

Summit S Bank

Ref: SMBL/CSD/2021/11-19

FORM-5

Date: 23.11.2021

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

Subject: Transmission of Annual Report for the Year Ended December 31, 2020

Dear Sir,

We have to inform you that the Annual Report of Summit Bank Limited for the year ended December 31, 2020 have been transmitted through PUCARS and is also available on Bank's website.

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

Thanking You,

Very truly yours,

For and on behalf of
Summit Bank Limited



Syed Muhammad Talib Raza
Company Secretary

COMMITTED TO YOU

Summit Bank Limited
Company Secretary Division
Summit Tower I Head Office

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

Direct : +9221-32410851 & 32473205 Fax : +9221-32472193 Website: www.summitbank.com.pk, UAN: 021-1111 24365

BUILDING TODAY SHAPING TOMORROW

ANNUAL REPORT 2020



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

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CORPORATE INFORMATION

Board of Directors

Mr. Waseem Mehdi Syed
Chairman

Mr. Jawad Majid Khan
President & CEO

Mr. Wajahat Ahmed Baqai
Director

Mr. Zafar Iqbal Siddiqi
Director

Ms. Fauzia Hasnain
Director

Mr. Aziz Morris
Director

Board Audit Committee

Ms. Fauzia Hasnain
Chairperson

Mr. Wajahat Ahmed Baqai
Member

Mr. Zafar Iqbal Siddiqi
Member

Board Risk Management Committee

Mr. Wajahat Ahmed Baqai
Chairman

Ms. Fauzia Hasnain
Member

Mr. Aziz Morris
Member

Mr. Zafar Iqbal Siddiqi
Member

Board Human Resource & Remuneration Committee

Ms. Fauzia Hasnain
Chairperson

Mr. Zafar Iqbal Siddiqi
Member

Mr. Wajahat Ahmed Baqai
Member

Mr. Jawad Majid Khan
Member

Board Information Technology Committee

Mr. Zafar Iqbal Siddiqi
Chairman

Mr. Aziz Morris
Member

Mr. Waseem Mehdi Syed
Member

Board Compliance Committee

Mr. Wajahat Ahmed Baqai
Chairman

Mr. Waseem Mehdi Syed
Member

Mr. Aziz Morris
Member

Mr. Zafar Iqbal Siddiqi
Member

Chief Financial Officer

Mr. Salman Zafar Siddiqi

Company Secretary

Syed Muhammad Talib Raza

Auditors

Baker Tilly Mehmood Idrees Qamar
Chartered Accountants

Legal Advisors

Hyat & Meerjees

Share Registrar

THK Associates (Private) Limited
Plot No. 32-C, Jami Commercial Street-2,
D.H.A., Phase-VII, Karachi

Tel : 021-111-000-322

Ext : 107-111-115

Fax : 021-35310190

Email : secretariat@thk.com.pk

Website : www.thk.com.pk

Head Office

Summit Tower

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

UAN : (021) 1111-24365

Fax : (021) 32463553

Registered Office

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

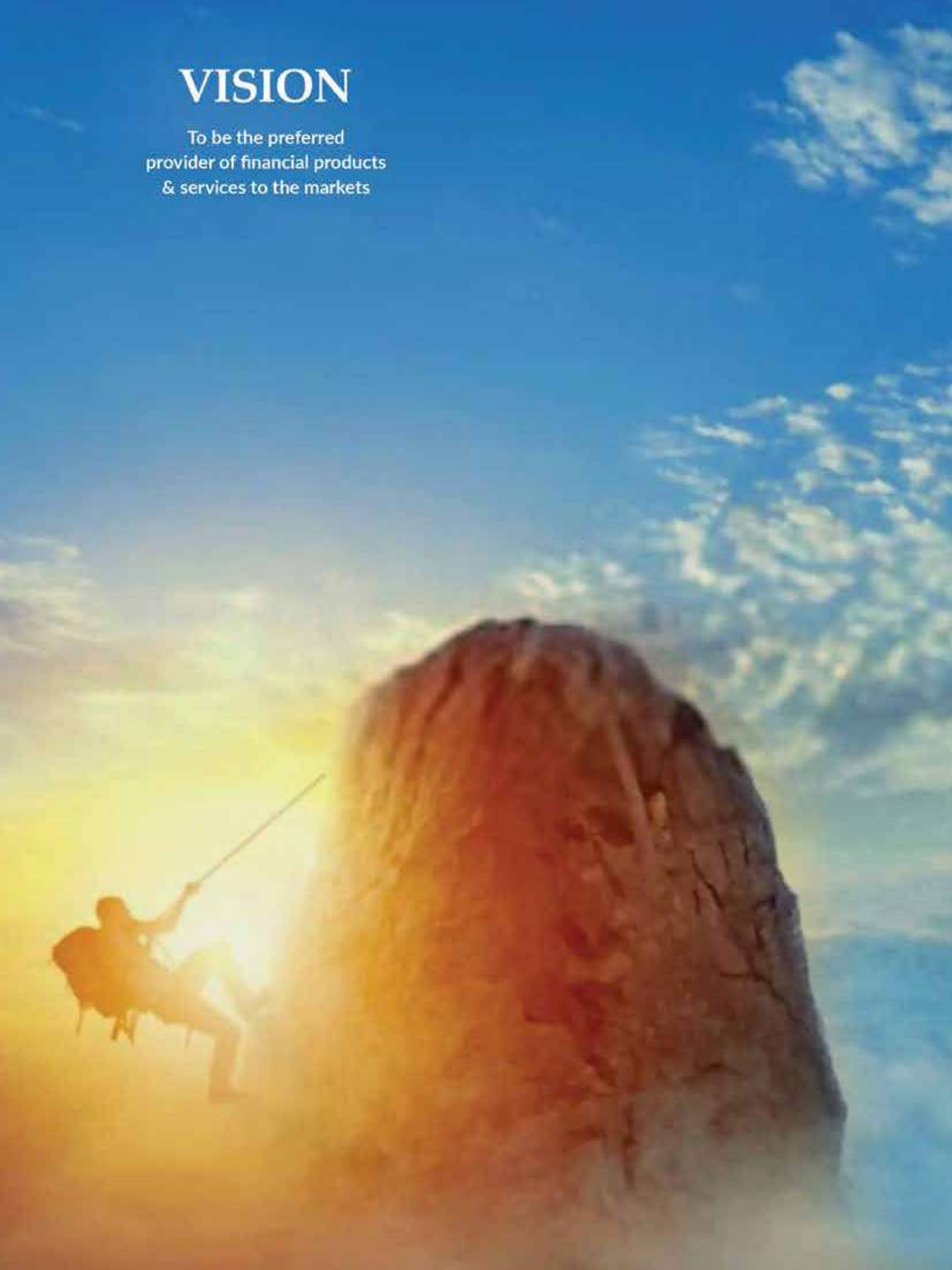
Email : info@summitbank.com.pk

companysecretary@summitbank.com.pk

Website : www.summitbank.com.pk

VISION

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



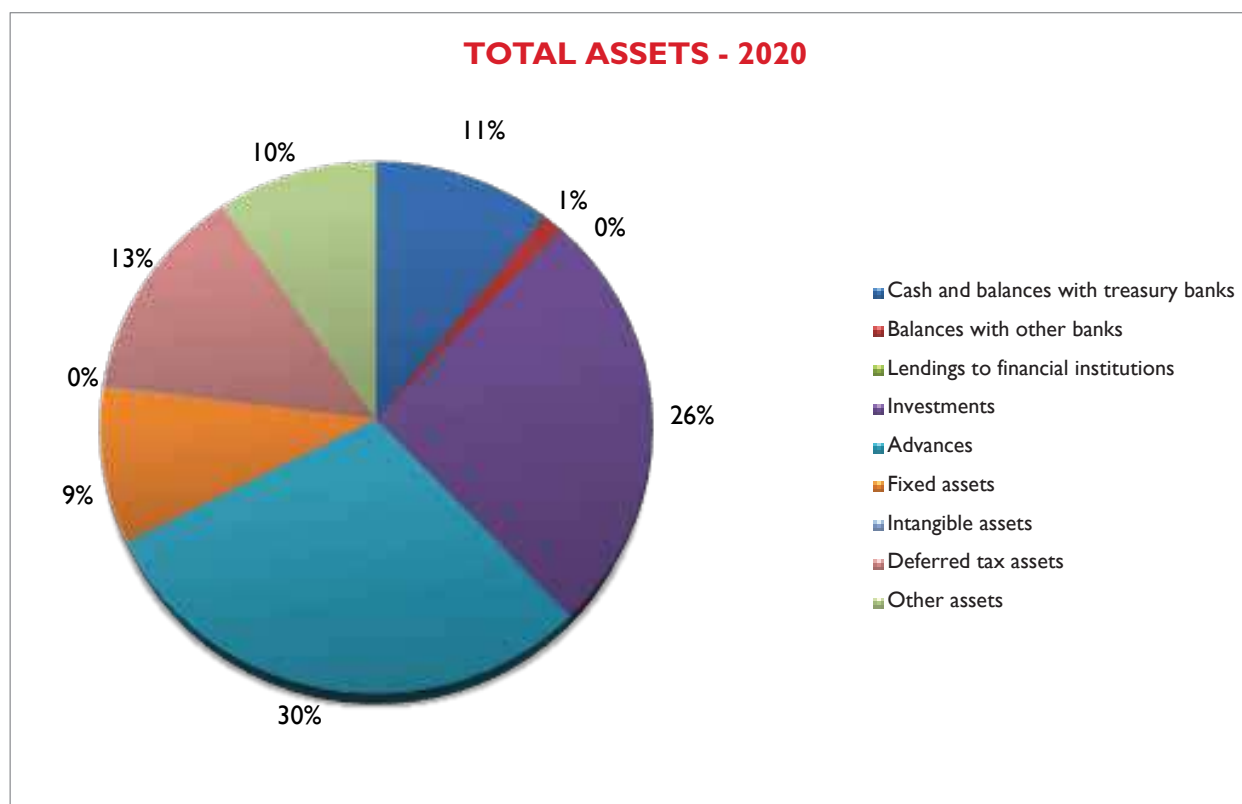
MISSION

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



KEY OPERATING AND FINANCIAL DATA

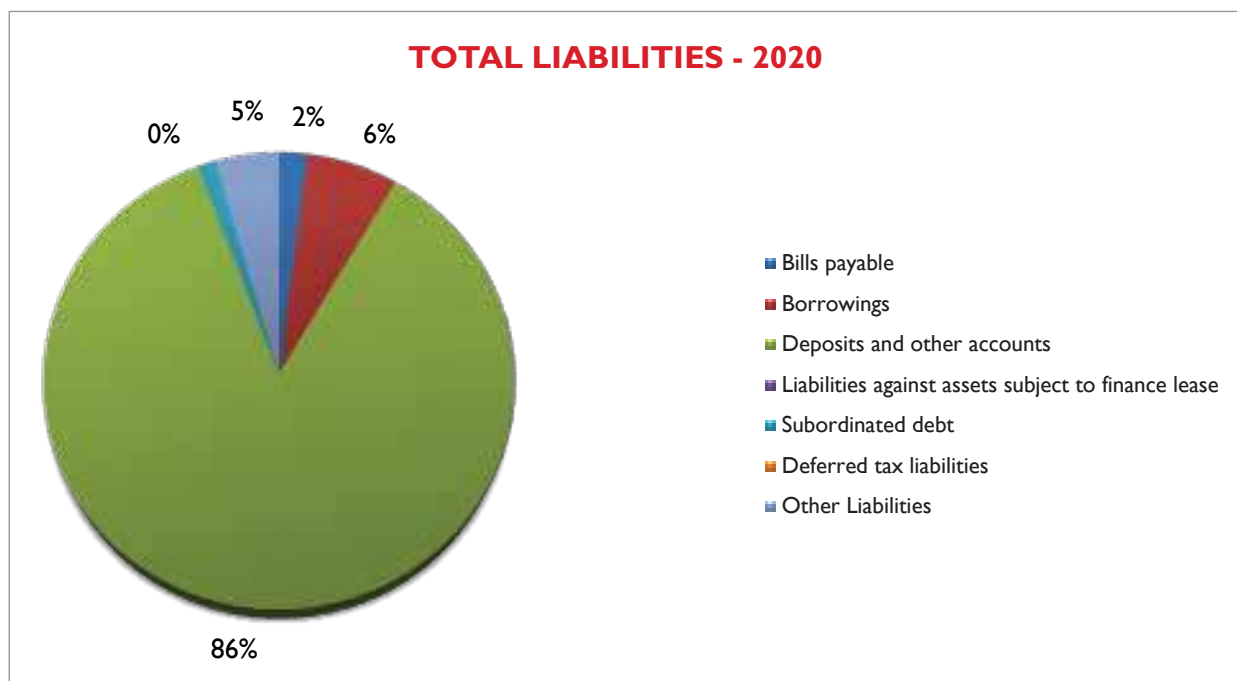
	2020	2019	2018	2017	2016	2015
				(Restated)		
----- (Rupees in millions) -----						
ASSETS						
Cash and balances with treasury banks	11,571	5,614	5,043	13,557	12,787	10,540
Balances with other banks	1,359	931	997	2,440	2,583	2,919
Lendings to financial institutions	-	991	-	10,671	1,632	1,000
Investments	27,903	21,960	19,256	94,940	90,575	78,192
Advances	31,783	43,242	61,246	84,592	79,844	70,554
Fixed assets	10,188	10,181	8,709	12,416	12,028	9,322
Intangible assets	91	149	205	249	245	212
Deferred tax assets	14,279	11,606	7,215	5,804	5,201	5,609
Other assets *	10,483	11,202	11,957	8,864	11,552	11,186
Total assets	107,657	105,876	114,628	233,533	216,447	189,534



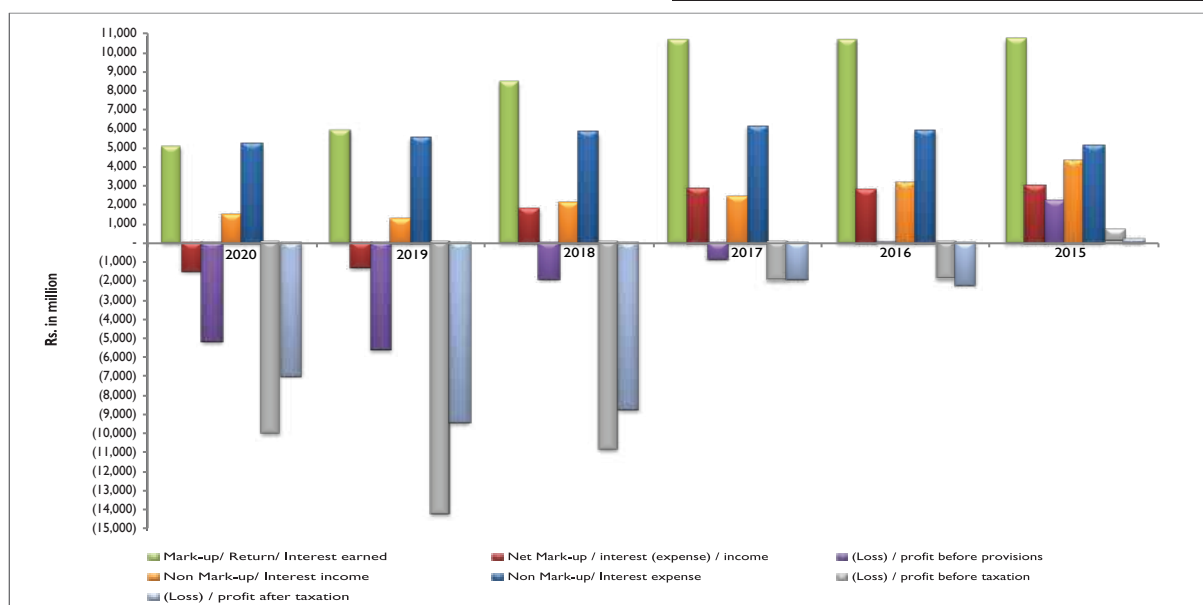
	2020	2019	2018	2017	2016	2015
				(Restated)		
----- (Rupees in millions) -----						
LIABILITIES						
Bills payable	2,403	1,816	1,881	3,065	5,061	2,729
Borrowings	7,669	13,505	19,492	67,308	49,820	49,756
Deposits and other accounts	101,887	88,567	84,676	145,730	142,871	119,854
Liabilities against assets subject to finance lease	-	-	-	-	-	-
Subordinated debt	1,496	1,496	1,496	1,496	1,497	1,497
Deferred tax liabilities	-	-	-	-	-	-
Other Liabilities *	5,390	6,090	4,330	5,693	4,526	3,740
Total liabilities	118,845	111,474	111,875	223,292	203,775	177,576
NET ASSETS	(11,188)	(5,598)	2,753	10,241	12,672	11,958

REPRESENTED BY

Share capital - net	20,500	20,500	20,500	20,500	16,489	9,483
Convertible preference shares	-	-	-	-	2,156	2,156
Advance against subscription of shares	-	-	-	-	1,855	7,007
Reserves	(425)	(425)	(425)	(425)	(425)	(425)
Surplus / (deficit) on revaluation of assets	4,812	3,530	2,577	1,495	2,112	1,158
Accumulated losses	(36,075)	(29,203)	(19,899)	(11,329)	(9,515)	(7,421)
Total equity	(11,188)	(5,598)	2,753	10,241	12,672	11,958



	2020	2019	2018	2017	2016	2015
				(Restated)		
----- (Rupees in millions) -----						
RESULTS OF OPERATIONS						
Mark-up/ Return/ Interest earned	5,114	5,909	8,452	10,645	10,627	10,705
Mark-up/ Return/ Interest expensed	6,595	7,216	6,643	7,745	7,854	7,657
Net Mark-up / interest (expense) / income	(1,481)	(1,307)	1,809	2,900	2,773	3,048
Non Mark-up/ Interest income	1,496	1,232	2,123	2,418	3,125	4,316
Total Income	15	(75)	3,933	5,318	5,898	7,364
Non Mark-up/ Interest expense	5,183	5,514	5,817	6,135	5,862	5,144
(Loss) / profit before provisions	(5,168)	(5,589)	(1,885)	(818)	36	2,220
Provisions and write offs - net	4,875	8,682	8,996	1,166	1,954	1,564
(Loss) / profit before taxation	(10,043)	(14,271)	(10,881)	(1,983)	(1,918)	656
Taxation	(3,095)	(4,820)	(2,130)	(44)	256	439
(Loss) / profit after taxation	(6,948)	(9,451)	(8,751)	(1,940)	(2,174)	217



	2020	2019	2018	2017	2016	2015
				(Restated)		

FINANCIAL RATIOS

Return on equity (ROE)	N/A	N/A	-317.87%	-18.94%	-17.16%	1.81%
Return on assets (ROA)	-6.45%	-8.93%	-7.63%	-0.83%	-1.00%	0.11%
(Loss) / profit before tax to Interest earned	-196.38%	-241.51%	-128.74%	-18.63%	-18.05%	6.13%
Gross spread ratio	-28.96%	-22.12%	21.40%	27.24%	26.09%	28.47%
Advances to deposits - Gross	63.04%	81.50%	97.78%	68.30%	65.97%	69.33%
Advances to deposits - Net	31.19%	48.82%	72.33%	58.05%	55.89%	58.87%
Cost to revenue	178.18%	178.27%	117.83%	106.25%	99.74%	85.22%
Total assets to Total equity (times)	N/A	N/A	41.64	22.80	17.08	15.85
NPL to Gross Advances	60.29%	56.58%	43.57%	17.15%	17.74%	20.68%
Capital adequacy ratio (CAR)	-45.16%	-25.30%	-8.02%	4.15%	10.10%	10.02%

SHARE INFORMATION

(Loss) / Earning per share - Basic (Rs.)	(2.63)	(3.58)	(3.32)	(0.86)	(1.00)	0.15
Market capitalization (Rs. in mln)	4,933	3,060	2,163	7,308	7,826	4,236

OTHER INFORMATION

Non performing loans (NPL) (Rs. in mln)	38,724	40,842	36,072	17,066	16,719	17,183
Staff Strength	1,738	1,731	1,885	2,398	3,022	2,852
Number of branches (including Islamic)	193	193	193	193	192	192

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

SIX YEARS VERTICAL ANALYSIS

	2020		2019		2018		2017		2016		2015	
	Rs in 'millions	%	Rs in 'millions	%	Rs in 'millions	%	Rs in 'millions	%	Rs in 'millions	%	Rs in 'millions	%
	(Restated)											
STATEMENT OF FINANCIAL POSITION												
ASSETS												
Cash and balances with treasury banks	11,571	11%	5,614	5%	5,043	4%	13,557	6%	12,787	6%	10,540	6%
Balances with other banks	1,359	1%	931	1%	997	1%	2,440	1%	2,583	1%	2,919	2%
Lendings to financial institutions	-	0%	991	1%	-	0%	10,671	5%	1,632	1%	1,000	1%
Investments	27,903	26%	21,959	21%	19,256	17%	94,940	41%	90,575	42%	78,192	41%
Advances	31,783	30%	43,242	41%	61,246	53%	84,592	36%	79,844	37%	70,554	37%
Fixed assets	10,188	9%	10,181	10%	8,709	8%	12,416	5%	12,028	6%	9,322	5%
Intangible assets	91	0%	149	0%	205	0%	249	0%	245	0%	212	0%
Deferred tax assets	14,279	13%	11,606	11%	7,215	6%	5,804	2%	5,201	2%	5,609	3%
Other assets *	10,483	10%	11,202	11%	11,957	10%	8,864	4%	11,552	5%	11,186	6%
	107,657	100%	105,875	100%	114,628	100%	233,533	100%	216,447	100%	189,534	100%
LIABILITIES												
Bills payable	2,403	2%	1,816	2%	1,881	2%	3,065	1%	5,061	2%	2,729	1%
Borrowings	7,669	7%	13,505	13%	19,492	17%	67,308	29%	49,820	23%	49,756	26%
Deposits and other accounts	101,887	95%	88,567	84%	84,676	74%	145,730	62%	142,871	66%	119,854	63%
Liabilities against assets subject to finance lease	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Subordinated debt	1,496	1%	1,496	1%	1,496	1%	1,496	1%	1,497	1%	1,497	1%
Deferred tax liabilities	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Other liabilities *	5,390	5%	6,090	6%	4,330	4%	5,693	2%	4,526	2%	3,740	2%
	118,845	110%	111,474	105%	111,875	98%	223,292	96%	203,775	94%	177,576	94%
NET ASSETS	(11,188)	-10%	(5,599)	-5%	2,753	2%	10,241	4%	12,672	6%	11,958	6%
REPRESENTED BY												
Share capital - net	20,500	19%	20,500	19%	20,500	18%	20,500	9%	16,489	8%	9,483	5%
Convertible preference shares	-	0%	-	0%	-	0%	-	0%	2,156	1%	2,156	1%
Advance against subscription of shares	-	0%	-	0%	-	0%	-	0%	1,855	1%	7,007	4%
Reserves	(425)	0%	(425)	0%	(425)	0%	(425)	0%	(425)	0%	(425)	0%
Surplus / (deficit) on revaluation of assets	4,812	4%	3,530	3%	2,577	2%	1,495	1%	2,112	1%	1,158	1%
Accumulated losses	(36,075)	-34%	(29,204)	-28%	(19,899)	-17%	(11,329)	-5%	(9,515)	-4%	(7,421)	-4%
	(11,188)	-10%	(5,599)	-5%	2,753	2%	10,241	4%	12,672	6%	11,958	6%
PROFIT & LOSS ACCOUNT												
Mark-up / return / interest earned	5,114	100%	5,909	101%	8,452	68%	10,645	67%	10,627	64%	10,705	59%
Mark-up / return / interest expensed	6,595	129%	7,216	124%	6,643	54%	7,745	49%	7,854	48%	7,657	42%
Net Mark-up / interest (expense) / income	(1,481)	-29%	(1,307)	-22%	1,809	15%	2,900	18%	2,773	17%	3,048	17%
Non Mark-Up/Interest Income	1,496	29%	1,232	21%	2,123	17%	2,418	15%	3,125	19%	4,316	24%
Total Income	15	0%	(75)	-1%	3,932	32%	5,318	33%	5,898	36%	7,364	41%
Non-markup/interest expenses	5,183	101%	5,514	95%	5,817	47%	6,135	38%	5,862	35%	5,144	28%
(Loss) / Profit Before Provisions	(5,168)	-101%	(5,589)	-96%	(1,885)	-15%	(817)	-5%	36	0%	2,220	12%
Provisions / (reversals) and write offs - net	4,875	95%	8,682	149%	8,996	73%	1,166	7%	1,954	12%	1,564	9%
Extra ordinary / unusual items	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
(LOSS) / PROFIT BEFORE TAXATION	(10,043)	-196%	(14,271)	-245%	(10,881)	-88%	(1,983)	-12%	(1,918)	-12%	656	4%
Taxation	3,095	60%	4,820	83%	2,130	17%	44	0%	(256)	-2%	(439)	-2%
(LOSS) / PROFIT AFTER TAXATION	(6,948)	-135%	(9,451)	-162%	(8,751)	-71%	(1,939)	-12%	(2,174)	-13%	217	1%

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

SIX YEARS HORIZONTAL ANALYSIS

	2020		2019		2018		2017		2016		2015	
	Rs in 'millions	%	Rs in 'millions	%	Rs in 'millions	%	Rs in 'millions	%	Rs in 'millions	%	Rs in 'millions	%
STATEMENT OF FINANCIAL POSITION												
ASSETS												
Cash and balances with treasury banks	11,571	106%	5,614	11%	5,043	-63%	13,557	6%	12,787	21%	10,540	12%
Balances with other banks	1,359	46%	931	-7%	997	-59%	2,440	-6%	2,583	-12%	2,919	-33%
Lendings to financial institutions	-	-100%	991	0%	-	-100%	10,671	554%	1,632	63%	1,000	54%
Investments	27,903	27%	21,959	14%	19,256	-80%	94,940	5%	90,575	16%	78,192	72%
Advances	31,783	-26%	43,242	-29%	61,246	-28%	84,592	6%	79,844	13%	70,554	6%
Fixed assets	10,188	0%	10,181	17%	8,709	-30%	12,416	3%	12,028	29%	9,322	28%
Intangible assets	91	-39%	149	-27%	205	-18%	249	2%	245	16%	212	-16%
Deferred tax assets	14,279	23%	11,606	61%	7,215	24%	5,804	12%	5,201	-7%	5,609	-1%
Other assets *	10,483	-6%	11,202	-6%	11,957	35%	8,864	-23%	11,552	3%	11,186	11%
	107,657	2%	105,875	-8%	114,628	-51%	233,533	8%	216,447	14%	189,534	27%
LIABILITIES												
Bills payable	2,403	32%	1,816	-3%	1,881	-39%	3,065	-39%	5,061	85%	2,729	78%
Borrowings	7,669	-43%	13,505	-31%	19,492	-71%	67,308	35%	49,820	0%	49,756	97%
Deposits and other accounts	101,887	15%	88,567	5%	84,676	-42%	145,730	2%	142,871	19%	119,854	14%
Liabilities against assets subject to finance lease	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Subordinated debt	1,496	0%	1,496	0%	1,496	0%	1,496	0%	1,497	0%	1,497	0%
Deferred tax liabilities	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Other liabilities *	5,390	-11%	6,090	41%	4,330	-24%	5,693	26%	4,526	21%	3,740	5%
	118,845	7%	111,474	0%	111,875	-50%	223,292	10%	203,775	15%	177,576	29%
NET ASSETS												
	(11,188)	100%	(5,599)	-303%	2,753	-73%	10,241	-19%	12,672	6%	11,958	-3%
REPRESENTED BY												
Share capital - net	20,500	0%	20,500	0%	20,500	0%	20,500	24%	16,489	74%	9,483	0%
Convertible preference shares	-	0%	-	0%	-	0%	-	-100%	2,156	0%	2,156	0%
Advance against subscription of shares	-	0%	-	0%	-	0%	-	-100%	1,855	-74%	7,007	-7%
Reserves	(425)	0%	(425)	0%	(425)	0%	(425)	0%	(425)	0%	(425)	-9%
Surplus / (deficit) on revaluation of assets	4,812	36%	3,530	37%	2,577	72%	1,495	-29%	2,112	82%	1,158	-14%
Accumulated losses	(36,075)	24%	(29,204)	47%	(19,899)	76%	(11,329)	19%	(9,515)	28%	(7,421)	-3%
	(11,188)	100%	(5,599)	-303%	2,753	-73%	10,241	-19%	12,672	6%	11,958	-3%
PROFIT & LOSS ACCOUNT												
Mark-up / return / interest earned	5,114	-13%	5,909	-30%	8,452	-21%	10,645	0%	10,627	-1%	10,705	9%
Mark-up / return / interest expensed	6,595	-9%	7,216	9%	6,643	-14%	7,745	-1%	7,854	3%	7,657	3%
Net Mark-up / interest (expense) / income	(1,481)	13%	(1,307)	-172%	1,809	-38%	2,900	5%	2,773	-9%	3,048	26%
Non Mark-Up/Interest Income	1,496	21%	1,232	-42%	2,123	-12%	2,418	-23%	3,125	-28%	4,316	38%
Total Income	15	-120%	(75)	-102%	3,932	-26%	5,318	-10%	5,898	-20%	7,364	33%
Non-markup/interest expenses	5,183	-6%	5,514	-5%	5,817	-5%	6,135	5%	5,862	14%	5,144	4%
(Loss) / Profit Before Provisions	(5,168)	-8%	(5,589)	196%	(1,885)	131%	(817)	-2369%	36	-98%	2,220	260%
Provisions / (reversals) and write offs - net	4,875	-44%	8,682	-3%	8,996	672%	1,166	-40%	1,954	25%	1,564	159%
Extra ordinary / unusual items	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
(LOSS) / PROFIT BEFORE TAXATION	(10,043)	-30%	(14,271)	31%	(10,881)	449%	(1,983)	3%	(1,918)	-392%	656	5367%
Taxation	3,095	-36%	4,820	126%	2,130	4741%	44	-117%	(256)	-42%	(439)	-302%
(LOSS) / PROFIT AFTER TAXATION	(6,948)	-26%	(9,451)	8%	(8,751)	351%	(1,939)	-11%	(2,174)	-1102%	217	-5%

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

CHAIRMAN'S REVIEW

On behalf of the Board of Directors, I am pleased to present the Annual Report of Summit Bank Limited for the year ended December 31, 2020.

The year 2020 brought about unparalleled challenges across the globe as the effects of the COVID-19 pandemic continued to disrupt regular business operations. The government responded to this global issue promptly and took measures such as imposition of smart lockdowns and relief packages announced in support of businesses, Pakistan was able to achieve notable success in containing the dual health and economic challenges. Similarly, we also remain aware of the challenges posed by COVID-19 and are continually reassessing and realigning our operational strategies as we continue to serve our customers.

Despite the pandemic, we are still committed and feel optimistic about successfully achieving the KPIs of the business plan and adhere to the Vision and Mission statement of the Bank. I believe that we have substantial opportunities ahead for an organic growth and the best is yet to come.

Every possible legal effort is being made to recover the outstanding Non-Performing Loans (NPLs). Considering the importance of recovery of NPLs in further improving overall assets profile and its direct impact on Bank's future profitability, the management shall place emphasis on this front aggressively along with identifying opportunities of rationalization of cost structure and income generation via markup and non-markup avenues.

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

As Chairman of the Board, I thank all shareholders for their continued support, the regulatory authorities for their counsel, and the contribution and hard work of the Bank's management team and the entire Summit family for their dedication, promise and hard work.

Waseem Mehdi Syed
Chairman

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear shareholders,

On behalf of the Board of Directors, we are pleased to present the Directors' Report of the Bank along with the audited financial statements and Auditors' report for the year ended December 31, 2020.

THE BANK'S PERFORMANCE

The highlights of the financial results for 2020 are as follows:

Financial Position	(Rupees in millions)
Shareholders' Equity	(11,187)
Deposits	101,888
Total Assets	107,658
Advances – net	31,783
Investments – net	27,903
Financial Performance	
Net Interest Income and Non Mark-up Income (Total Income)	15
Non Markup Expenses	5,183
Provisions and write offs (net)	4,876
Loss before tax	10,043
Loss after tax	6,948
Basic and diluted loss per share - Rupees	(2.63)

The Bank started to pick the pace towards improving its financial results and was able to reduce its loss before tax for the year by Rs. 4.227 billion as compared to 2019. Loss before tax stood at Rs. 10.043 billion while loss after tax was Rs. 6.948 billion as against Rs. 9.451 billion last year, an improvement of 26.5%. This improvement in the P&L bottom line was also reflected in loss per share as it was reported at Rs. 2.63 per share (2019: loss per share Rs. 3.58).

Non-funded income stood at Rs. 1.496 billion, indicating an increase of 21.41% over the corresponding year, mainly due to a gain booked on Federal Government securities. This was partially offset by lower fee and commission and foreign exchange incomes.

The Bank incurred a net mark-up expense of Rs. 1.481 billion as against net mark-up expense of Rs. 1.307 billion earned last year. This is mainly due to lower income on advances by Rs. 1.610 billion as against last year, as average volumes declined by Rs. 18.058 billion in 2020. However, increase in income from investments of Rs. 837.406 million partially offset this decline with investment average volumes improving by Rs. 9.6 billion in the year 2020. Moreover, the Bank's borrowings decreased to Rs. 7.669 billion at December 31, 2020 from Rs. 13.505 billion at December 31, 2019 resulting in a lower mark-up expense during the year.

Non-mark up expenses were reported at Rs. 5.183 billion, curtailed by 6%. Despite the inflation impact, the Bank was able to maintain its expense base almost flat along with reduction of legal expenses which was one of the cost drivers of 2019 expense base.

The Bank substantially reduced its total net provisioning charge by Rs. 3.806 billion, a decrease of 56%. Provision against loans and advances was booked at Rs. 4.344 billion, a decrease of 41% from last year while provision against investments amounted to Rs. 325.680 million as against Rs. 1.284 billion last year.

The Bank's gross NPL ratio (Gross non-performing loans to Gross Advances) as of December 31, 2020 increased to 60.29% as against 56.58% last year, while the coverage ratio improved to 83.73% as against 70.77% last year. During the year, NPLs (net) decreased by Rs. 2.118 billion and stood at Rs. 38.724 billion at the period end (December 31, 2019: Rs. 40.842 billion).

The Bank was able to recoup its market confidence and closed its deposit position in excess of Rs. 100 billion as against Rs. 88.567 billion reported at last year. This reflected a growth of Rs. 3.891 billion i.e. 15.04%. Moreover, at the year end, the Bank's gross advances to deposits ratio stood at 63.04% as compared to 81.50% last year.

For the year 2020, the Bank has recognized further deferred tax assets (net) of Rs. 3.182 billion.

As at December 31, 2020, the Bank's paid up capital (net of losses) stood at negative (-) Rs. 16.154 billion as against the statutory requirement of Rs. 10 billion prescribed by SBP while the Capital Adequacy Ratio of the Bank stood at negative (-) 45.16% as against the minimum requirement of 11.50%.

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

HOLDING AND SUBSIDIARY COMPANY

Suroor Investments Limited (SIL), a company incorporated in Mauritius, is the holding company of the Bank. As of December 31, 2020, SIL held 66.77% of the issued, subscribed and paid-up share capital of the Bank.

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

CONSOLIDATED RESULTS

Summit Bank Limited posted consolidated loss after tax of Rs. 6.934 billion for the year ended December 31, 2020 (2019: Rs. 9.487 billion). Loss per share was measured at Rs. 2.63 in comparison to Rs. 3.60 for the corresponding period last year.

Performance of Subsidiary:

Summit Capital earned an operating revenue of Rs. 83.812 million as compared to Rs. 69.372 million for the last year. The loss per share for the year stood at Rs. 0.62 as compared to loss per share of Rs. 1.21 last year. The first half of the FY 2020 saw the stock market plunge due to bearish sentiment amidst COVID-19 and its anticipated after effects. The fear of prolonged industry shutdown and resultant unemployment led to a sharp slide in the benchmark index which had a negative impact on the company's revenue and profitability in HY20. However, proactive management of affairs by the Government and the State Bank of Pakistan (SBP) leading to a drastic cut in the key discount rate helped stabilise the industry. Resultantly, Q3 onwards saw a sharp reversal in market volumes, a steep climb in the benchmark KSE100 index and subsequently, a better revenue for the company.

CREDIT RATING

In the year 2019, VIS Credit Rating Company Limited suspended the Bank's medium to long-term rating of 'BBB -' (Triple B minus) and short term rating of 'A-3' (A-three) due to non-availability of updated information. VIS Credit Rating Company Limited would reassess the ratings once required information along with latest financials are made available. Moreover, the Bank's TFC rating was assigned 'D' (Default) due to non-payment of its latest mark-up payment on account of lock-in-clause invoked by the Bank under the applicable Regulations of the State Bank of Pakistan (SBP). The TFC holders of the Bank in their meeting held on October 22, 2021, further approved another extension of one year in the tenure of the TFC issue along with the extension in the payments of all redemption amounts, with the revised maturity date set at October 27, 2022. The Bank is currently in the process of ensuring compliance with all the applicable laws, rules, regulations and requisite regulatory requirements in this regard.

ECONOMIC REVIEW

COVID-19 changed the narrative in 2020 for the world. From growth, the focus shifted to survival. Pakistan's economy has contracted for the first time since 1952 and has missed all key targets. In addition to the impact of COVID-19, currency devaluation and inflationary pressures were the primary reason for the negative growth rate. Paradoxically the pandemic has brought good tidings to the macro-economy of Pakistan. On the external front, the Current Account has progressively showed improving numbers supported by a robust momentum of workers' remittances. Moreover, curtailed global activity has helped curtail imports significantly. However, a resurgence of the virus is likely to jolt investor confidence in the markets.

Following five consecutive months of surpluses, the current account registered a deficit of \$662 million in December 2020. While remittances and exports continued to grow steadily, the trade deficit rose due to a rise in imports of machinery and industrial raw material, in line with the pick-up in economic activity. At the same time, wheat and sugar imports also rose to close demand and supply gaps in the domestic market. Encouragingly, exports have recovered to their pre-COVID monthly level of around \$2 billion since September 2020, with a broad-based recovery in export volumes recorded in almost all categories in December 2020. The outlook for the external sector has improved further and the current account deficit for FY21 is now projected to remain below 1 percent of GDP.

Fiscal developments have been largely in line with this year's budget and the government has continued to adhere to its commitment of no fresh borrowing from the SBP. Despite higher interest payments and Covid-19 related spending, healthy growth in revenues has contained the fiscal deficit during the fiscal year so far. Driven by a rebound in direct taxes and the sales tax, FBR revenue during H1-FY21 has grown by 5 percent YoY to come in close to the targeted level. Despite higher non-interest current expenditures, the primary balance posted a surplus of 0.5 percent of GDP during July-November 2020, 0.2% better than the same period last year.

As with the last several years, government plans to sustain its expansionary fiscal policy thrust in FY21 with a budgeted outlay of PKR 7,231 billion, although down by 11% compared to FY20 estimates of PKR 8,135 billion. For FY21, the government refrained from introducing any new taxation measures in the budget and only undertook a variety of measures for tariff rationalization in order to revive the stalled economic activity.

Pakistan's international forex reserves rose to USD 20.5bn in December 2020 from USD 17.9bn at the end of December 2019. At almost 2.9 months of imports coverage, Pakistan's foreign reserves are slightly below the IMF's minimum 3 months' threshold. However, Pakistan will be relying on financing from IMF and other bilateral partners to meet its external debt requirements in FY21.

The PKR/USD parity has seen recent appreciation of 5% FYTD. This is mostly attributable to the solidifying position of the external account while the fall in the value of the USD against most global currencies owing to uncertainty regarding outcome of the US Presidential elections also contributed to the appreciation. Moreover, sentiment in the currency market gained traction following the deferment of debt repayment to G20 till Jun'21, and expected improvement in inflows with the launch of Roshan Digital Account.

Pakistan was placed on FATF's (Financial Action Task Force) in June 2018. In October 2019, FATF handed out another extension to Pakistan, maintaining its status on grey list until February 2020. While significant progress has been made, certain loopholes still exist as the nonexistence of a formal framework to combat money laundering and eliminate terror financing.

In August 2020, Rating agency Moody's upgraded Pakistan's outlook from 'under review for downgrade' to 'stable', while maintaining the country's B3 rating. The stable outlook reflects Moody's view that the pressures Pakistan faces in the wake of the coronavirus shock and prospects for its credit metrics are likely to remain consistent with the current rating level.

Real GDP growth rate is projected to be negative 0.4% for FY20. Real GDP is estimated to grow by 1.84% this year, which is considerable for a country which has shown negative growth last year. This recovery in economic growth should take Pakistan closer to levels witnessed prior to the pandemic and is relatively rapid compared to many other countries, supported by pent-up domestic demand.

SBP has maintained that overall financial conditions in the country are stable and inflationary risks are balanced. A recent surge in inflationary readings have been fuelled by uptick in selected food items, which was attributable to supply shocks from monsoon rains and locust attacks. Shortage in wheat and sugar was also seen owing to premature export of said commodities. However, the government has intervened and took measures such as increasing the Minimum Support Price for wheat while also importing commodities. While food inflation has seen a surge, core inflation has remained stable primarily attributable to subdued demand in the economy. While CPI started its ascent from June 2020 onwards, core inflation has remained moderately stable at an average of 6.4% during 5MFY21 compared to average CPI of 8.8% during the same period.

The KSE-100 index during the year remained volatile. The market saw a V-shaped recovery after a severe hammering following the outbreak of COVID-19, beginning the year at 40,888 index points and ending it at 43,755 index points.

