

Summit S Bank
Committed to you



STRENGTHENING RELATIONSHIPS

ANNUAL REPORT 2017

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CORPORATE INFORMATION

Board of Directors

Mr. Nasser Abdulla Hussain Lootah
Chairman

Mr. Husain Lawai
Vice-Chairman

Mr. Muhammad Zahir Esmail
President & CEO

Mr. Asadullah Khawaja
Director

Mr. Shehryar Faruque
Director

Mr. Md. Ataur Rahman Prodhan
Director

Mr. Mohammad Faisal Shaikha
Director

Audit Committee

Mr. Shehryar Faruque
Chairman

Mr. Asadullah Khawaja
Member

Mr. Husain Lawai
Member

Risk Management Committee

Mr. Husain Lawai
Chairman

Mr. Shehryar Faruque
Member

Mr. Asadullah Khawaja
Member

HR & Compensation Committee

Mr. Asadullah Khawaja
Chairman

Mr. Shehryar Faruque
Member

Mr. Husain Lawai
Member

Information Technology Committee

Mr. Shehryar Faruque
Chairman

Mr. Muhammad Zahir Esmail
Member

Mr. Mohammad Faisal Shaikha
Member

CORPORATE INFORMATION

Chief Financial Officer

Mr. Irfan Saleem Awan

Company Secretary

Syed Muhammad Talib Raza

Auditors

Deloitte Yousuf Adil
Chartered Accountants

Legal Advisors

Hyat & Meerjees

Shares Registrar

THK Associates (Private) Limited
1st Floor, 40-C, Block-6,
P.E.C.H.S, Karachi
Tel : 021-111-000-322
Ext : 107-111-115
Fax : 021-34168271
Email : secretariat@thk.com.pk
Website : www.thk.com.pk

Entity Ratings

Rated by JCR-VIS Credit Rating Company Ltd.
Medium to Long Term "A- (Single A minus)"
Short Term "A-1 (A-one)"

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. 9-C, F-6 Markaz, Supermarket,
Islamabad, Pakistan

Email : info@summitbank.com.pk
companysecretary@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

The background of the page features a hand reaching up from the bottom right, holding a glowing orange cube. This cube is part of a larger, complex structure of blue cubes that appear to be floating or falling. The background is a dark blue gradient with a network of white lines and dots, suggesting a digital or technological theme.

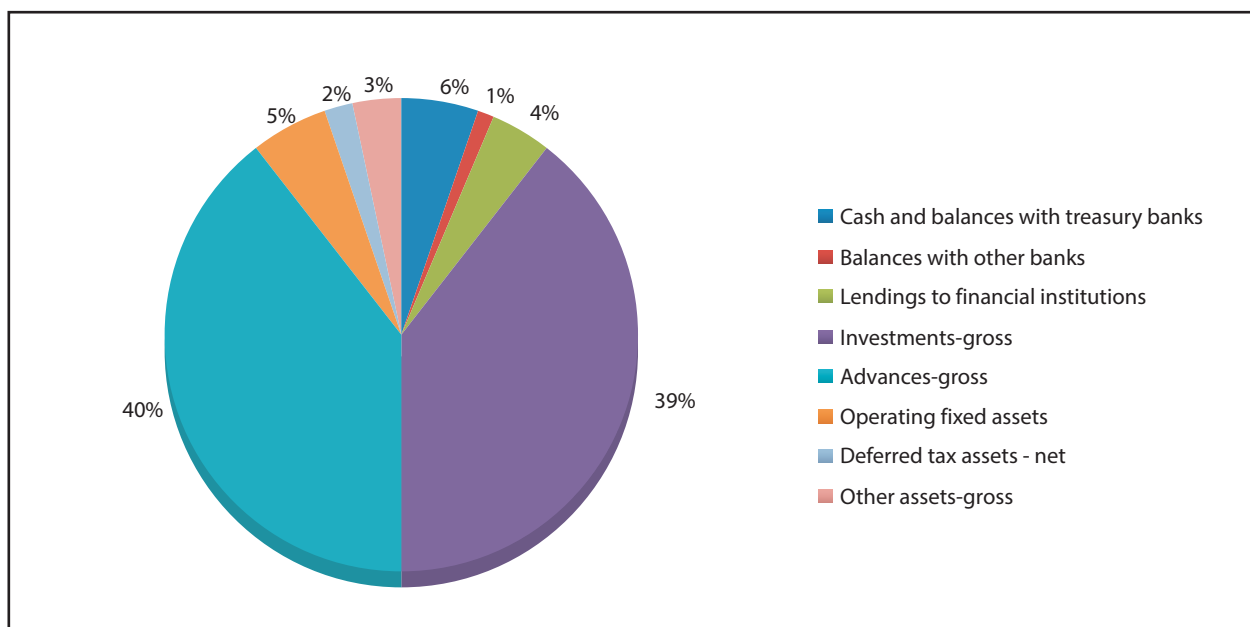
MISSION

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

KEY OPERATING AND FINANCIAL DATA

DECEMBER 31	RUPEES IN MILLION					
	2017	2016	2015	2014	2013	2012
ASSETS						Restated
Cash and balances with treasury banks	13,557	12,787	10,540	9,384	9,204	8,110
Balances with other banks	2,440	2,582	2,919	4,377	2,302	3,601
Lendings to financial institutions	10,671	1,631	* 1,000	650	1,555	2,039
Investments-gross	98,354	92,675	* 80,031	46,239	41,018	51,117
Advances-gross	99,531	94,256	83,099	77,804	65,568	64,942
Operating fixed assets	12,664	12,273	9,534	7,535	6,182	5,385
Deferred tax assets - net	5,377	5,201	5,609	5,645	5,800	6,042
Other assets - gross	8,076	10,557	10,504	9,371	7,075	6,897
Total assets - gross	250,670	231,962	203,236	161,005	138,704	148,133
Provision against non performing loans & advances (NPLs)	(14,009)	(14,412)	(12,545)	(11,349)	(11,360)	(12,393)
(Provision) / (deficit) / surplus on revaluation of investments - net	(3,123)	(2,100)	(1,839)	(742)	(1,330)	(1,172)
Provision held against other assets	(488)	(428)	(432)	(457)	(454)	(182)
Total provision / (deficit) / surplus	(17,620)	(16,940)	(14,816)	(12,548)	(13,144)	(13,747)
Total assets	233,050	215,022	188,420	148,457	125,560	134,386

TOTAL ASSETS - GROSS 2017

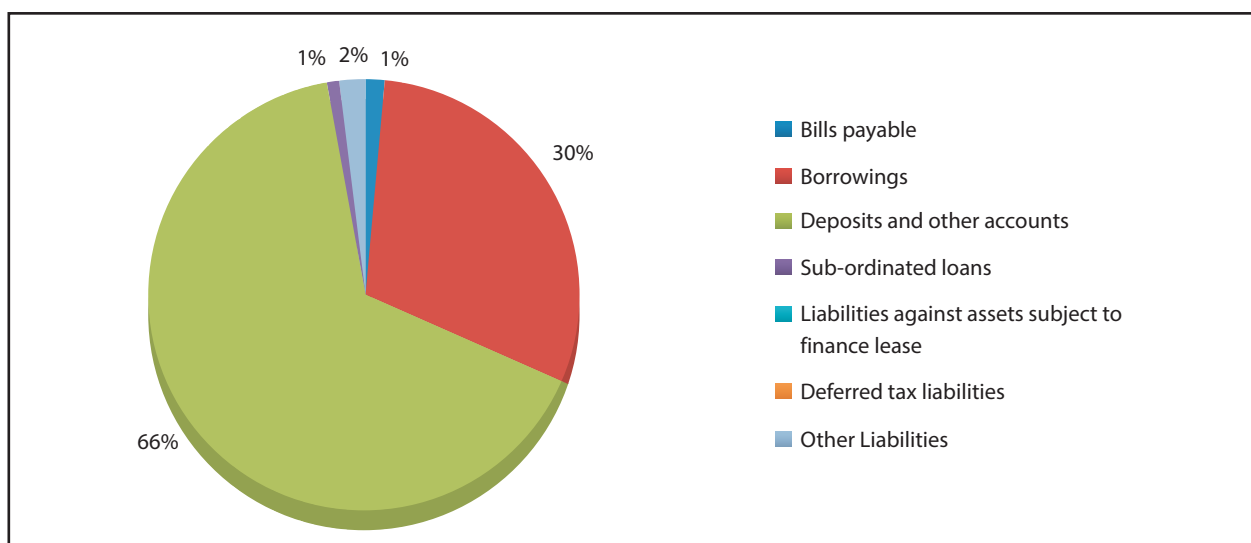


* These numbers were reclassified.

KEY OPERATING AND FINANCIAL DATA

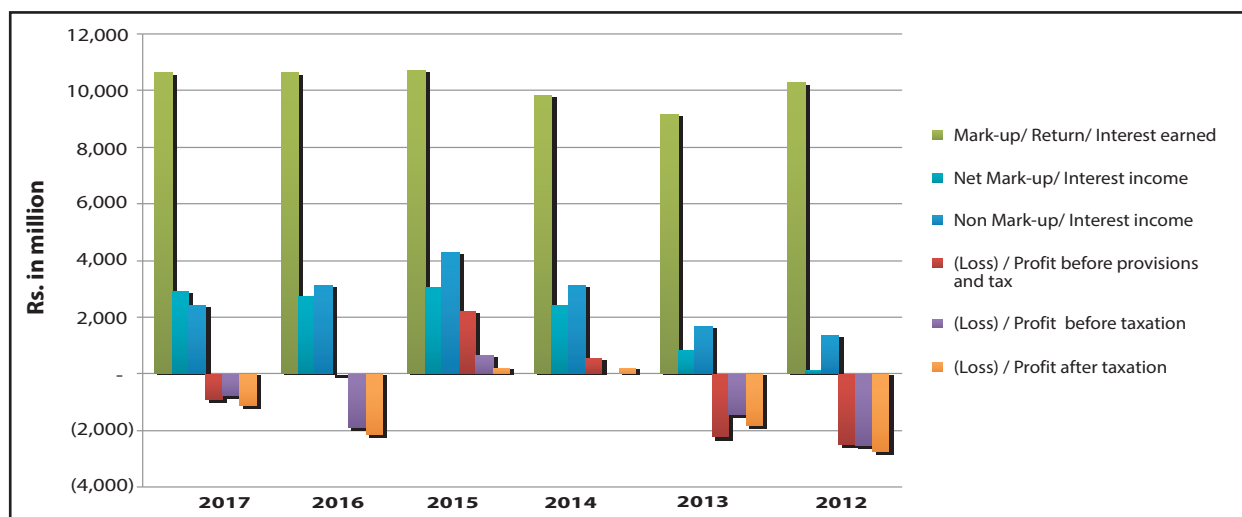
DECEMBER 31	RUPEES IN MILLION					
	2017	2016	2015	2014	2013	2012
LIABILITIES						Restated
Bills payable	3,065	5,061	2,729	1,532	2,205	1,654
Borrowings	67,308	49,820	49,756	25,312	9,961	28,900
Deposits and other accounts	145,730	142,871	119,854	105,309	106,351	96,916
Sub-ordinated loans	1,496	1,497	1,497	1,498	1,499	1,499
Liabilities against assets subject to finance lease	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-
Other Liabilities	4,416	3,101	2,626	2,444	2,155	2,352
Total liabilities	222,015	202,350	176,462	136,095	122,171	131,321
NET ASSETS	11,035	12,672	11,958	12,362	3,389	3,065
REPRESENTED BY						
EQUITY						
Share capital	26,382	17,787	10,780	10,780	10,780	10,780
Convertible preference shares	-	2,156	2,156	2,156	2,156	-
Advance against subscription of shares	-	1,855	7,007	7,507	-	-
Share premium	1,000	1,000	1,000	1,000	1,000	1,000
Discount on Issue of Shares	(5,881)	(1,297)	(1,297)	(1,297)	(1,297)	(1,297)
Statutory reserves	154	154	154	111	65	65
Merger reserves	(1,579)	(1,579)	(1,579)	(1,579)	(1,579)	(1,579)
Accumulated losses	(10,536)	(9,516)	(7,422)	(7,660)	(7,877)	(6,071)
Total equity	9,540	10,560	10,799	11,018	3,248	2,898
Surplus on revaluation of assets - net of deferred tax	1,495	2,112	1,159	1,344	141	167
Total	11,035	12,672	11,958	12,362	3,389	3,065

TOTAL LIABILITIES - 2017



KEY OPERATING AND FINANCIAL DATA

DECEMBER 31	RUPEES IN MILLION					
	2017	2016	2015	2014	2013	2012
RESULTS OF OPERATIONS						Restated
Mark-up/ Return/ Interest earned	10,645	10,627	10,705	9,827	9,178	10,265
Mark-up/ Return/ Interest expensed	7,745	7,854	7,657	7,401	8,330	10,138
Net Mark-up/ Interest income	2,900	2,773	3,048	2,426	848	127
Net Mark-up/ Interest Income after provisions	3,046	889	1,473	1,863	1,685	95
Non Mark-up/ Interest income	2,420	3,127	4,320	3,121	1,686	1,377
Non Mark-up/ Interest expense	6,229	5,934	5,137	4,972	4,778	3,997
(Loss) / profit before provisions and tax	(909)	(34)	2,231	575	(2,244)	(2,493)
Reversal / (provision) against NPLs & direct write offs	161	(1,911)	(1,200)	(87)	916	(73)
(Provision) / reversal for diminution in the value of investments	(15)	27	(375)	(476)	(79)	41
(Loss) / profit before taxation	(763)	(1,918)	656	12	(1,407)	(2,525)
Taxation expense / (income)	383	256	439	(218)	421	209
(Loss) / profit after taxation	(1,146)	(2,174)	217	230	(1,828)	(2,734)



DECEMBER 31	2017	2016	2015	2014	2013	2012
FINANCIAL RATIOS						Restated
Return on equity (ROE)	-12.02%	-20.59%	2.01%	2.09%	-56.28%	-94.34%
Return on assets (ROA)	-0.49%	-1.01%	0.12%	0.15%	-1.46%	-2.03%
(Loss) / profit before tax ratio to Interest earned	-7.17%	-18.05%	6.13%	0.12%	-15.33%	-24.60%
Gross spread ratio	27.24%	26.09%	28.47%	24.69%	9.24%	1.24%
Advances to deposits ratio-Gross	68.30%	65.97%	69.33%	73.88%	61.65%	67.01%
Advances to deposits ratio-Net	58.69%	55.89%	58.87%	63.10%	50.97%	54.22%
Cost to revenue ratio	106.96%	100.25%	85.15%	95.56%	120.66%	121.41%
Total assets to total equity (times)	24.43	20.36	17.45	13.47	38.66	46.37
NPL to gross advances ratio	17.15%	17.74%	20.68%	19.07%	27.16%	36.05%
Capital adequacy ratio (CAR)	5.01%	10.10%	10.02%	12.05%	4.25%	4.42%
SHARE INFORMATION						
(Loss) / earnings per share - Basic (Rs.)	(0.51)	(1.00)	0.15	0.16	(1.52)	(2.54)
Market value of shares (Rs. in million)	7,308	7,826	4,236	4,797	2,318	3,202
OTHER INFORMATION						
Non performing loans (NPL) (Rs. in million)	17,066	16,719	17,183	14,838	17,809	23,410
Staff Strength (number)	2,847	3,022	2,852	2,702	2,507	2,461
Number of branches (including Islamic)	193	192	192	188	187	186

DIRECTORS' REPORT TO THE SHAREHOLDERS

FOR THE YEAR ENDED DECEMBER 31, 2017

On behalf of the Board of Directors (the Board), we hereby present the annual report of Summit Bank Limited (the Bank) for the year ended December 31, 2017.

PERFORMANCE SUMMARY

The summarized financial highlights of the Bank for the year are as follows:

	December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----	
Loss before provisions and direct write-offs	(908,838)	(33,526)
Reversal of provision / (provision) against non-performing loans and advances- net	177,585	(1,910,761)
(Provision)/ reversal of provision for diminution in the value of investments- net	(14,654)	26,690
Bad debts written-off directly	(16,861)	(114)
Loss before taxation	(762,768)	(1,917,711)
Taxation expense	(383,671)	(256,681)
Loss after taxation	(1,146,439)	(2,174,392)
Basic loss per share - Rupee	(0.51)	(1.00)
Diluted loss per share - Rupee	(0.51)	(1.00)

During the year, the Bank registered significant improvement in results and reduced its loss after tax to Rs. 1,146.44 million as compared to the loss after tax of Rs. 2,174.39 million incurred last year. This decrease in loss is primarily attributable to positive impact of net reversal in provisions amounting to Rs. 177.58 million achieved against non-performing loans and advances (NPLs) in comparison with the net provision charge of Rs. 1,910.76 million recognized against NPLs last year, which is attributable to management's aggressive recovery efforts. This net reversal was achieved despite negative impact of the additional provision recognized against certain NPLs to comply with regulatory requirements for increasing the provision against NPLs on a time-based criteria (though the Bank has full value of the collateral available for recovery purposes) and downgrading of existing NPLs in line with applicable regulatory requirements.

As of December 31, 2017, Bank's NPLs ratio (Gross NPLs to Gross Loans) reflected a positive change and reduced to 17.15 % as against 17.74 % last year. Overall NPLs of the Bank however increased from Rs. 16,719.02 million to Rs. 17,065.58 million while NPLs coverage ratio (Specific provision held against NPLs to Total NPLs) reduced to 81.91% (December 31, 2016: 85.91%). In this respect, the management is in constant negotiation with the defaulted borrowers and hopeful that they would soon start paying their due amounts, which should help in reduction/reversal of NPLs and related provisions.

Furthermore, there was a net charge of provision for diminution in value of investments amounting to Rs. 14.65 million as against net reversal of Rs. 26.69 million made last year. This net charge represents the impact of additional provision recognized during the year on previously impaired shares because of further decline in their value due to prevailing stock market condition.

Despite the challenging interest rate regime during the year, net mark-up income of the Bank increased to Rs. 2,899.89 million as against Rs. 2,773.21 million in FY-2016 reflecting an increase of 4.57%. The main factors contributing to this increase were further reduction in average cost of deposits (CoD) achieved along with increase in deposit base and increase in earning assets portfolio during FY-2017 in comparison with FY-2016. The Bank's closing deposits stood at Rs. 145.73 billion as against Rs. 142.87 billion as of December 31, 2016 which translates into a growth of 2%. It is also important to mention that Bank registered a healthy growth in its average deposits during the year. Borrowings of the Bank at the year-end amounted to Rs. 67,307.77 million as against Rs. 49,819.84 million last year. The main factor contributing to growth was short-term repo borrowings by the Bank for investment purposes. We may also mention here that the Bank achieved reduction in its average cost of borrowings during the year.

The Bank earned non mark-up income of Rs. 2,420.00 million during the year as against Rs. 3,127.39 million earned last year, reflecting a decline of 22.62%. This decline was mainly due to reduction in capital gains on securities (Government securities and shares) during the year, which was attributable to prevailing stock market and interest rate scenario during the year. It is important to highlight that Bank had fully capitalized on the capital gain opportunities on government securities (T-bills and PIBs) in the preceding years and had earned substantial income for the Bank. Dividend income and income from dealing in foreign currencies making part of the non mark-up income however registered a healthy growth during the year.

Due to concerted expense rationalization efforts by the management, non-mark-up expenses during the year remained restricted at Rs. 6,228.73 million in comparison with Rs. 5,934.13 million last year, reflecting an increase of 4.96%. This increase mainly pertained to inflationary adjustments, increase in business volume, depreciation expenses and certain provisions made against other assets. In order to curtail expenses and to identify the areas for cost savings and rationalization in Bank's operating costs, there is a continuous monitoring mechanism in place that is yielding positive results.

Net advances of the Bank during the year increased by 7.11% and stood at Rs. 85,521.87 million (December 31, 2016: Rs. 79,843.73 million) while net investments registered a growth of 5.14% which stood at Rs. 95,231.06 million as of December 31, 2017 (December 31, 2016: Rs. 90,575.03 million). The Bank proactively adjusted its investment composition in light of the changes taking place in the market interest rate scenario and shifted its investments to shorter tenor T-bills from long-term PIBs. The balance sheet size of the Bank increased by 8.38% with total assets standing to Rs. 233.05 billion at the year-end (December 31, 2016: Rs. 215.02 billion).

As at December 31, 2017, the Bank has recognized deferred tax assets (net) of Rs. 5,376.97 million. As also highlighted by the external auditors in their report, this represents the management's best estimate of tax benefits expected to be realized in future years. We are hopeful that Bank will be able to realize these benefits. Based on the updated tax positions, deferred tax expense for the current year amounted to Rs. 226.23 million as against expense of Rs. 132.22 million during FY-2016.

Despite current year loss, the Board is confident that management has the capacity to turnaround the results of the Bank. The management is exploring all possible avenues to revert to profitability going forward, which is supported by significant improvement in results registered during FY-2017.

STRATEGIC INITIATIVES

The Bank is making its best efforts for achieving compliance with the applicable minimum capital requirements. As of December 31, 2017, Bank's paid-up capital (net of losses), Capital Adequacy Ratio and Leverage Ratio were below the levels prescribed by SBP, which has also been highlighted by external auditors in their audit report. In this respect, the Bank has put in place a business plan, which aims to improve the Bank's capital base and risk absorption capacity, and to provide impetus to the growth initiative of the Bank. Moreover, the Bank carried out detailed due diligence exercise for potential merger of Summit Bank Limited with and into Sindh Bank Limited. Sindh Bank Limited conducted a similar evaluation exercise. After detailed evaluation, the Board of Directors of both the Banks approved the Scheme of Amalgamation of Summit Bank Limited with and into Sindh Bank Limited. The shareholders of both the Banks have also approved the Scheme. The Bank is currently in the process of completion of various requirements/formalities for obtaining approval of the SBP and aims to complete the proposed amalgamation transaction at the earliest.

We are therefore confident that compliance with applicable minimum capital requirements would be achieved through the materialization of business plan and completion of proposed amalgamation transaction and management is taking all the necessary steps for the same. Furthermore, Bank's sponsor has committed to meet any capital shortfall of the Bank as and when decided by the Board of Directors of the Bank.

ISLAMIC BANKING

In line with its strategy, the Bank continued to increase its Islamic Banking portfolio during the year under review. With addition of one Islamic banking branch and an Islamic banking window, Bank's Islamic banking network now constitutes 14 full fledge Islamic banking branches (IBBs) and 35 Islamic banking windows (IBWs), thereby making a total of 49 branches in 28 cities pan Pakistan providing Islamic banking services. Alhamdulillah, Bank has presence of its Islamic banking operations in all the five provinces of the country including Gilgit Baltistan.

Total deposits of the IB operations almost doubled (88.03% growth) during the year and as of December 31, 2017 stood at Rs. 22,549.25 million as against Rs. 11,992.56 million as of December 31, 2016. Similarly, Islamic financing and related assets have also increased to Rs. 10,779.55 million as against Rs. 9,328.37 million last year-end, thereby registering a sizable growth of 15.56%. The Bank's investment portfolio under Islamic banking segment closed at Rs. 5,860.69 million as of December 31, 2017. During FY-2017, IB operations of the Bank posted a profit before tax of Rs. 205.97 million (FY-2016: Rs. 137.60 million).

The Bank is offering a wide range of Shariah compliant products and services both on liability and on asset side to meet the requirements of its existing and potential customers. Moreover, the Bank remained persistent with its investment in the human development and equipped more staff with the required Islamic banking skills set to enrich their Islamic banking knowledge. The Bank arranged numerous training sessions through in-house and ex-house arrangements and provided batch and/or focused group trainings for Islamic banking to 396 staff members during the year.

Similarly, to create awareness, the Bank conducted orientation sessions for its current and prospective customers at various locations in urban, rural and far-flung areas of the country and arranged 17 sessions during the year. This enabled the Bank to reach out to the markets in provision of Islamic banking knowledge and answer questions raised by the audience with respect to Islamic banking solutions as well as the conversion strategy of the Bank.

TECHNOLOGY PLATFORM, PAYMENT SYSTEMS AND DIGITAL BANKING

During the year, the Bank remained focused on the implementation of its digital banking strategy and ventured into various digital banking channels to offer 24/7 digital banking services to its customers. These initiatives include launch of Summit Mobile App as well as Bank's strategic alliance with FonePay, to provide next level digital banking experience to customers.

During the year 2017, the Bank also collaborated with EasyPay and JazzCash in order to expand its footprint in the online market and payment systems.

Moreover, the Bank signed agreement with China UnionPay to become their settlement bank for their merchants' electronic transactions. Similarly, Bank is also in process to start MasterCard and China UnionPay EMV (Euro-Master-Visa) compliant cards issuance in order to comply with the applicable SBP regulations and International Security Standards.

PRODUCTS AND SERVICES

Summit Bank keeps customer convenience at the core of all its activities and product design. The Bank is providing various products and value added services in an effort to provide maximum satisfaction to its existing and prospective customers.

The Bank witnessed encouraging progress in previously planned initiatives, which have proved fruitful and continue to depict a favorable future. There has been significant growth in consumer banking especially in the auto and home loan products. Increase was witnessed in financing portfolio as well as the number of borrowers due to channel optimization and cross-selling strategy adopted last year and supported by marketing campaign across Pakistan.

The Bank is striving towards meeting all the financial and business needs of its customers by offering a diverse range of financing (Corporate, Commercial, SME) and trade based solutions. Moreover, the Bank endeavours to enhance businesses of its customers and supports them in their strategic market competitiveness through high levels of banking services and state of the art IT systems.

Similarly, the Home Remittance division saw viable growth through its Non Resident Pakistani (NRP) account launched last year. The product serves Pakistanis based in the UAE needing to transfer funds into the country in a fast and secure manner. In 2018, the Bank plans to increase its customer outreach both locally and internationally, by growing its network of payout partners and launching a new product in the form of Asaan Remittance Account specifically designed for low risk and non/new-to-banking customers enabling them to receive foreign remittance instantly.

CREDIT RATINGS

In June 2017, JCR-VIS Credit Rating Company Limited has maintained the Bank's medium to long-term rating at 'A - (Single A minus)' and short-term rating at 'A-1 (A-one)'. Moreover, Bank's TFC rating has been maintained at 'A-(SO)' (Single A minus (Structured Obligation)). These ratings have been placed on 'Rating Watch-Developing' status in view of the ongoing potential merger with Sindh Bank Limited.

LOSS PER SHARE

The basic and diluted loss per share has been disclosed in note no. 32 to the financial statements.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Board of Directors confirms compliance with the applicable Code of Corporate Governance (Code) issued by the SECP and feels 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 (Repealed). The statements present fairly the Bank's state of affairs, results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Bank have been maintained.
- Appropriate accounting policies have been consistently applied in preparation 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 Bank'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. A statement of compliance with the code of corporate governance is making part of the annual report.
- The two of the directors of the Bank are exempted from Directors' Training program while another three of the directors of the Bank have obtained the requisite certifications from the Securities and Exchange Commission of Pakistan's (SECP) approved training institutions to become a Certified Director as per the requirements of the Code.
- Purchases and sale during the year, if any, in the shares of the Bank, carried out by the CEO, Directors and Executives are disclosed in the pattern of shareholding making part of the annual report.
- The Board has duly complied with the requirement of the Code in respect of the evaluation of the performance of the Board and is following the process of online assessment through Pakistan Institute of Corporate Governance.
- Key operating and financial data for the last six years is given in the annual report.
- Due to loss for the year, there were no distributable profits, which could be considered for dividend distribution.
- Book value of investments and placements by Staff Provident Fund and Staff Gratuity Fund as at December 31, 2017 are:
 - Staff Provident Fund Rs. 1,081.84 million
 - Staff Gratuity Fund Rs. 290.39 million
- All the statutory liabilities, if any, have been adequately disclosed in the financial statements.

COMPOSITION OF THE BOARD AND ITS SUB-COMMITTEES ALONG WITH ATTENDENCES

During 2017, the following Board and its sub-committees meetings were held and attended by respective Board members as follows:

Name of Directors	Board of Directors Meetings		Audit Committee Meetings		Risk Management Committee Meetings		Human Resources & Compensation Committee Meetings		Information Technology Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
H.E. Nasser Abdulla Hussain Lootah - Chairman	11	7	-	-	-	-	-	-	-	-
Mr. Husain Lawai - Vice-Chairman	11	11	7	7	3	3	4	3	-	-
Mr. Muhammad Zahir Esmail- President & CEO	11	11	-	-	-	-	4	4	2	2
Mr. Shehryar Faruque	11	10	7	7	3	3	4	4	2	2
Mr. Asadullah Khawaja	11	11	7	7	3	3	4	4	-	-
Mr. Md. Ataur Rahman Prodhan	11	4	-	-	-	-	-	-	-	-
Mr. Mohammad Faisal Shaikha*	11	4	-	-	-	-	-	-	2	2

* Mr. Mohammad Faisal Shaikha has attended 04 board meetings out of 05 held during his tenure.

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 within a robust risk management framework.

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

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

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

STATEMENT ON INTERNAL CONTROLS

The Bank's internal controls system is designed to achieve operational efficiency, legal and statutory compliances and reliable and accurate financial reporting.

It is the responsibility of the Bank's management to establish and maintain an adequate and effective Internal Control System. In order to have an effective system of internal controls, the Bank has implemented the following strategy:

- 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 Know Your Customer and Anti-Money Laundering.
- An Internal Control Department is established to oversee financial, compliance and operational controls, accounting system and reporting structures to ensure their adequacy and effectiveness.
- 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, is continuously updated based on the needs and requirements.
- Management responds promptly to the observations and recommendations made by the Bank's Auditors for improvements in the internal control system.
- A number of Board and Management Committees are functioning to ensure adequate communication and control.

The Bank has adopted internationally accepted COSO (Committee of Sponsoring Organizations of Treadway Commission) Internal Control-Integrated Framework and had initially hired a reputable advisory firm for providing services to the Bank on effective implementation of SBP guidelines on Internal Controls over Financial Reporting (ICFR).

In order to further strengthen the controls, enhance governance and monitoring, and continuous updation of internal control documentation as per SBP guidelines, the Bank established a separate Internal Control Department. To ensure consistency in the process of compliance with the SBP guidelines on Internal Controls, the Bank has followed a structured roadmap and guidelines on ICFR as issued by SBP. Accordingly, the Bank has completed a detailed documentation of bank-wide processes and controls, together with a comprehensive gap analysis of the control design and subsequent development of remediation plans for the identified gaps. Furthermore, the Bank has developed a comprehensive management testing and reporting framework for ensuring operating effectiveness of key controls and has significantly addressed the design improvement opportunities identified to complete the project related initiatives.

In accordance with SBP directives, the Bank completed all the stages of ICFR and upon satisfactory completion of ICFR roadmap, SBP granted exemption to the Bank in February 2015 from the submission of Long Form Report (LFR) by external auditors. Accordingly, annual assessment report on ICFR for FY-2016 was duly approved by the Board Audit Committee (BAC) and submitted to SBP within the timeline as per SBP OSED Circular No. 01 of 2014 during the year. Moreover, necessary work is underway to ensure timely submission of the annual assessment report to SBP for FY-2017.

The management is of the view that the internal control framework of the Bank is adequate to ensure compliance with laws and regulations and for timely and accurate financial reporting. The Board of Directors also hereby endorses this assessment.

SERVICE QUALITY AND CUSTOMERS COMPLAINT HANDLING

It has been the vision of the Service Quality Department of the Bank to bring consistency and maintain the service standards throughout the Bank. In year 2017, Service Quality Department further expanded its operations and implemented the following initiatives:

- Increase in branch visits frequency and coverage.
- Involving call centre to conduct telephonic mystery shopping.
- Introduced mini customer satisfaction surveys.
- Developed product Key Fact Statements for Asset & Liability products.
- Arranged trainings for Bank staff on Fair Treatment of Consumer (FTC).
- Monthly monitoring of account opening timelines and Complaint Resolution and Management Unit's reports.
- Facilitated departments & segments in developing cross functional Service Level Agreements.
- Improved training material for branches and support segments on inculcating service quality culture, soft skills, product knowledge etc. by having 2-day workshops.

Moreover, FTC culture of the Bank focuses on the well-being of its customers. The framework for FTC has been formulated to establish that every consumer of the Bank is treated fairly and without any bias. It also strives to incorporate principles of fairness in all the dealings of the Bank. Below mentioned are some of the ideologies embedded into the 'Fair Treatment of Consumer' culture of the Bank:

- Empower the customers to obtain fair information and enhancing their capabilities and allow them to make informed decisions.
- Make available possibilities for the customer to distinguish between fair and just practices provided by the Bank.
- Customers have access to recourse mechanism to resolve disputes.

During the year, the Bank also conducted a customer satisfaction survey on 1,220 customers in selected 121 branches on pan-Pakistan basis. The results of survey were very encouraging whereby 95% of the customers showed high level of satisfaction.

Complaint Resolution and Management Unit (CRMU) of Service Quality Department is working in line with the SBP guidelines of Consumer Grievance Handling Mechanism (CGHM). Complaints are received at this unit for investigation, resolution and recommendations for earliest resolution and avoiding its recurrence. CRMU instantly forwards the same to the concerned department for immediate action and resolution as per the well-defined process and timelines. The customers lodge their complaints through various channels such as call centre, e-mails, letters, website, President Office/management or to Banking Mohtasib Pakistan. Against each complaint, the Bank sends acknowledgement to the customer within 48 working hours.

CRMU responds to customer once the query has been resolved within the stipulated turn-around-time i.e. 15 working days for minor and 30 working days for major complaints. In case, the complaint cannot be resolved within the defined timeline (where there is need for detailed scrutiny), an interim reply is sent within 10 working days. In case of unsatisfactory reply by the Bank or in case the complaint remains unattended beyond 30 days, customer has an option to complain with Banking Mohtasib Pakistan. During the year 2017, the Bank received 17,260 complaints from customers out of which 17,231 (99.83%) complaints stood resolved at the year-end. These complaints were resolved with an average turn-around-time of 7 working days for their resolution and communication to customers, which is well within the regulatory benchmark.

CORPORATE SOCIAL RESPONSIBILITY

The Bank continued with its resolve to contribute towards society through all possible means. On the national front, for alleviation of poverty, the Bank continued to be a major partner bank with the Government of Pakistan in its Benazir Income Support Program (BISP). In the year 2017, the Bank enhanced partnership in collaboration with Easypaisa branchless banking agents for BISP payments through Biometric Verification System. We are also in process of introducing Digital Mobile Wallets for our G2P (Government to Person) payments including BISP. In this respect, during FY-2017, the Bank has disbursed an amount of Rs. 5.02 billion to more than 240,000 beneficiaries of BISP.

The Bank has fully supported the Government's initiative of youth loans (Prime Minister's Youth Loan Programme) and agricultural financing aimed for betterment of the society. These efforts have been appreciated by all the stakeholders.

The Bank had taken energy conservation initiative of using solar panels at various selected branches that is not only beneficial to the Bank but shall also contribute towards the national cause of energy conservation.

The management duly recognizes the need for investment in continuing training and development of the Bank employees at all levels and is committed to improve the work environment by rewarding good performance of the employees. This also helps in retaining high quality human resource and their personal grooming. Moreover, specific budget allocation is done for training and development to achieve this target.

EXTERNAL AUDITORS

The present auditors M/s Deloitte Yousuf Adil, Chartered Accountants, retire and being eligible, offer themselves for re-appointment. Accordingly, the Board of Directors on the recommendation of the Audit Committee has recommended to the shareholders the name of M/s Deloitte Yousuf Adil, Chartered Accountants as the statutory auditors for the year ending December 31, 2018 for their approval in the forthcoming Annual General Meeting.

PATTERN OF SHAREHOLDING

The pattern of shareholding is making part of the annual report.

HOLDING AND SUBSIDIARY COMPANY

Suroor Investments Limited (SIL), a company incorporated in Mauritius, is the holding company of the Bank. As of December 31, 2017, SIL held 66.77% of the issued, subscribed and paid-up share capital of the Bank.

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

ECONOMIC REVIEW

Year 2017 saw many challenges on macroeconomic and political front. However, Pakistan's economic growth is on track to achieve its highest level in the last eleven years. The 1HCY-2017 (First Half of Calendar Year-2017) realized significantly positive ratings mainly due to inclusion of Pakistan in MSCI-Index; however, a drop in macroeconomic indicators was recorded in 2HCY-2017 because of disqualification of Ex-premier and the deteriorating international relations. The total tax revenue for the year stood at PKR 3,367.87 billion, an increase of 8.21% year-on-year (YoY) basis. Despite the downturn in current account deficit of \$12.4 billion recorded in 2016-17 due to higher import bill, the country still managed to grow at a Gross Domestic Product (GDP) growth rate of 5.3% in FY16-17, which was the highest in last decade. Moreover, the target for 2017-18 has been set at 6%. The total liquid foreign reserves of the country also declined at \$20.189 billion and the slide continues to flow in coming weeks following more than 4% depreciation in USD/PKR. Consumer Price Index (CPI) during FY-2016-17 averaged around 4.09% YoY attributable to higher petroleum prices and soft rise in perishable food items, health and education.

During CY-2016-17, Karachi Stock Exchange (KSE) benchmark-100 index experienced a bear run and index decreased by 15.34% (7,335 points) during the year.

Going forward, the PKR depreciation in December 2017, the export package, the lagged impact of adjustments in regulatory duties, favorable external environment, and expected increase in workers' remittances, will contribute to a gradual reduction in the country's current account deficit. While increase in international oil prices pose a major risk to this assessment, managing overall balance of payments in near term depends on the realization of official financial flows.

SBP maintained its monetary stance during CY-2017 and kept the policy rate unchanged at 5.75%. However, subsequent to the year-end, SBP has announced increase in policy rate by 0.25% in its latest monetary policy review of January-2018 in order to pre-empt overheating of the economy and inflation breaching its target rate.

FUTURE OUTLOOK

The Bank is fully prepared to capitalize on the business opportunities available in the market and will continue to focus on its strategy for long-term sustainable growth. To achieve its objectives, the Bank has a well-managed infrastructure, technology platform and trained human resource.

Furthermore, the proposed amalgamation of the Bank with and into Sindh Bank Limited aims to provide quantum leap to the Bank and its stakeholders, achieve benefit from the synergies offered by two banks and to enable continued compliance with all applicable minimum capital requirements. This proposed transaction is at a very advanced stage and sincere efforts are being made by the management for its earliest completion.

Going forward, the Bank will continue to focus on all the key areas for improvement in results, some of which are as follows:

- Improvement in return on assets and overall quality of portfolio;
- Reduction in Cost of Deposits (CoD) and improvement in current account and saving account (CASA) ratio;
- Improvement in markup and non-markup income stream;
- Continuous improvement and strengthening of capital base;
- Recoveries from non-performing loans and advances;
- Rationalization and reduction of non-earning assets; and
- Identification of areas for cost savings and rationalization.

APPRECIATIONS AND ACKNOWLEDGMENTS

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

We 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 endeavours.

On Behalf of the Board of Directors

Muhammad Zahir Esmail
President & Chief Executive

Nasser Abdulla Hussain Lootah
Chairman

Date: March 09, 2018

Place: Karachi

ڈائریکٹرز رپورٹ برائے شیئر ہولڈرز

31 دسمبر، 2017 کو ختم ہونے والے سال کے لیے

بورڈ آف ڈائریکٹرز (بورڈ) کی جانب سے، ہم سمٹ بینک لمیٹڈ (بینک) کی 31 دسمبر، 2017 کو ختم ہونے والے سال کے لئے سالانہ رپورٹ پیش کرتے ہیں۔

کارکردگی کا جائزہ

زیر جائزہ سال کے لیے بینک کے مالیاتی گوشواروں کی تفصیلات درج ذیل ہیں:

31 دسمبر، 2016	31 دسمبر، 2017	
---- ('000 میں روپے) ----		
(33,526)	(908,838)	پروویژن اور ڈائریکٹ رائٹ آف سے قبل نقصان
(1,910,761)	177,585	غیر کارکردگی والے قرضہ جات اور ایڈوانسز کے عوض پروویژن کار یورسل / (پروویژن)۔ نیٹ
26,690	(14,654)	سرمایہ کاریوں کی مالیت میں (کمی کے لیے پروویژن) / پروویژن کار یورسل۔ نیٹ
(114)	(16,861)	برے قرضہ جات کا ڈائریکٹ رائٹ آف
(1,917,711)	(762,768)	قبل از ٹیکس نقصان
(256,681)	(383,671)	ٹیکس خرچ
(2,174,392)	(1,146,439)	بعد از ٹیکس نقصان
(1.00)	(0.51)	فی شیئر نقصان۔ بینک (روپے)
(1.00)	(0.51)	فی شیئر نقصان۔ ڈائریکٹرز، (روپے)

زیر جائزہ سال کے دوران بینک کے نتائج میں نمایاں بہتری آئی اور گزشتہ سال کے بعد از ٹیکس 2,174.39 ملین روپے خسارے کے مقابلے میں بعد از ٹیکس خسارہ کم ہو کر 1,146.44 ملین روپے پر آ گیا۔ خسارے میں اس کمی کی بنیادی وجہ غیر فعال قرضوں اور ایڈوانسز کی مد میں 177.58 ملین روپے کی پروویژن کار یورسل ہے جبکہ پچھلے سال NPLs کی مد میں 1,910.76 ملین روپے نیٹ پروویژن ریکارڈ کی گئی تھی۔ یہ بہتری انتظامیہ کی جارحانہ کوششوں کا نتیجہ ہے۔ بینک نے پروویژن میں یونٹ ریورسل باوجود اس کے حاصل کیا ہے کہ قانونی تقاضوں کو پورا کرنے کے لیے ٹائم بیسڈ کرائیٹریا (Time Based Criteria) (حالانکہ بینک کے پاس وصولی کے لیے سیکورٹی کی مکمل ویلیو دستیاب ہے) اور موجودہ NPLs کی کیٹیگری میں گراؤٹ کی وجوہات کی بناء پر مزید پروویژن کی گئی تھی۔

31 دسمبر، 2017 کو بینک کے غیر فعال قرضوں کے تناسب (مجموعی NPL اور مجموعی قرضوں کا تناسب) میں مثبت تبدیلی نظر آئی جو کہ گزشتہ سال 17.74% کے مقابلے میں کم ہو کر 17.15% پر آ گیا۔ البتہ مجموعی طور پر بینک کے غیر فعال قرضے 16,719.02 ملین روپے سے بڑھ کر 17,065.58 ملین روپے ہو گئے اور NPLs کی مد میں پروویژن کا تناسب (NPLs کے لیے کی گئی مخصوص پروویژن اور مجموعی NPLs کا تناسب) 81.91% (31 دسمبر، 2016 : 85.91%) تک کم ہو گیا۔ اس

سلسلے میں انتظامیہ نادر ہندہ قرضہ داروں کے ساتھ مستقل بنیادوں پر مذاکرت کر رہی ہے اور امید ہے کہ وہ اپنے واجب الادا قرضوں کی ادائیگی بہت جلد شروع کر دیں گے، جس سے NPLs اور متعلقہ پروویژن میں کمی/واپسی میں مدد ملے گی۔

مزید برآں، سرمایہ کاری کی مالیت میں کمی کے لئے پروویژن گزشتہ سال کے 26.69 ملین روپے کے نیٹ ریورسل کے مقابلے میں 14.65 ملین روپے کا نیٹ چارج ریکارڈ کیا گیا۔ یہ نیٹ چارج اسٹاک مارکیٹ کی صورتحال کی وجہ سے پہلے سے امیجیر ڈیٹیز (impaired) کی قدر میں مزید کمی کی وجہ سے کمی گئی پروویژن کی عکاسی کرتا ہے۔

زیر جائزہ سال کے دوران شرح سود کی مشکل صورتحال کے باوجود، بینک کی نیٹ مارک۔ اپ آمدنی مالی سال 2016 کے 2,773.21 ملین روپے کے مقابلے میں 4.57% اضافے کے ساتھ 2,899.89 ملین روپے تک جا پہنچی ہے۔ اس اضافے کے اہم عوامل میں اوسط ڈپازٹس کی قیمت (CoD - Cost of Deposits) میں مزید کمی کے ساتھ ساتھ ڈپازٹس کی مقدار میں اضافہ اور مالی سال 2016 کے مقابلے میں مالی سال 2017 کے دوران آمدنی حاصل کرنے والے اثاثہ جات کے پورٹ فولیو میں اضافہ شامل ہیں۔

31 دسمبر، 2017 کو بینک کے حتمی ڈپازٹس 142.87 بلین روپے کے مقابلے میں 2% اضافے کے ساتھ 145.73 بلین روپے تک جا پہنچے۔ یہاں پر اس بات کی نشاندہی بھی ضروری ہے کہ زیر جائزہ سال کے دوران بینک کے اوسط ڈپازٹس میں خاطر خواہ اضافہ ریکارڈ کیا گیا۔ سال کے اختتام پر گزشتہ سال 49,819.84 بلین کے مقابلے میں بینک کے قرضوں (borrowings) کی مقدار بڑھ کر 67,307.77 بلین روپے ہو گئی۔ اس اضافے کی اہم وجہ بینک کی جانب سے قلیل المدتی ریپو قرضہ جات (Repo-borrowings) کا حصول تھا جو کہ انویسٹمنٹ کی خاطر لئے گئے۔ یہاں یہ بات بھی قابل ذکر ہے کہ بینک نے سال کے دوران اپنے قرضوں کی اوسط قیمت میں بھی کمی حاصل کی۔

سال کے دوران بینک نے 2,420.00 ملین روپے کی نان مارک اپ آمدن حاصل کی جو کہ پچھلے سال کی 3,127.39 ملین روپے نان مارک اپ آمدن کے مقابلے میں 22.62 فیصد کمی کو ظاہر کرتی ہے۔ اس کی بنیادی وجہ سیکورٹیز (گورنمنٹ سیکورٹیز اور شیئرز) کے کیپٹل گینز میں اس سال کے دوران کمی تھی، جس کی بنیادی وجہ اسٹاک مارکیٹ اور شرح سود کی موجودہ صورتحال تھی۔ یہاں اس بات کا ذکر بھی ضروری ہے کہ بینک نے پچھلے سالوں میں گورنمنٹ سیکورٹیز (T Bills and PIBs) پر موجود کیپٹل گینز کے موقعوں سے بھرپور فائدہ اٹھایا تھا اور بینک کے لئے قابل ذکر آمدن حاصل کی تھی۔ البتہ ڈیویڈنڈ کی آمد اور فارن کرنسی کے لین دین سے آمدن جو کہ نان مارک اپ آمدن کا حصہ ہیں، ان میں اس سال کے دوران صحت مند اضافہ ریکارڈ کیا گیا۔

انتظامیہ کی جانب سے اخراجات میں کمی کے لیے انتھک اقدامات کے باعث، مذکورہ سال کے دوران نان۔ مارک اپ اخراجات گزشتہ سال کے 5,934.13 ملین روپے کے مقابلے میں 4.96% اضافے کے ساتھ 6,228.73 ملین روپے تک محدود کر دیئے گئے۔ یہ اضافہ بنیادی طور پر کاروباری سرگرمیوں میں اضافہ، بڑھتی ہوئی مہنگائی، ڈیپریسی ایشن (Depreciation) کے اخراجات اور دیگر اثاثہ جات کے لیے ریکارڈ کی گئی پروویژن پر مشتمل تھا۔ اخراجات میں کمی اور خرچے گھٹانے والے عوامل کی نشاندہی اور بینک کے انتظامی اخراجات کو قابو میں رکھنے کے لیے مستقل نگرانی سے مثبت نتائج حاصل ہو رہے ہیں۔

زیر جائزہ سال کے دوران بینک کے نیٹ ایڈوانسز 7.11% اضافے کے ساتھ 85,521.87 ملین روپے ہو گئے ہیں (31 دسمبر، 2016 : 79,843.73 ملین روپے تھے) جبکہ نیٹ سرمایہ کاری (انویسٹمنٹس) 31 دسمبر، 2017 کو 5.14% اضافے کے ساتھ 95,231.06 ملین روپے پر پہنچ گئی (31 دسمبر، 2016 : 90,575.03 ملین روپے تھی)۔ بینک نے مارکیٹ کی شرح سود سے متعلق صورتحال میں تبدیلیوں کے پیش نظر اپنی سرمایہ کاری کی ترتیب میں بروقت تبدیلی کی اور اپنی سرمایہ کاری کو

طویل المدت PIBs سے قلیل المدت T-Bills کی جانب شفٹ کیا۔ بینک کی بیلنس شیٹ میں سال کے اختتام پر 8.38% اضافے کے ساتھ مجموعی اثاثے 233.05 بلین روپے تک پہنچ گئے (31 دسمبر، 2016 : 215.02 بلین روپے تھے)۔

31 دسمبر، 2017 کو بینک نے 5,376.97 ملین روپے کے Deferred Tax Assets (net) ریکارڈ کیے ہیں۔ یہ آنے والے سالوں میں ممکنہ ٹیکس فوائد کے حصول کے بارے میں انتظامیہ کی توقعات کو ظاہر کرتے ہیں اور اس بات کا ایکسٹرنل آڈیٹرز نے بھی اپنی رپورٹ میں تذکرہ کیا ہے۔ ہم پر امید ہیں کہ بینک ان اثاثوں کا فائدہ اٹھائے گا۔ اس کے علاوہ ٹیکس کی اپ ڈیٹڈ پوزیشن کے تحت موجودہ سال کے لیے Deferred Tax خرچ 226.23 ملین روپے رہا جبکہ پچھلے سال کے دوران یہ خرچ 132.22 ملین روپے تھا۔

موجودہ سال میں نقصان کے باوجود بورڈ پر امید ہے کہ انتظامیہ میں اس بات کی اہلیت ہے کہ وہ بینک کے نتائج کو بہتری کی جانب لے جاسکتی ہے اور بینک کے لیے منافع بخش نتائج حاصل کرنے کے لیے تمام ممکنہ راستوں کو بروئے کار لانے میں کوشاں ہیں۔ مالی سال 2017 کے دوران نتائج میں نمایاں بہتری سے اس بات کو تقویت ملتی ہے۔

حکمت عملی کے اقدامات

بینک کم از کم کیپٹل کی لاگو شرائط سے ہم آہنگی حاصل کرنے کے لیے تمام ضروری اقدامات اٹھا رہا ہے۔ 31 دسمبر، 2017 کو بینک کا ادا شدہ کیپٹل (خسارے کے بعد) (paid up capital (net of losses))، کیپٹل ایڈیوکیسی کا تناسب (capital adequacy ratio) اور لیوریج کا تناسب (leverage ratio) بینک دولت پاکستان کی جانب سے مجوزہ سطح سے نیچے تھے، جس کی نشاندہی ایکسٹرنل آڈیٹرز نے اپنی آڈٹ رپورٹ میں بھی کی ہے۔ اس سلسلے میں بینک نے ایک برنس پلان تشکیل دیا ہے، جس کے مقاصد بینک کے کیپٹل کو بڑھانا، خطرات سے نمٹنے کی صلاحیت میں اضافہ کرنا اور بینک کی ترقی کے لیے اقدامات کی حوصلہ افزائی کرنا شامل ہیں۔ اس کے علاوہ، بینک نے سمٹ بینک لمیٹڈ کے سندھ بینک لمیٹڈ میں ممکنہ انضمام کے لیے جائزے کی مشق (Due Diligence exercise) کا اہتمام کیا تھا۔ سندھ بینک لمیٹڈ نے بھی اسی طرح کی جائزہ مشق کا اہتمام کیا تھا۔ تفصیلی جائزے کے بعد، دونوں بینکوں کے بورڈ آف ڈائریکٹرز نے سمٹ بینک لمیٹڈ کے سندھ بینک لمیٹڈ کے ساتھ انضمام کی اسکیم کی منظوری دی ہے۔ دونوں بینکوں کے شیئرز ہولڈرز نے بھی اس اسکیم کی منظوری دی ہے۔ بینک اس وقت بینک دولت پاکستان سے منظوری کے لئے مختلف ضروریات / شرائط کی تکمیل کرنے میں مصروف عمل ہے اور مجوزہ انضمام کی کارروائی کو جلد از جلد مکمل کرنے کا ارادہ رکھتا ہے۔

ہم پر اعتماد ہیں کہ کم از کم سرمائے کی لاگو شرائط کی برنس پلان پر عملدرآمد اور ممکنہ انضمام کی ٹرانزیکشن کی تکمیل کے ذریعے تعمیل کی جائے گی اور اس مقصد کے لیے انتظامیہ تمام ضروری اقدامات کر رہی ہے۔ مزید برآں، بینک کے اسپانسر نے اس بات کا عزم کیا ہے کہ جب بھی بینک کے بورڈ آف ڈائریکٹرز نے فیصلہ کیا تو وہ سرمائے کی کسی بھی کمی کو پورا کرے گا۔

اسلامی بینکاری

بینک نے حکمت عملی کے مطابق زبر جائزہ سال کے دوران اپنے اسلامک بینکنگ کے پورٹ فولیو میں اضافے کے تسلسل کو جاری رکھا۔ ایک اسلامک بینکنگ برانچ اور ایک اسلامک بینکنگ ونڈو کے اضافے کے ساتھ اب بینک کے اسلامی بینکنگ نیٹ ورک میں 14 مکمل اسلامک بینکنگ کی برانچیں (IBBs) اور 35 اسلامک بینکنگ کی ونڈوز (IBWs) شامل ہیں، جس کے بعد اب بینک 28 شہروں میں 49 برانچوں کے ذریعے پاکستان بھر میں اسلامک بینکاری کی سروسز فراہم کر رہا ہے۔ الحمد للہ! گلگت بلتستان سمیت ملک کے پانچوں صوبوں میں بینک کی اسلامک بینکاری کے آپریشنز جاری ہیں۔

رواں سال کے دوران اسلامی بینکاری کے مجموعی ڈپازٹس تقریباً دگنے ہو گئے (88.03% کا اضافہ) اور 31 دسمبر، 2016 کے 11,992.56 ملین روپے کے مقابلے میں 31 دسمبر، 2017 کو 22,549.25 ملین روپے تک جا پہنچے۔ اسی طرح، اسلامی فنانسنگ اور منسلک اثاثے بھی گزشتہ سال کے 9,328.37 ملین روپے کے مقابلے میں 15.56% کے حوصلہ مند اضافے کے ساتھ 10,779.55 ملین روپے تک جا پہنچے ہیں۔ اسلامی بینکاری کے تحت بینک کی سرمایہ کاری (انوئسٹمنٹ) کا پورٹ فولیو 31 دسمبر، 2017 کو 5,860.69 ملین روپے رہا۔ مالی سال 2017 کے دوران بینک کے شعبہ اسلامی بینکاری کے آپریشنز کا قبل از ٹیکس منافع 205.97 ملین روپے رہا (مالی سال 2016 : 137.60 ملین روپے تھا)۔

بینک اپنے موجودہ اور نئے صارفین کی ضروریات پوری کرنے کے لیے قرضہ جات اور اثاثہ جات دونوں کی صورت میں شریعت سے ہم آہنگ پروڈکٹس کی ایک وسیع رینج پیش کر رہا ہے۔ اس کے علاوہ، بینک اپنے ملازمین کی بہتری کے لیے سرمایہ کاری کے اصول پر بھی کاربند ہے اور ملازمین کی اسلامی بینکاری کی معلومات کو مستحکم بنانے کے لیے اسلامی بینکاری سے متعلق مہارت فراہم کر رہا ہے۔ بینک نے اس مقصد کے لیے بینک کے اندر اور بینک سے باہر بھی مختلف تربیتی سیشنز منعقد کیے ہیں اور سال کے دوران 396 ملازمین کو انفرادی یا اجتماعی گروپ کی شکل میں تربیتی نشستوں کے ذریعے تربیت فراہم کی ہے۔

اسی طرح، آگاہی اجاگر کرنے کے لیے، بینک نے اپنے موجودہ اور متوقع صارفین کے لیے ملک کے مختلف شہری، دیہاتی اور دور دراز مقامات پر تربیتی نشستوں کا اہتمام کیا اور سال کے دوران ایسے 17 پروگرام منعقد کیے۔ اس طرح بینک کو مارکیٹ میں اسلامک بینکنگ کے بارے میں معلومات دینے اور اسلامی بینکاری کے مسائل سے متعلق شرکاء کے سوالات کے جوابات دینے کے ساتھ ساتھ بینک کو اسلامی بینکاری میں منتقلی کی حکمت عملی کے بارے میں سوالات کے جوابات دینے کا موقع ملا۔

ٹیکنالوجی پلیٹ فارم، ادائیگی کا نظام اور ڈیجیٹل بینکنگ

سال کے دوران، بینک نے اپنی ڈیجیٹل بینکنگ کی حکمت عملی پر عملدرآمد کے لیے عملی اقدامات پر توجہ مرکوز رکھی اور اپنے صارفین کو ڈیجیٹل بینکنگ کے مختلف چینلز میں 24/7 ڈیجیٹل بینکنگ سروسز فراہم کی گئیں۔ ان اقدامات میں سمٹ موبائل ایپ اور فون پے (FonePay) کے ساتھ بینک کا حکمت عملی پر مبنی اشتراک شامل ہیں تاکہ صارفین کو جدید ترین ڈیجیٹل بینکنگ کی اعلیٰ سہولیات فراہم کی جاسکیں۔

سال 2017 کے دوران، بینک نے آن لائن مارکیٹ اور ادائیگی کے نظام میں مزید رسائی حاصل کرنے کے لیے ایزی پے (EasyPay) اور جیز کیش (JazzCash) سے بھی اشتراک عمل کیا۔

مزید برآں، بینک نے چائنہ یونین پے کے ساتھ بھی ایک معاہدے پر دستخط کیے تاکہ بینک اُن کے مرچنٹس کی الیکٹرونکس ٹرانزیکشن کے لیے سیٹلمنٹ بینک بن سکے۔ اسی طرح، بینک دولت پاکستان کے قواعد اور سیکورٹی کے عالمی معیارات پر پورا اترنے کے لیے بینک ماسٹر کارڈ اور چائنہ یونین پے کے EMV (یورو۔ ماسٹر۔ ویزا) سے ہم آہنگ کارڈز کے اجراء پر بھی کام کر رہا ہے۔

پروڈکٹس اور سروسز

سمٹ بینک اپنی تمام سرگرمیوں اور پروڈکٹس کو ڈیجیٹل بنانے کے لیے صارفین کی آسانی اور سہولت کو سب سے زیادہ ترجیح دیتا ہے۔ بینک اپنے موجودہ اور متوقع صارفین کے اطمینان کو بالاتر رکھتے ہوئے مختلف پروڈکٹس اور قابل قدر سروسز فراہم کر رہا ہے۔

بینک نے پہلے تشکیل کردہ حکمت عملی اور منصوبہ بندی کے تحت کیے گئے اقدامات سے خاطر خواہ ترقی حاصل کی ہے، جن کے بہتر نتائج بھی موصول ہوئے ہیں اور مستقبل میں بھی ترقی کی یہی رفتار جاری رہنے کی امید ہے۔ کنزیومر بینکنگ میں بھی قابل قدر ترقی ہوئی ہے خاص طور پر آٹو اور ہوم لون پروڈکٹس میں، بہتر نتائج موصول ہوئے ہیں۔ فنانسنگ پورٹ فولیو میں بھی خاصہ اضافہ دیکھا گیا ہے اس کے ساتھ گزشتہ سال سے اپنائی گئی حکمت عملی کے تحت چینل کی وسعت اور دو طرفہ فروخت کی بدولت قرضہ داروں کی تعداد بھی بڑھ گئی ہے اس کامیابی میں پاکستان بھر میں کی گئی مارکیٹنگ مہم کی بھرپور حوصلہ افزائی بھی شامل تھی۔

بینک اپنے صارفین کی مالیاتی اور کاروباری ضروریات پوری کرنے کے لیے کوشاں ہے اور اس مقصد کے لیے فنانسنگ (کارپوریٹ، کمرشل، ایس ایم ای) کی جدید تیج اور تجارتی مسائل کے حل پر مبنی پروڈکٹس پیش کر رہا ہے۔ اس کے علاوہ، بینک اپنے صارفین کے کاروبار کو فروغ دینے کا خواہشمند ہے اور اس کے لیے اپنی اعلیٰ معیاری بینکنگ سروسز اور جدید آئی ٹی سسٹم کے ذریعے انھیں مارکیٹ کا مقابلہ کرنے میں مدد فراہم کرتا ہے۔

اسی طرح، ہوم ریہیننس ڈویژن میں بھی واضح ترقی کارہاں پایا گیا اس مقصد کے لیے گزشتہ سال نان ریزیڈنٹ پاکستانی (NRP) اکاؤنٹ متعارف کرایا گیا۔ پروڈکٹ سے متحدہ عرب امارات میں رہائش پذیر ایسے پاکستانیوں کو آسانی ہوئی جو اپنے ملک زرمبادلہ کی فوری اور محفوظ ترسیل چاہتے ہیں۔ سال 2018 کے لئے بینک نے مقامی اور بین الاقوامی سطح پر اپنے صارفین کی تعداد میں اضافے کا منصوبہ بنایا ہے، جس میں اپنے پے آؤٹ پارٹنرز کے نیٹ ورک میں توسیع اور آسان ریہیننس اکاؤنٹس کے نام سے ایک نئی پروڈکٹ متعارف کرانا شامل ہیں۔ یہ پروڈکٹ کم رسک لینے والے (low risk) نان۔ بینکنگ یا نئے صارفین کے لئے خصوصی طور پر تیار کیا گیا ہے جو غیر ملکی زرمبادلہ کی فوری وصولی میں مدد فراہم کرے گا۔

کریڈٹ ریٹنگز

جون 2017 میں، JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے بینک کی درمیانی سے طویل المیعاد بیننگ - A (سنگل A مانس) اور قلیل المیعاد بیننگ A-1 (A-ون) برقرار رکھی۔ اس کے علاوہ بینک کے ٹی ایف سی (TFC) کی ریٹنگ A-(SO) (سنگل A مانس) (Structured Obligation) پر برقرار رکھی ہے۔ یہ ریٹنگ سندھ بینک لمیٹڈ کے ساتھ ہونے والے ممکنہ انضمام کے پیش نظر ریٹنگ واچ۔ ڈیولپنگ پر رکھی گئی ہیں۔

فی شیئر خسارہ

بینک اور ڈائیکوٹڈ فی شیئر خسارے کو مالیاتی گوشواروں کے نوٹ نمبر 32 میں ظاہر کیا گیا ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

بورڈ آف ڈائریکٹرز سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کی طرف سے جاری کردہ کوڈ آف کارپوریٹ گورننس کی تعمیل کی تصدیق کرتا ہے اور کوڈ کے سلسلے میں مندرجہ ذیل بیان دینے میں خوشی محسوس کرتا ہے۔

- مالیاتی گوشوارے اور ان میں دیئے گئے نوٹس کمپنیز آرڈیننس 1984 (Repealed) کے مطابق تیار کئے گئے ہیں۔ یہ گوشوارے غیر جانبدارانہ طور پر بینک کے معاملات، عمل کاری اور کیش فلوز (cash flows) کے نتائج اور ایکویٹی میں تبدیلی کو پیش کرتے ہیں۔
- بینک کے کھاتوں کی باقاعدہ دستاویزات مرتب کی گئی ہیں۔

- مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کا تسلسل سے اطلاق کیا گیا ہے۔ مالیاتی تخمینے معقول اور دانشمندانہ فیصلوں پر مبنی ہیں۔
- مالیاتی گوشواروں کی تیاری میں پاکستان میں قابل اطلاق بین الاقوامی مالیاتی رپورٹنگ کے معیارات پر عمل کیا گیا ہے اور ان سے کسی بھی قسم کے انحراف جس کا گوشواروں پر کوئی نمایاں اثر ہے کی مناسب انداز سے نشاندہی کی گئی ہے۔
- انٹرنل کنٹرولز کے نظام کی ساخت مستحکم ہے اور اس کے موثر نفاذ اور نگرانی کو یقینی بنایا گیا ہے۔
- بینک کے مسلسل بزنس کرنے کی صلاحیت پر کسی قسم کے نمایاں شکوک و شبہات موجود نہیں ہیں۔
- لسٹنگ ریگولیشنز میں تفصیلاً دیئے گئے کارپوریٹ گورننس کے اچھے ضوابط میں سے کسی بڑے ضابطے کی خلاف ورزی نہیں کی گئی۔ کوڈ آف کارپوریٹ گورننس سے کمپلائنس کی رپورٹ سالانہ رپورٹ کا حصہ ہے۔
- بینک کے دو ڈائریکٹرز بینک پروگرام سے مستثنیٰ ہیں جبکہ دیگر تین ڈائریکٹرز نے کوڈ کی ضروریات کے تحت SECP سے منظور شدہ تربیتی اداروں سے مصدقہ ڈائریکٹرز ہونے کے سرٹیفیکیشن حاصل کئے ہیں۔
- سی ای او، ڈائریکٹرز اور ایگزیکٹوز کی جانب سے بینک کے حصص میں سال کے دوران اگر کوئی خرید و فروخت کی گئی ہے، تو اس کا انکشاف شیئر ہولڈنگ کی تفصیلات کے ساتھ کیا گیا ہے جو کہ سالانہ رپورٹ کا حصہ ہے۔
- بورڈ نے اپنی کارکردگی کا جائزہ لینے کے سلسلے میں کوڈ کی ضرورت کو پورا کیا ہے اور پاکستان انسٹیٹیوٹ آف کارپوریٹ گورننس کے متعارف کرائے گئے آن لائن تشخیصی عمل کو استعمال کر رہا ہے۔
- گزشتہ چھ سال کا کلیدی آپریٹنگ اور مالیاتی ڈیٹا سالانہ رپورٹ میں دیا گیا ہے۔
- زیر جائزہ سال کے دوران خسارے کی وجہ سے کوئی بھی قابل تقسیم منافع جات نہیں ہیں جنہیں منافع مقسمہ (Dividend) کی تقسیم کے ذمے میں لیا جاسکتا ہو۔
- 31 دسمبر 2017ء کو اسٹاف پراویڈنٹ فنڈ اور اسٹاف گریجویٹ فنڈ کی سرمایہ کاری اور پلیسمنٹس کی تفصیلات درج ذیل ہیں۔

• اسٹاف پروویڈنٹ فنڈ	1,081.84	ملین روپے۔
• اسٹاف گریجویٹ فنڈ	290.39	ملین روپے۔
- تمام قانونی واجبات کا (اگر کوئی ہے تو) مناسب طور پر مالیاتی گوشواروں میں انکشاف کیا گیا ہے۔

بورڈ اور اس کی ذیلی کمیٹیوں کی حاضری کے ساتھ تفصیلات

2017 کے دوران، بورڈ اور اس کی ذیلی کمیٹیوں کے درج ذیل اجلاس منعقد ہوئے ان میں بورڈ ارکان کی حاضری درج ذیل ہے:

انفارمیشن ٹیکنالوجی کمیٹی کے اجلاس		ہیومن ریسورسز اینڈ ٹیکنیشن کمیٹی کے اجلاس		رسک مینجمنٹ کمیٹی کے اجلاس		آڈٹ کمیٹی کے اجلاس		بورڈ آف ڈائریکٹرز کے اجلاس		ڈائریکٹر کا نام
حاضر	منعقدہ	حاضر	منعقدہ	حاضر	منعقدہ	حاضر	منعقدہ	حاضر	منعقدہ	
-	-	-	-	-	-	-	-	7	11	عزت ماب ناصر عبداللہ حسین لوتھا چیئر مین
-	-	3	4	3	3	7	7	11	11	محترم حسین لوئی نائب چیئر مین
2	2	4	4	-	-	-	-	11	11	محترم محمد ظہیر اسماعیل صدر اوری ای او
2	2	4	4	3	3	7	7	10	11	محترم شہر یار فاروق
-	-	4	4	3	3	7	7	11	11	محترم اسد اللہ خواجہ
-	-	-	-	-	-	-	-	4	11	محترم ایم ڈی عطا الرحمن پرودھان
2	2	-	-	-	-	-	-	4	11	محترم محمد فیصل شیخ *

* محترم محمد فیصل شیخ نے اپنے عرصے کے دوران ہونے والے 05 میں سے 04 بورڈ آف ڈائریکٹرز کے اجلاسوں میں شرکت کی۔ وہ ڈائریکٹرز جو کسی اجلاس میں شرکت نہیں کر سکے تھے انہیں بورڈ کی جانب سے رخصت دی گئی تھی۔

رسک مینجمنٹ

رسک مینجمنٹ جو کہ کارپوریٹ مقاصد کو یقینی بنانے کے لئے فیصلے لینے میں اہم کردار ادا کرتا ہے، بینک کا ایک اہم جزو ہے جو کہ اس بات کو یقینی بناتا ہے کہ بینک کے رسک اور یوارڈز میں ایک مناسب تناسب موجود ہے۔ بینک کا فلسفہ ہے کہ تمام خطرات کی نشاندہی، تخمینے، نگرانی اور اصلاحی اقدامات کے لئے مستعد رسک مینجمنٹ کا نظام موجود ہو۔

بورڈ آف ڈائریکٹرز بینک کے رسک برداشت کرنے کی حد کا تعین کرتا ہے اور رسک مینجمنٹ کی حکمت عملی اور پالیسیوں کی منظوری دیتا ہے اور یہ بھی بتاتا ہے کہ بینک اپنے مقاصد کے حصول کے لئے کون کون سے اور کس حد تک بزنس رسکس لے سکتا ہے۔ بورڈ نے رسک ایکسپوزرز (exposures) کو منیٹر کرنے اور پر نظر بنانے کے لئے پالیسیوں کی تشکیل اور جائزہ لینے کے اختیارات مختلف کمیٹیوں کو سونپے ہیں۔ بورڈ کی رسک مینجمنٹ کمیٹی (BRMC - Risk Management Committee of the Board)، ان کمیٹیوں کی طرف سے رسک ایکسپوزرز (exposures) کے لئے منظور شدہ اہم پالیسی فیصلے اور تجاویز کا جائزہ لیتی ہے۔ بورڈ نے مینجمنٹ کی کریڈٹ، مارکیٹ، لیکویڈٹی، انفارمیشن ٹیکنالوجی (آئی ٹی)، قانونی اور دیگر رسکس کو پر نظر کرنے کی سرگرمیوں کی نگرانی کے لئے BRMC کا تقرر کیا ہے۔ تاکہ بینک ایک مستعد رسک مینجمنٹ فریم ورک کی موجودگی کو یقینی بنا سکے۔ رسک مینجمنٹ کے عمل میں مزید مضبوطی پیدا کرنے کے لئے بینک باقاعدگی سے رسک مینجمنٹ پالیسیوں اور رسک لمٹس کو اپ ڈیٹ کرتا رہتا ہے۔

