

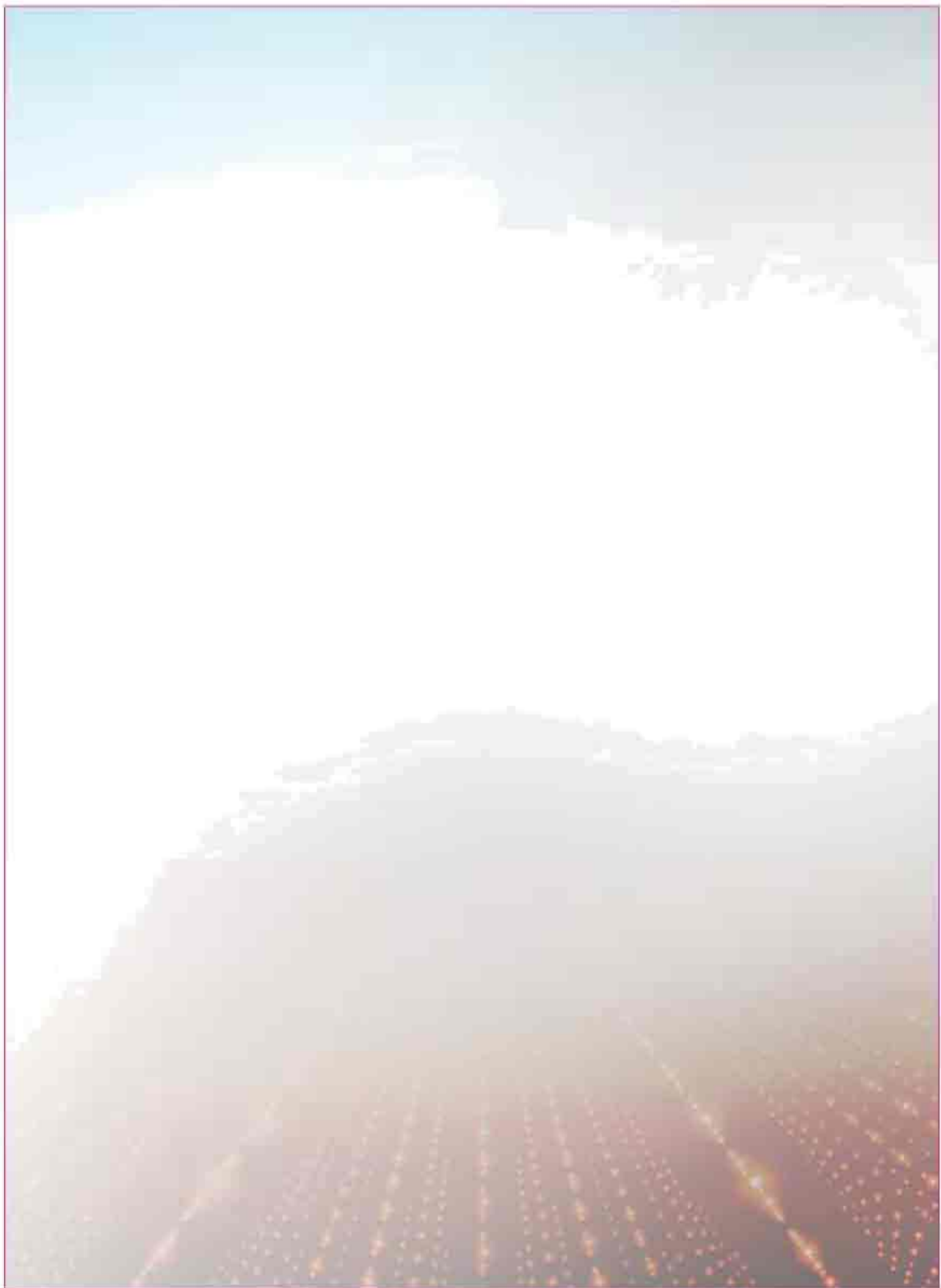
Summit **S** Bank
Committed to you

STRENGTHENING
RELATIONSHIPS

ANNUAL REPORT
2016

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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 and CEO

Mr. Asadullah Khawaja
Director

Mr. Shehryar Faruque
Director

Mr. Md. Ataur Rahman Prodhan
Director

Syed Mohammad Anwar Lutfullah*
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

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

Technology Trade (Private) Limited

Dagia House, 241-C, Block-2, P.E.C.H.S.,
Off. Shahrah-e-Quaideen, Karachi-74000, Pakistan
Tel: (021) 34391316-7
Fax: (021) 34391318

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

Entity Ratings

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

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

Website : www.summitbank.com.pk

Toll Free : 0800-24365

*Subject to regulatory approval from SBP.

A hand holding a pair of binoculars, looking out over a city skyline at night with a bright sun or moon in the sky.

VISION

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



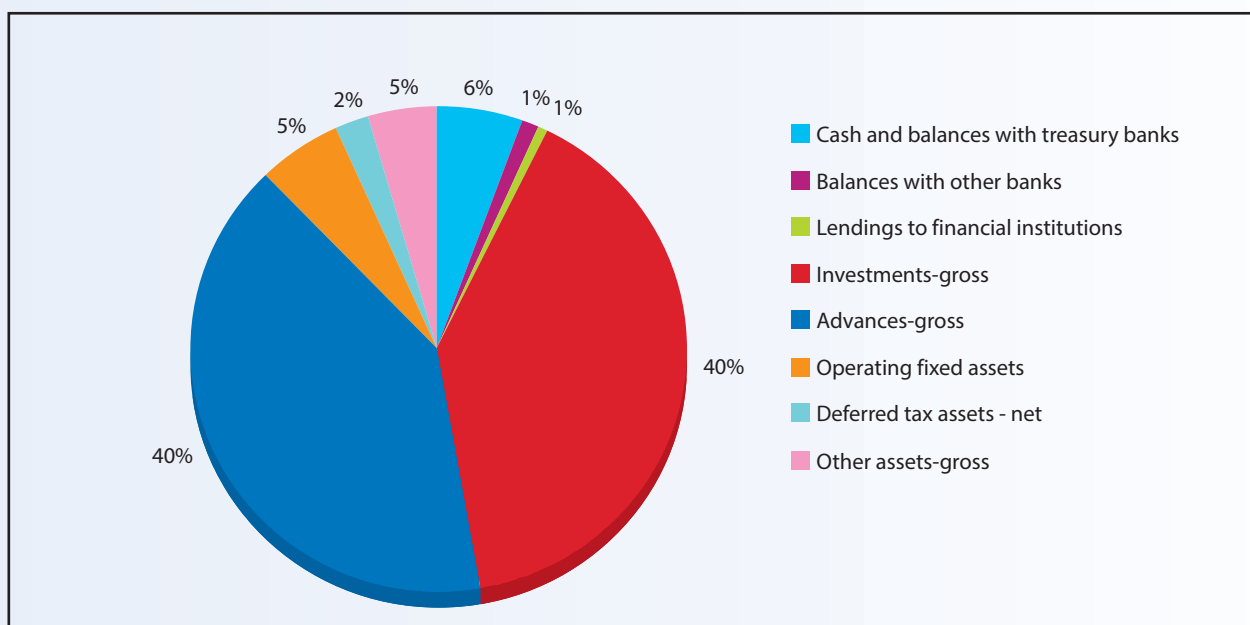
MISSION

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

KEY OPERATING AND FINANCIAL DATA

DECEMBER 31	RUPEES IN MILLION					
	2016	2015	2014	2013	2012	2011
ASSETS					Restated	Restated*
Cash and balances with treasury banks	12,787	10,540	9,384	9,204	8,110	6,118
Balances with other banks	2,582	2,919	4,377	2,302	3,601	1,426
Lendings to financial institutions	1,631	**1,000	650	1,555	2,039	1,070
Investments-gross	92,675	**80,031	46,239	41,018	51,117	37,634
Advances-gross	94,256	83,099	77,804	65,568	64,942	68,399
Operating fixed assets	12,273	9,534	7,535	6,182	5,385	6,071
Deferred tax assets - net	5,201	5,609	5,645	5,800	6,042	6,298
Other assets-gross	10,557	10,503	9,371	7,075	6,897	6,231
Total assets-gross	231,962	203,235	161,005	138,704	148,133	133,247
Provision against non performing loans & advances (NPLs)	(14,412)	(12,545)	(11,349)	(11,360)	(12,393)	(12,381)
(Provision) / (deficit) on revaluation of investments - net	(2,100)	(1,838)	(742)	(1,330)	(1,172)	(1,365)
Provision held against other assets	(428)	(432)	(457)	(454)	(182)	(153)
Total provisions	(16,940)	(14,815)	(12,548)	(13,144)	(13,747)	(13,899)
TOTAL ASSETS-NET OF PROVISIONS	215,022	188,420	148,457	125,560	134,386	119,348

TOTAL ASSETS - GROSS 2016



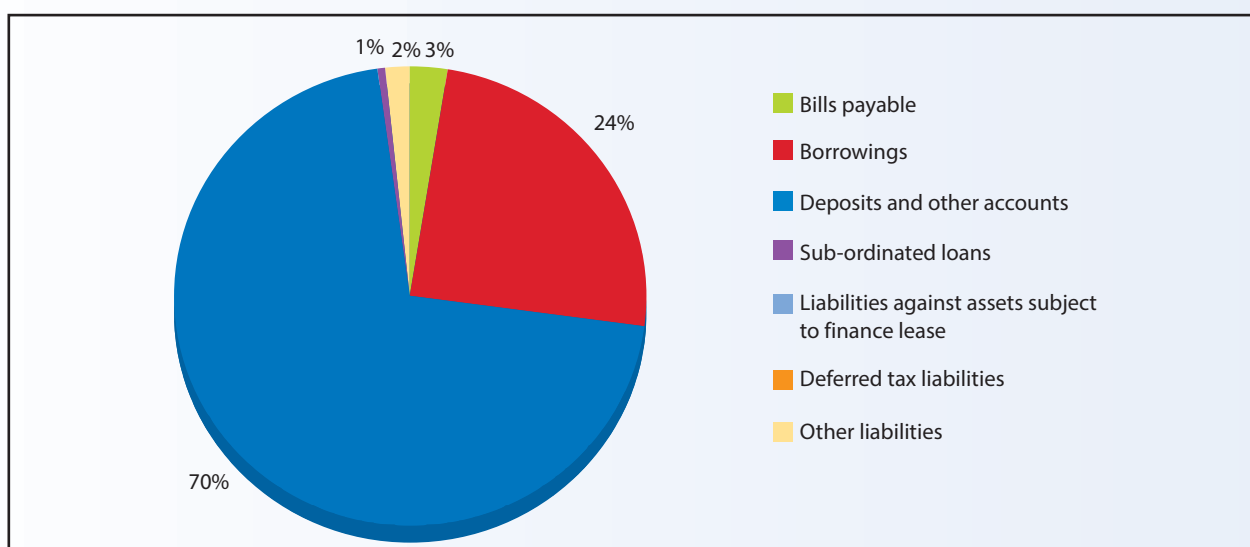
* Numbers represent merged position of MyBank Limited with and into Summit Bank Limited from April 01, 2011.

** These numbers have been reclassified.

KEY OPERATING AND FINANCIAL DATA

DECEMBER 31	RUPEES IN MILLION					
	2016	2015	2014	2013	2012	2011
LIABILITIES					Restated	Restated*
Bills payable	5,061	2,729	1,532	2,205	1,654	901
Borrowings	49,820	49,756	25,312	9,961	28,900	18,563
Deposits and other accounts	142,871	119,854	105,309	106,351	96,916	89,700
Sub-ordinated loans	1,497	1,497	1,498	1,499	1,499	1,500
Liabilities against assets subject to finance lease	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-
Other liabilities	3,101	2,626	2,444	2,155	2,352	2,911
Total liabilities	202,350	176,462	136,095	122,171	131,321	113,575
NET ASSETS	12,672	11,958	12,362	3,389	3,065	5,773
REPRESENTED BY						
EQUITY						
Share capital	17,787	10,780	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	(1,297)	(1,297)	(1,297)	(1,297)	(1,297)	(1,297)
Statutory reserves	153	153	111	65	65	65
Merger reserves	(1,579)	(1,579)	(1,579)	(1,579)	(1,579)	(1,579)
Accumulated losses	(9,515)	(7,421)	(7,660)	(7,877)	(6,071)	(3,392)
Total equity	10,560	10,799	11,018	3,248	2,898	5,577
Surplus on revaluation of assets-net	2,112	1,159	1,344	141	167	196
Total	12,672	11,958	12,362	3,389	3,065	5,773

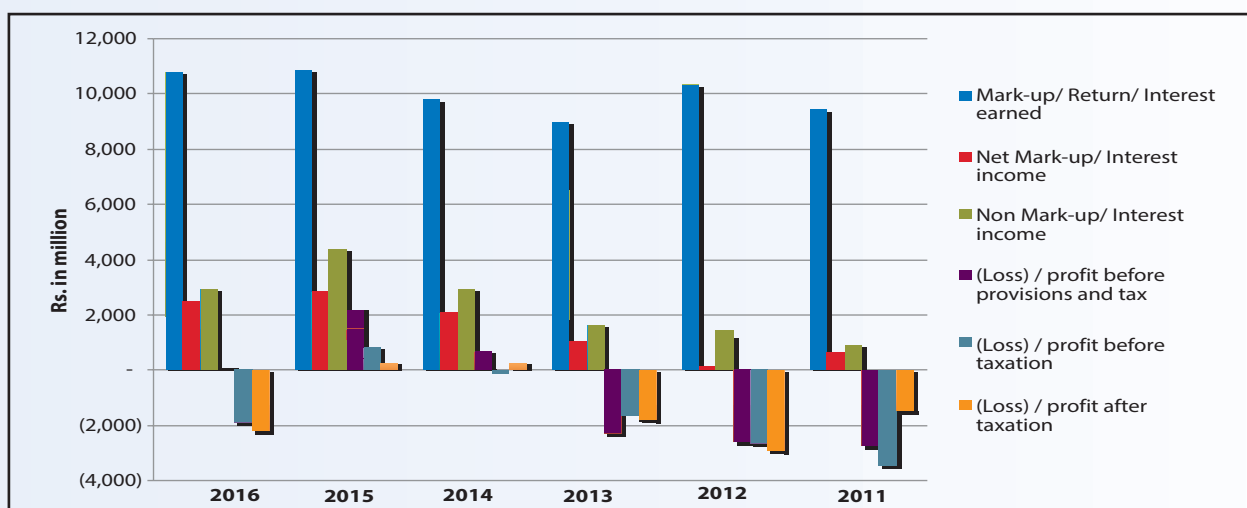
TOTAL LIABILITIES - 2016



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

KEY OPERATING AND FINANCIAL DATA

DECEMBER 31	RUPEES IN MILLION					
	2016	2015	2014	2013	2012	2011
					Restated	Restated*
RESULTS OF OPERATIONS						
Mark-up/ Return/ Interest earned	10,627	10,705	9,827	9,178	10,265	9,552
Mark-up/ Return/ Interest expensed	7,854	7,657	7,401	8,330	10,138	9,021
Net Mark-up/ Interest income	2,773	3,048	2,426	848	127	531
Net Mark-up/ Interest Income after provisions	889	1,473	1,863	1,685	95	(69)
Non Mark-up/ Interest income	3,127	4,320	3,121	1,686	1,377	732
Non Mark-up/ Interest expense	5,934	5,137	4,972	4,778	3,997	3,871
(Loss) / profit before provisions and tax	(34)	2,231	575	(2,244)	(2,493)	(2,608)
(Provision) / reversal against NPLs & direct write offs	(1,911)	(1,200)	(87)	916	(73)	(639)
Reversal / (provision) for diminution in the value of investments	27	(375)	(476)	(79)	41	39
(Loss) / profit before taxation	(1,918)	656	12	(1,407)	(2,525)	(3,208)
Taxation Charge / (Reversal)	256	439	(218)	421	209	(1,999)
(Loss) / profit after taxation	(2,174)	217	230	(1,828)	(2,734)	(1,209)



DECEMBER 31	2016	2015	2014	2013	2012	2011
					Restated	Restated*
FINANCIAL RATIOS						
Return on equity (ROE)	-20.60%	2.01%	2.09%	-56.28%	-94.34%	-21.68%
Return on assets (ROA)	-1.01%	0.12%	0.15%	-1.46%	-2.03%	-1.01%
(Loss) / profit before tax to Interest earned ratio	-18.05%	6.13%	0.12%	-15.33%	-24.60%	-33.58%
Gross spread ratio	26.09%	28.47%	24.69%	9.24%	1.24%	5.56%
Advances to deposits ratio-Gross	65.97%	69.33%	73.88%	61.65%	67.01%	76.25%
Advances to deposits ratio-Net	55.89%	58.87%	63.10%	50.97%	54.22%	62.45%
Cost to revenue ratio	100.25%	85.15%	95.56%	120.66%	121.41%	125.36%
Total assets to shareholders' funds (times)	20.36	17.45	13.47	38.66	46.37	21.40
NPL ratio - Gross Advances	17.74%	20.68%	19.07%	27.16%	36.05%	32.78%
Capital adequacy ratio (CAR)	10.10%	10.02%	12.05%	4.25%	4.42%	7.52%
SHARE INFORMATION						
(Loss) / earnings per share - Basic (Rs.)	(1.00)	0.15	0.16	(1.52)	(2.54)	(1.17)
Market value of shares (Rs. in million)	7,826	4,236	4,797	2,318	3,202	1,854
OTHER INFORMATION						
Non performing loans (Rs. in million)	16,719	17,183	14,838	17,809	23,410	22,418
Staff Strength (number)	3,022	2,852	2,702	2,507	2,461	1,655
Number of branches (including Islamic)	192	192	188	187	186	165

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

DIRECTORS' REPORT TO THE SHAREHOLDERS

FOR THE YEAR ENDED DECEMBER 31, 2016

On behalf of the Board of Directors (the Board), I hereby present the annual report along with the annual audited financial statements and auditors' report thereon of Summit Bank Limited (the Bank) for the year ended December 31, 2016.

PERFORMANCE SUMMARY

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

	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----	
(Loss) / profit before provisions and direct write-offs	(33,526)	2,231,528
Provision against non-performing loans and advances- net	(1,910,761)	(1,195,844)
Reversal of provision / (provision) for diminution in the value of investments- net	26,690	(375,398)
Bad debts written-off directly	(114)	(4,166)
(Loss) / profit before taxation	(1,917,711)	656,120
Taxation expense	(256,681)	(438,898)
(Loss) / profit after taxation	(2,174,392)	217,222
Basic (loss) / earnings per share - Rupees	(1.00)	0.15
Diluted (loss) / earnings per share - Rupees	(1.00)	0.09
Transfer to Statutory Reserve	-	43,444

During the year, the Bank posted loss after tax of Rs. 2,174.39 million as compared to the profit after tax of Rs. 217.22 million last year. This loss is primarily attributable to increase in provision charge on non-performing loans and advances (NPLs), reduction in capital gains on sale of securities and impact of low interest rate environment on the yields/spreads of the portfolio held by the Bank.

Through strenuous recovery efforts, the Bank achieved reduction of Rs. 463.99 million in its non-performing loans (NPLs) which during the year decreased to Rs. 16,719.02 million (December 31, 2015: Rs. 17,183.01 million). Moreover, NPLs coverage ratio (i.e. specific provision held against NPLs) has significantly improved to 85.91% (December 31, 2015: 72.86%). Net provisioning expense for the year against loans and advances stood at Rs.1,910.76 million as against Rs.1,195.84 million last year. This included a sizeable impact of provision charge against some legacy accounts (i.e. pre-merger borrowers). However, management is in constant negotiation with the defaulted borrowers and hopeful that they would soon start paying their due amounts, which should help in further reducing NPLs of the Bank and resulting provisioning charge. Apart from negative impact of provision made against certain fresh NPLs, major portion of provision expense was recognized to comply with regulatory requirements to increase 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. The management is committed to reduce NPLs and untiring efforts continue on this front.

During the year, there was a net-reversal in provision for diminution in value of investments amounting to Rs. 26.69 million as against net-charge of Rs. 375.40 million made last year thereby reflecting a positive movement.

During the year, net mark-up income of the Bank decreased to Rs. 2,773.21 million as against Rs. 3,048.88 million in FY-2015 showing a decline of 9.04% despite volumetric increase in earning portfolio. This was mainly because of a) historically low interest rates on Pakistan Investment Bonds (PIBs) and Market Treasury Bills and b) declining margin on the credit portfolio as the banks are competing for lending to good customers; which resulted in reduction of net mark-up yield of investments and advances portfolio of the Bank.

It is important to mention that Bank not only achieved further reduction in cost of deposits (CoD), which for the month of December-2016 reduced to 3.44% (For the month of December-2015: 3.97%), but also registered sizeable growth in deposits which stood at Rs. 142.87 billion as against Rs. 119.85 billion as of December 31, 2015 which translates into a healthy growth of 19.20%. Through continued and successful deposit mobilization efforts of the management team, the Bank managed to achieve sizeable growth in its current & non-remunerative deposits, which increased by 48.34% and stood at Rs. 58.29 billion at the year-end (December 31, 2015: Rs. 39.29 billion).

On similar lines, net advances of the Bank increased by 13.17% during the year and stood at Rs. 79,843.73 million (December 31, 2015: Rs. 70,554.07 million), while net investments have shown a growth of 15.84% which stand at Rs. 90,575.03 million as of December 31, 2016 (December 31, 2015: Rs. 78,192.07 million). The Bank proactively adjusted its investment composition in light of the changes taking place in the market interest rate scenario during the year. The balance sheet size of the Bank during the year increased by 14.12% with total assets amounting to Rs. 215.02 billion at the year-end (December 31, 2015: Rs. 188.42 billion).

Keeping in view the prevailing interest rate scenario, the Bank also focussed on the non-mark-up income generating avenues and managed to earn non mark-up income amounting to Rs. 3,127.39 million (FY-2015: Rs. 4,319.97 million). The major reason for fall in the non-mark up income this year was less amount of capital gains arising from sale of securities in comparison with last year. This decline was mainly due to market interest rates as SBP policy rate reduced only by 25 bps this year as against 300 bps sharp decline experienced last year. Therefore, opportunities to earn capital gains on government bonds were lesser as compared to last year. However, overall, the Bank has duly benefited from the opportunities arising from declining interest rates in the recent years and recognized sizeable capital gains. Despite experiencing reduction in comparison with last year, income from capital gains on securities during the year still made a healthy contribution to the overall income stream of the Bank.

Non mark-up expenses during the year increased to Rs. 5,934.13 million in comparison with Rs. 5,137.32 million last year, an increase of 15.51%. This increase in expenses included impacts of rise in business activity, inflation and certain legal, transfer and direct costs charged to expenses (and not capitalized) incurred on properties acquired in satisfaction of our claims during the year. This was done in compliance with the requirements of new regulations for Debt Property Swap issued by State Bank of Pakistan effective from January 01, 2016. In order to keep required control on expenses and to identify the areas for cost savings and rationalization in Bank's operating costs, there is a continuous monitoring mechanism in place.

As at December 31, 2016, the Bank has recognised deferred tax assets (net) of Rs. 5,200.97 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 realise these benefits. Moreover, deferred tax expense for the current year amounted to Rs. 132.22 million as against deferred tax expense of Rs. 313.89 million during FY-2015 based on updated tax position.

Despite current year loss, the Board is confident that management has the capacity to turnaround the results of the Bank and is exploring all possible avenues to revert to profitability going forward.

STRATEGIC INITIATIVES

Status of capital increase transactions

In order to support the Bank's growth initiatives, to improve risk absorption capacity and to achieve compliance with the regulatory Capital Adequacy Ratio (CAR) (inclusive of Capital Conservation Buffer) and Leverage Ratio (LR) requirements as per BASEL-III regulations, the Board of Directors in its meeting held on March 04, 2016 approved to increase the paid-up capital of the Bank by Rs. 2 billion through Right Issue of shares, subject to regulatory approvals. The management is in the process of obtaining requisite regulatory approval for earliest implementation of the Right Issue transaction. Against this transaction, the Bank has received Rs. 1,854.87 million as advance against subscription of shares up-till December 31, 2016. This includes Rs. 1,157.67 million received from Suroor Investments Limited (Sponsor of the Bank) and Rs. 697.20 million from an investor. The State Bank of Pakistan has allowed the Bank to treat the advance amount of Rs. 1,854.87 million as share capital for the purposes of Minimum Capital Requirement (MCR), CAR and LR requirements till completion of Right shares issuance process. As at December 31, 2016, the Bank is compliant with applicable MCR. Moreover, as also highlighted by the external auditors in their report, SBP has allowed relaxations to the Bank w.r.t. certain CAR and LR related BASEL III deductions along with extension in the timeline for meeting CAR and LR requirements till March 31, 2017. In this respect, continuous efforts are underway by the management to improve the performance of the Bank with an aim to ensure continued compliance with applicable minimum capital requirements and to strengthen its capital base.

During the year, the Bank successfully completed the share issuance process against its previous share capital increase transaction (by way of other than Right Issue) and shares amounting to Rs. 7,006.87 million were issued to Suroor Investments Limited at par value of Rs. 10 each.

Merger/Acquisition with Sindh Bank Limited

In November-2016, the Board of Directors carried out detailed analysis of various options for ensuring continued compliance with applicable minimum capital requirements for the Bank and its future growth. After detailed deliberations, the Board has approved the option of merger/acquisition with Sindh Bank Limited. In this respect, SBP has accorded its approval to both the banks to conduct the due diligence. The Bank has commenced the due diligence of Sindh Bank Limited, which is currently in process.

ISLAMIC BANKING

The Bank has made continuous and serious efforts toward its strategy of conversion to an Islamic Bank and made significant progress during FY-2016. During the year, additional 35 branches of the Bank started to provide Islamic banking services. Accordingly, Islamic banking network of the Bank has increased to 13 full-fledged Islamic Banking Branches (IBBs) and 34 Islamic Banking Windows (IBWs), thereby making a total of 47 branches in 28 cities pan-Pakistan providing Islamic banking services. The Bank has now presence of its Islamic banking operations in all the provinces of the country including Gilgit Baltistan. Moreover, the Bank is in the process of seeking requisite regulatory approvals for increasing the number of branches providing Islamic banking services going forward as per the plan.

As a result of continuous efforts of the management, the total deposits of the Islamic banking operations increased to Rs. 11.99 billion as of December 31, 2016 showing a remarkable growth of 298.88% during the year (December 31, 2015: Rs. 3.01 billion). Similarly, Islamic financing and related assets have also increased to Rs. 9.33 billion as against Rs. 2.57 billion last year-end, thereby registering a healthy growth of 262.79%. The Bank's investments book under Islamic segment closed at Rs. 3.61 billion as of December 31, 2016 (December 31, 2015: Rs. 1.56 billion). The Islamic banking profit & loss account reflected a profit of Rs. 137.60 million before tax (December 31, 2015: profit before tax of Rs. 98.35 million)

The Bank is offering wide range of Shariah compliant products & services on both liability and asset side to cater the requirements of its existing and potential customers. The Bank also remained persistent with investment in human capital especially to equip them with the required Islamic banking skills set and to extend the Islamic banking knowledge to masses through customer orientation sessions at various locations in urban, rural and remote areas of the country. The Bank pursued these sessions aggressively and 557 staff members were provided batch and/or focused group trainings in Islamic banking through in-house and ex-house arrangements. The Bank is also making the best use of electronic means for training and development activities. Similarly, the Bank arranged 44 awareness sessions during the year to reach out to the markets in provision of Islamic banking knowledge and to answer questions raised by the audience with respect to Islamic banking solutions and conversion aspects of the Bank.

BRANCH NETWORK AND OUTREACH

The Bank has presence across the country with a network of 192 branches and plans to open more branches going forward. Moreover, for offering Shariah compliant banking services, the Bank has 13 Islamic Banking Branches and 34 Islamic Banking Windows as of December 31, 2016 included in this network.

The Bank has a sizable countrywide network of onsite and off-site Automated Teller Machines (ATMs). This not only facilitates Bank's customers, but also helps the general banking industry customers in carrying out their financial transactions.

TECHNOLOGY PLATFORM

The Bank firmly believes and continues to invest in strengthening the technology platform to improve customer experience and overall efficiency of the Bank. During the year, the Bank has established new Tier-3 IT (Information Technology) DR (Disaster Recovery) site with modern facilities and has set the challenging goal to maintain the DR site identical to IT Primary Data Centre site in terms of data centre facilities and hardware capacity for seamless customer experience in case of any disaster. The Bank has introduced Blade Servers technology in Data Centres for robust computing requirement with higher scalability and high-availability of banking services.

Moreover, the Bank has introduced new website with many new features including web-chat for enriched customer experience. The Bank will continue to invest in the IT infrastructure to further improve the banking experience of its customers and to ensure 24/7 seamless operations.

PAYMENT SYSTEMS & DIGITAL BANKING

The Bank has entered into agreements with Master Card and China Union Pay to implement EMV (Euro MasterCard Visa) security compliance and expand the Bank's payment network. Besides, the Bank has created separate department for digital banking business to provide effective retail banking services to new generation. The Bank has taken various initiatives under digital banking strategy and has attracted one million followers/fans on Facebook through social media marketing.

PRODUCTS & SERVICES

In line with its vision, the Bank has a continuously increasing and improving product platter of financial solutions keeping its customers' needs and wants at the core. Year 2016 witnessed an immensely successful re-launch of the Summit Bank Dolmen Loyalty Card. With the help of a well-designed media and activation campaign, the product was re-positioned as the first of its kind, providing discounts in over 200 shops at all the three outlets of the biggest mall chain in Pakistan. There was a tremendous increase in sales for this card and the product continues to have a positive outlook.

Furthering its customer convenience approach, the Bank is working towards providing better home remittance services in order to facilitate its foreign customers. One such product is the Non-Resident Pakistani (NRP) account designed for UAE based customers wherein overseas Pakistanis will be able to transfer funds instantly in a secure manner. This product will be available in Islamic and Conventional mode of banking and have all the benefits of a checking account inclusive of value added services such as ATM cash withdrawals, ability to make utility payments, internet banking and 24/7 phone banking. NRP account holders receive free debit cards giving them access to numerous discounts at participating merchants and the added advantage of a dedicated toll free number to aid any queries. Given the nature of current changing economic trends along with the advent of newer communication channels, this product holds abundant value at a global scale in its ability to address and accommodate customer remittance needs securely, with speed and ease.

Summit Bank also performed exceedingly well in the consumer banking segment at the back of revamped initiative of channel optimization and a marketing campaign to support the same across Pakistan. Apart from securing new business, the strategy being followed by the Bank is to cross-sell the consumer products to existing customers, which will ensure building a high quality portfolio of consumer banking assets. This technique along with the efficient investment of marketing funds has added positively to the revenue stream of the Bank.

At present the Bank is designing a re-launch campaign for its Young Bee Savings Account product catered to the younger demographic in partnership with the world's leading fast food chain i.e. McDonalds. Having first mover advantage, this product includes a co-branded VISA debit card with special deals and redeemable loyalty points with every transaction and is acceptable at all McDonalds outlets across the nation. With a stellar marketing strategy and activation campaign, this product is set to achieve high yielding sales in 2017.

CREDIT RATINGS

In June-2016, JCR-VIS Credit Rating Company Limited (JCR-VIS) has assigned medium to long-term rating of the Bank as A- (Single A minus), whereas short-term rating of the Bank is A-1 (A one). Moreover, rating of the TFC issue of the Bank was A- (SO) (Single A- minus (Structured Obligation)). These ratings have been assigned a stable outlook.

LOSS/EARNINGS PER SHARE

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

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Board of Directors confirms compliance with the 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. These 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 except for change in accounting policy as mentioned in note No. 5 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.
- The three of the directors of the Bank are exempted from Directors' Training Program while another two 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 sales 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.
- Book value of investments and placements by Staff Provident Fund and Staff Gratuity Fund as at December 31, 2016 are:
 - Staff Provident Fund Rs. 933.49 million
 - Staff Gratuity Fund Rs. 246.84 million
- All the statutory liabilities, if any, have been adequately disclosed in the financial statements.

MEETINGS OF THE BOARD AND ITS COMMITTEES

During 2016, 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		HR & Compensation Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr. Nasser Abdulla Hussain Lootah-Chairman	8	8	-	-	-	-	-	-
Mr. Husain Lawai- Vice-Chairman*	8	7	6	3	3	3	5	4
Mr. Muhammad Zahir Esmail- President & CEO*	8	8	-	-	-	-	-	-
Mr. Shehryar Faruque	8	8	6	6	3	3	5	4
Mr. Asadullah Khawaja	8	8	6	6	3	3	5	5
Mr. M. Farid Uddin**	7	2	-	-	-	-	-	-
Mr. Ataur Rahman Prodhan**	1	-	-	-	-	-	-	-

* Mr. Muhammad Zahir Esmail was appointed as President and CEO effective February 22, 2016 in place of Mr. Husain Lawai, who retired as President and CEO of the Bank upon attaining the age of 70 years. Mr. Husain Lawai is currently the Vice-Chairman on the Board of Directors.

* Mr. Husain Lawai has attended all the audit committee meetings held during his tenure.

** Mr. Md. Ataur Rahman Prodhan was appointed as a nominee director of Rupali Bank Limited, Bangladesh on the Board of the Bank in place of Mr. M. Farid Uddin with effect from August 30, 2016.

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

EMPLOYEES STOCK OPTION SCHEME

The shareholders of the Bank in their annual general meeting held on March 30, 2015 had approved the Employees Stock Option Scheme of the Bank (Scheme), subject to regulatory approvals. In this respect, the process of seeking necessary regulatory approvals was underway; however, it has been decided by the management and the Board to hold further approval process till conclusion of the contemplated merger/acquisition transaction with Sindh Bank Limited.

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 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 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 Risk Management Committee of the Board (RMCB). The Board has appointed the RMCB to oversee senior management's activities in managing credit, market, liquidity, operational, IT, legal and other risks to ensure existence of a robust risk management framework in the Bank. In order to further strengthen 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 Operational Risk Management by conducting various modern techniques such as Collection of Operational Loss Data, Developing Key Risk Indicators (KRIs) and Conducting Risk Control Self Assessments. Effective off-site monitoring mechanism of branch operations has also been put in place.

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 effective system of internal controls, the Bank has followed 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, are 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 Organisations of Treadway Commission) Internal Control-Integrated Framework and had initially hired a reputable advisory firm for providing services to 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 as of December 31, 2015 on ICFR duly approved by the Board Audit Committee (BAC) was submitted to SBP within the timeline as per SBP OSED Circular No. 01 of 2014. Moreover, necessary work is underway to ensure timely submission of the annual assessment report to SBP for the year ended December 31, 2016.

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

CUSTOMERS COMPLAINT HANDLING MECHANISM

In line with the SBP guidelines, the Bank put in place a robust consumer grievance and handling mechanism whereby Complaint Resolution and Management Unit (CRMU) immediately takes action on a complaint lodged by the customer. CRMU instantly forwards the same to the concerned department for immediate action and resolution as per the well-defined process and timelines. Against each complaint, the Bank sends acknowledgement to the customer within 48 working hours. The customers lodge their complaints through various channels such as call centre, e-mails, letters, website, President Office/management or to Banking Mohtasib Pakistan. CRMU responds to customer once the query has been resolved. In case, the complaint cannot be resolved within 15 days (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, the Bank received 14,690 complaints from customers and duly resolved them. Average Turn-Around Time (TAT) for resolution and communication to customers against their complaints was 8 working days, which is well within the regulatory benchmark.

CORPORATE SOCIAL RESPONSIBILITY

The Bank has always endeavoured to contribute towards society in all possible means. The Bank's technology driven 'Benazir Income Support Program' (BISP) (Government-to-Person solution) continues to support the Government of Pakistan in its efforts for poverty alleviation. In this respect, during FY-2016 period, the Bank has disbursed an amount of Rs. 4.3 Billion to more than 235,000 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 has 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 has been 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, 2017 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, 2016, SIL held 70.58% of the issued, subscribed and paid-up ordinary 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 thereon make part of the annual report.

ECONOMIC REVIEW

The year 2016 turned out to be a better one for Pakistan's overall economy with marked improvement in most of the key macro indicators including low inflation, higher Gross Domestic Product (GDP) growth, rise in foreign exchange reserves, low interest rates, Foreign Direct Investment (FDI) influx from China, upbeat performance of the equity market and stable Rupee. Furthermore, the government also completed International Monetary Fund (IMF) funding program for the first time and received its last payment in August 2016. GDP growth during FY-16 settled at 4.71% mainly driven from industrial growth and services sector while the country's total foreign exchange reserves jumped to United States Dollar (USD) 23.16 billion. The driving force behind the economic stability was depressed international commodity prices that helped to lower input costs of the major industries. Besides, consumer spending remained on higher side, which pushed the demand for goods upwards.

Consumer Price Index (CPI) remained on lower side and average CPI during first half of fiscal year 2016-17 settled at 3.88% amid depressed commodity prices. Benign inflation helped to keep the interest rates at lower levels as policy rate dropped to 5.75% (As of December 2015: 6.00%)

Credit to private sector rose by Rs. 525.35 billion (+14%YoY) during calendar year (CY) 2016 to clock in at Rs. 4,412 billion as at December 2016. The growth fuelled by monetary easing, improved financial conditions of the major corporate sector and better business environment encouraged businesses to avail credit not only for working capital requirements but also for fixed investments. Going forward, the expected rise in Large Scale Manufacturing (LSM) amid expansion plans by major industries and favourable monetary conditions are expected to provide continued momentum in the demand for credit.

Equity market of the country also depicted tremendous performance and the benchmark KSE-100 index surged by 45.68% during CY2016 to close at 47,806pts (+14,991pts). This exceptional performance of the index was attributable to ample domestic liquidity provided by local institutions, corporate earnings growth and positive sentiment after announcement to include Pakistan in the MSCI emerging market index.

The fiscal position remained an area of key concern for the country as the gap between revenue and expenditures widened. Revenue generation remained challenging while the expenditures continued to accelerate. The fiscal deficit target for fiscal year 2016-17 is 3.7% of GDP. In order to achieve the target, improvement in tax revenues will play a great role.

Going forward, speedy progress on the China Pakistan Economic Corridor (CPEC) coupled with improved law and order situation in different provinces of the country and an active privatization program is expected to help further to build a more convincing case for the Pakistan economy.

FUTURE OUTLOOK

The Bank is fully geared up to capitalize on the business opportunities available in the market. Moreover, Board of Directors' recent decision to approve the option of a possible merger/acquisition with Sindh Bank Limited aims to provide quantum leap to the Bank, achieve benefit from the synergies offered by the two entities and to enable continued compliance with all applicable minimum capital requirements.

Pakistan's Islamic Banking industry continues to grow at a rapid pace. We are confident that the Bank's strategic initiative to convert to an Islamic Bank will help it to benefit from this growth opportunity.

The Bank 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. Besides that, the Bank is fully geared up for transforming its existing core-banking systems and related technologies according to the business plan of the Bank and necessary implementation work for new core banking system is in progress. Going forward, focus will be maintained on all the key areas for improvement in Bank's results. Some of which are as follows:

- Improvement in return on assets and overall quality of portfolio;
- Reduction in CoD and improvement in current account and saving account (CASA) ratio;
- 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.

The Bank is promoting a culture of excellence, leadership and customer focus to achieve high levels of operating efficiency as well as the ability to deliver outstanding services to customers. The Bank is further strengthening its compliance culture and improving all processes, procedures and systems to attain sustained growth and profitability.

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.

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

On Behalf of the Board of Directors

Muhammad Zahir Esmail
President & Chief Executive

Karachi

March 08, 2017

ڈائریکٹرز کی رپورٹ برائے شیئر ہولڈرز 31 دسمبر 2016ء کو ختم ہونے والے سال کیلئے

سمٹ بینک لمیٹڈ (بینک) کے بورڈ آف ڈائریکٹرز کی طرف سے میں بذریعہ ہذا 31 دسمبر 2016ء کو ختم ہونے والے سال کیلئے بینک کی سالانہ رپورٹ اور آڈٹ شدہ بینک کے مالی گوشوارہ جات بشمول آڈٹ رپورٹ پیش کر رہا ہوں۔

کارکردگی کا جائزہ

زیر نظر سال کیلئے بینک کی مالیاتی جھلکیوں کا خلاصہ درج ذیل ہے:

December 31, 2015	December 31, 2016	
----- (Rupees in '000) -----		
2,231,528	(33,526)	پروویژن اور ڈائریکٹ رائٹ آف سے قبل (نقصان)/منافع
(1,195,844)	(1,910,761)	غیر کارکردگی والے قرضہ جات اور ایڈوانسز کے عوض پروویژن۔ نیٹ
(375,398)	26,690	سرمایہ کاریوں کی مالیت میں پروویژن کا ریورسل/(کمی کے لئے پروویژن)۔ نیٹ
(4,166)	(114)	برے قرضہ جات کا ڈائریکٹ رائٹ آف
656,120	(1,917,711)	قبل از ٹیکس (نقصان)/منافع
(438,898)	(256,681)	ٹیکس خرچ
217,222	(2,174,392)	بعد از ٹیکس (نقصان)/منافع
0.15	(1.00)	نی شیئر (نقصان)/منافع - پیس، (روپے)
0.09	(1.00)	نی شیئر (نقصان)/منافع - ڈائریکٹرز، (روپے)
43,444	-	قانونی ریزرو میں منتقلی

سال کے دوران بینک نے بعد از ٹیکس 2,174.39 ملین روپے کا نقصان درج کیا جبکہ پچھلے سال بینک نے بعد از ٹیکس 217.22 ملین روپے منافع حاصل کیا تھا۔ اس نقصان کی بنیادی وجوہات میں غیر کارکردگی والے قرضہ جات اور ایڈوانسز (NPLs) پر پروویژن چارج میں اضافہ، سیکورٹیز کی فروخت پر کپینٹل گینز میں کمی اور شرح سود کی کمی کے ماحول میں بینک کے پورٹفولیو کی Yields/Spreads میں کمی شامل ہیں۔

ریکوری کی انتہک کوششوں کے تحت بینک نے غیر کارکردگی والے قرضہ جات (NPLs) میں 463.99 ملین روپے کی کمی حاصل کی ہے جو کہ سال کے آخر میں کم ہو کر 16,719.02 ملین روپے پر پہنچ گئے ہیں (31 دسمبر 2015 17,183.01 ملین روپے) اس کے علاوہ NPLs کی Coverage Ratio (مخصوص پروویژن برائے غیر کارکردگی قرضہ جات) کے تناسب میں بھی نمایاں بہتری حاصل ہوئی ہے جو بڑھ کر 85.91% (31 دسمبر 2015: 72.86%) پر پہنچ گئی۔ سال کے دوران قرضہ جات اور ایڈوانسز کے حوالے سے نیٹ پروویژن اخراجات 1,910.76 ملین روپے رہے جو کہ پچھلے سال 1,195.84 ملین روپے تھے۔ اس میں کچھ لیگیسی اکاؤنٹس (یعنی مر جس سے پہلے کے قرضہ جات) پر کمی گئی پروویژن کا ایک بڑا حصہ شامل ہے تاہم انتظامیہ مستقل کوشش کر رہی ہے اور ڈیفالٹ کرنے والے قرض داروں سے گفت و شنید بھی جاری ہے اور امید ہے کہ وہ جلد اپنے واجبات ادا کرنا

شروع کر دیں گے جس سے بینک کے NPLs میں مزید کمی اور متعلقہ چارج کو محدود رکھنے میں مدد ملے گی۔ نئے NPLs کے تحت پروویژن کے منافی اثر کے علاوہ پروویژن چارج کا ایک بڑا حصہ وقت کی معیاد کے مطابق NPLs پر ریکارڈ کی گئی مزید پروویژن کا ہے جو کہ ریگولیٹری تقاضوں کو پورا کرنے کے لئے کی گئی (حالانکہ بینک کے پاس وصولی کے لئے سیکورٹی کی مکمل ویلیو دستیاب ہے) اور اس کے علاوہ موجودہ NPLs کی درجہ بندی میں تنزلی کی وجہ سے ریگولیٹری تقاضوں کو پورا کرنے کے لئے کی گئی پروویژن کا ایک بڑا حصہ شامل ہے۔ انتظامیہ NPLs میں کمی کے لئے پرعزم ہے اور اس سلسلے میں ان تھک کوششیں جاری ہیں۔

سال کے دوران، سیکویٹریز کی ویلیو میں کمی کے لئے پروویژن میں 26.69 بلین روپے کا نیٹ ریورسل حاصل کیا گیا جب کہ پچھلے سال 375.40 بلین روپے کا نیٹ پروویژن چارج تھا، جو ایک مثبت تبدیلی کو ظاہر کرتا ہے۔

سال کے دوران بینک کی نیٹ مارک اپ آمدن کم ہو کر 2,773.21 بلین روپے رہی (سال 2015 : 3,048.88 بلین روپے) جو کہ 9.04 فیصد کمی ظاہر کرتی ہے، حالانکہ آمدنی والے پورٹفولیو کے حجم میں اضافہ ہوا ہے۔ اس کمی کی بنیادی وجوہات میں: (الف) پاکستان انویسٹمنٹ بانڈز (PIBs) اور مارکیٹ ٹریڈری بلز پر تاریخ کی کم ترین شرح سود اور (ب) قرضوں کے پورٹفولیو پر کم ہوتے ہوئے مارجنز (Margins) جب بینکنس اچھے کسٹمرز کو قرضہ دینے کے لئے ایک دوسرے سے مقابلے میں ہیں؛ جن وجوہات کی وجہ سے بینک کے قرضوں اور سرمایہ کاریوں کی نیٹ مارک اپ آمدن (yield) میں کمی آئی ہے۔

اس بات کا ذکر ضروری ہے کہ بینک نے نہ صرف اپنی ڈپازٹس کی لاگت (Cost of Deposits - CoD) میں مزید کمی حاصل کی ہے، جو کہ دسمبر 2016ء کے مہینے کے لئے 3.44 فیصد رہی (دسمبر 2015ء کے مہینے کے لئے: 3.97 فیصد)، بلکہ اپنے ڈپازٹس کے سائز میں بھی سال کے دوران خاطر خواہ اضافہ کیا ہے جو کہ 31 دسمبر 2015ء کے 119.85 بلین روپے کے مقابلے میں 31 دسمبر 2016ء کو 142.87 بلین روپے رہے، یعنی ان میں 19.20 فیصد کا صحت مندانہ اضافہ ہوا۔ مینجمنٹ ٹیم کی مسلسل اور کامیاب ڈپازٹ بڑھانے کی کوششوں (Deposit Mobilization efforts) کے نتیجے میں بینک نے اپنے کرنٹ اور غیر منافع والے ڈپازٹس میں ایک بڑا اضافہ حاصل کیا جو کہ 48.34 فیصد بڑھ کر سال کے آخر میں 58.29 بلین روپے پر پہنچ گئے (31 دسمبر 2015 : 39.29 بلین روپے)۔

اسی طرز پر، بینک کے نیٹ قرضہ جات 13.17 فیصد بڑھ کر سال کے آخر میں 79,843.73 بلین روپے پر پہنچ گئے (31 دسمبر 2015 : 70,554.07 بلین روپے)، جبکہ نیٹ سرمایہ کاریوں میں 15.84 فیصد کا اضافہ ہوا اور یہ 31 دسمبر 2016 کو 90,575.03 بلین روپے پر پہنچ گئیں (31 دسمبر 2015 : 78,192.07 بلین روپے)۔ بینک نے سال کے دوران مارکیٹ میں تبدیل ہوتے ہوئے انٹرسٹ ریٹ کے منظر نامے کو دیکھتے ہوئے مستعدی سے اپنی سرمایہ کاریوں کے مجموعہ کو ایڈجسٹ کیا ہے۔ بینک کی Balance Sheet کا سائز سال کے دوران 14.12 فیصد سے بڑھ گیا اور سال کے آخر میں بینک کے کل اثاثے 215.02 بلین روپے پر پہنچ گئے (31 دسمبر 2015 : 188.42 بلین روپے)۔

انٹرسٹ ریٹ کی صورت حال کو مد نظر رکھتے ہوئے بینک نے نان مارک آمدن کے ذریعوں پر بھی توجہ مرکوز رکھی اور سال کے دوران 3,127.39 بلین روپے کی نان مارک آمدن حاصل کی (FY-2015 : 4,319.97 بلین روپے)۔ اس سال نان مارک اپ آمدن میں کمی کی بڑی وجہ سیکویٹریز کی فروخت پر کمائے گئے کیپیٹل گینز میں پچھلے سال کے مقابلے میں کمی تھی۔ اس کی بڑا سبب مارکیٹ کے انٹرسٹ ریٹ کی صورت حال تھی کیونکہ اس سال SBP پالیسی ریٹ صرف 25bps کم ہوا جبکہ پچھلے سال 300bps کی کمی ہوئی۔ اس تبدیلی کی وجہ سے گورنمنٹ بانڈز پر کیپیٹل گینز کے موقعوں میں بھی کمی آئی۔ لیکن یہاں اس بات کا ذکر بھی ضروری ہے کہ بینک نے پچھلے سالوں میں مارکیٹ کے بدلتے ہوئے انٹرسٹ ریٹس سے بھرپور کیپیٹل گینز حاصل کیا ہے۔ پچھلے سال کے مقابلے میں کیپیٹل گینز آمدن میں کمی کے باوجود اس سال بھی کیپیٹل گینز آمدن نے بینک کی مجموعی آمدن میں ایک اچھا حصہ شامل کیا۔

سال کے دوران غیر مارک اپ اخراجات 5,934.13 ملین روپے رہے جو کہ گزشتہ سال مبلغ 5,137.32 ملین روپے تھے اور یہ 15.51 فیصد اضافہ ظاہر کرتا ہے۔ اخراجات کے اضافے میں کاروباری سرگرمیوں میں اضافہ اور افراط زر کے اثرات شامل ہیں اور یکم جنوری 2016 کے بعد کچھ دعوؤں کے عوض حاصل کی گئی جائیدادوں پر کئے گئے قانونی منتقلی اور براہ راست خرچے (Direct Costs) جو کہ خرچوں میں شامل کیے گئے ہیں (یہ خرچے جائیدادوں کی مالیت میں شامل نہیں کئے گئے)۔ یہ بینک دولت پاکستان کی جانب سے شائع کیے گئے ڈیٹ پراپرٹی سواپ (Debt Property Swap) کے نئے ریگولیشنز کی تعمیل میں کیا گیا۔ بینک کے خرچوں کو ضروری حد تک محدود رکھنے کے لئے اور اخراجات کی لاگت میں ضروری بچت اور معقولیت کے موقعوں کی نشاندہی کیلئے لگا تار نگرانی کا ایک نظام موجود ہے۔

31 دسمبر 2016ء کو بینک نے 5200.97 ملین روپے کے Deferred Tax Assets-net ریکارڈ کیے ہیں۔ یہ مستقبل میں ممکنہ ٹیکس فوائد کے حصول کے بارے میں بینجمنٹ کی توقعات کے ترجمان ہیں اور اسی موقع فائدے 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 لئے Deferred Tax خرچ 132.22 ملین روپے رہا جب کہ پچھلے سال کے دوران یہ خرچ 313.89 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 طرف لے جاسکتی ہے اور بینک کے لئے منافع بخش نتائج حاصل کرنے کے لئے تمام ممکنہ راستوں کو بروئے کار لانے میں کوشاں ہے۔

حکمت عملی کے اقدامات

کیپیٹل بڑھانے کے معاملات کا جائزہ

بینک کے ترقیاتی منصوبوں کی حمایت، نقصان برداشت کرنے کی قوت میں اضافے اور Basel-III ریگولیشن کے مطابق Capital Adequacy Ratio (CAR) (بشمول Capital Conversation Buffer) اور Leverage Ratio (LR) سے ہم آہنگی حاصل کرنے کے لئے، بورڈ آف ڈائریکٹرز نے اپنے 04 مارچ 2016ء کے منعقدہ اجلاس میں بینک کے بیڈ اپ کیپیٹل میں Right Issue کے ذریعے (دو) 02 ملین روپے کے اضافے کی منظوری دی۔ جس پر ریگولیشنز کی منظوریوں کا اطلاق ہوگا۔ انتظامیہ اس Right Issue ٹرانزیکشن کے جلد از جلد اطلاق کے لیے ضروری ریگولیشنز کی اجازت کے حصول میں کوشاں ہے۔

اس ٹرانزیکشن کے تحت بینک نے شیئرز کے حوالے سے ایڈوانس کے طور پر 31 دسمبر 2016 تک 1,854.87 ملین روپے کی رقم وصول کی جس میں سرورائٹس لمیٹڈ (بینک کا اسپانسر) سے وصول کردہ 1,157.67 ملین روپے اور ایک سرمایہ کار سے وصول کی گئی 697.20 ملین روپے کی رقم شامل ہیں۔ اسٹیٹ بینک آف پاکستان نے بینک کو اس بات کی اجازت دی ہے کہ وہ اس 1,854.87 ملین روپے ایڈوانس کی رقم کو CAR، Minimum Capital Requirement (MCR) اور LR کی ضروریات کی غرض سے، رائٹ شیئر کے اجراء کی تکمیل تک شیئر کیپیٹل تصور کرے۔ 31 دسمبر 2016 کو بینک لاگو شدہ MCR سے ہم آہنگ ہے۔ علاوہ ازیں SBP نے بینک کو CAR اور LR کے حوالے سے Basel III سے متعلق کچھ Deductions میں رعایتوں کے ساتھ ساتھ CAR اور LR کی ضروریات کو پورا کرنے کے لئے 31 مارچ 2017ء تک کی رعایت دی ہے اور ان رعایتوں کا ڈیکریٹریل آڈیٹرز نے بھی اپنی رپورٹ میں کیا ہے۔ اس سلسلے میں بینجمنٹ کی طرف سے بینک کی کارکردگی کو بہتر بنانے کے لئے مسلسل کوششیں جاری ہیں جن کا مقصد بینک پر لاگو شدہ minimum capital requirements سے ہم آہنگی اور کیپیٹل کی مقدار میں بہتری شامل ہے۔