MODIFICATIONS IN THE AUDITORS REPORT

The Bank's paid-up capital (net of losses), Capital Adequacy Ratio (CAR) and Leverage Ratio (LR) do not meet the requirements provided by State Bank of Pakistan (SBP) as at December 31, 2020. Further, the Bank's Liquidity Coverage is below the prescribed limits. These conditions indicate the existence of material uncertainty which may cast significant doubt about the Bank's ability to continue as a going concern. However, the Bank is making continued efforts for necessary injection of capital and implementation of the Bank's plan to comply with applicable capital and liquidity requirements.

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

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

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

CORPORATE GOVERNANCE

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

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

- I. The total number of Directors are six (06) as per the following:
 - Male 05
 - Female 01

2. The composition of Board is as follows *:

Category	Names
Independent Directors (including Female Director)	Mr. Waseem Mehdi Syed Ms. Fauzia Hasnain
Executive Directors	Mr. Ahsan Raza Durrani, President & CEO (Acting) Mr. Aziz Morris
Non-Executive Directors	Mr. Zafar Iqbal Siddiqi Mr. Wajahat Ahmed Baqai

* The above mentioned directors were appointed to fill in the casual vacancies after resignation of the four (4) directors i.e. Mr. Shafiqur Rahman Adhami, Mr. Rana Ahmed Humayun, Ms. Fauzia Hasnain and Mr. Kamran Butt on April 18, 2020. On September 02, 2020, the above mentioned Board of Director became functional after the State Bank of Pakistan granted their requisite FPT approval.

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

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

S. No	Board Human Resource and Remuneration Committee	Position
1	Ms. Fauzia Hasnain	Chairman
2	Mr. Zafar Iqbal Siddiqi	Member
3	Mr. Wajahat Ahmed Baqai	Member
4	Mr. Ahsan Raza Durrani	Member

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

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

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

The number of Board and Board Committee meetings held during the year 2020 and the attendance by each director was as follows:

Name of Directors	Board Meetings	Board Audit Committee	Board Human Resources & Compensation Committee	Board Risk Management Committee	Board Information Technology Committee	Board Compliance Committee
No. of Meetings held during the year	11	4	3	2	3	1
Mr. Ahsan Raza Durrani (Acting President and CEO)*	11	1**	3	N/A	3**	1
Mr. Aziz Morris	11	N/A	N/A	2	2	1
Mr. Waseem Mehdi Syed	8	N/A	1**	N/A	2	1
Ms. Fauzia Hasnain	9	4	3	2	1**	N/A
Mr. Zafar Iqbal Siddiqi	7	2	2	1	2	1
Mr. Wajahat Ahmed Baqai	7	2	2	1	1**	1
Mr. Kamran Butt*	1	2	1	1**	1	N/A
Mr. Rana Ahmed Humayun*	1	2	N/A	1	N/A	N/A
Mr. Shafiqur Rahman Adhami**	1	N/A	1	N/A	1	N/A

* These Directors resigned on April 18, 2020 and had attended the respective Board and Board Sub-Committee meetings held during their tenure.

** Attended on invitation.

MEETINGS OF THE SHARIAH BOARD

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

REMUNERATION PRACTICES OF THE BANK

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

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

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

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

Compensation Structure

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

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

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

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

Fixed Pay: To compensate for skills, experience and competencies and consists of Basic Salary & Allowances.

Variable Pay: Performance related and consists primarily of Annual Performance Bonuses.

Remuneration of the Board

SMBL during a calendar year pays a reasonable remuneration for attending the Board or its committee(s) meeting(s), to its non-executive directors and chairman. The scale of remuneration to be paid to the non-executive directors and chairman

for attending the Board and/or committee meetings is approved by the shareholders on a pre or post facto basis in the Annual General Meeting (AGM).

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

At the 13th (Adjourned) Annual General Meeting held on October 26, 2020, the shareholders of the Bank had approved an increase in the remuneration of fee payable to Non-Executive / Independent Directors for attending the Board Meetings and Board Sub-Committee Meetings from Rs. 50,000 to Rs. 150,000 upon recommendation of the Board of Directors. In addition, the Non-Executive / Independent Directors are entitled for boarding, lodging and airfare for attending Board Meetings, Board Sub-Committee Meetings and Shareholder Meetings of the Bank on an actual basis.

The details of fees paid to Directors in 2020 are disclosed in Note 37.1 to the unconsolidated financial statements.

Remuneration of the Shariah Board

SMBL provides fixed annual fees to the Shariah Board members and does not provide any performance linked incentives.
Definition and Determination of Material Personnel

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

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

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

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

Material Risk Takers (MRT)

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

The compensation mix for MRTs is appropriately balanced and the amount of fixed remuneration is sufficiently high in order to ensure that the reduction of the variable remuneration down to zero would be possible and employees are not

dependent on the award of variable remuneration as this might otherwise create incentives for short-term-oriented excessive risk taking.

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

Material Risk Controllers (MRC)

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

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

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

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

The Balance scorecards for the MRCs and MRTs positions are developed and are in place. These are based on their individual Key Performance Indicators in-line with the overall performance of the department contributing towards the Bank goals.

The Key Performance Indicators (KPI) of individual positions bank-wide are yet to be developed. These KPIs will help to develop the yearly objectives of the position and the performance will be evaluated of the achievements against these KPIs.

RISK MANAGEMENT

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

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

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

The Bank has strengthened its credit review procedures in the light of the Covid-19 and is continuously reviewing the portfolio to identify accounts susceptible to higher risk, resulting from the Covid-19 outbreak.

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

FORWARD LOOKING STATEMENT

The Bank is fully prepared to capitalize on the business opportunities available in the market and will continue to focus on its strategy for long-term sustainable growth. The Bank is making best efforts to comply with applicable capital requirements through increase in capital / capital injection at the earliest. For this, the management has prepared a business plan, which has been approved by the Board. Salient features of the plans are listed in note 1.3 of the unconsolidated financial statements.

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

All forward looking statements are, by nature, subject to risks and uncertainties, some beyond control. Factors that may potentially affect the Bank's resource, revenues and operations are:

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

STATEMENT ON INTERNAL CONTROLS

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

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

- An independent Internal Audit Division reporting directly to the Audit Committee of the Board of Directors is effectively functioning.
- Compliance Division is working to ensure adherence to Laws, Regulations, and Code of ethics with a strong emphasis on Know Your Customer and Anti-Money Laundering.
- An Internal Control Department is established to oversee financial, compliance and operational controls, accounting system and reporting structures to ensure their adequacy and effectiveness.

- The Statement of Ethics and Business Practices has been signed and adopted by the Directors and the employees of the Bank.
- A portfolio of policies approved by the Board, 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 the Bank on effective implementation of SBP guidelines on Internal Controls over Financial Reporting (ICFR).

In order to further strengthen the controls, enhance governance and monitoring, and continuous update 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 has completed all the stages of ICFR. 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.

As advised by the Board Audit Committee, the Bank engaged Baker Tilly Mehmood Idrees Qamar Chartered Accountants to perform ICFR review and a Special Review Report of the Bank's Internal Control Programme relating to Internal Controls Over Financial Reporting for the year ended December 31, 2020 was presented to the Board Audit Committee (BAC) in its 83rd meeting held on April 01, 2021 for its review and approval. After thorough review and deliberations, the Committee approved the report with the advice to submit the same to the State Bank of Pakistan.

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.

CORPORATE SOCIAL RESPONSIBILITY

Summit Bank has always focused to be a customer centric Bank in Pakistan, having a great legacy of services and Digital innovation spanning over 17 years. We have taken many digital initiatives and deployed numerous projects in a socially responsible way.

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

- Contributed in financial inclusion of corporate entities in digitalization of their payment structure and supported in the overall Digital Pakistan strategy by implementing phase I of Micro payment Gateway contributed.
- Kept security as our number one priority as well as providing un-paralled services to the customer by Launching of MasterCard EMV debit cards which prevent card skimming and gives sense of ease to customers during transactions hence promoting number of transactions through card base.

- Contributed in green Pakistan scheme by providing various over the counter services directly via mobile application and IB such as payment of school fees, credit card payments, etc. via Ibill and fintech collaborations.
- Supported customer during the initial COVID-19 outbreak by enabling free of cost IBFT services to the to reduce burden in fund transferring.
- Provides 24x7 support to customers during the initial COVID19 outbreak.
- Promoted the usage of Mobile transactions by enabling QR payments at physical merchants for our customers and have constantly promoted the use of this new age technology.
- Promoted the use of Ecommerce transaction and supported documented payments by virtue of supporting newly formed PSO / PSPs.
- Ran customer awareness campaign about the products and digital channels security through social media and website.
- Provided customers with insight on precautionary measures during the COVID outbreak to help and guide them regarding best practices to stay safe.
- Endeavoured to build and maintain sound relationships with the customers and other stakeholders through fair communication in order to contribute towards sustainable image building.

EXTERNAL AUDIT

Based on the consent received from the Bank's existing auditors, M/s Baker Tilly Mehmood Idrees Qamar & Co., Chartered Accountants, to continue to act as auditors of the Bank, if so appointed, the Board Audit Committee has recommended the reappointment of the as auditors as statutory external auditors of the Bank for the next year with the same remuneration as last year. The appointment shall be subject to approval in the Annual General Meeting of the Bank's shareholders.

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

PATTERN OF SHAREHOLDING

The ownership structure along with the pattern of shareholding and categories of shareholders as at December 31, 2020 has been made part of the Annual Report.

EVENTS AFTER THE BALANCE SHEET DATE

The Bank had received a letter dated May 20, 2021 from H.E. Nasser Abdulla Hussain Lootah (The Investor) in which The Investor had communicated his intention to acquire at least controlling stake in the Bank by subscribing to fresh equity in the Bank. In compliance with the requirements of Securities Act, 2015 and Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017 applicable to such transactions, this was followed by a public announcement by The Investor of the intention to acquire at least 51% of the issued and paid up capital of the Bank together with the management control.

The Investor has now submitted his offer via a letter dated October 01, 2021, as per the Share Subscription Agreement (SSA) dated October 04, 2021 entered between the Bank and The Investor for the proposed subscription of new ordinary shares in the Bank by way of fresh equity injection Without Rights Offering at a discounted price of Rs. 2.51 per share. The Investor presented the offer as set out in the SSA which is duly approved by the Board of Directors. The Bank intends to issue a total of 5,976.096 million new ordinary shares.

ACKNOWLEDGEMENT

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

On behalf of the Board.

Jawad Majid Khan
President and Chief Executive Officer

Fauzia Hasnain
Director

Summit Bank
November 19, 2021
Karachi

بیلنس شیٹ کی تاریخ کے بعد ہونے والے واقعات

20 مئی 2021ء کو ایچ ای نصر عبداللہ حسین لوطہ (سرمایہ کار) کی جانب سے بینک کو ایک مراسلہ موصول ہوا جس میں سرمایہ کار نے بینک میں تازہ سیالیت سبسکرائب کر کے بینک کے کنٹرولنگ اختیار حاصل کرنے کے ارادے کا اظہار کیا۔ سکیورٹیز ایکٹ، 2015ء اور فہرستی کمپنیز (ووٹنگ شیئرز اور نیک اورز کا کافی حصول) ریگولیشنز، 2017ء کے اس طرح کے لین دین کے لیے قابل اطلاق تقاضوں کی تعمیل کرتے ہوئے، سرمایہ کار کی جانب سے انتظامی کنٹرول کے ساتھ بینک کے کم از کم 51 فیصد جاری کردہ اور ادا شدہ سرمائے کے بارے میں عوامی اعلان کیا گیا۔

سرمایہ کار نے اب یکم اکتوبر 2021ء کو ایک مراسلے کے ذریعے بینک میں رعایتی قیمت پر رائٹس آفرنگ کے بغیر نئے ایکویٹی ادخال کے ذریعے 2.51 فی شیئر پر نئے عام حصص کی مجوزہ سبسکرائبیشن کے لیے اپنی پیش کش جمع کرائی ہے۔ سرمایہ کار نے یہ پیش کش ایس ایس اے کے طے کردہ ضابطے کے مطابق پیش کی جسے بورڈ آف ڈائریکٹرز نے باضابطہ طور پر منظور کیا ہے۔ بینک کل 5,976.096 ملین نئے عام حصص جاری کرنے کا ارادہ رکھتا ہے۔

تعریف و توثیق

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

بورڈ آف ڈائریکٹرز کی جانب سے

فوزیہ حسنین

ڈائریکٹر

جواد ماجد خان

صدر اور چیف ایگزیکٹو آفیسر

سمٹ بینک

19 نومبر 2021ء

کراچی

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

- کارپوریٹ اداروں کو ان کے ادائیگی کے ڈھانچے کی ڈھیلے نزیبیشن کے ذریعے مالی شمولیت حصہ لیا اور مائیکرو ہیمنٹ گیٹ وے کے فیز 1 کو نافذ کر کے مجموعی ڈیجیٹل پاکستان حکمت عملی میں تعاون کیا۔
- سیکورٹی کو ہماری اولین ترجیح کے طور پر برقرار رکھنے کے ساتھ ساتھ ماسٹر کارڈ ای ایم وی ڈیٹ کارڈز کے آغاز کے ذریعے صارفین کو بے مثال خدمات فراہم کرنا جو کارڈ سکیمنگ کو روکتے ہیں اور لین دین کے دوران صارفین کو آسانی کا احساس دلاتے ہیں لہذا کارڈ میس کے ذریعے لین دین کی تعداد کو فروغ دیا۔
- براہ راست کاؤنٹر پر پیش کی جانے والی مختلف خدمات کو موبائل ایپلیکیشن اور آئی بی کے ذریعے فراہم کر کے گرین پاکستان اسکیم میں حصہ لیا جیسے کہ 1 بل اور فن ٹیک کے تعاون سے اسکول فیس کی ادائیگی، کریڈٹ کارڈ کی ادائیگی وغیرہ۔
- کووڈ 19 کے پھیلاؤ کے دوران فنڈ کی منتقلی میں بوجھ کو کم کرنے کے لیے مفت آئی بی ایف ٹی خدمات کو فعال کر کے صارفین کی معاونت۔
- کووڈ 19 کے پھیلاؤ کے دوران صارفین کو ہفتے میں ساتوں دن چوبیس گھنٹے خدمات فراہم کی گئیں۔
- اپنے صارفین کے لیے فزیکل مارجنٹس پر QR ادائیگیوں کو فعال کر کے موبائل ٹرانزیکشنز کے استعمال کو فروغ دیا اور اس نئے دور کی ٹیکنالوجی کے استعمال کو مسلسل فروغ دیا ہے۔
- ای کامرس لین دین کے استعمال کو فروغ دیا اور نو تشکیل شدہ پی ایس او/پی ایس بیز کی معاونت سے دستاویزی ادائیگیوں کی سپورٹ کی۔
- سوشل میڈیا اور ویب سائٹ کے ذریعے مصنوعات اور ڈیجیٹل چینلز کی سیکورٹی کے بارے میں صارفین آگاہی مہم چلائی۔
- صارفین کو کووڈ کے پھیلاؤ کے دوران احتیاطی تدابیر کے بارے میں آگاہی فراہم کی تاکہ محفوظ رہنے کے بہترین طریقوں کے بارے میں ان کی مدد اور رہنمائی کی جاسکے۔
- پائیدار سہا کے لیے شفاف ابلاغ کے ذریعے صارفین اور دیگر اسٹیک ہولڈرز کے ساتھ اچھے تعلقات بنانے اور برقرار رکھنے کی کوشش کی۔

بیرونی آڈٹ

بینک کے موجودہ آڈیٹرز سے موصول ہونے والی رضامندی کی بنیاد پر، میسرز بیکر ٹلی محمود اور ایس قمر اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، بینک کے آڈیٹرز کے طور پر کام جاری رکھیں گے، اگر ایسا ہوتا ہے تو، بورڈ آڈٹ کمیٹی نے ان کی بینک کے قانونی بیرونی آڈیٹرز کی طرح گزشتہ برس کے معاوضے پر بطور آڈیٹرا گلے سال کے لیے دوبارہ تقرری کی سفارش کی ہے۔ یہ تقرری بینک کے شیئر ہولڈرز کی سالانہ جنرل میٹنگ میں منظوری سے مشروط ہوگی۔

کمپنی کے قانونی آڈیٹرز نے تصدیق کی ہے کہ انھیں انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان کے کوالٹی کنٹرول ریویو پروگرام کے تحت اطمینان بخش ریٹنگ دی گئی ہے اور یہ کہ وہ دوران کے تمام پارٹنرز ضابطہ اخلاق کے بارے میں انٹرنیشنل فیڈریشن آف اکاؤنٹنٹس (ایف ایف اے سی) کی ہدایات کی تعمیل کرتے ہیں جیسا کہ ادارہ برائے چارٹرڈ اکاؤنٹنٹس آف پاکستان نے اختیار کی ہیں، اور یہ کہ انھوں نے قابل اطلاق قوانین کے تحت تقرری کے تمام تقاضے پورے کیے ہیں۔

شیئر ہولڈنگ کا پیٹرن

31 دسمبر 2020ء کے مطابق شیئر ہولڈنگ کے نمونوں اور شیئر ہولڈرز کے زمروں کے ساتھ ملکیت کا ڈھانچہ سالانہ رپورٹ کا حصہ بنایا گیا ہے۔

- ایک داخلی کنٹرول ڈیپارٹمنٹ مالی تعمیل اور آپریشنل کنٹرولز، اکاؤنٹنگ سسٹم اور رپورٹنگ کے ڈھانچے کی نگرانی کے لیے قائم کیا گیا ہے تاکہ ان کی کفایت اور تاثیر کو یقینی بنایا جاسکے۔
- بینک کے ڈائریکٹرز اور ملازمین نے اخلاق اور کاروباری طریقوں کے بیان پر دستخط کرتے ہوئے انہیں اپنایا ہے۔
- بورڈ کی منظور کردہ پالیسیوں کا ایک جزدان، ضروریات اور تقاضوں کی بنیاد پر مسلسل اپ ڈیٹ کیا جاتا ہے۔
- انتظامیہ داخلی کنٹرول کے نظام میں بہتری کے لیے بینک کے آڈیٹرز کے مشاہدات اور سفارشات پر فوری رد عمل دیتی ہے۔
- مناسب رابطوں اور کنٹرول کو یقینی بنانے کے لیے متعدد بورڈ اور مینجمنٹ کمیٹیاں کام کر رہی ہیں۔

بینک نے داخلی کنٹرول کے مربوط فریم ورک کے بین الاقوامی طور پر قبول شدہ سی او ایل اس او (کمپنی آف اسپانسرنگ آرگنائزیشنز آف ٹریڈ وے کمیشن) کو اپنایا ہے اور اسٹیٹ بینک کی ہدایات کے موثر نفاذ کے لیے ابتدائی طور پر مالی رپورٹنگ (ICFR) کے داخلی کنٹرول پر بینک کو خدمات فراہم کرنے کے لیے ایک معروف مشاورتی فرم کی خدمات حاصل کی ہیں۔

کنٹرولز کو مزید مضبوط بنانے، نظم و نسق اور نگرانی کو بڑھانے اور اسٹیٹ بینک کے رہنما خطوط کے مطابق داخلی کنٹرول کی دستاویزیات کی مسلسل تازہ کاری کے لیے بینک نے ایک علیحدہ داخلی کنٹرول کا شعبہ قائم کیا۔ داخلی کنٹرول پر اسٹیٹ بینک کے رہنما خطوط کی تعمیل کے عمل میں مستقل مزاجی کو یقینی بنانے کے لیے، بینک نے آئی سی ایف آر پر اسٹیٹ بینک کے جاری کردہ ایک ساختہ روڈ میپ اور ہدایات پر عمل کیا ہے۔ اس کے مطابق، بینک نے بینک کے وسیع عمل اور کنٹرول کی تفصیلی دستاویزیات مکمل کر لی ہیں، نیز کنٹرول ڈیزائن میں خلا کا ایک جامع تجزیہ کیا اور ازاں بعد نشاندہی کردہ خلا کو درست کرنے کے منصوبے وضع کیے۔ مزید برآں، بینک نے کلیدی کنٹرولز کی آپریشنل تاثیر کو یقینی بنانے کے لیے ایک جامع مینجمنٹ ٹیسٹنگ اور رپورٹنگ فریم ورک تیار کیا ہے اور اس منصوبے سے متعلق اقدامات کو مکمل کرنے کے لیے ڈیزائن کی بہتری کے مواقع کی نشاندہی کر کے نمایاں طور پر بہتر بنایا ہے۔

اسٹیٹ بینک کی ہدایات کے مطابق، بینک نے آئی سی ایف آر کے تمام مراحل مکمل کر لیے ہیں۔ آئی سی ایف آر روڈ میپ کی تسلی بخش تکمیل پر، اسٹیٹ بینک نے فروری 2015ء میں بینک کو بیرونی آڈیٹرز کی طرف سے لاگت فارم رپورٹ (LFR) جمع کرانے سے استثناء دیا۔

اس سلسلے میں، بورڈ آڈٹ کمیٹی (بی اے سی) کی ہدایات پر، ہمارے بیرونی آڈیٹرز بیکریٹی محمود ادریس قمر، چارٹرڈ اکاؤنٹنٹس نے آئی سی ایف آر کا جائزہ لیا اور بینک کے اندرونی کنٹرول پروگرام سے متعلق 31 دسمبر 2020ء کو ختم ہونے والے سال کے لیے اپنی خصوصی جائزہ رپورٹ یکم اپریل 2021ء کو بورڈ آڈٹ کمیٹی (بی اے سی) کو جائزے اور منظوری کے لیے اس کے 83 ویں اجلاس میں پیش کی، جو مالی رپورٹنگ کے لیے داخلی کنٹرولز سے متعلق ہے۔ مکمل جائزے اور غور و خوض کے بعد کمیٹی نے اس رپورٹ کو اسٹیٹ بینک آف پاکستان کو پیش کرنے کے مشورے کے ساتھ منظوری دی۔

انتظامیہ سمجھتی ہے کہ بینک کا داخلی کنٹرول کا فریم ورک قوانین اور قواعد و ضوابط اور بروقت اور درست مالی رپورٹنگ کی تعمیل کو یقینی بنانے کے لیے کافی ہے۔ بورڈ آف ڈائریکٹرز بھی اس امر کی توثیق کرتے ہیں۔

کارپوریٹ سماجی ذمہ داری

پاکستان میں ایک صارفین پر مرکوز بینک ہونے کے طور پر، سمٹ بینک لمیٹڈ، 17 برسوں پر محیط خدمات اور ڈیجیٹل انویشن کی عظیم میراث کا حامل ہے۔ ہم نے بہت سے ڈیجیٹل اقدامات کیے ہیں اور سماجی طور پر ذمہ دار انداز میں متعدد منصوبے نصب کیے ہیں۔

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

پیش بینی بیانیہ

بینک مارکیٹ میں دستیاب کاروباری مواقع سے فائدہ اٹھانے کے لیے مکمل طور پر تیار ہے اور طویل مدتی پائیدار ترقی کے لیے اپنی حکمت عملی پر توجہ مرکوز رکھے گا۔ بینک قابل اطلاق سرمائے کی ضروریات کو جلد از جلد پورا کرنے کے لیے سرمائے/سرمائے کے ادخال میں اضافے کے ذریعے بہترین کوششیں کر رہا ہے۔ اس کے لیے انتظامیہ نے ایک کاروباری منصوبہ تیار کیا ہے، جسے بورڈ نے منظور کر لیا ہے۔ منصوبوں کی نمایاں خصوصیات غیر مستحکم مالی بیانات کے نوٹ 1.3 میں درج ہیں۔

غیر یقینی حالات جو بینک کے وسائل، محاصل اور آپریشنز کو متاثر کرتے ہیں تمام پیش بینی بیانات، اپنی نوعیت میں، خطرات اور غیر یقینی صورت حال کے تابع ہیں، اور کچھ کنٹرول سے باہر ہیں۔ وہ عوامل جو ممکنہ طور پر بینک کے وسائل، محاصل اور آپریشنز کو متاثر کر سکتے ہیں وہ ہیں:

- سرمائے کا ادخال
- ڈسکاؤنٹ کی شرح / زری پالیسی کے فیصلے؛
- امانتوں پر منافع کی شرح میں ترمیم
- جغرافیائی، سیاسی خطرات اور غیر یقینی صورت حال جس میں ہم کام کرتے ہیں؛
- امن و امان کی صورت حال
- مقامی حکومت کے قواعد و ضوابط
- مہنگائی، فیول اور عام اشیا کی قیمتیں
- کارپوریٹ ٹیکس کے اقدامات اور
- اکاؤنٹنگ اور ضوابطی فریم ورک میں تبدیلیوں کے ممکنہ اثرات۔

داخلی کنٹرولز پر بیان

بینک کا اندرونی کنٹرول سسٹم آپریشنل کارکردگی، قانون اور قانونی تعمیل اور قابل اعتماد اور درست مالی رپورٹنگ کے حصول کے لیے بنایا گیا ہے۔

مناسب اور موثر داخلی کنٹرول سسٹم کا قیام اور اسے برقرار رکھنا بینک کی انتظامیہ کی ذمہ داری ہے۔ اندرونی کنٹرول کے ایک موثر نظام کے قیام کے لیے بینک نے درج ذیل حکمت عملی پر عمل کیا ہے:

- بورڈ آف ڈائریکٹرز کی آڈٹ کمیٹی کو براہ راست رپورٹ کرنے والا ایک خود مختار داخلی آڈٹ ڈویژن موثر طریقے سے کام کر رہا ہے۔
- تعمیلی ڈویژن اپنے صارفین کو جاننے اور منی لانڈرنگ کے خلاف مضبوط احساس کے ساتھ قوانین، قواعد و ضوابط اور اخلاقیات کے ضابطوں کی پاسداری کو یقینی بنانے کے لیے کام کر رہا ہے۔

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

فی الحال بینک کے پاس اپنے ملازمین کے لیے کوئی ملازم اسٹاک آپشن (ای ایس او ایس) نہیں ہے۔

ایم آر سیز اور ایم آر ٹیز کے عہدوں کے لیے متوازن اسکور کارڈ تیار کیے جاتے ہیں جو موجود ہیں۔ یہ ان کی انفرادی کلیدی کارکردگی کے اظہار یوں کی بنیاد پر ہیں جو بینک کے اہداف میں شریک شعبوں کی مجموعی کارکردگی کے مطابق ہیں۔

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

انتظام خطر

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

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

تعمیل، قانونی، کریڈٹ، انتظام خطر، انٹرنل آڈٹ، ٹریڈری ڈیل آفس، آئی ٹی سیکورٹی، اور سنٹرلائزڈ آپریشن یونٹس جیسے مختلف ڈویژن کاروباری یونٹوں سے آزاد کام کر رہے ہیں تاکہ ان شعبوں سے متعلقہ خطرات کے مناسب انتظام کو یقینی بنایا جاسکے۔ بینک نے بینک کے سینئر ایگزیکٹوز پر مشتمل مختلف کمیٹیاں بھی تشکیل دی ہیں جو اپنی نگرانی میں خطرے کے اکتشاف سے متعلق معاملات پر غور کرنے کے لیے باقاعدگی سے ملاقات کرتی ہیں۔

بینک نے کووڈ 19 کے تناظر میں اپنے کریڈٹ ریویو کے طریقہ کار کو مضبوط کیا ہے اور کووڈ 19 کے پھیلاؤ کے نتیجے میں خطرے کے لیے حساس کھاتوں کی نشان دہی کرنے کے لیے جزدان کا مسلسل جائزہ لے رہا ہے۔

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

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

مادی خطرہ لینے والے (ایم آر ٹی)

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

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

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

مادی خطرے کے کنٹرولرز (ایم آر سی)

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

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

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

پالیسی کا مورایم آریٹیز اور ایم آریٹیز کی نشان دہی اور کارکردگی کے سالانہ جائزے کے چکر کے دوران ملازمین کی کارکردگی کی جانچ کی بنیاد پر معاوضے کی ترکیب کو متعارف کرانا ہے؛ معین معاوضہ: مہارت، تجربہ اور استعداد کے معاوضے اور بنیادی تنخواہ اور الاؤنس پر مشتمل ہے۔ متغیر معاوضہ: کارکردگی سے متعلق ہے اور بنیادی طور پر سالانہ کارکردگی کے بونس پر مشتمل ہے۔

بورڈ کا اعزاز یہ

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

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

26 اکتوبر 2020ء کو منعقدہ 13 ویں (ملٹوی) سالانہ اجلاس میں، بینک کے شیئر ہولڈرز نے بورڈ مینٹنگز اور بورڈ سب کمیٹی کے اجلاسوں میں شرکت کے لیے نان ایگزیکٹو/آزاد ڈائریکٹرز کو قابل ادائیگی فیس کے معاوضے کو بورڈ آف ڈائریکٹرز کی سفارش پر 50 ہزار روپے سے بڑھا کر 150000 کے اضافے کی منظوری دی تھی۔ اس کے علاوہ، نان ایگزیکٹو/آزاد ڈائریکٹرز بورڈ مینٹنگز، بورڈ کی ذیلی کمیٹیوں کے اجلاسوں اور بینک کے شیئر ہولڈرز کے اجلاسوں میں شرکت کے لیے بورڈنگ، قیام اور ہوائی کرائے کے حق دار ہیں۔

2020ء میں ڈائریکٹرز کو ادا کی گئی فیس کی تفصیلات نوٹ 37.1 میں غیر جامع مالیاتی بیانات میں ظاہر کی گئی ہیں۔

شریعت بورڈ کا اعزاز یہ

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

مفید ملازم کی تعریف اور تعین

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

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

**دعوت پر شرکت

شریعی بورڈ ممبرز کی میٹنگز

حاضری	میٹنگ کا مقام	شریعی بورڈ ممبرز کے نام
4	4	مفتی ارشاد احمد اعجاز (چیئر مین)
4	4	ڈاکٹر نور احمد شہباز (ممبر)
4	4	مفتی بلال احمد قاضی (ممبر)
4	4	مفتی محمد نجیب خان (ممبر)
4	4	سید زبیر حسین (ریزیڈنٹ شریعی بورڈ ممبر)

بینک کا معاوضے کے تعین کا طریقہ کار

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

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

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

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

معاوضے کی ساخت

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

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

سلسلہ نمبر	بورڈ کی انفارمیشن ٹیکنالوجی کمیٹی	عہدہ
1	جناب ظفر اقبال صدیقی	چیئرمین
2	جناب عزیز موریس	رکن
3	جناب وسیم مہدی سید	رکن

سلسلہ نمبر	بورڈ کی تعمیلی کمیٹی	عہدہ
1	جناب وجاہت احمد بٹائی	چیئرمین
2	جناب وسیم مہدی سید	رکن
3	جناب عزیز موریس	رکن
4	جناب ظفر اقبال صدیقی	رکن

2020ء کے دوران بورڈ اور کمیٹی کے اجلاسوں کی تعداد اور ہر ڈائریکٹر کی حاضری مندرجہ ذیل تھی:

ڈائریکٹر کا نام	بورڈ کے اجلاس	بورڈ کی آڈٹ کمیٹی	بورڈ کی کمیٹی برائے افرادی وسائل و معاوضے	بورڈ کی انتظامی خطر کی کمیٹی	بورڈ کی انفارمیشن ٹیکنالوجی کمیٹی	بورڈ کی تعمیلی کمیٹی
دوران سال ہونے والے اجلاس	11	4	3	2	3	1
جناب احسن رضا درانی، صدر اور سی ای او (قائم مقام)*	11	1**	3	قابل اطلاق نہیں	3**	1
جناب عزیز موریس	11	قابل اطلاق نہیں	N/A	2	2	1
جناب وسیم مہدی سید	8	قابل اطلاق نہیں	1**	قابل اطلاق نہیں	2	1
محترم فوزیہ حسین	9	4	3	2	1**	قابل اطلاق نہیں
جناب ظفر اقبال صدیقی	7	2	2	1	2	1
جناب وجاہت احمد بٹائی	7	2	2	1	1	1
جناب کامران بٹ*	1	2	1	1**	1	قابل اطلاق نہیں
جناب رانا احمد ہمایوں*	1	2	قابل اطلاق نہیں	1	قابل اطلاق نہیں	قابل اطلاق نہیں
جناب شفیق الرحمن آدھامی*	1	قابل اطلاق نہیں	1	قابل اطلاق نہیں	1	قابل اطلاق نہیں

* ان ڈائریکٹرز نے 18 اپریل 2020ء کو استعفیٰ دے دیا تھا اور اپنے دور میں منعقدہ متعلقہ بورڈ اور بورڈ کی ذیلی کمیٹی کے اجلاسوں میں شرکت کی تھی۔

ساتویں مرد ڈائریکٹرز کو بورڈ آف ڈائریکٹرز نے 28 دسمبر 2019ء کو اتفاقاً طور پر خالی ہونے والی آسامی پر بھرتی کر کے مقرر کیا تھا لیکن اسٹیٹ بینک آف پاکستان نے 31 دسمبر 2019ء تک اس کی مطلوبہ ایف پی ٹی کلیئرنس نہیں دی۔

1. بورڈ کی بہت ترکیبی درج ذیل ہے:

نام	زمرہ
جناب وسیم مہدی سید محترمہ فوزیہ حسنین	خود مختار ڈائریکٹر (بشمول خاتون ڈائریکٹر)
جناب احسن رضا درانی، صدر اور سی ای او (قائم مقام) جناب عزیز مورس	ایگزیکٹو ڈائریکٹر
جناب ظفر اقبال صدیقی جناب وجاہت احمد بقتائی	نان ایگزیکٹو ڈائریکٹر

* مذکورہ بالا ڈائریکٹرز کا تقرر 18 اپریل 2020ء کو 4 ڈائریکٹرز یعنی جناب شفیق الرحمن ادھامی، جناب رانا احمد ہمایوں، مس فوزیہ حسنین اور جناب کامران بٹ کے استعفی کے نتیجے میں خالی ہونے والی اسامیوں پر کیا گیا۔ 02 ستمبر 2020ء کو مذکورہ بورڈ آف ڈائریکٹرز کو اسٹیٹ بینک آف پاکستان کی جانب سے ان کی مطلوبہ ایف پی ٹی کی منظوری کے بعد فعال کر دیا گیا۔

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

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

سلسلہ نمبر	کمیٹی برائے افرادی وسائل و معاوضے	عہدہ
1	محترمہ فوزیہ حسنین	چیئر مین
2	جناب ظفر اقبال صدیقی	رکن
3	جناب وجاہت احمد بقتائی	رکن
4	جناب احسن رضا درانی	رکن

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

مشتمل رہی جس کی وجہ معیشت کی طلب میں کمی ہے۔ جب کہ صارف اشاریہ قیمت (سی پی آئی) میں جون 2020ء سے اضافہ شروع ہوا، جبکہ مالی سال 21ء کے پانچ مہینوں کے دوران 6.4 فیصد کی اوسط کے ساتھ قومی مہنگائی قدرے مستحکم رہی جبکہ گذشتہ برس کی اسی مدت کے دوران سی پی آئی اوسطاً 8.8 فیصد تھی۔

سال کے دوران کے ایس ای-100 انڈیکس اتار چڑھاؤ کا شکار رہا۔ مارکیٹ میں کووڈ 19 کے پھیلاؤ کے بعد شدید کمی کے بعد تیزی سے بحالی آئی، سال کا آغاز 140,888 انڈیکس پوائنٹس سے ہوا اور اس کا اختتام 143,755 انڈیکس پوائنٹس پر ہوا۔

آڈیٹرز کی رپورٹ میں تبدیلیاں

31 دسمبر 2020ء تک بینک کا ادا شدہ سرمایہ (خالص خسارے)، شرح کفایت سرمایہ اور لیوراج کی شرح (LR) اسٹیٹ بینک آف پاکستان (SBP) کے تقاضوں پر پورے نہیں اترتے۔ مزید یہ کہ بینک کی سیالیٹ کی کوریج مقررہ حد سے کم ہے۔ یہ حالات مادی عدم یقینی کی موجودگی کی نشاندہی کرتے ہیں جو بینک کے جاری کاروبار کے طور پر جاری رہنے کی صلاحیت کے بارے میں اہم شک پیدا کر سکتی ہے۔ تاہم، بینک سرمائے کے ضروری ادخال اور قابل اطلاق سرمائے اور سیالیٹ کے تقاضوں سے ہم آہنگ بینک کے منصوبے پر عمل درآمد کے لیے کوششیں کر رہا ہے۔

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

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

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

کارپوریٹ نظم و نسق

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

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

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

- مرد: 05
- خواتین: 01

مالی پیش رفتیں خاصی حد تک اس سال کے بجٹ کے مطابق رہی ہیں اور حکومت اسٹیٹ بینک سے نئے قرضے نہ لینے کے اپنے عزم پر قائم ہے۔ بلند سودی ادائیگیوں اور کووڈ 19 سے متعلق اخراجات کے باوجود، آمدنی میں بھرپور نمونے مالی سال کے دوران مالیاتی خسارے کو اب تک قابو میں رکھا ہے۔ بلا واسطہ ٹیکس اور سیلز ٹیکس میں اضافے کی وجہ سے ایف بی آر کی آمدنی مالی سال 21ء کی پہلی ششماہی کے دوران 5 فیصد سالانہ بڑھ کر ہدفی سطح کے قریب پہنچ گئی ہے۔ بلند غیر سودی اخراجات جاریہ کے باوجود، ابتدائی میزانیے نے جولائی تا نومبر 2020ء کے دوران جی ڈی پی کا 0.5 فیصد فاضل درج کیا، جو گذشتہ برس کی اسی مدت سے 0.2 فیصد بہتر ہے۔

گذشتہ کئی برسوں کی طرح، مالی سال 21ء میں بھی حکومت اپنی توسیعی مالیاتی پالیسی کو برقرار رکھنے کا منصوبہ رکھتی ہے جس کا بجٹ 7,231 ارب روپے ہے، حالانکہ مالی سال 20ء کے تخمینے 8,135 ارب روپے کے مقابلے میں 11 فیصد کم ہے۔ مالی سال 21ء کے لیے، حکومت نے بجٹ میں ٹیکس لگانے کے کوئی نئے اقدامات کو متعارف کروانے سے گریز کیا اور صرف تعطل کا بیکار معاشی سرگرمیوں کو بحال کرنے کے لیے ٹیرف کو درست کرنے کے لیے متعدد اقدامات کیے ہیں۔

دسمبر 2020ء کے دوران پاکستان کے زرمبادلہ کے ذخائر بڑھ کر 20.5 ارب ڈالر ہو گئے جو دسمبر 2019ء کے آخر میں 17.9 ارب ڈالر تھے تقریباً 2.9 ماہ کی درآمدات کی کوریج پر، پاکستان کے غیر ملکی ذخائر آئی ایم ایف کی کم از کم 3 ماہ کی حد سے قدرے نیچے ہیں۔ تاہم، پاکستان مالی سال 21ء میں اپنے بیرونی قرضوں کی ضروریات کو پورا کرنے کے لیے آئی ایم ایف اور دیگر دفتری شراکت داروں سے مالی امداد پر انحصار کرے گا۔

روپے ڈالر کے موازنے میں 5 فیصد ایف وائے ٹی ڈی کا حالیہ اضافہ دیکھا گیا ہے۔ یہ زیادہ تر بیرونی کھاتے کی مستحکم صورت حال سے منسوب ہے جبکہ امریکی صدارتی انتخابات کے نتائج کے حوالے سے غیر یقینی صورت حال کی وجہ سے بھی بیشتر عالمی کرنسیوں کے مقابلے میں ڈالر کی قدر میں کمی نے بھی اس قدر کو بڑھا دیا۔ مزید برآں، جی 20 کو قرض کی ادائیگی کو جون 21ء تک ملتوی کرنے کے بعد کرنسی مارکیٹ میں مثبت جذبات نمودار ہوئے، اور روشن ڈیجیٹل اکاؤنٹ کے آغاز کے ساتھ آمدنی میں بہتری متوقع ہے۔

جون 2018ء میں پاکستان کو ایف اے ٹی ایف (فنانشل ایکشن ٹاسک فورس) میں رکھا گیا تھا۔ اکتوبر 2019ء میں، ایف اے ٹی ایف نے پاکستان کو ایک اور توسیع دی، جس نے فروری 2020ء تک گرے لسٹ میں اپنی حیثیت برقرار رکھی۔ گوکہ کافی پیشرفت ہوئی ہے، تاہم کچھ خامیاں اب بھی موجود ہیں۔ منی لائڈ رنگ سے نمٹنے اور دہشت گردی کی مالی معاونت کو ختم کرنے کے لیے باضابطہ فریم ورک کا کوئی وجود نہیں۔

اگست 2020ء میں، ریٹنگ ایجنسی موڈیز نے ملک کی B3 ریٹنگ کو برقرار رکھتے ہوئے پاکستان کے آؤٹ لک کو 'زیر جائزہ برائے کمی' سے 'مستحکم' قرار دیا۔ مستحکم آؤٹ لک موڈی کے اس نظریے کی عکاسی کرتا ہے کہ پاکستان کو کورونا وائرس کے جھٹکے کے نتیجے میں دباؤ کا سامنا ہے اور اس کے کریڈٹ میٹرکس کے امکانات موجودہ درجہ بندی کی سطح کے مطابق رہنے کا امکان ہے۔

مالی سال 20ء کے لیے حقیقی جی ڈی پی کی شرح نمو منفی 0.4 فیصد رہنے کی توقع ہے۔ اس سال حقیقی جی ڈی پی میں 1.84 فیصد اضافے کا تخمینہ لگا یا گیا ہے، جو ایک ایسے ملک کے لیے قابل غور ہے جس نے گذشتہ سال منفی نمو دکھائی ہے۔ معاشی نمو میں اس بحالی سے پاکستان کو اس سطح کے قریب جانا چاہیے جو وبائی مرض سے پہلے دیکھی گئی تھی اور جو نا آسودہ ملکی طلب کے باعث بہت سے دوسرے ممالک کے مقابلے میں نسبتاً تیز ہے۔