مختلف ڈویژنز جیسے کہ کمپلائنس، لیگل، کریڈٹ، رسک مینجمنٹ، انٹرنل آڈٹ ٹریڈری ڈیل آفس، آئی ٹی سیکورٹی اور مرکزی آپریشنل یونٹس بزنس یونٹس سے خود مختار طور پر اپنے شعبوں میں موجود رسکس کو منیج کرنے کے لئے کام کر رہے ہیں۔ بینک نے تجربے کار ایکٹو کیٹیگوریز پر مشتمل مختلف کمیٹیاں بھی قائم کر رکھی ہیں جس میں یہ لوگ اپنے زیر نگرانی شعبوں میں جا کر ہونے والے رسکس کے مسائل پر غور و خوض کرنے کے لئے باقاعدگی سے ملتے ہیں۔

آپریشنل رسکس کو منیج کرنے کے لئے بورڈ نے ذمہ داریوں کی تقسیم اور دیگر کنٹرولز کو قائم کیا ہے۔ اس کے علاوہ بینک نے کریڈٹ، آپریشنل اور انفارمیشن سیکورٹی رسک مینجمنٹ کے امور کو مختلف رسک مینجمنٹ ٹولز اور ٹیکنیکس کے ذریعے مزید مضبوط کیا ہے۔ غیر موافق صورتحال میں مسلسل بزنس اور مصیبت (Disaster) کے دوران بزنس کی جلد بحالی کے لئے باقاعدگی سے مشقیں کی جاتی ہیں۔

انٹرنل کنٹرولز پر بیان

بینک کے انٹرنل کنٹرولز کے نظام کو آپریشنل کارکردگی، قانونی اور دستوری کمپلائنس اور قابل اعتماد اور درست مالیاتی رپورٹنگ حاصل کرنے کے لئے ڈیزائن کیا گیا ہے۔

ایک مناسب اور موثر انٹرنل کنٹرولز کا سسٹم بینک کی انتظامیہ کی ذمہ داری ہے۔ انٹرنل کنٹرولز کے موثر نظام کے لئے بینک نے مندرجہ ذیل لائحہ عمل کی پیروی کی ہے:

- ایک آزاد انٹرنل آڈٹ ڈویژن جو کہ بورڈ آف ڈائریکٹرز کی آڈٹ کمیٹی کو براہ راست رپورٹ کرتا ہے موثر طریقے سے عمل پیرا ہے۔
- کمپلائنس ڈویژن ایک مضبوط طریقے سے اخلاقیات کے کوڈ، قوانین اور ضوابط کے عمل کو یقینی بنانے کے لیے کام کر رہا ہے اور کسٹمر کو جاننے اور اینٹی منی لائڈنگ کے قوانین سے ہم آہنگی پر خاص توجہ دی جا رہی ہے۔
- انٹرنل کنٹرول ڈیپارٹمنٹ کو بنایا گیا ہے جو مالی، کمپلائنس اور آپریشنل کنٹرولز، اکاؤنٹنگ سسٹم اور رپورٹنگ ڈھانچے کی نگرانی کے لئے قائم ہے۔
- اخلاقیات اور کاروبار کے طریقوں کے بیان کو ڈائریکٹرز اور بینک کے ملازمین کی طرف سے تسلیم کیا گیا ہے اور اس پر دستخط کئے جا چکے ہیں۔
- مختلف پالیسیوں کا مجموعہ جسے بورڈ کی طرف سے منظوری حاصل ہے اور جو کہ مسلسل ضروریات کی بنیاد پر اپ ڈیٹ کیا جاتا ہے۔
- مینجمنٹ انٹرنل کنٹرول کے نظام میں بہتری کے لئے بینک کے آڈیٹرز کی طرف سے دی گئی تجاویز پر فوری عمل درآمد کرتی ہے۔
- بورڈ اور مینجمنٹ کمیٹیوں کی ایک بڑی تعداد مناسب رابطے اور کنٹرول کو یقینی بنانے کیلئے کام کر رہی ہے۔

بینک نے بین الاقوامی سطح پر مقبول COSO (Committee of Sponsoring Organizations of Treadway Commission) انٹرنل کنٹرول کے موبوٹ فریم ورک کو اپنایا ہے۔ ابتدائی طور پر بینک نے اسٹیٹ بینک آف پاکستان (SBP) کے (ICFR) Internal Controls over Financial Reporting کے بارے میں رہنما اصولوں کو موثر طریقے سے اپنانے کیلئے ایک قابل بھروسہ مشاورتی فرم کی خدمات حاصل کی تھیں۔

کنٹرولز کی مزید مضبوطی، گورننس اور گمرانی کو بڑھانے کے لئے اور SBP کی ہدایات کے مطابق انٹرنل کنٹرول دستاویزات کی مسلسل updation کے لئے بینک نے ایک علیحدہ انٹرنل کنٹرول کا ڈپارٹمنٹ قائم کیا ہے۔ انٹرنل کنٹرولز پر SBP کی ہدایات کے مطابق عمل کرنے میں مستقل مزاجی کو یقینی بنانے کیلئے بینک نے ایک منظم روڈ میپ اور SBP کی طرف سے جاری ICFR کی ہدایت پر عملدرآمد کیا ہے۔ بینک نے پروسسز اور کنٹرولز کی تفصیلی دستاویزات کو مکمل کر لیا ہے۔ اور کنٹرول ڈیزائن میں گپس کا ایک جامع تجزیہ کیا ہے اور ان کی درستگی کے لئے ایک پلان بنایا ہے۔ مزید برآں، بینک کے کلیدی کنٹرولز کی آپریننگ تاثیر کو یقینی بنانے کے لئے جانچ کا ایک جامع نظام اور رپورٹنگ فریم ورک تیار کیا ہے اور نمایاں طور پر اس منصوبے سے متعلق اقدامات کو مکمل کرنے کے لئے ڈیزائن میں بہتری کے مواقعوں پر ضروری عملدرآمد کیا ہے۔

اسٹیٹ بینک آف پاکستان کی ہدایات کے مطابق، بینک نے ICFR کے تمام مراحل مکمل کئے اور ICFR روڈ میپ کی تسلی بخش تکمیل پر، SBP نے بیرونی آڈیٹرز کی طویل فارم رپورٹ (Long form Report) جمع کرانے سے فروری 2015 میں بینک کو مستثناء قرار دیا تھا۔ اس کے مطابق بینک نے 31 دسمبر 2016ء کو ختم ہونے والے سال کی ICFR کی سالانہ جائزہ رپورٹ جو کہ بورڈ آف ڈائریکٹرز سے منظور شدہ تھی کو بروقت SBP میں جمع کر دیا تھا جو کہ SBP کے OSED سرکلر نمبر 1 برائے سال 2014 کے مطابق کیا گیا۔ مزید برآں اسٹیٹ بینک آف پاکستان کو سالانہ جائزہ رپورٹ برائے سال 31 دسمبر 2017ء کو بروقت جمع کرانے کو یقینی بنانے کیلئے ضروری کام جاری ہے۔

انتظامیہ کے نقطہ نظر کے تحت بینک کے انٹرنل کنٹرولز کا فریم ورک، قوانین اور قواعد و ضوابط سے ہم آہنگی اور بروقت اور درست مالیاتی رپورٹنگ کے عمل کو یقینی بنانے کے لئے کافی ہے۔ بورڈ آف ڈائریکٹرز بھی اس بات کی توثیق کرتے ہیں۔

سروس کا معیار اور صارفین کی شکایات کا ازالہ

بینک کے سروس کوالٹی ڈپارٹمنٹ کا عزم رہا ہے کہ بینک میں مکمل طور پر اور مستقل مزاجی کے ساتھ سروس کے معیار کو بہتر بنایا جائے۔ سال 2017 میں، سروس کوالٹی ڈپارٹمنٹ نے اپنے دائرہ کار کو وسعت دی ہے اور درج ذیل اقدامات پر عملدرآمد کیا ہے:

- برانچ کے دورے اور کوریج میں اضافہ
- مسٹری شاپنگ کے لیے کال سینٹر کا استعمال
- صارف کے اطمینان پر مبنی ایک مختصر (Mini) سروے کا آغاز
- اثاثوں اور قرضہ جات پر مبنی پروڈکٹس کے لیے اہم حقائق کی اسٹیٹمنٹس (key fact statements) کی تیاری
- فیڈ بیک سسٹم آف کسٹمر (FTC) پر بینک ملازمین کے لیے تربیت کا انتظام
- اکاؤنٹ کھولنے کے لیے درکار وقت اور شکایات کے حل اور مینجمنٹ یونٹ کی رپورٹس کا ماہانہ جائزہ
- ڈپارٹمنٹ اور سیکشنس کے درمیان سروس لیول معاہدوں کی تیاری میں سہولیات کی فراہمی
- 2 روزہ ورکشاپ کے ذریعے برانچز اور معاون شعبہ جات کے لیے تربیت کے لئے بہتر سامان کی فراہمی، جس میں سروس کے معیار، ثقافت، پروڈکٹ کی معلومات کا میٹریل وغیرہ شامل ہیں۔

اس کے علاوہ بینک کا FTC کلچر اپنے گاہکوں کی بہبود پر توجہ مرکوز کرتا ہے۔ FTC کے فریم ورک کو قائم کرنے کا نظریہ ہے کہ بینک کے ہر صارف کو مناسب اور بغیر تعصب کے خدمات فراہم کرے گا۔ بینک اس کے علاوہ اپنے تمام معاملات میں منصفانہ اصولوں کو شامل کرتا ہے۔ مندرجہ ذیل نظریات بینک کے FTC میں شامل ہیں۔

- گاہکوں کو صحیح معلومات حاصل کرنے اور انہیں اچھا فیصلہ کرنے میں مدد دینا۔
- صارفین کے لیے بینک کی طرف سے فراہم کردہ منصفانہ اور صحیح طریقوں کے درمیان فرق کرنے کے لیے ہر ممکن خدمات فراہم کرنا۔
- گاہکوں کو تنازعات کو حل کرنے کے لیے دیگر طریقہ کار تک رسائی حاصل ہونا۔

سال کے دوران، بینک نے منتخب 121 برانچوں میں بین - پاکستان کی بنیاد پر 1,220 صارفین سے اُن کے اطمینان پر مبنی سروے بھی کیا ہے۔ سروے کے نتائج بہت زیادہ حوصلہ افزا تھے جس میں 95% صارفین نے اعلیٰ سطح کے اطمینان کا اظہار کیا ہے۔

سروس کوالٹی ڈیپارٹمنٹ کا کمپلیٹ ریویژن اور ایگزیکٹو ایڈجسٹمنٹ یونٹ (CRMU) بینک دولت پاکستان کی کنٹریویمرگریوٹس ہینڈلنگ میکینزم (CGHM) سے متعلق رہنما اصولوں کے تحت کام کر رہا ہے۔ اس یونٹ میں شکایات کی تفتیش، حل اور فوری طور پر سقارشات دی جاتی ہیں اور دوبارہ شکایات کے رونما ہونے سے بچاؤ کیا جاتا ہے۔ CRMU فوری طور پر شکایات کو اس سے متعلقہ شعبے کی جانب ارسال کرتا ہے تاکہ مجوزہ جامع طریقہ کار اور مقررہ وقت کے اندر اس پر فوری عمل اور اس کا حل نکالا جاسکے۔ صارفین اپنی شکایات مختلف چینلز جیسا کہ کال سینٹر، ای میلز، خطوط، ویب سائٹ، صدر کے دفتر / انتظامیہ یا بینکنگ محتسب پاکستان کے پاس درج کراتے ہیں۔ ہر شکایت کے سلسلے میں بینک 48 کاروباری گھنٹے کے اندر صارف کو تصدیقی جواب ارسال کرتا ہے۔

CRMU صارف کا مسئلہ ایک مقررہ وقت کے اندر حل کرتا ہے اور مسئلہ حل کرنے کے بعد اس کو جواب دیتا ہے، معمولی شکایت کی صورت میں 15 کاروباری دن اور پیچیدہ شکایت کی صورت میں 30 کاروباری دنوں میں جواب دیا جاتا ہے۔ اگر مقررہ وقت کے اندر شکایت کا ازالہ نہیں ہو سکتا (جہاں پر تفصیلی اسکرٹینی کی ضرورت ہو)، ایسی صورت میں 10 دن کے اندر ایک عبوری جواب دیا جاتا ہے۔ بینک کی جانب سے غیر تلبی بخش جواب کی صورت میں یا 30 دنوں تک شکایت پر کسی بھی کارروائی نہ ہونے پر صارف کے پاس بینکنگ محتسب پاکستان سے شکایت کرنے کا حق ہوتا ہے۔ سال 2017 کے دوران، بینک کو صارفین کی جانب سے 17,260 شکایات موصول ہوئیں جن میں سے سال کے آخر تک 17,231 (99.83%) شکایات حل کر دی گئیں۔ یہ شکایات اوسطاً 7 کاروباری دنوں کے ٹرن آراؤنڈ ٹائم (turn-around-time) کے اندر حل کی گئیں اور اُن کی اطلاع صارفین کو دی گئی ہیں جو ریگولیٹری بیج مارک کے اندر ہے۔

کارپوریٹ سماجی ذمے داری

بینک نے معاشرے میں بھلائی کے لیے ہر ممکن طور پر سماجی کاموں کے مقصد کو جاری رکھا ہے۔ قومی سطح پر، غربت کے خاتمے کے لیے، بینک نے حکومت پاکستان کے بے نظیر انکم سپورٹ پروگرام (BISP) میں ایک اہم شراکت دار کی حیثیت سے تعاون جاری رکھا۔ سال 2017 میں، بینک نے بائیومیٹرک ویری فیکیشن سسٹم کے ذریعے BISP کی ادائیگیوں کے لیے ایزی پیسہ برانچ لیس بینکنگ کے ایجنٹ کے طور پر اپنی شراکت میں وسعت کی ہے۔ بینک بی آئی ایس پی سمیت G2P (گورنمنٹ ٹو پرسن) کی تمام ادائیگیوں کے لیے ڈیجیٹل موبائل ویلٹس متعارف کرانے کے لیے کوشاں ہے۔ اس سلسلے میں، مالی سال 2017 کے دوران، بینک نے بی آئی ایس پی کے تحت 240,000 سے زائد مستحقین میں 5.02 بلین روپے تقسیم کیے ہیں۔

بینک نے حکومت کی جانب سے نوجوانوں کو قرضہ جات کی فراہمی (وزیراعظم یوتھ لون پروگرام) کے اقدام اور معاشرے کی بہتری کے لیے زرعی قرضہ جات فراہم کرنے کی بھی مکمل حمایت کی ہے۔ ان کوششوں کی تمام اسٹیک ہولڈرز نے تعریف کی ہے۔

بینک نے توانائی کو بچانے کے لیے مختلف برانچوں میں سولر پنلز استعمال کر کے نہ صرف بینک کو فائدہ پہنچایا ہے بلکہ اس طرح انرجی بچانے کے قومی مقصد میں بھی معاونت کی ہے۔

انتظامیہ کی بینک ملازمین کی ہر سطح پر مسلسل تربیت اور ترقی کے لئے سرمایہ کاری کی ضرورت کو تسلیم کرتی ہے اور ملازمین کی اچھی کارکردگی پر انہیں اعزازات سے نواز کر کام کے ماحول کو مزید بہتر بنانے کے لئے پرعزم ہے۔ ایسے اقدامات اعلیٰ معیار کے ہیومن ریسورس کو بینک سے منسلک رکھنے اور ان کی ذاتی ترقی میں مدد دیتے ہیں۔ اس کے علاوہ، یہ ہدف حاصل کرنے کے لیے تربیت و ترقی کے ضمن میں خاص بیٹ مختص کیا جاتا ہے۔

ایکسٹرنل آڈیٹرز

موجودہ آڈیٹرز M/s. DeloitteYousuf Adil, Chartered Accountants ریٹائر ہو رہے ہیں اور اہل ہونے پر خود کو دوبارہ تقرری کے لئے پیش کیا ہے۔ آڈٹ کمیٹی کی سفارشات پر بورڈ آف ڈائریکٹرز نے 31 دسمبر 2018 کو ختم ہونے والے سال کے لیے DeloitteYousuf Adil, Chartered Accountants M/s. کو شیئر ہولڈرز کے آنے والے سالانہ اجلاس عام میں تقرری کیلئے پیش کیا ہے۔

شیئر ہولڈنگ کی تفصیلات

شیئر ہولڈنگ کی تفصیلات سالانہ رپورٹ کا حصہ ہیں۔

ہولڈنگ اور ذیلی کمپنی

سرورٹو بسٹنسٹ لمیٹڈ (SIL)، جو کہ ماریسٹس میں قائم ہے، بینک کی ہولڈنگ کمپنی ہے۔ 31 دسمبر، 2017 کو SIL کے پاس بینک کے جاری شدہ، شیئر کیپٹل میں سے 66.77% شیئرز ہیں۔

بینک کی سمٹ کیپٹل (پرائیویٹ) لمیٹڈ میں 100% شیئر ہولڈنگ ہے۔ بینک کے اور اس کی ذیلی کمپنی کے مجموعی مالی گوشوارے اور ان مالی گوشواروں پر آڈیٹرز کی رپورٹ سالانہ رپورٹ کا حصہ ہیں۔

معاشی جائزہ

(CY-2017) سال 2017 میں میکرو اکنامک سطح اور سیاسی محاذ پر متعدد چیلنجز کا سامنا کرنا پڑا۔ البتہ، پاکستان کی معاشی ترقی گزشتہ گیارہ برسوں میں سب سے اعلیٰ سطح کی طرف گامزن ہے۔ مالی سال (CY-2017) 2017 کی پہلی ششماہی میں خاص طور پر پاکستان کی MSCI انڈیکس میں شمولیت کے باعث اچھی رہی، تاہم میکرو اکنامک انڈیکسز میں سابقہ وزیراعظم کی نااہلی اور عالمی تعلقات میں شدید غیر یقینی صورتحال کے باعث مالی سال 2017 کی دوسری ششماہی میں معیشت پر منفی اثر ریکارڈ کیا گیا۔ سال کا مجموعی ٹیکس ریونیو YOY کی بنیاد پر 8.21% اضافے کے ساتھ 3,367.87 ارب روپے تک پہنچ گیا۔ 2016-17 میں درآمدی بل میں اضافے کی وجہ سے کرنٹ اکاؤنٹ خسارہ 12.4 ارب ڈالر ہونے کے باوجود مالی سال 2016-17 میں جی ڈی پی میں ترقی کی شرح 5.3% رہی جو کہ گزشتہ ایک عشرے میں سب سے زیادہ تھی۔ اس کے علاوہ، جی ڈی پی کے ہدف برائے سال 2017-18 کو 6% تک بڑھایا گیا ہے۔ غیر ملکی زرمبادلہ کے مجموعی ذخائر کم ہو کر 20.189 بلین ڈالر تک آگئے اور چند ہفتوں میں USD/PKR کی 4% زیادہ ڈپری سی ایشن کی وجہ سے ان ذخائر میں مزید کمی کا امکان ہے۔ مالی سال 2016-17 کے دوران (CPI) (Consumer Price Index) کا تناسب پٹرولیم کی قیمتیں بڑھنے اور کھانے کی اشیاء، صحت اور تعلیم کے اخراجات میں اضافے کی وجہ سے YOY کی بنیاد پر تقریباً 4.09% رہا۔

رواں سال (CY-2017) کے دوران، کراچی اسٹاک ایکسچینج (کے ایس ای) 100 انڈیکس میں مندی کا رجحان پایا گیا اور سال کے دوران انڈیکس میں 15.34% (7,335 پوائنٹس) کی کمی ریکارڈ کی گئی۔

آگے چل کر، دسمبر 2017ء میں پاکستانی روپے کی قدر میں کمی، برآمدی، ریگولیٹری ڈیویڈنڈ میں ردوبدل کے موثر اثرات، سازگار بیرونی ماحول اور کارکنوں کی ترسیلات زر میں متوقع اضافے سے ملک کے جاری کھاتے کے خسارے میں بتدریج کمی آئے گی۔ اگرچہ تیل کی عالمی قیمتوں میں اضافہ اس تجربے کے لیے بڑا خطرہ ہے، تاہم قلیل مدت میں ادائیگیوں کے مجموعی توازن کا انحصار سرکاری رقوم کی آمد پر ہے۔

بینک دولت پاکستان نے مالی سال 2017 کے دوران اپنے مانیٹری پالیسی موقف کو برقرار رکھا اور پالیسی ریٹ کو کسی تبدیلی کے بغیر 5.75% پر قائم رکھا۔ البتہ، سال ختم ہونے کے بعد بینک دولت پاکستان نے جنوری 2018 مانیٹری پالیسی کی نظر ثانی کے بعد پالیسی ریٹ میں 0.25% اضافے کا اعلان کیا ہے تاکہ معیشت کو اور ہینگ سے بچایا جائے اور مہنگائی کو ہدف کی شرح سے تجاوز نہ ہونے دیا جائے۔

مستقبل کا نقطہ نظر

بینک مارکیٹ میں دستیاب کاروباری مواقعوں سے فائدہ اٹھانے کے لئے مکمل طور پر تیار ہے اور اپنی طویل المیعاد پائیدار ترقی کی حکمت عملی پر توجہ کے تسلسل کو برقرار رکھے گا۔ اس مقصد کے حصول کے لیے، بینک کے پاس بہترین انفراسٹرکچر، ٹیکنالوجی پلیٹ فارم اور تربیت یافتہ ہیومن ریسورس ہیں۔

علاوہ ازیں، بینک کا سندھ بینک لمیٹڈ کے ساتھ مجوزہ انضمام بینک اور اس کے اسٹیک ہولڈرز کے لئے ترقی کی نئی سطح کے حصول میں مدد، دونوں بینکوں کے مشترکہ فوائد سے مستفید ہونے اور کم از کم کپیٹل کی تمام لاگو شدہ شرائط (minimum capital requirements) سے ہم آہنگی حاصل کرنے پر مبنی ہے۔ یہ مجوزہ ٹرانزیکشن اگلے مراحل میں داخل ہو چکی ہے اور اس کی جلد از جلد تکمیل کے لیے انتظامیہ مخلصانہ کوششیں کر رہی ہے۔

اس کے علاوہ، بینک نتائج کی بہتری کے لیے اہم شعبوں پر توجہ کو جاری رکھے گا، جن میں چند درج ذیل ہیں:

- اثاثوں اور پورٹ فولیو کے مجموعی معیار میں بہتری،
- ڈپازٹس کی لاگت (CoD) میں کمی اور کرنٹ اکاؤنٹ اور سیونگ اکاؤنٹ (CASA) کے تناسب میں بہتری،
- کپیٹل بیس میں مسلسل بہتری اور استحکام،
- غیر فعال قرضہ جات اور ایڈوانسز کی مد میں ریکوریز،
- غیر منافع بخش اثاثہ جات میں معقولیت اور کمی؛ اور
- لاگت میں بچت اور معقولیت کے مواقعوں کی نشاندہی۔

تعریفیں اور توثیق

بورڈ اپنی انتظامیہ اور ملازمین کی کاوشوں کو سراہتے ہوئے بینک دولت پاکستان، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، دیگر ریگولیٹرز اور وفاقی اور صوبائی حکومتوں کے کردار کو بھی تسلیم کرتا ہے جو کہ انہوں نے بینکنگ اور مالیاتی خدمات کی صنعت کو مضبوط کرنے میں ادا کیا ہے۔

ہم اس موقع پر سمٹ بینک لمیٹڈ کے بورڈ اور انتظامیہ کی جانب سے صارفین اور شیئرز ہولڈرز کا بھی شکریہ ادا کرتے ہیں جنہوں نے ہم پر بھروسے کا اظہار کیا اور انہیں یقین دلاتے ہیں کہ ہم سروس کے اعلیٰ معیار کو برقرار رکھنے کے لیے پرعزم ہیں اور بہترین کارپوریٹ گورننس اور کمپلائنس بہتر ماحول کو برقرار رکھنے کے لئے عمل پیرا ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

ناصر عبداللہ حسین لوتھا
چیئرمین

محمد ظہیر اسماعیل
صدر اور چیف ایگزیکٹو

تاریخ: مارچ 09، 2018

مقام: کراچی

REPORT OF THE SHARIAH BOARD

FOR THE YEAR ENDED DECEMBER 31, 2017

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الحمد لله رب العالمين، والصلاة والسلام على رسوله الكريم وعلى آله وصحبه أجمعين وبعد

Alhamdulillah, by the grace of Allah SWT, this was the fourth year of Islamic banking operations of Summit Bank Limited (Islamic Banking Division of Summit Bank Limited shall be referred as 'the Bank'). During the year, five Shariah Board meetings of the Bank were held in which the board members discussed different matters regarding Islamic Banking Products, Shariah Audit and Compliance Reports including ruling on miscellaneous relevant concepts on banking, transactional process flows and matters of conversion of conventional banking portfolio into Islamic banking portfolio. To maintain Shariah Compliance at all level in letter and spirit, Shariah Board issued different guidelines and instructions in all these meetings where deemed appropriate.

The scope of this report is to cover the affairs of the Bank from Shariah perspective as described under Shariah Governance Framework of SBP.

RESEARCH AND NEW PRODUCT DEVELOPMENT

Alhamdulillah, during the year, product development department designed, developed and improved many products on the financing and deposit sides. Running Musharakah has been improved to adapt to contemporary Corporate & SME business structures and is expected to contribute a large proportion in the financing portfolio of the Bank in coming days. Banking focus is strategically shifted toward participatory modes of finances wherever assessed possible, which now collectively accounts for around 50% of the total financing portfolio of Islamic Banking and has reached almost double as compared to last year.

Significant efforts and advancements have been made to make the Personal Finance product - Mu'awin available to the masses after the approval from Shariah Board. This product will soon help satisfy the needs of a large segment of the society which has long been looking for an alternative to conventional financing and liquidity need and will also help in the conversion process of the Bank. The work on these products, participatory modes in particular, will help to better define the Islamic Banking operations to the masses.

On the deposit side, the system-based Profit and Loss distribution has been improved further and is strengthened to make the distribution fairer and more transparent. System enhancements and improvements have been made to accommodate further products and reduce the time lag required in computation and distribution of profits.

We hope that these developments will strengthen the Bank's ability to better meet challenges of the market.

SHARIAH COMPLIANCE MECHANISM

Bank's Shariah Compliance mechanism consists of Pre and Post Transaction execution. At pre execution stage, related product manual and policy is reviewed by the Shariah Compliance Department (SCD) and approved by the Shariah Board of the Bank. Since the nature and business cycle of the customer are different, an important tool for controlling and preventing the transactions from being Shariah non-compliant is process flow development for each and every corporate and SME customer under all approved products of the Bank i.e. Murabaha, Ijarah, Diminishing Musharakah, Running Musharakah, Salam, Istisna etc. Shariah Board approved all such process flows with their detailed guidelines and instructions where deemed necessary. Consumer related financing are normally executed under a standard operating procedure as developed by the respective business segment, reviewed by the SCD and then approved by Resident Shariah Board Member (RSBM) / Shariah Board. Shariah Compliance Department also performs post execution transaction review on a sample basis to check whether the process flows are being followed in letter and spirit during their execution.

In addition to this, Shariah Audit reports, as submitted in subsequent Shariah Board meetings, provide the required insight in the light of which SCD recommends improvement steps to the Shariah Board and implements them accordingly upon receipt of approval/ instructions in order to take corrective measures whenever needed.

TRAINING AND CAPACITY BUILDING

Since the human resource is the key factor to develop any organization, Summit Bank considers its human resource one of its most valuable assets. Ongoing conversion process further signifies the importance of training. During the year, significant number of staff and customers were equipped with Islamic banking knowledge either through dedicated trainings or awareness sessions at different locations. A total of 396 staff were provided different Islamic banking trainings during the year. The Bank arranged for the following Islamic banking training sessions/programs during the year:

Training Programs	Participants
8 Days Comprehensive Islamic Banking Course	84
2 & 3 Days Basic Islamic Banking Training	261
Awareness Sessions	41
FIBO (Fundamentals of Islamic Banking Operations) Course	6
NIBAF (National Institute of Banking and Finance) Course	4
Total	396

The Shariah Board of the Bank not only remained involved in all these trainings directly in conducting trainings but also for the execution of these trainings by providing expert, renowned Islamic banking trainers and helping training department to redesign and update the course material in coordination with Islamic Banking division of the Bank.

CONVERSION STATUS

The Shariah Board was very keen to remain updated with the implementation of conversion plan of the Bank and is satisfied with its conversion process. However, considering the fact that the Bank is going through the process of proposed merger with & into Sindh Bank Limited, Shariah Board observed that the process of conversion slowed down in later half of the year under review. In this regard, as the Bank's management communicated to the Shariah Board that the Bank may plan to form a subsidiary for Islamic Banking, the Shariah Board is hopeful with the grace of Allah that the process of proposed merger will enhance the growth of Islamic banking in upcoming entity though it might change the shape to some extent and meet the objective more effectively and efficiently.

This year, Islamic banking branch network (including windows operations) increased from 47 to 49. Out of these, 14 are full-fledged Islamic banking branches while 35 are Islamic banking windows (IBWs). Out of these 35 IBWs 30 branches have completed their conversion process as per conversion plan of the Bank and have also approached SBP for obtaining Islamic banking licenses for these branches by surrendering their conventional banking licenses as per the procedure.

ISLAMIC ASSET AND DEPOSIT PORTFOLIO

The Bank's financing portfolio includes Murabaha, Ijarah, Diminishing Musharakah, Istisna, Salam, Tijarah, Running Musharakah which registered increase this year in comparison with last year, Alhamdulillah. Major modes used for financing were Diminishing Musharakah and Tijarah. It is imperative to mention that Musharakah based financing is above 50 % of the Islamic banking portfolio at the year end. Gross Islamic financing portfolio has crossed Rs. 10 billion at the end of the year 2017 which is reflecting approximately 16% increase as compared to last year. This is more than 10% of the overall (Conventional + Islamic) financing portfolio of the Bank.

Financing Progress 2017 vs 2016 (Rs. in million)

Financing Products	2017	2016	Difference	Difference %
Murabaha	1,020	943	77	8.17
Ijarah	930	569	361	63.44
Diminishing Musharakah	4,552	2,084	2,468	118.43
Istisna	114	125	(11)	(8.80)
Tijarah	3,312	5,017	(1,705)	(33.98)
Salam	-	18	(18)	(100.00)
Musharakah	858	535	323	60.37
Others	-	37	(37)	(100.00)
Total - Gross	10,786	9,328	1,458	15.63

Qard and Mudarabah based deposit side of the Bank comprises a total of approximately Rs. 22.5 billion which is about 2 times higher as compared to last year.

CONCLUSION

To form opinion as expressed in this report, Shariah Board reviewed reports of Internal Shariah audit and Shariah Compliance Department, on sample basis, covering each class of transactions, the relevant documentation and process flows, and based on the best of its information, Shariah Board is of the view that:

- The cases referred to Shariah Board by SCD and reservations and queries raised in Shariah Audit reports were discussed in detail in Shariah Board meetings and after the comprehensive deliberations, we did not come across any information which could attract reversal of any income.
- The Bank has a system in place which is sound enough to ensure that any earnings if realized from sources or by means prohibited by Shariah have been credited to charity account and are being properly utilized. In the year under review, an amount of Rs.121 thousand was credited to charity account and an amount of Rs. 58 thousand was disbursed to charitable institutions.
- The Bank has satisfactorily complied with Shariah rules and principles and also with the specific fatawa, rulings, guidelines issued by Shariah Board and SBP from time to time.
- The Bank has a comprehensive mechanism in place to ensure Shariah compliance for its overall operations.
- Despite the Personal Finance Product "Muawin" approved by the Shariah Board and SBP to convert the existing customers, no case was converted into Islamic product "Muawin" during the year owing to system constraints. These constraints are since addressed, as communicated by the management, we would expect a fast pace conversion of the Personal Financing Portfolio as well.
- The Bank took necessary actions on instructions/guidelines given by Shariah Board to ensure smooth running of Bank's operations in Shariah compliant manner.
- The Bank has complied with the SBP instructions on profit and loss distribution and pool management and computes the distribution through the core banking system (hPLUS™ module developed and in place).

- The level of awareness, capacity and sensitization of the staff, management and the Board of Directors for Shariah compliance remained satisfactory with the capacity and requirement to enhance more.
- The Shariah Board has been provided adequate resources enabling it to discharge its duties effectively. The Bank may need to strengthen its Shariah Compliance Department in future in line with increase in the businesses and operations of the Bank.

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

Mufti Irshad Ahmad Aijaz
Chairman Shariah Board
Summit Bank Limited- Islamic Banking

Dr. Noor Ahmad Shahtaz
Member Shariah Board
Summit Bank Limited- Islamic Banking

Mufti Bilal Ahmad Qazi
Member Shariah Board
Summit Bank Limited- Islamic Banking

Mufti Muhammad Najeeb Khan
Resident Shariah Board Member
Summit Bank Limited- Islamic Banking

Date: February 28, 2018
Place: Karachi

شریعی بورڈ کی سالانہ رپورٹ (گزارشات مجلس شرعی) 31 دسمبر، 2017 کو ختم ہونے والے سال کے لیے

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

الحمد لله رب العالمین، والصلاة والسلام على رسولہ الکریم وعلى اله وصحبہ أجمعین وبعد

بفضلہ تعالیٰ، زیر جائزہ سال سمٹ بینک لمیٹڈ کی (اسلامی بینکنگ ڈویژن جس کا حوالہ بطور بینک دیا جائے گا) اسلامی بینکاری کے آپریشنز کا چوتھا سال تھا۔ دوران سال شریعی بورڈ کی پانچ میٹنگز (مجالس) منعقد ہوئیں جن میں شریعی بورڈ نے مختلف معاملات پر تبادلہ خیال کیا جو کہ اسلامی بینکاری مصنوعات، شریعی آڈٹ رپورٹس، شریعی کمپلائنس رپورٹس، مختلف معاملات کے بارے میں شرعی ہدایات، تجارتی لین دین سے متعلق وضع کردہ طریقہ کار اور روایتی فناننگ کے حجم (پورٹ فولیو) کو اسلامی فناننگ کے حجم میں تبدیل کرنے سے متعلق تھے۔ ہر سطح پر شرعی احکام کی حفا و روحا تا بعد اری کو برقرار رکھنے کے لیے شریعی بورڈ نے تمام مجالس میں جہاں مناسب سمجھا ہدایات اور احکامات جاری کیے ہیں۔

اس رپورٹ کی وسعت و دائرہ کار بینک دولت پاکستان کے شریعی گورننس فریم ورک کے تحت مجوزہ شرعی نقطہ نظر سے بینک کے امور کا احاطہ کرنا ہے۔

تحقیق اور نئی مصنوعات کی تشکیل

الحمد للہ، دوران سال شریعی تشکیل مصنوعات (Product Development Department) نے طریقہ ہائے تمویل اور ڈپازٹ کے پہلو سے کئی مصنوعات ترتیب و تشکیل دیں۔ جاری مشارکہ کی مصنوع میں مزید بہتری لائی گئی ہے، تاکہ اسے موجودہ کارپوریٹ اور ایس۔ ایم۔ ای کاروباری اسٹریٹجی کے لیے اختیار کیا جاسکے اور امید ہے کہ آنے والے دنوں میں یہ مصنوع بینک کے تمویلی حجم کے ایک بڑے حصے پر مشتمل ہوگی۔ بینک نے حکمت عملی کے تحت جہاں تک ممکن ہو سکے اپنی توجہ شراکتی طریقہ ہائے تمویل کی طرف منتقل کر لی ہے، جس کی وجہ سے شراکتی طریقہ ہائے تمویل بینک کی موجودہ اسلامک بینکنگ کی تمویل کے حجم کے 50 فیصد تک پہنچ گیا ہے اور یہ پچھلے سال کے مقابلے میں تقریباً دو گنا زیادہ ہو گیا ہے۔

عوام الناس کے استفادے کے لئے شخصی تمویلی مصنوع (personal finance product) ”معاون“ میں اہم کوششیں اور جدت لائی گئیں تاکہ شریعی بورڈ کی منظوری کے بعد اسے عوام الناس کے لئے مہیا کیا جاسکے۔ یہ مصنوع معاشرے کے ان کثیر طبقات کی ضروریات پورا کرنے میں ان کے لئے مددگار اور قابل اطمینان ہوگی۔ جو عرصہ دراز سے روایتی تمویل (Conventional Financing) اور نقدی ضروریات کے لیے ایک متبادل کی تلاش میں تھے، اس کے ساتھ ساتھ یہ مصنوع ان کی روایتی تمویل کو اسلامی تمویل میں تبدیل کرنے کے لیے بھی مددگار ثابت ہوگی۔ ان مصنوعات پر کام، خاص کر شراکتی طریقہ ہائے تمویل، عوام الناس کے نزدیک اسلامی بینکاری آپریشنز کو بہتر طور پر پیش کرنے میں مددگار ثابت ہوگا۔

ڈپازٹ سائیز میں تکنیکی بنیاد (system based) پر نفع و نقصان کی تقسیم کے طریقے میں مزید بہتری لائی گئی ہے جس کے نتیجے میں نفع و نقصان کی تقسیم مضبوط بنیاد پر درست اور مزید شفاف ہوئی ہے۔ مصنوعات اور نفع کے حساب اور تقسیم کے اوقات میں کمی لانے کی غرض سے سسٹم میں مزید اضافہ اور بہتری لائی گئی ہے۔

ہم امید کرتے ہیں کہ اس پیش رفت سے مارکیٹ چیلنجز سے نمٹنے کی بینک کی صلاحیت کو بڑی تقویت حاصل ہوگی۔

شریعی کمپلائنس کا طریقہ کار (Shariah Compliance Mechanism)

بینک کے شریعی کمپلائنس کے طریقہ کار کے دو مراحل ہیں، کسی بھی معاملہ یعنی ٹرانزیکشن سے پہلے اور پھر اس معاملہ کے مکمل ہو جانے کے بعد۔ جہاں تک پہلے مرحلے کا تعلق ہے تو اس

موقع پر شریعہ کمپلائنس ڈپارٹمنٹ متعلقہ مصنوع کے مینوول اور پالیسی کا بغور جائزہ (Review) لیتا ہے اور پھر یہ بینک کے شریعہ بورڈ سے منظور کرائے جاتے ہیں۔ چونکہ کسٹمرز کے کاروبار کی نوعیت اور طریقہ کار جدا ہوتا ہے، لہذا ہر شعبہ جات چاہے کارپوریٹ ہو یا ایس۔ ایم۔ ای، ان کے تحت بینک کی تمام منظور شدہ مصنوعات مثلاً: مراہجہ، اجارہ، مشارکہ، متناقضہ، جاری مشارکہ، سلم، استصناع وغیرہ ان کے معاملات کو کنٹرول کرنے اور انہیں غیر شرعی ہونے سے بچانے کے لیے، ایک اہم ترین آلہ "پروسفلو" تیار کیا جاتا ہے۔ شریعہ بورڈ یا ریویژن بورڈ رکن شریعہ بورڈ ان پروسفلو کو ان کی طرف سے فراہم کردہ تفصیلی ہدایات کے ساتھ منظوری دیتے ہیں اور جہاں ضرورت ہو وہاں (شرعی) احکامات و ہدایات بھی جاری کرتے ہیں۔ صارفی تمویل یعنی کٹز بومرفنانسنگ کے معاملات ایک اسٹینڈرڈ آپریٹنگ سسٹم کے طریقہ کار کے تحت چلائے جاتے ہیں جو کہ متعلقہ کاروباری شعبہ کا تیار کردہ ہوتا ہے اور شریعہ کمپلائنس ڈپارٹمنٹ اس کا بغور جائزہ لیتا ہے، اس کے بعد ریویژن بورڈ یا شریعہ بورڈ اس کی منظوری دیتے ہیں۔

شریعی کمپلائنس ڈپارٹمنٹ معاملات مکمل ہوجانے کے بعد بھی نمونے کی بنیاد پر ان کا بغور جائزہ لیتا ہے یہ دیکھنے کے لیے کہ آیا معاملہ کی تکمیل میں پروسفلو کی (حرفا وروحا) مکمل تابعداری کی گئی ہے یا نہیں۔

اس کے علاوہ، شریعہ آڈٹ رپورٹس بھی شریعہ بورڈ کی مجالس کے اندر پیش کی جاتی ہیں، جو کہ آگے اور مفید معلومات فراہم کرتی ہیں جن کی روشنی میں شریعہ کمپلائنس ڈپارٹمنٹ شریعہ بورڈ کو ان امور میں بہتری کے لیے اقدامات تجویز کرتا ہے اور شریعہ بورڈ کی منظوری کے بعد جہاں اصلاحی اقدام کی ضرورت ہوتی ہے وہاں ان کو اختیار کرتا ہے اور ان کی تنفیذ بھی کراتا ہے۔

ترہیت اور متعلقہ امور میں مہارت

انسانی وسائل کا شعبہ کسی بھی ادارے کے ترقی میں بنیادی اہمیت کا حامل ہے، اسی اہمیت کے پیش نظر سٹ بینک اپنے انسانی وسائل کو اپنا سب سے زیادہ قابل قدر اثاثہ سمجھتا ہے۔ سٹ بینک اپنے عملے کی تربیت اور متعلقہ امور میں مہارت میں اضافہ کے لیے ہماری سرمایہ کاری کرتا ہے۔ اسلامی بینکاری کی طرف جاری تبدیلی کا عمل تربیت کی اہمیت کو مزید اجاگر کرتا ہے۔ اس سال کے دوران، عملے اور صارفین کی ایک بڑی تعداد کو خصوصی تربیتی نشستوں یا مختلف مقامات پر آگے نشستوں کے ذریعے اسلامی بینکاری کی معلومات سے آراستہ کیا گیا۔ عملے کے 396 افراد کو دوران سال اسلامی بینکاری کی مختلف تربیتی نشستیں مہیا کی گئیں۔ بینک نے دوران سال مندرجہ ذیل تربیتی اسلامی بینکاری نشستوں کا اہتمام کیا:

ترہیتی پروگرام	شرکاء کی تعداد
8 دنوں پر مشتمل جامع اسلامی بینکاری کورس	84
2 اور 3 دنوں پر مشتمل بنیادی اسلامی بینکاری کی تربیت	261
آگے پروگرامز	41
ایف آئی بی او (فنڈ منغلز آف اسلامک بینکنگ آپریشنز) کورس	6
این آئی بی اے ایف (نیشنل انسٹی ٹیوٹ آف بینکنگ اینڈ فنانس) کورس	4
کل تعداد	396

بینک کا شریعہ بورڈ ناصر ف ان تمام تربیتی نشستوں کے انعقاد میں شامل رہا بلکہ ماہرین اور اسلامی بینکاری کے معروف معلمین کی فراہمی کے ذریعے عمل درآمد میں بھی شریک رہا اور بینک کے شعبہ تربیت کو نصاب کی تشکیل میں مدد بھی فراہم کی۔

کنورژن اسٹیٹس (Conversion Status)

شریعہ بورڈ بینک کے اسلامی بینک میں تبدیلی کے منصوبے کے نفاذ سے مسلسل باخبر ہے اور وہ اس کی تبدیلی کے عمل سے مطمئن ہے۔ تاہم اس حقیقت کا بھی ادراک ہے کہ سمٹ بینک لمیٹڈ کا سندھ بینک لمیٹڈ کے ساتھ مجوزہ ضم ہونے کے معاملہ کی وجہ سے بینک کا کنورژن پلان سال کے آخری حصے میں سست روی کا شکار رہا۔ جیسا کہ بینک کی انتظامیہ نے شریعہ بورڈ کو مطلع کیا کہ بینک اسلامی بینکنگ کے لئے ایک سبسڈری بنانے کے بارے میں بھی منصوبہ کر سکتا ہے، شریعہ بورڈ اللہ تعالیٰ کے فضل و کرم سے پر امید ہے کہ بینک کے مجوزہ انضمام (Proposed Merger) کے بعد آنے والے بینک میں اسلامی بینکاری کی بڑھوتری ہوگی، مزید یہ کہ اس طرح بینک اپنے مقصد کو موثر طور پر مستعدی سے حاصل کر لے گا۔

اس سال اسلامی بینکاری برانچ نیٹ ورک بشمول ونڈوز آپریشنز 47 سے بڑھ کر 49 تک جا پہنچا ہے، جن میں 14 مکمل طور پر اسلامی بینکاری برانچ ہیں جبکہ 35 اسلامی بینکاری ونڈوز ہیں جو کہ تبدیلی کے مراحل میں ہیں۔ ان 35 میں سے 30 برانچیں ایسی ہیں جو کہ بینک کے کنورژن پلان کے تحت اپنا کنورژن پراسس مکمل کر چکی ہیں اور اسٹیٹ بینک آف پاکستان سے ان برانچوں کے روایتی بینکاری کے لائسنس کی بجائے اسلامی بینکاری کے لائسنس کے حصول کے لیے رجوع بھی کر چکا ہے۔

اسلامی سرمایہ کاری اثاثہ جات اور ڈپازٹ کا حجم (Islamic Asset & Deposit Portfolio)

بینک کے سرمایہ کاری اثاثہ جات جو کہ مراہجہ، اجارہ، شرکت متناقصہ، استصناع، سلم، تجارت، جاری مشارکہ پر مشتمل ہیں پچھلے سال کی نسبت اس سال مزید بڑھ گئے ہیں، الحمد للہ۔ تاہم سرمائے کی فراہمی کے لیے بروئے کار لائے جانے والے بڑے طریقہ کار مشارکہ متناقصہ اور تجارت رہے۔ یہاں یہ ذکر اہم ہے کہ مشارکہ پڑنی سرمائے کی فراہمی اسلامی بینکنگ سرمایہ کاری کے موجودہ حجم کے 50 فیصد سے بھی زائد ہے۔ اس سال کے اختتام پر اسلامی سرمایہ کاری اثاثہ جات کا کل حجم 10 ارب سے زائد رہے جو کہ پچھلے سال کے مقابلے میں تقریباً 16% فیصد اضافہ ظاہر کرتا ہے اور یہ بینک کی مجموعی (روایتی اور اسلامی) فراہمی سرمائے کا تقریباً 10% فیصد سے زائد ہے۔

کارگردگی برائے سرمایہ کاری اثاثہ جات (ملین روپے میں) 2017ء بمقابلہ 2016ء

فراہمی سرمایہ کی مصنوعات	2017ء	2016ء	فرق	فیصدی فرق
مراہجہ	1,020	943	77	8.17
اجارہ	930	569	361	63.44
مشارکہ متناقصہ	4,552	2,084	2,468	118.43
استصناع	114	125	(11)	(8.80)
تجارہ	3,312	5,017	(1,705)	(33.98)
سلم	-	18	(18)	(100.00)
مشارکہ	858	535	323	60.37
دیگر	-	37	(37)	(100.00)
کل (Gross)	10,786	9,328	1,458	15.63

قرض اور مضاربہ پڑنی بینک کا ڈپازٹ تقریباً 22.5 ارب روپے پر مشتمل ہے جو کہ گزشتہ برس کے مقابلے میں تقریباً دو گنا زیادہ ہے۔

خلاصہ

شریعی بورڈ نے رائے سازی اور اس رپورٹ کی تشکیل کے لیے سرمایہ کاری معاملات کے ہر طرز کے نمونے پر مشتمل پروسس فلوز، متعلقہ دستاویزات اور انٹرنل شریعی آڈٹ اور شعبہ شریعی کمپلائنس کی رپورٹس کا جائزہ لیا اور اپنی بہترین معلومات کی بنیاد پر بورڈ مندرجہ ذیل رائے کا اظہار کرتا ہے:

- شعبہ شریعی کمپلائنس کی جانب سے شریعی بورڈ کو بھیجے گئے مقدمات اور شریعی آڈٹ رپورٹس میں اٹھائے گئے تحتفظات اور استفسارات، شریعی بورڈ کے اجلاس میں تفصیل سے بحث کئے گئے اور جامع غور و فکر کے بعد ہم پر کوئی بھی ایسی معلومات ظاہر نہیں ہوئیں جس کے سبب کوئی آمدنی لوٹائی جائے۔
- بینک کے پاس ایک بہترین وضع کردہ نظام موجود ہے جو اس بات کو یقینی بنانے کے لیے کارآمد ہے کہ اگر کوئی آمدنی شریعی کی روح سے منافی ذرائع سے حاصل کی گئی تو وہ صدقہ اکاؤنٹ میں جمع کرادی جائے اور مناسب طریقہ سے صدقہ کردی جائے۔ زیر جائزہ سال میں صدقہ اکاؤنٹ میں 121 ہزار روپے کی رقم جمع ہوئی اور 58 ہزار روپے خیراتی اداروں کو منتقل کر دیے گئے۔
- بینک نے شریعت کے قوانین اور اصولوں کے ساتھ ان مخصوص فتاویٰ، احکام اور رہنما اصولوں کی بھی جو وقتاً فوقتاً اسٹیٹ بینک آف پاکستان اور شریعی بورڈ کی جانب سے جاری کئے گئے تسلی بخش تعمیل کی ہے۔
- بینک کے پاس ایک جامع طریقہ کار موجود ہے جو اس کی تمام سرگرمیوں میں شریعی کی تعمیل کے اصولوں کو حتی الامکان یقینی بناتا ہے۔
- باوجود یہ کہ شریعی بورڈ اور اسٹیٹ بینک آف پاکستان شخصی تمویلی مصنوع (personal finance product) "معاون" جو کہ موجودہ کسٹمرز کو اسلامی مصنوعات میں تبدیل کرنے کے لیے ہے، کی منظوری دے چکے ہیں، لیکن اس مصنوع کو بعض سسٹم کے مسائل کی وجہ سے ابھی تک استعمال نہیں کیا گیا تھا۔ اب جبکہ ان مسائل کا حل کر لیا گیا ہے تو ہم امید کرتے ہیں کہ روایتی شخصی تمویل کے حجم کو اسلامی تمویل کے حجم میں کنورژن میں تیزی آئے گی۔
- بینک نے اپنی سرگرمیوں کو ہموار اور شریعی کے مطابق چلانے کو یقینی بنانے کے لیے شریعی بورڈ کی جانب سے دی گئی ہدایات اور رہنمائی پر ضروری اقدامات کئے ہیں۔
- بینک نفع و نقصان کی تقسیم اور پول میجمنٹ کے حوالے سے اسٹیٹ بینک آف پاکستان کی ہدایات کے مطابق عمل پیرا ہے اور اس تقسیم کے حساب کو کور بینکنگ سسٹم (hPLUS™) کے ذریعہ کیا جاتا ہے۔
- شریعی کی تعمیل کے لیے عملے، منتظمین اور بورڈ کے ڈائریکٹرز میں شعور، صلاحیت اور حساسیت کی سطح تسلی بخش رہی۔
- شریعی بورڈ کو اپنے فرائض موثر طریقے سے سرانجام دینے کے لیے خاطر خواہ وسائل فراہم کیے گئے ہیں۔ بینک کو مستقبل میں کاروبار اور سرگرمیوں میں اضافے کے ساتھ اپنے شریعی کمپلائنس کے شعبہ کو مضبوط بنانے کی ضرورت ہو سکتی ہے۔

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

ڈاکٹر نور احمد شہناز
رکن شریعی بورڈ
سمٹ بینک لمیٹڈ۔ اسلامی بینکاری

مفتی ارشاد احمد اعجاز
چیئر مین شریعی بورڈ
سمٹ بینک لمیٹڈ۔ اسلامی بینکاری

مفتی محمد نجیب خان
ریزیڈنٹ رکن شریعی بورڈ
سمٹ بینک لمیٹڈ۔ اسلامی بینکاری

مفتی بلال احمد قاضی
رکن شریعی بورڈ
سمٹ بینک لمیٹڈ۔ اسلامی بینکاری

تاریخ: 28 فروری، 2018

مقام: کراچی

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED DECEMBER 31, 2017

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the Listing Regulation No.5.19.23 (a) of the Rule Book of Pakistan Stock Exchange Limited (PSX) 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 Khawaja
Executive Directors	Mr. Muhammad Zahir Esmail, President & CEO Mr. Mohammad Faisal Shaikha*
Non-Executive Directors	Mr. Nasser Abdulla Hussain Lootah Mr. Husain Lawai Mr. Md. Ataur Rahman Prodhan

* Upon the resignation of Mr. Nasim Beg as Director on January 19, 2016; the nomination of two candidates i.e. Mr. Salim Zamindar and Syed Mohammad Anwar Lutfullah were recommended, on various dates in succession to each other, for appointment by the Board of Directors subject to the approval of the State Bank of Pakistan. These candidatures could not later qualify the prescribed criteria and resultantly, Mr. Mohammad Faisal Shaikha was appointed as an Executive Director for the remainder period after clearance from the State Bank of Pakistan with effect from 30/06/2017.

The independent directors meet the criteria of independence under clause 5.19.1(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 NBFI or being a member of stock exchange has been declared as a defaulter by that stock exchange.
4. During the year, no casual vacancy occurred on the Board of the Bank.
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 reviewed 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. Except for seven (7) meetings, 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.
10. The Board approved the appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit in the previous years along with the terms and conditions of their employment and no new appointments for these positions were made during the year.
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.
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 Board HR & Compensation Committee (HRCC) comprising of three non-executive Directors. The Chairman of the committee is a non- executive Director.
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. The Bank has complied with the requirements relating to maintenance of register of persons having access to inside information by a designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
23. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
24. We confirm that all other material principles enshrined in the Code have been complied.

Muhammad Zahir Esmail
President & Chief Executive

Date: March 09, 2018

Place: Karachi

INDEPENDENT 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 **December 31, 2017** to comply with the requirements of Regulations of the Pakistan Stock Exchange 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 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 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 December 31, 2017.

Deloitte Yousuf Adil
Chartered Accountants

Engagement Partner Mushtaq Ali Hirani

Date: March 09, 2018

Place: Karachi

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS ON UNCONSOLIDATED FINANCIAL STATEMENTS

We have audited the annexed unconsolidated statement of financial position of **Summit Bank Limited** (the Bank) as at **December 31, 2017** and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity 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 twelve 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 the 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 accounts 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 unconsolidated statement of financial position and unconsolidated 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;
 - (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 unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity 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 December 31, 2017, and its true balance of loss, its comprehensive income, 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:

- Note 13 to the financial statements where management has disclosed that the Bank has recognised a net deferred tax asset of Rs. 5,377 million which is considered realisable based on financial projections of taxable profits for five years, which have been approved by the Board of Directors. The preparation of projections involve management's assumptions regarding future business and economic conditions and therefore any significant change in such assumptions or actual outcome that is different from assumptions, may have an effect on the realisability of the deferred tax asset in future.
- Note 1.3 to the financial statements which discloses that on December 31, 2017, the Bank's minimum capital and capital and leverage ratios do not meet the limits prescribed by State Bank of Pakistan and the management's planned steps to achieve compliance with the same.

Our opinion is not qualified in respect of these matters.

Deloitte Yousuf Adil

Chartered Accountants

Engagement Partner: Mushtaq Ali Hirani

Date: March 09, 2018

Place: Karachi

The background of the page features a stack of Euro banknotes, with a 10 Euro note prominently visible in the foreground. The notes are slightly out of focus, creating a sense of depth. In the lower portion of the image, there is a faint, semi-transparent bar chart with several vertical bars of varying heights, suggesting financial data or trends. The overall color palette is dominated by the blue and green tones of the Euro currency.

UNCONSOLIDATED FINANCIAL STATEMENTS



UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017

		December 31, 2017	December 31, 2016
	Note	----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks	7	13,556,723	12,786,616
Balances with other banks	8	2,440,333	2,582,531
Lendings to financial institutions	9	10,671,003	1,631,583
Investments	10	95,231,064	90,575,032
Advances	11	85,521,870	79,843,732
Operating fixed assets	12	12,664,584	12,272,884
Deferred tax assets - net	13	5,376,969	5,200,972
Other assets	14	7,587,390	10,128,998
		233,049,936	215,022,348
LIABILITIES			
Bills payable	15	3,065,379	5,061,470
Borrowings	16	67,307,766	49,819,840
Deposits and other accounts	17	145,729,707	142,871,229
Sub-ordinated loans	18	1,495,860	1,496,550
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	19	4,416,699	3,101,307
		222,015,411	202,350,396
NET ASSETS		11,034,525	12,671,952
REPRESENTED BY			
Share capital	20	26,381,510	17,786,663
Convertible preference shares	20	-	2,155,959
Advance against subscription of shares	20	-	1,854,870
Reserves	21	(6,306,359)	(1,722,341)
Accumulated losses		(10,535,568)	(9,515,201)
		9,539,583	10,559,950
Surplus on revaluation of assets - net of deferred tax	22	1,494,942	2,112,002
		11,034,525	12,671,952
CONTINGENCIES AND COMMITMENTS	23		

The annexed notes from 1 to 45 form an integral part of these unconsolidated financial statements.

President &
Chief Executive

Chief Financial
Officer

Director

Director

Director

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2017

		December 31, 2017	December 31, 2016
	Note	----- (Rupees in '000) -----	
Mark-up / return / interest earned	24	10,644,945	10,626,799
Mark-up / return / interest expensed	25	(7,745,052)	(7,853,591)
Net mark-up / interest income		2,899,893	2,773,208
Reversal of provision / (Provision) against non-performing loans and advances - net	11.3.1	177,585	(1,910,761)
(Provision) / Reversal of provision for diminution in the value of investments - net	10.13	(14,654)	26,690
Bad debts written off directly	11.4.1	(16,861)	(114)
		146,070	(1,884,185)
Net mark-up / interest income after provisions		3,045,963	889,023
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		1,255,811	1,262,748
Dividend income		100,460	61,640
Income from dealing in foreign currencies		620,640	488,272
Gain on sale of securities - net	26	308,079	1,180,586
Gain on disposal of operating fixed assets - net	12.4	35,127	47,304
Unrealised loss on revaluation of investments classified as held-for-trading - net	10.16	(15,885)	(15,637)
Other income	27	115,765	102,481
Total non-mark-up / interest income		2,419,997	3,127,394
		5,465,960	4,016,417
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	28	(6,069,011)	(5,817,604)
Other provisions / write-offs	29	(93,389)	(71,822)
Other charges	30	(66,328)	(44,702)
Total non-mark-up / interest expenses		(6,228,728)	(5,934,128)
		(762,768)	(1,917,711)
Extra-ordinary / unusual items		-	-
LOSS BEFORE TAXATION		(762,768)	(1,917,711)
Taxation	31	(157,445)	(124,465)
Current		-	-
Prior years		(226,226)	(132,216)
Deferred		(383,671)	(256,681)
LOSS AFTER TAXATION		(1,146,439)	(2,174,392)
----- (Rupee) -----			
Basic loss per share	32.1	(0.51)	(1.00)
Diluted loss per share	32.2	(0.51)	(1.00)

The annexed notes from 1 to 45 form an integral part of these unconsolidated financial statements.

 President &
Chief Executive

 Chief Financial
Officer

Director

Director

Director

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2017

	December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----	
Loss after taxation	(1,146,439)	(2,174,392)
Other comprehensive income		
Not to be reclassified to profit and loss account in subsequent periods		
Actuarial gain on defined benefit plan	12,683	19,101
Comprehensive loss transferred to equity	(1,133,756)	(2,155,291)
Components of comprehensive income not reflected in equity		
Deficit on revaluation of 'available for sale securities - net of tax' *	(687,494)	(186,022)
Total comprehensive loss	(1,821,250)	(2,341,313)

* Deficit on revaluation of 'Available-for-sale securities - net of tax' has been shown in the Statement of Comprehensive Income in order to comply with the revised "Prudential Regulations for Corporate/Commercial Banking" issued by the State Bank of Pakistan vide BPRD Circular No. 06 of 2014 on June 26, 2014. Moreover, surplus on revaluation of 'operating fixed assets - net of tax' and 'non-banking assets - net of tax' is presented under a separate head below equity as 'surplus on revaluation of assets - net of tax' in accordance with the requirements of Section 235 of the Companies Ordinance, 1984 (repealed) and BPRD Circular No. 1 dated January 01, 2016.

The annexed notes from 1 to 45 form an integral part of these unconsolidated financial statements.

President &
Chief Executive

Chief Financial
Officer

Director

Director

Director

UNCONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2017

	December 31, 2017	December 31, 2016
Note	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(762,768)	(1,917,711)
Less: Dividend income	<u>(100,460)</u>	<u>(61,640)</u>
	(863,228)	(1,979,351)
Adjustments:		
Depreciation on operating fixed assets	703,113	616,442
Depreciation on non-banking assets	29,210	21,082
Amortisation	61,678	49,759
(Reversal of provision) / Provision against non-performing loans and advances - net	(177,585)	1,910,761
Bad debts written off directly	16,861	114
Other provisions / write offs	93,389	71,822
Provision / (Reversal of provision) for diminution in the value of investments - net	14,654	(26,690)
Unrealised loss on revaluation of investments classified as held-for-trading securities - net	15,885	15,637
(Gain)/Loss on disposal of non-banking assets - net	(350)	4,648
Gain on disposal of operating fixed assets - net	(35,127)	(47,304)
	<u>721,728</u>	<u>2,616,271</u>
	(141,500)	636,920
(Increase)/Decrease in operating assets		
Lendings to financial institutions	(9,039,420)	(631,583)
Held-for-trading securities	310,421	(277,967)
Advances - net	(5,517,414)	(11,200,537)
Other assets (excluding advance taxation - net)	2,317,536	(1,834,106)
	<u>(11,928,877)</u>	<u>(13,944,193)</u>
Increase/(Decrease) in operating liabilities		
Bills payable	(1,996,091)	2,332,673
Borrowings	17,458,471	63,954
Deposits and other accounts	2,858,478	23,016,927
Other liabilities	1,328,075	493,990
	<u>19,648,933</u>	<u>25,907,544</u>
Income tax paid	(161,773)	(105,202)
Net cash inflow from operating activities	7,416,783	12,495,069
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in 'available-for-sale' securities	(6,054,675)	(12,380,132)
Dividend received	97,939	62,487
Investment in operating fixed assets	(922,598)	(1,808,641)
Sale proceeds of property and equipment - disposed off	57,145	72,172
Sale proceeds of non-banking assets - disposed off	4,550	1,614,974
Net cash outflow from investing activities	(6,817,639)	(12,439,140)
CASH FLOW FROM FINANCING ACTIVITIES		
Advance against subscription of shares	-	1,854,870
Redemption of sub-ordinated loan	(690)	(690)
Net cash (outflow) / inflow from financing activities	(690)	1,854,180
Increase in cash and cash equivalents	598,454	1,910,109
Cash and cash equivalents at beginning of the year	15,365,291	13,455,182
Cash and cash equivalents at end of the year	15,963,745	15,365,291

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The annexed notes from 1 to 45 form an integral part of these unconsolidated financial statements.

 President &
Chief Executive

 Chief Financial
Officer

Director

Director

Director

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017

	Capital reserves					Revenue reserve	Grand total			
	Share capital	Convertible preference shares	Advance against subscription of shares	Share premium	Discount on issue of shares			Statutory reserve	Reserve arising on amalgamation	Accumulated losses
Balance as at January 01, 2016	10,779,796	2,155,959	7,006,867	1,000,000	(1,297,298)	154,162	(1,579,205)	(7,421,199)	(9,143,540)	10,799,082
Transfer from surplus on revaluation of operating fixed assets	-	-	-	-	-	-	-	61,289	61,289	61,289
Total comprehensive loss for the year	-	-	-	-	-	-	-	(2,174,392)	(2,174,392)	(2,174,392)
Loss after taxation for the year ended December 31, 2016	-	-	-	-	-	-	-	19,101	19,101	19,101
Other comprehensive income	-	-	-	-	-	-	-	(2,155,291)	(2,155,291)	(2,155,291)
Transfer to statutory reserves	-	-	-	-	-	-	-	-	-	-
Shares issued during the year	7,006,867	-	(7,006,867)	-	-	-	-	-	-	-
Advance against subscription of shares received	-	-	1,854,870	-	-	-	-	-	-	1,854,870
Balance as at December 31, 2016	17,786,663	2,155,959	1,854,870	1,000,000	(1,297,298)	154,162	(1,579,205)	(9,515,201)	(11,237,542)	10,559,950
Transfer from surplus on revaluation of operating fixed assets	-	-	-	-	-	-	-	113,389	113,389	113,389
Total comprehensive loss for the year	-	-	-	-	-	-	-	(1,146,439)	(1,146,439)	(1,146,439)
Loss after taxation for the year ended December 31, 2017	-	-	-	-	-	-	-	12,683	12,683	12,683
Other comprehensive income	-	-	-	-	-	-	-	(1,133,756)	(1,133,756)	(1,133,756)
Transfer to statutory reserves	-	-	-	-	-	-	-	-	-	-
Issue of shares upon conversion of preference shares	6,739,977	(2,155,959)	-	-	(4,584,018)	-	-	-	(4,584,018)	-
Shares issued during the year	1,854,870	-	(1,854,870)	-	-	-	-	-	-	-
Balance as at December 31, 2017	26,381,510	-	-	1,000,000	(5,881,316)	154,162	(1,579,205)	(10,335,568)	(16,841,927)	9,539,583

The annexed notes from 1 to 45 form an integral part of these unconsolidated financial statements.

President & Chief Executive

Chief Financial Officer

Director

Director

Director

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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 (repealed). It is listed on Pakistan Stock Exchange Limited. The Registered office of the Bank is situated at Plot No. 9-C, F-6 Markaz, Supermarket, Islamabad, Pakistan.
- 1.2** The Bank is principally engaged in the business of banking through its 193 branches including 14 Islamic Banking Branches [December 31, 2016:192 Branches including 13 Islamic Banking Branches] in Pakistan as defined in the Banking Companies Ordinance, 1962 . In June 2017, JCR-VIS Credit Rating Company Limited has maintained the Bank's medium to long-term rating at 'A - (Single A minus)' and short-term rating at 'A-1 (A-one)'. Moreover, Bank's TFC rating has been maintained at 'A-(SO)' (Single A minus (Structured Obligation)). These ratings have been placed on 'Rating Watch-Developing' status in view of the ongoing potential merger with Sindh Bank Limited.
- 1.3** As per the applicable laws and regulations, the Bank is required to maintain Minimum Paid-up Capital (net of losses) (MCR) of Rs. 10 billion, Capital Adequacy Ratio (CAR) at 11.275% (inclusive of Capital Conservation Buffer of 1.275%) and Leverage Ratio (LR) at 3.00 % as of December 31, 2017. The paid up capital of the Bank (net of losses), CAR and LR as of December 31, 2017 was below the prescribed levels and stood at Rs. 9.385 billion, 5.01% and 1.71 % respectively.

The management of the Bank is taking various steps to comply with applicable minimum capital requirements. In this respect, a business plan has been put in place which has been approved by the Board of Directors and aims to improve Bank's capital base and risk absorption capacity and to provide impetus to its future growth initiatives. The management is confident that if the growth factors and other key assumptions stipulated in the business plan materialize, the Bank will be able to achieve the profitability projections and compliance with applicable minimum capital requirements. The key assumptions considered in the business plan are as follows:

- Continued support from its sponsor which is evident from the capital injections by the sponsor in the past;
- Market sentiments and the expected growth of Islamic finance in Pakistan which will benefit the Bank since it is in the process of conversion to a full-fledged Islamic Bank;
- Expected recoveries from non-performing advances in the future resulting in reversals of provisions in the ensuing years; and
- Expected improvement in the results through targeted income generating avenues for mark-up income, non-markup income etc.

Furthermore, on November 21, 2016, the Board of Directors of the Bank had decided to evaluate the potential merger/amalgamation option with Sindh Bank Limited. The SBP allowed the Bank to conduct due diligence of Sindh Bank Limited vide its letter dated December 27, 2016 and similar approval was accorded to Sindh Bank Limited for conducting due diligence of the Bank. After completion of the due diligence exercise and in light of the decisions made by the Board of Directors of Summit Bank Limited on the matter, the requisite majority of the shareholders of the Bank in their extraordinary general meeting held on November 07, 2017 gave approval for the proposed amalgamation of the Bank with and into Sindh Bank Limited, subject to all regulatory approvals, including approval of the State Bank of Pakistan. The shareholders also approved the draft scheme of amalgamation of the Bank with and into Sindh Bank Limited (Scheme) in that meeting, subject to any modifications in the Scheme as may be required by SBP. The management has applied to SBP under section 48 of the Banking Companies Ordinance, 1962 and taking all the necessary steps for obtaining approval of the SBP for earliest completion of the proposed amalgamation transaction.

In view of the above explained status of compliance with the applicable minimum capital requirements, SBP vide its letter dated March 05, 2018 has advised the Bank to provide a contingent capital restoration plan by March 30, 2018. In this regard, the Bank's management is confident that compliance with applicable regulatory capital requirements would be achieved through the materialization of business plan and completion of proposed amalgamation transaction and taking all the necessary steps for the same. Furthermore, Bank's sponsor has committed to meet any capital shortfall of the Bank as and when decided by the Board of Directors of the Bank.

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 as amended from time to time.
- 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 comprise 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 utilized and the appropriate portion of mark-up thereon. The Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards issued by The Institute of Chartered Accountants of Pakistan (ICAP) and notified under the provisions of the Companies Ordinance, 1984 (repealed).
- 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 Pakistani Rupees, which is the Bank's functional and presentation currency. Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.
- 2.4** The financial results of the Islamic Banking operations of the Bank have been included in these unconsolidated financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking operations are also separately disclosed in note 43 to these unconsolidated financial statements.

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) and Islamic Financial Accounting Standards (IFASs) issued by The Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984 (repealed), provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 (repealed) 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 (repealed) and the directives issued by SBP shall prevail.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the Securities and Exchange Commission of Pakistan (SECP) vide its Circular number 23/2017 dated October 4, 2017, these unconsolidated financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

- 3.2** The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Moreover, SBP vide BPRD circular no. 4, dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standards (IFAS) 3, Profit and Loss Sharing on Deposits. Further, SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 'Financial Instruments: Disclosures' for banks through its notification S.R.O. 411(I)/2008 dated April 28, 2008. 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** IFRS 8, 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 01, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorization in the above mentioned circular, the SBP's requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

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

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's financial statements other than certain additional disclosures.