سال کے دوران بینک نے اپنی پچھلی شیئر بڑھانے کی ٹرانزیکشن (By way of other than right issue) کے تحت شیئر کیپیٹل کے اجراء کا عمل کامیابی سے مکمل کر لیا ہے جس میں 7,006.87 ملین روپے کی مالیت کے شیئرز سرورائٹس لمیٹڈ کو 10 روپے کی پارویلیو کے حساب سے جاری کردیے گئے۔

سندھ بینک کے ساتھ Merger / Acquisition

نومبر 2016 میں بورڈ آف ڈائریکٹرز (بورڈ) نے بینک کے لئے لاگو شدہ minimum capital requirements کی مسلسل تعمیل اور ترقی کے حصول پر غور کیا اور مختلف آپشنز کا تفصیلی جائزہ لیا جس کے بعد بورڈ نے سندھ بینک لمیٹڈ کے ساتھ Merger / Acquisition کے آپشن کی منظوری دی۔ اس سلسلے میں SBP نے دونوں بینکوں کو Due Diligence کرنے کی اجازت دے دی ہے۔ بینک نے سندھ بینک کی Due Diligence شروع کر دی ہے جو کہ اس وقت جاری ہے۔

اسلامی بینکاری

بینک اپنی اسلامک بینک میں تبدیلی کی حکمت عملی کے حصول کے لئے مسلسل تگ و دو کر رہا ہے اور رواں سال 2016 میں خاطر خواہ نتائج بھی حاصل کئے۔ اس سال کے دوران بینک کی اضافی 35 شاخوں نے اسلامی بینکاری کی خدمات فراہم کرنا شروع کر دیں۔ لہذا بینک کا اسلامی بینکاری نیٹ ورک اب 13 مکمل اسلامک بینکنگ شاخوں (IBBs) اور 34 اسلامک بینکنگ ونڈوز (IBWs) پر مشتمل ہے۔ بینک اب پاکستان کے 28 شہروں میں 47 شاخوں کے ذریعے اسلامی بینکاری کی خدمات فراہم کر رہا ہے اور گلگت بلتستان سمیت ملک کے تمام صوبوں میں اسلامی بینکاری کے آپریشنز سرانجام دے رہا ہے۔ اس کے علاوہ، بینک ضروری ریگولیٹری اجازت حاصل کرنے کے مرحلے میں ہے تاکہ اسلامی بینکاری کی سہولتیں فراہم کرنے والی شاخوں میں پلان کے مطابق مزید اضافہ کیا جاسکے۔

انتظامیہ کی مسلسل کوششوں کے سبب اسلامی بینکاری کے کل ڈپازٹس بڑھ کر 31 دسمبر 2016 کو 11.99 بلین روپے پر پہنچ گئے جو کہ سال کے دوران 298.88 فیصد کا ایک قابل ذکر اضافہ ہے (31 دسمبر 2015 : 3.01 بلین روپے)۔ اسی طرح، اسلامک فنانسنگ اور متعلقہ اثاثے بڑھ کر 9.33 بلین روپے پر پہنچ گئے جو کہ پچھلے سال کے آخر میں 2.57 بلین روپے تھے، جس میں 262.79 فیصد کا شاندار اضافہ دیکھا گیا۔ اسلامی بینک کی سرمایہ کاری کا حجم 31 دسمبر 2016 کو 3.61 بلین روپے تک پہنچ گیا۔ (31 دسمبر 2015 : 1.56 بلین روپے) اسلامک بینکنگ کے فائدے یا نقصان کا سالانہ کھاتہ 137.60 بلین روپے قبل از ٹیکس منافع پر بند ہوا (31 دسمبر 2015 : قبل از ٹیکس منافع 98.35 بلین روپے)۔

بینک موجودہ اور ممکنہ کسٹمرز کی ضروریات کو پورا کرنے کے لئے شریعت کے مطابق اسٹیٹ اور لائسنسڈ کی پراڈکٹس اور خدمات کی ایک وسیع رینج پیش کر رہا ہے۔ بینک اپنے انفرادی اثاثوں میں مسلسل انویسٹمنٹ کر رہا ہے اور خاص طور پر انہیں ضروری اسلامک بینکنگ کی مہارت دے رہا ہے۔ اس کے ساتھ عوام کو اسلامک بینکنگ کے بارے میں تعلیم دینے کے لئے شہری، دیہی اور دور دراز علاقوں میں کسٹمرز کے لئے orientation sessions کر رہا ہے۔

بینک نے ان سیشنز میں بھرپور دلچسپی لی ہے اور 1557 اسٹاف ممبران کو batch trainings یا focused group trainings کے ذریعے اسلامک بینکنگ کی ٹریننگ دی ہے اس کا اہتمام بینک میں اور بینک کے باہر ٹریننگ انسٹیٹیوٹس کے ذریعے کیا گیا۔ بینک تربیت اور ترقیاتی کاموں کے لئے الیکٹرانک ذرائع کا بہترین استعمال کر رہا ہے۔ اسی طرح، بینک نے اسلامی بینکاری کے علم کی فراہمی کو مارکیٹ تک پہنچانے کے لئے 44 شعور کے سیشنز کا اہتمام کیا۔ اس کے ذریعے بینک کے کنورژن کے بارے میں سوالات اور اسلامک بینکنگ کے سلیوشنز (solutions) کے بارے میں بھی سوالات کے جوابات دیئے گئے۔

برانچ نیٹ ورک اور رسائی

بینک 192 شاخوں کے نیٹ ورک کے ساتھ ملک بھر میں موجود ہے اور آنے والے وقت میں مزید شاخیں کھولنے کا ارادہ رکھتا ہے۔ اس کے علاوہ، شریعت کے مطابق بینکاری خدمات کی پیشکش کے لئے 31 دسمبر، 2016ء کو 13 مکمل اسلامی بینکاری شاخیں اور 34 اسلامی بینکاری ونڈوز اس برانچ نیٹ ورک میں شامل ہیں۔

بینک کا آن سائٹ اور آف سائٹ آٹومیٹڈ ٹیلر مشینوں (اے ٹی ایبز) کا ملک بھر میں بڑا نیٹ ورک ہے۔ اس سے نہ صرف بینک کے کسٹمرز کو سہولت ہوتی ہے بلکہ مالی لین دین میں جزل بینکنگ انڈسٹری کے کسٹمرز کو بھی مدد حاصل ہوتی ہے۔

ٹیکنالوجی پلیٹ فارم

بینک کسٹمرز کے تجربے اور بینک کی مجموعی کارکردگی کو بہتر بنانے کی ٹیکنالوجی پلیٹ فارم کو مضبوط بنانے میں مسلسل سرمایہ کاری پر یقین رکھتا ہے۔ سال کے دوران، بینک نے جدید سہولیات کے ساتھ نئی ٹیئر تھری (Tier-3) IT Disaster Recovery (DR) سائٹ کو قائم کیا ہے اور اس DR-site کی سہولیات اور ہارڈ ویئر کو صلاحیت کے لحاظ سے پرائمری ڈیٹا سینٹر سائٹ جیسی برقرار رکھنے کا مشکل ہدف مقرر کیا ہے تاکہ کسی بھی آفت کی صورت میں کسٹمرز کو بلا رکاوٹ سروس فراہم کی جاسکیں۔ بینک اعلیٰ scalability اور بینکنگ سروسز کی اعلیٰ دستیابی کے ساتھ مضبوط کمپیوٹنگ کی ضرورت کے لئے ڈیٹا سینٹرز میں بلیڈ سروسز ٹیکنالوجی متعارف کرا چکا ہے۔

اس کے علاوہ، بینک نے بہترین کسٹمر سروسز کے لئے نئی ویب سائٹ بھی متعارف کرائی ہے جس پر ویب چیٹ سمیت بہت سے نئی خصوصیات موجود ہیں۔ بینک اپنے صارفین کی بینکاری کے تجربے کو بہتر اور 24/7 ہموار آپریشن کو یقینی بنانے کے لئے IT کے بنیادی ڈھانچے پر مسلسل سرمایہ کاری جاری رکھے گا۔

ادائیگی کے نظام اور ڈیجیٹل بینکنگ

بینک نے EMV (یورو ماسٹر کارڈ ویزا) سیکورٹی ضروریات کی کمپلائنس پر عملدرآمد اور بینک کی ادائیگی کے نیٹ ورک کو توسیع دینے کے لئے ماسٹر کارڈ (master card) اور چائنا یونین پیے (China Union Pay) کے ساتھ معاہدے کیے ہیں۔ اس کے علاوہ، بینک نے نئی نسل کے لئے موثر ڈیجیٹل بینکاری کی خدمات فراہم کرنے کے لئے ڈیجیٹل بینکاری کے کاروبار کے لئے ایک علیحدہ ڈپارٹمنٹ تشکیل دیا ہے۔ بینک نے ڈیجیٹل بینکاری کی حکمت عملی کے تحت مختلف اقدامات اٹھائے ہیں اور سوشل میڈیا مارکیٹنگ کے ذریعے فیس بک پر ایک ملین پیروکاروں/مداحوں کو اپنی طرف متوجہ کیا ہے۔

مصنوعات اور خدمات

بینک نے اپنے ویژن کے مطابق اپنے صارفین کی ضروریات کو مد نظر رکھتے ہوئے مالیاتی حل/مصنوعات اور خدمات میں مسلسل بہتری اور اضافہ کی حکمت عملی اپنائی ہے۔ سال 2016ء میں Dolmen Loyalty کارڈ کا انتہائی کامیابی سے دوبارہ آغاز کیا گیا اور بہتر انداز سے مرتب کی گئی میڈیا اور ایکٹیویشن مہم کی مدد سے اس پراڈکٹ کو نئی بلندی پر پہنچایا گیا ہے اور پاکستان کے سب سے بڑے مال (Mall) کے تینوں آؤٹ لیٹس میں 200 سے زائد شاہ پس پراڈکٹ آؤٹ لیٹ آفر کر رہا ہے۔ اس کی وجہ سے اس کارڈ کی فروخت میں ایک زبردست اضافہ ہوا اور اس پراڈکٹ کا مستقبل تابناک ہے۔

اپنے کسٹمرز کی سہولت کے نقطہ نظر کو آگے بڑھاتے ہوئے بینک بیرون ملک مقیم پاکستانیوں کی سہولت کے لئے بہتر ہوم ریٹیننس سروسز فراہم کرنے کی سمت میں کام کر رہا ہے۔ ایسی ہی ایک نئی پراڈکٹ Non Resident Pakistani Account (NRP) غیر ملکی رہائشی پاکستانیوں کے لئے ڈیزائن کی ہے۔ اس کے ذریعے وہ پاکستان میں محفوظ انداز سے فوری طور پر فنڈز کی منتقلی کے قابل ہو جائیں گے۔ یہ پراڈکٹ بینکاری کی اسلامی اور روایتی طریقوں میں دستیاب ہوگی اور اسے چیکنگ اکاؤنٹ کے تمام فوائد حاصل ہونگے جیسے کہ ATM سے نقد رقم نکوانا، Utilities کی ادائیگی، انٹرنیٹ بینکنگ اور 24/7 فون بینکاری۔ NRP اکاؤنٹ ہولڈرز مفت ڈیپٹ کارڈ حاصل کر سکیں گے جس کے تحت منسلک تاجروں کے ذریعے بہت سے ڈسکاؤنٹس کے فوائد حاصل ہونگے، اس کے علاوہ ان کے سوالات کے حل کے لئے علیحدہ ٹول فری نمبر وقف ہے۔ جدید تر رابطے کے ذریعوں کی آمد کے ساتھ ساتھ موجودہ بدلنے ہوئے اقتصادی رجحانات کی نوعیت کو دیکھتے ہوئے، یہ پراڈکٹ بڑی اہمیت کا حامل ہے جو کہ رفتار کے ساتھ اور آسان طریقے سے کسٹمرز کی ترسیلات زر کی ضروریات کو پورا کرنے کی صلاحیت رکھتا ہے۔

سمٹ بینک نے Channel Optimization کی حکمت عملی کی بدولت اور پاکستان بھر میں اس کی حمایت کے لئے ایک مارکیٹنگ کی مہم کے ذریعے کزن یومر بیکاری کے شعبے میں نہایت اچھی کارکردگی کا مظاہرہ کیا۔ نئے برنس کے حصول کے علاوہ، بینک نے اپنے موجودہ کسٹمرز کو کزن یومر برنس کی پراڈکٹس کے کراس سیل (Cross sell) کی حکمت عملی کو اپنایا ہے، جو کزن یومر بینکنگ اثاثوں کے اعلیٰ معیار کے پورٹ فولیو کی تعمیر کو یقینی بنائے گا۔ اس حکمت عملی اور مارکیٹنگ فنڈز کی موثر سرمایہ کاری کے ساتھ بینک کی آمدنی میں مثبت اضافہ ہوا ہے۔

اس وقت سمٹ بینک لمیٹڈ اپنے بیگ بی سیونگ اکاؤنٹ پراڈکٹ جو کہ بچوں کے لئے بنایا گیا ہے، کو دوبارہ متعارف کرانے کی مہم کو دنیا کی معروف فاسٹ فوڈ چین (Chain) مکڈونلڈز (McDonalds) سے شراکت کے ساتھ تشکیل دے رہا ہے۔ سب سے پہلے آنے کے فائدے کے علاوہ اس پراڈکٹ کو Co-branded ویزا ڈیبٹ کارڈ کے ساتھ پیش کیا جا رہا ہے جو کہ McDonalds کے ملک بھر کے آؤٹ لیٹس پر قابل قبول ہے، جس میں ہر معاملت کے ساتھ خصوصی ڈیلز اور لائیوٹی (Loyalty) پوائنٹس دیئے جائیں گے۔ زبردست مارکیٹنگ کی حکمت عملی اور ایکٹیویشن (activation) مہم کے ساتھ یہ پراڈکٹ 2017ء میں زیادہ منافع بخش آمدنی حاصل کرنے کے لئے تیار ہے۔

کریڈٹ ریٹنگز

جون 2016 میں JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے بینک کو درمیانی سے طویل مدت کیلئے 'A-(سنگل اے مائنس)' ریٹنگ اور مختصر مدت کیلئے 'A-1 (اے ون)' ریٹنگ دی ہے۔ مزید یہ کہ بینک کے ٹی اےف سی کو (A-(SO)) 'سنگل اے مائنس (structured obligation)' ریٹنگ دی گئی۔ یہ ریٹنگز مستحکم نقطہ نظر (Stable Outlook) کی حامل ہیں۔

فی شیئر نقصان / آمدنی

فی شیئر بینک اور ڈائریکٹرز کے فی شیئر نقصان / آمدنی کو مالیاتی گوشواروں کے نوٹ نمبر 32 میں پیش 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 کے مطابق تیار کئے گئے ہیں۔ یہ گوشوارے غیر جانبدارانہ طور پر بینک کے معاملات، عمل کاری اور کیش فلو (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۔ ماسوائے اکاؤنٹنگ پالیسی میں تبدیلی کے جس کا بیان مالیاتی گوشواروں کے نوٹ نمبر 5 میں 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 برنس 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۔
- بینک کے تین ڈائریکٹرز پروگرام سے مستثنیٰ ہیں جبکہ دو دیگر ڈائریکٹرز نے کوڈ کی ضروریات کے تحت SECP سے منظور شدہ تربیتی اداروں سے مصدقہ ڈائریکٹرز ہونے کے سرٹیفکیٹس 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۔
- کوڈ کی ضرورت کی تکمیل کے لئے بورڈ کی کارکردگی کا جائزہ لینے کے لئے بورڈ پاکستان انسٹیٹیوٹ آف کارپوریٹ گورننس کے متعارف کرائے گئے آن لائن تشخیصی عمل کو استعمال کر رہا ہے۔
- گزشتہ چھ سال کا کلیدی آپریننگ اور مالیاتی ڈیٹا سالانہ رپورٹ میں دیا گیا ہے۔
- 31 دسمبر 2016ء کو اسٹاف پرائیویٹ فنڈ اور اسٹاف گریجویٹ فنڈ کی سرمایہ کاری اور پلیسیمیٹس کی تفصیلات درج ذیل ہیں۔

اسٹاف پروویڈنٹ فنڈ	933.49	ملین روپے۔
اسٹاف گریجویٹ فنڈ	246.84	ملین روپے۔
- تمام قانونی واجبات کا (اگر کوئی ہیں تو) مناسب طور پر مالیاتی گوشواروں میں انکشاف کیا گیا ہے۔

بورڈ اور اس کی کمیٹیوں کے اجلاس

اس سال منعقد ہونے والے بورڈ اور اس کی کمیٹیوں کے اجلاس اور اس میں شرکت کرنے والے ممبران کی تفصیل درج ذیل ہے:

HR اور کمپنیشن کمیٹی کی میںنگرز		رسک مینجمنٹ کمیٹی کی میںنگرز		آڈٹ کمیٹی کی میںنگرز		بورڈ آف ڈائریکٹرز کی میںنگرز		ڈائریکٹرز کے نام
شرکت	منعقد	شرکت	منعقد	شرکت	منعقد	شرکت	منعقد	
-	-	-	-	-	-	8	8	جناب ناصر عبداللہ حسین لوہا، چیئرمین
4	5	3	3	3	6	7	8	جناب حسین لوہائی، وائس چیئرمین *
-	-	-	-	-	-	8	8	جناب محمد ظہیر اسماعیل، صدر وی ای او *
4	5	3	3	6	6	8	8	جناب شہریار فاروق
5	5	3	3	6	6	8	8	جناب اسد اللہ خواجہ
-	-	-	-	-	-	2	7	جناب ایم فرید الدین **
-	-	-	-	-	-	-	1	جناب عطاء الرحمن پرودھان **

☆ جناب محمد ظہیر اسماعیل کو 22 فروری 2016ء سے جناب حسین لوہائی کی جگہ پر صدر وی ای او مقرر کیا گیا۔ جناب حسین لوہائی 70 سال کی عمر کو پہنچنے کے بعد صدر وی ای او کے عہدہ سے ریٹائر ہوئے۔
جناب حسین لوہائی بورڈ آف ڈائریکٹرز کے موجودہ وائس چیئرمین ہیں۔

☆ جناب حسین لوہائی نے اپنے عرصے کے دوران منعقد ہونے والی تمام آڈٹ کمیٹی میںنگرز میں شرکت کی ہے۔

☆☆ عطاء الرحمن پرودھان کو 30 اگست 2016ء سے جناب ایم فرید الدین کی جگہ روپالی بینک لمیٹڈ بنگلہ دیش کی جانب سے نامزد ڈائریکٹر (nominee director) کے طور پر تعینات کیا گیا۔

وہ ڈائریکٹرز جو کسی اجلاس میں شرکت نہیں کر سکے تھے انہیں بورڈ کی جانب سے رخصت دی گئی تھی۔

ایمپلائز اسٹاک آپشن اسکیم

30 مارچ 2015 کو منعقد ہونے والے شیئرز ہولڈرز کے عام اجلاس میں قانونی منظوری سے مشروط بینک کے ایمپلائز اسٹاک آپشن اسکیم کی منظوری دی گئی تھی۔ اس سلسلے میں ضروری قانونی منظوری کے حصول کا عمل جاری تھا۔ تاہم مینجمنٹ اور بورڈ نے اس عمل کو سندھ بینک لمیٹڈ کے ساتھ Merger/Acquisition مکمل ہونے تک روک دیا ہے۔

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 ریوارڈز میں ایک مناسب تناسب موجود ہے۔ بینک کا فلسفہ ہے کہ تمام خطرات کی نشاندہی، تخمینہ، 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 بناتا ہے کہ بینک اپنے مقاصد کے حصول کے لئے کون کون سے اور کس حد تک بزنس رسکس لیتا ہے۔ بورڈ نے رسک (exposure) کو منیٹر کرنے اور پر لظم بنانے کے لئے پالیسیوں کی تشکیل اور جائزہ لینے کے

اختیارات مختلف کمیٹیوں کو سونپے ہیں۔ بورڈ کی رسک مینجمنٹ کمیٹی (Risk Management Committee of the Board) (RMCB)، ان کمیٹیوں کی طرف سے رسک (exposure) کے لئے منظور شدہ اہم پالیسی فیصلے اور تجاویز کا جائزہ لیتی ہے۔ بورڈ نے تجربے کا ریسٹریکشن کی کریڈٹ، مارکیٹ، لیکویڈٹی، انفارمیشن ٹیکنالوجی (آئی ٹی)، قانونی اور دیگر رسکس کو پر نظر کرنے کی سرگرمیوں کی نگرانی کے لئے RMCB 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 میج کرنے کے لئے کام کر رہے ہیں۔ بینک نے تجربے کا راز ایگزیکٹوز پر مشتمل مختلف کمیٹیاں بھی قائم کر رکھی ہیں جس میں یہ لوگ اپنے زریعگرائی شعبوں میں اجاگر ہونے والے رسکس کے مسائل پر غور و خوض کرنے کے لئے باقاعدگی سے ملتے ہیں۔

آپریشنل رسکس کو کم کرنے کے لئے بورڈ نے ذمہ داریوں کی تقسیم اور دیگر کنٹرولز کو قائم کیا ہے۔ اس کے علاوہ، بورڈ نے آپریشنل رسک مینجمنٹ کو مزید مضبوط کرنے کے لئے آپریشنل نقصانات کی کلکیشن، کی رسک انڈیکس (Key Risk Indicators) کی تشکیل اور کنٹرول سیلف اسیسمنٹس کے انعقاد جیسی جدید تکنیکوں کا بھی استعمال کیا ہے۔ براؤنچ آپریشنز کی آف سائٹ نگرانی کا بھی ایک موثر نظام موجود ہے۔

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 لانڈرنگ کے قوانین سے ہم آہنگی پر خاص توجہ دی جا رہی ہے۔
- انٹرنل کنٹرول ڈپارٹمنٹ 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 Committee of Sponsoring Organisations of Treadway Commission (COSO) انٹرنل کنٹرول کے مربوط 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 نگرانی 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 آپریٹنگ 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 کر لئے ہیں 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 ہے۔ اس کے مطابق بینک نے 31 دسمبر 2015ء 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 2016ء 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۔

صارفین کی شکایات حل کرنے کا نظام

اسٹیٹ بینک رہنما اصولوں کے مطابق، بینک نے صارفین کی شکایت سننے اور ان کے حل کے لئے ایک مستعد نظام وضع کیا ہے جس کے تحت کمپلیٹ ریزپولوشن اینڈ مینجمنٹ یونٹ (CRMU) فوری طور پر کسٹمر کی طرف سے درج کرائی گئی شکایت پر کارروائی کرتا ہے۔ CRMU فوری طور پر کسٹمر کی شکایت کو متعلقہ ڈپارٹمنٹ کو بھیجتا ہے جو کہ بروقت اور ایک مربوط نظام کے تحت فوری کارروائی کرتا ہے۔ ہر شکایت کے خلاف، بینک 48 working hours کے اندر اندر کسٹمر کو ایک نوٹیفکیشن (acknowledgement) بھیجتا ہے۔ صارفین کا سینٹر، ای میلز، خطوط، ویب سائٹ، صدر دفتر / مینجمنٹ یا بینکنگ محتسب پاکستان جیسے مختلف چینلز کے ذریعے اپنی شکایات درج کرواتے ہیں۔ جب شکایت دور کردی جاتی ہے تو CRMU کسٹمر کو جواب بھیجتا ہے۔ اگر کوئی شکایت 15 دن کے اندر حل نہیں کی جاسکتی ہے (جس کے لئے تفصیلی چھان بین کی ضرورت ہوتی ہے) تو ایک عبوری جواب 10 ورکنگ ڈیز کے اندر بھیج دیا جاتا ہے۔ بینک کی طرف سے غیر اطمینان بخش جواب یا 30 دن تک شکایت پر کوئی جواب موصول نہ ہونے پر کسٹمر کو بینکنگ محتسب پاکستان میں شکایت کرنے کا اختیار حاصل ہے۔

سال کے دوران، بینک کو صارفین کی طرف سے 14,690 شکایات موصول ہوئیں جنہیں حل کیا گیا۔ بینک نے اوسط 8 دنوں کے ٹرن آراؤنڈ ٹائم (TAT) کے تحت ان شکایات کا ازالہ کیا جو ریگولیٹری بیج مارک کی حد میں ہے۔

کارپوریٹ سماجی ذمہ داری

بینک نے ہمیشہ ہر ممکن طریقے سے معاشرے کی بہتری میں شراکت کرنے کی کوشش کی ہے۔ بینک کے ٹیکنالوجی پرنسپل 'بے نظیر آکم سپورٹ پروگرام (BISP)' نے غربت کے خاتمے کی کوششوں میں پاکستان کی حکومت کی حمایت جاری رکھی ہے اس سلسلے میں سال 2016 کے عرصے کے دوران بینک نے 4.3 بلین روپے کی خطیر رقم اس پروگرام سے فائدہ اٹھانے والے 235,000 سے زائد لوگوں میں تقسیم کی ہے۔

بینک نے حکومت کے نوجوانوں کو قرضہ دینے (Prime Minister's Youth Loan Programme) اور زرعی فنڈنگ کے اقدام کی بھرپور حمایت کی ہے جن کا

مقصد معاشرے کی بہتری ہے۔ ان کوششوں کو تمام شراکت داروں نے سراہا ہے۔

بینک نے اپنی منتخب شاخوں میں سولر (Solar) پینل کا استعمال کرتے ہوئے توانائی کی بچت کا قدم اٹھایا ہے جو کہ نہ صرف بینک کے لئے مفید ہے بلکہ توانائی کے تحفظ کے قومی مقصد میں بھی معاونت دے گا۔

انتظامیہ بینک کے تمام ملازمین کی مسلسل تربیت اور نشوونما میں سرمایہ کاری کی ضرورت کو تسلیم کرتی ہے اور کام کے ماحول کو بہتر بنانے کے لئے پر عزم ہے اور ملازمین کی اچھی کارکردگی پر انعام دے کر اچھے انسانی اثاثوں کو بینک سے منسلک رکھنے اور ان کی ذاتی گرومنگ (Grooming) کی بھرپور کوشش کر رہی ہے۔ اس مقصد کے حصول کے لئے تربیت اور نشوونما کے لئے بجٹ کا ایک حصہ مخصوص کیا گیا ہے۔

ایکسٹرنل آڈیٹرز

موجودہ آڈیٹرز M/s. Deloitte Yousuf 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 2017 کو ختم ہونے والے سال کے لیے M/s. Deloitte Yousuf Adil, Chartered Accountants 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 ماتحت کمپنی

سرورائٹس لمیٹڈ (SIL) جو کہ مارشلس میں قائم ہے بینک کی ہولڈنگ کمپنی ہے۔ 31 دسمبر 2016 کو SIL کا بینک کے Issued, subscribed and ordinary paid-up capital میں شیئر ہولڈنگ کا تناسب 70.58 فیصد تھا۔

بینک کی سمٹ کمپنٹل (پرائیویٹ) لمیٹڈ میں 100 فیصد شیئر ہولڈنگ ہے۔ بینک اور اسکی ماتحت کمپنی کے منظم مالیاتی گوشوارے بشمول آڈیٹرز کی رپورٹ سالانہ رپورٹ کا حصہ ہیں۔

اقتصادی جائزہ

سال 2016 پاکستان کی مجموعی معیشت کے لئے بہتر رہا۔ معیشت کے زیادہ تر اہم عوامل میں بہتری آئی جن میں Gross Domestic Product (GDP) کی ترقی، غیر ملکی زرمبادلہ کے ذخائر میں اضافہ، کم سود کی شرح، چین سے کی گئی براہ راست غیر ملکی سرمایہ کاری (FDI)، کوئی مارکیٹ کی حوصلہ افزاء کارکردگی اور مستحکم روپے کی قدر شامل ہیں۔ مزید برآں، حکومت نے پہلی مرتبہ بین الاقوامی مالیاتی فنڈ (آئی ایم ایف) کا فنڈنگ پروگرام مکمل کیا اور اگست 2016 میں اس کی آخری قسط موصول ہوئی۔ مالی سال 2016 کے دوران GDP growth 4.71 فیصد رہی جو بنیادی طور پر صنعتی ترقی اور خدمات کے شعبے کی وجہ سے حاصل ہوئی۔ ملک کے کل غیر ملکی زرمبادلہ کے ذخائر امریکی ڈالر (USD) 23.16 بلین پر پہنچ گئے۔ معاشی استحکام کی بنیادی وجہ بین الاقوامی اجناس کی قیمتوں میں کمی تھی جس سے بڑی صنعتوں کو اپنے خام مال کے اخراجات کم کرنے میں مدد ملی ہے۔ اس کے علاوہ، صارفین کے خرچ میں اضافہ ہوا جس سے اشیاء کی مانگ بڑھی۔

صارفین کی قیمت کا انڈیکس (Consumer Price Index) مالی سال 17-2016 کی پہلی ششماہی کے دوران اجناس کی کم قیمتوں کے تناظر میں اوسط 3.88 فیصد رہا۔ افراط زر کی کمی نے سود کی شرح کو کم رکھنے میں مدد دی اور پالیسی ریٹ کم ہو کر 5.75 فیصد ہو گیا (دسمبر 2015 : 6.00 فیصد)۔

2016 (CY) Calendar Year میں نجی شعبے کے قرضوں میں 525.35 بلین روپے (سالانہ 14 فیصد ترقی) کا اضافہ ہوا جو کہ دسمبر 2016 کو 4,412 بلین روپے پر پہنچ گئے۔ مالیاتی نرمی، بڑے کارپوریٹ اداروں کی بہتر مالیاتی حالت اور بہتر بزنس کا ماحول ترقی کی وجہ بنے اور بزنس کا حوصلہ بڑھایا کہ وہ نہ صرف Working Capital ضروریات بلکہ بڑی سرمایہ کاری کے لئے بھی قرضے لیں۔ آگے بڑھتے ہوئے، بڑی صنعتوں کے توسیع کے منصوبوں کے ساتھ بڑے پیمانے پر میٹروپولیٹن کے متوقع ابھار اور موزوں مالیاتی صورت حال سے قرضوں کی بڑھتی ہوئی مانگ میں مسلسل تیزی کی امید ہے۔

ملک کی اکوئی مارکیٹ نے بھی CY-2016 میں زبردست کارکردگی دکھائی اور نچ مارک کے ایس ای (KSE) 100 انڈیکس 45.68 فیصد بڑھ کر 47,806 پوائنٹس (14,991 پوائنٹس اضافہ) پر بند ہوا۔ یہ غیر معمولی کارکردگی MSCI بھرتی ہوئی مارکیٹ انڈیکس میں پاکستان کو شامل کرنے کے اعلان کے حوالے سے مثبت جذبات، لوکل اداروں کی مہیہ کی گئی وافر مقدار میں لکویڈیٹی اور کارپوریٹ آمدنی میں ترقی سے منسوب تھی۔

مالی پوزیشن ملک کے لئے تشویش کا باعث رہی جہاں آمدنی اور اخراجات کے درمیان خلیج میں اضافہ ہوا۔ اخراجات تیزی سے بڑھتے رہے جبکہ آمدنی کا حصول مشکل رہا۔ مالی سال 2016-17 کے مالیاتی خسارے کا ہدف جی ڈی پی کا 3.7 فیصد ہے۔ اس ہدف کو حاصل کرنے کے لئے، ٹیکس محصولات میں بہتری ایک کلیدی کردار ادا کرے گی۔

آگے چل کر چین پاکستان اقتصادی راہداری (CPEC) میں پیش رفت کے ساتھ ساتھ ملک کے مختلف صوبوں میں امن و امان کی صورتحال کی بہتری اور ایک فعال نجکاری پروگرام پاکستان کی معیشت کی ترقی میں مزید مدد دیں گے۔

مستقبل کا نقطہ نظر

بینک مکمل طور پر مارکیٹ میں دستیاب کاروباری مواقعوں سے فائدہ اٹھانے کے لئے تیار ہے۔ اس کے علاوہ، بورڈ آف ڈائریکٹرز کا حالیہ فیصلہ جس میں انہوں نے سمٹ بینک لمیٹڈ اور سندھ بینک لمیٹڈ کے Merger / Acquisition کی منظوری دی ہے، بینک کے لئے ترقی کی نئی سطح کے حصول میں مدد، دونوں بینکوں کے مشترکہ فوائد سے مستفید ہونے اور لاگو شدہ تمام minimum capital requirements سے ہم آہنگی حاصل کرنے پر مبنی ہے۔

پاکستان کی اسلامی بینکاری صنعت تیزی سے ترقی کر رہی ہے۔ ہمیں یقین ہے کہ بینک کو اسلامی بینک میں تبدیل کرنے کا عملی اقدام اس ترقی کے موقع سے فائدہ حاصل کرنے میں مدد کرے گا۔

بینک طویل المیعاد مستحکم ترقی کے لیے اپنی حکمت عملی پر توجہ مرکوز رکھے گا۔ اس کے مقاصد کے حصول کے لیے، بینک ایک اچھی طرح سے منظم انفراسٹرکچر، ٹیکنالوجی پلیٹ فارم اور تربیت یافتہ انسانی وسائل رکھتا ہے۔ اس کے علاوہ بینک پلان کے مطابق اپنے موجودہ کور بینکنگ سسٹمز اور ان سے متصل ٹیکنالوجیز کی تبدیلی کے لئے پوری طرح تیار ہے اور اس سلسلے میں نئے کور بینکنگ سسٹم کی اپیلی میٹیشن کیلئے ضروری کام جاری ہے۔ آگے بڑھتے ہوئے، بینک کے نتائج میں بہتری کے لئے تمام اہم چیزوں پر توجہ مرکوز رکھی جائے گی۔ جن میں سے کچھ مندرجہ ذیل ہیں:

- اثاثوں پر منافع اور پورٹ فولیو کے مجموعی معیار میں بہتری،
- ڈپازٹس کی لاگت (CoD) میں کمی اور کرنٹ اور سیونگ اکاؤنٹس (CASA) کی شرح میں اضافہ،
- سرمائے کی بنیاد میں مضبوطی اور مسلسل بہتری،
- غیر فعال قرضہ جات اور ایڈوانسز سے وصولی،
- غیر منافع بخش اثاثہ جات میں معقولیت اور کمی، اور
- لاگت میں بچت اور معقولیت کے مواقع کی نشاندہی۔

بینک آپریٹنگ کارکردگی کی اعلیٰ سطح کے حصول کے ساتھ ساتھ صارفین کو شاندار خدمات فراہم کرنے کی صلاحیت کے لئے قیادت، سر بلندی اور کسٹمرز پر توجہ دینے کی ثقافت کو فروغ دے رہا ہے۔ بینک اپنی کمپلائنس کی ثقافت کو مزید مضبوط بنا رہا ہے اور تمام عمل، طریقہ کار اور نظام کو بہتر بنا رہا ہے تاکہ پائیدار ترقی اور منافع حاصل کیا جاسکے۔

انظہار تشکر اور اعترافات

بورڈ انتظامیہ اور تمام ملازمین کی کاوشوں کو سراہتے ہوئے اسٹیٹ بینک آف 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۔

میں اس موقع پر بورڈ اور سٹیٹ بینک لمیٹڈ کی انتظامیہ کی جانب سے، کسٹمرز اور شیئرز ہولڈرز کا بھی شکریہ ادا کرتا ہوں جنہوں نے ہم پر بھروسہ کیا اور اس بات کا یقین دلاتا ہوں کہ ہم ہمیشہ اپنی بہترین خدمت کے معیار کو برقرار رکھیں گے اور بہترین نظم و نسق اور کمپلائنس کے رجحان پر عمل پیرا ہونگے۔

بورڈ آف ڈائریکٹرز کی جانب سے

محمد ظہیر اسماعیل
صدر منتظم اعلیٰ

کراچی

08 مارچ 2017

REPORT OF THE SHARIAH BOARD

FOR THE YEAR ENDED DECEMBER 31, 2016

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

By the grace of Allah SWT, the year under review was the 3rd year of Islamic banking operations of Summit Bank Limited (Islamic Banking Division of Summit Bank Limited shall be referred as 'the Bank'). The scope of this report is to cover the affairs of the Bank from Shari'ah perspective as described under Shari'ah Governance Framework of State Bank of Pakistan.

RESEARCH & NEW PRODUCT DEVELOPMENT

Alhamdulillah, during the year, Product Development department designed and developed many products on the financing and deposit sides. Running Musharakah was made available to business which is expected to contribute a large proportion in the financing portfolio of the Bank in coming days. Besides, a Term Musharakah structure was also developed on Shirkat-ul-Aqd basis. These developments paved the way for greater share of participatory mode of financing in the asset portfolio. Shari'ah Board also approved a product for the personal financing solution. This product will help satisfy the needs of a large segment of the society which has long been looking for an alternative to conventional financing & liquidity need and will also help in the conversion process of the Bank.

On the deposit side a Shari'ah compliant alternative for deposit product was offered to the customers that provides health coverage under takaful arrangement. For overseas Pakistanis, NRP-Mera Account and for premium return seekers, Summit Advantage Account were amongst the list of developments.

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

SHARIAH COMPLIANCE MECHANISM

Bank's Shari'ah Compliance mechanism consists of many measures and tools. Process flow is an important tool for controlling and preventing the transactions from being non-compliant. Each transaction is executed either under a standard Shari'ah approved operating procedure or customer specific process flows are developed by concerned departments which are reviewed by Shari'ah Compliance department and then approved by Shari'ah Board (SB). Shari'ah 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.

In addition to this, Shari'ah Audit reports provide useful insight in the light of which corrective measures are also taken whenever needed.

TRAINING & CAPACITY BUILDING

Summit Bank considers its human resource as one of its most valuable assets. Summit Bank invests heavily for the training and development of its staff. Ongoing conversion process further signifies the importance of training. During the year, significant number of staff & customers were equipped with Islamic banking knowledge either through dedicated trainings or awareness sessions at different locations. A total of 557 staff were provided different Islamic banking trainings during the year. The Bank has conducted the following Islamic banking training sessions during the year.

Training Programs	Participants
8 Days Comprehensive Islamic Banking Course	150
2 & 3 Days Basic Islamic Banking Training	294
1 Day Refresher	50
5 Days FIBO (Fundamentals of Islamic Banking Operations) Course	14
21 Days NIBAF (National Institute of Banking and Finance) Course	6
2 Days Focused Group Training	43
Total	557

The Shari'ah 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 design the course.

It is also eminent to mention that the Bank arranged 44 awareness sessions for the customers during the year at various locations across the country including Karachi, Lahore, Quetta, Chaman, Sargodha, Chatral, Shikarpur, Nawabshah, Skardu etc which were attended by more than 1212 customers, general public, Shari'ah Scholars and business personnel.

The management also arranged Shari'ah Board members' video recordings on general Islamic banking queries and their easy to understand answers. These recordings were also distributed to all Islamic Banking branches which helped enhance Banks' staff Islamic banking knowledge and remove misconceptions of the public as well.

CONVERSION STATUS

The Shari'ah Board was very keen to remain updated with the implementation of conversion plan of the Bank and is satisfied with its conversion process and Shari'ah Board is also hopeful that with the grace of Allah, the Bank shall meet the objective efficiently. Islamic Banking Branches network including windows operations increased from 12 to 47 this year. Out of these, 13 are full-fledged Islamic banking branches while 34 are Islamic banking windows (IBWS) which are in the phase of conversion and, insha Allah, within due course of time, these IBWs will also be converted into full fledged Islamic Banking Branches by the grace of Allah.

ISLAMIC ASSET AND DEPOSITS PORTFOLIO

The Bank's financing portfolio includes Murabaha, Ijarah, Diminishing Musharakah, Istisna, Salam, Tijarah, Running Musharakah which increased manifold this year with respect to last year, Al-hamdulillah. Major modes used for financing were Diminishing Musharakah and Tijarah. It is imperative to mention that Musharakah based financing accounts for above 25% of the current portfolio of the Islamic Banking operations. Currently total financing volume is approx Rs. 10 billion at the end of this year which is almost three times high as compared to last year and it is approx 10% of overall conventional and islamic financings of the Bank.

Financing Progress 2016 vs 2015 Rs in Million

Financing Products	2016	2015	Difference	Difference %
Murabaha	943	729	214	29.30%
Ijarah	569	491	78	15.89%
Diminishing Musharakah	2,084	1,073	1,011	94.22%
Istisna	125	29	96	331.03%
Tijarah	5,017	250	4,767	1,906.86%
Salam	18	-	18	100.00%
Musharakah	535	-	535	100.00%
Others	38	-	38	100.00%
Total	9,329	2,572	6,757	262.71%

Qard and Mudarabah based deposit side of the Bank comprised a total of approx Rs.12 billion which is 3 times higher as compared to last year and this size is expected to increase manifold, Insha Allah, by virtue of conversion of conventional branches to Islamic in 2017.

CONCLUSION

1. To form our opinion as expressed in this report based on, Internal Shari'ah audit and reviews of Shari'ah Compliance Department (SCD), on sample basis, of each class of transactions, the relevant documentation and process flows, we are of the view that:
 - 1.1 The cases referred to Shari'ah Board by SCD and reservations & queries raised in Shari'ah Audit reports, discussed in detail in Shari'ah Board meetings and after the comprehensive deliberations, we did not come across any information which could attract reversal of any income or charging of penalty on any customer.
 - 1.2 The Bank has a well-defined system in place which is sound enough to ensure that any earnings if realized from sources or by means prohibited by Shari'ah have been credited to charity account and are being properly utilized. In the year under review, there was no charity amount credited to charity account.
 - 1.3 The Bank has satisfactorily complied with Shari'ah rules and principles and also with the specific fatawa, rulings, guidelines issued by SBP and by Shari'ah Board from time to time.
 - 1.4 The Bank has a comprehensive mechanism in place to ensure Shari'ah compliance for its overall operations.
 - 1.5 The Bank took necessary actions on instructions/guidelines given by Shari'ah Board to ensure smooth running of Bank's operations in Shari'ah compliant manner.
 - 1.6 The Bank has complied with the SBP instructions on profit and loss distribution and pool management.
 - 1.7 The level of awareness, capacity and sensitization of the staff, management and the Board of Directors (BOD) for Shari'ah compliance remained satisfactory.
 - 1.8 The Shari'ah Board has been provided adequate resources enabling it to discharge its duties effectively. The Bank may need to strengthen its Shari'ah compliance department in future in line with increase in the businesses and operations of the bank.

RECOMMENDATIONS

1. The management should continue to strictly implement the rulings and directives of the Shari'ah Board to develop Shari'ah compliant environment at all areas in the bank.
2. The Bank should continue to focus on Islamic Banking trainings for its staff to carry out all the operations as per the Shari'ah guidelines and instructions issued by SBP & Shari'ah Board.
3. The Bank should implement personal finance product for its Islamic banking Staff as well.
4. The Bank should convert remaining portfolio of staff financing deputed in Islamic division to Islamic modes of financing at the earliest.

5. The management and staff of the Bank should also enhance their coordination with other Shari'ah Scholars to share Islamic banking products' information which will definitely help to reduce the misunderstanding among the general public through them and boost not only Summit Bank Islamic banking cause but also overall Islamic banking in the society.

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

Shariah Board on Islamic Banking

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

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

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

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

Karachi
February 22, 2017

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ
الحمد لله رب العالمین، والصلاة والسلام علی رسولہ الکریم
وعلیٰ آلہ وصحبہ أجمعین وبعد

شریعیہ بورڈ کی سالانہ رپورٹ (گزارشات مجلس شرعی)

بفضلہ تعالیٰ، زیرِ جائزہ سال سمٹ بینک لمیٹڈ کی (اسلامک بینکنگ ڈویژن جس کا حوالہ بطور بینک دیا جائے گا) اسلامی بینکاری کے آپریشنز کا تیسرا سال تھا۔

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

تحقیق اور نئی مصنوعات کی تشکیل

الحمد للہ، دورانِ سال، شعبہ تشکیل مصنوعات (Product Development) نے طریقہ ہائے تمویل اوڈ پاژٹ کے پہلو سے کئی مصنوعات ترتیب و تشکیل دیں۔ جاری مشارکہ (Running Musharaka) کو کاروبار کیلئے دستیاب کر دیا گیا ہے۔ اس کے علاوہ شرکت العقد کی بنیاد پر ایک ٹرم مشارکہ اسٹریکچر بھی تشکیل دیا گیا ہے۔ جس سے توقع ہے کہ آنے والے دنوں میں شراکتی طریقہ کار بینک کی سرمایہ کاری کی مد میں ایک بہت بڑا حصہ حاصل کر لے گا۔ اس پیش رفت نے اثاثوں میں سرمایہ کاری کے شراکتی طریقہ کار کے ایک قدرے بڑے حصے کی راہ ہموار کی۔ شریعی بورڈ نے ذاتی ضروریات کی تمویل کے لیے ایک پروڈکٹ کی منظوری دی ہے۔ اس سے معاشرے کے ایک بڑے حصے کی ضروریات کی تکمیل میں مدد ملے گی جو ایک طویل عرصے سے روایتی قرضہ جات کی فراہمی اور ضرورت زر کے متبادل کے متلاشی تھے۔ اور اس طرح بینک کو اسلامی بینکاری میں مکمل تبدیلی کے عمل میں بھی مدد ملے گی۔

ڈپازٹ پروڈکٹ کیلئے ایک موافق شریعی متبادل مصنوع (پروڈکٹ) کو پیش کر دیا گیا ہے جو کہ گاہکوں/کسٹمرز کو انتظام کا نفل کے تحت صحت کی سہولیات بھی فراہم کرتا ہے۔ سمندر پار پاکستانیوں کیلئے، این آر پی۔ میرا اکاؤنٹ اور بہترین منافع کے متلاشی افراد کیلئے سمٹ ایڈوانسج اکاؤنٹ پیش رفت کی فہرست میں شامل ہیں۔

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

شریعی کمپلائنس کا طریقہ کار (Shariah Compliance Mechanism)

بینک کا شریعی کمپلائنس کا طریقہ کار کئی اقدامات اور امور پر مشتمل ہے۔ پروسیس فلو (Process Flow) معاملات کو غیر شرعی ہو جانے سے بچانے اور اس کی روک تھام کیلئے ایک اہم آلہ کار ہے۔ ہر تمویلی معاملہ شریعی بورڈ سے منظور شدہ ایک معیاری طریقہ کار کے تحت روبہ عمل ہوتا ہے یا ایسے پروسیس فلو کے تحت روبہ عمل ہوتا ہے جو متعلقہ شعبہ جات نے صارف کے لیے خاص طور پر تیار کیا ہے، جن کا شریعی کمپلائنس کا شعبہ جائزہ لیتا ہے اور اس کے بعد شریعی بورڈ (مجلس شرعی) اس کی منظوری دیتا ہے۔ شعبہ شریعی کمپلائنس نمونوں کی بنیاد پر بعد از تکمیل معاملات کا جائزہ لیتا ہے تاکہ یہ جانچا جاسکے کہ آیا پروسیس فلو کی کماحقہ پیروی کی جارہی ہے یا نہیں۔ اس کے علاوہ، شریعی آڈٹ رپورٹس ایسی مفید معلومات اور آگہی فراہم کرتی ہیں جس کی روشنی میں جب بھی کسی اصلاحی اقدام کی ضرورت ہوتی ہے تو انہیں اختیار کیا جاتا ہے۔

تربیت اور متعلقہ امور میں مہارت

سمٹ بینک اپنے انسانی وسائل کو اپنا سب سے زیادہ قابل قدر اثاثہ سمجھتا ہے۔ سمٹ بینک اپنے عملے کی تربیت اور متعلقہ امور میں مہارت میں اضافہ کیلئے بھاری 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 آگہی نشستوں کے ذریعے اسلامی بینکاری کی معلومات سے آراستہ کیا گیا۔ عملے کے 1557 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:

شہداء	تربیتی پروگرام
150	8 دنوں پر مشتمل جامع اسلامی بینکاری کورس
294	2 اور 3 دنوں پر مشتمل بنیادی اسلامی بینکاری تربیت
50	ایک روزہ ریفریشر
14	5 روزہ ایف آئی بی او (فنڈ امینٹلز آف اسلامک بینکنگ آپریشنز) کورس
6	21 روزہ این آئی بی اے ایف (نیشنل انسٹیٹیوٹ آف بینکنگ اینڈ فنانس) کورس
43	2 روزہ مرکوز جماعتی تربیت
557	ٹوٹل

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

یہاں یہ ذکر بھی اہم ہے کہ بینک نے دوران سال پورے ملک میں مختلف مقامات بشمول کراچی، لاہور، کوئٹہ، چمن، سرگودھا، پتھال، شکار پور، نواب شاہ، اسکردو وغیرہ میں صارفین کیلئے 44 آگے نشستوں کا بھی اہتمام کیا جس میں عوام الناس، شریعہ ماہرین اور کاروباری افراد (جن کی تعداد 1212 سے زیادہ تھی) نے شرکت کی۔

انتظامیہ نے شریعہ بورڈ ممبرز کی عمومی اسلامی بینکاری کے بارے میں (سوالات) اور ان کے آسانی سے سمجھ میں آنے والے جوابات کی ویڈیو ریکارڈنگز کا بھی انتظام کیا۔ ان ریکارڈنگز کو بینک کی تمام اسلامی بینکاری شاخوں میں تقسیم کیا گیا جس سے بینک کے عملے کی اسلامی بینکاری معلومات میں اضافے کے بارے میں بڑی مدد حاصل ہوئی اور عوام الناس کی غلط فہمیاں بھی دور ہوئیں۔

کنورژن اسٹیٹس (Conversion Status)

شریعت 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 اور شریعت بورڈ پُر اُمید بھی ہے کہ اللہ کے فضل و کرم سے بینک اپنے مقصد کو مستعدی سے حاصل کر لے گا۔ اسلامی بینکاری برانچ نیٹ ورک بشمول ونڈو آپریشنز اس سال 12 سے بڑھ کر 47 تک جا پہنچا ہے، جن میں 13 مکمل طور پر اسلامی بینکاری برانچز ہیں جبکہ 34 اسلامی بینکاری ونڈوز ہیں جو کہ تبدیلی کے مراحل میں ہیں اور انشا اللہ محدود مدت میں یہ اسلامی بینکاری ونڈوز اللہ کے فضل سے مکمل اسلامی بینکاری برانچز میں تبدیل ہو جائیں گے۔

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

بینک کا سرمایہ کاری اثاثہ جو کہ مراحمہ، اجارہ، شرکت متناقصہ، استحصان، سلم، تجارت، جاری مشارکہ پر مشتمل ہے جو پچھلے سال کی نسبت اس سال کئی گنا بڑھ گیا، الحمد للہ۔ تاہم سرمائے کی فراہمی کیلئے بروئے کار لائے جانے والے بڑے طریقہ کار میں مشارکہ متناقصہ اور تجارت رہے۔ یہاں یہ ذکر اہم ہے کہ مشارکہ پر مبنی سرمائے کی فراہم اسلامک بینکنگ آپریشنز کے موجودہ (پورٹفولیو) کے 25 فیصد سے بھی زیادہ ہے۔ اس سال کے اختتام پر سرمایہ کاری اثاثہ جات کا کل حجم تقریباً 10 ارب ہے جو کہ پچھلے سال کے مقابلے میں تقریباً 3 ارب گنا ہے اور یہ بینک کی مجموعی (روایتی اور اسلامی) فراہمی سرمائے کا تقریباً 10 فیصد ہے۔

کارکردگی برائے سرمایہ کاری اثاثہ جات (ملین روپے میں) 2016ء بمقابلہ 2015ء

فرق فیصد (%)	فرق	2015ء	2016ء	فراہمی سرمایہ کی مصنوعات
29.30%	214	729	943	مراہجہ
15.89%	78	491	569	اچارہ
94.22%	1,011	1,073	2,084	مشارکہ متناقضہ
331.03%	96	29	125	استصناع
1,906.86%	4,767	250	5,017	تجارہ
100.00%	18	-	18	سلم
100.00%	535	-	535	مشارکہ
100.00%	38	-	38	دیگر
262.71%	6,757	2,572	9,329	کل

قرض اور مضاربت پر مبنی بینک کا ڈپازٹ تقریباً 12 ارب روپے پر مشتمل ہے جو کہ گزشتہ برس کے مقابلے میں 3 گنا زیادہ ہے اور توقع ہے کہ 2017ء میں روایتی شاخوں کے اسلامی شاخوں میں تبدیل ہو جانے سے انشا اللہ یہ حجم کئی گنا بڑھ جائے گا۔

خلاصہ

1. شریعہ بورڈ نے رائے سازی اور اس رپورٹ کی تشکیل کے لیے سرمایہ کاری معاملات کے ہر طرز کے نمونے پر مشتمل انٹرنل شریعہ آڈٹ اور شعبہ شریعہ کمپلائنس کے جائزہ رپورٹ کو دیکھا اور اپنی بہترین معلومات کی بنیاد پر بورڈ مندرجہ ذیل رائے کا اظہار کرتا ہے:

1.1 شعبہ شریعہ کمپلائنس کی جانب سے شریعہ بورڈ کو بھیجے گئے مقدمات اور شریعہ آڈٹ رپورٹس میں اٹھائے گئے تحتفظات اور استفسارات، شریعہ 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 یا کسی گاہک پر جرمانہ عائد کیا جائے۔

1.2 بینک کے پاس ایک بہترین وضع کردہ نظام موجود ہے جو اس بات کو یقینی بنانے کے لئے کارآمد ہے کہ اگر کوئی آمدنی شریعہ کی روح سے منافی ذرائع سے حاصل کی گئی تو وہ صدقہ اکاؤنٹ میں جمع کرادی جائیں اور مناسب طریقہ سے صدقہ کر دی جائیں۔ زیر جائزہ سال میں صدقہ اکاؤنٹ میں کوئی صدقہ رقم جمع نہیں ہوئی۔

1.3 بینک نے شریعت کے قوانین اور اصولوں کی تسلی بخش تعمیل کی ہے اور ان مخصوص فتاویٰ، احکام اور رہنما اصولوں کی بھی جو وقتاً فوقتاً (SBP) اسٹیٹ بینک آف پاکستان اور شریعہ بورڈ کی جانب سے جاری کئے گئے۔

1.4 بینک کے پاس ایک جامع طریقہ کار موجود ہے جو اس کی تمام سرگرمیوں میں شریعہ کی تعمیل کے اصولوں کو حتی الامکان یقینی بناتا ہے۔

1.5 بینک نے اپنی سرگرمیوں کو ہموار اور شریعہ کے مطابق چلانے کو یقینی بنانے کے لئے شریعہ بورڈ کی جانب سے دی گئی ہدایات اور رہنمائی پر ضروری اقدامات کئے ہیں۔

1.6 بینک نفع و نقصان کی تقسیم اور پول مینجمنٹ کے حوالے سے SBP کی ہدایات کے مطابق عمل پیرا ہے۔

1.7 شریعہ کی تعمیل کے لئے عملے، منتظمین اور بورڈ کے ڈائریکٹرز میں شعور، صلاحیت اور حساسیت کی سطح تسلی بخش رہی۔

1.8 شریعہ بورڈ کو اپنے فرائض موثر طریقے سے سرانجام دینے کے لئے خاطر خواہ وسائل فراہم کئے گئے ہیں۔ بینک کو مستقبل میں کاروبار اور سرگرمیوں میں اضافے کے ساتھ اپنے شعبہ شریعہ کو مضبوط بنانے کی ضرورت ہو سکتی ہے۔

سفارشات

1. منتظمین بینک کے تمام شعبہ جات میں بمطابق شریعہ، ماحول تیار کرنے کے لئے شریعہ بورڈ کے احکام اور ہدایات پر سختی سے عملدرآمد کو جاری رکھیں۔
2. بینک کو اپنی تمام سرگرمیاں، (SBP) اسٹیٹ بینک آف پاکستان اور شریعہ بورڈ کی جانب سے جاری کئے گئے شریعہ رہنما اصولوں اور ہدایات کے مطابق انجام دینے کے لئے اپنے عملے کی اسلامی بینکاری تربیت پر آئندہ بھی توجہ مرکوز رکھنی چاہیے۔
3. بینک کو اپنے اسلامی بینکاری ملازمین کے لئے اسلامی اصولوں پر مبنی پرسنل فنانسنگ کی سہولت پر عملدرآمد کرنا چاہیے۔
4. بینک کو جلد از جلد شیعہ اسلامی بینکاری میں تعینات ملازمین کے باقی ماندہ قرضہ جات کو اسلامی طریقہ تمویل میں تبدیل کر دینا چاہیے۔
5. بینک کے منتظمین اور عملے کو شریعہ بورڈ کے علاوہ دیگر علماء کرام سے بھی اپنے روابط کو مزید بڑھانا چاہیے تاکہ اسلامی بینکاری مصنوعات سے متعلق معلومات کا تبادلہ ہو سکے جو ان کے ذریعے عوام الناس کی غلط فہمی کم کرنے میں یقیناً مدد دے گا اور نہ صرف سمٹ بینک کے اسلامی بینکاری مقصد کو فروغ ملے گا بلکہ مجموعی طور پر معاشرے میں اسلامی بینکاری کی ترویج میں مزید اضافہ ہوگا۔

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

ڈاکٹر نور احمد شاپتا ز
رکن شریعہ بورڈ
سمٹ بینک - اسلامی بینکاری

مفتی ارشاد احمد
چیئر مین شریعہ بورڈ
سمٹ بینک - اسلامی بینکاری

مفتی محمد نجیب خان
ریزیڈنٹ رکن شریعہ بورڈ
سمٹ بینک - اسلامی بینکاری

مفتی بلال احمد قاضی
رکن کی شریعہ بورڈ
سمٹ بینک - اسلامی بینکاری

کراچی

22 فروری 2017

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED DECEMBER 31, 2016

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 Syed Mohammad Anwar Lutfullah*
Non-Executive Directors	Mr. Nasser Abdulla Hussain Lootah Mr. Husain Lawai** Mr. Md. Ataur Rahman Prodhan***

* Mr. Nasim Beg resigned as Director on January 19, 2016. Mr. Saleem Zamindar was appointed in place of Mr. Nasim Beg on February 11, 2016 but later he could not qualify the criteria prescribed for appointment as a director of the Bank. Accordingly, Syed Mohammad Anwar Lutfullah was appointed in place of Mr. Saleem Zamindar as an Executive Director on the Board of Summit Bank Limited with effect from August 30, 2016 whose necessary regulatory approval is pending with State Bank of Pakistan.