اسٹیٹ بینک نے کہا ہے کہ ملک میں مجموعی مالی حالات مستحکم ہیں اور مہنگائی کے خطرات متوازن ہیں۔ مہنگائی کے اعداد و شمار میں حالیہ اضافے کو منتخب غذائی اشیاء میں اضافے سے مہیز ملی، جس کی وجہ من سون کی بارشیں اور ٹڈی دل کے حملوں سے ہونے والے دھچکے تھے۔ مذکورہ اجناس کی قبل از وقت برآمد کی وجہ سے گندم اور چینی میں بھی کمی دیکھی گئی۔ تاہم، حکومت نے مداخلت کی اور گندم کی کم از کم امدادی قیمت میں اضافہ کرنے کے ساتھ ساتھ اجناس کی درآمد کے اقدامات بھی کیے۔ جہاں غذائی مہنگائی میں اضافہ دیکھا گیا، وہیں تیزی سے مہنگائی بھی

یکجا نتائج

سمٹ بینک لمیٹڈ نے 31 دسمبر 2020ء کو ختم ہونے والے سال کے لیے 6.934 ارب روپے کا مجموعی بعد از ٹیکس خسارہ درج کیا۔ (2019ء: 9.487 ارب روپے)۔ فی شیئر خسارہ 2.63 روپے کا تخمینہ لگایا گیا جبکہ گذشتہ برس کی اسی مدت کے دوران یہ 3.60 روپے فی شیئر تھا۔

ذیلی ادارے کی کارکردگی

سمٹ کیسٹل نے 83.812 ملین روپے کے آپریٹنگ ریویو حاصل کیے جبکہ گذشتہ برس یہ 69.372 ملین روپے تھے۔ سال کے لیے فی شیئر خسارہ 0.62 روپے رہا جبکہ گذشتہ برس یہ 1.21 روپے خسارہ فی شیئر تھا۔ مالی سال 2020ء کی پہلی ششماہی میں کووڈ 19 اور اس کے متوقع اثرات کے دوران مندی کے جذبات کی وجہ سے اسٹاک مارکیٹ میں پستی دیکھی گئی۔ صنعت کی طویل بندش اور اس کے نتیجے میں بے روزگاری کے خدشے کے باعث نشانیہ اشاریے میں تیزی سے کمی واقع ہوئی جس نے 2020ء کی پہلی ششماہی میں کمپنی کی آمدنی اور منافع پر منفی اثر ڈالا۔ تاہم، حکومت اور اسٹیٹ بینک آف پاکستان کی جانب سے معاملات کے فعال انتظام نے کلیدی ڈسکاؤنٹ ریٹ میں زبردست کٹوتی کی جس سے صنعت کو مستحکم کرنے میں مدد ملی۔ نتیجتاً، تیسری سہ ماہی کے بعد مارکیٹ کے حجم میں کمی کے باوجود اشاریہ کے بعد تیزی سے پلٹاؤ دیکھنے میں آیا، اور اس کے نتیجے میں کمپنی کی آمدنی بہتر ہوئی۔

کریڈٹ ریٹنگ

2019ء کے دوران، وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ نے بینک کی درمیانی تا طویل مدتی ریٹنگ 'بی بی بی' (ٹرپل بی بی مائنس) اور قلیل مدتی ریٹنگ 'اے-3' (اے-تھری) تازہ ترین معلومات کی عدم دستیابی کی وجہ سے معطل کر دی۔ وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ تازہ ترین ضروری مالی معلومات کے دستیاب ہونے پر ایک بار پھر ریٹنگ کا دوبارہ جائزہ لے گی۔ مزید یہ کہ، بینک کی ٹی ایف سی ریٹنگ کوڈی (ڈیفالٹ) تقویض کیا گیا تھا کیونکہ کمپنی نے اسٹیٹ بینک آف پاکستان (SBP) کے قابل اطلاق ضوابط کے تحت بینک کی لاک ان دفعہ کے حوالے سے اپنی تازہ ترین سودی ادائیگی نہیں کی تھی۔ بینک کے ٹی ایف سی ہولڈرز نے 22 اکتوبر 2020ء کو ہونے والی اپنی میٹنگ میں ٹی ایف سی ایجوکیشنل مت میں ایک سال کی مزید توسیع کی منظوری دی اور ساتھ ہی تمام انڈیکس کی رقوم کی ادائیگیوں میں توسیع کے ساتھ عرصیت کی نظر ثانی شدہ تاریخ 27 اکتوبر 2021ء مقرر کی۔ بینک اس وقت تمام قابل اطلاق قوانین، قواعد و ضوابط اور اس سلسلے میں مطلوبہ ضوابط کی تعمیل کو یقینی بنانے کے لیے مصروف عمل ہے۔

اقتصادی جائزہ

کووڈ 19 نے 2020ء کے لیے دنیا کا بیانیہ بدل دیا۔ ترقی سے ہٹ کر توجہ بقا کی طرف مبذول ہو گئی۔ پاکستان کی معیشت 1952ء کے بعد سے پہلی بار سکڑ گئی ہے اور تمام اہم اہداف پورے نہیں کیے جاسکے ہیں۔ کووڈ 19 کے اثرات کے علاوہ، کرنسی کی قدر میں کمی اور مہنگائی کے دباؤ منفی شرح نمو کی بنیادی وجہ تھے۔ حیرت انگیز طور پر وبائی مرض پاکستان کی کئی معیشت کے لیے اچھی خبریں لے کر آیا ہے۔ بیرونی محاذ پر، جاری کھاتے کے اعداد میں بتدریج بہتری ظاہر ہوئی جس کو کارکنوں کی ترسیلات زر کی مضبوط رفتار سے تقویت ملی۔ مزید برآں، عالمی سرگرمیوں میں کمی سے درآمدات کو نمایاں طور پر کم کرنے میں مدد ملی ہے۔ تاہم، وائرس کے دوبارہ سراٹھانے سے مارکیٹوں میں سرمایہ کاروں کے اعتماد کو ٹھیس پہنچنے کا امکان ہے۔

مسلل پانچ مہینوں کے زرفاضل کے بعد، جاری کھاتے نے دسمبر 2020ء میں 662 ملین ڈالر کا خسارہ درج کیا۔ اگرچہ، ترسیلات زر اور درآمدات میں مسلسل اضافہ ہوتا رہا، تاہم اقتصادی سرگرمیوں میں اضافے کی وجہ سے مشینری اور صنعتی خام مال کی درآمدات میں اضافے کی وجہ سے تجارتی خسارہ بڑھ گیا۔ اسی دوران، گندم اور چینی کی درآمدات میں اجاف نے بھی مقامی منڈی میں طلب اور رسد کے فرق کو کم کر دیا۔ حوصلہ افزا بات یہ ہے کہ دسمبر 2020ء کے دوران تقریباً تمام زمروں میں درآمدات کے حجم میں وسیع البینا دیکھائی کے ساتھ ستمبر 2020ء سے اب تک تقریباً 2 ارب ڈالر کی ماہانہ سطح پر واپس آگئی ہیں۔ بیرونی شعبے کے لیے منظر نامہ مزید بہتر ہوا ہے اور موجودہ مالی سال 21ء کے لیے کھاتوں کا خسارہ اب جی ڈی پی کے 1 فیصد سے نیچے رہنے کا امکان ہے۔

بینک نے 1.481 ارب روپے خالص سودی اخراجات کیے جبکہ گذشتہ برس یہ 1.307 ارب روپے تھے۔ اس کی بنیادی وجہ گذشتہ برس کے مقابلے میں اس سال امانتوں پر آمدنی میں 1.610 ارب روپے کی کمی تھی کیونکہ 2020ء میں ان کا اوسط حجم 18.058 ارب روپے گھٹ گیا۔ تاہم، 2020ء کے دوران سرمایہ کاری کے اوسط حجم میں 9.6 ارب روپے کی نمو کے ساتھ سرمایہ کاریوں پر آمدنی میں 837.406 ملین روپے کے اضافے نے اس کمی کے اثر کو جزوی طور پر زائل کر دیا۔ مزید برآں، 31 دسمبر 2020ء کو بینک کے قرضے گھٹ کر 7.669 ارب روپے رہ گئے جبکہ 31 دسمبر 2019ء کو یہ 13.505 ارب روپے تھے، جس کے نتیجے میں دوران سال سودی اخراجات بھی گھٹ گئے۔

غیر سودی اخراجات 6 فیصد کی کے ساتھ 5.183 ارب روپے درج کیے گئے۔ مہنگائی کے اثرات کے باوجود، بینک اپنے قانونی اخراجات میں کمی کے ساتھ اپنے اخراجات کی بنیاد کو تقریباً ہموار رکھنے میں کامیاب رہا جو کہ 2019ء کے اخراجات کی اساس کا ایک اہم عامل تھا۔

بینک نے اپنی مجموعی خالص تنوین کے چارج میں 56 فیصد کی کے ساتھ 3.806 ارب روپے کی نمایاں کمی کر دی۔ قرضوں اور ایڈوانسز پر تک کی گئی تنوین 14.344 ارب روپے تھی جو گذشتہ برس کے مقابلے میں 41 فیصد زائد رہی، جبکہ سرمایہ کاری پر تنوین 325.680 ملین روپیہ ہی جبکہ گذشتہ برس یہ 1.284 ارب روپے تھی۔

31 دسمبر 2020ء تک بینک کا مجموعی غیر فعال قرضوں کا تناسب (مجموعی غیر فعال قرضے اور مجموعی ایڈوانسز) 60.29 فیصد رہا جو گذشتہ برس 56.58 فیصد تھا، جبکہ کوریج کا تناسب بڑھ کر 83.73 فیصد ہو گیا جو گذشتہ برس 70.77 فیصد تھا۔ سال کے دوران، مجموعی غیر فعال قرضے (خالص) 2.118 ارب روپے کی کمی سے مدت کے اختتام پر 38.724 ارب روپے ہو گئے۔ (31 دسمبر 2019ء 40.842 ارب روپے)۔

بینک مارکیٹ کا اعتماد دوبارہ حاصل کرنے میں کامیاب رہا کیونکہ 31 دسمبر 2020ء تک کل امانتیں روپے 100 ارب روپے درج کی گئیں جبکہ گذشتہ برس کے اختتام پر 88.567 ارب روپے درج کیے گئے تھے۔ اس سے 3.891 ارب روپے کی نمو کا اظہار ہوتا ہے یعنی 15.04 فیصد۔ مزید برآں، سال کے اختتام پر، بینک کا مجموعی ایڈوانس اور امانتوں کا تناسب 63.04 فیصد ہے جو گذشتہ برس 81.50 فیصد تھا۔

31 دسمبر 2020ء تک، بینک نے 3.182 ارب روپے کے مزید مؤخر تیکس امانتوں کو تسلیم کیا ہے۔

روپے کی قانونی ضرورت کے مقابلے میں اسٹیٹ بینک کی جانب سے مقرر کیے گئے 10 ارب کے مقابلے میں 31 دسمبر 2019ء تک، بینک کا ادا شدہ سرمایہ (خسارے کا خالص) منفی (-) 16.154 ارب روپے تھا، جبکہ بینک کی شرح کفایت سرمایہ کے کم از کم 11.50 فیصد کے تقاضے کے مقابلے میں منفی (-) 45.16 فیصد تھی۔

مئنجمنٹ اور بورڈ آف ڈائریکٹرز پر امید ہیں کہ اگر کاروباری منصوبے میں بیان کردہ نمو کے عوامل اور دیگر کلیدی مفروضے پورے ہوتے ہیں تو بینک کا روپے نتائج میں متوقع بہتری اور قابل اطلاق ضوابطی تقاضوں کی تعمیل میں کامیاب ہو جائے گا۔

ہولڈنگ اور اجارہ کمپنی

نور انویسٹمنٹ لمیٹڈ (SIL)، مارشلس میں قائم کردہ ایک کمپنی، بینک کی ہولڈنگ کمپنی ہے۔ 31 دسمبر، 2020ء تک، ایس آئی ایل کے پاس بینک کے جاری کردہ، سبسکرائب شدہ اور ادا شدہ شیئرز کے 66.77 فیصد حصہ ہے۔

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

ڈائریکٹرز پورٹ برائے شیئر ہولڈرز

عزیز شیئر ہولڈرز،

بورڈ آف ڈائریکٹرز کی جانب سے، ہم 31 دسمبر 2020ء کو اختتام پذیر ہونے والے سال کے لیے آڈٹ شدہ مالی گوشوارے اور آڈیٹرز کی رپورٹ پیش کرتے ہوئے مسرور ہیں۔

بینک کی کارکردگی

2020ء کے مالی نتائج کی جھلکیاں حسب ذیل ہیں:

روپے ملین میں	مالی صورت حال
(11,187)	شیئر ہولڈرز کی ایکویٹی
101,888	امانتیں
107,658	مجموعی اثاثے
31,783	ایڈوائس - خالص
27,903	سرمایہ کاریاں - خالص

مالی کارکردگی

15	خالص سودی آمدنی اور غیر سودی آمدنی (مجموعی آمدنی)
5,183	غیر سودی اخراجات
4,876	پروویژنز اور رائٹ آفس (نیٹ)
10,043	خسارہ قبل از ٹیکس
6,948	خسارہ بعد از ٹیکس
(2.63)	خسارہ فی شیئر بنیادی اور سیال (diluted) - روپے

بینک نے اپنے مالی نتائج کو بہتر بنانے کی سمت میں پیش رفت کی اور 2019ء کے مقابلے میں رواں برس اپنے قبل از ٹیکس خسارے میں 4.227 ارب روپے کی کمی لانے میں کامیابی حاصل کر لی۔ بعد از ٹیکس خسارہ 10.043 ارب رہا، جبکہ گذشتہ برس کے 9.451 ارب روپے کے مقابلے میں 26.5 فیصد کی بہتری کے ساتھ بعد از ٹیکس خسارہ 6.948 ارب روپے رہا۔ منافع اور خسارے کے زیریں خط میں اس بہتری کی عکاسی خسارہ فی شیئر میں بھی ہوئی کیونکہ یہ 2.63 روپے فی شیئر ہو گئے (2019: خسارہ فی شیئر 3.58 روپے)۔

REPORT OF THE SHARI'AH BOARD

For the year ended December 31, 2020

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

Complying with the principles of Shari'ah is the essence of Islamic banking industry. A sound and effective Shari'ah compliance framework is thus important to give confidence to all stakeholders including the general public for conformity of Islamic Banking Institutions' (IBIs') products and services with Shari'ah rules. To achieve this goal and to comply with the Shari'ah Governance Framework of State Bank of Pakistan, the Board of Directors (BoD) of Summit Bank Limited had engaged the Shari'ah Board of the bank since 2015 to continuously assess the Shari'ah Compliance environment within the bank and highlight the weaknesses therein and further guide the road map with all essential instructions for Islamic banking product & services.

During the year, four SB's meetings were held in which SB discussed different matters regarding Islamic Banking products, services, Shari'ah Audit & Compliance Reports' observations. To maintain Shari'ah Compliance at all level in letter and spirit, SB also issued guidelines and instructions in these meetings where deemed appropriate.

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

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

Shari'ah Board's Opinion:

1. While BoD and Executive Management are solely responsible to ensure that the operations of Summit Bank Limited-Islamic Banking are carried out in a manner that complies with Shari'ah principles at all times, we are required to submit a report on the overall Shari'ah compliance environment of Summit Bank Limited-Islamic Banking.
2. To form our opinion as expressed in this report, the Shari'ah Compliance Department (SCD) of the bank carried out reviews, on a test check basis, of each class of transactions, the relevant documentation and process flows. Further, we have also reviewed the reports of the internal, external & SBP Shari'ah audit. Based on above, we are of the view that:
 - I. The Bank has a comprehensive mechanism in place to ensure Shari'ah compliance in its overall operations and the Bank has satisfactorily complied with Shari'ah rules and principles and also with the specific fatawa, rulings, guidelines issued by SB and SBP from time to time.
 - II. The Bank took necessary actions on instructions/guidelines given by Shari'ah Board to ensure smooth running of the Bank's operations in Shari'ah compliant manner.

- III. The Bank has a system in place which is sound enough to ensure that any earnings if realized from sources or by means prohibited by Shari'ah have been credited to charity account and are being properly utilized in charitable purposes. During the year under review, no such transaction was found which may attract any charity due to Shari'ah noncompliance. During the year Rs. 2.562 million were collected on account of late payments and deposited in the charity account.
- IV. It is important to notice that there is no such Shari'ah related pending issue in the Bank which shows the commitment of the staff and higher management towards Shari'ah Compliance.
- V. Bank has Pool management system in place which, in our opinion, further needs automation for the transparency and efficiency of Islamic banking profit distribution. SCD reviews monthly profit distribution working as well as Shari'ah Audit performs quarterly review of pool management. All these checks and controls ultimately enhance the profit distribution process between the Rabbul Amwal (depositors) and the Mudarib (Bank) in smooth manner and minimize the chance of error. Since the Bank is going to acquire new core banking system, SB asks the management to bridge the gaps found in the existing system so that pool management system could smoothly function in line with Shari'ah and SBP-Profit & Loss distribution guidelines.
- VI. The level of awareness, capacity and sensitization of the staff and executive management and BOD for Shari'ah compliance in all IBD aspects remained satisfactory.
- VII. Learning & Development (L&D) department along with the SCD & IBD also arranged training sessions on Islamic Banking for bank's staff in pursuance of the bank's goal towards becoming a full-fledged Islamic Bank, insha Allah. Last year due to COVID, unfortunately, the class room sessions could not be arranged as planned initially, instead of this, online Zoom sessions for one, two & three days were arranged and that were attended by more than two hundred & ninety staff. Other online learning opportunities through Learning Management System (LMS) were also successfully arranged for bank's staff in the area of Islamic Banking. L&D launched the Course "Basics of Islamic Banking" six times last year which were attempted by eight hundred staff and Alhamdulillah more than three hundred achieved their certificates successfully.
- VIII. The Shari'ah Board had also been provided adequate resources enabling it to discharge its duties effectively.

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

Mufti Irshad Ahmad Aijaz
Chairman Shari'ah Board
Summit Bank- Islamic Banking

Dr. Noor Ahmad Shahtaz
Shari'ah Board Member
Summit Bank- Islamic Banking

Mufti Bilal Ahmad Qazi
Shari'ah Board Member
Summit Bank- Islamic Banking

Mufti Muhammad Najeeb Khan
Shari'ah Board Member
Summit Bank- Islamic Banking

Syed Zubair Hussain
Resident Shari'ah Board Member
Summit Bank- Islamic Banking

- IV. یہ بات بہت اہم ہے کہ بینک میں کوئی ایسا مسئلہ نہیں ہے جس کا تعلق شریعت سے ہو اور وہ حل نہ ہو جو کہ عملہ اور مسؤلین کے شریعہ کمپلائنس کے ساتھ سنجیدگی کا ظاہر کرتا ہے۔
- V. بینک کی طرف سے نفع و نقصان کی تقسیم اور پول مینجمنٹ سسٹم کو بہتر بنانے کے لیے قابل قدر پیشرفت ہوئی اور ہمارے خیال میں اس میں مزید بہتری اسلامی بینکاری کے شریعہ کمپلائنس کے معیار کو یقینی طور پر بڑھائے گی۔ شریعہ کمپلائنس ماہانہ بنیاد پر جبکہ شریعہ آڈٹ سہ ماہی بنیاد پر نفع نقصان کی تقسیم کا جائزہ لیتا ہے۔ یہ تمام جانچ پڑتال رب المال اور مضارب کے درمیان نفع نقصان کی تقسیم کے عمل کو بہتر اور متوازن بناتے ہیں اور غلطی کے امکان کو کم کرتے ہیں۔ اب جبکہ بینک ایک نیا بنیادی سسٹم حاصل کرنے جا رہا ہے جو کہ اس وقت بہتر مرحلے میں ہے۔ شریعہ بورڈ نے انتظامیہ سے موجودہ سسٹم میں پائے جانے والے سقم پوچھنے کے بعد انہیں ختم کرنے کا کہا ہے جس کے بعد پول مینجمنٹ سسٹم مکمل طور پر شریعہ اور اسٹیٹ بینک کی ہدایات کے مطابق ہموار ہو جائے گا۔
- VI. تمام اسلامی بینکنگ کے پہلوؤں میں شرعی تعمیل کے لیے، عملے اور ایگزیکٹو مینجمنٹ اور بی او ڈی کی آگاہی، صلاحیت اور حساسیت کی سطح تسلی بخش رہی۔
- VII. لرننگ اینڈ ڈویلپمنٹ (ایل اینڈ ڈی) ڈیپارٹمنٹ نے بینک کے ایک مکمل اسلامی بننے کے مقصد کے حصول کے لیے ایس سی ڈی اور آئی بی ڈی کے ساتھ ملکر بینک کے عملے کے لیے اسلامی بینکنگ کے بارے میں تربیتی سیشنس کا اہتمام کیا۔ پچھلے سال کووڈ کی وجہ سے، بد قسمتی سے، ابتدائی طور پر منظور شدہ پلان کے مطابق کلاس روم کے سیشنز کا اہتمام نہیں کیا جاسکا، اس کے بجائے، ایک، دو اور تین دن کے آن لائن زوم سیشنز کا اہتمام کیا گیا اور اس میں دوسو نوے سے زائد عملے نے شرکت کی۔ لرننگ مینجمنٹ سسٹم (LMS) کے ذریعے سیکھنے کے دیگر آن لائن مواقع بھی اسلامی بینکنگ کے شعبے میں بینک کے عملے کے لیے کامیابی سے ترتیب دیے گئے۔ ایل اینڈ ڈی نے پچھلے سال چھ مرتبہ اسلامی بینکنگ کی بنیادی معلومات کورس کا آغاز کیا جس میں تقریباً آٹھ سو تک عملے نے حصہ لیا اور الحمد للہ تین سو سے زائد نے اپنے سرٹیفکیٹ کامیابی سے حاصل کیے۔
- VIII. شریعہ بورڈ کو اپنے فرائض سرانجام دینے کے لیے خاطر خواہ وسائل فراہم کیے گئے ہیں۔
- اللہ تعالیٰ ہمیں اپنے پسندیدہ اعمال کی توفیق عطا فرمائے، ہمیں اس دنیا اور آخرت میں کامیاب فرمائے اور ہماری غلطیوں کو معاف فرمائے۔۔۔ آمین!

ڈاکٹر نور احمد شاہتاہ
رکن شریعہ بورڈ
سمٹ بینک۔ اسلامی بینکاری

مفتی ارشاد احمد اعجاز
چیئرمین شریعہ بورڈ
سمٹ بینک۔ اسلامی بینکاری

مفتی محمد نجیب خان
رکن شریعہ بورڈ
سمٹ بینک۔ اسلامی بینکاری

مفتی بلال احمد قاضی
چیئرمین شریعہ بورڈ
سمٹ بینک۔ اسلامی بینکاری

سید زبیر حسین
ریزیڈنٹ رکن شریعہ بورڈ
سمٹ بینک۔ اسلامی بینکاری

شریعی بورڈ کی سالانہ رپورٹ ۳۱ دسمبر ۲۰۲۰ء - ش (گزارشات مجلس شرعی)

بسم الله الرحمن الرحيم

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

شریعی بورڈ کی سالانہ رپورٹ ۳۱ دسمبر ۲۰۲۰ء - ش (گزارشات مجلس شرعی)

شریعت کے اصولوں کے مطابق اسلامی بینکاری کرنا اسلامی بینکاری کی بنیاد ہے۔ اسلامی مالیاتی ادارے (IBIs) کی مصنوعات اور خدمات کو شرعی قوانین کے مطابق بنانے کے لیے عوام الناس کے ساتھ ساتھ تمام اسٹیک ہولڈرز کو اعتماد دینے کے لیے ایک مضبوط اور موثر شرعی کملائنس فریم ورک بہت اہمیت کا حامل ہے۔ اس مقصد کو حاصل کرنے اور اسٹیٹ بینک آف پاکستان کے شریعی گورننس فریم ورک پر عمل پیرا ہونے کے لیے، سمٹ بینک لمیٹڈ کے بورڈ آف ڈائریکٹرز (بی او ڈی) 2015 سے بینک کے شریعی بورڈ کی مسلسل شریعت کا جائزہ لینے کے لیے خدمات لے رہا ہے تاکہ وہ بینک کے اندر شریعی کملائنس کا ماحول اور اس میں موجود کمزوریوں کو اجاگر کریں اور اسلامی بینکنگ کی مصنوعات اور خدمات کے لیے تمام ضروری ہدایات و رہنمائی فراہم کریں۔

دوران سال شریعی بورڈ کی 4 میٹنگز (مجالس) منعقد ہوئیں جن میں شریعی بورڈ نے اسلامی بینکنگ مصنوعات، خدمات، شریعت آڈٹ اور کملائنس رپورٹس کے تحفظات اور اشکالات کے حوالے سے مختلف امور پر تبادلہ خیال کیا۔ ہر سطح پر شریعت کی تعمیل کو برقرار رکھنے کے لیے، شریعی بورڈ نے ان اجلاسوں میں جہاں مناسبت ہنمائی اور ہدایات جاری کیں۔ بینک کے مکمل شریعی کمپلائنس ماحول کی نگرانی کے لیے اسٹیٹ بینک آف پاکستان اور بینک کے شریعی بورڈ کے احکامات کے مطابق مختلف کنٹرولز بنائے گئے ہیں اور اس اہم مقصد کو حاصل کرنے کے لیے شریعی کمپلائنس ڈپارٹمنٹ کے علاوہ بینک میں انجام دیے جانے والی مختلف سرگرمیوں کے لئے اندرونی، بیرونی اور اسٹیٹ بینک کے شریعی آڈٹس بروئے کار لائے گئے جس نے شریعی بورڈ کو مزید اطمینان بخشتا کہ بینک میں انجام دیے گئے معاملات شریعت کے مطابق انجام پزیر ہے۔ یہ بات بھی قابل ذکر ہے کہ بینک میں کوئی قابل ذکر مسئلہ زیر التواء نہیں ہے جو کہ بینک کے اسٹاف، انتظامیہ اور بورڈ آف ڈائریکٹرز کے شریعی کمپلائنس کے لئے انکی سنجیدگی کو ظاہر کرتا ہے۔

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۔ شرعی بورڈ کی رائے:

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

2. اس رپورٹ میں بیان کی گئی اپنی رائے کی اظہار کے لیے، بینک کے شرعی کملائنس ڈیپارٹمنٹ (SCD) نے مختلف قسم کے معاملات، متعلقہ دستاویزات اور اس کے عملی اجراء کا جانچ پڑتال کیا۔ مزید یہ کہ مینڈیٹ، خارجی اور اسٹیٹ بینک شریعی ڈیکوریشن کا بھی جائزہ لیا ہے۔ مذکورہ امور کی بنیاد پر، ہمارا خیال ہے کہ:

- I. بینک اپنے مجموعی کاموں میں شریعت کی تعمیل کو یقینی بنانے کے لیے ایک جامع نظام رکھتا ہے اور بینک نے اطمینان بخش طور پر شرعی قوانین اور اصولوں کی اور مخصوص فتاویٰ و احکامات جو شریعی بورڈ اور اسٹیٹ بینک آف پاکستان کی طرف سے وقتاً فوقتاً جاری کیے جاتے ہیں کی تعمیل کی ہے۔
- II. بینک نے شرعی بورڈ کی طرف سے دی گئی ہدایات/ احکامات پر ضروری اقدامات کئے تاکہ بینک کے تمام آپریشنز کو شریعت کے مطابق چلایا جاسکے۔
- III. بینک کے پاس ایک ایسا نظام موجود ہے جو اس بات کو یقینی بنانے کے لیے کافی ہے کہ اگر شریعت کے منع کردہ ذرائع سے کوئی آمدنی حاصل ہوئی تو اس آمدنی کو خیراتی اکاؤنٹ میں جمع کر دیا جائے اور خیراتی مقاصد میں مناسب طریقے سے استعمال ہو۔ زیر نظر سال کے دوران، ایسا کوئی معاملہ نہیں ملا جس کی آمدنی شریعت کی عدم تعمیل کی وجہ سے خیراتی اکاؤنٹ میں جمع کی جائے۔ سال کے دوران 2.562 ملین تاخیر سے ادائیگی کی وجہ سے خیراتی اکاؤنٹ میں جمع کیے گئے۔

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

Name of company: Summit Bank Limited ('the Bank')
Year ended: December 31, 2020

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

1. The total number of Directors are six (06) as per the following *:
 - Male 05
 - Female 01
2. The composition of Board is as follows **:

Category	Names
Independent Directors (including Female Director)	Mr. Waseem Mehdi Syed Ms. Fauzia Hasnain
Executive Directors	Mr. Ahsan Raza Durrani, President & CEO (Acting) Mr. Aziz Morris
Non-Executive Directors	Mr. Zafar Iqbal Siddiqi Mr. Wajahat Ahmed Baqai

* The seventh (7th) slot on the Board of Directors of the Bank has remained vacant despite of the best efforts of the Board Members to fill-in with the replacement nominations due to their not qualifying the Fit and Proper Test (FPT) clearance from the State Bank of Pakistan. Considering the fact that the Bank's due diligence exercise conducted then by the prospective investor was in advance stages for the proposed equity injection transaction and the Board Members had anticipated an early completion of the contemplated transaction which would entail the reconstitution of the Board with the representation of the majority directors of the investor in near future. Accordingly, they preferred to proceed with the current slate of six (6) Board Members ensuring that there were no quorum issues in convening of Board Meetings at any time during the financial year ended December 31, 2020.

** The above mentioned directors were appointed to fill-in the casual vacancies after resignation of the four (4) directors i.e. Mr. Shafiqur Rahman Adhami, Mr. Rana Ahmed Humayun, Ms. Fauzia Hasnain and Mr. Kamran Butt on April 18, 2020. On September 02, 2020, the above mentioned Board of Director became functional after the State Bank of Pakistan granted their requisite FPT approval.

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

7. The meetings of the Board were presided over by the Chairman. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
8. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with SBP BPRD Circular No. 03 dated August 17, 2019, Companies Act, 2017 and these Regulations.
9. The Bank is compliant with the requirements of the Directors' Training Program under the Code of Corporate Governance Regulations as on December 31, 2020. The Board has arranged Directors' Training Program for the following:
 - Mr. Zafar Iqbal Siddiqi, Non-Executive Director
10. Except for the appointment of Chief Financial Officer(s), there have been no new appointments during the year for the positions of Company Secretary and Head of Internal Audit. The Board has approved appointment of Chief Financial Officer including his remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. The Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed sub-committees comprising of members detailed below

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

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

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

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

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

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.

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

Jawad Majid Khan
President and Chief Executive Officer
Summit Bank Limited

Place: Karachi

Date: November 19, 2021

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

To the Board Members of Summit Bank Limited

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Summit Bank Limited (the Bank) for the year ended December 31, 2020 in accordance with the requirements of regulation 36 of the Regulations.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Regulations as applicable to the Bank for the year ended December 31, 2020.

Further, we have highlighted instances of non-compliance in para no. 19 to the annexed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019.

ENGAGEMENT PARTNER: MEHMOOD A. RAZZAK

Karachi

Date: November 19, 2021

SERVICE QUALITY AND CUSTOMER COMPLAINTS HANDLING

At Summit Bank, Ethical practices like transparency, integrity, honesty and compliance go hand in hand same like any other financial institution and this area has emerged to be an essential element of overall compliance culture in all Bank.

As per the State Bank of Pakistan (SBP) directives via BC and CPD Circular No. 1, dated February 29, 2016, regarding Consumer Grievance Handling Mechanism (CGHM) and BC and CPD Circular No. 3, dated November 04, 2016 regarding Conduct Assessment Framework (CAF), all banks were advised to conduct video mystery shopping in order to measure their customer satisfaction. Summit Bank again affiliated with one of the leading independent research agencies to execute their customer satisfaction survey.

These results will help us to work on the irregularities / defects in the system to identify weaknesses and evaluate possible improvements to instill a second homecoming experience for our customers.

We introduced complaints escalation matrix mechanism in 2018 to ensure that customer complaints are being catered timely and effectively and in 2019, the complaints escalation matrix enhanced to the president level.

Against each complaint, the Bank sends acknowledgement to the customer within 48 workings hours.

The customers lodge their complaints through various channels such as:

- Call Centre
- E-mails
- Letters
- Website
- Internet Banking
- President Office/Management
- State of Pakistan
- Banking Mohtasib Pakistan.

In 2020, one more channel was launched through which customers can register their complaints which is through Summit Branches. Upon the launching of this new channel, branch officials were given access of complaint lodgment and were guided accordingly on how to register a complaint on the portal.

Complaint Resolution & Management Unit responds to customers on their queries and once the complaint is resolved, different modes are available to contact customers such as:

- Recorded Lines
- Letters
- Emails
- Internet Banking

In case, the complaint cannot be resolved with 15 working days (where there is a need for further detailed scrutiny), an interim reply is sent to the customer on 10th working day.

In 2020, we have started giving Interim replies to the customers on 20th and 30th working day as well, when the complaint is still un-resolved and more time is needed for resolution.

In case of unsatisfactory reply by the Bank or in case the complaint remains unattended beyond 30 working days, customer has an option to complain with Banking Mohtasib Pakistan.

The, following are the complaint statistics of Summit Bank for the year 2020:

Total Complaints Received: 11,517

Total Complaints Resolved: 11,399

Average Complaints' Resolution TAT: 7 Working Days

UNCONSOLIDATED FINANCIAL STATEMENTS



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUMMIT BANK LIMITED

REPORT ON THE AUDIT OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the annexed unconsolidated financial statements of Summit Bank Limited (the Bank), which comprise the unconsolidated statement of financial position as at December 31, 2020, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for 16 branches which have been audited by us and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2020 and of the loss and total comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to note 1.3 to the unconsolidated financial statements. As more fully described in that note, the Bank has incurred net loss of Rs. 6,947.981 million (2019: Rs. 9,450.619 million) during the year ended December 31, 2020, resulting in accumulated losses of Rs. 36,074.905 million (2019: Rs. 29,203.728 million) and negative net equity of Rs. 11,187.471 million (2019: Rs. 5,598.223 million) as at December 31, 2020. Further, the Bank's paid-up capital (net of losses), Capital Adequacy Ratio (CAR) and Leverage Ratio (LR) do not meet the requirements provided by the State Bank of Pakistan (SBP) as at December 31, 2020. These conditions indicate the existence of material uncertainty which may cast significant doubt about the Bank's ability to continue as a going concern. However, the Bank is making continued efforts for necessary injection of capital and implementation of the Bank's Plan to comply with applicable capital requirements. Our report is not qualified in respect of this matter.

Emphasis of Matter

We draw attention to the following matters:

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

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

Key Audit Matters

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

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

S. No.	Key Audit Matters	How the matter was addressed in our audit
		<ul style="list-style-type: none"> Based on the said credit reviews, we identified and discussed with the management the loan accounts where the credit risk appear to have increased. We reviewed the adequacy of provisions against such accounts on the basis of our independent objective evaluation of the risk mitigating factors that exist in such cases; and
2.	Deferred tax assets	
	<p>The recognition of a deferred tax asset in respect of tax losses is permitted only to the extent that it is probable that future taxable profits will be available to utilize the tax losses carried forward.</p> <p>When considering the availability of future taxable profits, judgment is required when assessing projections of future taxable income which are based on approved business plans / forecasts.</p>	<p>We obtained an understanding and evaluated the design and tested the effectiveness of controls in this area relevant to our audit. We performed substantive audit procedures on the recognition of deferred tax balances based on local tax regulations, and on the analysis of the recoverability of the deferred tax assets in the light of relevant accounting standard.</p> <p>We have evaluated the bank's assumptions and estimates in relation to the likelihood of generating sufficient future taxable income based on plans, prepared by the management. We have also assessed previous forecast and compared with the actual outcome for evidence of bias.</p> <p>Finally, we reviewed the adequacy of the disclosures made by the bank in this area and recognition / non-recognition of deferred tax asset / liability.</p>
3.	Valuation of investments	
	<p>As at December 31, 2020, the Bank has investments classified as "Available-for-sale" and "Held for trading" amounting to Rs. 27,903.360 million (2019: Rs. 21,959.499 million).</p> <p>Investments are carried at cost or fair value in accordance with the Bank's accounting policy relating to their recognition. Provision against investments is based on impairment policy of the Bank which includes both objective and subjective factors.</p> <p>We identified the valuation of investments including determination of impairment allowance on investments classified as "Available-for-sale" as a key audit matter because of their significance in relation to the total assets of the Bank and judgment / estimates involved in assessing impairment allowance.</p>	<p>Our procedures in respect of valuation of investments included the following:</p> <ul style="list-style-type: none"> Assessing the design and testing the operating effectiveness of the relevant controls in place relating to valuation of investments; Examining the reasons of significant decline in the carrying value of investments. Checking, on a sample basis, the valuation of investments to supporting documents, observable market and break-up values; and Evaluating the management's assessment of available for sale and held to maturity investments for any additional impairment in accordance with the Bank's accounting policies and performed an independent assessment of the assumptions.

S. No.	Key Audit Matters	How the matter was addressed in our audit
4.	Litigations and regulatory requirements	
	There are a number of threatened and actual legal, regulatory and tax cases against the Bank. There is a high level of judgement involved in estimating the level of provisioning required.	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> • testing key controls surrounding litigation, regulatory and tax procedures; • where relevant, reviewing external legal opinions obtained by management; • discussing open matters with the Bank's general counsel, litigation, regulatory and tax teams; • assessing and challenging management's conclusions through understanding precedents set in similar cases; and • circularization of confirmations where appropriate, to relevant third-party legal representatives.

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

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
- b) the unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

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

BAKERTILLY MEHMOOD IDREES QAMAR
CHARTERED ACCOUNTANTS

Karachi

Date: November 19, 2021

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020

	Note	2020 ------(Rupees in '000)-----	2019
ASSETS			
Cash and balances with treasury banks	5	11,571,282	5,613,556
Balances with other banks	6	1,359,018	930,810
Lendings to financial institutions	7	-	991,272
Investments	8	27,903,360	21,959,499
Advances	9	31,783,279	43,242,325
Fixed assets	10	10,188,303	10,180,966
Intangible assets	11	90,459	148,557
Deferred tax assets	12	14,279,245	11,606,393
Other assets	13	10,482,933	11,202,160
		107,657,879	105,875,538
LIABILITIES			
Bills payable	15	2,402,870	1,815,836
Borrowings	16	7,668,886	13,504,780
Deposits and other accounts	17	101,887,584	88,567,490
Liabilities against assets subject to finance lease		-	-
Subordinated debt	18	1,495,515	1,495,515
Deferred tax liabilities		-	-
Other liabilities	19	5,390,495	6,090,140
		118,845,350	111,473,761
NET ASSETS		(11,187,471)	(5,598,223)
REPRESENTED BY			
Share capital - net	20	20,500,194	20,500,194
Reserves		(425,043)	(425,043)
Surplus / (deficit) on revaluation of assets	21	4,812,283	3,530,354
Accumulated losses		(36,074,905)	(29,203,728)
		(11,187,471)	(5,598,223)
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 45 and annexures I and II form an integral part of these unconsolidated financial statements.

President / Chief Executive

Chief Financial Officer

Director

Director

Director

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020 ------(Rupees in '000)-----	2019
Mark-up / return / interest earned	23	5,114,028	5,909,299
Mark-up / return / interest expensed	24	6,594,728	7,216,253
Net Mark-up / interest expense		(1,480,700)	(1,306,954)
NON MARK-UP / INTEREST INCOME			
Fee and commission income	25	434,351	714,104
Dividend income		15,331	36,601
Foreign exchange income		182,906	390,082
Income / (loss) from derivatives		-	-
Gain / (loss) on securities	26	803,559	(17,198)
Other income	27	59,655	108,390
Total non-markup / interest income		1,495,802	1,231,979
Total income		15,102	(74,975)
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	28	5,145,165	5,438,188
Workers' welfare fund		-	-
Other charges	29	37,489	75,354
Total non-markup / interest expenses		5,182,654	5,513,542
Loss before provisions		(5,167,552)	(5,588,517)
Provisions and write offs - net Extra ordinary / unusual items	30	4,875,506	8,681,781
		-	-
LOSS BEFORE TAXATION		(10,043,058)	(14,270,298)
Taxation	31	(3,095,077)	(4,819,679)
LOSS AFTER TAXATION		(6,947,981)	(9,450,619)
		------(Rupees)-----	
Basic loss per share	32	(2.63)	(3.58)
Diluted loss per share	32	(2.63)	(3.58)

The annexed notes I to 45 and annexures I and II form an integral part of these unconsolidated financial statements.

President / Chief Executive

Chief Financial Officer

Director

Director

Director

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
	------(Rupees in '000)-----	
Loss after taxation for the year	(6,947,981)	(9,450,619)
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in surplus / (deficit) on revaluation of investments - net of tax	567,889	1,033,327
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement (loss) / gain on defined benefit obligations	(13,383)	414
Movement in surplus on revaluation of operating fixed assets - net of tax	574,003	37,299
Movement in surplus on revaluation of non-banking assets - net of tax	230,224	28,753
	790,844	66,466
Total comprehensive loss	(5,589,248)	(8,350,826)

The annexed notes I to 45 and annexures I and II form an integral part of these unconsolidated financial statements.

