001 by making various disallowances, out of which an amount of Rs.270.374 million has not been provided for in the books of account for the reason that the disallowances are based on issues which have already been decided at the higher appellate forums in Bank's favour. The Bank's appeal contesting the settled issues is awaiting disposal before the CIR(A) except in respect of the tax year 2006 wherein relief allowed on some issues has been remanded back and few disallowances made have been maintained against which second appeal before the ATIR has been filed. Hence, the disallowances are likely to be decided as per higher appellate forums favouring Bank not requiring further tax provision. During the year ACIR has passed an order under section 122(5A) of the Ordinance in respect of tax year 2011 and has determined a taxable income of Rs.172.242 million as against the business loss of Rs.388.354 million declared by the Bank in its return of income. The said order has been rectified by the ACIR in response to rectification application filed by the Bank and revised taxable income of Rs.113.176 million has been determined by ACIR vide order dated November 30, 2013. The Bank has filed appeal before CIR(A) against the disallowances of Rs.501.529 million where the matter is pending hearing.

During the year, the ACIR vide his orders dated June 26, 2013 and July 31, 2013 under section 122(5A) of the Ordinance for tax years 2007 and 2010 respectively made certain disallowances and reduced the loss as per return of income filed by the Bank. The Bank has filed an appeal before CIR(A) against the ACIR order for tax years 2007 and 2010. In respect of tax year 2007, the CIR(A) vide appellate order dated December 13, 2013 upheld the order of ACIR. The Bank has filed second appeal before ATIR against the order of CIR(A) which is pending adjudication. In respect of tax year 2010, the Bank has filed an appeal before CIR(A) against the order of ACIR which is pending adjudication.

31.5 With respect to the assessment of MBL in respect of tax years 2004 and 2005, CIR(A) has maintained the disallowances made by Taxation Officer having an aggregate amount of Rs.29.657 million. No provision has been made against the same for the reason that this relates to settled issues decided in Bank's favour by higher appellate forums. The Bank has filed an appeal before the ATIR, where the matter is awaiting hearing.

31.6 With respect to the assessment of tax year 2003, the Bank filed an appeal against the order of ATIR before the Honourable High Court of Sindh (the Court) in Karachi. The Court, after hearing the case, vacated the order and remanded the case back to the Taxation Officer for re-adjudication of the issues strictly as per law. The Taxation Officer passed a new order ignoring the clear direction of the Court against which the Bank has filed an appeal which is presently awaiting hearing before the ATIR. The tax involved in appeal amounts to Rs.36.220 million which relates to a previously settled issue in Bank's favour and, hence, no provision has been made on this account.

31.7 With respect to the assessment of SBL in the tax years 2009 to 2011, the Taxation Officer has amended the deemed assessment under section 122(5A) of the Ordinance by making various disallowances aggregating to Rs.1,034.360 million. The Bank has filed an appeal with the CIR(A). During the year CIR(A) has maintained the disallowances made by the Taxation Officer relating to tax years 2009 and 2010, and allowed certain relief for the tax year 2011, in appellate order dated April 27, 2013. No provision has been made against the same for the reason that the Bank has filed an appeal before the ATIR against CIR(A) order, where the matter is pending adjudication and the Bank expects a favourable outcome of the same. Accordingly, provision against disallowances made by CIR(A) in his order has not been made in the financial statements of the Bank.

December 31, 2013 December 31, 2012
(Restated note 5.1.1)
----- (Rupees in '000) -----

32. LOSS PER SHARE - BASIC

Loss for the year		<u>(1,813,475)</u>	<u>(2,717,026)</u>
		----- (Number of shares) -----	
Weighted average number of Ordinary shares		<u>1,203,089,549</u>	<u>1,077,979,582</u>
		----- (Rupees) -----	
Loss per share - basic		<u>(1.51)</u>	<u>(2.52)</u>

32.1 Diluted EPS has not been disclosed in these consolidated financial statements as the effect of the potential Ordinary shares is anti-dilutive.

December 31, 2013 December 31, 2012
----- (Rupees in '000) -----

33. CASH AND CASH EQUIVALENTS

	Note		
Cash and balances with treasury banks	7	<u>9,203,573</u>	8,110,198
Balances with other banks	8	<u>2,302,189</u>	3,601,183
Overdrawn nostro accounts	16.2	<u>(65,972)</u>	(41,264)
		<u>11,439,790</u>	<u>11,670,117</u>

----- (Number) -----

34. STAFF STRENGTH

Permanent		<u>2,018</u>	1,965
Contractual basis		<u>159</u>	170
Bank's own staff strength at end of the year		<u>2,177</u>	2,135
Outsourced		<u>379</u>	379
Total staff strength		<u>2,556</u>	<u>2,514</u>

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

35. DEFINED BENEFIT AND CONTRIBUTION SCHEMES

Defined benefit scheme (funded)	35.1	<u>50,388</u>	<u>22,131</u>
Defined contribution scheme (funded)	35.2	<u>66,847</u>	<u>52,489</u>
Compensated absences	35.3	<u>102,229</u>	<u>125,711</u>
Defined benefit scheme (funded - subsidiary)	35.4	<u>-</u>	<u>(314)</u>
Defined contribution scheme (funded - subsidiary)	35.5	<u>2,444</u>	<u>2,385</u>
Compensated absences (subsidiary)	35.6	<u>1,642</u>	<u>1,192</u>

35.1 Defined benefit plan

The Bank maintains a funded gratuity scheme under which benefits are payable to permanent and contractual employees on retirement at the age of 60 years or earlier 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. Latest actuarial valuation was carried out as at December 31, 2013 using "Projected Unit Credit Method".

December 31, December 31,
2013 2012
----- % per annum -----

Principal actuarial assumptions

Discount rate - per annum	13.0%	11.5%
Expected rate of increase in salaries - per annum	12.0%	11.5%
Expected rate of return on plan assets - per annum	13.0%	11.5%

----- (Rupees in '000) -----
**(Restated
note 5.1.1)**

35.1.1 The amount recognised in the statement of financial position is as follows:

Present value of defined benefit obligations	171,269	123,952
Fair value of plan assets	(120,881)	(101,821)
Net liability	50,388	22,131

35.1.2 Movement in liability recognised by the Bank

Opening balance	22,131	97,644
Charge for the year	52,043	29,446
Other comprehensive income	(185)	3,810
Benefits paid on behalf of Fund	-	(2,972)
Contribution to Fund	(23,601)	(105,797)
Closing balance	50,388	22,131

35.1.3 Charge for the year

Current service cost	50,855	42,492
Interest cost	13,404	11,410
Expected return on plan assets	(12,216)	(6,254)
Curtailment gain	-	(18,202)
	52,043	29,446

35.1.4 Actual return on plan assets

Expected return on plan assets	12,216	-
Actuarial (losses) / gains on plan assets	(1,977)	-
	10,239	-

December 31, December 31,
2013 2012
----- (Rupees in '000) -----

35.1.5 Movement in present value of defined benefit obligation

Defined benefit obligation as at beginning of the year	123,952	97,644
Current service cost	50,855	42,492
Interest cost	13,404	11,410
Curtailement gain	-	(18,202)
Benefits paid during the year	(14,780)	(12,721)
Actuarial (gain) / loss	(2,162)	3,329
Defined benefit obligation as at end of the year	<u>171,269</u>	<u>123,952</u>

35.1.6 Changes in fair value of plan assets

Opening fair value of plan assets	101,821	-
Expected return	12,216	6,254
Actuarial loss	(1,977)	(481)
Contribution by employer	23,601	105,797
Benefit paid	(14,780)	(9,749)
Closing fair value of plan assets	<u>120,881</u>	<u>101,821</u>

The expected future charge for defined benefit scheme is Rs.59.628 million (December 31, 2012: Rs.45.455 million) according to actuarial recommendation.

The expected return on plan assets is based on the market expectation and depends upon the asset portfolio of the Bank, at the beginning of the year, for return over the entire life of the related obligation.

	2013		2012	
	(Rupees)	Percentage	(Rupees)	Percentage

35.1.7 Break-up of category of assets

Treasury Bills	-	0%	96,326,903	95%
Bank deposits	120,881,315	100%	5,494,034	5%
	<u>120,881,315</u>	<u>100%</u>	<u>101,820,937</u>	<u>100%</u>

35.1.8 Sensitivity analysis on significant actuarial assumptions: Actuarial liability

	Change in assumption	----- (Rupees in '000) -----	
		Impact on present value of DBO	
Discount rate	1%	(11,260)	12,868
Salary increase rate	1%	13,643	(12,118)
Withdrawal rate	10%	(646)	626
Death rate	10%	7	(8)

	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009
----- (Rupees in '000) -----					
35.1.9 Historical information					
Present value of defined benefit obligation	171,269	123,952	97,644	38,475	17,668
Plan assets	120,881	101,821	-	-	-
	50,388	22,131	97,644	38,475	17,668
Experience adjustments					
- actuarial (gain) / loss on obligation	(2,162)	3,329	(5,280)	2,526	2,096
- actuarial loss on plan assets	1,977	481	-	-	-

35.2 Defined contribution scheme

An amount of Rs.65.205 million (December 31, 2012: Rs.51.297 million) has been charged during the year in respect of contributory provident fund maintained by the Bank.

35.3 Compensated absences

The Bank maintains a staff compensated scheme under which benefits are payable to permanent and contractual employees on retirement at the age of 60 years or earlier 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. The actuarial valuation of the unfunded scheme is carried out periodically. Latest actuarial valuation was carried out as at December 31, 2013 using "Projected Unit Credit Method".

	December 31, 2013	December 31, 2012
----- % -----		
35.3.1 Principal actuarial assumptions		
Discount rate	13.0%	11.5%
Expected rate of salary increase	12.0%	11.5%
----- (Rupees in '000) -----		
35.3.2 The amount recognised in the statement of financial position is as follows:		
Present value of defined benefit obligations	99,785	123,326
35.3.3 Movement in liability recognised by the Bank		
Opening balance	123,326	122,839
Charge for the year	(14,713)	9,283
Benefits paid during the year	(8,828)	(8,796)
Closing balance	99,785	123,326
35.3.4 Charge for the year		
Current service cost	(14,713)	9,283

December 31, December 31,
2013 2012
----- (Rupees in '000) -----

35.3.5 Movement in present value of defined benefit obligation

Defined benefit obligation as at beginning of the year	123,326	122,839
Current service cost	(14,713)	9,283
Benefits paid during the year	(8,828)	(8,796)
Defined benefit obligation as at end of the year	<u>99,785</u>	<u>123,326</u>

35.3.6 Sensitivity analysis on significant actuarial assumptions: Actuarial liability

	Change in assumption	----- (Rupees in '000) -----	
		Impact on present value of DBO	
		Increase in assumption	Decrease in assumption
Discount rate	1%	(6,560)	7,498
Salary increase rate	1%	7,949	(7,060)
Withdrawal rate	10%	(376)	365
Death rate	10%	5	(4)
Leave accumulation factor	1 day	18	(24)

35.4 Gratuity payable - defined benefit plan (subsidiary)

35.4.1 General description

The Company has a gratuity scheme that has been recognised 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 scheme has been duly executed on July 12, 2007.

The cost of providing benefits under each gratuity scheme is determined using the Project Unit Credit method, with actuarial valuation being carried out at statement of financial position date. The latest valuation was carried out for the year ended December 31, 2013.

December 31, December 31,
2013 2012
Restated
----- (Rupees in '000) -----

35.4.2 Principal actuarial assumption

The following principal assumptions were used for the valuation:

Estimated rate of increase in salary of the employees - percent, per annum (%)	12.50	11.50
Expected rate of return on plan assets - percent, per annum (%)	12.50	10.00
Discount rate - per annum (%)	12.50	11.50

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

Present value of defined benefit obligation	3,911	3,604
Fair value of plan assets	(5,072)	(5,079)
Receivable from Summit Bank Limited - Staff Gratuity Fund	(3,036)	(3,036)
Payable to Summit Bank Limited - Staff Gratuity Fund	4,197	4,197
Liability recognised in statement of financial position	<u>-</u>	<u>(314)</u>

	December 31, 2013	December 31, 2012 Restated ----- (Rupees in '000) -----
35.4.4 Movement in payable to defined benefit plan		
Opening balance	(314)	973
Charge for the year	383	402
Other Comprehensive Income (OCI)	82	(274)
Contributions paid to the fund during the year	(151)	(1,415)
Closing balance	-	(314)
35.4.5 Expense recognised in the profit and loss account		
Current service cost	590	513
Interest cost	(207)	(111)
	383	402
35.5 Provision for staff compensated absences (subsidiary)		
Opening balance	2,385	2,074
Charge for the year	396	473
Encashment during the year	(337)	(162)
Closing balance	2,444	2,385
35.6 Defined contribution scheme (subsidiary)		

An amount of Rs.1.642 (December 31, 2012: Rs.1.192) million has been charged during the year in respect of contributory provident fund maintained by the Company.

36. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	----- (Rupees in '000) -----					
Fees	-	-	1,120	1,121	-	-
Managerial remuneration	26,089	23,628	-	-	308,231	258,321
Charge for defined contribution plan	209	155	-	-	27,536	19,003
Rent and house maintenance	1,149	2,248	-	-	139,414	116,883
Utilities	-	273	-	-	30,090	25,354
Dearness allowance	-	455	-	-	50,161	42,266
Medical	-	273	-	-	30,375	25,534
Conveyance allowance	-	-	-	-	75,306	58,993
Car allowance	-	-	-	-	63,711	46,189
General / special allowance	-	-	-	-	41,172	44,057
Others	630	572	-	-	4,324	1,833
	28,077	27,604	1,120	1,121	770,320	638,433
Number of person(s)	2	2	2	3	339	284

36.1 Executive means employee, other than the chief executive and directors, whose basic salary exceeds five hundred thousand rupees in a financial year. The Chief Executive and certain executives are provided with free use of Bank maintained cars in accordance with their entitlements.

36.2 Number of persons include outgoing executives.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair values or fair value estimates.

The fair value of traded investments and Federal Government securities are based on quoted market prices and PKRV rates respectively. Fair value of unquoted equity investments is determined on the basis of lower of cost and breakup value of these investments as per the latest available financial statements.

Fair value of fixed term advances, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for non-performing advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.5.

The repricing profile and effective rates and maturity are stated in notes 42.4.4 and 42.5.1 respectively.