** Mr. Husain Lawai was appointed as a Vice-Chairman on the Board of the Bank with effect from April 28, 2016.

*** Mr. Md. Ataur Rahman Prodhan was appointed as a nominee director of Rupali Bank Limited, Bangladesh on the Board of the Bank in place of Mr. M. Farid Uddin with effect from August 30, 2016.

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 NBFIs or being a member of stock exchange has been declared as a defaulter by that stock exchange.
4. During the year, two (2) casual vacancies 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. 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 has approved the appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit along with the terms and conditions of their employment.
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 in 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 and Chief Executive

Karachi
March 08, 2017

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, 2016** 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, 2016.

Deloitte Yousuf Adil

Chartered Accountants

Engagement Partner: Mushtaq Ali Hirani

Date: March 08, 2017

Karachi

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, 2016** 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 sixteen 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 except for the changes mentioned in note 5 to the financial statements with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;

- (c) in our opinion and to the best of our information and according to the explanations given to us the 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, 2016, 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 13.1 to the financial statements where management has disclosed that the Bank has recognised a net deferred tax asset of Rs.5,201 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 involves 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 states that the Bank has been allowed extension by the State Bank of Pakistan till March 31, 2017 to meet Capital Adequacy Ratio (CAR) requirements, and the management's planned steps to meet these requirements in ensuing years.

Our opinion is not qualified in respect of these matters.

Other Matters

The financial statements of the Bank for the year ended December 31, 2015 were audited by another firm of Chartered Accountants who had expressed an unqualified opinion thereon dated March 04, 2016.

Deloitte Yousuf Adil

Chartered Accountants

Engagement Partner: Mushtaq Ali Hirani

Date: March 08, 2017

Karachi

UNCONSOLIDATED FINANCIAL STATEMENTS





UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

		December 31, 2016	December 31, 2015
	Note	----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks	7	12,786,616	10,539,906
Balances with other banks	8	2,582,531	2,919,244
Lendings to financial institutions	9	1,631,583	1,000,000
Investments	10	90,575,032	78,192,065
Advances	11	79,843,732	70,554,070
Operating fixed assets	12	12,272,884	9,533,782
Deferred tax assets - net	13	5,200,972	5,609,015
Other assets	14	10,128,998	10,072,339
		215,022,348	188,420,421
LIABILITIES			
Bills payable	15	5,061,470	2,728,797
Borrowings	16	49,819,840	49,755,998
Deposits and other accounts	17	142,871,229	119,854,302
Sub-ordinated loans	18	1,496,550	1,497,240
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	19	3,101,307	2,626,418
		202,350,396	176,462,755
NET ASSETS		12,671,952	11,957,666
REPRESENTED BY			
Share capital	20	17,786,663	10,779,796
Convertible preference shares	20	2,155,959	2,155,959
Advance against subscription of shares	20	1,854,870	7,006,867
Reserves	21	(1,722,341)	(1,722,341)
Accumulated losses		(9,515,201)	(7,421,199)
		10,559,950	10,799,082
Surplus on revaluation of assets - net of deferred tax	22	2,112,002	1,158,584
		12,671,952	11,957,666
CONTINGENCIES AND COMMITMENTS	23		

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

President &
Chief Executive

Director

Director

Director

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2016

		December 31, 2016	December 31, 2015
	Note	----- (Rupees in '000) -----	
Mark-up / return / interest earned	24	10,626,799	10,705,473
Mark-up / return / interest expensed	25	(7,853,591)	(7,656,589)
Net mark-up / interest income		2,773,208	3,048,884
Provision against non-performing loans and advances - net	11.3.1	(1,910,761)	(1,195,844)
Reversal of provision / (provision) for diminution in the value of investments - net	10.13	26,690	(375,398)
Bad debts written off directly	11.4.1	(114)	(4,166)
		(1,884,185)	(1,575,408)
Net mark-up / interest income after provisions		889,023	1,473,476
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		1,262,748	1,196,237
Dividend income		61,640	77,373
Income from dealing in foreign currencies		488,272	534,090
Gain on sale of securities - net	26	1,180,586	2,417,870
Gain on disposal of operating fixed assets - net	12.4	47,304	2,274
Unrealised loss on revaluation of investments classified as held-for-trading - net	10.16	(15,637)	(13,498)
Other income	27	102,481	105,620
Total non mark-up / interest income		3,127,394	4,319,966
		4,016,417	5,793,442
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	28	(5,817,604)	(5,113,648)
Other provisions / write-offs	29	(71,822)	6,573
Other charges	30	(44,702)	(30,247)
Total non mark-up / interest expenses		(5,934,128)	(5,137,322)
		(1,917,711)	656,120
Extra-ordinary / unusual items		-	-
(LOSS) / PROFIT BEFORE TAXATION		(1,917,711)	656,120
Taxation			
Current	31	(124,465)	(125,004)
Prior years		-	-
Deferred		(132,216)	(313,894)
		(256,681)	(438,898)
(LOSS) / PROFIT AFTER TAXATION		(2,174,392)	217,222
----- (Rupees) -----			
Basic (loss) / earnings per share	32.1	(1.00)	0.15
Diluted (loss) / earnings per share	32.2	(1.00)	0.09

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

President &
Chief Executive

Director

Director

Director

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2016

	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----	
(Loss) / profit after taxation	(2,174,392)	217,222
Other comprehensive income		
Not to be reclassified to profit and loss account in subsequent periods		
Actuarial gain / (loss) on defined benefit plan	19,101	(4,265)
Comprehensive income transferred to equity	(2,155,291)	212,957
Components of comprehensive income not reflected in equity		
Deficit on revaluation of 'available for sale securities - net of tax' *	(186,022)	(455,487)
Surplus on revaluation of 'operating fixed assets - net of tax' and 'non banking assets - net of tax' (i)	-	-
Total comprehensive loss	(2,341,313)	(242,530)

* 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.

(i) 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 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

Director

Director

Director

UNCONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2016

	December 31, 2016	December 31, 2015
	Note ----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(1,917,711)	656,120
Less: Dividend income	(61,640)	(77,373)
	<u>(1,979,351)</u>	<u>578,747</u>
Adjustments:		
Depreciation on operating fixed assets	616,442	555,778
Depreciation on non banking assets	21,082	-
Amortisation	49,759	48,308
Provision against non-performing loans and advances - net	1,910,761	1,195,844
Bad debts written off directly	114	4,166
Other provisions / write offs	71,822	(6,573)
(Reversal of provision) / provision for diminution in the value of investments - net	(26,690)	375,398
Unrealised loss on revaluation of investments classified as held-for-trading securities - net	15,637	13,498
Loss / (gain) on disposal of non banking assets - net	4,648	(1,929)
Gain on disposal of operating fixed assets - net	(47,304)	(2,274)
	<u>2,616,271</u>	<u>2,182,216</u>
	636,920	2,760,963
Increase in operating assets		
Lendings to financial institutions	(631,583)	(350,000)
Held-for-trading securities	(277,967)	(79,867)
Advances - net	(11,200,537)	(5,299,383)
Other assets (excluding advance taxation) - net	(1,834,106)	(1,325,615)
	<u>(13,944,193)</u>	<u>(7,054,865)</u>
Increase in operating liabilities		
Bills payable	2,332,673	1,197,158
Borrowings from financial institutions	63,954	24,454,185
Deposits and other accounts	23,016,927	14,544,868
Other liabilities	493,990	178,013
	<u>25,907,544</u>	<u>40,374,224</u>
	12,600,271	36,080,322
Income tax paid	(105,202)	(198,820)
Net cash inflows from operating activities	<u>12,495,069</u>	<u>35,881,502</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in 'available-for-sale' securities	(12,380,132)	(33,711,967)
Dividend received	62,487	75,262
Investment in operating fixed assets	(1,808,641)	(2,329,594)
Sale proceeds of property and equipment - disposed off	72,172	28,688
Sale proceeds of non banking assets - disposed off	1,614,974	265,697
Net cash outflows from investing activities	<u>(12,439,140)</u>	<u>(35,671,914)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance against subscription of shares	1,854,870	(500,000)
Redemption of sub-ordinated loan	(690)	(690)
Net cash inflows / (outflows) from financing activities	<u>1,854,180</u>	<u>(500,690)</u>
Increase / (decrease) in cash and cash equivalents	1,910,109	(291,102)
Cash and cash equivalents at beginning of the year	13,455,182	13,746,284
Cash and cash equivalents at end of the year	<u>15,365,291</u>	<u>13,455,182</u>

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

 President &
Chief Executive

Director

Director

Director

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2016

	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	Total Reserves
	----- (Rupees in '000) -----									
Balance as at January 01, 2015	10,779,796	2,155,959	7,506,867	1,000,000	(1,297,298)	110,718	(1,579,205)	(7,659,513)	(9,425,298)	11,017,324
Transfer from surplus on revaluation of operating fixed assets	-	-	-	-	-	-	-	68,801	68,801	68,801
Total comprehensive income for the year	-	-	-	-	-	-	-	217,222	217,222	217,222
Profit after taxation for the year ended December 31, 2015	-	-	-	-	-	-	-	(4,265)	(4,265)	(4,265)
Other comprehensive income	-	-	-	-	-	-	-	212,957	212,957	212,957
Transfer to Statutory Reserves	-	-	-	-	-	43,444	-	(43,444)	-	-
Advance against subscription of shares returned	-	-	(500,000)	-	-	-	-	-	-	(500,000)
Balance as at December 31, 2015	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 income 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

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

President & Chief Executive

Director

Director

Director

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

1. STATUS AND NATURE OF BUSINESS

- 1.1** Summit Bank Limited (the Bank) was incorporated in Pakistan as public company limited by shares on December 09, 2005 under the Companies Ordinance, 1984. It is listed on Pakistan Stock Exchange Limited. The registered office of the Bank is situated Plot No. 9-C, F-6 Markaz, Supermarket, Islamabad, Pakistan.
- 1.2** The Bank is principally engaged in the business of banking through its 192 branches including 13 Islamic Banking Branches [2015: 192 Branches including 10 Islamic Banking Branches] in Pakistan as defined in the Banking Companies Ordinance, 1962. In June 2016, JCR-VIS Credit Rating Company Limited has assigned the Bank a medium to long-term rating of 'A- (Single A minus)' and a short-term rating of 'A-1 (A-one)'. Moreover, the Bank's TFC has been assigned a rating of 'A-(SO)' (Single A minus (Structured Obligation)). These ratings have been assigned Stable Outlook.
- 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 10.65% (inclusive of Capital Conservation Buffer of 0.65%) and Leverage Ratio (LR) at 3% as of December 31, 2016.

In order to ensure compliance with the regulatory CAR and LR requirements, to improve risk absorption capacity and to provide impetus to the future growth initiatives of the Bank, the Board of Directors in its meeting held on March 04, 2016 approved to further increase the paid-up capital of the Bank by Rs. 2 billion through Right Issue of shares, subject to regulatory approvals. As of the closing date, the management is in the process of obtaining requisite regulatory approval to implement the transaction against which the Bank has received Rs. 1,854.87 million as advance against subscription of shares. This includes Rs. 1,157.67 million received from Suroor Investments Limited (Sponsor of the Bank) and Rs. 697.20 million from an investor, who is not a shareholder of the Bank. In this respect, SBP vide its letter dated October 28, 2016, has allowed the Bank to consider the advance share deposit money of Rs. 1,854.87 million as share capital for MCR, CAR and LR purposes.

As of December 31, 2016, the Bank is compliant with the applicable MCR. However, the Bank's CAR and LR is less than the applicable requirement of BASEL III regulations. In this regard, SBP has granted extension to the Bank in timeline to meet the CAR requirement of 10.65% (Minimum CAR of 10% plus Capital Conservation Buffer requirement of 0.65%) and Leverage Ratio requirement of 3% till March 31, 2017, along with the following exemptions:

- Relaxation from BASEL III related regulatory deductions to be made @ 20% instead of the applicable rate of 60%, wherein the amount which escaped deduction will be risk weighted @ 100%.
- Reversal of deductions pertaining to Tier 2 Capital i.e. for TFCs of the Bank to the tune of Rs. 539 million only.

The management is confident that if the growth factors and other key assumptions stipulated in the business plan materialise, the Bank will be able to achieve the profitability projections. This will enable the Bank to meet applicable CAR and LR requirements.

The key assumptions considered in the business plan are as follows:

- The Bank has enjoyed continued support from its sponsor in the past and management foresees that this support will continue in future. This is evident by further capital injections during the year;
- 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 results through targeted income generating avenues for mark-up income, non mark-up income etc.

Moreover, in light of the Board of Directors approval dated November 21, 2016, management is evaluating the potential merger/acquisition transaction with another bank, which is subject to necessary regulatory approvals.

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.
- 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, provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the directives issued by State Bank of Pakistan (SBP). In case requirements differ, the provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the directives issued by SBP shall prevail.
- 3.2** 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. Further, the Securities and Exchange Commission of Pakistan (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 SECP has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. In light of the SBP's circular No. 04 of 2015 dated February 25, 2015, IFAS 3 shall be followed once specific instructions and uniform disclosure requirements have been notified by SBP in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard will result in certain new disclosures in the financial statements of the Bank.

The following amendments to approved accounting standards are effective for accounting periods, beginning on or after the date mentioned against each of them. These 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
- Amendments to IAS 7 'Statement of Cash Flows': Amendments as result of the disclosure initiative January 01, 2017
- Amendments to IAS 12 'Income Taxes': Recognition of deferred tax assets for unrealised losses January 01, 2017
- 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

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

The following amendments to published approved accounting standards are effective from January 1, 2016. These 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.

- Amendments to IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations': Clarification regarding changes in the method of disposal of an asset.
- Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities and IAS 28 (Revised 2011) - Investments in Associates and Joint Ventures: Application of consolidation exception
- Amendments to IFRS 11 - Joint Arrangements: Accounting for acquisitions of an interest in a joint operation
- Amendments to IAS 1 - Presentation of Financial Statements: Amendments resulting from the disclosure initiative
- Amendments to IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture: Bringing bearer plants in scope of IAS 16.
- Amendments to IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets: Clarification on acceptable methods of depreciation and amortisation.
- Amendments to IAS 19 'Employee Benefits': Clarification that the same currency bonds be used to determine the discount rate in which benefits are to be paid.
- Amendments to IAS 27 (Revised 2011) 'Separate Financial Statements': Use of equity method to account for investments in subsidiaries, joint ventures and associates in separate financial statements.
- Amendments to IAS 34 'Interim Financial Reporting': Clarification related to certain disclosures, i.e., if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases

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, except as described below:

The State Bank of Pakistan vide BPRD Circular no. 1 dated January 01, 2016 issued Regulations for Debt Property Swap (DPS). These Regulations, apart from other requirements, stipulate that banks will recognize the impact of deficit or surplus arising on revaluation of property acquired under DPS.

Accordingly, the Bank has recognized the revaluation surplus on certain DPS properties (i.e. other than under sale arrangement / agreement) held as 'non banking assets acquired in satisfaction of claims' and included the same in 'Other assets', and transferred its net of tax amount to 'Surplus on revaluation of assets - net of tax' below equity. Legal fees, transfer costs and direct costs of acquiring title to such properties is charged to profit and loss account and not capitalised. Moreover, depreciation is required to be charged on such properties. Previously, these non banking assets acquired in satisfaction of claims were stated at lower of the net realisable value of the related advances and the current fair value of such assets. Had there been no change in the accounting policy, the balance of 'Other assets' and 'Surplus on revaluation of assets - net of tax' would have been lower by Rs. 423.034 million and Rs. 274.972 million respectively, while the balance of 'Deferred tax assets - net' would have been higher by Rs. 148.062 million as of December 31, 2016. As per these Regulations, the revaluation surplus on DPS properties is not admissible for the calculation of Bank's Capital Adequacy Ratio and exposure limits under the Prudential Regulations.

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 recognised 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.

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.

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 recognised in the income over the period of credit sale.

Moreover, pursuant to BPRD Circular Letter No. 05 dated February 29, 2016 issued by SBP, Bai Muajjal with Government of Pakistan has been classified in investments as other Federal Government securities.

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.

Investments in subsidiary

Investments 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.

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

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 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

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. 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 the rates specified in the relevant note. Intangible assets' residual values, if significant and their useful lives are reviewed at each balance sheet date and adjusted prospectively, if appropriate, at each balance sheet date.

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

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

Goodwill

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

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

5.6 Subordinated loans

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

5.7 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 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. Previously, these were stated at lower of the net realizable value of the related advances and the current fair value of such assets.

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

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

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 recognised directly in other comprehensive income with no subsequent recycling through the profit and loss account.

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

Employees' compensated absences

The Bank provides its liability towards compensated absences accumulated by its employees on the basis of actuarial valuation carried out using the Projected Unit Credit Method 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 Certificates'. 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. Mudarib (the 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 receipts basis.

Fees, brokerage and commission

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

5.16 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 assets 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, 2016	December 31, 2015
	Note	----- (Rupees in '000) -----	
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		2,943,581	2,840,450
Foreign currencies		<u>188,699</u>	<u>335,693</u>
		3,132,280	3,176,143
National prize bonds		9,251	11,004
With State Bank of Pakistan in			
Local currency current account	7.1	6,553,191	4,697,529
Foreign currency current account	7.2	23,875	21,052
Foreign currency deposit account			
- Non-remunerative	7.3	373,940	356,916
- Remunerative	7.4	1,070,043	1,064,598
		8,021,049	6,140,095
With National Bank of Pakistan in			
Local currency current account		<u>1,624,036</u>	<u>1,212,664</u>
		12,786,616	10,539,906

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 and as at December 31, 2016, carries no mark-up (2015: 0%) per annum.

		December 31, 2016	December 31, 2015
	Note	----- (Rupees in '000) -----	
8. BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		10,469	420,821
On deposit accounts	8.1	120,702	69,021
Outside Pakistan			
On current accounts		1,100,390	1,455,520
On deposit accounts	8.2	1,350,970	973,882
		2,582,531	2,919,244

8.1 These represent placements with correspondent banks, carrying interest rate determined with respect to underlying currency benchmark rates ranging from 3.5% to 3.75% per annum (December 31, 2015: 4% to 4.5% per annum).

8.2 These represent placements with correspondent banks, carrying interest rate determined with respect to underlying currency benchmark rates ranging from 0.75% to 3% per annum (December 31, 2015: 0.5% to 3% per annum).

		December 31, 2016	December 31, 2015
	Note	----- (Rupees in '000) -----	
9. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings		-	1,000,000
Musharakah	9.2	150,000	-
Repurchase agreement lendings	9.3 & 9.4	1,481,583	-
		<u>1,631,583</u>	<u>1,000,000</u>
9.1 Particulars of lendings			
In local currency		1,631,583	1,000,000
In foreign currencies		-	-
		<u>1,631,583</u>	<u>1,000,000</u>

9.2 This represents Musharaka placement with a financial institution carrying profit rate of 5.05% per annum which will mature on January 3, 2017.

9.3 This represents lending against securities to a financial institution carrying mark-up at the rate of 5.70% per annum which will mature on January 3, 2017.

9.4 Securities held as collateral against repurchase agreement lendings

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

	December 31, 2016			December 31, 2015		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	----- (Rupees in '000) -----					
Market Treasury Bills	1,481,583	-	1,481,583	-	-	-
	<u>1,481,583</u>	<u>-</u>	<u>1,481,583</u>	<u>-</u>	<u>-</u>	<u>-</u>

9.4.1 The market value of securities held as collateral against lendings to financial institutions amounted to Rs. 1,481.738 million.

	Note	December 31, 2016			December 31, 2015		
		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							
Listed ordinary shares	10.4	401,429	-	401,429	136,960	-	136,960
Available-for-sale securities							
Market treasury bills	10.3	37,156,123	20,229,721	57,385,844	19,925,194	10,579,493	30,504,687
Pakistan investment bonds	10.3	1,100,481	23,758,983	24,859,464	3,787,809	35,036,961	38,824,770
GOP ijarah sukuks	10.3	2,553,379	-	2,553,379	2,500,000	-	2,500,000
Other Federal Government Securities							
- Bai Muajjal with Government of Pakistan		-	-	-	459,868	-	459,868
Listed ordinary shares	10.4	3,758,043	57,689	3,815,732	3,867,750	101,008	3,968,758
Unlisted ordinary shares	10.5	1,000	-	1,000	1,000	-	1,000
Units of open ended mutual funds	10.6	85,000	-	85,000	86,208	-	86,208
Preference shares	10.7	-	-	-	70,645	-	70,645
Term finance certificates - listed	10.8	17,266	-	17,266	94,348	-	94,348
Term finance certificates - unlisted	10.9	1,594,732	-	1,594,732	1,304,767	-	1,304,767
Sukuk bonds	10.10	1,564,510	-	1,564,510	1,681,744	-	1,681,744
		47,830,534	44,046,393	91,876,927	33,779,333	45,717,462	79,496,795
Subsidiary							
Unlisted ordinary shares	10.11	396,942	-	396,942	396,942	-	396,942
Investments at cost		48,628,905	44,046,393	92,675,298	34,313,235	45,717,462	80,030,697
Less: Provision for diminution in value							
of investments	10.13	(1,922,043)	-	(1,922,043)	(1,948,733)	-	(1,948,733)
Investments - net of provisions		46,706,862	44,046,393	90,753,255	32,364,502	45,717,462	78,081,964
Deficit on revaluation of held-							
for-trading securities	10.16	(15,637)	-	(15,637)	(13,498)	-	(13,498)
Surplus / (deficit) on revaluation of							
available-for-sale securities	22.2	37,405	(199,991)	(162,586)	(17,322)	140,921	123,599
Total investments		46,728,630	43,846,402	90,575,032	32,333,682	45,858,383	78,192,065

		December 31, 2016	December 31, 2015
	Note	----- (Rupees in '000) -----	
10.2 Investments by segments:			
Federal Government Securities:			
- Market Treasury Bills	10.3	57,385,844	30,504,687
- Pakistan Investment Bonds	10.3	24,859,464	38,824,770
- Bai Muajjal with Government of Pakistan		-	459,868
- GOP Ijarah sukuks	10.3	2,553,379	2,500,000
Fully paid-up Ordinary Shares / Units:			
- Listed ordinary shares	10.4	4,217,161	4,105,718
- Unlisted ordinary shares	10.5	1,000	1,000
- Units of open end mutual funds	10.6	85,000	86,208
Preference shares	10.7	-	70,645
Term Finance Certificates and Bonds:			
- Term Finance Certificates - Listed	10.8	17,266	94,348
- Term Finance Certificates - Unlisted	10.9	1,594,732	1,304,767
- Sukuk Bonds	10.10	1,564,510	1,681,744
Investment in subsidiary	10.11	396,942	396,942
Total investments at cost		92,675,298	80,030,697
Less: Provision for diminution in value of investments	10.13	(1,922,043)	(1,948,733)
Investments - net of provisions		90,753,255	78,081,964
Deficit on revaluation of held-for-trading securities	10.16	(15,637)	(13,498)
(Deficit) / surplus on revaluation of available-for-sale securities	22.2	(162,586)	123,599
Total investments		90,575,032	78,192,065

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 5.82% to 6.05% (December 31, 2015: 6.39% to 9.15%) per annum and will mature within 9 months. Pakistan Investment Bonds carry mark-up ranging from 6.20% to 10.20% (December 31, 2015: 8.75% to 12.00%) per annum payable on semi-annual basis and will mature within 1 to 15 years.

GOP Ijarah Sukuks are issued by the Government of Pakistan. Effective yield on these Sukuks is 4.23% (December 31, 2015: 5.89%) per annum and they will mature within 2 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, 2016	December 31, 2015		December 31, 2016	December 31, 2015
----- (Rupees in '000) -----					
Held-for-trading securities					
Aisha Steel Mills Limited	10,000,000	-	10	167,000	-
Dolmen City REIT - a related party	7,511,313	-	10	83,000	-
Engro Corporation Limited	-	195,600	10	-	58,876
Hascol Petroleum Limited	100,000	-	10	34,164	-
Hi-Tech Lubricants Limited	150,000	-	10	16,994	-
K-Electric Limited	1,500,000	-	10	14,119	-
MCB Bank Limited	-	85,100	10	-	20,708
Pak Elektron Limited	-	250,000	10	-	20,694
Pakistan State Oil Company Limited	75,000	-	10	32,234	-
Sui Southern Gas Company Limited	1,100,000	-	10	44,236	-
TPL Trakker Limited	525,000	-	10	9,682	-
United Bank Limited	-	224,100	10	-	36,682
				401,429	136,960
Available-for-sale securities					
Adamjee Insurance Company Limited	-	200,000	10	-	11,952
Agritech Limited - (note 10.4.1) - a related party	34,306,400	32,105,034	10	1,192,890	1,016,346
Aisha Steel Mills Limited	1,739,500	-	10	28,777	-
Allied Bank Limited	-	105,200	10	-	10,984
Al Shaheer Corporation Limited	496,818	1,484,341	10	30,401	104,454
Arif Habib Corporation Limited - a related party	-	189,063	10	-	6,930
Askari Bank Limited	-	183,500	10	-	4,242
Azgard Nine Limited	500,000	500,000	10	5,911	5,911
Byco Petroleum Pakistan Limited	1,406,000	-	10	34,787	-
D.G. Khan Cement Company Limited	-	1,412,000	10	-	210,910
Engro Corporation Limited	-	237,500	10	-	75,312
Engro Fertilizer Limited	1,390,500	200,000	10	100,616	18,521
Engro Foods Limited	-	670,000	10	-	115,336
Fauji Cement Company Limited	1,200,000	1,700,000	10	51,637	63,012
Fauji Fertilizer Bin Qasim Limited	210,000	210,000	10	12,902	12,902
Faysal Bank Limited	-	500,000	10	-	7,489
First Capital Securities Corporation Limited	10,058,000	11,308,000	10	90,067	94,847
Habib Bank Limited	500,000	1,767,250	10	132,626	357,011
Hascol Petroleum Limited	-	125,000	10	-	20,478
Javedan Corporation Limited	18,529,272	14,239,936	10	745,737	675,296
Kot Addu Power Company Limited	192,000	-	10	15,643	-
Maple Leaf Cement Factory Limited	150,000	-	10	19,078	-
MCB Bank Limited	-	74,000	10	-	18,691
Metropolitan Steel Corporation Limited	2,751,990	3,914,590	10	49,551	61,177
National Bank of Pakistan	-	690,000	10	-	41,278
Nishat Chunian Limited	-	1,250,000	10	-	58,639
Nishat Mills Limited	-	225,000	10	-	24,237
Nishat Chunian Power Limited	397,500	397,500	10	24,273	24,273
Oil and Gas Development Company Limited	-	163,100	10	-	24,411
Pak Elektron Limited	-	353,500	10	-	30,644
Pakistan International Airlines Corporation Limited	3,282,500	-	10	39,428	-
Pakistan Oilfields Limited	-	30,500	10	-	10,112
Pakistan Petroleum Limited	-	150,000	10	-	21,332
Pakistan Telecommunication Company Limited	1,000,000	2,650,000	10	21,035	57,825
Pioneer Cement Limited	673,600	-	10	94,315	-
Power Cement Limited	-	21,283,000	10	-	212,852
SME Leasing Limited	902,350	902,350	10	9,926	9,926
Tariq Glass Industries Limited	4,000,000	4,000,000	10	397,857	288,657
Thatta Cement Company Limited	8,462,835	8,462,835	10	343,480	254,190
The Bank of Punjab	19,108,500	-	10	334,465	-
TPL Trakker Limited	2,165,000	-	10	40,330	-
United Bank Limited	-	110,000	10	-	18,581
				3,815,732	3,968,758
				4,217,161	4,105,718

10.4.1 This includes 6,031,366 shares of Agritech Limited at Rs. 35 per share acquired by the Bank during the year as a result of option exercised by the option holder (another bank).

10.5 Particulars of investment in other Ordinary shares - unlisted

Name of company	Number of shares held		Paid-up value per share	Total book value	
	December 31, 2016	December 31, 2015		December 31, 2016	December 31, 2015
----- (Rupees in '000) -----					
Arabian Sea Country Club Limited	100,000	100,000	10	1,000	1,000
Chief Executive Officer: Mr. Arif Ali Khan Abbasi Percentage holding 1.29% (December 31, 2015: 1.29%) Net asset value per share was Rs. (2.49) as at June 30, 2015 based on the latest audited financial statements.					
				1,000	1,000

10.6 Particulars of investment in mutual funds

Name of funds	Number of units held		Paid-up value per unit	Total book value	
	December 31, 2016	December 31, 2015		December 31, 2016	December 31, 2015
----- (Rupees in '000) -----					
Mutual fund (open end)					
AKD Cash Fund	-	608,791	50	-	25,000
AKD Opportunity Fund	223,621	-	100	25,000	-
NAFA Income Opportunity Fund - a related party	-	1,134,996	10	-	11,208
NAFA Stock Fund - a related party	584,901	-	10	10,000	-
NIT Islamic Equity Fund	4,000,000	5,004,280	10	50,000	50,000
				85,000	86,208

10.7 Particulars of investment in preference shares

Name of companies	Number of shares held		Paid-up value per share	Total book value	
	December 31, 2016	December 31, 2015		December 31, 2016	December 31, 2015
----- (Rupees in '000) -----					
Aisha Steel Mills Limited	-	17,187	10	-	118
Rate of preference dividend: 6M KIBOR+3% - cumulative Terms of conversion: Conversion option to be exercised any time at the option of the holder					
				-	118
			Balance c/f.	-	118

Name of companies	Number of shares held		Paid-up value per share	Total book value	
	December 31, 2016	December 31, 2015		December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----				
			Balance b/f.	-	118
Aisha Steel Mills Limited Rate of preference dividend: 6M KIBOR+3% - cumulative Terms of conversion: Conversion option to be exercised any time at the option of the holder	-	8,594	10	-	86
Javedan Corporation Limited Rate of preference dividend: 12% - cumulative Terms of conversion: Conversion option to be exercised at the option of the holder	-	7,044,100	10	-	70,441
				-----	-----
				-	70,645

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

Name of companies	Mark-up rate	Re-payment	Total book value	
			December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----			
Invest Capital Investment Bank Limited - 2nd issue * 2,000 (December 31, 2015: 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
Azgard Nine Limited *** 34,280 (December 31, 2015: 56,280) certificates Maturity date: March 31, 2017 Chief Executive Officer: Mr. Ahmed H. Shaikh	6 months KIBOR plus 1.25%	Semi-annually	-	35,792
Telecard Limited ** Nil (December 31, 2015: 26,530) certificates Maturity date: May 18, 2015 Chief Executive Officer: Syed Aamir Hussain	Simple average of 6 months KIBOR plus 3.75% (ask side)	Semi-annually	-	41,290
		Balance c/f.	10,000	87,082

Name of companies	Mark-up rate	Re-payment	Total book value	
			December 31, 2016	December 31, 2015
			----- (Rupees in '000) -----	
		Balance b/f.	10,000	87,082
Trust Investment Bank Limited - 3rd issue * 3,877 (December 31, 2015: 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>94,348</u>

* Represents non-performing certificates.

** Repaid / sold during the year.

*** These represents zero coupon term finance certificates received from Azgard Nine Limited in lieu of settlement of markup not realised and are fully provided.

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

Name of companies	Mark-up rate	Re-payment	Total book value	
			December 31, 2016	December 31, 2015
			----- (Rupees in '000) -----	
Al Arabia Sugar Mills Limited - 3rd issue 17 (December 31, 2015: Nil) jumbo certificates of face value other than Rs. 5,000 each Maturity date: December 31, 2026: Chief Executive Officer: Suleman Shahbaz Shareef	6 months KIBOR plus 0.2%	Semi-annually	289,965	-
Agritech Limited - a related party * 100,000 (December 31, 2015: 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, 2015: 183,689) certificate Maturity date: January 31, 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, 2015: 2,000) certificates Maturity date: March 28, 2014 Chief Executive Officer: Mr. S. Nauman Akhtar	1-18th month - 3% cash plus 3% accrual, 19th month onwards 1 month KIBOR	Monthly	1,540	1,540
			<u>1,594,732</u>	<u>1,304,767</u>

* Represents non-performing certificates.

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

Name of companies	Mark-up rate	Re-payment	Total book value	
			December 31, 2016	December 31, 2015
----- (Rupees in '000) -----				
Arzoo Textile Mills Limited * 40,000 (December 31, 2015: 40,000) certificates Maturity date: March 14, 2017 Chief Executive Officer: 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
K-Electric Limited (KE AZM Sukuk II) 48,758 (December 31, 2015: 48,758) certificates Maturity date: March 19, 2017 Chief Executive Officer: Mr. Muhammad Tayyab Tareen	3 months KIBOR plus 2.25%	Quarterly	244,071	245,325
K-Electric Limited (KE Sukuk-ul-shirkah) 136,253 (December 31, 2015: 136,253) certificates Maturity date: June 17, 2022 Chief Executive Officer: Mr. Muhammad Tayyab Tareen	3 months KIBOR plus 1.0%	Quarterly	681,265	681,265
Liberty Power Tech Limited 100,000 (December 31, 2015: 100,000) certificates Maturity date: October 01, 2020 Chief Executive Officer: Mr. Ashraf Salim Mukaty	3 months KIBOR plus 3.0%	Quarterly	326,674	380,154
Pak Elektron Limited 40,000 (December 31, 2015: 40,000) certificates Maturity date: March 31, 2019 Chief Executive Officer: Mr. M. Murad Saigol	3 months KIBOR plus 1.0%	Quarterly	112,500	175,000
			1,564,510	1,681,744

* Represents non-performing bonds.

10.11 Particulars of investment in subsidiary

Name of company	Number of shares held		Paid-up value per share	Total book value	
	December 31, 2016	December 31, 2015		December 31, 2016	December 31, 2015
----- (Rupees in '000) -----					
Summit Capital (Private) Limited - unlisted Chief Executive Officer: Mr. Rahat Saeed Percentage holding 100% (December 31, 2015: 100%) Book value per share is Rs.8.93 (December 31, 2015: Rs.8.64) based on audited financial statements	30,000,000	30,000,000	10	396,942	396,942
				396,942	396,942

10.12 Quality of available-for-sale securities

	Note	Ratings		Market value / Carrying value of investments	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
----- (Rupees in '000) -----					
Market Treasury Bills	10.12.1	Unrated	Unrated	57,360,077	30,534,340
Pakistan Investment Bonds	10.12.1	Unrated	Unrated	24,691,215	38,972,994
GOP Ijarah Sukuks	10.12.1	Unrated	Unrated	2,613,180	2,528,250
Bai Muajjal with GOP	10.12.1	Unrated	Unrated	-	459,868
Listed Ordinary shares	10.12.2				
Adamjee Insurance Company Limited		-	AA	-	11,302
Agritech Limited - a related party		Unrated	Unrated	435,005	300,182
Allied Bank Limited		AA+, A-1+	AA+, A-1+	-	9,916
Aisha Steel Mills Limited		Unrated	-	27,362	-
Al Shaheer Corporation Limited		Unrated	Unrated	28,517	92,296
Arif Habib Corporation Limited - a related party		-	Unrated	-	9,663
Askari Bank Limited		-	AA, A-1+	-	3,989
Azgard Nine Limited		Unrated	Unrated	4,120	2,210
Byco Petroleum Pakistan Limited		Unrated	-	32,619	-
D.G. Khan Cement Company Limited		-	Unrated	-	208,397
Engro Corporation Limited		-	AA, A-1+	-	66,355
Engro Fertilizer Limited		AA-, A-1+	AA-, A-1+	94,526	16,826
Engro Foods Limited		-	Unrated	-	98,215
Fauji Cement Limited		Unrated	Unrated	54,096	62,594
Fauji Fertilizer Bin Qasim Limited		Unrated	Unrated	10,754	11,063
Faysal Bank Limited		-	AA, A-1+	-	7,715
First Capital Securities Corporation Limited		Unrated	Unrated	58,940	32,793
Habib Bank Limited		AAA, A-1+	AAA, A-1+	136,625	353,662
Hascol Petroleum Limited		A+, A-1	A+, A-1	-	18,031
Javedan Corporation Limited*		Unrated	Unrated	521,781	464,934
Kot Addu Power Compay Limited		AA+, A-1+	-	15,130	-
Maple Leaf Cement Factory Limited		A+, A-1	-	19,137	-
MCB Bank Limited		-	AAA, A-1+	-	16,047
Metropolitan Steel Corporation Limited		Unrated	Unrated	-	61,178
National Bank of Pakistan		-	AAA, A-1+	-	37,288
Nishat Chunian Limited		-	A-, A-2	-	42,500
Nishat Mills Limited		-	AA, A-1+	-	21,346
Nishat Chunian Power Limited		A+, A-1	A+, A-1	22,053	21,882
Oil and Gas Development Company Limited		-	Unrated	-	19,138
Pak Elektron Limited		-	A, A-1	-	22,108
Pakistan International Airlines Corporation Limited		Unrated	-	30,068	-
Pakistan Oilfields Limited		-	Unrated	-	8,175
Pakistan Petroleum Limited		-	Unrated	-	18,272
Pakistan Telecommunication Company Limited		Unrated	Unrated	17,180	43,699
Pioneer Cement Limited		A, A-1	-	95,712	-
Power Cement Limited		-	Unrated	-	189,632
SME Leasing Limited		B+, B	BB-, B	3,429	226
Tariq Glass Industries Limited		Unrated	Unrated	401,800	279,400
Thatta Cement Company Limited		Unrated	Unrated	333,266	219,102
The Bank of Punjab		AA, A-1+	-	337,265	-
TPL Trakker Limited		A-, A-2	-	38,169	-
United Bank Limited		-	AA+, A-1+	-	17,044
				2,717,554	2,787,180
Unlisted Ordinary shares					
Arabian Sea Country Club Limited	10.12.4	Unrated	Unrated	-	-
Preference shares					
Aisha Steel Mills Limited - Cumulative		-	Unrated	-	142
Aisha Steel Mills Limited - Cumulative		-	Unrated	-	90
Javedan Corporation Limited		-	Unrated	-	128,555
				-	128,787
			Balance c/f.	87,382,026	75,411,419

Note	Ratings		Market value / Carrying value of investments	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
		Balance b/f.	87,382,026	75,411,419
Mutual fund units - open end	10.12.2			
AKD Cash Fund		-	-	31,368
AKD Opportunity Fund		4-Star	25,415	-
NAFA Income Opportunity Fund - a related party		-	-	12,649
NAFA Stock Fund - a related party		3-Star	10,242	-
NIT Islamic Equity Fund		Unrated	51,320	49,342
			86,977	93,359
Term Finance Certificates - listed	10.12.3			
Invest Capital Investment Bank Limited	10.12.4	Unrated	-	-
Azgard Nine Limited		-	-	31,280
Telecard Limited		-	-	-
Trust Investment Bank Limited	10.12.4	Unrated	-	-
			-	31,280
Term Finance Certificates - unlisted				
Al Arabia Sugar Mills Limited*		Unrated	289,965	-
Agritech Limited - a related party	10.12.4	Unrated	-	24,890
Parthenon (Private) Limited*		Unrated	803,641	803,641
Security Leasing Corporation Limited	10.12.4	Unrated	-	-
			1,093,606	828,531
Sukuk Bonds	10.12.3			
Arzoo Textile Mills Limited*	10.12.4	Unrated	-	-
K-Electric Limited (AZM Sukuk II)		AA	245,907	249,690
K-Electric Limited (Sukuk-ul-shirkah)		AA+	702,163	700,000
Liberty Power Tech Limited		A+	326,674	380,154
Pak Elektron Limited*		A+	112,500	175,000
			1,387,244	1,504,844
		Total	89,949,853	77,869,433

* These instruments are carried at carrying value as of December 31, 2016 (net of provision / impairment, if any).

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.

Note	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----	
10.13 Particulars of provision		
Opening balance	1,948,733	1,573,335
Add: Charge for the year	128,618	448,740
Less: Reversal during the year	(155,308)	(73,342)
	(26,690)	375,398
Closing balance	1,922,043	1,948,733

		December 31, 2016	December 31, 2015
	Note	----- (Rupees in '000) -----	
10.14 Particulars of provision in respect of type and segment			
Available-for-sale securities			
Ordinary shares - listed		1,045,095	1,010,658
Ordinary shares - unlisted		1,000	1,000
Term finance certificates - listed		17,266	63,068
Term finance certificates - unlisted		501,127	476,235
Sukuk Bonds		200,000	200,000
Subsidiary	10.15	157,555	197,772
		1,922,043	1,948,733

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 pre-tax discount rate of 15.3% (December 31, 2015: 17.58%) 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, 2016	December 31, 2015
		----- (Rupees in '000) -----	
10.16 Deficit on revaluation of held-for-trading securities - net			
Aisha Steel Mills Limited		(9,700)	-
Dolmen City REIT - a related party		(1,352)	-
Engro Corporation Limited		-	(4,227)
Hascol Petroleum Limited		(412)	-
Hi-Tech Lubricants Limited		236	-
K-Electric Limited		(63)	-
MCB Bank Limited		-	(2,254)
Pak Elektron Limited		-	(5,059)
Pakistan State Oil Company Limited		332	-
Sui Southern Gas Company Limited		(4,251)	-
TPL Trakker Limited		(427)	-
United Bank Limited		-	(1,958)
		(15,637)	(13,498)

		December 31, 2016	December 31, 2015
	Note	----- (Rupees in '000) -----	
11. ADVANCES			
Loans, cash credits, running finances, etc. - in Pakistan		79,331,177	76,252,284
Islamic financing and related assets (Gross)	43.7	9,328,368	2,571,319
Net investment in finance lease - in Pakistan	11.2	1,482,638	1,068,975
Bills discounted and purchased (excluding Treasury Bills)			
Payable in Pakistan		1,796,122	682,941
Payable outside Pakistan		2,317,128	2,523,397
		4,113,250	3,206,338
Advances - gross		94,255,433	83,098,916
Provision against non-performing advances	11.3.1	(14,411,701)	(12,544,846)
Advances - net of provision		79,843,732	70,554,070
11.1 Particulars of advances - (Gross)			
11.1.1 In local currency		91,905,793	79,624,150
In foreign currencies		2,349,640	3,474,766
		94,255,433	83,098,916
11.1.2 Short-term (up to one year)		75,801,995	66,108,903
Long-term (over one year)		18,453,438	16,990,013
		94,255,433	83,098,916

11.2 Net investment in finance lease - in Pakistan

	December 31, 2016				December 31, 2015			
	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	316,138	982,980	-	1,299,118	262,154	584,518	141,126	987,798
Residual value	84,300	255,467	-	339,767	84,114	123,363	10,203	217,680
Minimum lease payments	400,438	1,238,447	-	1,638,885	346,268	707,881	151,329	1,205,478
Financial charges for future periods	(41,155)	(115,092)	-	(156,247)	(26,586)	(84,454)	(25,463)	(136,503)
Present value of minimum lease payments	359,283	1,123,355	-	1,482,638	319,682	623,427	125,866	1,068,975

11.3 Advances include Rs. 16,719.020 million (December 31, 2015: Rs.17,183.005 million) which have been placed under non-performing status as detailed below:

<u>Category of classification</u>	December 31, 2016			December 31, 2015		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
	----- (Rupees in '000) -----					
Other Assets Especially Mentioned (OAEM)	11,141	944	944	26,919	1,157	1,157
Substandard	74,037	5,550	5,550	703,145	73,175	73,175
Doubtful	544,145	98,145	98,145	788,426	88,847	88,847
Loss	16,089,697	14,257,987	14,257,987	15,664,515	12,356,681	12,356,681
	16,719,020	14,362,626	14,362,626	17,183,005	12,519,860	12,519,860

11.3.1 Particulars of provision against non-performing advances

Note	December 31, 2016			December 31, 2015		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
Opening balance	12,519,860	24,986	12,544,846	11,325,171	24,177	11,349,348
Charge for the year	2,852,713	24,089	2,876,802	2,170,860	809	2,171,669
Reversals during the year	(966,041)	-	(966,041)	(975,825)	-	(975,825)
	1,886,672	24,089	1,910,761	1,195,035	809	1,195,844
Amount written off	(43,906)	-	(43,906)	(346)	-	(346)
Closing balance	14,362,626	49,075	14,411,701	12,519,860	24,986	12,544,846

11.3.2 Particulars of provision against non-performing advances

	December 31, 2016			December 31, 2015		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
In local currency	14,362,626	49,075	14,411,701	12,519,860	24,986	12,544,846
In foreign currencies	-	-	-	-	-	-
	14,362,626	49,075	14,411,701	12,519,860	24,986	12,544,846

11.3.3 Pursuant to the applicable Prudential Regulations, the Bank has availed the Forced Sale Value (FSV) benefit of securities held against loans and advances amounting to Rs. 3,459 million (December 31, 2015: Rs. 4,323 million). Had this benefit of FSV not been taken by the Bank, the specific provision against non-performing loans and advances would have been higher by Rs.1,812 million (December 31, 2015: Rs.2,035 million). Further, the Bank has availed the benefit of certain exemptions from Prudential Regulations requiring provision against non-performing loans which are given by the State Bank of Pakistan amounting to Rs. 206 million (December 31, 2015: Rs.1,579 million) at the year end. Moreover, SBP has also allowed relaxation to the Bank for classification in respect of a customer amounting to Rs. 856.58 million.

As per the Prudential Regulations for Small and Medium Enterprise (SME) financing, the Bank has maintained a general provision at 1% of secured performing portfolio and 2% of unsecured performing portfolio against small enterprises (SE) financing. Moreover, 10% specific provisioning has been held against the SE financing falling in OAEM category i.e., where the principal / mark-up is over due by 90 days. For Consumer Financing Portfolios a general provision at the rate of 2% of secured portfolio and 4% of the unsecured portfolio 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.

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 provision reversal amounting to Rs. 112.724 million as a result of settlement through debt asset swap arrangement with various customers during the year.

	December 31, 2016	December 31, 2015
----- (Rupees in '000) -----		
11.4 Particulars of write offs		
11.4.1 Against provisions	43,906	346
Directly charged to profit and loss account	114	4,166
	<u>44,020</u>	<u>4,512</u>
11.4.2 Write offs of Rs.500,000 and above	42,181	3,895
Write offs of below Rs.500,000	1,839	617
	<u>44,020</u>	<u>4,512</u>

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, 2016 is given in Annexure I.

		December 31, 2016	December 31, 2015
	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		1,840,305	1,592,965
Loans granted during the year		838,450	589,123
Repayments during the year		(573,822)	(341,783)
Balance at end of the year		2,104,933	1,840,305
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		1,924,931	986,675
Loans granted during the year		6,509,216	3,679,631
Repayments during the year		(7,356,069)	(2,741,375)
Balance at end of the year		1,078,078	1,924,931
		<u>3,183,011</u>	<u>3,765,236</u>
12. OPERATING FIXED ASSETS			
Capital work-in-progress	12.1	4,494,221	3,363,615
Property and equipment	12.2	7,533,938	5,958,258
Intangible assets	12.3	244,725	211,909
		<u>12,272,884</u>	<u>9,533,782</u>
12.1 Capital work-in-progress			
Civil works and related payments		4,323,538	3,224,216
Advances to suppliers and contractors		173,983	84,597
Advances against computer software		123,163	123,163
Less: Provision there against		(123,163)	(68,361)
		-	54,802
Less: Write off against civil works and related payments		(3,300)	-
		<u>4,494,221</u>	<u>3,363,615</u>

12.2 Property and equipment

December 31, 2016

Category of classification	COST					ACCUMULATED DEPRECIATION					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 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	-
Building 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
Building 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	

12.2.1 Revaluation of properties

The detailed revaluation exercise of the properties held by the Bank was carried out in December 2016 by M/s. Sadruddin Associates, an independent professional valuer. The valuation was 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, 2016, the total revaluation surplus on properties (net of depreciation) amounts to Rs. 2,431 million (December 31, 2015: Rs.1,339 million). Had there been no revaluations, the carrying amount of revalued assets would have been as follows:

	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----	
Leasehold land	1,806,811	1,805,386
Buildings on leasehold land	1,848,296	1,458,404
Buildings improvements	664,772	677,437

12.2.2 Included in cost of property and equipment are fully depreciated items still in use amounting to Rs. 898 million (December 31, 2015: Rs.952 million).

December 31, 2015

Category of classification	Note	COST				ACCUMULATED DEPRECIATION					Net book value at December 31, 2015	Rate of depreciation	
		At January 01, 2015	Adjustment for revaluation of assets	Additions	(Deletions) / (write off) *	At December 31, 2015	At January 01, 2015	Adjustment for revaluation of assets	Charge for the year	(Deletion) / (write off) *			At December 31, 2015
(Rupees in '000)												%	
Leasehold land	12.2.1	1,010,024	312,933	1,087,068	(10,000)	2,400,025	-	-	-	-	2,400,025	-	
Building on leasehold land	12.2.1	3,788,448	-	649	(27,962)	3,761,135	1,439,997	-	180,432	(18,125)	1,602,304	2,158,831	5
Building improvements	12.2.1 & 12.2.2	1,474,968	-	59,997	(7,979) (26,890) *	1,500,096	654,960	-	147,285	(5,837) (17,346) *	779,062	721,034	10
Furniture and fixtures	12.2.2	445,250	-	25,270	(5,066) (10,551) *	454,903	233,215	-	42,055	(3,291) (7,160) *	264,819	190,084	10 - 15
Electrical, office and computer equipment	12.2.2	1,460,982	-	191,454	(54,776) (22,649) *	1,575,011	1,098,177	-	152,535	(52,575) (22,343) *	1,175,794	399,217	20 - 30
Vehicles	12.2.2	219,925	-	23,238	(11,919) (62) *	231,182	120,166	-	33,471	(11,460) (62) *	142,115	89,067	20
December 31, 2015		8,399,597	312,933	1,387,676	(117,702) (60,152) *	9,922,352	3,546,515	-	555,778	(91,288) (46,911) *	3,964,094	5,958,258	

12.3 Intangible assets

December 31, 2016

Category of classification	Note	COST			ACCUMULATED AMORTIZATION				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
(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	

12.3.1 Included in cost of intangible assets are fully amortized items still in use amounting to Rs. 316 million (December 31, 2015: Rs. 305 million).