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Chief Financial Officer

Director

Director

Director

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2020

	Capital reserves			Surplus / (deficit) on revaluation of			Revenue reserve	Total	
	Share premium	Statutory reserve	Reserve arising on amalgamation	Investments	Fixed / Non banking assets	Property held for sale			Accumulated losses
Balance as at January 01, 2019	20,500,194	1,000,000	154,162	(1,579,205)	(1,089,528)	2,911,842	754,510	(19,899,372)	2,752,603
Loss after taxation for the year ended December 31, 2019	-	-	-	-	-	-	-	(9,450,619)	(9,450,619)
Other comprehensive income - net of tax	-	-	-	1,033,327	66,052	-	-	414	1,099,793
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to accumulated losses	-	-	-	-	(100,875)	-	-	100,875	-
Surplus realized on disposal of fixed assets	-	-	-	-	(44,072)	-	-	44,072	-
Surplus realized on disposal of non-banking assets	-	-	-	-	(902)	-	-	902	-
Balance as at January 01, 2020	20,500,194	1,000,000	154,162	(1,579,205)	(56,201)	2,832,045	754,510	(29,203,728)	(5,598,223)
Loss after taxation for the year ended December 31, 2020	-	-	-	-	-	-	-	(6,947,981)	(6,947,981)
Other comprehensive income - net of tax	-	-	-	-	567,889	804,227	-	(13,383)	1,358,733
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to accumulated losses	-	-	-	-	(90,187)	-	-	90,187	-
Surplus realized on disposal of fixed assets	-	-	-	-	-	-	-	-	-
Surplus realized on disposal of non-banking assets	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2020	20,500,194	1,000,000	154,162	(1,579,205)	511,688	3,546,085	754,510	(36,074,905)	(11,187,471)

The annexed notes I to 45 and annexures I and II form an integral part of these unconsolidated financial statements.

President / Chief Executive

Chief Financial Officer

Director

Director

Director

UNCONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
Note	----- (Rupees in '000) -----	-----
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(10,043,058)	(14,270,298)
Less: Dividend income	(15,331)	(36,601)
	<u>(10,058,389)</u>	<u>(14,306,899)</u>
Adjustments:		
Depreciation on operating fixed assets	10.2 511,474	552,070
Depreciation on right-of-use assets	10.3 531,872	531,200
Depreciation on non-banking assets	13.1.1 43,749	43,749
Finance cost of lease liability	24 282,575	280,047
Amortization	11.2 61,624	62,169
Provision and write-offs excluding recoveries	4,876,222	8,683,545
Charge for defined benefit plan	28.1 85,482	135,087
Charge for employees compensated absences	28.1 30,098	25,563
Gain on sale of fixed assets	27 (2,527)	(49,072)
Unrealised loss on revaluation of investments classified as held-for-trading securities - net	8.1 -	308
	<u>6,420,569</u>	<u>10,264,666</u>
	<u>(3,637,820)</u>	<u>(4,042,233)</u>
Decrease / (increase) in operating assets		
Lendings to financial institutions	991,272	(991,272)
Held-for-trading securities	5,542	(5,850)
Advances	7,114,478	10,606,371
Others assets (excluding advance taxation)	887,520	769,737
	<u>8,998,812</u>	<u>10,378,986</u>
Increase / (decrease) in operating liabilities		
Bills payable	587,034	(65,271)
Borrowings from financial institutions	(5,703,062)	(6,151,779)
Deposits	13,320,094	3,891,400
Other liabilities (excluding current taxation)	(658,947)	(470,190)
	<u>7,545,119</u>	<u>(2,795,840)</u>
Payment on account of staff retirement benefits	(142,233)	(50,411)
Income tax paid	(107,991)	(133,153)
Net cash generated from operating activities	<u>12,655,887</u>	<u>3,357,349</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(5,401,408)	(2,391,882)
Dividends received	15,331	36,601
Investments in operating fixed assets	(73,589)	(156,419)
Investments in intangible assets	(3,526)	(5,814)
Proceeds from sale of fixed assets	3,538	274,976
Proceeds from sale of non-banking assets	-	10,000
Net cash used in investing activities	<u>(5,459,654)</u>	<u>(2,232,538)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payment of lease liability against right-of-use assets	(677,467)	(785,221)
Net cash used in financing activities	<u>(677,467)</u>	<u>(785,221)</u>
Effect of exchange rate changes on cash and cash equivalents	64,098	167,488
Increase in cash and cash equivalents	<u>6,582,864</u>	<u>507,078</u>
Cash and cash equivalents at beginning of the year	6,309,213	5,866,233
Cash and cash equivalents at end of the year	<u>33 12,892,077</u>	<u>6,373,311</u>

The annexed notes 1 to 45 and annexures I and II form an integral part of these unconsolidated financial statements.

President / Chief Executive

Chief Financial Officer

Director

Director

Director

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

I. STATUS AND NATURE OF BUSINESS

I.1 Summit Bank Limited (the Bank) is a banking company incorporated in Pakistan on December 09, 2005 as public company limited by shares under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Bank's registered office is situated at Plot No. 9-C, F-6 Markaz, Supermarket, Islamabad, Pakistan. The Bank is a subsidiary of Suroor Investments Limited, a company incorporated in Mauritius, holding 66.77% of the issued, subscribed and paid up capital of the Bank as at December 31, 2020.

The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and is operating through its 179 Conventional Banking Branches and 14 Islamic Banking Branches (2019: 179 Conventional Banking Branches and 14 Islamic Banking Branches) in Pakistan as defined in the Banking Companies Ordinance, 1962.

I.2 In the year 2019, VIS Credit Rating Company Limited suspended the Bank's medium to long-term rating of 'BBB -' (Triple B minus) and short term rating of 'A-3' (A-three) due to non-availability of updated information. VIS Credit Rating Company Limited would reassess the ratings once required information along with latest financials are made available. Moreover, the Bank's TFC rating was assigned 'D' (Default) due to non-payment of its latest mark-up payment on account of lock-in-clause invoked by the Bank under the applicable Regulations of the State Bank of Pakistan (SBP). However, the TFC holders have approved extension in the maturity date of the TFC issue along with payment of all the instalments (mark-up and principal) till October 27, 2022, subject to applicable regulatory approvals and compliances.

I.3 During the year, the Bank has incurred a net loss of Rs. 6,947.981 million resulting in accumulated losses of Rs. 36,074.905 million and negative equity of Rs. 11,187.471 million. As per the applicable laws and regulations, the Bank is required to maintain Minimum Paid-up Capital (net of losses) (MCR) of Rs. 10 billion, Capital Adequacy Ratio (CAR) at 11.50% (inclusive of Capital Conservation Buffer of 1.50%), Leverage Ratio (LR) at 3.00%, Liquidity Coverage Ratio (LCR) at 100% and Net Stable Funding Ratio (NSFR) at 100% as of December 31, 2020. However, the paid up capital of the Bank (net of losses), CAR and LR are negative.

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

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

- Injection of capital;
- Reaping benefits from the expected growth of Islamic finance in Pakistan since the Bank will speed-up the implementation process of its earlier decision of conversion to a full-fledged Islamic bank;
- Recoveries from non-performing advances through strenuous and focused recovery efforts;
- Reduction in overall level of non-earning assets held by the Bank;
- Identifying opportunities for rationalization of the cost structure;
- Improvement in the risk management and technological infrastructure of the Bank to support the business plan;

- Investments / exposures in safe avenues for achieving solid growth in the core business income; and
- Income generation through avenues for mark-up income and non mark-up income.

In this respect, the Bank had received a revised letter dated May 20, 2021 from H.E. Nasser Abdulla Hussain Lootah (The Investor) in which The Investor had communicated his intention to acquire at least controlling stake in the Bank by subscribing to fresh equity in the Bank. In compliance with the requirements of Securities Act, 2015 and Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017 applicable to such transactions, this was followed by a public announcement by The Investor of the intention to acquire at least 51% of the issued and paid up capital of the Bank together with the management control.

The Investor has submitted his offer via a letter dated October 01, 2021, as per the Share Subscription Agreement (SSA) dated October 04, 2021 entered between the Bank and The Investor for the proposed subscription of new ordinary shares in the Bank by way of fresh equity injection Without Rights Offering at a discounted price of Rs. 2.51 per share. The Investor presented the offer as set out in the Share Subscription Agreement which is duly approved by the Board of Directors. The Bank intends to issue total 5,976.096 million new ordinary shares.

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

2. BASIS OF PRESENTATION

2.1 STATEMENT OF COMPLIANCE

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

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

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

The SBP, vide its BSD Circular Letter no. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 40, 'Investment Property' for banking companies till further instructions. The SBP vide BPRD Circular No.4 of 2015, dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standards (IFAS) 3, Profit and Loss Sharing on Deposits. Further, the SECP 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. Moreover, the

SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and has directed all the banks to implement IFRS 9 'Financial Instruments' with effect from January 01, 2021 vide BPRD Circular No. 04 of 2019 dated October 23, 2019. The Bank awaits further instructions from the SBP for applicability of IFRS 9. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

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

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

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

There are certain amendments to existing accounting and reporting standards that have become applicable to the Bank's accounting periods beginning on or after January 01, 2020. These are considered either not to be relevant or do not have any significant impact on the Bank's operations and therefore are not detailed in these unconsolidated financial statements.

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

The following standards, amendments and interpretations as notified under the Companies Act, 2017 will be effective for accounting periods beginning on or after January 01, 2021:

<u>Standard, Interpretation or Amendment</u>	<u>Effective date (annual periods beginning on or after)</u>
IFRS 9 'Financial Instruments'	January 01, 2021
Covid-19 Related Rent concessions - Amendment to IFRS 16	June 01, 2020
Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7 IFRS 4 and IFRS 16	January 01, 2021
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	January 01, 2023
Reference to the Conceptual Framework - Amendments to IFRS 3	January 01, 2022
Property, Plant and Equipment Proceeds before Intended use - Amendments to IAS 16	January 01, 2022
Annual improvement process IAS 41 Agriculture - Taxation in fair value measurements	January 01, 2022
Sale or contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Not yet finalized

During the year, the Bank continued to report its impact assessments to the SBP for reporting periods falling under the parallel run, which were based on certain estimates and assumptions considered in the absence of uniform implementation guidance. Based on the results of the parallel run, it is expected that the Bank shall have to consider an additional charge for expected credit losses as part of opening retained

earnings, as of the effective date of application of the standard. The Bank has estimated the impact of adoption of IFRS 9 on its financial statements on the date of initial application, which shall be finalized post issuance of and subject to standardisation of implementation guidelines and approaches, from the SBP.

2.4 Critical accounting estimates and judgments

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

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

	<u>Note</u>
- Classification and provisioning against investments	4.3, 4.15, 8 and 30
- Classification and provisioning against non-performing loans and advances	4.4, 9 and 30
- Useful lives of fixed and intangible assets, depreciation, amortization and revaluation	4.5.1, 4.5.3.1, 4.6, 10 and 11
- Impairment of assets	4.5.3.1 and 4.15
- Valuation of right-of-use assets and their related lease liability	4.5.3.1 and 4.5.3.2
- Accounting for staff retirement and other benefits	4.11, 35 and 36
- Taxation	4.14 and 31
- Other provisions	4.16
- Fair value of financial instruments	38
- Valuation of non-banking assets	4.7 and 13.1.1
- Remuneration framework and related disclosures	4.1 and 37

3. BASIS OF MEASUREMENT

3.1 Accounting convention

These unconsolidated financial statements have been prepared under the historical cost convention except that certain operating fixed assets and non banking assets in satisfaction of claims are stated at revalued amounts and certain investments and derivative financial instruments have been stated at fair value and defined benefit obligations which are carried at present value.

3.2 Functional and Presentation Currency

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Cash and cash equivalents

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

4.2 Lendings to / borrowings from financial institutions

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

a) Sale of securities under repurchase agreements (Repo)

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

b) Other borrowings

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

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

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

d) Other lendings

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

e) Musharakah

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

f) Bai Muajjal

Bai Muajjal is a transaction in which a party in need of funds purchases an easily 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 recognized at the agreed sale price. The difference between the sale price and the carrying value on the date of disposal is accrued and recorded as income in the unconsolidated profit and loss account over the period of credit sale.

4.3 Investments

4.3.1 Classification

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

Held-for-trading

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

Held-to-maturity

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

Available-for-sale

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

Subsidiary

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

4.3.2 Regular way contracts

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

4.3.3 Initial recognition and measurement

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

4.3.4 Subsequent measurement

Held-for-trading

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

Held-to-maturity

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

Available-for-sale

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

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

Provision for diminution in the value of securities (except term finance certificates and 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 judgement, the Bank evaluates, among other factors, the normal level of volatility in a share price.

Investment in subsidiary

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

4.4 Advances

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

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

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

4.5 Fixed assets

4.5.1 Owned

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

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

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

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

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

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

4.5.2 Capital work-in-progress

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

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

4.5.3.1 Right-of-use assets

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

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

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

4.5.3.2 Lease liability against right-of-use assets

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

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

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

4.6 Intangible assets

4.6.1 Intangible assets in use

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

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

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

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

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

4.6.2 Capital work-in-progress

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

4.6.3 Goodwill

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

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

4.7 Non-banking assets acquired in satisfaction of claim

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

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

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

4.8 Deposits

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

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

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

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

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

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

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

4.9 Subordinated debt

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

4.10 Remuneration framework

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

4.11 Staff retirement benefits

4.11.1 Defined contribution plan

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

4.11.2 Defined benefit plan

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

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

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

4.11.3 Employees' compensated absences

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

4.12 Foreign currencies

Foreign currency transactions

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

Translation gains and losses

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

4.13 Revenue recognition

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

4.14 Taxation

Current

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

Prior years

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

Deferred

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

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

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

4.15 Impairment

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

4.16 Other provisions

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

4.17 Off setting

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

4.18 Acceptances

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

4.19 Financial instruments

Financial Assets and Liabilities

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

Derivative financial instruments

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

4.2 Earnings per share

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

4.21 Segment reporting

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

4.21.1 Business segments

Corporate finance

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

Trading and sales

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

Branch banking

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

Islamic banking

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

Others

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

4.21.2 Geographical segments

The Bank conducts all its operations in Pakistan.

		2020	2019
	Note	----- (Rupees in '000) -----	
5. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		3,564,781	2,918,520
Foreign currency		545,313	375,536
		4,110,094	3,294,056
With State Bank of Pakistan in			
Local currency current account	5.1	4,800,164	961,761
Foreign currency current account	5.2	440,983	370,395
Foreign currency deposit account	5.3	737,798	146,827
		5,978,945	1,478,983
With National Bank of Pakistan in Local currency current account		868,264	789,312
Prize bonds		613,979	51,205
		1,571,282	5,613,556

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

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

5.3 These represent deposit accounts maintained under Special Cash Reserve requirement of the SBP and a US Dollar Settlement account maintained with SBP. These carry mark up at rates ranging from 0.00% to 0.76% (2019: 0.00% to 1.51%) per annum.

		2020	2019
	Note	----- (Rupees in '000) -----	
6. BALANCES WITH OTHER BANKS			
In Pakistan			
In current account		708	31,308
In deposit account	6.1	587	76,337
		1,295	107,645
Outside Pakistan			
In current account		1,080,600	247,906
In deposit account	6.2	277,123	575,259
		1,357,723	823,165
		1,359,018	930,810

6.1 These represent placements with correspondent banks, carrying interest rate determined with respect to underlying currency benchmark rates ranging from 3.50% to 11.43% per annum (2019: 4.14% to 11.40% per annum).

6.2 These represent placements with correspondent banks, carrying interest rate determined with respect to underlying currency benchmark rates ranging from 0.00 % to 4.00 % per annum (2019: 0.00 % to 4.00 % per annum).

		2020	2019
	Note	----- (Rupees in '000) -----	
7. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lending	7.3	-	200,000
Repurchase agreement lendings (Reverse Repo)	7.4	-	791,272
		-	991,272
Less: provision held against Lendings to Financial Institutions		-	-
Lendings to Financial Institutions - net of provision		-	991,272
7.1 Particulars of lending			
In local currency		-	991,272
In foreign currencies		-	-
		-	991,272

7.2 Securities held as collateral against Lendings to Financial Institutions

	2020			2019		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
----- (Rupees in '000) -----						
Market Treasury Bills	-	-	-	791,272	-	791,272

- 7.2.1** The market value of securities held as collateral against repurchase agreement lendings amounted to Rs. 791.836 million as at December 31, 2019.
- 7.3** This represented call money lending to a financial institution that carried mark-up rate of 9.00% per annum which matured in January 2020.
- 7.4** This represented lending against securities to a financial institution that carried mark-up rate of 13.00% per annum which matured in January 2020.

8. INVESTMENTS

8.1 Investments by type:

	2020				2019			
	Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value
----- (Rupees in '000) -----								
Held-for-trading securities								
Shares	-	-	-	-	5,850	-	(308)	5,542
Available-for-sale securities								
Federal Government Securities								
- Market Treasury Bills	15,325,444	-	1,935	15,327,379	3,050,459	-	13,210	3,063,669
- Pakistan Investment Bonds	299,441	-	9,466	308,907	15,551,796	-	(563,399)	14,988,397
- GoP Ijarah Sukuks	9,981,478	-	(60,428)	9,921,050	1,600,000	-	(16,000)	1,584,000
Shares								
- Fully paid up ordinary shares - Listed	4,147,681	(2,871,477)	836,239	2,112,443	4,147,681	(2,801,965)	479,726	1,825,442
- Fully paid up ordinary shares - Unlisted	2,830	(1,000)	-	1,830	2,830	(1,000)	-	1,830
- Preference shares - Unlisted	46,035	(46,035)	-	-	46,035	-	-	46,035
Non Government Debt Securities								
- Term Finance Certificates	1,597,650	(1,597,650)	-	-	1,600,350	(1,437,765)	-	162,585
- Sukuk Bonds	200,000	(200,000)	-	-	200,000	(200,000)	-	-
	31,600,559	(4,716,162)	787,212	27,671,609	26,199,151	(4,440,730)	(86,463)	21,671,958
Subsidiary (note no. 8.1.1)	396,942	(165,191)	-	231,751	396,942	(114,943)	-	281,999
Total Investments	31,997,501	(4,881,353)	787,212	27,903,360	26,601,943	(4,555,673)	(86,771)	21,959,499

8.1.1 Particulars of assets and liabilities of subsidiary

Percentage of holding: 100% (2019: 100%)	2020	2019
Country of incorporation: Pakistan	----- (Rupees in '000) -----	
Assets	411,758	347,585
Liabilities	172,497	93,019
Revenue	83,812	69,372
Loss after tax	(18,467)	(36,299)
Total comprehensive loss	(15,305)	(36,549)

8.2 Investments by segments:

	2020				2019			
	Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value
----- (Rupees in '000) -----								
Federal Government Securities								
Market Treasury Bills	15,325,444	-	1,935	15,327,379	3,050,459	-	13,210	3,063,669
Pakistan Investment Bonds	299,441	-	9,466	308,907	15,551,796	-	(563,399)	14,988,397
GoP Ijarah Sukuks	9,981,478	-	(60,428)	9,921,050	1,600,000	-	(16,000)	1,584,000
	25,606,363	-	(49,027)	25,557,336	20,202,255	-	(566,189)	19,636,066
Shares								
Listed Companies	4,147,681	(2,871,477)	836,239	2,112,443	4,153,531	(2,801,965)	479,418	1,830,984
Unlisted Companies	48,865	(47,035)	-	1,830	48,865	(1,000)	-	47,865
	4,196,546	(2,918,512)	836,239	2,114,273	4,202,396	(2,802,965)	479,418	1,878,849
Non Government Debt Securities								
Listed	11,316	(11,316)	-	-	14,016	(14,016)	-	-
Unlisted	1,786,334	(1,786,334)	-	-	1,786,334	(1,623,749)	-	162,585
	1,797,650	(1,797,650)	-	-	1,800,350	(1,637,765)	-	162,585
Subsidiary								
Summit Capital (Private) Limited	396,942	(165,191)	-	231,751	396,942	(114,943)	-	281,999
Total Investments	31,997,501	(4,881,353)	787,212	27,903,360	26,601,943	(4,555,673)	(86,771)	21,959,499

2020 2019
----- (Rupees in '000) -----

8.2.1 Investments given as collateral - Market Value

Market Treasury Bills	621,755	-
Pakistan Investment Bonds	-	5,443,670
	621,755	5,443,670

8.3 Provision for diminution in value of investments

8.3.1 Opening balance	4,555,673	3,271,639
Charge / reversals		
Charge for the year	328,380	1,287,284
Reversals for the year	(2,700)	(3,250)
	325,680	1,284,034
Closing balance	4,881,353	4,555,673

8.3.2 Particulars of provision against debt securities

	2020		2019	
	NPI	Provision	NPI	Provision
Category of classification	----- (Rupees in '000) -----			
Domestic				
Doubtful	-	-	281,567	118,982
Loss	1,797,650	1,797,650	1,518,783	1,518,783
	1,797,650	1,797,650	1,800,350	1,637,765

8.3.3 Pursuant to the applicable Prudential Regulations, the Bank had availed the Forced Sale Value (FSV) benefit of securities / collaterals held against a non-performing investment. Had this FSV benefit not been availed by the Bank, the specific provision against investments would have been higher by Nil (2019: Rs. 21.802 million). This had a net of tax positive impact of Nil (2019: Rs. 14.171 million) on the profit and loss account. As per the applicable Prudential Regulations, the positive impact of FSV benefit is not available for distribution either as cash or stock dividend to shareholders and bonus to employees.

8.4 Quality of Available for Sale Securities

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

		Cost	
		2020	2019
		----- (Rupees in '000) -----	
8.4.1 Federal Government Securities - Government guaranteed			
Market Treasury Bills		15,325,444	3,050,459
Pakistan Investment Bonds		299,441	15,551,796
GoP Ijarah Sukuks		9,981,478	1,600,000
		<u>25,606,363</u>	<u>20,202,255</u>
8.4.2 Shares			
Listed Companies			
- Cement		1,444,470	1,444,470
- Commercial Banks		440,566	440,566
- Cable and electrical goods		7,170	7,170
- Chemical		1,192,904	1,192,904
- Engineering		260,555	260,555
- Glass and ceramics		487,038	487,038
- Investment Banks / Investment Companies / Securities Companies		90,067	90,067
- Power generation and distribution		124,179	124,179
- Technology and communication		61,304	61,304
- Transport		39,428	39,428
		<u>4,147,681</u>	<u>4,147,681</u>
Preference Shares			
- Sugar and allied industries		<u>46,035</u>	<u>46,035</u>
Unlisted Companies		Breakup Value as at	
		----- (Rupees in '000) -----	
		2020	2019
		Cost	Breakup value
		Cost	Breakup value
Arabian Sea Country Club Ltd.	June 30, 2018	1,000	(1,022)
Pakistan Mortgage Refinance Company Ltd.	December 31, 2020	1,830	3,070
		<u>2,830</u>	<u>2,048</u>
		2,830	1,327

8.4.3 Non Government Debt Securities
Listed

- Unrated

Unlisted

- Unrated

Cost	
2020	2019
----- (Rupees in '000) -----	
<u>11,316</u>	<u>14,016</u>
<u>1,786,334</u>	<u>1,786,334</u>

9. ADVANCES

	Note	Performing		Non Performing		Total	
		2020	2019	2020	2019	2020	2019
----- (Rupees in '000) -----							
Loans, cash credits, running finances, etc.	9.1	21,994,199	27,027,711	37,785,580	39,955,184	59,779,779	66,982,895
Islamic financing and related assets	9.2	3,264,430	3,767,335	861,408	809,541	4,125,838	4,576,876
Bills discounted and purchased		247,788	549,377	77,089	77,089	324,877	626,466
Advances - gross		25,506,417	31,344,423	38,724,077	40,841,814	64,230,494	72,186,237
Provision against advances							
- Specific		-	-	(32,425,544)	(28,903,404)	(32,425,544)	(28,903,404)
- General		(21,671)	(40,508)	-	-	(21,671)	(40,508)
		(21,671)	(40,508)	(32,425,544)	(28,903,404)	(32,447,215)	(28,943,912)
Advances - net of provision		25,484,746	31,303,915	6,298,533	11,938,410	31,783,279	43,242,325

9.1 Includes Net Investment in Finance Lease as disclosed below:

	2020				2019			
	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	185,496	190,779	-	376,275	247,490	441,188	-	688,678
Residual value	153,510	89,623	-	243,133	163,803	150,816	-	314,619
Minimum lease payments	339,006	280,402	-	619,408	411,293	592,004	-	1,003,297
Financial charges for future periods	(27,223)	(20,457)	-	(47,680)	(39,022)	(86,809)	-	(125,831)
Present value of minimum lease payments	311,783	259,945	-	571,728	372,271	505,195	-	877,466

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

9.3 Particulars of advances (Gross)

 In local currency
 In foreign currencies

2020	2019
----- (Rupees in '000) -----	
63,968,988	71,880,922
261,506	305,315
<u>64,230,494</u>	<u>72,186,237</u>

- 9.4 Advances include Rs. 38,724.077 million (2019: Rs. 40,841.814 million) which have been placed under non-performing status as detailed below:

Category of Classification	2020		2019	
	Non Performing Loans	Provision	Non Performing Loans	Provision
----- (Rupees in '000) -----				
Domestic				
Other Assets Especially Mentioned	7,661	435	8,963	873
Substandard	136,591	11,094	2,057,443	339,271
Doubtful	401,317	57,849	1,668,552	109,872
Loss	38,178,508	32,356,166	37,106,856	28,453,388
	38,724,077	32,425,544	40,841,814	28,903,404

9.5 Particulars of provision against advances

Note	2020			2019		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
Opening balance	28,903,404	40,508	28,943,912	21,502,664	46,988	21,549,652
Charge for the year	4,970,989	-	4,970,989	8,222,910	-	8,222,910
Reversals	(608,556)	(18,837)	(627,393)	(819,338)	(6,480)	(825,818)
	4,362,433	(18,837)	4,343,596	7,403,572	(6,480)	7,397,092
Amounts written off	9.6 (840,293)	-	(840,293)	(2,832)	-	(2,832)
Closing balance	32,425,544	21,671	32,447,215	28,903,404	40,508	28,943,912

9.5.1 Particulars of provision against advances

	2020			2019		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
In local currency	32,411,826	21,671	32,433,497	28,889,686	40,508	28,930,194
In foreign currencies	13,718	-	13,718	13,718	-	13,718
	32,425,544	21,671	32,447,215	28,903,404	40,508	28,943,912

- 9.5.2 The general provision against consumer financing is required to be maintained at varying percentages based on the non-performing loan ratio present in the portfolio. These percentages ranges from 1% to 2.5% for secured and 4% to 7% for unsecured portfolio.

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

The Bank has availed the Forced Sale Value (FSV) benefit of pledged stocks, mortgaged properties, plant and machinery, shares and Cash Margin/TDRs held as collateral against non-performing advances as allowed under the applicable Prudential Regulations issued by the State Bank of Pakistan. Had the benefit not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 5,988.229 million (2019: Rs. 9,347.484 million). The positive impact on the profit and loss account arising from availing this benefit - net of tax amounts to Rs. 3,892.349 million (2019: Rs. 6,075.865 million). As per the applicable Prudential Regulations, the positive impact of FSV benefit is not available for distribution either as cash or stock dividend to shareholders and bonus to employees.

9.5.3 The SBP had granted relaxation in provisioning requirements in respect of exposure in Dewan Group. Had this relaxation not been available, provision against loans and advances would have been higher by Rs. Nil (2019: Rs. 205.502 million).

9.6	PARTICULARS OF WRITE OFFS:	Note	2020	2019
			----- (Rupees in '000) -----	
9.6.1	Against Provisions	9.5	840,293	2,832
	Directly charged to profit and loss account	30	972	89
			<u>841,265</u>	<u>2,921</u>
9.6.2	Write Offs of Rs. 500,000 and above			
	- Domestic	9.7	841,111	1,641
	Write Offs of below Rs. 500,000		154	1,280
			<u>841,265</u>	<u>2,921</u>

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

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended December 31, 2020 is given in Annexure - I.

10.	FIXED ASSETS	Note	2020	2019
			----- (Rupees in '000) -----	
	Capital work-in-progress	10.1	4,626	70,864
	Property and equipment	10.2	8,254,429	8,016,446
	Right-of-use assets	10.3	1,929,248	2,093,656
			<u>10,188,303</u>	<u>10,180,966</u>
10.1	Capital work-in-progress			
	Civil works and related payments / progress billings		-	66,238
	Advances and other payments to suppliers and contractors		4,626	4,626
	Advances and other payments against capital work in progress considered doubtful		1,158,340	1,158,340
	Less: Provision held there against		(1,158,340)	(1,158,340)
			-	-
			<u>4,626</u>	<u>70,864</u>

10.2 Property and Equipment

	2020						
	Leasehold land	Building on leasehold land	Building improvements	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
	----- (Rupees in '000) -----						
At January 01, 2020							
Cost / Revalued amount	1,469,270	8,322,869	1,833,128	571,580	2,079,561	141,774	14,418,182
Accumulated depreciation / impairment	(5,670)	(3,041,644)	(1,202,482)	(397,104)	(1,643,936)	(110,900)	(6,401,736)
Net book value	1,463,600	5,281,225	630,646	174,476	435,625	30,874	8,016,446
Year ended December 31, 2020							
Opening net book value	1,463,600	5,281,225	630,646	174,476	435,625	30,874	8,016,446
Additions	-	-	76,435	2,253	60,973	166	139,827
Movement in surplus on assets revalued during the year	337,175	315,790	-	-	-	-	652,965
Deficit on revaluation recognised in profit and loss account	-	(42,276)	-	-	-	-	(42,276)
Disposals							
Cost	-	-	(123)	(120)	(8,666)	(2,067)	(10,976)
Accumulated depreciation	-	-	102	120	7,676	2,067	9,965
Write off							
Cost	-	-	-	(84)	(86)	-	(170)
Accumulated depreciation	-	-	-	53	69	-	122
Depreciation charge	-	(163,498)	(113,434)	(30,887)	(186,773)	(16,882)	(511,474)
Other adjustments / transfers	-	(112)	112	-	-	-	-
Closing net book value	1,800,775	5,391,129	593,738	145,811	308,818	14,158	8,254,429
At December 31, 2020							
Cost / Revalued amount	1,806,445	5,391,129	1,909,545	573,629	2,131,922	139,873	11,952,543
Accumulated depreciation / impairment	(5,670)	-	(1,315,807)	(427,818)	(1,823,104)	(125,715)	(3,698,114)
Net book value	1,800,775	5,391,129	593,738	145,811	308,818	14,158	8,254,429
Rate of depreciation (percentage)	-	2.5 - 5	10	10	20 - 25	20	

	2019						Total
	Leasehold land	Building on leasehold land	Building improvements	Furniture and fixture	Electrical, office and computer equipment	Vehicles	
----- (Rupees in '000) -----							
At January 01, 2019							
Cost / Revalued amount	1,672,965	8,343,547	1,551,075	502,845	2,003,547	170,005	14,243,984
Accumulated depreciation / impairment	(5,670)	(2,889,093)	(1,081,206)	(363,227)	(1,472,208)	(116,924)	(5,928,328)
Net book value	1,667,295	5,454,454	469,869	139,618	531,339	53,081	8,315,656
Year ended December 31, 2019							
Opening net book value	1,667,295	5,454,454	469,869	139,618	531,339	53,081	8,315,656
Additions	-	-	296,864	68,811	113,102	-	478,777
Movement in surplus on assets revalued during the year	-	-	-	-	-	-	-
Deficit on revaluation recognised in profit and loss account	-	-	-	-	-	-	-
Disposals							
Cost	(203,695)	(20,678)	(14,811)	(76)	(36,367)	(28,231)	(303,858)
Accumulated depreciation	-	9,838	12,667	53	30,491	24,905	77,954
Write off							
Cost	-	-	-	-	(721)	-	(721)
Accumulated depreciation	-	-	-	-	708	-	708
Depreciation charge	-	(162,389)	(133,943)	(33,930)	(202,927)	(18,881)	(552,070)
Other adjustments / transfers	-	-	-	-	-	-	-
Closing net book value	1,463,600	5,281,225	630,646	174,476	435,625	30,874	8,016,446
At December 31, 2019							
Cost / Revalued amount	1,469,270	8,322,869	1,833,128	571,580	2,079,561	141,774	14,418,182
Accumulated depreciation / impairment	(5,670)	(3,041,644)	(1,202,482)	(397,104)	(1,643,936)	(110,900)	(6,401,736)
Net book value	1,463,600	5,281,225	630,646	174,476	435,625	30,874	8,016,446
Rate of depreciation (percentage)	-	2.5 - 5	10	10 - 15	20 - 30	20	

10.2.1 The cost of fully depreciated fixed assets still in use amounts to Rs. 2,311.669 million (2019: Rs. 1,982.818 million).

10.2.2 The carrying amount of idle properties amounts to Rs. 365.506 million (2019: Rs. 306.826 million).

10.2.3 The properties of the Bank were revalued by M/s. Axa Surveyors Pakistan (Pvt.) Ltd, M/s. Pakistan Inspection Company (Pvt.) Ltd. and M/s. Sipra & Company (Pvt.) Ltd as at December 31, 2020 on the basis of their professional assessment of the present market value. The revaluation resulted in an increase of Rs. 652.965 million in the surplus. The total surplus arising against revaluation of fixed assets as at December 31, 2020 amounts to Rs. 4,130.785 million. There was no additional surplus booked on building improvements during the current revaluation exercise. While accounting for revaluation, in accordance with the allowed treatment in IAS-16, the Bank eliminated the accumulated depreciation against the gross carrying amount of the asset.

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

	2020		2019	
	Original Cost	Book Value	Original Cost	Book Value
----- (Rupees in '000) -----				
Leasehold land	827,958	827,958	827,958	827,958
Buildings on leasehold land	3,995,400	2,278,858	3,996,824	2,351,851
Buildings improvements	1,805,927	590,317	1,729,510	627,655

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

Particulars of assets	Cost	Net book value	Sale price	Mode of disposal	Particulars of purchaser
----- (Rupees in '000) -----					
Laptop	77	-	11	Buy Back - As Per Policy	Syed M. Anwar Lutfullah (ex-employee)
				2020	2019
			Note	----- (Rupees in '000) -----	

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

Opening net book value / effect of initial application		2,093,656	2,207,128
Additions		379,984	417,728
Modification - net		(12,520)	-
Depreciation charge	28	(531,872)	(531,200)
Closing net book value		<u>1,929,248</u>	<u>2,093,656</u>

11. INTANGIBLE ASSETS

Capital work-in-progress	<i>11.1</i>	47,928	47,187
Intangible assets in use	<i>11.2</i>	42,531	101,370
		<u>90,459</u>	<u>148,557</u>

11.1 Capital work-in-progress

Advances to suppliers and contractors		47,928	47,187
Advances against capital work-in-progress considered doubtful		141,224	141,224
Less: Provision held there against		(141,224)	(141,224)
		-	-
		<u>47,928</u>	<u>47,187</u>

11.2 Intangible assets in use

2020			
Computer softwares	Core deposits	Brand name	Total
----- (Rupees in '000) -----			

At January 01, 2020

Cost	487,483	209,874	143,838	841,195
Accumulated amortisation and impairment	(428,649)	(185,327)	(125,849)	(739,825)
Net book value	58,834	24,547	17,989	101,370

Year ended December 31, 2020

Opening net book value	58,834	24,547	17,989	101,370
Additions:				
- directly purchased	2,785	-	-	2,785
Amortisation charge	(26,253)	(20,987)	(14,384)	(61,624)
Closing net book value	35,366	3,560	3,605	42,531

At December 31, 2020

Cost	490,268	209,874	143,838	843,980
Accumulated amortisation and impairment	(454,902)	(206,314)	(140,233)	(801,449)
Net book value	35,366	3,560	3,605	42,531

Rate of amortisation (percentage)

20	10	10
----	----	----

Useful life (years)

5	10	10
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2019			
Computer softwares	Core deposits	Brand name	Total
----- (Rupees in '000) -----			

At January 01, 2020

Cost	475,368	209,874	143,838	829,080
Accumulated amortisation and impairment	(401,851)	(164,340)	(111,465)	(677,656)
Net book value	73,517	45,534	32,373	151,424

Year ended December 31, 2019

Opening net book value	73,517	45,534	32,373	151,424
Additions:				
- directly purchased	12,115	-	-	12,115
Amortisation charge	(26,798)	(20,987)	(14,384)	(62,169)
Closing net book value	58,834	24,547	17,989	101,370

At December 31, 2019

Cost	487,483	209,874	143,838	841,195
Accumulated amortisation and impairment	(428,649)	(185,327)	(125,849)	(739,825)
Net book value	58,834	24,547	17,989	101,370

Rate of amortisation (percentage)

20	10	10
----	----	----

Useful life (years)

5	10	10
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11.2.1 The cost of fully amortised intangible assets still in use amounts to Rs. 363.224 million (2019: Rs. 354.350 million).

12. DEFERRED TAX ASSETS

Deductible Temporary Differences on

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

Taxable Temporary Differences on

- Deficit / (surplus) on revaluation of investments
- Surplus on revaluation of fixed assets
- Surplus on revaluation of property - held for sale
- Surplus on revaluation of non-banking assets
- Accelerated tax depreciation

2020			
At January 01, 2020	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2020
----- (Rupees in '000) -----			
5,889,304	1,958,337	-	7,847,641
5,826,396	1,052,223	-	6,878,619
1,594,486	113,988	-	1,708,474
43,107	-	-	43,107
38,358	7,889	-	46,247
108	(108)	-	-
4,294	2,738	-	7,032
149,656	-	-	149,656
13,545,709	3,135,067	-	16,680,776
30,262	-	(305,786)	(275,524)
(1,026,325)	-	(78,962)	(1,105,287)
(406,274)	-	-	(406,274)
(156,349)	-	(123,967)	(280,316)
(380,630)	46,500	-	(334,130)
(1,939,316)	46,500	(508,715)	(2,401,531)
11,606,393	3,181,567	(508,715)	14,279,245

2019			
At January 01, 2019	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2019
----- (Rupees in '000) -----			
3,811,924	2,077,380	-	5,889,304
586,669	-	(556,407)	30,262
3,433,882	2,392,514	-	5,826,396
1,145,074	449,412	-	1,594,486
43,107	-	-	43,107
35,380	2,978	-	38,358
-	108	-	108
3,078	1,216	-	4,294
149,656	-	-	149,656
9,208,770	4,923,608	(556,407)	13,575,971
(1,063,624)	-	37,299	(1,026,325)
(406,274)	-	-	(406,274)
(141,353)	-	(14,996)	(156,349)
(382,530)	1,900	-	(380,630)
(1,993,781)	1,900	22,303	(1,969,578)
7,214,989	4,925,508	(534,104)	11,606,393

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

	2020	2019
Note	----- (Rupees in '000) -----	
13. OTHER ASSETS		
Income / mark-up accrued in local currency	836,128	1,325,130
Income / mark-up accrued in foreign currency	602	1,768
Advances, deposits, advance rent and other prepayments	344,303	294,760
Advance taxation (payments less provisions)	619,630	598,129
Non-banking assets acquired in satisfaction of claims	13.1 2,598,087	2,749,827
Receivable from other banks against clearing and settlement	165,127	218,053
Mark to market gain on forward foreign exchange contracts	2,331	6,079
Acceptances	266,866	453,864
Stationery and stamps on hand	8,529	9,093
Commission receivable on home remittance	13.2 17,186	162,594
Property - Held for sale	13.3 3,836,309	3,838,719
Others	463,985	523,758
	9,159,083	10,181,774
Less: Provision held against other assets	13.4 (637,837)	(587,110)
Other assets (net of provision)	8,521,246	9,594,664
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	800,903	446,712
Surplus on revaluation of property - held for sale	1,160,784	1,160,784
Other assets - total	10,482,933	11,202,160
13.1 Market value of non-banking assets acquired in satisfaction of claims	3,519,545	3,324,489

Non-banking assets acquired in satisfaction of claims have been revalued by independent professional valuer as at December 31, 2020. The revaluation was carried out by M/s. Axa Surveyors Pakistan (Pvt.) Ltd, M/s. Pakistan Inspection Company (Pvt.) Ltd. and M/s. Sipra & Company (Pvt.) Ltd on the basis of professional assessment of present market values and resulted in an increase in surplus by Rs. 354.191 million. The total surplus arising against revaluation of non-banking assets acquired in satisfaction of claims as at December 31, 2020 amounts to Rs. 800.903 million (2019: Rs. 446.712 million).

13.1.1 Non-banking assets acquired in satisfaction of claims

	2020	2019
	----- (Rupees in '000) -----	
Opening balance	2,905,992	2,915,992
Revaluation	354,191	43,749
Deficit on revaluation recognized in profit and loss account	(107,991)	-
Disposals	-	(10,000)
Depreciation	(43,749)	(43,749)
	<u>3,108,443</u>	<u>2,905,992</u>

13.1.2 Gain on disposal of non-banking assets acquired in satisfaction of claims

Disposal proceeds	-	10,000
Less		
- Cost	-	(11,606)
- Depreciation	-	1,606
	-	(10,000)
Gain	<u>-</u>	<u>-</u>

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

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

13.4 Provision held against other assets

	2020	2019
	----- (Rupees in '000) -----	
Income / mark-up accrued in local currency	1,389	1,389
Advances, deposits, advance rent and other prepayments	79,664	79,664
Non-banking assets acquired in satisfaction of claims	290,547	290,547
Commission receivable on guarantees	9,880	9,880
Receivable from Dewan Group	34,436	34,436
Account receivable - sundry claims	136,775	136,048
Receivable from Speedway Fondmetal (Pakistan) Limited	25,694	25,694
Others	59,452	9,452
	<u>637,837</u>	<u>587,110</u>

13.4.1 Movement in provision held against other assets

Opening balance	587,110	584,840
Charge for the year	50,727	2,317
Amount written off	-	(47)
Closing balance	<u>637,837</u>	<u>587,110</u>

14. CONTINGENT ASSETS

There were no contingent assets at the balance sheet date.