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

38. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activities is as follows:

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Total
December 31, 2013	----- (Rupees in '000) -----					
Total income	24,596	1,672,849	1,542,144	7,669,998	19,925	10,929,512
Total expenses	8,189	2,038,020	1,071,841	9,182,197	15,042	12,315,289
Net income / (loss) before tax	16,407	(365,171)	470,303	(1,512,199)	4,883	(1,385,777)
Segment assets (gross)	43,859	51,957,765	11,747,740	74,472,739	56,913	138,279,016
Segment non performing loans	-	-	996,481	16,812,560	-	17,809,041
Segment provision	-	964,741	963,870	10,850,624	-	12,779,235
Segment assets (net)	43,859	50,993,024	10,783,870	63,622,115	56,913	125,499,781
Segment liabilities	44,388	48,818,879	22,506,666	48,570,935	2,211,809	122,152,677
Segment return on assets (ROA) (%)	37.41	(0.72)	4.36	(2.38)	8.58	
Segment cost of funds (%)	18.45	4.17	4.76	18.90	0.68	
December 31, 2012	----- (Rupees in '000) -----					
Total income	14,161	4,549,311	1,156,061	5,953,647	16,243	11,689,423
Total expenses	4,762	2,739,225	1,319,257	10,109,915	15,105	14,188,264
Net income / (loss) before tax	9,399	1,810,086	(163,196)	(4,156,268)	1,138	(2,498,841)
Segment assets (gross)	21,660	66,515,722	11,003,106	70,190,284	24,843	147,755,615
Segment non performing loans	-	-	1,838,529	21,571,418	-	23,409,947
Segment provision	-	891,122	672,407	11,903,020	-	13,466,549
Segment assets (net)	21,660	65,624,600	10,330,699	58,287,264	24,843	134,289,066
Segment liabilities	43,947	26,299,136	40,550,136	62,673,885	1,714,123	131,281,227
Segment return on assets (ROA) (%)	43.39	2.76	(1.58)	(7.13)	4.58	
Segment cost of funds (%)	10.84	10.42	3.25	16.13	0.88	

39. TRUST ACTIVITIES

The Bank is not engaged in any trust activities.

40. RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its associates, parent company, subsidiary companies, employee benefit plans and its directors and executive officers (including their associates).

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

	December 31, 2013				December 31, 2012			
	Key management personnel	Directors	Parent company	Associates / other related parties	Key management personnel	Directors	Parent company	Associates / other related parties
----- (Rupees in '000) -----								
Advances								
Balance at beginning of the year	117,626	-	-	260,517	103,665	-	-	107,967
Sanctioned / granted during the year	117,019	-	-	1,996,216	48,155	-	-	916,062
Payment received during the year	(88,641)	-	-	(1,571,229)	(34,194)	-	-	(763,512)
Balance at end of the year	<u>146,004</u>	<u>-</u>	<u>-</u>	<u>685,504</u>	<u>117,626</u>	<u>-</u>	<u>-</u>	<u>260,517</u>

Deposits

Balance at beginning of the year	44,192	40,612	-	68,626	31,770	68,316	-	60,323
Deposits during the year	606,573	1,695,371	-	1,051,991	483,937	392,851	-	1,079,753
Withdrawal during the year	(619,297)	(1,681,096)	-	(1,028,258)	(471,515)	(420,555)	-	(1,071,449)
Balance at end of the year	<u>31,468</u>	<u>54,887</u>	<u>-</u>	<u>92,359</u>	<u>44,192</u>	<u>40,612</u>	<u>-</u>	<u>68,626</u>

	December 31, 2013				December 31, 2012			
	Key management personnel	Directors	Parent company	Associates / other related parties	Key management personnel	Directors	Parent company	Associates / other related parties
----- (Rupees in '000) -----								
Other transactions / balances								
Convertible preference shares	-	50,000	1,109,361	-	-	-	-	-
Investment in shares / TFC's	-	-	-	1,402,235	-	-	-	343,526
Purchase of investments	-	-	-	511,207	-	-	-	285,167
Disposal of investments	-	-	-	250,136	-	-	-	259,066
Guarantees, letters of credit and acceptances	-	-	-	451,369	-	-	-	125,753
Other receivable	-	-	-	9,233	-	-	27,000	1,312
Other payable	-	1,682	-	1,326	-	1,222	-	12,310
Mark-up payable	133	274	-	132	68	250	-	137
Mark-up receivable	-	-	-	15,412	465	-	-	13,642

December 31, 2013				December 31, 2012			
Key management personnel	Directors	Parent company	Associates / other related parties	Key management personnel	Directors	Parent company	Associates / other related parties

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

Transactions, income and expenses

Brokerage expenses	-	-	-	964	-	-	-	-
Brokerage Income	-	-	-	90	-	-	-	9
Professional fees	-	-	-	4,220	-	-	-	-
Capital gain / (loss)	-	-	-	3,594	-	-	-	9,995
Dividend income	-	-	-	14,667	-	-	-	8,408
Contribution to the provident fund	-	-	-	66,847	-	-	-	52,489
Contribution to the gratuity fund	-	-	-	52,426	-	-	-	29,848
Remuneration paid	152,345	-	-	-	83,277	-	-	-
Post employment benefits	6,758	-	-	-	5,236	-	-	-
Rental income	-	-	-	-	-	-	-	-
Mark-up earned	4,189	-	-	63,517	4,882	-	-	43,001
Mark-up expensed	998	2,954	-	1,856	1,337	6,586	-	1,369
Other income	-	-	-	-	-	-	-	-
Repair and maintenance charges	-	-	-	3,674	-	-	-	-
Fees paid	-	1,120	-	-	-	1,121	-	-

41. CAPITAL ASSESSMENT AND ADEQUACY

41.1.1 Scope of Application of Basel III Framework

Summit Bank Limited is a scheduled bank regulated by the State Bank of Pakistan. The Bank has a wholly owned subsidiary Summit Capital (Private) Limited. The subsidiary is engaged in brokerage business of shares, money market and foreign exchange transactions etc.

The Basel III framework consists of three mutually reinforcing pillars:

- (i) Pillar I: Minimum capital requirements for credit risk, market risk and operational risk
- (ii) Pillar II: Supervisory review of capital adequacy
- (iii) Pillar III: Market Discipline

Market Discipline (Pillar III) comprises of disclosures on the capital adequacy and risk management framework of the Bank. These disclosures have been set out in notes 41 to 41.5 to the financial statements.

Pillar III disclosures apply to Summit Bank Limited and its consolidated entities, wherein Summit Bank Limited is the controlling entity in the Group. Consolidation for capital adequacy is based on consolidated financial statements of Summit Bank Limited and its subsidiary in line with the international accounting standards and guidelines for consolidation. The entity considered for consolidation for capital adequacy include Summit Capital (Private) Limited being wholly owned subsidiary of the Bank, valued at its fair value.

41.1.2 Capital Structure

The total capital consists of following categories:

1) Tier I Capital

- 1.1 Tier I Capital of Rs.10.779 billion comprises of Ordinary share capital (CET1) with limited liability to its shareholders.
- 1.2 Additional Tier 1 represents issued, convertible, perpetual, irredeemable, non-cumulative Preference shares amounting to Rs.2.156 billion.

2) Tier II Capital

Sub Ordinated Loan of Rs.1.499 billion represents issued Term Finance Certificate, un-quoted and un-secured. These are subordinated as to the payment of principal and profit to all other indebtedness of the Bank including the deposits.

41.1.3 Capital Adequacy Ratio

	December 31, 2013 ----- (Rupees in '000) -----	December 31, 2012
	Amounts subject to Pre - Basel III treatment*	
	Amount	
Common Equity Tier 1 capital (CET1) : Instruments and reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	10,779,796	10,779,796
2 Balance in Share Premium Account	1,000,000	1,000,000
3 Reserve for issue of Bonus Shares	-	-
4 General / Statutory Reserves	(2,811,675)	(2,811,675)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
6 Unappropriated/unremitted profits / (accumulated losses) - restated	(7,918,079)	(6,126,046)
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
8 CET 1 before Regulatory Adjustments	1,050,042	2,842,075
Common Equity Tier 1 capital: Regulatory adjustments		
9 Goodwill (net of related deferred tax liability)	-	-
10 All other intangibles (net of any associated deferred tax liability)	400,312	485,712
11 Shortfall of provisions against classified assets	-	-
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	4,035,003
13 Defined-benefit pension fund net assets	-	-
14 Reciprocal cross holdings in CET1 capital instruments	-	-
15 Cash flow hedge reserve	-	-
16 Investment in own shares/ CET1 instruments	-	-
17 Securitization gain on sale	-	-
18 Capital shortfall of regulated subsidiaries	-	-
19 Deficit on account of revaluation from bank's holdings of property / AFS	97,531	-
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	337,929
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-



	December 31, 2013	December 31, 2012	
	----- (Rupees in '000) -----		
	Amounts subject to Pre - Basel III treatment*		
	Amount		
23 Amount exceeding 15% threshold	-	-	-
24 of which: significant investments in the common stocks of financial entities	-	-	-
25 of which: deferred tax assets arising from temporary differences	-	-	-
26 National specific regulatory adjustments applied to CET1 capital	-	-	-
27 Investment in TFCs of other banks exceeding the prescribed limit	-	-	-
28 Any other deduction specified by SBP (mention details)	-	-	-
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-	-
30 Total regulatory adjustments applied to CET1 (sum of 9 to 25)	-	-	-
Common Equity Tier 1	497,843	4,372,932	485,712
(a)	552,199		2,356,363
Additional Tier 1 (AT 1) Capital			
31 Qualifying Additional Tier-1 instruments plus any related share premium	2,155,959	-	-
32 of which: Classified as equity	-	-	-
33 of which: Classified as liabilities	-	-	-
34 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	-	-
35 of which: instrument issued by subsidiaries subject to phase out	-	-	-
36 AT1 before regulatory adjustments	2,155,959	-	-
Additional Tier 1 Capital: regulatory adjustments			
37 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	-	-
38 Investment in own AT1 capital instruments	-	-	-
39 Reciprocal cross holdings in Additional Tier 1 capital instruments	-	-	-
40 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
41 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation.	-	-	-
42 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	-	-
43 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-

		December 31, 2013	December 31, 2012
		----- (Rupees in '000) -----	
		Amounts subject to Pre - Basel III treatment*	
	Amount		
44	Total of Regulatory Adjustment applied to AT1 capital	-	-
45	Additional Tier 1 capital		
46	Additional Tier 1 capital recognized for capital adequacy (b)	2,155,959	-
	Tier 1 Capital (CET1 + admissible AT1) (c=a+b)	2,708,158	2,356,363
	Tier 2 Capital		
47	Qualifying Tier 2 capital instruments under Basel III	1,498,620	1,180,372
48	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	-
49	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	-
50	of which: instruments issued by subsidiaries subject to phase out	-	-
51	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	22,305	2,488
52	Revaluation Reserves		
53	of which: Revaluation reserves on Property	161,027	146,787
54	of which: Unrealized Gains/Losses on AFS	-	-
55	Foreign Exchange Translation Reserves	-	-
56	Undisclosed/Other Reserves (if any)	-	-
57	T2 before regulatory adjustments	1,681,952	1,329,647
	Tier 2 Capital: regulatory adjustments		
58	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-
59	Reciprocal cross holdings in Tier 2 instruments	-	-
60	Investment in own Tier 2 capital instrument	-	-
61	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	255,028
62	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
63	Amount of Regulatory Adjustment applied to T2 capital	-	255,028
64	Tier 2 capital (T2)	1,681,952	1,329,647
65	Tier 2 capital recognized for capital adequacy	1,681,952	1,329,647
66	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	-

		December 31, 2013	December 31, 2012
		----- (Rupees in '000) -----	
		Amounts subject to Pre - Basel III treatment*	
		Amount	
67	Total Tier 2 capital admissible for capital adequacy (d)	1,681,952	1,329,647
	TOTAL CAPITAL (T1 + admissible T2) (e=c+d)	<u>4,390,110</u>	<u>3,686,010</u>
	Total Risk Weighted Assets (RWA) (i=f+g+h)	<u>99,804,222</u>	<u>80,235,793</u>
68	Total Credit Risk Weighted Assets (f)	86,599,746	69,741,358
69	Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment	86,599,746	69,741,358
70	of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity		
71	of which: deferred tax assets	5,742,710	5,986,434
72	of which: Defined-benefit pension fund net assets	-	-
73	of which: [insert name of adjustment]	-	-
74	Total Market Risk Weighted Assets (g)	9,789,352	7,379,816
75	Total Operational Risk Weighted Assets (h)	3,415,124	3,114,619
	Capital Ratios and buffers (in percentage of risk weighted assets)		
76	CET1 to total RWA (a/i)	0.55%	2.94%
77	Tier-1 capital to total RWA (c/i)	2.71%	2.94%
78	Total capital to RWA (e/i)	4.40%	4.60%
79	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	-	-
80	of which: capital conservation buffer requirement	-	-
81	of which: countercyclical buffer requirement	-	-
82	of which: D-SIB or G-SIB buffer requirement	-	-
83	CET1 available to meet buffers (as a percentage of risk weighted assets)	-	-
	National minimum capital requirements prescribed by SBP		
84	CET1 minimum ratio	5.00%	N/A
85	Tier 1 minimum ratio	6.50%	N/A
86	Total capital minimum ratio	10.00%	10.00%
	Amounts below the thresholds for deduction (before risk weighting)		
87	Non-significant investments in the capital of other financial entities	-	-
88	Significant investments in the common stock of financial entities	-	-
89	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-

	December 31, 2013		December 31, 2012
	----- (Rupees in '000) -----		
	Amounts subject to Pre - Basel III treatment*		
	Amount		
Applicable caps on the inclusion of provisions in Tier 2			
90 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	22,305	-	2,488
91 Cap on inclusion of provisions in Tier 2 under standardized approach	1,082,497	-	871,767
92 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-	-
93 Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-	-

41.2 Risk-Weighted Exposures

	December 31, 2013		December 31, 2012	
	-----Rupees in '000-----			
	Book Value	Risk Adjusted Value	Book Value	Risk Adjusted Value
Credit Risk				
Balance Sheet items				
Cash and other liquid assets	11,754,914	671,361	12,998,828	1,241,603
Money at call	1,500,000	300,000	200,000	40,000
Investments	2,751,464	2,684,440	2,153,617	1,942,813
Loans and advances	54,263,534	46,381,374	54,972,720	45,678,196
Fixed assets	5,855,198	5,855,198	5,385,336	4,906,814
Deferred tax assets	5,742,710	14,356,775	-	-
Other assets	6,702,886	6,241,919	10,561,193	10,959,161
	88,570,706	76,491,067	86,271,694	64,768,587
Off Balance Sheet items				
Loan repayment guarantees	-	-	-	-
Purchase and resale agreements	-	-	-	-
Performance bonds etc.	6,405,879	1,912,612	6,435,466	2,085,131
Revolving underwriting commitments	3,436,038	3,020,052	2,915,187	2,126,881
Standby letters of credit	9,753,218	879,299	6,226,252	612,694
Outstanding foreign exchange contracts	-	-	-	-
- Purchase	9,293,081	2,078,013	6,797,875	112,628
- Sale	8,517,592	2,218,703	2,474,469	35,437
	37,405,808	10,108,679	24,849,249	4,972,771
Credit risk-weighted exposures		86,599,746		69,741,358
Market Risk				
General market risk		7,856,905		4,633,764
Specific market Risk		1,932,447		2,746,052
Market risk-weighted exposures		9,789,352		7,379,816
Operational Risk				
		3,415,124		3,114,619
Total Risk-Weighted Exposures		99,804,222		80,235,793