December 31, 2015

Category of classification	Note	COST			ACCUMULATED AMORTIZATION				Net book value at December 31, 2015	Rate of amortization	
		At January 01, 2015	Additions	(Deletions) / (write off) *	At December 31, 2015	At January 01, 2015	Charge for the year	(Deletion) / (write off) *			At December 31, 2015
(Rupees in '000)										%	
Computer software	12.3.1	355,376	8,875	(620)	363,631	323,430	12,936	(620)	335,746	27,885	20
Core deposits		209,874	-	-	209,874	80,389	20,988	-	101,377	108,497	10
Brand name		143,838	-	-	143,838	53,927	14,384	-	68,311	75,527	10
December 31, 2015		709,088	8,875	(620)	717,343	457,746	48,308	(620)	505,434	211,909	

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	494	230	264	407	143	Negotiation	JS Bank Limited
<u>Electrical, office and computer equipment</u>							
ATM Machine	20,826	20,826	-	-	-	Negotiation	NCR
Generator	3,552	3,552	-	845	845	Auction	Bhai Jan Steel Merchants
Cheque Writer & Dispenser Rototype	2,000	2,000	-	26	26	Auction	Dilawae & Brothers
Cheque Writer & Dispenser Rototype	1,800	1,800	-	23	23	Auction	Dilawae & Brothers
Cheque Writer & Dispenser Rototype	1,800	1,800	-	23	23	Auction	Dilawae & Brothers
Generator	1,330	1,330	-	325	325	Auction	I.B. Soomro
Generator	1,216	810	406	529	123	Insurance Claim	UBL Insurers Limited
<u>Vehicles</u>							
Toyota Corolla	1,426	1,426	-	100	100	As per policy	Muhammad Zahir Esmail (Staff)
Suzuki Cultus	1,060	424	636	750	114	As per policy	Saeed Ahmed (Staff)
Honda City	1,527	204	1,323	1,500	177	As per policy	Ali Raza Sandhu (Staff)
Honda City	1,532	587	945	1,400	455	As per policy	Noman Rauf (Staff)
Toyota Corolla	1,350	1,350	-	1,053	1,053	Auction	Waseem Mirza
Suzuki Cultus	1,069	517	552	721	169	Auction	Sh Abdul Waheed
Suzuki Cultus	1,015	710	305	661	356	Auction	Sh Abdul Waheed
Suzuki Cultus	1,038	554	484	796	312	Auction	Waseem Mirza
Suzuki Cultus	1,060	512	548	811	263	Auction	Waseem Mirza
Suzuki Cultus	1,052	140	912	961	49	Auction	Sh Abdul Waheed
Suzuki Cultus	1,015	710	305	772	467	Auction	Zahid Qadri
Honda City	1,286	1,286	-	1,104	1,104	Auction	Muhammad Nasseem
Suzuki Cultus	1,015	710	305	591	286	Auction	Sh Abdul Waheed
Toyota Corolla	1,350	1,350	-	973	973	Auction	Sheeraz Khan
Suzuki Cultus	1,069	570	499	783	284	Auction	Syed Riaz Ahmed
Suzuki Cultus	1,014	761	253	742	489	Auction	Islam Khan
Suzuki Cultus	1,069	552	517	812	295	Auction	Syed Riaz Ahmed
Suzuki Cultus	1,038	606	432	763	331	Auction	Syed Riaz Ahmed
Suzuki Cultus	1,060	530	530	796	266	Auction	Muhammad Farooq
Suzuki Cultus	1,052	228	824	904	80	Auction	Sheraz Khan
Honda City	1,295	1,295	-	1,010	1,010	Auction	Muhammad Naeem
Toyota Corolla	1,350	1,350	-	1,036	1,036	Auction	Syed Ali Ahmed
Suzuki Cultus	1,052	228	824	891	67	Auction	Syed Riaz Ahmed
Suzuki Cultus	1,015	761	254	652	398	Auction	Shahrukh Zahid
Suzuki Cultus	1,015	761	254	706	452	Auction	Noman Hassan Khan
Honda City	1,270	1,270	-	1,060	1,060	Auction	Syed Riaz Ahmed
Honda City	1,040	191	849	904	55	Auction	Syed Riaz Ahmed
Honda City	1,040	191	849	912	63	Auction	Syed Riaz Ahmed
Honda City	1,040	191	849	912	63	Auction	Syed Riaz Ahmed
Honda City	1,052	228	824	883	59	Auction	Syed Riaz Ahmed
Suzuki Cultus	989	709	280	732	452	Auction	Syed Riaz Ahmed
Suzuki Cultus	994	696	298	601	303	Auction	Sh Abdul Waheed
Suzuki Cultus	983	606	377	777	400	Auction	Syed Riaz Ahmed
Balance c/f.	70,250	54,552	15,698	30,247	14,549		

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchaser
----- (Rupees in '000) -----							
Balance b/f.	70,250	54,552	15,698	30,247	14,549		
Items having book value of less than Rs.250,000 or cost less than Rs.1,000,000							
<u>Building improvements</u>							
Various	2,164	1,983	181	332	151	Various	Various
<u>Furniture and fixtures</u>							
Various	5,895	4,746	1,149	971	(178)	Various	Various
<u>Electrical, office and computer equipment</u>							
Various	103,009	99,473	3,536	7,553	4,017	Various	Various
<u>Vehicles</u>							
Various	47,921	43,620	4,301	33,066	28,765	Various	Various
	229,239	204,374	24,865	72,169	47,304		
Disposal of property and equipment 2015	117,702	91,288	26,414	28,688	2,274		
Write offs 2016	92,580	74,360	18,220	-	(18,220)		
Write offs 2015	60,152	46,911	13,241	-	(13,241)		

	December 31, 2016	December 31, 2015
Note	----- (Rupees in '000) -----	

13. DEFERRED TAX ASSETS - net

Deferred debits arising in respect of:

Provision against non performing loans	1,430,583	1,347,315
Provision for compensated absences	34,406	34,205
Provision against other assets	192,763	175,157
Unrealised loss on held-for-trading securities	5,473	4,724
Unused tax losses	3,899,918	4,134,667
Provision for diminution in the value of investments	672,715	682,057
Deficit on revaluation of available-for-sale securities - net	56,905	-
	6,292,763	6,378,125

Deferred credits arising in respect of:

Surplus on revaluation of fixed assets	(488,329)	(260,402)
Surplus on revaluation of available-for-sale securities - net	-	(43,258)
Surplus on revaluation of non banking assets	(148,062)	-
Operating fixed assets	(455,400)	(465,450)
	(1,091,791)	(769,110)
	5,200,972	5,609,015

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 realised.

		December 31, 2016	December 31, 2015
14. OTHER ASSETS	Note	----- (Rupees in '000) -----	
Mark-up / return / interest accrued in local currency		2,237,391	3,378,343
Mark-up / return / interest accrued in foreign currency		35,297	11,807
Advances, deposits, advance rent and other prepayments		552,379	519,228
Non banking assets acquired in satisfaction of claims	14.1	3,967,929	5,443,416
Advance taxation - net of provision		543,524	562,787
Receivable from brokers		12,867	-
Receivable from MCB-Arif Habib Savings and Investments Limited - a related party		-	11
Branch adjustment account		39	-
Stationery and stamps on hand		11,531	8,815
Dividend receivable		2,547	3,394
Receivable from other banks against clearing and settlement		64,144	-
Commission receivable on home remittance	14.2	217,262	215,365
Advance against subscription of sukuk		2,500,000	-
Others		411,677	361,262
		<u>10,556,587</u>	<u>10,504,428</u>
Less: Provision held against other assets	14.3	<u>(427,589)</u>	<u>(432,089)</u>
		<u>10,128,998</u>	<u>10,072,339</u>
14.1	Market value of non banking assets acquired in satisfaction of claims	<u>4,992,676</u>	<u>7,121,619</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, 2016	December 31, 2015
14.3 Provision held against other assets	Note	----- (Rupees in '000) -----	
Opening balance		432,089	456,668
Add: Charge for the year		41	1,134
Less: Reversals for the year	29	(4,541)	(25,713)
		<u>(4,500)</u>	<u>(24,579)</u>
Closing Balance		<u>427,589</u>	<u>432,089</u>
15. BILLS PAYABLE			
In Pakistan		5,061,470	2,728,797
Outside Pakistan		-	-
		<u>5,061,470</u>	<u>2,728,797</u>
16. BORROWINGS			
In Pakistan		49,815,984	49,692,175
Outside Pakistan		3,856	63,823
		<u>49,819,840</u>	<u>49,755,998</u>
16.1 Particulars of borrowings with respect to currencies			
In local currency		49,815,984	49,692,175
In foreign currencies		3,856	63,823
		<u>49,819,840</u>	<u>49,755,998</u>
16.2 Details of borrowings secured / unsecured			
Secured			
Borrowings from State Bank of Pakistan under:			
Export refinance scheme	16.2.1	6,450,727	5,298,060
Long-term financing of export oriented projects		-	3,922
Repurchase agreement borrowings (Repo)	16.2.2	24,415,383	43,465,193
Foreign bills - rediscounted		-	59,855
		<u>30,866,110</u>	<u>48,827,030</u>
Unsecured			
Overdrawn nostro accounts		3,856	3,968
Call Borrowing	16.2.3	18,949,874	-
Musharakah		-	925,000
		<u>18,953,730</u>	<u>928,968</u>
		<u>49,819,840</u>	<u>49,755,998</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 these borrowings ranges from 1% to 2% (December 31, 2015: 3% to 4.50%) per annum, payable on quarterly basis.

16.2.2 These represent borrowings from State Bank of Pakistan (SBP) at mark-up rate ranging from 5.89% to 5.92% (December 31, 2015: 6.11% to 6.50%) per annum, which will mature on January 06, 2017.

16.2.3 These represent call money borrowings from financial institution carrying mark-up rate ranging from 5.71% to 6.03% per annum, which will mature between January 30, 2017 and September 25, 2017. The Bank has placed treasury bills with market value of Rs. 19,232.161 million as collateral against these borrowings.

	December 31, 2016	December 31, 2015
Note	----- (Rupees in '000) -----	
17. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	27,056,882	29,547,378
Savings deposits	48,872,303	45,292,934
Current accounts - non-remunerative	51,709,036	34,549,191
Margin accounts	4,928,462	3,561,366
	132,566,683	112,950,869
Financial institutions		
Non-remunerative deposits	1,650,846	1,183,377
Remunerative deposits	8,653,700	5,720,056
	10,304,546	6,903,433
	142,871,229	119,854,302
17.1 Particulars of deposits		
In local currency	135,660,742	112,708,211
In foreign currencies	7,210,487	7,146,091
	142,871,229	119,854,302

18. SUB-ORDINATED LOAN

Term Finance Certificate - Listed (Unsecured)	18.1	1,496,550	1,497,240
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18.1 During the financial year 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 2016)

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, 2016	December 31, 2015
19. OTHER LIABILITIES	Note	----- (Rupees in '000) -----	
Mark-up / return / interest payable in local currency		1,639,907	1,239,454
Mark-up / return / interest payable in foreign currency		4,553	4,471
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		74,636	68,999
Provision for compensated absences	35	98,304	97,728
Payable to Bank of Ceylon, Colombo		20,163	20,163
Retention money		8,345	8,505
Branch adjustment account		-	35
Advance against sale of properties		138,813	244,991
Workers' Welfare Fund	19.3	13,360	13,360
Security deposits		505,166	334,005
Accrued expenses		53,796	65,244
Payable to brokers		-	2,609
Unrealised loss on forward exchange contracts		49,428	60,093
Payable to defined benefit plan	35	49,368	58,675
Withholding taxes and government levies payable		45,373	34,764
Federal excise duty and sales tax payable		12,641	17,988
Payable to other banks against clearing and settlement		-	6,557
Unclaimed dividend		2,213	2,213
Unearned income		27,844	16,636
Commission payable on home remittances	19.4	127,122	144,488
Others		172,593	127,758
		<u>3,101,307</u>	<u>2,626,418</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 under the Workers' Welfare Ordinance (WWF) 1971 @ 2% of accounting profit before tax.
- 19.4** This represents commission payable to the foreign currency dealers in respect of home remittances channelised through the Bank as per agreement entered into by the Bank with them.

	December 31, 2016	December 31, 2015		December 31, 2016	December 31, 2015
20. SHARE CAPITAL	---- Number of Shares ----			----- Rupees in '000 -----	
20.1 Authorised capital	<u>2,500,000,000</u>	<u>2,000,000,000</u>	Ordinary shares of Rs.10 each	<u>25,000,000</u>	<u>20,000,000</u>
20.2 Issued, subscribed and paid-up capital			Ordinary shares of Rs.10 each		
	1,274,199,921	573,513,200	Fully paid in cash	12,741,999	5,735,132
	454,466,382	454,466,382	Issued for consideration other than cash	4,544,664	4,544,664
	50,000,000	50,000,000	Issued as bonus shares	500,000	500,000
	<u>1,778,666,303</u>	<u>1,077,979,582</u>		<u>17,786,663</u>	<u>10,779,796</u>
20.3 Convertible preference shares			Convertible preference shares	<u>2,155,959</u>	<u>2,155,959</u>
	<u>215,595,916</u>	<u>215,595,916</u>			

- 20.4** During the financial year ended December 31, 2013, the Bank issued two classes of listed, convertible, irredeemable, non-cumulative preference shares, eligible Tier 1 Capital, namely Class "A" 110,942,434 preference shares and Class "B" 104,653,482 preference shares both at issue price (par value) of Rs.10 per share aggregating to Rs.2,156 million having a tenor of 5 years. The terms and conditions for the issue are as under:

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

- 20.5** In order to meet the regulatory capital requirements applicable to the Bank, the Sponsor of the Bank (Suroor Investments Limited (SIL)) injected Rs.7,007 million as advance share subscription money during the financial year ended December 31, 2014. During the year, the Bank has completed the share issuance process and accordingly 700.7 million shares have been issued to SIL at par value of Rs.10 each by way of other than rights issue.

- 20.6** As at December 31, 2016, Suroor Investments Limited (SIL) - parent company, Arif Habib Corporation Limited - a related party, Rupali Bank Limited, Bangladesh - a related party and Directors (including President / Chief Executive Officer) held 1,255,367,121 (70.58%), Nil, 32,777,450 (1.84%) and 1,000,091 (0.06%) [December 31, 2015: 554,680,393 (51.46%), 1,295,355 (0.12%), 32,777,450 (3.04%) and 1,003,868 (0.09%)] issued subscribed and paid-up ordinary shares in the Bank, respectively.

	December 31, 2016	December 31, 2015
20.7 Advance against subscription of shares	----- (Rupees in '000) -----	
Advance against subscription of shares	<u>1,854,870</u>	<u>7,006,867</u>

The Board of Directors of the Bank in their meeting held on March 04, 2016 approved to increase the share capital of the Bank by Rs. 2 billion through Right Issue of shares, subject to regulatory approvals. In this respect, Suroor Investments Limited (Sponsor of the Bank) and another investor (who is not the shareholder of the Bank) have injected Rs. 1,157.670 million and Rs. 697.200 million respectively as advance against subscription of shares upto December 31, 2016.

	December 31, 2016	December 31, 2015
21. RESERVES	----- (Rupees in '000) -----	
	Note	
Share premium	1,000,000	1,000,000
Statutory reserve	21.1 154,162	154,162
Discount on issue of shares	(1,297,298)	(1,297,298)
Reserve arising on amalgamation	(1,579,205)	(1,579,205)
	<u>(1,722,341)</u>	<u>(1,722,341)</u>

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

	December 31, 2016	December 31, 2015
22. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX	----- (Rupees in '000) -----	
	Note	
Surplus arising on revaluation of assets - net of tax:		
Operating fixed assets	22.1 1,942,711	1,078,243
Available-for-sale securities	22.2 (105,681)	80,341
Non banking assets	22.3 274,972	-
	<u>2,112,002</u>	<u>1,158,584</u>

22.1 Surplus on revaluation of operating fixed assets

Balance as at January 01	1,338,645	1,086,418
Surplus recorded during the year	1,153,684	312,933
Transferred to accumulated losses in respect of:		
- Incremental depreciation - net of deferred tax	(39,838)	(39,694)
- Disposal of property - net	-	361
- Related deferred tax liability	(21,451)	(21,373)
	<u>(61,289)</u>	<u>(60,706)</u>
	<u>2,431,040</u>	<u>1,338,645</u>
Less: Related deferred tax liability on:		
- Revaluation as at January 01	(260,402)	(278,033)
- Recorded during the year	(249,378)	(3,742)
- Incremental depreciation	21,451	21,373
	<u>(488,329)</u>	<u>(260,402)</u>
	<u>1,942,711</u>	<u>1,078,243</u>

	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----	
22.2 (Deficit) / surplus on revaluation of available-for-sale securities		
Federal Government Securities		
Market Treasury Bills	(25,767)	29,653
GOP Ijarah Sukuks	59,801	28,250
Pakistan Investment Bonds	(168,250)	148,224
Fully paid-up shares / units		
Listed companies shares	(53,079)	(112,777)
Open end mutual fund units	1,976	7,150
Term Finance Certificates and Bonds		
Sukuk bonds	22,733	23,099
Total surplus on revaluation of securities	(162,586)	123,599
Related deferred tax liability	56,905	(43,258)
	<u>(105,681)</u>	<u>80,341</u>
22.3 Surplus on revaluation of non banking assets		
Balance as at January 01	-	-
Surplus recorded during the year	423,034	-
Related deferred tax liability	(148,062)	-
	<u>274,972</u>	<u>-</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	485,378
Financial institutions	-	62,845
Others	-	37,393
	<u>222,720</u>	<u>585,616</u>
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	12,719,385	9,097,892
Banking companies and other financial institutions	1,522,881	2,155,802
Others	7,772,523	4,875,660
	<u>22,014,789</u>	<u>16,129,354</u>
23.3 Trade-related contingent liabilities		
Letters of credit	20,950,933	15,586,588
Acceptances	1,423,278	1,114,266
	<u>22,374,211</u>	<u>16,700,854</u>
23.4 Other contingencies - claims against the Bank not acknowledged as debts	<u>6,993,573</u>	<u>7,407,473</u>
23.5 Contingent asset		
There was no contingent asset as at December 31, 2016 (December 31, 2015: Nil).		

	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----	
23.6 Commitments in respect of forward lending		
Forward documentary bills	3,537,409	5,393,486
Commitments to extend credit	10,890,126	24,604,687
	<u>14,427,535</u>	<u>29,998,173</u>
23.7 Commitments in respect of forward exchange contracts		
Purchase	9,132,872	13,634,010
Sale	8,141,786	13,860,665
	<u>17,274,658</u>	<u>27,494,675</u>
23.8 Commitments for capital expenditure		
Civil works	<u>96,167</u>	<u>55,328</u>
23.9 Commitments in respect of repo transactions		
Repurchase government securities	<u>24,423,287</u>	<u>43,465,193</u>
23.10 Other commitments		
Forward outright sale of government securities	-	3,195,147
	<u>-</u>	<u>3,195,147</u>
Total contingencies and commitments	<u>107,826,940</u>	<u>145,031,813</u>
23.11 For tax related contingencies, refer note 31.2		
24. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to:		
Customers	5,350,850	5,697,679
On investments in:		
Available-for-sale securities	5,141,552	4,891,859
On lendings to financial institutions	117,025	96,952
On deposits with financial institutions	17,372	18,983
	<u>10,626,799</u>	<u>10,705,473</u>
25. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits and other accounts	4,466,869	5,131,815
Securities sold under repurchase agreements	2,512,678	1,948,148
Other short-term borrowings	519,944	245,556
Sub-ordinated loan	143,623	173,360
Swap cost on foreign currency transactions	210,477	157,710
	<u>7,853,591</u>	<u>7,656,589</u>

		December 31, 2016	December 31, 2015
26. GAIN ON SALE OF SECURITIES - net	Note	----- (Rupees in '000) -----	
Federal Government Securities			
- Market Treasury Bills		11,085	7,828
- Pakistan Investment Bonds		640,617	1,950,129
- GOP Ijarah Sukuks		2,750	5,822
Ordinary shares - listed		500,047	452,693
Mutual Funds Units		26,087	1,398
		<u>1,180,586</u>	<u>2,417,870</u>
27. OTHER INCOME			
Bad debts recovered		1,833	3,526
Account maintenance and other relevant charges		42,553	40,415
Recovery of expenses from customers		36,646	35,584
Rent of property / locker	27.1	26,097	24,166
(Loss) / gain on sale of non banking assets	27.2	(4,648)	1,929
		<u>102,481</u>	<u>105,620</u>

27.1 This include income from related party amounting to Rs. 2.575 million (December 31, 2015: Rs.2.341 million).

27.2 The Bank incurred loss of Rs. 4.648 million (2015: Gain of Rs. 1.929 million) against the sale of following non banking assets :

		December 31, 2016	December 31, 2015
	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)	-
Land located in Karachi		-	1,764
Residential property located in Karachi		-	(635)
Club Memberships		1,150	800
		<u>(4,648)</u>	<u>1,929</u>
28. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		2,125,384	1,855,692
Charge for defined benefit plan - gratuity	35.1.3	68,469	54,410
Contribution to defined contribution scheme	35.2	69,081	65,257
Non-executive directors' fees, allowances and other expenses		2,600	2,170
Brokerage and commission		60,797	24,557
Rent, taxes, insurance and electricity, etc.		1,232,900	1,089,578
Legal and professional		129,640	75,695
Fees and subscription		97,111	67,350
Repairs and maintenance		206,700	169,631
Communications		198,004	197,561
Stationery and printing		100,506	100,131
Advertisement and publicity		204,232	242,395
Travelling and conveyance		211,584	182,925
Education and training		11,780	6,079
Entertainment		49,543	44,339
Security services and charges		251,642	220,580
Auditors' remuneration	28.1	16,694	15,523
Depreciation on non banking assets		21,082	-
Depreciation on operating fixed assets	12.2	616,442	555,778
Amortisation	12.3	49,759	48,308
Others		93,654	95,689
		<u>5,817,604</u>	<u>5,113,648</u>

		December 31, 2016	December 31, 2015
	Note	----- (Rupees in '000) -----	
28.1 Auditors' remuneration			
Audit fee		3,080	3,080
Certifications, half yearly review and sundry advisory services		9,306	7,304
Tax services		1,908	2,746
		<u>14,294</u>	<u>13,130</u>
Out of pocket expenses and others		2,400	2,393
	28.1.1	<u>16,694</u>	<u>15,523</u>
29. OTHER PROVISIONS / WRITE OFFS			
Fixed assets written off	12.4	18,220	13,241
Reversal of provision against other assets	14.3	(4,500)	(24,579)
Provision for advances against computer software		54,802	4,765
Write off against civil works and related payments	12.1	3,300	-
		<u>71,822</u>	<u>(6,573)</u>
30. OTHER CHARGES			
Penalties imposed by SBP		28,799	4,611
Bank charges		15,903	12,514
Provision for Workers' Welfare Fund	19.3	-	13,122
		<u>44,702</u>	<u>30,247</u>
31. TAXATION			
For the year			
Current	31.1 & 31.2	124,465	125,004
Deferred		132,216	313,894
		<u>256,681</u>	<u>438,898</u>

31.1 This represents the provision for minimum taxation made in accordance with the requirements of section 103 of the Income Tax Ordinance, 2001. Therefore, reconciliation of tax expense and accounting profit / loss has not been disclosed.

31.2 The income Tax Returns of the Bank have been submitted up to and including the financial year 2015 i.e. tax year 2016.

In respect of assessments of Summit Bank Limited from tax year 2008 through tax year 2013, the tax authorities disputed Bank's treatment on certain issues and created additional tax demand (net of rectification) of Rs.232.29 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 through 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 through 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 with regard to the above matters has been made in these financial statements.

		December 31, 2016	December 31, 2015
	Note	----- (Rupees in '000) -----	
32. BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE			
(Loss) / profit after taxation		<u>(2,174,392)</u>	<u>217,222</u>
		----- (Number of shares) -----	
32.1 Weighted average number of Ordinary shares - basic		<u>2,168,966,634</u>	<u>1,470,199,596</u>
		----- (Rupees) -----	
Basic (loss) / earnings per share		<u>(1.00)</u>	<u>0.15</u>
		----- (Number of shares) -----	
32.2 Weighted average number of Ordinary shares - diluted		<u>2,494,301,379</u>	<u>2,447,452,262</u>
		----- (Rupees) -----	
Diluted (loss) / earnings per share	32.2.1	<u>(1.00)</u>	<u>0.09</u>
32.2.1	Diluted loss per share for the financial year 2016 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, 2016	December 31, 2015
	Note	----- (Rupees in '000) -----	
33. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	7	<u>12,786,616</u>	10,539,906
Balances with other banks	8	<u>2,582,531</u>	2,919,244
Overdrawn nostro accounts	16.2	<u>(3,856)</u>	(3,968)
		<u>15,365,291</u>	<u>13,455,182</u>
		----- (Number) -----	
34. STAFF STRENGTH			
Permanent		<u>2,276</u>	2,137
Contractual basis		<u>292</u>	280
Bank's own staff strength at end of the year		<u>2,568</u>	2,417
Outsourced		<u>454</u>	435
Total staff strength		<u>3,022</u>	<u>2,852</u>
Average staff strength during the year		<u>2,937</u>	<u>2,777</u>
35. DEFINED BENEFIT AND CONTRIBUTION PLANS			
		----- (Rupees in '000) -----	
Defined benefit plan (funded)	35.1	<u>49,368</u>	58,675
Defined contribution plan (funded)	35.2	<u>69,081</u>	65,257
Compensated absences	35.3	<u>98,304</u>	97,728

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, 2016 using "Projected Unit Credit Method".

	December 31, 2016	December 31, 2015
Principal actuarial assumptions		
Discount rate - per annum	8%	9%
Expected rate of increase in salaries - per annum	7%	8%
Expected rate of return on plan assets - per annum	8%	9%
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	296,204	268,932
Fair value of plan assets	(246,836)	(210,257)
Net liability	49,368	58,675
35.1.2 Movement in net liability recognised by the Bank		
Opening balance	58,675	22,311
Charge for the year	68,469	54,410
Other comprehensive (income) / loss	(19,101)	4,265
Contribution to Fund	(58,675)	(22,311)
Closing balance	49,368	58,675
35.1.3 Charge for the year		
Current service cost	63,188	52,067
Interest cost - net	22,566	21,501
Expected return on plan assets	(17,285)	(19,158)
	68,469	54,410
35.1.4 Actual return on plan assets		
Expected return on plan assets	17,285	19,158
Actuarial losses on plan assets	(2,988)	(4,290)
	14,297	14,868
35.1.5 Movement in present value of defined benefit obligation (DBO)		
DBO as at beginning of the year	268,932	214,151
Current service cost	63,188	52,067
Interest cost - net	22,566	21,501
Benefits paid during the year	(36,393)	(18,762)
Actuarial gain on obligation	(22,089)	(25)
DBO as at end of the year	296,204	268,932
35.1.6 Changes in fair value of plan assets		
Opening fair value of plan assets	210,257	191,840
Expected return	17,285	19,158
Actuarial loss	(2,988)	(4,290)
Contribution by employer	58,675	22,311
Benefit paid	(36,393)	(18,762)
Closing fair value of plan assets	246,836	210,257

The expected charge for defined benefit scheme in financial year 2017 is Rs.59.429 million (December 31, 2015: Rs.56.294 million for financial year 2016) 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, 2016		December 31, 2015	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
35.1.7 Break-up of category of assets				
Bank deposits	<u>246,836</u>	<u>100%</u>	<u>210,257</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 %	(20,725)	23,714
Salary increase rate	± 1 %	25,195	(22,369)
Withdrawal rate	± 10 %	60	(60)
1 year mortality age set	Back / forward	(4)	(57)

	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
----- (Rupees in '000) -----					
35.1.9 Historical information					
Present value of defined benefit obligation	296,204	268,932	214,151	171,269	123,952
Plan assets	(246,836)	(210,257)	(191,840)	(120,881)	(101,821)
	<u>49,368</u>	<u>58,675</u>	<u>22,311</u>	<u>50,388</u>	<u>22,131</u>
Experience adjustments					
- actuarial (gain) / loss on obligation	<u>(22,089)</u>	<u>(25)</u>	<u>(10,058)</u>	<u>(2,162)</u>	<u>3,329</u>
- actuarial loss on plan assets	<u>2,988</u>	<u>4,290</u>	<u>1,703</u>	<u>1,977</u>	<u>481</u>

35.2 Defined contribution plan

An amount of Rs.69.081 million (December 31, 2015: Rs.65.275 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, 2016 using "Projected Unit Credit Method".

	December 31, 2016	December 31, 2015
35.3.1 Principal actuarial assumptions		
Discount rate - per annum	8%	9%
Expected rate of salary increase - per annum	7%	8%
Leave accumulation factor - per annum	10 days High	10 days High
Withdrawal rates	Adjusted SLIC 2001-05	Adjusted SLIC 2001-05
Mortality rates		
35.3.2 The amount recognised in the statement of financial position is as follows:		
	----- (Rupees in '000) -----	
Present value of defined benefit obligations	98,304	97,728
35.3.3 Movement in net liability recognised by the Bank		
Opening balance	97,728	107,958
Charge / (reversal) for the year	7,356	(3,135)
Benefits paid during the year	(6,780)	(7,095)
Closing balance	98,304	97,728
35.3.4 Charge / (reversal) for the year		
Current service cost	7,356	(3,135)
35.3.5 Movement in present value of defined benefit obligation (DBO)		
DBO as at beginning of the year	97,728	107,958
Current service cost	7,356	(3,135)
Benefits paid during the year	(6,780)	(7,095)
DBO as at end of the year	98,304	97,728

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 %	(6,143)	7,014
Salary increase rate	± 1 %	7,474	(6,652)
Withdrawal rate	± 10 %	82	(156)
Death rate	± 10 %	18	(18)
Leave accumulation factor	± 1 day	292	(343)

36. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----					
Fees	-	-	2,600	2,170	-	-
Managerial remuneration	15,606	29,473	1,426	8,449	412,134	339,800
Charge for defined contribution plan	1,500	2,947	-	-	37,458	31,802
Rent and house maintenance	5,898	-	642	3,802	183,298	152,908
Utilities	1,311	-	143	845	40,731	33,978
Dearness allowance	2,185	-	238	1,408	67,900	56,643
Medical	1,311	-	143	845	40,731	33,978
Conveyance allowance	51	-	114	450	72,085	61,074
Car allowance	-	-	-	-	117,084	83,230
General / special allowance	1,510	-	169	2,835	67,949	54,840
	29,372	32,420	5,475	20,804	1,039,370	848,253
Number of person(s)	2*	1	4	4	425	347

* This includes the former President and Chief Executive who retired during the year.

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

36.2 Number of persons include outgoing executives.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the 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 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 not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently repriced.

37.1 Fair value hierarchy

December 31, 2016

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	-	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 Sukuks	-	2,613,180	-	-	2,613,180	-	2,613,180	-	2,613,180
- Ordinary shares of listed companies	385,793	2,717,555	-	-	3,103,348	3,103,348	-	-	3,103,348
- Ordinary shares of unlisted companies	-	239,387	-	-	239,387	-	-	239,387	239,387
- Investments in mutual funds	-	86,976	-	-	86,976	86,976	-	-	86,976
- Preference shares	-	-	-	-	-	-	-	-	-
- Term Finance Certificates and Sukuk Bonds	-	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	-	-	-	-
Lending to financial instruments	-	-	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

December 31, 2015

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	-	30,534,340	-	-	30,534,340	-	30,534,340	-	30,534,340
- Pakistan Investment Bonds	-	38,972,994	-	-	38,972,994	-	38,972,994	-	38,972,994
- GOP Ijarah Sukuks	-	2,528,250	-	-	2,528,250	-	2,528,250	-	2,528,250
- Bai Muajjal with Government of Pakistan	-	459,868	-	-	459,868	-	459,868	-	459,868
- Ordinary shares of listed companies	123,462	2,787,180	-	-	2,910,642	2,910,642	-	-	2,910,642
- Ordinary shares of unlisted companies	-	199,170	-	-	199,170	-	-	199,170	199,170
- Investments in mutual funds	-	93,358	-	-	93,358	93,358	-	-	93,358
- Preference shares	-	128,787	-	-	128,787	128,787	-	-	128,787
- Term Finance Certificates and Sukuk Bonds	-	2,364,655	-	-	2,364,655	980,970	1,383,685	-	2,364,655
	123,462	78,068,602	-	-	78,192,064	4,113,757	73,879,137	199,170	78,192,064

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

Cash and bank balances with treasury banks	-	-	10,539,906	-	10,539,906	-	-	-	-
Balances with other banks	-	-	2,919,244	-	2,919,244	-	-	-	-
Lending to financial instruments	-	-	1,000,000	-	1,000,000	-	-	-	-
Advances	-	-	70,554,070	-	70,554,070	-	-	-	-
Other assets	-	-	4,171,707	-	4,171,707	-	-	-	-
	-	-	89,184,927	-	89,184,927	-	-	-	-

Non-financial assets measured at fair value

Operating fixed assets	-	-	-	5,279,890	5,279,890	-	5,279,890	-	5,279,890
	-	-	-	5,279,890	5,279,890	-	5,279,890	-	5,279,890
	123,462	78,068,602	89,184,927	5,279,890	172,656,881	4,113,757	79,159,027	199,170	83,471,954

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

Deposits and other accounts	-	-	-	119,854,302	119,854,302	-	-	-	-
Bills payable	-	-	-	2,728,797	2,728,797	-	-	-	-
Borrowings	-	-	-	49,755,998	49,755,998	-	-	-	-
Sub-ordinated loans	-	-	-	1,497,240	1,497,240	-	-	-	-
Other liabilities	-	-	-	2,373,225	2,373,225	-	-	-	-
	-	-	-	176,209,562	176,209,562	-	-	-	-

Commitments in respect of forward exchange contracts

Forward purchase of foreign exchange	-	-	-	13,634,010	13,634,010	-	13,527,090	-	-
Forward sale of foreign exchange	-	-	-	13,860,665	13,860,665	-	13,840,072	-	-

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 or repriced periodically. Therefore, their carrying amounts are 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, 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>	
----- (Rupees in '000) -----						
December 31, 2015						
Total income	55,583	7,603,335	1,275,678	5,975,814	115,029	15,025,439
Total expenses	16,913	4,021,202	4,427,487	5,854,544	49,173	14,369,319
Net income / (loss) before tax	<u>38,670</u>	<u>3,582,133</u>	<u>(3,151,809)</u>	<u>121,270</u>	<u>65,856</u>	<u>656,120</u>
Segment assets (gross)	<u>89,823</u>	<u>95,348,384</u>	<u>23,344,409</u>	<u>83,612,051</u>	<u>951,422</u>	<u>203,346,089</u>
Segment non performing loans	<u>-</u>	<u>-</u>	<u>1,086,430</u>	<u>16,096,575</u>	<u>-</u>	<u>17,183,005</u>
Segment provision	<u>-</u>	<u>1,948,733</u>	<u>835,059</u>	<u>12,141,876</u>	<u>-</u>	<u>14,925,668</u>
Segment assets (net)	<u>89,823</u>	<u>93,399,651</u>	<u>22,509,350</u>	<u>71,470,175</u>	<u>951,422</u>	<u>188,420,421</u>
Segment liabilities	<u>33,324</u>	<u>49,024,909</u>	<u>64,064,850</u>	<u>60,380,937</u>	<u>2,958,735</u>	<u>176,462,755</u>
Segment return on assets (ROA) (%)	<u>43.05</u>	<u>3.84</u>	<u>(14.00)</u>	<u>0.17</u>	<u>6.92</u>	
Segment cost of funds (%)	<u>50.75</u>	<u>8.20</u>	<u>6.91</u>	<u>9.70</u>	<u>1.66</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, 2016				December 31, 2015					
	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	224,353	-	-	-	1,924,931	226,148	406	-	-	986,675
Disbursements / granted during the year	147,067	-	-	200,957	6,509,216	50,085	-	-	634,303	3,679,631
Payment received during the year	(47,187)	-	-	(200,957)	(7,356,069)	(51,880)	(406)	-	(634,303)	(2,741,375)
Balance at end of the year	324,233	-	-	-	1,078,078	224,353	-	-	-	1,924,931
Deposits										
Balance at beginning of the year	21,512	38,545	-	102,771	559,432	26,508	36,088	-	106,776	392,548
Deposits during the year	492,654	1,668,944	-	13,904,974	25,614,336	459,303	188,624	-	17,148,047	57,799,322
Withdrawal / adjustments during the year	(494,698)	(1,662,342)	-	(13,863,273)	(25,671,808)	(464,299)	(186,167)	-	(17,152,052)	(57,632,438)
Balance at end of the year	19,468	45,147	-	144,472	501,960	21,512	38,545	-	102,771	559,432
Other balances										
Advance against subscription of shares	-	-	1,157,670	-	-	-	-	7,006,867	-	-
Convertible preference shares	-	50,000	1,109,361	-	-	-	50,000	1,109,361	-	-
Investment in shares / TFC's	-	-	-	239,387	528,005	-	-	-	199,170	529,935
Guarantees, letters of credit and acceptances	-	-	-	-	345,722	-	-	-	-	1,314,924
Other receivable	5,535	-	255	-	1,309	7,182	-	148	-	681
Other payable	-	-	-	960	393	-	-	-	1,145	1,318
Mark-up receivable	-	-	-	1,671	16,336	130	-	-	158	35,367
Mark-up payable	36	129	-	29	2,775	315	137	-	123	4,130
Other transactions										
Repurchase agreement borrowing (repo)	-	-	-	6,289,164	-	-	-	-	8,380,516	-
Purchase of investments	-	-	-	-	334,410	-	-	-	-	189,256
Disposal of investments	-	-	-	-	82,003	-	-	-	-	592,960
Capital work-in-progress	-	-	-	-	1,295	-	-	-	-	56,013
Purchase of assets	-	-	-	-	3,147	-	-	-	-	23,594
Transactions, income and expenses										
Advertisement and publicity	-	-	-	-	152	-	-	-	-	-
Brokerage expenses	-	-	-	8,381	1,462	-	-	-	8,674	-
Subscription paid	4,634	-	-	-	20,405	3,784	-	-	-	6,649
Education and training	-	-	-	-	1,313	-	-	-	-	-
Capital gain	-	-	-	-	3,052	-	-	-	-	13,473
Dividend income	-	-	-	-	905	-	-	-	-	1,964
Contribution to the provident fund	-	-	-	-	69,081	-	-	-	-	65,257
Contribution to the gratuity fund	-	-	-	-	68,469	-	-	-	-	54,410
Remuneration paid	222,968	-	-	-	-	196,444	-	-	-	-
Post employment benefits	7,901	-	-	-	-	8,480	-	-	-	-
Rental income	-	-	-	2,575	-	-	-	-	2,341	-
Mark-up earned	14,836	-	-	9,192	59,157	9,413	-	-	11,045	187,345
Mark-up expensed	934	1,763	-	525	32,361	1,920	1,877	-	2,992	42,056
Other income	-	-	-	174	-	-	-	-	247	-
Rental expense	-	-	-	-	26,875	-	-	-	-	24,244
Repair and maintenance charges	-	-	-	-	5,561	-	-	-	-	6,820
(Reversal of provision) / provision for diminution in the value of Investment	-	-	-	(40,217)	65,170	-	-	-	-	226,326
Gain on disposal of assets	100	-	-	-	-	-	-	-	-	-
Fees paid	-	2,600	-	-	-	-	2,170	-	-	-

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 brokerage business of shares, money market and foreign exchange transactions etc.

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 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:

- Tier 1 capital (going concern capital) which is sub divided into:
 - a) Common Equity Tier 1 (CET1), which includes fully paid up capital, reserve for bonus issue, general reserves and un-appropriated profits (net of losses), etc. after deductions for investments in majority owned securities, threshold deductions on deferred tax assets, reciprocal crossholdings and deduction for book value of intangibles.
 - b) Additional Tier 1 capital (AT1), which includes instruments issued by the Bank which meet the specified criteria.
- Tier II capital, which includes subordinated debt, 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 phase-in approach requirement).
- The sub-ordinated debt is not entirely eligible under Basel III guidelines due to introduction of loss absorbency clause. This instrument will be phased out from Tier 2 capital as per the defined phase out arrangement in the regulatory guidelines.
- The deductions from Tier II capital mainly involves reciprocal crossholdings and investment in majority owned securities.

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 risk attached to assets and off balance sheet exposures.

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

Pillar III disclosures apply to Summit Bank Limited and its consolidated entity, wherein Summit Bank Limited is the controlling entity in the Group. Consolidation for capital adequacy is based on consolidated financial statements of Summit Bank Limited and its subsidiary in line with the International Accounting Standards and guidelines for consolidation. The entity considered for consolidation for capital adequacy ratio purposes include Summit Capital (Private) Limited being wholly owned subsidiary of the Bank, valued at its fair value. Consolidated CAR disclosures make part of consolidated financial statements which are separately presented.

41.1.2 Capital structure

The total capital consists of following categories:

Tier I Capital

Tier I Capital of Rs.19.642 billion comprises of Ordinary share capital and Advance against subscription of shares (CET1) with limited liability to its shareholders.

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

Tier II Capital

Subordinated Loan of Rs.1.497 billion represents issued Term Finance Certificate, listed and un-secured. These are sub-ordinated as to the payment of principal and profit to all other indebtedness of the Bank including the deposits.

41.1.3 Capital adequacy

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 minimum capital to risk weighted assets ratio would be 12.5%, minimum equity Tier 1 (CET 1) ratio would be 6% and minimum Tier 1 ratio would be 7.5%. As per the transition table, at December 31, 2016, 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 of 10.65% (inclusive of Capital Conservation Buffer of 0.65%). During the year, in order to further strengthen the capital base and to achieve compliance with increased CAR related requirements of BASEL III, the management made a plan for increase in capital by way of Rights issue of shares amounting to Rs. 2 billion and the same was approved by the Board of Directors in their meeting held on March 04, 2016 subject to regulatory approvals. Uptill December 31, 2016, the Bank has already received Rs. 1,854.87 million against this transaction as disclosed in detail in note 1.3.

As on December 31, 2016, the Bank's CAR is lower than the minimum ratios required by the SBP as explained above. In this regard, SBP has granted relaxations to the Bank as explained in note 1.3. Accordingly, standalone CAR of the Bank stood at 10.10% while Tier 1 capital stood at 8.01% and CET 1 CAR at 6.30%.

Capital management

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

The capital management framework of the Bank is administered by the Finance Group, and Enterprise Risk Management Group under the supervision of the Board of Directors. The Bank is fully committed to maintain capital requirements in phased manner as per the SBP's BASEL III guidelines.

In order to meet the regulatory capital requirements applicable to the Bank, the Board of Directors in its meeting held on March 04, 2016 approved to further increase the paid-up capital of the Bank by Rs. 2 billion through right issue of shares, subject to regulatory approvals. As of the closing date, the management is in the process of obtaining requisite regulatory approval to implement the transaction against which the Bank has received Rs. 1,854.87 million as advance against subscription of shares. This includes Rs. 1,157.67 million received from Suroor Investments Limited (Sponsor of the Bank) and Rs. 697.20 million from an investor, who is not a shareholder of the Bank. In this respect SBP, vide its letter dated October 28, 2016, has allowed the Bank to consider the advance share deposit money of Rs. 1,854.87 million as share capital for MCR, CAR and LR purposes.

Moreover, the management of the Bank has prepared financial projections for a period of five years for the purpose of setting the future course of action for the Bank. These projections are approved by the Board and indicate continuing profitable operations based on various assumptions. This is explained in detail in note 1.3.

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 capitalisation for the Bank to regulatory norms and current and future business needs under stress scenarios.

The ICAAP encompasses capital planning, identification and measurement of material risks and the relationship between risk and capital.

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

Monitoring and reporting

The Board of Directors of Summit Bank 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 risk, interest rate risk in banking book, legal, compliance and reputation risks. The objective of the risk management framework at the Bank is to ensure that various risks are understood, measured and monitored and that the policies and procedures established to address these risks are strictly adhered to.

Measurement of risks for capital adequacy purpose

Under Pillar 1 of the SBP Guidelines, the Bank follows the 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, 2016	December 31, 2015
CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2016		
----- (Rupees in '000) -----		
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully paid-up capital / capital deposited with SBP	19,641,533	17,786,663
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	(1,297,298)	(1,297,298)
5 General / statutory reserves	(1,425,043)	(1,425,044)
6 Gain / (losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated / unremitted profits / (losses)	(9,515,201)	(7,421,199)
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	8,403,991	8,643,122
10 Total regulatory adjustments applied to CET1 (Note 41.2.1)	(1,316,442)	(1,343,513)
11 Common Equity Tier 1	7,087,549	7,299,609
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	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	2,155,959
18 Total regulatory adjustment applied to AT1 capital (Note 41.2.2)	(95,775)	(79,668)
19 Additional Tier 1 capital after regulatory adjustments	2,060,204	2,076,291
20 Additional Tier 1 capital recognized for capital adequacy	1,932,968	1,990,803
21 Tier 1 Capital (CET1 + admissible AT1) (11+20)	9,020,517	9,290,412
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	718,227
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	49,075	24,986
27 Revaluation Reserves (net of taxes)		
28 of which: Revaluation reserves on fixed assets	1,515,315	603,816
29 of which: Unrealized gains/losses on AFS	(82,431)	44,991

	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----	
30 Foreign Exchange Translation Reserves	-	-
31 Undisclosed/Other Reserves (if any)	-	-
32 T2 before regulatory adjustments	2,320,269	1,392,020
33 Total regulatory adjustment applied to T2 capital (Note 41.2.3)	(95,755)	(79,668)
34 Tier 2 capital (T2) after regulatory adjustments	2,224,514	1,312,352
35 Tier 2 capital recognized for capital adequacy	2,224,514	1,312,352
36 Portion of Additional Tier 1 capital recognized in Tier 2 capital	127,236	85,489
37 Total Tier 2 capital admissible for capital adequacy	2,351,750	1,397,841
38 TOTAL CAPITAL (T1 + admissible T2) (21+37)	11,372,267	10,688,253
39 Total Risk Weighted Assets (RWA) {for details refer Note 41.5}	112,558,395	106,689,928
Capital Ratios and buffers (in percentage of risk weighted assets) *		
40 CET1 to total RWA	6.30%	6.84%
41 Tier-1 capital to total RWA	8.01%	8.71%
42 Total capital to total RWA	10.10%	10.02%
43 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	-	-
44 of which: capital conservation buffer requirement	-	-
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	10.65%	10.25%

* This includes impact of relaxations (as mentioned in note 1.3) given by SBP for CAR and LR calculations.

	December 31, 2016	December 31, 2015
	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	244,725	266,711
3	-	-
4	779,985	3,119,933
5	-	-
6	25,417	-
7	-	-
8	-	-
9	-	-
10	-	-
11	-	-
12	12,085	48,341
13	-	-
14	206,353	825,412
15	-	-
16	-	-
17	-	-
18	-	-
19	-	-
20	47,877	191,550
21	-	-
22	1,316,442	1,343,513
41.2.2 Additional Tier-1 & Tier-1 Capital: regulatory adjustments		
23	-	-
24	-	-
25	-	-
26	-	-
27	-	-
28	95,755	79,668
29	-	-
30	95,755	79,668

	December 31, 2016	Amounts subject to Pre- Basel III treatment	December 31, 2015
	Amount		Amount
	----- (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	95,755	-	79,668
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)	95,755	-	79,668

	December 31, 2016	Amounts subject to Pre- Basel III treatment	December 31, 2015
	----- (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)	92,919,458		80,477,655
(i) of which: deferred tax assets	3,119,933		3,307,734
(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	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)	1,242,763		1,264,313
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)	49,075		24,986
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, 2016	
	Balance sheet of the published financial statements	Under regulatory scope of consolidation
	----- (Rupees in '000) -----	
Assets		
Cash and 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
Investments	90,575,032	90,575,032
Advances	79,843,732	79,843,732
Operating fixed assets	12,272,884	12,272,884
Deferred tax assets - net	5,200,972	5,200,972
Other assets	10,128,998	10,128,998
Total assets	215,022,348	215,022,348
Liabilities and Equity		
Bills payable	5,061,470	5,061,470
Borrowings	49,819,840	49,819,840
Deposits and other accounts	142,871,229	142,871,229
Sub-ordinated loans	1,496,550	1,496,550
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	3,101,307	3,101,307
Total liabilities	202,350,396	202,350,396
Share capital *	21,797,492	21,797,492
Reserves	(1,722,341)	(1,722,341)
Accumulated losses	(9,515,201)	(9,515,201)
Minority interest	-	-
Surplus on revaluation of assets - net of deferred tax	2,112,002	2,112,002
Total liabilities and equity	215,022,348	215,022,348

* This includes preference shares and advance against subscription of shares amounting to Rs. 2,155.959 million and Rs.1,854.870 million respectively.

	December 31, 2016		Reference
	Balance sheet of the published financial statements	Under regulatory scope of consolidation	
	----- (Rupees in '000) -----		
Assets			
Cash and 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	
Investments	90,575,032	90,575,032	
<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)	25,417	25,417	d
<i>of which: others (PIBs, T-Bills, Shares etc.)</i>	90,549,615	90,549,615	e
Advances	79,843,732	79,843,732	
<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>	49,075	49,075	g
Fixed assets	12,272,884	12,272,884	
Deferred tax assets	5,200,972	5,200,972	
<i>of which: DTAs that rely on future profitability excluding those arising from temporary differences</i>	3,899,918	3,899,918	h
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	1,301,054	1,301,054	i
Other assets	10,128,998	10,128,998	
<i>of which: Goodwill</i>	-	-	j
<i>of which: Intangibles</i>	-	-	k
<i>of which: Defined-benefit pension fund net assets</i>	-	-	l
Total assets	215,022,348	215,022,348	
Liabilities and equity			
Bills payable	5,061,470	5,061,470	
Borrowings	49,819,840	49,819,840	
Deposits and other accounts	142,871,229	142,871,229	
Sub-ordinated loans	1,496,550	1,496,550	
<i>of which: eligible for inclusion in AT1</i>	-	-	m
<i>of which: eligible for inclusion in Tier 2</i>	838,310	838,310	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	3,101,307	3,101,307	
Total liabilities	202,350,396	202,350,396	

December 31, 2016

Table: 41.3.2	Balance sheet of the published financial statements	Under regulatory scope of consolidation	Reference
	----- (Rupees in '000) -----		
Share capital			
<i>of which: amount eligible for CET1</i>	19,641,533	19,641,533	s
<i>of which: amount eligible for AT1</i>	2,155,959	2,155,959	t
Reserves			
<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>	(1,297,298)	(1,297,298)	
<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)	(9,515,201)	(9,515,201)	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			
<i>of which: Revaluation reserves on Fixed Assets</i>	2,217,683	2,217,683	aa
<i>of which: Unrealized Gains/Losses on AFS</i>	(105,681)	(105,681)	
<i>In case of Deficit on revaluation (deduction from CET1)</i>	-	-	ab
Total liabilities and equity	215,022,348	215,022,348	

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*	19,641,533	(s)
2	Balance in Share Premium Account	1,000,000	
3	Reserve for issue of bonus shares	-	
4	General / statutory reserves	(2,722,341)	(u)
5	Gain / (losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated / unremitted profits / (losses)	(9,515,201)	(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	8,403,991	

December 31, 2016

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	(244,725)	(k) - (p)
11	-	(f)
12	(779,985)	{(h) - (r)} * x%
13	-	{(l) - (q)} * x%
14	(25,417)	(d)
15	-	
16	-	
17	-	
18	-	
19	-	(ab)
20	(12,085)	(a) - (ac) - (ae)
21	-	(b) - (ad) - (af)
22	(206,353)	(i)
23	-	
24	-	
25	-	
26	-	
27	-	
28	(47,877)	
29	-	
30	(1,316,442)	
31	7,087,549	
* This includes advance against subscription of shares amounting to Rs. 1,854.870 million.		
Additional Tier 1 (AT 1) Capital		
32	2,155,959	(t)
33	-	(m)
34	-	(y)
35	-	
36	-	
37	2,155,959	
Additional Tier 1 Capital: regulatory adjustments		
38	-	
39	-	
40	-	
41	-	(ac)

Table: 41.3.3

		December 31, 2016	
		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	(95,755)	
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	(127,236)	
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	1,932,968	
48	Tier 1 Capital (CET1 + admissible AT1) (31+47)	9,020,517	
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)	838,310	
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	49,075	(g)
54	Revaluation Reserves		
55	of which: Revaluation reserves on fixed assets	1,515,315	portion of (aa)
56	of which: Unrealized Gains/Losses on AFS	(82,431)	
57	Foreign Exchange Translation Reserves	-	(v)
58	Undisclosed/Other Reserves (if any)	-	
59	T2 before regulatory adjustments	2,320,269	
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	(95,755)	
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)	(95,755)	
66	Tier 2 capital (T2)	2,320,269	
67	Tier 2 capital recognized for capital adequacy	2,224,514	
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	127,236	
69	Total Tier 2 capital admissible for capital adequacy	2,351,750	
70	TOTAL CAPITAL (T1 + admissible T2) (48+69)	11,372,267	

41.4 Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments

	Main features	Common shares	Convertible preference shares - A	Convertible preference shares - B	Sub-ordinated debt
1	Issuer	Summit Bank Limited	Summit Bank Limited	Summit Bank Limited	Summit Bank Limited
2	Unique identifier (e.g. KSE Symbol or Bloomberg identifier etc.)	SMBL	SMBLCPSA	SMBLCPSB	SMBLTFC
3	Governing law(s) of the instrument	Capital Market Law	Capital Market Law	Capital Market Law	Capital Market Law
	Regulatory treatment				
4	Transitional Basel III rules	Common Equity Tier 1	Additional Tier 1	Additional Tier 1	Tier 2
5	Post-transitional Basel III rules	Common Equity Tier 1	Additional Tier 1	Additional Tier 1	-
6	Eligible at solo / group / group & solo	Solo and Group	Solo and Group	Solo and Group	Solo and Group
7	Instrument type	Ordinary shares / Advance against subscription of shares	Perpetual non-cumulative preference shares	Perpetual non-cumulative preference shares	Sub-ordinated Debt
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of December 31, 2016)	19,641,533	1,109,424	1,046,535	838,310
9	Par value of instrument	PKR 10	PKR 10	PKR 10	PKR 5,000
10	Accounting classification	Shareholders' equity	Shareholders' equity	Shareholders' equity	Liability - amortized cost
11	Original date of issuance	2005	2013	2013	2011
12	Perpetual or dated	Perpetual	Dated	Dated	Dated
13	Original maturity date	No maturity	2018	2018	2018
14	Issuer call subject to prior supervisory approval	No	No	No	No
15	Optional call date, contingent call dates and redemption amount	Not applicable	Not applicable	Not applicable	Not applicable
16	Subsequent call dates, if applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Coupons / dividends				
17	Fixed or floating dividend / coupon	Not applicable	Fixed	Floating	Floating
18	Coupon rate and any related index / benchmark	Not applicable	5% Bonus Shares	6M KIBOR +50BPS	6M KIBOR +325BPS
19	Existence of a dividend stopper	Not applicable	Yes	Yes	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Partially Discretionary	Partially Discretionary	Partially Discretionary
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Not applicable	Non-Cumulative	Non-Cumulative	Cumulative
23	Convertible or non-convertible	Not applicable	Convertible	Convertible	Non-Convertible
24	If convertible, conversion trigger (s)	Not applicable	Convertible into Ordinary Shares after five years from the date of issuance.	Convertible into Ordinary Shares starting from the end of 42 nd month of the date of issuance and every six months thereafter in equal tranches of 25% or at maturity.	Not applicable

	Main features	Common shares	Convertible preference shares - A	Convertible preference shares - B	Sub-ordinated debt
25	If convertible, fully or partially	Not applicable	Always convert fully	Always convert fully	Not applicable
26	If convertible, conversion rate	Not applicable	Shares will be issued at the audited book value as at December 31, 2012.	Shares will be issued at par or at market value whichever is lower. Where if market value will be higher than par value the market value will be discounted by 12.50%	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Mandatory	Mandatory	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Common Equity Tier 1	Common Equity Tier 1	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	SMBL	SMBL	Not applicable
30	Write-down feature	Not applicable	No	No	Not applicable
31	If write-down, write-down trigger(s)	Not applicable	Not applicable	Not applicable	Not applicable
32	If write-down, full or partial	Not applicable	Not applicable	Not applicable	Not applicable
33	If write-down, permanent or temporary	Not applicable	Not applicable	Not applicable	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable	Common Shares	Common Shares	Preference Shares
36	Non-compliant transitioned features	Not applicable	No	No	No
37	If yes, specify non-compliant features	Not applicable	Not applicable	Not applicable	Not applicable

41.5 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	
	2016	2015	2016	2015
----- (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	204,284	190,526	1,918,162	1,905,259
Corporate	5,989,917	4,858,948	56,243,348	48,589,479
Retail	671,918	510,817	6,309,085	5,108,165
Residential Mortgages	124,865	86,045	1,172,439	860,447
Past due loans	396,120	544,025	3,719,439	5,440,254
Operating fixed assets	1,280,999	926,707	12,028,159	9,267,070
Other assets	555,268	1,261,471	5,213,783	12,614,714
Portfolios subject to Internal Rating Based (IRB) Approach				
	-	-	-	-
Off balance sheet				
Non-market related				
Direct Credit Substitutes	321,047	490,329	3,014,522	4,903,292
Performance related contingencies	575,398	265,532	5,402,796	2,655,323
Trade Related contingencies	195,043	153,233	1,831,393	1,532,334
Market related				
Foreign Exchange contracts / derivatives etc.	1,244	6,122	11,680	61,222
Equity Exposure Risk in the Banking Book				
	-	-	-	-
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	233,327	222,039	2,190,863	2,775,489
Equity position risk	676,958	426,858	6,356,416	5,335,708
Foreign Exchange risk	41,362	56,577	388,380	707,216
Capital Requirement for portfolios subject to Internal Models Approach				
	-	-	-	-
Operational Risk				
Capital requirement for operational risks	719,720	394,717	6,757,930	4,933,956
Total	11,987,470	10,393,946	112,558,395	106,689,928

Capital Adequacy Ratios

	2016		2015	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	6.30%	6.00%	6.84%
Tier-1 capital to total RWA	7.50%	8.01%	7.50%	8.71%
Total capital to total RWA	10.65%	10.10%	10.25%	10.02%

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.