	2020	2019
Note	----- (Rupees in '000) -----	
15. BILLS PAYABLE		
In Pakistan	2,402,870	1,815,836
Outside Pakistan	-	-
	2,402,870	1,815,836

16. BORROWINGS

Secured

Borrowings from State Bank of Pakistan

- Under export refinance scheme	16.1	5,947,680	6,780,140
- Under Islamic Export Refinance Scheme (IERF)	16.2	300,000	250,000
- Under long-term financing facility	16.3	756,850	857,219
- Refinance facility for modernization of SMEs	16.4	4,500	5,650
- Repurchase agreement borrowings	16.5	-	5,440,716
		7,009,030	13,333,725

Repurchase agreement borrowings

	16.6	621,633	-
Total secured		7,630,663	13,333,725

Unsecured

Overdrawn nostro accounts

		38,223	171,055
Total unsecured		38,223	171,055
		7,668,886	13,504,780

- 16.1** The Bank has entered into an agreement with SBP for extending export finance to its customers. Borrowing under the export refinance scheme of SBP carry interest at rates ranging from 1.00% to 2.00% per annum (2019: 1.00% to 3.00% per annum). These are secured against demand promissory notes and are due to mature latest by June 2021 (2019: latest by June 2020).
- 16.2** The Bank has entered into an agreement with SBP for extending export finance to its islamic customers. Borrowing under the export refinance scheme of SBP carry interest at rate of 2.00% per annum (2019: 2.00% per annum). These are secured against demand promissory notes and are due to mature by March 2021 (2019: March 2020).
- 16.3** These represent borrowings from SBP under scheme for long term financing facility at interest rates ranging from 2.00% to 3.00% per annum (2019: 2.00% to 3.00% per annum) and have varying long term maturities latest due by December 2028 (2019: latest due by December 2028). Under the agreement, SBP has a right to recover the outstanding amount from the Bank at the respective maturity dates of each finance by directly debiting current account of the Bank maintained by the SBP.
- 16.4** These borrowings have been obtained from the SBP under a scheme to finance modernization of Small and Medium Enterprises by providing financing facilities for setting up of new units, purchase of new plant and machinery for Balancing, Modernization and Replacement (BMR) of existing units at mark up rate of 2.00% per annum (2019: 2.00% per annum), which will mature latest by February 2024 (2019: latest by February 2024).
- 16.5** These represented borrowings from State Bank of Pakistan at mark up rate of 13.36% per annum, which have matured on January 2020.
- 16.6** This represents borrowings from a financial institution at mark-up rate of 6.70% (2019: Nil) per annum, which will mature by January 2021 (2019: Nil).

	2020	2019
	----- (Rupees in '000) -----	
16.7 Particulars of borrowings with respect to currencies		
In local currency	7,630,663	13,333,725
In foreign currencies	38,223	171,055
	<u>7,668,886</u>	<u>13,504,780</u>

17. DEPOSITS AND OTHER ACCOUNTS

	2020			2019		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
----- (Rupees in '000) -----						
Customers						
Current deposits	30,040,249	1,300,925	31,341,174	25,059,806	1,390,243	26,450,049
Savings deposits	47,031,067	3,458,103	50,489,170	41,131,498	1,290,353	42,421,851
Term deposits	12,468,055	3,083,754	15,551,809	11,202,150	3,032,909	14,235,059
Others	2,328,540	25,136	2,353,676	3,323,784	24,352	3,348,136
	91,867,911	7,867,918	99,735,829	80,717,238	5,737,857	86,455,095
Financial institutions						
Current deposits	518,457	84,733	603,190	673,169	286,055	959,224
Savings deposits	1,094,517	5	1,094,522	741,040	5	741,045
Term deposits	454,043	-	454,043	412,126	-	412,126
Others	-	-	-	-	-	-
	2,067,017	84,738	2,151,755	1,826,335	286,060	2,112,395
	93,934,928	7,952,656	101,887,584	82,543,573	6,023,917	88,567,490

	2020	2019
	----- (Rupees in '000) -----	
17.1 Composition of deposits		
- Individuals	66,189,670	54,714,365
- Government (Federal and Provincial)	3,614,617	5,557,758
- Public Sector Entities	69,879	54,528
- Banking Companies	1,784,060	1,451,708
- Non-Banking Financial Institutions	2,592,184	2,306,626
- Private Sector	27,637,174	24,482,505
	<u>101,887,584</u>	<u>88,567,490</u>

17.2 Deposits include Eligible Deposits of Rs. 64,532.187 million (2019: Rs. 55,745.364 million) protected under Depositors Protection Mechanism introduced by the State Bank of Pakistan.

17.3 Deposits include USD 13.180 million (2019: Nil) held by H.E. Nasser Abdulla Hussain Lootah (The Investor) in FCY deposit account.

18. SUBORDINATED DEBT

Issue amount Rs.1,500,000,000

Issue date October 27, 2011

Maturity date October 27, 2021 (2019: October 27, 2020)

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

Recently, the TFC holders of the Bank in their extraordinary meeting held on October 26, 2021 have approved another extension of one year in the tenure of the TFC issue along with the extension in the payments of all redemption amounts (principal and the related mark-up) with the revised maturity date of October 27, 2022. The Bank is currently in the process of ensuring compliance with all the applicable laws, rules and requisite regulatory requirements for seeking final approval from the State Bank of Pakistan.

Rating 'D' (Default).

Security Unsecured.

Redemption / profit payment frequency The redemption / profit payment details are mentioned in the above maturity date clause.

Mark up Base rate (6 months KIBOR - ask side) plus 325 bps.

Call option The Bank had an option to call the TFC's subject to SBP's prior written approval, on any profit payment date after the 60th month from the last day of public subscription, with not less than 30 days prior notice to be given to the Trustee. The Call option once announced will not be revocable. Further, no premium will be paid to the TFC Holders in case the call option is exercised by the Bank.

Lock-in-clause Neither interest nor principal can be paid (even at maturity) if such payments will result in a shortfall in the Bank's Minimum Capital Requirements (MCR) or Capital Adequacy Ratio (CAR) or increase in the existing shortfall in MCR and CAR.

19. OTHER LIABILITIES	Note	2020	2019
		----- (Rupees in '000) -----	
Mark-up / return / interest payable in local currency		1,119,107	1,229,525
Mark-up / return / interest payable in foreign currencies		155	459
Unearned income		10,822	8,986
Accrued expenses		88,405	77,216
Advance against sale of property	19.1	364,003	476,544
Acceptances		266,866	453,864
Unclaimed dividends		2,213	2,213
Mark to market loss on forward foreign exchange contracts		22,421	18,348
Payable to defined benefit plan	35.7	98,865	134,673
Charity fund balance		2,317	504
Branch adjustment account		101	80
Security deposits against lease		506,547	639,574
Payable to Bangladesh Bank	19.2	41,389	41,389
Payable to Rupali Bank - Bangladesh	19.3	16,293	16,293
Payable to vendors / creditors		214,310	199,376
Provision for compensated absences	35.7	132,130	109,592
Payable to Bank of Ceylon, Colombo		20,163	20,163
Retention money		2,895	29,374
Workers' welfare fund	19.4	13,360	13,360
Withholding taxes and government levies payable		16,716	26,010
Federal excise duty and sales tax payable		6,485	10,135
Commission payable on home remittances	19.5	9,575	137,909
Lease liability against right-of-use assets	19.6	2,092,254	2,119,682
Others		343,103	324,871
		5,390,495	6,090,140

19.1 This includes advance received amounting to Rs. 219.303 million (2019: Rs. 346.115 million) against sale of property included in other assets as property - held for sale.

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

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

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

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

19.6 Maturity analysis of lease liability	2020	2019
	----- (Rupees in '000) -----	
Not later than one year	516,271	250,972
Later than one year and not later than five years	1,188,908	986,244
Later than five years	387,075	882,466
	2,092,254	2,119,682

20. SHARE CAPITAL - NET

20.1 Authorized Capital

2020	2019		2020	2019
----- (Number of shares) -----			----- (Rupees in '000) -----	
<u>2,800,000,000</u>	<u>2,800,000,000</u>	Ordinary shares of Rs. 10 each	<u>28,000,000</u>	<u>28,000,000</u>

20.2 Issued, subscribed and paid up capital

2020	2019		2020	2019
----- (Number of shares) -----				
		Ordinary shares		
<u>1,459,686,957</u>	1,459,686,957	Fully paid in cash	<u>14,596,869</u>	14,596,869
<u>673,997,721</u>	673,997,721	Issue of shares upon conversion of preference shares	<u>6,739,977</u>	6,739,977
<u>50,000,000</u>	50,000,000	Issued as bonus shares	<u>500,000</u>	500,000
<u>454,466,382</u>	454,466,382	Issued for consideration other than cash	<u>4,544,664</u>	4,544,664
<u>2,638,151,060</u>	<u>2,638,151,060</u>		<u>26,381,510</u>	<u>26,381,510</u>
		Less: Discount on issue of shares	<u>(5,881,316)</u>	<u>(5,881,316)</u>
<u>2,638,151,060</u>	<u>2,638,151,060</u>		<u>20,500,194</u>	<u>20,500,194</u>

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

2020	2019		2020	2019
----- (Number of shares) -----			----- % age holding -----	
<u>1,761,412,119</u>	1,761,412,119	Suroor Investments Limited	<u>66.77%</u>	66.77%

	2020	2019
Note	----- (Rupees in '000) -----	
21. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS		
Surplus / (deficit) on revaluation of		
- Available for sale securities	8.1 787,212	(86,463)
- Fixed assets	21.1 4,130,785	3,568,007
- Non-banking assets acquired in satisfaction of claims	21.2 800,903	446,712
- Property - held for sale	21.3 1,160,784	1,160,784
	6,879,684	5,089,040
Deferred tax on surplus / (deficit) on revaluation of:		
- Available for sale securities	(275,524)	30,262
- Fixed assets	21.1 (1,105,287)	(1,026,325)
- Non-banking assets acquired in satisfaction of claims	21.2 (280,316)	(156,349)
- Property - held for sale	21.3 (406,274)	(406,274)
	(2,067,401)	(1,558,686)
	4,812,283	3,530,354
21.1 Surplus on revaluation of fixed assets		
Surplus on revaluation of fixed assets as at January 01,	3,568,007	3,712,954
Recognised during the year	652,965	-
Realised on disposal during the year - net of deferred tax	-	(42,080)
Transferred to accumulated losses in respect of incremental depreciation charged during the year - net of deferred tax	(58,622)	(65,568)
Related deferred tax liability on surplus realised on disposal	-	(1,992)
Related deferred tax liability on incremental depreciation charged during the year	(31,565)	(35,307)
Surplus on revaluation of fixed assets as at December 31,	4,130,785	3,568,007
Less: related deferred tax liability on:		
- revaluation as at January 01,	(1,026,325)	(1,063,624)
- revaluation recognised during the year	(110,527)	-
- surplus realised on disposal during the year	-	1,992
- incremental depreciation charged during the year	31,565	35,307
	(1,105,287)	(1,026,325)
	3,025,498	2,541,682
21.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims		
Surplus on revaluation as at January 01,	446,712	403,865
Recognised during the year	354,191	43,749
Realised on disposal during the year - net of deferred tax	-	(586)
Related deferred tax liability on surplus realised on disposal	-	(316)
Surplus on revaluation as at December 31,	800,903	446,712
Less: related deferred tax liability on:		
- revaluation as at January 01,	(156,349)	(141,353)
- revaluation recognised during the year	(123,967)	(15,312)
- surplus realised on disposal during the year	-	316
	(280,316)	(156,349)
	520,587	290,363

	2020	2019
Note	----- (Rupees in '000) -----	
21.3 Surplus on revaluation of Property - Held for sale		
Surplus on revaluation as at January 01,	1,160,784	1,160,784
Recognised during the year	-	-
Surplus on revaluation as at December 31,	1,160,784	1,160,784
Less: related deferred tax liability on:		
- revaluation as at January 01,	(406,274)	(406,274)
- revaluation recognised during the year	-	-
	(406,274)	(406,274)
	754,510	754,510
22. CONTINGENCIES AND COMMITMENTS		
-Guarantees	22.1 10,938,046	19,912,355
-Commitments	22.2 16,207,831	24,718,660
-Other contingent liabilities	22.3 18,337,923	11,632,928
	45,483,800	56,263,943
22.1 Guarantees:		
Financial guarantees	20,470	23,677
Performance guarantees	9,486,981	16,025,962
Other guarantees	1,430,595	3,862,716
	10,938,046	19,912,355
22.2 Commitments:		
Documentary credits and short-term trade-related transactions		
- letters of credit	2,428,147	6,953,447
Commitments in respect of:		
- forward foreign exchange contracts	22.2.1 5,711,514	5,507,866
- forward lending	22.2.2 7,302,916	6,598,509
- operating leases	22.2.3 36,057	46,310
Commitments for acquisition of:		
- operating fixed assets	2,338	75,637
- intangible assets	105,226	96,175
Other commitments	22.2.4 621,633	5,440,716
	16,207,831	24,718,660

22.2.1	Commitments in respect of forward foreign exchange contracts	Note	2020 ------(Rupees in '000)-----	2019
	Purchase		5,229,005	4,815,225
	Sale		482,509	692,641
			<u>5,711,514</u>	<u>5,507,866</u>
22.2.2	Commitments in respect of forward lending			
	Forward documentary bills		5,138,777	4,465,388
	Undrawn formal standby facilities, credit lines and other commitments to lend	22.2.2.1	2,164,139	2,133,121
			<u>7,302,916</u>	<u>6,598,509</u>
22.2.2.1	These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.			
			2020 ------(Rupees in '000)-----	2019
22.2.3	Commitments in respect of operating lease			
	Not later than one year		36,057	46,310
	Later than one year and not later than five years		-	-
	Later than five years		-	-
			<u>36,057</u>	<u>46,310</u>
22.2.4	Other commitments			
	Purchase (Repo)		<u>621,633</u>	<u>5,440,716</u>
22.3	Other contingent liabilities - claims against the Bank not acknowledged as debts		<u>18,337,923</u>	<u>11,632,928</u>
22.4	During the year 2018, Law Enforcement Agencies (LEAs) initiated its investigation on certain bank accounts alleged for money laundering activities in various banks including Summit Bank Limited. The Honourable Supreme Court of Pakistan under Suo Moto Case HRC-39216-G, appointed a Joint Investigation Team (JIT) which was constituted to investigate the matter. On recommendation of JIT, the matter was referred by the Honourable Supreme Court to the National Accountability Bureau (NAB) for further investigation and filing of references in the National Accountability Courts. The matter is currently under NAB investigations and only partial references have been filed in the NAB Courts. The Bank has been and is committed to extending its full cooperation to the Law Enforcement Agencies in their investigations to the best extent possible and the matter is currently sub judice. These proceedings in the opinion of the management will not have any effect on the operations and functioning of the Bank.			
22.5	Contingency for tax payable			
	Contingency related to tax payable is disclosed in note 31.2.			

	Note	2020 ------(Rupees in '000)-----	2019
23. MARK-UP / RETURN / INTEREST EARNED			
On:			
Loans and advances		2,879,996	4,490,025
Investments		2,175,487	1,338,081
Lendings to financial institutions		47,234	57,579
Balances with banks		11,311	23,614
		<u>5,114,028</u>	<u>5,909,299</u>
24. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		5,022,915	5,032,769
Borrowings		668,910	1,166,677
Subordinated debt		190,325	214,510
Cost of foreign currency swaps against foreign currency deposits / borrowings		430,003	522,250
Finance cost of lease liability		282,575	280,047
		<u>6,594,728</u>	<u>7,216,253</u>
25. FEE AND COMMISSION INCOME			
Branch banking customer fees		17,548	29,608
Consumer finance related fees		9,477	3,113
Card related fees (debit cards)		61,658	108,016
Credit related fees		5,393	11,866
Investment banking fees		23,972	32,121
Commission on trade		176,622	221,984
Commission on guarantees		117,204	164,964
Commission on cash management		1,619	3,456
Commission on remittances including home remittances		13,817	51,617
Commission on bancassurance		1,112	2,028
Commission on Benazir Income Support Programme		1	66,016
Alternate delivery channels		5,912	19,118
Others		16	197
		<u>434,351</u>	<u>714,104</u>
26. GAIN / (LOSS) ON SECURITIES			
Realised	26.1	803,559	(16,890)
Unrealised - held for trading	8.1	-	(308)
		<u>803,559</u>	<u>(17,198)</u>
26.1 Realised gain / (loss) on:			
Federal Government Securities		801,192	(28,278)
Shares		2,367	11,388
		<u>803,559</u>	<u>(16,890)</u>

27. OTHER INCOME	Note	2020 ------(Rupees in '000)-----	2019
Rent on property / locker	27.1	24,300	22,745
Gain on sale of fixed assets - net		2,527	49,072
Gain on sale of ijarah assets		8,645	4,027
Account maintenance and other relevant charges		10,435	18,410
Recovery of expenses from customers		11,057	13,836
Gain on cancellation of sale contract		2,691	-
Others		-	300
		59,655	108,390

27.1 This includes income from Summit Capital Private Limited (subsidiary) amounting to Rs. 3.428 million (2019: Rs. 3.116 million).

28. OPERATING EXPENSES	Note	2020 ------(Rupees in '000)-----	2019
Total compensation expense	28.1	1,805,907	1,757,563
Property expense			
Rent and taxes		142,157	147,664
Insurance - property		5,030	5,077
Insurance - non banking assets		510	80
Utilities cost		235,413	257,039
Security (including guards)		195,872	165,891
Repair and maintenance (including janitorial charges)		135,446	107,461
Depreciation on owned fixed assets	10.2	276,933	296,332
Depreciation on right-of-use assets	10.3	531,872	531,200
Depreciation on non banking assets	13.1.1	43,749	43,749
		1,566,982	1,554,493
Information technology expenses			
Software maintenance		86,076	59,954
Hardware maintenance		100,853	68,420
Depreciation on computer equipments	10.2	92,922	107,752
Amortisation of computer softwares	11.2	26,253	26,798
Network charges		86,194	87,542
Insurance		1,585	1,211
		393,883	351,677
Other operating expenses			
Directors' fees and allowances		8,850	750
Fees and allowances to Shariah Board		9,140	4,800
Legal and professional charges		132,494	379,612
Outsourced services costs		157,279	134,853
Travelling and conveyance		148,142	162,796
NIFT clearing charges		24,315	29,622
Depreciation	10.2	141,619	147,986
Amortisation of core deposits and brand name	11.2	35,371	35,371
Training and development		3,111	5,497
Postage and courier charges		35,754	42,855
Communication		45,616	43,992
Stationery and printing		82,535	118,945
Marketing, advertisement and publicity		10,389	29,495
Brokerage and commission		1,665	2,625
Fee and subscription		86,507	100,887
Cash transportation and sorting charges		78,664	95,930
Entertainment		30,627	33,119
Insurance		131,735	146,377
Deposit insurance premium expense		106,152	103,543
Repair and maintenance		83,977	92,499
Auditors' remuneration	28.2	12,758	13,514
Others		11,693	49,387
		1,378,393	1,774,455
		5,145,165	5,438,188

The total cost for the year included in other operating expenses relating to outsourced activities is Rs. 58.997 million (2019: Rs. 72.452 million). This cost pertains to companies incorporated in Pakistan. This includes payments other than outsourced services cost, which are disclosed above.

	Note	2020 ------(Rupees in '000)-----	2019
28.1 Total compensation expense			
Fees and allowances etc.		20,221	38,801
Managerial remuneration			
i) Fixed		1,092,887	1,015,561
ii) Variable			
of which;			
a) Cash bonus / awards etc.		5,793	4,804
b) Incentives and commission		1,408	1,701
Charge for defined benefit plan	35.8.1	85,482	135,087
Contribution to defined contribution plan	36	68,022	57,094
Charge for employees compensated absences	35.8.1	30,098	25,563
Rent and house maintenance		346,190	330,046
Utilities		76,944	73,339
Medical		78,862	75,567
Total		1,805,907	1,757,563
28.2 Auditors' remuneration			
Audit fee		3,494	3,494
Fee for other statutory certifications		3,899	3,899
Fee for audit of employee funds		178	178
Special certifications and sundry advisory services		4,028	4,714
Out-of-pocket expenses		1,159	1,229
		12,758	13,514
29. OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		15,746	52,215
Bank charges		21,743	23,139
		37,489	75,354
30. PROVISIONS AND WRITE OFFS - NET			
Provisions for diminution in value of investments	8.3.1	325,680	1,284,034
Provisions against loans and advances	9.5	4,343,596	7,397,092
Provision against other assets	13.4.1	50,727	2,317
Deficit on revaluation of fixed assets	10.2	42,276	-
Deficit on revaluation of non banking assets	13.1.1	107,991	-
Fixed assets written off	10.2	48	13
Bad debts written off directly	9.6.1	972	89
Operational loss		4,932	-
Balances with other banks written off		-	30
Recoveries against written off / charged off bad debts		(716)	(1,794)
		4,875,506	8,681,781
31. TAXATION			
Current	31.1 & 31.2	86,490	105,829
Prior years		-	-
Deferred	12	(3,181,567)	(4,925,508)
		(3,095,077)	(4,819,679)

- 31.1** This represents the provision for minimum taxation made in accordance with the requirements of section 113 of the Income Tax Ordinance, 2001. Therefore, reconciliation of tax expense and accounting profit / loss has not been disclosed.
- 31.2** The Income Tax Returns of the Bank have been submitted up to and including the Bank's financial year ended December 31, 2018 i.e. tax year 2019.

In respect of assessments of Summit Bank Limited from tax year 2008 to tax year 2014, the tax authorities disputed the Bank's treatment on certain issues and created an additional tax demand (net of rectification) of Rs. 230.52 million through amended assessment orders and the same have been paid / adjusted against available refunds.

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

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

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

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

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

32. BASIC AND DILUTED LOSS PER SHARE	Note	2020 ----- (Rupees in '000) -----	2019
Loss for the year		<u>(6,947,981)</u>	<u>(9,450,619)</u>
		2020 ----- (Number of shares) -----	2019
Weighted average number of ordinary shares - Basic		<u>2,638,151,060</u>	<u>2,638,151,060</u>
		2020 ----- (Rupees) -----	2019
Basic loss per share		<u>(2.63)</u>	<u>(3.58)</u>
		2020 ----- (Number of shares) -----	2019
Weighted average number of ordinary shares - Diluted	32.1	<u>2,638,151,060</u>	<u>2,638,151,060</u>
		2020 ----- (Rupees) -----	2019
Diluted loss per share		<u>(2.63)</u>	<u>(3.58)</u>
32.1 There are no potential ordinary shares outstanding as of December 31, 2020.			
33. CASH AND CASH EQUIVALENTS	Note	2020 ----- (Rupees in '000) -----	2019
Cash and balances with treasury banks	5	11,571,282	5,613,556
Balances with other banks	6	1,359,018	930,810
Overdrawn nostro accounts	16	(38,223)	(171,055)
		<u>12,892,077</u>	<u>6,373,311</u>

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

2020						
Liabilities		Equity			Total	
Sub-ordinated debt	Other liabilities	Share Capital	Reserves	Accumulated losses		
----- (Rupees in '000) -----						
Balance as at January 01, 2020	1,495,515	6,090,140	20,500,194	(425,043)	(29,203,728)	(1,542,922)
Changes from financing cash flows						
Payment of lease liability against right-of-use-assets	-	(677,467)	-	-	-	(677,467)
	-	(677,467)	-	-	-	(677,467)
Liability related other changes						
Changes in other liabilities						
- Cash based	-	(658,947)	-	-	-	(658,947)
- Non cash based	-	636,769	-	-	-	636,769
Total liability related other changes	-	(22,178)	-	-	-	(22,178)
Equity related other changes	-	-	-	-	(6,871,177)	(6,871,177)
Balance as at December 31, 2020	1,495,515	5,390,495	20,500,194	(425,043)	(36,074,905)	(9,113,744)
2019						
Liabilities		Equity			Total	
Sub-ordinated debt	Other liabilities	Share Capital	Reserves	Accumulated losses		
----- (Rupees in '000) -----						
Balance as at January 01, 2019	1,495,515	4,330,823	20,500,194	(425,043)	(19,899,372)	6,002,117
Changes from financing cash flows						
Payment of lease liability against right-of-use-assets	-	(785,221)	-	-	-	(785,221)
	-	(785,221)	-	-	-	(785,221)
Liability related other changes						
Changes in other liabilities						
- Cash based	-	(470,190)	-	-	-	(470,190)
- Non cash based	-	3,014,728	-	-	-	3,014,728
Total liability related other changes	-	2,544,538	-	-	-	2,544,538
Equity related other changes	-	-	-	-	(9,304,356)	(9,304,356)
Balance as at December 31, 2019	1,495,515	6,090,140	20,500,194	(425,043)	(29,203,728)	(1,542,922)

34. STAFF STRENGTH	2020	2019
	----- (Number of employees) -----	
Permanent	1,677	1,657
On Bank contract	61	74
Bank's own staff strength at the end of the year	1,738	1,731

34.1 In addition to the above, 430 (2019: 417) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services.

35. DEFINED BENEFIT PLAN

35.1 General description

The Bank maintains two schemes under defined benefit plan:

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

The actuarial valuation of the funded and unfunded scheme is carried out periodically. Latest actuarial valuation was carried out as at December 31, 2020 using 'Projected Unit Credit Method'.

35.2 Number of Employees under the scheme

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

	2020	2019
	----- (Number) -----	
- Gratuity fund	1,677	1,728
- Employees Compensated Absences	1,738	1,728

35.3 Principal actuarial assumptions

Latest actuarial valuation was carried out as at December 31, 2020 using 'Projected Unit Credit Method'.

	2020	2019	2020	2019
	Employees compensated absences (Unfunded)		Gratuity fund (Funded)	
	----- (Per annum) -----			
Discount rate	9.75%	11.25%	9.75%	11.25%
Discount rate for profit and loss	11.25%	13.25%	11.25%	13.25%
Expected rate of salary increase	9.75%	10.25%	9.75%	10.25%
Expected rate of return on plan assets	-	-	9.75%	11.25%
Leave accumulation factor - per annum	10 days	10 days	-	-
Withdrawal rates	Moderate	Moderate	Moderate	Moderate
Mortality rates	SLIC 2001-05	SLIC 2001-05	SLIC 2001-05	SLIC 2001-05

35.4 Reconciliation of payable to defined benefit plans

	2020	2019	2020	2019
	Employees compensated absences (Unfunded)		Gratuity fund (Funded)	
	----- (Rupees in '000) -----			
Present value of obligations	132,130	109,592	561,442	449,662
Fair value of plan assets	-	-	(462,577)	(314,989)
Payable	132,130	109,592	98,865	134,673

35.5 Movement in defined benefit obligations

Obligations at the beginning of the year	109,592	101,082	449,662	343,131
Current service cost	2,176	3,835	59,043	61,173
Past service cost	-	-	(1,965)	71,704
Interest cost	11,904	12,264	49,232	41,445
Benefits paid by the Bank	(7,560)	(17,053)	(24,095)	(60,674)
Re-measurement loss / (gain)	16,018	9,464	29,565	(7,117)
Obligations at the end of the year	132,130	109,592	561,442	449,662

35.6 Movement in fair value of plan assets

Fair value at the beginning of the year	-	-	314,989	309,773
Interest income on plan assets	-	-	20,828	39,235
Contribution by the Bank - net	-	-	110,578	(27,316)
Re-measurements: Net return on plan assets over interest income (loss) / gain	35.8.2	-	16,182	(6,703)
Fair value at the end of the year	-	-	462,577	314,989

35.7 Movement in payable under defined benefit schemes

Opening balance	109,592	101,082	134,673	33,358
Charge for the year	30,098	25,563	85,482	135,087
Contribution by the Bank - net	-	-	(110,578)	27,316
Re-measurement loss / (gain) recognised in OCI during the year	35.8.2	-	13,383	(414)
Benefits paid by the Bank	(7,560)	(17,053)	(24,095)	(60,674)
Closing balance	132,130	109,592	98,865	134,673

2020	2019	2020	2019
Employees compensated absences (Unfunded)		Gratuity fund (Funded)	
----- (Rupees in '000) -----			

35.8 Charge for defined benefit plans

35.8.1 Cost recognised in profit and loss

Current service cost	18,194	13,299	59,043	61,173
Past service cost	-	-	(1,965)	71,704
Net interest on defined benefit asset / liability	11,904	12,264	28,404	2,210
	30,098	25,563	85,482	135,087

35.8.2 Re-measurements recognised in OCI during the year

Loss / (gain) on obligation				
- Financial assumptions	-	-	42,862	(4,580)
- Demographic assumptions	-	-	(4,806)	3,071
- Experience adjustment	-	-	(8,491)	(5,608)
Return on plan assets over interest income	-	-	(16,182)	6,703
Total re-measurements recognised in OCI	-	-	13,383	(414)

35.9 Components of plan assets

Cash and cash equivalents - net	-	-	425,568	281,001
Mark-up / profit receivable	-	-	37,009	33,988

35.10 Sensitivity analysis

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

	Change in assumption	Employees compensated absences (Unfunded)		Gratuity fund (Funded)	
		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
----- (Rupees in '000) -----					
Discount rate	+/- 1%	(10,103)	11,598	(44,228)	50,532
Salary increase rate	+/- 1%	10,836	(9,630)	52,824	(46,968)
Withdrawal rate	+/- 10%	(131)	131	(499)	512
Leave accumulation factor	+/- 1 day	176	(207)	-	-

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

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

2019	
Employees compensated absences	Gratuity fund
----- (Rupees in '000) -----	
14,479	76,205

Expected charge for the next financial year

35.12 Maturity profile

The weighted average duration of the obligation (in years)

8.15	8.44
-------------	-------------

35.13 Funding Policy

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

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

Investment Risks:

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

Longevity Risks:

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

Salary Increase Risk:

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

Withdrawal Risk:

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

Asset Volatility:

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

Changes in bond yields:

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

Inflation risk:

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

36. DEFINED CONTRIBUTION PLAN

An amount of Rs. 68.022 million (2019: Rs. 57.094 million) has been charged during the year in respect of contributory provident fund maintained by the Bank.

37. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

37.1 Total Compensation Expense

Items	2020						
	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Executives (other than CEO)	Non- Executives				
(Rupees in '000)							
Fees and Allowances etc.	1,800	-	7,050	9,140	-	-	-
Managerial Remuneration							
i) Fixed	-	4,838	-	2,139	13,211	53,357	26,389
ii) Total variable							
of which							
- Cash bonus / awards	-	-	-	-	-	79	3,578
Contribution to defined contribution plan	-	484	-	77	1,321	4,828	2,530
Rent and house maintenance	-	2,177	-	813	5,945	24,011	11,875
Utilities	-	484	-	181	1,321	5,336	2,639
Dearness allowance	-	807	-	301	2,202	8,895	4,399
Medical	-	484	-	181	1,321	5,336	2,639
Conveyance	-	723	-	329	-	8,724	6,532
Car allowance	-	1,704	-	280	-	16,666	10,708
General / special allowance	-	-	-	-	27	3,528	290
Relocation allowance	-	-	-	-	-	2,026	662
Others	-	-	-	-	-	180	170
Total	1,800	11,701	7,050	13,441	25,348	132,966	72,411
Number of persons	2 *	1	5 **	5	1	21	19

* Number of persons include outgoing Chairman.

** Number of persons include outgoing Non-Executives Directors.

2019							
Items	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Executives (other than CEO)	Non- Executives				
(Rupees in '000)							
Fees and Allowances etc.	50	-	700	4,800	-	-	-
Managerial Remuneration							
i) Fixed	-	380	-	3,639	13,211	51,511	32,250
ii) Total variable							
of which							
- Cash bonus / awards	-	-	-	-	-	674	2,282
Contribution to defined contribution							
plan	-	38	-	63	1,321	4,027	3,029
Rent and house maintenance	-	171	-	1,637	5,945	23,180	14,512
Utilities	-	38	-	364	1,321	5,151	3,225
Dearness allowance	-	63	-	607	2,202	8,587	5,376
Medical	-	38	-	364	1,321	5,151	3,225
Conveyance	-	67	-	653	-	8,800	8,051
Car allowance	-	142	-	552	-	14,531	12,486
General / special allowance	-	-	-	-	27	2,359	1,599
Relocation allowance	-	-	-	-	-	2,026	607
Others	-	-	-	16	-	182	194
Total	50	937	700	12,695	25,348	126,179	86,836
Number of Persons	1	1	6*	5	1	21	26

* Number of persons include outgoing Non-Executives Directors.

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

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

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

The aggregate remuneration paid during the year to executives as defined under the Companies Act, 2017 amounted to Rs. 162.443 million (2019: Rs. 148.697 million).

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

2020							
Name of Director	Meeting Fees and Allowances Paid						
	Board Meetings	For Board Committees					Total amount paid
		Board Audit Committee (BAC)	Board Human Resource and Remuneration Committee (BHR & RC)	Board Information Technology Committee (BITC)	Board Risk Management Committee (BRMC)	Board Compliance Committee (BCC)	
(Rupees in '000)							
Mr. Waseem Mehdi Syed	1,100	-	150	300	-	150	1,700
Ms. Fauzia Hasnain	1,150	400	350	150	200	-	2,250
Mr. Wajahat Ahmed Baqai	1,050	300	300	150	150	150	2,100
Mr. Zafar Iqbal Siddiqui	1,050	300	300	300	150	150	2,250
Mr. Shafiqur Rahman Adhami *	-	-	50	50	-	-	100
Mr. Rana Ahmed Humayun *	-	100	-	-	50	-	150
Mr. Kamran Butt *	50	100	50	50	50	-	300
Total amount paid	4,400	1,200	1,200	1,000	600	450	8,850

* These directors resigned from the Board on April 18, 2020

2019							
Name of Director	Meeting Fees and Allowances Paid						
	Board Meetings	For Board Committees					Total amount paid
		Board Audit Committee (BAC)	Board Human Resource and Remuneration Committee (BHR & RC)	Board Information Technology Committee (BITC)	Board Risk Management Committee (BRMC)	Board Compliance Committee (BCC)	
(Rupees in '000)							
Mr. Shafiqur Rahman Adhami	50	-	-	-	-	-	50
Mr. Rana Ahmed Humayun	50	-	-	-	-	-	50
Mr. Kamran Butt	50	-	-	-	-	-	50
Ms. Fauzia Hasnain	50	-	-	-	-	-	50
Mr. Shehryar Faruque *	100	100	50	-	-	-	250
Mr. Asadullah Khawaja **	100	100	50	-	-	-	250
Mr. Md. Ataur Rahman ***	50	-	-	-	-	-	50
Total amount paid	450	200	100	-	-	-	750

* Mr. Shehryar Faruque resigned from the Board with effect from July 15, 2019.

** Mr. Asadullah Khawaja ceased to hold office with effect from April 06, 2019 owing to the election of Directors.

*** Mr. Md. Ataur Rahman ceased to hold office with effect from April 06, 2019 owing to the election of Directors.

37.3 Remuneration paid to Shariah Board Members

Items	2020			2019		
	Chairman	Resident Members	Non-Resident Member(s)	Chairman	Resident Members	Non-Resident Member(s)
	(Rupees in '000)					
Meeting Fees and Allowances	1,800	-	7,340	1,800	-	3,000
Other Heads						
Basic salary	-	2,139	-	-	3,639	-
House Rent	-	813	-	-	1,637	-
Utilities	-	181	-	-	364	-
Dearness	-	301	-	-	607	-
Medical	-	181	-	-	364	-
Conveyance	-	329	-	-	653	-
Car Allowance	-	280	-	-	552	-
General / special allowance	-	-	-	-	-	-
Relocation Allowance	-	-	-	-	-	-
Others	-	-	-	-	16	-
Contribution to defined contribution plan	-	77	-	-	63	-
Total amount	1,800	4,301	7,340	1,800	7,895	3,000
Total number of persons	1	2	3	1	2	2

38. FAIR VALUE MEASUREMENTS

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

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

38.1 Fair value of financial assets

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

38.2 The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

2020				
	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----				
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
- Federal Government Securities		- 25,557,336		- 25,557,336
- Shares - Listed	2,112,443	-		- 2,112,443
Financial assets - disclosed but not measured at fair value				
Investments				
- Shares - Unlisted	-	-	3,070	3,070
Non-Financial assets - measured at fair value				
Operating fixed assets	-	-	7,785,642	7,785,642
Non banking assets acquired in satisfaction of claims	-	-	3,108,443	3,108,443
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange		- 5,206,686		- 5,206,686
Forward sale of foreign exchange		- 480,280		- 480,280

2019				
	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----				
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
- Federal Government Securities		19,636,066		19,636,066
- Shares - Listed	1,830,984	-		- 1,830,984
Financial assets - disclosed but not measured at fair value				
Investments				
- Shares - Unlisted	-	-	2,349	2,349
Non-Financial assets - measured at fair value				
Operating fixed assets	-	-	7,375,471	7,375,471
Non banking assets acquired in satisfaction of claims	-	-	2,905,992	2,905,992
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange		4,800,861		4,800,861
Forward sale of foreign exchange		690,545		690,545

Valuation techniques used in determination of fair value

Item	Valuation approach and input used
Federal Government Securities	The fair values of Federal Government securities are determined using the PKRV rates. The fair values of GOP Ijarah Sukuk are derived using the PKISRV rates.
Units of mutual funds	The fair values of investments in units of mutual funds are determined based on their net asset values as published at the close of each business day.
Ordinary shares - Listed	The fair value of investment in listed equity securities are valued on the basis of closing quoted market price available at the Pakistan Stock Exchange.
Ordinary shares - Unlisted	This represents breakup value of investments.
Non-Government Debt Securities	Investments in debt securities (comprising term finance certificates, bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.
Forward foreign exchange contracts	The valuation has been incorporated by interpolating the foreign exchange revaluation rates announced by the SBP.
Operating fixed assets (land and building) and non-banking assets acquired in satisfaction of claims	The valuation experts used a market based approach to arrive at the fair value of the Bank's properties. The market approach used prices and other relevant information generated by market transactions involving identical or comparable or similar properties.

39. SEGMENT INFORMATION

39.1 Segment details with respect to business activities

2020						
Corporate finance	Trading and sales	Branch banking	Islamic	Others	Total	
----- (Rupees in '000) -----						
Profit and Loss						
Net mark-up / return / profit	(635)	1,048,219	(2,252,110)	(276,174)	-	(1,480,700)
Inter segment revenue - net	-	(1,257,963)	-	1,257,963	-	-
Non mark-up / return / interest income	20,086	1,079,516	413,243	(17,043)	-	1,495,802
Total income	19,451	869,772	(1,838,867)	964,746	-	15,102
Segment direct expenses	2,566	443,598	4,420,000	272,741	43,749	5,182,654
Inter segment expense allocation	-	-	(485,054)	485,054	-	-
Total expenses	2,566	443,598	3,934,946	757,795	43,749	5,182,654
Provisions	-	275,432	4,383,952	57,883	158,239	4,875,506
Profit / (loss) before tax	16,885	150,742	(10,157,765)	149,068	(201,988)	(10,043,058)
Balance Sheet						
Cash and bank balances	-	6,246,813	5,678,196	1,005,291	-	12,930,300
Investments	-	19,841,125	1,394,734	6,435,750	231,751	27,903,360
Net inter segment lending	-	350,000	-	10,158,875	-	10,508,875
Lendings to financial institutions	-	-	-	-	-	-
Advances - performing	-	-	22,225,845	3,258,901	-	25,484,746
Advances - non-performing	-	-	6,185,150	113,383	-	6,298,533
Others	55,773	8,131,080	14,100,203	758,345	11,995,539	35,040,940
Total assets	55,773	34,569,018	49,584,128	21,730,545	12,227,290	118,166,754
Borrowings	-	656,031	6,709,029	303,826	-	7,668,886
Subordinated debt	4,987	790,375	700,153	-	-	1,495,515
Deposits and other accounts	-	-	84,529,127	17,358,457	-	101,887,584
Net inter segment borrowing	-	10,158,875	-	350,000	-	10,508,875
Others	780	143,719	5,351,975	1,999,609	297,282	7,793,365
Total liabilities	5,767	11,749,000	97,290,284	20,011,892	297,282	129,354,225
Equity	50,006	22,820,018	(47,706,156)	1,718,653	11,930,008	(11,187,471)
Total equity and liabilities	55,773	34,569,018	49,584,128	21,730,545	12,227,290	118,166,754
Contingencies and Commitments	-	5,849,590	17,729,421	3,459,302	18,445,487	45,483,800

2019						
Corporate finance	Trading and sales	Branch banking	Islamic	Others	Total	
----- (Rupees in '000) -----						
Profit and Loss						
Net mark-up / return / profit	(583)	(186,476)	(1,056,835)	(63,060)	-	(1,306,954)
Inter segment revenue - net	-	(1,342,590)	-	1,342,590	-	-
Non mark-up / return / interest income	22,594	460,761	780,709	(32,085)	-	1,231,979
Total income	22,011	(1,068,305)	(276,126)	1,247,445	-	(74,975)
Segment direct expenses	1,955	248,321	4,934,923	284,514	43,829	5,513,542
Inter segment expense allocation	-	-	(395,163)	395,163	-	-
Total expenses	1,955	248,321	4,539,760	679,677	43,829	5,513,542
Provisions	-	1,284,039	6,747,530	650,212	-	8,681,781
Profit / (loss) before tax	20,056	(2,600,665)	(11,563,416)	(82,444)	(43,829)	(14,270,298)

2019						
Corporate finance	Trading and sales	Branch banking	Islamic	Others	Total	
(Rupees in '000)						
Balance Sheet						
Cash and Bank balances	-	1,870,617	4,211,474	462,275	-	6,544,366
Investments	-	20,120,181	1,557,319	-	281,999	21,959,499
Net inter segment lending	-	-	-	14,001,113	-	14,001,113
Lendings to financial institutions	-	791,272	-	200,000	-	991,272
Advances - performing	-	-	27,548,061	3,755,854	-	31,303,915
Advances - non-performing	-	-	11,863,059	75,351	-	11,938,410
Others	36,596	4,068,744	16,416,347	735,424	11,880,965	33,138,076
Total assets	36,596	26,850,814	61,596,260	19,230,017	12,162,964	119,876,651
Borrowings	465	5,491,088	7,763,227	250,000	-	13,504,780
Subordinated debt	4,063	440,405	1,051,047	-	-	1,495,515
Deposits and other accounts	-	-	73,119,266	15,448,224	-	88,567,490
Net inter segment borrowing	-	14,001,113	-	-	-	14,001,113
Others	2,651	319,515	5,156,226	1,989,042	438,542	7,905,976
Total liabilities	7,179	20,252,121	87,089,766	17,687,266	438,542	125,474,874
Equity	29,417	6,598,693	(25,493,506)	1,542,751	11,724,422	(5,598,223)
Total equity and liabilities	36,596	26,850,814	61,596,260	19,230,017	12,162,964	119,876,651
Contingencies and Commitments	-	10,736,460	28,582,452	5,140,291	11,804,740	56,263,943

39.1.1 The Bank does not have any operations outside Pakistan.

40. TRUST ACTIVITIES

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

2020				
Category	No. of IPS accounts	Securities Held (Face Value)		Total
		Market Treasury Bills	Pakistan Investment Bonds	
(Rupees in '000)				
Employee Funds	3	19,410	100,700	120,110
Insurance company	2	250,000	16,000	266,000
Total	5	269,410	116,700	386,110

2019				
Category	No. of IPS accounts	Securities Held (Face Value)		Total
		Market Treasury Bills	Pakistan Investment Bonds	
(Rupees in '000)				
Employee Funds	3	72,000	100,700	172,700
Insurance company	1	-	16,000	16,000
Total	4	72,000	116,700	188,700

41. RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its parent, subsidiary, employee benefit plans and its directors and Key Management Personnel.