41.3 Capital Structure Reconciliation

41.3.1	December 31, 2013	December 31, 2013
	As in published financial statements	Under regulatory scope of consolidation
	----- (Rupees in '000) -----	
Assets		
Cash and balances with treasury banks	9,203,573	9,203,573
Balanced with other banks	2,302,189	2,302,189
Lending to financial institutions	1,555,000	1,555,000
Investments	39,526,939	39,526,939
Advances	54,208,474	54,208,474
Operating fixed assets	6,258,010	6,258,010
Deferred tax assets	5,742,710	5,742,710
Other assets	6,702,886	6,702,886
Total assets	125,499,781	125,499,781
Liabilities and equity		
Bills payable	2,205,414	2,205,414
Borrowings	9,961,198	9,961,198
Deposits and other accounts	106,255,566	106,255,566
Sub-ordinated loans	1,498,620	1,498,620
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	2,231,879	2,231,879
Total liabilities	122,152,677	122,152,677
Share capital	12,935,755	12,935,755
Reserves	(1,811,675)	(1,811,675)
Unappropriated/ Unremitted profit/ (accumulated losses)	(7,918,079)	(7,918,079)
Minority Interest	-	-
Surplus on revaluation of assets	141,103	141,103
Total liabilities and equity	125,499,781	125,499,781

41.3.2

	December 31, 2013 As in published financial statements ----- (Rupees in '000) -----	December 31, 2013 Under regulatory scope of consolidation	Reference
Assets			
Cash and balances with treasury banks	9,203,573	9,203,573	
Balanced with other banks	2,302,189	2,302,189	
Lending to financial institutions	1,555,000	1,555,000	
Investments	39,526,939	39,526,939	
<i>of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold</i>	592,957	592,957	a
<i>of which: significant capital investments in financial sector entities exceeding regulatory threshold</i>	-	-	b
<i>of which: Mutual Funds exceeding regulatory threshold</i>	-	-	c
<i>of which: reciprocal crossholding of capital instrument</i>	-	-	d
<i>of which: others (T-Bills, PIBs, TFCs, Shares etc.)</i>	38,933,982	38,933,982	e
Advances	54,208,474	54,208,474	
<i>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB</i>	-	-	f
<i>general provisions reflected in Tier 2 capital</i>	22,305	22,305	g
Fixed Assets	6,258,010	6,258,010	
Deferred Tax Assets	5,742,710	5,742,710	
<i>of which: DTAs excluding those arising from temporary differences</i>	4,035,003	4,035,003	h
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	1,707,707	1,707,707	i
Other assets	6,702,886	6,702,886	
<i>of which: Goodwill</i>	-	-	j
<i>of which: Intangibles</i>	-	-	k
<i>of which: Defined-benefit pension fund net assets</i>	-	-	l
Total assets	125,499,781	125,499,781	
Liabilities & Equity			
Bills payable	2,205,414	2,205,414	
Borrowings	9,961,198	9,961,198	
Deposits and other accounts	106,255,566	106,255,566	
Sub-ordinated loans	-	-	
<i>of which: eligible for inclusion in AT1</i>	-	-	m
<i>of which: eligible for inclusion in Tier 2</i>	1,498,620	1,498,620	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	
<i>of which: DTLs related to goodwill</i>	-	-	o
<i>of which: DTLs related to intangible assets</i>	-	-	p
<i>of which: DTLs related to defined pension fund net assets</i>	-	-	q
<i>of which: other deferred tax liabilities</i>	-	-	r
Other liabilities	2,231,879	2,231,879	
Total liabilities	122,152,677	122,152,677	

	December 31, 2013 As in published financial statements	December 31, 2012 Under regulatory scope of consolidation	Reference
	----- (Rupees in '000) -----		
Share capital	12,935,755	12,935,755	
<i>of which: amount eligible for CET1</i>	10,779,796	10,779,796	s
<i>of which: amount eligible for AT1</i>	2,155,959	2,155,959	t
Reserves	(1,811,675)	(1,811,675)	
<i>of which: portion eligible for inclusion in CET1 (provide breakup)</i>	(1,811,675)	(1,811,675)	u
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	v
Unappropriated profit/ (losses)	(7,918,079)	(7,918,079)	w
Minority Interest	-	-	
<i>of which: portion eligible for inclusion in CET1</i>	-	-	x
<i>of which: portion eligible for inclusion in AT1</i>	-	-	y
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	z
Surplus on revaluation of assets	141,103	141,103	
<i>of which: Revaluation reserves on Property</i>	357,838	357,838	aa
<i>of which: Unrealized Gains/Losses on AFS</i>	(216,735)	(216,735)	
<i>In case of Deficit on revaluation (deduction from CET1)</i>			ab
Total liabilities & Equity	125,499,781	125,499,781	

41.3.3 Common Equity Tier 1 capital (CET1): Instruments and reserves

	Component of regulatory capital reported by bank	Source based on reference number from step 2
1 Fully Paid-up Capital/ Capital deposited with SBP	10,779,796	
2 Balance in Share Premium Account	1,000,000	(s)
3 Reserve for issue of Bonus Shares	-	
4 General/ Statutory Reserves	(2,811,675)	
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	(u)
6 Unappropriated/unremitted profits/(losses)	(7,918,079)	(w)
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
8 CET 1 before Regulatory Adjustments	1,050,042	

	Component of regulatory capital reported by bank	Source based on reference number from step 2
Common Equity Tier 1 capital: Regulatory adjustments		
9	-	(j) - (o)
10	400,312	(k) - (p)
11	-	(f)
12	-	{(h) - (r)} * x%
13	-	{(l) - (q)} * x%
14	-	(d)
15	-	
16	-	
17	-	
18	-	
19	97,531	(ab)
20	337,929	(a) - (ac) - (ae)
21	-	(b) - (ad) - (af)
22	-	(i)
23	-	
24	-	
25	-	
26	-	
27	-	
28	-	
29	-	
30	497,843	
	552,199	
	Common Equity Tier 1	

**Component of
regulatory
capital reported
by bank**

**Source
based on
reference
number from
step 2**

	Component of regulatory capital reported by bank	Source based on reference number from step 2
Additional Tier 1 (AT 1) Capital		
31	Qualifying Additional Tier-1 instruments plus any related share premium	
	-	
32	of which: Classified as equity	(t)
	2,155,959	
33	of which: Classified as liabilities	(m)
	-	
34	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	
	-	(y)
35	of which: instrument issued by subsidiaries subject to phase out	
	-	
36	AT1 before regulatory adjustments	
	2,155,959	
Additional Tier 1 Capital: regulatory adjustments		
37	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	
	-	
38	Investment in own AT1 capital instruments	
	-	
39	Reciprocal cross holdings in Additional Tier 1 capital instruments	
	-	
40	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ac)
	-	
41	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)
	-	
42	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	
	-	
43	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	
	-	
44	Total of Regulatory Adjustment applied to AT1 capital	
	-	
45	Additional Tier 1 capital	
46	Additional Tier 1 capital recognized for capital adequacy	
	2,155,959	
	2,708,158	
	Tier 1 Capital (CET1 + admissible AT1)	

	Component of regulatory capital reported by bank	Source based on reference number from step 2
Tier 2 Capital		
47	-	
48	1,498,620	(n)
49	-	(z)
50	-	
51	22,305	(g)
52		
53	161,027	portion of
54	-	(aa)
55	-	(v)
56	-	
57	1,681,952	
Tier 2 Capital: regulatory adjustments		
58	-	
59	-	
60	-	
61	-	
62	-	(ae)
63	-	(af)
64		
65	1,681,952	
66	-	
67	1,681,952	
	4,390,110	
TOTAL CAPITAL (T1 + admissible T2)		

41.4 Main Features of Regulatory Capital Instruments

S.No	Main Features	Common Shares	Convertible preference shares - A	Convertible preference shares - B	Sub-ordinated Debt
1	Issuer	Summit Bank Limited	Summit Bank Limited	Summit Bank Limited	Summit Bank Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	SMBL	SMBLCPSA	SMBLCPSB	SMBLTFC
3	Governing law(s) of the instrument	Capital Market Law	Capital Market Law	Capital Market Law	Capital Market Law
Regulatory treatment					
4	Transitional Basel III rules	Common Equity Tier 1	Additional Tier 1	Additional Tier 1	Tier 2
5	Post-transitional Basel III rules	Common Equity Tier 1	Additional Tier 1	Additional Tier 1	
6	Eligible at solo / group / group and solo	Solo and Group	Solo and Group	Solo and Group	Solo and Group
7	Instrument type	Ordinary shares	Perpetual non-cumulative preference shares	Perpetual non-cumulative preference shares	Sub-ordinated Debt
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of December 31, 2013)	10,779,796	1,109,424	1,046,535	1,498,620
9	Par value of instrument	PKR 10	PKR 10	PKR 10	PKR 5,000
10	Accounting classification	Shareholders' equity	Shareholders' equity	Shareholders' equity	Liability - amortized cost
11	Original date of issuance	2005	2013	2013	2011
12	Perpetual or dated	Perpetual	Dated	Dated	Dated
13	Original maturity date	No maturity	2018	2018	2018
14	Issuer call subject to prior supervisory approval	No	No	No	No
15	Optional call date, contingent call dates and redemption amount	Not applicable	Not applicable	Not applicable	Not applicable
16	Subsequent call dates, if applicable	Not applicable	Not applicable	Not applicable	Not applicable
Coupons / dividends					
17	Fixed or floating dividend/ coupon	Not applicable	Fixed	Floating	Floating
18	Coupon rate and any related index/ benchmark	Not applicable	5% Bonus Shares	6M KIBOR +50BPS	6M KIBOR +325BPS
19	Existence of a dividend stopper	Not applicable	Yes	Yes	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Partially Discretionary	Partially Discretionary	Partially Discretionary
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Not applicable	Non-Cumulative	Non-Cumulative	Cumulative
Convertible or non-convertible					
23	Convertible or non-convertible	Not applicable	Convertible	Convertible	Non-Convertible
24	If convertible, conversion trigger (s)	Not applicable	Convertible in Ordinary Shares after five years from the date of issuance.	Option to convert Preference Shares into Ordinary Shares starting from the end of 42nd month of the date of issuance and every six months thereafter in equal tranches of 25% or at maturity.	Not applicable
25	If convertible, fully or partially	Not applicable	Always convert fully	Always convert fully	Not applicable
26	If convertible, conversion rate	Not applicable	Shares will be issued at the audited book value as at December 31, 2012.	Shares will be issued at the audited book value as at December 31, 2012.	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Mandatory	Mandatory	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Common Equity Tier 1	Common Equity Tier 1	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	SMBL	SMBL	Not applicable
30	Write-down feature	Not applicable	No	No	Not applicable
31	If write-down, write-down trigger(s)	Not applicable	Not applicable	Not applicable	Not applicable
32	If write-down, full or partial	Not applicable	Not applicable	Not applicable	Not applicable
33	If write-down, permanent or temporary	Not applicable	Not applicable	Not applicable	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable	Common Shares	Common Shares	Preference Shares
36	Non-compliant transitioned features	Not applicable	No	No	No
37	If yes, specify non-compliant features	Not applicable	Not applicable	Not applicable	Not applicable

41.5 Capital Adequacy

Summit Bank Ltd was subject to the Basel II capital adequacy guidelines stipulated by State Bank of Pakistan under BSD Circular 8 of 2006. State Bank of Pakistan issued Basel III guidelines vide its BPRD Circular No. 6 of 2013 being the first part mainly pertaining to eligible capital and related deductions. These guidelines provide a transition schedule for Basel III implementation till December 31, 2019. Upon full implementation, Basel III guidelines, target minimum capital to risk weighted assets ratio would be 12.5%, minimum equity Tier 1 (CET 1) ratio would be 8.5% and minimum Tier 1 ratio would be 10%. As per the transition table, at December 31, 2013, the Bank is required to maintain minimum Common Equity capital ratio (CET 1) of 5%, minimum Tier 1 capital ratio of 6.5% and minimum total capital ratio of 10%.

As on December 31, 2013, total standalone CAR of the Bank stood at 4.25%, which was below the regulatory minimum requirement of 10%. Tier 1 capital of the Bank stood at 2.67% and CET 1 CAR at 0.60%.

As on December 31, 2013, total consolidated CAR of the Bank stood at 4.40%, which was below the regulatory minimum requirement of 10%. Tier 1 capital of the Bank stood at 2.71% and CET 1 CAR at 0.55%.

Capital Management

The Bank manages its capital to meet regulatory norms and current and future business needs considering the risks in its businesses, expectation of shareholders and investors, and the available options for raising capital.

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

The Bank is fully committed to maintain capital requirements in phased manner as per the SBP's Basel III guidelines. For this purpose, all potential avenues in domestic and offshore markets will be explored and materialized.

The SBP vide its letter number BPRD/BA&CP/649/17695/2013 dated December 02, 2013 has allowed the Bank extension in meeting the MCR and CAR requirement till September 30, 2014.

During the year, the Bank has issued 215,595,916 listed convertible, perpetual, irredeemable, non-cumulative preference shares of Rs.2.156 billion as Additional Tier 1 Capital to raise the equity of Bank.

The management of the Bank has prepared financial projections for a period of seven years for the purpose of setting the future course of action for the Bank. These projections are approved by the Board and envisage additional capital injection through equity into the Bank and indicate future profitable operations based on various assumptions such as growth of deposits and advances, investment returns, recoveries against loan losses, interest rates, cost of funds, etc. Under the said projections, the Bank meets the MCR in the year 2014 and, hence, it has been assumed that necessary relaxation in this regard will be available from the SBP in the future.

Internal Assessment of Capital

The Bank's capital management framework includes a comprehensive internal capital adequacy assessment process (ICAAP) conducted annually which determines the adequate level of capitalization for the Bank to regulatory norms and current and future business needs under stress scenarios.

The ICAAP encompasses capital planning for a five year time horizon, identification and measurement of material risks and the relationship between risk and capital.

The capital management framework is complemented by the risk management framework, which includes a comprehensive assessment of material risks. Stress testing, which is a key aspect of the ICAAP and the risk management framework, provides an insight on the impact of extreme but plausible scenarios on the Bank's risk profile and capital position. Bank conducts stress tests on its various portfolios and assesses the impact on its capital ratios and adequacy.

Monitoring and reporting

The Board of Directors of Summit Bank maintains an active oversight over the Bank's capital adequacy levels.

Risk Exposure and Assessment

As a financial intermediary, the Bank is exposed to various types of risks including credit, market, liquidity, operational, strategic, credit concentration risk, interest rate risk in banking book, legal, compliance and reputation risks. The objective of the risk management framework at the Bank is to ensure that various risks are understood, measured and monitored and that the policies and procedures established to address these risks are strictly adhered to.

Measurement of risks for capital adequacy purpose

Under Pillar 1 of the SBP Guidelines, the Bank follows the standardized approach for credit and market risk and basic indicator approach for operational risk.

The capital requirements for the banking group as per the major risk categories should be indicated in the manner given below:

	Capital Requirements		Risk Weighted Assets	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
----- (Rupees in '000) -----				
Portfolios subject to standardized approach (Simple or Comprehensive)				
Corporate portfolio. etc.	4,621,045	4,657,269	46,210,445	46,572,686
Retail	488,904	472,784	4,889,040	4,727,839
Financial institutions	428,691	204,817	4,286,905	2,048,168
Others	3,121,336	1,639,267	31,213,356	16,392,665

Portfolios subject to Internal Rating Based (IRB) Approach

e.g. Corporate
Sovereign
Retail
Securitization etc.