	Effective from annual periods beginning on or after
- Amendments to IFRS 2 'Share-based Payment': Clarification of the classification and measurement of share-based payment transactions	January 01, 2018
- IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date	July 01, 2018
- IFRS 15 'Revenue' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
- Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	January 01, 2018. Earlier application is permitted.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency	January 01, 2018. Earlier application is permitted.
- IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019

3.5 Amendments to published approved accounting standards that are effective in the current year

The following standards, amendments and interpretations are effective for the year ended December 31, 2017. These standards, interpretations and the amendments are either not relevant to the Bank's operations or do not have significant impact on the Bank's financial statements.

- Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative
- Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 16 – Leases
- IFRS 17 – Insurance Contracts

In addition to above, the Companies Act 2017 (Act) has been enacted on May 31, 2017 and according to the circular referred to in note 3.1 of these financial statements, the Act would be applicable on the Financial statements of the Bank effective from January 1, 2018. This would result in additional disclosures and certain changes in financial statements presentation.

The SBP vide BPRD circular No. 2 dated January 25, 2018 has specified the new reporting format for the annual financial statements for Banks/DFIs. The new format has revised the disclosure requirements and will become applicable for the annual financial statements of the Banks/DFIs effective from the accounting year ending December 31, 2018.

4. BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention except that certain operating fixed assets and non banking 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 financial statements are consistent with those of the previous financial year.

5.1 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.

5.2 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.

Other borrowings

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

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.

Other lendings

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

Musharakah

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

Bai Muajjal

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

5.3 Investments

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

Held-for-trading

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

Held-to-maturity

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

Available-for-sale

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

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

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

Moreover, strategic investments are carried at cost less provisions for impairment.

Investment in subsidiary

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

5.4 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.

Murabaha is a mode of financing in which the Bank sells an asset to the customer with profit disclosure usually on deferred payment basis. Profit on the transaction is recognized over the credit period. Accounting for the transaction is done under IFAS -1.

Diminishing Musharakah (DM) is a Shirkat ul Milk based product where the Bank and customer share the ownership of an asset and the Bank rents its share in the asset to the co-owner. The co-owner also purchases the Bank's share in the asset gradually. The Bank records DM asset upto its share at cost value and does not depreciate it as the customer has to purchase the asset at cost value.

In Ijarah, the Bank rents out an asset to the customer against periodic rentals. Rentals are recognized as income on accrual basis while the asset is recorded in the books at cost less accumulated depreciation. Depreciation on the leased asset is provided on a straight line basis. Ijarah asset, related cost and revenue are accounted for as per IFAS-2.

In Istisna financing, the Bank places an order to purchase some specific goods / commodities from its customers to be delivered to the Bank within an agreed time. These goods are then sold in the market on profit. Istisna goods are recorded on the books at lower of cost or market value.

In Tijarah financing, the Bank purchases specific goods / commodities on spot payment basis from its customers for onward sale. These goods are then sold in the market on profit. Goods purchased are recorded on the books at lower of cost or market value.

Running Musharakah financing is a participatory mode of financing whereby the Bank participates in the outcomes of a particular business / portfolio / business segment of the customer by virtue of its average investment in the customer's business. Bank's investment is determined on the basis of its average outstanding during a period as withdrawn by the customer from time to time.

The investment is recognized as "Running Musharakah Financing" at the outstanding value and is adjusted for loss if any. Profit on the financing is separately recorded as "Profit Receivable".

Term Musharakah is a participatory mode of financing whereby the Bank participates in the outcomes of particular business / portfolio / business segment of the customer by virtue of its investment in the customer's business for a particular period (term). The investment is initially recognized as "Term Musharakah Financing" at the disbursed amount and is subsequently remeasured at fair value after adjustment for losses or redemption but not profit. Profit on the financing is separately recorded as "Profit Receivable".

Salam is a sale transaction where the seller undertakes to supply some specific goods to buyer at a future date against an advance price fully paid on spot. Until the goods are delivered by the customer, the Bank's records it as "Advance against Salam". After the goods are received "Salam Inventories" are recognized at cost. Subsequently when inventories are sold, revenue is recognized and the carrying amount of those inventories is recognized as an expense.

In Musawammah financing, the Bank purchases the goods and after taking the possession, sells them to the customer either in spot or credit transaction, without disclosing the cost. Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories. The Bank values its inventories at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale. Cost of inventories represents actual purchases made by the Bank / customers as an agent of the Bank for subsequent sale.

5.5 Operating fixed assets and depreciation / amortisation

Owned

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

Depreciation is calculated by the Bank using the straight line method which writes down the cost of assets to their residual values over the estimated useful lives. The rates at which the assets are depreciated are disclosed in note 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 (repealed). 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.

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 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 supported. 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.

5.6 Sub-ordinated loans

Sub-ordinated 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.

5.7 Assets acquired in satisfaction of claims

The Bank occasionally acquires assets in settlement of certain advances. In the light of BPRD Circular no. 1 dated January 01, 2016 certain Debt Property Swap (DPS) properties acquired in satisfaction of claim are carried at the revalued amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

5.8 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.

5.9 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 10% of basic salary.

Defined benefit plan

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

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

The Bank follows International Accounting Standard (IAS) 19, 'Employee Benefits'. Actuarial gains and losses are recognized in 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.

Employees' compensated absences

The Bank provides its liability towards compensated absences accumulated by its employees on the basis of actuarial valuation carried out using the Projected Unit Credit Method as per the requirements given in International Accounting Standard (IAS) 19, 'Employee Benefits'.

5.10 Taxation

Current

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

Prior years

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

Deferred

Deferred tax is 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 assets which is adjusted against related deficit / surplus in accordance with the requirements of the International Accounting Standard (IAS) 12 "Income Taxes".

5.11 Deposits

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

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

Deposits taken on Qard basis are classified as 'Current accounts' and Deposits generated on Mudaraba basis are classified as 'Savings deposits' and 'Islamic Savings Certificate'. No profit or loss is passed on to current account depositors.

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

Profits realised in investment pools are distributed in pre-agreed profit sharing ratio. Rab-ul-Maal (usually Customer) share is distributed among depositors according to weightages assigned at the inception of profit calculation period. The Mudarib (Bank) can distribute its share of profit to Rab-ul-Maal as Hiba upto a specified percentage of its share in profit.

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

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

5.12 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.

5.13 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.

5.14 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.

5.15 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 / interest 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.

Mark-up / return / interest recoverable on classified loans and advances and investments is recognised on receipt basis. Mark-up / return / interest 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 receipt basis.

Fees, brokerage and commission

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

5.16 Off setting of financial assets and financial liabilities

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

5.17 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.

5.18 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. Accordingly, 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.

5.19 Earnings per share

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

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 5.3);
- determining the residual values and useful lives of property and equipment (note 5.5);
- impairment (note 5.8);
- accounting for staff retirement and other benefits (note 5.9);
- taxation (note 5.10);
- provisions (note 5.3, 5.4 and 5.12); and
- fair value of financial instruments (note 37).

		December 31, 2017	December 31, 2016
	Note	----- (Rupees in '000) -----	
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		3,770,371	2,943,581
Foreign currencies		<u>736,170</u>	<u>188,699</u>
		4,506,541	3,132,280
National prize bonds		19,176	9,251
With State Bank of Pakistan in			
Local currency current account	7.1	6,442,157	6,553,191
Foreign currency current account	7.2	17,920	23,875
Foreign currency deposit account			
- Non-remunerative	7.3	391,981	373,940
- Remunerative	7.4	1,117,446	1,070,043
		7,969,504	8,021,049
With National Bank of Pakistan in			
Local currency current account		<u>1,061,502</u>	<u>1,624,036</u>
		13,556,723	12,786,616

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 (FCY) cash reserve maintained with SBP to comply with statutory reserve requirement applicable to Bank's FCY deposits.

7.4 This represents account maintained with the SBP to comply with the Special Cash Reserve requirement. The return on this account is declared by the SBP on a monthly basis, it carries mark-up rate ranging from 0.00% to 0.37%, (December 31, 2016 : Nil) per annum.

		December 31, 2017	December 31, 2016
	Note	----- (Rupees in '000) -----	
8. BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		10,450	10,469
On deposit accounts	8.1	128,073	120,702
Outside Pakistan			
On current accounts		1,781,193	1,100,390
On deposit accounts	8.2	520,617	1,350,970
		2,440,333	2,582,531

8.1 These represent placements with correspondent banks, carrying interest rate determined with respect to underlying currency benchmark rates ranging from 3.40% to 3.77% per annum (December 31, 2016 : 3.50% to 3.75% per annum).

8.2 These represent placements with correspondent banks, carrying interest rate determined with respect to underlying currency benchmark rates ranging from 0.00% to 3.00% per annum (December 31, 2016 : 0.75% to 3.00% per annum).

		December 31, 2017	December 31, 2016
	Note	----- (Rupees in '000) -----	
9. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lending	9.2	1,000,000	-
Repurchase agreement lendings	9.3 & 9.6	3,734,980	1,481,583
Bai Muajjal of Sukuks	9.4	3,936,023	-
Musharakah	9.5	2,000,000	150,000
		<u>10,671,003</u>	<u>1,631,583</u>

9.1 Particulars of lending

In local currency	10,671,003	1,631,583
In foreign currencies	-	-
	<u>10,671,003</u>	<u>1,631,583</u>

9.2 This represents call money lendings to a financial institution carrying mark-up at the rate of 6.50 % per annum which will mature on January 5, 2018.

9.3 This represents lending against securities to financial institutions carrying mark-up rates ranging from 5.85% to 6% (December 31, 2016 : 5.70%) per annum which will mature on January 2, 2018.

9.4 This represents Bai Muajjal Agreements entered into with a financial institution carrying mark-up at the rate of 5.75% per annum which will mature on January 29, 2018.

9.5 This represents Musharakah placement with financial institutions carrying profit rate of 5.65% and 5.85% (December 31, 2016 : 5.05%) per annum which will mature on January 2, 2018.

9.6 Securities held as collateral against repurchase agreement lendings

Value of securities held as collateral against repurchase agreement lendings to financial institutions are as under:

	December 31, 2017			December 31, 2016		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	----- (Rupees in '000) -----					
Market Treasury Bills	3,734,980	-	3,734,980	1,481,583	-	1,481,583

9.6.1 The market value of securities held as collateral against lendings to financial institutions amounted to Rs. 3,736.18 million (December 31, 2016 : Rs. 1,481.74 million).

	Note	December 31, 2017			December 31, 2016		
		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
(Rupees in '000)							
10. INVESTMENTS							
10.1 Investments by types:							
Held-for-trading securities							
Ordinary shares - Listed	10.4	75,371	-	75,371	401,429	-	401,429
Available-for-sale securities							
Market treasury bills	10.3	22,230,144	49,608,440	71,838,584	37,156,123	20,229,721	57,385,844
Pakistan investment bonds	10.3	2,787,576	10,574,058	13,361,634	1,100,481	23,758,983	24,859,464
GOP ijarah sukus	10.3	4,793,854	-	4,793,854	2,553,379	-	2,553,379
Ordinary shares-Listed	10.4	4,189,781	52,510	4,242,291	3,758,043	57,689	3,815,732
Ordinary shares-Unlisted	10.5	2,830	-	2,830	1,000	-	1,000
Units of open end mutual funds-Listed	10.6	87,861	-	87,861	85,000	-	85,000
Preference shares-Unlisted	10.7	37,056	-	37,056	-	-	-
Term finance certificates - Listed	10.8	17,266	-	17,266	17,266	-	17,266
Term finance certificates - Unlisted	10.9	1,594,732	-	1,594,732	1,594,732	-	1,594,732
Sukus	10.10	1,905,943	-	1,905,943	1,564,510	-	1,564,510
		37,647,043	60,235,008	97,882,051	47,830,534	44,046,393	91,876,927
Subsidiary							
Ordinary shares-Unlisted	10.11	396,942	-	396,942	396,942	-	396,942
Investments at cost		38,119,356	60,235,008	98,354,364	48,628,905	44,046,393	92,675,298
Less: Provision for diminution in value of investments	10.13	(1,887,146)	-	(1,887,146)	(1,922,043)	-	(1,922,043)
Investments - net of provisions		36,232,210	60,235,008	96,467,218	46,706,862	44,046,393	90,753,255
Deficit on revaluation of held-for-trading securities	10.16	(15,885)	-	(15,885)	(15,637)	-	(15,637)
(Deficit)/Surplus on revaluation of available-for-sale securities	22.2	(1,071,134)	(149,135)	(1,220,269)	37,405	(199,991)	(162,586)
Total investments at market value		35,145,191	60,085,873	95,231,064	46,728,630	43,846,402	90,575,032

		December 31, 2017	December 31, 2016
	Note	----- (Rupees in '000) -----	
10.2 Investments by segments:			
Federal Government Securities:			
- Market treasury bills	10.3	71,838,584	57,385,844
- Pakistan investment bonds	10.3	13,361,634	24,859,464
- GOP Ijarah sukuks	10.3	4,793,854	2,553,379
Fully paid up Ordinary Shares / Units:			
- Ordinary shares- Listed	10.4	4,317,662	4,217,161
- Ordinary shares- Unlisted	10.5	2,830	1,000
- Units of open end mutual funds-Listed	10.6	87,861	85,000
Preference shares-Unlisted	10.7	37,056	-
Term Finance Certificates and Sukuks:			
- Term finance certificates - Listed	10.8	17,266	17,266
- Term finance certificates - Unlisted	10.9	1,594,732	1,594,732
- Sukuks	10.10	1,905,943	1,564,510
Investment in subsidiary	10.11	396,942	396,942
Total investments at cost		98,354,364	92,675,298
Less: Provision for diminution in value of investments	10.13	(1,887,146)	(1,922,043)
Investments - net of provisions		96,467,218	90,753,255
Deficit on revaluation of held-for-trading securities	10.16	(15,885)	(15,637)
Deficit on revaluation of available-for-sale securities	22.2	(1,220,269)	(162,586)
Total investments		95,231,064	90,575,032

10.3 Market Treasury Bills and Pakistan Investment Bonds are held with SBP and are eligible for rediscounting. Market Treasury Bills carry effective yield ranging from 5.99% to 6.04% (December 31, 2016 : 5.82% to 6.05%) per annum and will mature within 7 months. Pakistan Investment Bonds carry mark-up ranging from 5.99% to 8.18% (December 31, 2016 : 6.20% to 10.20%) per annum payable on semi-annual basis and will mature within 1 to 9 years.

GOP Ijarah Sukuks are issued by the Government of Pakistan. These Sukuks have effective yield ranging from 4.74% to 5.26% (December 31, 2016 : 4.23%) per annum and will mature within 1 to 3 years.

Certain investments in government securities are held to comply with the statutory liquidity requirements of SBP.

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, 2017	December 31, 2016		December 31, 2017	December 31, 2016
----- (Rupees in '000) -----					
Held-for-trading securities					
Aisha Steel Mills Limited	-	10,000,000	10	-	167,000
Attock Refinery Limited	57,500	-	10	16,760	-
Dolmen City REIT - a related party	-	7,511,313	10	-	83,000
Hascol Petroleum Limited	25,000	100,000	10	6,846	34,164
Hi-Tech Lubricants Limited	-	150,000	10	-	16,994
K-Electric Limited	-	1,500,000	3.5	-	14,119
Pak Elektron Limited - a related party	450,000	-	10	28,348	-
Pakistan State Oil Company Limited	-	75,000	10	-	32,234
Sui Northern Gas Pipelines Limited	195,300	-	10	23,417	-
Sui Southern Gas Company Limited	-	1,100,000	10	-	44,236
TPL Trakker Limited	-	525,000	10	-	9,682
				75,371	401,429
Available-for-sale securities					
Agritech Limited - a related party	34,306,400	34,306,400	10	1,192,890	1,192,890
Aisha Steel Mills Limited	10,480,000	1,739,500	10	260,555	28,777
Al Shaheer Corporation Limited	-	496,818	10	-	30,401
Azgard Nine Limited	-	500,000	10	-	5,911
Byco Petroleum Pakistan Limited	-	1,406,000	10	-	34,787
D.G. Khan Cement Company Limited	259,500	-	10	37,996	-
Engro Fertilizer Limited	1,000,000	1,390,500	10	72,359	100,616
Fauji Cement Company Limited	-	1,200,000	10	-	51,637
Fauji Fertilizer Bin Qasim Limited	-	210,000	10	-	12,902
First Capital Securities Corporation Limited	10,058,000	10,058,000	10	90,067	90,067
Habib Bank Limited	400,000	500,000	10	106,101	132,626
Javedan Corporation Limited	15,680,272	18,529,272	10	704,844	745,737
Japan Power Generation Limited	13,450,500	-	10	99,906	-
Kot Addu Power Company Limited	-	192,000	10	-	15,643
Maple Leaf Cement Factory Limited	-	150,000	10	-	19,078
Metropolitan Steel Corporation Limited	-	2,751,990	10	-	49,551
Nishat Chunian Power Limited	397,500	397,500	10	24,273	24,273
Pak Elektron Limited - a related party	60,000	-	10	7,170	-
Pakistan International Airlines Corporation Limited	3,282,500	3,282,500	10	39,428	39,428
Pakistan Telecommunication Company Limited	-	1,000,000	10	-	21,035
Pioneer Cement Limited	623,600	673,600	10	87,314	94,315
Power Cement Limited	18,870,416	-	10	235,880	-
SME Leasing Limited	-	902,350	10	-	9,926
Sui Northern Gas Pipelines Limited	50,000	-	10	5,309	-
Tariq Glass Industries Limited	4,000,000	4,000,000	10	487,038	397,857
Thatta Cement Company Limited	8,462,835	8,462,835	10	395,391	343,480
The Bank of Punjab	19,108,500	19,108,500	10	334,465	334,465
TPL Trakker Limited	3,412,000	2,165,000	10	61,305	40,330
				4,242,291	3,815,732
				4,317,662	4,217,161

10.5 Particulars of investment in ordinary shares - unlisted

Name of companies	Number of shares held		Paid-up value per share	Total book value	
	December 31, 2017	December 31, 2016		December 31, 2017	December 31, 2016
				----- (Rupees in '000) -----	
Arabian Sea Country Club Limited Chief Executive Officer: Mr. Arif Ali Khan Abbasi Percentage holding 1.29% (December 31, 2016: 1.29%) Net asset value per share was negative Rs. 2.14 based on the latest audited financial statements as at June 30, 2016.	100,000	100,000	10	1,000	1,000
Pakistan Mortgage Refinance Company Limited (PMRCL) -a related party Chief Executive Officer: Mr. N. Kokularupan Narayanasamy Percentage holding 1.22% Net asset value per share was Rs. 10.28 based on the latest audited financial statements as at December 31, 2016	183,000	-	10	1,830	-
				<u>2,830</u>	<u>1,000</u>

10.6 Particulars of investment in mutual funds-Listed

Name of funds	Number of units held		Paid-up value per unit	Total book value	
	December 31, 2017	December 31, 2016		December 31, 2017	December 31, 2016
				----- (Rupees in '000) -----	
Mutual funds (open end)					
AKD Opportunity Fund	223,621	223,621	50	25,000	25,000
NAFA Stock Fund - a related party	638,038	584,901	10	10,861	10,000
NIT Islamic Equity Fund	4,167,926	4,000,000	10	52,000	50,000
				<u>87,861</u>	<u>85,000</u>

10.7 Particulars of investment in preference shares-Unlisted

Name of company	Number of shares held		Paid-up value per share	Total book value	
	December 31, 2017	December 31, 2016		December 31, 2017	December 31, 2016
				----- (Rupees in '000) -----	
Al Arabia Sugar Mills Limited Chief Executive Officer: Mr. Suleman Shahbaz Shareef Maturity : December 31, 2030 Mark up rate : Nil	3,705,562	-	10	37,056	-
				<u>37,056</u>	<u>-</u>

10.8 Particulars of investment in Listed Term Finance Certificates - paid up value of Rs. 5,000 each

Name of companies	Mark-up rate	Repayment	Total book value	
			December 31, 2017	December 31, 2016
----- (Rupees in '000) -----				
Invest Capital Investment Bank Limited - 2nd issue * 2,000 (December 31, 2016: 2,000) certificates Maturity date: September 05, 2013 Chief Executive Officer: Mr. Muhammad Asif	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
Trust Investment Bank Limited - 3rd issue * 3,877 (December 31, 2016: 3,877) certificates Maturity date: July 04, 2013 Chief Executive Officer: Mr. Ahsan Rafique	6 months KIBOR plus 1.85%	Semi-annually	7,266	7,266
			<u>17,266</u>	<u>17,266</u>

* Represents non-performing certificates.

10.9 Particulars of investment in Unlisted Term Finance Certificates - paid up value of Rs.5,000 each

Name of companies	Mark-up rate	Repayment	Total book value	
			December 31, 2017	December 31, 2016
----- (Rupees in '000) -----				
Al Arabia Sugar Mills Limited - 3rd issue 17 (December 31, 2016: 17) jumbo certificates of paid-up value other than Rs 5,000 each. Maturity date: December 31, 2026 Chief Executive Officer: Mr. Suleman Shahbaz Shareef	6 months KIBOR plus 0.2%	Semi-annually	289,965	289,965
Agritech Limited - a related party * 100,000 (December 31, 2016: 100,000) certificates Maturity date: July 14, 2019 Chief Executive Officer: Mr. Faisal Muzammil	6 months KIBOR plus 1.75%	Semi-annually	499,586	499,586
Parthenon (Private) Limited * 183,689 (December 31, 2016: 183,689) certificate Maturity date: September 30, 2018 Chief Executive Officer: Mr. Muhammad Iqbal Khan Noori	3 months KIBOR plus 2.0%	Quarterly	803,641	803,641
Balance c/f.			1,593,192	1,593,192

Name of companies	Mark-up rate	Repayment	Total book value	
			December 31, 2017	December 31, 2016
			----- (Rupees in '000) -----	
		Balance b/f.	1,593,192	1,593,192
Security Leasing Corporation Limited * 2,000 (December 31, 2016: 2,000) certificates Maturity date: March 28, 2014 Chief Executive Officer: Ms. Farah Azeem	NIL	N/A	1,540	1,540
			1,594,732	1,594,732

* Represents non-performing certificates.

10.10 Particulars of investment in Sukuks - paid up value of Rs. 5,000 each

Name of companies	Mark-up rate	Repayment	Total book value	
			December 31, 2017	December 31, 2016
			----- (Rupees in '000) -----	
AGP Limited - Unlisted 3,515 certificates of paid up value other than Rs 5,000 each Maturity date: June 9, 2022 Chief Executive Officer: Ms. Nusrat Munshi	3 months KIBOR plus 1.3%	Quarterly	316,350	-
Arzoo Textile Mills Limited - Unlisted* 40,000 (December 31, 2016: 40,000) certificates Maturity date: April 14, 2014 Chairman : Mr. Azhar Majeed Sheikh	6 months KIBOR plus 2% for first 2 years and 1.75% for year 3 onwards	Semi-annually	200,000	200,000
Fatima Fertilizer Company Limited - Listed 112,579 certificate Maturity date: November 28, 2021 Chief Executive Officer: Mr. Fawad Ahmed Mukhtar	6 months KIBOR plus 1.10%	Semi-annually	450,316	-
K-Electric Limited (KE AZM Sukuk II)- Listed 48,758 (December 31, 2016: 48,758) certificates Maturity date: March 19, 2017 Chief Executive Officer: Mr. Muhammad Tayyab Tareen	3 months KIBOR plus 2.25%	Quarterly	-	244,071
		Balance c/f.	966,666	444,701

Name of companies	Mark-up rate	Repayment	Total book value	
			December 31, 2017	December 31, 2016
----- (Rupees in '000) -----				
		Balance b/f.	966,666	444,701
K-Electric Limited (KE Sukuk-UI-Shirkah)-Listed 136,253 (December 31, 2016: 136,253) certificates Maturity date: June 17, 2022 Chief Executive Officer: Mr. Muhammad Tayyab Tareen	3 months KIBOR plus 1.0%	Quarterly	613,139	681,265
Liberty Power Tech Limited - Unlisted 100,000 (December 31, 2016: 100,000) certificates Maturity date: October 01, 2020 Chief Executive Officer: Mr. Ashraf Salim Mukaty	3 months KIBOR plus 3.0%	Quarterly	263,638	326,674
Pak Elektron Limited - a related party - Unlisted 40,000 (December 31, 2016: 40,000) certificates Maturity date: March 31, 2019 Chief Executive Officer: Mr. M. Murad Saigol	3 months KIBOR plus 1.0%	Quarterly	62,500	112,500
			<u>1,905,943</u>	<u>1,564,510</u>

* Represents non-performing certificates.

10.11 Particulars of investment in subsidiary

Name of company	Number of shares held		Paid-up value per share	Total book value	
	December 31, 2017	December 31, 2016		December 31, 2017	December 31, 2016
----- (Rupees in '000) -----					
Summit Capital (Private) Limited - Unlisted Chief Executive Officer: Mr. Rahat Saeed Percentage holding 100% (December 31, 2017: 100%) Book value per share is Rs.10.90 (December 31, 2016: Rs.8.93) based on audited financial statements as at December 31, 2017	30,000,000	30,000,000	10	396,942	396,942
				<u>396,942</u>	<u>396,942</u>

10.12 Quality of available-for-sale securities

	Note	Ratings		Market value / Carrying value of investments	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
----- (Rupees in '000) -----					
Market treasury bills	10.12.1	Unrated	Unrated	71,840,364	57,360,077
Pakistan investment bonds	10.12.1	Unrated	Unrated	13,218,246	24,691,215
GOP ijarah sukuks	10.12.1	Unrated	Unrated	4,810,812	2,613,180
Ordinary shares - Listed	10.12.2				
Agritech Limited -a related party *		Unrated	Unrated	167,072	435,005
Aisha Steel Mills Limited		A-, A-2	Unrated	185,915	27,362
Al Shaheer Corporation Limited		N/A	Unrated	-	28,517
Azgard Nine Limited		N/A	Unrated	-	4,120
Byco Petroleum Pakistan Limited		N/A	Unrated	-	32,619
D.G. Khan Cement Company Limited		Unrated	N/A	34,700	-
Engro Fertilizer Limited		AA-, A1+	AA-, A-1+	67,720	94,526
Fauji Cement Limited		N/A	Unrated	-	54,096
Fauji Fertilizer Bin Qasim Limited		N/A	Unrated	-	10,754
First Capital Securities Corporation Limited		Unrated	Unrated	17,099	58,940
Habib Bank Limited		AAA, A-1+	AAA, A-1+	66,836	136,625
Japan Power Generation Limited		Unrated	N/A	25,556	-
Javedan Corporation Limited		Unrated	Unrated	560,570	521,781
Kot Addu Power Company Limited		N/A	AA+, A-1+	-	15,130
Maple Leaf Cement Factory Limited		N/A	A+, A-1	-	19,137
Nishat Chunian Power Limited		Unrated	Unrated	13,082	22,053
Pak Elektron Limited - a related party		A+, A1	N/A	2,849	-
Pakistan International Airlines Corporation Limited		Unrated	Unrated	13,196	30,068
Pakistan Telecommunication Company Limited		N/A	Unrated	-	17,180
Pioneer Cement Limited		A, A1	A, A-1	39,362	95,712
Power Cement Limited		A-, A-2	N/A	164,927	-
SME Leasing Limited		N/A	B+, B	-	3,429
Sui Northern Gas Pipelines Limited		AA-, A1	N/A	4,731	-
Tariq Glass Industries Limited		Unrated	Unrated	379,960	401,800
Thatta Cement Company Limited		A-, A-2	A-, A-2	186,182	333,266
The Bank of Punjab		AA, A1+	AA, A-1+	157,454	337,265
TPL Trakker Limited		A-, A2	A-, A-2	24,396	38,169
				2,111,607	2,717,554
Ordinary shares-Unlisted					
Arabian Sea Country Club Limited	10.12.4	Unrated	Unrated	-	-
Pakistan Mortgage Refinance Company Limited - a related party		Unrated	N/A	1,830	-
				1,830	-
Preference shares-Unlisted					
Al Arabia Sugar Mills Ltd		Unrated	N/A	37,056	-
				37,056	-
		Balance c/f.		92,019,915	87,382,026

	Note	Ratings		Market value / Carrying value of investments	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
			Balance b/f.	92,019,915	87,382,026
Mutual fund units - Open end-Listed	10.12.2				
AKD Opportunity Fund		4-Star, 3-Star	4-Star	18,203	25,415
NAFA Stock Fund - a related party		5-Star, 4-Star	3-Star	8,966	10,242
NIT Islamic Equity Fund		Unrated	Unrated	41,637	51,320
				<u>68,806</u>	<u>86,977</u>
Term Finance Certificates - Listed	10.12.4				
Invest Capital Investment Bank Limited		Unrated	Unrated	-	-
Trust Investment Bank Limited		Unrated	Unrated	-	-
Term Finance Certificates - Unlisted					
Al Arabia Sugar Mills Limited		Unrated	Unrated	289,965	289,965
Agritech Limited - a related party	10.12.4	Unrated	Unrated	-	-
Parthenon (Private) Limited*		Unrated	Unrated	803,641	803,641
Security Leasing Corporation Limited	10.12.4	Unrated	Unrated	-	-
				<u>1,093,606</u>	<u>1,093,606</u>
Sukuks	10.12.3				
Arzoo Textile Mills Limited	10.12.4	Unrated	Unrated	-	-
AGP Limited - 5 Years		A, -	N/A	318,406	-
K-Electric Limited (AZM Sukuk II)		N/A	AA	-	245,907
K-Electric Limited (Sukuk-UI-Shirkah)		AA+	AA+	626,934	702,163
Liberty Power Tech Limited		A+, -	A+, -	263,639	326,674
Pak Elektron Limited - a related party		A+	A+	62,566	112,500
Fatima Fertilizer Company Limited		AA-, -	N/A	462,699	-
				<u>1,734,244</u>	<u>1,387,244</u>
Total				<u>94,916,571</u>	<u>89,949,853</u>

* These instruments are carried at carrying value as of December 31, 2017 (net of provision / impairment / FSV benefit, as applicable).

10.12.1 These are guaranteed by Government of Pakistan.

10.12.2 Ratings for these equity securities / units represent 'Entity / Mutual Fund Ratings' carried out by 'The Pakistan Credit Rating Agency Limited (PACRA) or 'JCR -VIS' Credit Rating Company Limited (JCR - VIS). These ratings reflect independent risk / stability assessment by respective credit rating entities.

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

10.12.4 These instruments are fully provided as at the year end.

		December 31, 2017	December 31, 2016
	Note	----- (Rupees in '000) -----	
10.13 Particulars of provision			
Opening balance		1,922,043	1,948,733
Add: Charge for the year		267,933	128,618
Less: Reversal during the year		(253,279)	(155,308)
		14,654	(26,690)
Amounts written off		(49,551)	-
Closing balance	10.14	<u>1,887,146</u>	<u>1,922,043</u>

		December 31, 2017	December 31, 2016
	Note	----- (Rupees in '000) -----	
10.14 Particulars of provision in respect of type and segment			
Available-for-sale securities			
Ordinary shares - Listed		1,025,818	1,045,095
Ordinary shares - Unlisted		1,000	1,000
Term finance certificates - Listed		17,266	17,266
Term finance certificates - Unlisted		501,127	501,127
Sukuks		200,000	200,000
Subsidiary	10.15	141,935	157,555
		1,887,146	1,922,043

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 management of SCPL for the forecast period.

The discount rate of 17.37% (December 31, 2016: 15.3%) 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, 2017	December 31, 2016
		----- (Rupees in '000) -----	
10.16 Deficit on revaluation of held-for-trading securities - net			
Aisha Steel Mills Limited		-	(9,700)
Attock Refinery Limited		(3,298)	-
Dolmen City REIT - a related party		-	(1,352)
Hascol Petroleum Limited		(670)	(412)
Hi-Tech Lubricants Limited		-	236
K-Electric Limited		-	(63)
Pak Elektron Limited - a related party		(6,977)	-
Pakistan State Oil Company Limited		-	332
Sui Northern Gas Pipelines Limited		(4,940)	-
Sui Southern Gas Company Limited		-	(4,251)
TPL Trakker Limited		-	(427)
		(15,885)	(15,637)

		December 31, 2017	December 31, 2016
	Note	----- (Rupees in '000) -----	
11. ADVANCES			
Loans, cash credits, running finances, etc. - in Pakistan		84,228,224	79,331,177
Islamic financing and related assets (Gross)	43.7	10,786,098	9,328,368
Net investment in finance lease - in Pakistan	11.2	1,625,499	1,482,638
Bills discounted and purchased (excluding Treasury Bills)			
Payable in Pakistan		181,146	1,796,122
Payable outside Pakistan		2,710,353	2,317,128
		2,891,499	4,113,250
Advances - gross		99,531,320	94,255,433
Provision against non-performing advances	11.3.1	(14,009,450)	(14,411,701)
Advances - net of provision		85,521,870	79,843,732
11.1 Particulars of advances - (Gross)			
11.1.1 In local currency		96,799,624	91,905,793
In foreign currencies		2,731,696	2,349,640
		99,531,320	94,255,433
11.1.2 Short-term (up to one year)		75,740,643	75,801,995
Long-term (over one year)		23,790,677	18,453,438
		99,531,320	94,255,433

11.2 Net investment in finance lease - in Pakistan

	December 31, 2017				December 31, 2016			
	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	80,600	1,272,087	-	1,352,687	316,138	982,980	-	1,299,118
Residual value	52,459	389,263	-	441,722	84,300	255,467	-	339,767
Minimum lease payments	133,059	1,661,350	-	1,794,409	400,438	1,238,447	-	1,638,885
Financial charges for future periods	(11,533)	(157,377)	-	(168,910)	(41,155)	(115,092)	-	(156,247)
Present value of minimum lease payments	121,526	1,503,973	-	1,625,499	359,283	1,123,355	-	1,482,638

11.3 Advances include Rs. 17,065.58 million (December 31, 2016: Rs.16,719.02 million) which have been placed under non-performing status as detailed below:

Category of classification	December 31, 2017			December 31, 2016		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
	----- (Rupees in '000) -----					
Other Assets Especially Mentioned (OAEM)	1,499	150	150	11,141	944	944
Substandard	38,112	2,519	2,519	74,037	5,550	5,550
Doubtful	960,566	265,840	265,840	544,145	98,145	98,145
Loss	16,065,407	13,710,691	13,710,691	16,089,697	14,257,987	14,257,987
	17,065,584	13,979,200	13,979,200	16,719,020	14,362,626	14,362,626

11.3.1 Particulars of provision against non-performing advances

Note	December 31, 2017			December 31, 2016		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
Opening balance	14,362,626	49,075	14,411,701	12,519,860	24,986	12,544,846
Charge for the year	910,899	-	910,899	2,852,713	24,089	2,876,802
Reversals during the year	(1,069,659)	(18,825)	(1,088,484)	(966,041)	-	(966,041)
	(158,760)	(18,825)	(177,585)	1,886,672	24,089	1,910,761
Amount written off	(224,666)	-	(224,666)	(43,906)	-	(43,906)
Closing balance	13,979,200	30,250	14,009,450	14,362,626	49,075	14,411,701

11.3.2 Particulars of provision against non-performing advances

	December 31, 2017			December 31, 2016		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
In local currency	13,979,200	30,250	14,009,450	14,362,626	49,075	14,411,701
In foreign currencies	-	-	-	-	-	-
	13,979,200	30,250	14,009,450	14,362,626	49,075	14,411,701

11.3.3 Pursuant to the applicable Prudential Regulations, the Bank has availed the Forced Sale Value (FSV) benefit of securities/collaterals held against loans and advances. Had this benefit of FSV not been availed by the Bank, the specific provision against non-performing loans and advances would have been higher by Rs. 2,371 million (December 31, 2016 : Rs.1,812 million), which has a net of tax positive impact of Rs. 1,541 million (December 31, 2016 : Rs 1,178 million) on the profit and loss account. Further, the Bank has availed the benefit of certain exemptions given by SBP from Prudential Regulations with respect to the provision against non-performing loans and advances, amounting to Rs. 206 million (December 31, 2016 : Rs. 206 million) at the year end.

As per the revised "Prudential Regulations for Small and Medium Enterprises' Financing" issued by SBP vide IH & SMEFD Circular No 9 dated December 22, 2017 the requirement to maintain general reserve at 1% of secured small enterprises (SE) performing portfolio has been abolished while requirement for unsecured SE performing portfolio has been reduced from 2% to 1%. Moreover, for consumer financing performing portfolio general reserve at 1% of secured and 4% of unsecured has been maintained pursuant to the revised "Prudential Regulations for Consumer Financing" issued by the State Bank of Pakistan vide BPRD Circular No. 10 dated August 03, 2016. Moreover, 10% specific provision has been held against the SE financing falling in OAEM category i.e., where the principal / mark-up is over due by 90 days.

As per the Prudential Regulations, the additional impact on profitability arising from availing the benefit of FSV is not available for payment of cash or stock dividend / bonus to employees.

11.3.4 This includes reversal of provision amounting to Rs. 470.65 million (December 31, 2016: Rs. 112.72 million) and reduction in non performing loans and advances amounting to Rs. 584.40 million (December 31, 2016 : Rs. 134.12 million) as a result of settlement through debt asset swap arrangement with various customers during the year.

11.4 Particulars of write offs	Note	December 31, 2017	December 31, 2016
		----- (Rupees in '000) -----	
11.4.1 Against provisions		224,666	43,906
Directly charged to profit and loss account		16,861	114
		241,527	44,020
11.4.2 Write offs of Rs.500,000 and above	11.4.3	227,453	42,181
Write offs of below Rs.500,000		14,074	1,839
		241,527	44,020

11.4.3 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, 2017 is given in Annexure I.

		December 31, 2017	December 31, 2016
	Note	----- (Rupees in '000) -----	
11.5 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		2,104,933	1,840,305
Loans granted during the year		910,270	838,450
Repayments during the year		(733,403)	(573,822)
Balance at end of the year		2,281,800	2,104,933
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		1,078,078	1,924,931
Loans granted during the year		3,889,335	6,509,216
Repayments during the year		(3,754,360)	(7,356,069)
Balance at end of the year		1,213,053	1,078,078
Debts due by subsidiary companies, controlled firms, managed mudarabas and other related parties			
Balance at beginning of the year		-	-
Loans granted during the year		3,352,408	200,957
Repayments during the year		(3,352,408)	(200,957)
Balance at end of the year		-	-
		3,494,853	3,183,011
12. OPERATING FIXED ASSETS			
Capital work-in-progress	12.1	4,933,281	4,494,221
Property and equipment	12.2	7,533,663	7,533,938
Intangible assets	12.3	197,640	244,725
		12,664,584	12,272,884
12.1 Capital work-in-progress			
Civil works and related payments/ progress billings		4,891,357	4,323,538
Advances to suppliers and contractors		41,924	173,983
Advances against capital work in progress			
- considered doubtful		141,224	123,163
Less: Provision there against	29	(141,224)	(123,163)
		-	-
Less: Write off against civil works and related payments		-	(3,300)
		4,933,281	4,494,221

12.2 Property and equipment

		December 31, 2017											
Category of classification		COST				ACCUMULATED DEPRECIATION / IMPAIRMENT					Net book value at December 31, 2017	Rate of depreciation	
		At January 01, 2017	Adjustment for revaluation of assets	Additions	(Deletions) / (write off) *	At December 31, 2017	At January 01, 2017	Adjustment for revaluation of assets	Charge / impairment * for the year	(Deletion) / (write off) *			At December 31, 2017
Note		(Rupees in '000)											%
Leasehold land	12.2.1	2,842,627	129,923	69,166	-	3,041,716	-	-	-	-	5,670	3,036,046	-
								5,670 *	-				
Buildings on leasehold land	12.2.1	5,568,710	10,691	112,304	-	5,691,705	2,358,653	-	262,811	-	2,621,464	3,070,241	5
Buildings improvements	12.2.1 & 12.2.2	1,579,082	-	108,111	(1,306)	1,659,105	880,829	-	159,724	(1,103)	1,020,740	638,365	10
					(26,782) *					(18,710) *			
Furniture and fixtures	12.2.2	469,525	-	32,669	(1,099)	496,683	296,944	-	43,835	(891)	336,145	160,538	10 - 15
					(4,412) *					(3,743) *			
Electrical, office and computer equipment	12.2.2	1,758,865	-	205,474	(69,564)	1,893,295	1,203,339	-	203,866	(64,397)	1,341,399	551,896	20 - 30
					(1,480) *					(1,409) *			
Vehicles	12.2.2	166,827	-	70,999	(65,621)	172,205	111,933	-	32,877	(49,182)	95,628	76,577	20
					-					-			
December 31, 2017		12,385,636	140,614	598,723	(137,590)	12,954,709	4,851,698	-	703,113	(115,573)	5,421,046	7,533,663	
					(32,674) *				5,670 *	(23,862) *			

12.2.1 Revaluation of properties

Additional surplus has been recognised for land and building added/transferred to 'property and equipment' during the year. The valuations of these properties were carried out by M/s. Sadruddin Associates, an independent professional valuer. The latest detailed revaluation exercise of the properties held by the Bank was carried out in December 2016 by the same valuer. The valuations were arrived at by reference to market values and realisable values, which are determined on the basis of market intelligence, year of construction and present physical condition and location. Accordingly, as of December 31, 2017, the total revaluation surplus on properties (net of depreciation) amounts to Rs.2,458 million (December 31, 2016: Rs 2,431 million). Had there been no revaluations, the carrying amount of revalued assets would have been as follows.

	December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----	
Leasehold land	1,870,307	1,806,811
Buildings on leasehold land	1,802,378	1,848,296
Buildings improvements	615,009	664,772

12.2.2 Included in cost of property and equipment are fully depreciated items still in use amounting to Rs. 1,086.93 million (December 31, 2016: Rs.898 million).

December 31, 2016

Category of classification	COST					ACCUMULATED DEPRECIATION / IMPAIRMENT					Net book value at December 31, 2016	Rate of depreciation	
	At January 01, 2016	Adjustment for revaluation of assets	Additions	(Deletions) / (write off) *	At December 31, 2016	At January 01, 2016	Adjustment for revaluation of assets	Charge / impairment for the year	(Deletion) / (write off) *	At December 31, 2016			
Note	(Rupees in '000)											%	
Leasehold land	12.2.1	2,400,025	441,177	1,425	-	2,842,627	-	-	-	-	-	2,842,627	-
Buildings on leasehold land	12.2.1	3,761,135	1,262,403	545,172	-	5,568,710	1,602,304	549,896	206,453	-	2,358,653	3,210,057	5
Buildings improvements	12.2.1 & 12.2.2	1,500,096	-	146,158	(2,658) (64,514) *	1,579,082	779,062	-	152,766	(2,213) (48,786) *	880,829	698,253	10
Furniture and fixtures	12.2.2	454,903	-	29,265	(5,895) (8,748) *	469,525	264,819	-	43,350	(4,746) (6,479) *	296,944	172,581	10 - 15
Electrical, office and computer equipment	12.2.2	1,575,011	-	338,705	(135,533) (19,318) *	1,758,865	1,175,794	-	178,231	(131,591) (19,095) *	1,203,339	555,526	20 - 30
Vehicles	12.2.2	231,182	-	20,798	(85,153)	166,827	142,115	-	35,642	(65,824)	111,933	54,894	20
December 31, 2016		9,922,352	1,703,580	1,081,523	(229,239) (92,580) *	12,385,636	3,964,094	549,896	616,442	(204,374) (74,360) *	4,851,698	7,533,938	

12.3 Intangible assets

December 31, 2017

Category of classification	COST				ACCUMULATED AMORTISATION				Net book value at December 31, 2017	Rate of amortization	
	At January 01, 2017	Additions	(Deletions) / (write off)	At December 31, 2017	At January 01, 2017	Charge for the year	(Deletion) / (write off) *	At December 31, 2017			
Note	(Rupees in '000)									%	
Computer softwares	12.3.1	445,803	14,593	-	460,396	349,730	26,306	-	376,036	84,360	20
Core deposits		209,874	-	-	209,874	122,365	20,988	-	143,353	66,521	10
Brand name		143,838	-	-	143,838	82,695	14,384	-	97,079	46,759	10
December 31, 2017		799,515	14,593	-	814,108	554,790	61,678	-	616,468	197,640	

12.3.1 Included in cost of intangible assets are fully amortized items still in use amounting to Rs. 333.39 million (December 31, 2016: Rs. 316 million).

December 31, 2016

Category of classification	COST				ACCUMULATED AMORTISATION				Net book value at December 31, 2016	Rate of amortization	
	At January 01, 2016	Additions	(Deletions) / (write off) *	At December 31, 2016	At January 01, 2016	Charge for the year	(Deletion) / (write off) *	At December 31, 2016			
Note	(Rupees in '000)									%	
Computer softwares	12.3.1	363,631	82,578	(28) (378) *	445,803	335,746	14,387	(25) (378) *	349,730	96,073	20
Core deposits		209,874	-	-	209,874	101,377	20,988	-	122,365	87,509	10
Brand name		143,838	-	-	143,838	68,311	14,384	-	82,695	61,143	10
December 31, 2016		717,343	82,578	(28) (378) *	799,515	505,434	49,759	(25) (378) *	554,790	244,725	

12.4 Disposal of property and equipment

<u>Description</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Book value</u>	<u>Sale proceeds</u>	<u>Gain / (loss)</u>	<u>Mode of disposal</u>	<u>Particulars of purchaser</u>
----- (Rupees in '000) -----							
Items having book value of more than Rs.250,000 or cost more than Rs.1,000,000							
<u>Building improvements</u>							
Civil and electrical works	1,301	1,102	199	540	341	Insurance Claim	UBL Insurers Limited
<u>Electrical, office and computer equipment</u>							
Generator	1,211	1,211	-	225	225	Auction	Dilawar & Brothers
Generator	1,031	1,031	-	185	185	Auction	A.E.Electrical
Generator	1,030	1,030	-	188	188	Auction	K.I Traders (Kamran)
Generator	1,252	1,252	-	457	457	Auction	Grace Petroleum Service & CNG Station
Generator	1,121	1,121	-	221	221	Auction	Qaiser Interior
Generator	1,144	896	248	609	361	Insurance Claim	UBL Insurers Limited
ATM	887	222	665	369	(296)	Insurance Claim	UBL Insurers Limited
Miscellaneous Items	571	295	276	37	(239)	Insurance Claim	UBL Insurers Limited
<u>Vehicles</u>							
Honda City	1,562	1,041	521	750	229	Auction	Mr. Saleem Ahmed Siddiqui
Honda City	1,562	729	833	1,251	418	Auction	Mr. Ayub Ali
Honda City	1,676	726	950	1,403	453	Auction	Mr. Muhammad Arif
Honda City	1,588	450	1,138	1,240	102	Auction	Syed Riaz Ahmed
Honda City	1,532	664	868	1,372	504	Auction	Mr. Muhammad Naseem
Honda City	1,548	439	1,109	1,315	206	Negotiation	Itehad Motors
Honda City	1,393	1,393	-	1,100	1,100	Auction	Mr. Anjum
Honda City	1,359	1,359	-	904	904	Auction	Mr. Islam Khan
Honda City i- VTEC	1,685	786	899	1,349	450	Auction	Mr. Muhammad Arif
Honda Civic	1,617	1,617	-	961	961	Auction	Mr. Noman Hassan Khan
Honda Civic Vtec	1,794	1,794	-	1,010	1,010	Auction	Mr. Usman Shahid
Suzuki Cultus	1,070	588	482	784	302	Auction	Mr. Waqar Khan
Suzuki Cultus	1,015	795	220	744	524	Auction	Mr. Waqar Ahmed
Suzuki Cultus	1,010	811	199	724	525	Auction	Mr. Adil Ali
Suzuki Cultus	1,015	795	220	682	462	Auction	Mr. Islam Khan
Suzuki Cultus	1,038	640	398	623	225	Auction	Mr. Adil Ali
Suzuki Cultus	1,015	812	203	722	519	Auction	Mr. Islam Khan
Suzuki Cultus	1,066	622	444	894	450	Auction	Mr. Numari Abrar
Suzuki Cultus	1,060	530	530	829	299	Auction	Mr. Numari Abrar
Suzuki Cultus	1,040	416	624	807	183	Auction	Syed Riaz Ahmed
Suzuki Cultus	1,015	879	136	750	614	Insurance Claim	Asia Insurance Company Ltd
Suzuki Cultus	1,040	572	468	700	232	Negotiation	Mr. Azeem Uddin
Toyota Corolla Altis	1,769	1,769	-	1,182	1,182	Auction	Mr. Saeed Ahmed Khan
Toyota Corolla XLi	1,350	1,350	-	969	969	Auction	Syed Ali Ahmed
Vigo Champ	3,722	2,047	1,675	2,900	1,225	Auction	JS Bank
Vigo Champ	3,928	1,440	2,488	3,068	580	Auction	Syed Riaz Ahmed
Balance c/f.	49,017	33,224	15,793	31,864	16,071		

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchaser
----- (Rupees in '000) -----							
Balance b/f.	49,017	33,224	15,793	31,864	16,071		
Items having book value of less than Rs.250,000 or cost less than Rs.1,000,000							
<u>Furniture and fixtures</u>							
Various	1,099	891	208	684	476	Various	Various
<u>Electrical, office and computer equipment</u>							
Various	61,318	57,340	3,978	7,622	3,644	Various	Various
<u>Vehicles</u>							
Various	26,156	24,117	2,039	16,975	14,936	Various	Various
Total	137,590	115,572	22,018	57,145	35,127		
Disposal of property and equipment 2016	229,239	204,374	24,865	72,169	47,304		
Write offs 2017	32,674	23,862	8,812	-	(8,812)		
Write offs 2016	92,580	74,360	18,220	-	(18,220)		

	December 31, 2017	December 31, 2016
Note	----- (Rupees in '000) -----	

13. DEFERRED TAX ASSETS - net

Deferred debits arising in respect of:

Provision against non performing loans	984,495	1,430,583
Provision for compensated absences	36,558	34,406
Provision against other assets	149,656	149,656
Provision against capital work in progress	43,107	43,107
Unrealised loss on held-for-trading securities	5,560	5,473
Unused tax losses	4,103,554	3,899,918
Provision for diminution in the value of investments	660,501	672,715
Deficit on revaluation of available-for-sale securities - net	427,094	56,905
	6,410,525	6,292,763

Deferred credits arising in respect of:

Surplus on revaluation of fixed assets	(452,385)	(488,329)
Surplus on revaluation of non-banking assets	(151,972)	(148,062)
Unrealized gain on forward exchange contracts	(30,429)	-
Operating fixed assets	(398,770)	(455,400)
	(1,033,556)	(1,091,791)
	5,376,969	5,200,972

13.1

13.1 The above net deferred tax asset has been recognized in accordance with the Bank's accounting policy. The management based on financial projections, estimates that sufficient taxable profits would be available in future against which the deferred tax asset could be realized.

		December 31, 2017	December 31, 2016
14. OTHER ASSETS	Note	----- (Rupees in '000) -----	
Mark-up / return / interest accrued in local currency		1,840,648	2,237,391
Mark-up / return / interest accrued in foreign currency		2,088	35,297
Advances, deposits, advance rent and other prepayments		515,483	552,379
Non-banking assets acquired in satisfaction of claims	14.1 & 22.3	4,521,487	3,967,929
Advance taxation - net of provision		547,851	543,524
Receivable from brokers		25,617	12,867
Branch adjustment account		54	39
Stationery and stamps on hand		10,071	11,531
Dividend receivable		5,068	2,547
Receivable from other banks against clearing and settlement		-	64,144
Commission receivable on home remittance	14.2	67,483	217,262
Unrealised gain on forward exchange contract		86,939	-
Advance against subscription of sukuk		-	2,500,000
Others		453,036	411,677
		<u>8,075,825</u>	<u>10,556,587</u>
Less: Provision held against other assets	14.3	<u>(488,435)</u>	<u>(427,589)</u>
		<u>7,587,390</u>	<u>10,128,998</u>
14.1 Market value of non banking assets acquired in satisfaction of claims		<u>5,570,934</u>	<u>4,992,676</u>
14.2 This represents commission receivable from the SBP in respect of home remittances channelised through the Bank as per agreement entered into with the SBP.			

		December 31, 2017	December 31, 2016
14.3 Provision held against other assets	Note	----- (Rupees in '000) -----	
Opening balance		427,589	432,089
Add: Charge for the year		60,974	41
Less: Reversals for the year		(128)	(4,541)
	29	<u>60,846</u>	<u>(4,500)</u>
Closing Balance		<u>488,435</u>	<u>427,589</u>
15. BILLS PAYABLE			
In Pakistan		3,065,379	5,061,470
Outside Pakistan		-	-
		<u>3,065,379</u>	<u>5,061,470</u>
16. BORROWINGS			
In Pakistan		66,633,585	49,815,984
Outside Pakistan		674,181	3,856
		<u>67,307,766</u>	<u>49,819,840</u>
16.1 Particulars of borrowings with respect to currencies			
In local currency		66,633,585	49,815,984
In foreign currencies		674,181	3,856
		<u>67,307,766</u>	<u>49,819,840</u>
16.2 Details of borrowings secured / unsecured			
Secured			
Borrowings from State Bank of Pakistan under:			
Export Refinance Scheme (ERF)	16.2.1	6,707,142	6,450,727
Islamic Export Refinance Scheme (IERF)	16.2.1	250,000	-
Long-Term Financing Facility	16.2.2	108,600	-
Repurchase agreement borrowings (Repo)	16.2.3	40,198,208	24,415,383
Foreign bills - rediscounted		640,870	-
		<u>47,904,820</u>	<u>30,866,110</u>
Unsecured			
Overdrawn nostro accounts		33,311	3,856
Call borrowing	16.2.4	19,369,635	18,949,874
		<u>19,402,946</u>	<u>18,953,730</u>
		<u>67,307,766</u>	<u>49,819,840</u>

- 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 ERF borrowings ranges from 1.00 % to 2.00% (December 31, 2016 : 1.00 % to 2.00%) per annum and for IERF the profit rate is 2.00% per annum, payable on quarterly basis.
- 16.2.2** These represent long term borrowings from State Bank of Pakistan at mark-up rate 2.50% per annum, which will mature within five years.
- 16.2.3** These represent borrowings from State Bank of Pakistan at mark-up rate of 5.83% and 5.85% (December 31, 2016 : ranging from 5.89% to 5.92%) per annum, which will mature on January 05, 2018.
- 16.2.4** These represent call borrowing from financial institution carrying mark-up rate of 5.80% and 5.81% per annum (December 31, 2016 : ranging from 5.71% to 6.03%), which will mature within three months. The Bank has placed treasury bill with market value of Rs.19,752.45 million (December 31, 2016 : 19,232.16 million) as collateral against these borrowings.

	December 31, 2017	December 31, 2016
Note	----- (Rupees in '000) -----	
17. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	32,124,431	27,039,090
Savings deposits	51,529,761	49,073,558
Current accounts - non-remunerative	43,977,485	51,887,149
Margin accounts	5,518,752	4,928,462
	133,150,429	132,928,259
Financial institutions		
Non-remunerative deposits	1,541,778	1,472,734
Remunerative deposits	11,037,500	8,470,236
	12,579,278	9,942,970
	145,729,707	142,871,229
17.1 Particulars of deposits		
In local currency	138,017,243	135,660,742
In foreign currencies	7,712,464	7,210,487
	145,729,707	142,871,229

18. SUB-ORDINATED LOANS

Term Finance Certificate - Listed (Unsecured)	18.1	1,495,860	1,496,550
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- 18.1** During the financial year ended December 31, 2011, the Bank issued listed Term Finance Certificates which are subordinated as to the payment of principal and profit to all other debts 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-(SO)' (Single A Minus (Structured Obligation)) - (June 2017) Outlook 'Rating Watch-Developing'
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, 2017	December 31, 2016
19. OTHER LIABILITIES	Note	----- (Rupees in '000) -----	
Mark-up / return / interest payable in local currency		1,848,839	1,639,907
Mark-up / return / interest payable in foreign currency		4,621	4,553
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		115,404	74,636
Provision for compensated absences	35.3	104,448	98,304
Payable to Bank of Ceylon, Colombo		20,163	20,163
Retention money		5,452	8,345
Advance against sale of properties		602,308	138,813
Workers' Welfare Fund	19.3	13,360	13,360
Security deposits		750,561	505,166
Accrued expenses		74,755	53,796
Unrealised loss on forward exchange contracts		-	49,428
Payable to defined benefit plan	35.1	50,531	49,368
Withholding taxes and government levies payable		43,478	45,373
Federal excise duty and sales tax payable		13,619	12,641
Payable to other banks against clearing and settlement		395,419	-
Unclaimed dividend		2,213	2,213
Unearned income		14,251	27,844
Commission payable on home remittances	19.4	58,790	127,122
Others		240,805	172,593
		<u>4,416,699</u>	<u>3,101,307</u>

19.1 This represents mark-up payable to Bangladesh Bank up to 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 provision made for Workers' Welfare Fund (WWF) @ 2% of accounting profit before tax.

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.

	December 31, 2017	December 31, 2016		December 31, 2017	December 31, 2016
20. SHARE CAPITAL				----- Rupees in '000 -----	
	---- Number of Shares ----				
20.1 Authorised capital					
	<u>2,800,000,000</u>	<u>2,500,000,000</u>	Ordinary shares of Rs.10 each	<u>28,000,000</u>	<u>25,000,000</u>
20.2 Issued, subscribed and paid-up capital					
	1,459,686,957	1,274,199,921	Ordinary shares of Rs.10 each	14,596,869	12,741,999
	454,466,382	454,466,382	Fully paid in cash	4,544,664	4,544,664
	673,997,721	-	Issued for consideration other than cash	6,739,977	-
	50,000,000	50,000,000	Issue of shares upon conversion of preference shares	500,000	500,000
	<u>2,638,151,060</u>	<u>1,778,666,303</u>	Issued as bonus shares	<u>26,381,510</u>	<u>17,786,663</u>
20.3 Convertible preference shares					
	-	215,595,916	Convertible preference shares	-	2,155,959

- 20.4** During the financial year ended December 31, 2017, the Bank has increased its authorised capital by Rs. 3 billion.
- 20.5** During the year, the Bank has converted the preference shares into ordinary shares after approval of the ordinary and preference share holders.
- 20.6** As at December 31, 2017, Suroor Investments Limited (SIL), parent company, Rupali Bank Limited, Bangladesh - a related party and Directors (including President / Chief Executive Officer) held 1,761,412,119 (66.77%), 32,777,450 (1.24%) and 14,754,219 (0.56%) [December 31, 2016 : 1,255,367,121 (70.58%), 32,777,450 (1.84%) and 1,000,091 (0.06%)] ordinary shares in the Bank, respectively.

	December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----	
20.7 Advance against subscription of shares		
Advance against subscription of shares	-	1,854,870

During the financial year ended December 31, 2017, the Bank has issued shares other than by way of right issue against the advance share subscription money received during financial year ended December 31, 2016.

	December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----	
21. RESERVES		
	Note	
Share premium		1,000,000
Statutory reserve	21.1	154,162
Discount on issue of shares	20.5	(5,881,316)
Reserve arising on amalgamation		(1,579,205)
		<u>(6,306,359)</u>

21.1 This represents reserve created under Section 21(l)(a) of the Banking Companies Ordinance, 1962.

22. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF DEFERRED TAX

Surplus arising on revaluation of assets - net of tax:

Operating fixed assets	22.1	2,005,882	1,942,711
Available-for-sale securities	22.2	(793,175)	(105,681)
Non-banking assets	22.3	282,235	274,972
		<u>1,494,942</u>	<u>2,112,002</u>
22.1 Surplus on revaluation of operating fixed assets			
Balance as at January 01		2,431,040	1,338,645
Surplus recorded during the year		140,614	1,153,684
Transferred to accumulated losses in respect of:			
- Incremental depreciation - net of deferred tax		(73,703)	(39,838)
- Related deferred tax liability		(39,686)	(21,451)
		<u>(113,389)</u>	<u>(61,289)</u>
		2,458,265	2,431,040
Less: Related deferred tax liability on:			
- Revaluation as at January 01		(488,329)	(260,402)
- Recorded during the year		(3,740)	(249,378)
- Incremental depreciation		39,686	21,451
		<u>(452,383)</u>	<u>(488,329)</u>
		<u>2,005,882</u>	<u>1,942,711</u>

	December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----	
22.2 (Deficit) / surplus on revaluation of available-for-sale securities		
Federal Government Securities		
Market treasury bills	1,780	(25,767)
GOP ijarah sukuks	16,958	59,801
Pakistan investment bonds	(143,388)	(168,250)
Fully paid-up shares / units		
Ordinary shares - Listed	(1,104,867)	(53,079)
Units of open end mutual funds - Listed	(19,054)	1,976
Sukuks	28,302	22,733
Total deficit on revaluation of securities	(1,220,269)	(162,586)
Related deferred tax asset	427,094	56,905
	(793,175)	(105,681)
22.3 Surplus on revaluation of non-banking assets		
Balance as at January 01	423,034	-
Surplus recorded during the year	11,174	423,034
	434,208	423,034
Related deferred tax liability	(151,973)	(148,062)
	282,235	274,972
23. CONTINGENCIES AND COMMITMENTS		
23.1 Direct credit substitutes		
Including guarantees and standby letters of credit serving as financial guarantees for loans and securities		
Government	-	222,720
Financial institutions	-	-
Others	288,532	-
	288,532	222,720
23.2 Transaction-related contingent liabilities / commitments / guarantees issued		
Contingent liability in respect of performance bonds, bid bonds, shipping guarantees and standby letters of credit favouring:		
Government	14,608,761	12,719,385
Banking companies and other financial institutions	1,605,724	1,522,881
Others	5,853,923	7,772,523
	22,068,408	22,014,789
23.3 Trade-related contingent liabilities		
Letters of credit	14,839,940	20,950,933
Acceptances	1,276,921	1,423,278
	16,116,861	22,374,211
23.4 Other contingencies - claims against the Bank not acknowledged as debts	7,464,043	6,993,573
23.5 Contingent asset		

There was no contingent asset as at December 31, 2017 (December 31, 2016: Nil).

	December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----	
23.6 Commitments in respect of forward lending		
Forward documentary bills	3,639,137	3,537,409
Commitments to extend credit	17,792,426	10,890,126
	<u>21,431,563</u>	<u>14,427,535</u>
23.7 Commitments in respect of forward exchange contracts		
Purchase	5,484,447	9,132,872
Sale	4,303,310	8,141,786
	<u>9,787,757</u>	<u>17,274,658</u>
23.8 Commitments for capital expenditure		
Civil works and others	455,583	96,167
23.9 Commitments in respect of repo transactions		
Repurchase government securities	40,243,259	24,423,287
	<u>40,243,259</u>	<u>24,423,287</u>
Total contingencies and commitments	<u>117,856,006</u>	<u>107,826,940</u>
23.10 For tax related contingencies, refer note 31.2		
24. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to:		
Customers	5,776,857	5,350,850
On investments in:		
Available-for-sale securities	4,520,054	5,141,552
On lendings to financial institutions	335,125	117,025
On deposits with financial institutions	12,909	17,372
	<u>10,644,945</u>	<u>10,626,799</u>
25. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits and other accounts	4,585,514	4,466,869
Securities sold under repurchase agreements	1,543,830	2,512,678
Other short-term borrowings	1,249,537	519,944
Sub-ordinated loans	140,872	143,623
Swap cost on foreign currency transactions	225,299	210,477
	<u>7,745,052</u>	<u>7,853,591</u>

		December 31, 2017	December 31, 2016
26. GAIN ON SALE OF SECURITIES - net	Note	----- (Rupees in '000) -----	
Federal Government Securities			
- Market treasury bills		546	11,085
- Pakistan investment bonds		110,169	640,617
- GOP ijarah sukuks		422	2,750
Ordinary shares - Listed		196,942	500,047
Units of open end mutual funds		-	26,087
		<u>308,079</u>	<u>1,180,586</u>
27. OTHER INCOME			
Bad debts recovered		2,243	1,833
Account maintenance and other relevant charges		46,088	42,553
Recovery of expenses from customers		38,992	36,646
Rent of property / locker	27.1	28,092	26,097
Gain/(Loss) on sale of non-banking assets	27.2	350	(4,648)
		<u>115,765</u>	<u>102,481</u>

27.1 This include income from related party amounting to Rs. 2.83 million (December 31, 2016: Rs.2.58 million).

27.2 The Bank realized a gain of Rs. 0.35 million (December 31, 2016: Loss of Rs. 4.65 million) against the sale of following non-banking assets :

		December 31, 2017	December 31, 2016
	Note	----- (Rupees in '000) -----	
Shops located in Karachi		-	20,620
Flats located in Karachi		-	595
Building located in Karachi		-	(23,869)
Residential property located in Lahore		-	(3,144)
Club memberships		350	1,150
		<u>350</u>	<u>(4,648)</u>

28. ADMINISTRATIVE EXPENSES

Salaries, allowances, etc.		2,223,607	2,125,384
Charge for defined benefit plan - gratuity	35.1.3	63,214	68,469
Contribution to defined contribution scheme	35.2	76,593	69,081
Non-executive directors' fees, allowances and other expenses		3,900	2,600
Brokerage and commission		41,766	60,797
Rent, taxes, insurance and electricity, etc.		1,288,333	1,232,900
Legal and professional		129,375	129,640
Fees and subscription		98,217	97,111
Repairs and maintenance		182,799	206,700
Communications		206,647	198,004
Stationery and printing		112,057	100,506
Advertisement and publicity		229,014	204,232
Travelling and conveyance		175,094	211,584
Education and training		12,974	11,780
Entertainment		41,867	49,543
Security services and charges		279,452	251,642
Auditors' remuneration	28.1	11,153	16,694
Depreciation on non banking assets		29,210	21,082
Depreciation on operating fixed assets	12.2	703,113	616,442
Amortisation	12.3	61,678	49,759
Others		98,948	93,654
		<u>6,069,011</u>	<u>5,817,604</u>

		December 31, 2017	December 31, 2016
	Note	----- (Rupees in '000) -----	
28.1 Auditors' remuneration			
Audit fee		3,080	3,080
Certifications, half yearly review and sundry advisory services		6,115	9,306
Tax services		<u>643</u>	<u>1,908</u>
		9,838	14,294
Out of pocket expenses and others		<u>1,315</u>	<u>2,400</u>
	28.2	<u>11,153</u>	<u>16,694</u>
28.2	Last year figures include certain expenses which pertained to ex-auditors.		
29. OTHER PROVISIONS / WRITE OFFS			
Fixed assets written off	12.4	8,812	18,220
Provision / (Reversal of provision) against other assets	14.3	60,846	(4,500)
Provision for advances against computer software	12.1	18,061	54,802
Provision against fixed asset	12.2	5,670	-
Write off against civil works and related payments	12.1	-	3,300
		<u>93,389</u>	<u>71,822</u>
30. OTHER CHARGES			
Penalties imposed by SBP		42,814	28,799
Penalties imposed by others		755	-
Bank charges		<u>22,759</u>	<u>15,903</u>
		<u>66,328</u>	<u>44,702</u>
31. TAXATION			
For the year			
Current	31.1 & 31.2	157,445	124,465
Deferred		<u>226,226</u>	<u>132,216</u>
		<u>383,671</u>	<u>256,681</u>

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

31.2 The Income Tax Returns of the Bank have been submitted up to and including the Bank's financial year ended December 31, 2016 i.e. tax year 2017.

In respect of assessments of Summit Bank Limited from tax year 2008 to tax year 2013, the tax authorities disputed Bank's treatment on certain issues and created additional tax demand (net of rectification) of Rs.230.52 million through amended assessment orders and the same have been paid / adjusted against available refunds.

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

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

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

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

		December 31, 2017	December 31, 2016
	Note	----- (Rupees in '000) -----	
32. BASIC AND DILUTED LOSS PER SHARE			
Loss after taxation		<u>(1,146,439)</u>	<u>(2,174,392)</u>
		----- (Number of shares) -----	
32.1 Weighted average number of ordinary shares - basic		<u>2,256,765,412</u>	<u>2,168,966,634</u>
		----- (Rupee) -----	
Basic loss per share		<u>(0.51)</u>	<u>(1.00)</u>
		----- (Number of shares) -----	
32.2 Weighted average number of ordinary shares - diluted		<u>2,638,151,060</u>	<u>2,494,301,379</u>
		----- (Rupee) -----	
Diluted loss per share	32.2.1	<u>(0.51)</u>	<u>(1.00)</u>
32.2.1	Diluted loss per share has been reported same as basic loss per share in these unconsolidated financial statements, as the impact of potential ordinary shares is anti-dilutive.		

		December 31, 2017	December 31, 2016
	Note	----- (Rupees in '000) -----	
33. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	7	<u>13,556,723</u>	12,786,616
Balances with other banks	8	<u>2,440,333</u>	2,582,531
Overdrawn nostro accounts	16.2	<u>(33,311)</u>	(3,856)
		<u>15,963,745</u>	<u>15,365,291</u>
		----- (Number) -----	
34. STAFF STRENGTH			
Permanent		<u>2,196</u>	2,276
Contractual basis		<u>202</u>	292
Bank's own staff strength at end of the year		<u>2,398</u>	2,568
Outsourced		<u>449</u>	454
Total staff strength		<u>2,847</u>	<u>3,022</u>
Average staff strength during the year		<u>2,935</u>	<u>2,937</u>
35. DEFINED BENEFIT AND CONTRIBUTION PLANS			
		----- (Rupees in '000) -----	
Defined benefit plan (funded)	35.1	<u>50,531</u>	<u>49,368</u>
Defined contribution plan (funded)	35.2	<u>76,593</u>	<u>69,081</u>
Compensated absences	35.3	<u>104,448</u>	<u>98,304</u>
35.1 Defined benefit plan			
The Bank maintains a funded gratuity plan under which benefits are payable to eligible employees on retirement or on cessation of services in lump sum. The benefit is equal to one month's last drawn basic salary for each year of confirmed service, subject to a minimum of five years of service. Latest actuarial valuation was carried out as at December 31, 2017 using "Projected Unit Credit Method".			