The Bank enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

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

	2020				2019					
	Parent company	Directors	Key management personnel	Subsidiary	Other related parties	Parent company	Directors	Key management personnel	Subsidiary	Other related parties
Investments										
Opening balance	-	-	396,942	1,692,490	1,713,990	-	-	-	396,942	1,713,990
Investment made during the year	-	-	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	-	-	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	(21,500)	-	-	-	-	(21,500)
Closing balance	-	-	396,942	1,692,490	1,692,490	-	-	-	396,942	1,692,490
Provision for diminution in value of investments	-	-	165,191	1,613,242	1,613,242	-	-	-	114,943	1,613,242
Advances										
Opening balance	-	-	265,793	-	660,792	-	-	259,303	-	932,302
Addition during the year	-	-	16,031	25,540	300,000	-	-	36,601	-	2,139,568
Repaid during the year	-	-	(37,659)	(25,540)	(293,617)	-	-	(18,393)	-	(2,214,009)
Transfer in / (out) - net	-	-	51,541	-	8,010	-	-	(11,718)	-	(197,069)
Closing balance	-	-	295,706	-	675,185	-	-	265,793	-	660,792
Provision held against advances	-	-	-	-	-	-	-	-	-	-

	2020				2019					
	Parent company	Directors	Key management personnel	Subsidiary	Other related parties	Parent company	Directors	Key management personnel	Subsidiary	Other related parties
Other Assets										
Interest / mark-up accrued	-	-	-	-	13,763	-	-	-	-	11,320
Other receivable	699	-	-	-	-	699	-	375	-	-
Provision held against other assets	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts										
Opening balance	-	-	20,042	92,926	1,512,961	-	18,463	13,421	102,458	1,769,716
Received during the year	-	-	239,139	3,747,955	1,336,975	-	-	224,304	7,270,665	852,565
Withdrawn during the year	-	-	(231,713)	(3,683,049)	(1,598,647)	-	-	(217,761)	(7,280,197)	(848,128)
Transfer (out) / in - net	-	-	36,604	-	831,964	-	(18,463)	78	-	(261,192)
Closing balance	-	-	64,072	157,832	2,083,253	-	-	20,042	92,926	1,512,961
Other Liabilities										
Interest / mark-up payable	-	-	262	46	9,740	-	-	245	103	16,293
Payable to defined benefit plan	-	-	-	-	98,865	-	-	-	-	134,673
Brokerage payable	-	-	-	127	-	-	-	-	127	-
Contingencies and Commitments										
Guarantees, letters of credit and acceptances	-	-	-	-	86,500	-	-	-	-	86,500
Commitments to extend credit	-	-	-	400,000	8,815	-	-	-	400,000	9,915
Income										
Mark-up / return / interest earned	-	-	13,279	49	79,962	-	-	13,528	-	78,890
Fee and commission income	-	-	-	102	-	-	-	-	123	-
Other income -	-	11	3,428	-	-	-	8	3,116	-	-
Expense										
Mark-up / return / interest expensed	-	-	1,315	1,424	119,986	-	-	2,759	2,559	165,407
Operating expenses:										
- Directors' fees and allowances	-	8,850	-	-	-	-	750	-	-	-
- Brokerage and commission	-	-	-	1,124	-	-	-	-	399	-
- Fee and subscription	-	-	1,071	-	-	-	-	1,944	-	-
- Managerial Remuneration	-	-	177,156	-	-	-	-	175,134	-	-
- Contribution to defined contribution plan	-	-	-	-	68,022	-	-	-	-	57,094
- Charge for defined benefit plan	-	-	-	-	85,482	-	-	-	-	135,087
Provision for diminution in value of Investments	-	-	-	50,248	-	-	-	-	-	79,591

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

42. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	(16,153,916)	(9,282,739)
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier-I (CET-I) Capital	(31,153,180)	(21,621,286)
Eligible Additional Tier-I (ADT-I) Capital	-	-
Total Eligible Tier-I Capital	(31,153,180)	(21,621,286)
Eligible Tier-2 Capital	-	-
Total Eligible Capital (Tier-I + Tier-2)	(31,153,180)	(21,621,286)
Risk Weighted Assets (RWAs):		
Credit Risk	53,767,663	70,053,222
Market Risk	7,764,588	6,972,343
Operational Risk	7,447,378	8,420,159
Total	68,979,629	85,445,724
Common Equity Tier-I Capital Adequacy Ratio	-45.16%	-25.30%
Tier-I Capital Adequacy Ratio	-45.16%	-25.30%
Total Capital Adequacy Ratio	-45.16%	-25.30%

Under the applicable Laws and Regulations, the Bank is required to maintain a minimum paid-up capital (free of losses) of Rs. 10 billion. Moreover, the Bank is subject to the Basel II capital adequacy guideline stipulated by the State Bank of Pakistan under BSD Circular No. 8 of 2006 and Basel III guideline vide its BPRD Circular No. 6 of 2013. As of December 31, 2020, the Bank is required to maintain minimum CET-I ratio of 6%, minimum Tier-I capital ratio of 7.5% and minimum total capital adequacy ratio of 11.50% (inclusive of Capital Conservation Buffer of 1.50%).

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

- a) Tier-I capital (going concern capital), which comprises Common Equity Tier-I (CET-I) and Additional Tier-I (AT-I capital), which includes fully paid up capital, balance in share premium account net of discount on issue of shares, reserves arising on amalgamation and un-appropriated / accumulated losses. Moreover, regulatory deductions pertaining to book value of intangibles, deferred tax assets, reciprocal crossholdings and investment in subsidiary are made from Tier-I capital as per the applicable Basel III guidelines.
- b) Tier-2 Capital (gone concern capital), which includes general provisions for loan losses (up to a maximum of 1.25% of credit risk weighted assets), reserves on revaluation of fixed assets and available for sale investments after deduction of deficit on available for sale investments (as per Basel III requirement). The outstanding sub-ordinated debt / TFC of the Bank has not been included in Tier-2 capital as of December 31, 2020 because the said TFC has less than one year remaining maturity (revised maturity date is October 27, 2021) and therefore not eligible as Tier-2 capital as per the applicable Basel III guidelines.

Due to negative Tier-I capital, the Bank could not take benefit of available Tier-2 capital which includes surplus / (deficit) on revaluation of assets and general provision / reserve for loan losses amounting to Rs. 4,313.367 million.

As on December 31, 2020, the Bank does not meet the applicable requirements stipulated by the SBP as explained above. In this regard management of the Bank is taking various steps to comply with applicable minimum capital requirements. A business plan has been put in place which has been approved by the Board of Directors and aims to improve the Bank's Capital base and risk absorption capacity and to provide impetus to its future growth initiatives. This plan indicates future profitable operations based on various assumptions including capital injection as explained in note 1.3 to these unconsolidated financial statements. Moreover, the management is committed to taking all the necessary steps for successful execution of the business plan to comply with the capital requirements as explained above.

Capital Management

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

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

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

	2020 ----- (Rupees in '000) -----	2019
Leverage Ratio (LR):		
Eligible Tier-I Capital	(31,153,180)	(21,621,286)
Total Exposures	123,539,402	138,263,360
Leverage Ratio	<u>-25.22%</u>	<u>-15.64%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	29,821,667	14,935,767
Total Net Cash Outflow	17,116,667	17,180,961
Liquidity Coverage Ratio	<u>174.23%</u>	<u>86.93%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	71,961,781	66,795,162
Total Required Stable Funding	56,670,046	66,682,561
Net Stable Funding Ratio	<u>126.98%</u>	<u>100.17%</u>

Under the applicable Laws and Regulations, the Bank is required to maintain the Leverage Ratio (LR) at 3%, Liquidity Coverage Ratio (LCR) at 100% and Net Stable Funding Ratio (NSFR) at 100%. The Bank's LR is below the applicable regulatory requirement as of December 31, 2020. As more fully explained in note 1.3 of these unconsolidated financial statements, the Bank has made a business plan which envisages the compliance with applicable regulatory requirements.

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

43. RISK MANAGEMENT

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

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

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

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 appoints 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 and strategic planning with responsibility to look after this function as per the approved policies and procedures of the Bank.

Risk management group organization

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

The COVID-19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

The State Bank of Pakistan (SBP) has also responded to the crisis by cutting the Policy Rate by 625 basis points since beginning of the year to 7% in June 2020. Other regulatory measures to provide an impetus to economic activity include the following:

- Reduction in the capital conservation buffer by 100 basis points to 1.5%;
- Increasing the regulatory limit on extension of credit to SMEs to Rs 180 million;
- Relaxing the debt burden ratio for consumer loans from 50% to 60%;
- Allowing banks to defer borrowers' principal loan payments by one year;
- Relaxing regulatory criteria for restructured / rescheduled loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up and
- Introducing refinancing schemes for payment of wages and salaries, setting up of Covid - 19 related facilities / new hospitals and import of plant and machinery for new / existing industrial projects.

COVID-19 impacts banks in Pakistan on a number of fronts including increase in overall credit risk pertaining to the loans and advances portfolio, reduced fee income due to overall slowdown in economic activity, continuity of business operations and managing cybersecurity threat as a significant number of the Bank's staff is working from home and an ever increasing number of customers are being encouraged to use digital channels.

43.1 Credit Risk

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 and products to achieve a strong market position and adequate return on capital.
- Return commensurate with the risk.
- Lending decision is based on a full appreciation for the risks inherent in the transaction and within the approved limits by the Board of Directors.
- Risk changes are identified promptly and remedial actions are taken in a timely manner.

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

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

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

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

COVID-19 has impacted banks in Pakistan through increase in overall credit risk, overall slowdown in the economic activity, increase in overall credit risk pertaining to the loans and advances portfolio as well as reduced fee income due to overall slowdown in economic activity.

The Bank's management is fully cognizant of the business challenges posed by the COVID. The Bank is also monitoring its credit risk exposure through its risk management function and assessment of the credit portfolio to identify customers or portfolios that may require additional risk management considerations or identify accounts susceptible to higher risk, resulting from the COVID-19 outbreak.

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 secured and the Bank's procedures ensure that the Bank has clear rights over the collateral and may liquidate, retain or take legal possession of it in a timely manner in the event of the default, insolvency or bankruptcy or otherwise defined credit event set out in the transaction documentation, of the counterparty and, where applicable, of the custodian holding the collateral.

43.1.1 Credit Risk Approach for Capital Adequacy Ratio: Standardised Approach

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

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

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

Types of exposures and ECAI's used

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

Exposures	2020				
	Fitch	Moody's	S&P	ACRA	JCR-VIS
Corporate	-	-	-	Yes	Yes
Banks	Yes	Yes	Yes	Yes	Yes
Sovereigns	-	-	-	-	-
SME's	-	-	-	-	-
Securitisations	-	-	-	-	-
PSE's	-	-	-	Yes	Yes
Others	-	-	-	Yes	Yes

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

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

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

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

Mapping to SBP rating grades

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

Long-Term Rating Grades Mapping

SBP rating grade	Fitch	Moody's	S&P	PACRA	JCR-VIS	ECA scores
1	AAA	Aaa	AAA	AAA	AAA	0
	AA+	Aa1	AA+	AA+	AA+	1
	AA	Aa2	AA	AA	AA	
	AA-	Aa3	AA-	AA-	AA-	
2	A+	A1	A+	A+	A+	2
	A	A2	A	A	A	
	A-	A3	A-	A-	A-	
3	BBB+	Baa1	BBB+	BBB+	BBB+	3
	BBB	Baa2	BBB	BBB	BBB	
	BBB-	Baa3	BBB-	BBB-	BBB-	
4	BB+	Ba1	BB+	BB+	BB+	4
	BB	Ba2	BB	BB	BB	
	BB-	Ba3	BB-	BB-	BB-	
5	B+	B1	B+	B+	B+	5
	B	B2	B	B	B	6
	B-	B3	B-	B-	B-	
6	CCC+ and below	Caa1 and CC 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+
S2	F2	P-2	A-1	A-1	A-1
S3	F3	P-3	A-2	A-2	A-2
S4	Others	Others	A-3	A-3	A-3
			Others	Others	Others

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

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

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

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

43.1.3 Credit Risk Summary for On-Balance Sheet Exposures:

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

Rating category	2020			2019		
	Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
----- (Rupees in '000) -----						
Exposure category:						
Corporate						
20%	452,366	152,223	300,143	16,536	-	16,536
50%	2,242,616	38,833	2,203,783	3,027,256	100,164	2,927,092
100%	526,315	-	526,315	963,798	-	963,798
unrated	12,887,498	1,829,015	11,058,483	14,813,900	2,543,141	12,270,759
125%	6,302,306	27,159	6,275,147	7,712,257	-	7,712,257
Retail						
75%	1,538,309	102,048	1,436,261	3,004,615	197,492	2,807,123
Past due loan						
150%	2,329,508	46,024	2,283,484	6,531,573	40,967	6,490,606
100%	2,658,165	2,136	2,656,029	2,622,716	142,143	2,480,573
50%	1,310,861	176,762	1,134,099	2,784,122	66,015	2,718,107
Bank						
20%	1,563,110	-	1,563,110	2,388,011	-	2,388,011
50%	107,928	-	107,928	120,555	-	120,555
100%	-	-	-	88,228	-	88,228
150%	-	-	-	568,149	-	568,149
unrated	804,509	-	804,509	97,977	-	97,977
Sovereign etc.						
0%	11,490,736	-	11,490,736	6,139,128	-	6,139,128
Others						
0%	-	-	-	-	-	-
35%	2,061,757	-	2,061,757	2,312,916	-	2,312,916
50%	-	-	-	-	-	-
100%	18,183,934	-	18,183,934	18,271,871	-	18,271,871
150%	-	-	-	-	-	-
250%	-	-	-	-	-	-
	64,459,918	2,374,200	62,085,718	71,463,608	3,089,922	68,373,686

43.1.4 Lendings to financial institutions

Credit risk by public / private sector

Gross lendings		Non-performing lendings		Provision held	
2020	2019	2020	2019	2020	2019
----- (Rupees in '000) -----					
Public / Government	-	-	-	-	-
Private	991,272	-	-	-	-
	991,272	-	-	-	-

43.1.5 Investment in debt securities

Credit risk by industry sector

Gross investments		Non-performing investments		Provision held	
2020	2019	2020	2019	2020	2019
----- (Rupees in '000) -----					
Textile	200,000	200,000	200,000	200,000	200,000
Chemical and pharmaceuticals	499,586	499,586	499,586	499,586	499,586
Sugar	281,566	281,566	281,566	281,566	118,981
Financial	12,857	15,557	12,857	15,557	15,557
Services	803,641	803,641	803,641	803,641	803,641
	1,797,650	1,800,350	1,797,650	1,797,650	1,637,765
Credit risk by public / private sector					
Public / Governmen	-	-	-	-	-
Private	1,797,650	1,800,350	1,797,650	1,797,650	1,637,765
	1,797,650	1,800,350	1,797,650	1,797,650	1,637,765

43.1.6 Advances

Credit risk by industry sector

Gross advances		Non-performing advances		Provision held	
2020	2019	2020	2019	2020	2019
----- (Rupees in '000) -----					
Agriculture, forestry, hunting and fishing	606,125	606,153	598,083	601,774	597,032
Automobile and transportation equipment	1,143,173	1,242,030	1,129,249	1,126,538	931,548
Banaspati and allied industries	83,165	169,506	123,202	141,431	113,150
Carpet	5,040	42,310	8,041	38,458	8,041
Cement	620,390	658,056	329,169	329,169	329,169
Chemical and pharmaceuticals	413,283	1,711,861	293,625	338,918	182,417
Construction	1,986,174	2,395,548	1,361,247	1,359,823	907,679
Dairy and poultry	132,134	132,465	999	999	999
Education	68,458	158,499	38,512	37,570	35,173
Electronics and electrical appliances	1,445,321	1,858,364	476,647	488,486	305,045
Exports / imports	4,976,080	6,202,506	4,757,250	4,758,694	4,020,365
Financial	2,334,446	3,764,011	3,289,776	3,038,316	2,298,451
Food, tobacco and beverages	2,279,834	2,577,967	982,657	1,039,534	666,062
Footwear and leather garments	5,410	377,759	31,535	31,385	31,423
Furniture and allied products	17,030	124,530	6,577	7,112	3,536
Glass and ceramics	54,460	57,660	57,660	57,660	54,460
Health care	96,948	221,858	40,588	59,175	40,125
Hotels	135,458	211,382	163,176	162,585	162,017
Individuals	3,564,403	4,240,611	369,721	387,553	214,848
Mining and quarrying	4,670	1,280,870	4,670	4,670	4,670
Miscellaneous manufacturing	575,388	950,914	256,164	260,016	227,667
Paper and allied products	3,101	8,528	6,895	6,803	6,895
Power (electricity), gas, water, sanitary	667,591	2,058,917	1,075,594	1,745,517	984,092
Printing, publishing and allied industries	116,420	92,823	34,501	34,088	27,639
Services	2,837,226	4,055,398	1,295,665	1,528,409	1,028,756
Steel and engineering	2,871,861	2,944,336	2,699,234	2,785,112	2,104,688
Sugar	9,112,711	9,500,181	8,727,988	9,308,669	7,593,593
Textile	19,595,406	12,122,192	3,784,352	4,426,542	3,683,452
Transport, storage and communication	1,189,618	2,263,384	562,646	683,007	476,933
Wholesale and retail trade	2,889,772	5,181,161	2,382,464	2,274,503	1,865,365
Others	4,399,398	4,974,457	3,836,190	3,779,298	3,520,254
	64,230,494	72,186,237	38,724,077	40,841,814	32,425,544

Credit risk by public / private sector

Public / Government
Private

Gross advances		Non-performing advances		Provision held	
2020	2019	2020	2019	2020	2019
----- (Rupees in '000) -----					
64,230,494	72,186,237	38,724,077	40,841,814	32,425,544	28,903,404
64,230,494	72,186,237	38,724,077	40,841,814	32,425,544	28,903,404

43.1.7 Contingencies and Commitments

Credit risk by industry sector

Agriculture, forestry, hunting and fishing
Automobile and transportation equipment
Carpet
Cement
Chemical and pharmaceuticals
Construction
Consumer
Education
Electronics and electrical appliances
Exports / imports
Financial
Food, tobacco and beverages
Footwear and leather garments
Furniture and allied products
Glass and ceramics
Health care
Hotels
Individuals
Miscellaneous manufacturing
Others
Paper and allied products
Power (electricity), gas, water, sanitary
Printing, publishing and allied industries
Services
Steel and engineering
Sugar
Textile
Transport, storage and communication
Wholesale and retail trade

2020 2019
----- (Rupees in '000) -----

783,027	129,869
209,340	156,190
311,381	319,839
271,079	323,174
336,794	285,207
2,095,334	3,253,209
439,122	433,000
427	38,598
692,049	866,731
1,370,234	1,652,063
8,260,699	11,495,739
1,553,517	1,348,137
26,488	35,822
87,513	107,594
104,313	22,783
138,250	125,424
56,099	81,357
1,611,417	1,599,119
828,271	1,173,143
3,637,158	2,264,835
33,665	4,701
571,987	561,813
14,792	9,756
7,135,513	11,872,844
1,042,836	899,578
999,998	1
11,493,178	10,240,704
525,243	1,365,685
854,076	5,597,028
45,483,800	56,263,943

Credit risk by public / private sector

Public / Government
Private

4,825,300	7,770,403
40,658,500	48,493,540
45,483,800	56,263,943

43.1.8 Concentration of Advances

The Bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 14,234.535 million (2019: Rs. 18,822.237 million) are as follows:

	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
Funded	13,765,415	11,851,059
Non Funded	469,120	6,971,178
Total Exposure	<u>14,234,535</u>	<u>18,822,237</u>

The sanctioned limits against these top 10 exposures aggregated to Rs. 14,383.466 million (2019: Rs. 20,639.987 million).

Total funded classified therein

	2020		2019	
	Amount	Provision held	Amount	Provision held
----- (Rupees in '000) -----				
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	215,735	5,014
Loss	9,115,705	7,486,736	5,565,397	2,751,241
Total	<u>9,115,705</u>	<u>7,486,736</u>	5,781,132	2,756,255

43.1.9 Advances - Province / Region-wise Disbursement and Utilization

Province / Region	2020						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
----- (Rupees in '000) -----							
Punjab	24,411,559	24,384,874	1,454	13,252	-	11,979	-
Sindh	20,521,396	-	20,521,396	-	-	-	-
KPK including FATA	24,557	-	-	24,557	-	-	-
Balochistan	67,064	-	-	-	67,064	-	-
Islamabad	162,188	-	-	-	-	162,188	-
AJK including Gilgit-Baltistan	100,410	-	-	-	-	-	100,410
Total	<u>45,287,174</u>	<u>24,384,874</u>	<u>20,522,850</u>	<u>37,809</u>	<u>67,064</u>	<u>174,167</u>	<u>100,410</u>

Province / Region	2019						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
----- (Rupees in '000) -----							
Punjab	27,084,886	27,071,085	2,266	5,861	-	5,674	-
Sindh	51,618,020	-	51,618,020	-	-	-	-
KPK including FATA	47,605	-	-	47,605	-	-	-
Balochistan	93,326	-	-	-	93,326	-	-
Islamabad	180,588	-	-	-	-	180,588	-
AJK including Gilgit-Baltistan	164,041	-	-	-	-	-	164,041
Total	<u>79,188,466</u>	<u>27,071,085</u>	<u>51,620,286</u>	<u>53,466</u>	<u>93,326</u>	<u>186,262</u>	<u>164,041</u>

43.2 Market Risk

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

The Bank seeks to mitigate market risk by employing strategies that correlate price, rate and spread movements of its earning assets, liabilities and trading activities. Treasury front office and market risk management / treasury middle office perform market risk management activities within the Bank.

43.2.1 Balance sheet split by trading and banking books

	2020			2019		
	Banking book	Trading book	Total	Banking book	Trading book	Total
(Rupees in '000)						
Cash and balances with treasury banks	11,571,282	-	11,571,282	5,613,556	-	5,613,556
Balances with other banks	1,359,018	-	1,359,018	930,810	-	930,810
Lendings to financial institutions	-	-	-	991,272	-	991,272
Investments	233,581	27,669,779	27,903,360	492,017	21,467,482	21,959,499
Advances	31,783,279	-	31,783,279	43,242,325	-	43,242,325
Fixed assets	10,188,303	-	10,188,303	10,180,966	-	10,180,966
Intangible assets	90,459	-	90,459	148,557	-	148,557
Deferred tax assets	14,279,245	-	14,279,245	11,606,393	-	11,606,393
Other assets	10,482,933	-	10,482,933	11,202,160	-	11,202,160
	79,988,100	27,669,779	107,657,879	84,408,056	21,467,482	105,875,538

43.2.2 Foreign Exchange Risk

The Bank has set the following objectives for managing the inherent risk on foreign currency exposures:

- Maximise profitability with minimum risk by keeping the exposure at desirable levels in view of strict compliance of regulatory / international standards and the Bank's internal guidelines.
- Manage appropriate maturity mismatch gaps.
- Identify warning and stress zones for mismatch gaps.
- Usage of different tools to manage the inherent risk of product and market, such as compliance of credit limit, monitoring of foreign exchange exposure limit, review of mark to market portfolio and safe settlement, etc.
- Foreign exchange risk represents exposures to changes in the values of current holdings and future cash flows denominated in foreign currencies. The potential for loss arises from the process of revaluing foreign currency positions in rupee terms. The Bank's foreign exchange risk is presently limited to future cash flows in foreign currencies arising from foreign exchange transactions and translation of net open position in foreign currencies. The Bank is carefully monitoring the net foreign currency exposure as well as utilizing the forward contract to hedge the related exposure.

	2020				2019			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
(Rupees in '000)								
United States Dollar	2,934,958	7,360,134	4,746,496	321,320	2,078,673	5,647,236	5,284,130	1,715,567
Great Britain Pound Sterling	164,543	387,417	-	(222,874)	34,014	449,795	-	(415,781)
Euro	509,737	511,465	-	(1,728)	363,537	544,390	223,736	42,883
Other currencies	12,872	12,556	-	316	55,325	2,125	-	53,200
	3,622,110	8,271,572	4,746,496	97,034	2,531,549	6,643,546	5,507,866	1,395,869

2020		20219	
Banking book	Trading book	Banking book	Trading book
----- (Rupees in '000) -----			

Impact of 1% change in foreign exchange rates on

- Profit and loss account	46,495	47,465	41,120	40,673
- Other comprehensive income	-	-	-	-

43.2.3 Equity position Risk

Equity position risk is the risk that the fair value of financial instruments will fluctuate due to changes in the prices of individual stocks or the level of equity indices. The Bank's equity book comprises of held for trading (HFT) and available for sale (AFS) portfolios. The objective of the HFT portfolio is to make short-term capital gains, whilst the AFS portfolio is maintained with a medium term view of earning both capital gains and dividend income. Policies and procedures have been developed to provide guidelines on the risk and their mitigants, limits and related controls for the equity portfolio of the Bank.

2020		20219	
Banking book	Trading book	Banking book	Trading book
----- (Rupees in '000) -----			

Impact of 5% change in equity prices on

- Profit and loss account	-	79,288	-	30,203
- Other comprehensive income	-	26,334	-	61,347

43.2.4 Interest Rate Risk

Interest rate risk is the risk that fair value of a financial instrument will fluctuate as a result of changes in interest rates, including changes in the shape of yield curves. Interest rate risk is inherent in many of the Bank's businesses and arises from mismatches between the contractual maturities or the re-pricing of on and off-balance sheet assets and liabilities. The interest rate sensitivity profile is prepared on a quarterly basis based on the re-pricing or contractual maturities of assets and liabilities.

Interest rate risk is monitored and managed by performing periodic gap analysis, sensitivity analysis and stress testing and taking appropriate actions where required.

2020		20219	
Banking book	Trading book	Banking book	Trading book
----- (Rupees in '000) -----			

Impact of 1% change in interest rates on

- Profit and loss account	69,396	-	272,524	-
- Other comprehensive income	-	46,524	-	364,655

43.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

Effective Yield / Interest Rate	2020										Non-interest bearing financial instruments	
	Total	Exposed to Yield/ Interest risk										
		Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
----- (Rupees in '000) -----												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	11,571,282	737,798	-	-	-	-	-	-	-	-	-	10,833,484
Balances with other banks	1,359,018	167,831	-	39,960	-	-	-	-	-	-	-	1,081,894
Lending to financial institutions	-	-	69,333	-	-	-	-	-	-	-	-	-
Investments	27,903,360	7,966,924	11,364,134	300,100	8,807	-	-	-	-	-	-	2,346,024
Advances	31,783,279	1,079,790	18,905,764	2,024,422	102,146	93,704	180,871	410,809	6,642,884	-	-	286,776
Other assets	1,484,599	-	-	-	-	-	-	-	-	-	-	1,484,599
	74,101,538	9,952,343	30,269,898	8,011,126	2,396,173	110,953	180,871	410,809	6,642,884	-	-	16,032,777
Liabilities												
Bills payable	2,402,870	-	-	-	-	-	-	-	-	-	-	2,402,870
Borrowings	7,668,886	1,329,133	4,771,719	768,731	65,316	361,620	110,775	223,368	38,224	-	-	38,224
Deposits and other accounts	101,887,584	3,161,114	55,884,884	3,312,129	4,741,035	87,165	161,454	-	-	-	-	34,319,682
Liabilities against assets subject to finance lease	1,495,515	-	-	1,495,515	-	-	-	-	-	-	-	-
Subordinated debt	4,252,027	-	-	-	-	-	-	-	-	-	-	4,252,027
Other liabilities	117,706,882	4,490,247	60,656,603	5,576,375	285,437	448,785	272,229	223,368	41,012,803	-	-	41,012,803
	(43,605,344)	5,462,096	(30,386,705)	2,434,751	(2,344,862)	(174,484)	(91,358)	187,441	6,642,884	-	-	(24,980,026)
On-balance sheet gap												
	5,711,514	5,711,514	-	-	-	-	-	-	-	-	-	-
Off-balance sheet financial instruments												
Commitments in respect of:												
- forward foreign exchange contracts	5,711,514	5,711,514	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap												
	11,173,610	(30,386,705)	2,434,751	(2,344,862)	(174,484)	(355,081)	(91,358)	187,441	6,642,884	-	-	(24,980,026)
Total Yield / Interest Risk Sensitivity Gap												
	11,173,610	(19,213,095)	(16,778,344)	(19,123,206)	(19,297,690)	(19,652,771)	(19,744,129)	(19,556,688)	(12,913,804)	-	-	(37,893,830)
Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities												
2020												
--(Rupees in '000)--												
Total financial assets	74,101,538	-	-	-	-	-	-	-	-	-	-	-
Add: Non financial assets	10,188,303	-	-	-	-	-	-	-	-	-	-	-
Fixed assets	90,459	-	-	-	-	-	-	-	-	-	-	-
Ineligible assets	14,279,245	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	8,998,334	-	-	-	-	-	-	-	-	-	-	-
Other assets	107,657,879	-	-	-	-	-	-	-	-	-	-	-
Total assets as per statement of financial position	117,706,882	-	-	-	-	-	-	-	-	-	-	-
Add: Non financial liabilities	1,138,468	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	118,845,350	-	-	-	-	-	-	-	-	-	-	-
Total liabilities as per statement of financial position	118,845,350	-	-	-	-	-	-	-	-	-	-	-

Effective Yield / Interest Rate	2019										Non-interest bearing financial instruments
	Total	Exposed to Yield / Interest risk									
		Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	

On-balance sheet financial instruments

Assets												
Cash and balances with treasury banks	0% to 1.51%	146,827	-	-	-	-	-	-	-	-	-	5,466,729
Balances with other banks	0% to 11.40%	463,456	-	126,201	61,939	-	-	-	-	-	-	279,214
Lendings to financial institutions	9.00% to 13.00%	991,272	-	-	-	-	-	-	-	-	-	-
Investments	5.24% to 14.24%	-	5,514,242	477,500	4,170,168	2,406,184	1,953,172	3,286,865	899,008	1,091,512	2,160,848	-
Advances	0% to 28%	43,242,325	1,081,615	2,885,008	31,58,484	-	-	-	-	11,938,410	232,276	-
Other assets	-	2,483,440	-	-	-	-	-	-	-	-	-	2,483,440
		75,220,902	2,683,170	3,488,709	7,390,591	2,406,184	1,953,172	3,286,865	899,008	13,029,922	10,613,507	-

Liabilities												
Bills payable	-	-	-	-	-	-	-	-	-	-	-	1,815,836
Borrowings	1.00 % to 13.36%	5,806,016	5,793,690	871,150	-	794	78,890	558,786	224,399	-	-	171,055
Deposits and other accounts	0% to 14.3%	3,777,476	46,577,462	2,328,751	4,631,787	225,433	160,888	106,994	1,300	-	-	30,757,409
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	14.34%	-	-	-	1,495,515	-	-	-	-	-	-	-
Other liabilities	-	4,728,723	-	-	-	-	-	-	-	-	-	4,728,723
		110,112,344	52,371,152	3,199,901	6,127,302	226,217	239,778	665,780	225,699	-	-	37,473,023
On-balance sheet gap		(34,891,442)	(22,901,378)	288,808	1,263,289	2,179,967	1,713,394	2,621,085	673,309	13,029,922	(26,859,516)	-

Off-balance sheet financial instruments

Commitments in respect of:												
- forward foreign exchange contracts		5,507,866	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		5,507,866	-	-	-	-	-	-	-	-	-	-

Total Yield / Interest Risk Sensitivity Gap

		(1,392,456)	(23,901,378)	288,808	1,263,289	2,179,967	1,713,394	2,621,085	673,309	13,029,922	(26,859,516)
Cumulative Yield / Interest Risk Sensitivity Gap		(1,392,456)	(24,293,834)	(24,005,026)	(22,741,737)	(20,561,770)	(18,848,376)	(16,227,291)	(15,553,982)	(2,524,060)	(29,383,576)

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

2019
--(Rupees in '000)--

Total financial assets												
Add: Non financial assets												
Fixed assets		10,180,966										
Intangible assets		148,557										
Deferred tax assets		11,606,393										
Other assets		8,718,720										
Total assets as per statement of financial position		105,875,538										
Total financial liabilities		110,112,344										
Add: Non financial liabilities												
Other liabilities		1,361,417										
Total liabilities as per statement of financial position		111,473,761										

43.3 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Board Risk Management Committee oversees the implementation of operational risk management which is governed by the Operational Risk Management Policy and Procedures of the Bank. In compliance with the regulatory guidelines, a separate unit is established within the Risk Management Division which is responsible for the implementation of the risk management framework across the Bank.

In accordance with the Operational Risk policy and framework, various tools and techniques are being implemented to identify, assess, measure and control operational risk embedded in the exposures, products, systems and processes. These tools include collection of operational loss data, development and monitoring of Key Risk Indicators and Risk Control Self Assessment exercise.

The Bank seeks to manage the operational risk from two perspectives, firstly by way of ensuring compliance of standard operating procedures including defined processes for prevention and detection of any fraud and forgery, and work place safety and security, secondly through contingency planning to ensure continuity of business. Policies and procedures covering all activities in Bank are in place. Besides these, to ensure business continuity, the Bank has implemented Business Continuity Plan (BCP) across the Bank for which BCP and Disaster Recovery Tests are performed on a regular basis. A dedicated Business Continuity Plan was also developed and implemented at head office and branches to ensure business continuity under the COVID-19 pandemic.

The Bank maintains a system of internal controls designed to keep operational risk at appropriate levels, in view of the Bank's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated to conform to the industry best practices.

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

The Bank has set up IT Security Division to manage IT security risk faced by the Bank. The Bank will continue to strengthen its cyber defence mechanism by utilising effective preventive and detective information security measure to counter evolving cyber challenges.

43.4 Liquidity Risk

Liquidity Risk is the risk that the Bank may be unable to meet its payment obligations as they become due, or to fund assets, at a reasonable cost, because of an inability to liquidate assets, or to obtain adequate funding.

The liquidity risk policy of the Bank is formulated keeping in view State Bank guidelines on risk management and best market practice. The Bank's Asset and Liability Committee (ALCO) reviews the liquidity position on a periodic basis. Liquidity Management policy of the Bank aims to maintain adequate liquidity at all times and in all currencies under both normal and stress conditions, to meet the Bank's contractual and potential payment obligations without incurring additional and unacceptable cost to the business. Treasury is responsible for managing liquidity under the guidance of Asset and Liability Committee of the Bank.

The Bank maintains a portfolio of highly marketable assets i.e. Market Treasury Bills, Pakistan Investment Bonds and GoP Ijarah Sukuk, that can either be sold in the open market or funds can be arranged there against under repo arrangements. This is further supported by investments in short term securities. In line with its liquidity risk management policy, the Bank aims to maintain a cushion over and above the minimum statutory liquidity requirement prescribed by SBP for maintaining liquidity reserves to ensure continuity of cash flows.

The Bank uses liquidity gap ladder to assess the liquidity gaps and liquidity needs in different time buckets, under normal and stressed scenarios. Sources of liquidity are regularly reviewed / monitored by the Asset and Liability Committee (ALCO). The ALCO reviews the current economic situation, projected cash flows and asset / liability mix and approves strategy for managing appropriate liquidity. The liquidity risk management policy of the Bank encompasses liquidity contingency plan for actions to be taken in case of liquidity crises.