Equity Exposure Risk in the Banking Book

Equity portfolio subject to market-based approaches

Under simple risk weight method
Under Internal models approach

Equity portfolio subject to PD / LGD

Market Risk

Capital Requirement for portfolios subject to Standardized Approach

Interest rate risk	503,150	220,385	6,289,373	2,754,808
Equity position risk etc.	272,050	364,442	3,400,630	4,555,520
Foreign exchange risk etc.	7,948	5,559	99,349	69,488

	Capital Requirements		Risk Weighted Assets	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	----- (Rupees in '000) -----			
Capital Requirement for portfolios subject to Internal Models Approach				
Interest rate risk				
Foreign exchange risk etc.				
Operational Risk	273,210	249,170	3,415,124	3,114,619
<u>Capital Requirement for operational risks</u>	<u>9,716,334</u>	<u>7,813,693</u>	<u>99,804,222</u>	<u>80,235,793</u>
		December 31, 2013		December 31, 2012
Capital Adequacy Ratio				
Total eligible regulatory capital held	(e)	<u>4,390,110</u>		<u>3,686,010</u>
Total Risk Weighted Assets	(i)	<u>99,804,222</u>		<u>80,235,793</u>
Capital Adequacy Ratio	(e) / (i)	<u>4.40%</u>		<u>4.60%</u>

42. RISK MANAGEMENT

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. We believe a sound Risk Management Framework provides principles for identifying, assessing and monitoring risk within the Bank. 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, accounting, 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.
- Risk taking decisions are explicit and clear.
- Sufficient capital as buffer is available to mitigate risk.

Risk responsibilities

The Board of Directors is accountable for overall supervision of the risk management process. This is discharged by distributing responsibilities at the senior management level and determining the manner in which risk authorities are set. The Board is also responsible for approval of all risk policies and ensuring that these are properly implemented. Further, the Board shall also seek appointment of senior management personnel capable of managing the risk activities conducted by the Bank.

The Board of Directors approves the policies proposed by risk management committee of the Bank which discharge various responsibilities assigned to it by the Board.

The Risk Management is headed by a Group Head - Enterprise Risk Management responsible to set-up and implement the Framework of the Bank.

Risk management group organisation

A clear management structure has been put in place in the Bank, which clusters around three distinct groups namely, the Business Group, the Support Group and the Risk Management Group. The Business Group is responsible for generation and management of the business and act as the front office of the Bank. The Support Group provides various services necessary for maintaining operations of the Bank on a sustainable basis. The Risk Management Group is responsible for management of the risk inherent in the Bank's operations. The Risk Management Group comprises of (i) Credit Division, (ii) Compliance Division and the (iii) Risk Management Division. Whilst the activities of the Credit Division are focused on independent risk management of the Bank's credit activities, the Compliance Division is dedicated to ensure compliance of all internal and external policies and regulations. The Risk Management Division is responsible for managing all other risks emanating from various activities of the Bank. In addition to this, the management has established various committees for periodic risk review.

The Bank has acquired and installed a state of the art, hPLUS™, 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.

42.1 Credit risk management

Credit risk is the risk that one party to financial instrument fails to discharge an obligation and cause other party to incur a financial loss. The Bank is exposed to credit risk through its lending and investment activities as well as in cases where it acts as an intermediary of behalf of customers or other third parties or issues guarantees. 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 as well as financing in different consumer products to achieve a strong market position and adequate return on capital.
- Return commensurates 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 is related correctly and risk changes are identified promptly and remedial actions are taken.

The Bank creates loan loss provisions against non-performing commercial advances in accordance with Prudential Regulations issued by SBP. Please refer to note 11.3.1 for reconciliation in loan loss provision.

Concentrations of credit risk (whether on or off statement of financial position) that arise from financial instruments exist for counterparties when they 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 42.1.1 for segment reporting.

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 warns of dangers before the Bank is faced with undesirable positions. For this reason, all facilities of a continuing character are only approved after the next review date, unless otherwise agreed.

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.

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 pledged 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.

42.1.1 Segmental information

Segmental Information is presented in respect of the class of business and geographical distribution of Advances, Deposits, Contingencies and Commitments.

42.1.1.1 Segments by class of business

	December 31, 2013					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, forestry, hunting and fishing	24,940	0.04	617,441	0.58	124,966	0.20
Automobile	1,727,585	2.63	301,061	0.28	339,313	0.54
Banaspati and allied industries	224,853	0.34	510	0.00	62,781	0.10
Carpet	141,709	0.22	26,816	0.03	357,459	0.56
Cement	789,708	1.20	28,605	0.03	408,674	0.65
Chemical and pharmaceutical	2,326,845	3.55	945,565	0.89	1,037,097	1.64
Construction / real estate	2,769,286	4.22	4,089,316	3.85	2,639,820	4.17
Consumer / individuals / staff	2,601,717	3.97	59,482,624	55.98	3,545,233	5.60
Dairy and poultry	158,328	0.24	590,542	0.56	93,493	0.15
Education	273,313	0.42	1,026,923	0.97	344,826	0.54
Electric and electrical goods	1,524,410	2.32	198,549	0.19	451,086	0.71
Energy, oil, gas and power	5,266,956	8.03	2,521,755	2.37	4,953,825	7.82
Exports / imports	1,862,989	2.84	205,354	0.19	1,159,847	1.83
Financial	2,801,909	4.27	4,454,430	4.19	19,001,959	29.99
Food, tobacco and beverages	3,080,973	4.70	194,227	0.18	931,910	1.47
Furniture and allied products	150,515	0.23	51,194	0.05	18,154	0.03
Leather and footwear	366,081	0.56	180,034	0.17	1,209,089	1.91
Glass and ceramics	86,151	0.13	20,950	0.02	13,894	0.02
Health care	143,472	0.22	268,548	0.25	68,505	0.11
Hotels	631,601	0.96	758,996	0.71	92,318	0.15
Insurance	-	0.00	873,396	0.82	3,700	0.01
Mining and quarrying	739,205	1.13	110,716	0.10	176,353	0.28
Miscellaneous manufacturing	1,536,099	2.34	679,337	0.64	1,941,637	3.06
Printing, publishing and allied industries	449,003	0.68	180,760	0.17	1,361,924	2.15
Paper and allied products	58,004	0.09	25,014	0.02	48,442	0.08
Services	3,403,985	5.19	6,080,849	5.72	3,511,235	5.54
Steel and engineering	3,031,937	4.62	300,978	0.28	1,368,824	2.16
Sugar	3,930,397	5.99	304,511	0.29	1,716,533	2.71
Textile	11,800,749	18.00	760,884	0.72	9,307,189	14.69
Transport and communication	1,092,687	1.67	1,423,501	1.34	2,385,889	3.77
Trust	-	0.00	14,785,952	13.92	7,738	0.01
Wholesale and retail trade	9,238,776	14.09	1,927,437	1.81	2,126,922	3.36
Others	3,334,555	5.11	2,838,791	2.68	2,546,882	3.99
	65,568,738	100.00	106,255,566	100.00	63,357,517	100.00

December 31, 2012

	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees	Percent	Rupees	Percent	Rupees	Percent
	in '000		in '000		in '000	
Agriculture, forestry, hunting and fishing	58,981	0.11	455,465	0.48	375,862	0.64
Automobile	1,213,643	1.87	385,252	0.40	275,059	0.50
Banaspati and allied industries	275,719	0.42	543	0.00	42,531	0.08
Carpet	172,295	0.27	21,087	0.02	262,757	0.48
Cement	846,285	1.30	217,090	0.22	362,765	0.66
Chemical and pharmaceutical	2,630,535	4.05	1,580,772	1.63	941,519	1.71
Construction / real estate	3,646,216	5.61	4,166,665	4.30	1,405,934	2.56
Consumer / individuals / staff	2,567,168	3.95	51,353,009	53.04	4,275,992	7.77
Dairy and poultry	40,333	0.06	636,684	0.66	139,999	0.25
Education	281,810	0.43	747,256	0.77	187,840	0.34
Electric and electrical goods	2,162,762	3.33	119,467	0.12	349,716	0.64
Energy, oil, gas and power	6,146,090	9.46	3,059,654	3.16	4,010,663	7.29
Exports / imports	1,476,232	2.27	318,921	0.33	354,510	0.64
Financial	3,394,581	5.23	9,639,614	9.96	17,819,402	32.39
Food, tobacco and beverages	2,195,698	3.38	342,128	0.35	329,465	0.60
Furniture and allied products	-	0.00	32,968	0.03	-	0.00
Leather and footwear	328,458	0.51	74,195	0.08	512,394	0.93
Glass and ceramics	121,855	0.19	13,694	0.01	20,204	0.04
Health care	118,741	0.18	204,043	0.21	99,312	0.18
Hotels	727,403	1.12	490,659	0.51	118,093	0.21
Insurance	533,547	0.82	1,072,486	1.11	3,700	0.01
Mining and quarrying	1,437,163	2.21	188,351	0.19	553,879	1.01
Miscellaneous manufacturing	-	0.00	477,475	0.49	1,702,867	3.10
Printing, publishing and allied industries	523,619	0.81	217,518	0.22	82,828	0.15
Paper and allied products	-	0.00	62,654	0.06	6,654	0.01
Services	3,190,524	4.91	8,604,863	8.89	3,054,234	5.55
Steel and engineering	2,470,199	3.80	510,479	0.53	1,676,720	3.05
Sugar	4,081,761	6.29	81,476	0.08	1,069,740	1.94
Textile	11,742,392	18.08	742,128	0.77	8,723,730	15.86
Transport and communication	2,475,229	3.81	1,699,458	1.76	1,616,480	2.94
Trust	-	0.00	1,902,258	1.96	4,180	0.01
Wholesale and retail trade	5,282,405	8.13	5,358,850	5.54	2,288,846	4.16
Others	4,800,813	7.40	2,038,210	2.12	2,350,526	4.30
	64,942,457	100.00	96,815,372	100.00	55,018,401	100.00

42.1.1.2 Segment by sector

December 31, 2013

	Rupees	Percent	Rupees	Percent	Rupees	Percent
Public / Government	5,384,800	8.21	19,520,103	18.37	80,602	0.13
Private	60,183,938	91.79	86,735,463	81.63	63,276,915	99.87
	65,568,738	100.00	106,255,566	100.00	63,357,517	100.00

December 31, 2012

	Rupees	Percent	Rupees	Percent	Rupees	Percent
Public / Government	938,800	1.45	18,768,402	19.39	14,403	0.03
Private	64,003,657	98.55	78,046,970	80.61	55,003,998	99.97
	64,942,457	100.00	96,815,372	100.00	55,018,401	100.00

42.1.1.3 Details of non-performing advances and specific provisions by class of business segment

	December 31, 2013		December 31, 2012	
	Classified advances ----- (Rupees in '000) -----	Specific provisions held	Classified advances ----- (Rupees in '000) -----	Specific provisions held
Agriculture, forestry, hunting and fishing	23,915	23,915	29,986	28,929
Automobile	968,918	739,526	947,579	742,123
Banaspati and allied industries	170,635	102,613	188,151	84,224
Carpet	114,238	82,057	72,860	32,294
Cement	329,169	329,169	329,169	329,169
Chemical and pharmaceutical	253,988	146,288	1,359,604	232,760
Construction / real estate	1,103,638	449,599	989,189	269,263
Consumer / individuals / staff	191,641	74,169	197,233	117,884
Dairy and poultry	1,418	1,418	1,418	1,418
Education	58,293	21,634	63,877	20,860
Electric and electrical goods	87,351	46,760	104,097	47,480
Energy oil, gas and power	499,905	332,767	507,613	343,330
Exports / imports	836,682	631,179	1,229,057	789,964
Financial	1,632,844	1,249,160	1,779,145	1,363,268
Food, tobacco and beverages	928,702	381,556	664,960	133,391
Footwear and leather garments	43,478	13,553	57,681	13,869
Furniture and allied products	12,320	8,255	-	-
Glass and ceramics	85,997	49,851	86,077	38,998
Health care	100,835	58,974	104,958	41,896
Hotels	241,798	166,037	241,959	124,299
Jewellery	-	-	-	-
Mining and quarrying	4,670	3,718	20,052	13,776
Others	692,153	360,066	1,404,840	802,653
Paper and allied products	6,258	6,258	6,258	5,428
Printing, publishing and allied industries	-	-	295,441	113,253
Rubber and plastic products	-	-	-	-
Services	790,696	376,825	970,853	429,221
Sports goods	-	-	-	-
Steel and engineering	1,053,900	297,137	1,041,580	280,823
Sugar	-	-	1,086,882	940,355
Textile	4,405,358	3,554,339	6,560,206	3,496,183
Transport and communication	298,526	225,714	297,230	223,773
Wholesale and retail trade	2,641,026	1,468,895	2,771,992	1,329,931
	17,809,041	11,337,959	23,409,947	12,390,815

42.1.1.4 Details of non-performing advances and specific provisions by sector

	December 31, 2013		December 31, 2012	
	Classified advances ----- (Rupees in '000) -----	Specific provisions held	Classified advances ----- (Rupees in '000) -----	Specific provisions held
Public / Government	-	-	-	-
Private	17,809,041	11,337,959	23,409,947	12,390,815
	17,809,041	11,337,959	23,409,947	12,390,815

42.1.1.5 Geographical segment analysis	Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- (Rupees in '000) -----			
December 31, 2013				
Pakistan	<u>(1,385,777)</u>	<u>125,499,781</u>	<u>3,347,104</u>	<u>63,357,517</u>
December 31, 2012				
Pakistan	<u>(2,498,841)</u>	<u>134,289,066</u>	<u>3,007,839</u>	<u>55,018,401</u>

Total assets employed shown above include mean total assets shown on the statement of financial position and intra group items. Net assets employed mean net assets shown on the statement of financial position.

42.2 Credit risk - general disclosure Basel II specific

42.2.1 Credit risk - general disclosures

The Bank is following standardised approach for all its Credit Risk Exposures.

42.2.1.1 Credit Risk: Disclosures for portfolio subject to Standardised Approach and supervisory risk weights in IRB approach Basel II specific

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. In this connection, the Bank utilises the credit ratings assigned by ECAIs and has recognised agencies such as PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company – Vital Information Systems), Fitch, Moody’s and Standard and Poors which are also recognised by the SBP. The Bank also utilises rating scores of Export Credit Agencies (ECA) participating in the “Arrangement on Officially Supported Export Credits”.

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

Selection of ECAIs

The Bank selects particular ECAI(s) for each type of claim. Amongst the ECAIs that have been recognised as eligible by SBP, the following are being used against each respective claim type.

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.

Exposures to Public Sector Entities (PSEs): For PSE exposures, ratings of PACRA and JCR-VIS are used to arrive at risk weights.

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.

Corporate Exposures: Ratings assigned by PACRA and JCR-VIS are used for claims on Corporate (excluding equity exposures).