The leverage ratio of the Bank as of December 31, 2016 stands at 2.97% (December 31, 2015: 3.19%). Tier 1 Capital as at December 31, 2016 is Rs.9,021 million (December 31, 2015: Rs.9,290 million) and total exposure as at December 31, 2016 is Rs. 303,638 million (December 31, 2015: Rs. 290,923 million).

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, 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
Banaspatti 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	5.97	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

December 31, 2015

	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, forestry, hunting and fishing	606,306	0.73	232,829	0.19	331,813	0.23
Automobile	1,292,690	1.56	1,871,924	1.56	883,486	0.61
Banaspati and allied industries	501,177	0.60	34,238	0.03	180,810	0.12
Carpet	148,603	0.18	78,355	0.07	235,240	0.16
Cement	766,499	0.92	625,256	0.52	597,232	0.41
Chemical and pharmaceutical	2,224,158	2.68	1,097,208	0.92	1,468,167	1.01
Construction / real estate	3,605,900	4.34	1,481,649	1.24	4,484,556	3.09
Consumer / individuals / staff	3,999,351	4.81	85,408,802	71.26	3,911,040	2.70
Dairy and poultry	233,230	0.28	327,451	0.27	146,984	0.10
Education	217,735	0.26	599,912	0.50	299,056	0.21
Electric and electrical goods	2,554,688	3.07	620,859	0.52	1,006,225	0.69
Energy, oil, gas and power	5,599,242	6.74	1,763,024	1.47	15,001,559	10.34
Exports / imports	3,625,505	4.36	99,694	0.08	2,765,621	1.91
Financial	4,470,281	5.38	10,615,294	8.86	75,282,176	51.91
Food, tobacco and beverages	4,384,088	5.28	683,339	0.57	2,297,486	1.58
Furniture and allied products	207,561	0.25	27,463	0.02	26,529	0.02
Leather and footwear	613,682	0.74	64,171	0.05	1,117,033	0.77
Glass and ceramics	107,294	0.13	9,172	0.01	26,909	0.02
Health care	308,491	0.37	428,821	0.36	401,159	0.28
Hotels	946,405	1.14	110,984	0.09	89,787	0.06
Insurance	-	-	513,001	0.43	3,700	0.00
Mining and quarrying	2,119,234	2.55	118,462	0.10	59,513	0.04
Miscellaneous manufacturing	2,949,000	3.55	487,998	0.41	700,876	0.48
Printing, publishing and allied industries	219,911	0.26	135,103	0.11	90,358	0.06
Paper and allied products	39,804	0.05	5,430	0.00	228,273	0.16
Services	3,358,715	4.04	4,314,791	3.60	5,809,810	4.01
Steel and engineering	3,179,818	3.83	1,573,317	1.31	3,601,765	2.48
Sugar	8,830,121	10.63	149,676	0.12	1,450,975	1.00
Textile	13,143,763	15.82	787,094	0.66	11,461,008	7.90
Transport and communication	2,028,394	2.44	1,280,254	1.07	3,902,493	2.69
Trust	-	-	1,308,049	1.09	5,980	0.00
Wholesale and retail trade	5,097,851	6.13	1,490,331	1.24	3,081,293	2.13
Others	5,719,419	6.88	1,510,351	1.27	4,082,901	2.83
	83,098,916	100.00	119,854,302	100.00	145,031,813	100.00

42.1.1.2 Segment by sector

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

December 31, 2015

	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	990,310	1.19	21,313,045	17.78	1,988,838	1.37
Private	82,108,606	98.81	98,541,257	82.22	143,042,975	98.63
	83,098,916	100.00	119,854,302	100.00	145,031,813	100.00

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

	December 31, 2016		December 31, 2015	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
----- (Rupees in '000) -----				
Agriculture, forestry, hunting and fishing	2,581	1,816	4,559	1,433
Automobile	915,060	688,094	910,936	688,401
Banaspati and allied industries	197,919	169,696	185,260	155,029
Carpet	41,445	30,090	120,606	101,067
Cement	329,169	329,169	329,169	329,169
Chemical and pharmaceutical	180,205	100,138	200,514	120,144
Construction / real estate	788,213	661,489	865,783	732,918
Consumer / individuals / staff	345,949	146,317	322,285	101,297
Dairy and poultry	1,418	1,418	101,418	74,500
Education	33,592	33,592	48,907	37,177
Electric and electrical goods	90,608	87,058	91,125	73,725
Energy oil, gas and power	1,077,592	1,023,072	421,592	348,898
Exports / imports	685,845	619,727	759,639	623,443
Financial	1,105,970	968,800	1,180,382	1,102,609
Food, tobacco and beverages	733,689	619,071	754,851	510,532
Footwear and leather garments	47,303	43,478	48,005	17,456
Furniture and allied products	165,685	67,493	171,520	75,074
Glass and ceramics	54,460	54,460	54,460	39,517
Health care	113,277	101,088	113,609	91,139
Hotels	157,542	157,542	192,085	180,586
Mining and quarrying	4,670	4,670	4,670	4,670
Miscellaneous manufacturing	126,825	125,055	187,684	176,756
Others	273,253	173,702	428,498	264,442
Paper and allied products	23,043	23,043	7,071	7,071
Printing, publishing and allied industries	28,106	27,731	28,671	22,506
Services	647,092	355,453	534,173	310,545
Steel and engineering	264,583	136,932	410,902	136,932
Sugar	1,382,020	1,142,791	1,659,128	361,172
Textile	4,692,727	4,571,186	4,645,230	3,896,764
Transport and communication	208,614	163,358	208,803	206,099
Wholesale and retail trade	2,000,565	1,735,097	2,191,470	1,728,789
	16,719,020	14,362,626	17,183,005	12,519,860

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

	December 31, 2016		December 31, 2015	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
----- (Rupees in '000) -----				
Public / Government	-	-	-	-
Private	16,719,020	14,362,626	17,183,005	12,519,860
	16,719,020	14,362,626	17,183,005	12,519,860

	(Loss) / profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
----- (Rupees in '000) -----				
42.1.1.5 Geographical segment analysis				
December 31, 2016				
Pakistan	<u>(1,917,711)</u>	<u>215,022,348</u>	<u>12,671,952</u>	<u>107,826,940</u>
December 31, 2015				
Pakistan	<u>656,120</u>	<u>188,420,421</u>	<u>11,957,666</u>	<u>145,031,813</u>

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

42.2 Credit risk - general disclosure Basel II specific

42.2.1 Credit risk - general disclosures

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

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

Under standardised approach, the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognised by SBP for capital adequacy purposes. In this connection, the Bank utilises the credit ratings assigned by ECAIs and has recognised agencies such as 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, 2016				
	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, 2016			December 31, 2015		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
----- (Rupees in '000) -----							
Corporate	20%	4,143,425	35,504	4,107,921	3,219,856	4,281	3,215,575
	50%	4,774,675	421,064	4,353,611	3,438,541	65,027	3,373,514
	100%	809,866	416,003	393,863	375,525	272,001	103,524
	unrated	50,467,428	4,096,867	46,370,561	44,642,880	4,085,521	40,557,359
	125%	5,184,427	-	5,184,427	4,478,979	-	4,478,979
Retail	75%	9,657,153	1,245,040	8,412,113	8,248,803	1,437,917	6,810,886
Past due loan	150%	1,941,700	-	1,941,700	2,370,981	-	2,370,981
	100%	554,331	-	554,331	1,586,323	-	1,586,323
	50%	505,118	-	505,118	594,919	-	594,919
Bank	20%	7,209,197	1,481,583	5,727,614	4,171,383	-	4,171,383
	50%	505,664	-	505,664	469,497	-	469,497
	100%	73,961	-	73,961	93,420	-	93,420
	150%	56,188	-	56,188	61,911	-	61,911
	unrated	1,807,824	-	1,807,824	2,719,007	-	2,719,007
Sovereign etc.	0%	9,608,256	-	9,608,256	12,311,379	-	12,311,379
Others	0%	3,141,531	-	3,141,531	-	-	-
	35%	3,399,593	49,768	3,349,825	2,470,739	12,320	2,458,419
	50%	-	-	-	-	-	-
	100%	16,198,565	-	16,198,565	18,721,001	-	18,721,001
	250%	417,350	-	417,350	1,264,313	-	1,264,313
		120,456,252	7,745,829	112,710,423	111,239,457	5,877,067	105,362,390

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 guarantees 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 realisable 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, while other investments are unlisted and therefore illiquid.

Policies, valuation and accounting of equity investments

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

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

Composition of equity investments - market values

	December 31, 2016			December 31, 2015		
	Held-for-trading	Available-for-sale	Investment in subsidiary	Held-for-trading	Available-for-sale	Investment in subsidiary
----- (Rupees in '000) -----						
Equity investments	385,792	2,717,554	239,387	123,462	2,787,180	199,170
Mutual fund units - Open end	-	86,977	-	-	93,359	-
Total value	385,792	2,804,531	239,387	123,462	2,880,539	199,170

The cumulative realised gain on sale of equity securities amounted to Rs.526.134 million (December 31, 2015: Rs.454.091 million), however, unrealised loss of Rs.51.103 million (December 31, 2015: Rs.105.63 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, 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>

December 31, 2015

	Assets	Liabilities	Off-balance sheet items	Net currency exposure
----- (Rupees in '000) -----				
Pakistan Rupee	183,242,257	169,310,777	(148,826)	13,782,654
United States Dollar	4,740,072	5,705,031	(860,810)	(1,825,769)
Great Britain Pound	196,935	892,513	310,930	(384,648)
Japanese Yen	1,084	-	-	1,084
Euro	91,565	528,789	698,706	261,482
Other currencies	148,508	25,645	-	122,863
	<u>188,420,421</u>	<u>176,462,755</u>	<u>-</u>	<u>11,957,666</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, 2016								
		Exposed to yield / interest risk								
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Non-interest bearing financial instruments
		(Rupees in '000)								
On-balance sheet financial instruments										
Assets										
	Effective yield / interest rate	1,070,043	-	-	-	-	-	-	-	11,716,573
Cash and balances with treasury banks	0.50% to 4.50%	1,471,672	-	-	-	-	-	-	-	1,110,859
Balances with other banks	5.05% to 5.70%	1,631,583	-	-	-	-	-	-	-	-
Lendings to financial institutions	5.46% to 10.20%	90,575,032	23,797,038	3,405,023	18,555,892	9,311,134	3,421,925	10,490,279	4,384,346	3,429,709
Investments	0% to 28.00%	714,981	55,297,347	1,070,116	16,079,391	628,022	1,630,928	1,233,322	1,539,683	378,125
Advances	-	-	-	-	-	-	-	-	-	5,069,508
Other assets	-	-	-	-	-	-	-	-	-	-
		17,054,785	79,094,385	4,475,139	34,635,283	9,939,156	5,052,853	11,723,601	5,924,029	2,884,997
		192,489,002								
Liabilities										
Bills payable		-	-	-	-	-	-	-	-	-
Borrowings	2% to 6.03%	25,479,233	4,228,571	2,118,911	17,993,125	-	-	-	-	5,061,470
Deposits and other accounts	0.0% to 18.5%	142,871,229	44,775,157	8,618,335	7,776,539	834,138	159,383	5,433,707	-	58,288,345
Sub-ordinated loans	9.31%	1,496,550	1,496,550	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	2,641,388
		201,890,477	50,500,278	10,737,246	25,769,664	834,138	159,383	5,433,707	-	65,991,203
		(9,401,475)	28,594,107	(6,262,107)	8,865,619	9,105,018	4,893,470	6,289,894	5,924,029	(44,286,429)
		9,132,872	6,632,258	44,655	32,545	-	-	-	-	-
		8,141,786	5,818,629	359,353	-	-	-	-	-	-
		991,086	813,629	(314,698)	32,545	-	-	-	-	-
		(8,410,389)	(24,596,444)	(6,576,805)	8,898,164	9,105,018	4,893,470	6,289,894	5,924,029	2,884,997
		(8,410,389)	(24,596,444)	(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)								
		192,489,002								
		12,272,884								
		5,200,972								
		5,059,490								
		215,022,348								
		201,890,477								
		459,919								
		202,350,396								

December 31, 2015											
Effective yield / interest rate	Exposed to yield / interest risk										
	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											
	10,539,906	21,052	-	-	-	-	-	-	-	-	10,518,854
Cash and balances with treasury banks	2,919,244	-	-	-	-	-	-	-	-	-	2,919,244
Balances with other banks	1,000,000	1,000,000	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	78,192,065	9,983,469	4,904,986	11,776,515	37,415,080	604,911	7,077,715	518,346	-	3,331,892	
Investments	70,554,070	335,526	52,732,608	2,197,747	11,087,446	334,188	1,685,400	1,298,298	-	251,091	
Advances	4,171,707	-	-	-	-	-	-	-	-	-	4,171,707
Other assets	167,376,992	10,340,047	58,637,594	13,974,262	48,502,526	939,099	8,763,115	1,816,644	-	21,192,788	
Liabilities											
Bills payable	2,728,797	-	-	-	-	-	-	-	-	-	2,728,797
Borrowings	49,755,998	44,705,643	3,621,512	1,368,988	-	59,855	-	-	-	-	-
Deposits and other accounts	119,854,302	16,450,961	47,699,676	9,610,710	5,525,660	372,297	162,606	-	-	39,292,359	
Sub-ordinated loans	1,497,240	-	1,497,240	-	-	-	-	-	-	-	-
Other liabilities	2,373,225	-	-	-	-	-	-	-	-	-	2,373,225
	176,209,562	61,156,604	52,818,428	10,979,698	5,525,660	432,152	162,606	-	-	44,394,381	
	(8,832,570)	(50,816,557)	5,819,166	2,994,564	42,976,866	506,947	8,600,509	1,816,644	-	(23,201,593)	
On-balance sheet gap											
Off-balance sheet financial instruments											
Foreign currency forward purchase	13,634,010	4,318,877	5,354,429	3,801,271	159,433	-	-	-	-	-	-
Foreign currency forward sale	13,860,665	10,899,253	2,936,363	7,157	17,892	-	-	-	-	-	-
Off-balance sheet gap	(22,665)	(6,580,376)	2,418,066	3,794,114	141,541	-	-	-	-	-	-
Total yield / interest risk sensitivity gap	(9,059,225)	(57,396,933)	8,237,232	6,788,678	43,118,407	506,947	8,600,509	1,816,644	-	-	
Cumulative yield / interest risk sensitivity gap	(9,059,225)	(57,396,933)	(49,159,701)	(42,371,023)	747,384	1,254,331	12,325,724	14,142,368	14,142,368	-	
Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities											
December 31, 2015 (Rupees in '000)											
Total financial assets	167,376,992										
Add: Non financial assets											
Operating fixed assets	9,533,782										
Deferred tax assets	5,609,015										
Other assets	5,900,632										
Total assets as per statement of financial position	188,420,421										
Total financial liabilities	176,209,562										
Add: Non financial liabilities											
Other liabilities	253,193										
Total liabilities as per statement of financial position	176,462,755										

December 31, 2015									
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	10,539,906	-	-	-	-	-	-	-	-
Balances with other banks	2,919,244	2,919,244	-	-	-	-	-	-	-
Lendings to financial institutions	1,000,000	-	1,000,000	-	-	-	-	-	-
Investments	78,192,065	9,983,470	4,124,581	9,811,975	39,767,259	1,813,910	4,018,486	7,341,069	1,331,315
Advances	70,554,070	2,988,079	14,366,256	6,911,916	29,819,247	5,976,561	2,805,775	4,573,995	3,112,241
Operating fixed assets	9,533,782	3,394,367	61,502	92,254	184,507	314,237	270,171	439,682	4,777,062
Deferred tax assets	5,609,015	88,743	281,511	702,267	1,106,264	548,525	983,906	1,776,196	121,603
Other assets	10,072,339	1,881,614	1,698,469	-	743,408	-	-	-	5,748,848
188,420,421	31,795,423	21,532,319	17,518,412	71,620,685	8,653,233	8,078,338	14,130,942	15,091,069	-

Liabilities

Bills payable	2,728,797	2,728,797	-	-	-	-	-	-	-
Borrowings	49,755,998	44,705,643	3,621,512	1,368,988	-	59,855	-	-	-
Deposits and other accounts	119,854,302	21,790,793	9,317,500	10,902,732	5,525,660	372,297	740,033	71,205,287	-
Sub-ordinated loans	1,497,240	-	-	-	-	-	1,497,240	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Other liabilities	2,626,418	775,464	677,324	278,731	725,136	-	-	169,763	-
176,462,755	70,000,697	13,616,336	12,550,451	6,250,796	432,152	2,237,273	71,205,287	169,763	-
11,957,666	(38,205,274)	7,915,983	4,967,961	65,369,890	8,221,080	5,841,065	(57,074,345)	14,921,306	-

Net assets

Share capital	17,786,663
Convertible preference shares	2,155,959
Reserves	(1,722,341)
Accumulated loss	(7,421,199)
Surplus on revaluation of assets - net	1,158,584
11,957,666	

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

		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	12,166,506	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	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	75,726	1,13,589	227,177	388,518	335,607	550,433	937,811	5,111,940
	Deferred tax assets	5,200,972	136,490	272,980	409,470	818,940	883,698	1,532,944	1,116,877	16,091	13,482
	Other assets	10,128,998	2,565,191	2,287,094	-	1,308,784	-	-	3,967,929	-	-
		215,022,348	39,434,316	43,222,260	9,673,162	59,923,592	15,277,913	9,809,326	19,835,900	9,596,074	8,249,806
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	142,871,229	118,402,153	6,986,529	8,618,336	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	671,916	159,261	2,111,209	-	-	-	2,213	-
		202,350,396	149,099,565	11,887,016	10,896,508	27,880,871	2,330,688	159,383	94,152	2,213	-
	Net assets	12,671,952	(109,665,249)	31,335,244	(1,223,347)	32,042,721	12,947,225	9,649,943	19,741,748	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	2,112,002	-	-	-	-	-	-	-	-	-
		12,671,952	-	-	-	-	-	-	-	-	-

December 31, 2015									
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	10,539,906	-	-	-	-	-	-	-	-
Balances with other banks	2,919,244	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,000,000	-	1,000,000	-	-	-	-	-	-
Investments	78,192,065	9,983,470	4,124,581	39,767,259	1,813,910	4,018,486	7,341,069	1,331,315	-
Advances	70,554,070	2,988,079	14,366,256	6,911,916	29,819,247	2,805,775	4,573,995	3,112,241	-
Operating fixed assets	9,533,782	3,394,367	61,502	92,254	184,507	270,171	439,682	4,777,062	-
Deferred tax assets	5,609,015	88,743	281,511	702,267	1,106,264	983,906	1,776,196	121,603	-
Other assets	10,072,339	1,881,614	1,698,469	-	743,408	-	-	5,748,848	-
	<u>188,420,421</u>	<u>31,795,423</u>	<u>21,532,319</u>	<u>17,518,412</u>	<u>71,620,685</u>	<u>8,078,338</u>	<u>14,130,942</u>	<u>15,091,069</u>	<u>-</u>
Liabilities									
Bills payable	2,728,797	-	-	-	-	-	-	-	-
Borrowings	49,755,998	44,705,643	3,621,512	1,368,988	-	-	-	-	-
Deposits and other accounts	119,854,302	94,854,221	8,588,775	9,610,710	5,525,660	740,033	162,606	-	-
Sub-ordinated loans	1,497,240	-	-	-	-	1,497,240	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Other liabilities	2,626,418	775,464	677,324	278,731	725,136	-	-	169,763	-
	<u>176,462,755</u>	<u>143,064,125</u>	<u>12,887,611</u>	<u>11,258,429</u>	<u>6,250,796</u>	<u>2,237,273</u>	<u>162,606</u>	<u>169,763</u>	<u>-</u>
Net assets	<u>11,957,666</u>	<u>(111,268,702)</u>	<u>8,644,708</u>	<u>6,259,983</u>	<u>65,369,889</u>	<u>5,841,065</u>	<u>13,968,336</u>	<u>14,921,306</u>	<u>-</u>
Share capital	17,786,663	-	-	-	-	-	-	-	-
Convertible preference shares	2,155,959	-	-	-	-	-	-	-	-
Reserves	(1,722,341)	-	-	-	-	-	-	-	-
Accumulated loss	(7,421,199)	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net	1,158,584	-	-	-	-	-	-	-	-
	<u>11,957,666</u>	<u>(111,268,702)</u>	<u>8,644,708</u>	<u>6,259,983</u>	<u>65,369,889</u>	<u>5,841,065</u>	<u>13,968,336</u>	<u>14,921,306</u>	<u>-</u>

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, the 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 sure 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 Treadway Commission (COSO), with a view to consolidate and enhance the existing internal control processes.

The Bank has implemented the Internal Control Guidelines issued by the State Bank of Pakistan and followed 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 13 Islamic Banking Branches (IBBs) (December 31, 2015: 10 IBBs) and 34 Islamic Banking Windows (IBWs) (December 31, 2015: 02 IBWs) as at December 31, 2016.

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, 2016 are as follows:

	December 31, 2016	December 31, 2015	
Note	----- (Rupees in '000) -----		
Statement of financial position as at December 31, 2016			
ASSETS			
Cash and balances with treasury banks	43.3	788,422	379,654
Balances with other banks		51,571	577,483
Due from Financial institutions		150,000	-
Investments		3,612,571	1,560,074
Islamic financing and related assets	43.7	9,328,368	2,571,319
Operating fixed assets		157,330	121,105
Deferred tax assets - net		-	-
Other assets		133,292	127,576
TOTAL ASSETS		14,221,554	5,337,211
LIABILITIES			
Bills payable		151,857	24,301
Due to financial institutions		-	925,000
Deposits and other accounts			
- Current accounts		4,237,234	736,896
- Saving accounts		4,956,203	1,431,564
- Term deposits		1,794,576	176,243
- Others		106,421	14,862
- Deposits from financial institutions - remunerative		814,068	646,970
- Deposits from financial institutions - non - remunerative		84,060	-
Due to head office		-	-
Deferred tax liabilities - net		29,349	8,266
Other liabilities		657,484	159,564
		12,831,252	4,123,666
NET ASSETS		1,390,302	1,213,545
REPRESENTED BY:			
Islamic Banking Fund		1,000,000	1,000,000
Reserves		-	-
Unappropriated profit		335,796	198,194
		1,335,796	1,198,194
Surplus on revaluation of assets - net of tax		54,506	15,351
		1,390,302	1,213,545

	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----	
43.2 Profit and loss account for the year ended December 31, 2016	Note	
Profit / return earned on financings, investments and placements	557,146	299,665
Return on deposits and other dues expensed	(283,042)	(110,162)
Net spread earned	274,104	189,503
OTHER INCOME		
Fee, commission and brokerage income	37,704	22,276
Gain from dealing in foreign currencies	7,856	1,857
Gain on sale of securities - net	17,787	108
Gain on disposal of operating fixed assets	1,163	33
Other income	2,861	1,609
Total other income	67,371	25,883
	341,475	215,386
OTHER EXPENSES		
Administrative expenses	(203,400)	(116,752)
Other charges	(473)	(288)
Total other expenses	(203,873)	(117,040)
	137,602	98,346
Extra-ordinary / unusual items	-	-
PROFIT BEFORE TAXATION	137,602	98,346
43.3 Cash flow statement for the year ended December 31, 2016		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	137,602	98,346
Adjustments:		
Depreciation	19,576	9,684
Amortisation of intangible assets	231	19
	19,807	9,703
	157,409	108,049
Increase in operating assets		
Due from Financial institutions	(150,000)	76,100
Islamic financings and related assets - net	(6,757,049)	(964,255)
Other assets	(5,716)	(53,980)
	(6,912,765)	(942,135)
Increase in operating liabilities		
Bills payable	127,556	21,683
Due to financial institutions	(925,000)	925,000
Deposits and other accounts	8,986,027	1,738,015
Other liabilities	497,920	(69,192)
	8,686,503	2,615,506
Net cash inflows from operating activities	1,931,147	1,781,420
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in 'available-for-sale' securities	(1,992,259)	(1,012,279)
Investment in operating fixed assets	(56,032)	(54,220)
Net cash outflow from investing activities	(2,048,291)	(1,066,499)
CASH FLOWS FROM FINANCING ACTIVITIES		
Islamic Banking Fund	-	-
Net cashflows from financing activities	-	-
(Decrease) / increase in cash and cash equivalents	(117,144)	714,921
Cash and cash equivalents at beginning of the year	957,137	242,216
Cash and cash equivalents at end of the year	839,993	957,137

43.4 Summit Bank Limited - Islamic Banking Division 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 / other than PKR; 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.

(ii) General pool

General pool is the basket in which all the deposits from depositors is placed along with the Bank's own equity and funds from other financial institutions. The general pool is based on the principle of unrestricted Modaraba. An unrestricted Modaraba contract is a contract in which the depositor permits the Bank to administer the funds without any restrictions. In this case, the Bank has a wide range of trade or business freedom on the basis of trust and the business expertise the Bank has acquired. However, such unrestricted business freedom in an unrestricted Modaraba must be exercised only in accordance with the interests of the parties and the objectives of the Modaraba contract, which is making profit. Therefore, the actions of the Bank must be in accordance with the business customs relating to the Banking operations.

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

- Depositor Funds.
- Equity Funds.
- Placement / Investments of Other IBIs.
- Modaraba Placement of Summit Bank Limited (Counterpart).

(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 recognising 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 should have 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 saving 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, 2016	December 31, 2015
	----- (Rupees in '000) -----	
43.5 Charitable fund		
Opening balance	-	-
Addition during the year	-	-
Payment / utilization during the year	-	-
Closing balance	-	-
43.6 Remuneration to Shariah Advisor (RSBM) / Board*	4,800	4,677

* Shariah Board established from October 01, 2015

		December 31, 2016	December 31, 2015
43.7 Islamic financing and related assets	Note	----- (Rupees in '000) -----	
Financings / investments / receivables			
- Murabaha		824,385	711,625
- Ijarah	43.8	487,496	488,621
- Diminishing Musharaka		2,031,556	1,073,141
- Istisna		63,057	25,178
- Tijarah		3,965,075	-
- Salam		17,679	-
- Running Musharaka		15,152	-
- Term Musharaka		520,000	-
- Other islamic modes		37,492	2,065
Advances			
Advance against Murabaha		110,000	4,466
Advance against Diminishing Musharaka		52,217	-
Advance against Ijarah		81,536	-
Inventories			
Murabaha Inventory		8,440	13,073
Tijarah Inventory		1,052,003	249,828
Istisna Inventory		62,280	3,322
43.7.1 Islamic mode of financing			
Financings / investments / receivables		7,961,892	2,300,630
Advances		243,753	4,466
Inventories		1,122,723	266,223
		<u>9,328,368</u>	<u>2,571,319</u>
Less: Provision against Islamic financing and related assets		-	-
		<u>9,328,368</u>	<u>2,571,319</u>

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, 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, 2015

	Vehicle Consumer	Vehicle Corporate	Plant & Machinery	Equipment	Total
----- (Rupees in '000) -----					
At January 1, 2015					
Cost	1,339	216,590	-	-	217,929
Accumulated Depreciation	(104)	(8,320)	-	-	(8,424)
Net book value	1,235	208,270	-	-	209,505
Year Ended December 31, 2015					
Opening Net Book value	1,235	208,270	-	-	209,505
Additions	1,167	327,145	-	-	328,312
Disposals					
Cost	(1,009)	(18,306)	-	-	(19,315)
Accumulated Depreciation	194	1,668	-	-	1,862
	(815)	(16,638)	-	-	(17,453)
Depreciation	(312)	(31,431)	-	-	(31,743)
Closing Net Book value	1,275	487,346	-	-	488,621
At December 31, 2015					
Cost	1,497	525,429	-	-	526,926
Accumulated Depreciation	(222)	(38,083)	-	-	(38,305)
Net book value	1,275	487,346	-	-	488,621

December 31, 2016

December 31, 2015

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

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

Chemical and pharmaceuticals	4,696,306	953,500
Agribusiness	-	-
Textile	667,503	370,202
GOP Ijarah Sukuk	2,613,180	101,130
Shoes and leather garments	-	-
Automobile and transportation equipment	-	487,346
Financial	520,000	459,868
Electronics and electrical appliances	501,753	-
Production and transmission of energy	-	-
Carpets and rugs manufacturer	-	-
Glass and ceramics	-	-
Services	-	-
Others	3,827,094	1,672,106
	12,825,836	4,044,152

* Staff financing amounting Rs. 115.103 (December 31, 2015: 87.240) 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 of local currency deposits was 50:50 during the year. However, following profit sharing ratios were applicable for foreign currency deposits.

	January to May 2016	June to September 2016	October to November 2016	December 2016
	----- % -----			
Rabbul Maal	50	50	60	50
Mudarib	50	50	40	50
43.11 Mudarib share (in amount and percentage of distributable income)				
	December 31, 2016		December 31, 2015	
	(Rupees in '000)	%	(Rupees in '000)	%
Rabbul Maal	242,593	66	79,475	66
Mudarib	98,405	34	40,942	34
	<u>340,998</u>		<u>120,417</u>	

	December 31, 2016		December 31, 2015	
43.12 Amount and percentage of Mudarib share transferred to depositors through Hiba	----- (Rupees in '000) -----			
Mudarib share	98,405		40,942	
Hiba	19,939		12,614	
	----- (%) -----			
Hiba percentage of Mudarib share	20		31	

44. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 08, 2017 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. Pursuant to BPRD Circular Letter No. 05 dated February 29, 2016 of State Bank of Pakistan, following re-classification has been made:

Description	Rupees in '000	Re-classified	
		From	To
Other Federal Government Securities			
- Bai Muajjal with Government of Pakistan	459,868	Lendings to financial institutions / Due from financial institutions	Investments

President &
Chief Executive

Director

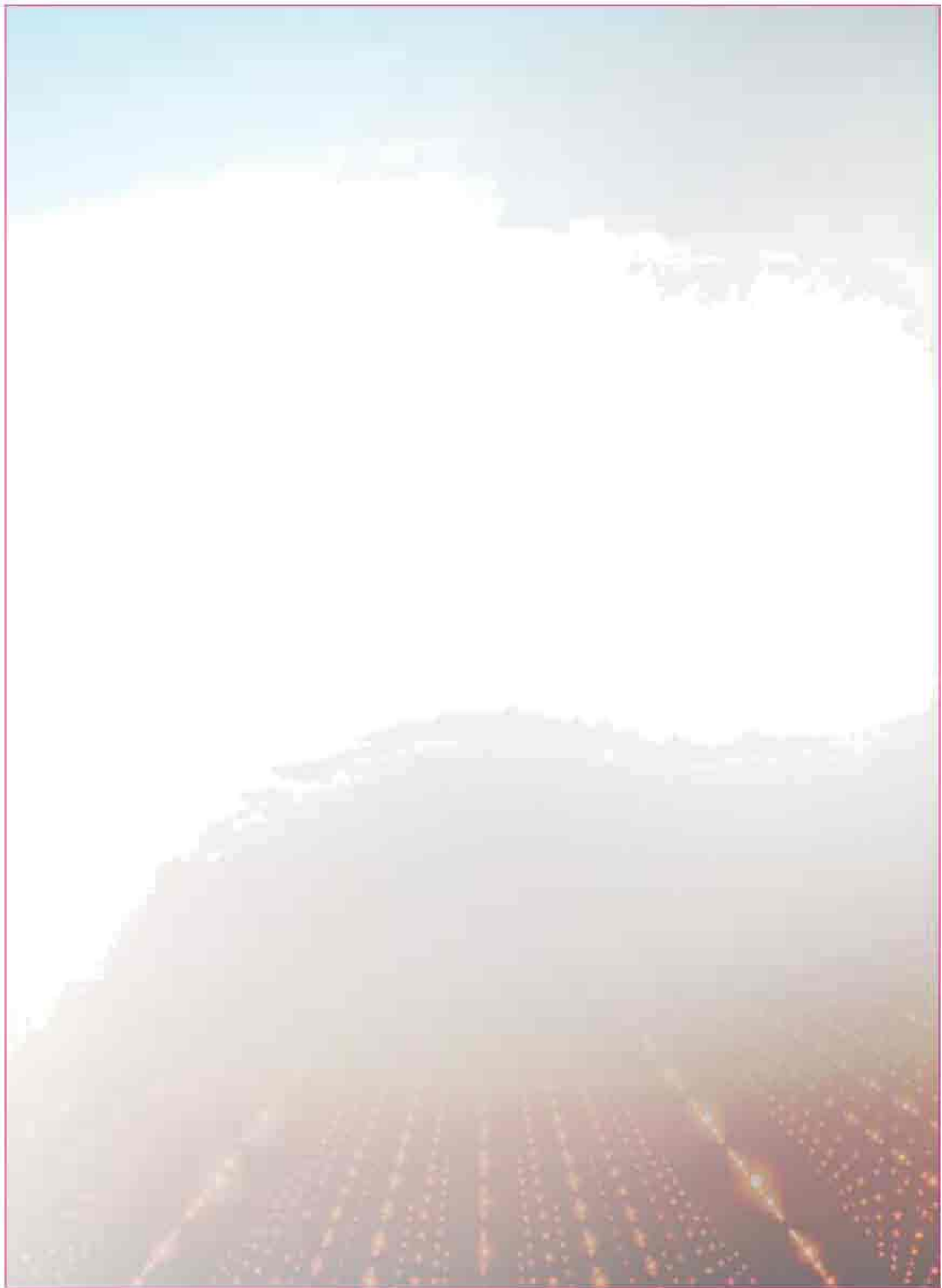
Director

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, 2016

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						
				5	6	7	8	9	10	11	12
				----- (Rupees in '000) -----							
1	Javed Omer Vohra & Company Ltd.: 507-511, Stock Exchange Building, Stock Exchange Road, Karachi.	1. Mr. Haji M. Iqbal (42301-5207680-9) 2. Mrs. Fatima Amir (42301-0350898-6) 3. Mrs. Ayesha Mubashir (42301-0943809-4) 4. Mrs. Saiira Faraz (42301-099219-4) 5. Mr. Bilal Vohra (42301-9975536-7) 6. Mr. Muhammad Rafiq Javed (42201-0302906-3) 7. Miss Afshan Farooqui (42101-1727828-2)	1. Hajji Ismail 2. Amir Naseer 3. Mubashir Usman 4. Faraz Pervaiz 5. Javed Omer Vohra 6. Muhammad Yousuf 7. Aman-ur-Rehman	90,378	17,437	15	107,830	40,178	17,437	15	57,630
2	Muhammad Atif: 104-HH, Phase W, DHA, Lahore.	Muhammad Atif (35201-1582671-1)	Muhammad Asif	1,500	959	-	2,459	375	959	-	1,334
3	Muhammad Wasif: H No E 71/1, Sattelite Town, Rawalpindi.	Muhammad Wasif (61101-0519397-9)	Muhammad Asif Jamil	1,992	648	-	2,640	597	648	-	1,245
4	Ishaque Hassan Zai Transport Service: Aman Heights, Shop No. 6, Garden East, Karachi.	Muhammad Ishaque (42201-6884348-1)	Muhammad Alam	1,869	199	198	2,266	595	199	198	992
5	Muhammad Akhtar: H No 77, Moh Amin Park, Multan Road, Lahore.	Muhammad Akhtar (35202-2750966-5)	Sheikh Muhammad Qamar	1,200	608	-	1,808	336	608	-	944
6	Mazhar Mohy Ud Din: H No. 584, Kamran Block, Allama Iqbal Town, Lahore.	Mazhar Mohy Ud Din (35202-1220080-9)	Ghulam Gillani	347	769	-	1,116	100	769	-	869
				97,286	20,620	213	118,119	42,181	20,620	213	63,014



CONSOLIDATED FINANCIAL STATEMENTS





DIRECTORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

On behalf of the Board of Directors, I 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, 2016.

PERFORMANCE SUMMARY

The summarised consolidated financial highlights are as follows:

	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----	
(Loss) / profit before provisions and direct write-offs	(16,491)	2,268,301
Provision against non-performing loans and advances - net	(1,910,761)	(1,195,844)
Provision for diminution in the value of investments - net	(13,527)	(375,398)
Bad debts written off directly	(114)	(4,166)
(Loss) / profit before taxation	(1,940,893)	692,893
Tax expense	(250,586)	(454,690)
(Loss) / profit after taxation	(2,191,479)	238,203
Basic (loss) / earnings per share (Rupees)	(1.01)	0.16
Diluted (loss) / earnings per share (Rupees)	(1.01)	0.10
Transfer to Statutory Reserve	-	43,444

PATTERN OF SHAREHOLDING

The pattern of shareholding as at December 31, 2016 is making part of the annual report.

On behalf of the Board of Directors

Muhammad Zahir Esmail
President & Chief Executive

Karachi
March 08, 2017

ڈائریکٹرز کی رپورٹ برائے منظم مالیاتی گوشوارے

سمٹ بینک لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے میں سمٹ بینک لمیٹڈ (ہولڈنگ کمپنی) اور سمٹ کیپیٹل پرائیویٹ لمیٹڈ (ماتحت کمپنی) کے 31 دسمبر 2016 کو ختم ہونے والے سال کے منظم مالیاتی گوشوارے بمع آڈٹ رپورٹ پیش کر رہا ہوں۔

کارکردگی کا جائزہ

زیر نظر سال کیلئے منظم مالیاتی جھلکیاں درج ذیل ہیں:

December 31, 2015	December 31, 2016	
----- (Rupees in '000) -----		
2,268,301	(16,491)	پروویڈنڈ اور ڈائریکٹ رائٹ آف سے قبل (نقصان)/منافع
(1,195,844)	(1,910,761)	غیر کارکردگی والے قرضہ جات اور ایڈوانسز کے عوض پروویڈنڈ - نیٹ
(375,398)	(13,527)	سرمایہ کاریوں کی مالیت میں کمی کیلئے پروویڈنڈ - نیٹ
(4,166)	(114)	برے قرضہ جات کا ڈائریکٹ رائٹ آف
692,893	(1,940,893)	قبل از ٹیکس (نقصان)/منافع
(454,690)	(250,586)	ٹیکس خرچ
238,203	(2,191,479)	بعد از ٹیکس (نقصان)/منافع
0.16	(1.01)	فی شیئر (نقصان)/منافع - بیسک، (روپے)
0.10	(1.01)	فی شیئر (نقصان)/منافع - ڈائریکٹڈ، (روپے)
43,444	-	قانونی ریزرو میں منتقلی

شیئر ہولڈنگ کی تفصیلات

31 دسمبر 2016 کو شیئر ہولڈنگ کی تفصیلات سالانہ رپورٹ کا حصہ ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

محمد ظہیر اسماعیل
صدر و منظم اعلیٰ

کراچی

08 مارچ 2017ء

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, 2016** 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 Holding Company's management. Our responsibility is to express our opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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, 2016 and the results of their operations for the year then ended.

Other Matters

The consolidated financial statements of the Bank for the year ended December 31, 2015 were audited by another firm of Chartered Accountants who had expressed an unqualified opinion thereon dated March 04, 2016.

Deloitte Yousuf Adil

Chartered Accountants

Engagement Partner: Mushtaq Ali Hirani

Date: March 08, 2017

Karachi

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

		December 31, 2016	December 31, 2015
	Note	----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks	7	12,786,629	10,539,924
Balances with other banks	8	2,582,694	2,919,394
Lendings to financial institutions	9	1,631,583	1,000,000
Investments	10	90,364,950	78,016,205
Advances	11	79,844,271	70,554,280
Operating fixed assets	12	12,326,303	9,589,774
Deferred tax assets - net	13	5,151,050	5,545,433
Other assets	14	10,298,579	10,200,685
		214,986,059	188,365,695
LIABILITIES			
Bills payable	15	5,061,470	2,728,797
Borrowings	16	49,819,840	49,755,998
Deposits and other accounts	17	142,735,727	119,742,108
Sub-ordinated loans	18	1,496,550	1,497,240
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	19	3,227,249	2,693,008
		202,340,836	176,417,151
NET ASSETS		12,645,223	11,948,544
REPRESENTED BY			
Share capital	20	17,786,663	10,779,796
Convertible preference shares	20	2,155,959	2,155,959
Advance against subscription of shares	20	1,854,870	7,006,867
Reserves	21	(1,722,341)	(1,722,341)
Accumulated losses		(9,541,930)	(7,430,321)
		10,533,221	10,789,960
Surplus on revaluation of assets - net of deferred tax	22	2,112,002	1,158,584
		12,645,223	11,948,544
CONTINGENCIES AND COMMITMENTS	23		

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

President &
Chief Executive

Director

Director

Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2016

		December 31, 2016	December 31, 2015
	Note	----- (Rupees in '000) -----	
Mark-up / return / interest earned	24	10,629,247	10,709,851
Mark-up / return / interest expensed	25	(7,853,065)	(7,653,842)
Net mark-up / interest income		<u>2,776,182</u>	<u>3,056,009</u>
Provision against non-performing loans and advances - net	11.3.1	<u>(1,910,761)</u>	<u>(1,195,844)</u>
Provision for diminution in the value of investments - net	10.12	<u>(13,527)</u>	<u>(375,398)</u>
Bad debts written off directly	11.4.1	<u>(114)</u>	<u>(4,166)</u>
Net mark-up / interest income after provisions		<u>851,780</u>	<u>1,480,601</u>
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		<u>1,350,831</u>	<u>1,272,680</u>
Dividend income		<u>63,296</u>	<u>79,784</u>
Income from dealing in foreign currencies		<u>488,272</u>	<u>534,090</u>
Gain on sale of securities - net	26	<u>1,189,824</u>	<u>2,443,376</u>
Gain on disposal of operating fixed assets - net	12.4	<u>47,426</u>	<u>2,895</u>
Unrealised loss on revaluation of investments classified as held-for-trading - net	10.14	<u>(16,009)</u>	<u>(13,498)</u>
Other income	27	<u>101,643</u>	<u>104,122</u>
Total non mark-up / interest income		<u>3,225,283</u>	<u>4,423,449</u>
		<u>4,077,063</u>	<u>5,904,050</u>
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	28	<u>(5,902,575)</u>	<u>(5,188,247)</u>
Other provisions / write-offs	29	<u>(71,822)</u>	<u>8,079</u>
Other charges	30	<u>(43,559)</u>	<u>(30,989)</u>
Total non mark-up / interest expenses		<u>(6,017,956)</u>	<u>(5,211,157)</u>
Extra-ordinary / unusual items		<u>-</u>	<u>-</u>
(LOSS) / PROFIT BEFORE TAXATION		<u>(1,940,893)</u>	<u>692,893</u>
Taxation			
Current	31	<u>(132,029)</u>	<u>(137,032)</u>
Prior years		<u>-</u>	<u>(57)</u>
Deferred		<u>(118,557)</u>	<u>(317,601)</u>
(LOSS) / PROFIT AFTER TAXATION		<u>(250,586)</u>	<u>(454,690)</u>
		<u>(2,191,479)</u>	<u>238,203</u>
----- (Rupees) -----			
Basic (loss) / earnings per share	32.1	<u>(1.01)</u>	<u>0.16</u>
Diluted (loss) / earnings per share	32.2	<u>(1.01)</u>	<u>0.10</u>

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

 President &
Chief Executive

Director

Director

Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2016

	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----	
(Loss) / profit after taxation	(2,191,479)	238,203
Other comprehensive income		
Not to be reclassified to profit and loss account in subsequent periods		
Actuarial gain / (loss) on defined benefit plan	18,581	(4,805)
Comprehensive income transferred to equity	(2,172,898)	233,398
Components of comprehensive income not reflected in equity		
Deficit on revaluation of 'available for sale securities - net of tax' *	(186,022)	(455,487)
Surplus on revaluation of 'operating fixed assets - net of tax' and 'non banking assets - net of tax' (i)	-	-
Total comprehensive loss	(2,358,920)	(222,089)

* 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.

(i) 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 and BPRD Circular No. 1 dated January 01, 2016 respectively.

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

**President &
Chief Executive**

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CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2016

	December 31, 2016	December 31, 2015
Note	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(1,940,893)	692,893
Less: Dividend income	(63,296)	(79,784)
	<u>(2,004,189)</u>	<u>613,109</u>
Adjustments:		
Depreciation on operating fixed assets	620,229	559,602
Depreciation on non banking assets	21,491	417
Amortisation	49,864	48,458
Provision against non-performing loans and advances - net	1,910,761	1,195,844
Bad debts written off directly	114	4,166
Other provisions / write offs	71,822	(8,079)
Provision for diminution in the value of investments - net	13,527	375,398
Unrealised loss on revaluation of investments classified as held-for-trading securities - net	16,009	13,498
Loss / (gain) on disposal of non banking assets - net	4,648	(1,929)
Gain on disposal of operating fixed assets - net	(47,426)	(2,895)
	<u>2,661,039</u>	<u>2,184,480</u>
	656,850	2,797,589
Increase in operating assets		
Lendings to financial institutions	(631,583)	(350,000)
Held-for-trading securities	(284,334)	(73,006)
Advances - net	(11,200,866)	(5,299,593)
Other assets (excluding advance taxation) - net	(1,870,129)	(1,311,056)
	<u>(13,986,912)</u>	<u>(7,033,655)</u>
Increase in operating liabilities		
Bills payable	2,332,673	1,197,158
Borrowings from financial institutions	63,954	24,454,185
Deposits and other accounts	22,993,619	14,519,662
Other liabilities	552,822	140,559
	<u>25,943,068</u>	<u>40,311,564</u>
	12,613,006	36,075,498
Income tax paid	(118,388)	(210,368)
Net cash inflow from operating activities	<u>12,494,618</u>	<u>35,865,130</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in 'available-for-sale' securities	(12,380,132)	(33,710,392)
Dividend received	64,143	77,673
Investment in operating fixed assets	(1,810,919)	(2,319,257)
Sale proceeds of property and equipment	73,253	30,760
Sale proceeds of non banking assets	1,614,974	265,697
Net cash outflow from investing activities	<u>(12,438,681)</u>	<u>(35,655,519)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance against subscription of shares	1,854,870	(500,000)
Redemption of sub-ordinated loan	(690)	(690)
Net cash inflow / (outflow) from financing activities	<u>1,854,180</u>	<u>(500,690)</u>
Increase / (decrease) in cash and cash equivalents	1,910,117	(291,079)
Cash and cash equivalents at beginning of the year	13,455,350	13,746,429
Cash and cash equivalents at end of the year	<u>15,365,467</u>	<u>13,455,350</u>

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

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Chief Executive

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2016

	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		Total Reserves
Balance as at January 01, 2015	10,779,796	2,155,959	7,506,867	1,000,000	(1,297,298)	110,718	(1,579,205)	(7,689,076)	(9,454,861)	10,987,761
Transfer from surplus on revaluation of operating fixed assets	-	-	-	-	-	-	-	68,801	68,801	68,801
Total comprehensive income for the year	-	-	-	-	-	-	-	238,203 (4,805)	238,203 (4,805)	238,203 (4,805)
Profit after taxation for the year ended December 31, 2015	-	-	-	-	-	-	-	233,398	233,398	233,398
Other comprehensive loss	-	-	-	-	-	43,444	-	(43,444)	-	-
Transfer to Statutory Reserves	-	-	(500,000)	-	-	-	-	-	-	(500,000)
Advance against subscription of shares returned	-	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2015	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) 18,581	(2,191,479) 18,581	(2,191,479) 18,581
Loss after taxation for the year ended December 31, 2016	-	-	-	-	-	-	-	(2,172,898)	(2,172,898)	(2,172,898)
Other comprehensive income	-	-	-	-	-	-	-	18,581	18,581	18,581
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

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

**President &
Chief Executive**

Director

Director

Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

1. STATUS AND NATURE OF BUSINESS

- 1.1** The Group comprises of Summit Bank Limited - the holding company (the Bank) and Summit Capital (Private) Limited (SCPL) - a wholly owned subsidiary. The ultimate holding company of the Group is Suroor Investments Limited, (SIL) a company incorporated in Mauritius.
- 1.2** Summit Bank Limited (the Bank) was incorporated in Pakistan as public company limited by shares on December 09, 2005 under the Companies Ordinance, 1984. It is listed on Pakistan Stock Exchange Limited. The registered office of the Bank is situated Plot No. 9-C, F-6 Markaz, Supermarket, Islamabad, Pakistan.
- 1.3** The Bank is principally engaged in the business of banking through its 192 branches including 13 Islamic Banking Branches [2015: 192 Branches including 10 Islamic Banking Branches] in Pakistan as defined in the Banking Companies Ordinance, 1962. In June 2016, JCR-VIS Credit Rating Company Limited has assigned the Bank a medium to long-term rating of 'A- (Single A minus)' and a short-term rating of 'A-1 (A-one)'. Moreover, the Bank's TFC has been assigned a rating of 'A-(SO)' (Single A minus (Structured Obligation)). These ratings have been assigned Stable Outlook.
- 1.4** SCPL, the subsidiary company was incorporated in Pakistan on March 08, 2006 under the Companies Ordinance, 1984. The subsidiary company is a corporate member / TREC holder of Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited) and Pakistan Mercantile Exchange Limited (formerly National Commodity 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 Bank is required to maintain Minimum Paid-up Capital (net of losses) (MCR) of Rs. 10 billion, Capital Adequacy Ratio (CAR) at 10.65% (inclusive of Capital Conservation Buffer of 0.65%) and Leverage Ratio (LR) at 3% as of December 31, 2016 both on standalone and consolidated basis.