43.4.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank

		2020											
		(Rupees in '000)											
Total	Up to 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
Assets													
Cash and balances with treasury banks	9,758,279	22,778	107,162	224,297	260,022	230,919	376,156	256,398	282,037	24,999	9,899	18,336	-
Balances with other banks	1,081,894	-	-	167,831	-	-	69,333	15,984	23,976	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	1,929	86,089	88,018	3,160,461	7,035,536	5,032,746	2,035,043	300,100	-	8,807	-	9,921,050	233,581
Advances	-	46,917	43,774	2,772,584	2,552,795	1,935,065	5,304,667	4,692,438	2,121,080	2,275,404	1,098,250	1,302,658	7,637,647
Fixed assets	1,240	7,439	8,679	19,837	37,195	37,195	111,586	111,586	122,411	452,543	452,543	699,206	8,126,843
Intangible assets	28	171	199	456	854	854	2,561	2,561	50,631	10,386	10,386	8,984	2,388
Deferred tax assets	(339)	(12,321)	(12,660)	(25,753)	(51,237)	(51,148)	(159,899)	(16,732)	(14,265)	1,039,663	3,855,905	7,371,225	2,356,806
Other assets	23,988	51,882	347,761	753,739	271,754	204,623	356,980	356,980	356,980	3,418,931	3,418,931	920,384	-
	10,867,019	202,955	582,933	7,073,452	10,106,919	7,390,254	8,096,427	5,719,315	2,942,850	7,220,733	8,845,914	20,241,843	18,357,265
Liabilities													
Bills payable	2,402,870	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	7,668,886	621,633	300,000	407,500	2,172,990	2,598,729	768,731	-	-	65,316	361,620	110,775	223,369
Deposits and other accounts	101,887,584	200,570	943,584	1,974,985	2,289,546	2,033,289	3,312,129	2,257,640	2,483,395	220,121	87,165	161,453	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	1,495,515	-	-	-	-	-	-	-	1,495,515	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	5,390,495	22,615	79,681	152,959	465,158	197,164	133,645	126,430	647,975	661,612	568,460	215,995	2,092,254
	118,845,350	848,750	1,323,265	2,535,444	4,927,694	4,829,182	4,214,505	2,384,070	4,626,885	947,049	1,017,245	488,223	2,315,623
Net assets	(77,520,396)	(645,795)	(740,332)	4,538,008	5,179,225	2,561,072	3,881,922	3,335,245	(1,684,035)	6,283,684	7,828,669	19,753,620	16,041,642
Share capital - net	20,500,194												
Reserves	(425,043)												
Accumulated losses	(36,074,905)												
Surplus on revaluation of assets	4,812,283												
	(11,187,471)												

2019													
	Up to 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
(Rupees in '000)													
Assets													
Cash and balances with treasury banks	4,688,473	60,756	56,286	119,102	67,063	149,358	1,47,600	1,07,943	185,627	14,288	10,197	6,781	82
Balances with other banks	355,551	-	-	387,119	-	-	126,201	-	61,939	-	-	-	-
Lendings to financial institutions	-	99,127	-	-	-	-	-	-	-	-	-	-	-
Investments	1,771	76,669	78,440	156,880	313,760	5,955,381	1,413,239	4,188,623	-	2,443,093	1,990,080	3,357,179	1,984,384
Advances	48,686	28,319	35,880	2,714,137	2,356,519	2,057,247	5,959,754	5,135,121	1,969,548	7,426,845	1,521,210	1,830,457	12,158,602
Fixed assets	1,394	8,364	9,758	22,305	41,822	41,822	125,466	125,466	203,300	508,834	508,834	727,252	7,856,349
Inangible assets	59	351	410	933	1,756	1,756	5,267	5,267	52,747	21,361	21,361	23,110	14,179
Deferred tax assets	(264)	(7,481)	(7,745)	(15,808)	(31,296)	42,925	(99,013)	(12,643)	(15,137)	896,310	3,159,919	5,972,834	1,723,792
Other assets	57,332	927,936	196,842	432,832	528,409	369,671	371,197	354,514	354,514	3,369,561	3,369,543	869,809	-
	5,153,002	2,086,186	369,871	3,817,500	3,278,033	8,618,160	8,049,711	9,904,291	2,812,538	14,680,292	10,581,144	12,787,422	23,737,388
Liabilities													
Bills payable	1,815,836	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	13,504,780	5,450,716	11,000	344,300	3,625,640	2,168,050	871,150	-	-	-	78,890	558,786	224,399
Deposits and other accounts	88,567,490	958,570	888,056	1,879,092	1,058,087	2,356,478	2,328,751	1,703,069	2,928,717	225,423	1,60,888	106,994	1,300
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	1,495,515	-	-	-	-	-	-	-	1,495,515	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	6,090,140	645,014	86,060	327,833	311,096	244,319	518,619	88,699	249,404	959,358	866,803	676,959	1,059,986
	111,473,761	7,054,300	985,116	2,551,225	4,994,823	4,768,847	3,718,520	1,791,768	4,673,636	1,185,575	1,106,581	1,342,739	1,285,685
Net assets	(5,598,223)	(4,968,114)	(615,245)	1,266,275	(1,716,790)	3,849,313	4,331,191	8,112,523	(1,861,098)	13,494,717	9,474,563	11,444,683	22,451,703
Share capital - net	20,500,194												
Reserves	(425,043)												
Accumulated losses	(29,203,728)												
Surplus on revaluation of assets	3,530,354												
	<u>(5,598,223)</u>												

43.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

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

		2020									
		Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
		(Rupees in '000)									
Assets											
Cash and balances with treasury banks	11,571,282	890,202	714,597	415,979	671,918	496,351	17,914	1,401,407	3,526,233	3,436,681	
Balances with other banks	1,359,018	1,249,725	-	69,333	39,960	-	-	-	-	-	
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	
Investments	27,903,360	3,336,498	12,068,281	2,035,043	300,100	8,807	-	9,921,050	1,830	231,751	
Advances	31,783,279	2,863,275	4,487,860	5,304,667	6,813,518	2,275,404	1,098,250	1,302,658	821,582	6,816,065	
Fixed assets	10,188,303	37,195	74,391	111,586	233,997	452,543	452,543	699,206	1,445,817	6,681,025	
Intangible assets	90,459	855	1,707	2,561	53,192	10,386	10,386	8,984	2,388	-	
Deferred tax assets	14,279,245	(51,073)	(102,385)	(159,899)	(30,997)	1,039,663	3,855,905	7,371,225	2,356,806	-	
Other assets	10,482,933	1,177,371	476,377	356,980	713,959	3,418,931	3,418,931	920,384	-	-	
	107,657,879	9,504,048	17,720,828	8,136,250	8,795,647	7,702,085	8,853,929	21,624,914	8,154,656	17,165,522	
Liabilities											
Bills payable	2,402,870	2,402,870	-	-	-	-	-	-	-	-	
Borrowings	7,668,886	1,367,356	4,771,719	768,731	-	65,316	361,620	110,775	223,369	-	
Deposits and other accounts	101,887,584	7,838,414	6,292,176	3,662,784	5,916,383	4,370,473	157,737	12,339,687	31,049,230	30,260,700	
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	
Subordinated debt	1,495,515	-	-	-	1,495,515	-	-	-	-	-	
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	
Other liabilities	5,390,495	281,800	662,323	133,645	774,406	661,612	568,460	215,995	2,092,254	-	
	118,845,350	11,890,440	11,726,218	4,565,160	8,186,304	5,097,401	1,087,817	12,666,457	33,364,853	30,260,700	
Net assets	(11,187,471)	(2,386,392)	5,994,610	3,571,090	609,343	2,604,684	7,766,112	8,958,457	(25,210,197)	(13,095,178)	
Share capital - net	20,500,194										
Reserves	(425,043)										
Accumulated losses	(36,074,905)										
Surplus on revaluation of assets	4,812,283										
	(11,187,471)										

2019										
	Total	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	5,613,556	542,026	339,207	185,566	338,830	61,600	19,888	700,729	1,716,185	1,709,525
Balances with other banks	930,810	742,670	-	126,201	61,939	-	-	-	-	-
Lendings to financial institutions	991,272	991,272	-	-	-	-	-	-	-	-
Investments	21,959,499	313,760	6,269,141	1,413,239	4,188,623	2,443,093	1,990,080	3,357,179	1,984,384	-
Advances	43,242,325	2,827,021	4,413,767	5,959,754	7,104,669	7,426,845	1,521,210	1,830,457	220,192	11,938,410
Fixed assets	10,180,966	41,821	83,644	125,466	328,766	508,834	508,834	727,252	1,476,160	6,380,189
Intangible assets	148,557	1,756	3,509	5,267	58,014	21,361	21,361	23,110	14,179	-
Deferred tax assets	11,606,393	(31,298)	11,629	(99,013)	(27,780)	896,310	3,159,919	5,972,834	2,621,207	(897,415)
Other assets	11,202,160	1,614,942	898,080	371,197	709,028	3,369,561	3,369,543	869,809	-	-
	105,875,538	7,043,970	12,018,977	8,087,677	12,762,089	14,727,604	10,590,835	13,481,370	8,032,307	19,130,709
Liabilities										
Bills payable	1,815,836	1,815,836	-	-	-	-	-	-	-	-
Borrowings	13,504,780	5,977,070	5,793,691	871,150	-	794	78,890	558,786	224,399	-
Deposits and other accounts	88,567,490	8,551,784	5,351,797	2,927,759	5,345,869	971,886	313,783	11,055,703	27,076,995	26,971,914
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	1,495,515	-	-	-	1,495,515	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	6,090,140	1,114,896	555,416	518,619	338,103	959,358	866,803	676,959	1,059,986	-
	111,473,761	17,459,586	11,700,904	4,317,528	7,179,487	1,932,038	1,259,476	12,291,448	28,361,380	26,971,914
Net assets	(5,598,223)	(10,415,616)	318,073	3,770,149	5,582,602	12,795,566	9,331,359	1,189,922	(20,329,073)	(7,841,205)
Share capital - net	20,500,194									
Reserves	(425,043)									
Accumulated losses	(29,203,728)									
Surplus on revaluation of assets	3,530,354									
	(5,598,223)									

43.5 Derivative Risk

The policy guidelines for taking derivative exposures are approved by the Board of Directors (BOD). Bank's Asset and Liability Committee (ALCO) is responsible for reviewing and managing associated risks of the transactions.

The overall responsibility for managing derivatives and sustaining profitability lies with the treasury front office/ Head of Treasury. Treasury middle office (TMO) / market risk management function of the Bank is responsible for monitoring the risk exposure and for analysis of present and potential risk factors arising from the same. The TMO also monitors associated risks in line with the Board of Directors' approved limits / policies and coordinates with the business for necessary approvals of the derivatives risk limits and also produces necessary reports / analysis as may be required.

44. CORRESPONDING FIGURES

Corresponding figures have been re-classified, wherever necessary for the purposes of comparison.

45. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue on November 19, 2021 by the Board of Directors of the Bank.

President / Chief Executive

Chief Financial Officer

Director

Director

Director

**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2020**

S.No.	Name and address of the Borrower	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's Name	Outstanding Liabilities as at January 01, 2020				Principal written-off	Interest / Mark-up written-off / waived	Other financial relief provided	Total
				Principal	Interest / Mark-up	Other than Interest / Mark-up	Total				
1	2	3	4	5	6	7	8	9	10	11	12
(Rupees in '000)											
1	Muhammad Zahid Ali H # 464 GG, St # 23 Phase # DHA Lahore	1. Muhammad Zahid Ali (35202-4374663-1)	1. Sheikh Muhammad Zafar	1,498	295	-	1,793	373	295	-	668
2	Muhammad Jabbar H No B 41 St No 02 Sec I Kha Yaban E Sir Rawalpindi	1. Muhammad Jabbar (37405-455577-9)	1. Sheikh Laal Muhammad	1,996	470	-	2,466	599	470	-	1,069
3	DHA Cogen Ltd.; D - 35 Block 5 Clifton Karachi	1. Brig. Hafeezullah Khan (17201-9503417-9) 2. Col. Asad Nauman (Retd) (42601-7319209-9) 3. Col. Rashid Javed Butt (17201-2298690-5) 4. Col. Mubarak Ali Mazhar (Retd)	1. Nasrullah Khan 2. Saeed-Ur-Rehman Quresh 3. Muhammad Jhangeer Butt 4. Muhammad Sharif 5. Sadiq Ali Hamdani 6. Noor Ul Hasan	324,008	149,149	-	473,157	303,656	149,149	-	452,805
4	D.S.I Pakistan (Pvt) Ltd ; I/6.10 Sector 16 Korangi Industrial Area Karachi.	1. Dawood Moosa Desai (42301-1697255-1) 2. Shabbir Ahmed Desai (42301-2324689-9) 3. Muhammad Amin Desai (42301-8645590-1) 4. Muhammad Sadique Desai (42301-2624784-9) 5. Shahid Mehmood Desai (42301-2625734-9) 6. Iqbal Moosa Desai (42301-4742374-5)	1. Moosa Dawood Desai 2. Moosa Dawood Desai 3. Dawood Desai 4. Shabbir Ahmed Desai 5. Shabbir Ahmed Desai 6. Moosa Dawood Desai	76,979	18,993	-	95,972	29,761	18,993	-	48,754

Annexure-I

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2020

S.No.	Name and address of the Borrower	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's Name	Outstanding Liabilities as at January 01, 2020			Principal written-off	Interest / Mark-up written-off / waived	Other financial relief provided	Total	
				Principal	Interest / Mark-up	Other than Interest / Mark-up					
1	2	3	4	5	6	7	8	9	10	11	12
(Rupees in '000)											
5	DSL Corporation, 11/9-10 Sector 16 Korangi Industrial Zone, Karachi.	1. Dawood Moosa Desai (42301-1697255-1) 2. Shabbir Ahmed Desai (42301-2324689-9) 3. Muhammad Amin Desai (42301-8645590-1) 4. Muhammad Sadique Desai (42301-2624784-9) 5. Shahid Mehmood Desai (42301-2625734-9) 6. Iqbal Moosa Desai (42301-4742374-5)	1. Moosa Dawood Desai 2. Moosa Dawood Desai 3. Dawood Desai 4. Shabbir Ahmed Desai 5. Shabbir Ahmed Desai 6. Moosa Dawood Desai	330,634	66,139	-	396,773	215,790	66,139	-	281,929
6	Al-Abid Silk Mills Limited, A-34/A S.I.T.E., Manghopir Road, Karachi.	1. S.M. Jawed Azam (42201-8147445-3) 2. Naseem A. Sattar (42301-0840043-1) 3. Azim Ahmed (42301-0912143-9) 4. Qamar Mashkooor (42201-6780761-7) 5. Muhammad Sajid Hafeez (42101-3124729-3) 6. Adia Naseem (42301-0783384-4) 7. Sadaf Nadeem (42301-0878886-8)	1. S.M. Farooque Azam 2. Shaikh Abdul Sattar 3. Naseem A. Sattar 4. Mashkooor Ahmed 5. Ejaz Ahmed Siddiqui 6. Naseem A. Sattar 7. Nadeem Younus	387,909	42,158	-	430,067	290,932	42,158	-	333,090
TOTAL				1,123,024	277,204	-	1,400,228	841,111	277,204	-	1,118,315

Annexure - II

ISLAMIC BANKING BUSINESS

The Bank commenced its Islamic Banking Operations in Pakistan on March 07, 2014 and is operating with 14 (2019: 14) Islamic banking branches and 35 (2019: 35) Islamic banking windows at the end of the year.

**STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020**

	2020	2019
Note	----- (Rupees in '000) -----	
ASSETS		
Cash and balances with treasury banks	1,004,828	451,368
Balances with other banks	463	10,907
Due from financial institutions	1 10,158,875	14,201,113
Investments	2 6,435,750	-
Islamic financing and related assets - net	3 3,372,284	3,831,205
Fixed assets	393,982	320,842
Intangible assets	2,415	4,638
Due from Head Office	-	-
Other assets	361,948	409,944
Total Assets	21,730,545	19,230,017
LIABILITIES		
Bills payable	246,818	194,231
Due to financial institutions	4 653,826	250,000
Deposits and other accounts	5 17,358,457	15,448,224
Due to Head Office	-	-
Subordinated debt	-	-
Deferred tax liabilities	14,449	-
Other liabilities	1,738,342	1,794,811
	20,011,892	17,687,266
NET ASSETS	1,718,653	1,542,751
REPRESENTED BY		
Islamic Banking Fund	1,000,000	1,000,000
Reserves	-	-
Surplus on revaluation of assets	26,834	-
Unappropriated/ Unremitted profit	7 691,819	542,751
	1,718,653	1,542,751
CONTINGENCIES AND COMMITMENTS	8	

**ISLAMIC BANKING BUSINESS
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2020**

	2020	2019
Note	----- (Rupees in '000) -----	
Profit / return earned	9 1,865,468	2,101,420
Profit / return expensed	10 883,679	821,890
Net Profit / return	981,789	1,279,530
Other income		
Fee and commission income	43,742	66,229
Dividend income	-	-
Foreign exchange loss	(63,820)	(105,624)
Income / (loss) from derivatives	-	-
Loss on sale of securities	(11,942)	(3,170)
Other income	14,977	10,480
Total other income	(17,043)	(32,085)
Total income	964,746	1,247,445
Other expenses		
Operating expenses	757,118	678,975
Workers' welfare fund	-	-
Other charges	677	702
Total other expenses	757,795	679,677
Profit before provisions	206,951	567,768
Provisions and write offs - net	57,883	650,212
Profit / (loss) before taxation	149,068	(82,444)
Taxation	-	-
Profit / (loss) after taxation	149,068	(82,444)

**ISLAMIC BANKING BUSINESS
NOTES TO THE ANNEXURE II
FOR THE YEAR ENDED DECEMBER 31, 2020**

		In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
I Due from Financial Institutions	Note	----- (Rupees in '000) -----					
Unsecured							
Bai Muajjal Receivable from other Financial Institutions	1.1	10,158,875	-	10,158,875	14,001,113	-	14,001,113
Musharakah	1.2	-	-	-	200,000	-	200,000
		10,158,875	-	10,158,875	14,201,113	-	14,201,113

1.1 This represents Bai Muajjal agreements with conventional operations of Summit Bank Limited and carries profit rate ranging from 6.75% to 9.00% per annum (2019: 13.25% to 13.75% per annum).

1.2 This represented Musharakah placement to a financial institution at mark-up rate of 9.00% per annum that matured on January 2020.

2 Investments

	2020				2019			
	Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value
Investments by segments:	----- (Rupees in '000) -----							
Federal Government Securities:								
- GOP ijarah Sukuks	6,494,443	-	(58,693)	6,435,750	-	-	-	-
Total Investments	6,494,443	-	(58,693)	6,435,750	-	-	-	-

3 Islamic financing and related assets

	Note	2020	2019
		----- (Rupees in '000) -----	
Ijarah	3.1	427,435	636,161
Murabaha	3.2	6,343	8,945
Running Musharakah		654,051	698,301
Diminishing Musharakah		2,337,111	2,516,321
Tijarah		699,998	717,068
Advance against Ijarah		900	-
Qarz-e-Hasna		-	80
Gross Islamic financing and related assets		4,125,838	4,576,876
Less: provision against Islamic financings			
- Specific		(748,025)	(734,190)
- General		(5,529)	(11,481)
		(753,554)	(745,671)
Islamic financing and related assets - net of provision		3,372,284	3,831,205

3.1 Ijarah

	2020						Book Value as at December 31, 2020
	Cost			Accumulated Depreciation			
	As at January 01, 2020	Additions / (deletions)	As at December 31, 2020	As at January 01, 2020	Charge for the year	As at December 31, 2020	
	(Rupees in '000)						
Plant and Machinery	-	-	-	-	-	-	-
Vehicles consumer	695,067	(170,645)	524,422	225,047	956	226,003	298,419
Vehicles corporate	552,445	15,548	567,993	386,304	52,673	438,977	129,016
Equipment	-	-	-	-	-	-	-
Total	1,247,512	(155,097)	1,092,415	611,351	53,629	664,980	427,435

	2019						Book Value as at December 31, 2019
	Cost			Accumulated Depreciation			
	As at January 01, 2019	Additions / (deletions)	As at December 31, 2019	As at January 01, 2019	Charge for the year	As at December 31, 2019	
	(Rupees in '000)						
Plant and Machinery	-	-	-	-	-	-	-
Vehicles consumer	771,595	(76,528)	695,067	138,321	86,726	225,047	470,020
Vehicles corporate	590,237	(37,792)	552,445	304,072	82,232	386,304	166,141
Equipment	-	-	-	-	-	-	-
Total	1,361,832	(114,320)	1,247,512	442,393	168,958	611,351	636,161

Future Ijarah payments receivable

	2020				2019			
	Not later than 1 year	Later than 1 year and less than 5 years	Over Five years	Total	Not later than 1 year	Later than 1 year and less than 5 years	Over Five years	Total
	(Rupees in 000)							
Ijarah rental receivables	199,643	227,792	-	427,435	240,528	395,633	-	636,161

3.2 Murabaha

	Note	2020	2019
		(Rupees in '000)	
Murabaha financing	3.2.1	6,343	8,945
		6,343	8,945
3.2.1 Murabaha receivable - gross	3.2.2	6,910	9,594
Less: Deferred murabaha income	3.2.4	(567)	(649)
Murabaha financings		6,343	8,945

	Note	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
3.2.2 The movement in Murabaha financing during the year is as follows:			
Opening balance		9,594	52,168
Sales during the year		3,395	22,423
Adjusted during the year		(6,079)	(64,997)
Closing balance		<u>6,910</u>	<u>9,594</u>
3.2.3 Murabaha sale price			
		3,395	22,423
Murabaha purchase price		(3,119)	(20,899)
		<u>276</u>	<u>1,524</u>
3.2.4 Deferred murabaha income			
Opening balance		649	35,724
Arising during the year		276	1,524
Less: Recognised during the year		(358)	(36,599)
Closing balance		<u>567</u>	<u>649</u>
4 Due to financial institutions			
Secured			
Acceptances from the SBP under Islamic Export Refinance Scheme	4.1	300,000	250,000
Total secured		<u>300,000</u>	<u>250,000</u>
Unsecured			
Overdrawn nostro accounts		3,826	-
Musharakah	4.2	350,000	-
Total unsecured		<u>353,826</u>	<u>-</u>
		<u>653,826</u>	<u>250,000</u>

4.1 The Bank has entered into an agreement with SBP for extending export finance to its islamic customers. Borrowing under the export refinance scheme of SBP carry profit rate of 2.00% per annum (2019: 2.00% per annum). These are secured against demand promissory notes and are due to mature by March 2021 (2019: March 2020).

4.2 This represents Musharaka acceptance with conventional operations of Summit Bank Limited.

5 Deposits

	2020			2019		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	----- (Rupees in '000) -----					
Customers						
Current deposits	5,408,764	487,500	5,896,264	4,794,164	487,731	5,281,895
Savings deposits	9,657,197	92,844	9,750,041	8,248,534	86,186	8,334,720
Term deposits	1,327,175	73,317	1,400,492	1,152,052	293,686	1,445,738
Margin accounts	174,553	-	174,553	230,383	-	230,383
	16,567,689	653,661	17,221,350	14,425,133	867,603	15,292,736
Financial Institutions						
Current deposits	77,807	127	77,934	77,812	121	77,933
Savings deposits	59,173	-	59,173	77,555	-	77,555
Term deposits	-	-	-	-	-	-
	136,980	127	137,107	155,367	121	155,488
	16,704,669	653,788	17,358,457	14,580,500	867,724	15,448,224

	2020	2019
	----- (Rupees in '000) -----	
5.1 Composition of deposits		
- Individuals	11,693,956	10,851,572
- Government (Federal and Provincial)	851,892	557,777
- Public Sector Entities	13,563	5,494
- Banking Companies	28,654	22,856
- Non-Banking Financial Institutions	313,321	430,836
- Private Sector	4,457,071	3,579,689
	17,358,457	15,448,224

5.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 9,820.715 million (2019: Rs. 9,033.794 million).

	2020	2019
	----- (Rupees in '000) -----	
6 Charity Fund		
Opening Balance	504	1,032
Additions during the year		
- Received from customers on account of delayed payment	2,562	504
- Dividend purification amount	-	-
- Profit on charity saving account	-	-
- Other Non-Shariah compliant income	-	-
	2,562	504
Payments / utilization during the year		
- Education	-	-
- Health	(749)	(1,032)
- Others	-	-
	(749)	(1,032)
Closing Balance	2,317	504
7 Islamic Banking Business Unappropriated Profit		
Opening Balance	542,751	625,195
Add / (less): Islamic Banking profit / (loss) for the year	149,068	(82,444)
Closing Balance	691,819	542,751

	2020	2019
	----- (Rupees in '000) -----	
8 CONTINGENCIES AND COMMITMENTS		
Guarantees	2,137,420	3,962,232
Commitments	1,321,882	1,178,059
Other contingent liabilities	-	-
	<u><u>3,459,302</u></u>	<u><u>5,140,291</u></u>
9 Profit / Return Earned of Financing, Investments and Placement		
Profit earned on:		
Financing	451,379	733,045
Investments	126,064	-
Placements	1,287,624	1,367,791
Balances with banks	401	584
	<u><u>1,865,468</u></u>	<u><u>2,101,420</u></u>
10 Profit on Deposits and other Dues Expensed		
Deposits and other accounts	822,491	762,134
Due to Financial Institutions	33,007	29,111
Finance cost of lease liability	28,181	30,645
	<u><u>883,679</u></u>	<u><u>821,890</u></u>
11 Deposits		

Deposits are generated on the basis of two modes i.e. Qard and Mudaraba.

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

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

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

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

12 Pool Management

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

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

(i) Specific pool

Specific pools are operated for funds acquired / accepted from customers in foreign currencies (FCY) in addition to Pakistani Rupees (PKR) for customers willing to invest in specific sectors / Industry / exposures for want of higher returns. These pools operate in accordance with the rules as specified under general pool disclosure, however, varies in degree of risks associated with the investments / assets. Similarly, for interbank acceptances specific pool(s) based on Musharkah are also maintained by the Bank to meet liquidity requirement of the Bank. SMBL-IBD maintains 10 (Ten) Local Currency (LCY) and 01 (one) Foreign Currency (FCY) specific pools.

(ii) General pool

General pool is the basket in which all the deposits from depositors are placed along with the Bank's own equity as well as funds from other financial institutions. The general pool is based on the principle of unrestricted 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. SMBL-IBD maintains 01 LCY and 01 FCY General pool.

(iii) Treasury pool(s)

Treasury pool(s) may be created from time to time by obtaining funds from financial institutions. Treasury pool will be created on the basis of Mudaraba, Musharakah or Wakalah, as per agreement between Summit Bank and counter party.

Treasury pool may be created for one or more of the following reasons:

- a) Foreseeable major withdrawals by existing depositors;
- b) Expected new disbursement / financing requirement; and
- c) Meeting general liquidity requirement.

In case a major withdrawal has been requested from any depositor in an existing pool, the Bank may arrange funds from financial institution by creating a separate pool. The Bank will transfer matching assets(s) from the pool in which the withdrawal request has been made, to the treasury pool. These pools need to be maintained separately due to its peculiar nature (i.e. liquidity management).

(iv) IERS Pool:

IERS is an SBP program to offer Islamic equivalent of ERF and enables exporters to avail refinance through Islamic Banks under Shariah compliant modes. Summit Islamic Banking has been providing this refinance facility to its customers. Hence, this pool is created for the same purpose on Musharakah basis. The profit distribution works exactly the same as pre agreed profit sharing. As this is structured as Musharakah (partnership) as opposed to Mudarabah (fund management) there is no Mudarib fee sharing mechanism.

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

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

(b) Weightages for distribution of profit in general pool

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

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

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

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

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

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

- depreciation of Ijarah assets;
- cost of sales of inventories;
- Takaful expenses of pool assets;
- taxes (sales tax and service tax levied by the provincial government);
- stamp fee or documentation charges;
- other costs / foreign exchange losses (if ascertainable);
- brokerage fee for purchase of securities/commodities etc.; and
- impairment / losses due to physical damages to specific assets in pools etc.

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

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

(d) Parameters associated with risk and rewards

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

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

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

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

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

	2020	2019
	----- (Rupees in '000) -----	
Avenues / sectors of economy / business where deposits have been deployed*		
Cement	241,379	254,967
Chemical and pharmaceuticals	217,000	218,052
Construction	35,343	47,275
Education	-	11,998
Electronics and electrical appliances	906,223	991,624
Exports / imports	47,192	80,505
GOP Ijarah Sukuks	6,435,750	-
Food, tobacco and beverages	309,383	263,541
Health care	-	11,781
Individuals	418,524	634,738
Miscellaneous manufacturing	237,480	265,978
Paper and allied products	731	1,109
Power (electricity), gas, water, sanitary	-	17,070
Services	632,216	538,940
Sugar	699,998	699,998
Textile	-	2,442
Transport, storage and communication	148,506	181,053
Wholesale and retail trade	10,421	165,437
Others	49,735	49,733
Total gross Islamic financing and related assets and investments	10,389,881	4,436,241
Total lending to financial institutions	10,158,875	14,201,113
Total deployed funds	20,548,756	18,637,354

* Staff financing amounting Rs. 171.707 million (2019: Rs. 140.635 million) is not included as it is financed through Islamic Banking Fund.

Basis of profit allocation

Profit of the general pool has been distributed between Mudarib and Rabbul Maal by using pre-agreed profit sharing ratio. The profit was distributed between Mudarib and Rabbul Maal on the under mentioned profit sharing ratios based upon gross income level less direct expenses.

	Profit sharing ratio	
	LCY Deposits	FCY Deposits
	2020	
	-----%-----	
Rabbul Maal	50%	6%
Mudarib	50%	94%

Mudarib share (in amount and percentage of distributable income)

	2020	2019	2020	2019
	----- (Rupees in '000) -----		%	
Rabbul Maal	785,911	720,143	76%	68%
Mudarib	253,190	346,196	24%	32%
	<u>1,039,101</u>	<u>1,066,339</u>		

Amount and percentage of Mudarib share transferred to depositors through Hiba

	2020	2019
	----- (Rupees in '000) -----	
Mudarib share	231,921	306,313
Hiba	21,268	39,883
	-----%-----	
Hiba percentage of Mudarib share	8	12

Profit rate earned vs profit rate distributed to the depositors during the year ended December 31, 2020

	2020	2019
	-----%-----	
Profit rate earned	9.79%	12.61%
Profit rate distributed to depositors	6.99%	8.01%

CONSOLIDATED FINANCIAL STATEMENTS



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUMMIT BANK LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the annexed consolidated financial statements of Summit Bank Limited and its subsidiary (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to note 1.2 to the consolidated financial statements. As more fully described in that note, the Group has incurred a net loss of Rs. 6,933.787 million (2019: Rs. 9,486.918 million) during the year ended December 31, 2020, resulting in accumulated losses of Rs. 36,144.298 million (2019: Rs. 29,286.726 million) and negative equity of Rs. 11,237.774 million (2019: Rs. 5,665.882 million) as at December 31, 2020. Further, the Group's paid-up capital (net of losses), Capital Adequacy Ratio (CAR) and Leverage Ratio (LR) do not meet the requirements provided by State Bank of Pakistan (SBP) as at December 31, 2020. These conditions indicate the existence of material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. However, the Group is making continued efforts for necessary injection of capital and implementation of the Group's Plan to comply with applicable capital requirements. Our opinion is not qualified in respect of this matter.

Emphasis of Matter

We draw attention to the following matters:

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

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

Key Audit Matters

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

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

S. No.	Key Audit Matters	How the matter was addressed in our audit
		<ul style="list-style-type: none"> Based on the said credit reviews, we identified and discussed with the management the loan accounts where the credit risk appear to have increased. We reviewed the adequacy of provisions against such accounts on the basis of our independent objective evaluation of the risk mitigating factors that exist in such cases; and We also assessed adequacy of disclosures in the consolidated financial statements regarding the non-performing loans and provisions made for the same in accordance with the requirements of the applicable financial reporting framework.
2.	Deferred tax assets	
	<p>The recognition of a deferred tax asset in respect of tax losses is permitted only to the extent that it is probable that future taxable profits will be available to utilize the tax losses carried forward.</p> <p>When considering the availability of future taxable profits, judgement is required when assessing projections of future taxable income which are based on approved business plans/forecasts.</p>	<p>We obtained an understanding and evaluated the design and tested the effectiveness of controls in this area relevant to our audit. We performed substantive audit procedures on the recognition of deferred tax balances based on local tax regulations, and on the analysis of the recoverability of the deferred tax assets in the light of relevant accounting standard.</p> <p>We have evaluated the group's assumptions and estimates in relation to the likelihood of generating sufficient future taxable income based on plans, prepared by the management. We have also assessed previous forecast and compared with the actual outcome for evidence of bias.</p> <p>Finally, we reviewed the adequacy of the disclosures made by the group in this area and recognition / non-recognition of deferred tax asset / liability.</p>
3.	Valuation of investments	
	<p>As at December 31, 2020, the Group has investments classified as "Available-for-sale" amounting to Rs. 27,707.010 million (2019: Rs. 21,709.150 million).</p> <p>Investments are carried at cost or fair value in accordance with the Group's accounting policy relating to their recognition. Provision against investments is based on impairment policy of the Group which includes both objective and subjective factors.</p>	<p>Our procedures in respect of valuation of investments included the following:</p> <ul style="list-style-type: none"> Assessing the design and testing the operating effectiveness of the relevant controls in place relating to valuation of investments; Examining the reasons of significant decline in the carrying value of investments. Checking, on a sample basis, the valuation of investments to supporting documents, observable market and break-up values; and

S. No.	Key Audit Matters	How the matter was addressed in our audit
	We identified the valuation of investments including determination of impairment allowance on investments classified as “Available-for-sale” as a key audit matter because of their significance in relation to the total assets of the Group and judgment/estimates involved in assessing impairment allowance.	<ul style="list-style-type: none"> Evaluating the management’s assessment of available for sale and held to maturity investments for any additional impairment in accordance with the Group’s accounting policies and performed an independent assessment of the assumptions.
4.	Litigations and regulatory requirements	
	There are a number of threatened and actual legal, regulatory and tax cases against the Group. There is a high level of judgement involved in estimating the level of provisioning required.	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> testing key controls surrounding litigation, regulatory and tax procedures; where relevant, reviewing external legal opinions obtained by management; discussing open matters with the Group’s general counsel, litigation, regulatory and tax teams; assessing and challenging management’s conclusions through understanding precedents set in similar cases; and circularizing confirmations where appropriate, to relevant third-party legal representatives.

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

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

BAKERTILLY MEHMOOD IDREES QAMAR
CHARTERED ACCOUNTANTS

Karachi

Date: November 19, 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

	Note	2020 ------(Rupees in '000)-----	2019
ASSETS			
Cash and balances with treasury banks	5	11,571,283	5,613,561
Balances with other banks	6	1,364,826	947,572
Lendings to financial institutions	7	-	991,272
Investments	8	27,707,010	21,709,150
Advances	9	31,784,056	43,242,951
Fixed assets	10	10,225,804	10,220,651
Intangible assets	11	93,018	153,027
Deferred tax assets	12	14,227,494	11,572,394
Other assets	13	10,648,622	11,357,267
		107,622,113	105,807,845
LIABILITIES			
Bills payable	15	2,402,870	1,815,836
Borrowings	16	7,668,886	13,504,780
Deposits and other accounts	17	101,729,751	88,474,564
Liabilities against assets subject to finance lease		-	-
Subordinated debt	18	1,495,515	1,495,515
Deferred tax liabilities		-	-
Other liabilities	19	5,562,865	6,183,032
		118,859,887	111,473,727
NET ASSETS		(11,237,774)	(5,665,882)
REPRESENTED BY			
Share capital - net	20	20,500,194	20,500,194
Reserves		(425,043)	(425,043)
Surplus / (deficit) on revaluation of assets	21	4,831,373	3,545,693
Accumulated losses		(36,144,298)	(29,286,726)
		(11,237,774)	(5,665,882)
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 45 and annexures I and II form an integral part of these consolidated financial statements.

President / Chief Executive

Chief Financial Officer

Director

Director

Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020 ------(Rupees in '000)-----	2019
Mark-up / return / interest earned	23	5,117,878	5,915,333
Mark-up / return / interest expensed	24	6,593,248	7,213,694
Net mark-up / interest (expense)		(1,475,370)	(1,298,361)
NON MARK-UP / INTEREST INCOME			
Fee and commission income	25	501,395	770,953
Dividend income		16,923	38,004
Foreign exchange income		182,906	390,082
Income / (loss) from derivatives		-	-
Loss on securities	26	803,559	(17,198)
Other income	27	58,835	106,870
Total non-markup / interest income		1,563,618	1,288,711
Total income		88,248	(9,650)
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	28	5,234,287	5,534,743
Workers' welfare fund		-	-
Other charges	29	37,803	75,394
Total non-markup / interest expenses		5,272,090	5,610,137
Loss before provisions		(5,183,842)	(5,619,787)
Provisions and write offs - net	30	4,821,180	8,681,372
Extra ordinary / unusual items		-	-
LOSS BEFORE TAXATION		(10,005,022)	(14,301,159)
Taxation	31	(3,071,235)	(4,814,241)
LOSS AFTER TAXATION		(6,933,787)	(9,486,918)
------(Rupees)-----			
Basic loss per share	32	(2.63)	(3.60)
Diluted loss per share	32	(2.63)	(3.60)

The annexed notes 1 to 45 and annexures I and II form an integral part of these consolidated financial statements.

President / Chief Executive

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
	----- (Rupees in '000) -----	
Loss after taxation for the year	(6,933,787)	(9,486,918)
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in deficit on revaluation of investments - net of tax	571,640	1,031,580
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain on defined benefit obligations	(13,972)	1,911
Movement in surplus on revaluation of operating fixed assets - net of tax	574,003	37,299
Movement in surplus on revaluation of non-banking assets - net of tax	230,224	28,753
	790,255	67,963
Total comprehensive loss	(5,571,892)	(8,387,375)

The annexed notes I to 45 and annexures I and II form an integral part of these consolidated financial statements.

President / Chief Executive

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Director

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Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2020

	Capital reserves			Surplus / (deficit) on revaluation of			Revenue reserve	Total
	Share premium	Statutory reserve	Reserve arising on amalgamation	Investments	Fixed / Non banking assets	Property held for sale	Accumulated losses	
	(Rupees in '000)							
Balance as at January 01, 2019	20,500,194	1,000,000	154,162	(1,579,205)	2,911,842	754,510	(19,947,568)	2,721,493
Loss after taxation for the year ended December 31, 2019	-	-	-	-	-	-	(9,486,918)	(9,486,918)
Other comprehensive income - net of tax	-	-	-	1,031,580	66,052	-	1,911	1,099,543
Transfer to statutory reserve	-	-	-	-	-	-	-	-
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to accumulated losses	-	-	-	-	(100,875)	-	100,875	-
Surplus realized on disposal of fixed assets	-	-	-	-	(44,072)	-	44,072	-
Surplus realized on disposal of non-banking assets	-	-	-	-	(902)	-	902	-
Balance as at January 01, 2020	20,500,194	1,000,000	154,162	(1,579,205)	2,832,045	754,510	(29,286,726)	(5,665,882)
Loss after taxation for the year ended December 31, 2020	-	-	-	-	-	-	(6,933,787)	(6,933,787)
Other comprehensive income - net of tax	-	-	-	571,640	804,227	-	(13,972)	1,361,895
Transfer to statutory reserve	-	-	-	-	-	-	-	-
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to accumulated losses	-	-	-	-	(90,187)	-	90,187	-
Surplus realized on disposal of fixed assets	-	-	-	-	-	-	-	-
Surplus realized on disposal of non-banking assets	-	-	-	-	-	-	-	-
Balance as at December 31, 2020	20,500,194	1,000,000	154,162	(1,579,205)	530,778	3,546,085	(36,144,298)	(11,237,774)

The annexed notes I to 45 and annexures I and II form an integral part of these consolidated financial statements.

President / Chief Executive

Chief Financial Officer

Director

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CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
Note	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(10,005,022)	(14,301,159)
Less: Dividend income	(16,923)	(38,004)
	(10,021,945)	(14,339,163)
Adjustments:		
Depreciation on operating fixed assets	10.2 513,784	554,935
Depreciation on right-of-use assets	28 531,872	531,200
Depreciation on non-banking assets	13.1.1 44,126	44,135
Finance cost of lease liability	24 282,575	280,047
Amortization	11.2 61,649	62,205
Provision and write-offs excluding recoveries	4,821,896	8,683,136
Charge for defined benefit plan	28.1 86,634	136,356
Charge for employees compensated absences	28.1 31,173	25,389
Gain on sale of fixed assets	27 (3,336)	(49,072)
Unrealised loss on revaluation of investments classified as held-for-trading securities - net	8.1 -	308
	6,370,373	10,268,639
	(3,651,572)	(4,070,524)
Decrease / (increase) in operating assets		
Lendings to financial institutions	991,272	(991,272)
Held-for-trading securities	5,542	(5,850)
Advances	7,114,327	10,606,671
Others assets (excluding advance taxation)	883,784	809,833
	8,994,925	10,419,382
Increase / (decrease) in operating liabilities		
Bills Payable	587,034	(65,271)
Borrowings from financial institutions	(5,703,062)	(6,151,779)
Deposits	13,255,187	3,900,932
Other liabilities (excluding current taxation)	(580,406)	(480,404)
	7,558,753	(2,796,522)
Payments on account of staff retirement benefits	(144,112)	(50,330)
Income tax paid	(115,340)	(140,517)
Net cash generated from operating activities	12,642,654	3,361,489
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(5,401,408)	(2,391,882)
Dividends received	16,923	38,004
Investments in operating fixed assets	(73,851)	(156,508)
Investments in intangible assets	(3,526)	(5,814)
Proceeds from sale of fixed assets	4,483	274,976
Proceeds from sale of non-banking assets	-	10,000
Net cash used in investing activities	(5,457,379)	(2,231,224)
CASH FLOW FROM FINANCING ACTIVITIES		
Payment of lease liability against right-of-use assets	(677,467)	(785,221)
Net cash used in financing activities	(677,467)	(785,221)
Effect of exchange rate changes on cash and cash equivalents	64,098	167,488
Increase in cash and cash equivalents	6,571,906	512,532
Cash and cash equivalents at beginning of the year	6,325,980	5,877,546
Cash and cash equivalents at end of the year	33 12,897,886	6,390,078

The annexed notes 1 to 45 and annexures I and II form an integral part of these consolidated financial statements

President / Chief Executive

Chief Financial Officer

Director

Director

Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

I. STATUS AND NATURE OF BUSINESS

I.1 The Group comprises of:

I.1.1 Holding Company: Summit Bank Limited

Summit Bank Limited (the Bank) is a banking company incorporated in Pakistan on December 09, 2005 as public company limited by shares under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Bank's registered office is situated at Plot No. 9-C, F-6 Markaz, Supermarket, Islamabad, Pakistan. The Bank is a subsidiary of Suoor Investments Limited, a company incorporated in Mauritius, holding 66.77% of the issued, subscribed and paid up capital of the Bank as at December 31, 2020.

The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and is operating through its 179 Conventional Banking Branches and 14 Islamic Banking Branches (2019: 179 Conventional Banking Branches and 14 Islamic Banking Branches) in Pakistan as defined in the Banking Companies Ordinance, 1962.

In the year 2019, VIS Credit Rating Company Limited suspended the Bank's medium to long-term rating of 'BBB -' (Triple B minus) and short term rating of 'A-3' (A-three) due to non-availability of updated information. VIS Credit Rating Company Limited would reassess the ratings once required information along with latest financials are made available. Moreover, the Bank's TFC rating was assigned 'D' (Default) due to non-payment of its latest mark-up payment on account of lock-in-clause invoked by the Bank under the applicable Regulations of the State Bank of Pakistan (SBP). However, the TFC holders have approved extension in the maturity date of the TFC issue along with payment of all the instalments (mark-up and principal) till October 27, 2022, subject to applicable regulatory approvals and compliances.

I.1.2 Subsidiary

Summit Capital Private Limited - 100 % Shareholding

SCPL, the subsidiary company was incorporated in Pakistan on March 08, 2006 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The subsidiary company is a corporate member /TREC holder of Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited. The principal activities of the subsidiary company are equity and money market brokerage, interbank foreign exchange brokerage, commodity brokerage and research. The registered office of the Subsidiary is situated at 701-702, 7th Floor, Business and Finance Centre, opposite State Bank of Pakistan, I.I. Chundrigar Road, Karachi. The Group acquired interest in SCPL by virtue of amalgamation of Atlas Bank Limited.

- 1.2** During the year, the Group has incurred a net loss of Rs. 6,933.787 million resulting in accumulated losses of Rs. 36,144.298 million and negative equity of Rs. 11,237.774 million. As per the applicable laws and regulations, the Group is required to maintain Minimum Paid-up Capital (net of losses) (MCR) of Rs. 10 billion, Capital Adequacy Ratio (CAR) at 11.50% (inclusive of Capital Conservation Buffer of 1.50%), Leverage Ratio (LR) at 3.00%, Liquidity Coverage Ratio (LCR) at 100% and Net Stable Funding Ratio (NSFR) at 100% as of December 31, 2020. However, the paid up capital of the Group (net of losses), CAR and LR are negative.

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

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

- Injection of capital
- Reaping benefits from the expected growth of Islamic finance in Pakistan since the Group will speed-up the implementation process of its earlier decision of conversion to a full-fledged Islamic bank.
- Recoveries from non-performing advances through strenuous and focused recovery efforts
- Reduction in overall level of non-earning assets held by the Group;
- Identifying opportunities for rationalization of the cost structure;
- Improvement in the risk management and technological infrastructure of the Group to support the business plan
- Investments / exposures in safe avenues for achieving solid growth in the core business income; and
- Income generation through avenues for mark up income and non-mark up income.

In this respect, the Bank had received a letter dated May 20, 2021 from H.E. Nasser Abdulla Hussain Lootah (The Investor) in which The Investor had communicated his intention to acquire at least controlling stake in the Bank by subscribing to fresh equity in the Bank. In compliance with the requirements of Securities Act, 2015 and Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017 applicable to such transactions, this was followed by a public announcement by The Investor of the intention to acquire at least 51% of the issued and paid up capital of the Bank together with the management control.