Use of ECAI ratings

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	CCC	7
				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+
			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

Types of exposures and ECAI's used

Exposures	December 31, 2013				
	Fitch	Moody's	S&P	PACRA	JCR-VIS
Corporate	-	-	-	Yes	Yes
Banks	Yes	Yes	Yes	Yes	Yes
Sovereigns	-	-	-	-	-
SME's	-	-	-	-	-
Securitisations	-	-	-	-	-
Others	-	-	-	Yes	Yes

Exposure	Rating category	December 31, 2013			December 31, 2012		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
		----- (Rupees in '000) -----					
Corporate	20%	1,363,180	-	1,363,180	2,405,597	29,046	475,310
	50%	2,244,433	1,180	2,243,253	3,252,615	-	1,626,307
	100%	29,527	-	29,527	-	-	-
	unrated	38,881,204	1,737,917	37,143,287	30,072,856	3,491,588	26,581,255
	150%	339,909	-	339,909	690,099	177,399	769,050
Retail	75%	6,493,228	792,380	5,700,848	6,024,240	876,617	3,860,717
Past due loan	150%	3,019,943	-	3,019,943	5,843,405	-	8,765,107
	100%	1,577,668	-	1,577,668	3,026,151	-	3,026,151
	50%	1,851,558	-	1,851,558	2,146,352	-	1,073,176
Bank	20%	7,322,912	-	7,322,912	7,234,723	1,030,133	1,240,918
	50%	620,278	-	620,278	992,274	-	496,137
	100%	125,351	-	125,351	17,390	-	17,390
	150%	-	-	-	195,815	-	293,722
	unrated	-	-	-	-	-	-
Sovereign etc.	0%	8,483,301	-	8,483,301	4,485,616	-	-
Others	0%	-	-	-	2,723,523	-	-
	35%	963,797	2,000	961,797	853,564	-	298,747
	50%	-	-	-	-	-	-
	100%	9,337,878	-	9,337,878	16,191,885	-	16,191,885
	250%	5,799,860	-	5,799,860	35,143	-	52,715
		88,454,027	2,533,477	85,920,550	86,191,246	5,604,783	64,768,587

42.2.1.2 Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardised Approach

The Bank has adopted the Simple Approach of Credit Risk Mitigation for the Banking Book. Since the trading book of the Bank only comprises equity investments; 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 Simple 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 i.e. risk weight of the collateral instrument securing the exposure is substituted for the risk weight of the counter party.

The Bank accepts cash, lien on deposits, government securities and eligible guarantees etc. under the simple 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.

Since no specific asset is available by way of security in the context of unfunded credit protection, the creditworthiness and reliability of the provider and the validity and enforceability of that party's obligations is of paramount importance. Therefore, unfunded credit protection is only "eligible" if it is provided by an appropriate counterparty which may include National Government, Central Bank etc.

42.3 Equity position risk in the banking book

The Bank makes investment for variety of purposes. Some of the investment positions of equity holding are made for revenue generation as part of strategic initiatives, while other equity holdings are held to earn capital gain to support the Bank's business activities.

Classification of investments

Under SBP's directives, equity investment may be classified as "Held-For-Trading (HFT)", "Available-for-Sale (AFS)" or "Investment in Subsidiaries and Associates". Some of the equity investments are listed and traded in public through stock exchanges, while other investments are unlisted and therefore illiquid.

Policies, valuation and accounting of equity investments

In accordance with the requirements of the SBP, quoted securities are carried at market value whereas investments in associates are accounted for in accordance with the directives of SBP.

The unrealised surplus / (deficit) arising on revaluation of the Group's held-for-trading investment portfolio is taken to the profit and loss account. The surplus / (deficit) arising on revaluation of quoted securities classified as available-for-sale is kept in a separate account shown in the statement of financial position below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account on disposal.

Unquoted equity securities are valued at the lower of cost and break-up value. Subsequent increases or decreases in the carrying value are credited / charged to profit and loss account. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any. Provision for diminution in the value of securities is made after considering impairment, if any, in their value.

Profit and loss on sale of investments is included in income.

Composition of equity investments - market values

	December 31, 2013			December 31, 2012		
	Held-for-trading	Available-for-sale	Investment in subsidiaries and associates	Held-for-trading	Available-for-sale	Investment in subsidiaries and associates
	----- (Rupees in '000) -----					
Equity investments	68,881	1,580,399	-	6,120	1,808,189	234,168
Mutual fund units						
- Open end	-	29,352	-	-	787,949	-
Total value	<u>68,881</u>	<u>1,609,751</u>	<u>-</u>	<u>6,120</u>	<u>2,596,138</u>	<u>234,168</u>

The cumulative realised gain on sale of equity securities amounted to Rs.31.138 million (December 31, 2012: Rs.273.027 million), however, unrealised loss of Rs.263.771million (December 31, 2012: Rs.424.304 million) was recognised in the statement of financial position in respect of available-for-sale securities.

42.4 Market risk

Market Risk is the risk that the value of on and off statement of financial positions 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 credit spreads resulting in a loss of earnings and capital.

The Group is primarily exposed to interest rate risk which is reflected in the level of future income and expense produced by these positions versus levels that would be generated by current levels of interest rates. Other risks include exposures to foreign exchange rates, as well as mortgage, equity market and issuer credit risk factors. The Bank is in the process of developing Value at Risk (VAR) and stress testing models for management of such risks.

42.4.1 Interest rate risk

Interest Rate risk is the potential impact on a bank's earnings and asset values with variation in interest rates. Interest rate risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specified period. These positions include loans, debt securities, certain trading-related assets and liabilities, deposits and borrowings. The Group's overall goal is to manage interest rate sensitivity so that movements in interest rates do not adversely affect net interest income. Interest rate risk is measured as the potential volatility in our net interest income caused by changes in market interest rates. The Bank seeks to mitigate interest rate risk in a variety of ways including taking offsetting positions and other asset and liability management process. Whilst the Treasury and the Risk Management Division of the Bank monitor and manage the interest rate risk on a daily basis, the overall interest rate risk position and strategies are reviewed on an ongoing basis by Asset and Liability Committee (ALCO).

42.4.2 Foreign exchange risk

The Group 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 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 Bank is carefully monitoring the net foreign currency exposure as well as utilizing the currency swap and forward contract to hedge the related exposure.

	December 31, 2013			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- (Rupees in '000) -----			
Pakistan rupee	119,834,440	115,312,706	(2,717,774)	1,803,960
United States dollar	5,307,239	5,504,071	1,901,083	1,704,251
Great Britain pound	162,772	608,552	435,549	(10,231)
Japanese yen	31	1,869	3,009	1,171
Euro	121,003	531,018	279,213	(130,802)
Other currencies	74,296	194,461	98,920	(21,245)
	<u>125,499,781</u>	<u>122,152,677</u>	<u>-</u>	<u>3,347,104</u>

	December 31, 2012			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- (Rupees in '000) -----			
Pakistan rupee	128,046,856	126,625,294	1,633,689	3,055,251
United States dollar	5,753,942	3,398,149	(2,372,997)	(17,204)
Great Britain pound	69,961	509,858	424,080	(15,817)
Japanese yen	189	-	-	189
Euro	401,172	742,620	315,228	(26,220)
Other currencies	16,946	5,306	-	11,640
	<u>134,289,066</u>	<u>131,281,227</u>	<u>-</u>	<u>3,007,839</u>

42.4.3 Equity position risk

Equity market risk is risk to earnings on capital that results from adverse changes in the value of equity related portfolios. Equity market risk arises from exposure to securities that represent an ownership interest in a company. The Bank is exposed to the equity market risk on its equity trading portfolio only. Apart from on statement of financial position exposure, some off statement of financial position equity exposure also comes from the future contracts. Bank is in the process of instituting measures to mitigate the risk associated with the trading equity portfolio through future contracts and active trading on stop loss basis. The strategic equity portfolio however remains exposed to market variations. The Board with the recommendations of ALCO approves exposure limits applicable to investments in trading book.

December 31, 2012

	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
Assets										
Cash and balances with treasury banks	8,110,198	8,110,198	-	-	-	-	-	-	-	-
Balances with other banks	3,601,183	3,601,183	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,038,500	2,038,500	-	-	-	-	-	-	-	-
Investments	49,770,923	2,557,098	8,466,645	22,759,473	10,018,595	618,259	407,145	2,020,344	323,229	2,600,135
Advances	52,549,154	3,017,550	13,006,957	4,125,352	20,423,973	3,969,670	1,993,796	3,273,509	2,444,545	293,802
Operating fixed assets	5,456,565	363,290	66,579	99,869	200,029	313,668	299,747	513,200	828,248	2,771,935
Deferred tax assets	5,986,434	145,409	400,181	964,021	461,404	33,393	459,630	795,259	1,800,017	927,120
Other assets	6,776,109	4,238,691	845,806	845,806	845,806	-	-	-	-	-
	134,289,066	24,071,919	22,786,168	28,794,521	31,949,807	4,934,990	3,160,318	6,602,312	5,396,039	6,592,992

Liabilities

Bills payable	1,654,302	1,654,302	-	-	-	-	-	-	-	-
Borrowings	28,900,432	25,676,754	2,646,900	484,800	689	40,307	-	50,982	-	-
Deposits and other accounts	96,815,372	22,656,776	17,925,457	11,021,296	10,256,858	482,722	33,656,592	26,611	789,060	-
Sub-ordinated loans	1,499,310	-	-	-	-	-	-	-	1,499,310	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	2,411,811	2,411,811	-	-	-	-	-	-	-	-
	131,281,227	52,399,643	20,572,357	11,506,096	10,257,547	523,029	33,656,592	77,593	2,288,370	-
Net assets	3,007,839	(28,327,724)	2,213,811	17,288,425	21,692,260	4,411,961	(30,496,274)	6,524,719	3,107,669	6,592,992

Share capital	10,779,796
Reserves	(1,811,675)
Accumulated loss	(6,126,046)
Surplus on revaluation of assets - net	165,764
	3,007,839



December 31, 2012

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	
										(Rupees in '000)
Assets										
	8,110,198	8,110,198	-	-	-	-	-	-	-	-
Cash and balances with treasury banks	3,601,183	3,601,183	-	-	-	-	-	-	-	-
Balances with other banks	2,038,500	2,038,500	-	-	-	-	-	-	-	-
Lendings to financial institutions	49,770,923	2,557,098	8,466,645	22,759,473	10,018,595	618,259	2,020,344	323,229	2,600,135	
Investments	52,549,154	3,017,550	13,006,957	4,125,352	20,423,973	3,969,670	3,273,509	2,444,545	293,802	
Advances	5,456,565	363,290	66,579	99,869	200,029	313,668	513,200	828,248	2,771,935	
Operating fixed assets	5,986,434	145,409	400,181	964,021	461,404	33,393	795,259	1,800,017	927,120	
Deferred tax assets	6,776,109	6,776,109	-	-	-	-	-	-	-	
Other assets	134,289,066	26,609,337	21,940,362	27,948,715	31,104,001	4,934,990	6,602,312	5,396,039	6,592,992	
Liabilities										
	1,654,302	1,654,302	-	-	-	-	-	-	-	
Bills payable	28,900,432	25,676,754	2,646,900	484,800	689	40,307	50,982	-	-	
Borrowings	96,815,372	64,537,994	10,606,735	9,637,046	10,351,602	472,322	26,611	789,060	-	
Deposits and other accounts	1,499,310	-	-	-	-	-	-	1,499,310	-	
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	
Other liabilities	2,411,811	2,411,811	-	-	-	-	-	-	-	
	131,281,227	94,280,861	13,253,635	10,121,846	10,352,291	512,629	77,593	2,288,370	-	
Net assets	3,007,839	(67,671,524)	8,686,727	17,826,869	20,751,710	4,422,361	6,524,719	3,107,669	6,592,992	
Share capital	10,779,796									
Reserves	(1,811,675)									
Accumulated loss	(6,126,046)									
Deficit on revaluation of assets - net	165,764									
	3,007,839									

42.6 Operational risk management

The Group, like all financial institutions, is exposed to many types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and procedures and the execution of legal, fiduciary and agency responsibilities.

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 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.

The Group is currently in the process of implementing internationally accepted Internal Control-Integrated Framework published by the Committee of Sponsoring Organisations of the Tread way Commission (COSO), with a view to consolidate and enhance the existing internal control processes.

43. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 08, 2014 by the Board of Directors of the Group.

44. GENERAL

44.1 Figures have been re-arranged and re-classified, wherever necessary, for the purpose of better presentation.

44.2 The figures in the financial statements have been rounded off to the nearest thousand.

President &
Chief Executive

Chairman

Director

Director



**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED
DURING THE YEAR ENDED DECEMBER 31, 2013**

Sr. No.	Name and address of the borrower	Name of individuals / partners / directors (with N.I.C. No.)	Father's / husband's name	Outstanding Liabilities at beginning of year				Total	Principal written-off	Interest / mark-up written-off	Other financial relief provided	Total (9+10+11)
				Principal	Interest / mark-up	Others	Total					
1	2	3	4	5	6	7	8	9	10	11	12	
	Printing Services (Pvt.) Limited F-42/A, Hub River Road, SITE, Karachi	Mr. Misbahuddin Khan 42301-8243975-3 Mrs. Anis Fatima 42301-0993959-2 Ms. Musarrat Misbah 42301-0983750-0 Mr. Fazale Azeem 42201-8514923-5 Mrs. Farhat Haseeb 42301-0998356-2	Mohammad Zaki Khan Mr. Misbahuddin Khan Mr. Misbahuddin Khan Mr. Fazal-ur-Rehman Mr. Mohammad Haseeb Khan	62,240	26,255	-	88,495	32,140	26,255	-	58,395	
2	Century 21 Textile C-55, KDA Scheme No.1, Karsaz Road, Karachi.	Zahid A Razzak 42000-0571249-5	Abdul Razzak	86,229	29,293	-	115,522	28,729	29,293	-	58,022	
3	M.F. Corporation Pvt., Ltd. 16-E, Rashid Minhas Street, PECHS, Block-6, Karachi.	Amanullah Farouk 42201-4239187-5 Obedullah Farouk 42301-9457940-7 Assadullah Farouk 42301-1064590-7	Muhammad Farouk Muhammad Farouk Mian Mohammad	39,999	27,048	-	67,047	-	27,048	-	27,048	
4	Jaliawala Trading co. Suit No.519-5th Floor, Madina City Mall, Near Zainab Market, Abdullah Hairon Road, Saddar, Karachi.	Muhammad Saleem (Late) 42201-0721248-5	Muhammad Siddique	8,347	3,253	-	11,600	1,347	3,253	-	4,600	
5	Aftab Silk Industries Factory: B-13, SITE, Opp: MSD Pharmaceuticals, Near SITE, Post Office Chowrangli, Karachi. Godown: No.12, Madina Square Market, Near Kharadar Police Chowki, Kharadar, Karachi.	1. Mohammad Yousuf Vohra 42101-0189680-5 2. Tanveer Yousuf Vohra 516-85-104426 3. Rehana Ilyas 521-65-415068 4. Mrs. Amina 516-89-104424 5. Rukhsana Salim 42101-8608813-6	Omer G. Vohra Mohammad Yousuf Vohra Mohammad Ilyas Vohra Mohammad Yousuf Vohra Mohammad Salim	1,234	128	4,112	5,474	534	128	4,112	4,774	
6	Mohammad Shahid Durvesh Karachi Stock Exchange (Guaranteed) Ltd. Office No.712-713, 7th Floor, New Karachi Stock Exchange Building, Karachi.	Mohammad Shahid Durvesh 42301-0846049-3	Abdul Rehman	4,392	-	-	4,392	1,542	-	-	1,542	
7	Rabia Exports International Suit # 25-B, 3rd Floor, Textile Plaza, M.A Jinnah Road Karachi	Muhammad Aslam 511-57-092208	Muhammad Ibrahim	2,868	2,265	-	5,133	1,843	2,265	-	4,108	