	December 31, 2017	December 31, 2016
Principal actuarial assumptions		
Discount rate - per annum	8.25%	8.00%
Expected rate of increase in salaries - per annum - long term	7.25%	7.00%
Expected rate of return on plan assets - per annum	8.25%	8.00%
Withdrawal rates	High	High
Mortality rates	Adjusted SLIC 2001-05	Adjusted SLIC 2001-05
----- (Rupees in '000) -----		
35.1.1 The amount recognised in the statement of financial position is as follows:		
Present value of defined benefit obligations	344,077	296,204
Fair value of plan assets	(293,546)	(246,836)
Net liability	<u>50,531</u>	<u>49,368</u>
35.1.2 Movement in net liability recognised by the Bank		
Opening balance	49,368	58,675
Charge for the year	63,214	68,469
Other comprehensive income	(12,683)	(19,101)
Contribution to fund	(49,368)	(58,675)
Closing balance	<u>50,531</u>	<u>49,368</u>
35.1.3 Charge for the year		
Current service cost	61,304	63,188
Interest cost - net	22,742	22,566
Expected return on plan assets	(20,832)	(17,285)
	<u>63,214</u>	<u>68,469</u>
35.1.4 Actual return on plan assets		
Expected return on plan assets	20,832	17,285
Actuarial losses on plan assets	(1,244)	(2,988)
	<u>19,588</u>	<u>14,297</u>
35.1.5 Movement in present value of defined benefit obligation (DBO)		
DBO as at beginning of the year	296,204	268,932
Current service cost	61,304	63,188
Interest cost - net	22,742	22,566
Benefits paid during the year	(22,246)	(36,393)
Actuarial gain on obligation	(13,927)	(22,089)
DBO as at end of the year	<u>344,077</u>	<u>296,204</u>
35.1.6 Changes in fair value of plan assets		
Opening fair value of plan assets	246,836	210,257
Expected return	20,832	17,285
Actuarial loss	(1,244)	(2,988)
Contribution by employer	49,368	58,675
Benefit paid	(22,246)	(36,393)
Closing fair value of plan assets	<u>293,546</u>	<u>246,836</u>

The expected charge for defined benefit scheme in financial year 2018 is Rs.61.289 million (December 31, 2016 : Rs. 59.429 million for financial year 2017) according to actuarial recommendation.

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

	December 31, 2017		December 31, 2016	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
35.1.7 Break-up of category of assets				
Pakistan Investment Bonds	254,187	87	-	-
Bank deposits	36,203	12	246,836	100
Markup / Profit Receivable	3,156	1	-	-
	<u>293,546</u>	<u>100</u>	<u>246,836</u>	<u>100</u>

35.1.8 Sensitivity analysis on significant actuarial assumptions: Actuarial liability

	Change in assumption	Impact on present value of defined benefit obligation	
		Increase in assumption	Decrease in assumption
----- (Rupees in '000) -----			
Discount rate	± 1 %	(23,134)	26,404
Salary increase rate	± 1 %	28,239	(25,130)
Withdrawal rate	± 10 %	28	(101)
1 year mortality age set	Back / forward	(74)	73

	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
----- (Rupees in '000) -----					
35.1.9 Historical information					
Present value of defined benefit obligation	344,077	296,204	268,932	214,151	171,269
Plan assets	<u>(293,546)</u>	<u>(246,836)</u>	<u>(210,257)</u>	<u>(191,840)</u>	<u>(120,881)</u>
	<u>50,531</u>	<u>49,368</u>	<u>58,675</u>	<u>22,311</u>	<u>50,388</u>
Experience adjustments					
- actuarial gain on obligation	<u>(13,927)</u>	<u>(22,089)</u>	<u>(25)</u>	<u>(10,058)</u>	<u>(2,162)</u>
- actuarial loss on plan assets	<u>1,244</u>	<u>2,988</u>	<u>4,290</u>	<u>1,703</u>	<u>1,977</u>

35.2 Defined contribution plan

An amount of Rs. 76.59 million (December 31, 2016 : Rs. 69.08 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 or at the time of their final settlement. The benefit is equal to a maximum of 45 days gross salary subject to availability of privilege leaves balance. The actuarial valuation of the unfunded scheme is carried out periodically. Latest actuarial valuation was carried out as at December 31, 2017 using "Projected Unit Credit Method".

	December 31, 2017	December 31, 2016
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35.3.1 Principal actuarial assumptions

Discount rate - per annum	8.25%	8.00%
Expected rate of salary increase - per annum - long term	7.25%	7.00%
Leave accumulation factor - per annum	10 days	10 days
Withdrawal rates	High	High
Mortality rates	Adjusted SLIC 2001-05	Adjusted SLIC 2001-05

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

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

Present value of defined benefit obligations	104,448	98,304
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35.3.3 Movement in net liability recognised by the Bank

Opening balance	98,304	97,728
Charge for the year	11,627	7,356
Benefits paid during the year	(5,483)	(6,780)
Closing balance	104,448	98,304

35.3.4 Charge for the year

Current service cost	11,627	7,356
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35.3.5 Movement in present value of defined benefit obligation (DBO)

DBO as at beginning of the year	98,304	97,728
Current service cost	11,627	7,356
Benefits paid during the year	(5,483)	(6,780)
DBO as at end of the year	104,448	98,304

35.3.6 Sensitivity analysis on significant actuarial assumptions: Actuarial liability

	Change in assumption	Impact on present value of defined benefit obligation	
		Increase in assumption	Decrease in assumption
----- (Rupees in '000) -----			
Discount rate	± 1 %	(6,320)	7,204
Salary increase rate	± 1 %	7,730	(6,890)
Withdrawal rate	± 10 %	134	(165)
Death rate	± 10 %	20	(20)
Leave accumulation factor	± 1 day	267	(308)

36. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----					
Fees	-	-	3,900	2,600	-	-
Managerial remuneration	15,192	15,606	2,982	1,426	459,645	412,134
Charge for defined contribution plan	-	1,500	298	-	43,019	37,458
Rent and house maintenance	6,837	5,898	1,342	642	206,838	183,298
Utilities	1,519	1,311	298	143	45,962	40,731
Dearness allowance	2,533	2,185	497	238	76,620	67,900
Medical	1,519	1,311	298	143	45,962	40,731
Conveyance allowance	-	51	256	114	77,004	72,085
Car allowance	-	-	945	-	137,502	117,084
General / special allowance	2,422	1,510	205	169	66,234	67,949
	30,022	29,372	11,021	5,475	1,158,786	1,039,370
Number of person(s)	1	2 *	4	4	473	425

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.

* This included the former President and Chief Executive who retired during FY 2016.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The fair value of traded investments is based on quoted market prices, and have been disclosed in note 10.

Fair value of fixed term loans, 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 impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.4.

The fair value of operating fixed assets and non-banking assets held by the Bank was determined by an independent professional valuer. The valuation was arrived reference to market values and realizable values, which are determined on the basis of market intelligence, year of construction and present physical condition and location.

The effective rates and maturity and re-pricing profile are stated in notes 42.4.4, 42.5.1 and 42.5.2 respectively.

In the opinion of management, the fair value of the remaining financial assets and liabilities are either not significantly different from their carrying values or cannot be calculated with sufficient reliability.

37.1 Fair value hierarchy

December 31, 2017

Held-for-Trading	Carrying Amount				Fair value			
	Available-for-Sale / Subsidiary	Loans and Receivables	Others	Total	Level 1	Level 2	Level 3	Total

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

Financial assets measured at fair value

Investments

- Market treasury bills	-	71,840,364	-	-	71,840,364	-	71,840,364	-	71,840,364
- Pakistan investment bonds	-	13,218,246	-	-	13,218,246	-	13,218,246	-	13,218,246
- GOP ijarah sukus	-	4,810,812	-	-	4,810,812	-	4,810,812	-	4,810,812
- Ordinary shares - Listed	59,486	2,111,607	-	-	2,171,093	2,171,093	-	-	2,171,093
- Ordinary shares - Unlisted	-	256,837	-	-	256,837	-	-	256,837	256,837
- Units of open end mutual funds - Listed	-	68,806	-	-	68,806	68,806	-	-	68,806
- Preference shares	-	37,056	-	-	37,056	-	37,056	-	37,056
- Term Finance Certificates and Sukus	-	2,827,850	-	-	2,827,850	1,089,632	1,738,218	-	2,827,850
	<u>59,486</u>	<u>95,171,578</u>	<u>-</u>	<u>-</u>	<u>95,231,064</u>	<u>3,329,531</u>	<u>91,644,696</u>	<u>256,837</u>	<u>95,231,064</u>

Financial assets not measured at fair value (refer note 37.2)

Cash and bank balances with treasury banks	-	-	13,556,723	-	13,556,723	-	-	-	-
Balances with other banks	-	-	2,440,333	-	2,440,333	-	-	-	-
Lendings to financial institutions	-	-	10,671,003	-	10,671,003	-	-	-	-
Advances	-	-	85,521,870	-	85,521,870	-	-	-	-
Other assets	-	-	2,027,843	-	2,027,843	-	-	-	-
	<u>-</u>	<u>-</u>	<u>114,217,772</u>	<u>-</u>	<u>114,217,772</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Non-financial assets measured at fair value

Operating fixed assets	-	-	-	6,744,652	6,744,652	-	6,744,652	-	6,744,652
Other assets	-	-	-	4,521,487	4,521,487	-	4,521,487	-	4,521,487
	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,266,139</u>	<u>11,266,139</u>	<u>-</u>	<u>11,266,139</u>	<u>-</u>	<u>11,266,139</u>
	<u>59,486</u>	<u>95,171,578</u>	<u>114,217,772</u>	<u>11,266,139</u>	<u>220,714,975</u>	<u>3,329,531</u>	<u>102,910,835</u>	<u>835,837</u>	<u>106,497,203</u>

Financial liabilities not measured at fair value (refer note 37.2)

Deposits and other accounts	-	-	-	145,729,707	145,729,707	-	-	-	-
Bills payable	-	-	-	3,065,379	3,065,379	-	-	-	-
Borrowings	-	-	-	67,307,766	67,307,766	-	-	-	-
Sub-ordinated loans	-	-	-	1,495,860	1,495,860	-	-	-	-
Other liabilities	-	-	-	4,416,699	4,416,699	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>222,015,411</u>	<u>222,015,411</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Commitments in respect of forward exchange contracts

Forward purchase of foreign exchange	-	-	-	5,484,447	5,484,447	-	5,672,541	-	5,672,541
Forward sale of foreign exchange	-	-	-	4,303,310	4,303,310	-	4,404,467	-	4,404,467

December 31, 2016

Carrying Amount					Fair value			
Held-for-Trading	Available-for-Sale / Subsidiary	Loans and Receivables	Others	Total	Level 1	Level 2	Level 3	Total

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

Financial assets measured at fair value

Investments

- Market treasury bills	-	57,360,077	-	-	57,360,077	-	57,360,077	-	57,360,077
- Pakistan investment bonds	-	24,691,214	-	-	24,691,214	-	24,691,214	-	24,691,214
- GOP ijarah sukus	-	2,613,180	-	-	2,613,180	-	2,613,180	-	2,613,180
- Ordinary shares - Listed	385,793	2,717,555	-	-	3,103,348	3,103,348	-	-	3,103,348
- Ordinary shares - Unlisted	-	239,387	-	-	239,387	-	-	239,387	239,387
- Units of open end mutual funds - Listed	-	86,976	-	-	86,976	86,976	-	-	86,976
- Term Finance Certificates and Sukus	-	2,480,850	-	-	2,480,850	948,070	1,532,780	-	2,480,850
	385,793	90,189,239	-	-	90,575,032	4,138,394	86,197,251	239,387	90,575,032

Financial assets not measured at fair value

(refer note 37.2)

Cash and bank balances with treasury banks	-	-	12,786,616	-	12,786,616	-	-	-	-
Balances with other banks	-	-	2,582,531	-	2,582,531	-	-	-	-
Lendings to financial institutions	-	-	1,631,583	-	1,631,583	-	-	-	-
Advances	-	-	79,843,732	-	79,843,732	-	-	-	-
Other assets	-	-	5,069,508	-	5,069,508	-	-	-	-
	-	-	101,913,970	-	101,913,970	-	-	-	-

Non-financial assets measured at fair value

Operating fixed assets	-	-	-	6,750,937	6,750,937	-	6,750,937	-	6,750,937
Other assets	-	-	-	3,967,929	3,967,929	-	3,967,929	-	3,967,929
	-	-	-	10,718,866	10,718,866	-	10,718,866	-	10,718,866
	385,793	90,189,239	101,913,970	10,718,866	203,207,868	4,138,394	96,916,117	239,387	101,293,898

Financial liabilities not measured at fair value

(refer note 37.2)

Deposits and other accounts	-	-	-	142,871,229	142,871,229	-	-	-	-
Bills payable	-	-	-	5,061,470	5,061,470	-	-	-	-
Borrowings	-	-	-	49,819,840	49,819,840	-	-	-	-
Sub-ordinated loans	-	-	-	1,496,550	1,496,550	-	-	-	-
Other liabilities	-	-	-	2,641,388	2,641,388	-	-	-	-
	-	-	-	201,890,477	201,890,477	-	-	-	-

Commitments in respect of forward exchange contracts

Forward purchase of foreign exchange	-	-	-	9,132,872	9,132,872	-	9,046,390	-	9,046,390
Forward sale of foreign exchange	-	-	-	8,141,786	8,141,786	-	8,105,242	-	8,105,242

37.2 The Bank has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature and/or repriced periodically and/or not determinable with sufficient reliability. Therefore, their carrying amounts are considered as reasonable approximation of fair value.

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 / Others	Total
----- (Rupees in '000) -----						
December 31, 2017						
Total income	47,775	5,757,188	774,245	6,337,300	148,434	13,064,942
Total expenses	21,540	4,116,615	4,478,324	5,151,323	59,908	13,827,710
Net income / (loss) before tax	<u>26,235</u>	<u>1,640,573</u>	<u>(3,704,079)</u>	<u>1,185,977</u>	<u>88,526</u>	<u>(762,768)</u>
Segment assets (gross)	<u>98,370</u>	<u>112,601,523</u>	<u>22,422,441</u>	<u>113,931,843</u>	<u>380,791</u>	<u>249,434,968</u>
Segment non performing loans	<u>-</u>	<u>-</u>	<u>1,025,761</u>	<u>16,039,823</u>	<u>-</u>	<u>17,065,584</u>
Segment provision	<u>-</u>	<u>1,887,146</u>	<u>837,818</u>	<u>13,660,068</u>	<u>-</u>	<u>16,385,032</u>
Segment assets (net)	<u>98,370</u>	<u>110,714,377</u>	<u>21,584,623</u>	<u>100,271,775</u>	<u>380,791</u>	<u>233,049,936</u>
Segment liabilities	<u>10,879</u>	<u>48,613,085</u>	<u>1,933,551</u>	<u>167,858,238</u>	<u>3,599,658</u>	<u>222,015,411</u>
Segment return on assets (ROA) (%)	<u>26.67</u>	<u>1.48</u>	<u>(17.16)</u>	<u>1.18</u>	<u>23.25</u>	
Segment cost of funds (%)	<u>198.00</u>	<u>8.47</u>	<u>231.61</u>	<u>3.07</u>	<u>1.66</u>	

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement / Others	Total
----- (Rupees in '000) -----						
December 31, 2016						
Total income	42,527	6,591,535	1,380,847	5,622,864	116,420	13,754,193
Total expenses	17,176	4,280,345	4,531,775	6,787,749	54,859	15,671,904
Net income / (loss) before tax	<u>25,351</u>	<u>2,311,190</u>	<u>(3,150,928)</u>	<u>(1,164,885)</u>	<u>61,561</u>	<u>(1,917,711)</u>
Segment assets (gross)	<u>81,174</u>	<u>107,987,136</u>	<u>23,979,477</u>	<u>99,329,026</u>	<u>406,868</u>	<u>231,783,681</u>
Segment non performing loans	<u>-</u>	<u>-</u>	<u>1,429,330</u>	<u>15,289,690</u>	<u>-</u>	<u>16,719,020</u>
Segment provision	<u>-</u>	<u>1,922,043</u>	<u>1,092,960</u>	<u>13,746,330</u>	<u>-</u>	<u>16,761,333</u>
Segment assets (net)	<u>81,174</u>	<u>106,065,093</u>	<u>22,886,517</u>	<u>85,582,696</u>	<u>406,868</u>	<u>215,022,348</u>
Segment liabilities	<u>6,952</u>	<u>32,375,318</u>	<u>68,966,855</u>	<u>95,758,515</u>	<u>5,242,756</u>	<u>202,350,396</u>
Segment return on assets (ROA) (%)	<u>31.23</u>	<u>2.18</u>	<u>(13.77)</u>	<u>(1.36)</u>	<u>15.13</u>	
Segment cost of funds (%)	<u>247.07</u>	<u>13.22</u>	<u>6.57</u>	<u>7.09</u>	<u>1.05</u>	

39. TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities. However, it acts as trustee in certain transactions in its normal course of business.

40. RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its parent company, subsidiary company, entities having directors in common with the Bank, 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, 2017					December 31, 2016				
	Key management personnel	Directors	Parent company	Subsidiary	Other related parties	Key management personnel	Directors	Parent company	Subsidiary	Other related parties
----- (Rupees in '000) -----										
Advances										
Balance at beginning of the year	324,233	-	-	-	1,078,078	224,353	-	-	-	1,924,931
Disbursements / granted during the year	293,128	-	-	3,352,408	3,889,335	147,067	-	-	200,957	6,509,216
Payment received during the year	(207,827)	-	-	(3,352,408)	(3,754,360)	(47,187)	-	-	(200,957)	(7,356,069)
Balance at end of the year	409,534	-	-	-	1,213,053	324,233	-	-	-	1,078,078
Deposits										
Balance at beginning of the year	20,770	45,147	-	144,472	501,960	22,295	38,545	-	102,771	559,432
Deposits during the year	595,492	82,026	-	9,367,739	7,583,680	497,407	1,668,944	-	13,904,974	25,614,336
Withdrawal / adjustments during the year	(548,971)	(94,914)	-	(9,383,755)	(7,225,130)	(498,932)	(1,662,342)	-	(13,863,273)	(25,671,808)
Balance at end of the year	67,291	32,259	-	128,456	860,510	20,770	45,147	-	144,472	501,960
Other balances										
Advance against subscription of shares	-	-	-	-	-	-	-	1,157,670	-	-
Convertible preference shares	-	-	-	-	-	-	50,000	1,109,361	-	-
Shares issued during the year	-	137,541	5,060,450	-	-	-	-	-	-	-
Investment in shares / TFC's	-	-	-	255,007	277,781	-	-	-	239,387	528,005
Other receivable	4,821	-	488	6,271	45,882	5,535	-	255	-	1,309
Other payable	-	-	-	7,956	1,369	-	-	-	960	393
Mark-up receivable	825	-	-	2,939	19,981	-	-	-	1,671	16,336
Mark-up payable	168	85	-	876	1,175	39	129	-	29	2,775
Contingencies and Commitments										
Guarantees, letters of credit and acceptances	-	-	-	-	869,683	-	-	-	-	345,722
Commitments to extend credit	548	-	-	400,000	547,957	-	-	-	-	-
Transactions, income and expenses										
Repurchase agreement borrowing (repo)	-	-	-	-	-	-	-	-	6,289,164	-
Purchase of investments	-	-	-	-	539,728	-	-	-	-	334,410
Disposal of investments	-	-	-	-	566,853	-	-	-	-	82,003
Capital work-in-progress	-	-	-	-	-	-	-	-	-	1,295
Purchase of assets	-	-	-	-	-	-	-	-	-	3,147
Advertisement and publicity	-	-	-	-	95	-	-	-	-	152
Brokerage expenses	-	-	-	10,147	-	-	-	-	8,381	-
Subscription paid	3,095	-	-	-	21,471	4,634	-	-	-	20,405
Education and training	-	-	-	-	5,119	-	-	-	-	1,313
Capital (loss) / gain	-	-	-	-	(9,244)	-	-	-	-	3,052
Dividend income	-	-	-	-	1,350	-	-	-	-	905
Contribution to the provident fund	-	-	-	-	76,593	-	-	-	-	69,081
Contribution to the gratuity fund	-	-	-	-	63,214	-	-	-	-	68,469
Remuneration paid	211,001	-	-	-	-	212,768	15,000	-	-	-
Post employment benefits	6,373	-	-	-	-	6,401	1,500	-	-	-
Rental income	-	-	-	2,833	-	-	-	-	2,575	-
Mark-up earned	28,293	-	-	16,096	61,015	14,836	-	-	9,192	59,157
Mark-up expensed	764	952	-	1,038	26,968	947	1,763	-	525	32,361
Other income	-	-	-	13,323	-	-	-	-	174	-
Rental expense	-	-	-	-	29,790	-	-	-	-	26,875
Repair and maintenance charges	-	-	-	-	-	-	-	-	-	5,561
(Reversal of provision) / provision for diminution in the value of investment	-	-	-	(15,620)	267,933	-	-	-	(40,217)	65,170
Gain on disposal of assets	-	-	-	-	-	100	-	-	-	-
Fees paid	-	3,900	-	-	-	-	2,600	-	-	-

41. CAPITAL ASSESSMENT AND ADEQUACY - BASEL III SPECIFIC

41.1 Capital 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 the business of equity and money market brokerage, interbank foreign exchange brokerage, commodity brokerage and research.

The State Bank of Pakistan (SBP) has introduced new guidelines with respect to disclosure of capital adequacy related information in the financial statements of banks vide its communication dated November 05, 2014. These disclosures are based on the requirements of Basel III which were introduced earlier by the SBP in August 15, 2013 for implementation by banks in Pakistan. Basel III instructions have become effective from December 31, 2013. However, there is a transitional phase for implementation of Basel III requirements whereas the complete requirements would become applicable with full implementation by December 31, 2019.

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

- a) Tier 1 capital (going concern capital, which comprises Common Equity Tier 1 (CET1) and Additional Tier 1 (AT1) capital), which includes fully paid up capital, balance in share premium account net of discount on issue of shares, general reserves and un-appropriated/accumulated losses. Moreover, regulatory deductions pertaining to book value of intangibles, deferred tax assets, reciprocal crossholdings and investment in subsidiary are made from Tier 1 capital as per the applicable Basel III guidelines.
- b) Tier 2 Capital (going concern capital), which includes general provisions for loan losses (upto a maximum of 1.25% of credit risk weighted assets), reserves on revaluation of fixed assets and available for sale investments after deduction of deficit on available for sale investments (as per Basel III requirement). The regulatory deduction from Tier 2 capital pertained to the investment in subsidiary. The outstanding sub-ordinated debt/TFC of the Bank has not been included in Tier 2 capital as of December 31, 2017 because the said TFC has less than one year remaining maturity (maturing on October 26, 2018) and therefore not eligible as Tier 2 capital as per the applicable Basel III guidelines.

Banking operations are categorized in either the trading book or the banking book and risk weighted assets are determined according to the specified requirements that seek to reflect the varying levels of risks attached to assets and off balance sheet exposures.

Market Discipline (Pillar III) comprises disclosures on the capital adequacy and risk management framework of the Bank. These disclosures have been set out in notes 41 to 42 to the financial statements.

Pillar III disclosures apply to Summit Bank Limited and consolidated entity, wherein Summit Bank Limited is the controlling entity in the consolidated group. Consolidation for capital adequacy is based on consolidated financial statements of the Bank and its subsidiary in line with the international accounting standards and guidelines for consolidation. Consolidated CAR disclosures make part of the consolidated financial statements which are separately presented.

41.1.2 Capital structure

The total regulatory capital of the Bank for capital adequacy purposes comprises:

Tier I Capital

Tier I capital amounted to Rs. 5.090 billion and comprised of ordinary share capital (CET1) with limited liability to its shareholders, share premium reserve less discount on issue of shares, general reserves and accumulated losses after applicable regulatory deductions.

Tier 2 Capital

Tier 2 capital amounted to Rs. 1.084 billion and comprised of general provisions for loan losses (upto a maximum of 1.25% of credit risk weighted assets), reserves on revaluation of fixed assets and available for sale investments after deduction of deficit on available for sale investments (as per Basel III requirements) after applicable regulatory deductions.

41.1.3 Capital management and capital adequacy

The Bank manages its capital to meet regulatory requirements as well as for current and future business needs considering the risks involved in its business, 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 Risk Management Group under the supervision of the Board of Directors. The Bank is fully committed to meet capital requirements as per the SBP's Basel III guidelines and taking necessary steps for the same.

The Bank was subject to the Basel II capital adequacy guidelines stipulated by the State Bank of Pakistan under BSD Circular No. 8 of 2006. The State Bank of Pakistan issued Basel III guidelines vide its BPRD Circular No. 6 of 2013 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 that minimum regulatory capital to risk weighted assets ratio would be 12.5%, while minimum common equity Tier 1 (CET 1) and minimum Tier 1 ratios would be 6% and 7.5% of the risk weighted assets, respectively. As per the transition table, at December 31, 2017, the Bank is required to maintain minimum common equity capital ratio (CET 1) of 6%, minimum Tier 1 capital ratio of 7.5% and minimum total capital ratio (CAR) of 11.275% (inclusive of Capital Conservation Buffer of 1.275%).

As on December 31, 2017, the Bank's CAR stood at 5.01 %, while CET-1 and Tier-1 capital ratios stood at 4.13% which are lower than the minimum capital ratios prescribed by the SBP as explained above. The management of the Bank is taking various steps to comply with applicable minimum capital requirements. In this respect, a business plan has been put in place which has been approved by the Board of Directors and aims to improve Bank's capital base and risk absorption capacity and to provide impetus to its future growth initiatives. This plan indicates future profitable operations based on various assumptions as explained in note 1.3. Moreover in light of the decision / approval of the Board and the Shareholders of the Bank for the proposed amalgamation of the Bank with and into Sindh Bank Limited, the management is currently in the process of completing various requirements/formalities for obtaining approval of the SBP and aims to complete the proposed amalgamation transaction at the earliest. The Bank's management is confident that compliance with applicable regulatory capital requirements would be achieved through the materialization of business plan and completion of proposed amalgamation transaction and taking all the necessary steps for the same. Furthermore, Bank's sponsor has committed to meet any capital shortfall of the Bank as and when decided by the Board of Directors of the Bank.

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 meet regulatory requirements and current and future business needs under stress scenarios.

The ICAAP encompasses capital planning, identification and measurement of material risks and the relationship between risks 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 Limited 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, 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 comprehensive approach for credit risk, maturity method for market risk and basic indicator approach for operational risk.

41.2 Capital Adequacy Ratio (CAR) disclosure:

	December 31, 2017	December 31, 2016
CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2017		
----- (Rupees in '000) -----		
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully paid-up capital / capital deposited with SBP	26,381,510	19,641,533
2 Balance in share premium account	1,000,000	1,000,000
3 Reserve for issue of bonus shares	-	-
4 Discount on issue of shares	(5,881,316)	(1,297,298)
5 General / statutory reserves	(1,425,043)	(1,425,043)
6 Gain / (losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated / unremitted profits / (losses)	(10,535,568)	(9,515,201)
8 Minority interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
9 CET 1 before regulatory adjustments	9,539,583	8,403,991
10 Total regulatory adjustments applied to CET1 (Note 41.2.1)	(4,449,519)	(1,316,442)
11 Common Equity Tier 1	5,090,064	7,087,549
Additional Tier 1 (AT 1) Capital		
12 Qualifying Additional Tier-1 capital instruments plus any related share premium		
13 of which: Classified as equity	-	2,155,959
14 of which: Classified as liabilities	-	-
15 Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
16 of which: instrument issued by subsidiaries subject to phase out	-	-
17 AT1 before regulatory adjustments	-	2,155,959
18 Total regulatory adjustment applied to AT1 capital (Note 41.2.2)	(25,500)	(95,755)
19 Additional Tier 1 capital after regulatory adjustments	(25,500)	2,060,204
20 Additional Tier 1 capital recognized for capital adequacy	-	1,932,968
21 Tier 1 Capital (CET1 + admissible AT1) (11+20)	5,090,064	9,020,517
Tier 2 Capital		
22 Qualifying Tier 2 capital instruments under Basel III plus any related share premium		
23 Tier 2 capital instruments subject to phase-out arrangement issued under pre-Basel 3 rules	-	838,310
24 Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
25 of which: instruments issued by subsidiaries subject to phase out	-	-
26 General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	30,250	49,075
27 Revaluation Reserves (net of taxes)		
28 of which: Revaluation reserves on fixed assets	1,785,236	1,515,315
29 of which: Unrealized gains/losses on AFS	(705,926)	(82,431)

	December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----	
30 Foreign Exchange Translation Reserves	-	-
31 Undisclosed/Other Reserves (if any)	-	-
32 T2 before regulatory adjustments	1,109,560	2,320,269
33 Total regulatory adjustment applied to T2 capital (Note 41.2.3)	(25,500)	(95,755)
34 Tier 2 capital (T2) after regulatory adjustments	1,084,060	2,224,514
35 Tier 2 capital recognized for capital adequacy	1,084,060	2,224,514
36 Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	127,236
37 Total Tier 2 capital admissible for capital adequacy	1,084,060	2,351,750
38 TOTAL CAPITAL (T1 + admissible T2) (21+37)	6,174,124	11,372,267
39 Total Risk Weighted Assets (RWA) {for details refer Note 41.5}	123,126,951	112,558,395
Capital Ratios and buffers (in percentage of risk weighted assets)*		
40 CET1 to total RWA	4.13%	6.30%
41 Tier-1 capital to total RWA	4.13%	8.01%
42 Total capital to total RWA	5.01%	10.10%
43 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	7.275%	6.65%
44 of which: capital conservation buffer requirement	1.275%	0.65%
45 of which: countercyclical buffer requirement	-	-
46 of which: D-SIB or G-SIB buffer requirement	-	-
47 CET1 available to meet buffers (as a percentage of risk weighted assets)	-	-
National minimum capital requirements prescribed by SBP		
48 CET1 minimum ratio	6.00%	6.00%
49 Tier 1 minimum ratio	7.50%	7.50%
50 Total capital minimum ratio	11.275%	10.65%

* Comparative CAR figures as of December 31,2016 included the positive impact of certain relaxations allowed by SBP for the calculations of CAR and LR.

	December 31, 2017	Amounts subject to Pre- Basel III treatment	December 31, 2016
	Amount	(Rupees in '000)	Amount
Regulatory Adjustments and Additional Information			
41.2.1 Common Equity Tier 1 capital: Regulatory adjustments			
1	-	-	-
2	197,640	-	244,725
3	-	-	-
4	3,282,843	-	779,985
5	-	-	-
6	16,937	-	25,417
7	-	-	-
8	-	-	-
9	-	-	-
10	-	-	-
11	-	-	-
12	-	-	12,085
13	-	-	-
14	722,593	-	206,353
15	-	-	-
16	-	-	-
17	-	-	-
18	-	-	-
19	-	-	-
20	204,006	-	47,877
21	25,500	-	-
22	4,449,519	-	1,316,442
41.2.2 Additional Tier-1 & Tier-1 Capital: regulatory adjustments			
23	-	-	-
24	-	-	-
25	-	-	-
26	-	-	-
27	-	-	-
28	25,500	25,500	95,755
29	-	-	-
30	25,500	25,500	95,755

	December 31, 2017	December 31, 2016
	Amount	Amount
	Amounts subject to Pre- Basel III treatment	
	----- (Rupees in '000) -----	
41.2.3 Tier 2 Capital: regulatory adjustments		
31 Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	25,500	95,755
32 Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-
33 Investment in own Tier 2 capital instrument	-	-
34 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)	-	-
35 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
36 Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	25,500	95,755

	December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----	

41.2.4 Additional Information

Risk Weighted Assets subject to pre-Basel III treatment

37 Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	2,602,255	3,603,752
(i) of which: deferred tax assets	2,306,722	3,119,933
(ii) of which: Defined-benefit pension fund net assets	-	-
(iii) of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	295,533	483,819
(iv) 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	-	-
Amounts below the thresholds for deduction (before risk weighting)	-	-
38 Non-significant investments in the capital of other financial entities	-	-
39 Significant investments in the common stock of financial entities	-	-
40 Deferred tax assets arising from temporary differences (net of related tax liability)	1,486,011	1,242,763
Applicable caps on the inclusion of provisions in Tier 2	-	-
41 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	30,250	49,075
42 Cap on inclusion of provisions in Tier 2 under standardized approach	-	-
43 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44 Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

41.3 Capital Structure Reconciliation

Table: 41.3.1

	December 31, 2017	
	Balance sheet of the published financial statements	Under regulatory scope of consolidation
	----- (Rupees in '000) -----	
Assets		
Cash and balances with treasury banks	13,556,723	13,556,723
Balances with other banks	2,440,333	2,440,333
Lendings to financial institutions	10,671,003	10,671,003
Investments	95,231,064	95,231,064
Advances	85,521,870	85,521,870
Operating fixed assets	12,664,584	12,664,584
Deferred tax assets - net	5,376,969	5,376,969
Other assets	7,587,390	7,587,390
Total assets	233,049,936	233,049,936
Liabilities and Equity		
Bills payable	3,065,379	3,065,379
Borrowings	67,307,766	67,307,766
Deposits and other accounts	145,729,707	145,729,707
Sub-ordinated loans	1,495,860	1,495,860
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	4,416,699	4,416,699
Total liabilities	222,015,411	222,015,411
Share capital	26,381,510	26,381,510
Reserves	(6,306,359)	(6,306,359)
Accumulated losses	(10,535,568)	(10,535,568)
Minority interest	-	-
Surplus on revaluation of assets - net of deferred tax	1,494,942	1,494,942
	11,034,525	11,034,525
Total liabilities and equity	233,049,936	233,049,936

	December 31, 2017		Reference
	Balance sheet of the published financial statements	Under regulatory scope of consolidation	
	----- (Rupees in '000) -----		
Assets			
Cash and balances with treasury banks	13,556,723	13,556,723	
Balances with other banks	2,440,333	2,440,333	
Lendings to financial institutions	10,671,003	10,671,003	
Investments	95,231,064	95,231,064	
<i>of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold</i>	-	-	a
<i>of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold</i>	-	-	b
of which: Mutual Funds exceeding regulatory threshold	-	-	c
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	16,937	16,937	d
<i>of which: others (PIBs, T-Bills, Shares etc.)</i>	95,214,127	95,214,127	e
Advances	85,521,870	85,521,870	
<i>of which: shortfall in provisions / excess of total EL amount over eligible provisions under IRB</i>	-	-	f
<i>of which: general provisions reflected in Tier 2 capital</i>	30,250	30,250	g
Fixed assets	12,664,584	12,664,584	
<i>of which: Intangibles</i>	197,640	197,640	k
Deferred tax assets	5,376,969	5,376,969	
<i>of which: DTAs that rely on future profitability excluding those arising from temporary differences</i>	4,103,554	4,103,554	h
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	1,273,415	1,273,415	i
Other assets	7,587,390	7,587,390	
<i>of which: Goodwill</i>	-	-	j
<i>of which: Defined-benefit pension fund net assets</i>	-	-	l
Total assets	233,049,936	233,049,936	
Liabilities and equity			
Bills payable	3,065,379	3,065,379	
Borrowings	67,307,766	67,307,766	
Deposits and other accounts	145,729,707	145,729,707	
Sub-ordinated loans	1,495,860	1,495,860	
<i>of which: eligible for inclusion in AT1</i>	-	-	m
<i>of which: eligible for inclusion in Tier 2</i>	-	-	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	4,416,699	4,416,699	
Total liabilities	222,015,411	222,015,411	

December 31, 2017

Table: 41.3.2	Balance sheet of the published financial statements	Under regulatory scope of consolidation	Reference
	----- (Rupees in '000) -----		
Share capital	26,381,510	26,381,510	
<i>of which: amount eligible for CET1</i>	26,381,510	26,381,510	s
<i>of which: amount eligible for AT1</i>	-	-	t
Reserves	(6,306,359)	(6,306,359)	
<i>of which: portion eligible for inclusion in CET1 - Balance of share premium</i>	1,000,000	1,000,000	u
<i>of which: portion eligible for inclusion in CET1 - Statutory reserves</i>	154,162	154,162	
<i>of which: portion eligible for inclusion in CET1 - Discount on issue of shares</i>	(5,881,316)	(5,881,316)	
<i>of which: portion eligible for inclusion in CET1 - Reserve arising on amalgamation</i>	(1,579,205)	(1,579,205)	
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	v
Unappropriated profit / (losses)	(10,535,568)	(10,535,568)	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 - net of deferred tax	1,494,942	1,494,942	
<i>of which: Revaluation reserves on Fixed Assets</i>	2,288,117	2,288,117	aa
<i>of which: Unrealized Gains/Losses on AFS</i>	(793,175)	(793,175)	
<i>In case of Deficit on revaluation (deduction from CET1)</i>	-	-	ab
Total liabilities and equity	233,049,936	233,049,936	

Table: 41.3.3

	Component of regulatory capital reported by Bank	Source based on reference number from step 2
	(Rupees in '000)	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully paid-up capital / capital deposited with SBP	26,381,510	
2 Balance in Share Premium Account	1,000,000	(s)
3 Reserve for issue of bonus shares	-	
4 General / statutory reserves	(7,306,359)	(u)
5 Gain / (losses) on derivatives held as Cash Flow Hedge	-	
6 Unappropriated / unremitted profits / (losses)	(10,535,568)	(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	9,539,583	

December 31, 2017

Table: 41.3.3

	Component of regulatory capital reported by bank (Rupees in '000)	Source based on reference number from step 2
Common Equity Tier 1 capital: Regulatory adjustments		
9	-	(j) - (o)
10	(197,640)	(k) - (p)
11	-	(f)
12	(3,282,843)	{{(h) - (r)} * x%
13	-	{{(l) - (q)} * x%
14	(16,937)	(d)
15	-	
16	-	
17	-	
18	-	
19	-	(ab)
20	-	(a) - (ac) - (ae)
21	-	(b) - (ad) - (af)
22	(722,593)	(i)
23	-	
24	-	
25	-	
26	-	
27	-	
28	(204,006)	
29	(25,500)	
30	(4,449,519)	
31	5,090,064	
Additional Tier 1 (AT 1) Capital		
32	-	(t)
33	-	(m)
34	-	(y)
35	-	
36	-	
37	-	
AT1 before regulatory adjustments		
Additional Tier 1 Capital: regulatory adjustments		
38	-	
39	-	
40	-	
41	-	(ac)

Table: 41.3.3

		December 31, 2017	
		Component of regulatory capital reported by bank (Rupees in '000)	Source based on reference number from step 2
42	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
43	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	(25,500)	
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
45	Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 44)	-	
46	Additional Tier 1 capital	-	
47	Additional Tier 1 capital recognized for capital adequacy	-	
48	Tier 1 Capital (CET1 + admissible AT1) (31+47)	5,090,064	
Tier 2 Capital			
49	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	(n)
50	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	
51	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(z)
52	of which: instruments issued by subsidiaries subject to phase out	-	
53	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	30,250	(g)
54	Revaluation Reserves		
55	of which: Revaluation reserves on fixed assets	1,785,236	portion of (aa)
56	of which: Unrealized Gains/Losses on AFS	(705,926)	
57	Foreign Exchange Translation Reserves	-	(v)
58	Undisclosed/Other Reserves (if any)	-	
59	T2 before regulatory adjustments	1,109,560	
Tier 2 Capital: regulatory adjustments			
60	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	(25,500)	
61	Reciprocal cross holdings in Tier 2 instruments	-	
62	Investment in own Tier 2 capital instrument	-	
63	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)
64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
65	Amount of Regulatory Adjustment applied to T2 capital (sum of 60 to 64)	(25,500)	
66	Tier 2 capital (T2)	1,109,560	
67	Tier 2 capital recognized for capital adequacy	1,084,060	
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
69	Total Tier 2 capital admissible for capital adequacy	1,084,060	
70	TOTAL CAPITAL (T1 + admissible T2) (48+69)	6,174,124	

41.4 Main Features of Regulatory Capital Instruments

Disclosure for main features of regulatory capital instruments

	Main features	Common shares	Sub-ordinated debt
1	Issuer	Summit Bank Limited	Summit Bank Limited
2	Unique identifier (e.g. KSE Symbol or Bloomberg identifier etc.)	SMBL	SMBLFC
3	Governing law(s) of the instrument	Capital Market Law	Capital Market Law
	Regulatory treatment		
4	Transitional Basel III rules	Common Equity Tier 1	Tier 2
5	Post-transitional Basel III rules	Common Equity Tier 1	-
6	Eligible at solo / group / group & solo	Solo and Group	Solo and Group
7	Instrument type	Ordinary shares	Sub-ordinated Debt
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of December 31, 2017)	26,381,510	-
9	Par value of instrument	PKR 10	PKR 5,000
10	Accounting classification	Shareholders' equity	Liability - amortized cost
11	Original date of issuance	2005	October 27, 2011
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	No maturity	October 26, 2018
14	Issuer call subject to prior supervisory approval	No	No
15	Optional call date, contingent call dates and redemption amount	Not applicable	Not applicable
16	Subsequent call dates, if applicable	Not applicable	Not applicable
	Coupons / dividends		
17	Fixed or floating dividend / coupon	Not applicable	Floating
18	Coupon rate and any related index / benchmark	Not applicable	6M KIBOR +325BPS
19	Existence of a dividend stopper	Not applicable	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Partially Discretionary
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Not applicable	Cumulative
23	Convertible or non-convertible	Not applicable	Non-Convertible
24	If convertible, conversion trigger (s)	Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable
30	Write-down feature	Not applicable	Not applicable
31	If write-down, write-down trigger(s)	Not applicable	Not applicable
32	If write-down, full or partial	Not applicable	Not applicable
33	If write-down, permanent or temporary	Not applicable	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable	Common shares
36	Non-compliant transitioned features	Not applicable	No
37	If yes, specify non-compliant features	Not applicable	Not applicable

41.5 Risk weighted assets

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	
	2017	2016	2017	2016
----- (Rupees in '000) -----				
Credit risk				
On balance sheet				
Portfolios subject to standardized approach (Simple or Comprehensive)				
Cash and cash equivalents	-	-	-	-
Sovereign	-	-	-	-
Public sector entities	-	-	-	-
Banks	442,234	204,284	3,922,256	1,918,162
Corporate	6,202,216	5,989,917	55,008,570	56,243,348
Retail	977,894	671,918	8,673,119	6,309,085
Residential Mortgages	114,192	124,865	1,012,785	1,172,439
Past due loans	413,343	396,120	3,666,009	3,719,439
Operating fixed assets	1,405,648	1,280,999	12,466,945	12,028,159
Other assets	749,174	555,268	6,644,563	5,213,783
Portfolios subject to Internal Rating Based (IRB) Approach				
	-	-	-	-
Off balance sheet				
Non-market related				
Direct Credit Substitutes	475,135	321,047	4,214,054	3,014,522
Performance related contingencies	632,233	575,398	5,607,388	5,402,796
Trade Related contingencies	243,851	195,043	2,162,761	1,831,393
Market related				
Foreign Exchange contracts / derivatives, etc.	12,573	1,244	111,510	11,680
Equity Exposure Risk in the Banking Book				
	-	-	-	-
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	670,259	233,327	5,944,644	2,190,863
Equity position risk	509,634	676,958	4,520,038	6,356,416
Foreign Exchange risk	26,033	41,362	230,888	388,380
Capital Requirement for portfolios subject to Internal Models Approach				
	-	-	-	-
Operational Risk				
Capital requirement for operational risks	1,008,145	719,720	8,941,421	6,757,930
Total	13,882,564	11,987,470	123,126,951	112,558,395

Capital Adequacy Ratios

	2017		2016	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	4.13%	6.00%	6.30%
Tier-1 capital to total RWA	7.50%	4.13%	7.50%	8.01%
Total capital to total RWA	11.275%	5.01%	10.65%	10.10%

41.6 Leverage Ratio

The State Bank of Pakistan (SBP) through its BPRD Circular No. 06 of 2013 has issued instructions regarding implementation of parallel run of leverage ratio reporting and its components from December 31, 2013 to December 31, 2017. During this period the final calibration, and any further adjustments to the definition, will be completed, with a view to set the leverage ratio as a separate capital standard on December 31, 2018 whereas the banks are required to disclose the leverage ratio from December 31, 2015. As per circular, the Bank is required to maintain leverage ratio of 3.00%.

The leverage ratio of the Bank as of December 31, 2017 stands at 1.71% (December 31, 2016: *2.97%). Tier 1 Capital as at December 31, 2017 is Rs. 5,090 million (December 31, 2016 : Rs. 9,021 million) and total exposure as at December 31, 2017 is Rs. 297,159 million (December 31, 2016 : Rs. 303,638 million). As explained in note 1.3 to these unconsolidated financial statements, the Bank is taking various steps to ensure earliest compliance with all the applicable capital requirements.

* Comparative LR figures as of December 31, 2016 included the positive impact of certain relaxations allowed by SBP for the calculations of CAR and LR.

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, central finance, audit and control are in place. The basic principles employed in formulation of the above policies and procedures involves identification, measurement, monitoring and controlling risks to ensure that:

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

Risk responsibilities

The Board of Directors is responsible 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 the 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 by 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 acts 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 Credit Division and Risk Management Division. Whilst the activities of the Credit Division are focused on independent risk management of the Bank's credit activities and the Risk Management Division is responsible for managing all other risks emanating from various activities of the Bank. In addition to above, Compliance and Control Division ensures compliance of all internal and external policies, laws and regulations. The management has established various committees for periodic risk review.

The Bank has 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 on 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 commensurate with the risk.
- Lending decision is based on a full appreciation for the risks inherent in the transaction and within the approved limits by the Board of Directors.
- Risk is related correctly and risk changes are identified promptly and remedial actions are taken.

The Bank creates loan loss provisions against non-performing advances in accordance with the 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, 2017					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, forestry, hunting and fishing	900,256	0.90	1,176,012	0.81	425,318	0.36
Automobile	1,853,738	1.86	1,952,246	1.34	1,075,396	0.91
Banaspati and allied industries	609,446	0.61	145,385	0.10	222,653	0.19
Carpet	47,595	0.05	56,728	0.04	132,840	0.11
Cement	841,114	0.85	442,326	0.30	565,787	0.48
Chemical and pharmaceutical	1,916,049	1.93	964,331	0.66	1,615,355	1.37
Construction / real estate	3,852,515	3.87	3,109,266	2.13	5,020,758	4.26
Consumer / individuals / staff	6,506,445	6.54	95,881,876	65.79	2,039,898	1.73
Dairy and poultry	103,419	0.10	247,443	0.17	55,312	0.05
Education	579,620	0.58	1,873,433	1.29	139,144	0.12
Electric and electrical goods	2,503,232	2.52	1,001,358	0.69	1,680,946	1.43
Energy, oil, gas and power	5,250,541	5.28	4,556,116	3.13	1,031,827	0.88
Exports / imports	7,645,122	7.68	668,872	0.46	7,677,981	6.51
Financial	4,632,717	4.65	10,861,199	7.45	51,836,083	43.98
Food, tobacco and beverages	5,229,510	5.25	999,016	0.69	4,205,323	3.57
Furniture and allied products	482,156	0.48	25,674	0.02	176,715	0.15
Leather and footwear	535,524	0.54	141,270	0.10	195,279	0.17
Glass and ceramics	132,660	0.13	23,742	0.02	17,222	0.01
Health care	359,795	0.36	216,102	0.15	341,466	0.29
Hotels	727,982	0.73	82,462	0.06	97,187	0.08
Insurance	-	-	1,019,599	0.70	-	-
Mining and quarrying	2,428,011	2.44	2,043	0.00	635,001	0.54
Miscellaneous manufacturing	1,410,220	1.42	26,349	0.02	1,004,252	0.85
Printing, publishing and allied industries	120,093	0.12	72,310	0.05	264,707	0.22
Paper and allied products	180,506	0.18	28,605	0.02	182,261	0.15
Services	4,503,780	4.52	3,626,890	2.49	9,846,525	8.35
Steel and engineering	4,101,660	4.12	1,802,560	1.24	3,448,392	2.93
Sugar	10,916,070	10.97	421,827	0.29	81,669	0.07
Textile	14,684,686	14.75	777,530	0.53	8,824,590	7.49
Transport and communication	2,614,431	2.63	2,004,763	1.38	2,456,256	2.08
Trust	-	-	2,768,588	1.90	-	-
Wholesale and retail trade	7,817,713	7.85	918,787	0.63	7,722,137	6.55
Others	6,044,714	6.07	7,834,999	5.38	4,837,726	4.10
	99,531,320	100.00	145,729,707	100.00	117,856,006	100.00

December 31, 2016

	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, forestry, hunting and fishing	862,298	0.91	910,412	0.64	19,755	0.02
Automobile	1,402,735	1.49	396,390	0.28	700,037	0.65
Banaspati and allied industries	494,779	0.52	152,423	0.11	217,909	0.20
Carpet	43,245	0.05	71,252	0.05	173,717	0.16
Cement	1,113,076	1.18	930,639	0.65	517,036	0.48
Chemical and pharmaceutical	2,655,990	2.82	10,235,386	7.16	1,356,924	1.26
Construction / real estate	3,615,267	3.84	5,880,124	4.12	4,493,076	4.17
Consumer / individuals / staff	4,640,581	4.92	77,329,845	54.13	2,169,746	2.01
Dairy and poultry	136,615	0.14	335,631	0.23	27,486	0.03
Education	393,601	0.42	1,190,099	0.83	162,813	0.15
Electric and electrical goods	2,349,307	2.49	569,028	0.40	2,592,773	2.40
Energy, oil, gas and power	10,006,463	10.62	2,839,501	1.99	4,449,132	4.13
Exports / imports	5,118,857	5.43	988,709	0.69	4,178,562	3.88
Financial	5,849,433	6.21	9,430,583	6.60	43,152,411	40.02
Food, tobacco and beverages	4,360,347	4.63	615,791	0.43	1,183,455	1.10
Furniture and allied products	186,928	0.20	47,000	0.03	18,108	0.02
Leather and footwear	545,828	0.58	106,765	0.07	210,187	0.19
Glass and ceramics	74,055	0.08	23,243	0.02	27,540	0.03
Health care	474,576	0.50	227,077	0.16	193,344	0.18
Hotels	672,072	0.71	188,315	0.13	103,863	0.10
Insurance	-	-	1,078,719	0.76	-	-
Mining and quarrying	2,243,599	2.38	343,101	0.24	17,493	0.02
Miscellaneous manufacturing	1,958,959	2.08	480,951	0.34	1,009,417	0.94
Printing, publishing and allied industries	137,651	0.15	416,676	0.29	208,329	0.19
Paper and allied products	30,347	0.03	12,866	0.01	134,397	0.12
Services	4,204,267	4.46	5,539,517	3.88	9,365,154	8.69
Steel and engineering	3,388,653	3.60	365,186	0.26	3,550,862	3.29
Sugar	10,621,423	11.27	135,236	0.09	135,622	0.13
Textile	14,501,398	15.39	1,268,964	0.89	7,277,463	6.75
Transport and communication	2,455,305	2.60	3,829,523	2.68	3,017,143	2.80
Trust	-	-	2,439,601	1.71	-	-
Wholesale and retail trade	4,100,959	4.35	2,914,213	2.04	12,314,773	11.42
Others	5,616,819	5.96	11,578,463	8.10	4,848,413	4.50
	94,255,433	100.00	142,871,229	100.00	107,826,940	100.00

42.1.1.2 Segment by sector

December 31, 2017

	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	986,018	0.99	6,522,698	4.48	14,608,761	12.40
Private	98,545,302	99.01	139,207,009	95.52	103,247,245	87.60
	99,531,320	100.00	145,729,707	100.00	117,856,006	100.00

December 31, 2016

	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	1,990,310	2.11	15,985,932	11.19	800,000	0.74
Private	92,265,123	97.89	126,885,297	88.81	107,026,940	99.26
	94,255,433	100.00	142,871,229	100.00	107,826,940	100.00

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

	December 31, 2017		December 31, 2016	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
----- (Rupees in '000) -----				
Agriculture, forestry, hunting and fishing	2,581	2,581	2,581	1,816
Automobile	923,268	715,987	915,060	688,094
Banaspati and allied industries	159,944	138,288	197,919	169,696
Carpet	39,645	38,458	41,445	30,090
Cement	329,169	329,169	329,169	329,169
Chemical and pharmaceutical	162,322	106,099	180,205	100,138
Construction / real estate	717,065	575,625	788,213	661,489
Consumer / individuals / staff	402,754	122,186	345,949	146,317
Dairy and poultry	1,418	1,418	1,418	1,418
Education	37,726	32,726	33,592	33,592
Electric and electrical goods	86,964	86,964	90,608	87,058
Energy oil, gas and power	1,077,592	1,041,245	1,077,592	1,023,072
Exports / imports	483,347	480,175	685,845	619,727
Financial	658,323	658,323	1,105,970	968,800
Food, tobacco and beverages	601,396	570,349	733,689	619,071
Footwear and leather garments	47,303	45,234	47,303	43,478
Furniture and allied products	162,155	123,527	165,685	67,493
Glass and ceramics	54,460	54,460	54,460	54,460
Health care	113,244	105,118	113,277	101,088
Hotels	154,704	154,704	157,542	157,542
Mining and quarrying	4,670	4,670	4,670	4,670
Miscellaneous manufacturing	118,686	104,936	126,825	125,055
Others	1,568,649	303,383	273,253	173,702
Paper and allied products	22,774	22,774	23,043	23,043
Printing, publishing and allied industries	28,018	27,643	28,106	27,731
Services	597,686	473,407	647,092	355,453
Steel and engineering	264,591	230,180	264,583	136,932
Sugar	1,634,623	1,214,673	1,382,020	1,142,791
Textile	4,442,514	4,414,157	4,692,727	4,571,186
Transport and communication	215,184	183,955	208,614	163,358
Wholesale and retail trade	1,952,809	1,616,786	2,000,565	1,735,097
	17,065,584	13,979,200	16,719,020	14,362,626

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

	December 31, 2017		December 31, 2016	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
----- (Rupees in '000) -----				
Public / Government	-	-	-	-
Private	17,065,584	13,979,200	16,719,020	14,362,626
	17,065,584	13,979,200	16,719,020	14,362,626

Loss before taxation	Total assets employed	Net assets employed	Contingencies & commitments
----- (Rupees in '000) -----			

42.1.1.5 Geographical segment analysis

<u>December 31, 2017</u>			
Pakistan	<u>(762,768)</u>	<u>233,049,936</u>	<u>11,034,525</u>
		<u>117,856,006</u>	
<u>December 31, 2016</u>			
Pakistan	<u>(1,917,711)</u>	<u>215,022,348</u>	<u>12,671,952</u>
		<u>107,826,940</u>	

Total assets employed and net assets employed mean the total assets and the 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 Pakistan Credit Rating Agency (PACRA), Japan Credit Rating Company – Vital Information Systems (JCR-VIS), Fitch, Moody's and Standard and Poors (S&P) 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, 2017				
	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, 2017			December 31, 2016		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
----- (Rupees in '000) -----							
Corporate	20%	4,029,476	7,675	4,021,801	4,143,425	35,504	4,107,921
	50%	4,542,608	867,434	3,675,174	4,774,675	421,064	4,353,611
	100%	775,872	581,249	194,623	809,866	416,003	393,863
	unrated	36,732,545	7,801,149	28,931,396	50,467,428	4,096,867	46,370,561
	125%	20,213,597	1,621,114	18,592,483	5,184,427	-	5,184,427
Retail	75%	12,717,681	1,153,522	11,564,159	9,657,153	1,245,040	8,412,113
Past due loan	150%	1,786,866	-	1,786,866	1,941,700	-	1,941,700
	100%	671,903	-	671,903	554,331	-	554,331
	50%	627,614	-	627,614	505,118	-	505,118
Bank	20%	15,535,393	3,734,981	11,800,412	7,209,197	1,481,583	5,727,614
	50%	483,748	-	483,748	505,664	-	505,664
	100%	243,392	-	243,392	73,961	-	73,961
	150%	553,201	-	553,201	56,188	-	56,188
	unrated	1,002,410	-	1,002,410	1,807,824	-	1,807,824
Sovereign etc.	0%	13,643,084	-	13,643,084	9,608,256	-	9,608,256
Others	0%	-	-	-	3,141,531	-	3,141,531
	35%	2,903,572	9,900	2,893,672	3,399,593	49,768	3,349,825
	50%	-	-	-	-	-	-
	100%	17,803,400	-	17,803,400	16,198,565	-	16,198,565
	150%	1,830	-	1,830	-	-	-
	250%	522,145	-	522,145	417,350	-	417,350
		134,790,337	15,777,024	119,013,313	120,456,252	7,745,829	112,710,423

42.2.1.2 Credit Risk: Disclosures with respect to Credit Risk Mitigation for standardised approach

The Bank has adopted the comprehensive 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 comprehensive Approach of CRM, then the Bank reduces its exposure under that particular transaction by taking into account the risk mitigating effect of the collateral for the calculation of capital requirement.

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

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, while certain other equity holdings are held as part of strategic initiatives to support the Bank's long term 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 and some are traded over the counter while other investments are unlisted and therefore not liquid.

Policies, valuation and accounting of equity investments

In accordance with the requirements of the SBP, quoted securities are carried at market value whereas strategic investments 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.

Composition of equity investments - market values

	December 31, 2017			December 31, 2016		
	Held-for-trading	Available-for-sale	Investment in subsidiary	Held-for-trading	Available-for-sale	Investment in subsidiary
----- (Rupees in '000) -----						
Equity investments	59,486	2,150,493	255,007	385,792	2,717,554	239,387
Units of open end mutual funds - Listed	-	68,806	-	-	86,977	-
Total value	59,486	2,219,299	255,007	385,792	2,804,531	239,387

The cumulative realised gain on sale of equity securities amounted to Rs.196.94 million (December 31, 2016 : Rs. 526.13 million), however, unrealised loss of Rs.1,123.92 million (December 31, 2016 : Rs.51.10 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 the 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, 2017			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	----- (Rupees in '000) -----			
Pakistan Rupee	228,473,565	213,655,475	(3,889,245)	10,928,845
United States Dollar	4,073,652	7,039,835	2,876,251	(89,932)
Great Britain Pound	207,977	873,950	649,793	(16,180)
Japanese Yen	7,306	-	-	7,306
Euro	57,374	438,279	363,201	(17,704)
Other currencies	230,062	7,872	-	222,190
	<u>233,049,936</u>	<u>222,015,411</u>	<u>-</u>	<u>11,034,525</u>

December 31, 2016

	Assets	Liabilities	Off-balance sheet items	Net currency exposure
----- (Rupees in '000) -----				
Pakistan Rupee	210,881,026	195,151,809	(3,440,678)	12,288,539
United States Dollar	3,599,217	6,011,972	2,471,608	58,853
Great Britain Pound	109,992	710,953	605,988	5,027
Japanese Yen	3,990	-	(2,248)	1,742
Euro	96,721	465,681	363,992	(4,968)
Other currencies	331,402	9,981	1,338	322,759
	<u>215,022,348</u>	<u>202,350,396</u>	<u>-</u>	<u>12,671,952</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 portfolio. 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.

42.4.4 Mismatch of interest rate sensitive assets and liabilities

		December 31, 2017									
		Exposed to yield / interest risk									
Effective yield / interest rate	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instruments
	13,556,723	1,117,446	-	-	-	-	-	-	-	-	12,439,277
	2,440,333	128,073	386,460	89,990	44,167	-	-	-	-	-	1,791,643
1.20% to 3.77%	10,671,003	10,671,003	-	-	-	-	-	-	-	-	-
5.65% to 6.50%	95,231,064	1,556,261	2,759,007	1,888,595	14,276,142	3,108,594	8,224,491	3,071,860	1,333,053	-	75,177,798
5.24% to 12.00%	85,521,870	530,500	58,582,492	1,888,595	14,276,142	1,325,046	1,277,477	3,458,318	1,285,933	-	293,977
0.00% to 28.00%	2,027,843	-	-	-	-	-	-	-	-	-	2,027,843
	209,448,836	12,447,022	60,525,213	4,737,592	14,320,309	4,433,640	9,501,968	6,530,178	2,618,986	2,603,390	91,730,538
Liabilities											
	3,065,379	40,573,978	25,243,836	1,381,352	-	-	-	-	-	-	3,065,379
Bills payable	67,307,766	6,360,813	63,083,512	8,195,071	11,029,086	210,963	70,698	108,600	-	-	-
Borrowings	145,729,707	-	-	1,495,860	-	-	-	5,741,549	-	-	51,038,015
Deposits and other accounts	1,495,860	-	-	-	-	-	-	-	-	-	3,982,440
Sub-ordinated loans	3,982,440	46,934,791	88,327,348	11,072,283	11,029,086	210,963	70,698	5,850,149	-	-	58,085,834
Other liabilities	221,581,152	(34,487,769)	(27,802,135)	(6,334,691)	3,291,223	4,222,677	9,431,270	680,029	2,618,986	2,603,390	33,644,704
	(12,132,316)	(34,487,769)	(27,802,135)	(6,334,691)	3,291,223	4,222,677	9,431,270	680,029	2,618,986	2,603,390	33,644,704
On-balance sheet gap											
	5,484,447	3,846,071	1,531,991	46,245	60,140	-	-	-	-	-	-
Foreign currency forward purchase	4,303,311	4,285,473	9,816	8,022	-	-	-	-	-	-	-
Foreign currency forward sale	1,181,136	(439,402)	1,522,175	38,223	60,140	-	-	-	-	-	-
Off-balance sheet gap											
	(10,951,180)	(34,927,171)	(26,279,960)	(6,296,468)	3,351,363	4,222,677	9,431,270	680,029	2,618,986	2,603,390	(44,595,884)
Total yield / interest risk sensitivity gap											
	(10,951,180)	(34,927,171)	(26,279,960)	(6,296,468)	3,351,363	4,222,677	9,431,270	680,029	2,618,986	2,603,390	(44,595,884)
Cumulative yield / interest risk sensitivity gap											
	(10,951,180)	(34,927,171)	(61,207,131)	(67,503,599)	(64,152,236)	(59,929,559)	(50,498,289)	(49,818,260)	(47,199,274)	(44,595,884)	
Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities											
	December 31, 2017										
	(Rupees in '000)										
Total financial assets	209,448,836										
Add: Non financial assets	12,664,584										
Operating fixed assets	5,376,969										
Deferred tax assets	5,559,547										
Other assets	233,049,936										
Total assets as per statement of financial position	221,581,152										
Total financial liabilities	434,259										
Add: Non financial liabilities	222,015,411										
Other liabilities											
Total liabilities as per statement of financial position	222,015,411										

December 31, 2016										
Exposed to yield / interest risk										
Effective yield / interest rate	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Non-interest bearing financial instruments
On-balance sheet financial instruments										
Assets										
-	12,786,616	1,070,043	-	-	-	-	-	-	-	11,716,573
0.50% to 4.50%	2,582,531	1,471,672	-	-	-	-	-	-	-	1,110,859
5.05% to 5.70%	1,631,583	-	-	-	-	-	-	-	-	-
5.46% to 10.20%	90,575,032	23,797,038	3,405,023	17,993,125	18,555,892	9,311,134	3,421,925	10,490,279	4,384,346	3,429,709
0% to 28.00%	79,843,732	714,981	1,070,116	8,618,335	16,079,391	6,080,022	1,630,928	1,233,322	1,539,683	378,125
-	5,069,508	17,054,785	79,094,385	4,475,139	34,635,283	9,939,156	5,052,853	11,723,601	5,924,029	5,069,508
	192,489,002								2,884,997	21,704,774
Liabilities										
-	5,061,470	-	-	-	-	-	-	-	-	5,061,470
2% to 6.03%	49,819,840	4,228,571	4,228,571	2,118,911	17,993,125	-	-	-	-	-
0.0% to 18.5%	142,871,229	16,985,625	44,775,157	8,618,335	7,776,539	834,138	159,383	5,433,707	-	58,288,345
9.31%	1,496,550	1,496,550	-	-	-	-	-	-	-	-
-	2,641,388	-	-	-	-	-	-	-	-	2,641,388
	201,890,477	42,464,858	50,500,278	10,737,246	25,769,664	834,138	159,383	5,433,707	-	65,991,203
	(9,401,475)	(25,410,073)	28,594,107	(6,262,107)	8,865,619	9,105,018	4,893,470	6,289,894	5,924,029	(44,286,429)
On-balance sheet gap										
Off-balance sheet financial instruments										
	9,132,872	6,632,258	2,423,415	44,655	32,545	-	-	-	-	-
	8,141,786	5,818,629	1,963,804	359,353	-	-	-	-	-	-
Off-balance sheet gap										
	991,086	813,629	459,611	(314,698)	32,545	-	-	-	-	-
Total yield / interest risk sensitivity gap										
	(8,410,389)	(24,596,444)	29,053,718	(6,576,805)	8,898,164	9,105,018	4,893,470	6,289,894	5,924,029	2,884,997
Cumulative yield / interest risk sensitivity gap										
	(8,410,389)	(24,596,444)	4,457,274	(2,119,531)	6,778,633	15,883,651	20,777,121	27,067,015	32,991,044	35,876,041
Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities										
December 31, 2016										
(Rupees in '000)										
Total financial assets		192,489,002								
Add: Non financial assets										
Operating fixed assets		12,272,884								
Deferred tax assets		5,200,972								
Other assets		5,059,490								
Total assets as per statement of financial position		215,022,348								
Total financial liabilities		201,890,477								
Add: Non financial liabilities										
Other liabilities		459,919								
Total liabilities as per statement of financial position		202,350,396								

42.5 Liquidity risk

Liquidity risk is the risk caused, among others, by the inability of a bank to settle liabilities at due date. The Liquidity Risk Policy of the Bank is formulated keeping in view State Bank's guidelines on risk management and best market practice.

Objectives of Bank's liquidity management is to ensure that the Bank is able to honour all its financial commitments on an ongoing basis without (i) affecting the Bank's cost of funds (ii) adversely affecting ability to raise funds and (iii) resorting to sale of assets.

Asset and Liability Committee (ALCO), Risk Management Division, Treasury and the Finance Division each have a role in management of liquidity risk.

42.5.1 Maturities of assets and liabilities - based on historical behavioural pattern of the assets and liabilities of the Bank

Maturity gaps of all assets and liabilities are based on contractual maturities. The maturity profile of certain non-contractual assets and liabilities is based on the behavioural study. The Bank has used VAR methodology which excludes 5% extreme volatilities thus leaving 95% confidence results.