In order to ensure compliance with the regulatory CAR and LR requirements, to improve risk absorption capacity and to provide impetus to the future growth initiatives of the Bank, the Board of Directors in its meeting held on March 04, 2016 approved to further increase the paid-up capital of the Bank by Rs. 2 billion through Right Issue of shares, subject to regulatory approvals. As of the closing date, the management is in the process of obtaining requisite regulatory approval to implement the transaction against which the Group has received Rs. 1,854.87 million as advance against subscription of shares. This includes Rs. 1,157.67 million received from Suroor Investments Limited (Sponsor of the Bank) and Rs. 697.20 million from an investor, who is not a shareholder of the Bank. In this respect, SBP vide its letter dated October 28, 2016, has allowed the Group to consider the advance share deposit money of Rs. 1,854.87 million as share capital for MCR, CAR and LR purposes.

As of December 31, 2016, the Bank is compliant with the applicable MCR on both standalone and consolidated basis. However, the Bank's CAR and LR is less than the applicable requirement of BASEL III regulations. In this regard, SBP has granted extension to the Bank in timeline to meet the CAR requirement of 10.65% (Minimum CAR of 10% plus Capital Conservation Buffer requirement of 0.65%) and Leverage Ratio requirement of 3% till March 31, 2017, along with the following exemptions:

- Relaxation from BASEL III related regulatory deductions to be made @ 20% instead of the applicable rate of 60%, wherein the amount which escaped deduction will be risk weighted @ 100%.
- Reversal of deductions pertaining to Tier 2 Capital i.e. for TFCs of the Bank to the tune of Rs. 539 million only.

The management is confident that if the growth factors and other key assumptions stipulated in the business plan materialise, the Bank will be able to achieve the profitability projections. This will enable the Bank to meet applicable CAR and LR requirements.

The key assumptions considered in the business plan are as follows:

- The Bank has enjoyed continued support from its sponsor in the past and management foresees that this support will continue in future. This is evident by further capital injections during the year;

- Market forecasts 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 results through targeted income generating avenues for mark-up income, non mark-up income etc.

Moreover, in light of the Board of Directors approval dated November 21, 2016, management is evaluating the potential merger/acquisition transaction with another bank, which is subject to necessary regulatory approvals.

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).

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

The financial statements of subsidiaries are prepared for the same reporting period as the Bank, using accounting policies that are consistent with those of the Bank, 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.
- 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 Group 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, provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the directives issued by State Bank of Pakistan (SBP). In case requirements differ, the provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the directives issued by SBP shall prevail.

3.2 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. Further, the Securities and Exchange Commission of Pakistan (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 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 SECP has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. In light of the SBP's circular no. 04 of 2015 dated February 25, 2015, IFAS 3 shall be followed once specific instructions and uniform disclosure requirements have been notified by SBP in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard will result in certain new disclosures in the financial statements of the Group.

The following amendments to approved accounting standards are effective for accounting periods, beginning on or after the date mentioned against each of them. These 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
- Amendments to IAS 7 'Statement of Cash Flows': Amendments as result of the disclosure initiative	January 01, 2017
- Amendments to IAS 12 'Income Taxes': Recognition of deferred tax assets for unrealised losses	January 01, 2017
- 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

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

The following amendments to published approved accounting standards are effective from January 1, 2016. These 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.

- Amendments to IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations': Clarification regarding changes in the method of disposal of an asset.

- Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities and IAS 28 (Revised 2011) - Investments in Associates and Joint Ventures: Application of consolidation exception.
- Amendments to IFRS 11 - Joint Arrangements: Accounting for acquisitions of an interest in a joint operation
- Amendments to IAS 1 - Presentation of Financial Statements: Amendments resulting from the disclosure initiative.
- Amendments to IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture: Bringing bearer plants in scope of IAS 16.
- Amendments to IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets: Clarification on acceptable methods of depreciation and amortisation.
- Amendments to IAS 19 'Employee Benefits': Clarification that the same currency bonds be used to determine the discount rate in which benefits are to be paid.
- Amendments to IAS 27 (Revised 2011) 'Separate Financial Statements': Use of equity method to account for investments in subsidiaries, joint ventures and associates in separate financial statements.
- Amendments to IAS 34 'Interim Financial Reporting': Clarification related to certain disclosures, i.e., if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases

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, except as described below:

The State Bank of Pakistan vide BPRD Circular no. 1 dated January 01, 2016 issued Regulations for Debt Property Swap (DPS). These Regulations, apart from other requirements, stipulate that banks will recognize the impact of deficit or surplus arising on revaluation of property acquired under DPS.

Accordingly, the Group has recognized the revaluation surplus on certain DPS properties (i.e. other than under sale arrangement / agreement) held as 'non banking assets acquired in satisfaction of claims' and included the same in 'Other assets', and transferred its net of tax amount to 'Surplus on revaluation of assets - net of tax' below equity. Legal fees, transfer costs and direct costs of acquiring title to such properties is charged to profit and loss account and not capitalised. Moreover, depreciation is required to be charged on such properties. Previously, these non banking assets acquired in satisfaction of claims were stated at lower of the net realisable value of the related advances and the current fair value of such assets. Had there been no change in the accounting policy, the balance of 'Other assets' and 'Surplus on revaluation of assets - net of tax' would have been lower by Rs. 423.034 million and Rs. 274.972 million respectively, while the balance of 'Deferred tax assets - net' would have been higher by Rs. 148.062 million as of December 31, 2016. As per these regulations, the revaluation surplus on DPS properties is not admissible for the calculation of Group's Capital Adequacy Ratio and exposure limits under the Prudential Regulations.

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 recognised 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.

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.

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 recognised in the income over the period of credit sale.

Moreover, pursuant to BPRD Circular Letter No. 05 dated February 29, 2016 issued by SBP, Bai Muajjal with Government of Pakistan has been classified in investments as other Federal Government securities.

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. The 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 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

Owned

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

Depreciation is calculated by the Group using the straight line method which writes down the cost of assets to their residual values over the estimated useful lives. The rates at which the assets are depreciated are disclosed in note 12.2 to the consolidated financial statements. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each statement of financial position 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. 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 the rates specified in the relevant note. Intangible assets' residual values, if significant and their useful lives are reviewed at each balance sheet date and adjusted prospectively, if appropriate, at each balance sheet date.

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

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

Goodwill

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

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

5.6 Subordinated loans

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

5.7 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 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. Previously, these were stated at lower of the net realizable value of the related advances and the current fair value of such assets.

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 (Pvt.) Limited (SCPL) operate their separate defined contribution provident funds for all their permanent employees. Equal monthly contributions are made both by the Bank and its employees and SCPL and its employees to the respective funds at the rate of 10% and 8.33% of basic salary respectively.

Defined benefit plan

The Bank and Summit Capital (Pvt.) Limited (SCPL) operate their separate funded gratuity funds 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 recognised directly in other comprehensive income with no subsequent recycling through the profit and loss account.

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

Employees' compensated absences

The 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 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 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 Certificates'. 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. Mudarib (the Group) 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 Group's discretion and the Group 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 receipts 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 assets 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).

	Note	December 31, 2016	December 31, 2015
----- (Rupees in '000) -----			
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		2,943,594	2,840,468
Foreign currencies		<u>188,699</u>	<u>335,693</u>
		3,132,293	3,176,161
National prize bonds		9,251	11,004
With State Bank of Pakistan in			
Local currency current account	7.1	6,553,191	4,697,529
Foreign currency current account	7.2	23,875	21,052
Foreign currency deposit account			
- Non-remunerative	7.3	373,940	356,916
- Remunerative	7.4	1,070,043	1,064,598
		8,021,049	6,140,095
With National Bank of Pakistan in			
Local currency current account		<u>1,624,036</u>	<u>1,212,664</u>
		12,786,629	10,539,924

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 and as at December 31, 2016, carries no mark-up (2015: 0%) per annum.

		December 31, 2016	December 31, 2015
	Note	---- (Rupees in '000) ----	
8. BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		10,632	420,869
On deposit accounts	8.1	120,702	69,123
Outside Pakistan			
On current accounts		1,100,390	1,455,520
On deposit accounts	8.2	1,350,970	973,882
		<u>2,582,694</u>	<u>2,919,394</u>

8.1 These represent placements with correspondent banks, carrying interest rate determined with respect to underlying currency benchmark rates ranging from 3.5% to 3.75% per annum (December 31, 2015: 4% to 4.5% per annum).

8.2 These represent placements with correspondent banks, carrying interest rate determined with respect to underlying currency benchmark rates ranging from 0.75% to 3% per annum (December 31, 2015: 0.5% to 3% per annum).

		December 31, 2016	December 31, 2015
	Note	---- (Rupees in '000) ----	
9. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings		-	1,000,000
Musharakah	9.2	150,000	-
Repurchase agreement lendings	9.3 & 9.4	1,481,583	-
		<u>1,631,583</u>	<u>1,000,000</u>
9.1 Particulars of lendings			
In local currency		1,631,583	1,000,000
In foreign currencies		-	-
		<u>1,631,583</u>	<u>1,000,000</u>

9.2 This represents Musharaka placement with a financial institution carrying profit rate of 5.05% per annum which will mature on January 3, 2017.

9.3 This represents lending against securities to a financial institution carrying mark-up at the rate of 5.70% per annum which will mature on January 3, 2017.

9.4 Securities held as collateral against repurchase agreement lendings

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

	December 31, 2016			December 31, 2015		
	Held by Group	Further given as collateral	Total	Held by Group	Further given as collateral	Total
	----- (Rupees in '000) -----					
Market Treasury Bills	1,481,583	-	1,481,583	-	-	-
	<u>1,481,583</u>	<u>-</u>	<u>1,481,583</u>	<u>-</u>	<u>-</u>	<u>-</u>

9.4.1 The market value of securities held as collateral against lendings to financial institutions amounted to Rs. 1,481.738 million.

	Note	December 31, 2016			December 31, 2015		
		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							
Listed ordinary shares	10.4	407,796	-	407,796	136,960	-	136,960
Available-for-sale securities							
Market treasury bills	10.3	37,156,123	20,229,721	57,385,844	19,925,194	10,579,493	30,504,687
Pakistan investment bonds	10.3	1,100,481	23,758,983	24,859,464	3,787,809	35,036,961	38,824,770
GOP ijarah sukuks	10.3	2,553,379	-	2,553,379	2,500,000	-	2,500,000
Other Federal Government Securities							
- Bai Muajjal with Government of Pakistan		-	-	-	459,868	-	459,868
Listed ordinary shares	10.4	3,758,043	57,689	3,815,732	3,867,750	101,008	3,968,758
Unlisted ordinary shares	10.5	24,310	-	24,310	24,310	-	24,310
Units of open ended mutual funds	10.6	85,000	-	85,000	86,208	-	86,208
Preference shares	10.7	-	-	-	70,645	-	70,645
Term finance certificates - listed	10.8	17,266	-	17,266	94,348	-	94,348
Term finance certificates - unlisted	10.9	1,594,732	-	1,594,732	1,304,767	-	1,304,767
Sukuk bonds	10.10	1,564,510	-	1,564,510	1,681,744	-	1,681,744
		47,853,844	44,046,393	91,900,237	33,802,643	45,717,462	79,520,105
Unlisted ordinary shares	10.11	-	-	-	-	-	-
Investments at cost		48,261,640	44,046,393	92,308,033	33,939,603	45,717,462	79,657,065
Less: Provision for diminution in value of investments	10.12	(1,764,488)	-	(1,764,488)	(1,750,961)	-	(1,750,961)
Investments - net of provisions		46,497,152	44,046,393	90,543,545	32,188,642	45,717,462	77,906,104
Deficit on revaluation of held-for-trading securities	10.14	(16,009)	-	(16,009)	(13,498)	-	(13,498)
Surplus / (deficit) on revaluation of available-for-sale securities	22.2	37,405	(199,991)	(162,586)	(17,322)	140,921	123,599
Total investments		46,518,548	43,846,402	90,364,950	32,157,822	45,858,383	78,016,205

		December 31, 2016	December 31, 2015
	Note	----- (Rupees in '000) -----	
10.2 Investments by segments:			
Federal Government Securities:			
- Market Treasury Bills	10.3	57,385,844	30,504,687
- Pakistan Investment Bonds	10.3	24,859,464	38,824,770
- Bai Muajjal with Government of Pakistan		-	459,868
- GOP Ijarah sukuks	10.3	2,553,379	2,500,000
Fully paid-up Ordinary Shares / Units:			
- Listed ordinary shares	10.4	4,223,528	4,105,718
- Unlisted ordinary shares	10.5	24,310	24,310
- Units of open end mutual funds	10.6	85,000	86,208
Preference shares	10.7	-	70,645
Term Finance Certificates and Bonds:			
- Term Finance Certificates - Listed	10.8	17,266	94,348
- Term Finance Certificates - Unlisted	10.9	1,594,732	1,304,767
- Sukuk Bonds	10.10	1,564,510	1,681,744
Total investments at cost		92,308,033	79,657,065
Less: Provision for diminution in value of investments	10.12	(1,764,488)	(1,750,961)
Investments - net of provisions		90,543,545	77,906,104
Deficit on revaluation of held-for-trading securities	10.14	(16,009)	(13,498)
(Deficit) / surplus on revaluation of available-for-sale securities	22.2	(162,586)	123,599
Total investments		90,364,950	78,016,205

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 5.82% to 6.05% (December 31, 2015: 6.39% to 9.15%) per annum and will mature within 9 months. Pakistan Investment Bonds carry mark-up ranging from 6.20% to 10.20% (December 31, 2015: 8.75% to 12.00%) per annum payable on semi-annual basis and will mature within 1 to 15 years.

GOP Ijarah Sukuks are issued by the Government of Pakistan. Effective yield on these Sukuks is 4.23% (December 31, 2015: 5.89%) per annum and they will mature within 2 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, 2016	December 31, 2015		December 31, 2016	December 31, 2015
				----- (Rupees in '000) -----	
Held-for-trading securities					
Aisha Steel Mills Limited	10,000,000	-	10	167,000	-
Dolmen City REIT - a related party	7,511,313	-	10	83,000	-
Engro Corporation Limited	-	195,600	10	-	58,876
Hascol Petroleum Limited	100,000	-	10	34,164	-
Hi-Tech Lubricants Limited	150,000	-	10	16,994	-
K-Electric Limited	1,500,000	-	10	14,119	-
MCB Bank Limited	-	85,100	10	-	20,708
Pak Elektron Limited	-	250,000	10	-	20,694
Pakistan State Oil Company Limited	75,000	-	10	32,234	-
Sui Southern Gas Company Limited	1,150,000	-	10	47,103	-
TPL Trakker Limited	525,000	-	10	9,682	-
Treet Corporation Limited	75,000	-	10	3,500	-
United Bank Limited	-	224,100	10	-	36,682
				407,796	136,960
Available-for-sale securities					
Adamjee Insurance Company Limited	-	200,000	10	-	11,952
Agritech Limited - (note 10.4.1) - a related party	34,306,400	32,105,034	10	1,192,890	1,016,346
Aisha Steel Mills Limited	1,739,500	-	10	28,777	-
Allied Bank Limited	-	105,200	10	-	10,984
Al Shaheer Corporation Limited	496,818	1,484,341	10	30,401	104,454
Arif Habib Corporation Limited - a related party	-	189,063	10	-	6,930
Askari Bank Limited	-	183,500	10	-	4,242
Azgard Nine Limited	500,000	500,000	10	5,911	5,911
Byco Petroleum Pakistan Limited	1,406,000	-	10	34,787	-
D.G. Khan Cement Company Limited	-	1,412,000	10	-	210,910
Engro Corporation Limited	-	237,500	10	-	75,312
Engro Fertilizer Limited	1,390,500	200,000	10	100,616	18,521
Engro Foods Limited	-	670,000	10	-	115,336
Fauji Cement Company Limited	1,200,000	1,700,000	10	51,637	63,012
Fauji Fertilizer Bin Qasim Limited	210,000	210,000	10	12,902	12,902
Faysal Bank Limited	-	500,000	10	-	7,489
First Capital Securities Corporation Limited	10,058,000	11,308,000	10	90,067	94,847
Habib Bank Limited	500,000	1,767,250	10	132,626	357,011
Hascol Petroleum Limited	-	125,000	10	-	20,478
Javedan Corporation Limited	18,529,272	14,239,936	10	745,737	675,296
Kot Addu Power Compay Limited	192,000	-	10	15,643	-
Maple Leaf Cement Factory Limited	150,000	-	10	19,078	-
MCB Bank Limited	-	74,000	10	-	18,691
Metropolitan Steel Corporation Limited	2,751,990	3,914,590	10	49,551	61,177
National Bank of Pakistan	-	690,000	10	-	41,278
Nishat Chunian Limited	-	1,250,000	10	-	58,639
Nishat Mills Limited	-	225,000	10	-	24,237
Nishat Chunian Power Limited	397,500	397,500	10	24,273	24,273
Oil and Gas Development Company Limited	-	163,100	10	-	24,411
Pak Elektron Limited	-	353,500	10	-	30,644
Pakistan International Airlines Corporation Limited	3,282,500	-	10	39,428	-
Pakistan Oilfields Limited	-	30,500	10	-	10,112
Pakistan Petroleum Limited	-	150,000	10	-	21,332
Pakistan Telecommunication Company Limited	1,000,000	2,650,000	10	21,035	57,825
Pioneer Cement Limited	673,600	-	10	94,315	-
Power Cement Limited	-	21,283,000	10	-	212,852
SME Leasing Limited	902,350	902,350	10	9,926	9,926
Tariq Glass Industries Limited	4,000,000	4,000,000	10	397,857	288,657
Thatta Cement Company Limited	8,462,835	8,462,835	10	343,480	254,190
The Bank of Punjab	19,108,500	-	10	334,465	-
TPL Trakker Limited	2,165,000	-	10	40,330	-
United Bank Limited	-	110,000	10	-	18,581
				3,815,732	3,968,758
				4,223,528	4,105,718

10.4.1 This includes 6,031,366 shares of Agritech Limited at Rs. 35 per share acquired by the Group during the year as a result of option exercised by the option holder (another bank).

10.5 Particulars of investment in other Ordinary shares - unlisted

Name of companies	Number of shares held		Paid-up value per share	Total book value	
	December 31, 2016	December 31, 2015		December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----				
Arabian Sea Country Club Limited	100,000	100,000	10	1,000	1,000
Chief Executive Officer: Mr. Arif Ali Khan Abbasi Percentage holding 1.29% (December 31, 2015: 1.29%) Net asset value per share was Rs. (2.49) as at June 30, 2015 based on the latest audited financial statements.					
Pakistan Stock Exchange Limited *	4,007,383	4,007,383	10	11,665	11,665
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)					
LSE Financial Services Limited	843,975	843,975	10	6,344	6,344
Managing Director / CEO: Mr. Naveed Amin Net asset value per share was Rs.11.76 as at June 30, 2015 based on the latest audited financial statements.					
ISE Towers REIT Management Company Limited	3,034,603	3,034,603	10	5,301	5,301
Managing Director: Mr. Mian Ayyaz Afzal Net asset value per share was Rs.10.91 as at June 30, 2015 based on the latest audited financial statements.					
				24,310	24,310

* The 4,007,383 shares of Karachi Stock Exchange Limited have been converted into 4,007,383 shares of Pakistan Stock Exchange on January 11, 2016.

10.6 Particulars of investment in mutual funds

Name of funds	Number of units held		Paid-up value per unit	Total book value	
	December 31, 2016	December 31, 2015		December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----				
Mutual fund (open end)					
AKD Cash Fund	-	608,791	50	-	25,000
AKD Opportunity Fund	223,621	-	100	25,000	-
NAFA Income Opportunity Fund - a related party	-	1,134,996	10	-	11,208
NAFA Stock Fund - a related party	584,901	-	10	10,000	-
NIT Islamic Equity Fund	4,000,000	5,004,280	10	50,000	50,000
				85,000	86,208

10.7 Particulars of investment in preference shares

Name of companies	Number of shares held		Paid-up value per share	Total book value	
	December 31, 2016	December 31, 2015		December 31, 2016	December 31, 2015
				----- (Rupees in '000) -----	
Aisha Steel Mills Limited Rate of preference dividend: 6M KIBOR+3% - cumulative Terms of conversion: Conversion option to be exercised any time at the option of the holder	-	17,187	10	-	118
Aisha Steel Mills Limited Rate of preference dividend: 6M KIBOR+3% - cumulative Terms of conversion: Conversion option to be exercised any time at the option of the holder	-	8,594	10	-	86
Javedan Corporation Limited Rate of preference dividend: 12% - cumulative Terms of conversion: Conversion option to be exercised at the option of the holder	-	7,044,100	10	-	70,441
				-	70,645

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

Name of companies	Mark-up rate	Re-payment	Total book value	
			December 31, 2016	December 31, 2015
			----- (Rupees in '000) -----	
Invest Capital Investment Bank Limited - 2nd issue * Investment Bonds plus 2,000 (December 31, 2015: 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 2.75% with 12.00% per annum as floor and 15.75% per annum as ceiling	Semi-annually	10,000	10,000
Azgard Nine Limited *** Nil (December 31, 2015: 56,280) certificates Maturity date: March 31, 2017 Chief Executive Officer: Mr. Ahmed H. Shaikh	6 months KIBOR plus 1.25%	Semi-annually	-	35,792
		balance c/f	10,000	45,792

Name of companies	Mark-up rate	Re-payment	Total book value	
			December 31, 2016	December 31, 2015
			----- (Rupees in '000) -----	
		balance b/f	10,000	45,792
Telecard Limited ** Nil (December 31, 2015: 26,530) certificates Maturity date: May 18, 2015 Chief Executive Officer: Syed Aamir Hussain	Simple average of 6 months KIBOR plus 3.75% (ask side)	Semi-annually	-	41,290
Trust Investment Bank Limited - 3rd issue * 3,877 (December 31, 2015: 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
			17,266	94,348

* Represents non-performing certificates.

** Repaid / sold during the year.

*** These represents zero coupon term finance certificates received from Azgard Nine Limited in lieu of settlement of markup not realised and are fully provided.

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

Name of companies	Mark-up rate	Re-payment	Total book value	
			December 31, 2016	December 31, 2015
			----- (Rupees in '000) -----	
Al Arabia Sugar Mills Limited - 3rd issue 17 (December 31, 2015: Nil) Jumbo certificates of face value other than Rs. 5,000 each Maturity date: December 31, 2026 Chief Executive Officer: Suleman Shahbaz Shareef	6 months KIBOR plus 0.2%	Semi-annually	289,965	-
Agritech Limited - a related party * 100,000 (December 31, 2015: 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, 2015: 183,689) certificate Maturity date: January 31, 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, 2015: 2,000) certificates Maturity date: March 28, 2014 Chief Executive Officer: Mr. S. Nauman Akhtar	1-18th month - 3% cash plus 3% accrual, 19th month onwards 1 month KIBOR	Monthly	1,540	1,540
			1,594,732	1,304,767

* Represents non-performing certificates.

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

Name of companies	Mark-up rate	Re-payment	Total book value	
			December 31, 2016	December 31, 2015
			----- (Rupees in '000) -----	
Arzoo Textile Mills Limited * 40,000 (December 31, 2015: 40,000) certificates Maturity date: April 14, 2017 Chief Executive Officer: 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
K-Electric Limited (KE AZM Sukuk II) 48,758 (December 31, 2015: 48,758) certificates Maturity date: March 19, 2017 Chief Executive Officer: Mr. Muhammad Tayyab Tareen	3 months KIBOR plus 2.25%	Quarterly	244,071	245,325
K-Electric Limited (KE Sukuk-ul-shirkah) 136,253 (December 31, 2015: 136,253) certificates Maturity date: June 17, 2022 Chief Executive Officer: Mr. Muhammad Tayyab Tareen	3 months KIBOR plus 1.0%	Quarterly	681,265	681,265
Liberty Power Tech Limited 100,000 (December 31, 2015: 100,000) certificates Maturity date: October 01, 2020 Chief Executive Officer: Mr. Ashraf Salim Mukaty	3 months KIBOR plus 3.0%	Quarterly	326,674	380,154
Pak Elektron Limited 40,000 (December 31, 2015: 40,000) certificates Maturity date: March 31, 2019 Chief Executive Officer: Mr. M. Murad Saigol	3 months KIBOR plus 1.0%	Quarterly	112,500	175,000
			1,564,510	1,681,744

* Represents non-performing bonds.

10.11 Quality of available-for-sale securities

	Note	Ratings		Market value / Carrying value of investments	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
		----- (Rupees in '000) -----			
Market Treasury Bills	10.11.1	Unrated	Unrated	57,360,077	30,534,340
Pakistan Investment Bonds	10.11.1	Unrated	Unrated	24,691,215	38,972,994
GOP Ijarah Sukuks	10.11.1	Unrated	Unrated	2,613,180	2,528,250
Bai Muajjal with GoP	10.11.1	Unrated	Unrated	-	459,868
Listed Ordinary shares	10.11.2				
Adamjee Insurance Company Limited		-	AA	-	11,302
Agritech Limited - a related party		Unrated	Unrated	435,005	300,182
Allied Bank Limited		AA+, A-1+	AA+, A-1+	-	9,916
Aisha Steel Mills Limited		Unrated	-	27,362	-
Al Shaheer Corporation Limited		Unrated	Unrated	28,517	92,296
Arif Habib Corporation Limited - a related party		-	Unrated	-	9,663
Askari Bank Limited		-	AA, A-1+	-	3,989
Azgard Nine Limited		Unrated	Unrated	4,120	2,210
Byco Petroleum Pakistan Limited		Unrated	-	32,619	-
D.G. Khan Cement Company Limited		-	Unrated	-	208,397
Engro Corporation Limited		-	AA, A-1+	-	66,355
Engro Fertilizer Limited		AA-, A-1+	AA-, A-1+	94,526	16,826
Engro Foods Limited		-	Unrated	-	98,215
Fauji Cement Limited		Unrated	Unrated	54,096	62,594
Fauji Fertilizer Bin Qasim Limited		Unrated	Unrated	10,754	11,063
Faysal Bank Limited		-	AA, A-1+	-	7,715
First Capital Securities Corporation Limited		Unrated	Unrated	58,940	32,793
Habib Bank Limited		AAA, A-1+	AAA, A-1+	136,625	353,662
Hascol Petroleum Limited		A+, A-1	A+, A-1	-	18,031
Javedan Corporation Limited *		Unrated	Unrated	521,781	464,934
Kot Addu Power Compay Limited		AA+, A-1+	-	15,130	-
Maple Leaf Cement Factory Limited		A+, A-1	-	19,137	-
MCB Bank Limited		-	AAA, A-1+	-	16,047
Metropolitan Steel Corporation Limited		Unrated	Unrated	-	61,178
National Bank of Pakistan		-	AAA, A-1+	-	37,288
Nishat Chunian Limited		-	A-, A-2	-	42,500
Nishat Mills Limited		-	AA, A-1+	-	21,346
Nishat Chunian Power Limited		A+, A-1	A+, A-1	22,053	21,882
Oil and Gas Development Company Limited		-	Unrated	-	19,138
Pak Elektron Limited		-	A, A-1	-	22,108
Pakistan International Airlines Corporation Limited		Unrated	-	30,068	-
Pakistan Oilfields Limited		-	Unrated	-	8,175
Pakistan Petroleum Limited		-	Unrated	-	18,272
Pakistan Telecommunication Company Limited		Unrated	Unrated	17,180	43,699
Pioneer Cement Limited		A, A-1	-	95,712	-
Power Cement Limited		-	Unrated	-	189,632
SME Leasing Limited		B+, B	BB-, B	3,429	226
Tariq Glass Industries Limited		Unrated	Unrated	401,800	279,400
Thatta Cement Company Limited		Unrated	Unrated	333,266	219,102
The Bank of Punjab		AA, A-1+	-	337,265	-
TPL Trakker Limited		A-, A-2	-	38,169	-
United Bank Limited		-	AA+, A-1+	-	17,044
				2,717,554	2,787,180
		Balance c/f.		87,382,026	75,282,632

Note	Ratings		Market value / Carrying value of investments	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
			----- (Rupees in '000) -----	
		Balance b/f.	87,382,026	75,282,632
Unlisted Ordinary shares				
Arabian Sea Country Club Limited	10.11.4	Unrated	Unrated	-
Pakistan Stock Exchange Limited		Unrated	Unrated	11,665
LSE Fiancial Services Limited		Unrated	Unrated	6,344
ISE Towers REIT Management Company Limited		Unrated	Unrated	5,301
			23,310	23,310
Preference shares				
Aisha Steel Mills Limited - Cumulative		-	Unrated	-
Aisha Steel Mills Limited - Cumulative		-	Unrated	142
Javedan Corporation Limited		-	Unrated	90
				128,555
				128,787
Mutual fund units - open end				
AKD Cash Fund	10.11.2	-	AA+(f)	-
AKD Opportunity Fund		4-Star	-	31,368
NAFA Income Opportunity Fund - a related party		-	A-(f)	-
NAFA Stock Fund - a related party		3-Star	-	12,649
NIT Islamic Equity Fund		Unrated	Unrated	10,242
				51,320
				49,342
				86,977
				93,359
Term Finance Certificates - listed				
Invest Capital Investment Bank Limited	10.11.3			
Azgard Nine Limited	10.11.4	Unrated	Unrated	-
Telecard Limited		-	Unrated	-
Trust Investment Bank Limited	10.11.4	Unrated	Unrated	-
				-
				31,280
Term Finance Certificates - unlisted				
Al Arabia Sugar Mills Limited *		Unrated	-	289,965
Agritech Limited - a related party	10.11.4	Unrated	Unrated	-
Parthenon (Private) Limited *		Unrated	Unrated	24,890
Security Leasing Corporation Limited	10.11.4	Unrated	Unrated	803,641
				-
				-
				1,093,606
				828,531
Sukuk Bonds				
Arzoo Textile Mills Limited *	10.11.3	Unrated	Unrated	-
K-Electric Limited (AZM Sukuk II)	10.11.4	AA	AA	-
K-Electric Limited (Sukuk-ul-shirkah)		AA+	AA+	245,907
Liberty Power Tech Limited		A+	A+	702,163
Pak Elektron Limited *		A+	A	326,674
				112,500
				175,000
				1,387,244
				1,504,844
		Total		89,973,163
				77,892,743

* These instruments are carried at carrying value as of December 31, 2016 (net of provision / impairment, if any).

10.11.1 These are Government of Pakistan guaranteed securities.

10.11.2 Ratings for these equity securities / units represent 'Entity / Mutual Fund Ratings' which 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 / 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.

		December 31, 2016	December 31, 2015
	Note	----- (Rupees in '000) -----	
10.12 Particulars of provision			
Opening balance		1,750,961	1,375,563
Add: Charge for the year		128,618	448,740
Less: Reversal during the year		(115,091)	(73,342)
		13,527	375,398
Closing balance	10.13	1,764,488	1,750,961
10.13 Particulars of provision in respect of type and segment			
Available-for-sale securities			
Ordinary shares - listed		1,045,095	1,010,658
Ordinary shares - unlisted		1,000	1,000
Term finance certificates - listed		17,266	63,068
Term finance certificates - unlisted		501,127	476,235
Sukuk Bonds		200,000	200,000
		1,764,488	1,750,961

		December 31, 2016	December 31, 2015
	Note	----- (Rupees in '000) -----	
10.14 Deficit on revaluation of held-for-trading securities - net			
Aisha Steel Mills Limited		(9,700)	-
Dolmen City REIT - a related party		(1,352)	-
Engro Corporation Limited		-	(4,227)
Hascol Petroleum Limited		(412)	-
Hi-Tech Lubricants Limited		236	-
K-Electric Limited		(63)	-
MCB Bank Limited		-	(2,254)
Pak Elektron Limited		-	(5,059)
Pakistan State Oil Company Limited		332	-
Sui Southern Gas Company Limited		(4,391)	-
TPL Trakker Limited		(427)	-
Treet Corporation Limited		(232)	-
United Bank Limited		-	(1,958)
		<u>(16,009)</u>	<u>(13,498)</u>
11. ADVANCES			
Loans, cash credits, running finances, etc. - in Pakistan		79,331,716	76,252,494
Islamic financing and related assets (Gross)	43.7	9,328,368	2,571,319
Net investment in finance lease - in Pakistan	11.2	1,482,638	1,068,975
Bills discounted and purchased (excluding Treasury Bills)			
Payable in Pakistan		1,796,122	682,941
Payable outside Pakistan		2,317,128	2,523,397
		<u>4,113,250</u>	<u>3,206,338</u>
Advances - gross		94,255,972	83,099,126
Provision against non-performing advances	11.3.1	(14,411,701)	(12,544,846)
Advances - net of provision		<u>79,844,271</u>	<u>70,554,280</u>
11.1 Particulars of advances - (Gross)			
11.1.1 In local currency		91,906,332	79,624,360
In foreign currencies		2,349,640	3,474,766
		<u>94,255,972</u>	<u>83,099,126</u>
11.1.2 Short-term (up to one year)		75,802,534	66,109,113
Long-term (over one year)		18,453,438	16,990,013
		<u>94,255,972</u>	<u>83,099,126</u>

11.2 Net investment in finance lease - in Pakistan

	December 31, 2016				December 31, 2015			
	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	316,138	982,980	-	1,299,118	262,154	584,518	141,126	987,798
Residual value	84,300	255,467	-	339,767	84,114	123,363	10,203	217,680
Minimum lease payments	400,438	1,238,447	-	1,638,885	346,268	707,881	151,329	1,205,478
Financial charges for future periods	(41,155)	(115,092)	-	(156,247)	(26,586)	(84,454)	(25,463)	(136,503)
Present value of minimum lease payments	359,283	1,123,355	-	1,482,638	319,682	623,427	125,866	1,068,975

11.3 Advances include Rs. 16,719.020 million (December 31, 2015: Rs.17,183.005 million) which have been placed under non-performing status as detailed below:

Category of classification	December 31, 2016			December 31, 2015		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
----- (Rupees in '000) -----						
Other Assets Especially Mentioned (OAEM)	11,141	944	944	26,919	1,157	1,157
Substandard	74,037	5,550	5,550	703,145	73,175	73,175
Doubtful	544,145	98,145	98,145	788,426	88,847	88,847
Loss	16,089,697	14,257,987	14,257,987	15,664,515	12,356,681	12,356,681
	16,719,020	14,362,626	14,362,626	17,183,005	12,519,860	12,519,860

11.3.1 Particulars of provision against non-performing advances

Note	December 31, 2016			December 31, 2015		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
Opening balance	12,519,860	24,986	12,544,846	11,325,171	24,177	11,349,348
Charge for the year	2,852,713	24,089	2,876,802	2,170,860	809	2,171,669
Reversals during the year	(966,041)	-	(966,041)	(975,825)	-	(975,825)
	1,886,672	24,089	1,910,761	1,195,035	809	1,195,844
Amount written off	(43,906)	-	(43,906)	(346)	-	(346)
Closing balance	14,362,626	49,075	14,411,701	12,519,860	24,986	12,544,846

11.3.2 Particulars of provision against non-performing advances

	December 31, 2016			December 31, 2015		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
In local currency	14,362,626	49,075	14,411,701	12,519,860	24,986	12,544,846
In foreign currencies	-	-	-	-	-	-
	14,362,626	49,075	14,411,701	12,519,860	24,986	12,544,846

11.3.3 Pursuant to the applicable Prudential Regulations, the Group has availed the Forced Sale Value (FSV) benefit of securities held against loans and advances amounting to Rs. 3,459 million (December 31, 2015: Rs. 4,323 million). Had this benefit of FSV not been taken by the Group, the specific provision against non-performing loans and advances would have been higher by Rs.1,812 million (December 31, 2015: Rs.2,035 million). Further, the Group has availed the benefit of certain exemptions from Prudential Regulations requiring provision against non-performing loans which are given by the State Bank of Pakistan amounting to Rs. 206 million (December 31, 2015: Rs.1,579 million) at the year end. Moreover, SBP has also allowed relaxation to the Group for classification in respect of a customer amounting to Rs. 856.58 million.

As per the Prudential Regulations for Small and Medium Enterprise (SME) financing, the Group has maintained a general provision at 1% of secured performing portfolio and 2% of unsecured performing portfolio against small enterprises (SE) financing. Moreover, 10% specific provisioning has been held against the SE financing falling in OAEM category i.e., where the principal / mark-up is over due by 90 days. For Consumer Financing Portfolios a general provision at the rate of 2% of secured portfolio and 4% of the unsecured portfolio 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.

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 provision reversal amounting to Rs. 112.724 million as a result of settlement through debt asset swap arrangement with various customers during the year.

		December 31, 2016	December 31, 2015
	Note	----- (Rupees in '000) -----	
11.4	Particulars of write offs		
11.4.1	Against provisions	43,906	346
	Directly charged to profit and loss account	114	4,166
		<u>44,020</u>	<u>4,512</u>
11.4.2	Write offs of Rs.500,000 and above	42,181	3,895
	Write offs of below Rs.500,000	1,839	617
		<u>44,020</u>	<u>4,512</u>

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, 2016 is given in Annexure I.

		December 31, 2016	December 31, 2015
	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	1,840,515	1,592,965
	Loans granted during the year	838,840	589,333
	Repayments during the year	(573,883)	(341,783)
	Balance at end of the year	2,105,472	1,840,515
	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	1,924,931	986,675
	Loans granted during the year	6,509,216	3,679,631
	Repayments during the year	(7,356,069)	(2,741,375)
	Balance at end of the year	1,078,078	1,924,931
		3,183,550	3,765,446
12.	OPERATING FIXED ASSETS		
	Capital work-in-progress	12.1 4,498,429	3,366,115
	Property and equipment	12.2 7,575,163	6,003,658
	Intangible assets	12.3 252,711	220,001
		12,326,303	9,589,774
12.1	Capital work-in-progress		
	Civil works and related payments	4,327,746	3,226,716
	Advances to suppliers and contractors	173,983	84,597
	Advances against computer software	123,163	123,163
	Less: Provision there against	(123,163)	(68,361)
		-	54,802
	Less: Write off against civil works and related payments	(3,300)	-
		4,498,429	3,366,115

12.2 Property and equipment

December 31, 2016

Category of classification	COST					ACCUMULATED DEPRECIATION					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 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	-	
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	

12.2.1 Revaluation of properties

The detailed revaluation exercise of the properties held by the Group was carried out in December 2016 by M/s. Sadruddin Associates, an independent professional valuer. The valuation was 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, 2016, the total revaluation surplus on properties (net of depreciation) amounts to Rs. 2,431 million (December 31, 2015: Rs. 1,339 million). Had there been no revaluations, the carrying amount of revalued assets would have been as follows:

	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----	
Leasehold land	1,806,811	1,805,386
Buildings on leasehold land	1,872,497	1,482,605
Buildings improvements	665,247	677,961

12.2.2 Included in cost of property and equipment are fully depreciated items still in use amounting to Rs. 898 million (December 31, 2015: Rs.952 million).

December 31, 2015

Category of classification	COST					ACCUMULATED DEPRECIATION					Net book value at December 31, 2015	Rate of depreciation	
	At January 01, 2015	Adjustment for revaluation of assets	Additions	(Deletions) / (write off) #	At December 31, 2015	At January 01, 2015	Adjustment for revaluation of assets	Charge for the year	(Deletions) / (write off) #	At December 31, 2015			
Note	(Rupees in '000)											%	
Leasehold land	12.2.1	1,010,024	312,933	1,087,068	(10,000)	2,400,025	-	-	-	-	2,400,025	-	
Building on leasehold land	12.2.1	3,812,648	-	649	(27,962)	3,785,335	1,439,997	-	180,431	(18,125)	1,602,303	2,183,032	5
Building improvements	12.2.1 & 12.2.2	1,476,208	-	59,997	(7,979) (26,890) *	1,501,336	655,617	-	147,344	(5,837) (17,346) *	779,778	721,558	10
Furniture and fixtures	12.2.2	446,731	-	25,270	(5,066) (10,551) *	456,384	234,079	-	42,117	(3,291) (7,160) *	265,745	190,639	10 - 15
Electrical, office and computer equipment	12.2.2	1,487,661	-	193,163	(54,776) (22,649) *	1,603,399	1,118,897	-	153,489	(52,575) (22,343) *	1,197,468	405,931	10 - 30
Vehicles	12.2.2	237,640	-	30,086	(15,412) (62) *	252,252	127,123	-	36,220	(13,502) (62) *	149,779	102,473	20
December 31, 2015		8,470,912	312,933	1,396,233	(121,195) (60,152) *	9,998,731	3,575,713	-	559,601	(93,330) (46,911) *	3,995,073	6,003,658	

12.3 Intangible assets

December 31, 2016

Category of classification	COST				ACCUMULATED AMORTISATION				Net book value at December 31, 2015	Rate of amortisation	
	At January 01, 2015	Additions	(Deletions) / (write off) *	At December 31, 2015	At January 01, 2015	Charge for the year	(Deletion) / (write off) *	At December 31, 2015			
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	

12.3.1 Included in cost of intangible assets are fully amortized items still in use amounting to Rs.316 million (December 31, 2015: Rs.305 million).

December 31, 2015

Category of classification	COST				ACCUMULATED AMORTISATION				Net book value at December 31, 2015	Rate of amortisation	
	At January 01, 2015	Additions	(Deletions) / (write off) *	At December 31, 2015	At January 01, 2015	Charge for the year	(Deletion) / (write off) *	At December 31, 2015			
Note	(Rupees in '000)									%	
Computer softwares	12.3.1	360,735	8,875	(620)	368,990	328,288	13,086	(620)	340,754	28,236	20-30
Trading Rights Entitlement Certificate (TREC)		7,741	-	-	7,741	-	-	-	7,741	-	-
Core deposits		209,874	-	-	209,874	80,389	20,988	-	101,377	108,497	10
Brand name		143,838	-	-	143,838	53,927	14,384	-	68,311	75,527	10
December 31, 2015		722,188	8,875	(620)	730,443	462,604	48,458	(620)	510,442	220,001	

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	494	230	264	407	143	Negotiation	JS Bank Limited
Electrical, office and computer equipment							
ATM Machine	20,826	20,826	-	-	-	Negotiation	NCR
Generator	3,552	3,552	-	845	845	Auction	Bhai Jan Steel Merchants
Cheque Writer & Dispenser Rototype	2,000	2,000	-	26	26	Auction	Dilawae & Brothers
Cheque Writer & Dispenser Rototype	1,800	1,800	-	23	23	Auction	Dilawae & Brothers
Cheque Writer & Dispenser Rototype	1,800	1,800	-	23	23	Auction	Dilawae & Brothers
Generator	1,330	1,330	-	325	325	Auction	I.B. Soomro
Generator	1,216	810	406	529	123	Insurance Claim	UBL Insurers Limited
Vehicles							
Toyota Corolla	1,668	725	943	1,065	122	As per policy	Suhail Ahmed Farooqui (Ex-staff)
Toyota Corolla	1,426	1,426	-	100	100	As per policy	Muhammad Zahir Esmail (Staff)
Suzuki Cultus	1,060	424	636	750	114	As per policy	Saeed Ahmed (Staff)
Honda City	1,527	204	1,323	1,500	177	As per policy	Ali Raza Sandhu (Staff)
Honda City	1,532	587	945	1,400	455	As per policy	Noman Rauf (Staff)
Toyota Corolla	1,350	1,350	-	1,053	1,053	Auction	Waseem Mirza
Suzuki Cultus	1,069	517	552	721	169	Auction	Sh Abdul Waheed
Suzuki Cultus	1,015	710	305	661	356	Auction	Sh Abdul Waheed
Suzuki Cultus	1,038	554	484	796	312	Auction	Waseem Mirza
Suzuki Cultus	1,060	512	548	811	263	Auction	Waseem Mirza
Suzuki Cultus	1,052	140	912	961	49	Auction	Sh Abdul Waheed
Suzuki Cultus	1,015	710	305	772	467	Auction	Zahid Qadri
Honda City	1,286	1,286	-	1,104	1,104	Auction	Muhammad Nasseem
Suzuki Cultus	1,015	710	305	591	286	Auction	Sh Abdul Waheed
Toyota Corolla	1,350	1,350	-	973	973	Auction	Sheeraz Khan
Suzuki Cultus	1,069	570	499	783	284	Auction	Syed Riaz Ahmed
Suzuki Cultus	1,014	761	253	742	489	Auction	Islam Khan
Suzuki Cultus	1,069	552	517	812	295	Auction	Syed Riaz Ahmed
Suzuki Cultus	1,038	606	432	763	331	Auction	Syed Riaz Ahmed
Suzuki Cultus	1,060	530	530	796	266	Auction	Muhammad Farooq
Suzuki Cultus	1,052	228	824	904	80	Auction	Sheraz Khan
Honda City	1,295	1,295	-	1,010	1,010	Auction	Muhammad Naeem
Toyota Corolla	1,350	1,350	-	1,036	1,036	Auction	Syed Ali Ahmed
Suzuki Cultus	1,052	228	824	891	67	Auction	Syed Riaz Ahmed
Suzuki Cultus	1,015	761	254	652	398	Auction	Shahrukh Zahid
Suzuki Cultus	1,015	761	254	706	452	Auction	Noman Hassan Khan
Honda City	1,270	1,270	-	1,060	1,060	Auction	Syed Riaz Ahmed
Honda City	1,040	191	849	904	55	Auction	Syed Riaz Ahmed
Honda City	1,040	191	849	912	63	Auction	Syed Riaz Ahmed
Honda City	1,040	191	849	912	63	Auction	Syed Riaz Ahmed
Honda City	1,052	228	824	883	59	Auction	Syed Riaz Ahmed
Suzuki Cultus	989	709	280	732	452	Auction	Syed Riaz Ahmed
Suzuki Cultus	994	696	298	601	303	Auction	Sh Abdul Waheed
Suzuki Cultus	983	606	377	777	400	Auction	Syed Riaz Ahmed
Balance c/f.	71,918	55,277	16,641	31,312	14,671		

<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.	71,918	55,277	16,641	31,312	14,671		
Items having book value of less than Rs.250,000 or cost less than Rs.1,000,000							
<u>Building improvements</u>							
Various	2,164	1,983	181	332	151	Various	Various
<u>Furniture and fixtures</u>							
Various	5,895	4,746	1,149	971	(178)	Various	Various
<u>Electrical, office and computer equipment</u>							
Various	103,059	99,507	3,552	7,569	4,017	Various	Various
<u>Vehicles</u>							
Various	47,921	43,620	4,301	33,066	28,765	Various	Various
	230,957	205,133	25,824	73,250	47,426		
Disposal of property and equipment 2015	121,195	93,330	27,865	30,760	2,895		
Write offs 2016	92,580	74,360	18,220	-	(18,220)		
Write offs 2015	60,152	46,911	13,241	-	(13,241)		

		December 31, 2016	December 31, 2015
	Note	----- (Rupees in '000) -----	
13. DEFERRED TAX ASSETS - net			
Deferred debits arising in respect of:			
Provision against non performing loans		1,430,583	1,347,315
Provision for compensated absences		35,091	34,636
Provision against other assets		192,763	175,157
Unrealised loss on held-for-trading securities		5,473	4,724
Unused tax losses		3,899,918	4,137,555
Minimum tax		682	396
Alternative corporate tax		4,287	2,453
Provision for diminution in the value of investments		617,571	612,836
Deficit on revaluation of available-for-sale securities - net		56,905	-
		6,243,273	6,315,072
Deferred credits arising in respect of:			
Surplus on revaluation of fixed assets		(488,329)	(260,931)
Surplus on revaluation of available-for-sale securities - net		-	(43,258)
Surplus on revaluation of non banking assets		(148,062)	-
Operating fixed assets		(455,832)	(465,450)
		(1,092,223)	(769,639)
	13.1	5,151,050	5,545,433

13.1 The above net deferred tax asset has been recognised 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 realised.

		December 31, 2016	December 31, 2015
	Note	----- (Rupees in '000) -----	
14. OTHER ASSETS			
Mark-up / return / interest accrued in local currency		2,235,720	3,378,343
Mark-up / return / interest accrued in foreign currency		35,297	11,807
Advances, deposits, advance rent and other prepayments		617,308	572,839
Non banking assets acquired in satisfaction of claims	14.1	3,987,991	5,463,887
Advance taxation - net of provision		565,152	578,793
Receivable from brokers		12,867	-
Receivable from MCB-Arif Habib Savings and Investments Limited - a related party		-	11
Branch adjustment account		39	-
Stationery and stamps on hand		11,531	8,815
Dividend receivable		2,547	3,394
Receivable from other banks against clearing and settlement		64,144	-
Receivable against trading of securities		125,738	97,724
Commission receivable on home remittance	14.2	217,262	215,365
Advance against subscription of sukuk		2,500,000	-
Others		411,697	362,921
		10,787,293	10,693,899
Less: Provision held against other assets	14.3	(488,714)	(493,214)
		10,298,579	10,200,685

	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----	
14.1 Market value of non banking assets acquired in satisfaction of claims	<u>5,019,576</u>	<u>7,148,519</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, 2016	December 31, 2015
	----- (Rupees in '000) -----	
14.3 Provision held against other assets		
Opening balance	493,214	519,299
Add: Charge for the year	41	1,134
Less: Reversals for the year	(4,541)	(27,219)
	29 <u>(4,500)</u>	<u>(26,085)</u>
Closing Balance	<u>488,714</u>	<u>493,214</u>
15. BILLS PAYABLE		
In Pakistan	5,061,470	2,728,797
Outside Pakistan	-	-
	<u>5,061,470</u>	<u>2,728,797</u>
16. BORROWINGS		
In Pakistan	49,815,984	49,692,175
Outside Pakistan	3,856	63,823
	<u>49,819,840</u>	<u>49,755,998</u>
16.1 Particulars of borrowings with respect to currencies		
In local currency	49,815,984	49,692,175
In foreign currencies	3,856	63,823
	<u>49,819,840</u>	<u>49,755,998</u>
16.2 Details of borrowings secured / unsecured		
Secured		
Borrowings from State Bank of Pakistan under:		
Export refinance scheme	16.2.1 <u>6,450,727</u>	<u>5,298,060</u>
Long-term financing of export oriented projects	-	3,922
Repurchase agreement borrowings (Repo)	16.2.2 <u>24,415,383</u>	<u>43,465,193</u>
Foreign bills - rediscounted	-	59,855
	<u>30,866,110</u>	<u>48,827,030</u>
Unsecured		
Overdrawn nostro accounts	3,856	3,968
Call Borrowing	16.2.3 <u>18,949,874</u>	<u>-</u>
Musharakah	-	925,000
	<u>18,953,730</u>	<u>928,968</u>
	<u>49,819,840</u>	<u>49,755,998</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 these borrowings ranges from 1% to 2% (December 31, 2015: 3.00% to 4.50%) per annum, payable on quarterly basis.
- 16.2.2** These represent borrowings from State Bank of Pakistan (SBP) at mark-up rate ranging from 5.89% to 5.92% (December 31, 2015: 6.11% to 6.50% per annum, which will mature on January 06, 2017.
- 16.2.3** These represent call money borrowings from financial institution carrying mark-up rate ranging from 5.71% to 6.03% per annum, which will mature between January 30, 2017 and September 25, 2017. The Group has placed treasury bills with market value of Rs. 19,232.161 million as collateral against these borrowings.

	December 31, 2016	December 31, 2015
Note	----- (Rupees in '000) -----	
17. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	27,056,882	29,547,378
Savings deposits	48,872,303	45,292,934
Current accounts - non-remunerative	51,709,036	34,549,191
Margin accounts	4,928,462	3,561,366
	132,566,683	112,950,869
Financial institutions		
Non-remunerative deposits	1,551,721	1,129,619
Remunerative deposits	8,617,323	5,661,620
	10,169,044	6,791,239
	142,735,727	119,742,108
17.1 Particulars of deposits		
In local currency	135,525,240	112,596,017
In foreign currencies	7,210,487	7,146,091
	142,735,727	119,742,108

18. SUB-ORDINATED LOAN

Term Finance Certificate - Listed (Unsecured)	18.1	1,496,550	1,497,240
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- 18.1** During the financial year 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 2016)
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, 2016	December 31, 2015
19. OTHER LIABILITIES	Note	----- (Rupees in '000) -----	
Mark-up / return / interest payable in local currency		1,639,907	1,239,454
Mark-up / return / interest payable in foreign currency		4,553	4,471
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		188,053	120,318
Provision for compensated absences	35	101,974	100,551
Payable to Bank of Ceylon, Colombo		20,163	20,163
Retention money		8,345	8,505
Branch adjustment account		-	35
Advance against sale of properties		138,813	244,991
Workers' Welfare Fund	19.3	13,360	14,517
Security deposits		505,987	334,590
Accrued expenses		61,755	71,107
Payable to brokers		-	2,609
Unrealised loss on forward exchange contracts		49,428	60,093
Payable to defined benefit plan	35	49,368	58,675
Withholding taxes and government levies payable		45,373	34,764
Federal excise duty and sales tax payable		12,641	17,988
Payable to other banks against clearing and settlement		-	11,401
Unclaimed dividend		2,213	2,213
Unearned income		27,844	16,636
Commission payable on home remittances	19.4	127,122	144,488
Others		172,668	127,757
		<u>3,227,249</u>	<u>2,693,008</u>

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 channelised through the Group as per agreement entered into by the Group with them.

	December 31, 2016	December 31, 2015		December 31, 2016	December 31, 2015
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20. SHARE CAPITAL

	---- Number of Shares ----			----- Rupees in '000 -----	
20.1 Authorised capital					
	<u>2,500,000,000</u>	<u>2,000,000,000</u>	Ordinary shares of Rs.10 each	<u>25,000,000</u>	<u>20,000,000</u>
20.2 Issued, subscribed and paid-up capital					
	1,274,199,921	573,513,200	Ordinary shares of Rs.10 each		
			Fully paid in cash	12,741,999	5,735,132
	454,466,382	454,466,382	Issued for consideration		
			other than cash	4,544,664	4,544,664
	<u>50,000,000</u>	<u>50,000,000</u>	Issued as bonus shares	<u>500,000</u>	<u>500,000</u>
	<u>1,778,666,303</u>	<u>1,077,979,582</u>		<u>17,786,663</u>	<u>10,779,796</u>
20.3 Convertible preference shares					
	<u>215,595,916</u>	<u>215,595,916</u>	Convertible preference shares	<u>2,155,959</u>	<u>2,155,959</u>

- 20.4** During the financial year ended December 31, 2013, the Group issued two classes of listed, convertible, irredeemable, non-cumulative preference shares, eligible Tier 1 Capital, namely Class "A" 110,942,434 preference shares and Class "B" 104,653,482 preference shares both at issue price (par value) of Rs.10 per share aggregating to Rs. 2,156 million having a tenor of 5 years. The terms and conditions for the issue are as under:

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

- 20.5** In order to meet the regulatory capital requirements applicable to the Group, the Sponsor of the Bank (Suroor Investments Limited (SIL)) injected Rs.7,007 million as advance share subscription money during the financial year ended December 31, 2014. During the year, the Group has completed the share issuance process and accordingly 700.7 million shares have been issued to SIL at par value of Rs.10 each by way of other than rights issue.