Sr. No.	Name and address of the borrower	Name of individuals / partners / directors (with N.I.C. No.)	Father's / husband's name	Outstanding Liabilities at beginning of year					Principal written-off	Interest / mark-up written-off	Other financial relief provided	Total (9+10+11)
				Principal	Interest / mark-up	Others	Total					
1	2	3	4	5	6	7	8	9	10	11	12	
23	Rose Incorporation Small Industrial Estate, Sialkot	1) Ijaz Ahmed Bajwa, 34603-2290650-1 2) Asif Ahmed Bajwa 34603-2664607-3	Muhammad Hussain Bajwa Muhammad Hussain Bajwa	2,534	-	-	2,534	1,384	-	-	1,384	
24	Ghazala Nargis House No.07, Main Nazimuddin Road, F-11/4, Islamabad	Ghazala Nargis 61101-1331457-6	Raja Imran Ashraf	4,020	17,800	-	21,820	-	14,219	-	14,219	
25	Mag Foods and Beverages House No.2, St No.19, F-7/2, Islamabad.	Hamayun Gohar 61101-8700072-9 Imran Shoukat 34104-42239403-3	Altaf Gauhar Shaukat Ali	74,945	6,443	-	81,388	-	6,443	-	6,443	
26	Fancy Textile Industrial Estate, College Road, Kamoke	Sheikh Abdul Qadeer 34101-4378368-1	Sheikh Manzoor Hussain	10,757	471	904	12,132	757	471	904	2,132	
27	Muhammad Nawaz 9-C1 Civic Center Flat # 04 Floor # 02 Faisal Town Lahore	Muhammad Nawaz 37105-0220776-5	Allah Yar Khan	795	595	-	1,390	191	595	-	786	
28	Tariq Mehmood Mehmood Ice Factory Raja Ghulam Rasool Nagar Faislabad	Tariq Mehmood 33100-0588356-9	Abdul Rahim Saleemi	1,600	1,399	-	2,999	432	1,365	-	1,797	
29	Altamash Zubair 25-A Shah Jamal Lahore	ALTamash Zubair 35202-9095163-9	Shafiq Nabi	1,199	416	-	1,615	336	416	-	752	
30	Muhammad Tahir 2198/A Fort Road Lahore Near Badshahi Mosque	Muhammad Tahir 35202-2285991-1	Mian Muhammad Ijaz	450	573	-	1,023	75	573	-	648	
31	Iqbal Ahmed Post Off Industrial Estare Khudadad Colony Multan	Iqbal Ahmed 36302-3646049-1	Mian Abdul Salam	999	482	-	1,481	218	482	-	700	
32	Zulfiqar Hussain 2-B-3 Commercial Area Nazimabad # 2 Karachi	Zulfiqar Hussain 42101-9746544-3	Intizar Hussain	23,397	12,610	-	36,007	3,397	12,610	-	16,007	
33	Mehmood Traders Ghanian Road Near Water Tanki Phalia	Haji Fazal Mehmood 34403-7958335-3	Main Ghulam Hussain	4,379	922	-	5,301	377	922	-	1,299	
34	Malik Razaqat Khan M/S Pak Doctors Housing 104 West Flat# 5 Qinz Center, Islamabad	Malik Razaqat Khan 61101-7130254-1	Malik Mansabdar	28,446	2,235	-	30,681	2,999	2,235	-	5,234	
35	Mansoor Ahmed Samor S#LG 18.3 Commercial Zone,Crystal TN, Gulberg III, Lahore	Mansoor Ahmed Samor 35202-3019376-3	Mushtaq Ahmed Samor	16,231	3,306	-	19,537	2,580	3,307	-	5,887	
				1,019,419	312,506	5,016	1,336,941	112,105	303,108	5,016	420,229	
			TOTAL									

CATEGORIES OF SHAREHOLDERS

AS ON DECEMBER 31, 2013

Categories of Shareholders	Shares Held	
	Number	% age
Associated Companies, Undertakings & Related Parties		
Suroor Investments Limited	554,680,393	51.46
Rupali Bank Limited	32,777,450	3.04
Shirazi Capital (Pvt.) Limited.	56,041,429	5.20
Arif Habib Corporation	1,000,355	0.09
Summit Capital (Pvt) Limited	777	0.00
Directors		
Mr. Nasim Beg	3,777	0.00
Mr. Asadullah Khawaja	74	0.00
Mr. Husain Lawai	418,500	0.04
Mr. Muhammad Zahir Esmail	17	0.00
National Investment Trust & Investment Corporation of Pakistan		
	11,032,406	1.02
Banks, Development Financial Institutions, Non Banking Finance Institutions, Insurance Companies, Modarabas & Mutual Funds		
	96,789,588	8.98
Foreign Shareholders		
	9,130,625	0.85
Individuals		
	221,699,316	20.57
Others		
	94,404,868	8.76
Total	1,077,979,575	100.00

CATEGORIES OF SHAREHOLDERS

AS ON DECEMBER 31, 2013

Categories of Shareholders	Number of Shareholder	Shares Held	
		Number	% age
Associated Companies, Undertakings & Related Parties			
Suroor Investments Limited	1	554,680,393	51.46
Rupali Bank Limited	1	32,777,450	3.04
Shirazi Capital (Pvt) Limited	1	56,041,429	5.20
Arif Habib Corporation	1	1,000,355	0.09
Summit Capital (Pvt) Limited	1	777	0.00
Directors	4	422,368	0.04
National Investment Trust & Investment Corporation of Pakistan	2	11,032,406	1.02
Banks, Development Financial Institutions, Non Banking Finance Institutions, Insurance Companies, Modarabas & Mutual Funds	20	96,789,588	8.98
Foreign Shareholders	8	9,130,625	0.85
Individuals	49,555	221,699,316	20.57
Others	133	94,404,868	8.76
Total	49,725	1,077,979,575	100.00

PATTERN OF SHAREHOLDING

AS ON DECEMBER 31, 2013

NO. OF SHAREHOLDERS	SHAREHOLDING		TOTAL SHARES HELD
	From	To	
8,269	1	100	354,681
4,188	101	500	1,137,541
25,235	501	1,000	14,361,029
8,908	1,001	5,000	18,273,095
1,270	5,001	10,000	9,333,706
1,612	10,001	100,000	46,638,652
205	100,001	1,000,000	57,633,408
15	1,000,001	2,000,000	19,511,233
1	2,000,001	3,000,000	2,396,500
4	4,000,001	5,000,000	17,712,058
1	5,000,001	6,000,000	5,655,000
3	6,000,001	7,000,000	18,710,414
1	7,000,001	8,000,000	7,762,159
1	8,000,001	9,000,000	8,342,700
2	11,000,001	12,000,000	22,900,563
1	13,000,001	14,000,000	13,253,000
1	18,000,001	19,000,000	18,582,526
1	20,000,001	21,000,000	20,214,222
1	24,000,001	25,000,000	25,000,000
1	25,000,001	26,000,000	25,700,000
2	32,000,001	33,000,000	64,876,969
1	48,000,001	49,000,000	48,908,297
1	56,000,001	57,000,000	56,041,429
1	554,000,001	555,000,000	554,680,393
49,725			1,077,979,575

NOTICE OF THE EIGHTH ANNUAL GENERAL MEETING

Notice is hereby given that the Eighth Annual General Meeting of the Shareholders (the "Shareholders") of Summit Bank Limited (the "Bank"), will be held on April 7, 2014 at 11.00 a.m. at Serena Hotel, Islamabad to transact the following business:

Agenda

Ordinary Business:

1. To confirm the minutes of the 7th Annual General Meeting of the Bank held on March 30, 2013.
2. To receive, consider and adopt the Audited Financial Statements stand alone and consolidated of the Bank for the year ended December 31, 2013 along with the Board of Directors' of the Bank (the "Board") and Auditors' Reports thereon.
3. To appoint External Auditors of the Bank for the year ending December 31, 2014 till the conclusion of next Annual General Meeting and fix their remuneration (present Auditors, M/s. Ernst Young Ford Rhodes Sidat Hyder, Chartered Accountants being eligible, offer themselves for re-appointment).

Special Business:

4. To consider and approve to increase in Authorized Share Capital.

In order to comply with the Capital Adequacy Requirement and to maintain the paid-up capital as required by State Bank of Pakistan, and facilitate for issuance of further share capital, in accordance with the Capital Injunction Plan, the Board, in its meeting held on March 8, 2014, had recommended to the Shareholders to consider in their Annual General Meeting the proposal to increase the Authorized Share Capital of the Bank:

"RESOLVED that pursuant to Section 92 of the Companies Ordinance, 1984, read with other applicable provisions, the Authorized Capital of the Bank be and is hereby increased from PKR 15,000,000,000/- (Pakistani Rupees Fifteen Billion only) divided into 1,500,000,000 (One Billion Five Hundred Million) ordinary shares of PKR 10/- (Pakistani Rupees Ten) each to PKR 20,000,000,000/- (Pakistani Rupees Twenty Billion only) divided into 2,000,000,000 (Two Billion) ordinary shares of PKR 10/- (Pakistani Rupees Ten) each, ranking pari passu with the existing ordinary shares of the Bank."

5. To consider and approve for the proposed changes in the Memorandum and Articles of Association of Bank.

The Board, in its meeting held on March 8, 2014, had recommended to the shareholders for approval of amendments in Clause V of Memorandum and Article 6 of the Memorandum and Articles of Association of the Bank.

"RESOLVED that the existing Clause V of the Memorandum of Association of the Bank be and is hereby amended / substituted as follows:

- V. The share capital of the Bank is PKR 20,000,000,000/- (Pakistani Rupees Twenty Billion) divided into 2,000,000,000 (Two Billion) ordinary shares of PKR 10/- (Pakistani Rupees Ten) each with power to the company from time to time to increase, reduce or reorganize its capital or to sub-divide the shares in the capital for the time being into several classes. The share capital shall comprise of one or more kinds of shares and different classes of shares under each kind as permitted by the Companies Share Capital (Variation in Rights and Privileges) Rules, 2000, as amended from time to time, with such rights and privileges attached thereto as may be approved by the Members from time to time by a Special Resolution.

FURTHER RESOLVED that existing Article 6 of the Articles of Association of the Bank be and is hereby amended / substituted as follows:

The Capital of the Bank is PKR 20,000,000,000/- (Pakistan Rupees Twenty Billion) divided into 2,000,000,000 (Two Billion) ordinary shares of PKR 10/- (Pakistani Rupees Ten) each with power to increase or reduce the capital and to divide the shares in the capital for the time being into several classes provided however, that rights as between various classes of ordinary shares (if any) as to profits, votes and other benefits shall be strictly proportionate to the paid-up value of the shares."



A statement under section 160(1)(b) of the Companies Ordinance, 1984 pertaining to the Special Business referred to above is annexed to this Notice of Meeting.

Other Business:

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

By order of the Board

Karachi
Date: March 17, 2014

Syed Imran Hashmi
CFO & Company Secretary - Acting

Notes:

1. The share transfer books of the Bank will be closed from March 31, 2014 to April 07, 2014 (both days inclusive). Transfers received at the office of the Share Registrar of the Bank, M/s. Technology Trade (Pvt.) Ltd., Dagia House, 241-C, Block-2, P.E.C.H.S., Off. Shahrah-e-Quideen, Karachi, at the close of Business March 30, 2014 will be treated in time for the purpose of entitlement to attend the said AGM.
2. A member entitled to attend and vote at this meeting may appoint another member as his / her proxy to attend and vote on his / her behalf. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power of attorney must be valid and received at the office of the Share Registrar of the Bank, M/s. Technology Trade (Pvt.) Ltd., Dagia House, 241-C, Block-2, P.E.C.H.S., Off. Shahrah-e-Quideen, Karachi duly stamped, signed and witnessed no later than 48 hours before the meeting.
3. Shareholders whose shares are deposited with Central Depository Company of Pakistan Limited (CDC) are requested to bring their computerized National Identity Card (CNIC) along with their CDC Account Number for verification. In case of corporate entity, the Board's resolution / power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
4. Members are requested to notify any change in their addresses immediately.
5. Members who have not yet submitted photocopies of their CNICs to the Registrar are requested once again submit a valid attested copy of their CNICs with our Share Registrar M/s. Technology Trade (Pvt.) Ltd.

STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984

1. Increase in Authorized Share Capital.

In order to comply with the Capital Adequacy Requirement and to maintain the paid-up capital as required by State Bank of Pakistan, and facilitate for issuance of further share capital, in accordance with the Capital Injunction Plan the Board, in its meeting held on March 8, 2014 had recommended to the Shareholders to consider in their Annual General Meeting the proposal to increase the Authorized Share Capital of the Bank.

2. Changes in the Memorandum and Articles of Association of Bank.

After increase of authorized capital under items No. 4 of the notice, it is required to amend the Memorandum and Articles of Association of the Bank. Therefore, the Board, in its meeting held on March 8, 2014 had recommended to the Shareholders for approval of amendments in Clause V of Memorandum and Article 6 of the Memorandum and Articles of Association of the Bank.

The Board has no interest in the special business and / or special resolution that would need a further disclosure.