		December 31, 2017									
		(Rupees in '000)									
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	13,556,723	2,164,528	972,907	789,896	1,025,997	19,625	6,577	8,577,193	-	-	-
Balances with other banks	2,440,333	1,919,716	386,460	89,990	44,167	-	-	-	-	-	-
Lending to financial institutions	10,671,003	10,671,003	-	-	-	-	-	-	-	-	-
Investments	95,231,064	41,233,919	25,754,802	6,034,483	4,662,318	3,542,726	8,622,142	3,502,649	1,623,018	255,007	-
Advances	85,521,870	3,439,331	17,296,973	9,289,189	31,705,700	5,630,967	4,254,844	9,285,409	1,420,284	3,199,173	-
Operating fixed assets	12,664,584	4,967,485	68,410	102,615	205,230	355,842	311,152	517,956	901,554	5,234,340	-
Deferred tax assets	5,376,969	(331)	(14,715)	(1,159)	1,641,871	1,008,500	1,169,960	718,397	854,446	-	-
Other assets	7,587,390	8,716	1,940,616	11,082	1,105,489	-	-	4,521,487	-	-	-
233,049,936	64,404,367	46,405,453	16,316,096	40,390,772	10,557,660	14,364,675	27,123,091	4,799,302	8,688,520		
Liabilities											
Bills payable	3,065,379	3,065,379	-	-	-	-	-	-	-	-	-
Borrowings	67,307,766	40,573,979	25,243,835	1,381,352	-	-	-	108,600	-	-	-
Deposits and other accounts	145,729,707	23,267,861	10,458,385	8,491,091	11,029,086	210,963	70,698	92,201,623	-	-	-
Sub-ordinated loans	1,495,860	-	-	-	1,495,860	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	4,416,699	452,516	1,853,460	190,159	1,918,351	-	-	-	2,213	-	-
222,015,411	67,359,735	37,555,680	10,062,602	14,443,297	210,963	70,698	92,310,223	2,213	8,688,520		
Net assets	11,034,525	(2,955,368)	8,849,773	6,253,494	25,947,475	10,346,697	14,293,977	(65,187,132)	4,797,089		
Share capital	26,381,510	-	-	-	-	-	-	-	-		
Reserves	(6,306,359)	-	-	-	-	-	-	-	-		
Accumulated loss	(10,535,568)	-	-	-	-	-	-	-	-		
Surplus on revaluation of assets - net of tax	1,494,942	-	-	-	-	-	-	-	-		
11,034,525	(2,955,368)	8,849,773	6,253,494	25,947,475	10,346,697	14,293,977	(65,187,132)	4,797,089	8,688,520		

December 31, 2016									
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									
Cash and balances with treasury banks	12,786,616	-	-	-	-	-	-	-	-
Balances with other banks	2,582,531	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,631,583	-	-	-	-	-	-	-	-
Investments	90,575,032	24,182,831	3,405,023	21,360,421	9,311,134	3,421,925	10,490,279	4,384,346	1,852,567
Advances	79,843,732	3,033,315	16,403,629	36,208,270	4,694,563	4,518,850	3,710,382	4,257,826	1,271,817
Operating fixed assets	12,272,884	4,532,084	75,726	227,177	388,518	335,607	550,433	937,811	5,111,940
Deferred tax assets	5,200,972	136,490	272,980	818,940	883,698	1,532,944	1,116,877	16,091	13,482
Other assets	10,128,998	2,565,191	-	1,308,784	-	-	3,967,929	-	-
	215,022,348	39,434,316	9,673,161	59,923,592	15,277,913	9,809,326	19,835,900	9,596,074	8,249,806
Liabilities									
Bills payable	5,061,470	-	-	-	-	-	-	-	-
Borrowings	49,819,840	25,479,234	4,228,571	17,993,124	-	-	-	-	-
Deposits and other accounts	142,871,229	24,417,389	7,950,514	7,776,538	834,138	159,383	92,706,913	-	-
Sub-ordinated loans	1,496,550	-	-	-	1,496,550	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Other liabilities	3,101,307	156,708	671,916	2,111,209	-	-	-	2,213	-
	202,350,396	55,114,801	12,851,001	27,880,871	2,330,688	159,383	92,706,913	2,213	-
Net assets	12,671,952	(15,680,485)	30,371,259	32,042,721	12,947,225	9,649,943	(72,871,013)	9,593,861	8,249,806
Share capital	19,641,533	-	-	-	-	-	-	-	-
Convertible preference shares	2,155,959	-	-	-	-	-	-	-	-
Reserves	(1,722,341)	-	-	-	-	-	-	-	-
Accumulated loss	(9,515,201)	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	2,112,002	-	-	-	-	-	-	-	-
	12,671,952	(15,680,485)	30,371,259	32,042,721	12,947,225	9,649,943	(72,871,013)	9,593,861	8,249,806

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

	December 31, 2017									
	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	13,556,723	10,843,132	891,839	762,359	1,025,997	19,625	6,577	7,194	-	-
Balances with other banks	2,440,333	1,919,716	386,460	89,990	44,167	-	-	-	-	-
Lendings to financial institutions	10,671,003	10,671,003	-	-	-	-	-	-	-	-
Investments	95,231,064	41,233,919	25,754,802	6,034,483	4,662,318	3,542,726	8,622,142	3,502,649	1,623,018	255,007
Advances	85,521,870	3,439,331	17,296,973	9,289,189	31,705,700	5,630,967	4,254,844	9,285,409	1,420,284	3,199,173
Operating fixed assets	12,664,584	4,967,485	68,410	102,615	205,230	355,842	311,152	517,956	901,554	5,234,340
Deferred tax assets	5,376,969	(331)	(14,715)	(1,159)	1,641,871	1,008,500	1,169,960	718,397	854,446	-
Other assets	7,587,390	8,716	1,940,616	11,082	1,105,489	-	-	4,521,487	-	-
	233,049,936	73,082,971	46,324,385	16,288,559	40,390,772	10,557,660	14,364,675	18,553,092	4,799,302	8,688,520
Liabilities										
Bills payable	3,065,379	3,065,379	-	-	-	-	-	-	-	-
Borrowings	67,307,766	40,573,979	25,243,835	1,381,352	-	-	-	108,600	-	-
Deposits and other accounts	145,729,707	116,559,626	9,586,932	8,195,071	11,029,086	210,963	70,698	77,331	-	-
Sub-ordinated loans	1,495,860	-	-	-	1,495,860	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	4,416,699	452,516	1,853,460	190,159	1,918,351	-	-	-	2,213	-
	222,015,411	160,651,500	36,684,227	9,766,582	14,443,297	210,963	70,698	185,931	2,213	-
Net assets	11,034,525	(87,568,529)	9,640,158	6,521,977	25,947,475	10,346,697	14,293,977	18,367,161	4,797,089	8,688,520
Share capital	26,381,510									
Reserves	(6,306,359)									
Accumulated loss	(10,535,568)									
Surplus on revaluation of assets - net of tax	1,494,942									
	11,034,525									

December 31, 2016									
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									
Cash and balances with treasury banks	12,786,616	-	-	-	-	-	-	-	-
Balances with other banks	2,582,531	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,631,583	-	-	-	-	-	-	-	-
Investments	90,575,032	24,182,831	3,405,023	21,360,421	9,311,134	3,421,925	10,490,279	4,384,346	1,852,567
Advances	79,843,732	3,033,315	5,745,080	36,208,270	4,694,563	4,518,850	3,710,382	4,257,826	1,271,817
Operating fixed assets	12,272,884	4,532,084	113,588	227,177	388,518	335,607	550,433	937,811	5,111,940
Deferred tax assets	5,200,972	136,490	409,470	818,940	883,698	1,532,944	1,116,877	16,091	13,482
Other assets	10,128,998	2,565,191	-	1,308,784	-	-	3,967,929	-	-
	<u>215,022,348</u>	<u>39,434,316</u>	<u>9,673,161</u>	<u>59,923,592</u>	<u>15,277,913</u>	<u>9,809,326</u>	<u>19,835,900</u>	<u>9,596,074</u>	<u>8,249,806</u>
Liabilities									
Bills payable	5,061,470	-	-	-	-	-	-	-	-
Borrowings	49,819,840	25,479,234	2,118,911	17,993,124	-	-	-	-	-
Deposits and other accounts	142,871,229	118,402,153	6,986,529	7,776,538	834,138	159,383	94,152	-	-
Sub-ordinated loans	1,496,550	-	-	-	1,496,550	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Other liabilities	3,101,307	156,708	159,261	2,111,209	-	-	-	2,213	-
	<u>202,350,396</u>	<u>149,099,565</u>	<u>11,887,016</u>	<u>27,880,871</u>	<u>2,330,688</u>	<u>159,383</u>	<u>94,152</u>	<u>2,213</u>	<u>-</u>
Net assets	<u>12,671,952</u>	<u>(109,665,249)</u>	<u>(1,223,347)</u>	<u>32,042,721</u>	<u>12,947,225</u>	<u>9,649,943</u>	<u>19,741,748</u>	<u>9,593,861</u>	<u>8,249,806</u>
Share capital	19,641,533	-	-	-	-	-	-	-	-
Convertible preference shares	2,155,959	-	-	-	-	-	-	-	-
Reserves	(1,722,341)	-	-	-	-	-	-	-	-
Accumulated loss	(9,515,201)	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	2,112,002	-	-	-	-	-	-	-	-
	<u>12,671,952</u>	<u>(109,665,249)</u>	<u>(1,223,347)</u>	<u>32,042,721</u>	<u>12,947,225</u>	<u>9,649,943</u>	<u>19,741,748</u>	<u>9,593,861</u>	<u>8,249,806</u>

42.5.3 Liquidity Coverage Ratio

Liquidity Risk Management framework is guided by BoD (Board of Directors) and BRMC (Board Risk Management Committee) and ALCO supervises the liquidity risk management as per their respective TORs. Risk Management Division via Treasury Middle Office is responsible to propose, recommend and institutionalize liquidity risk management policy which is approved by the Board.

Asset & Liability Committee (ALCO) is responsible for reviewing and approving the liquidity risk limits, ensuring the liquidity risk management practices are in line with the defined strategy. ALCO is also responsible to recommend Liquidity Risk policy for approval to BRMC and BoD.

Liquidity risk is defined as the risk that a bank does not have sufficient financial resources to meet its obligation and commitments as they fall due and have no other choice than to secure funds at a higher cost. The Bank ensures to maintain a diversified portfolio of liquid assets and funding base. Sources of funding comprise of a good mix of core deposits. All liquidity limits including deposit concentration are reviewed in ALCO on a periodic basis. The Bank performs its Liquidity stress test on a periodic basis in order to ensure that sufficient liquidity is always available in order to fulfill Bank's financial commitment. Stress testing technique is also used to identify the potential impact of extreme yet plausible events or movements on the value of a portfolio. Stress testing scenarios are developed in guidance provided by the regulator. The Bank also has in place approved Liquidity Contingency Plan. Further Liquidity Risk Management is quantified by Liquidity coverage ratio and Net Stable funding ratio as communicated and guided by the Regulator.

Liquidity Coverage Ratio (LCR) refers to the highly liquid assets held by the bank to meet its short term obligations. LCR is used as a tool to manage liquidity risk. LCR has two components: high quality liquid asset (HQLA) and total net cash outflows. HQLA comprises of those assets that can be readily sold or employed as collateral for obtaining fund. HQLA structure has been divided into 1) cash and treasury balance, 2) marketable securities, 3) corporate debt securities with credit rating, 4) non-financial equity shares.

	Total unweighted value (average)	Total weighted value (average)
	----- (Rupees in '000) -----	
HIGH QUALITY LIQUID ASSETS		
1 Total high quality liquid assets (HQLA)	-	45,312,100
2 Retail deposits and deposits from small business customers of which:		
2.1 stable deposit	-	-
2.2 Less stable deposit	64,676,124	6,467,612
3 Unsecured wholesale funding of which:		
3.1 Operational deposits (all counterparties)	56,917	14,229
3.2 Non-operational deposits (all counterparties)	73,404,203	34,262,690
3.3 Unsecured debt	-	-
4 Secured wholesale funding	-	-
5 Additional requirements of which:		
5.1 Outflows related to derivative exposures and other collateral requirements	32,631	32,631
5.2 Outflows related to loss of funding on debt products	-	-
5.3 Credit and Liquidity facilities	15,293,407	1,668,734
6 Other contractual funding obligations	369,304	369,304
7 Other contingent funding obligations	36,742,931	1,779,530
8 TOTAL CASH OUTFLOWS		44,594,730
CASH INFLOWS		
9 Secured lending	-	-
10 Inflows from fully performing exposures	6,392,381	3,868,386
11 Other Cash inflows	3,096,267	683,860
12 TOTAL CASH INFLOWS		4,552,246
	Total Adjusted Value	
TOTAL HQLA		45,312,100
TOTAL NET CASH OUTFLOWS		40,042,484
LIQUIDITY COVERAGE RATIO		113.16%

- a Unweighted values must be calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows)
- b Weighted values must be calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows)
- c Adjusted values must be calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (i.e cap on level 2B and level 2 assets for HQLA and cap on inflows)

42.5.4 Net Stable Funding Ratio (NSFR)

Net Stable Funding Ratio (NSFR) is used to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on – and off-balance sheet items and promotes funding stability. The ratio is defined as the amount of available stable funding (ASF), relative to the amount of required stable funding (RSF).

NSFR Disclosure	Unweighted Value By Residual Maturity				LR IX
	No Maturity	< 6 months	6 months to < 1 yr	> 1 yr	Weighted Value
----- (Rupees in '000) -----					
ASF Item					
1 Capital:					
2 Regulatory capital	10,782,541	-	-	-	10,782,541
3 Other capital instruments	-	-	-	544,859	544,859
Retail deposits and deposit from small business customers:					
4 Stable deposits	-	-	-	-	-
5 Less stable deposits	72,794,183	-	-	-	65,514,765
6 Wholesale funding:					
7 Operational deposits	33,311	-	-	-	16,656
8 Other wholesale funding	62,628,748	-	-	-	31,314,374
9 Other liabilities:					
10 NSFR derivative liabilities	-	-	1,495,860	-	747,930
11 All other liabilities and equity not included in other categories	-	-	-	101,330	-
12 Total ASF	9,870,517	13,159,524	1,918,351	2,213	108,921,125
RSF item					
14 Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	2,397,305
15 Deposits held at other financial institutions for operational purposes	1,791,643	-	-	-	895,822
16 Performing loans and securities:					
17 Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
18 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	7,018,523	82,500	-	1,094,028
19 Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:					
20 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	2,895,349	1,881,977
21 Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	-	-	-	312,036	265,230
22 Other assets:					
23 Physical traded commodities, including gold	-	-	-	-	-
24 Assets posted as initial margin for derivative contracts	-	-	-	-	-
25 NSFR derivative assets	-	-	-	188,284	107,220
26 NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
27 All other assets not included in the above categories	-	14,600,183	1,785,986	14,887,651	31,273,820
28 Off-balance sheet items	-	28,910,444	24,166,621	3,658,194	2,836,763
29 Total RSF					88,476,901
30 Net Stable Funding Ratio (%)					123%

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. Furthermore, Bank's Islamic Banking operations are also exposed to Shariah Non-Compliance Risk that arises from the bank's failure to comply with the Shariah rules and principles determined by the relevant Shariah regulatory authorities and its Shariah Board. The Bank has taken measures to mitigate this risk by adopting the Shariah Governance Framework of the central bank under which an independent Shariah Board has been established to oversee the functions of the Bank from Shariah perspective. There is a Shariah compliance department that ensures adherence to Shariah guidelines and a dedicated Shariah Audit setup that examines the transactions, processes and operations on a continuous basis for identifying and detecting any stance of deviation. By virtue of these measures, we are confident that the risk has been mitigated to the lowest level possible.

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 has adopted 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.

The Bank implemented the Internal Control Guidelines issued by the State Bank of Pakistan and had successfully completed the road map issued with respect to internal controls over financial reporting. Moreover, a separate Internal Control Unit has been setup to continuously monitor the implementation of sound internal controls within the Bank.

43. KEY ISLAMIC BANKING OPERATIONS

43.1 The Bank commenced its Islamic Banking Operations in Pakistan on March 07, 2014 and is operating with 14 Islamic Banking Branches (IBBs) (December 31, 2016: 13 IBBs) and 35 Islamic Banking Windows (IBWs) (December 31, 2016: 34 IBWs) as at December 31, 2017.

BSD Circular letter No. 03 dated January 22, 2013 and BPRD Circular letter No. 05 dated February 29, 2016 requires all Islamic Banks and Islamic Banking Branches to present all financing and advances for assets under Islamic modes of financing and any other related item pertaining to Islamic mode of financing under the caption "Islamic Financing and Related Assets" in the statement of financial position.

The statement of financial position, profit and loss account and cash flow statement of Islamic Banking Operations as at December 31, 2017 are as follows:

		December 31, 2017	December 31, 2016
	Note	----- (Rupees in '000) -----	
Statement of financial position as at December 31, 2017			
ASSETS			
Cash and balances with treasury banks	43.3	1,293,159	788,422
Balances with other banks	43.3	435,524	51,571
Due from Financial institutions		5,936,023	150,000
Investments		5,860,690	3,612,571
Islamic financing and related assets	43.7	10,779,551	9,328,368
Operating fixed assets		150,740	157,330
Other assets		520,975	133,292
TOTAL ASSETS		24,976,662	14,221,554
LIABILITIES			
Bills payable		212,856	151,857
Due to financial institutions		250,000	-
Deposits and other accounts			
- Current accounts		7,792,141	4,258,760
- Saving accounts		10,366,610	4,956,649
- Term deposits		2,132,391	1,794,576
- Others		633,563	106,421
- Deposits from financial institutions - remunerative		1,513,382	813,622
- Deposits from financial institutions - non - remunerative		111,158	62,534
Deferred tax liabilities - net		12,261	29,349
Other liabilities		387,758	657,484
		23,412,120	12,831,252
NET ASSETS		1,564,542	1,390,302
REPRESENTED BY:			
Islamic Banking Fund		1,000,000	1,000,000
Reserves		-	-
Unappropriated profit		541,772	335,796
		1,541,772	1,335,796
Surplus on revaluation of assets - net of tax		22,770	54,506
		1,564,542	1,390,302

	December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----	
43.2 Profit and loss account for the year ended December 31, 2017		
Profit / return earned on financings, investments and placements	1,168,846	557,146
Return on deposits and other dues expensed	<u>(586,025)</u>	<u>(283,042)</u>
Net spread earned	582,821	274,104
Provision against loans and advances-General	<u>(6,547)</u>	-
Net return after provisions	576,274	274,104
Other income		
Fee, commission and brokerage income	82,345	37,704
(Loss) / Gain from dealing in foreign currencies	(11,447)	7,856
(Loss) / Gain on sale of securities - net	(328)	17,787
Gain on disposal of operating fixed assets	760	1,163
Other income	8,071	2,861
Total other income	<u>79,401</u>	<u>67,371</u>
	655,675	341,475
Other expenses		
Administrative expenses	(448,892)	(203,400)
Other charges	(807)	(473)
Total other expenses	<u>(449,699)</u>	<u>(203,873)</u>
	205,976	137,602
Extra-ordinary / unusual items	-	-
Profit before taxation	205,976	137,602
43.3 Cash flow statement for the year ended December 31, 2017		
Cash flow from operating activities		
Profit before taxation	205,976	137,602
Adjustments:		
Depreciation	24,057	19,576
Amortisation of intangible assets	1,896	231
Provision against loans and advances-General	6,547	-
	<u>32,500</u>	<u>19,807</u>
	238,476	157,409
Increase in operating assets		
Due from Financial institutions	(5,786,023)	(150,000)
Islamic financings and related assets - net	(1,457,730)	(6,757,049)
Other assets	(387,683)	(5,716)
	<u>(7,631,436)</u>	<u>(6,912,765)</u>
Increase / (Decrease) in operating liabilities		
Bills payable	60,999	127,556
Due to financial institutions	250,000	(925,000)
Deposits and other accounts	10,556,683	8,986,027
Other liabilities	(269,726)	497,920
	<u>10,597,956</u>	<u>8,686,503</u>
Net cash inflow from operating activities	3,204,996	1,931,147
Cash flow from investing activities		
Net investments in 'available-for-sale' securities	(2,296,943)	(1,992,259)
Investment in operating fixed assets	(19,363)	(56,032)
Net cash outflow from investing activities	(2,316,306)	(2,048,291)
Cash flow from financing activities		
Islamic Banking Fund	-	-
Net cashflow from financing activities	-	-
Increase / (decrease) in cash and cash equivalents	888,690	(117,144)
Cash and cash equivalents at beginning of the year	839,993	957,137
Cash and cash equivalents at end of the year	1,728,683	839,993

43.1

43.4 Summit Bank Limited - Islamic Banking Division (SMBL-IBD) operates General & Specific Pools for deposits and interbank funds accepted under Modaraba and Musharkah modes.

Features, risks and rewards of the pools are given below:

(i) Specific pool

Specific pools are operated for funds acquired / accepted from customers in foreign currencies (FCY) in addition to Pakistani Rupee (PKR) for customers willing to invest in specific sectors / Industry / exposures for want of higher returns. These pools operate in accordance with the rules as specified under general pool disclosure, however, varies in degree of risks associated with the investments / assets. Similarly, for interbank acceptances specific pool(s) based on Musharkah are also maintained by the Bank to meet liquidity requirement of the Bank. SMBL-IBD maintains 7 (seven) Local Currency (LCY) and 01 (one) Foreign Currency (FCY) specific pools.

(ii) General pool

General pool is the basket in which all the deposits from depositors are placed along with the Bank's own equity as well as funds from other financial institutions. The general pool is based on the principle of unrestricted Mudaraba. An unrestricted Mudaraba contract is a contract in which the depositor permits the Bank to administer the funds without any restrictions. In this case, the Bank has a wide range of trade or business freedom on the basis of trust and the business expertise the Bank has acquired.

However, such unrestricted business freedom in an unrestricted Mudaraba must be exercised only in accordance with the interests of the parties and the objectives of the Mudaraba contract, which is making profit. Therefore, the actions of the Bank must be in accordance with the business customs relating to the Banking operations. SMBL-IBD maintains 01 LCY and 01 FCY General pool."

(a) Priority of utilization of funds in the general pool shall be :

- depositor funds.
- equity funds.
- placement / investments of other IBI.
- mudaraba placement of Summit Bank Limited (counterparty).

(b) Weightages for distribution of profit in general pool

The weightages are calculated and declared monthly as the pool is constructively liquidated at end of each month and created simultaneously. The Bank declares such weightages at least 3 days before the beginning of the month, after the approval of the Shariah Advisor / RSBM of the Bank. The maximum weightage to the Modaraba based deposit of any nature, tenor and amount does not exceed 3 times of the weightages assigned to normal saving deposits (minimum balance category).

The weightages assigned to all categories of pool deposits are assigned uniformly on a consistent basis, based on the following parameters / criteria (but not limited to):

- contracted period of deposits;
- frequency of profit distribution, monthly, quarterly or on maturity;
- volume of the deposit;
- product structure; and
- management discretion.

(c) Identification and allocation of pool related income and expenditure

The allocation of income and expenses to different pools is based on pre-defined basis and accounting principles / standards. According to Shariah rules and principles, all direct expenses are expensed out of the total profit i.e. always charged to the pool.

The direct expenses to be charged to the pool shall include all the direct cost of transaction including the following:

- depreciation of Ijarah assets;
- cost of sales of inventories;
- takaful expenses of pool assets;
- taxes (sales tax and service tax levied by the provincial government);
- stamp fee or documentation charges;

- other costs / foreign exchange losses (if ascertainable);
- brokerage fee for purchase of securities/commodities etc.; and
- impairment / losses due to physical damages to specific assets in pools etc.

Indirect expenses can be categorized as those which are agreed with the saving and deposit account holders to be borne by the Mudarib.

All income pertaining to specific assets for specific periods should be allocated to the pool to which the assets are tagged during the period. Due care should be taken while recognizing revenue from assets. Revenue recognition for each type / class of assets should be in-line with the respective Shariah principles. Further, the financing will be diversified across different sectors and in compliance with the prudential regulation for exposure of individual and corporate clients. Income generated from non-financing activities (fee / commission / service charges) that were not relevant to the general pool were not credited to the pool and relevant expenses were also not charged to the pool.

(d) Parameters associated with risk and rewards

(i) The risks related to any pool depend upon the nature of the pool and the purpose for which the pool has been created. Considering the low risk tolerance of the investors of the profit and loss distribution pool, the key objective remained to earn competitive returns while containing the risk (volatility) of the returns to a minimum.

(ii) Risks to which the financing assets of the Bank may be exposed to are:

- Credit risk which is generally defined as the potential that a counter party fails to meet its obligations in accordance with agreed terms. Therefore, the Bank has sound credit risk management policies to protect the depositors' / Investment Account Holders (IAH) from loss due to credit risk;
- Market risk is generally defined as the risk of losses in on- and off-balance sheet positions arising from movements in market prices i.e. fluctuations in values in tradable or marketable assets (including Sukuks) and in off-balance sheet individual portfolios (for example restricted investment accounts). The risks relate to the current and future volatility of market values of specific assets and of foreign exchange rates; and
- Equity Investment Risk is generally defined as risk associated with holding equity investments during unfavorable situations, where decline in investment caused by market conditions in turn gives volatility of earnings of Musharaka and Modaraba investments.

(iii) Risks to which the profit and loss distribution pool may be exposed to are:

- Liquidity risk which is the potential loss to the Bank arising from their inability either to meet their obligations or to fund increases in assets as they fall due without incurring unacceptable costs or losses. In order to mitigate the liquidity risk the Bank should invest in a combination of liquid and illiquid assets to be able to meet their obligations towards the depositors' / investment account holder; and
- Rate of return risk to which the Bank may be exposed to in the context of its overall balance sheet exposures. An increase in benchmark rates may result in savings account holders having expectations of a higher rate of return. A consequence of rate of return risk may be displaced commercial risk. Therefore, the Bank employ a gapping method for allocating positions into time bands with remaining maturities or re-pricing dates, whichever is earlier.

	December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----	
43.5 Charitable fund		
Opening balance	-	-
Addition during the year	121	-
Payment / utilization during the year	(58)	-
Closing balance	63	-
 43.6 Remuneration to Shariah Advisor (RSBM) / Board	 11,177	 10,662

		December 31, 2017	December 31, 2016
43.7 Islamic financing and related assets	Note	----- (Rupees in '000) -----	
Financings / investments / receivables			
- Murabaha		697,323	824,385
- Ijarah	43.8	856,163	487,496
- Diminishing Musharakah		4,467,802	2,031,556
- Istisna		2,703	63,057
- Tijarah		2,613,090	3,965,075
- Salam		-	17,679
- Running Musharakah		338,304	15,152
- Term Musharakah		520,000	520,000
- Other islamic modes		-	37,492
		9,495,385	7,961,892
Advances			
Advance against Murabaha		322,580	110,000
Advance against Diminishing Musharakah		84,671	52,217
Advance against Ijarah		74,074	81,536
		481,325	243,753
Inventories			
Murabaha Inventory		-	8,440
Tijarah Inventory		698,552	1,052,003
Istisna Inventory		110,836	62,280
		809,388	1,122,723
43.7.1 Islamic mode of financing			
Financings / investments / receivables		9,495,385	7,961,892
Advances		481,325	243,753
Inventories		809,388	1,122,723
Islamic Financing and related assets - Gross		10,786,098	9,328,368
Less: Provision against financing and advances - Specific		-	-
Less: Provision against financing and advances - General		(6,547)	-
		10,779,551	9,328,368

43.8 Assets under Ijarah (IFAS-2)

a) Brief description of the Ijarah arrangement

Ijarah assets are stated at cost less depreciation and are disclosed as part of 'Islamic financing and related assets'. The rental received / receivable on Ijarah under Islamic Financial Accounting Standard - 2 Ijarah (IFAS 2) are recorded as income / revenue.

The Bank charges depreciation from the date of recognition of Ijarah of respective assets to mustajir (lessee). Ijarah assets are depreciated over the period of Ijarah using the straight line method.

b) Movement in net book value of Ijarah assets

	December 31, 2017				
	Vehicle Consumer	Vehicle Corporate	Plant & Machinery	Equipment	Total
	----- (Rupees in '000) -----				
At January 1, 2017					
Cost	35,140	580,553	-	-	615,693
Accumulated Depreciation	(1,479)	(126,718)	-	-	(128,197)
Net book value	33,661	453,835	-	-	487,496
Year Ended December 31, 2017					
Opening Net Book value	33,661	453,835	-	-	487,496
Additions	508,785	4,076	-	-	512,861
Disposals					
Cost	(6,312)	(8,134)	-	-	(14,446)
Accumulated Depreciation	1,931	1,027	-	-	2,958
	(4,381)	(7,107)	-	-	(11,488)
Depreciation	(40,682)	(92,024)	-	-	(132,706)
Closing Net Book value	497,383	358,780	-	-	856,163
At December 31, 2017					
Cost	537,613	576,495	-	-	1,114,108
Accumulated Depreciation	(40,230)	(217,715)	-	-	(257,945)
Net book value	497,383	358,780	-	-	856,163

December 31, 2016

	Vehicle Consumer	Vehicle Corporate	Plant & Machinery	Equipment	Total
----- (Rupees in '000) -----					
At January 1, 2016					
Cost	1,497	525,429	-	-	526,926
Accumulated Depreciation	(222)	(38,083)	-	-	(38,305)
Net book value	1,275	487,346	-	-	488,621
Year Ended December 31, 2016					
Opening Net Book value	1,275	487,346	-	-	488,621
Additions	34,102	55,124	-	-	89,226
Disposals					
Cost	(459)	-	-	-	(459)
Accumulated Depreciation	166	-	-	-	166
	(293)	-	-	-	(293)
Depreciation	(1,423)	(88,635)	-	-	(90,058)
Closing Net Book value	33,661	453,835	-	-	487,496
At December 31, 2016					
Cost	35,140	580,553	-	-	615,693
Accumulated Depreciation	(1,479)	(126,718)	-	-	(128,197)
Net book value	33,661	453,835	-	-	487,496

December 31, 2017

December 31, 2016

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

43.9 Avenues / sectors of economy / business where deposits have been deployed*

Chemical and pharmaceuticals	1,405,382	1,155,306
Oil and Gas	2,580,608	3,541,000
Agribusiness	46,561	-
Textile	320,122	667,503
GOP Ijarah Sukuk	4,409,158	2,613,180
Automobile and transportation equipment	314,732	-
Financial	41,638	520,000
Electronics and electrical appliances	1,711,941	501,753
Production and transmission of energy	1,041,397	-
Glass and ceramics	75,000	-
Services	571,358	-
Others	3,892,652	3,827,094
	16,410,549	12,825,836

* Staff financing amounting Rs. 236.24 million (December 31, 2016: Rs 115.10 million) is not included as it is financed through Islamic Banking Fund.

43.10 Basis of profit allocation

Profit of the general pool has been distributed between Mudarib and Rabbul Maal by using pre-agreed profit sharing ratio. The profit was distributed between Mudarib and Rabbul Maal on the under mentioned profit sharing ratios based upon Gross Income Level less Direct Expenses.

	Profit sharing ratio			
	LCY Deposits		FCY Deposits	
	January to December 2017			
	----- % -----			
Rabbul Maal	50			50
Mudarib	50			50
43.11 Mudarib share (in amount and percentage of distributable income)				
	December 31, 2017		December 31, 2016	
	(Rupees in '000)	%	(Rupees in '000)	%
Rabbul Maal	147,039	54	242,593	71
Mudarib	126,862	46	98,405	29
	<u>273,901</u>		<u>340,998</u>	

	December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----	
43.12 Amount and percentage of Mudarib share transferred to depositors through Hiba		
Mudarib share	126,862	98,405
Hiba	20,177	19,939
	----- (%) -----	
Hiba percentage of Mudarib share	16	20
43.13 Profit rate earned vs profit rate distributed to the depositors during the year ended December 31, 2017		
Profit rate earned	7.21	7.14
Profit rate distributed to depositors	3.65	3.31

44. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 09, 2018 by the Board of Directors of the Bank.

45. GENERAL

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

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

President &
Chief Executive

Chief Financial
Officer

Director

Director

Director

ANNEXURE I

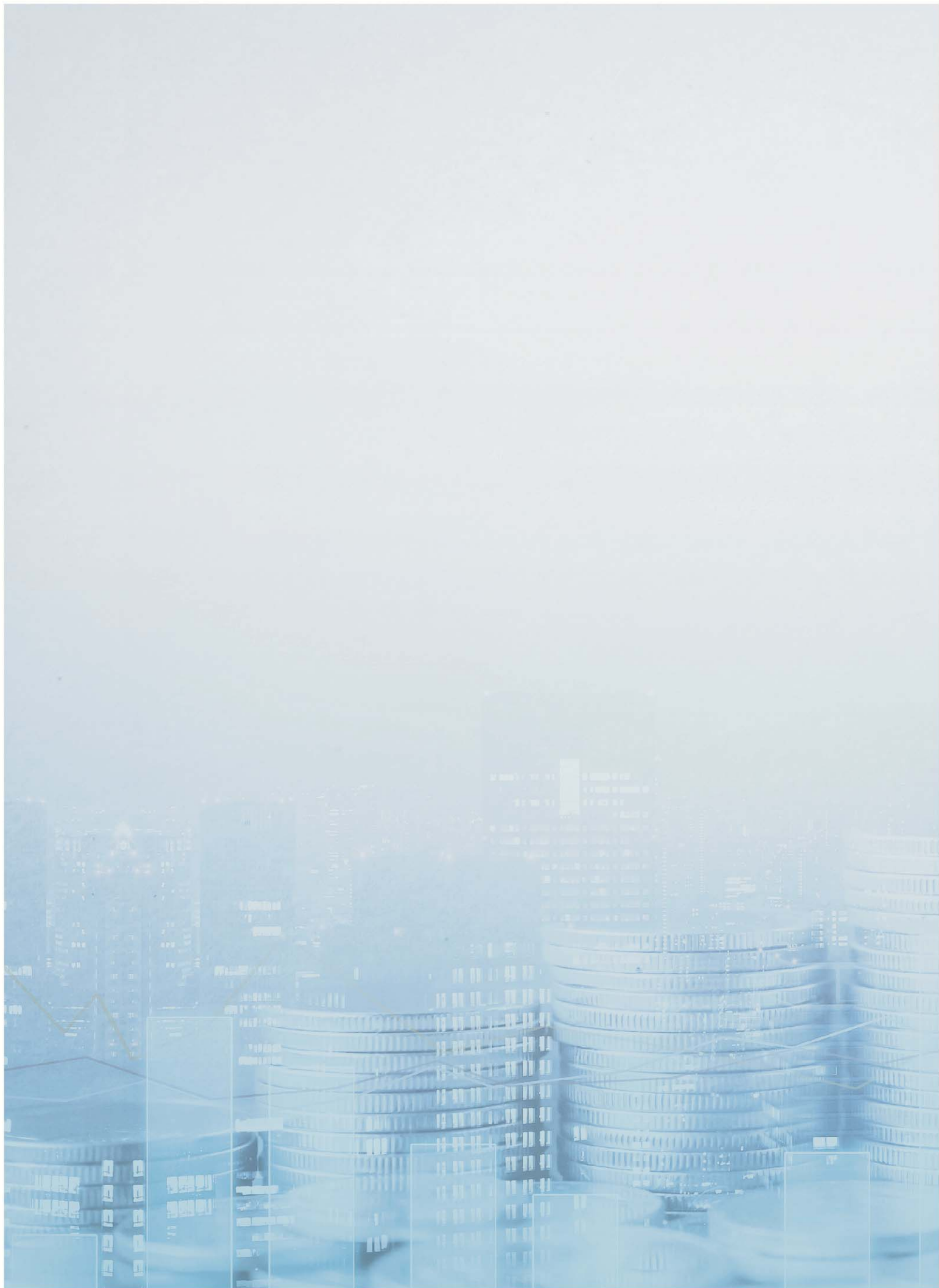
STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2017

S.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				
				5	6	7	8	9	10	11	12
				(Rupees in '000)							
1	Afroze Textile Industries (Pvt) Ltd; C-8, Scheme-33, SITE, Super Highway, Karachi.	3 1- Feroze Alam Lari (42101-9101384-5) 2- Afroze Alam Lari (42101-7756818-5) 3- Mrs Naheed Feroz(42101-0137634-8) 4- Mrs Afreen Fatima (42101-6286928-2)	4 1- Mehboob Alam Lari (Late) 2- Mehboob Alam Lari (Late) 3- W/O Feroz Alam Lari 4- W/ O Afroz Alam Lari	464,211	160,524	-	624,735	149,352	155,212	-	304,564
2	Zahid Athar Ali Bokhari House Mumtaz Market Opp Wafaqi Colony, Lahore	Zahid Athar Ali (35202-0485956-1)	Muhammad Khalid Bokhari	647	569	-	1,216	647	569	-	1,216
3	Imtiaz Ahmed P-179 Block C Guburg E Faisalabad	Imtiaz Ahmed (33100-329091-3)	Abdul Majeed	1,997	1,386	-	3,384	697	1,386	-	2,084
4	Muhammad Faisal Ghori A-448 Block L North Nazimabad Khi	Muhammad Faisal Ghori (42101-2710423-9)	Syed Muhammad Ali Ghori	1,999	1,066	-	3,065	949	1,066	-	2,015
5	Al Hamad Enterprises 2-A All Baia Center Shah Alam Market Lahore	1-Salma Safdar W/O Muhammad Safdar (35201-6537180-0) 2-Safdar Abbas S/O Rehmat Ali (35201-3790091-3)	1-W/O Muhammad Safdar 2- Rehmat Ali	54,381	15,499	-	69,880	24,380	15,499	-	39,879
6	Muhammad Afzal House No 39-40 Street No 2 Titanic House Zia Town Fsd	Muhammad Afzal (33100-2340435-3)	Haji Muhammad Soddique	1,997	1,386	-	3,383	622	1,386	-	2,008
7	Tahir Mehmood H#16 S#Allah Walli Pir Ghazi Rd Ichra Lhr	Tahir Mehmood (35201-2594105-7)	Muhammad Aslam	5,295	1,355	-	6,650	795	1,355	-	2,150
8	Tajamaal Hussain H # 21 Rooti Plant Ravi Park Road	Tajamaal Hussain (35202-2963975-7)	Muhammad Yasin	16,595	5,980	-	22,575	4,595	5,980	-	10,575
9	Muhammad Usman and Muhammad Tariq 438 Sec A Askari 10 Near Lhr Airport	1- Muhammad Usman (35201-1533441-1) 2- Muhammad Tariq (266-57-133666)	1- Muhammad Rafique 2- Muhammad Rafique	45,934	31,068	-	77,002	22,934	31,068	-	54,002
10	Abdul Hanif 65-V Phase II Dha Lahore	Abdul Hanif (35201-1245589-5)	Ghulam Hussain	36,299	10,247	-	46,545	2,299	10,247	-	12,545
11	Shahzed Hameed Khan H#859 Maidan Bhaeean Inside Mori Gate Lahore	Shahzed Hameed Khan (35202-5171817-1)	Abdul Qayyum Khan	17,999	7,296	-	25,295	4,499	7,296	-	11,795
12	Amir & Company House No 351 Street No 5 Sector 1 Gujranwala Cant.Grw	Muhammad Zia (34101-5997349-3)	Muhammad Ibrahim	26,999	9,633	-	36,632	4,499	9,633	-	14,132
13	F. Bari Rice Mills T-95 Phase II Defence Housing Authority Lahore	Zagham Salik Bari (35200-6277455-9)	Malik Fazal Bari	13,683	3,091	-	16,774	2,543	3,091	-	5,634
14	Zaffar Jamil House No 196 Street No 3 Shahjamaal Colony Lahore	Zaffar Jamil (35202-3033311-3)	Sher Muhammad Bhatti	14,199	6,597	-	20,796	4,199	6,597	-	10,796

ANNEXURE I

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED
DURING THE YEAR ENDED DECEMBER 31, 2017

S.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					5	6	7	8	9	10	11	12		
1		3	4																	
15	Rehan Yousif H#R-470, Sector 14-A, Shadman Town North Karachi.	Rehan Yousif (42000-0513676-5)	Muhammad Yousaf Qurashi	6,199	4,093	-	10,293	1,699	4,093	-	5,793									
16	Mohammad Abbas H#B-41 St#02, Sector#1 Khayaban-E-Sir Syed Rwl	Mohammad Abbas (37405-4556527-9)	Sheikh Laal Muhammad	1,920	552	-	2,472	576	552	-	1,128									
17	Shoaib Anwer P-98 D Peoples Colony No 1 Near Khizra Masjid Fsd	Shoaib Anwer (42301-4647240-3)	Khailid Anwar	1,979	278	-	2,257	674	278	-	952									
18	Tauqir Ahmed Siddiqui , House # 1/109, Block 3, Peoples Town, Shah Faisal Colony Karachi	Tauqir Ahmed Siddiqui (42201-2865273-7)	Siddiq Ahmed Siddiqui	6,895	-	-	6,895	895	-	-	895									
19	Muhammad Fraz , P 274 C Block Gulberg Colony Faisalabad	Muhammad Fraz (33100-0796726-7)	Muhammad Arif	1,999	2,238	-	4,237	599	2,238	-	2,837									
				721,228	262,858	-	984,086	227,453	257,546	-	484,999									



CONSOLIDATED FINANCIAL STATEMENTS





DIRECTORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

On behalf of the Board of Directors, we hereby present the consolidated annual financial statements of Summit Bank Limited (holding company) and Summit Capital (Pvt.) Limited (subsidiary company) together with the Auditors' Report thereon for the year ended December 31, 2017.

PERFORMANCE SUMMARY

The summarised consolidated financial highlights are as follows:

	December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----	
Loss before provisions and direct write-offs	(861,599)	(16,491)
Reversal / (provision) against non-performing loans and advances - net	177,585	(1,910,761)
Provision for diminution in the value of investments - net	(30,274)	(13,527)
Bad debts written off directly	(16,861)	(114)
Loss before taxation	(731,149)	(1,940,893)
Tax expense	(396,206)	(250,586)
Loss after taxation	(1,127,355)	(2,191,479)
Basic loss per share (Rupees)	(0.50)	(1.01)
Diluted loss per share (Rupees)	(0.50)	(1.01)

PATTERN OF SHAREHOLDING

The pattern of shareholding as at December 31, 2017 is making part of the annual report.

On behalf of the Board of Directors

Muhammad Zahir Esmail
President & Chief Executive

Nasser Abdulla Hussain Lootah
Chairman

Date: March 09, 2018

Place: Karachi

ڈائریکٹرز کی رپورٹ برائے منظم مالیاتی گوشوارے 31 دسمبر، 2017 کو ختم ہونے والے سال کے لیے

سمٹ بینک لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے ہم سمٹ بینک لمیٹڈ (ہولڈنگ کمپنی) اور سمٹ کپیٹل پرائیویٹ لمیٹڈ (ماتحت کمپنی) کے 31 دسمبر 2017 کو ختم ہونے والے سال کے منظم مالیاتی گوشوارے بمع آڈٹ رپورٹ پیش کر رہے ہیں۔

کارکردگی کا جائزہ

زیر نظر سال کیلئے منظم مالیاتی جھلکیاں درج ذیل ہیں:

31 دسمبر، 2016	31 دسمبر، 2017	
---- ('000 میں روپے) ----		
(16,491)	(861,599)	پروویژن اور ڈائریکٹ رائٹ آف سے قبل نقصان
(1,910,761)	177,585	غیر کارکردگی والے قرضہ جات اور ایڈوانسز کے عوض پروویژن میں ریورسل / پروویژن۔ نیٹ
(13,527)	(30,274)	سرمایہ کاروں کی مالیت میں کمی کیلئے پروویژن۔ نیٹ
(114)	(16,861)	بڑے قرضہ جات کا ڈائریکٹ رائٹ آف
(1,940,893)	(731,149)	قبل از ٹیکس نقصان
(250,586)	(396,206)	ٹیکس خرچ
(2,191,479)	(1,127,355)	بعد از ٹیکس نقصان
(1.01)	(0.50)	نی شیئر نقصان۔ بیسک، (روپے)
(1.01)	(0.50)	نی شیئر نقصان۔ ڈائیکوٹڈ، (روپے)

شیئر ہولڈنگ کی تفصیلات

31 دسمبر 2017 کو شیئر ہولڈنگ کی تفصیلات سالانہ رپورٹ کا حصہ ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

ناصر عبداللہ حسین لوتھا
چیئر مین

محمد ظہیر اسماعیل
صدر اور چیف ایگزیکٹو

تاریخ: مارچ، 09، 2018

مقام: کراچی

INDEPENDENT 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** and its subsidiary company (the Group) as at **December 31, 2017** and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof for the year then ended. We have also expressed a separate opinion on the financial statements of Summit Bank Limited and its subsidiary company namely Summit Capital (Private) Limited. 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 test 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 December 31, 2017 and the results of their operations for the year then ended.

We draw attention to:

- Note 13 to the consolidated financial statements where management has disclosed that the Bank has recognised a net deferred tax asset of Rs. 5,332 million which is considered realisable based on financial projections of taxable profits for five years, which have been approved by the Board of Directors. The preparation of projections involve management's assumptions regarding future business and economic conditions and therefore any significant change in such assumptions or actual outcome that is different from assumptions, may have an effect on the realisability of the deferred tax asset in future.
- Note 1.5 to the consolidated financial statements which discloses that on December 31, 2017, the Group's minimum capital and capital and leverage ratios do not meet the limits prescribed by State Bank of Pakistan and the management's planned steps to achieve compliance with the same.

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

Deloitte Yousuf Adil

Chartered Accountants

Engagement Partner: Mushtaq Ali Hirani

Date: March 09, 2018

Place: Karachi

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017

		December 31, 2017	December 31, 2016
	Note	----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks	7	13,556,734	12,786,629
Balances with other banks	8	2,440,437	2,582,694
Lendings to financial institutions	9	10,671,003	1,631,583
Investments	10	95,023,608	90,364,950
Advances	11	85,522,644	79,844,271
Operating fixed assets	12	12,714,481	12,326,303
Deferred tax assets - net	13	5,332,656	5,151,050
Other assets	14	7,765,228	10,298,579
		233,026,791	214,986,059
LIABILITIES			
Bills payable	15	3,065,379	5,061,470
Borrowings	16	67,307,766	49,819,840
Deposits and other accounts	17	145,606,731	142,735,727
Sub-ordinated loans	18	1,495,860	1,496,550
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	19	4,494,151	3,227,249
		221,969,887	202,340,836
NET ASSETS		11,056,904	12,645,223
REPRESENTED BY			
Share capital	20	26,381,510	17,786,663
Convertible preference shares	20	-	2,155,959
Advance against subscription of shares	20	-	1,854,870
Reserves	21	(6,306,359)	(1,722,341)
Accumulated losses		(10,544,427)	(9,541,930)
		9,530,724	10,533,221
Surplus on revaluation of assets - net of deferred tax	22	1,526,180	2,112,002
		11,056,904	12,645,223
CONTINGENCIES AND COMMITMENTS	23		

The annexed notes from 1 to 45 form an integral part of these consolidated financial statements.

President &
Chief Executive

Chief Financial
Officer

Director

Director

Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2017

		December 31, 2017	December 31, 2016
	Note	----- (Rupees in '000) -----	
Mark-up / return / interest earned	24	10,632,454	10,629,247
Mark-up / return / interest expensed	25	(7,745,051)	(7,853,065)
Net mark-up / interest income		2,887,403	2,776,182
Reversal / (Provision) against non-performing loans and advances - net	11.3.1	177,585	(1,910,761)
Provision for diminution in the value of investments - net	10.13	(30,274)	(13,527)
Bad debts written off directly	11.4.1	(16,861)	(114)
		130,450	(1,924,402)
Net mark-up / interest income after provisions		3,017,853	851,780
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		1,346,941	1,350,831
Dividend income		105,918	63,296
Income from dealing in foreign currencies		620,640	488,272
Gain on sale of securities - net	26	366,957	1,189,824
Gain on disposal of operating fixed assets - net	12.4	35,733	47,426
Unrealised loss on revaluation of investments classified as held-for-trading - net	10.15	(15,885)	(16,009)
Other income	27	122,079	101,643
Total non-mark-up / interest income		2,582,383	3,225,283
		5,600,236	4,077,063
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	28	(6,165,326)	(5,902,575)
Other provisions / write-offs	29	(99,731)	(71,822)
Other charges	30	(66,328)	(43,559)
Total non-mark-up / interest expenses		(6,331,385)	(6,017,956)
		(731,149)	(1,940,893)
Extra-ordinary / unusual items		-	-
LOSS BEFORE TAXATION		(731,149)	(1,940,893)
Taxation	31	(175,590)	(132,029)
Current		-	-
Prior years		(220,616)	(118,557)
Deferred		(396,206)	(250,586)
LOSS AFTER TAXATION		(1,127,355)	(2,191,479)
		----- (Rupees) -----	
Basic loss per share	32.1	(0.50)	(1.01)
Diluted loss per share	32.2	(0.50)	(1.01)

The annexed notes from 1 to 45 form an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2017

	December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----	
Loss after taxation	(1,127,355)	(2,191,479)
Other comprehensive income		
Not to be reclassified to profit and loss account in subsequent periods		
Actuarial gain on defined benefit plan	11,469	18,581
Comprehensive loss transferred to equity	<u>(1,115,886)</u>	<u>(2,172,898)</u>
Components of comprehensive income not reflected in equity		
Deficit on revaluation of 'available for sale securities - net of tax' *	(656,256)	(186,022)
Total comprehensive loss	<u><u>(1,772,142)</u></u>	<u><u>(2,358,920)</u></u>

* Deficit on revaluation of 'Available-for-sale securities - net of tax' has been shown in the Statement of Comprehensive Income in order to comply with the revised "Prudential Regulations for Corporate/Commercial Banking" issued by the State Bank of Pakistan vide BPRD Circular No. 06 of 2014 on June 26, 2014. Moreover, Surplus on revaluation of 'operating fixed assets - net of tax' and 'non-banking assets - net of tax' is presented under a separate head below equity as 'surplus on revaluation of assets - net of tax' in accordance with the requirements of Section 235 of the Companies Ordinance, 1984 (repealed) and BPRD Circular No. 1 dated January 01, 2016.

The annexed notes from 1 to 45 form an integral part of these consolidated financial statements.

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CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2017

	December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(731,149)	(1,940,893)
Less: Dividend income	(105,918)	(63,296)
	(837,067)	(2,004,189)
Adjustments:		
Depreciation on operating fixed assets	706,823	620,229
Depreciation on non banking assets	29,611	21,491
Amortisation	61,752	49,864
(Reversal of provision) / Provision against non-performing loans and advances - net	(177,585)	1,910,761
Bad debts written off directly	16,861	114
Other provisions / write offs	99,731	71,822
Provision for diminution in the value of investments - net	30,274	13,527
Unrealised loss on revaluation of investments classified as held-for-trading securities - net	15,885	16,009
(Gain)/Loss on disposal of non-banking assets - net	(350)	4,648
Gain on disposal of operating fixed assets - net	(35,733)	(47,426)
	747,269	2,661,039
	(89,798)	656,850
(Increase) / decrease in operating assets		
Lendings to financial institutions	(9,039,420)	(631,583)
Held-for-trading securities	316,416	(284,334)
Advances - net	(5,517,649)	(11,200,866)
Other assets (excluding advance taxation - net)	2,308,154	(1,870,129)
	(11,932,499)	(13,986,912)
Increase / (decrease) in operating liabilities		
Bills payable	(1,996,091)	2,332,673
Borrowings	17,458,471	63,954
Deposits and other accounts	2,871,004	22,993,619
Other liabilities	1,278,371	552,822
	19,611,755	25,943,068
	7,589,458	12,613,006
Income tax paid	(182,179)	(118,388)
Net cash inflow from operating activities	7,407,279	12,494,618
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in 'available-for-sale' securities	(6,047,678)	(12,380,132)
Dividend received	103,397	64,143
Investment in operating fixed assets	(928,029)	(1,810,919)
Sale proceeds of property and equipment - disposed off	59,564	73,253
Sale proceeds of non-banking assets - disposed off	4,550	1,614,974
Net cash outflow from investing activities	(6,808,196)	(12,438,681)
CASH FLOW FROM FINANCING ACTIVITIES		
Advance against subscription of shares	-	1,854,870
Redemption of sub-ordinated loan	(690)	(690)
Net cash (outflow) / inflow from financing activities	(690)	1,854,180
Increase in cash and cash equivalents	598,393	1,910,117
Cash and cash equivalents at beginning of the year	15,365,467	13,455,350
Cash and cash equivalents at end of the year	15,963,860	15,365,467

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The annexed notes from 1 to 45 form an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2017

	Capital reserves					Revenue reserve	Grand total			
	Share capital	Convertible preference shares	Advance against subscription of shares	Share premium	Discount on issue of shares			Statutory reserve	Reserve arising on amalgamation	Accumulated losses
Balance as at January 01, 2016	10,779,796	2,155,959	7,006,867	1,000,000	(1,297,298)	154,162	(1,579,205)	(7,430,321)	(9,152,662)	10,789,960
Transfer from surplus on revaluation of operating fixed assets	-	-	-	-	-	-	-	61,289	61,289	61,289
Total comprehensive loss for the year	-	-	-	-	-	-	-	(2,191,479)	(2,191,479)	(2,191,479)
Loss after taxation for the year ended December 31, 2016	-	-	-	-	-	-	-	18,581	18,581	18,581
Other comprehensive income	-	-	-	-	-	-	-	(2,172,898)	(2,172,898)	(2,172,898)
Transfer to statutory reserves	-	-	-	-	-	-	-	-	-	-
Shares issued during the year	7,006,867	-	(7,006,867)	-	-	-	-	-	-	-
Advance against subscription of shares received	-	-	1,854,870	-	-	-	-	-	-	1,854,870
Balance as at December 31, 2016	17,786,663	2,155,959	1,854,870	1,000,000	(1,297,298)	154,162	(1,579,205)	(9,541,930)	(11,264,271)	10,533,221
Transfer from surplus on revaluation of operating fixed assets	-	-	-	-	-	-	-	113,389	113,389	113,389
Total comprehensive loss for the year	-	-	-	-	-	-	-	(1,127,355)	(1,127,355)	(1,127,355)
Loss after taxation for the year ended December 31, 2017	-	-	-	-	-	-	-	11,469	11,469	11,469
Other comprehensive income	-	-	-	-	-	-	-	(1,115,886)	(1,115,886)	(1,115,886)
Transfer to statutory reserves	-	-	-	-	-	-	-	-	-	-
Issue of shares upon conversion of preference shares	6,739,977	(2,155,959)	-	-	(4,584,018)	-	-	-	(4,584,018)	-
Shares issued during the year	1,854,870	-	(1,854,870)	-	-	-	-	-	-	-
Balance as at December 31, 2017	26,381,510	-	-	1,000,000	(5,881,316)	154,162	(1,579,205)	(10,544,427)	(16,850,786)	9,530,724

The annexed notes from 1 to 45 form an integral part of these consolidated financial statements.

**President &
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**Chief Financial
Officer**

Director

Director

Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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 (repealed). It is listed on Pakistan Stock Exchange Limited. The Registered office of the Bank is situated at Plot No. 9-C, F-6 Markaz, Supermarket, Islamabad, Pakistan.
- 1.3** The Bank is principally engaged in the business of banking through its 193 branches including 14 Islamic Banking Branches [December 31, 2016:192 Branches including 13 Islamic Banking Branches] in Pakistan as defined in the Banking Companies Ordinance, 1962. In June 2017, JCR-VIS Credit Rating Company Limited has maintained the Bank's medium to long-term rating at 'A - (Single A minus)' and short-term rating at 'A-1 (A-one)'. Moreover, Bank's TFC rating has been maintained at 'A-(SO)' (Single A minus (Structured Obligation)). These ratings have been placed on 'Rating Watch-Developing' status in view of the ongoing potential merger with Sindh Bank Limited.
- 1.4** SCPL, the subsidiary company was incorporated in Pakistan on March 08, 2006 under the Companies Ordinance, 1984 (repealed). The subsidiary company is a corporate member / TREC holder of Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited. The principal activities of the subsidiary company are equity and money market brokerage, interbank foreign exchange brokerage, commodity brokerage and research. The registered office of the Subsidiary is situated at 701-702, 7th Floor, Business and Finance Centre, opposite State Bank of Pakistan, I.I. Chundrigar Road, Karachi. The Group acquired interest in SCPL by virtue of amalgamation of Atlas Bank Limited.
- 1.5** As per the applicable laws and regulations, the Group is required to maintain Minimum Paid-up Capital (net of losses) (MCR) of Rs. 10 billion, Capital Adequacy Ratio (CAR) at 11.275% (inclusive of Capital Conservation Buffer of 1.275%) and Leverage Ratio (LR) at 3.00 % as of December 31, 2017. The paid up capital of the Group (net of losses), CAR and LR as of December 31, 2017 was below the prescribed levels and stood at Rs.9.377 billion, 5.24% and 1.80 % respectively.

The management of the Bank is taking various steps to comply with applicable minimum capital requirements. In this respect, a business plan has been put in place which has been approved by the Board of Directors and aims to improve Bank's capital base and risk absorption capacity and to provide impetus to its future growth initiatives. The management is confident that if the growth factors and other key assumptions stipulated in the business plan materialize, the Bank will be able to achieve the profitability projections and compliance with applicable minimum capital requirements. The key assumptions considered in the business plan are as follows:

- Continued support from its sponsor which is evident from the capital injections by the sponsor in the past;
- Market sentiments and the expected growth of Islamic finance in Pakistan which will benefit the Bank since it is in the process of conversion to a full-fledged Islamic Bank;
- Expected recoveries from non-performing advances in the future resulting in reversals of provisions in the ensuing years; and
- Expected improvement in the results through targeted income generating avenues for mark-up income, non-markup income etc.

Furthermore, on November 21, 2016, the Board of Directors of the Bank had decided to evaluate the potential merger/amalgamation option with Sindh Bank Limited. The SBP allowed the Bank to conduct due diligence of Sindh Bank Limited vide its letter dated December 27, 2016 and similar approval was accorded to Sindh Bank Limited for conducting due diligence of the Bank. After completion of the due diligence exercise and in light of the decisions made by the Board of Directors of Summit Bank Limited on the matter, the requisite majority of the shareholders of the Bank in their extraordinary general meeting held on November 07, 2017 gave approval for the proposed amalgamation of the Bank with and into Sindh Bank Limited, subject to all regulatory approvals, including approval of the State Bank of Pakistan. The shareholders also approved the draft scheme of amalgamation of the Bank with and into Sindh Bank Limited (Scheme) in that meeting, subject to any modifications in the Scheme as may be required by SBP. The management has applied to SBP under section 48 of the Banking Companies Ordinance 1962 and taking all the necessary steps for obtaining approval of the SBP for earliest completion of the proposed amalgamation transaction.

In view of the above explained status of compliance with the applicable minimum capital requirements, SBP vide its letter dated March 05, 2018 has advised the Bank to provide a contingent capital restoration plan by March 30, 2018. In this regard, the Group's management is confident that compliance with applicable regulatory capital requirements would be achieved through the materialization of business plan and completion of proposed amalgamation transaction and taking all the necessary steps for the same. Furthermore, Bank's sponsor has committed to meet any capital shortfall of the Bank as and when decided by the Board of Directors of the Bank.

1.6 Basis of consolidation

These consolidated financial statements include the financial statements of Summit Bank Limited and its wholly owned subsidiary company Summit Capital (Private) Limited (SCPL)

A subsidiary company is fully consolidated from the date on which more than 50% of the voting rights are transferred to the Group, or the power to control that company is established and excluded from consolidation from the date of disposal or when the control is lost.

The financial statements of subsidiary is prepared for the same reporting period as the Bank, using accounting policies that are consistent with those of the Bank in all material respect, except for requirements of IAS 39 and IAS 40.

The assets and liabilities of subsidiary company have been consolidated on a line by line basis and the carrying value of investment in subsidiary held by the Bank is eliminated against the shareholders' equity in the consolidated financial statements. Material intra-group balances and transactions have been eliminated.

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 as amended from time to time.

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 comprise 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 utilized and the appropriate portion of mark-up thereon. The Islamic Banking branches of the Group have complied with the requirements set out under the Islamic Financial Accounting Standards issued by The Institute of Chartered Accountants of Pakistan (ICAP) and notified under the provisions of the Companies Ordinance, 1984 (repealed).

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 Pakistani Rupees, which is the Group's functional and presentation currency. Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

2.4 The financial results of the Islamic Banking operations of the Bank have been included in these consolidated financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking operations are also separately disclosed in note 43 to these consolidated financial statements.

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) and Islamic Financial Accounting Standards (IFASs) issued by The Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984 (repealed), provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 (repealed) 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 (repealed) and the directives issued by SBP shall prevail.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the Securities and Exchange Commission of Pakistan (SECP) vide its Circular number 23/2017 dated October 4, 2017, these consolidated financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

3.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Moreover, SBP vide BPRD circular no. 4, dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standards (IFAS) 3, Profit and Loss Sharing on Deposits. Further, SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 'Financial Instruments: Disclosures' for banks through its notification S.R.O. 411(I)/2008 dated April 28, 2008. 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 IFRS 8, 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 01, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Group believes that as the SBP has defined the segment categorization in the above mentioned circular, the SBP's requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

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

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Group's operations or are not expected to have significant impact on the Group's financial statements other than certain additional disclosures :

	Effective from annual periods beginning on or after
- Amendments to IFRS 2 'Share-based Payment': Clarification of the classification and measurement of share-based payment transactions	January 01, 2018
- IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date	July 01, 2018
- IFRS 15 'Revenue' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
- Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	January 01, 2018. Earlier application is permitted.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency	January 01, 2018. Earlier application is permitted.
- IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019

3.5 Amendments to published approved accounting standards that are effective in the current year

The following amendments are effective for the year ended December 31, 2017. These standards, interpretations and the amendments are either not relevant to the Group's operations or do not have significant impact on the Group's financial statements.

- Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative
- Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 16 – Leases
- IFRS 17 – Insurance Contracts

In addition to above, the Companies Act 2017 (Act) has been enacted on May 31, 2017 and according to the circular referred to in note 3.1 of these financial statements, the Act would be applicable on the Financial statements of the Bank effective from January 1, 2018. This would result in additional disclosures and certain changes in financial statements presentation.

The SBP vide BPRD circular no. 2 dated January 25, 2018 has specified the new reporting format for the annual financial statements for Banks/DFIs. The new format has revised the disclosure requirements and will become applicable for the annual financial statements of the Banks/DFIs effective from the accounting year ending December 31, 2018.

4. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except that certain operating fixed assets and non banking 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 financial statements are consistent with those of the previous financial year.

5.1 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.

5.2 Lendings to / borrowings from financial and other institutions

The Group 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.

Other borrowings

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

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.

Other lendings

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

Musharakah

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

Bai Muajjal

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

5.3 Investments

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

Held-for-trading

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

Held-to-maturity

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

Available-for-sale

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

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

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

Moreover, strategic investments are carried at cost less provisions for impairment.

5.4 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 Group does not expect any recoveries in future years are written off.

Leases, where the Group transfers substantially all the risks and rewards incidental to the ownership of an asset are classified as finance leases. A receivable is 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.

Murabaha is a mode of financing in which the Group sells an asset to the customer with profit disclosure usually on deferred payment basis. Profit on the transaction is recognized over the credit period. Accounting for the transaction is done under IFAS -1.

Diminishing Musharakah (DM) is a Shirkat ul Milk based product where the Group and customer share the ownership of an asset and the Group rents its share in the asset to the co-owner. The co-owner also purchases the Group's share in the asset gradually. The Group records DM asset upto its share at cost value and does not depreciate it as the customer has to purchase the asset at cost value.

In Ijarah the Group rents out an asset to the customer against periodic rentals. Rentals are recognized as income on accrual basis while the asset is recorded in the books at cost less accumulated depreciation. Depreciation on the leased asset is provided on a straight line basis. Ijarah asset, related cost and revenue are accounted for as per IFAS-2.

In Istisna financing, the Group places an order to purchase some specific goods / commodities from its customers to be delivered to the Group within an agreed time. These goods are then sold in the market on profit. Istisna goods are recorded on the books at lower of cost or market value.

In Tijarah financing, the Group purchases specific goods / commodities on spot payment basis from its customers for onward sale. These goods are then sold in the market on profit. Goods purchased are recorded on the books at lower of cost or market value.

Running Musharakah financing is a participatory mode of financing whereby the Group participates in the outcomes of a particular business / portfolio / business segment of the customer by virtue of its average investment in the customer's business. Group's investment is determined on the basis of its average outstanding during a period as withdrawn by the customer from time to time.

The investment is recognized as "Running Musharakah Financing" at the outstanding value and is adjusted for loss if any. Profit on the financing is separately recorded as "Profit Receivable".

Term Musharakah is a participatory mode of financing whereby the Group participates in the outcomes of particular business / portfolio / business segment of the customer by virtue of its investment in the customer's business for a particular period (term). The investment is initially recognized as "Term Musharakah Financing" at the disbursed amount and is subsequently remeasured at fair value after adjustment for losses or redemption but not profit. Profit on the financing is separately recorded as "Profit Receivable".

Salam is a sale transaction where the seller undertakes to supply some specific goods to buyer at a future date against an advance price fully paid on spot. Until the goods are delivered by the customer, the Group's records it as "Advance against Salam". After the goods are received "Salam Inventories" are recognized at cost. Subsequently when inventories are sold, revenue is recognized and the carrying amount of those inventories is recognized as an expense.

In Musawammah financing, the Group purchases the goods and after taking the possession, sells them to the customer either in spot or credit transaction, without disclosing the cost. Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories. The Group values its inventories at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale. Cost of inventories represents actual purchases made by the Group / customers as an agent of the Group for subsequent sale.

5.5 Operating fixed assets and depreciation / amortisation

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 and reducing balance method which writes down the cost of assets to their residual values over the estimated useful lives. The rates at which the assets are depreciated are disclosed in note 12.2 to the consolidated financial statements. The residual values, useful lives and depreciation method are reviewed and adjusted accordingly, 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 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 (repealed). 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.

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 or reducing balance method at the rates specified in the relevant note. Intangible assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate at each statement of financial position 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 supported. 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.

5.6 Sub-ordinated 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.

5.7 Assets acquired in satisfaction of claims

The Group occasionally acquires assets in settlement of certain advances. In the light of BPRD Circular no. 1 dated January 01, 2016 certain Debt Property Swap (DPS) properties acquired in satisfaction of claim are carried at the revalued amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

5.8 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.

5.9 Staff retirement and other benefits

Defined contribution plan

The Bank and Summit Capital (Private) Limited (SCPL) operate their separate defined contribution provident funds for all their permanent employees. Equal monthly contributions are made both by the Group and its employees to the respective funds at the rate of 10% of basic salary respectively.

Defined benefit plan

The Bank and Summit Capital (Private) Limited (SCPL) operate their separate funded gratuity plan for all their permanent employees who have completed the minimum qualifying period as per their respective fund rules. Provision is made by respective funds to meet the cost of such gratuity benefits on the basis of actuarial recommendations. The actuarial valuations are periodically carried out using the 'Projected Unit Credit Method'.

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

The Group follows International Accounting Standard (IAS) 19, 'Employee Benefits'. Actuarial gains and losses are recognized in 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.

Employees' compensated absences

The Group provides its liability towards compensated absences accumulated by its employees on the basis of actuarial valuation carried out using the Projected Unit Credit Method as per the requirements given in International Accounting Standard (IAS) 19, 'Employee Benefits'.

5.10 Taxation

Current

The charge for current taxation of the Bank is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemptions available, if any, or minimum tax on turnover, whichever is higher. Moreover, charge for current tax of subsidiary includes the impact of normal tax on turnover and on income chargeable under Final Tax Regime (FTR) as applicable to the subsidiary company.

Prior years

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

Deferred

Deferred tax is 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 assets which is adjusted against related deficit / surplus in accordance with the requirements of the International Accounting Standard (IAS) 12 "Income Taxes".

5.11 Deposits

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

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

Deposits taken on Qard basis are classified as 'Current accounts' and Deposits generated on Mudaraba basis are classified as 'Savings deposits' and 'Islamic Savings Certificate'. No profit or loss is passed on to current account depositors.

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

Profits realised in investment pools are distributed in pre-agreed profit sharing ratio. Rab-ul-Maal (usually Customer) share is distributed among depositors according to weightages assigned at the inception of profit calculation period. The Mudarib (Bank) can distribute its share of profit to Rab-ul-Maal as Hiba upto a specified percentage of its share in profit.

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

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

5.12 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.

5.13 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.

5.14 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.

5.15 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 / interest 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.

Mark-up / return / interest recoverable on classified loans and advances and investments is recognised on receipt basis. Mark-up / return / interest 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 receipt basis.

Fees, brokerage and commission

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

Brokerage, commission, consultancy and advisory fee are recognised as such services are rendered.

5.16 Off setting of financial assets and financial liabilities

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

5.17 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.

5.18 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. Accordingly, 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 Group conducts all its operations in Pakistan.

5.19 Earnings per share

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

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 5.3);
- determining the residual values and useful lives of property and equipment (note 5.5);
- impairment (note 5.8);
- accounting for staff retirement and other benefits (note 5.9);
- taxation (note 5.10);
- provisions (note 5.3, 5.4 and 5.12); and
- fair value of financial instruments (note 37).

		December 31, 2017	December 31, 2016
	Note	----- (Rupees in '000) -----	
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		3,770,382	2,943,594
Foreign currencies		<u>736,170</u>	<u>188,699</u>
		4,506,552	3,132,293
National prize bonds		19,176	9,251
With State Bank of Pakistan in			
Local currency current account	7.1	6,442,157	6,553,191
Foreign currency current account	7.2	17,920	23,875
Foreign currency deposit account			
- Non-remunerative	7.3	391,981	373,940
- Remunerative	7.4	1,117,446	1,070,043
		7,969,504	8,021,049
With National Bank of Pakistan in			
Local currency current account		<u>1,061,502</u>	<u>1,624,036</u>
		13,556,734	12,786,629

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 (FCY) cash reserve maintained with SBP to comply with statutory reserve requirement applicable to Group's FCY deposits.

7.4 This represents account maintained with the SBP to comply with the Special Cash Reserve requirement. The return on this account is declared by the SBP on a monthly basis, it carries mark-up rate ranging from 0.00% to 0.37%, (December 31, 2016: Nil) per annum.

		December 31, 2017	December 31, 2016
	Note	----- (Rupees in '000) -----	
8. BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		10,540	10,632
On deposit accounts	8.1	128,087	120,702
Outside Pakistan			
On current accounts		1,781,193	1,100,390
On deposit accounts	8.2	<u>520,617</u>	<u>1,350,970</u>
		2,440,437	2,582,694

8.1 These represent placements with correspondent banks, carrying interest rate determined with respect to underlying currency benchmark rates ranging from 3.40% to 3.77% per annum (December 31, 2016: 3.50% to 3.75% per annum).

8.2 These represent placements with correspondent banks, carrying interest rate determined with respect to underlying currency benchmark rates ranging from 0.00% to 3.00 % per annum (December 31, 2016: 0.75% to 3.00% per annum).

		December 31, 2017	December 31, 2016
	Note	----- (Rupees in '000) -----	
9. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lending	9.2	1,000,000	-
Repurchase agreement lendings	9.3 & 9.6	3,734,980	1,481,583
Bai Muajjal of Sukuks	9.4	3,936,023	-
Musharakah	9.5	2,000,000	150,000
		<u>10,671,003</u>	<u>1,631,583</u>
9.1 Particulars of lendings			
In local currency		10,671,003	1,631,583
In foreign currencies		-	-
		<u>10,671,003</u>	<u>1,631,583</u>

9.2 This represents call money lending to a financial institution carrying mark-up at the rate of 6.50 % per annum which will mature on January 5, 2018.

9.3 This represents lending against securities to financial institutions carrying mark-up rates ranging from 5.85% to 6.00% (December 31, 2016 : 5.70%) per annum which will mature on January 2, 2018.

9.4 This represents Bai Muajjal Agreements entered into with a financial institution carrying mark-up at the rate of 5.75% per annum which will mature on January 29, 2018.

9.5 This represents Musharakah placement with financial institutions carrying profit rate of 5.65% and 5.85% (December 31, 2016 : 5.05%) per annum which will mature on January 2, 2018.

9.6 Securities held as collateral against repurchase agreement lendings

Value of securities held as collateral against repurchase agreement lendings to financial institutions are as under:

	December 31, 2017			December 31, 2016		
	Held by Group	Further given as collateral	Total	Held by Group	Further given as collateral	Total
	----- (Rupees in '000) -----					
Market Treasury Bills	3,734,980	-	3,734,980	1,481,583	-	1,481,583

9.6.1 The market value of securities held as collateral against lendings to financial institutions amounted to Rs. 3,736.18 million (December 31, 2016 : Rs.1,481.74 million).