- 20.6** As at December 31, 2016, Suroor Investments Limited (SIL) - parent company, Arif Habib Corporation Limited - a related party, Rupali Bank Limited, Bangladesh - a related party and Directors (including President / Chief Executive Officer) held 1,255,367,121 (70.58%), Nil, 32,777,450 (1.84%) and 1,000,091 (0.06%) [December 31, 2015: 554,680,393 (51.46%), 1,295,355 (0.12%), 32,777,450 (3.04%) and 1,003,868 (0.09%)] issued subscribed and paid-up ordinary shares in the Group, respectively.

	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----	
20.7 Advance against subscription of shares		
Advance against subscription of shares	<u>1,854,870</u>	<u>7,006,867</u>

The Board of Directors of the Group in their meeting held on March 04, 2016 approved to increase the share capital of the Bank by Rs. 2 billion through Right Issue of shares, subject to regulatory approvals. In this respect, Suroor Investments Limited (Sponsor of the Bank) and another investor (who is not the shareholder of the Bank) have injected Rs. 1,157.670 million and Rs. 697.200 million respectively as advance against subscription of shares uptill December 31, 2016.

	Note	December 31, 2016	December 31, 2015
		----- (Rupees in '000) -----	
21. RESERVES			
Share premium		1,000,000	1,000,000
Statutory reserve	21.1	154,162	154,162
Discount on issue of shares		(1,297,298)	(1,297,298)
Reserve arising on amalgamation		<u>(1,579,205)</u>	<u>(1,579,205)</u>
		<u>(1,722,341)</u>	<u>(1,722,341)</u>

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

	Note	December 31, 2016	December 31, 2015
		----- (Rupees in '000) -----	
22. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX			
Surplus arising on revaluation of assets - net of tax:			
Operating fixed assets	22.1	1,942,711	1,078,243
Available-for-sale securities	22.2	(105,681)	80,341
Non banking assets	22.3	274,972	-
		<u>2,112,002</u>	<u>1,158,584</u>

22.1 Surplus on revaluation of operating fixed assets

Balance as at January 01	1,338,645	1,086,418
Surplus recorded during the year	1,153,684	312,933
Transferred to accumulated losses in respect of:		
- Incremental depreciation - net of deferred tax	(39,838)	(39,694)
- Disposal of property - net	-	361
- Related deferred tax liability	(21,451)	(21,373)
	<u>(61,289)</u>	<u>(60,706)</u>
	2,431,040	1,338,645
Less: Related deferred tax liability on:		
- Revaluation as at January 01	(260,402)	(278,033)
- Recorded during the year	(249,378)	(3,742)
- Incremental depreciation	21,451	21,373
	<u>(488,329)</u>	<u>(260,402)</u>
	<u>1,942,711</u>	<u>1,078,243</u>

	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----	
22.2 (Deficit) / surplus on revaluation of available-for-sale securities		
Federal Government Securities		
Market Treasury Bills	(25,767)	29,653
GOP Ijarah Sukuks	59,801	28,250
Pakistan Investment Bonds	(168,250)	148,224
Fully paid-up shares / units		
Listed companies shares	(53,079)	(112,777)
Open end mutual fund units	1,976	7,150
Term Finance Certificates and Bonds		
Term finance certificates	-	-
Sukuk bonds	22,733	23,099
Total surplus on revaluation of securities	(162,586)	123,599
Related deferred tax liability	56,905	(43,258)
	<u>(105,681)</u>	<u>80,341</u>
22.3 Surplus on revaluation of non banking assets		
Balance as at January 01	-	-
Surplus recorded during the year	423,034	-
Related deferred tax liability	(148,062)	-
	<u>274,972</u>	<u>-</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	485,378
Financial institutions	-	62,845
Others	-	37,393
	<u>222,720</u>	<u>585,616</u>
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	12,719,385	9,097,892
Banking companies and other financial institutions	1,522,881	2,155,802
Others	7,772,523	4,875,660
	<u>22,014,789</u>	<u>16,129,354</u>
23.3 Trade-related contingent liabilities		
Letters of credit	20,950,933	15,586,588
Acceptances	1,423,278	1,114,266
	<u>22,374,211</u>	<u>16,700,854</u>
23.4 Other contingencies - claims against the Group not acknowledged as debts	<u>6,993,573</u>	<u>7,407,473</u>
23.5 Contingent asset		

There was no contingent asset as at December 31, 2016 (December 31, 2015: Nil).

	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----	
23.6 Commitments in respect of forward lending		
Forward documentary bills	3,537,409	5,393,486
Commitments to extend credit	<u>10,890,126</u>	<u>24,604,687</u>
	<u>14,427,535</u>	<u>29,998,173</u>
23.7 Commitments in respect of forward exchange contracts		
Purchase	9,132,872	13,634,010
Sale	<u>8,141,786</u>	<u>13,860,665</u>
	<u>17,274,658</u>	<u>27,494,675</u>
23.8 Commitments for capital expenditure		
Civil works	<u>96,167</u>	<u>55,328</u>
23.9 Commitments in respect of repo transactions		
Repurchase government securities	<u>24,423,287</u>	<u>43,465,193</u>
23.10 Other commitments		
Forward outright sale of government securities	-	3,195,147
	<u>-</u>	<u>3,195,147</u>
Total contingencies and commitments	<u>107,826,940</u>	<u>145,031,813</u>
23.11 For tax related contingencies, refer note 31.2		
24. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to:		
Customers	5,348,363	5,696,913
On investments in:		
Available-for-sale securities	5,151,047	4,891,859
Held-for-trading securities	-	12,575
On lendings to financial institutions	110,345	86,692
On deposits with financial institutions	<u>19,492</u>	<u>21,812</u>
	<u>10,629,247</u>	<u>10,709,851</u>
25. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits and other accounts	4,463,831	5,128,283
Securities sold under repurchase agreements	2,505,998	1,948,148
Other short-term borrowings	529,136	246,341
Sub-ordinated loan	143,623	173,360
Swap cost on foreign currency transactions	<u>210,477</u>	<u>157,710</u>
	<u>7,853,065</u>	<u>7,653,842</u>

		December 31, 2016	December 31, 2015
26. GAIN ON SALE OF SECURITIES - net	Note	----- (Rupees in '000) -----	
Federal Government Securities			
- Market Treasury Bills		11,085	7,828
- Pakistan Investment Bonds		645,600	1,974,503
- GOP Ijarah Sukuks		2,750	5,822
Ordinary shares - listed		504,302	453,450
Mutual Funds Units		26,087	1,398
Term finance certificates		-	375
		<u>1,189,824</u>	<u>2,443,376</u>
27. OTHER INCOME			
Bad debts recovered		1,833	3,526
Account maintenance and other relevant charges		43,091	40,168
Recovery of expenses from customers		36,646	35,584
Rent of property / locker	27.1	24,721	22,915
(Loss) / gain on sale of non banking assets	27.2	(4,648)	1,929
		<u>101,643</u>	<u>104,122</u>

27.1 This include income from related party amounting to Rs. 2.575 million (December 31, 2015: Rs.2.341 million).

27.2 The Group incurred loss of Rs. 4.648 million (2015: Gain of Rs. 1.929 million) against the sale of following non banking assets :

		December 31, 2016	December 31, 2015
	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)	-
Land located in Karachi		-	1,764
Residential property located in Karachi		-	(635)
Club Memberships		1,150	800
		<u>(4,648)</u>	<u>1,929</u>

28. ADMINISTRATIVE EXPENSES

Salaries, allowances, etc.		2,182,670	1,904,861
Charge for defined benefit plan - gratuity	35.1.3	70,761	55,015
Contribution to defined contribution scheme	35.2	69,828	67,313
Non-executive directors' fees, allowances and other expenses		2,600	2,170
Brokerage and commission		52,416	14,613
Rent, taxes, insurance and electricity, etc.		1,238,499	1,093,090
Legal and professional		137,145	78,469
Fees and subscription		97,742	74,358
Repairs and maintenance		211,860	173,711
Communications		203,482	201,956
Stationery and printing		101,190	101,259
Advertisement and publicity		204,232	243,914
Travelling and conveyance		212,059	183,392
Education and training		11,780	6,079
Entertainment		51,505	46,156
Security services and charges		251,642	220,580
Auditors' remuneration	28.1	17,482	16,903
Depreciation on non banking assets		21,491	417
Depreciation on operating fixed assets	12.2	620,229	559,602
Amortisation	12.3	49,864	48,458
Others		94,098	95,931
		<u>5,902,575</u>	<u>5,188,247</u>

		December 31, 2016	December 31, 2015
	Note	----- (Rupees in '000) -----	
28.1 Auditors' remuneration			
Audit fee		3,368	3,368
Certifications, half yearly review and sundry advisory services		9,706	7,464
Tax services		1,908	3,561
		14,982	14,393
Out of pocket expenses and others		2,500	2,510
	28.1.1	17,482	16,903
28.1.1	This include an amount of Rs.1.704 million being remuneration of ex-auditors.		
29. OTHER PROVISIONS / WRITE OFFS			
Fixed assets written off	12.4	18,220	13,241
Reversal of provision against other assets	14.3	(4,500)	(26,085)
Provision for advances against computer software		54,802	4,765
Write off against civil works and related payments	12.1	3,300	-
		71,822	(8,079)
30. OTHER CHARGES			
Penalties imposed by SBP		28,799	4,611
Bank charges		15,917	12,521
Provision for Workers' Welfare Fund	19.3	(1,157)	13,857
		43,559	30,989
31. TAXATION			
For the year			
Current	31.1 & 31.2	132,029	137,032
Prior		-	57
Deferred		118,557	317,601
		250,586	454,690

31.1 This represents the provision for minimum taxation made in accordance with the requirements of section 103 of the Income Tax Ordinance, 2001. Therefore, reconciliation of tax expense and accounting profit / loss has not been disclosed.

31.2 The income Tax Returns of the Bank and its subsidiary have been submitted up to and including the financial year 2015 i.e. tax year 2016.

In respect of assessments of Summit Bank Limited from tax year 2008 through tax year 2013, the tax authorities disputed Bank's treatment on certain issues and created additional tax demand (net of rectification) of Rs.232.29 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 through 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 through 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 with regard to the above matters has been made in these financial statements.

		December 31, 2016	December 31, 2015
	Note	----- (Rupees in '000) -----	
32. BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE			
(Loss) / profit after taxation		<u>(2,191,479)</u>	<u>238,203</u>
		----- (Number of shares) -----	
32.1 Weighted average number of Ordinary shares - basic		<u>2,168,966,634</u>	<u>1,470,199,596</u>
		----- (Rupees) -----	
Basic (loss) / earnings per share		<u>(1.01)</u>	<u>0.16</u>
		----- (Number of shares) -----	
32.2 Weighted average number of Ordinary shares - diluted		<u>2,494,301,379</u>	<u>2,447,452,262</u>
		----- (Rupees) -----	
Diluted (loss) / earnings per share	32.2.1	<u>(1.01)</u>	<u>0.10</u>
32.2.1	Diluted loss per share for the financial year 2016 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, 2016	December 31, 2015
	Note	----- (Rupees in '000) -----	
33. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	7	<u>12,786,629</u>	<u>10,539,924</u>
Balances with other banks	8	<u>2,582,694</u>	<u>2,919,394</u>
Overdrawn nostro accounts	16.2	<u>(3,856)</u>	<u>(3,968)</u>
		<u>15,365,467</u>	<u>13,455,350</u>
		----- (Number) -----	
34. STAFF STRENGTH			
Permanent		<u>2,343</u>	<u>2,191</u>
Contractual basis		<u>292</u>	<u>282</u>
Group's own staff strength at end of the year		<u>2,635</u>	<u>2,473</u>
Outsourced		<u>454</u>	<u>435</u>
Total staff strength		<u>3,089</u>	<u>2,908</u>
Average staff strength during the year		<u>2,999</u>	<u>2,832</u>
35. DEFINED BENEFIT AND CONTRIBUTION PLANS		----- (Rupees in '000) -----	
Defined benefit plan (funded - Bank)	35.1	<u>49,368</u>	<u>58,675</u>
Defined contribution plan (funded - Bank)	35.2	<u>69,828</u>	<u>65,257</u>
Compensated absences (non- funded - Bank)	35.3	<u>98,304</u>	<u>97,728</u>
Defined benefit plan (funded - subsidiary)	35.4	<u>-</u>	<u>-</u>
Compensated absences (non- funded - subsidiary)	35.5	<u>3,670</u>	<u>2,823</u>
Defined contribution plan (funded - subsidiary)	35.6	<u>2,292</u>	<u>2,056</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, 2016 using "Projected Unit Credit Method".

	December 31, 2016	December 31, 2015
Principal actuarial assumptions		
Discount rate - per annum	8%	9%
Expected rate of increase in salaries - per annum	7%	8%
Expected rate of return on plan assets - per annum	8%	9%
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	296,204	268,932
Fair value of plan assets	<u>(246,836)</u>	<u>(210,257)</u>
Net liability	<u>49,368</u>	<u>58,675</u>
35.1.2 Movement in net liability recognised by the Bank		
Opening balance	58,675	22,311
Charge for the year	68,469	54,410
Other comprehensive (income) / loss	(19,101)	4,265
Contribution to Fund	<u>(58,675)</u>	<u>(22,311)</u>
Closing balance	<u>49,368</u>	<u>58,675</u>
35.1.3 Charge for the year		
Current service cost	63,188	52,067
Interest cost - net	22,566	21,501
Expected return on plan assets	<u>(17,285)</u>	<u>(19,158)</u>
	<u>68,469</u>	<u>54,410</u>
35.1.4 Actual return on plan assets		
Expected return on plan assets	17,285	19,158
Actuarial losses on plan assets	<u>(2,988)</u>	<u>(4,290)</u>
	<u>14,297</u>	<u>14,868</u>
35.1.5 Movement in present value of defined benefit obligation (DBO)		
DBO as at beginning of the year	268,932	214,151
Current service cost	63,188	52,067
Interest cost - net	22,566	21,501
Benefits paid during the year	(36,393)	(18,762)
Actuarial gain on obligation	<u>(22,089)</u>	<u>(25)</u>
DBO as at end of the year	<u>296,204</u>	<u>268,932</u>
35.1.6 Changes in fair value of plan assets		
Opening fair value of plan assets	210,257	191,840
Expected return	17,285	19,158
Actuarial loss	(2,988)	(4,290)
Contribution by employer	58,675	22,311
Benefit paid	<u>(36,393)</u>	<u>(18,762)</u>
Closing fair value of plan assets	<u>246,836</u>	<u>210,257</u>

The expected charge for defined benefit scheme in financial year 2017 is Rs.59.429 million (December 31, 2015: Rs.56.294 million for financial year 2016) 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, 2016		December 31, 2015	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
35.17 Break-up of category of assets				
Bank deposits	<u>246,836</u>	<u>100%</u>	<u>210,257</u>	<u>100%</u>

35.18 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 %	(20,725)	23,714
Salary increase rate	± 1 %	25,195	(22,369)
Withdrawal rate	± 10 %	60	(60)
1 year mortality age set	Back / forward	(4)	(57)

	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
----- (Rupees in '000) -----					

35.19 Historical information

Present value of defined benefit obligation	<u>296,204</u>	268,932	214,151	171,269	123,952
Plan assets	<u>(246,836)</u>	<u>(210,257)</u>	<u>(191,840)</u>	<u>(120,881)</u>	<u>(101,821)</u>
	<u>49,368</u>	<u>58,675</u>	<u>22,311</u>	<u>50,388</u>	<u>22,131</u>
Experience adjustments					
- actuarial (gain) / loss on obligation	<u>(22,089)</u>	<u>(25)</u>	<u>(10,058)</u>	<u>(2,162)</u>	<u>3,329</u>
- actuarial loss on plan assets	<u>2,988</u>	<u>4,290</u>	<u>1,703</u>	<u>1,977</u>	<u>481</u>

35.2 Defined contribution plan

An amount of Rs.69.081 million (December 31, 2015: Rs.65.257 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 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, 2016 using "Projected Unit Credit Method".

	December 31, 2016	December 31, 2015
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35.3.1 Principal actuarial assumptions

Discount rate - per annum	8%	9%
Expected rate of salary increase - per annum	7%	8%
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>98,304</u>	<u>97,728</u>
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35.3.3 Movement in net liability recognised by the Bank

Opening balance	97,728	107,958
Charge / (reversal) for the year	7,356	(3,135)
Benefits paid during the year	<u>(6,780)</u>	<u>(7,095)</u>
Closing balance	<u>98,304</u>	<u>97,728</u>

35.3.4 Charge / (reversal) for the year

Current service cost	<u>7,356</u>	<u>(3,135)</u>
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35.3.5 Movement in present value of defined benefit obligation (DBO)

DBO as at beginning of the year	97,728	107,958
Current service cost	7,356	(3,135)
Benefits paid during the year	<u>(6,780)</u>	<u>(7,095)</u>
DBO as at end of the year	<u>98,304</u>	<u>97,728</u>

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 %	(6,143)	7,014
Salary increase rate	± 1 %	7,474	(6,652)
Withdrawal rate	± 10 %	82	(156)
Death rate	± 10 %	18	(18)
Leave accumulation factor	± 1 day	292	(343)

35.4 Gratuity payable - defined benefit plan (subsidiary)

35.4.1 General description

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

The cost of providing benefits under each gratuity scheme is determined using the Projected Unit Credit method, with actuarial valuation being carried as at balance sheet date. The latest valuation was carried out as at December 31, 2016.

	December 31, 2016	December 31, 2015
	----- % -----	
35.4.2 Principal actuarial assumption		
The following principal assumptions were used for the valuation:		
Estimated rate of increase in salary of the employees - percent, per annum	7.25	9.25
Expected rate of return on plan assets - percent, per annum	7.25	9.25
Discount rate - per annum	7.25	9.25
	----- (Rupees in '000) -----	
35.4.3 Reconciliation of payable to / (receivable from) defined benefit plan		
Present value of defined benefit obligation	7,627	5,982
Fair value of plan assets	(7,627)	(5,982)
Assets / Liability recognised in statement of financial position	<u>-</u>	<u>-</u>
35.4.4 Movement in payable to defined benefit plan		
Opening balance	-	-
Charge for the year	747	605
Other Comprehensive Income	520	540
Contributions paid to the fund during the year	(1,267)	(1,145)
Closing balance	<u>-</u>	<u>-</u>
35.4.5 Expense recognised in the profit and loss account		
Current service cost	821	649
Interest cost - net	(74)	(44)
	<u>747</u>	<u>605</u>
35.4.6 Sensitivity analysis on significant actuarial assumptions		
		Impact on present value of defined benefit obligation
	Change in assumption	Increase in assumption
		Decrease in assumption
		----- (Rupees in '000) -----
Discount Rate	± 1 %	(6,954)
Salary Increase Rate	± 1 %	8,436
Withdrawal rate	± 1 %	7,584
1 year mortality age set	Back/Forward	7,629
		(8,404)
		(6,916)
		(7,673)
		(7,625)
		----- (Rupees in '000) -----
	December 31, 2016	December 31, 2015
35.5 Provision for staff compensated absences (subsidiary)		
Opening balance	2,823	2,805
Charge for the year	921	290
Encashment during the year	(74)	(272)
Closing balance	<u>3,670</u>	<u>2,823</u>

35.6 Defined contribution scheme (subsidiary)

An amount of Rs. 2.292 (December 31, 2015: Rs. 2.056) million has been charged during the year in respect of contributory provident fund maintained by the subsidiary.

36. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----					
Fees	-	-	2,600	2,170	-	-
Managerial remuneration	18,260	32,000	1,426	8,449	423,355	348,950
Charge for defined contribution plan	1,500	3,200	-	-	37,458	32,717
Rent and house maintenance	7,357	1,390	642	3,802	189,469	157,941
Utilities	1,311	-	143	845	40,731	33,978
Dearness allowance	2,185	-	238	1,408	67,900	56,643
Medical	1,338	18	143	845	41,055	34,248
Conveyance allowance	51	-	114	450	72,085	61,074
Car allowance	-	-	-	-	117,084	83,230
General / special allowance	1,510	-	169	2,835	67,949	54,840
Others	861	815	-	-	7,588	8,489
	34,373	37,423	5,475	20,804	1,064,674	872,110
Number of person(s)	3*	2	4	4	437	356

* This includes the former President and Chief Executive who retired during the year.

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 Group maintained cars in accordance with their entitlements.

36.2 Number of persons include outgoing executives.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the 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 non banking assets held by the Group was determined by an independent professional valuer. The valuation was arrived 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.

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 not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently repriced.

37.1 Fair value hierarchy

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 Sukuks	-	2,613,180	-	-	2,613,180	-	2,613,180	-	2,613,180
- Ordinary shares of listed companies	391,787	2,717,555	-	-	3,109,342	3,109,342	-	-	3,109,342
- Ordinary shares of unlisted companies	-	23,311	-	-	23,311	-	-	23,311	23,311
- Investments in mutual funds	-	86,976	-	-	86,976	86,976	-	-	86,976
- Preference shares	-	-	-	-	-	-	-	-	-
- Term Finance Certificates and Sukuk Bonds	-	2,480,850	-	-	2,480,850	948,070	1,532,780	-	2,480,850
	391,787	89,973,163	-	-	90,364,950	4,144,388	86,197,251	23,311	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	-	-	-	-
Lending to financial instruments	-	-	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	23,311	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

December 31, 2015

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	-	30,534,340	-	-	30,534,340	-	30,534,340	-	30,534,340
- Pakistan Investment Bonds	-	38,972,994	-	-	38,972,994	-	38,972,994	-	38,972,994
- GOP Ijarah Sukuks	-	2,528,250	-	-	2,528,250	-	2,528,250	-	2,528,250
- Bai Muajjal with Government of Pakistan	-	459,868	-	-	459,868	-	459,868	-	459,868
- Ordinary shares of listed companies	123,462	2,787,180	-	-	2,910,642	2,910,642	-	-	2,910,642
- Ordinary shares of unlisted companies	-	23,311	-	-	23,311	-	-	23,311	23,311
- Investments in mutual funds	-	93,358	-	-	93,358	93,358	-	-	93,358
- Preference shares	-	128,787	-	-	128,787	128,787	-	-	128,787
- Term Finance Certificates and Sukuk Bonds	-	2,364,655	-	-	2,364,655	980,970	1,383,685	-	2,364,655
	123,462	77,892,743	-	-	78,016,205	4,113,757	73,879,137	23,311	78,016,205

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

Cash and bank balances with treasury banks	-	-	10,539,924	-	10,539,924	-	-	-	-
Balances with other banks	-	-	2,919,394	-	2,919,394	-	-	-	-
Lending to financial instruments	-	-	1,000,000	-	1,000,000	-	-	-	-
Advances	-	-	70,554,280	-	70,554,280	-	-	-	-
Other assets	-	-	4,218,064	-	4,218,064	-	-	-	-
	-	-	89,231,662	-	89,231,662	-	-	-	-

Non-financial assets measured at fair value

Operating fixed assets	-	-	-	5,304,615	5,304,615	-	5,304,615	-	5,304,615
	-	-	-	5,304,615	5,304,615	-	5,304,615	-	5,304,615
	123,462	77,892,743	89,231,662	5,304,615	172,552,482	4,113,757	79,183,752	23,311	83,320,820

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

Deposits and other accounts	-	-	-	119,742,108	119,742,108	-	-	-	-
Bills payable	-	-	-	2,728,797	2,728,797	-	-	-	-
Borrowings	-	-	-	49,755,998	49,755,998	-	-	-	-
Sub-ordinated loans	-	-	-	1,497,240	1,497,240	-	-	-	-
Other liabilities	-	-	-	2,422,876	2,422,876	-	-	-	-
	-	-	-	176,147,019	176,147,019	-	-	-	-

Commitments in respect of forward exchange contracts

Forward purchase of foreign exchange	-	-	-	13,634,010	13,634,010	-	13,527,090	-	13,527,090
Forward sale of foreign exchange	-	-	-	13,860,665	13,860,665	-	13,840,072	-	13,840,072

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 or repriced periodically. Therefore, their carrying amounts are 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, 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	107,987,136	23,979,477	99,196,308	406,867	231,650,962
Segment non performing loans	-	-	1,429,330	15,289,690	-	16,719,020
Segment provision	-	1,922,043	1,092,960	13,649,900	-	16,664,903
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	
----- (Rupees in '000) -----						
December 31, 2015						
Total income	55,583	7,603,335	1,275,678	6,083,675	115,029	15,133,300
Total expenses	16,913	4,021,202	4,427,487	5,925,632	49,173	14,440,407
Net income / (loss) before tax	38,670	3,582,133	(3,151,809)	158,043	65,856	692,893
Segment assets (gross)	89,823	95,348,384	23,344,409	83,420,678	951,422	203,154,716
Segment non performing loans	-	-	1,086,430	16,096,575	-	17,183,005
Segment provision	-	1,948,733	835,059	12,005,229	-	14,789,021
Segment assets (net)	89,823	93,399,651	22,509,350	71,415,449	951,422	188,365,695
Segment liabilities	33,324	49,024,909	64,064,850	60,335,333	2,958,735	176,417,151
Segment return on assets (ROA) (%)	43.05	3.84	(14.00)	0.22	6.92	
Segment cost of funds (%)	50.75	8.20	6.91	9.82	1.66	

39. TRUST ACTIVITIES

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

40. RELATED PARTY TRANSACTIONS

The Group has related party transactions with its parent company, 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, 2016				December 31, 2015			
	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	224,353	-	-	1,924,931	226,148	406	-	986,675
Disbursements / granted during the year	147,067	-	-	6,509,216	50,085	-	-	3,679,631
Payment received during the year	(47,187)	-	-	(7,356,069)	(51,880)	(406)	-	(2,741,375)
Balance at end of the year	<u>324,233</u>	<u>-</u>	<u>-</u>	<u>1,078,078</u>	<u>224,353</u>	<u>-</u>	<u>-</u>	<u>1,924,931</u>
Deposits								
Balance at beginning of the year	21,512	38,545	-	559,433	26,508	36,088	-	392,548
Deposits during the year	492,654	1,668,944	-	25,614,336	459,303	188,624	-	57,799,322
Withdrawal / adjustments during the year	(494,698)	(1,662,342)	-	(25,671,809)	(464,299)	(186,167)	-	(57,632,437)
Balance at end of the year	<u>19,468</u>	<u>45,147</u>	<u>-</u>	<u>501,960</u>	<u>21,512</u>	<u>38,545</u>	<u>-</u>	<u>559,433</u>
Other balances								
Advance against subscription of shares	-	-	1,157,670	-	-	-	7,006,867	-
Convertible preference shares	-	50,000	1,109,361	-	50,000	1,109,361	-	-
Investment in shares / TFC's	-	-	-	528,005	-	-	-	529,935
Guarantees, letters of credit and acceptances	-	-	-	345,722	-	-	-	1,314,924
Other receivable	5,535	-	255	1,309	7,182	-	148	681
Other payable	-	-	-	393	-	-	-	1,318
Mark-up payable	36	129	-	2,775	315	137	-	4,130
Mark-up receivable	-	-	-	16,336	130	-	-	35,367
Other transactions								
Purchase of investments	-	-	-	334,410	-	-	-	189,256
Disposal of investments	-	-	-	82,003	-	-	-	592,960
Capital work-in-progress	-	-	-	1,295	-	-	-	56,013
Purchase of assets	-	-	-	3,147	-	-	-	23,594
Transactions, income and expenses								
Advertisement and publicity	-	-	-	152	-	-	-	-
Brokerage expenses	-	-	-	1,462	-	-	-	-
Brokerage income	437	-	-	-	722	-	-	-
Subscription paid	4,634	-	-	20,405	3,784	-	-	6,649
Education and training	-	-	-	1,313	-	-	-	-
Capital gain / (loss)	-	-	-	3,052	-	-	-	13,473
Dividend income	-	-	-	905	-	-	-	1,964
Contribution to the provident fund	-	-	-	69,828	-	-	-	67,313
Contribution to the gratuity fund	-	-	-	70,761	-	-	-	55,015
Remuneration paid	227,704	-	-	-	201,194	-	-	-
Post employment benefits	8,166	-	-	-	8,733	-	-	-
Rental income	-	-	-	-	-	-	-	-
Mark-up earned	14,836	-	-	59,157	9,413	-	-	187,345
Mark-up expensed	934	1,763	-	32,361	1,920	1,877	-	42,056
Other income	-	-	-	-	-	-	-	-
Rental expense	-	-	-	26,875	-	-	-	24,244
Repair and maintenance charges	-	-	-	5,561	-	-	-	6,820
Provision for diminution in the value of Investment	-	-	-	65,170	-	-	-	226,326
Gain on disposal of assets	100	-	-	-	-	-	-	-
Fees paid	-	2,600	-	-	-	2,170	-	-

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 brokerage business of shares, money market and foreign exchange transactions etc.

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 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:

- Tier 1 capital (going concern capital) which is sub divided into:
 - a) Common Equity Tier 1 (CET1), which includes fully paid up capital, reserve for bonus issue, general reserves and un-appropriated profits (net of losses), etc. after deductions for investments in majority owned securities, threshold deductions on deferred tax assets, reciprocal crossholdings and deduction for book value of intangibles.
 - b) Additional Tier 1 capital (AT1), which includes instruments issued by the Bank which meet the specified criteria.
- Tier II capital, which includes subordinated debt, 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 phase-in approach requirement).
- The sub-ordinated debt is not entirely eligible under Basel III guidelines due to introduction of loss absorbency clause. This instrument will be phased out from Tier 2 capital as per the defined phase out arrangement in the regulatory guidelines.
- The deductions from Tier II capital mainly involves reciprocal crossholdings and investment in majority owned securities.

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 risk attached to assets and off balance sheet exposures.

Market Discipline (Pillar III) comprises of 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 its consolidated entity, wherein Summit Bank Limited is the controlling entity in the Group. Consolidation for capital adequacy is based on consolidated financial statements of Summit Bank Limited and its subsidiary in line with the International Accounting Standards and guidelines for consolidation. The entity considered for consolidation for capital adequacy ratio purposes include Summit Capital (Private) Limited being wholly owned subsidiary of the Bank, valued at its fair value. Consolidated CAR disclosures make part of consolidated financial statements which are separately presented.

41.1.2 Capital structure

The total capital consists of following categories:

Tier I Capital

Tier I Capital of Rs.19.642 billion comprises of Ordinary share capital and Advance against subscription of shares (CET1) with limited liability to its shareholders.

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

Tier II Capital

Subordinated Loan of Rs.1.497 billion represents issued Term Finance Certificate, listed and un-secured. These are subordinated as to the payment of principal and profit to all other indebtedness of the Group including the deposits.

41.1.3 Capital adequacy

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 minimum capital to risk weighted assets ratio would be 12.5%, minimum equity Tier 1 (CET 1) ratio would be 6% and minimum Tier 1 ratio would be 7.5%. As per the transition table, at December 31, 2016, 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 of 10.65% (inclusive of Capital Conservation Buffer of 0.65%). During the year, in order to further strengthen the capital base and to achieve compliance with increased CAR related requirements of BASEL III, the management made a plan for increase in capital by way of Rights issue of shares amounting to Rs. 2 billion and the same was approved by the Board of Directors in their meeting held on March 04, 2016 subject to regulatory approvals. Uptill December 31, 2016, the Bank has already received Rs. 1,854.87 million against this transaction as disclosed in detail in note 1.5.

As on December 31, 2016, the Bank's CAR on both standalone and consolidated basis is lower than the minimum ratios required by the SBP as explained above. In this regard, SBP has granted relaxations to the Bank as explained in note 1.5. Accordingly, consolidated CAR of the Bank stood at 10.26% while Tier 1 capital stood at 8.02% and CET 1 CAR at 6.30%.

Capital management

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

The capital management framework of the Group is administered by the Finance Group, and Enterprise Risk Management Group under the supervision of the Board of Directors. The Group is fully committed to maintain capital requirements in phased manner as per the SBP's BASEL III guidelines.

In order to meet the regulatory capital requirements applicable to the Group, the Board of Directors in its meeting held on March 04, 2016 approved to further increase the paid-up capital of the Group by Rs. 2 billion through right issue of shares, subject to regulatory approvals. As of the closing date, the management is in the process of obtaining requisite regulatory approval to implement the transaction against which the Group has received Rs. 1,854.87 million as advance against subscription of shares. This includes Rs. 1,157.67 million received from Suroor Investments Limited (Sponsor of the Group) and Rs. 697.20 million from an investor, who is not a shareholder of the Group. In this respect SBP, vide its letter dated October 28, 2016, has allowed the Group to consider the advance share deposit money of Rs. 1,854.87 million as share capital for MCR, CAR and LR purposes.

Moreover, the management of the Group has prepared financial projections for a period of five years for the purpose of setting the future course of action for the Group. These projections are approved by the Board and indicate continuing profitable operations based on various assumptions. This is explained in detail in note 1.5.

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 capitalisation for the Group to regulatory norms and current and future business needs under stress scenarios.

The ICAAP encompasses capital planning, identification and measurement of material risks and the relationship between risk and capital.

The capital management framework is complemented by the risk management framework, which includes a comprehensive assessment of material risks. Stress testing, which is a key aspect of the ICAAP and the risk management framework, provides an insight on the impact of extreme but plausible scenarios on the Group's risk profile and capital position. Group 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 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 risk, 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, 2016	December 31, 2015
CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2016		
----- (Rupees in '000) -----		
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully paid-up capital / capital deposited with SBP	19,641,533	17,786,663
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	(1,297,298)	(1,297,298)
5 General / statutory reserves	(1,425,043)	(1,425,044)
6 Gain / (losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated / unremitted profits / (losses)	(9,541,930)	(7,430,321)
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	8,377,262	8,634,000
10 Total regulatory adjustments applied to CET1 (Note 41.2.1)	(1,268,023)	(1,297,849)
11 Common Equity Tier 1	7,109,239	7,336,151
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	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	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	2,155,959
20 Additional Tier 1 capital recognized for capital adequacy	1,938,883	2,000,768
21 Tier 1 Capital (CET1 + admissible AT1) (11+20)	9,048,122	9,336,919
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	718,227
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	49,075	24,986
27 Revaluation Reserves (net of taxes)		
28 of which: Revaluation reserves on fixed assets	1,515,315	603,816
29 of which: Unrealized gains/losses on AFS	(82,431)	44,991
30 Foreign Exchange Translation Reserves	-	-
31 Undisclosed/Other Reserves (if any)	-	-

	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----	
32 T2 before regulatory adjustments	2,320,268	1,392,020
33 Total regulatory adjustment applied to T2 capital (Note 41.2.3)	-	-
34 Tier 2 capital (T2) after regulatory adjustments	2,320,268	1,392,020
35 Tier 2 capital recognized for capital adequacy	2,320,268	1,392,020
36 Portion of Additional Tier 1 capital recognized in Tier 2 capital	217,076	155,191
37 Total Tier 2 capital admissible for capital adequacy	2,537,344	1,547,211
38 TOTAL CAPITAL (T1 + admissible T2) (21+37)	11,585,466	10,884,130
39 Total Risk Weighted Assets (RWA) {for details refer Note 41.5}	112,881,324	106,879,263
Capital Ratios and buffers (in percentage of risk weighted assets)*		
40 CET1 to total RWA	6.30%	6.86%
41 Tier-1 capital to total RWA	8.02%	8.74%
42 Total capital to total RWA	10.26%	10.18%
43 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	-	-
44 of which: capital conservation buffer requirement	-	-
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	10.65%	10.25%

* This includes impact of relaxations (as mentioned in note 1.5) given by SBP for CAR and LR calculations.

	December 31, 2016	December 31, 2015
Amount	Amounts subject to Pre- Basel III treatment	Amount
----- (Rupees in '000) -----		

Regulatory Adjustments and Additional Information

41.2.1 Common Equity Tier 1 capital: Regulatory adjustments

1	Goodwill (net of related deferred tax liability)	-	-	-
2	All other intangibles (net of any associated deferred tax liability)	252,711	-	273,227
3	Shortfall in provisions against classified assets	-	-	-
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	779,984	3,119,934	827,511
5	Defined-benefit pension fund net assets	-	-	-
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities.	25,417	-	-
7	Cash flow hedge reserve	-	-	-
8	Investment in own shares/ CET1 instruments	-	-	-
9	Securitization gain on sale	-	-	-
10	Capital shortfall of regulated subsidiaries	-	-	-
11	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	-	-
12	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)	12,779	51,118	-
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	197,132	788,530	197,111
15	Amount exceeding 15% threshold	-	-	-
16	of which: significant investments in the common stocks of financial entities	-	-	-
17	of which: deferred tax assets arising from temporary differences	-	-	-
18	National specific regulatory adjustments applied to CET1 capital	-	-	-
19	Investments in TFCs of other banks exceeding the prescribed limit	-	-	-
20	Any other deduction specified by SBP (mention details)	-	-	-
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-	-
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	1,268,023	3,959,582	1,297,849

41.2.2 Additional Tier-1 & Tier-1 Capital: regulatory adjustments

23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	-	-
24	Investment in own AT1 capital instruments	-	-	-
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-	-
26	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)	-	-	-
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
28	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-BaseI III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	-	-	-
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	-	-	-

	December 31, 2016	December 31, 2015
	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		
32		
33		
34		
35		
36		

	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----	

41.2.4 Additional Information

Risk Weighted Assets subject to pre-Basel III treatment

37		
(i)		
(ii)		
(iii)		
(iv)		
38		
39		
40		
41		
42		
43		
44		

41.3 Capital Structure Reconciliation

Table: 41.3.1

	December 31, 2016	
	Balance sheet of the published financial statements	Under regulatory scope of consolidation
	----- (Rupees in '000) -----	
Assets		
Cash and 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
Investments	90,364,950	90,364,950
Advances	79,844,271	79,844,271
Operating fixed assets	12,326,303	12,326,303
Deferred tax assets - net	5,151,050	5,151,050
Other assets	10,298,579	10,298,579
Total assets	214,986,059	214,986,059
Liabilities and Equity		
Bills payable	5,061,470	5,061,470
Borrowings	49,819,840	49,819,840
Deposits and other accounts	142,735,727	142,735,727
Sub-ordinated loans	1,496,550	1,496,550
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	3,227,249	3,227,249
Total liabilities	202,340,836	202,340,836
Share capital *	21,797,492	21,797,492
Reserves	(1,722,341)	(1,722,341)
Accumulated losses	(9,541,930)	(9,541,930)
Minority interest	-	-
Surplus on revaluation of assets - net of deferred tax	2,112,002	2,112,002
Total liabilities and equity	214,986,059	214,986,059

* This includes preference shares and advance against subscription of shares amounting to Rs. 2,155.959 million and Rs.1,854.870 million respectively.

	December 31, 2016		Reference
	Balance sheet of the published financial statements	Under regulatory scope of consolidation	
	----- (Rupees in '000) -----		
Assets			
Cash and 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	
Investments	90,364,950	90,364,950	
<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)	25,417	25,417	d
<i>of which: others (PIBs, T-Bills, Shares etc.)</i>	90,339,533	90,339,533	e
Advances	79,844,271	79,844,271	
<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>	49,075	49,075	g
Fixed assets	12,326,303	12,326,303	
Deferred tax assets	5,151,050	5,151,050	
<i>of which: DTAs that rely on future profitability excluding those arising from temporary differences</i>	3,899,918	3,899,918	h
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	1,251,132	1,251,132	i
Other assets	10,298,579	10,298,579	
<i>of which: Goodwill</i>	-	-	j
<i>of which: Intangibles</i>	-	-	k
<i>of which: Defined-benefit pension fund net assets</i>	-	-	l
Total assets	214,986,059	214,986,059	
Liabilities and equity			
Bills payable	5,061,470	5,061,470	
Borrowings	49,819,840	49,819,840	
Deposits and other accounts	142,735,727	142,735,727	
Sub-ordinated loans	1,496,550	1,496,550	
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	838,310	838,310	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	3,227,249	3,227,249	
Total liabilities	202,340,836	202,340,836	

December 31, 2016

Table: 41.3.2	Balance sheet of the published financial statements	Under regulatory scope of consolidation	Reference
----- (Rupees in '000) -----			
Share capital			
<i>of which: amount eligible for CET1</i>	19,641,533	19,641,533	s
<i>of which: amount eligible for AT1</i>	2,155,959	2,155,959	t
Reserves			
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	(1,297,298)	(1,297,298)	
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)	(9,541,930)	(9,541,930)	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			
of which: Revaluation reserves on Fixed Assets	2,217,683	2,217,683	aa
of which: Unrealized Gains/Losses on AFS	(105,681)	(105,681)	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total liabilities and equity	214,986,059	214,986,059	

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*	19,641,533 (s)
2	Balance in Share Premium Account	1,000,000
3	Reserve for issue of bonus shares	-
4	General / statutory reserves	(2,722,341) (u)
5	Gain / (losses) on derivatives held as Cash Flow Hedge	-
6	Unappropriated / unremitted profits / (losses)	(9,541,930) (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	8,377,262

Table: 41.3.3

		December 31, 2016	
		Component of regulatory capital reported by Group (Rupees in '000)	Source based on reference number from step 2
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)	(252,711)	(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)	(779,984)	{(h) - (r)} * x%
13	Defined-benefit pension fund net assets	-	{(l) - (q)} * x%
14	Reciprocal cross holdings in CET1 capital instruments	(25,417)	(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)	(12,779)	(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)	(197,132)	(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)	(1,268,023)	
31	Common Equity Tier 1	7,109,239	

* This includes advance against subscription of shares amounting to Rs. 1,854.870 million.

December 31, 2016

		Component of regulatory capital reported by Group (Rupees in '000)	Source based on reference number from step 2
Table: 41.3.3			
Additional Tier 1 (AT 1) Capital			
32	Qualifying Additional Tier-1 instruments plus any related share premium		
33	of which: Classified as equity	2,155,959	(t)
34	of which: Classified as liabilities	-	(m)
35	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
36	of which: instrument issued by subsidiaries subject to phase out	-	
37	AT1 before regulatory adjustments	2,155,959	
Additional Tier 1 Capital: regulatory adjustments			
38	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
39	Investment in own AT1 capital instruments	-	
40	Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
41	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
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	-	
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	(217,076)	
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	1,938,883	
48	Tier 1 Capital (CET1 + admissible AT1) (31+47)	9,048,122	
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)	838,310	
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	49,075	(g)
54	Revaluation Reserves		
55	of which: Revaluation reserves on fixed assets	1,515,315	portion of (aa)
56	of which: Unrealized Gains/Losses on AFS	(82,431)	
57	Foreign Exchange Translation Reserves	-	(v)
58	Undisclosed/Other Reserves (if any)	-	
59	T2 before regulatory adjustments	2,320,268	
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	-	
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)	-	
66	Tier 2 capital (T2)	2,320,268	
67	Tier 2 capital recognized for capital adequacy	2,320,268	
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	217,076	
69	Total Tier 2 capital admissible for capital adequacy	2,537,344	
70	TOTAL CAPITAL (T1 + admissible T2) (48+69)	11,585,466	

41.4 Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments

	Main features	Common shares	Convertible preference shares - A	Convertible preference shares - B	Sub-ordinated debt
1	Issuer	Summit Bank Limited	Summit Bank Limited	Summit Bank Limited	Summit Bank Limited
2	Unique identifier (e.g. KSE Symbol or Bloomberg identifier etc.)	SMBL	SMBLCPSA	SMBLCPSB	SMBLFC
3	Governing law(s) of the instrument	Capital Market Law	Capital Market Law	Capital Market Law	Capital Market Law
	Regulatory treatment				
4	Transitional Basel III rules	Common Equity Tier 1	Additional Tier 1	Additional Tier 1	Tier 2
5	Post-transitional Basel III rules	Common Equity Tier 1	Additional Tier 1	Additional Tier 1	-
6	Eligible at solo / group / group & solo	Solo and Group	Solo and Group	Solo and Group	Solo and Group
7	Instrument type	Ordinary shares / Advance against subscription of shares	Perpetual non-cumulative preference shares	Perpetual non-cumulative preference shares	Sub-ordinated Debt
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of December 31, 2016)	19,641,533	1,109,424	1,046,535	838,310
9	Par value of instrument	PKR 10	PKR 10	PKR 10	PKR 5,000
10	Accounting classification	Shareholders' equity	Shareholders' equity	Shareholders' equity	Liability - amortized cost
11	Original date of issuance	2005	2013	2013	2011
12	Perpetual or dated	Perpetual	Dated	Dated	Dated
13	Original maturity date	No maturity	2018	2018	2018
14	Issuer call subject to prior supervisory approval	No	No	No	No
15	Optional call date, contingent call dates and redemption amount	Not applicable	Not applicable	Not applicable	Not applicable
16	Subsequent call dates, if applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Coupons / dividends				
17	Fixed or floating dividend / coupon	Not applicable	Fixed	Floating	Floating
18	Coupon rate and any related index / benchmark	Not applicable	5% Bonus Shares	6M KIBOR +50BPS	6M KIBOR +325BPS
19	Existence of a dividend stopper	Not applicable	Yes	Yes	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Partially Discretionary	Partially Discretionary	Partially Discretionary
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Not applicable	Non-Cumulative	Non-Cumulative	Cumulative
23	Convertible or non-convertible	Not applicable	Convertible	Convertible	Non-Convertible
24	If convertible, conversion trigger (s)	Not applicable	Convertible into Ordinary Shares after five years from the date of issuance.	Convertible into Ordinary Shares starting from the end of 42nd month of the date of issuance and every six months thereafter in equal tranches of 25% or at maturity.	Not applicable

41.4 Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments

	Main features	Common shares	Convertible preference shares - A	Convertible preference shares - B	Sub-ordinated debt
25	If convertible, fully or partially	Not applicable	Always convert fully	Always convert fully	Not applicable
26	If convertible, conversion rate	Not applicable	Shares will be issued at the audited book value as at December 31, 2012.	Shares will be issued at par or at market value whichever is lower. Where if market value will be higher than par value the market value will be discounted by 12.50%	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Mandatory	Mandatory	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Common Equity Tier 1	Common Equity Tier 1	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	SMBL	SMBL	Not applicable
30	Write-down feature	Not applicable	No	No	Not applicable
31	If write-down, write-down trigger(s)	Not applicable	Not applicable	Not applicable	Not applicable
32	If write-down, full or partial	Not applicable	Not applicable	Not applicable	Not applicable
33	If write-down, permanent or temporary	Not applicable	Not applicable	Not applicable	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable	Common Shares	Common Shares	Preference Shares
36	Non-compliant transitioned features	Not applicable	No	No	No
37	If yes, specify non-compliant features	Not applicable	Not applicable	Not applicable	Not applicable

41.5 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	
	2016	2015	2016	2015
----- (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	204,284	190,529	1,918,162	1,905,289
Corporate	5,989,974	4,858,948	56,243,887	48,589,479
Retail	671,918	510,817	6,309,085	5,108,165
Residential Mortgages	124,865	86,045	1,172,439	860,447
Past due loans	396,120	544,025	3,719,439	5,440,254
Operating fixed assets	1,285,837	933,544	12,073,591	9,335,442
Other assets	563,944	1,257,199	5,295,245	12,571,989
Portfolios subject to Internal Rating Based (IRB) Approach	-	-	-	-
Off balance sheet				
Non-market related				
Direct Credit Substitutes	321,047	490,329	3,014,522	4,903,292
Performance related contingencies	575,398	265,532	5,402,796	2,655,323
Trade Related contingencies	195,043	153,233	1,831,393	1,532,334
Market related				
Foreign Exchange contracts / derivatives etc.	1,244	6,122	11,680	61,222
Equity Exposure Risk in the Banking Book	-	-	-	-
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	233,327	222,039	2,190,863	2,775,489
Equity position risk	683,186	430,838	6,414,889	5,385,480
Foreign Exchange risk	41,362	56,577	388,380	707,216
Capital Requirement for portfolios subject to Internal Models Approach	-	-	-	-
Operational Risk				
Capital requirement for operational risks	734,313	403,827	6,894,954	5,047,842
Total	12,021,862	10,409,604	112,881,324	106,879,263

Capital Adequacy Ratios	2016		2015	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	6.30%	6.00%	6.86%
Tier-1 capital to total RWA	7.50%	8.02%	7.50%	8.74%
Total capital to total RWA	10.65%	10.26%	10.25%	10.18%

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.

The leverage ratio of the Group as of December 31, 2016 stands at 2.98% (December 31, 2015: 3.21%). Tier 1 Capital as at December 31, 2016 is Rs. 9,048 million (December 31, 2015: Rs. 9,337 million) and total exposure as at December 31, 2016 is Rs. 303,452 million (December 31, 2015: Rs. 290,992 million).

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 Bank:

- 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 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 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 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, 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	40.01
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	11.41
Others	6,665,740	7.08	11,578,411	8.11	4,848,413	4.49
	94,255,972	100.00	142,735,727	100.00	107,826,940	100.00

December 31, 2015

	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, forestry, hunting and fishing	606,306	0.73	232,829	0.19	277,243	0.19
Automobile	1,292,690	1.56	1,871,924	1.56	945,345	0.65
Banaspati and allied industries	501,177	0.60	34,238	0.03	180,810	0.12
Carpet	148,603	0.18	78,355	0.07	235,240	0.16
Cement	766,499	0.92	625,256	0.52	597,232	0.41
Chemical and pharmaceutical	2,224,158	2.68	1,097,208	0.92	1,321,453	0.91
Construction / real estate	3,605,900	4.34	1,481,649	1.24	4,151,129	2.86
Consumer / individuals / staff	3,999,351	4.81	85,408,802	71.33	5,157,393	3.56
Dairy and poultry	233,230	0.28	327,451	0.27	146,984	0.10
Education	217,735	0.26	599,912	0.50	299,056	0.21
Electric and electrical goods	2,554,688	3.07	620,859	0.52	628,128	0.43
Energy, oil, gas and power	5,599,242	6.74	1,763,024	1.47	14,219,683	9.80
Exports / imports	3,625,505	4.36	99,694	0.08	2,705,940	1.87
Financial	4,470,281	5.38	10,503,100	8.77	75,282,176	51.91
Food, tobacco and beverages	4,384,088	5.28	683,339	0.57	2,307,019	1.59
Furniture and allied products	207,561	0.25	27,463	0.02	20,704	0.01
Leather and footwear	613,682	0.74	64,171	0.05	1,060,793	0.73
Glass and ceramics	107,294	0.13	9,172	0.01	26,909	0.02
Health care	308,491	0.37	428,821	0.37	383,734	0.26
Hotels	946,405	1.14	110,984	0.09	89,787	0.06
Insurance	-	-	513,001	0.43	3,700	0.00
Mining and quarrying	2,119,234	2.55	118,462	0.10	59,513	0.04
Miscellaneous manufacturing	2,949,000	3.55	487,998	0.41	2,212,163	1.54
Printing, publishing and allied industries	219,911	0.26	135,103	0.11	90,358	0.06
Paper and allied products	39,804	0.05	5,430	0.00	71,564	0.05
Services	3,358,715	4.04	4,314,791	3.60	5,518,283	3.80
Steel and engineering	3,179,818	3.83	1,573,317	1.31	3,470,047	2.39
Sugar	8,830,121	10.63	149,676	0.12	1,450,975	1.00
Textile	13,143,763	15.82	787,094	0.66	11,281,674	7.79
Transport and communication	2,028,394	2.44	1,280,254	1.08	3,752,548	2.59
Trust	-	-	1,308,049	1.09	5,980	0.00
Wholesale and retail trade	5,097,851	6.13	1,490,331	1.24	3,496,181	2.41
Others	5,719,629	6.88	1,510,351	1.27	3,582,069	2.48
	83,099,126	100.00	119,742,108	100.00	145,031,813	100.00

42.1.12 Segment by sector

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

December 31, 2015

	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	990,310	1.19	21,313,045	17.80	1,988,838	1.37
Private	82,108,816	98.81	98,429,063	82.20	143,042,975	98.63
	83,099,126	100.00	119,742,108	100.00	145,031,813	100.00

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

	December 31, 2016		December 31, 2015	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
----- (Rupees in '000) -----				
Agriculture, forestry, hunting and fishing	2,581	1,816	4,559	1,433
Automobile	915,060	688,094	910,936	688,401
Banaspati and allied industries	197,919	169,696	185,260	155,029
Carpet	41,445	30,090	120,606	101,067
Cement	329,169	329,169	329,169	329,169
Chemical and pharmaceutical	180,205	100,138	200,514	120,144
Construction / real estate	788,213	661,489	865,783	732,918
Consumer / individuals / staff	345,949	146,317	322,285	101,297
Dairy and poultry	1,418	1,418	101,418	74,500
Education	33,592	33,592	48,907	37,177
Electric and electrical goods	90,608	87,058	91,125	73,725
Energy oil, gas and power	1,077,592	1,023,072	421,592	348,898
Exports / imports	685,845	619,727	759,639	623,443
Financial	1,105,970	968,800	1,180,382	1,102,609
Food, tobacco and beverages	733,689	619,071	754,851	510,532
Footwear and leather garments	47,303	43,478	48,005	17,456
Furniture and allied products	165,685	67,493	171,520	75,074
Glass and ceramics	54,460	54,460	54,460	39,517
Health care	113,277	101,088	113,609	91,139
Hotels	157,542	157,542	192,085	180,586
Mining and quarrying	4,670	4,670	4,670	4,670
Miscellaneous manufacturing	126,825	125,055	187,684	176,756
Others	273,253	173,702	428,498	264,442
Paper and allied products	23,043	23,043	7,071	7,071
Printing, publishing and allied industries	28,106	27,731	28,671	22,506
Services	647,092	355,453	534,173	310,545
Steel and engineering	264,583	136,932	410,902	136,932
Sugar	1,382,020	1,142,791	1,659,128	361,172
Textile	4,692,727	4,571,186	4,645,230	3,896,764
Transport and communication	208,614	163,358	208,803	206,099
Wholesale and retail trade	2,000,565	1,735,097	2,191,470	1,728,789
	16,719,020	14,362,626	17,183,005	12,519,860

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

	December 31, 2016		December 31, 2015	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
----- (Rupees in '000) -----				
Public / Government	-	-	-	-
Private	16,719,020	14,362,626	17,183,005	12,519,860
	16,719,020	14,362,626	17,183,005	12,519,860

	(Loss) / profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
----- (Rupees in '000) -----				
42.1.1.5 Geographical segment analysis				
December 31, 2016				
Pakistan	<u>(1,940,893)</u>	<u>214,986,059</u>	<u>12,645,223</u>	<u>107,826,940</u>
December 31, 2015				
Pakistan	<u>692,893</u>	<u>188,365,695</u>	<u>11,948,544</u>	<u>145,031,813</u>

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

42.2 Credit risk - general disclosure Basel II specific

42.2.1 Credit risk - general disclosures

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

Mapping to SBP rating grades

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

Long-Term Rating Grades Mapping

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

December 31, 2016

Exposures	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, 2016			December 31, 2015		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
----- (Rupees in '000) -----							
Corporate	20%	4,143,425	35,504	4,107,921	3,219,856	4,281	3,215,575
	50%	4,774,675	421,064	4,353,611	3,438,541	65,027	3,373,514
	100%	809,866	416,003	393,863	375,525	272,001	103,524
	unrated	50,467,967	4,096,867	46,371,100	44,642,880	4,085,521	40,557,359
	125%	5,184,427	-	5,184,427	4,478,979	-	4,478,979
Retail	75%	9,657,153	1,245,040	8,412,113	8,248,803	1,437,917	6,810,886
Past due loan	150%	1,941,700	-	1,941,700	2,370,981	-	2,370,981
	100%	554,331	-	554,331	1,586,323	-	1,586,323
	50%	505,118	-	505,118	594,919	-	594,919
Bank	20%	7,209,197	1,481,583	5,727,614	4,171,533	-	4,171,533
	50%	505,664	-	505,664	469,497	-	469,497
	100%	73,961	-	73,961	93,420	-	93,420
	150%	56,188	-	56,188	61,911	-	61,911
	unrated	1,807,824	-	1,807,824	2,719,007	-	2,719,007
Sovereign etc.	0%	9,630,053	-	9,630,053	12,330,441	-	12,330,441
Others	0%	3,141,544	-	3,141,544	-	-	-
	35%	3,399,593	49,768	3,349,825	2,470,739	12,320	2,458,419
	50%	-	-	-	-	-	-
	100%	16,335,007	-	16,335,007	18,880,513	-	18,880,513
	250%	413,532	-	413,532	1,210,767	-	1,210,767
		120,611,223	7,745,829	112,865,395	111,364,635	5,877,067	105,487,568

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 guarantees 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 realisable value of eligible collaterals to the extent of outstanding exposure.