Branch Network

Karachi

I. I. Chundrigar Road Branch 1

Uni Towers, I.I. Chundrigar Road
Tel: 021-32466410-413
Fax: 021-32466500

Ranchore Line Branch

R.C. 11, Old Survey # E-7/143, Ranchore Line, New Lakhpati Hotel- Karachi.
Tel: 021-32767234-5
Fax: 021-32767236

Karachi Stock Exchange Branch

Office No. 52, 52-A, 52-B, (1st Floor) KSE Building-KHI
Tel: 021-32462850, 32462844-9
Fax: 021-32462843

Atrium Mall Branch

Shop No. 6 and 21 Ground floor, Plot No. 249, Atrium Mall, Staff Lines, Zaibunnisa Street, Saddar, KARACHI
Tel: 021-35641000-5
Fax: 021-35641008

Bahadurabad Branch

Plot # C-23, Shop # 1&2 Block-3, BMC Commercial Area Bahadurabad, Karachi.
Tel: 021-34913447 -49
Fax: 021-34913453

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

Gulshan-e-Iqbal Branch 1

Ground Floor, Hasan Center, Block-16, Main University Road, Karachi.
Tel: 021-34829024-27
Fax: 021-34829023

Gulistan-e-Jauhar Branch 1

Plot # 118/A-B, Shop # 02,03,04 Ground Floor Ruffi Paradise Block-18 Gulistan-e-Jauhar, Karachi
Tel: 021-34621281-3
Fax: 021-34621285

Adamjee Nagar Branch

115-A/Z, Block 7/8, Tipu sultan Road, Karachi.
Tel: 021-"34312984-9"
Fax: 021-34312980

Manzoor Colony Branch

Plot No. 23, Sector I, Street No. 02, Manzoor Colony, Jamshed Town-KHI
Tel: 021-35393829-31
Fax: 021-35393832

Korangi Industrial Area Branch

33/1, Sector-15, Korangi Industrial Area, Karachi
Tel: 021-35114290, 35121294, 35122231-32
Fax: 021-35114282

Jami Commercial, DHA Branch

64 C, Jami Commercial Phase VII, 7th Street, DHA. Karachi.
Tel: 021-35316200-07
Fax: 021-35316199

Dolmen City Branch

Ground Floor Harbor Front, Triangular Towers, Dolmen City Marine Drive Phase IV, Clifton. Karachi.
Tel: 021-35297611-15
Fax: 021-35297610

Hyderi Branch

D-10 Block-F, North Nazimabad, Hyderi. Karachi.
Tel: 021-36724992-4
Fax: 021-36724972

Karimabad Branch

Plot No BS-16, Block 1, FB Area, Karimabad-KHI.
Tel: 021- 36826646-48
Fax: 021-36826649

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

Electronic Market (Abdullah Haroon Road) Branch

Shop No 1 & 2, Plot # 19, Ghafoor Chambers, Preedy Quarters, Saddar, Karachi.
Tel: 021-32711614-7
Fax: 021-32716113

Jodia Bazar Branch 1

A/25/28 Darayalal Street, Jodia Bazar, Karachi.
Tel: 021-32500121-5
Fax: 021-32500128

Khayaban-e-Shahbaz Branch

Plot No. 21-C Khayaban-e-Shahbaz, Phase VI, DHA Karachi.
Tel: 021-35344952 & 35344957
Fax: 021-35344942

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: 021-32815096

Burns Road Branch

Plot No. 55-A, Survey Sheet A.M., Artillery Maidan Quarters (Burns Road), Karachi.
Tel: 021-32215174-75
Fax: 021-32215289

Cloth Market Branch

41, Saleh Muhammad Street, Cloth Market, Karachi.
Tel: 021-32461601-03
Fax: 021-32461604

Truck Stand Branch

Truck Stand, K-28, Hawksbay Road, Trans Lyari-Karachi.
Tel: 021-35428829-30
Fax: 021-37671962

Shahra-e-Faisal Branch(I)

44/A-Nice Trade Orbit, Shop 8, Blk-6, PECHS, Shahrah-e-Faisal, Karachi.
Tel: 021-34328426-7
Fax: 021-34386180



Branch Network

Shershah Branch

Plot # D-175, Industrial Trading Estate Area, Trans Lyari Qtrrs, Shershah-KHI
Tel: 021-32588191-193
Fax: 021-32588195

Nazimabad (Gol Market) Branch

Plot # 7, Sub Block 'E', in Block # III (III-E-7), Nazimabad (Gole Market), Karachi
Tel: 021-36620261-63
Fax: 021-36620264

Khayaban-e-Tanzeem Branch

C 4-C, Tauheed Commercial, Khayaban-e-Tanzeem, Phase-5, DHA, Karachi.
Tel: 021-35869147-35869207-35871640
Fax: 021-35869342

Zaibunnisa Street Branch

B-6/16-A, Sadar Bazar Quarters, Zaibun Nisa Street, Karachi.
Tel: 021-35210084,35660613,35660611,35215033
Fax: 021-35224762

DHA Phase I Branch

101-C, Commercial Area 'B', Phase-1 DHA, Karachi.
Tel: 021-35314063,35314065,35314067
Fax: 021-35314070

Clifton Branch

Pearl Heaven Apartments, Khayaban-e-Roomi, Block No-5, Clifton, Karachi.
Tel: 021-35823469, 35824171,35823619
Fax: 021-35821463

DHA Phase IV Branch

Plot # 129, 9th Commercial Street, Phase IV, DHA, Karachi
Tel: 021-35313068-70
Fax: 021-35313071

Jodia Bazar Branch 2

Ram Bharti Street, Ismail Trade Centre, Karachi
Tel: 021-32437991-3 - 32471120
Fax: 021-32437994

North Napier Road Branch

18-19, North Napier Road, Karachi.
Tel: 021-32766477 & 32766755
Fax: 021-32766487

New Challi Branch

Ground Floor, Trade Tower, Altaf Hussain Road, New Challi, Karachi
Tel: 021-32422071,32422027, 32422096, 32422069
Fax: 021-32422051

Paper Market Branch

Al-Abbas Centre, Paper Market, Shahrah-e-Liaquat, Karachi.
Tel: 021-32639671-2
Fax: 021-32639670

Abdullah Haroon Road Branch

282/3, Abdullah Haroon Road, Area, Saddar, Karachi.
Tel: 021-35685269, 35685393,35685940
Fax: 021-35683991

Water Pump Branch

Lateef Square. Block-16, Federal 'B' Area, Main Water Pump Market, Karachi.
Tel: 021-36321387, 36314817
Fax: 021-36314848

Bahadur Shah Center Branch

Bahadur Shah Center, Urdu Bazar, Off: M.A. Jinnah Road, Karachi.
Tel: 021-32768547, 32768559
Fax: 021-32765083

I. I. Chundrigar Road Branch 2

5-Business & Finance Centre, Opp: State Bank of Pakistan, Karachi.
Tel: 021-32438212, 32472176, 32471796
Fax: 021-32438218

North Karachi Industrial Area Branch

Plot No. R-14, Gabol Town, North Karachi Industrial Area, Karachi.
Tel: 021-32015919 -20 , 36995925
Fax: 021-36975919

Garden East Branch

Shop No. 4,5 & 6, Jumani Centre Plot No. 177-B, Garden East, Karachi
Tel: 021-32243311-13
Fax: 021-32243314

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

Plaza Quarters Branch

Al-Shafi Building Noman Street, Off: M.A. Jinnah Road, Karachi
Tel: 021-32771515-16-18
Fax: 021-32771517

Muhammad Ali Society Branch

Plot# 4-C Commercial Area
Muhammad Ali Co-Operative Housing Society
Karachi.
Tel: 021-34168036-37
Fax: 021-34186045

Timber Market Branch

Siddique Wahab Road, Karachi.
Tel: 021-32732729, 32766995
Fax: 021-32733214

Gulshan-e-Iqbal Branch 2

B-44, Block 13/A, Main University Road, Gulshan-e-Iqbal, Karachi.
Tel: 021-34987688, 34987739-40
Fax: 021-34987689

Tariq Road Branch

C-51, Central Commercial Area, Near KFC Tariq Road, P.E.C.H.S., Karachi.
Tel: 021-34556486, 34556682
Fax: 021-34555478

Barkat-e- Hyderi Branch

Almas Square, Block-G, North Nazimabad, Karachi.
Tel: 021-36628931, 36706896-7
Fax: 021-36723165

Branch Network

Shahrah-e-Faisal Branch(II)

Business Avenue Block-6, P.E.C.H.S., Karachi.
Tel: 021-34386417-18
Fax: 021-34531819

Defence Branch

55-C, Phase-II, D.H.A, Opp Toyota Motors, Main Korangi Road, Karachi.
Tel: 021-35387809-35396263 - 35312592
Fax: 021-35387810

Badar Commercial Branch

Plot No. 41-C, Badar Commercial, Street No. 10, Phase-V Extension, DHA Karachi
Tel: 021-35348501-3
Fax: 021-35348504

Steel Market, Branch

Ground Floor, Shop #. G-13, 14, 32, 33 Steel Market, Ranchorelines Quarters Karachi
Tel: 021-32763001-07
Fax: 021-32763009

Gulistan-e-Jauhar Branch 2

Shop No. 5,6,7 & Office No. D-2, Farhan Centre Block No. 1. Gulistan-e-Jauhar Karachi
Tel: 021-34022259, 34613674, 34016488-9
Fax: 021-34022639

Rizvia Society Branch

B-12, Rizvia Cooperative Society, Nazimabad, Karachi
Tel: 021-36600956-57
Fax: 021-36600958

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

Dhoraji Colony Branch

Plot No. 133, Block No. 7 & 8 Dhoraji Colony, C.P & Berar Co-operative Housing Society, Karachi
Tel: 021-34860773-75
Fax: 021-34860772

PAF-Base Faisal Sub-Branch

Camp-2, Faisal Arcade, PF-I, Market PAF-Base Faisal, Karachi
PABX: 021-34601360-62
Fax: 021-34601363

Lahore

DHA Y Block Branch

163, Block Y, Phase III, DHA Lahore Cantt.
Tel: 042-3569 2531-36
Fax: 042-3589 4682

Gulberg Branch

132-E/I Main Boulevard, Gulberg-III, Lahore
Tel: 042-35870832-3, 35870975-6
Fax: 042-35870834

Lahore Stock Exchange Branch

Office No. 5, LSE Building, 19, Aiwan e Iqbal Road, Lahore
Tel: 042-36280853-56
Fax: 042-36280851

Ferozpur Road Branch

Siza Farmer Factory, Sufiabad, Lahore
Tel: 042-35800092-93 &96
Fax: 042-35800094

Multan Road Branch Branch

Plot # 9/A, Scheme more Corner, Allama Iqbal Town Multan Road, Lahore.
Tel: 042-37497451-54
Fax: 042-37497450

Circular Road Branch Branch

Babar Centre, 51, Circular Road, Lahore
Tel: 042-37379371 - 74
Fax: 042-37379370

Ichhra More Branch

House # 146, Muhallah Ferozpur Road, Ichra More, Lahore.
Tel: 042-37572091-93
Fax: 042-37572089

Faisal Town Branch

853/D, Akbar Chowk, Faisal Town, Lahore.
Tel: 042-35204101-3
Fax: 042-35204104

Azam Cloth Market Branch

285-286, Punjab Block, Azam Cloth Market, Lahore.
Tel: 042-37661686 / 37654320 /37642344
Fax: 042-37661863

Z Block DHA Branch

323-Z, DHA, Phase-3, Lahore.
Tel: 042-35693112-15
Fax: 042-35693117

New Garden Town Branch

19-A, Ali Block, New Garden Town, Lahore.
Tel: 042-35911361-4
Fax: 042-35911365

Mall Road Branch

56, Ground Floor, Sh-e-Quaid-e-Azam (The Mall), Lahore.
Tel: 042-36284801-3
Fax: 042-36284805

Model Town Branch

14-15, Central Commercial Market, Model Town, Lahore.
Tel: 042-35915540-49
Fax: 042-35915549

Lahore- Cantt Branch

Day building 1482/A, Abdul Rehman Road, Lahore Cantt.
Tel: 042- 36603061-63
Fax: 042-36603065

Pasco House Branch

PASSCO House,11, Kashmir Road, Adjacent LDA Plaza, Lahore.
Tel: 042-36300670-1
Fax: 042-36310362

DHA G Block Branch

Plot # 13 G, Commercial Zone DHA, Phase-I, Lahore. Cantt.
Tel: 042-35691173-78
Fax: 042-35691171



Branch Network

Liberty Market Branch

26/C, Commercial Zone, Liberty Market, Gulberg, Lahore.
Tel: 042-35784321, 35784328, 35717273, 35763308
Fax: 042-35763310

Badami Bagh Branch

25 - Peco Road Badami Bagh Lahore
Tel: 042-37724583, 37720382, 37705036
Fax: 042-37730867

Ravi Road Branch

Plot # 48-J, Ravi Road, Lahore.
Tel: 042-37722903 - 04
Fax: 042-37722905

Shahalam Gate Branch

12-A, ShahAlam Gate, Lahore.
Tel: 042-37666854 - 57
Fax: 042-37663488

Johar Town Branch

Plot # 85, Block G/1, M.A Johar Town-Lahore
Tel: 042-35291172-74
Fax: 042-35291174

Egerton Road Branch

27-Ajmal House, Egerton Road, Lahore.
Tel: 042-36364522, 36364532
Fax: 042-36364542

Allama Iqbal Town Branch

56/12, Karim Block, Allama Iqbal Town, Lahore.
Tel: 042-35434160-61,35434163
Fax: 042-35434164

Darogawala Branch

Near Shalimar garden G.T.Road Darogawala Lahore
Tel: 042-36520681 - 83
Fax: 042-36520684

Wahdat Road Branch

Mauza Ichra, Wahdat Road, Lahore
Tel: 042-37503001-3
Fax: 042-37503004

Bedian Road Branch

Plot No. 2512/1, Phase-VI, Bedian Road, (Talal Medical Center), Lahore.
Tel: 042-37165300 & 03
Fax: 042-37165304

Samanabad Branch

Plot No.855,Poonch Road, Samanabad, Lahore.
Tel: 042-37568831, 37568844, 37568847, 37568842
Fax: 042-37568854

Airport Road Branch

M. M. Arcade, 192-B, New Air Port Road, Lahore
Tel: 042-35700336, 35700338-9
Fax: 042-35700323

Urdu Bazar Branch

S - 38-R, Urdu Bazar Chowk - 205, Circular Road, Lahore
Tel: 042-37116001 - 3
Fax: 042-37116004

Islamabad

Super Market Branch

Plot No. 6B, F-6, Super Market, Islamabad
Tel: 051-2279168-70, 051-2824533-34
Fax: 051-2279166

Stock Exchange Branch

Plot # 109, East F-7/G-7, Jinnah Avenue, Blue Area-Islamabad
Tel: 051-2806281-83
Fax: 051-2806284

Bahria Town Branch

Plot # 3-4, Express Way, Sufiyan Plaza, Phase VII, Bahria Town, Islamabad.
Tel: 051- 5707360 - 63
Fax: 051-5707358

F-6 Markaz Branch

2-Fateh Plaza, Block C, Super Market, F-6 Markaz, Islamabad.
Tel: 051-2601701-3
Fax: 051-2601710

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

Blue Area Branch

20 - Al Asghar Plaza, Blue Area, Islamabad.
Tel: 051-2823204, 2872913
Fax: 051-2274276

Barah Koh Branch

Murree Road, Tehsil / District, Islamabad.
Tel: 051-2231344, 223136
Fax: 051-2231345

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

Rawalpindi

Bank Road Branch 1

60, Bank Road, Rawalpindi.
Tel: 051-5564123, 051-5120778-80
Fax: 051-5528148

Bank Road Branch 2

Saddar Bazar, Rawalpindi Cantt.
Tel: 051-5523840-41
Fax: 051-5523837

Raja Bazar Branch

Raja Bazar, Rawalpindi.
Tel: 051-5534173-5557244
Fax: 051-5559544

Shamsabad Muree Road Branch

DD/29, Shamsabad Murree Rd., Ojri Kalan, Rawalpindi.
Tel: 051-4854400, 4854401-03
Fax: 051-4854404

Branch Network

Faisalabad

Susan Road Branch

Chak No. 213/RB Susan Road, Faisalabad.
Tel: 041-8502367-69
Fax: 041-8502371

Liaquat Road Branch

Liaquat Road, Chak # 212, Faisalabad
Tel: 041-2541257-59
Fax: 041-2541255

Kotwali Road Branch

P-12, Kotwali Road, Faisalabad
Tel: 041-2412151-53
Fax: 041-2412154

Jail Road Branch

House No. P-62, opposite Punjab Medical College, Jail Road-Faisalabad.
Tel: 041-8813541-43
Fax: 041-8813544