	Note	December 31, 2017			December 31, 2016		
		Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
10. INVESTMENTS							
10.1 Investments by types:							
Held-for-trading securities							
Ordinary shares - Listed	10.4	75,371	-	75,371	407,796	-	407,796
Available-for-sale securities							
Market treasury bills	10.3	22,230,144	49,608,440	71,838,584	37,156,123	20,229,721	57,385,844
Pakistan investment bonds	10.3	2,787,576	10,574,058	13,361,634	1,100,481	23,758,983	24,859,464
GOP ijarah sukuks	10.3	4,793,854	-	4,793,854	2,553,379	-	2,553,379
Ordinary shares-Listed	10.4	4,194,449	52,510	4,246,959	3,758,043	57,689	3,815,732
Ordinary shares-Unlisted	10.5	14,475	-	14,475	24,310	-	24,310
Units of open end mutual funds-Listed	10.6	87,861	-	87,861	85,000	-	85,000
Preference shares - Unlisted	10.7	37,056	-	37,056	-	-	-
Term finance certificates - Listed	10.8	17,266	-	17,266	17,266	-	17,266
Term finance certificates - Unlisted	10.9	1,594,732	-	1,594,732	1,594,732	-	1,594,732
Sukuks	10.10	1,905,943	-	1,905,943	1,564,510	-	1,564,510
		37,663,356	60,235,008	97,898,364	47,853,844	44,046,393	91,900,237
Investments at cost		37,738,727	60,235,008	97,973,735	48,261,640	44,046,393	92,308,033
Less: Provision for diminution in value of investments	10.13	(1,745,211)	-	(1,745,211)	(1,764,488)	-	(1,764,488)
Investments - net of provisions		35,993,516	60,235,008	96,228,524	46,497,152	44,046,393	90,543,545
Deficit on revaluation of held-for-trading securities	10.15	(15,885)	-	(15,885)	(16,009)	-	(16,009)
(Deficit) / surplus on revaluation of available-for-sale securities	22.2	(1,039,896)	(149,135)	(1,189,031)	37,405	(199,991)	(162,586)
Total investments at market value		34,937,735	60,085,873	95,023,608	46,518,548	43,846,402	90,364,950

		December 31, 2017	December 31, 2016
	Note	----- (Rupees in '000) -----	
10.2 Investments by segments:			
Federal Government Securities:			
- Market treasury bills	10.3	71,838,584	57,385,844
- Pakistan investment bonds	10.3	13,361,634	24,859,464
- GOP Ijarah sukuks	10.3	4,793,854	2,553,379
Fully paid-up Ordinary Shares / Units:			
- Ordinary shares - Listed	10.4	4,322,330	4,223,528
- Ordinary shares - Unlisted	10.5	14,475	24,310
- Units of open end mutual funds-Listed	10.6	87,861	85,000
Preference shares-Unlisted	10.7	37,056	-
Term Finance Certificates and Sukuks:			
- Term finance certificates - Listed	10.8	17,266	17,266
- Term finance certificates - Unlisted	10.9	1,594,732	1,594,732
- Sukuks	10.10	1,905,943	1,564,510
Total investments at cost		97,973,735	92,308,033
Less: Provision for diminution in value of investments	10.13	(1,745,211)	(1,764,488)
Investments - net of provisions		96,228,524	90,543,545
Deficit on revaluation of held-for-trading securities	10.15	(15,885)	(16,009)
Deficit on revaluation of available-for-sale securities	22.2	(1,189,031)	(162,586)
Total investments		95,023,608	90,364,950

10.3 Market Treasury Bills and Pakistan Investment Bonds are held with SBP and are eligible for rediscounting. Market Treasury Bills carry effective yield ranging from 5.99% to 6.04% (December 31, 2016: 5.82% to 6.05%) per annum and will mature within 7 months. Pakistan Investment Bonds carry mark-up ranging from 5.99% to 8.18% (December 31, 2016: 6.20% to 10.20%) per annum payable on semi-annual basis and will mature within 1 to 9 years.

GOP Ijarah Sukuks are issued by the Government of Pakistan. These Sukuks have effective yield ranging from 4.74% to 5.26% (December 31, 2016: 4.23%) per annum and will mature within 1 to 3 years.

Certain investments in government securities are held to comply with the statutory liquidity requirements of SBP.

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, 2017	December 31, 2016		December 31, 2017	December 31, 2016
				----- (Rupees in '000) -----	
Held-for-trading securities					
Aisha Steel Mills Limited	-	10,000,000	10	-	167,000
Attock Refinery Limited	57,500	-	10	16,760	-
Dolmen City REIT - a related party	-	7,511,313	10	-	83,000
Hascol Petroleum Limited	25,000	100,000	10	6,846	34,164
Hi-Tech Lubricants Limited	-	150,000	10	-	16,994
K-Electric Limited	-	1,500,000	3.5	-	14,119
Pak Elektron Limited - a related party	450,000	-	10	28,348	-
Pakistan State Oil Company Limited	-	75,000	10	-	32,234
Sui Northern Gas Pipelines Limited	195,300	-	10	23,417	-
Sui Southern Gas Company Limited	-	1,150,000	10	-	47,103
TPL Trakker Limited	-	525,000	10	-	9,682
Treet Coporation Limited	-	75,000	10	-	3,500
				75,371	407,796
Available-for-sale securities					
Agritech Limited - a related party	34,306,400	34,306,400	10	1,192,890	1,192,890
Aisha Steel Mills Limited	10,480,000	1,739,500	10	260,555	28,777
Al Shaheer Corporation Limited	-	496,818	10	-	30,401
Azgard Nine Limited	-	500,000	10	-	5,911
Byco Petroleum Pakistan Limited	-	1,406,000	10	-	34,787
D.G. Khan Cement Company Limited	259,500	-	10	37,996	-
Engro Fertilizer Limited	1,000,000	1,390,500	10	72,359	100,616
Fauji Cement Company Limited	-	1,200,000	10	-	51,637
Fauji Fertilizer Bin Qasim Limited	-	210,000	10	-	12,902
First Capital Securities Corporation Limited	10,058,000	10,058,000	10	90,067	90,067
Habib Bank Limited	400,000	500,000	10	106,101	132,626
Javedan Corporation Limited	15,680,272	18,529,272	10	704,844	745,737
Japan Power Generation Limited	13,450,500	-	10	99,906	-
Kot Addu Power Compay Limited	-	192,000	10	-	15,643
Maple Leaf Cement Factory Limited	-	150,000	10	-	19,078
Metropolitan Steel Corporation Limited	-	2,751,990	10	-	49,551
Nishat Chunian Power Limited	397,500	397,500	10	24,273	24,273
Pak Elektron Limited - a related party	60,000	-	10	7,170	-
Pakistan Stock Exchange Limited (Note 10.12)	1,602,593	-	10	4,668	-
Pakistan International Airlines Corporation Limited	3,282,500	3,282,500	10	39,428	39,428
Pakistan Telecommunication Company Limited	-	1,000,000	10	-	21,035
Pioneer Cement Limited	623,600	673,600	10	87,314	94,315
Power Cement Limited	18,870,416	-	10	235,880	-
SME Leasing Limited	-	902,350	10	-	9,926
Sui Northern Gas Pipelines Limited	50,000	-	10	5,309	-
Tariq Glass Industries Limited	4,000,000	4,000,000	10	487,038	397,857
Thatta Cement Company Limited	8,462,835	8,462,835	10	395,391	343,480
The Bank of Punjab	19,108,500	19,108,500	10	334,465	334,465
TPL Trakker Limited	3,412,000	2,165,000	10	61,305	40,330
				4,246,959	3,815,732
				4,322,330	4,223,528

10.5 Particulars of investment in ordinary shares - Unlisted

Name of companies	Number of shares held		Paid-up value per share	Total book value	
	December 31, 2017	December 31, 2016		December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----				
Arabian Sea Country Club Limited Chief Executive Officer: Mr. Arif Ali Khan Abbasi Percentage holding 1.29% (December 31, 2016: 1.29%) Net asset value per share was negative Rs. 2.14 based on the latest audited financial statements as at June 30, 2016.	100,000	100,000	10	1,000	1,000
Pakistan Mortgage Refinance Company Ltd (PMRCL) -a related party Chief Executive Officer: Mr. N. Kokularupan Narayanasamy Percentage holding 1.22% Net asset value per share was Rs. 10.28 based on the latest audited financial statements as at December 31, 2016.	183,000	-	10	1,830	-
Pakistan Stock Exchange Limited (Note 10.12) Managing Director: Mr. Nadeem Naqvi Net asset value per share was Rs.9.98 as at June 30, 2016 based on audited financial statements (June 30, 2015 : Rs. 10.17 based on audited financial statements)	-	4,007,383	10	-	11,665
LSE Financial Services Limited Chief Executive Officer: Mr. Farid Malik Net asset value per share was Rs.18.29 as at June 30, 2017 based on the latest audited financial statements.	843,975	843,975	10	6,344	6,344
ISE Towers REIT Management Company Limited Chief Executive Officer: Mian Ayyaz Afzal Net asset value per share was Rs.12.13 as at December 31, 2016 based on the latest audited financial statements.	3,034,603	3,034,603	10	5,301	5,301
				<u>14,475</u>	<u>24,310</u>

10.6 Particulars of investment in mutual funds-Listed

Name of funds	Number of units held		Paid-up value per unit	Total book value	
	December 31, 2017	December 31, 2016		December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----				
Mutual funds (open end)					
AKD Opportunity Fund	223,621	223,621	50	25,000	25,000
NAFA Stock Fund - a related party	638,038	584,901	10	10,861	10,000
NIT Islamic Equity Fund	4,167,926	4,000,000	10	52,000	50,000
				<u>87,861</u>	<u>85,000</u>

10.7 Particulars of investment in preference shares-Unlisted

Name of company	Number of shares held		Paid-up value per share	Total book value	
	December 31, 2017	December 31, 2016		December 31, 2017	December 31, 2016
				----- (Rupees in '000) -----	
Al Arabia Sugar Mills Ltd Chief Executive Officer: Mr. Suleman Shahbaz Shareef Maturity : December 31, 2030 Mark-up rate : Nil	3,705,562	-	10	37,056	-
				<u>37,056</u>	<u>-</u>

10.8 Particulars of investment in Listed Term Finance Certificates - paid-up value of Rs. 5,000 each

Name of companies	Mark-up rate	Repayment	Total book value	
			December 31, 2017	December 31, 2016
			----- (Rupees in '000) -----	
Invest Capital Investment Bank Limited) - 2nd issue * 2,000 (December 31, 2016: 2,000) certificates Maturity date: September 05, 2013 Chief Executive Officer: Mr. Muhammad Asif	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
Trust Investment Bank Limited - 3rd issue * 3,877 (December 31, 2016: 3,877) certificates Maturity date: July 04, 2013 Chief Executive Officer: Mr. Ahsan Rafique	6 months KIBOR plus 1.85%	Semi-annually	7,266	7,266
			<u>17,266</u>	<u>17,266</u>

* Represents non-performing certificates.

10.9 Particulars of investment in Unlisted Term Finance Certificates - paid-up value of Rs.5,000 each

Name of companies	Mark-up rate	Repayment	Total book value	
			December 31, 2017	December 31, 2016
			----- (Rupees in '000) -----	
Al Arabia Sugar Mills Limited - 3rd issue 17 (December 31, 2016: 17) jumbo certificates of paid-up value other than Rs 5,000 each. Maturity date: December 31, 2026 Chief Executive Officer: Mr.Suleman Shahbaz Shareef	6 months KIBOR plus 0.2%	Semi-annually	289,965	289,965
Agritech Limited - a related party * 100,000 (December 31, 2016: 100,000) certificates Maturity date: July 14, 2019 Chief Executive Officer: Mr. Faisal Muzammil	6 months KIBOR plus 1.75%	Semi-annually	499,586	499,586
		Balance c/f.	<u>789,551</u>	<u>789,551</u>

Name of companies	Mark-up rate	Repayment	Total book value	
			December 31, 2017	December 31, 2016
			----- (Rupees in '000) -----	
		Balance b/f.	789,551	789,551
Parthenon (Private) Limited * 183,689 (December 31, 2016: 183,689) certificate Maturity date: September 30, 2018 Chief Executive Officer: Mr. Muhammad Iqbal Khan Noori	3 months KIBOR plus 2.0%	Quarterly	803,641	803,641
Security Leasing Corporation Limited * 2,000 (December 31, 2016: 2,000) certificates Maturity date: March 28, 2014 Chief Executive Officer: Ms. Farah Azeem	NIL	N/A	1,540	1,540
			1,594,732	1,594,732

* Represents non-performing certificates.

10.10 Particulars of investment in Sukuks - paid up value of Rs. 5,000 each

Name of companies	Mark-up rate	Repayment	Total book value	
			December 31, 2017	December 31, 2016
			----- (Rupees in '000) -----	
AGP Limited -Unlisted 3,515 certificates of paid up value other than Rs 5,000 each Maturity date: June 9, 2022 Chief Executive Officer: Ms. Nusrat Munshi	3 months KIBOR plus 1.3%	Quarterly	316,350	-
Arzoo Textile Mills Limited - Unlisted* 40,000 (December 31, 2016: 40,000) certificates Maturity date: April 14, 2014 Chairman : Mr. Azhar Majeed Sheikh	6 months KIBOR plus 2% for first 2 years and 1.75% for year 3 onwards	Semi-annually	200,000	200,000
Fatima Fertilizer Company Limited - Listed 112,579 certificate Maturity date: November 28, 2021 Chief Executive Officer: Mr. Fawad Ahmed Mukhtar	6 months KIBOR plus 1.10%	Semi-annually	450,316	-
K-Electric Limited (KE AZM Sukuk II) - Listed 48,758 (December 31, 2016: 48,758) certificates Maturity date: March 19, 2017 Chief Executive Officer: Mr. Muhammad Tayyab Tareen	3 months KIBOR plus 2.25%	Quarterly	-	244,071
		Balance c/f.	966,666	444,071

Name of companies	Mark-up rate	Repayment	Total book value	
			December 31, 2017	December 31, 2016
			----- (Rupees in '000) -----	
		Balance b/f.	966,666	444,071
K-Electric Limited (KE Sukuk-ul-Shirkah) - Listed 136,253 (December 31, 2016: 136,253) certificates Maturity date: June 17, 2022 Chief Executive Officer: Mr. Muhammad Tayyab Tareen	3 months KIBOR plus 1.0%	Quarterly	613,139	681,265
Liberty Power Tech Limited - Unlisted 100,000 (December 31, 2016: 100,000) certificates Maturity date: October 01, 2020 Chief Executive Officer: Mr. Ashraf Salim Mukaty	3 months KIBOR plus 3.0%	Quarterly	263,638	326,674
Pak Elektron Limited - a related party - Unlisted 40,000 (December 31, 2016: 40,000) certificates Maturity date: March 31, 2019 Chief Executive Officer: Mr. M. Murad Saigol	3 months KIBOR plus 1.0%	Quarterly	62,500	112,500
			1,905,943	1,564,510

* Represents non-performing certificates.

10.11 Quality of available-for-sale securities

	Note	Ratings		Market value / Carrying value of investments	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
----- (Rupees in '000) -----					
Market Treasury Bills	10.11.1	Unrated	Unrated	71,840,364	57,360,077
Pakistan Investment Bonds	10.11.1	Unrated	Unrated	13,218,246	24,691,215
GOP Ijarah Sukuks	10.11.1	Unrated	Unrated	4,810,812	2,613,180
Ordinary shares -Listed	10.11.2				
Agritech Limited (related party) *		Unrated	Unrated	167,072	435,005
Aisha Steel Mills Limited		A-, A-2	Unrated	185,915	27,362
Al Shaheer Corporation Limited		N/A	Unrated	-	28,517
Azgard Nine Limited		N/A	Unrated	-	4,120
Byco Petroleum Pakistan Limited		N/A	Unrated	-	32,619
D.G. Khan Cement Company Limited		Unrated	N/A	34,700	-
Engro Fertilizer Limited		AA-, A1+	AA-, A-1+	67,720	94,526
Fauji Cement Limited		N/A	Unrated	-	54,096
Fauji Fertilizer Bin Qasim Limited		N/A	Unrated	-	10,754
First Capital Securities Corporation Limited		Unrated	Unrated	17,099	58,940
Habib Bank Limited		AAA, A-1+	AAA, A-1+	66,836	136,625
Japan Power Generation Limited		Unrated	N/A	25,556	-
Javedan Corporation Limited		Unrated	Unrated	560,570	521,781
Kot Addu Power Compay Limited		N/A	AA+, A-1+	-	15,130
Maple Leaf Cement Factory Limited		N/A	A+, A-1	-	19,137
Nishat Chunian Power Limited		Unrated	Unrated	13,082	22,053
Pak Elektron Limited - a related party		A+, A1	N/A	2,849	-
Pakistan International Airlines Corporation Limited		Unrated	Unrated	13,196	30,068
Pakistan Telecommunication Company Limited		N/A	Unrated	-	17,180
Pakistan Stock Exchange Limited	10.12	Unrated	Unrated	35,906	-
Pioneer Cement Limited		A, A1	A, A-1	39,362	95,712
Power Cement Limited		A-, A-2	N/A	164,927	-
SME Leasing Limited		N/A	B+, B	-	3,429
Sui Northern Gas Pipelines Limited		AA-, A1	N/A	4,731	-
Tariq Glass Industries Limited		Unrated	Unrated	379,960	401,800
Thatta Cement Company Limited		A-, A-2	A-, A-2	186,182	333,266
The Bank of Punjab		AA, A1+	AA, A-1+	157,454	337,265
TPL Trakker Limited		A-, A2	A-, A-2	24,396	38,169
				2,147,513	2,717,554
		Balance c/f.		92,016,935	87,382,026

Note	Ratings		Market value / Carrying value of investments	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
			----- (Rupees in '000) -----	
		Balance b/f.	92,016,935	87,382,026
Ordinary shares-Unlisted				
Arabian Sea Country Club Limited	10.11.4	Unrated	Unrated	-
ISE Towers REIT Management Company Limited		Unrated	Unrated	5,301
LSE Financial Services Limited	10.11.2	A,A-2	A,A-2	6,344
Pakistan Stock Exchange Limited	10.12	N/A	Unrated	-
Pakistan Mortgage Refinance Company Limited - a related party		Unrated	N/A	1,830
			13,475	23,310
Preference shares-Unlisted				
Al Arabia Sugar Mills Ltd		Unrated	N/A	37,056
			37,056	-
Mutual fund units - Open end-Listed				
AKD Opportunity Fund	10.11.2	4-Star, 3-Star	4-Star	18,203
NAFA Stock Fund - a related party		5-Star, 4-Star	3-Star	8,966
NIT Islamic Equity Fund		Unrated	Unrated	41,637
			68,806	86,977
Term Finance Certificates - Listed				
Invest Capital Investment Bank Limited	10.11.4	Unrated	Unrated	-
Trust Investment Bank Limited		Unrated	Unrated	-
			-	-
Term Finance Certificates - Unlisted				
Al Arabia Sugar Mills Limited		Unrated	Unrated	289,965
Agritech Limited - a related party	10.11.4	Unrated	Unrated	-
Parthenon (Private) Limited *		Unrated	Unrated	803,641
Security Leasing Corporation Limited	10.11.4	Unrated	Unrated	-
			1,093,606	1,093,606
Sukuks				
Arzoo Textile Mills Limited	10.11.3	Unrated	Unrated	-
AGP Limited - 5 Years	10.11.4	A	N/A	318,406
K-Electric Limited (AZM Sukuk II)		N/A	AA	-
K-Electric Limited (Sukuk-ul-Shirkah)		AA+	AA+	245,907
Liberty Power Tech Limited		A+	A+	626,934
Pak Elektron Limited - a related party		A+	A+	263,639
Fatima Fertilizer Company Limited		AA-	N/A	62,566
			462,699	112,500
			1,734,244	1,387,244
		Total	94,964,122	89,973,163

* These instruments are carried at carrying value as of December 31, 2017 (net of provision / impairment / FSV benefit, as applicable).

10.11.1 These are guaranteed by Government of Pakistan.

10.11.2 Ratings for these equity securities / units represent 'Entity / Mutual Fund Ratings' carried out by 'The Pakistan Credit Rating Agency Limited (PACRA) or 'JCR -VIS' Credit Rating Company Limited (JCR - VIS). These ratings reflect independent risk / stability assessment by respective credit rating entities.

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

10.11.4 These instruments are fully provided as at the year end.

10.12 During the year, the subsidiary sold 2,404,430 shares of PSX. Moreover, on June 29, 2017, the shares of PSX were successfully listed after the approval of Securities and Exchange Commission of Pakistan. Accordingly, as of December 31, 2017, 1,602,953 ordinary shares of PSX held by the subsidiary have been classified in 'Available for Sale' - Listed shares category and are carried at their market value.

		December 31, 2017	December 31, 2016
	Note	----- (Rupees in '000) -----	
10.13 Particulars of provision			
Opening balance		1,764,488	1,750,961
Add: Charge for the year		267,933	128,618
Less: Reversal during the year		(237,659)	(115,091)
		30,274	13,527
Amount written off		(49,551)	-
Closing balance	10.14	<u>1,745,211</u>	<u>1,764,488</u>
10.14 Particulars of provision in respect of type and segment			
Available-for-sale securities			
Ordinary shares - Listed		1,025,818	1,045,095
Ordinary shares - Unlisted		1,000	1,000
Term finance certificates - Listed		17,266	17,266
Term finance certificates - Unlisted		501,127	501,127
Sukuks		200,000	200,000
		<u>1,745,211</u>	<u>1,764,488</u>

	December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----	
10.15 Deficit on revaluation of held-for-trading securities - net		
Aisha Steel Mills Limited	-	(9,700)
Attock Refinery Limited	(3,298)	-
Dolmen City REIT - a related party	-	(1,352)
Hascol Petroleum Limited	(670)	(412)
Hi-Tech Lubricants Limited	-	236
K-Electric Limited	-	(63)
Pak Elektron Limited - a related party	(6,977)	-
Pakistan State Oil Company Limited	-	332
Sui Northern Gas Pipelines Limited	(4,940)	-
Sui Southern Gas Company Limited	-	(4,391)
TPL Trakker Limited	-	(427)
Treet Corporation Limited	-	(232)
	<u>(15,885)</u>	<u>(16,009)</u>

		December 31, 2017	December 31, 2016
	Note	----- (Rupees in '000) -----	
11. ADVANCES			
Loans, cash credits, running finances, etc. - in Pakistan		84,228,998	79,331,716
Islamic financing and related assets (Gross)	43.7	10,786,098	9,328,368
Net investment in finance lease - in Pakistan	11.2	1,625,499	1,482,638
Bills discounted and purchased (excluding Treasury Bills)			
Payable in Pakistan		181,146	1,796,122
Payable outside Pakistan		2,710,353	2,317,128
		<u>2,891,499</u>	<u>4,113,250</u>
Advances - gross		99,532,094	94,255,972
Provision against non-performing advances	11.3.1	(14,009,450)	(14,411,701)
Advances - net of provision		<u>85,522,644</u>	<u>79,844,271</u>
11.1 Particulars of advances - (Gross)			
11.1.1 In local currency		96,800,398	91,906,332
In foreign currencies		2,731,696	2,349,640
		<u>99,532,094</u>	<u>94,255,972</u>
11.1.2 Short-term (up to one year)		75,741,417	75,802,534
Long-term (over one year)		23,790,677	18,453,438
		<u>99,532,094</u>	<u>94,255,972</u>

11.2 Net investment in finance lease - in Pakistan

	December 31, 2017				December 31, 2016			
	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	80,600	1,272,087	-	1,352,687	316,138	982,980	-	1,299,118
Residual value	52,459	389,263	-	441,722	84,300	255,467	-	339,767
Minimum lease payments	133,059	1,661,350	-	1,794,409	400,438	1,238,447	-	1,638,885
Financial charges for future periods	(11,533)	(157,377)	-	(168,910)	(41,155)	(115,092)	-	(156,247)
Present value of minimum lease payments	121,526	1,503,973	-	1,625,499	359,283	1,123,355	-	1,482,638

11.3 Advances include Rs. 17,065.58 million (December 31, 2016: Rs.16,719.02 million) which have been placed under non-performing status as detailed below:

Category of classification	December 31, 2017			December 31, 2016		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
----- (Rupees in '000) -----						
Other Assets Especially Mentioned (OAEM)	1,499	150	150	11,141	944	944
Substandard	38,112	2,519	2,519	74,037	5,550	5,550
Doubtful	960,566	265,840	265,840	544,145	98,145	98,145
Loss	16,065,407	13,710,691	13,710,691	16,089,697	14,257,987	14,257,987
	17,065,584	13,979,200	13,979,200	16,719,020	14,362,626	14,362,626

11.3.1 Particulars of provision against non-performing advances

Note	December 31, 2017			December 31, 2016		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
Opening balance	14,362,626	49,075	14,411,701	12,519,860	24,986	12,544,846
Charge for the year	910,899	-	910,899	2,852,713	24,089	2,876,802
Reversals during the year	(1,069,659)	(18,825)	(1,088,484)	(966,041)	-	(966,041)
	(158,760)	(18,825)	(177,585)	1,886,672	24,089	1,910,761
Amount written off	(224,666)	-	(224,666)	(43,906)	-	(43,906)
Closing balance	13,979,200	30,250	14,009,450	14,362,626	49,075	14,411,701

11.3.2 Particulars of provision against non-performing advances

	December 31, 2017			December 31, 2016		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
In local currency	13,979,200	30,250	14,009,450	14,362,626	49,075	14,411,701
In foreign currencies	-	-	-	-	-	-
	13,979,200	30,250	14,009,450	14,362,626	49,075	14,411,701

11.3.3 Pursuant to the applicable Prudential Regulations, the Group has availed the Forced Sale Value (FSV) benefit of securities/collaterals held against loans and advances. Had this benefit of FSV not been availed by the Group, the specific provision against non-performing loans and advances would have been higher by Rs.2,371 million (December 31, 2016 : Rs.1,812 million), which has a net of tax positive impact of Rs. 1,541 million (December 31, 2016 : Rs 1,178 million) on the profit and loss account. Further, the Group has availed the benefit of certain exemptions given by SBP from Prudential Regulations with respect to the provision against non-performing loans and advances, amounting to Rs. 206 million (December 31, 2016: Rs. 206 million) at the year end.

As per the revised "Prudential Regulations for Small and Medium Enterprises' Financing" issued by SBP vide IH & SMEFD Circular No 9 dated December 22, 2017 the requirement to maintain general reserve at 1% of secured small enterprises (SE) performing portfolio has been abolished while requirement for unsecured SE performing portfolio has been reduced from 2% to 1%. Moreover, for consumer financing performing portfolio general reserve at 1% of secured and 4% of unsecured has been maintained pursuant to the revised "Prudential Regulations for Consumer Financing" issued by the State Bank of Pakistan vide BPRD Circular No. 10 dated August 03, 2016. Moreover, 10% specific provision has been held against the SE financing falling in OAEM category i.e., where the principal / mark-up is over due by 90 days.

As per the Prudential Regulations, the additional impact on profitability arising from availing the benefit of FSV is not available for payment of cash or stock dividend / bonus to employees.

11.3.4 This includes reversal of provision amounting to Rs. 470.65 million (December 31, 2016 : Rs. 112.72 million) and reduction in non performing loans and advances amounting to Rs. 584.40 million (December 31, 2016 : Rs.134.12 million) as a result of settlement through debt asset swap arrangement with various customers during the year.

		December 31, 2017	December 31, 2016
	Note	----- (Rupees in '000) -----	
11.4	Particulars of write offs		
11.4.1	Against provisions	224,666	43,906
	Directly charged to profit and loss account	16,861	114
		241,527	44,020
11.4.2	Write offs of Rs.500,000 and above	227,453	42,181
	Write offs of below Rs.500,000	14,074	1,839
		241,527	44,020

11.4.3 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, 2017 is given in Annexure I.

		December 31, 2017	December 31, 2016
	Note	----- (Rupees in '000) -----	
11.5	Particulars of loans and advances to Directors, Associated Companies, etc.		
	Debts due by directors, executives or officers of the Group or any of them either severally or jointly with any other persons		
	Balance at beginning of the year	2,105,472	1,840,515
	Loans granted during the year	910,270	838,840
	Repayments during the year	(733,403)	(573,883)
	Balance at end of the year	2,282,339	2,105,472
	Debts due by companies or firms in which the directors of the Group are interested as directors, partners or in the case of private companies as members		
	Balance at beginning of the year	1,078,078	1,924,931
	Loans granted during the year	3,889,335	6,509,216
	Repayments during the year	(3,754,360)	(7,356,069)
	Balance at end of the year	1,213,053	1,078,078
		<u>3,495,392</u>	<u>3,183,550</u>
12.	OPERATING FIXED ASSETS		
	Capital work-in-progress	12.1 4,937,534	4,498,429
	Property and equipment	12.2 7,574,750	7,575,163
	Intangible assets	12.3 202,197	252,711
		<u>12,714,481</u>	<u>12,326,303</u>
12.1	Capital work-in-progress		
	Civil works and related payments/ progress billings	4,893,857	4,327,746
	Advances to suppliers and contractors	43,677	173,983
	Advances against capital work in progress - considered doubtful	141,224	123,163
	Less: Provision there against	29 (141,224)	(123,163)
		-	-
	Less: Write off against civil works and related payments	-	(3,300)
		<u>4,937,534</u>	<u>4,498,429</u>

12.2 Property and equipment

December 31, 2017

Category of classification	COST					ACCUMULATED DEPRECIATION / IMPAIRMENT					Net book value at December 31, 2017	Rate of depreciation	
	At January 01, 2017	Adjustment for revaluation of assets	Additions	(Deletions) / (write off) *	At December 31, 2017	At January 01, 2017	Adjustment for revaluation of assets	Charge / impairment* for the year	(Deletion) / (write off) *	At December 31, 2017			
Note	(Rupees in '000)										%		
Leasehold land	12.2.1	2,842,627	129,923	69,166	-	3,041,716	-	-	-	5,670	3,036,046	-	
								5,670 *					
Building on leasehold land	12.2.1	5,592,910	10,691	112,304	-	5,715,905	2,358,652	-	262,811	-	2,621,463	3,094,442	5
Building improvements	12.2.1 & 12.2.2	1,580,322	-	108,111	(1,306) (26,782) *	1,660,345	881,594	-	159,771	(1,103) (18,710) *	1,021,552	638,793	10
Furniture and fixtures	12.2.2	471,066	-	32,669	(1,104) (4,412) *	498,219	297,927	-	43,890	(895) (3,743) *	337,179	161,040	10-15
Electrical, office and computer equipment	12.2.2	1,787,712	-	206,020	(71,947) (1,480) *	1,920,305	1,226,167	-	204,925	(66,681) (1,409) *	1,363,002	557,303	10-30
Vehicles	12.2.2	186,231	-	75,839	(69,434) -	192,636	121,365	-	35,426	(51,281) -	105,510	87,126	20
December 31, 2017		12,460,868	140,614	604,109	(143,791) (32,674) *	13,029,126	4,885,705	-	706,823	(119,960) (23,862) *	5,454,376	7,574,750	

12.2.1 Revaluation of properties

Additional surplus has been recognised by the Group for land and building added/transferred to 'property and equipment' during the year. The valuations of these properties were carried out by M/s. Sadruddin Associates, an independent professional valuer. The latest detailed revaluation exercise of the properties held by the Group was carried out in December 2016 by the same valuer. The valuations were arrived at by reference to market values and realisable values, which are determined on the basis of market intelligence, year of construction and present physical condition and location. Accordingly, as of December 31, 2017, the total revaluation surplus on properties (net of depreciation) amounts to Rs.2,458 million (December 31, 2016 : Rs 2,431 million). Had there been no revaluations, the carrying amount of revalued assets would have been as follows ;

	December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----	
Leasehold land	1,870,307	1,806,811
Buildings on leasehold land	1,826,578	1,872,497
Buildings improvements	615,437	665,247

12.2.2 Included in cost of property and equipment are fully depreciated items still in use amounting to Rs. 1,086.93 million (December 31, 2016: Rs.898 million).

December 31, 2016

Category of classification	COST				ACCUMULATED DEPRECIATION / IMPAIRMENT					Net book value at December 31, 2016	Rate of depreciation		
	At January 01, 2016	Adjustment for revaluation of assets	Additions	(Deletions) / (write off) /#	At December 31, 2016	At January 01, 2016	Adjustment for revaluation of assets	Charge / impairment for the year	(Deletions) / (write off) /#			At December 31, 2016	
Note	(Rupees in '000)										%		
Leasehold land	12.2.1	2,400,025	441,177	1,425	-	2,842,627	-	-	-	-	2,842,627	-	
Building on leasehold land	12.2.1	3,785,335	1,262,403	545,172	-	5,592,910	1,602,303	549,896	206,453	-	2,358,652	3,234,258	5
Building improvements	12.2.1 & 12.2.2	1,501,336	-	146,158	(2,658) / (64,514) *	1,580,322	779,778	-	152,815	(2,213) / (48,786) *	881,594	698,728	10
Furniture and fixtures	12.2.2	456,384	-	29,325	(5,895) / (8,748) *	471,066	265,745	-	43,407	(4,746) / (6,479) *	297,927	173,139	10 - 15
Electrical, office and computer equipment	12.2.2	1,603,399	-	339,214	(135,583) / (19,318) *	1,787,712	1,197,468	-	179,419	(131,625) / (19,095) *	1,226,167	561,545	10 - 30
Vehicles	12.2.2	252,252	-	20,800	(86,821) / -	186,231	149,779	-	38,135	(66,549) / -	121,365	64,866	20
December 31, 2016		9,998,731	1,703,580	1,082,094	(230,957) / (92,580) *	12,460,868	3,995,073	549,896	620,229	(205,133) / (74,360) *	4,885,705	7,575,163	

12.3 Intangible assets

December 31, 2017

Category of classification	COST				ACCUMULATED AMORTISATION				Net book value at December 31, 2017	Rate of amortisation	
	At January 01, 2017	Additions	(Deletions) / (write off) /#	At December 31, 2017	At January 01, 2017	Charge for the year	(Deletion) / (write off) /#	At December 31, 2017			
Note	(Rupees in '000)										%
Computer softwares	12.3.1	451,161	14,593	-	465,754	354,843	26,380	-	381,223	84,531	20-30
Trading Rights Entitlement Certificate (TREC)		7,741	-	-	4,386	-	-	-	-	4,386	-
Core deposits		209,874	-	-	209,874	122,365	20,988	-	143,353	66,521	10
Brand name		143,838	-	-	143,838	82,695	14,384	-	97,079	46,759	10
December 31, 2017		812,614	14,593	-	823,852	559,903	61,752	-	621,655	202,197	

12.3.1 Included in cost of intangible assets are fully amortised items still in use amounting to Rs. 333.39 million (December 31, 2016: Rs. 316 million).

December 31, 2016

Category of classification	COST				ACCUMULATED AMORTISATION				Net book value at December 31, 2016	Rate of amortisation	
	At January 01, 2016	Additions	(Deletions) / (write off) /#	At December 31, 2016	At January 01, 2016	Charge for the year	(Deletion) / (write off) /#	At December 31, 2016			
Note	(Rupees in '000)										%
Computer softwares	12.3.1	368,990	82,577	(28) / (378) *	451,161	340,754	14,492	(25) / (378) *	354,843	96,318	20-30
Trading Rights Entitlement Certificate (TREC)		7,741	-	-	7,741	-	-	-	-	7,741	-
Core deposits		209,874	-	-	209,874	101,377	20,988	-	122,365	87,509	10
Brand name		143,838	-	-	143,838	68,311	14,384	-	82,695	61,143	10
December 31, 2016		730,443	82,577	(28) / (378) *	812,614	510,442	49,864	(25) / (378) *	559,903	252,711	

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) -----							
Items having book value of more than Rs.250,000 or cost more than Rs.1,000,000							
Building improvements							
Civil and electrical works	1,301	1,102	199	540	341	Insurance Claim	UBL Insurers Limited
Electrical, office and computer equipment							
Items having book value of more than 250,000 or cost more than 1,000,000							
Generator	1,211	1,211	-	225	225	Auction	Dilawar & Brothers
Generator	1,031	1,031	-	185	185	Auction	A.E.Electrical
Generator	1,030	1,030	-	188	188	Auction	K.I Traders (Kamran)
Generator	1,252	1,252	-	457	457	Auction	Grace Petroleum Service & CNG Station
Generator	1,121	1,121	-	221	221	Auction	Qaiser Interior
Generator	1,144	896	248	609	361	Insurance Claim	UBL Insurers Limited
ATM	887	222	665	369	(296)	Insurance Claim	UBL Insurers Limited
Miscellaneous Items	571	295	276	37	(239)	Insurance Claim	UBL Insurers Limited
Vehicles							
Honda City	1,562	1,041	521	750	229	Auction	Mr. Saleem Ahmed Siddiqui
Honda City	1,562	729	833	1,251	418	Auction	Mr. Ayub Ali
Honda City	1,676	726	950	1,403	453	Auction	Mr. Muhammad Arif
Honda City	1,588	450	1,138	1,240	102	Auction	Syed Riaz Ahmed
Honda City	1,532	664	868	1,372	504	Auction	Mr. Muhammad Naseem
Honda City	1,548	439	1,109	1,315	206	Negotiation	Itehad Motors
Honda City	1,393	1,393	-	1,100	1,100	Auction	Mr. Anjum
Honda City	1,359	1,359	-	904	904	Auction	Mr. Islam Khan
Honda City	1,684	986	698	938	240	As per policy	Mr. Muzammil Hussain (Staff)
Honda City i- VTEC	1,685	786	899	1,349	450	Auction	Mr. Muhammad Arif
Honda Civic	1,617	1,617	-	961	961	Auction	Mr. Noman Hassan Khan
Honda Civic Vtec	1,794	1,794	-	1,010	1,010	Auction	Mr. Usman Shahid
Suzuki Cultus	1,070	588	482	784	302	Auction	Mr. Waqar Khan
Suzuki Cultus	1,015	795	220	744	524	Auction	Mr. Waqar Ahmed
Suzuki Cultus	1,010	811	199	724	525	Auction	Mr. Adil Ali
Suzuki Cultus	1,015	795	220	682	462	Auction	Mr. Islam Khan
Suzuki Cultus	1,038	640	398	623	225	Auction	Mr. Adil Ali
Suzuki Cultus	1,015	812	203	722	519	Auction	Mr. Islam Khan
Suzuki Cultus	1,066	622	444	894	450	Auction	Mr. Numari Abrar
Suzuki Cultus	1,060	530	530	829	299	Auction	Mr. Numari Abrar
Suzuki Cultus	1,040	416	624	807	183	Auction	Syed Riaz Ahmed
Suzuki Cultus	1,015	879	136	750	614	Insurance Claim	Asia Insurance Company Ltd
Suzuki Cultus	1,040	572	468	700	232	Negotiation	Mr. Azeem Uddin
Suzuki Cultus	1,039	609	430	544	114	As per policy	M. Amjad Iqbal Khan (Staff)
Suzuki Cultus	1,090	504	586	903	317	Negotiation	Mr. Habib Khan
Toyota Corolla Altis	1,769	1,769	-	1,182	1,182	Auction	Mr. Saeed Ahmed Khan
Toyota Corolla XLi	1,350	1,350	-	969	969	Auction	Syed Ali Ahmed
Vigo Champ	3,722	2,047	1,675	2,900	1,225	Auction	JS Bank
Vigo Champ	3,928	1,440	2,488	3,068	580	Auction	Syed Riaz Ahmed
Balance c/f.	52,830	35,323	17,507	34,249	16,742		

<u>Description</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Book value</u>	<u>Sale proceeds</u>	<u>Gain / (loss)</u>	<u>Mode of disposal</u>	<u>Particulars of purchaser</u>
----- (Rupees in '000) -----							
Balance b/f.	52,830	35,323	17,507	34,249	16,742		
Items having book value of less than Rs.250,000 or cost less than Rs.1,000,000							
<u>Furniture and fixtures</u>							
Various	1,104	895	209	685	476	Various	Various
<u>Electrical, office and computer equipment</u>							
Various	63,701	59,624	4,077	7,657	3,580	Various	Various
<u>Vehicles</u>							
Various	26,156	24,118	2,038	16,973	14,935	Various	Various
Total	143,791	119,960	23,831	59,564	35,733		
Disposal of property and equipment 2016	230,957	205,133	25,824	73,250	47,426		
Write offs 2017	32,674	23,862	8,812	-	(8,812)		
Write offs 2016	92,580	74,360	18,220	-	(18,220)		

		December 31, 2017	December 31, 2016
	Note	----- (Rupees in '000) -----	
13. DEFERRED TAX ASSETS - net			
Deferred debits arising in respect of:			
Provision against non performing loans		984,495	1,430,583
Provision for compensated absences		36,592	35,091
Provision against other assets		149,656	149,656
Provision against capital work in progress		43,107	43,107
Unrealised loss on held-for-trading securities		5,560	5,473
Unused tax losses		4,103,554	3,899,918
Minimum tax		827	682
Alternative Corporate tax		4,512	4,287
Provision for diminution in the value of investments		610,824	617,571
Deficit on revaluation of available-for-sale securities - net		427,094	56,905
		6,366,221	6,243,273
Deferred credits arising in respect of:			
Surplus on revaluation of fixed assets		(452,385)	(488,329)
Unrealised gain on forward exchange contract		(30,429)	-
Surplus on revaluation of non-banking assets		(151,972)	(148,062)
Operating fixed assets		(398,779)	(455,832)
		(1,033,565)	(1,092,223)
	13.1	5,332,656	5,151,050

13.1 The above net deferred tax asset has been recognized in accordance with the Group's accounting policy. The management based on financial projections, estimates that sufficient taxable profits would be available in future against which the deferred tax asset could be realized.

		December 31, 2017	December 31, 2016
	Note	----- (Rupees in '000) -----	
14. OTHER ASSETS			
Mark-up / return / interest accrued in local currency		1,837,709	2,235,720
Mark-up / return / interest accrued in foreign currency		2,088	35,297
Advances, deposits, advance rent and other prepayments		716,823	617,308
Non-banking assets acquired in satisfaction of claims	14.1 & 22.3	4,541,147	3,987,991
Advance taxation - net of provision		571,741	565,152
Receivable from brokers		25,617	12,867
Branch adjustment account		54	39
Stationery and stamps on hand		10,071	11,531
Dividend receivable		5,068	2,547
Receivable from other banks against clearing and settlement		-	64,144
Receivable against trading securities		-	125,738
Commission receivable on home remittance	14.2	67,483	217,262
Unrealised gain on forward exchange contract		86,937	-
Advance against subscription of sukuk		-	2,500,000
Others		453,037	411,697
		8,317,775	10,787,293
Less: Provision held against other assets	14.3	(552,547)	(488,714)
		7,765,228	10,298,579

	December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----	
14.1		
Market value of non-banking assets acquired in satisfaction of claims	<u>5,598,564</u>	<u>5,019,576</u>
14.2		
This represents commission receivable from the SBP in respect of home remittances channelised through the Group as per agreement entered into with the SBP.		

	December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----	
14.3		
Provision held against other assets		
Opening balance	488,714	493,214
Add: Charge for the year	63,961	41
Less: Reversals for the year	(128)	(4,541)
	<u>63,833</u>	<u>(4,500)</u>
Closing Balance	<u>552,547</u>	<u>488,714</u>

15. BILLS PAYABLE

In Pakistan	3,065,379	5,061,470
Outside Pakistan	-	-
	<u>3,065,379</u>	<u>5,061,470</u>

16. BORROWINGS

In Pakistan	66,633,585	49,815,984
Outside Pakistan	674,181	3,856
	<u>67,307,766</u>	<u>49,819,840</u>

16.1 Particulars of borrowings with respect to currencies

In local currency	66,633,585	49,815,984
In foreign currencies	674,181	3,856
	<u>67,307,766</u>	<u>49,819,840</u>

16.2 Details of borrowings secured / unsecured
Secured

Borrowings from State Bank of Pakistan under:		
Export Refinance Scheme (ERF)	16.2.1	6,707,142
Islamic Export Refinance Scheme (IERF)	16.2.1	250,000
Long-term Financing Facility	16.2.2	108,600
Repurchase agreement borrowings (Repo)	16.2.3	40,198,208
Foreign bills - rediscounted		640,870
		<u>47,904,820</u>

Unsecured

Overdrawn nostro accounts		33,311
Call Borrowing	16.2.4	19,369,635
		<u>19,402,946</u>
		<u>67,307,766</u>

- 16.2.1** These are secured against promissory notes, export documents and undertakings by the Group granting the right to SBP to recover the outstanding amount from the Group at the date of maturity of the finance by directly debiting the current accounts maintained with the SBP. The effective mark-up rate on ERF borrowings ranges from 1.00% to 2.00% (December 31, 2016 : 1.00% to 2.00%) per annum and for IERF the profit rate is 2.00 % per annum, payable on quarterly basis.
- 16.2.2** These represent long term borrowings from State Bank of Pakistan at mark-up rate 2.50% per annum, which will mature within five years.
- 16.2.3** These represent borrowings from State Bank of Pakistan at mark-up rate of 5.83% and 5.85% (December 31, 2016: ranging from 5.89% to 5.92%) per annum, which will mature on January 05, 2018.
- 16.2.4** These represent call borrowing from financial institution carrying mark-up rate of 5.80% and 5.81% per annum (December 31, 2016 : ranging from 5.71% to 6.03%), which will mature within three months. The Group has placed treasury bill with market value of Rs.19,752.45 million (December 31, 2016 : Rs. 19,232.16 million) as collateral against these borrowings.

	December 31, 2017	December 31, 2016
Note	----- (Rupees in '000) -----	
17. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	32,124,431	27,039,090
Savings deposits	51,529,761	49,073,558
Current accounts - non-remunerative	43,977,485	51,887,149
Margin accounts	5,518,752	4,928,462
	133,150,429	132,928,259
Financial institutions		
Non-remunerative deposits	1,476,093	1,373,609
Remunerative deposits	10,980,209	8,433,859
	12,456,302	9,807,468
	145,606,731	142,735,727
17.1 Particulars of deposits		
In local currency	137,894,267	135,525,240
In foreign currencies	7,712,464	7,210,487
	145,606,731	142,735,727

18. SUB-ORDINATED LOANS

Term Finance Certificate - Listed (Unsecured)	18.1	1,495,860	1,496,550
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- 18.1** During the financial year ended December 31, 2011, the Group issued listed Term Finance Certificates which are subordinated as to the payment of principal and profit to all other debts of the Group 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-(SO)' (Single A Minus (Structured Obligation)) - (June 2017) Outlook 'Rating Watch-Developing'
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, 2017	December 31, 2016
19. OTHER LIABILITIES	Note	----- (Rupees in '000) -----	
Mark-up / return / interest payable in local currency		1,848,839	1,639,907
Mark-up / return / interest payable in foreign currency		4,621	4,553
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		115,404	188,053
Provision for compensated absences	35.3 & 35.6	108,929	101,974
Payable to Bank of Ceylon, Colombo		20,163	20,163
Retention money		5,452	8,345
Advance against sale of properties		602,308	138,813
Workers' Welfare Fund	19.3	13,360	13,360
Security deposits		751,539	505,987
Accrued expenses		81,372	61,755
Payable to brokers		65,306	-
Unrealised loss on forward exchange contracts		-	49,428
Payable to defined benefit plan	35.1	50,531	49,368
Withholding taxes and government levies payable		43,478	45,373
Federal excise duty and sales tax payable		13,619	12,641
Payable to other banks against clearing and settlement		395,419	-
Unclaimed dividend		2,213	2,213
Unearned income		14,251	27,844
Commission payable on home remittances	19.4	58,790	127,122
Others		240,875	172,668
		4,494,151	3,227,249

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

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

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.

	December 31, 2017	December 31, 2016		December 31, 2017	December 31, 2016
20. SHARE CAPITAL				----- Rupees in '000 -----	
	---- Number of Shares ----				
20.1 Authorised capital					
	<u>2,800,000,000</u>	<u>2,500,000,000</u>	Ordinary shares of Rs.10 each	<u>28,000,000</u>	<u>25,000,000</u>
20.2 Issued, subscribed and paid-up capital					
	1,459,686,957	1,274,199,921	Ordinary shares of Rs.10 each		
			Fully paid in cash	14,596,869	12,741,999
	454,466,382	454,466,382	Issued for consideration other than cash	4,544,664	4,544,664
	673,997,721	-	Issue of shares upon conversion of preference shares	6,739,977	-
	50,000,000	50,000,000	Issued as bonus shares	500,000	500,000
	<u>2,638,151,060</u>	<u>1,778,666,303</u>		<u>26,381,510</u>	<u>17,786,663</u>
20.3 Convertible preference shares					
	-	215,595,916	Convertible preference shares	-	2,155,959

- 20.4** During the financial year ended December 31,2017 , the Group has increased its authorised capital by Rs 3 billion.
- 20.5** During the year, the Group has converted the preference shares into ordinary shares after approval of the ordinary and preference share holders.
- 20.6** As at December 31, 2017, Suroor Investments Limited (SIL), parent company, Rupali Bank Limited, Bangladesh - a related party and Directors (including President / Chief Executive Officer) held 1,761,412,119 (66.77%), 32,777,450 (1.24%) and 14,754,219 (0.56%) [December 31, 2016: 1,255,367,121 (70.58%), 32,777,450 (1.84%) and 1,000,091 (0.06%)] ordinary shares in the Group, respectively.

	December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----	
20.7 Advance against subscription of shares		
Advance against subscription of shares	-	1,854,870

During the financial year ended December 31,2017 , the Group has issued shares other than by way of right issue against the advance share subscription money received during financial year ended December 31,2016.

		December 31, 2017	December 31, 2016
		----- (Rupees in '000) -----	
21. RESERVES	Note		
Share premium		1,000,000	1,000,000
Statutory reserve	21.1	154,162	154,162
Discount on issue of shares	20.5	(5,881,316)	(1,297,298)
Reserve arising on amalgamation		(1,579,205)	(1,579,205)
		(6,306,359)	(1,722,341)

21.1 This represents reserve created under section 21(l)(a) of the Banking Companies Ordinance, 1962.

		December 31, 2017	December 31, 2016
		----- (Rupees in '000) -----	
22. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF DEFERRED TAX	Note		
Surplus arising on revaluation of assets - net of tax:			
Operating fixed assets	22.1	2,005,882	1,942,711
Available-for-sale securities	22.2	(761,937)	(105,681)
Non-banking assets	22.3	282,235	274,972
		1,526,180	2,112,002

	December 31, 2017	December 31, 2016
----- (Rupees in '000) -----		
22.1 Surplus on revaluation of operating fixed assets		
Balance as at January 01	2,431,040	1,338,645
Surplus recorded during the year	140,614	1,153,684
Transferred to accumulated losses in respect of:		
- Incremental depreciation - net of deferred tax	(73,703)	(39,838)
- Related deferred tax liability	(39,686)	(21,451)
	<u>(113,389)</u>	<u>(61,289)</u>
	2,458,265	2,431,040
Less: Related deferred tax liability on:		
- Revaluation as at January 01	(488,329)	(260,402)
- Recorded during the year	(3,740)	(249,378)
- Incremental depreciation	39,686	21,451
	<u>(452,383)</u>	<u>(488,329)</u>
	<u>2,005,882</u>	<u>1,942,711</u>
22.2 (Deficit) / surplus on revaluation of available-for-sale securities		
Federal Government Securities		
Market treasury bills	1,780	(25,767)
GOP ijarah sukuku	16,958	59,801
Pakistan investment bonds	(143,388)	(168,250)
Fully paid-up shares / units		
Ordinary shares - Listed	(1,073,629)	(53,079)
Units of open end mutual funds - Listed	(19,054)	1,976
Sukuku	28,302	22,733
Total deficit on revaluation of securities	(1,189,031)	(162,586)
Related deferred tax asset	427,094	56,905
	<u>(761,937)</u>	<u>(105,681)</u>
22.3 Surplus on revaluation of non-banking assets		
Balance as at January 01	423,034	-
Surplus recorded during the year	11,174	423,034
	<u>434,208</u>	<u>423,034</u>
Related deferred tax liability	(151,973)	(148,062)
	<u>282,235</u>	<u>274,972</u>
23. CONTINGENCIES AND COMMITMENTS		
23.1 Direct credit substitutes		
Including guarantees and standby letters of credit serving as financial guarantees for loans and securities		
Government	-	222,720
Financial institutions	-	-
Others	288,532	-
	<u>288,532</u>	<u>222,720</u>

	December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----	
23.2 Transaction-related contingent liabilities / commitments / guarantees issued		
Contingent liability in respect of performance bonds, bid bonds, shipping guarantees and standby letters of credit favouring:		
Government	14,608,761	12,719,385
Banking companies and other financial institutions	1,605,724	1,522,881
Others	5,853,923	7,772,523
	<u>22,068,408</u>	<u>22,014,789</u>
23.3 Trade-related contingent liabilities		
Letters of credit	14,839,940	20,950,933
Acceptances	1,276,921	1,423,278
	<u>16,116,861</u>	<u>22,374,211</u>
23.4 Other contingencies - claims against the Group not acknowledged as debts	<u>7,464,043</u>	<u>6,993,573</u>
23.5 Contingent asset		
There was no contingent asset as at December 31, 2017 (December 31, 2016 : Nil).		
23.6 Commitments in respect of forward lending		
Forward documentary bills	3,639,137	3,537,409
Commitments to extend credit	17,392,426	10,890,126
	<u>21,031,563</u>	<u>14,427,535</u>
23.7 Commitments in respect of forward exchange contracts		
Purchase	5,484,447	9,132,872
Sale	4,303,310	8,141,786
	<u>9,787,757</u>	<u>17,274,658</u>
23.8 Commitments for capital expenditure		
Civil works and others	455,583	96,167
23.9 Commitments in respect of repo transactions		
Repurchase government securities	40,243,259	24,423,287
Total contingencies and commitments	<u>117,456,006</u>	<u>107,826,940</u>
23.10 For tax related contingencies, refer note 31.2		
24. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to:		
Customers	5,760,817	5,348,363
On investments in:		
Available-for-sale securities	4,520,054	5,151,047
On lendings to financial institutions	335,125	110,345
On deposits with financial institutions	16,458	19,492
	<u>10,632,454</u>	<u>10,629,247</u>

		December 31, 2017	December 31, 2016
	Note	----- (Rupees in '000) -----	
25. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits and other accounts		4,585,514	4,463,831
Securities sold under repurchase agreements		1,543,830	2,505,998
Other short-term borrowings		1,249,536	529,136
Sub-ordinated loan		140,872	143,623
Swap cost on foreign currency transactions		225,299	210,477
		<u>7,745,051</u>	<u>7,853,065</u>
26. GAIN ON SALE OF SECURITIES - net			
Federal Government Securities			
- Market treasury bills		546	11,085
- Pakistan investment bonds		110,169	645,600
- GOP ijarah sukuku		422	2,750
Ordinary shares		255,820	504,302
Units of open end mutual funds		-	26,087
		<u>366,957</u>	<u>1,189,824</u>
27. OTHER INCOME			
Bad debts recovered		2,243	1,833
Account maintenance and other relevant charges		53,916	43,091
Recovery of expenses from customers		38,992	36,646
Rent of property / locker		26,578	24,721
Gain / (Loss) on sale of non-banking assets	27.1	350	(4,648)
		<u>122,079</u>	<u>101,643</u>
27.1	The Group realised a gain of Rs. 0.35 million (December 31, 2016: Loss of Rs. 4.65 million) against the sale of following non-banking assets :		
Shops located in Karachi		-	20,620
Flats located in Karachi		-	595
Building located in Karachi		-	(23,869)
Residential property located in Lahore		-	(3,144)
Club memberships		350	1,150
		<u>350</u>	<u>(4,648)</u>
28. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		2,289,809	2,182,670
Charge for defined benefit plan - gratuity	35.1.3	64,058	69,216
Contribution to defined contribution scheme	35.2 & 35.5	79,516	71,373
Non-executive directors' fees, allowances and other expenses		3,900	2,600
Brokerage and commission		39,489	52,416
Rent, taxes, insurance and electricity, etc.		1,294,428	1,238,499
Legal and professional		130,749	137,145
Fees and subscription		99,175	97,742
Repairs and maintenance		187,126	211,860
Communications		211,989	203,482
Stationery and printing		113,258	101,190
Advertisement and publicity		229,014	204,232
Travelling and conveyance		175,553	212,059
Education and training		12,974	11,780
Entertainment		44,094	51,505
Security services and charges		279,452	251,642
Auditors' remuneration	28.1	12,357	17,482
Depreciation on non banking assets		29,611	21,491
Depreciation on operating fixed assets	12.2	706,823	620,229
Amortisation	12.3	61,752	49,864
Others		100,199	94,098
		<u>6,165,326</u>	<u>5,902,575</u>

		December 31, 2017	December 31, 2016
	Note	----- (Rupees in '000) -----	
28.1 Auditors' remuneration			
Audit fee		3,396	3,368
Certifications, half yearly review, sundry advisory services		6,962	9,706
Tax services		643	1,908
		<u>11,001</u>	<u>14,982</u>
Out of pocket expenses and others		1,356	2,500
	28.2	<u>12,357</u>	<u>17,482</u>
28.2	Last year figures include certain expenses which pertained to ex-auditors.		
29. OTHER PROVISIONS / WRITE OFFS			
Fixed assets written off	12.3 & 12.4	12,167	18,220
Provision / (Reversal of provision) against other assets	14.3	63,833	(4,500)
Provision for advances against computer software	12.1	18,061	54,802
Provision against fixed asset	12.2	5,670	-
Write off against civil works and related payments	12.1	-	3,300
		<u>99,731</u>	<u>71,822</u>
30. OTHER CHARGES			
Penalties imposed by SBP		42,814	28,799
Penalties imposed by others		755	-
Bank charges		22,759	15,917
Provision for Workers' Welfare Fund		-	(1,157)
		<u>66,328</u>	<u>43,559</u>
31. TAXATION			
For the year			
Current	31.1 & 31.2	175,590	132,029
Deferred		220,616	118,557
		<u>396,206</u>	<u>250,586</u>
31.1	This represents the provision for minimum taxation made by the Group in accordance with the requirements of section 113 of the Income Tax Ordinance, 2001 and provision for normal tax on turnover and on income chargeable under Final Tax Regime (FTR) under the Income Tax Ordinance, 2001. Therefore, reconciliation of tax expense and accounting loss has not been disclosed.		
31.2	The Income Tax Returns of the Bank and its subsidiary have been submitted up to and including the financial year ended December 31, 2016 i.e. tax year 2017.		
	In respect of assessments of Summit Bank Limited from tax year 2008 to tax year 2013, the tax authorities disputed Bank's treatment on certain issues and created additional tax demand (net of rectification) of Rs.230.52 million through amended assessment orders and the same have been paid / adjusted against available refunds.		
	In respect of assessments of ex-My Bank Limited (now Summit Bank Limited) from tax year 2003 to tax year 2011, the tax authorities disputed Bank's treatment on certain issues and created additional tax demand of Rs.456.62 million through amended assessment orders and the same have been paid / adjusted against available refunds.		
	In respect of assessments of ex-Atlas Bank Limited (now Summit Bank Limited) from tax year 2003 to tax year 2010, the tax authorities disputed Bank's treatment on certain issues and created additional tax demand of Rs.89.74 million through amended assessment orders and the same have been paid/adjusted against available refunds.		
	Such issues mainly include disallowances of mark-up payable, taxation of mutual fund distribution at corporate tax rate, disallowance of provision against non-performing loans, disallowance of reversal of provisions, allocation of expenses against dividend income and capital gain, disallowances against non-banking assets etc.		
	The Bank has filed appeals before the various appellate forums against these amended assessment orders which are either pending for hearing or order.		
	The management of the Bank is confident about the favourable outcome of the appeals hence, no provision / adjustment with respect to the above matters has been made in these consolidated financial statements.		

		December 31, 2017	December 31, 2016
	Note	----- (Rupees in '000) -----	
32. BASIC AND DILUTED LOSS PER SHARE			
Loss after taxation		<u>(1,127,355)</u>	<u>(2,191,479)</u>
		----- (Number of shares) -----	
32.1 Weighted average number of Ordinary shares - basic		<u>2,256,765,412</u>	<u>2,168,966,634</u>
		----- (Rupees) -----	
Basic loss per share		<u>(0.50)</u>	<u>(1.01)</u>
		----- (Number of shares) -----	
32.2 Weighted average number of Ordinary shares - diluted		<u>2,638,151,060</u>	<u>2,494,301,379</u>
		----- (Rupees) -----	
Diluted loss per share	32.2.1	<u>(0.50)</u>	<u>(1.01)</u>

32.2.1 Diluted loss per share has been reported same as basic loss per share in these consolidated financial statements, as the impact of potential ordinary shares is anti-dilutive.

		December 31, 2017	December 31, 2016
	Note	----- (Rupees in '000) -----	
33. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	7	<u>13,556,734</u>	12,786,629
Balances with other banks	8	<u>2,440,437</u>	2,582,694
Overdrawn nostro accounts	16.2	<u>(33,311)</u>	(3,856)
		<u>15,963,860</u>	<u>15,365,467</u>
		----- (Number) -----	
34. STAFF STRENGTH			
Permanent		<u>2,262</u>	2,343
Contractual basis		<u>202</u>	292
Group's own staff strength at end of the year		<u>2,464</u>	2,635
Outsourced		<u>449</u>	454
Total staff strength		<u>2,913</u>	<u>3,089</u>
Average staff strength during the year		<u>3,001</u>	2,999
		----- (Rupees in '000) -----	
35. DEFINED BENEFIT AND CONTRIBUTION PLANS			
Defined benefit plan (funded - Bank)	35.1	<u>50,531</u>	<u>49,368</u>
Defined contribution plan (funded - Bank)	35.2	<u>76,593</u>	<u>69,081</u>
Compensated absences (non- funded - Bank)	35.3	<u>104,448</u>	<u>98,304</u>
Defined benefit plan (funded - subsidiary)	35.4	<u>-</u>	<u>-</u>
Defined contribution plan (funded - subsidiary)	35.5	<u>2,923</u>	<u>2,292</u>
Compensated absences (non- funded - subsidiary)	35.6	<u>4,481</u>	<u>3,670</u>

35.1 Defined benefit plan

The Bank maintains a funded gratuity plan under which benefits are payable to eligible employees on retirement or on cessation of services in lump sum. The benefit is equal to one month's last drawn basic salary for each year of confirmed service, subject to a minimum of five years of service. Latest actuarial valuation was carried out as at December 31, 2017 using "Projected Unit Credit Method".

	December 31, 2017	December 31, 2016
Principal actuarial assumptions		
Discount rate - per annum	8.25%	8.00%
Expected rate of increase in salaries - per annum - long term	7.25%	7.00%
Expected rate of return on plan assets - per annum	8.25%	8.00%
Withdrawal rates	High	High
Mortality rates	Adjusted SLIC 2001-05	Adjusted SLIC 2001-05
----- (Rupees in '000) -----		
35.1.1 The amount recognised in the statement of financial position is as follows:		
Present value of defined benefit obligations	344,077	296,204
Fair value of plan assets	<u>(293,546)</u>	<u>(246,836)</u>
Net liability	<u>50,531</u>	<u>49,368</u>
35.1.2 Movement in net liability recognised by the Bank		
Opening balance	49,368	58,675
Charge for the year	63,214	68,469
Other comprehensive income	(12,683)	(19,101)
Contribution to fund	<u>(49,368)</u>	<u>(58,675)</u>
Closing balance	<u>50,531</u>	<u>49,368</u>
35.1.3 Charge for the year		
Current service cost	61,304	63,188
Interest cost - net	22,742	22,566
Expected return on plan assets	<u>(20,832)</u>	<u>(17,285)</u>
	<u>63,214</u>	<u>68,469</u>
35.1.4 Actual return on plan assets		
Expected return on plan assets	20,832	17,285
Actuarial losses on plan assets	<u>(1,244)</u>	<u>(2,988)</u>
	<u>19,588</u>	<u>14,297</u>
35.1.5 Movement in present value of defined benefit obligation (DBO)		
DBO as at beginning of the year	296,204	268,932
Current service cost	61,304	63,188
Interest cost - net	22,742	22,566
Benefits paid during the year	(22,246)	(36,393)
Actuarial gain on obligation	<u>(13,927)</u>	<u>(22,089)</u>
DBO as at end of the year	<u>344,077</u>	<u>296,204</u>
35.1.6 Changes in fair value of plan assets		
Opening fair value of plan assets	246,836	210,257
Expected return	20,832	17,285
Actuarial loss	(1,244)	(2,988)
Contribution by employer	49,368	58,675
Benefit paid	<u>(22,246)</u>	<u>(36,393)</u>
Closing fair value of plan assets	<u>293,546</u>	<u>246,836</u>

The expected charge for defined benefit scheme in financial year 2018 is Rs.61.289 million (December 31, 2016: Rs.59.429 million for financial year 2017) according to actuarial recommendation.

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

	December 31, 2017		December 31, 2016	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
35.1.7 Break-up of category of assets				
Pakistan investment bonds	254,187	87	-	-
Bank deposits	36,203	12	246,836	100
Markup / Profit receivable	3,156	1	-	-
	<u>293,546</u>	<u>100</u>	<u>246,836</u>	<u>100</u>

35.1.8 Sensitivity analysis on significant actuarial assumptions: Actuarial liability

	Change in assumption	Impact on present value of defined benefit obligation	
		Increase in assumption	Decrease in assumption
----- (Rupees in '000) -----			
Discount rate	± 1 %	(23,134)	26,404
Salary increase rate	± 1 %	28,239	(25,130)
Withdrawal rate	± 10 %	28	(101)
1 year mortality age set	Back / forward	(74)	73

	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
----- (Rupees in '000) -----					
35.1.9 Historical information					
Present value of defined benefit obligation	344,077	296,204	268,932	214,151	171,269
Plan assets	<u>(293,546)</u>	<u>(246,836)</u>	<u>(210,257)</u>	<u>(191,840)</u>	<u>(120,881)</u>
	<u>50,531</u>	<u>49,368</u>	<u>58,675</u>	<u>22,311</u>	<u>50,388</u>
Experience adjustments					
- actuarial gain on obligation	<u>(13,927)</u>	<u>(22,089)</u>	<u>(25)</u>	<u>(10,058)</u>	<u>(2,162)</u>
- actuarial loss on plan assets	<u>1,244</u>	<u>2,988</u>	<u>4,290</u>	<u>1,703</u>	<u>1,977</u>

35.2 Defined contribution plan

An amount of Rs.76.59 million (December 31, 2016: Rs. 69.08 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 or at the time of their final settlement. The benefit is equal to a maximum of 45 days gross salary subject to availability of privilege leaves balance. The actuarial valuation of the unfunded scheme is carried out periodically. Latest actuarial valuation was carried out as at December 31, 2017 using "Projected Unit Credit Method".

	December 31, 2017	December 31, 2016
35.3.1 Principal actuarial assumptions		
Discount rate - per annum	8.25%	8.00%
Expected rate of salary increase - per annum - long term	7.25%	7.00%
Leave accumulation factor - per annum	10 days	10 days
Withdrawal rates	High	High
Mortality rates	Adjusted SLIC 2001-05	Adjusted SLIC 2001-05
35.3.2 The amount recognised in the statement of financial position is as follows:	----- (Rupees in '000) -----	
Present value of defined benefit obligations	<u>104,448</u>	<u>98,304</u>
35.3.3 Movement in net liability recognised by the Bank		
Opening balance	98,304	97,728
Charge for the year	11,627	7,356
Benefits paid during the year	<u>(5,483)</u>	<u>(6,780)</u>
Closing balance	<u>104,448</u>	<u>98,304</u>
35.3.4 Charge for the year		
Current service cost	<u>11,627</u>	<u>7,356</u>
35.3.5 Movement in present value of defined benefit obligation (DBO)		
DBO as at beginning of the year	98,304	97,728
Current service cost	11,627	7,356
Benefits paid during the year	<u>(5,483)</u>	<u>(6,780)</u>
DBO as at end of the year	<u>104,448</u>	<u>98,304</u>
35.3.6 Sensitivity analysis on significant actuarial assumptions: Actuarial liability		
		Impact on present value of defined benefit obligation
	Change in assumption	Increase in assumption
		Decrease in assumption
		----- (Rupees in '000) -----
Discount rate	± 1 %	(6,320)
Salary increase rate	± 1 %	7,730
Withdrawal rate	± 10 %	134
Death rate	± 10 %	20
Leave accumulation factor	± 1 day	267

35.4 Gratuity payable - defined benefit plan (subsidiary)

35.4.1 General description

The Subsidiary has a gratuity fund that has been recognized by the Income Tax Authorities under Part III of Sixth Schedule to the Income Tax Ordinance, 2001 on November 03, 2007. The trust deed for the fund has been duly executed on July 12, 2007.

The cost of providing benefits under gratuity fund is determined using the Projected Unit Credit method, with actuarial valuation being carried out as at balance sheet date. The latest valuation was carried out as at December 31, 2017.

	December 31, 2017	December 31, 2016
35.4.2 Principal actuarial assumption	----- % -----	
The following principal assumptions were used for the valuation:		
Estimated rate of increase in salary of the employees - per annum	9.25	7.25
Expected rate of return on plan assets - per annum	9.25	7.25
Discount rate - per annum	9.25	7.25
35.4.3 Reconciliation of payable to / (receivable from) defined benefit plan	----- (Rupees in '000) -----	
Present value of defined benefit obligation	10,178	7,627
Fair value of plan assets	(10,178)	(7,627)
Assets / Liability recognised in statement of financial position	-	-
35.4.4 Movement in net liability recognised		
Opening net (asset) / liability	-	-
Charge for the year	844	747
Other Comprehensive Income	1,214	520
Contributions paid to the fund during the year	(2,058)	(1,267)
Closing net (asset) / liability	-	-
35.4.5 Expense recognised in the profit and loss account		
Current service cost	919	821
Interest cost - net	(75)	(74)
	844	747

35.4.6 Sensitivity analysis on significant actuarial assumptions

	Change in assumption	Impact on present value of defined benefit obligation	
		Increase in assumption	Decrease in assumption
----- (Rupees in '000) -----			
Discount Rate	± 1 %	9.138	11.393
Salary Increase Rate	± 1 %	11.433	9.087
Withdrawal rate	± 1 %	10.140	10.216
1 year mortality age set	Back/Forward	10.181	10.175

35.5 Defined contribution scheme (subsidiary)

An amount of Rs. 2.923 million (December 31, 2016: Rs. 2.292 million) has been charged during the year in respect of contributory provident fund maintained by the subsidiary.

	December 31, 2017	December 31, 2016
----- (Rupees in '000) -----		
35.6 Provision for staff compensated absences (subsidiary)		
Opening balance	3,670	2,823
Charge for the year	925	921
Encashment during the year	(114)	(74)
Closing balance	<u>4,481</u>	<u>3,670</u>

36. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
----- (Rupees in '000) -----						
Fees	-	-	3,900	2,600	-	-
Managerial remuneration	18,031	18,260	2,982	1,426	476,496	423,355
Charge for defined contribution plan	-	1,500	298	-	44,659	38,455
Rent and house maintenance	8,399	7,357	1,342	642	216,106	189,469
Utilities	1,519	1,311	298	143	45,962	40,731
Dearness allowance	2,533	2,185	497	238	76,620	67,900
Medical	1,559	1,338	298	143	46,610	41,055
Conveyance allowance	-	51	256	114	77,004	72,085
Car allowance	-	-	945	-	137,502	117,084
General / special allowance	2,422	1,510	205	169	66,234	67,949
Others	928	861	-	-	10,325	6,591
	<u>35,391</u>	<u>34,373</u>	<u>11,021</u>	<u>5,475</u>	<u>1,197,518</u>	<u>1,064,674</u>
Number of person(s)	<u>2</u>	<u>3*</u>	<u>4</u>	<u>4</u>	<u>489</u>	<u>437</u>

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

36.2 Number of persons include outgoing executives.

* This included the former President and Chief Executive of the Bank who retired during FY 2016.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The fair value of traded investments is based on quoted market prices, and have been disclosed in note 10.