42.3 Equity position risk in the banking 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, while other investments are unlisted and therefore illiquid.

Policies, valuation and accounting of equity investments

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

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

Composition of equity investments - market values

	December 31, 2016		December 31, 2015	
	Held-for-trading	Available-for-sale	Held-for-trading	Available-for-sale
	----- (Rupees in '000) -----			
Equity investments	391,787	2,717,554	123,462	2,787,180
Mutual fund units - Open end	-	86,977	-	93,359
Total value	<u>391,787</u>	<u>2,804,531</u>	<u>123,462</u>	<u>2,880,539</u>

The cumulative realised gain on sale of equity securities amounted to Rs.530.389 million (December 31, 2015: Rs.454.85 million), however, unrealised loss of Rs.51.103 million (December 31, 2015: Rs.105.63 million) was recognised in the statement of financial position in respect of available-for-sale securities.

42.4 Market risk

Market Risk is the risk that the value of on and off statement of financial positions of the Group will be adversely affected by movements in market rates or prices such as interest rates, foreign exchange rates, equity prices and/or credit spreads resulting in a loss of earnings and capital.

The Group is primarily exposed to interest rate risk which is reflected in the level of future income and expense produced by these positions versus levels that would be generated by current levels of interest rates. Other risks include exposures to foreign exchange rates, as well as mortgage, equity market and issuer credit risk factors. The 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, 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>

December 31, 2015

	Assets	Liabilities	Off-balance sheet items	Net currency exposure
----- (Rupees in '000) -----				
Pakistan Rupee	183,187,531	169,265,173	(148,826)	13,773,532
United States Dollar	4,740,072	5,705,031	(860,810)	(1,825,769)
Great Britain Pound	196,935	892,513	310,930	(384,648)
Japanese Yen	1,084	-	-	1,084
Euro	91,565	528,789	698,706	261,482
Other currencies	148,508	25,645	-	122,863
	<u>188,365,695</u>	<u>176,417,151</u>	<u>-</u>	<u>11,948,544</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. The 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

		December 31, 2016									
		Exposed to Yield / Interest rate									
		(Rupees in '000)									
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
On-balance sheet financial instruments											
Assets											
-	12,786,629	1,070,043	-	-	-	-	-	-	-	-	11,716,586
0.50% to 4.50%	2,582,694	1,471,672	-	-	-	-	-	-	-	-	1,111,022
5.05% to 5.70%	1,631,583	1,631,583	-	-	-	-	-	-	-	-	-
5.46% to 10.02%	90,364,950	23,797,038	3,405,023	18,555,892	3,421,925	10,490,279	4,384,346	1,613,180	3,219,627	-	-
0% to 28.00%	79,844,271	55,297,347	1,070,116	16,079,930	1,630,928	1,233,322	1,539,683	1,271,817	378,125	-	-
-	5,193,575	714,981	-	-	-	-	-	-	-	-	5,193,575
	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
3% to 6.5%	49,819,840	4,228,571	2,118,911	-	-	17,993,124	-	-	-	-	-
0.0% to 18.5%	142,735,727	44,774,759	8,618,336	7,776,539	159,383	834,137	5,401,713	-	-	-	58,189,220
9.31%	1,496,550	1,496,550	-	-	-	-	-	-	-	-	-
-	2,755,626	-	-	-	-	-	-	-	-	-	2,755,626
	201,869,213	42,460,873	10,737,247	25,769,663	159,383	834,137	5,401,713	-	-	-	66,006,316
	(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)
On-balance sheet gap											
	9,132,872	6,632,258	2,423,415	44,655	32,545	-	-	-	-	-	-
Off-balance sheet financial instruments											
	8,141,786	5,818,629	1,963,804	359,353	-	-	-	-	-	-	-
	991,086	813,629	459,611	(314,698)	32,545	-	-	-	-	-	-
Total yield / interest risk sensitivity gap	(8,474,425)	(24,592,459)	29,054,116	(6,576,806)	8,898,704	9,105,019	4,893,470	6,321,888	5,924,029	2,884,997	-
Cumulative yield / interest risk sensitivity gap	(8,474,425)	(24,592,459)	4,461,656	(2,115,149)	6,783,555	15,888,574	20,782,043	27,103,931	33,027,960	35,912,957	-
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	192,403,702										
Add: Non financial assets	12,326,303										
Operating fixed assets	5,151,050										
Deferred tax assets	5,105,004										
Other assets	214,986,059										
Total assets as per statement of financial position	201,869,213										
Total financial liabilities	471,623										
Add: Non financial liabilities	202,340,836										
Other liabilities											
Total liabilities as per statement of financial position											

December 31, 2015											
Exposed to Yield / Interest rate											
Effective Yield / Interest rate	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instruments
	(Rupees in '000)										
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	10,539,924	21,052	-	-	-	-	-	-	-	-	10,518,872
Balances with other banks	2,919,394	-	-	-	-	-	-	-	-	-	2,919,394
Lendings to financial institutions	1,000,000	1,000,000	-	-	-	-	-	-	-	-	-
Investments	78,016,205	9,961,085	11,750,110	37,332,222	37,332,222	603,556	2,573,368	7,061,846	517,184	-	3,322,846
Advances	70,554,280	335,527	2,197,754	11,087,479	11,087,479	334,189	631,768	1,685,405	1,298,302	-	251,090
Other assets	4,218,064	10,317,664	58,626,754	13,947,864	48,419,701	937,745	3,205,136	8,747,251	1,815,486	-	4,218,064
Liabilities	167,247,867	10,317,664	58,626,754	13,947,864	48,419,701	937,745	3,205,136	8,747,251	1,815,486	-	21,230,266
Bills payable	2,728,797	-	-	-	-	-	-	-	-	-	2,728,797
Borrowings	49,755,998	44,705,643	3,621,512	1,368,988	-	59,855	-	-	-	-	-
Deposits and other accounts	119,742,108	16,435,562	47,655,026	9,601,713	5,520,488	371,949	739,339	162,453	-	-	39,255,578
Sub-ordinated loans	1,497,240	1,497,240	-	-	-	-	-	-	-	-	-
Other liabilities	2,422,876	-	-	-	-	-	-	-	-	-	2,422,876
On-balance sheet gap	176,147,019	61,141,205	52,773,778	10,970,701	5,520,488	431,804	739,339	162,453	-	-	44,407,251
Off-balance sheet financial instruments	(8,899,152)	(50,823,541)	5,852,976	2,977,163	42,899,213	505,941	2,465,797	8,584,798	1,815,486	-	(23,176,985)
Foreign currency forward purchase	13,634,010	4,318,877	5,354,429	3,801,271	159,433	-	-	-	-	-	-
Foreign currency forward sale	13,860,665	10,899,253	2,936,363	7,157	17,892	-	-	-	-	-	-
Off-balance sheet gap	(226,655)	(6,580,376)	2,418,066	3,794,114	141,541	-	-	-	-	-	-
Total yield / interest risk sensitivity gap	(9,125,807)	(57,403,917)	8,271,042	6,771,277	43,040,754	505,941	2,465,797	8,584,798	1,815,486	-	-
Cumulative yield / interest risk sensitivity gap	(9,125,807)	(57,403,917)	(49,132,875)	(42,361,598)	679,156	1,185,097	3,650,894	12,235,692	14,051,178	14,051,178	-
Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities											
December 31, 2015											
(Rupees in '000)											
Total financial assets	167,247,867										
Add: Non financial assets	9,589,774										
Operating fixed assets	5,545,433										
Deferred tax assets	598,262										
Other assets	188,365,695										
Total assets as per statement of financial position	176,147,019										
Total financial liabilities	176,147,019										
Add: Non financial liabilities	270,132										
Other liabilities	176,417,151										
Total liabilities as per statement of financial position	176,417,151										

December 31, 2015									
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	10,539,924	-	-	-	-	-	-	-	-
Balances with other banks	2,919,394	-	-	-	-	-	-	-	-
Lending to financial institutions	1,000,000	1,000,000	-	-	-	-	-	-	-
Investments	78,016,205	4,115,333	9,789,976	39,679,128	1,809,843	4,009,476	7,324,610	1,326,754	-
Advances	70,554,280	2,988,088	6,911,936	29,819,335	5,976,579	2,805,784	4,574,008	3,112,251	-
Operating fixed assets	9,589,774	3,421,029	92,978	185,957	316,706	272,294	443,134	4,795,690	-
Deferred tax assets	5,545,433	87,738	694,307	1,093,724	542,307	972,753	1,756,061	120,223	-
Other assets	10,200,685	1,812,248	1,698,469	2,004,623	-	-	-	4,685,345	-
	188,365,695	31,729,506	21,520,407	72,782,767	8,645,435	8,060,307	14,097,813	14,040,263	-
Liabilities									
Bills payable	2,728,797	2,728,797	-	-	-	-	-	-	-
Borrowings	49,755,998	44,705,643	3,621,512	-	59,855	-	-	-	-
Deposits and other accounts	119,742,108	21,770,395	9,308,778	5,520,488	371,949	739,339	71,138,633	-	-
Sub-ordinated loans	1,497,240	-	-	-	-	1,497,240	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Other liabilities	2,693,008	763,202	677,324	742,828	-	-	-	173,741	-
	176,417,151	69,968,037	13,607,614	6,263,316	431,804	2,236,579	71,138,633	173,741	-
Net assets	11,948,544	(38,238,531)	7,912,793	66,519,452	8,213,630	5,823,728	(57,040,820)	13,866,522	-
Share capital	17,786,663	-	-	-	-	-	-	-	-
Convertible preference shares	2,155,959	-	-	-	-	-	-	-	-
Reserves	(1,722,341)	-	-	-	-	-	-	-	-
Accumulated loss	(7,430,321)	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net	1,158,584	-	-	-	-	-	-	-	-
	11,948,544	(38,238,531)	7,912,793	66,519,452	8,213,630	5,823,728	(57,040,820)	13,866,522	-

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

		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
Assets											
	Cash and balances with treasury banks	12,786,629	12,786,629	-	-	-	-	-	-	-	-
	Balances with other banks	2,582,694	2,582,694	-	-	-	-	-	-	-	-
	Lending 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	10,490,279	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	3,710,382	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	5,140,561
	Deferred tax assets	5,151,050	136,925	273,850	410,776	821,551	883,698	1,477,799	1,116,877	16,091	13,483
	Other assets	10,298,579	2,565,191	2,285,423	-	1,459,974	-	-	3,987,991	-	-
	Total	214,986,059	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	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	-
	Total	202,340,836	149,077,479	11,887,016	10,904,467	27,885,438	2,330,687	159,383	94,152	2,213	-
	Net assets	12,645,223	(109,637,965)	31,341,196	(1,228,862)	32,194,769	12,950,836	9,597,680	19,765,998	9,599,221	8,062,351
	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	2,112,002									
	Total	12,645,223									

December 31, 2015									
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	10,539,924	-	-	-	-	-	-	-	-
Balances with other banks	2,919,394	2,919,394	-	-	-	-	-	-	-
Lendings to financial institutions	1,000,000	-	1,000,000	-	-	-	-	-	-
Investments	78,016,205	9,961,085	9,789,976	39,677,552	1,809,843	4,009,476	7,324,610	1,328,330	-
Advances	70,554,280	2,988,088	14,366,299	6,911,936	29,819,335	5,976,579	4,574,008	3,112,251	-
Operating fixed assets	9,589,774	3,421,029	61,986	92,978	187,533	316,706	272,294	443,134	4,794,114
Deferred tax assets	5,545,433	87,738	278,320	694,307	1,093,724	542,307	972,753	1,202,223	-
Other assets	10,200,685	1,812,248	1,698,469	-	2,004,623	-	-	4,685,345	-
	<u>188,365,695</u>	<u>31,729,506</u>	<u>21,520,407</u>	<u>17,489,197</u>	<u>72,782,767</u>	<u>8,645,435</u>	<u>8,060,307</u>	<u>14,097,813</u>	<u>14,040,263</u>

Liabilities

Bills payable	2,728,797	2,728,797	-	-	-	-	-	-	-
Borrowings	49,755,998	44,705,643	3,621,512	1,368,988	-	-	-	-	-
Deposits and other accounts	119,742,108	94,765,431	8,580,735	9,601,713	5,520,488	371,949	739,339	162,453	-
Sub-ordinated loans	1,497,240	-	-	-	-	-	1,497,240	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Other liabilities	2,693,008	763,202	677,324	335,913	742,828	-	-	173,741	-
	<u>176,417,151</u>	<u>142,963,073</u>	<u>12,879,571</u>	<u>11,306,614</u>	<u>6,263,316</u>	<u>431,804</u>	<u>2,236,579</u>	<u>162,453</u>	<u>173,741</u>
Net assets	<u>11,948,544</u>	<u>(111,233,567)</u>	<u>8,640,836</u>	<u>6,182,583</u>	<u>66,519,451</u>	<u>8,213,631</u>	<u>5,823,728</u>	<u>13,935,360</u>	<u>13,866,522</u>

Share capital	17,786,663
Convertible preference shares	2,155,959
Reserves	(1,722,341)
Accumulated loss	(7,430,321)
Surplus on revaluation of assets - net	1,158,584
	<u>11,948,544</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 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 sure 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 Treadway Commission (COSO), with a view to consolidate and enhance the existing internal control processes.

The Group has implemented the Internal Control Guidelines issued by the State Group of Pakistan and followed 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 13 Islamic Banking Branches (IBBs) (December 31, 2015: 10 IBBs) and 34 Islamic banking windows (IBWs) (December 31, 2015: 02 IBWs) as at December 31, 2016.

BSD Circular letter No. 03 dated January 22, 2013 and BPRD Circular letter No. 05 dated February 29, 2016 require 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, 2016 are as follows:

	Note	December 31, 2016	December 31, 2015
----- (Rupees in '000) -----			
Statement of financial position as at December 31, 2016			
ASSETS			
Cash and balances with treasury banks	43.3	788,422	379,654
Balances with other banks		51,571	577,483
Due from Financial institutions		150,000	-
Investments		3,612,571	1,560,074
Islamic financing and related assets	43.7	9,328,368	2,571,319
Operating fixed assets		157,330	121,105
Deferred tax assets - net		-	-
Other assets		133,292	127,576
TOTAL ASSETS		14,221,554	5,337,211
LIABILITIES			
Bills payable		151,857	24,301
Due to financial institutions		-	925,000
Deposits and other accounts			
- Current accounts		4,237,234	736,896
- Saving accounts		4,956,203	1,431,564
- Term deposits		1,794,576	176,243
- Others		106,421	14,862
- Deposits from financial institutions - remunerative		814,068	646,970
- Deposits from financial institutions - non - remunerative		84,060	-
Due to head office		-	-
Deferred tax liabilities - net		29,349	8,266
Other liabilities		657,484	159,564
		12,831,252	4,123,666
NET ASSETS		1,390,302	1,213,545
REPRESENTED BY:			
Islamic Banking Fund		1,000,000	1,000,000
Reserves		-	-
Unappropriated profit		335,796	198,194
		1,335,796	1,198,194
Surplus on revaluation of assets - net of tax		54,506	15,351
		1,390,302	1,213,545

	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----	
43.2 Profit and loss account for the year ended December 31, 2016	Note	
Profit / return earned on financings, investments and placements	557,146	299,665
Return on deposits and other dues expensed	<u>(283,042)</u>	<u>(110,162)</u>
Net spread earned	274,104	189,503
OTHER INCOME		
Fee, commission and brokerage income	37,704	22,276
Gain from dealing in foreign currencies	7,856	1,857
Gain on sale of securities - net	17,787	108
Gain on disposal of operating fixed assets	1,163	33
Other income	2,861	1,609
Total other income	<u>67,371</u>	<u>25,883</u>
	341,475	215,386
OTHER EXPENSES		
Administrative expenses	(203,400)	(116,752)
Other charges	(473)	(288)
Total other expenses	<u>(203,873)</u>	<u>(117,040)</u>
	137,602	98,346
Extra-ordinary / unusual items	-	-
Profit before taxation	<u>137,602</u>	<u>98,346</u>
43.3 Cash flow statement for the year ended December 31, 2016		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	137,602	98,346
Adjustments:		
Depreciation	19,576	9,684
Amortisation of intangible assets	231	19
	<u>19,807</u>	<u>9,703</u>
	157,409	108,049
Increase in operating assets		
Due from Financial institutions	(150,000)	76,100
Islamic financings and related assets - net	(6,757,049)	(964,255)
Other assets	(5,716)	(53,980)
	<u>(6,912,765)</u>	<u>(942,135)</u>
Increase in operating liabilities		
Bills payable	127,556	21,683
Due to financial institutions	(925,000)	925,000
Deposits and other accounts	8,986,027	1,738,015
Other liabilities	497,920	(69,192)
	<u>8,686,503</u>	<u>2,615,506</u>
Net cash inflows from operating activities	<u>1,931,147</u>	<u>1,781,420</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in 'available-for-sale' securities	(1,992,259)	(1,012,279)
Investment in operating fixed assets	(56,032)	(54,220)
Net cash outflow from investing activities	<u>(2,048,291)</u>	<u>(1,066,499)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Islamic Banking Fund	-	-
Net cashflows from financing activities	<u>-</u>	<u>-</u>
(Decrease) / increase in cash and cash equivalents	(117,144)	714,921
Cash and cash equivalents at beginning of the year	957,137	242,216
Cash and cash equivalents at end of the year	<u>839,993</u>	<u>957,137</u>

43.4 Summit Bank Limited - Islamic Banking Division 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 / other than PKR; 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.

(ii) General pool

General pool is the basket in which all the deposits from depositors is placed along with the Bank's own equity and funds from other financial institutions. The general pool is based on the principle of unrestricted Modaraba. An unrestricted Modaraba contract is a contract in which the depositor permits the Bank to administer the funds without any restrictions. In this case, the Bank has a wide range of trade or business freedom on the basis of trust and the business expertise the Bank has acquired. However, such unrestricted business freedom in an unrestricted Modaraba must be exercised only in accordance with the interests of the parties and the objectives of the Modaraba contract, which is making profit. Therefore, the actions of the Bank must be in accordance with the business customs relating to the Banking operations.

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

- Depositor Funds.
- Equity Funds.
- Placement / Investments of Other IBIs.
- Modaraba Placement of Summit Bank Limited (Counterpart).

(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 recognising 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 should have 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 saving 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, 2016	December 31, 2015
	----- (Rupees in '000) -----	
43.5 Charitable fund		
Opening balance	-	-
Addition during the year	-	-
Payment / utilization during the year	-	-
Closing balance	-	-
43.6 Remuneration to Shariah Advisor (RSBM) / Board*	4,800	4,677

* Shariah Board established from October 01, 2015

		December 31, 2016	December 31, 2015
	Note	----- (Rupees in '000) -----	
43.7 Islamic financing and related assets			
Financings / investments / receivables			
- Murabaha		824,385	711,625
- Ijarah	43.8	487,496	488,621
- Diminishing Musharaka		2,031,556	1,073,141
- Istisna		63,057	25,178
- Tijarah		3,965,075	-
- Salam		17,679	-
- Running Musharaka		15,152	-
- Term Musharaka		520,000	-
- Other islamic modes		37,492	2,065
Advances			
Advance against Murabaha		110,000	4,466
Advance against Diminishing Musharaka		52,217	-
Advance against Ijarah		81,536	-
Inventories			
Murabaha Inventory		8,440	13,073
Tijarah Inventory		1,052,003	249,828
Istisna Inventory		62,280	3,322
43.7.1 Islamic mode of financing			
Financings / investments / receivables		7,961,892	2,300,630
Advances		243,753	4,466
Inventories		1,122,723	266,223
		9,328,368	2,571,319
Less: Provision against Islamic financing and related assets		-	-
		9,328,368	2,571,319

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, 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, 2015				
	Vehicle Consumer	Vehicle Corporate	Plant & Machinery	Equipment	Total
	----- (Rupees in '000) -----				
At January 1, 2015					
Cost	1,339	216,590	-	-	217,929
Accumulated Depreciation	(104)	(8,320)	-	-	(8,424)
Net book value	<u>1,235</u>	<u>208,270</u>	<u>-</u>	<u>-</u>	<u>209,505</u>
Year Ended December 31, 2015					
Opening Net Book value	1,235	208,270	-	-	209,505
Additions	1,167	327,145	-	-	328,312
Disposals					
Cost	(1,009)	(18,306)	-	-	(19,315)
Accumulated Depreciation	194	1,668	-	-	1,862
	(815)	(16,638)	-	-	(17,453)
Depreciation	(312)	(31,431)	-	-	(31,743)
Closing Net Book value	<u>1,275</u>	<u>487,346</u>	<u>-</u>	<u>-</u>	<u>488,621</u>
At December 31, 2015					
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>

	December 31, 2016	December 31, 2015
----- (Rupees in '000) -----		
43.9 Avenues / sectors of economy / business where deposits have been deployed		
Chemical and pharmaceuticals	4,696,306	953,500
Agribusiness	-	-
Textile	667,503	370,202
GOP Ijarah Sukuk	2,613,180	101,130
Shoes and leather garments	-	-
Automobile and transportation equipment	-	487,346
Financial	520,000	459,868
Electronics and electrical appliances	501,753	-
Production and transmission of energy	-	-
Carpets and rugs manufacturer	-	-
Glass and ceramics	-	-
Services	-	-
Others *	3,827,094	1,672,106
	<u>12,825,836</u>	<u>4,044,152</u>

* Staff financing amounting Rs. 115.103 (December 31, 2015: 87.240) 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 of local currency deposits was 50:50 during the year. However, following profit sharing ratios were applicable for foreign currency deposits.

	January to May 2016	June to September 2016	October to November 2016	December 2016
	----- % -----			
Rabbul Maal	50	50	60	50
Mudarib	50	50	40	50
43.11 Mudarib share (in amount and percentage of distributable income)				
	December 31, 2016		December 31, 2015	
	(Rupees in '000)	%	(Rupees in '000)	%
Rabbul Maal	242,593	66	79,475	66
Mudarib	98,405	34	40,942	34
	<u>340,998</u>		<u>120,417</u>	

	December 31, 2016	December 31, 2015
43.12 Amount and percentage of Mudarib share transferred to depositors through Hiba		
	----- (Rupees in '000) -----	
Mudarib share	98,405	40,942
Hiba	19,939	12,614
	----- (%) -----	
Hiba percentage of Mudarib share	20	31

44. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 08, 2017 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, following is the summary of major re-classification :

Description	Rupees in '000	Re-classified	
		From	To
Other Federal Government Securities			
- Bai Muajjal with Government of Pakistan	459,868	Lendings to financial institutions / Due from financial institutions	Investments
Non Banking Asset held by Subsidiary	20,471	Operating Fixed Assets	Other Assets
Investment in Unlisted Shares held by Subsidiary	1,576	Investments	Intangibles

**President &
Chief Executive**

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, 2016

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				
1	2	3	4	5	6	7	8	9	10	11	12
				(Rupees in '000)							
1	Javed Omer Vohra & Company Ltd.: 507-511, Stock Exchange Building, Stock Exchange Road, Karachi.	1. Mr. Haji M. Iqbal (42301-5207680-9) 2. Mrs. Fatima Amir (42301-0350898-6) 3. Mrs. Ayesha Mubashir (42301-0943809-4) 4. Mrs. Saira Faraz (42301-09921219-4) 5. Mr. Bilal Vohra (42301-9975536-7) 6. Mr. Muhammad Rafiq Javed (42201-0302906-3) 7. Miss Afshan Farooqui (42101-1727828-2)	1. Haji Ismail 2. Amir Naseer 3. Mubashir Usman 4. Faraz Pervaz 5. Javed Omer Vohra 6. Muhammad Yousuf 7. Aman-ur-Rehman"	90,378	17,437	15	107,830	40,178	17,437	15	57,630
2	Muhammad Atif: 104-HH, Phase IV, DHA, Lahore.	Muhammad Atif (35201-1582671-1)	Muhammad Asif	1,500	959	-	2,459	375	959	-	1,334
3	Muhammad Wasif: H No E 71/1, Sattelite Town, Rawalpindi.	Muhammad Wasif (61101-0519397-9)	Muhammad Asif Jamil	1,992	648	-	2,640	597	648	-	1,245
4	Ishaque Hassan Zai Transport Service: Aman Heights, Shop No. 6, Garden East, Karachi.	Muhammad Ishaque (42201-6884348-1)	Muhammad Alam	1,869	199	198	2,266	595	199	198	992
5	Muhammad Akhtar: H No 77, Moh Amin Park, Multan Road, Lahore.	Muhammad Akhtar (35202-2750966-5)	Sheikh Muhammad Qamar	1,200	608	-	1,808	336	608	-	944
6	Mazhar Mohy Ud Din: H No. 584, Kamran Block, Allama Iqbal Town, Lahore.	Mazhar Mohy Ud Din (35202-1220080-9)	Ghulam Gillani	347	769	-	1,116	100	769	-	869
				97,286	20,620	213	118,119	42,181	20,620	213	63,014

CATEGORIES OF SHAREHOLDERS

AS AT DECEMBER 31, 2016

	NUMBER OF SHAREHOLDERS	SHARES HELD	
	 Number %
ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES			
SUROOR INVESTMENTS LIMITED (SIL)	1	1,255,367,121	70.58
RUPALI BANK LIMITED	1	32,777,450	1.84
SUB TOTAL	2	1,288,144,571	72.42
SHAREHOLDERS HOLDING FIVE PERCENT OR MORE (EXCLUDING SIL)			
NIL	-	-	-
DIRECTORS			
ASADULLAH KHAWAJA	1	74	0.00
HUSAIN LAWAI	1	1,000,000	0.06
MUHAMMAD ZAHIR ESMAIL	1	17	0.00
SUB TOTAL	3	1,000,091	0.06
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS			
	21	60,962,677	3.43
NATIONAL INVESTMENT TRUST & INVESTMENT CORPORATION OF PAKISTAN			
	-	-	-
FOREIGN SHAREHOLDERS			
	8	6,012,514	0.34
INDIVIDUALS			
	45,548	315,121,255	17.71
OTHERS			
	107	107,425,195	6.04
TOTAL	45,689	1,778,666,303	100.00

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2016

No. of Shareholders	From	Shareholdings To	Total Shares Held
8,199	1	100	354,672
3,868	101	500	1,059,653
23,282	501	1,000	13,274,217
7,310	1,001	5,000	15,253,225
1,129	5,001	10,000	8,636,909
420	10,001	15,000	5,277,539
281	15,001	20,000	5,136,969
220	20,001	25,000	5,211,282
119	25,001	30,000	3,338,700
60	30,001	35,000	1,980,877
60	35,001	40,000	2,291,676
40	40,001	45,000	1,711,680
132	45,001	50,000	6,532,932
31	50,001	55,000	1,619,708
29	55,001	60,000	1,682,717
19	60,001	65,000	1,197,102
20	65,001	70,000	1,370,831
25	70,001	75,000	1,840,225
15	75,001	80,000	1,186,931
7	80,001	85,000	589,832
9	85,001	90,000	804,225
7	90,001	95,000	648,033
92	95,001	100,000	9,182,318
11	100,001	105,000	1,123,616
13	105,001	110,000	1,412,664
9	110,001	115,000	1,010,166
5	115,001	120,000	593,950
11	120,001	125,000	1,370,430
2	125,001	130,000	255,471
6	135,001	140,000	837,149
6	140,001	145,000	856,658
20	145,001	150,000	2,993,888
8	150,001	155,000	1,225,477
4	155,001	160,000	636,660
5	160,001	165,000	805,669
2	165,001	170,000	340,000
5	170,001	175,000	868,956
4	175,001	180,000	712,355
2	180,001	185,000	366,000
1	185,001	190,000	190,000
23	195,001	200,000	4,597,444
1	200,001	205,000	204,000
2	205,001	210,000	415,372
2	215,001	220,000	431,722
3	220,001	225,000	671,419
1	225,001	230,000	229,000
1	230,001	235,000	231,500
1	235,001	240,000	237,000
7	245,001	250,000	1,747,890

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2016

No. of Shareholders	From	Shareholdings To	Total Shares Held
1	250,001	255,000	250,100
1	255,001	260,000	256,288
2	260,001	265,000	525,000
1	265,001	270,000	270,000
1	270,001	275,000	274,754
2	275,001	280,000	560,000
1	280,001	285,000	285,000
9	295,001	300,000	2,700,000
1	300,001	305,000	301,000
1	305,001	310,000	307,000
1	335,001	340,000	338,885
1	340,001	345,000	342,000
1	345,001	350,000	348,500
3	360,001	365,000	1,086,166
2	365,001	370,000	731,264
2	370,001	375,000	745,343
2	375,001	380,000	756,000
1	385,001	390,000	389,000
1	390,001	395,000	393,600
6	395,001	400,000	2,400,000
2	400,001	405,000	806,005
1	410,001	415,000	412,000
1	420,001	425,000	424,000
1	430,001	435,000	432,000
1	445,001	450,000	446,000
3	455,001	460,000	1,371,591
1	465,001	470,000	470,000
1	480,001	485,000	485,000
1	485,001	490,000	488,500
16	495,001	500,000	8,000,000
1	500,001	505,000	500,885
1	505,001	510,000	506,978
1	515,001	520,000	518,400
1	520,001	525,000	520,500
1	525,001	530,000	528,212
1	530,001	535,000	535,000
2	535,001	540,000	1,075,403
1	545,001	550,000	550,000
1	575,001	580,000	580,000
1	585,001	590,000	587,777
1	595,001	600,000	599,913
1	600,001	605,000	602,500
1	625,001	630,000	626,286
1	635,001	640,000	639,555
1	645,001	650,000	650,000
1	660,001	665,000	661,500
1	690,001	695,000	694,500
2	695,001	700,000	1,400,000
2	700,001	705,000	1,404,202
1	720,001	725,000	725,000
1	755,001	760,000	755,555
2	770,001	775,000	1,542,500
2	795,001	800,000	1,598,500

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2016

No. of Shareholders	From	Shareholdings To	Total Shares Held
1	890,001	895,000	895,000
2	895,001	900,000	1,800,000
1	915,001	920,000	916,326
9	995,001	1,000,000	9,000,000
1	1,005,001	1,010,000	1,010,000
1	1,060,001	1,065,000	1,060,455
2	1,085,001	1,090,000	2,172,500
1	1,095,001	1,100,000	1,100,000
1	1,115,001	1,120,000	1,120,000
1	1,120,001	1,125,000	1,120,500
1	1,125,001	1,130,000	1,125,710
1	1,175,001	1,180,000	1,178,500
1	1,180,001	1,185,000	1,182,500
1	1,195,001	1,200,000	1,200,000
1	1,200,001	1,205,000	1,205,000
1	1,250,001	1,255,000	1,253,444
1	1,265,001	1,270,000	1,269,500
1	1,395,001	1,400,000	1,400,000
1	1,640,001	1,645,000	1,644,717
1	1,880,001	1,885,000	1,881,996
1	1,895,001	1,900,000	1,900,000
2	1,920,001	1,925,000	3,842,503
1	1,965,001	1,970,000	1,970,000
1	1,995,001	2,000,000	2,000,000
1	2,495,001	2,500,000	2,500,000
1	2,500,001	2,505,000	2,500,429
1	2,515,001	2,520,000	2,518,500
1	2,595,001	2,600,000	2,600,000
1	3,200,001	3,205,000	3,205,000
1	3,250,001	3,255,000	3,255,000
1	3,530,001	3,535,000	3,530,350
1	3,770,001	3,775,000	3,773,600
1	3,940,001	3,945,000	3,940,159
1	3,995,001	4,000,000	4,000,000
1	4,195,001	4,200,000	4,200,000
1	4,310,001	4,315,000	4,314,526
1	4,995,001	5,000,000	5,000,000
1	5,095,001	5,100,000	5,100,000
1	5,245,001	5,250,000	5,250,000
1	5,865,001	5,870,000	5,867,503
1	6,475,001	6,480,000	6,477,069
1	6,795,001	6,800,000	6,800,000
1	8,320,001	8,325,000	8,322,000
1	11,450,001	11,455,000	11,452,000
1	11,545,001	11,550,000	11,546,585
1	11,565,001	11,570,000	11,566,000
1	18,300,001	18,305,000	18,301,192
1	19,995,001	20,000,000	20,000,000
1	32,305,001	32,310,000	32,308,297
1	32,775,001	32,780,000	32,777,450
2	49,995,001	50,000,000	100,000,000
1	1,255,340,001	1,255,370,000	1,255,367,121
45,689			1,778,666,303

NOTICE OF THE 11TH ANNUAL GENERAL MEETING OF THE SHAREHOLDERS

NOTICE is hereby given that the Eleventh (11th) Annual General Meeting of the Shareholders (the "**Shareholders**") of Summit Bank Limited (the "**Bank**") will be held on March 30, 2017 at 11:00 a.m. at Serena Hotel, Islamabad to transact the following business:

AGENDA

Ordinary Business:

1. To confirm the minutes of the Tenth Annual General Meeting of the Bank held on March 30, 2016.
2. To receive, consider and adopt the audited financial statements of the Bank together with the Directors' and Auditors' Reports thereon for the year ended December 31, 2016.
3. To appoint the external auditors of the Bank for the year ending December 31, 2017 till the conclusion of the next Annual General Meeting and fix their remuneration thereof.

The present retiring auditors' M/s. Deloitte Yousuf Adil, Chartered Accountants being eligible have offered themselves for re-appointment.

Special Business:

4. To consider and if deemed fit, to pass the following resolutions as a 'Special Resolution' for alteration in the Articles of Association of the Bank, with or without modification, addition(s) or deletion(s), as recommended by the Board of Directors.

RESOLVED THAT pursuant to Section 28 and other applicable provisions, if any, of the Companies Ordinance, 1984 or any other law(s), the Articles of Association of the Bank be and hereby amended by inserting new Articles 52A and 58A immediately after the existing Articles 52 and 58 to be read as under:

52-A A member may opt for E-voting in a general meeting of the Bank under the provisions of the Companies (E-voting) Regulations, 2016 or as amended from time to time. In the case of E-voting, both the members and non-members can be appointed as proxy. The instruction to appoint execution officer and option to e-vote through intermediary shall be required to be deposited with the Bank, at least ten (10) days before the holding of the general meeting at the Bank's registered office address or through designated email. The Bank will arrange E-voting if the Bank receives demand for poll from at least five (5) members or by any member or members having not less than one tenth (1/10) of the voting power.

58-A An instrument of proxy in relation to E-voting shall be in the following form:

I/We, _____ of _____ being a member of the _____, holder of _____ share(s) as per register Folio No. / CDC Account No. _____ hereby opt for E-voting through intermediary and hereby consent the appointment of execution officer _____ as proxy and will exercise E-voting as per The Companies (E-Voting) Regulations, 2016 and hereby demand for poll for resolutions.

My secured email address is _____, please send login details, password and electronic signature through email.

Signed in the presence of:

Signature of Witness

CNIC No. _____

Signature of Witness

CNIC No. _____

Signature of Member

CNIC No. _____

'FURTHER RESOLVED THAT the Chief Executive Officer or the Company Secretary of the Bank be and is hereby authorized to do all the acts, deed and things, take all steps and action necessary, ancillary and incidental for altering the Articles of Association of the Bank including filing of all requisite documents / statutory forms as may be required to be filed with the Registrar of Companies before the Securities and Exchange Commission of Pakistan and complying with all other requirements so as to effectuate the alterations in the Articles of Association and implementing the aforesaid resolution.

5. To consider and approve the transmission of annual audited financial statements, auditors' report, directors' report etc. collectively called as Annual Report of the Bank in soft form to the members through CD/DVD/USB/EMAIL instead of hard copy, as allowed by the Securities and Exchange Commission of Pakistan. The Bank, however, shall place on its website a 'Standard Request Form' to enable intimation to the Bank by those members who still require a hard copy of the Annual Report instead of through CD/DVD/USB/EMAIL and if deemed appropriate, accordingly pass the following resolutions as an Ordinary Resolution:

'RESOLVED THAT the transmission of annual audited financial statements, auditors' report, directors' report etc. collectively called as Annual Report of the Bank in soft form to the members at their registered addresses available with the Bank through CD/DVD/USB/EMAIL instead of hard copy, as notified by the Securities and Exchange Commission of Pakistan vide its SRO 470(1)/2016 dated May 31, 2016 be and is hereby approved.

'FURTHER RESOLVED THAT the Standard Request Form be may placed on the Bank's website for the requisition of Annual Report by those members who still require a hard copy instead of transmitting it through CD/DVD/USB/EMAIL.

FURTHER RESOLVED THAT the Company Secretary be and is hereby authorized to do all acts, deeds and things, take any or all necessary actions to complete the legal formalities and file all necessary documents as may be necessary or incidental for the purposes of implementing the aforesaid resolution.

Other Business:

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

By order of the Board

Place: Karachi
Date: March 09, 2017

Syed Muhammad Talib Raza
Company Secretary

Notes:

1. The share transfer books of the Bank will be closed from March 24, 2017 to March 30, 2017 (both days inclusive). Transfers received by our Shares Registrar's, M/s. Technology Trade (Pvt.) Ltd at Dagia House, 241-C, Block-2, P.E.C.H.S., Off. Shahrah-e-Quaideen, Karachi at the close of business i.e. March 22, 2017 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. Technology Trade (Pvt.) Ltd., Dagia House, 241-C, Block-2, P.E.C.H.S., Off. Shahrah-e-Quaideen, Karachi duly stamped, signed and witnessed no later than 48 hours before the meeting.
3. Shareholders whose shares are deposited with Central Depository Company of Pakistan Limited (CDC) are requested to bring their Computerized National Identity Card (CNIC) along with their CDC Account Number for verification. In case of corporate entity, the Board's resolution / power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting. For appointing proxies, in case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form accordingly. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form. The proxy shall produce his/her original CNIC or original passport at the time of the meeting. In case of corporate entity, the Board's resolution / power of attorney with specimen signatures shall be submitted along with proxy form to the company.
4. Members are requested to notify any change in their addresses immediately.

5. In accordance with SECP's directives, it is mandatory for all the shareholders to have their valid CNIC number recorded with the company. Members who have not yet submitted photocopies of their CNICs to the Registrar are requested once again to submit a valid attested copy of their CNICs with our Share Registrar M/s. Technology Trade (Pvt.) Ltd.

STATEMENT UNDER SECTION 160 (1) (B) OF THE COMPANIES ORDINANCE 1984

This statement is annexed to the Notice of the Eleventh (11th) Annual General Meeting of the Bank to be held on March 30, 2017 at which certain special business items are to be transacted, and the purpose of this statement is to set out all material facts concerning such special business in terms of Section 160 (1) (B) of the Companies Ordinance, 1984.

FOR AGENDA ITEM NO. 4:

The Securities and Exchange Commission of Pakistan (SECP or the Commission) through SRO 43(1)/2016 dated January 22, 2016 has issued Companies (E-voting) Regulations, 2016 for voting through electronic means. These regulations are applicable to all general meetings of the listed companies for providing voting rights to members through electronic means managed by authorized intermediaries.

In purview of the these regulations, the Bank is required to make necessary alteration in its Articles of Association in order to cover E-voting mechanism and allied matters and accordingly the insertion of new Articles 52 A and 58 A is being placed before the members of the Bank for their necessary consideration and approval.

FOR AGENDA ITEM NO. 5:

The Securities and Exchange Commission (SECP) through its SRO 787(1)/2014 dated September 08, 2014 had allowed the Companies to circulate the audited annual accounts, auditors' report and directors' report, collectively called as Annual Report along with the notice of annual general meeting to its members through email who opt for the same.

Now in continuation of the above, the SECP through its SRO 470(1)/2016 dated May 31, 2016 have further allowed the companies to circulate the Annual Report, effective from the financial years ending after June 30, 2016, to its members through CD/DVD/USB at their registered addresses subject to the compliance with the following conditions:

1. The consent of shareholders has to be obtained in the general meeting for transmission of the Annual Report in soft form through CD/DVD/USB instead of transmitting in hard copies.
2. The company, shall supply hard copies of the Annual Report to such shareholders, on demand, at their registered address, free of cost, within one week of such demand.
3. The company shall place on its website a 'Standard Request Form' for the members, to communicate their need of hard copies of Annual Report instead of sending the same through CD/DVD/USB/EMAIL.

In view of the above, the resolution is being placed before the members for their necessary consideration, review and approval.

All of the above proposed amendments / recommendations have the approval of the Board of Directors.

Interest of Directors

The directors of the Bank have no direct or indirect interest in the Special Resolution except to the extent of their shareholding in the Bank.

Inspection of Documents

The copies of the Memorandum and Articles of Association of the Bank and the Statement under Section 160 (1) (B) of the Companies Ordinance, 1984 may be inspected / procured during the business hours on any working day from the registered office of the Bank from the date of publication of the accompanying notice till the conclusion of the Annual General Meeting.

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

BRANCH NETWORK

Badami Bagh Branch

25 - Peco Road Badami Bagh Lahore
Tel: 042-37724583, 37720382, 37705036
Fax: 042-37730867

Bahria Town Branch

Plot No. 31 - B, Sector 'C',
Bahria Town, Lahore
Tel: 042 - 37862380 - 82
Fax: 042-37862379

Bedian Road Branch

Plot No. 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

26/C, Commercial Zone, Liberty Market,
Gulberg, Lahore
Tel: 042-35784321, 35784328, 35717273, 35763308
Fax: 042-35763310

Mall Road Branch

56, Ground Floor, Shahrah-e-Quaid-e-Azam
(The Mall), Lahore
Tel: 042-36284801-3
Fax: 042-36284805

Model Town Branch

14-15, Central Commercial Market,
Model Town, Lahore
Tel: 042-35915540-42 & 35915548
Fax: 042-35915549

BRANCH NETWORK

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

Aminpur Bazar Branch

Plot # 183, Street No.2, Between Aminpur
Bazar & Chiniot Bazar, Faisalabad
Tel: 041-2636783, 2626783 & 2649277
Fax: 041-2611363

Jail Road Branch

House No. P-62, Opposite Punjab Medical College,
Jail Road, Faisalabad
Tel: 041-8813541-43
Fax: 041-8813544

Kotwali Road Branch

P-12, Kotwali Road, Faisalabad
Tel: 041-2412151-53
Fax: 041-2412154

BRANCH NETWORK

Liaquat Road Branch

Liaquat Road, Chak # 212,
Faisalabad
Tel: 041-2541257-59
Fax: 041-2541255

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

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

BRANCH NETWORK

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

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

BRANCH NETWORK

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

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

BRANCH NETWORK

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

JAMSHORO

Nooriabad Branch

Ground Floor, SITE Office Building Nooriabad,
Dist Jamshoro, Sindh
Tel: 025-4670433-8
Fax: 025-4670434

BRANCH NETWORK

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

Naval Anchorage Branch

Plot # 19, Commercial No. 2,
Naval Officers' Housing Scheme
Anchorage, Islamabad
Tel: 051 - 5159126 - 28
Fax: 051 - 5159129

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

SKARDU

Skardu Branch

Khasra No. 1265/39,
Yadgar Chowk, Tehsil Skardu,
District Baltistan
Tel: 05815- 456693-94
Fax: 05815-456696

CHITRAL

Chitral Branch

Attalique Bazar, Bank Square,
Opp: NBP Building, Chitral
Tel: 0943 - 412536-37
Fax: 0943 - 414352

HYDERABAD

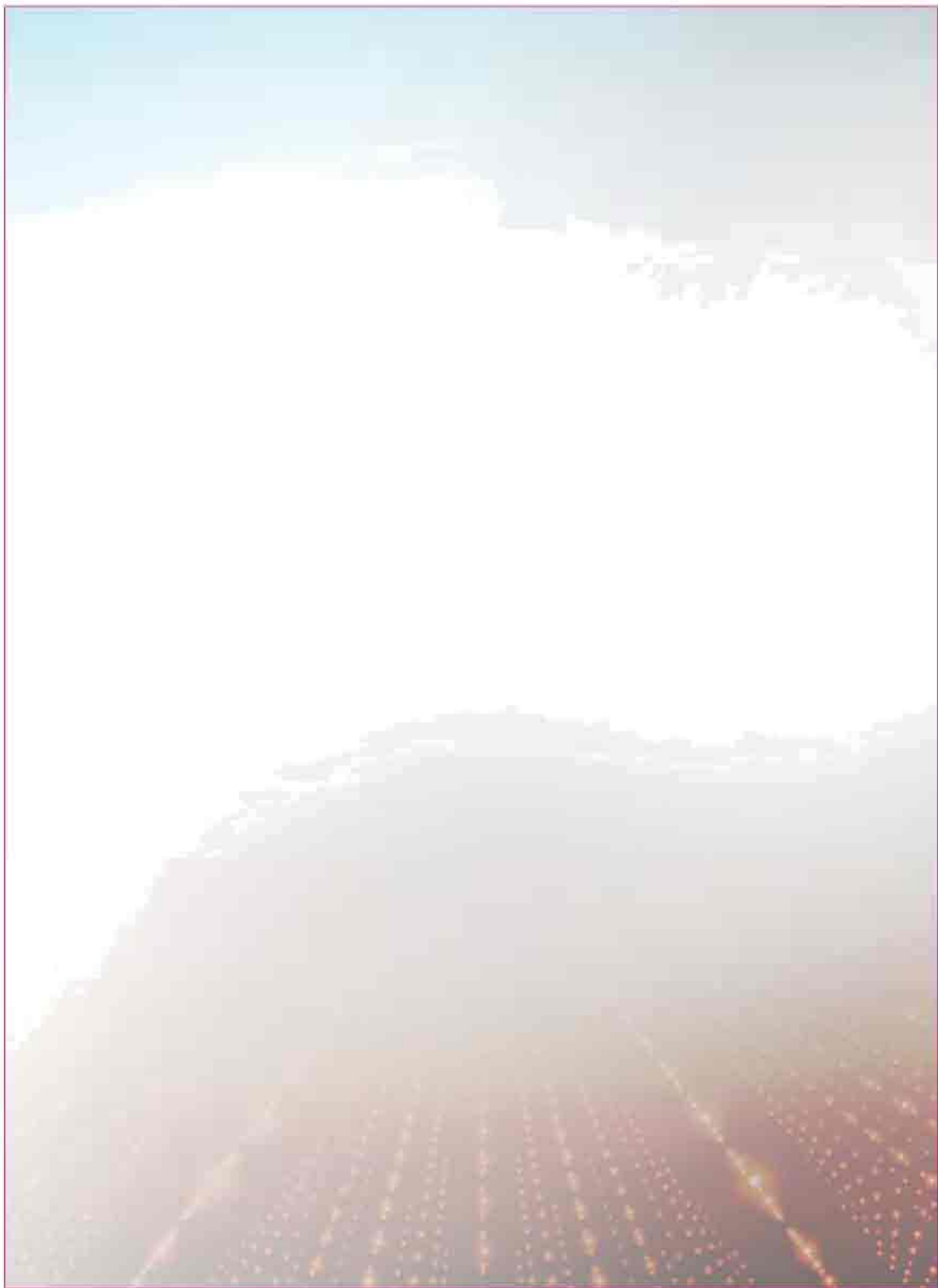
DHA Plaza Branch

Shop No. 1 & 2, Block "C",
Defence Plaza, Thandi Sarak, Hyderabad
Tel: 022- 2108474, 2108478
Fax: 022-210847

RAWALPINDI

Bahria Town Branch Phase-IV

Plot # 1, Bahria Town, Civic Centre,
Phase IV, Rawalpindi
Tel: 051-5733945-46
Fax: 051-5733967



FORM OF PROXY

11th 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 11th Annual General Meeting of the Bank to be held on March 30, 2017 and /or any adjournment thereof.

Signed this _____ day of _____ 2017.

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. Technology Trade (Pvt.) Ltd; Dagia House 241-C Block-2, PECHS off Shahrah-e-Quaideen Karachi not later than 48 hours before the meeting duly signed and stamped and witnessed by two persons with their names, addresses and NIC numbers mentioned on the form.
- (v) In the case of individuals attested copies of NIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (vi) In the case of proxy by a corporate entity, Board of Directors resolution/power of attorney with specimen signature and attested copies of the NIC or passport of the proxy shall be submitted along with proxy form.

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

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پروکسی فارم

گیارہواں سالانہ اجلاس عام

دی کمپنی سیکرٹری

سمٹ بینک لمیٹڈ

2nd میزٹائن فلور،

5- بزنس 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 ہذا محترم/محترمہ کا تقرر کرتا ہوں جس کا مکمل پتہ

..... ہے یا اس کی عدم موجودگی میں

محترم/محترمہ جس کا مکمل پتہ

..... ہے، میں (بینک کا ممبر ہونے کے ناطے) بطور پروکسی تقرر کرتا ہوں جسے میرے/ہمارے جانب سے 30 مارچ 2017ء کو منعقد ہونے والے گیارہواں 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 2017ء

گواہان:

1. نام:

پتہ:

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر:

دستخط:

2. نام:

پتہ:

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر:

دستخط:

اطلاع:

(i) ایک ممبر جو اجلاس میں شرکت اور ووٹ دینے کا اہل ہو وہ کسی اور ممبر کو اپنا/اپنی پروکسی مقرر کر سکتا/سکتی ہے جسے اجلاس میں شرکت، بولنے اور ووٹ ڈالنے کے اُتے ہی اختیار حاصل ہوں گے جتنے ایک ممبر کو حاصل ہوتے ہیں۔

(ii) اکاؤنٹ ہولڈرز، سب اکاؤنٹ ہولڈرز، پروکسی یا نامزد کو اپنا اصل قومی شناختی کارڈ (CNIC) یا پاسپورٹ دکھانا/اپنی شناخت کی تصدیق کروانی ہوگی اور اجلاس میں شرکت کے وقت اپنا فوٹو نمبر ہمراہ لانا ہوگا۔

(iii) کاروباری ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ نامزد شخص کے دستخط کے نمونے کے ساتھ (اگر پہلے فراہم نہ کیے گئے ہوں) بھی اجلاس کے وقت پیش کرنے ہوں گے۔

(iv) پروکسی فارم کے مؤثر ہونے کیلئے ضروری ہے کہ وہ ہمارے رجسٹرار کے دفتر میسرز ٹیکنالوجی ٹریڈ (پرائیویٹ) لمیٹڈ، ڈاگیا ہاؤس، 241-سی، بلاک-2، پی ای سی ایچ ایس، بعید از شاہراہ قائدین، کراچی، مناسب طور پر مہر لگی ہوئی، دستخط شدہ اور دو افراد کی گواہی کے ساتھ اجلاس سے زیادہ سے زیادہ 48 گھنٹے قبل وصول ہو جائیں۔

(v) انفرادی صورت میں پیشکش آزر اور پروکسی کے قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقل بھی پروکسی فارم کے ساتھ فراہم کرنا ہوں گی۔

(vi) کاروباری ادارے کی صورت میں پروکسی فارم کے ساتھ بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ، نامزد شخص کے دستخط کے نمونے کے ساتھ اور پروکسی کے قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقل بھی جمع کروانی ہوگی۔

پانچ روپے کی مالیت کے
ڈاک ٹکٹ پر دستخط

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Head office

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