Aminpur Bazar Branch

Plot # 183, Street No.2, Between Aminpur Bazar & Chiniot Bazar, Faisalabad.
Tel: 041-2636783 & 2626783
Fax: 041-2611363

Multan

Abdali Road Branch

Plot No. 66-A & 66-B/9, Abdali Road, Multan
Tel: 061-4500108, 4500110, 4500115, 4500116
Fax: 061-4516762

Vehari Road Branch

PU # 2227-A, Chowk Shah Abbas, Vehari Road-Multan.
Tel: 061-6241015-17
Fax: 061-6241014

Qadafi Chowk Branch

Plot # 43, Block T, New Multan Road, Qadafi Chowk-Multan
Tel: 061-6770882-84
Fax: 061-6770889

Hussain Agahi Road Branch

2576, Hussain Agahi Road, Multan.
Tel: 061-4548083-4583268-4583168
Fax: 061-4543794

Sukkur

Marich Bazar Branch

B – 885, Marich Bazar, Sukkur
Tel: 071-5627781
Fax: 071-5627755

Shikarpur Road Branch

Shop # D-195, Ward D, Near A Section Police Station Shikarpur Road- Sukkur.
Tel: 071-5617142-44
Fax: 071-5617145

Workshop Road Branch

City Survey #. 3403/2/1 and C.s # 3403/2M/6, Ward-B Tooba Tower Workshop Road, Sukkur
Tel: 071-5616663, 5616664, 5616582
Fax: 071-5624317

Gujranwala

Wapda Town Branch

Plot # B - III, MM - 53, Hamza Centre, Wapda Town, Gujranwala
Tel: 055-4800204 - 06
Fax: 055-4800203

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

Gujrat

Gujrat Branch

Main GT Road Tehsil & Distt. Gujrat
Tel: 053-3517051-054
Fax: 053-3516756

GT Road Branch

Small Estate, G. T. Road (Next to Mybank), Gujrat
Tel: 053-3533926/3534208/3533934
Fax: 053-3533995

Katchery Chowk Branch

Shop #. 1263 & 1270 B-II, Katchery Chowk, Opp. Zahoor Elahi Stadium, Near New Narala Bakers, Gujrat.
Tel: 053-3601021-24
Fax: 053-525108

Peshwar

Deans Trade Center Branch

Deans Trade Centre, Islamia Road, Peshawar.
Tel: 091-5253081-85
Fax: 091-5253080

Main University Road Branch

Tehkal Payan, Main University Road-Peshawar
Tel: 091-5850540-41
Fax: 091-5850546

Fruit Market Branch

Near Fruit Market, G.T. Road, Peshawar
Tel: 091-2260374
Fax: 091-2260375

Milad Chowk Branch

Milad Chowk, New Gate, Peshawar City
Tel: 091-2550477, 2550466, 2217131
Fax: 091-2550488

Hayatabad Sub-Branch

Shop# 1, Hayatabad Mall, Baghee-Naran Road, Phase II, Sector J-I Hayatabad Peshawar.
Tel: 091-5822923-25
Fax: 091-5822926

Quetta

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



Branch Network

Fatima Jinnah Road Branch

Plot No. Khasra No.134 & 138, Ward No. 19, Urban # 1,
Fatima Jinnah Road, Quetta
Tel: 081-2301094 , 2301095
Fax: 081-2301096

Regal Chowk Branch

Regal Chowk, Jinnah Road, Quetta.
Tel: 081-2837028-29
Fax: 081-2825065

Liaquat Bazar Branch

Ainuddin Street, Quetta.
Tel: 081-2837300-1
Fax: 081-2837302

Abbottabad

Abbottabad Branch

Sitara Market, Mansehra Road, Abbottabad
Tel: 0992- 385933-34
Fax: 0992-385935

Attock

Fateh Jang Branch

Main Rawalpindi Road, Mouza & Tehsil Fateh Jang Distt
Attock
Tel: 057-2210321-23
Fax: 057-2210324

Attock Branch

Hamam Road, Attock
Tel: 057-2703120
Fax: 057-2703117

Azad Kashmir

Mirpur Azad Kashmir Branch 1

NS Tower 119 F/1, Kotli Road Mirpur – Azad Kashmir
Tel: 05827- 437193-97
Fax: 05827-437192

Mirpur Azad Kashmir Branch (2)

Ghazi Archade, 6-B/3, Part II, Allama Iqbal Road, Mirpur,
Azad Kashmir
Tel: 05827-446406-9
Fax: 05827-446405

Shaheed Chowk Branch

Deen Plaza, Shaheed Chowk, Kotli Azad Kashmir
Tel: 05826-448453-54
Fax: 05826-448455

Dadyal Branch

Choudhary Centre, Ara Jattan, Dadyal, Azad Kashmir.
Tel: 05827-463475
Fax: 05827-465316

Muzzafarabad Branch

Sangam Hotel, Muzzafarabad - Azad Jammu Kashmir
(AJK)
Tel: 05822-924203-5
Fax: 05822-924206

Chak Ghanian

Chak Ghanian Branch

Plot No. 547-548, Iqbal Mandi, G. T. Road, Sarai Alamgir.
Tel: 0544-654402-03, 655155
Fax: 0544-654401

Chakwal

Dalwal Branch

Village & Post Office Dalwal, Tehsil Choha, Saidan Shah,
Distt Chakwal
Tel: 0543-582834
Fax: 0543-582842

Chakwal Branch

Al- Noor Plaza Sabzi Mandi, Talagang Road, Chakwal
Tel: 0543-554796,540650-51
Fax: 0543-554797

Chamman

Chamman Branch

Khashra No. 1323 & 2324 Abdali Bazar, Dola Ram Road,
Tehsil Chaman, District Qila Abdullah Baluchistan.
Tel: 0826- 618137-39
Fax: 0826-618143

Dadu

Dadu Branch.

CS No. 1036/2, Ward 'B', Station Road, Dadu - Sindh.
Tel: 0254-711471-3
Fax: 0254-711474

Dina

Dina Branch

Mian G.T. Road Dina
Tel: 0544-634471 -3
Fax: 0544-636675

Gawadar

Gawadar Branch

Plot Askani Hotel, Mullah Faazul Chowk, Gawadar.
Tel: 0864-212144- 212146
Fax: 0864-212147

Ghotki

Ghotki Branch

CS # 395 & 407, Muhallah Machhi Bazar,
Opp: Sarkari Bagh, Ghotki, Sindh
Tel: 0723-681571 - 73
Fax: 0723-681574

Gilgit

Khasra# 1103, 1112, 1113,
Haji Ghulam Hussain Building
Raja Bazar Gilgit
Tel: 05811-457366-68
Fax: 05811-457369

Gujjar Khan

Gujjar Khan Branch

Plot # 58-D, 59-C, Sector/Block Area Development,
Scheme # 1, Akbar Kayani Plaza, G. T. Road, Gujjar Khan
Tel: 051-3516431-2
Fax: 051-3516435

Haripur

Haripur Branch

Ground Floor, Akbar Arcade, Main G.T. Road, Haripur
Tel: 0995- 610832 - 33
Fax: 0995-610829

Branch Network

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

Qasimabad Branch

Shop No. 23, 24 & 25, Rani Arcade, Qasimabad, Hyderabad
Tel: 022-2650742-43
Fax: 022-2650745

Market Chowk Branch

Shop CS # A/2772/2, Ward -A, Market Road, Hyderabad
Tel: 022-2638451-54
Fax: 022-2638450

Latifabad No. 7. Branch

Latifabad # 7, 5/D Unit #. 7, Hyderabad
Tel: 022-3810524 & 3810525
Fax: 022-3810515

Hala Naka Branch

Plot # 1 & 2, Deh. Gajoo, Near Masjid Siddiq-e-Akbar, Malka Nagar, Hala Naka, Hyderabad - Sindh.
Tel: 022-2032991-93
Fax: 022-2032994

Jacobabad

Jacobabad Branch.

C.S. No. 480, Ward # 5, Town, Jacobabad - Sindh
Tel: 0722-650071 - 73
Fax: 0722-650074

Jhelum

Jhelum Branch

Plot # 89, Mehfooz Plaza, Kazim Kamal Road, Jhelum Cantt.
Tel: 0544-720216 - 18
Fax: 0544-720219

Kambar

Shahdad Kot Branch.

C.S. No. 1048, 1051, 1052, 1054, Ward 'B', Taluqa Shahdad Kot, District Kambar - Sindh.
Tel: 074-4014461-63
Fax: 074-4014464

Kamoke

Kamoke - GT Road Branch

Madni Trade Centre, G.T Road, Kamoke
Tel: 055-6815175-76
Fax: 055-6815184

Kandh Kot

Kandh Kot Branch

Registry # 505 & 520, Mukhi Muhallah, Adjacent : Press Club, Kandh Kot, Sindh
Tel: 0722-572604 - 6
Fax: 0722-572607

Kasur

Kasur Branch

Near Pul Qatal Gahri, Kutchery Road, Kasur.
Tel: 049-2721993
Fax: 049-2721994

Khairpur

Pacca Chang Branch

CS No. 418/1-08, Deh. Pacca Chang, Taluqa Faiz Ganj, District Khairpur - Sindh.
Tel: 0243-557403-5
Fax: 0243-557406

Kot Addu

Kot Addu Branch

Property # 43, RH, 48/A-49-50, Ward B-III, Kot Addu District, Muzaffar Garh
Tel: 066-2240206-07
Fax: 066-2240208

Lalamusa

Lalamusa Branch

G. T. Road, Lalamusa
Tel: 053-7515694, 7515699, 7515697, 7519977
Fax: 053-7515685

Larkana

Larkana Branch.

C.S. No. 1808, Pakistan Chowk, Larkana - Sindh.
Tel: 074-4053608-10
Fax: 074-4053611

Mandi Bahauddin

Mandi Bahauddin Branch

Khasra # 143/112, Chak #51, Bank Rd., Off Railway Rd., (Ghalla Mandi), Mandi Bahauddin.
Tel: 0546-600901, 600903-4-5
Fax: 0546-600902

Mansehra

Mansehra Branch

Al- Hadeed Corporation Market Shahrah Resham Mansehra
Tel: 0997-303186, 303180
Fax: 0997-303135

Mardan

The Mall Branch

Plot No. 337, 337-A, The Mall, Mardan.
Tel: 0937-865344-45
Fax: 0937-865342

Mirpurkhas

Umer Kot Road Branch

Plot No : 988 to 991 Umerkot Gharibabad, Mirpur Khas
Tel: 0233-875115-7
Fax: 0233-875118

Khipro Bus Stand Branch.

Plot No. 92-93, Samanabad, Khipro District, Ghumanabad Chowk, Khipro Bus Stand - Mirpurkhas.
Tel: 0233-874518
Fax: 0233-875925



Branch Network

Muridke

Muridke Branch

774, G.T. Road Muridke
Tel: 042-37950456, 37994711-12
Fax: 042-37994713

Narowal

Katchery Road Branch

Katchery Road, Narowal
Tel: 0542-414105-7
Fax: 0542-414089

Nawabshah

Nawabshah Branch

Survey No. 77, Masjid Road, Nawabshah - Sindh
Tel: 0244- 372042 - 44
Fax: 0244-372045

Nooriabad

Nooriabad Branch

Ground Floor, SITE Office Bldg Nooriabad, Dist. Jamshoro, Sindh
Tel: 025-4670433
Fax: 025-4670434

Okara

Ravi Road Branch

23/A, Ravi Road, Okara.
Tel: 044-2528755, 2525355
Fax: 044-2525356

Rabwah

Rabwah Branch

Plot No-9-10, Block-14, Darul Sadar, Gol Bazar,
(Chenab Nagar) Rabwah
Tel: 047-621 3795-96
Fax: 047-621 3797

Rahim Yar Khna

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- 5786791-3
Fax: 068-5786300

Sahiwal

High Street Branch

558/8-1, Navid, Plaza, High Street Sahiwal.
Tel: 040-4229247, 4221615, 4229247
Fax: 040-4460960

Sargodha

Satellite Town Branch

Satellite Town, Ground Floor, Afzal Towers, Plot # 302-A, Main Satellite Town, Sargodha.
Tel: 048-3221027-28
Fax: 048-3221029

Sargodha Branch

Prince Cinema Market Railway Road. Sargodha
Tel: 048-3768113-5
Fax: 048-3768116

Shikarpur

Shikarpur Branch.

C.S. No.52/33/1, Ward 'B', Lakhi Gate, Shikarpur - Sindh
Tel: 0726-522057-59
Fax: 0726-522060

Sialkot

Kashmir Road Branch

Address: Block 'A', ZHC, Kashmir Road, Sialkot
Tel: 052-3573304 to 07 (4 lines)
Fax: 052-3573310

Paris Road Branch

B1,16S, 71/A/1, Paris Road, Sialkot
Tel: 052-4602712-16
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 - Sindh
Tel: 022-2763181-83
Fax: 022-2763184

Turbat

Main Bazar Branch

Main Bazar, Turbat.
Tel: 0852-413874
Fax: 0852-414048

Wah Cantt

Wah Cantt Branch

Plot No. 17/37, Civic Center, Aslam Market, Wah Cantt
Tel: 051-4542157, 4542167, 4542279
Fax: 051-4542144

FORM OF PROXY

8th Annual General Meeting

The Company Secretary
Summit Bank Limited
10th Floor, Summit Bank Plaza
Plot No 8/C -1, Mumtaz Hassan Road
Karachi

I/We _____ of _____ being a member(s) of Summit Bank Limited holding _____ ordinary shares as per CDC A/c. No _____ hereby appoint Mr./Mrs./Miss _____

_____ of (full address) _____ or failing him/her _____

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 8th Annual General Meeting of the Bank to be held on April 07, 2014 and / or any adjournment thereof.

Signed this _____ day of _____ 2014.

Witnesses:

1. Name : _____
Address : _____
NIC No. : _____
Signature : _____

2. Name : _____
Address : _____
NIC No. : _____
Signature : _____

Signature on Rs. 5/- Revenue Stamp
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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 respects 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. Technology Trade (Pvt.) Ltd; Dagia House 241-C Block-2, PECHS off Shahrah-e-Quaideen Karachi not later than 48 hours before the meeting duly signed and stamped and witnessed by two persons with their names, addresses and NIC numbers mentioned on the form.
- (v) In the case of individuals attested copies of NIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (vi) In the case of proxy by a corporate entity, Board of Directors resolution/power of attorney with specimen signature and attested copies of the NIC or passport of the proxy shall be submitted along with proxy form.



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Summit  **Bank**

AFFIX
CORRECT
POSTAGE

REGISTRAR

Technology Trade (Pvt) Ltd
Dagia House, 241 - C, Block 2, PECHS,
Off Shahrah - e - Quaideen,
Karachi - 74000, Pakistan.
Tel: (021) 34391316-7
Fax: (021) 34391318

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Summit Bank

Committed to you

Arif Habib Center, 23 M.T. Khan Road, Karachi - 74000.
UAN: 111-124-725, Toll Free: 0800-24365
www.summitbank.com.pk | info@summitbank.com.pk