Fair value of fixed term loans, 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 impairment of loans and advances has been calculated in accordance with the Group's accounting policy as stated in note 5.4.

The fair value of operating fixed assets and non-banking assets held by the Group was determined by an independent professional valuer. The valuation was arrived reference to market values and realizable values, which are determined on the basis of market intelligence, year of construction and present physical condition and location.

The effective rates and maturity and re-pricing profile are stated in notes 42.4.4, 42.5.1 and 42.5.2 respectively.

In the opinion of management, the fair value of the remaining financial assets and liabilities are either not significantly different from their carrying values or cannot be calculated with sufficient reliability.

37.1 Fair value hierarchy

December 31, 2017

Carrying Amount					Fair value			
Held-for-Trading	Available-for-Sale	Loans and Receivables	Others	Total	Level 1	Level 2	Level 3	Total

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

Financial assets measured at fair value

Investments									
- Market treasury bills	-	71,840,364	-	-	71,840,364	-	71,840,364	-	71,840,364
- Pakistan investment bonds	-	13,218,246	-	-	13,218,246	-	13,218,246	-	13,218,246
- GOP ijarah sukus	-	4,810,812	-	-	4,810,812	-	4,810,812	-	4,810,812
- Ordinary shares - Listed	59,486	2,147,513	-	-	2,206,999	2,206,999	-	-	2,206,999
- Ordinary shares - Unlisted	-	13,475	-	-	13,475	-	-	13,475	13,475
- Units of open end mutual funds - Listed	-	68,806	-	-	68,806	68,806	-	-	68,806
- Preference shares - Unlisted	-	37,056	-	-	37,056	-	37,056	-	37,056
- Term Finance Certificates and Sukus	-	2,827,850	-	-	2,827,850	1,089,633	1,738,217	-	2,827,850
	59,486	94,964,122	-	-	95,023,608	3,365,438	91,644,695	13,475	95,023,608

Financial assets not measured at fair value

(refer note 37.2)

Cash and bank balances with treasury banks	-	-	13,556,734	-	13,556,734	-	-	-	-
Balances with other banks	-	-	2,440,437	-	2,440,437	-	-	-	-
Lendings to financial institutions	-	-	10,671,003	-	10,671,003	-	-	-	-
Advances	-	-	85,522,644	-	85,522,644	-	-	-	-
Other assets	-	-	2,181,320	-	2,181,320	-	-	-	-
	-	-	114,372,138	-	114,372,138	-	-	-	-

Non-financial assets measured at fair value

Operating fixed assets	-	-	-	6,769,281	6,769,281	-	6,769,281	-	6,769,281
Other assets	-	-	-	4,541,147	4,541,147	-	4,541,147	-	4,541,147
	-	-	-	11,310,428	11,310,428	-	11,310,428	-	11,310,428
	59,486	94,964,122	114,372,138	11,310,428	220,706,174	3,365,438	102,955,123	13,475	106,334,036

Financial liabilities not measured at fair value

(refer note 37.2)

Deposits and other accounts	-	-	-	145,606,731	145,606,731	-	-	-	-
Bills payable	-	-	-	3,065,379	3,065,379	-	-	-	-
Borrowings	-	-	-	67,307,766	67,307,766	-	-	-	-
Sub-ordinated loans	-	-	-	1,495,860	1,495,860	-	-	-	-
Other liabilities	-	-	-	4,494,151	4,494,151	-	-	-	-
	-	-	-	221,969,887	221,969,887	-	-	-	-

Commitments in respect of forward exchange contracts

Forward purchase of foreign exchange	-	-	-	5,484,447	5,484,447	-	5,672,541	-	5,672,541
Forward sale of foreign exchange	-	-	-	4,303,310	4,303,310	-	4,404,467	-	4,404,467

December 31, 2016

Carrying Amount					Fair value			
Held-for-Trading	Available-for-Sale	Loans and Receivables	Others	Total	Level 1	Level 2	Level 3	Total

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

Financial assets measured at fair value

Investments									
- Market treasury bills	-	57,360,077	-	-	57,360,077	-	57,360,077	-	57,360,077
- Pakistan investment bonds	-	24,691,214	-	-	24,691,214	-	24,691,214	-	24,691,214
- GOP ijarah sukuk	-	2,613,180	-	-	2,613,180	-	2,613,180	-	2,613,180
- Ordinary shares - Listed	391,787	2,717,555	-	-	3,109,342	3,109,342	-	-	3,109,342
- Ordinary shares - Unlisted	-	23,310	-	-	23,310	-	-	23,310	23,310
- Units of open end mutual funds - Listed	-	86,977	-	-	86,977	86,977	-	-	86,977
- Preference shares - Unlisted	-	-	-	-	-	-	-	-	-
- Term Finance Certificates and Sukuks	-	2,480,850	-	-	2,480,850	948,070	1,532,780	-	2,480,850
	391,787	89,973,163	-	-	90,364,950	4,144,389	86,197,251	23,310	90,364,950

Financial assets not measured at fair value

(refer note 37.2)

Cash and bank balances with treasury banks	-	-	12,786,629	-	12,786,629	-	-	-	-
Balances with other banks	-	-	2,582,694	-	2,582,694	-	-	-	-
Lendings to financial institutions	-	-	1,631,583	-	1,631,583	-	-	-	-
Advances	-	-	79,844,271	-	79,844,271	-	-	-	-
Other assets	-	-	5,193,575	-	5,193,575	-	-	-	-
	-	-	102,038,752	-	102,038,752	-	-	-	-

Non-financial assets measured at fair value

Operating fixed assets	-	-	-	6,775,613	6,775,613	-	6,775,613	-	6,775,613
Other assets	-	-	-	3,987,991	3,987,991	-	3,987,991	-	3,987,991
	-	-	-	10,763,604	10,763,604	-	10,763,604	-	10,763,604
	391,787	89,973,163	102,038,752	10,763,604	203,167,306	4,144,388	96,960,855	23,310	101,128,554

Financial liabilities not measured at fair value

(refer note 37.2)

Deposits and other accounts	-	-	-	142,735,727	142,735,727	-	-	-	-
Bills payable	-	-	-	5,061,470	5,061,470	-	-	-	-
Borrowings	-	-	-	49,819,840	49,819,840	-	-	-	-
Sub-ordinated loans	-	-	-	1,496,550	1,496,550	-	-	-	-
Other liabilities	-	-	-	2,755,626	2,755,626	-	-	-	-
	-	-	-	201,869,213	201,869,213	-	-	-	-

Commitments in respect of forward exchange contracts

Forward purchase of foreign exchange	-	-	-	9,132,872	9,132,872	-	9,046,390	-	9,046,390
Forward sale of foreign exchange	-	-	-	8,141,786	8,141,786	-	8,105,242	-	8,105,242

37.2 The Group has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature and/or repriced periodically and/or not determinable with sufficient reliability. Therefore, their carrying amounts are considered as reasonable approximation of fair value.

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 / Others	Total
----- (Rupees in '000) -----						
December 31, 2017						
Total income	47,775	5,907,083	774,245	6,337,300	148,434	13,214,837
Total expenses	21,540	4,234,891	4,478,324	5,151,323	59,908	13,945,986
Net income / (loss) before tax	26,235	1,672,192	(3,704,079)	1,185,977	88,526	(731,149)
Segment assets (gross)	98,370	112,436,443	22,422,441	113,931,843	380,791	249,269,888
Segment non performing loans	-	-	1,025,761	16,039,823	-	17,065,584
Segment provision	-	1,745,211	837,818	13,660,068	-	16,243,097
Segment assets (net)	98,370	110,691,232	21,584,623	100,271,775	380,791	233,026,791
Segment liabilities	10,879	48,567,561	1,933,551	167,858,238	3,599,658	221,969,887
Segment return on assets (ROA) (%)	26.67	1.51	(17.16)	1.18	23.25	
Segment cost of funds (%)	198.00	8.72	231.61	3.07	1.66	
----- (Rupees in '000) -----						
December 31, 2016						
Total income	42,527	6,591,535	1,380,847	5,723,201	116,420	13,854,530
Total expenses	17,176	4,280,345	4,531,775	6,911,268	54,859	15,795,423
Net income / (loss) before tax	25,351	2,311,190	(3,150,928)	(1,188,067)	61,561	(1,940,893)
Segment assets (gross)	81,174	107,829,581	23,979,477	99,196,308	406,867	231,493,407
Segment non performing loans	-	-	1,429,330	15,289,690	-	16,719,020
Segment provision	-	1,764,488	1,092,960	13,649,900	-	16,507,348
Segment assets (net)	81,174	106,065,093	22,886,517	85,546,408	406,867	214,986,059
Segment liabilities	6,952	32,375,318	68,966,855	95,748,955	5,242,756	202,340,836
Segment return on assets (ROA) (%)	31.23	2.18	(13.77)	(1.39)	15.13	
Segment cost of funds (%)	247.07	13.22	6.57	7.22	1.05	

39. TRUST ACTIVITIES

The Group is not engaged in any significant trust activities. However, it acts as trustee in certain transactions in its normal course of business.

40. RELATED PARTY TRANSACTIONS

The Group has related party transactions with its parent company and entities having directors in common with the Group, 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, 2017				December 31, 2016			
	Key management personnel	Directors	Parent company	Other related parties	Key management personnel	Directors	Parent company	Other related parties
----- (Rupees in '000) -----								
Advances								
Balance at beginning of the year	324,233	-	-	1,078,078	224,353	-	-	1,924,931
Disbursements / granted during the year	293,128	-	-	3,889,335	147,067	-	-	6,509,216
Payment received during the year	(207,827)	-	-	(3,754,360)	(47,187)	-	-	(7,356,069)
Balance at end of the year	409,534	-	-	1,213,053	324,233	-	-	1,078,078
Deposits								
Balance at beginning of the year	20,770	45,147	-	501,960	22,295	38,545	-	559,432
Deposits during the year	595,492	82,026	-	7,583,680	497,407	1,668,944	-	25,614,336
Withdrawal / adjustments during the year	(548,971)	(94,914)	-	(7,225,130)	(498,932)	(1,662,342)	-	(25,671,808)
Balance at end of the year	67,291	32,259	-	860,510	20,770	45,147	-	501,960
Other balances								
Advance against subscription of shares	-	-	-	-	-	-	1,157,670	-
Convertible preference shares	-	-	-	-	-	50,000	1,109,361	-
Shares issued during the year	-	137,541	5,060,450	-	-	-	-	-
Investment in shares / TFC's	-	-	-	277,781	-	-	-	528,005
Other receivable	4,821	-	488	45,882	5,535	-	255	1,309
Other payable	-	-	-	1,369	-	-	-	393
Mark-up receivable	825	-	-	19,981	-	-	-	16,336
Mark-up payable	168	85	-	1,175	36	129	-	2,775
Contingencies and Commitments								
Guarantees, letters of credit and acceptances	-	-	-	869,683	-	-	-	345,722
Commitments to extend credit	548	-	-	547,957	-	-	-	-
Transactions, income and expenses								
Purchase of investments	-	-	-	539,728	-	-	-	334,410
Disposal of investments	-	-	-	566,853	-	-	-	82,003
Capital work-in-progress	-	-	-	-	-	-	-	1,295
Purchase of assets	-	-	-	-	-	-	-	3,147
Advertisement and publicity	-	-	-	95	-	-	-	152
Brokerage income	690	-	-	-	437	-	-	-
Subscription paid	3,095	-	-	21,471	4,634	-	-	20,405
Education and training	-	-	-	5,119	-	-	-	1,313
Capital (loss) / gain	-	-	-	(9,244)	-	-	-	3,052
Dividend income	-	-	-	1,350	-	-	-	905
Contribution to the provident fund	-	-	-	79,516	-	-	-	71,373
Contribution to the gratuity fund	-	-	-	64,058	-	-	-	69,216
Remuneration paid	216,086	-	-	-	227,704	15,000	-	-
Post employment benefits	6,657	-	-	-	8,166	1,500	-	-
Mark-up earned	28,293	-	-	61,015	14,836	-	-	59,157
Mark-up expensed	764	952	-	26,968	934	1,763	-	32,361
Rental expense	-	-	-	29,790	-	-	-	26,875
Repair and maintenance charges	-	-	-	-	-	-	-	5,561
Provision for diminution in the value of Investment	-	-	-	267,933	-	-	-	65,170
Gain on disposal of assets	-	-	-	-	100	-	-	-
Fees paid	-	3,900	-	-	-	2,600	-	-

41. CAPITAL ASSESSMENT AND ADEQUACY - BASEL III SPECIFIC

41.1 Capital 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 the business of equity and money market brokerage, interbank foreign exchange brokerage, commodity brokerage and research.

The State Bank of Pakistan (SBP) has introduced new guidelines with respect to disclosure of capital adequacy related information in the financial statements of banks vide its communication dated November 05, 2014. These disclosures are based on the requirements of Basel III which were introduced earlier by the SBP in August 15, 2013 for implementation by banks in Pakistan. Basel III instructions have become effective from December 31, 2013. However, there is a transitional phase for implementation of Basel III requirements whereas the complete requirements would become applicable with full implementation by December 31, 2019.

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

- a) Tier 1 capital (going concern capital, which comprises Common Equity Tier 1 (CET1) and Additional Tier 1 (AT1) capital), which includes fully paid up capital, balance in share premium account net of discount on issue of shares, general reserves and un-appropriated/accumulated losses. Moreover, regulatory deductions pertaining to book value of intangibles, deferred tax assets and reciprocal crossholdings are made from Tier 1 capital as per the applicable Basel III guidelines.
- b) Tier 2 Capital (going concern capital), which includes general provisions for loan losses (upto a maximum of 1.25% of credit risk weighted assets), reserves on revaluation of fixed assets and available for sale investments after deduction of deficit on available for sale investments (as per Basel III requirement). The outstanding sub-ordinated debt/TFC of the Bank has not been included in Tier-2 capital as of December 31, 2017 because the said TFC has less than one year remaining maturity (maturing on October 26, 2018) and therefore not eligible as Tier 2 capital as per the applicable Basel III guidelines.

Banking operations are categorized in either the trading book or the banking book and risk weighted assets are determined according to the specified requirements that seek to reflect the varying levels of risks attached to assets and off balance sheet exposures.

Market Discipline (Pillar III) comprises disclosures on the capital adequacy and risk management framework of the Group. These disclosures have been set out in notes 41 to 42 to the financial statements.

Pillar III disclosures apply to Summit Bank Limited and consolidated entity, wherein Summit Bank Limited is the controlling entity in the consolidated group. Consolidation for capital adequacy is based on consolidated financial statements of the Bank and its subsidiary in line with the international accounting standards and guidelines for consolidation.

41.1.2 Capital structure

The total regulatory capital of the Group for capital adequacy purposes comprises:

Tier I Capital

Tier 1 capital amounted to Rs. 5.341 billion and comprised of ordinary share capital (CET1) with limited liability to its shareholders, share premium reserve less discount on issue of shares, general reserves and accumulated losses after applicable regulatory deductions.

Tier 2 Capital

Tier 2 capital amounted to Rs. 1.137 billion and comprised of general provisions for loan losses (upto a maximum of 1.25% of credit risk weighted assets), reserves on revaluation of fixed assets and available for sale investments after deduction of deficit on available for sale investments (as per Basel III requirements) after applicable regulatory deductions.

41.1.3 Capital management and capital adequacy

The Group manages its capital to meet regulatory requirements as well as for current and future business needs considering the risks involved in its business, expectation of shareholders and investors, and the available options for raising capital.

The capital management framework of the Group is administered by the Finance Group and Risk Management Group under the supervision of the Board of Directors. The Group is fully committed to meet capital requirements as per the SBP's Basel III guidelines and taking necessary steps for the same.

The Group was subject to the Basel II capital adequacy guidelines stipulated by the State Bank of Pakistan under BSD Circular No. 8 of 2006. The State Bank of Pakistan issued Basel III guidelines vide its BPRD Circular No. 6 of 2013 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 that minimum regulatory capital to risk weighted assets ratio would be 12.50%, while minimum common equity Tier 1 (CET 1) and minimum Tier 1 ratios would be 6.00% and 7.50% of the risk weighted assets, respectively. As per the transition table, at December 31, 2017, the Bank is required to maintain minimum common equity capital ratio (CET 1) of 6.00%, minimum Tier 1 capital ratio of 7.50% and minimum total capital ratio (CAR) of 11.275% (inclusive of Capital Conservation Buffer of 1.275%).

As on December 31, 2017, the Group's CAR stood at 5.24%, while CET-1 and Tier-1 capital ratios stood at 4.32% which are lower than the minimum capital ratios prescribed by the SBP as explained above. The management of the Bank is taking various steps to comply with applicable minimum capital requirements. In this respect, a business plan has been put in place which has been approved by the Board of Directors and aims to improve Bank's capital base and risk absorption capacity and to provide impetus to its future growth initiatives. This plan indicates future profitable operations based on various assumptions as explained in note 1.5. Moreover in light of the decision / approval of the Board and the Shareholders of the Bank for the proposed amalgamation of the Bank with and into Sindh Bank Limited, the management is currently in the process of completing various requirements/formalities for obtaining approval of the SBP and aims to complete the proposed amalgamation transaction at the earliest. The Group's management is confident that compliance with applicable regulatory capital requirements would be achieved through the materialization of business plan and completion of proposed amalgamation transaction and taking all the necessary steps for the same. Furthermore, Bank's sponsor has committed to meet any capital shortfall of the Bank as and when decided by the Board of Directors of the Bank.

Internal assessment of capital

The Group's capital management framework includes a comprehensive Internal Capital Adequacy Assessment Process (ICAAP) conducted annually which determines the adequate level of capitalization for the Group to meet regulatory requirements and current and future business needs under stress scenarios.

The ICAAP encompasses capital planning, identification and measurement of material risks and the relationship between risks 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 Group's risk profile and capital position. Bank conducts stress tests on Group's various portfolios and assesses the impact on its capital ratios and adequacy.

Monitoring and reporting

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

Risk exposure and assessment

As a financial intermediary, the Group is exposed to various types of risks including credit, market, liquidity, operational, strategic, credit concentration, interest rate risk in banking book, legal, compliance and reputation risks. The objective of the risk management framework at the Group 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 Group follows the comprehensive approach for credit risk, maturity method for market risk and basic indicator approach for operational risk.

41.2 Capital Adequacy Ratio (CAR) disclosure:

	December 31, 2017	December 31, 2016
----- (Rupees in '000) -----		
CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2017		
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully paid-up capital / capital deposited with SBP	26,381,510	19,641,533
2 Balance in Share Premium Account	1,000,000	1,000,000
3 Reserve for issue of Bonus Shares	-	-
4 Discount on issue of shares	(5,881,316)	(1,297,298)
5 General / statutory reserves	(1,425,043)	(1,425,043)
6 Gain / (losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated / unremitted profits / (losses)	(10,544,427)	(9,541,930)
8 Minority interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
9 CET 1 before regulatory adjustments	9,530,724	8,377,262
10 Total regulatory adjustments applied to CET1 (Note 41.2.1)	(4,190,193)	(1,268,023)
11 Common Equity Tier 1	5,340,531	7,109,239
Additional Tier 1 (AT 1) Capital		
12 Qualifying Additional Tier-1 capital instruments plus any related share premium	-	2,155,959
13 of which: Classified as equity	-	-
14 of which: Classified as liabilities	-	-
15 Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
16 of which: instrument issued by subsidiaries subject to phase out	-	-
17 AT1 before regulatory adjustments	-	2,155,959
18 Total regulatory adjustment applied to AT1 capital (Note 41.2.2)	-	-
19 Additional Tier 1 capital after regulatory adjustments	-	2,155,959
20 Additional Tier 1 capital recognized for capital adequacy	-	1,938,883
21 Tier 1 Capital (CET1 + admissible AT1) (11+20)	5,340,531	9,048,122
Tier 2 Capital		
22 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
23 Tier 2 capital instruments subject to phase-out arrangement issued under pre-Basel 3 rules	-	838,310
24 Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
25 of which: instruments issued by subsidiaries subject to phase out	-	-
26 General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	30,250	49,075
27 Revaluation Reserves (net of taxes)	-	-
28 of which: Revaluation reserves on fixed assets	1,785,236	1,515,315
29 of which: Unrealized gains/losses on AFS	(678,122)	(82,431)
30 Foreign Exchange Translation Reserves	-	-
31 Undisclosed/Other Reserves (if any)	-	-

	December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----	
32	1,137,364	2,320,268
33	-	-
34	1,137,364	2,320,268
35	1,137,364	2,320,268
36	-	217,076
37	1,137,364	2,537,344
38	6,477,895	11,585,466
39	123,580,565	112,881,324
	Capital Ratios and buffers (in percentage of risk weighted assets)*	
40	4.32%	6.30%
41	4.32%	8.02%
42	5.24%	10.26%
43		
44	7.275%	6.65%
45	1.275%	0.65%
46	-	-
47	-	-
	National minimum capital requirements prescribed by SBP	
48	6.00%	6.00%
49	7.50%	7.50%
50	11.275%	10.65%

* Comparative CAR figures as of December 31,2016 included the positive impact of certain relaxations allowed by SBP for the calculations of CAR and LR.

	December 31, 2017	December 31, 2016
	Amount	Amount
	Amounts subject to Pre- Basel III treatment	
	----- (Rupees in '000) -----	
Regulatory Adjustments and Additional Information		
41.2.1 Common Equity Tier 1 capital: Regulatory adjustments		
1	-	-
2	202,197	252,711
3	-	-
4	3,282,843	779,984
5	-	-
6	16,937	25,417
7	-	-
8	-	-
9	-	-
10	-	-
11	-	-
12	-	-
13	-	12,779
14	688,216	197,132
15	-	-
16	-	-
17	-	-
18	-	-
19	-	-
20	-	-
21	-	-
22	4,190,193	5,295,264
		1,268,023
41.2.2 Additional Tier-1 & Tier-1 Capital: regulatory adjustments		
23	-	-
24	-	-
25	-	-
26	-	-
27	-	-
28	-	-
29	-	-
30	-	-

		December 31, 2017	December 31, 2016
		Amount	Amount
		Amounts subject to Pre- Basel III treatment (Rupees in '000)	
Regulatory Adjustments and Additional Information			
41.2.3 Tier 2 Capital: regulatory adjustments			
31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-
33	Investment in own Tier 2 capital instrument	-	-
34	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)	-	-
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
36	Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	-	-

		December 31, 2017	December 31, 2016
		(Rupees in '000)	
41.2.4 Additional Information			
Risk Weighted Assets subject to pre-Basel III treatment			
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	2,626,214	3,793,863
(i)	of which: deferred tax assets	2,294,775	3,310,044
(ii)	of which: Defined-benefit pension fund net assets	-	-
(iii)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	331,439	483,819
(iv)	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	-	-
Amounts below the thresholds for deduction (before risk weighting)			
38	Non-significant investments in the capital of other financial entities	-	-
39	Significant investments in the common stock of financial entities	-	-
40	Deferred tax assets arising from temporary differences (net of related tax liability)	1,474,064	1,202,062
Applicable caps on the inclusion of provisions in Tier 2			
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-
42	Cap on inclusion of provisions in Tier 2 under standardized approach	-	-
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	30,250	49,075
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

41.3 Capital Structure Reconciliation

Table: 41.3.1

	December 31, 2017	
	Balance sheet of the published financial statements	Under regulatory scope of consolidation
	----- (Rupees in '000) -----	
Assets		
Cash and balances with treasury banks	13,556,734	13,556,734
Balances with other banks	2,440,437	2,440,437
Lendings to financial institutions	10,671,003	10,671,003
Investments	95,023,608	95,023,608
Advances	85,522,644	85,522,644
Operating fixed assets	12,714,481	12,714,481
Deferred tax assets - net	5,332,656	5,332,656
Other assets	7,765,228	7,765,228
Total assets	233,026,791	233,026,791
Liabilities and Equity		
Bills payable	3,065,379	3,065,379
Borrowings	67,307,766	67,307,766
Deposits and other accounts	145,606,731	145,606,731
Sub-ordinated loans	1,495,860	1,495,860
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	4,494,151	4,494,151
Total liabilities	221,969,887	221,969,887
Share capital	26,381,510	26,381,510
Reserves	(6,306,359)	(6,306,359)
Accumulated losses	(10,544,427)	(10,544,427)
Minority interest	-	-
Surplus on revaluation of assets - net of deferred tax	1,526,180	1,526,180
	11,056,904	11,056,904
Total liabilities and equity	233,026,791	233,026,791

Table: 41.3.2

	December 31, 2017		
	Balance sheet of the published financial statements	Under regulatory scope of consolidation	Reference
	----- (Rupees in '000) -----		
Assets			
Cash and balances with treasury banks	13,556,734	13,556,734	
Balances with other banks	2,440,437	2,440,437	
Lendings to financial institutions	10,671,003	10,671,003	
Investments	95,023,608	95,023,608	
<i>of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold</i>	-	-	a
<i>of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold</i>	-	-	b
of which: Mutual Funds exceeding regulatory threshold	-	-	c
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	16,937	16,937	d
<i>of which: others (PIBs, T-Bills, Shares etc.)</i>	95,006,671	95,006,671	e
Advances	85,522,644	85,522,644	
<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>	30,250	30,250	g
Fixed assets	12,714,481	12,714,481	
of which: Intangibles	202,197	202,197	k
Deferred tax assets	5,332,656	5,332,656	
<i>of which: DTAs that rely on future profitability excluding those arising from temporary differences</i>	4,103,554	4,103,554	h
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	1,229,102	1,229,102	i
Other assets	7,765,228	7,765,228	
of which: Goodwill	-	-	j
of which: Defined-benefit pension fund net assets	-	-	l
Total assets	233,026,791	233,026,791	
Liabilities and equity			
Bills payable	3,065,379	3,065,379	
Borrowings	67,307,766	67,307,766	
Deposits and other accounts	145,606,731	145,606,731	
Sub-ordinated loans	1,495,860	1,495,860	
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	
of which: DTLs related to goodwill	-	-	o
of which: DTLs related to intangible assets	-	-	p
of which: DTLs related to defined pension fund net assets	-	-	q
of which: other deferred tax liabilities	-	-	r
Other liabilities	4,494,151	4,494,151	
Total liabilities	221,969,887	221,969,887	

	December 31, 2017		Reference
	Balance sheet of the published financial statements	Under regulatory scope of consolidation	
	----- (Rupees in '000) -----		
Share capital	26,381,510	26,381,510	
<i>of which: amount eligible for CET1</i>	26,381,510	26,381,510	s
<i>of which: amount eligible for AT1</i>	-	-	t
Reserves	(6,306,359)	(6,306,359)	
of which: portion eligible for inclusion in CET1 - Balance of share premium	1,000,000	1,000,000	u
of which: portion eligible for inclusion in CET1 - Statutory reserves	154,162	154,162	
of which: portion eligible for inclusion in CET1 - Discount on issue of shares	(5,881,316)	(5,881,316)	
of which: portion eligible for inclusion in CET1 - Reserve arising on amalgamation	(1,579,205)	(1,579,205)	
of which: portion eligible for inclusion in Tier 2	-	-	v
Unappropriated profit / (losses)	(10,544,427)	(10,544,427)	w
Minority Interest	-	-	
of which: portion eligible for inclusion in CET1	-	-	x
of which: portion eligible for inclusion in AT1	-	-	y
of which: portion eligible for inclusion in Tier 2	-	-	z
Surplus on revaluation of assets - net of deferred tax	1,526,180	1,526,180	
of which: Revaluation reserves on Fixed Assets	2,288,117	2,288,117	aa
of which: Unrealized Gains/Losses on AFS	(761,937)	(761,937)	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total liabilities and equity	233,026,791	233,026,791	

Table: 41.3.3		Component of regulatory capital reported by Group	Source based on reference number from step 2
(Rupees in '000)			
Common Equity Tier 1 capital (CET1): Instruments and reserves			
1	Fully paid-up capital / capital deposited with SBP	26,381,510	
2	Balance in Share Premium Account	1,000,000	(s)
3	Reserve for issue of bonus shares	-	
4	General / statutory reserves	(7,306,359)	(u)
5	Gain / (losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated / unremitted profits / (losses)	(10,544,427)	(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	9,530,724	

December 31, 2017

**Component of
regulatory capital
reported by Group**
(Rupees in '000)

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

Table: 41.3.3

Common Equity Tier 1 capital: Regulatory adjustments

9	Goodwill (net of related deferred tax liability)	-	(j) - (o)
10	All other intangibles (net of any associated deferred tax liability)	(202,197)	(k) - (p)
11	Shortfall of provisions against classified assets	-	(f)
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(3,282,843)	{(h) - (r)} * x%
13	Defined-benefit pension fund net assets	-	{(l) - (q)} * x%
14	Reciprocal cross holdings in CET1 capital instruments	(16,937)	(d)
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 fixed assets/ AFS	-	(ab)
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)	-	(a) - (ac) - (ae)
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)	-	(b) - (ad) - (af)
22	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(688,216)	(i)
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	of which: Investment in TFCs of other banks exceeding the prescribed limit	-	
28	of which: Any other deduction specified by SBP - Investment in Subsidiary	-	
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 29)	(4,190,193)	
31	Common Equity Tier 1	5,340,531	

December 31, 2017

Table: 41.3.3

	Component of regulatory capital reported by Group (Rupees in '000)	Source based on reference number from step 2
Additional Tier 1 (AT 1) Capital		
32	-	
33	-	(t)
34	-	(m)
35	-	
36	-	(y)
37	-	
AT1 before regulatory adjustments		
Additional Tier 1 Capital: regulatory adjustments		
38	-	
39	-	
40	-	
41	-	
42	-	(ac)
43	-	(ad)
44	-	
45	-	
46	-	
47	-	
48	5,340,531	
Tier 1 Capital (CET1 + admissible AT1) (31+47)		
Tier 2 Capital		
49	-	
50	-	(n)
51	-	(z)
52	-	
53	30,250	(g)
54	-	
55	1,785,236	portion of (aa)
56	(678,122)	
57	-	(v)
58	-	
59	1,137,364	
T2 before regulatory adjustments		
Tier 2 Capital: regulatory adjustments		
60	-	
61	-	
62	-	
63	-	
64	-	(ae)
65	-	(af)
66	1,137,364	
67	1,137,364	
68	-	
69	1,137,364	
70	6,477,899	

41.4 Main Features of Regulatory Capital Instruments

Disclosure for main features of regulatory capital instruments

	Main features	Common shares	Sub-ordinated debt
1	Issuer	Summit Bank Limited	Summit Bank Limited
2	Unique identifier (e.g. KSE Symbol or Bloomberg identifier etc.)	SMBL	SMBLTFC
3	Governing law(s) of the instrument	Capital Market Law	Capital Market Law
	Regulatory treatment		
4	Transitional Basel III rules	Common Equity Tier 1	Tier 2
5	Post-transitional Basel III rules	Common Equity Tier 1	-
6	Eligible at solo / group / group & solo	Solo and Group	Solo and Group
7	Instrument type	Ordinary shares	Sub-ordinated Debt
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of December 31, 2017)	26,381,510	-
9	Par value of instrument	PKR 10	PKR 5,000
10	Accounting classification	Shareholders' equity	Liability - amortized cost
11	Original date of issuance	2005	October 27,2011
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	No maturity	October 26,2018
14	Issuer call subject to prior supervisory approval	No	No
15	Optional call date, contingent call dates and redemption amount	Not applicable	Not applicable
16	Subsequent call dates, if applicable	Not applicable	Not applicable
	Coupons / dividends		
17	Fixed or floating dividend / coupon	Not applicable	Floating
18	Coupon rate and any related index / benchmark	Not applicable	6M KIBOR +325BPS
19	Existence of a dividend stopper	Not applicable	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Partially Discretionary
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Not applicable	Cumulative
23	Convertible or non-convertible	Not applicable	Non-Convertible
24	If convertible, conversion trigger (s)	Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable
30	Write-down feature	Not applicable	Not applicable
31	If write-down, write-down trigger(s)	Not applicable	Not applicable
32	If write-down, full or partial	Not applicable	Not applicable
33	If write-down, permanent or temporary	Not applicable	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable	Common shares
36	Non-compliant transitioned features	Not applicable	No
37	If yes, specify non-compliant features	Not applicable	Not applicable

41.5 Risk weighted assets

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	
	2017	2016	2017	2016
----- (Rupees in '000) -----				
Credit risk				
On balance sheet				
Portfolios subject to standardized approach (Simple or Comprehensive)				
Cash and cash equivalents	-	-	-	-
Sovereign	-	-	-	-
Public sector entities	-	-	-	-
Banks	442,237	204,284	3,922,276	1,918,162
Corporate	6,202,304	5,989,974	55,009,344	56,243,887
Retail	977,894	671,918	8,673,119	6,309,085
Residential Mortgages	114,192	124,865	1,012,785	1,172,439
Past due loans	413,343	396,120	3,666,009	3,719,439
Operating fixed assets	1,410,760	1,285,837	12,512,284	12,073,591
Other assets	768,153	563,944	6,812,891	5,295,245
Portfolios subject to Internal Rating Based (IRB) Approach	-	-	-	-
Off balance sheet				
Non-market related				
Direct Credit Substitutes	475,135	321,047	4,214,054	3,014,522
Performance related contingencies	632,233	575,398	5,607,388	5,402,796
Trade Related contingencies	243,851	195,043	2,162,761	1,831,393
Market related				
Foreign Exchange contracts / derivatives etc.	12,573	1,244	111,510	11,680
Equity Exposure Risk in the Banking Book	-	-	-	-
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	670,259	233,327	5,944,650	2,190,863
Equity position risk	517,731	683,186	4,591,850	6,414,889
Foreign Exchange risk	26,032	41,362	230,883	388,380
Capital Requirement for portfolios subject to Internal Models Approach	-	-	-	-
Operational Risk				
Capital requirement for operational risks	1,027,013	734,313	9,108,761	6,894,954
Total	13,933,710	12,021,862	123,580,565	112,881,324

Capital Adequacy Ratios	2017		2016	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	4.32%	6.00%	6.30%
Tier-1 capital to total RWA	7.50%	4.32%	7.50%	8.02%
Total capital to total RWA	11.275%	5.24%	10.65%	10.26%

41.6 Leverage Ratio

The State Bank of Pakistan (SBP) through its BPRD Circular No. 06 of 2013 has issued instructions regarding implementation of parallel run of leverage ratio reporting and its components from December 31, 2013 to December 31, 2017. During this period the final calibration, and any further adjustments to the definition, will be completed, with a view to set the leverage ratio as a separate capital standard on December 31, 2018 whereas the banks are required to disclose the leverage ratio from December 31, 2015. As per the circular, the Group is required to maintain leverage ratio of 3.00%.

The leverage ratio of the Group as of December 31, 2017 stands at 1.80% (December 31, 2016: *2.98%). Tier 1 Capital as at December 31, 2017 is Rs. 5,341 million (December 31, 2016 : Rs. 9,048 million) and total exposure as at December 31, 2017 is Rs. 297,124 million (December 31, 2016 : Rs. 303,452 million. As explained in note 1.5 to these consolidated financial statements, the Group is taking various steps to ensure earliest compliance with all the applicable capital requirements.

* Comparative LR figures as of December 31, 2016 included the positive impact of certain relaxations allowed by SBP for the calculations of CAR and LR.

42. RISK MANAGEMENT

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

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

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

Risk responsibilities

The Board of Directors is responsible 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 Group.

The Board of Directors approves the policies proposed by the 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 Group.

Risk management group organisation

A clear management structure has been put in place by the Group, 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 acts as the front office of the Group. The Support Group provides various services necessary for maintaining operations of the Group on a sustainable basis. The Risk Management Group is responsible for management of the risk inherent in the Group's operations. The Risk Management Group comprises of Credit Division and Risk Management Division. Whilst the activities of the Credit Division are focused on independent risk management of the Group's credit activities and the Risk Management Division is responsible for managing all other risks emanating from various activities of the Group. In addition to above, Compliance and Control Division ensures compliance of all internal and external policies, laws and regulations. The management has established various committees for periodic risk review.

The Bank has 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 Group is exposed to credit risk through its lending and investment activities as well as in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees. The following objectives govern the credit policy of the Group:

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

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

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, 2017					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, forestry, hunting and fishing	900,256	0.90	1,176,012	0.81	425,318	0.36
Automobile	1,853,738	1.86	1,952,246	1.34	1,075,396	0.92
Banaspati and allied industries	609,446	0.61	145,385	0.10	222,653	0.19
Carpet	47,595	0.05	56,728	0.04	132,840	0.11
Cement	841,114	0.85	442,326	0.30	565,787	0.48
Chemical and pharmaceutical	1,916,049	1.93	964,331	0.66	1,615,355	1.38
Construction / real estate	3,852,515	3.87	3,109,266	2.14	5,020,758	4.27
Consumer / individuals / staff	6,507,219	6.54	95,881,876	65.85	2,039,898	1.74
Dairy and poultry	103,419	0.10	247,443	0.17	55,312	0.05
Education	579,620	0.58	1,873,433	1.29	139,144	0.12
Electric and electrical goods	2,503,232	2.51	1,001,358	0.69	1,680,946	1.43
Energy, oil, gas and power	5,250,541	5.28	4,556,116	3.13	1,031,827	0.88
Exports / imports	7,645,122	7.68	668,872	0.46	7,677,981	6.54
Financial	4,632,717	4.65	10,738,223	7.37	51,436,083	43.79
Food, tobacco and beverages	5,229,510	5.25	999,016	0.69	4,205,323	3.58
Furniture and allied products	482,156	0.48	25,674	0.02	176,715	0.15
Leather and footwear	535,524	0.54	141,270	0.10	195,279	0.17
Glass and ceramics	132,660	0.13	23,742	0.02	17,222	0.01
Health care	359,795	0.36	216,102	0.15	341,466	0.29
Hotels	727,982	0.73	82,462	0.06	97,187	0.08
Insurance	-	-	1,019,599	0.70	-	-
Mining and quarrying	2,428,011	2.44	2,043	0.00	635,001	0.54
Miscellaneous manufacturing	1,410,220	1.42	26,349	0.02	1,004,252	0.86
Printing, publishing and allied industries	120,093	0.12	72,310	0.05	264,707	0.23
Paper and allied products	180,506	0.18	28,605	0.02	182,261	0.16
Services	4,503,780	4.52	3,626,890	2.49	9,846,525	8.38
Steel and engineering	4,101,660	4.12	1,802,560	1.24	3,448,392	2.94
Sugar	10,916,070	10.97	421,827	0.29	81,669	0.07
Textile	14,684,686	14.75	777,530	0.53	8,824,590	7.51
Transport and communication	2,614,431	2.63	2,004,763	1.38	2,456,256	2.09
Trust	-	-	2,768,588	1.90	-	-
Wholesale and retail trade	7,817,713	7.85	918,787	0.63	7,722,137	6.57
Others	6,044,714	6.08	7,834,999	5.38	4,837,726	4.12
	99,532,094	100.00	145,606,731	100	117,456,006	100.00

December 31, 2016

	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, forestry, hunting and fishing	862,298	0.91	911,519	0.64	19,755	0.02
Automobile	1,286,436	1.36	396,598	0.28	700,037	0.65
Banaspati and allied industries	494,779	0.52	152,423	0.11	217,909	0.20
Carpet	43,245	0.05	71,252	0.05	173,717	0.16
Cement	1,113,076	1.18	930,639	0.65	517,036	0.48
Chemical and pharmaceutical	1,794,565	1.90	10,235,386	7.17	1,356,924	1.26
Construction / real estate	3,595,267	3.81	5,880,179	4.12	4,493,076	4.17
Consumer / individuals / staff	4,640,581	4.92	77,337,257	54.18	2,169,746	2.01
Dairy and poultry	128,373	0.14	335,735	0.24	27,486	0.03
Education	393,601	0.42	1,185,813	0.83	162,813	0.15
Electric and electrical goods	2,331,440	2.47	566,387	0.40	2,592,773	2.40
Energy, oil, gas and power	10,005,781	10.62	2,854,773	2.00	4,449,132	4.13
Exports / imports	5,118,857	5.43	988,709	0.69	4,178,562	3.88
Financial	5,480,003	5.81	9,295,106	6.51	43,152,411	40.02
Food, tobacco and beverages	4,170,971	4.43	615,790	0.43	1,183,455	1.10
Furniture and allied products	186,928	0.20	47,000	0.03	18,108	0.02
Leather and footwear	524,502	0.56	109,003	0.08	210,187	0.19
Glass and ceramics	74,055	0.08	23,242	0.02	27,540	0.03
Health care	380,815	0.40	227,075	0.16	193,344	0.18
Hotels	665,717	0.71	188,315	0.13	103,863	0.10
Insurance	-	-	1,080,548	0.76	-	-
Mining and quarrying	2,243,599	2.38	343,101	0.24	17,493	0.02
Miscellaneous manufacturing	2,280,845	2.42	517,823	0.36	1,009,417	0.94
Printing, publishing and allied industries	137,651	0.15	416,685	0.29	208,329	0.19
Paper and allied products	30,347	0.03	12,866	0.01	134,397	0.12
Services	3,877,677	4.11	5,541,131	3.88	9,365,154	8.69
Steel and engineering	3,388,653	3.60	347,496	0.24	3,550,862	3.29
Sugar	10,621,423	11.27	135,237	0.09	135,622	0.13
Textile	14,461,662	15.34	1,268,784	0.89	7,277,463	6.75
Transport and communication	1,789,826	1.90	3,789,865	2.66	3,017,143	2.80
Trust	-	-	2,439,601	1.71	-	-
Wholesale and retail trade	5,467,259	5.80	2,911,978	2.04	12,314,773	11.42
Others	6,665,740	7.07	11,578,411	8.11	4,848,413	4.50
94,255,972	100.00	142,735,727	100.00	107,826,940	100.00	

42.1.1.2 Segment by sector

December 31, 2017

	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	986,018	0.99	6,522,698	4.48	14,608,761	12.44
Private	98,546,076	99.01	139,084,033	95.52	102,847,245	87.56
99,532,094	100.00	145,606,731	100.00	117,456,006	100.00	

December 31, 2016

	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	1,990,310	2.11	15,985,932	11.20	800,000	0.74
Private	92,265,662	97.89	126,749,795	88.80	107,026,940	99.26
94,255,972	100.00	142,735,727	100.00	107,826,940	100.00	

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

	December 31, 2017		December 31, 2016	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
----- (Rupees in '000) -----				
Agriculture, forestry, hunting and fishing	2,581	2,581	2,581	1,816
Automobile	923,268	715,987	915,060	688,094
Banaspati and allied industries	159,944	138,288	197,919	169,696
Carpet	39,645	38,458	41,445	30,090
Cement	329,169	329,169	329,169	329,169
Chemical and pharmaceutical	162,322	106,099	180,205	100,138
Construction / real estate	717,065	575,625	788,213	661,489
Consumer / individuals / staff	402,754	122,186	345,949	146,317
Dairy and poultry	1,418	1,418	1,418	1,418
Education	37,726	32,726	33,592	33,592
Electric and electrical goods	86,964	86,964	90,608	87,058
Energy oil, gas and power	1,077,592	1,041,245	1,077,592	1,023,072
Exports / imports	483,347	480,175	685,845	619,727
Financial	658,323	658,323	1,105,970	968,800
Food, tobacco and beverages	601,396	570,349	733,689	619,071
Footwear and leather garments	47,303	45,234	47,303	43,478
Furniture and allied products	162,155	123,527	165,685	67,493
Glass and ceramics	54,460	54,460	54,460	54,460
Health care	113,244	105,118	113,277	101,088
Hotels	154,704	154,704	157,542	157,542
Mining and quarrying	4,670	4,670	4,670	4,670
Miscellaneous manufacturing	118,686	104,936	126,825	125,055
Others	1,568,649	303,383	273,253	173,702
Paper and allied products	22,774	22,774	23,043	23,043
Printing, publishing and allied industries	28,018	27,643	28,106	27,731
Services	597,686	473,407	647,092	355,453
Steel and engineering	264,591	230,180	264,583	136,932
Sugar	1,634,623	1,214,673	1,382,020	1,142,791
Textile	4,442,514	4,414,157	4,692,727	4,571,186
Transport and communication	215,184	183,955	208,614	163,358
Wholesale and retail trade	1,952,809	1,616,786	2,000,565	1,735,097
	17,065,584	13,979,200	16,719,020	14,362,626

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

	December 31, 2017		December 31, 2016	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
----- (Rupees in '000) -----				
Public / Government	-	-	-	-
Private	17,065,584	13,979,200	16,719,020	14,362,626
	17,065,584	13,979,200	16,719,020	14,362,626

	Loss before taxation	Total assets employed	Net assets employed	Contingencies & commitments
----- (Rupees in '000) -----				
42.1.1.5 Geographical segment analysis				
December 31, 2017				
Pakistan	<u>(731,149)</u>	<u>233,026,791</u>	<u>11,056,904</u>	<u>117,456,006</u>
December 31, 2016				
Pakistan	<u>(1,940,893)</u>	<u>214,986,059</u>	<u>12,645,223</u>	<u>107,826,940</u>

Total assets employed and net assets employed mean the total 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 Group 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 Group utilises the credit ratings assigned by ECAIs and has recognised agencies such as Pakistan Credit Rating Agency (PACRA), Japan Credit Rating Company – Vital Information Systems (JCR-VIS), Fitch, Moody's and Standard and Poors (S&P) which are also recognised by the SBP. The Group 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 Group 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 Group uses country risk scores of Export Credit Agencies (ECA) participating in the "Arrangement on Officially Supported Export Credits" available on Organisation for Economic Co-operation and Development (OECD) website.

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

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

Mapping to SBP rating grades

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

Long-Term Rating Grades Mapping

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

Short-Term Rating Grades Mapping

SBP rating grade	Fitch	Moody's	S&P	PACRA	JCR-VIS
S1	F1	P-1	A-1+	A-1+	A-1+
			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, 2017				
	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, 2017			December 31, 2016		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
----- (Rupees in '000) -----							
Corporate	20%	4,029,476	7,675	4,021,801	4,143,425	35,504	4,107,921
	50%	4,542,608	867,434	3,675,174	4,774,675	421,064	4,353,611
	100%	775,872	581,250	194,622	809,866	416,003	393,863
	unrated	36,733,319	7,801,148	28,932,171	50,467,967	4,096,867	46,371,100
	125%	20,213,597	1,621,114	18,592,483	5,184,427	-	5,184,427
Retail	75%	12,717,681	1,153,522	11,564,159	9,657,153	1,245,040	8,412,113
Past due loan	150%	1,786,866	-	1,786,866	1,941,700	-	1,941,700
	100%	671,903	-	671,903	554,331	-	554,331
	50%	627,614	-	627,614	505,118	-	505,118
Bank	20%	15,535,497	3,734,980	11,800,517	7,209,197	1,481,583	5,727,614
	50%	483,748	-	483,748	505,664	-	505,664
	100%	243,392	-	243,392	73,961	-	73,961
	150%	553,201	-	553,201	56,188	-	56,188
	unrated	1,002,410	-	1,002,410	1,807,824	-	1,807,824
Sovereign etc.	0%	13,666,985	-	13,666,985	9,630,053	-	9,630,053
Others	0%	-	-	-	3,141,544	-	3,141,544
	35%	2,903,572	9,900	2,893,672	3,399,593	49,768	3,349,825
	50%	-	-	-	-	-	-
	100%	18,002,955	-	18,002,955	16,335,007	-	16,335,007
	150%	13,475	-	13,475	-	-	-
	250%	520,804	-	520,804	413,532	-	413,532
		135,024,975	15,777,023	119,247,952	120,611,225	7,745,829	112,865,396

42.2.1.2 Credit Risk: Disclosures with respect to Credit Risk Mitigation for standardised approach

The Group has adopted the comprehensive approach of Credit Risk Mitigation for the Banking Book. Since the trading book of the Group only comprises equity investments; therefore no Credit Risk Mitigation benefit is taken in the trading book. In instances where the Group's exposure on an obligor is secured by collateral that conforms with the eligibility criteria under the comprehensive Approach of CRM, then the Group reduces its exposure under that particular transaction by taking into account the risk mitigating effect of the collateral for the calculation of capital requirement.

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

42.3 Equity position risk in the Group's book

The Group makes investment for variety of purposes. Some of the investment positions of equity holding are made for revenue generation, while certain other equity holdings are held as part of strategic initiatives to support the Group's long term 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 and some are traded over the counter, while other investments are unlisted and therefore are not liquid.

Policies, valuation and accounting of equity investments

In accordance with the requirements of the SBP, quoted securities are carried at market value whereas strategic investments 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.

Composition of equity investments - market values

	December 31, 2017		December 31, 2016	
	Held-for-trading	Available-for-sale	Held-for-trading	Available-for-sale
	----- (Rupees in '000) -----			
Equity investments	59,486	2,198,044	391,787	2,740,864
Units of open end mutual funds - Listed	-	68,806	-	86,977
Total value	<u>59,486</u>	<u>2,266,850</u>	<u>391,787</u>	<u>2,827,841</u>

The cumulative realised gain on sale of equity securities amounted to Rs. 255.82 million (December 31, 2016 : Rs. 530.39 million), however, unrealised loss of Rs.1,092.68 million (December 31, 2016 : Rs.51.10 million) was recognised in the statement of financial position in respect of available-for-sale equity 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 Group 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 Group'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 the net interest income caused by changes in market interest rates. The Group 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 Group 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 Group 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, 2017			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	----- (Rupees in '000) -----			
Pakistan Rupee	228,450,420	213,609,951	(3,889,245)	10,951,224
United States Dollar	4,073,652	7,039,835	2,876,251	(89,932)
Great Britain Pound	207,977	873,950	649,793	(16,180)
Japanese Yen	7,306	-	-	7,306
Euro	57,374	438,279	363,201	(17,704)
Other currencies	230,062	7,872	-	222,190
	<u>233,026,791</u>	<u>221,969,887</u>	<u>-</u>	<u>11,056,904</u>

December 31, 2016

	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	----- (Rupees in '000) -----			
Pakistan Rupee	210,844,737	195,142,249	(3,440,678)	12,261,810
United States Dollar	3,599,217	6,011,972	2,471,608	58,853
Great Britain Pound	109,992	710,953	605,988	5,027
Japanese Yen	3,990	-	(2,248)	1,742
Euro	96,721	465,681	363,992	(4,968)
Other currencies	331,402	9,981	1,338	322,759
	<u>214,986,059</u>	<u>202,340,836</u>	<u>-</u>	<u>12,645,223</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 Group is exposed to the equity market risk on its equity portfolio. Apart from on statement of financial position exposure, some off statement of financial position equity exposure also comes from the future contracts. Group 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.

42.4.4 Mismatch of Interest Rate Sensitive Assets and Liabilities

Effective Yield / Interest rate	December 31, 2017										Non-interest bearing financial instruments	
	Exposed to Yield / Interest rate											
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
 (Rupees in '000)											
	On-balance sheet financial instruments											
	Assets											
-	13,556,734	1,117,446	-	-	-	-	-	-	-	-	-	12,439,288
1.20% to 3.77%	2,440,437	128,088	89,990	89,990	44,167	-	-	-	-	-	-	1,791,732
5.65% to 6.50%	10,671,003	10,671,003	-	-	-	-	-	-	-	-	-	-
5.24% to 12.00%	95,023,608	1,556,261	2,759,007	2,759,007	-	-	3,071,860	1,333,053	-	-	-	74,970,342
0.00% to 28.00%	85,522,644	58,582,492	1,888,595	1,888,595	14,276,916	-	3,458,318	1,285,933	2,603,390	-	-	293,977
-	2,181,320	530,500	-	-	-	-	-	-	-	-	-	2,181,320
	209,395,746	12,447,037	60,525,213	4,737,592	14,321,083	4,433,640	6,530,178	2,618,986	2,603,390	-	-	91,676,659
	Liabilities											
-	3,065,379	-	-	-	-	-	-	-	-	-	-	3,065,379
1.00% to 5.85%	67,307,766	40,573,978	25,243,836	1,381,352	-	-	108,600	-	-	-	-	-
0.00% to 18.50%	145,606,731	6,354,981	63,082,581	8,195,071	11,029,086	210,963	5,691,022	-	-	-	-	50,972,329
9.46%	1,495,860	-	-	1,495,860	-	-	-	-	-	-	-	-
-	4,059,889	-	-	-	-	-	-	-	-	-	-	4,059,889
	221,535,625	46,928,959	88,326,417	11,072,283	11,029,086	210,963	5,799,622	-	-	-	-	58,097,597
	(12,139,879)	(34,481,922)	(27,801,204)	(6,334,691)	3,291,997	4,222,677	730,556	2,618,986	2,603,390	-	-	33,579,062
	Off-balance sheet financial instruments											
	5,484,447	3,846,071	1,531,991	46,245	60,140	-	-	-	-	-	-	-
	4,303,310	4,285,472	9,816	8,022	-	-	-	-	-	-	-	-
	1,181,137	(439,401)	1,522,175	38,223	60,140	-	-	-	-	-	-	-
	(10,958,742)	(34,921,323)	(26,279,029)	(6,296,468)	3,352,137	4,222,677	730,556	2,618,986	2,603,390	-	-	-
	(10,958,742)	(34,921,323)	(61,200,352)	(67,496,820)	(64,144,683)	(59,922,006)	(49,760,180)	(47,141,194)	(44,537,804)	-	-	-
	Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities											
	December 31, 2017											
	(Rupees in '000)											
	209,395,746											
	12,714,481											
	5,332,656											
	5,583,908											
	233,026,791											
	221,535,625											
	434,262											
	221,969,887											

December 31, 2016											
Effective Yield / Interest rate	Exposed to Yield / Interest rate										
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instruments
..... (Rupees in '000)											
On-balance sheet financial instruments											
Assets											
	12,786,629	1,070,043	-	-	-	-	-	-	-	-	11,716,586
Cash and balances with treasury banks	2,582,694	1,471,672	-	-	-	-	-	-	-	-	1,111,022
Balances with other banks	1,631,583	1,631,583	-	-	-	-	-	-	-	-	-
Lending to financial institutions	90,364,950	12,166,506	23,797,038	3,405,023	18,555,892	9,311,134	3,421,925	10,490,279	4,384,346	1,613,180	3,219,627
Investments	79,844,271	714,981	55,297,347	1,070,116	16,079,930	628,022	1,630,928	1,233,322	1,539,683	1,271,817	378,125
Advances	5,193,575	-	-	-	-	-	-	-	-	-	5,193,575
Other assets	192,403,702	17,054,785	79,094,385	4,475,139	34,635,822	9,939,156	5,052,853	11,723,601	5,924,029	2,884,997	21,618,935
Liabilities											
	5,061,470	-	-	-	-	-	-	-	-	-	5,061,470
Bills payable	49,819,840	25,479,234	4,228,571	2,118,911	17,993,124	-	-	-	-	-	-
Borrowings	142,735,727	16,981,639	44,774,759	8,618,336	7,776,539	834,137	159,383	5,401,713	-	-	58,189,220
Deposits and other accounts	1,496,550	-	1,496,550	-	-	-	-	-	-	-	1,496,550
Sub-ordinated loans	2,755,626	-	-	-	-	-	-	-	-	-	2,755,626
Other liabilities	201,869,213	42,460,873	50,499,880	10,737,247	25,769,663	834,137	159,383	5,401,713	-	-	66,006,316
On-balance sheet gap	(9,465,511)	(25,406,088)	28,594,505	(6,262,108)	8,866,159	9,105,019	4,893,470	6,321,888	5,924,029	2,884,997	(44,387,381)
Off-balance sheet financial instruments											
	9,132,872	6,632,258	2,423,415	44,655	32,544	-	-	-	-	-	-
Foreign currency forward purchase	8,141,786	5,818,629	1,963,804	359,353	-	-	-	-	-	-	-
Foreign currency forward sale	991,086	813,629	459,611	(314,698)	32,544	-	-	-	-	-	-
Off-balance sheet gap	(8,474,425)	(24,592,459)	29,054,116	(6,576,806)	8,896,703	9,105,019	4,893,470	6,321,888	5,924,029	2,884,997	-
Total yield / interest risk sensitivity gap	(8,474,425)	(24,592,459)	4,461,656	(2,115,149)	6,783,554	15,888,573	20,782,042	27,103,930	33,027,959	35,912,956	-
Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities											
December 31, 2016											
(Rupees in '000)											
	192,403,702										
Total financial assets	12,326,303										
Add: Non financial assets	5,151,050										
Operating fixed assets	5,105,004										
Deferred tax assets	214,986,039										
Other assets	201,869,213										
Total assets as per statement of financial position	471,623										
Total financial liabilities	202,340,836										
Add: Non financial liabilities											
Other liabilities											
Total liabilities as per statement of financial position											

42.5 Liquidity risk

Liquidity risk is the risk caused, among others, by the inability of the Group to settle liabilities at due date. The Liquidity Risk Policy is formulated keeping in view State Bank's guidelines on risk management and best market practice.

Objectives of Group's liquidity management is to ensure that the Group is able to honour all its financial commitments on an ongoing basis without (i) affecting the Group's cost of funds (ii) adversely affecting ability to raise funds and (iii) resorting to sale of assets.

Asset and Liability Committee (ALCO), Risk Management Division, Treasury and the Finance Division each have a role in management of liquidity risk.

42.5.1 Maturities of assets and liabilities - based on historical behavioural pattern of the assets and liabilities of the Group

Maturity gaps of all assets and liabilities are based on contractual maturities, in addition to the expected maturities which have been determined based on the behavioural study of non contractual deposits. The Group has used VAR methodology which excludes 5% extreme volatilities thus leaving 95% confidence results.

		December 31, 2017								
		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	13,556,734	2,164,539	972,907	789,896	1,025,997	19,625	6,577	8,577,193	-	-
Balances with other banks	2,440,437	1,919,820	386,460	89,990	44,167	-	-	-	-	-
Lendings to financial institutions	10,671,003	10,671,003	-	-	-	-	-	-	-	-
Investments	95,023,608	41,233,919	25,754,802	6,034,483	4,662,318	3,542,726	8,622,142	3,502,649	1,623,018	47,551
Advances	85,522,644	3,439,331	17,296,973	9,289,189	31,706,474	5,630,967	4,254,844	9,285,409	1,420,284	3,199,173
Operating fixed assets	12,714,481	4,972,001	68,930	103,396	206,792	358,333	313,150	520,868	905,266	5,265,745
Deferred tax assets	5,332,656	(330)	(14,715)	(1,159)	1,641,868	1,013,836	1,169,956	718,397	804,803	-
Other assets	7,765,228	89,577	1,989,442	11,181	1,105,149	385	24,268	4,522,220	1,707	21,299
	233,026,791	64,489,860	46,454,799	16,316,976	40,392,765	10,565,872	14,390,937	27,126,736	4,755,078	8,533,768
Liabilities										
Bills payable	3,065,379	3,065,379	-	-	-	-	-	-	-	-
Borrowings	67,307,766	40,573,979	25,243,835	1,381,352	-	-	-	108,600	-	-
Deposits and other accounts	145,606,731	23,253,743	10,456,494	8,490,710	11,029,086	210,963	70,698	92,095,037	-	-
Sub-ordinated loans	1,495,860	-	-	-	1,495,860	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	4,494,151	529,968	1,853,460	190,159	1,918,351	-	-	-	2,213	-
	221,969,887	67,423,069	37,553,789	10,062,221	14,443,297	210,963	70,698	92,203,637	2,213	-
Net assets	11,056,904	(2,933,209)	8,901,010	6,254,755	25,949,468	10,354,909	14,320,239	(65,076,901)	4,752,865	8,533,768
Share capital	26,381,510	-	-	-	-	-	-	-	-	-
Convertible preference shares	-	-	-	-	-	-	-	-	-	-
Reserves	(6,306,359)	-	-	-	-	-	-	-	-	-
Accumulated loss	(10,544,427)	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	1,526,180	-	-	-	-	-	-	-	-	-
	11,056,904	(2,933,209)	8,901,010	6,254,755	25,949,468	10,354,909	14,320,239	(65,076,901)	4,752,865	8,533,768

December 31, 2016									
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

Cash and balances with treasury banks	12,786,629	-	-	-	-	-	-	-	-
Balances with other banks	2,582,694	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,631,583	-	-	-	-	-	-	-	-
Investments	90,364,950	12,166,506	3,405,023	21,360,421	9,311,134	3,421,925	10,490,279	4,384,346	1,636,490
Advances	79,844,271	3,033,315	16,403,629	36,208,809	4,694,563	4,518,850	3,710,382	4,257,826	1,271,817
Operating fixed assets	12,326,303	4,536,671	76,484	114,726	229,452	338,489	554,621	943,171	5,140,561
Deferred tax assets	5,151,050	136,925	273,850	410,776	821,551	1,477,799	1,116,877	16,091	13,483
Other assets	10,298,579	2,565,191	2,285,423	1,459,974	-	9,757,063	19,860,150	-	-
	39,439,514	43,228,212	9,675,605	60,080,207	15,281,523	9,757,063	19,860,150	9,601,434	8,062,351

Liabilities

Bills payable	5,061,470	-	-	-	-	-	-	-	-
Borrowings	49,819,840	25,479,234	4,228,571	17,993,124	-	-	-	-	-
Deposits and other accounts	142,735,727	24,400,765	7,948,590	7,776,539	834,137	159,383	92,590,652	-	-
Sub-ordinated loans	1,496,550	-	-	-	1,496,550	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Other liabilities	3,227,249	270,125	671,916	2,115,775	-	-	-	2,213	-
	202,340,836	55,211,594	12,849,077	27,885,438	2,330,687	159,383	92,590,652	2,213	-

Net assets

Share capital	19,641,533	30,379,135	(1,636,186)	32,194,769	12,950,836	9,597,680	(72,730,502)	9,599,221	8,062,351
Convertible preference shares	2,155,959	(15,772,080)	1,636,186	1,636,186	1,636,186	1,636,186	1,636,186	1,636,186	1,636,186
Reserves	(1,722,341)	270,125	671,916	2,115,775	-	-	-	2,213	-
Accumulated loss	(9,541,930)	55,211,594	12,849,077	27,885,438	2,330,687	159,383	92,590,652	2,213	-
Surplus on revaluation of assets - net of tax	2,112,002	(15,772,080)	30,379,135	32,194,769	12,950,836	9,597,680	(72,730,502)	9,599,221	8,062,351
	12,645,223	(15,772,080)	30,379,135	32,194,769	12,950,836	9,597,680	(72,730,502)	9,599,221	8,062,351

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

		December 31, 2017							
		(Rupees in '000)							
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	2,164,539	972,907	789,896	1,025,997	19,625	6,577	8,577,193	-	-
Balances with other banks	1,919,820	386,460	89,990	44,167	-	-	-	-	-
Lending to financial institutions	10,671,003	-	-	-	-	-	-	-	-
Investments	95,023,608	41,233,919	25,754,802	4,662,318	3,542,726	8,622,142	3,502,649	1,623,018	47,551
Advances	85,522,644	3,439,331	17,296,973	31,706,474	5,630,967	4,254,844	9,285,409	1,420,284	3,199,173
Operating fixed assets	12,714,481	4,972,001	103,396	206,792	358,333	313,150	520,868	905,266	5,265,745
Deferred tax assets	5,332,656	(330)	(14,715)	1,641,868	1,013,836	1,169,956	718,397	804,803	-
Other assets	7,765,228	89,577	1,989,442	11,181	385	24,268	4,522,220	1,707	21,299
233,026,791	64,489,860	46,454,799	16,316,976	40,392,765	10,565,872	14,390,937	27,126,736	4,755,078	8,533,768
Liabilities									
Bills payable	3,065,379	-	-	-	-	-	-	-	-
Borrowings	67,307,766	40,573,979	1,381,352	-	-	-	108,600	-	-
Deposits and other accounts	145,606,731	116,436,650	8,195,071	11,029,086	210,963	70,698	77,331	-	-
Sub-ordinated loans	1,495,860	-	-	1,495,860	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Other liabilities	4,494,151	529,968	1,853,460	190,159	1,918,351	-	-	2,213	-
221,969,887	160,605,976	36,684,227	9,766,582	14,443,297	210,963	70,698	185,931	2,213	-
Net assets	11,056,904	(96,116,116)	6,550,394	25,949,468	10,354,909	14,320,239	26,940,805	4,752,865	8,533,768
Share capital	26,381,510	-	-	-	-	-	-	-	-
Convertible preference shares	-	-	-	-	-	-	-	-	-
Reserves	(6,306,359)	-	-	-	-	-	-	-	-
Accumulated loss	(10,544,427)	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	1,526,180	-	-	-	-	-	-	-	-
	11,056,904	(96,116,116)	6,550,394	25,949,468	10,354,909	14,320,239	26,940,805	4,752,865	8,533,768

December 31, 2016									
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

Cash and balances with treasury banks	12,786,629	-	-	-	-	-	-	-	-	
Balances with other banks	2,582,694	2,582,694	-	-	-	-	-	-	-	
Lendings to financial institutions	1,631,583	1,631,583	-	-	-	-	-	-	-	
Investments	90,364,950	12,166,506	24,188,826	3,405,023	21,360,421	9,311,134	3,421,925	4,384,346	1,636,490	
Advances	79,844,271	3,033,315	16,403,629	5,745,080	36,208,809	4,694,563	4,518,850	4,257,826	1,271,817	
Operating fixed assets	12,326,303	4,536,671	76,484	114,726	229,452	392,128	338,489	554,621	943,171	
Deferred tax assets	5,151,050	136,925	273,850	410,776	821,551	883,698	1,477,799	1,116,877	13,483	
Other assets	10,298,579	2,565,191	2,285,423	-	1,459,974	-	-	3,987,991	-	
	<u>214,986,059</u>	<u>39,439,514</u>	<u>43,228,212</u>	<u>9,675,605</u>	<u>60,080,207</u>	<u>15,281,523</u>	<u>9,757,063</u>	<u>19,860,150</u>	<u>9,601,434</u>	<u>8,062,351</u>

Liabilities

Bills payable	5,061,470	5,061,470	-	-	-	-	-	-	-	
Borrowings	49,819,840	25,479,234	4,228,571	2,118,911	17,993,124	-	-	-	-	
Deposits and other accounts	142,735,727	118,266,650	6,986,529	8,618,336	7,776,539	834,137	159,383	94,152	-	
Sub-ordinated loans	1,496,550	-	-	-	-	1,496,550	-	-	-	
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	
Other liabilities	3,227,249	270,125	671,916	167,220	2,115,775	-	-	2,213	-	
	<u>202,340,836</u>	<u>149,077,479</u>	<u>11,887,016</u>	<u>10,904,467</u>	<u>27,885,438</u>	<u>2,330,687</u>	<u>159,383</u>	<u>94,152</u>	<u>2,213</u>	<u>-</u>
Net assets	<u>12,645,223</u>	<u>(109,637,965)</u>	<u>31,341,196</u>	<u>(1,228,862)</u>	<u>32,194,769</u>	<u>12,950,836</u>	<u>9,597,680</u>	<u>19,765,998</u>	<u>9,599,221</u>	<u>8,062,351</u>

Share capital	19,641,533
Convertible preference shares	2,155,959
Reserves	(1,722,341)
Accumulated loss	(9,541,930)
Surplus on revaluation of assets - net of tax	2,112,002
	<u>12,645,223</u>

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. Furthermore, Bank's Islamic Banking operations are also exposed to Shariah Non-Compliance Risk that arises from the group's failure to comply with the Shariah rules and principles determined by the relevant Shariah regulatory authorities and its Shariah Board. The Group has taken measures to mitigate this risk by adopting the Shariah Governance Framework of the central bank under which an independent Shariah Board has been established to oversee the functions of the Group from Shariah perspective. There is a Shariah compliance department that ensures adherence to Shariah guidelines and a dedicated Shariah Audit setup that examines the transactions, processes and operations on a continuous basis for identifying and detecting any stance of deviation. By virtue of these measures, we are confident that the risk has been mitigated to the lowest level possible.

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 has adopted 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.

The Group implemented the Internal Control Guidelines issued by the State Bank of Pakistan and had successfully completed the road map issued with respect to internal controls over financial reporting. Moreover, a separate Internal Control Unit has been setup to continuously monitor the implementation of sound internal controls within the Group.

43. KEY ISLAMIC BANKING OPERATIONS

43.1 The Group commenced its Islamic Banking Operations in Pakistan on March 07, 2014 and is operating with 14 Islamic Banking Branches (IBBs) (December 31, 2016: 13 IBBs) and 35 Islamic Banking Windows (IBWs) (December 31, 2016: 34 IBWs) as at December 31, 2017.

BSD Circular letter No. 03 dated January 22, 2013 and BPRD Circular letter No. 05 dated February 29, 2016 requires all Islamic Banks and Islamic Banking Branches to present all financing and advances for assets under Islamic modes of financing and any other related item pertaining to Islamic mode of financing under the caption "Islamic Financing and Related Assets" in the statement of financial position.

The statement of financial position, profit and loss account and cash flow statement of Islamic Banking Operations as at December 31, 2017 are as follows:

	Note	December 31, 2017	December 31, 2016
----- (Rupees in '000) -----			
Statement of financial position as at December 31, 2017			
ASSETS			
Cash and balances with treasury banks	43.3	1,293,159	788,422
Balances with other banks	43.3	435,524	51,571
Due from Financial institutions		5,936,023	150,000
Investments		5,860,690	3,612,571
Islamic financing and related assets	43.7	10,779,551	9,328,368
Operating fixed assets		150,740	157,330
Other assets		520,975	133,292
TOTAL ASSETS		24,976,662	14,221,554
LIABILITIES			
Bills payable		212,856	151,857
Due to financial institutions		250,000	-
Deposits and other accounts			
- Current accounts		7,792,141	4,258,760
- Saving accounts		10,366,610	4,956,649
- Term deposits		2,132,391	1,794,576
- Others		633,563	106,421
- Deposits from financial institutions - remunerative		1,513,382	813,622
- Deposits from financial institutions - non - remunerative		111,158	62,534
Due to head office		-	-
Deferred tax liabilities - net		12,261	29,349
Other liabilities		387,758	657,484
		23,412,120	12,831,252
NET ASSETS		1,564,542	1,390,302
REPRESENTED BY:			
Islamic Banking Fund		1,000,000	1,000,000
Reserves		-	-
Unappropriated profit		541,772	335,796
		1,541,772	1,335,796
Surplus on revaluation of assets - net of tax		22,770	54,506
		1,564,542	1,390,302

	December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----	
43.2 Profit and loss account for the year ended December 31, 2017	Note	
Profit / return earned on financings, investments and placements	1,168,846	557,146
Return on deposits and other dues expensed	(586,025)	(283,042)
Net spread earned	582,821	274,104
Provision against loans and advances-General	(6,547)	-
Net return after provision	576,274	274,104
Other income		
Fee, commission and brokerage income	82,345	37,704
(Loss) / Gain from dealing in foreign currencies	(11,447)	7,856
(Loss) / Gain on sale of securities - net	(328)	17,787
Gain on disposal of operating fixed assets	760	1,163
Other income	8,071	2,861
Total other income	79,401	67,371
	655,675	341,475
Other expenses		
Administrative expenses	(448,892)	(203,400)
Other charges	(807)	(473)
Total other expenses	(449,699)	(203,873)
	205,976	137,602
Extra-ordinary / unusual items	-	-
Profit before taxation	205,976	137,602
43.3 Cash flow statement for the year ended December 31, 2017		
Cash flow from operating activities		
Profit before taxation	205,976	137,602
Adjustments:		
Depreciation	24,057	19,576
Amortisation of intangible assets	1,896	231
Provision against loans and advances-General	6,547	-
	32,500	19,807
	238,476	157,409
Increase in operating assets		
Due from Financial institutions	(5,786,023)	(150,000)
Islamic financings and related assets - net	(1,457,730)	(6,757,049)
Other assets	(387,683)	(5,716)
	(7,631,436)	(6,912,765)
Increase/ (Decrease) in operating liabilities		
Bills payable	60,999	127,556
Due to financial institutions	250,000	(925,000)
Deposits and other accounts	10,556,683	8,986,027
Other liabilities	(269,726)	497,920
	10,597,956	8,686,503
Net cash inflow from operating activities	3,204,996	1,931,147
Cash flow from investing activities		
Net investments in 'available-for-sale' securities	(2,296,943)	(1,992,259)
Investment in operating fixed assets	(19,363)	(56,032)
Net cash outflow from investing activities	(2,316,306)	(2,048,291)
Cash flow from financing activities		
Islamic Banking Fund	-	-
Net cash flow from financing activities	-	-
Increase / (decrease) in cash and cash equivalents	888,690	(117,144)
Cash and cash equivalents at beginning of the year	839,993	957,137
Cash and cash equivalents at end of the year	1,728,683	839,993

43.4 Summit Bank Limited - Islamic Banking Division (SMBL-IBD) operates General & Specific Pools for deposits and interbank funds accepted under Mudaraba and Musharakah modes.

Features, risks and rewards of the pools are given below:

(i) Specific pool

Specific pools are operated for funds acquired / accepted from customers in foreign currencies (FCY) in addition to Pakistan Rupees (PKR) for customers willing to invest in specific sectors / Industry / exposures for want of higher returns. These pools operate in accordance with the rules as specified under general pool disclosure, however, varies in degree of risks associated with the investments / assets. Similarly, for interbank acceptances specific pool(s) based on Musharakah are also maintained by the Bank to meet liquidity requirement of the Bank. SMBL-IBD maintains 7 (seven) Local Currency (LCY) and 01 (one) Foreign Currency (FCY) specific pools.

(ii) General pool

General pool is the basket in which all the deposits from depositors are placed along with the Bank's own equity as well as funds from other financial institutions. The general pool is based on the principle of unrestricted Mudaraba. An unrestricted Mudaraba contract is a contract in which the depositor permits the Bank to administer the funds without any restrictions. In this case, the Bank has a wide range of trade or business freedom on the basis of trust and the business expertise the Bank has acquired.

However, such unrestricted business freedom in an unrestricted Mudaraba must be exercised only in accordance with the interests of the parties and the objectives of the Mudaraba contract, which is making profit. Therefore, the actions of the Bank must be in accordance with the business customs relating to the Banking operations. SMBL-IBD maintains 01 LCY and 01 FCY General pool.

(a) Priority of utilization of funds in the general pool shall be :

- depositor funds.
- equity funds.
- placement / investments of other IBI.
- mudaraba placement of Summit Bank Limited (counterparty).

(b) Weightages for distribution of profit in general pool

The weightages are calculated and declared monthly as the pool is constructively liquidated at end of each month and created simultaneously. The Bank declares such weightages at least 3 days before the beginning of the month, after the approval of the Shariah Advisor / RSBM of the Bank. The maximum weightage to the Mudaraba based deposit of any nature, tenor and amount does not exceed 3 times of the weightages assigned to normal saving deposits (minimum balance category).

The weightages assigned to all categories of pool deposits are assigned uniformly on a consistent basis, based on the following parameters / criteria (but not limited to):

- contracted period of deposits;
- frequency of profit distribution, monthly, quarterly or on maturity;
- volume of the deposit;
- product structure; and
- management discretion.

(c) Identification and allocation of pool related income and expenditure

The allocation of income and expenses to different pools is based on pre-defined basis and accounting principles / standards. According to Shariah rules and principles, all direct expenses are expensed out of the total profit i.e. always charged to the pool.

The direct expenses to be charged to the pool shall include all the direct cost of transaction including the following:

- depreciation of Ijarah assets;
- cost of sales of inventories;
- Takaful expenses of pool assets;
- taxes (sales tax and service tax levied by the provincial government);
- stamp fee or documentation charges;

- other costs / foreign exchange losses (if ascertainable);
- brokerage fee for purchase of securities/commodities etc.; and
- impairment / losses due to physical damages to specific assets in pools etc.

Indirect expenses can be categorized as those which are agreed with the saving and deposit account holders to be borne by the Mudarib.

All income pertaining to specific assets for specific periods should be allocated to the pool to which the assets are tagged during the period. Due care should be taken while recognizing revenue from assets. Revenue recognition for each type / class of assets should be in-line with the respective Shariah principles. Further, the financing will be diversified across different sectors and in compliance with the prudential regulation for exposure of individual and corporate clients. Income generated from non-financing activities (fee / commission / service charges) that were not relevant to the general pool were not credited to the pool and relevant expenses were also not charged to the pool.

(d) Parameters associated with risk and rewards

(i) The risks related to any pool depend upon the nature of the pool and the purpose for which the pool has been created. Considering the low risk tolerance of the investors of the profit and loss distribution pool, the key objective remained to earn competitive returns while containing the risk (volatility) of the returns to a minimum.

(ii) Risks to which the financing assets of the Group may be exposed to are:

- Credit risk which is generally defined as the potential that a counter party fails to meet its obligations in accordance with agreed terms. Therefore, the Group has sound credit risk management policies to protect the depositors' / Investment Account Holders (IAH) from loss due to credit risk;
- Market risk is generally defined as the risk of losses in on- and off-balance sheet positions arising from movements in market prices i.e. fluctuations in values in tradable or marketable assets (including Sukuks) and in off-balance sheet individual portfolios (for example restricted investment accounts). The risks relate to the current and future volatility of market values of specific assets and of foreign exchange rates; and
- Equity Investment Risk is generally defined as risk associated with holding equity investments during unfavorable situations, where decline in investment caused by market conditions in turn gives volatility of earnings of Musharaka and Mudaraba investments.

(iii) Risks to which the profit and loss distribution pool may be exposed to are:

- Liquidity risk which is the potential loss to the Group arising from their inability either to meet their obligations or to fund increases in assets as they fall due without incurring unacceptable costs or losses. In order to mitigate the liquidity risk the Group should invest in a combination of liquid and illiquid assets to be able to meet their obligations towards the depositors' / investment account holder; and
- Rate of return risk to which the Group may be exposed to in the context of its overall balance sheet exposures. An increase in benchmark rates may result in savings account holders having expectations of a higher rate of return. A consequence of rate of return risk may be displaced commercial risk. Therefore, the Group employ a gapping method for allocating positions into time bands with remaining maturities or re-pricing dates, whichever is earlier.

	December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----	
43.5 Charitable fund		
Opening balance	-	-
Addition during the year	121	-
Payment / utilization during the year	(58)	-
Closing balance	<u>63</u>	<u>-</u>
43.6 Remuneration to Shariah Advisor (RSBM) / Board	<u>11,177</u>	<u>10,662</u>

		December 31, 2017	December 31, 2016
43.7 Islamic financing and related assets	Note	----- (Rupees in '000) -----	
Financings / investments / receivables			
- Murabaha		697,323	824,385
- Ijarah	43.8	856,163	487,496
- Diminishing Musharakah		4,467,802	2,031,556
- Istisna		2,703	63,057
- Tijarah		2,613,090	3,965,075
- Salam		-	17,679
- Running Musharakah		338,304	15,152
- Term Musharakah		520,000	520,000
- Other Islamic modes		-	37,492
		9,495,385	7,961,892
Advances			
Advance against Murabaha		322,580	110,000
Advance against Diminishing Musharakah		84,671	52,217
Advance against Ijarah		74,074	81,536
		481,325	243,753
Inventories			
Murabaha Inventory		-	8,440
Tijarah Inventory		698,552	1,052,003
Istisna Inventory		110,836	62,280
		809,388	1,122,723
43.7.1 Islamic mode of financing			
Financings / investments / receivables		9,495,385	7,961,892
Advances		481,325	243,753
Inventories		809,388	1,122,723
Islamic Financing and related assets - Gross		10,786,098	9,328,368
Less: Provision against financing and advances -Specific		-	-
Less: Provision against financing and advances -General		(6,547)	-
		10,779,551	9,328,368

43.8 Assets under Ijarah (IFAS-2)
a) Brief description of the Ijarah arrangement

Ijarah assets are stated at cost less depreciation and are disclosed as part of 'Islamic financing and related assets'. The rental received / receivable on Ijarah under Islamic Financial Accounting Standard - 2 Ijarah (IFAS 2) are recorded as income / revenue.

The Group charges depreciation from the date of recognition of Ijarah of respective assets to mustajir (lessee). Ijarah assets are depreciated over the period of Ijarah using the straight line method.

b) Movement in net book value of Ijarah assets

	December 31, 2017				
	Vehicle Consumer	Vehicle Corporate	Plant & Machinery	Equipment	Total
	----- (Rupees in '000) -----				
At January 1, 2017					
Cost	35,140	580,553	-	-	615,693
Accumulated Depreciation	(1,479)	(126,718)	-	-	(128,197)
Net book value	33,661	453,835	-	-	487,496
Year Ended December 31, 2017					
Opening Net Book value	33,661	453,835	-	-	487,496
Additions	508,785	4,076	-	-	512,861
Disposals					
Cost	(6,312)	(8,134)	-	-	(14,446)
Accumulated Depreciation	1,931	1,027	-	-	2,958
	(4,381)	(7,107)	-	-	(11,488)
Depreciation	(40,682)	(92,024)	-	-	(132,706)
Closing Net Book value	497,383	358,780	-	-	856,163
At December 31, 2017					
Cost	537,613	576,495	-	-	1,114,108
Accumulated Depreciation	(40,230)	(217,715)	-	-	(257,945)
Net book value	497,383	358,780	-	-	856,163

	December 31, 2016				
	Vehicle Consumer	Vehicle Corporate	Plant & Machinery	Equipment	Total
	----- (Rupees in '000) -----				
At January 1, 2016					
Cost	1,497	525,429	-	-	526,926
Accumulated Depreciation	(222)	(38,083)	-	-	(38,305)
Net book value	<u>1,275</u>	<u>487,346</u>	<u>-</u>	<u>-</u>	<u>488,621</u>
Year Ended December 31, 2016					
Opening Net Book value	1,275	487,346	-	-	488,621
Additions	34,102	55,124	-	-	89,226
Disposals					
Cost	(459)	-	-	-	(459)
Accumulated Depreciation	166	-	-	-	166
	(293)	-	-	-	(293)
Depreciation	(1,423)	(88,635)	-	-	(90,058)
Closing Net Book value	<u>33,661</u>	<u>453,835</u>	<u>-</u>	<u>-</u>	<u>487,496</u>
At December 31, 2016					
Cost	35,140	580,553	-	-	615,693
Accumulated Depreciation	(1,479)	(126,718)	-	-	(128,197)
Net book value	<u>33,661</u>	<u>453,835</u>	<u>-</u>	<u>-</u>	<u>487,496</u>

**December 31,
2017**

**December 31,
2016**

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

43.9 Avenues / sectors of economy / business where deposits have been deployed*

Chemical and pharmaceuticals	1,405,382	1,155,306
Oil and Gas	2,580,608	3,541,000
Agribusiness	46,561	-
Textile	320,122	667,503
GOP ijarah sukuk	4,409,158	2,613,180
Automobile and transportation equipment	314,732	-
Financial	41,638	520,000
Electronics and electrical appliances	1,711,941	501,753
Production and transmission of energy	1,041,397	-
Glass and ceramics	75,000	-
Services	571,358	-
Others	3,892,652	3,827,094
	<u>16,410,549</u>	<u>12,825,836</u>

* Staff financing amounting Rs. 236.24 million (December 31, 2016: Rs 115.10 million) is not included as it is financed through Islamic Banking Fund.

43.10 Basis of profit allocation

Profit of the general pool has been distributed between Mudarib and Rabbul Maal by using pre-agreed profit sharing ratio. The profit was distributed between Mudarib and Rabbul Maal on the under mentioned profit sharing ratios based upon Gross Income Level less Direct Expenses.

	Profit sharing ratio			
	LCY Deposits		FCY Deposits	
	January to December 2017			
				----- % -----
Rabbul Maal	50			50
Mudarib	50			50
43.11 Mudarib share (in amount and percentage of distributable income)				
	December 31, 2017		December 31, 2016	
	(Rupees in '000)	%	(Rupees in '000)	%
Rabbul Maal	147,039	54	242,593	71
Mudarib	126,862	46	98,405	29
	<u>273,901</u>		<u>340,998</u>	

	December 31, 2017		December 31, 2016	
	----- (Rupees in '000) -----			
43.12 Amount and percentage of Mudarib share transferred to depositors through Hiba				
Mudarib share	126,862		98,405	
Hiba	20,177		19,939	
				----- (%) -----
Hiba percentage of Mudarib share	16		20	
43.13 Profit rate earned vs profit rate distributed to the depositors during the year ended December 31, 2017				
Profit rate earned	7.21		7.14	
Profit rate distributed to depositors	3.65		3.31	

44. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 09, 2018 by the Board of Directors of the Group.

45. GENERAL

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

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

President &
Chief Executive

Chief Financial
Officer

Director

Director

Director

ANNEXURE I

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2017

S. 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	(Rupees in '000)				
1	2	3	4	5	6	7	8	9	10	11	12	
1	Afroze Textile Industries (Pvt) Ltd; C-8, Scheme-33, SITE, Super Highway, Karachi.	1- Feroze Alam Lari (42101-9101384-5) 2- Afroze Alam Lari (42101-7756818-5) 3- Mrs Naheed Feroz(42101-0137634-8) 4- Mrs Afreen Fatima (42101-6286928-2)	1- Mehboob Alam Lari (Late) 2- Mehboob Alam Lari (Late) 3- W/O Feroz Alam Lari 4- W/ O Afroze Alam Lari	464,211	160,524	-	624,735	149,352	155,212	-	304,564	
2	Zahid Athar Ali Bokhari House Mumtaz Market Opp Wafaqi Colony, Lahore	Zahid Athar Ali (35202-0485956-1)	Muhammad Khalid Bokhari	647	569	-	1,216	647	569	-	1,216	
3	Imtiaz Ahmed P-179 Block C Guburg E Faisalabad	Imtiaz Ahmed (33100-3299091-3)	Abdul Majeed	1,997	1,386	-	3,384	697	1,386	-	2,084	
4	Muhammad Faisal Ghori A-448 Block L North Nazimabad KHI	Muhammad Faisal Ghori (42101-2710423-9)	Syed Muhammad Ali Ghori	1,999	1,066	-	3,065	949	1,066	-	2,015	
5	Al Hamad Enterprises 2-A All Bara Center Shah Alam Market Lahore	1-Sajma Safdar W/O Muhammad Safdar (35201-6537180-0) 2-Safdar Abbas S/O Rehmat Ali (35201-3790091-3)	1- W/O Muhammad Safdar 2- Rehmat Ali	54,381	15,499	-	69,880	24,380	15,499	-	39,879	
6	Muhammad Afzal House No 39-40 Street No 2 Titanic House Zia Town Fsd	Muhammad Afzal (33100-2340435-3)	Haji Muhammad Saddique	1,997	1,386	-	3,383	622	1,386	-	2,008	
7	Tahir Mehmood H#16 St#Allah Wali Pir-Ghazi Rd Ichra Lhr	Tahir Mehmood (35201-2594105-7)	Muhammad Aslam	5,295	1,355	-	6,650	795	1,355	-	2,150	
8	Tajamaal Hussain H # 21 Rooti Plant Ravi Park Road	Tajamaal Hussain (35202-2963975-7)	Muhammad Yasin	16,595	5,980	-	22,575	4,595	5,980	-	10,575	
9	Muhammad Usman and Muhammad Tariq 438 Sec A Askari 10 Near Lhr Airport	1- Muhammad Usman (35201-1533441-1) 2- Muhammad Tariq (266-57-133686)	1- Muhammad Rafique 2- Muhammad Rafique	45,934	31,068	-	77,002	22,934	31,068	-	54,002	
10	Abdul Hanif 65-V Phase II Dha Lahore	Abdul Hanif (35201-1245589-5)	Ghulam Hussain	36,299	10,247	-	46,545	2,299	10,247	-	12,545	
11	Shahzed Hameed Khan H#859 Maidan Bhaeeam Inside Mori Gate Lahore	Shahzed Hameed Khan (35202-5171817-1)	Abdul Qayyum Khan	17,999	7,296	-	25,295	4,499	7,296	-	11,795	
12	Amir & Company House No 351 Street No 5 Sector 1 Gujranwala Cant Gnw	Muhammad Zia (34101-5997349-3)	Muhammad Ibrahim	26,999	9,633	-	36,632	4,499	9,633	-	14,132	
13	F. Bari Rice Mills T-95 Phase II Defence Housing Authority Lahore	Zagham Salik Bari (35200-6277455-9)	Malik Fazal Bari	13,683	3,091	-	16,774	2,543	3,091	-	5,634	
14	Zaffar Jamil House No 196 Street No 3 Shahjamaal Colony Lahore	Zaffar Jamil (35202-3053311-3)	Sher Muhammad Bhatti	14,199	6,597	-	20,796	4,199	6,597	-	10,796	

ANNEXURE I

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED
DURING THE YEAR ENDED DECEMBER 31, 2017

S. 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	8	9				
1	2	3	4	5	6	7	8	9	10	11	12		
15	Rehan Yousif H#R-470, Sector 14-A, Shadman Town North Karachi.	Rehan Yousif (42000-0513676-5)	Muhammad Yousaf Qurashi	6,199	4,093	-	10,293	1,699	4,093	-	5,793		
16	Mohammad Abbas H#B-41 Sector#1 Khayaban-E-Sir Syed Rwl	Mohammad Abbas (37405-4556527-9)	Sheikh Laal Muhammad	1,920	552	-	2,472	576	552	-	1,128		
17	Shoaib Anwer P-98 D Peoples Colony No 1 Near Khizra Masjid Fsd	Shoaib Anwer (42301-4647240-3)	Khailid Anwar	1,979	278	-	2,257	674	278	-	952		
18	Tauqir Ahmed Siddiqui, House # 1/109, Block 3, Peoples Town, Shah Faisal Colony Karachi	Tauqir Ahmed Siddiqui (42201-2865273-7)	Siddiq Ahmed Siddiqui	6,895	-	-	6,895	895	-	-	895		
19	Muhammad Fraz, P 274, C Block Gulberg Colony Faisalabad	Muhammad Fraz (33100-0796726-7)	Muhammad Arif	1,999	2,238	-	4,237	599	2,238	-	2,837		
				721,228	262,858	-	984,086	227,453	257,546	-	484,999		

CATEGORIES OF SHAREHOLDERS

AS AT DECEMBER 31, 2017

	NUMBER OF SHAREHOLDERS		SHARES HELD	
	Number	%	Number	%
ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES				
SUROOR INVESTMENTS LIMITED			1,761,412,119	
RUPALI BANK LIMITED			32,777,450	
SUB TOTAL	2		1,794,189,569	68.01
DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN				
NASSER ABDULLA HUSSAIN LOOTAH			13,554,128	
HUSAIN LAWAI			1,200,000	
MUHAMMAD ZAHIR ESMAIL			17	
ASADULLAH KHAWAJA			74	
SUB TOTAL	4		14,754,219	0.56
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING FINANCIAL INSTITUTIONS				
			147,842,836	5.61
INSURANCE COMPANIES				
			329,484	0.01
MODARABAS AND MUTUAL FUNDS				
PRUDENTIAL STOCKS FUND LIMITED (03360)			31,811	
PRUDENTIAL STOCK FUND LIMITED			1,554	
CDC - TRUSTEE AKD OPPORTUNITY FUND			6,114,500	
GOLDEN ARROW SELECTED STOCKS FUND LIMITED			400,159	
SUB TOTAL	4		6,548,024	0.25
FOREIGN INVESTORS				
			5,844,514	0.22
INDIVIDUALS				
	44,302		353,309,136	13.39
OTHERS				
	108		315,333,278	11.95
GRAND TOTAL	44,444		2,638,151,060	100.00

TRADE IN THE SHARES OF THE BANK BY THE CEO / DIRECTORS / EXECUTIVES

NAME	PURCHASE	SALE
Husain Lawai, Director / Vice-Chairman	200,000 Shares	-

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2017

No. of Shareholders	From	Shareholdings To	Total Shares Held
8220	1	100	355,719
3897	101	500	1,075,720
22906	501	1000	13,067,377
6848	1001	5000	14,071,679
989	5001	10000	7,333,474
369	10001	15000	4,628,249
227	15001	20000	4,076,388
154	20001	25000	3,603,285
93	25001	30000	2,575,087
59	30001	35000	1,941,927
54	35001	40000	2,051,590
34	40001	45000	1,469,598
91	45001	50000	4,505,403
26	50001	55000	1,356,759
25	55001	60000	1,471,775
18	60001	65000	1,129,518
13	65001	70000	888,287
23	70001	75000	1,681,225
15	75001	80000	1,174,431
9	80001	85000	743,668
5	85001	90000	440,225
8	90001	95000	737,779
63	95001	100000	6,282,044
14	100001	105000	1,425,043
6	105001	110000	658,331
11	110001	115000	1,245,111
10	115001	120000	1,189,543
10	120001	125000	1,230,815
7	125001	130000	897,971
2	130001	135000	263,000
2	135001	140000	278,649
3	140001	145000	429,278
20	145001	150000	2,991,388
4	150001	155000	615,762
1	155001	160000	157,000
4	160001	165000	649,559
2	170001	175000	345,956
6	175001	180000	1,063,784
1	180001	185000	183,500
22	195001	200000	4,397,444
5	200001	205000	1,009,165
4	205001	210000	829,372
1	210001	215000	215,000
1	215001	220000	216,222
3	220001	225000	672,824
1	225001	230000	230,000
1	235001	240000	238,500
1	240001	245000	245,000
3	245001	250000	750,000
1	250001	255000	255,000
2	255001	260000	514,178
2	260001	265000	525,455
2	265001	270000	537,000
2	270001	275000	542,500
2	275001	280000	556,595

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2017

No. of Shareholders	From	Shareholdings To	Total Shares Held
1	280001	285000	285,000
1	285001	290000	287,500
1	290001	295000	292,500
6	295001	300000	1,800,000
1	300001	305000	302,000
1	315001	320000	320,000
3	335001	340000	1,018,385
1	355001	360000	360,000
3	360001	365000	1,088,166
2	365001	370000	731,080
1	370001	375000	375,000
2	375001	380000	756,000
1	385001	390000	389,000
1	390001	395000	394,500
2	400001	405000	805,159
1	410001	415000	415,000
1	420001	425000	423,500
1	425001	430000	425,443
1	430001	435000	432,000
1	435001	440000	439,000
1	440001	445000	441,000
1	450001	455000	455,000
1	455001	460000	455,591
1	465001	470000	470,000
12	495001	500000	5,996,445
1	500001	505000	502,000
2	505001	510000	1,012,170
1	510001	515000	512,500
1	515001	520000	518,400
1	525001	530000	528,212
1	535001	540000	538,903
1	575001	580000	580,000
2	585001	590000	1,175,777
1	595001	600000	599,913
1	600001	605000	603,500
1	610001	615000	611,000
1	675001	680000	677,000
1	685001	690000	687,500
1	690001	695000	692,000
2	695001	700000	1,395,500
1	700001	705000	703,980
1	720001	725000	725,000
1	750001	755000	754,000
1	755001	760000	755,555
1	770001	775000	772,000
1	790001	795000	790,500
1	795001	800000	800,000
1	810001	815000	811,500
1	825001	830000	830,000
1	845001	850000	850,000
1	890001	895000	895,000
1	915001	920000	916,326
1	950001	955000	950,710
1	955001	960000	957,000
1	990001	995000	991,000

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2017

No. of Shareholders	From	Shareholdings To	Total Shares Held
4	995001	1000000	4,000,000
1	1075001	1080000	1,078,500
1	1095001	1100000	1,098,500
1	1120001	1125000	1,125,000
1	1185001	1190000	1,188,500
2	1195001	1200000	2,400,000
1	1200001	1205000	1,205,000
1	1250001	1255000	1,254,555
1	1345001	1350000	1,347,500
1	1495001	1500000	1,500,000
1	1530001	1535000	1,530,097
1	1640001	1645000	1,644,717
1	1880001	1885000	1,881,996
1	1920001	1925000	1,921,003
1	1945001	1950000	1,948,257
2	1995001	2000000	4,000,000
1	2020001	2025000	2,020,500
1	2150001	2155000	2,154,000
1	2235001	2240000	2,237,500
1	2370001	2375000	2,375,000
1	2495001	2500000	2,500,000
1	2530001	2535000	2,530,350
1	2600001	2605000	2,600,500
1	2750001	2755000	2,755,000
1	3070001	3075000	3,074,526
1	3105001	3110000	3,105,500
1	3770001	3775000	3,773,600
2	3995001	4000000	8,000,000
1	4330001	4335000	4,334,500
1	4465001	4470000	4,465,500
1	5095001	5100000	5,100,000
1	5690001	5695000	5,692,503
1	5750001	5755000	5,750,500
1	5855001	5860000	5,857,429
1	5995001	6000000	6,000,000
1	6110001	6115000	6,114,500
1	6475001	6480000	6,477,069
1	6775001	6780000	6,777,064
1	7355001	7360000	7,360,000
1	9000001	9005000	9,002,500
1	9090001	9095000	9,093,930
1	12770001	1277500	12,773,000
1	13550001	1355500	13,554,128
1	19635001	1964000	19,636,000
2	19995001	2000000	40,000,000
1	27110001	2711500	27,113,393
1	32775001	3278000	32,777,450
1	49995001	5000000	50,000,000
1	54215001	5422000	54,216,512
1	68225001	6823000	68,228,986
1	69715001	6972000	69,720,000
1	79305001	7931000	79,306,563
1	11682000	1168250	116,822,946
1	17614100	1761413	1,761,412,119
44,444			2,638,151,060

NOTICE OF THE TWELFTH ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF SUMMIT BANK LIMITED

NOTICE is hereby given that the Twelfth Annual General Meeting of the Shareholders (the "**Shareholders**") of Summit Bank Limited (the "**Bank**") will be held on April 26, 2018 at 11:00 a.m. at Serena Hotel, Islamabad to transact the following business:

AGENDA

Ordinary Business:

1. To confirm the minutes of the Extra Ordinary General Meeting of the Bank held on November 07, 2017.
2. To receive, consider and adopt the audited financial statements of the Bank together with the Directors' and Auditors' Reports for the year ended December 31, 2017.
3. To appoint External Auditors of the Bank for the year ending December 31, 2018 till the conclusion of next Annual General Meeting and fix their remuneration (present Auditors, M/s. Deloitte Yousuf Adil, Chartered Accountants being eligible, offer themselves for re-appointment).

Other Business:

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

By order of the Board

Syed Muhammad Talib Raza
Company Secretary

Place: Karachi
Date: April 05, 2018

Notes:

1. The share transfer books of the Bank will be closed from April 19, 2018 to April 26, 2018 (both days inclusive). Transfers received by our Shares Registrar, M/s. THK Associates (Private) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S, Karachi at the close of business i.e. April 18, 2018 shall 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. THK Associates (Private) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S, Karachi duly stamped, signed and witnessed no later than 48 hours before the meeting.
3. Members are requested to notify any change in their addresses immediately.
4. In accordance with SECP's directives, it is mandatory for all the shareholders to have their valid CNIC number recorded with the Bank. Members who have not yet submitted photocopies of their CNICs to the Registrar are requested once again submit a valid attested copy of their CNICs with our Share Registrar, M/s. THK Associates (Pvt.) Ltd.
5. Central Depository Company of Pakistan ("CDC") Accountholders will further have to follow the under mentioned guidelines as laid down by Circular No. 01, dated January 26, 2000, issued by the Securities and Exchange Commission of Pakistan:

For Attending the Meeting:

- i. In case of individuals, the accountholders or sub-acountholder and /or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card ("CNIC") or original passport at the time of attending the Meeting.
- ii. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

For appointing of Proxies:

- i. In case of individuals, the accountholder or sub-acountholder and/or the person whose securities are in group account and their registration details are uploaded as per the CDC Regulation, shall submit the proxy form as per the above requirement.
 - ii. The proxy form shall be witnessed by the two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - iii. Attested copy of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv. The proxy shall produce his/her original CNIC or passport at the time of the meeting.
 - v. In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted along with proxy form of the Bank.
6. A Proxy Form, both in English and Urdu language, is being separately sent to the members, along with Notice of AGM. Pursuant to the provisions of the Companies Act, 2017, the shareholders residing in a city and holding at least 10% of the total paid up share capital may demand the Bank to provide the facility of video-link for participating in AGM. The demand for video-link facility shall be received by the Company Secretary of the Bank at least 07 days prior to the date of AGM on the "Form of Proxy for E-Voting" which is available on the Bank's website.
7. Copies of the Notice of AGM and the latest annual audited/quarterly financial statements of the Bank have been kept at the Registered Office of the Bank which can be obtained and/or inspected during the business hours on any working day from the date of publication of this Notice till the conclusion of the AGM by the members and other persons entitled to attend the Meeting. Notice of 12th AGM and the latest annual audited/quarterly financial statements have further been placed on website of the Bank: www.summitbank.com.pk.
8. The Securities & Exchange Commission of Pakistan (SECP) through its SRO 470(1)/2016 dated May 31, 2016 have allowed the companies to circulate its Annual Audited Financial Statements to its members through CD/DVD/USB or any electronic media at their registered addresses.

However, shareholders who wish to receive the hard copy of Financial Statements shall have to fill the 'Standard Request Form' available on the Bank's website and send to us at the given addresses.

BRANCH NETWORK

KARACHI

Abdullah Haroon Road Branch

282/3, Abdullah Haroon Road,
Area, Saddar, Karachi
Tel: 021-35685269, 35685393, 35685940
Fax: 021-35683991

Adamjee Nagar Branch

115-A/Z, Block 7/8, Tipu Sultan Road, Karachi
Tel: 021- 34312984-9
Fax: 021-34312980

Atrium Mall Branch

Shop No. 6 and 21 Ground Floor,
Plot No. 249, Atrium Mall,
Staff Lines, Zaibunnisa Street,
Saddar, Karachi
Tel: 021-35641001-7
Fax: 021-35641008

Badar Commercial Branch

Plot No. 41-C, Badar Commercial,
Street No. 10, Phase-V Extension,
DHA Karachi
Tel: 021-35348501-3
Fax: 021-35348504

Bahadur Shah Center Branch

Bahadur Shah Center, Urdu Bazar,
Off: M.A. Jinnah Road, Karachi
Tel: 021-32768547, 32768559
Fax: 021-32765083

Bahadurabad Branch

Plot # C-23, Shop # 1 & 2 Block-3,
BMC Commercial Area, Bahadurabad,
Karachi
Tel: 021-34913447 & 49
Fax: 021-34913453

Barkat-e- Hyderi Branch

Almas Square, Block-G,
North Nazimabad, Karachi
Tel: 021-36628931, 36706896-7
Fax: 021-36723165

Burns Road Branch

Plot No. 55-A, Survey Sheet A.M.,
Artillery Maidan Quarters (Burns Road),
Karachi
Tel: 021-32215174, 75 & 76
Fax: 021-32215289

Clifton Branch

Pearl Heaven Apartments,
Khayaban-e-Roomi,
Block No-5, Clifton, Karachi
Tel: 021-35823469, 35824171, 35823619
Fax: 021-35821463

Cloth Market Branch

41, Saleh Muhammad Street,
Cloth Market, Karachi
Tel: 021-32461601-03 & 32461605
Fax: 021-32461608

Com-3, Clifton Branch, Karachi

Show Room No. 12, "Com-3",
Opp: Bar B. Q. Tonight,
Block 6, Clifton, Karachi.
Tel: 021 - 35148311 - 13
Fax: 021 - 35148314

Defence Branch

55-C, Phase-II, D.H.A,
Opp Toyota Motors,
Main Korangi Road, Karachi
Tel: 021-35387809-35396263 - 35312592
Fax: 021-35387810

DHA Phase I Branch

101-C, Commercial Area 'B', Phase-1,
DHA, Karachi
Tel: 021- 35314061, 35314063-67, 35314105
Fax: 021-35314070

DHA Phase IV Branch

Plot No. 129, 9th Commercial Street, Phase IV,
DHA, Karachi
Tel: 021-35313068-70
Fax: 021-35313071

Dhoraji Colony Branch

Plot No. 133, Block No. 7 & 8
Dhoraji Colony, C.P & Berar Co- operative
Housing Society, Karachi
Tel: 021-34860773-75
Fax: 021-34860772

Dolmen City Branch

Ground Floor Harbor Front,
Triangular Towers,
Dolmen City Marine Drive
Phase IV, Clifton, Karachi
Tel: 021-35297611-15
Fax: 021-35297610

Electronic Market

(Abdullah Haroon Road) Branch

Shop No 1 & 2, Plot # 19,
Ghafoor Chambers,
Preedy Quarters, Saddar, Karachi
Tel: 021-32711614-8
Fax: 021-32716113

Fish Harbour Branch

K - 3, Export Zone, Adjacent Main
Auction Hall, Fish Harbour, Karachi
Tel: 021-32315383 - 85
Fax: 021-32315386

BRANCH NETWORK

Garden East Branch

Shop No. 4, 5 & 6, Jumani Centre
Plot No. 177-B, Garden East, Karachi
Tel: 021-32243311-13
Fax: 021-32243314

Gulistan-e-Jauhar - Branch 1

Plot # 118/A-B, Shop # 02, 03, 04
Ground Floor Ruffi Paradise Block-18
Gulistan-e-Jauhar, Karachi
Tel: 021-34621281-4
Fax: 021-34621285

Gulistan-e-Jauhar - Branch 2

Shop No. 5, 6, 7 & Office No. D-2,
Farhan Centre Block No. 1,
Gulistan-e-Jauhar, Karachi
Tel: 021-34022259, 34613674, 34016488-9
Fax: 021-34022639

Gulshan-e-Iqbal - Branch 1

Ground Floor, Hasan Center, Block-16,
Main University Road, Karachi
Tel: 021-34829024-27
Fax: 021-34829023

Gulshan-e-Iqbal - Branch 2

B-44, Block 13/A, Main University Road,
Gulshan-e-Iqbal, Karachi
Tel: 021-34987688, 34987739-40
Fax: 021-34987689

Hyderi Branch

D-10 Block-F, North Nazimabad,
Hyderi, Karachi
Tel: 021-36724991-4
Fax: 021-36724972

I. I. Chundrigar Road Branch 1 - Unitower Branch

Uni Towers, I.I. Chundrigar Road, Karachi
Tel: 021-32466410-13
Fax: 021-32466500

Jami Commercial, DHA Branch

64 C, Jami Commercial Phase VII,
7th Street, DHA, Karachi
Tel: 021-35316200-07
Fax: 021-35316199

Jamshed Quarters Branch

Showroom no. 3 & 4, AB Arcade
Plot # 714-6-1 Block A,
New M.A. Jinnah Road, Karachi
Tel: 021-34860422-23, 34860425
Fax: 021-34860424

Jodia Bazar - Branch 1

A/25/28 Daryalal Street,
Jodia Bazar, Karachi
Tel: 021-32500121-5
Fax: 021-32500128

Karachi Stock Exchange Branch

Office No. 52, 52-A, 52-B, (1st Floor)
KSE Building, Karachi
Tel: 021-32462850, 32462844-9
Fax: 021-32462843

Karimabad Branch

Plot No BS-16, Block 1, FB Area,
Karimabad, Karachi
Tel: 021- 36826646-48
Fax: 021-36826649

Khayaban-e-Shahbaz Branch

Plot No. 21-C Khayaban-e-Shahbaz,
Phase VI, DHA, Karachi
Tel: 021-35344952, 35344957 & 35344963
Fax: 021-35344942

Khayaban-e-Tanzeem Branch

C 4-C, Tauheed Commercial,
Khayaban-e-Tanzeem, Phase-5,
DHA, Karachi
Tel: 021-35869147-35810977 & 35871640
Fax: 021-35869342

Korangi Industrial Area Branch

33/1, Sector-15, Korangi Industrial Area, Karachi
Tel: 021-35114290, 35121294, 35122231-32
Fax: 021-35114282

Malir Cantt Branch

Army Shopping Complex,
Adjacent Tooba Army Store
Malir Cantonment, Karachi
Tel: 021-34196142-44
Fax: 021-34196145

M. A. Jinnah Road Branch

Mezzanine & Ground Floor,
Plot Survey No. 19,
Street # R.B.6. Shop # 3, 4,
Ram Bagh Quarters 166
M.A. Jinnah Road, Karachi
Tel: 021- 32218395, 32218409, 32218428
Fax: 021-32218376

Muhammad Ali Society Branch

Plot # 4-C Commercial Area,
Muhammad Ali Co-Operative,
Housing Society, Karachi
Tel: 021-34168036-37
Fax: 021-34186045

Nazimabad (Gol Market) Branch

Plot # 7, Sub Block 'E', in Block # III (III-E-7),
Nazimabad (Gol Market), Karachi
Tel: 021-36620261-63 & 36620267
Fax: 021-36620264

BRANCH NETWORK

New Challi Branch

Plot No. 27, Survey No. 27,
(New Challi), Altaf Hussain Road,
Karachi.
Tel: 021- 32423999, 32423737
Fax: 021 - 32422051

North Karachi Industrial Area Branch

Plot No. R-14, Gabol Town,
North Karachi Industrial Area, Karachi
Tel: 021-32015919, 36995925 & 36963445
Fax: 021-36975919

North Napier Road Branch

18-19, North Napier Road, Karachi
Tel: 021-32766477 & 32766755
Fax: 021-32766487

PAF-Base Faisal Branch

Camp-2, Faisal Arcade, PF-I,
Market PAF-Base Faisal, Karachi
PABX: 021-34601360-62
Fax: 021-34601363

Paper Market Branch

Al-Abbas Centre, Paper Market,
Shahrah-e-Liaquat, Karachi
Tel: 021-32639671-2 & 32634135
Fax: 021-32639670

Plaza Quarters Branch

Al-Shafi Building Noman Street,
Off: M.A. Jinnah Road, Karachi
Tel: 021-32771515-16-18
Fax: 021-32771517

Ranchore Line Branch

R.C. 11, Old Survey # E-7/143,
Ranchore Line, New Lakhpati Hotel,
Karachi
Tel: 021-32767234-36
Fax: 021-32767460

Rizvia Society Branch

B-12, Rizvia Cooperative Society,
Nazimabad, Karachi
Tel: 021-36600956-57
Fax: 021-36600958

S.I.T.E. Branch

B/9-B/3, Near Metro Chowrangi,
S.I.T.E., Area, Karachi
Tel: 021-32586801-4, 32587166-8
Fax: 021-32586806

Saeedabad Branch

Plot # 1004/1 & 1004-A/1
(5G/102-A & 5G/012-A/2), Saeedabad,
Baldia, Mahajir Camp, Karachi
Tel: 021-32815092-94
Fax: 021-32815095

Shahrah-e-Faisal - Branch

Business Avenue Block-6, P.E.C.H.S., Karachi
Tel: 021-34386417-18 & 34374476
Fax: 021-34531819

Shershah Branch

Plot No. D-175, Industrial Trading Estate Area,
Trans Lyari Quarters, Shershah,
Karachi
Tel: 021-32588191-93
Fax: 021-32588195

Soldier Bazar Branch

Shop # 4, 5 & 6, Plot No 14,
Survey # 13-B-2, Soldier Bazar Quarters, Karachi
Tel: 021-32231559-60
Fax: 021-32231556

Steel Market Branch

Ground Floor, Shop # G-13, 14, 32 & 33
Steel Market, Ranchore Lines Quarters, Karachi
Tel: 021-32763001- 07
Fax: 021-32763009

Tariq Road Branch

C-51, Central Commercial Area,
Near Pizza Max Tariq Road, P.E.C.H.S., Karachi
Tel: 021-34556486, 34556682
Fax: 021-34555478

Timber Market Branch

Siddique Wahab Road, Karachi
Tel: 021-32732729, 32766995
Fax: 021-32733214

Water Pump Branch

Lateef Square, Block-16, Federal 'B' Area,
Main Water Pump Market, Karachi
Tel: 021-36321387, 36314817
Fax: 021-36314848

LAHORE

Allama Iqbal Town Branch

56/12, Karim Block, Allama Iqbal Town, Lahore
Tel: 042-35434160-61, 35434163
Fax: 042-35434164

Azam Cloth Market Branch

285-286, Punjab Block, Azam Cloth Market, Lahore
Tel: 042-37661686, 37660341 & 37660298
Fax: 042-37661863

Badami Bagh Branch

25 - Peco Road Badami Bagh Lahore
Tel: 042-37724583, 37720382, 37705036
Fax: 042-37730867

BRANCH NETWORK

Bahria Town Branch

Plot No. 31 - B, Sector 'C',
Bahria Town, Lahore
Tel: 042 - 37862380 - 82
Fax: 042-37862379

Bedian Road Branch

Plot No. 2512/1, Phase-VI,
Bedian Road, Talal Medical Center,
Lahore
Tel: 042-37165300-03
Fax: 042-37165304

Circular Road Branch

Babar Centre, 51, Circular Road, Lahore
Tel: 042-37379371 - 75
Fax: 042-37379370

Darogawala Branch

Near Shalimar Garden
G.T.Road Darogawala Lahore
Tel: 042-36520681-83
Fax: 042-36520684

DHA Phase- VI Branch

Property No 16-MB ,
Block MB, Phase VI DHA Lahore
Tel: 042 -37189650 -52
Fax: 042-37189653

DHA G Block Branch

Plot # 13 G, Commercial Zone DHA,
Phase-I, Lahore Cantt
Tel: 042-35691173-78
Fax: 042-35691171

DHA Y Block Branch

163, Block Y, Phase III,
DHA Lahore Cantt
Tel: 042-35692531-36
Fax: 042-35692690

Egerton Road Branch

27-Ajmal House, Egerton Road, Lahore
Tel: 042-36364522, 36364532
Fax: 042-36364542

Empress Road Branch

Plot # 29, Empress Road, Lahore
Tel: 042-36300670-3
Fax: 042-36310362

Faisal Town Branch

853/D, Akbar Chowk,
Faisal Town, Lahore
Tel: 042-35204101-3
Fax: 042-35204104

Ferozpur Road Branch

Siza Farmer Factory, Sufiabad, Lahore
Tel: 042- 35401751-4
Fax: 042-35800094

Gulberg Branch

132-E/I Main Boulevard,
Gulberg-III, Lahore
Tel: 042-35870832-3, 35870975-6
Fax: 042-35870834

Ichra More Branch

House # 146, Muhallah Ferozpur Road,
Ichra More, Lahore
Tel: 042-37572090-93
Fax: 042-37572089

Johar Town Branch

Plot # 85, Block G/1,
M.A Johar Town, Lahore
Tel: 042-35291172-74
Fax: 042-35171047

Kashmir Block, Allama Iqbal Town Branch

Plot # 1, Kashmir Block,
Allama Iqbal Town
Scheme, Lahore
Tel: 042-37809021-24
Fax: 042-37809026

Lahore- Cantt Branch

Day building 1482/A,
Abdul Rehman Road,
Lahore Cantt
Tel: 042- 36603061-63
Fax: 042-36603065

Lahore Stock Exchange Branch

Office No. 1, Lower Ground Floor # 1,
Lahore Stock Exchange Plaza,
Plot No. 19, Khasra No. 1047, 19,
Khayaban e Aiwan e Iqbal, Lahore
Tel: 042-36280853 - 56
Fax: 042-36280851

Liberty Market Branch

Shop No.02 & 03, Ground Floor, Diamond Tower,
28 Commercial Zone, Liberty Market, Gulberg III,
Lahore.
Tel: (042) 35717273 & (042) 35763308
Fax: 042-35763310

Mall Road Branch

56, Ground Floor,
Shahrah-e-Quaid-e-Azam
(The Mall), Lahore
Tel: 042-36284801-3
Fax: 042-36284805

BRANCH NETWORK

Model Town Branch

14-15, Central Commercial Market,
Model Town, Lahore
Tel: 042-35915540-42 & 35915548
Fax: 042-35915549

New Garden Town Branch

19-A, Ali Block, New Garden Town,
Lahore
Tel: 042-35911361-4
Fax: 042-35911365

Shah Alam Gate Branch

12-A, Shah Alam Gate, Lahore
Tel: 042-37666854 - 57
Fax: 042-37663488

Urdu Bazar Branch

S - 38-R, Urdu Bazar Chowk - 205,
Circular Road, Lahore
Tel: 042-37116001-3
Fax: 042-37116004

Wahdat Road Branch

Mauza Ichra, Wahdat Road,
Lahore
Tel: 042-37503001-3
Fax: 042-37503004

Z Block DHA Branch

323-Z, DHA, Phase-3, Lahore
Tel: 042-35693112-5
Fax: 042-35693117

ISLAMABAD

Bahria Town Branch

Plot # 3-4, Express Way, Sufiyan Plaza,
Phase VII, Bahria Town, Islamabad
Tel: 051- 5707360 – 63-65
Fax: 051-5707358

Barah Koh Branch

Murree Road, Tehsil / District,
Islamabad
Tel: 051- 2321712- 13
Fax: 051-2321714

Blue Area Branch

20 - Al- Asghar Plaza, Blue Area,
Islamabad
Tel: 051-2823204, 2872913
Fax: 051-2274276

F-10 Markaz Branch

Plot No. 08, Maroof Hospital, F-10
Markaz, Islamabad
Tel: 051-2222860-62
Fax: 051-2222863

F-11 Markaz Branch

Plot # 29, Select Center, F-11
Markaz, Islamabad
Tel: 051-2228027-28
Fax: 051-2228365

G-11 Markaz Branch

Shop #. 25-34, Plot # 23,
Sajid Sharif Plaza, G-11 Markaz,
Islamabad
Tel: 051-2220973-6
Fax: 051-2220977

I-9 Markaz Branch

Plot # 3/L, Shops Nos. 6, 7, 13, & 14, I-9,
Markaz, Islamabad
Tel: 051-4449832-35
Fax: 051-4449836

Stock Exchange Branch

Plot # 109, East F-7/G-7, Jinnah Avenue,
Blue Area, Islamabad
Tel: 051-2806281-83
Fax: 051-2806284

Super Market Branch

Shop No. 9, Block - C, F-6 Markaz, Islamabad.
Tel: 051-2279168-170 & 051-2824533-34
Fax: 051-2279166

RAWALPINDI

Bank Road Branch

60, Bank Road, Rawalpindi
Tel: 051-5564123, 051-5120777-80
Fax: 051-5528148

Raja Bazar Branch

Raja Bazar, Rawalpindi
Tel: 051-5553504, 5557244, 5777707,
5534173 & 5557244
Fax: 051-5559544

Shamsabad Muree Road Branch

DD/29, Shamsabad Murree Road,
Ojri Kalan, Rawalpindi
Tel: 051-4854400, 4854401-03
Fax: 051-4854404

FAISALABAD

Jail Road Branch

House No. P-62,
Opposite Punjab Medical College,
Jail Road, Faisalabad
Tel: 041-8813541-43
Fax: 041-8813544

BRANCH NETWORK

Kotwali Road Branch

P-12, Kotwali Road, Faisalabad
Tel: 041-2412151-53
Fax: 041-2412154

Liaquat Road Branch

Liaquat Road, Chak # 212,
Faisalabad
Tel: 041-2541257-59
Fax: 041-2541255

Satiana Road Branch

Plot No. 679 - DGM, Batala Colony,
Satiana Road, Faisalabad
Tel: 041 - 8500569 - 73
Fax: 041 - 8500568

Susan Road Branch

Chak No. 213/RB Susan Road,
Faisalabad
Tel: 041-8502367-69
Fax: 041-8502371

MULTAN

Abdali Road Branch

Plot No. 66-A & 66-B/9, Abdali
Road, Multan
Tel: 061-4588171, 4588172 & 4588175-78
Fax: 061-4516762

Hussain Agahi Road Branch

2576, Hussain Agahi Road,
Multan
Tel: 061-4548083, 4583268,
4583168 & 4584815
Fax: 061-4543794

Qadafi Chowk Branch

Plot # 43, Block T, New Multan Road,
Qadafi Chowk-Multan
Tel: 061-6770882-84
Fax: 061-6770889

Vehari Road Branch

Plot # 2227-A, Chowk Shah Abbas,
Vehari Road, Multan
Tel: 061-6241015-17
Fax: 061-6241014

SUKKUR

Marich Bazar Branch

B - 885, Marich Bazar, Sukkur
Tel: 071-5627781-2
Fax: 071-5627755

Shikarpur Road Branch

Shop # D-195, Ward D,
Near A Section Police Station
Shikarpur Road, Sukkur
Tel: 071-5617142-44
Fax: 071-5617145

Workshop Road Branch

City Survey # 3403/2/1 and C.S # 3403/2M/6,
Ward-B Tooba Tower Workshop Road, Sukkur
Tel: 071-5616663, 5616664, 5616582
Fax: 071-5616584

GUJRANWALA

GT Road Branch

B/11-57/103, G. T. Road, Gujranwala
Tel: 055-3842751-3842729
Fax: 055-3842890

Gujranwala Branch

G.T. Rd., Opp. General Bus Stand, Gujranwala
Tel: 055-3820401-3
Fax: 055-3820404

Wapda Town Branch

Plot # B - III, MM - 53, Hamza Centre,
Wapda Town, Gujranwala
Tel: 055-4800204-06
Fax: 055-4800203

GUJRAT

GT Road Branch

Small Estate, G. T. Road, Gujrat
Tel: 053-3534208, 3533949 & 3534208
Fax: 053-3533934

Gujrat Branch

Main GT Road Tehsil & Distt., Gujrat
Tel: 053-3517051-54
Fax: 053-3516756

Katchery Chowk Branch

Shop # 1263 & 1270 B-II, Katchery Chowk,
Opp. Zahoor Elahi Stadium,
Near New Narala Bakers, Gujrat
Tel: 053-3601021-24
Fax: 053-3601025

PESHAWAR

Deans Trade Center Branch

Deans Trade Centre, Islamia Road, Peshawar
Tel: 091-5253081 -3 & 5
Fax: 091-5253080

Fruit Market Branch

Near Fruit Market, G.T. Road, Peshawar
Tel: 091-2260373-4
Fax: 091-2260375

BRANCH NETWORK

Hayatabad Branch

Shop# 1, Hayatabad Mall, Baghee-Naran Road,
Phase II, Sector J-I Hayatabad Peshawar.
Tel: 091-5822923-25
Fax: 091-5822926

Main University Road Branch

Tehkal Payan, Main University Road-Peshawar
Tel: 091-5850540-41 & 5850548-9
Fax: 091-5850546

Milad Chowk Branch

Milad Chowk, New Gate, Peshawar City
Tel: 091-2550477, 2550466, 2217131
Fax: 091-2550488

QUETTA

Fatima Jinnah Road Branch

Plot No. Khasra No.134 & 138, Ward No. 19,
Urban # 1, Fatima Jinnah Road, Quetta
Tel: 081-2301094-95
Fax: 081-2301096

Liaquat Bazar Branch

Ainuddin Street, Quetta
Tel: 081-2837300-1
Fax: 081-2837302

M. A. Jinnah Road Branch

Ground Floor, Malik Plaza,
Near Adara-e-Saqafat,
M.A. Jinnah Road, Quetta.
Tel: 081-2865590-95
Fax: 081-2865587

Regal Chowk Branch

Regal Chowk, Jinnah Road, Quetta
Tel: 081-2837028-29
Fax: 081-2825065

ABBOTTABAD

Abbottabad Branch

Sitara Market, Mansehra Road, Abbottabad
Tel: 0992-385931-34
Fax: 0992-385935

ATTOCK

Hassan Abdal Branch

Survey No. 1269/1624, Khasra No. 1935,
G. T. Road, Hassan Abdal, District Attock
Tel: 057-2520329-31
Fax: 057-2520328

Fateh Jang Branch

Main Rawalpindi Road, Fateh
Jang Distt Attock
Tel: 057-2210321-23
Fax: 057-2210324

AZAD KASHMIR

Dadyal Branch

Choudhary Centre, Ara Jattan,
Dadyal, Azad Kashmir
Tel: 05827-463475
Fax: 05827-465316

Mirpur Azad Kashmir - Branch 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: 05827-446405, 446407-9
Fax: 05827-446406

Muzzafarabad Branch

Sangam Hotel, Muzzafarabad - Azad
Jammu Kashmir (AJK)
Tel: 05822-924203-5
Fax: 05822-924206

Shaheed Chowk Branch

Deen Plaza, Shaheed Chowk,
Kotli, Azad Kashmir
Tel: 05826-448453-54
Fax: 05826-448455

CHAK GHANIAN

Chak Ghanian Branch

Plot No. 547-548, Iqbal Mandi,
G. T. Road, Sarai Alamgir.
Tel: 0544-654402-03, 655155
Fax: 0544-654401

CHAKWAL

Chakwal Branch

Al- Noor Plaza Sabzi Mandi,
Talagang Road, Chakwal
Tel: 0543-554796, 540650-51
Fax: 0543-554797

Dalwal Branch

Village & Post Office Dalwal, Tehsil
Choha, Saidan Shah, Distt Chakwal
Tel: 0543-582834
Fax: 0543-582842

BRANCH NETWORK

CHAMMAN

Chamman Branch

Khashra No. 1323 & 2324 Abdali Bazar,
Dola Ram Road, Tehsil Chaman,
District Qila Abdullah, Baluchistan
Tel: 0826-618137-39
Fax: 0826-618143

DADU

Dadu Branch

CS No. 1036/2, Ward 'B', Station Road,
Dadu, Sindh
Tel: 0254-711471-3
Fax: 0254-711474

DINA

Dina Branch

Mian G.T. Road Dina
Tel: 0544-634471 -3
Fax: 0544-636675

GAWADAR

Gawadar Branch

Plot Askani Hotel, Mullah Faazul Chowk,
Gawadar
Tel: 0864-212144- 212146
Fax: 0864-212147

GHOTKI

Ghotki Branch

CS # 395 & 407, Muhallah Machhi Bazar,
Opp: Sarkari Bagh, Ghotki, Sindh
Tel: 0723-681571 - 73
Fax: 0723-681574

GILGIT

Gilgit Branch

Khasra# 1103, 1112, 1113,
Haji Ghulam Hussain Building,
Raja Bazar, Gilgit
Tel: 05811-457366-68
Fax: 05811-457369

GUJAR KHAN

Gujar Khan Branch

Plot # 58-D, 59-C, Sector/Block Area
Development, Scheme # 1, Akbar Kayani
Plaza, G. T. Road, Gujar Khan
Tel: 051-3516431-4 & 3516436
Fax: 051-3516435

HARIPUR

Haripur Branch

Ground Floor, Akbar Arcade,
Main G.T. Road, Haripur
Tel: 0995-610832 - 34
Fax: 0995-610829

HAZRO

Hazro Branch

Plot # B -386, 386-A,
Dawood Centre, Bank Square,
Zia ul Haq Road, Hazro
Tel: 057-2313283 - 85
Fax: 057-2313286

HYDERABAD

Bohri Bazar Hyderabad Branch

41/364, Saddar, Bohri Bazar, Hyderabad
Tel: 022-2730911-14
Fax: 022-2730910

Latifabad No. 7 Branch

Latifabad # 7, 5/D Unit # 7, Hyderabad
Tel: 022-3810524 & 3810525
Fax: 022-3810515

Market Chowk Branch

Shop CS # A/2772/2, Ward -A,
Market Road, Hyderabad
Tel: 022-2638451-54
Fax: 022-2638450

Qasimabad Branch

Shop No. 23, 24 & 25, Rani Arcade,
Qasimabad, Hyderabad
Tel: 022-2650742-43 & 2652204-5
Fax: 022-2650745

JACOBABAD

Jacobabad Branch

C.S. No. 480, Ward # 5, Town,
Jacobabad - Sindh
Tel: 0722-650071 - 73
Fax: 0722-650074

JEHLUM

Jhelum Branch

Plot # 89, Mehfooz Plaza, Kazim Kamal Road,
Jhelum Cantt.
Tel: 0544-720216 - 18
Fax: 0544-720219

BRANCH NETWORK

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: 0537 -515694,515699, 515697,519977
Fax: 0537-515685

LARKANA

Larkana Branch

C.S. No. 1808, Pakistan Chowk,
Larkana, Sindh
Tel: 074-4053608-10
Fax: 074-4053611

MANDI BHAUDDIN

Mandi Bahauddin Branch

Khasra # 143/112, Chak #51, Bank Road,
Off Railway Road, Ghalla Mandi, Mandi
Bahauddin
Tel: 0546-600901, 600903-5
Fax: 0546-600902

MANSEHRA

Mansehra Branch

Al- Hadeed Corporation Market,
Shahrah Resham, Mansehra
Tel: 0997-303186, 303180
Fax: 0997-303135

MARDAN

The Mall Branch

Plot No. 337, 337-A, The Mall, Mardan.
Tel: 0937-865344-45
Fax: 0937-865342

MIRPURKHAS

Khipro Bus Stand Branch

Plot No. 92-93, Samanabad, Khipro District,
Ghumanabad Chowk, Khipro Bus Stand - Mirpurkhas
Tel: 0233-876384 & 874518
Fax: 0233-875925

Umer Kot Road Branch

Plot No : 988 to 991 Umerkot Gharibabad,
Mirpur Khas
Tel: 0233- 875113-7
Fax: 0233-875118

MURIDKE

Muridke Branch

774, G.T. Road Muridke
Tel: 042-37950456,37994711-12
Fax: 042-37994713

NAROWAL

Katchery Road Branch

Katchery Road, Narowal
Tel: 0542-414105-7
Fax: 0542-414089

NAWABSHAH

Nawabshah Branch

Survey No. 77, Masjid Road,
Nawabshah, Sindh
Tel: 0244 - 372042 - 44
Fax: 0244-372045

BRANCH NETWORK

JAMSHORO

Nooriabad Branch

Ground Floor, SITE Office Building Nooriabad,
Dist Jamshoro, Sindh
Tel: 025-4670433-8
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: 047-6213795-97 & 6213792
Fax: 047-621 3797

RAHIM YAR KHAN

Rahim Yar Khan Branch

31/34 Shahi Road, Rahimyar Khan
Tel: 068-5877821-5883876
Fax: 068-5876776

SADIQABAD

Sadiqabad Branch

Mozzah Khuda Bux Dehar,
Macchi Goth,
KLP Road, Sadiqabad
Tel: 068-5951301-3
Fax: 068-5951300

SAHIWAL

High Street Branch

558/8-1, Navid Plaza,
High Street Sahiwal.
Tel: 040-4229247, 4221615
Fax: 040-4460960

SARGODHA

Sargodha Branch

Prince Cinema Market Railway Road,
Sargodha
Tel: 048-3768113-5
Fax: 048-3768116

Satellite Town Branch

Satellite Town, Ground Floor,
Afzal Towers, Plot # 302-A,
Main Satellite Town, Sargodha.
Tel: 048-3221025-28
Fax: 048-3221029

SHIKARPUR

Shikarpur Branch

C.S. No.52/33/1, Ward 'B', Lakhi Gate,
Shikarpur, Sindh
Tel: 0726-522057-59
Fax: 0726-522060

SIALKOT

Kashmir Road Branch

Address: Block 'A', ZHC,
Kashmir Road, Sialkot
Tel: 052-3573304-7
Fax: 052-3573310

Paris Road Branch

B1, 16S, 71/A/1, Paris Road,
Sialkot
Tel: 052-4602712-17
Fax: 052-4598849

Small Industrial Area Branch

Plot No. 32 / A, S.I.E -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 & 411606
Fax: 0852-414048

WAH CANTT

Wah Cantt Branch

Plot No. 17/37, Civic Center,
Aslam Market, Wah Cantt
Tel: 051-4542157, 4542167,
4542279, 4902238-39
Fax: 051-4542140

BRANCH NETWORK

ISLAMIC BANKING BRANCHES

KARACHI

Fish Harbour Branch

Plot No. L - 2, Block L
Fish Harbour, Dockyard Road,
West Wharf, Karachi
PABX: 021-32312166-68
Fax: 021-32312165

I. I. Chundrigar Road Branch 2

5-Business & Finance Centre,
Opposite State Bank of Pakistan, Karachi.
Tel: 021-32438212, 32472176, 32471796
Fax: 021-32438218

IBL Building Centre, Shahrah-e-Faisal, Branch

Ground Floor IBL Building Center at Plot No. 1,
Block 7 & 8, D.M.C.H.S, Shahrah-e-Faisal, Karachi
Tel: 021-32368002-4
Fax: 021 - 32368005

Super Highway Branch

Shop No. 29 & 30, Plot # 1-B/3,
Sub Sector 1-A, Scheme No. 33,
Main Super Highway, Karachi.
Tel: 021 - 36830161-3

Zamzama Branch

Shop No. 3, 4, 5, 6 & 7, Plot No. 16-C,
2nd Zamzama Commercial Lane
DHA - Karachi
Tel: 021 - 35373135-7
Fax: 021 - 35373138

LAHORE

PIA Society Branch

Plot # 40, Block-D, Main Boulevard PIA Society, Opp Wapda
Town Roundabout, Lahore
Tel: 042-35189957 - 59
Fax: 042-35210895

ISLAMABAD

DHA Phase 2 Branch

Plot No. 7, Street SSZBS, Al Nahyaan,
Sector - A, DHA Phase 2
Near Al Ghurair, Main Boulevard, Islamabad
Tel: 051 - 4918314 - 16
Fax: 051 - 4918317

Naval Anchorage Branch

Plot # 19, Commercial No. 2,
Naval Officers' Housing Scheme
Anchorage, Islamabad
Tel: 051 - 5159126 - 28
Fax: 051 - 5159129

RAWALPINDI

Bahria Town Branch Phase-IV

Plot # 1, Bahria Town, Civic Centre,
Phase IV, Rawalpindi
Tel: 051-5733945-46
Fax: 051-5733967

HUB

Hub Branch

Shop No. 12 - 14, Khasra No. 106/4,
Int. Shopping Mall Hotel,
Mouza Berot, Tehsil Hub, Lasbella,
Baluchistan
Tel: 0852 - 363056 - 058
Fax: 0852 - 363050

CHILAS

Chilas Branch

Khasra No. 02, Bazar Area, Chillas,
District Baltistan
Tel: 05812- 450702-3
Fax: 05812-450704

CHITRAL

Chitral Branch

Attalique Bazar, Bank Square,
Opp: NBP Building, Chitral
Tel: 0943 - 412536-37
Fax: 0943 - 414352

SKARDU

Skardu Branch

Khasra No. 1265/39,
Yadgar Chowk, Tehsil Skardu,
District Baltistan
Tel: 05815- 456693-94
Fax: 05815-456696

HYDERABAD

DHA Plaza Branch

Shop No. 1 & 2, Block "C",
Defence Plaza, Thandi Sarak, Hyderabad
Tel: 022- 2108474, 2108478
Fax: 022-210847

FORM OF PROXY

12th Annual General Meeting

The Company Secretary
Summit Bank Limited
2nd Mezzanine Floor,
5-Business & Finance Centre,
Opp. State Bank of Pakistan,
Off. I. I. Chundrigar Road,
Karachi - Pakistan.

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 12th Annual General Meeting of the Bank to be held on April 26, 2018 and /or any adjournment thereof.

Signed this _____ day of _____ 2018.

Witnesses:

1. Name : _____
Address : _____
CNIC No. : _____
Signature : _____
2. Name : _____
Address : _____
CNIC No. : _____
Signature : _____

Signature on
Rs. 5/-
Revenue Stamp

NOTICE:

- (i) A member entitled to attend and vote at the meeting may appoint another member as his / her proxy who shall have such rights as 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. THK Associates (Private) Limited. 1st Floor, 40-C, Block-6 P.E.C.H.S, Karachi not later than 48 hours before the meeting duly signed and stamped and witnessed by two persons with their names, addresses and NIC numbers mentioned on the form.
- (v) In the case of individuals attested copies of NIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (vi) In the case of proxy by a corporate entity, Board of Directors resolution/power of attorney with specimen signature and attested copies of the NIC or passport of the proxy shall be submitted along with proxy form.

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REGISTRAR

M/s. THK Associates (Private) Limited

1st Floor, 40-C, Block-6, P.E.C.H.S, Karachi

Tel : 021-111-000-322 Ext: 107-111-115

Fax : 021-34168271

Email : secretariat@thk.com.pk

Website : www.thk.com.pk

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پروکسی فارم

بارہواں سالانہ اجلاس عام

جناب کمپنی سیکرٹری

سمٹ بینک لمیٹڈ

2nd میزٹائن فلور،

5- برنس اینڈ فنانس سینٹر،

بالمقابل اسٹیٹ بینک آف پاکستان،

آئی آئی چندریگر روڈ، کراچی، پاکستان۔

میں/ ہم از سمٹ بینک لمیٹڈ کا ممبر (ز) ہونے کے ناطے
..... اعزازی شیئرز کا حامل بمطابق رجسٹری ڈی سی اکاؤنٹ نمبر
..... بذریعہ پدمحترم/محترمہ کا تقرر کرتا ہوں جس کا مکمل پتہ
..... ہے یا اس کی عدم موجودگی میں
..... محترم/محترمہ جس کا مکمل پتہ
..... ہے، میں (بینک کا ممبر ہونے کے ناطے) بطور پروکسی تقرر کرتا ہوں جسے میرے/ہمارے جانب
..... سے 26 اپریل 2018ء کو منعقد ہونے والے بارہویں سالانہ اجلاس عام یا کسی التواء میں شرکت کرنے، عمل کرنے اور میرے/ہمارے جانب سے ووٹ ڈالنے کی اجازت دی جائے۔

دستخط از مورخہ 2018ء

گواہان:

1. نام:

پتہ:

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر:

دستخط:

2. نام:

پتہ:

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر:

دستخط:

اطلاع:

- ایک ممبر جو اجلاس میں شرکت اور ووٹ دینے کا اہل ہو وہ کسی اور ممبر کو اپنا/اپنی پروکسی مقرر کر سکتا/سکتی ہے جسے اجلاس میں شرکت، بولنے اور ووٹ ڈالنے کے اُتے ہی اختیار حاصل ہوں گے جتنے ایک ممبر کو حاصل ہوتے ہیں۔
- اکاؤنٹ ہولڈرز، سب اکاؤنٹ ہولڈرز، پروکسی یا نامزد کو اپنا اصل قومی شناختی کارڈ (CNIC) یا پاسپورٹ دکھا کر اپنے/اپنی شناخت کی تصدیق کروانی ہوگی اور اجلاس میں شرکت کے وقت اپنا فوٹیو نمبر ہمراہ لانا ہوگا۔
- کاروباری ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ نامزد شخص کے دستخط کے نمونے کے ساتھ (اگر پہلے فراہم نہ کیے گئے ہوں) بھی اجلاس کے وقت پیش کرنے ہوں گے۔
- پروکسی فارم کے موثر ہونے کیلئے ضروری ہے کہ وہ ہمارے رجسٹرار کے دفتر میسرز ٹی ایچ کے ایسوی ایٹس (پرائیویٹ) لمیٹڈ، کیلی منزل، سی۔۴۰، بلاک۔۶، پی ای سی ایچ ایس، کراچی۔ مناسب طور پر مہر لگی ہوئی، دستخط شدہ اور دو افراد کی گواہی کے ساتھ اجلاس سے زیادہ سے زیادہ 48 گھنٹے قبل وصول ہو جائیں۔
- انفرادی صورت میں بینیفیشل آنرز اور پروکسی کے قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقل بھی پروکسی فارم کے ساتھ فراہم کرنا ہوں گی۔
- کاروباری ادارے کی صورت میں پروکسی فارم کے ساتھ بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ نامزد شخص کے دستخط کے نمونے کے ساتھ اور پروکسی کے قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقل بھی جمع کروانی ہوگی۔

پانچ روپے کی مالیت کے
ڈاک ٹکٹ پر دستخط

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REGISTRAR

M/s. THK Associates (Private) Limited

1st Floor, 40-C, Block-6, P.E.C.H.S, Karachi

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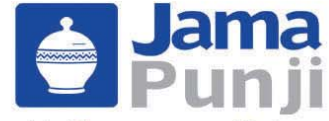
Fax : 021-34168271

Email : secretariat@thk.com.pk

Website : www.thk.com.pk

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
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