The Investor has now submitted his offer via a letter dated October 01, 2021, as per the Share Subscription Agreement (SSA) dated October 04, 2021 entered between the Bank and The Investor for the proposed subscription of new ordinary shares in the Bank by way of fresh equity injection Without Rights Offering at a discounted price of Rs. 2.51 per share. The Investor presented the offer as set out in the Share Subscription Agreement which is duly approved by the Board of Directors. The Bank intends to issue total 5,976.096 million new ordinary shares.

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

2. BASIS OF PRESENTATION

2.1 STATEMENT OF COMPLIANCE

These consolidated financial statements represent financial statements of the Holding Company - Summit Bank Limited and its subsidiary. The assets and liabilities of subsidiary have been consolidated on a line-by-line basis and the investment held by the holding company is eliminated against the corresponding share capital of the subsidiary in these consolidated financial statements.

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

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

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

The SBP, vide its BSD Circular Letter no. 10 dated August 26, 2002 has deferred the applicability of and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies till further instructions. The SBP vide BPRD Circular No. 4 of 2015, dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standards (IFAS) 3, Profit and Loss Sharing on Deposits. Further, the SECP 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. Moreover, the SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and has directed all the banks to implement IFRS 9 'Financial Instruments' with effect from January 01, 2021 vide BPRD Circular No. 04 of 2019 dated October 23, 2019. The Bank awaits further instructions from the SBP for applicability of IFRS 9. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

2.3 Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its investment with investee and has the ability to effect these return through its power over the investee.

These consolidated financial statements incorporate the financial statements of subsidiary from the date that control commences until the date that control ceases.

Non-controlling interests are that part of the net results of operations and of net assets of subsidiary attributable to the interest which are not owned by the Group. Material intra-group balances and transactions are eliminated.

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

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

There are certain new and amended standards, interpretation and amendments that are mandatory for the Group's accounting periods beginning on or after January 01, 2020 but are considered not to be relevant or do not have any significant effect on the Group's operations and therefore not detailed in these consolidated financial statements.

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

The following standards, amendments and interpretations as notified under the Companies Act, 2017 will be effective for accounting periods beginning on or after January 01, 2021:

<u>Standard, Interpretation or Amendment</u>	<u>Effective date (annual periods beginning on or after)</u>
IFRS 9 'Financial Instruments'	January 01, 2021
Covid-19 Related Rent concessions - Amendment to IFRS 16	June 01, 2020
Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7 IFRS 4 and IFRS 16	January 01, 2021
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	January 01, 2023
Reference to the Conceptual Framework - Amendments to IFRS 3	January 01, 2022
Property, Plant and Equipment Proceeds before Intended use - Amendments to IAS 16	January 01, 2022
Annual improvement process IAS 41 Agriculture - Taxation in fair value measurements	January 01, 2022
Sale or contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Not yet finalized

During the year, the Group continued to report its impact assessments to the SBP for reporting periods falling under the parallel run, which were based on certain estimates and assumptions considered in the absence of uniform implementation guidance. Based on the results of the parallel run, it is expected that the Bank shall have to consider an additional charge for expected credit losses as part of opening retained earnings, as of the effective date of application of the standard. The Bank has estimated the impact of adoption of IFRS 9 on its financial statements on the date of initial application, which shall be finalized post issuance of and subject to standardisation of implementation guidelines and approaches, from the SBP

2.7 Critical accounting estimates and judgments

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

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

	Note
- Classification and provisioning against investments	4.3, 4.17, 8 and 30
- Classification and provisioning against non-performing loans and advances	4.4, 9 and 30
- Useful lives of fixed and intangible assets, depreciation, amortization and revaluation	4.5.1, 4.5.3.1, 4.6, 10 and 11
- Impairment of assets	4.5.3.1 and 4.17
- Valuation of right-of-use assets and their related lease liability	4.5.3.1 and 4.5.3.2
- Accounting for staff retirement and other benefits	4.13, 35 and 36
- Taxation	4.16 and 31
- Other provisions	4.18
- Fair value of financial instruments	38
- Valuation of non-banking assets	4.7 and 13.1.1
- Remuneration framework and related disclosures	4.12 and 37

3. BASIS OF MEASUREMENT

3.1 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except that certain operating fixed assets and non banking assets in satisfaction of claims are stated at revalued amounts and certain investments and derivative financial instruments have been stated at fair value and defined benefit obligations which are carried at present value.

3.2 Functional and Presentation Currency

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Cash and cash equivalents

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

4.2 Lendings to / borrowings from financial institutions

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

a) Sale of securities under repurchase agreements (Repo)

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

b) Other borrowings

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

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

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

d) Other lendings

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

e) Musharakah

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

f) Bai Muajjal

Bai Muajjal is a transaction in which a party in need of funds purchases an easily 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 recognized at the agreed sale price. The difference between the sale price and the carrying value on the date of disposal is accrued and recorded as income in the consolidated profit and loss account over the period of credit sale.

4.3 Investments

4.3.1 Classification

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

Held-for-trading

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

Held-to-maturity

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

Available-for-sale

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

4.3.2 Regular way contracts

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

4.3.3 Initial recognition and measurement

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

4.3.4 Subsequent measurement

Held-for-trading

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

Held-to-maturity

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

Available-for-sale

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

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

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

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

4.4 Advances

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

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

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

4.5 Fixed assets

4.5.1 Owned

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

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

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

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

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets is recognized in the consolidated profit and loss account in the year when asset is derecognized.

4.5.2 Capital work-in-progress

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

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

4.5.3.1 Right-of-use assets

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

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

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

4.5.3.2 Lease liability against right-of-use assets

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

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

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

4.6 Intangible assets

4.6.1 Intangible assets in use

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

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

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

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

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

4.6.2 Capital work-in-progress

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

4.6.3 Goodwill

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

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

4.7 Non-banking assets acquired in satisfaction of claim

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

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

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

4.10 Deposits

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

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

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

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

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

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

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

4.11 Subordinated debt

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

4.12 Remuneration framework

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

4.13 Staff retirement benefits

4.13.1 Defined contribution plan

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

4.13.2 Defined benefit plan

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

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

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

4.13.3 Employees' compensated absences

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

4.14 Foreign currencies

Foreign currency transactions

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

Translation gains and losses

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

4.15 Revenue recognition

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

4.16 Taxation

Current

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

Prior years

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

Deferred

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

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

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

4.17 Impairment

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

4.18 Other provisions

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

4.19 Off setting

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

4.2 Acceptances

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

4.21 Financial instruments

Financial Assets and Liabilities

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

Derivative financial instruments

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

4.22 Earnings per share

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

4.23 Segment reporting

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

4.23.1 Business segments

Corporate finance

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

Trading and sales

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

Branch banking

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

Islamic banking

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

Brokerage business

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

Others

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

4.23.2 Geographical segments

The Group conducts all its operations in Pakistan.

		2020	2019
	Note	----- (Rupees in '000) -----	
5. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		3,564,782	2,918,525
Foreign currency		545,313	375,536
		4,110,095	3,294,061
With State Bank of Pakistan in			
Local currency current account	5.1	4,800,164	961,761
Foreign currency current account	5.2	440,983	370,395
Foreign currency deposit account	5.3	737,798	146,827
		5,978,945	1,478,983
With National Bank of Pakistan in Local currency current account		868,264	789,312
Prize bonds		613,979	51,205
		11,571,283	5,613,561

- 5.1** These represent current accounts maintained under the Cash Reserve Requirement of the SBP.
- 5.2** These represent foreign currency current accounts maintained under the Cash Reserve Requirement and Special Cash Reserve Requirement of the SBP.
- 5.3** These represent deposit accounts maintained under Special Cash Reserve requirement of the SBP and a US Dollar Settlement account maintained with SBP. These carry mark up at rates ranging from 0.00% to 0.76% (2019: 0.00% to 1.51%) per annum.

		2020	2019
	Note	----- (Rupees in '000) -----	
6. BALANCES WITH OTHER BANKS			
In Pakistan			
In current account		6,457	47,525
In deposit account	6.1	646	76,882
		7,103	124,407
Outside Pakistan			
In current account		1,080,600	247,906
In deposit account	6.2	277,123	575,259
		1,357,723	823,165
		1,364,826	947,572

- 6.1** These represent placements with correspondent banks, carrying interest rate determined with respect to underlying currency benchmark rates ranging from 3.50% to 11.43% per annum (2019: 4.14% to 11.40% per annum).
- 6.2** These represent placements with correspondent banks, carrying interest rate determined with respect to underlying currency benchmark rates ranging from 0.00 % to 4.00 % per annum (2019: 0.00 % to 4.00 % per annum).

		2020	2019
	Note	----- (Rupees in '000) -----	
7. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lending	7.3	-	200,000
Repurchase agreement lendings (Reverse Repo)	7.4	-	791,272
		-	991,272
Less: provision held against Lendings to Financial Institutions		-	-
Lendings to Financial Institutions - net of provision		-	991,272
7.1 Particulars of lending			
In local currency		-	991,272
In foreign currencies		-	-
		-	991,272

7.2 Securities held as collateral against Lendings to Financial Institutions

	2020			2019		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	----- (Rupees in '000) -----					
Market Treasury Bills	-	-	-	791,272	-	791,272

7.2.1 The market value of securities held as collateral against repurchase agreement lendings amounted to Rs. 791.836 million as at December 31, 2019.

7.3 This represented call money lending to a financial institution that carried mark-up rate of 9.00% per annum which matured in January 2020.

7.4 This represented lending against securities to a financial institution that carried mark-up rate of 13.00% per annum which matured in January 2020.

8. INVESTMENTS

8.1 Investments by type:

Held-for-trading securities

Shares

2020				2019			
Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value
(Rupees in '000)							
-	-	-	-	5,850	-	(308)	5,542

Available-for-sale securities

Federal Government Securities

- Market Treasury Bills

- Pakistan Investment Bonds

- GoP Ijarah Sukuks

Shares

- Fully paid up ordinary shares - Listed

- Fully paid up ordinary shares - Unlisted

- Preference shares - Unlisted

Non Government Debt Securities

- Term Finance Certificates

- Sukuk Bonds

15,325,444	-	1,935	15,327,379	3,050,459	-	13,210	3,063,669
299,441	-	9,466	308,907	15,551,796	-	(563,399)	14,988,397
9,981,478	-	(60,428)	9,921,050	1,600,000	-	(16,000)	1,584,000
4,152,347	(2,871,477)	855,329	2,136,199	4,152,347	(2,801,965)	495,065	1,845,447
14,475	(1,000)	-	13,475	14,475	(1,000)	-	13,475
46,035	(46,035)	-	-	46,035	-	-	46,035
1,597,650	(1,597,650)	-	-	1,600,350	(1,437,765)	-	162,585
200,000	(200,000)	-	-	200,000	(200,000)	-	-
31,616,870	(4,716,162)	806,302	27,707,010	26,215,462	(4,440,730)	(71,124)	21,703,608
31,616,870	(4,716,162)	806,302	27,707,010	26,221,312	(4,440,730)	(71,432)	21,709,150

Total Investments

8.2 Investments by segments:

Federal Government Securities

Market Treasury Bills

Pakistan Investment Bonds

GoP Ijarah Sukuks

Shares

Listed Companies

Unlisted Companies

Non Government Debt Securities

Listed

Unlisted

Total Investments

2020				2019			
Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value
(Rupees in '000)							
15,325,444	-	1,935	15,327,379	3,050,459	-	13,210	3,063,669
299,441	-	9,466	308,907	15,551,796	-	(563,399)	14,988,397
9,981,478	-	(60,428)	9,921,050	1,600,000	-	(16,000)	1,584,000
25,606,363	-	(49,027)	25,557,336	20,202,255	-	(566,189)	19,636,066
4,152,347	(2,871,477)	855,329	2,136,199	4,158,197	(2,801,965)	494,757	1,850,989
60,510	(47,035)	-	13,475	60,510	(1,000)	-	59,510
4,212,857	(2,918,512)	855,329	2,149,674	4,218,707	(2,802,965)	494,757	1,910,499
11,316	(11,316)	-	-	14,016	(14,016)	-	-
1,786,334	(1,786,334)	-	-	1,786,334	(1,623,749)	-	162,585
1,797,650	(1,797,650)	-	-	1,800,350	(1,637,765)	-	162,585
31,616,870	(4,716,162)	806,302	27,707,010	26,221,312	(4,440,730)	(71,432)	21,709,150

	2020	2019
	----- (Rupees in '000) -----	
8.2.1 Investments given as collateral - Market Value		
Market Treasury Bills	621,755	-
Pakistan Investment Bonds	-	5,443,670
	<u>621,755</u>	<u>5,443,670</u>
8.3 Provision for diminution in value of investments		
8.3.1 Opening balance	4,440,730	3,156,696
Charge / reversals		
Charge for the year	278,132	1,287,284
Reversals for the year	(2,700)	(3,250)
	275,432	1,284,034
Closing Balance	<u>4,716,162</u>	<u>4,440,730</u>

8.3.2 Particulars of provision against debt securities

Category of classification	2020		2019	
	NPI	Provision	NPI	Provision
	----- (Rupees in '000) -----			
Domestic				
Doubtful	-	-	281,567	118,982
Loss	1,797,650	1,797,650	1,518,783	1,518,783
	<u>1,797,650</u>	<u>1,797,650</u>	<u>1,800,350</u>	<u>1,637,765</u>

8.3.3 Pursuant to the applicable Prudential Regulations, the Group had availed the Forced Sale Value (FSV) benefit of securities / collaterals held against a non-performing investment. Had this FSV benefit not been availed by the Group, the specific provision against investments would have been higher by Nil (2019: Rs. 21.802 million). This had a net of tax positive impact of Nil (2019: Rs. 14.171 million) on the profit and loss account. As per the applicable Prudential Regulations, the positive impact of FSV benefit is not available for distribution either as cash or stock dividend to shareholders and bonus to employees.

8.4 Quality of Available for Sale Securities

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

	Cost	
	2020	2019
----- (Rupees in '000) -----		
8.4.1 Federal Government Securities - Government guaranteed		
Market Treasury Bills	15,325,444	3,050,459
Pakistan Investment Bonds	299,441	15,551,796
GoP Ijarah Sukuks	9,981,478	1,600,000
	25,606,363	20,202,255
8.4.2 Shares		
Listed Companies		
- Cement	1,444,470	1,444,470
- Commercial banks	440,566	440,566
- Cable and electrical goods	7,170	7,170
- Chemical	1,192,904	1,192,904
- Engineering	260,555	260,555
- Glass and ceramics	487,038	487,038
- Investment banks / investment companies / securities companies	94,733	94,733
- Power generation and distribution	124,179	124,179
- Technology and communication	61,304	61,304
- Transport	39,428	39,428
	4,152,347	4,152,347
Preference Shares		
- Sugar and allied industries	46,035	46,035

Unlisted Companies	Breakup Value as at	2020		2019	
		Cost	Breakup value	Cost	Breakup value
----- (Rupees in '000) -----					
Arabian Sea Country Club Ltd	June 30, 2018	1,000	(1,022)	1,000	(1,022)
Pakistan Mortgage Refinance Company Limited	December 31, 2020	1,830	3,070	1,830	2,349
ISE Towers REIT Management Company Limited	June 30, 2020	5,301	46,890	5,301	43,979
LSE Financial Services Limited	June 30, 2020	6,344	19,608	6,344	19,155
		14,475	68,546	14,475	64,461

8.4.3 Non Government Debt Securities

Listed

- Unrated

Unlisted

- Unrated

Cost	
2020	2019
----- (Rupees in '000) -----	
11,316	14,016
1,786,334	1,786,334

9. ADVANCES

	Note	Performing		Non Performing		Total	
		2020	2019	2020	2019	2020	2019
----- (Rupees in '000) -----							
Loans, cash credits, running finances, etc.	9.1	21,994,976	27,028,337	37,785,580	39,955,184	59,780,556	66,983,521
Islamic financing and related assets	9.2	3,264,430	3,767,335	861,408	809,541	4,125,838	4,576,876
Bills discounted and purchased		247,788	549,377	77,089	77,089	324,877	626,466
Advances - gross		25,507,194	31,345,049	38,724,077	40,841,814	64,231,271	72,186,863
Provision against advances							
- Specific		-	-	(32,425,544)	(28,903,404)	(32,425,544)	(28,903,404)
- General		(21,671)	(40,508)	-	-	(21,671)	(40,508)
		(21,671)	(40,508)	(32,425,544)	(28,903,404)	(32,447,215)	(28,943,912)
Advances - net of provision		25,485,523	31,304,541	6,298,533	11,938,410	31,784,056	43,242,951

9.1 Includes Net Investment in finance lease as disclosed below:

	2020				2019			
	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	185,496	190,779	-	376,275	247,490	441,188	-	688,678
Residual value	153,510	89,623	-	243,133	163,803	150,816	-	314,619
Minimum lease payments	339,006	280,402	-	619,408	411,293	592,004	-	1,003,297
Financial charges for future periods	(27,223)	(20,457)	-	(47,680)	(39,022)	(86,809)	-	(125,831)
Present value of minimum lease payments	311,783	259,945	-	571,728	372,271	505,195	-	877,466

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

	2020	2019
	----- (Rupees in '000) -----	
9.3 Particulars of advances (Gross)		
In local currency	63,969,765	71,881,548
In foreign currencies	261,506	305,315
	64,231,271	72,186,863

- 9.4 Advances include Rs. 38,724.077 million (2019: Rs. 40,841.814 million) which have been placed under non-performing status as detailed below:

Category of Classification	2020		2019	
	Non Performing Loans	Provision	Non Performing Loans	Provision
----- (Rupees in '000) -----				
Domestic				
Other Assets Especially Mentioned	7,661	435	8,963	873
Substandard	136,591	11,094	2,057,443	339,271
Doubtful	401,317	57,849	1,668,552	109,872
Loss	38,178,508	32,356,166	37,106,856	28,453,388
	38,724,077	32,425,544	40,841,814	28,903,404

9.5 Particulars of provision against advances

Note	2020			2019		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
Opening balance	28,903,404	40,508	28,943,912	21,502,664	46,988	21,549,652
Charge for the year	4,970,989	-	4,970,989	8,222,910	-	8,222,910
Reversals	(608,556)	(18,837)	(627,393)	(819,338)	(6,480)	(825,818)
	4,362,433	(18,837)	4,343,596	7,403,572	(6,480)	7,397,092
Amounts written off	(840,293)	-	(840,293)	(2,832)	-	(2,832)
Closing balance	32,425,544	21,671	32,447,215	28,903,404	40,508	28,943,912

9.5.1 Particulars of provision against advances

	2020			2019		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
In local currency	32,411,826	21,671	32,433,497	28,889,686	40,508	28,930,194
In foreign currencies	13,718	-	13,718	13,718	-	13,718
	32,425,544	21,671	32,447,215	28,903,404	40,508	28,943,912

- 9.5.2 The general provision against consumer financing is required to be maintained at varying percentages based on the non-performing loan ratio present in the portfolio. These percentages ranges from 1% to 2.5% for secured and 4% to 7% for unsecured portfolio.

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

The Group has availed the Forced Sale Value (FSV) benefit of pledged stocks, mortgaged properties, plant and machinery, shares and Cash Margin / TDRs held as collateral against non-performing advances as allowed under the applicable Prudential Regulations issued by the State Bank of Pakistan. Had the benefit not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 5,988.229 million (2019: Rs. 9,347.484 million). The positive impact on the profit and loss account arising from availing this benefit - net of tax amounts to Rs. 3,892.349 million (2019: Rs. 6,075.865 million). As per the applicable Prudential Regulations, the positive impact of FSV benefit is not available for distribution either as cash or stock dividend to shareholders and bonus to employees.

9.5.3 The SBP had granted relaxation in provisioning requirements in respect of exposure in Dewan Group. Had this relaxation not been available, provision against loans and advances would have been higher by Nil (2019: Rs. 205.502 million).

9.6	PARTICULARS OF WRITE OFFS:	Note	2020	2019
			----- (Rupees in '000) -----	
9.6.1	Against Provisions	9.5	840,293	2,832
	Directly charged to profit and loss account	30	972	89
			<u>841,265</u>	<u>2,921</u>
9.6.2	Write Offs of Rs. 500,000 and above	9.7	841,111	1,641
	- Domestic		154	1,280
	Write Offs of Below Rs. 500,000		<u>841,265</u>	<u>2,921</u>

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

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended December 31, 2020 is given in Annexure - I.

10.	FIXED ASSETS	Note	2020	2019
			----- (Rupees in '000) -----	
	Capital work-in-progress	10.1	7,126	73,364
	Property and equipment	10.2	8,289,430	8,053,631
	Right-of-use assets	10.3	1,929,248	2,093,656
			<u>10,225,804</u>	<u>10,220,651</u>
10.1	Capital work-in-progress			
	Civil works and related payments / progress billings		2,500	68,738
	Advances and other payments to suppliers and contractors		4,626	4,626
	Advances and other payments against capital work in progress considered doubtful		1,158,340	1,158,340
	Less: Provision held there against		(1,158,340)	(1,158,340)
			-	-
			<u>7,126</u>	<u>73,364</u>

10.2 Property and Equipment

	2020						
	Leasehold land	Building on leasehold land	Building improvements	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
	----- (Rupees in '000) -----						
At January 01, 2020							
Cost / Revalued amount	1,469,270	8,347,069	1,834,368	573,216	2,107,068	163,999	14,494,990
Accumulated depreciation / impairment	(5,670)	(3,041,643)	(1,203,376)	(398,251)	(1,667,287)	(125,132)	(6,441,359)
Net book value	<u>1,463,600</u>	<u>5,305,426</u>	<u>630,992</u>	<u>174,965</u>	<u>439,781</u>	<u>38,867</u>	<u>8,053,631</u>
Year ended December 31, 2020							
Opening net book value	1,463,600	5,305,426	630,992	174,965	439,781	38,867	8,053,631
Additions	-	-	76,435	2,253	61,235	166	140,089
Movement in surplus on assets revalued during the year	337,175	315,790	-	-	-	-	652,965
Deficit on revaluation recognised in profit and loss account	-	(42,276)	-	-	-	-	(42,276)
Disposals							
Cost	-	-	(123)	(120)	(8,666)	(3,117)	(12,026)
Accumulated depreciation	-	-	102	120	7,676	2,981	10,879
Write off							
Cost	-	-	-	(84)	(86)	-	(170)
Accumulated depreciation	-	-	-	53	69	-	122
Depreciation charge	-	(163,498)	(113,469)	(30,936)	(187,416)	(18,465)	(513,784)
Other adjustments / transfers	-	(113)	112	1	-	-	-
Closing net book value	<u>1,800,775</u>	<u>5,415,329</u>	<u>594,049</u>	<u>146,252</u>	<u>312,593</u>	<u>20,432</u>	<u>8,289,430</u>
At December 31, 2020							
Cost / Revalued amount	1,806,445	5,415,329	1,910,785	575,267	2,159,692	161,046	12,028,564
Accumulated depreciation / impairment	(5,670)	-	(1,316,736)	(429,015)	(1,847,099)	(140,614)	(3,739,134)
Net book value	<u>1,800,775</u>	<u>5,415,329</u>	<u>594,049</u>	<u>146,252</u>	<u>312,593</u>	<u>20,432</u>	<u>8,289,430</u>
Rate of depreciation (percentage)	-	2.5 - 5	10	10	10 - 30	20	

2019							
Leasehold land	Building on leasehold land	Building improvements	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total	
----- (Rupees in '000) -----							
At January 01, 2019							
Cost / Revalued amount	1,672,965	8,367,747	1,552,315	504,481	2,030,965	192,230	14,320,703
Accumulated depreciation / impairment	(5,670)	(2,889,092)	(1,082,061)	(364,320)	(1,494,785)	(129,158)	(5,965,086)
Net book value	1,667,295	5,478,655	470,254	140,161	536,180	63,072	8,355,617
Year ended December 31, 2019							
Opening net book value	1,667,295	5,478,655	470,254	140,161	536,180	63,072	8,355,617
Additions	-	-	296,864	68,811	113,191	-	478,866
Movement in surplus on assets revalued during the year	-	-	-	-	-	-	-
Deficit on revaluation recognised in profit and loss account	-	-	-	-	-	-	-
Disposals							
Cost	(203,695)	(20,678)	(14,811)	(76)	(36,367)	(28,231)	(303,858)
Accumulated depreciation	-	9,838	12,667	53	30,491	24,905	77,954
Write off							
Cost	-	-	-	-	(721)	-	(721)
Accumulated depreciation	-	-	-	-	708	-	708
Depreciation							
Depreciation charge	-	(162,389)	(133,982)	(33,984)	(203,701)	(20,879)	(554,935)
Other adjustments / transfers	-	-	-	-	-	-	-
Closing net book value	1,463,600	5,305,426	630,992	174,965	439,781	38,867	8,053,631
At December 31, 2019							
Cost / Revalued amount	1,469,270	8,347,069	1,834,368	573,216	2,107,068	163,999	14,494,990
Accumulated depreciation / impairment	(5,670)	(3,041,643)	(1,203,376)	(398,251)	(1,667,287)	(125,132)	(6,441,359)
Net book value	1,463,600	5,305,426	630,992	174,965	439,781	38,867	8,053,631
Rate of depreciation (percentage)	-	2.5 - 5	10	10 - 15	10 - 30	20	

10.2.1 The cost of fully depreciated fixed assets still in use amounts to Rs. 2,311.669 million (2019: Rs. 1,982.818 million).

10.2.2 The carrying amount of idle properties amounts to Rs. 365.506 million (2019: Rs. 306.826 million).

10.2.3 The properties of the Bank were revalued by M/s. Axa Surveyors Pakistan (Pvt.) Ltd, M/s. Pakistan Inspection Company (Pvt.) Ltd. and M/s. Sipra & Company (Pvt.) Ltd as at December 31, 2020 on the basis of their professional assessment of the present market value. The revaluation resulted in an increase of Rs. 652.965 million in the surplus. The total surplus arising against revaluation of fixed assets as at December 31, 2020 amounts to Rs. 4,130.785 million. There was no additional surplus booked on building improvements during the current revaluation exercise. While accounting for revaluation, in accordance with the allowed treatment in IAS-16, the Bank eliminated the accumulated depreciation against the gross carrying amount of the asset.

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

	2020		2019	
	Original Cost	Book Value	Original Cost	Book Value
----- (Rupees in '000) -----				
Leasehold land	827,958	827,958	827,958	827,958
Buildings on leasehold land	4,019,600	2,303,058	4,021,024	2,376,051
Buildings improvements	1,807,167	590,628	1,730,750	628,002

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

Particulars of assets	Cost	Net book value	Sale price	Mode of disposal	Particulars of purchaser
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----- (Rupees in '000) -----

Laptop	77	-	11	Buy Back - As Per Policy	Syed M. Anwar Lutfullah (ex-employee)
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Note ----- **2020** **2019**
----- (Rupees in '000) -----

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

Opening net book value / effect of initial application		2,093,656	2,207,128
Additions		379,984	417,728
Modification - net		(12,520)	-
Depreciation charge	28	(531,872)	(531,200)
Closing net book value		1,929,248	2,093,656

11. INTANGIBLE ASSETS

Capital work-in-progress	11.1	47,928	47,187
Intangible assets in use	11.2	45,090	105,840
		93,018	153,027

11.1 Capital work-in-progress

Advances to suppliers and contractors		47,928	47,187
Advances against capital work in progress considered doubtful		141,224	141,224
Less: Provision held there against		(141,224)	(141,224)
		47,928	47,187

11.2 Intangible assets in use

At January 01, 2020

	Computer softwares	Core deposits	Brand name	Trading Rights Entitlement Certificate	Total
Cost	492,841	209,874	143,838	4,386	850,939
Accumulated amortisation and impairment	(433,923)	(185,327)	(125,849)	-	(745,099)
Net book value	58,918	24,547	17,989	4,386	105,840

Year ended December 31, 2020

Opening net book value	58,918	24,547	17,989	4,386	105,840
Additions:					
- directly purchased	2,785	-	-	-	2,785
Amortisation charge	(26,278)	(20,987)	(14,384)	-	(61,649)
Impairment charge	-	-	-	(1,886)	(1,886)
Closing net book value	35,425	3,560	3,605	2,500	45,090

At December 31, 2020

Cost	495,626	209,874	143,838	4,386	853,724
Accumulated amortisation and impairment	(460,201)	(206,314)	(140,233)	(1,886)	(808,634)
Net book value	35,425	3,560	3,605	2,500	45,090

Rate of amortization (percentage)

20 - 30 10 10

Useful life (years)

3.33 - 5 10 10

2020				
Computer softwares	Core deposits	Brand name	Trading Rights Entitlement Certificate	Total
(Rupees in '000)				

2019				
Computer softwares	Core deposits	Brand name	Trading Rights Entitlement Certificate	Total
(Rupees in '000)				

At January 01, 2019

Cost	480,726	209,874	143,838	4,386	838,824
Accumulated amortisation and impairment	(407,089)	(164,340)	(111,465)	-	(682,894)
Net book value	73,637	45,534	32,373	4,386	155,930

Year ended December 31, 2019

Opening net book value	73,637	45,534	32,373	4,386	155,930
Additions:					
- directly purchased	12,115	-	-	-	12,115
Amortisation charge	(26,834)	(20,987)	(14,384)	-	(62,205)
Closing net book value	58,918	24,547	17,989	4,386	105,840

At December 31, 2019

Cost	492,841	209,874	143,838	4,386	850,939
Accumulated amortisation and impairment	(433,923)	(185,327)	(125,849)	-	(745,099)
Net book value	58,918	24,547	17,989	4,386	105,840

Rate of amortisation (percentage)

20 - 30 10 10

Useful life (years)

3.33 - 5 10 10

11.2.1 The cost of fully amortised intangible assets still in use amounts to Rs. 363.224 million (2019: Rs. 354.350 million).

12. DEFERRED TAX ASSETS

2020			
At January 01, 2020	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2020
----- (Rupees in '000) -----			
Deductible Temporary Differences on			
- Tax losses carried forward	5,889,305	1,958,336	-
- Provision against advances, off balance sheet etc.	5,826,396	1,052,223	-
- Provision for impairment loss - Investment	1,554,256	96,401	-
- Provision against intangible assets	43,107	-	-
- Staff compensated absences	39,589	8,155	-
- Unrealised loss on HFT Portfolio	108	(108)	-
- Unrealized gain on forward exchange contracts	4,294	2,738	-
- Provision against other assets	149,656	-	-
- Minimum tax	553	(477)	-
- Alternative Corporate tax	4,512	-	-
	13,511,776	3,117,268	-
			16,629,044
Taxable Temporary Differences on			
- Deficit on revaluation of investments	30,262	-	(305,786)
- Surplus on revaluation of fixed assets	(1,026,325)	-	(78,962)
- Surplus on revaluation of property - held for sale	(406,274)	-	-
- Surplus on revaluation of non-banking assets	(156,349)	-	(123,967)
- Accelerated tax depreciation	(380,696)	46,547	-
	(1,939,382)	46,547	(508,715)
			(2,401,550)
	11,572,394	3,163,815	(508,715)
			14,227,494
2019			
At January 01, 2019	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2019
----- (Rupees in '000) -----			
Deductible Temporary Differences on			
- Tax losses carried forward	3,811,925	2,077,380	-
- Deficit on revaluation of investments	586,668	-	(556,406)
- Provision against advances, off balance sheet etc.	3,433,882	2,392,514	-
- Provision for impairment loss - Investment	1,104,844	449,412	-
- Provision against intangible assets	43,107	-	-
- Staff compensated absences	36,027	3,562	-
- Unrealised loss on HFT Portfolio	-	108	-
- Provision against other assets	149,656	-	-
- Minimum tax	773	(220)	-
- Alternative corporate tax	4,512	-	-
	9,171,394	4,922,756	(556,406)
			13,537,744
Taxable Temporary Differences on			
- Surplus on revaluation of fixed assets	(1,063,624)	-	37,299
- Surplus on revaluation of property - held for sale	(406,274)	-	-
- Surplus on revaluation of non-banking assets	(141,352)	-	(14,997)
- Accelerated tax depreciation	(382,627)	1,931	-
- Unrealized gain on forward exchange contracts	3,078	1,216	-
	(1,990,799)	3,147	22,302
			(1,965,350)
	7,180,595	4,925,903	(534,104)
			11,572,394

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

	2020	2019
Note	----- (Rupees in '000) -----	
13. OTHER ASSETS		
Income / mark-up accrued in local currency	836,128	1,325,130
Income / mark-up accrued in foreign currency	602	1,768
Advances, deposits, advance rent and other prepayments	410,702	346,680
Advance taxation (payments less provisions)	653,140	630,380
Non-banking assets acquired in satisfaction of claims	13.1 2,616,591	2,768,708
Receivable from other banks against clearing and settlement	165,127	218,053
Mark to market gain on forward foreign exchange contracts	2,331	6,079
Acceptances	266,866	453,864
Stationery and stamps on hand	8,529	9,093
Commission receivable on home remittance	13.2 17,186	162,594
Commission receivable on brokerage	7,731	8,352
Property - held for sale	13.3 3,836,309	3,838,719
Account receivable	96,717	106,839
Others	463,988	523,761
	9,381,947	10,400,020
Less: Provision held against other assets	13.4 (695,012)	(650,249)
Other assets (net of provision)	8,686,935	9,749,771
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	800,903	446,712
Surplus on revaluation of Property - Held for sale	1,160,784	1,160,784
Other assets - total	10,648,622	11,357,267
13.1 Market value of non-banking assets acquired in satisfaction of claims	3,543,178	3,348,341

Non-banking assets acquired in satisfaction of claims have been revalued by independent professional valuer as at December 31, 2020. The revaluation was carried out by M/s. Axa Surveyors Pakistan (Pvt.) Ltd, M/s. Pakistan Inspection Company (Pvt.) Ltd. and M/s. Sipra & Company (Pvt.) Ltd on the basis of professional assessment of present market values and resulted in an increase in surplus by Rs. 354.191 million. The total surplus arising against revaluation of non-banking assets acquired in satisfaction of claims as at December 31, 2020 amounts to Rs. 800.903 million (2019: Rs. 446.712 million).

13.1.1 Non-banking assets acquired in satisfaction of claims

	2020	2019
	----- (Rupees in '000) -----	
Opening balance	2,924,873	2,935,259
Revaluation	354,191	43,749
Deficit on revaluation recognised in profit and loss account	(107,991)	
Disposals	-	(10,000)
Depreciation	(44,126)	(44,135)
Closing balance	<u>3,126,947</u>	<u>2,924,873</u>

13.1.2 Gain on Disposal of Non-banking assets acquired in satisfaction of claims

Disposal proceeds	-	10,000
less		
- Cost	-	(11,606)
- Impairment / Depreciation	-	1,606
	-	(10,000)
Gain	<u>-</u>	<u>-</u>

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

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

13.4 Provision held against other assets

	2020	2019
	----- (Rupees in '000) -----	
Income / mark-up accrued in local currency	1,389	1,389
Advances, deposits, advance rent and other prepayments	79,664	79,664
Non banking assets acquired in satisfaction of claims	290,547	290,547
Commission receivable on guarantees	9,880	9,880
Receivable from Dewan Group	34,436	34,436
Account Receivable - sundry claims	193,950	199,188
Receivable from Speedway Fondmetal (Pakistan) Limited	25,694	25,694
Others	59,452	9,451
	<u>695,012</u>	<u>650,249</u>

13.4.1 Movement in provision held against other assets

Opening balance	650,249	648,388
Charge for the year	50,727	2,317
Reversals	(5,964)	(409)
Amount written off	-	(47)
Closing balance	<u>695,012</u>	<u>650,249</u>

14. CONTINGENT ASSETS

There were no contingent assets at the balance sheet date.

15. BILLS PAYABLE

In Pakistan
Outside Pakistan

	2020	2019
	----- (Rupees in '000) -----	
	2,402,870	1,815,836
	-	-
	<u>2,402,870</u>	<u>1,815,836</u>

16. BORROWINGS

Secured

Borrowings from State Bank of Pakistan

- Under export refinance scheme
- Under Islamic Export Refinance Scheme (IERF)
- Under long-term financing facility
- Refinance facility for modernization of SMEs
- Repurchase agreement borrowings

16.1	5,947,680	6,780,140
16.2	300,000	250,000
16.3	756,850	857,219
16.4	4,500	5,650
16.5	-	5,440,716
	<u>7,009,030</u>	<u>13,333,725</u>

Repurchase agreement borrowings

16.6	621,633	-
	<u>7,630,663</u>	<u>13,333,725</u>

Total secured

Unsecured

Overdrawn nostro accounts

Total unsecured

	38,223	171,055
	<u>38,223</u>	<u>171,055</u>
	<u>7,668,886</u>	<u>13,504,780</u>

- 16.1** The Group has entered into an agreement with SBP for extending export finance to its customers. Borrowing under the export refinance scheme of SBP carry interest at rates ranging from 1.00% to 2.00% per annum (2019: 1.00% to 3.00% per annum). These are secured against demand promissory notes and are due to mature latest by June 2021 (2019: latest by June 2020).
- 16.2** The Group has entered into an agreement with SBP for extending export finance to its islamic customers. Borrowing under the export refinance scheme of SBP carry interest at rate of 2.00% per annum (2019: 2.00% per annum). These are secured against demand promissory notes and are due to mature by March 2021 (2019: March 2020).
- 16.3** These represent borrowings from SBP under scheme for long term financing facility at interest rates ranging from 2.00% to 3.00% per annum (2019: 2.00% to 3.00% per annum) and have varying long term maturities latest due by December 2028 (2019: latest due by December 2028). Under the agreement, SBP has a right to recover the outstanding amount from the Group at the respective maturity dates of each finance by directly debiting current account of the Group maintained by the SBP.
- 16.4** These borrowings have been obtained from the SBP under a scheme to finance modernization of Small and Medium Enterprises by providing financing facilities for setting up of new units, purchase of new plant and machinery for Balancing, Modernization and Replacement (BMR) of existing units at mark up rate of 2.00% per annum (2019: 2.00% per annum), which will mature latest by February 2024 (2019: latest by February 2024).
- 16.5** These represented borrowings from State Bank of Pakistan at mark up rate of 13.36% per annum, which have matured on January 2020.
- 16.6** These represent borrowings from a financial institution at mark-up rate of 6.70% (2019: Nil) per annum, which will mature by January 2021 (2019: Nil).

	2020	2019
	----- (Rupees in '000) -----	
In local currency	7,630,663	13,333,725
In foreign currencies	38,223	171,055
	7,668,886	13,504,780

17. DEPOSITS AND OTHER ACCOUNTS

	2020			2019		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
----- (Rupees in '000) -----						
Customers						
Current deposits	30,040,249	1,300,925	31,341,174	25,059,806	1,390,243	26,450,049
Savings deposits	47,031,067	3,458,103	50,489,170	41,131,498	1,290,353	42,421,851
Term deposits	12,468,055	3,083,754	15,551,809	11,202,150	3,032,909	14,235,059
Others	2,328,540	25,136	2,353,676	3,323,784	24,352	3,348,136
	91,867,911	7,867,918	99,735,829	80,717,238	5,737,857	86,455,095
Financial institutions						
Current deposits	369,795	84,733	454,528	602,199	286,055	888,254
Savings deposits	1,085,346	5	1,085,351	719,084	5	719,089
Term deposits	454,043	-	454,043	412,126	-	412,126
Others	-	-	-	-	-	-
	1,909,184	84,738	1,993,922	1,733,409	286,060	2,019,469
	93,777,095	7,952,656	101,729,751	82,450,647	6,023,917	88,474,564

	2020	2019
	----- (Rupees in '000) -----	
17.1 Composition of deposits		
- Individuals	66,189,670	54,714,365
- Government (Federal and Provincial)	3,614,617	5,557,758
- Public Sector Entities	69,879	54,528
- Banking Companies	1,784,060	1,451,708
- Non-Banking Financial Institutions	2,434,351	2,213,700
- Private Sector	27,637,174	24,482,505
	101,729,751	88,474,564

17.2 Deposits include Eligible Deposits of Rs. 64,532.187 million (2019: Rs. 55,745.364 million) protected under Depositors Protection Mechanism introduced by the State Bank of Pakistan.

17.3 Deposits include USD 13.180 million (2019: Nil) held by H.E. Nasser Abdulla Hussain Lootah (The Investor) in FCY deposit account.

18. SUBORDINATED DEBT

Issue amount	Rs. 1,500,000,000
Issue date	October 27, 2011
Maturity date	October 27, 2021 (2019: October 27, 2020)

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

Recently, the TFC holders of the Bank in their extraordinary meeting held on October 26, 2021 have approved another extension of one year in the tenure of the TFC issue along with the extension in the payments of all redemption amounts (principal and the related mark-up) with the revised maturity date of October 27, 2022. The Bank is currently in the process of ensuring compliance with all the applicable laws, rules and requisite regulatory requirements for seeking final approval from the State Bank of Pakistan.

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

19. OTHER LIABILITIES	Note	2020 ----- (Rupees in '000) -----	2019
Mark-up / return / interest payable in local currency		1,119,107	1,229,525
Mark-up / return / interest payable in foreign currencies		155	459
Unearned income		10,822	8,986
Accrued expenses		94,010	89,293
Advance against sale of property	19.1	364,003	476,544
Acceptances		266,866	453,864
Unclaimed dividends		2,213	2,213
Mark to market loss on forward foreign exchange contracts		22,421	18,348
Payable to defined benefit plan	35.1.7	98,865	134,673
Charity fund balance		2,317	504
Branch adjustment account		101	80
Security deposits against lease		508,291	641,208
Payable to Bangladesh Bank	19.2	41,389	41,389
Payable to Rupali Bank - Bangladesh	19.3	16,293	16,293
Payable to vendors / creditors		214,310	199,376
Provision for compensated absences	35.1.7 & 35.2.7	137,403	113,928
Payable to Bank of Ceylon, Colombo		20,163	20,163
Retention money		2,895	29,374
Workers' welfare fund	19.4	13,360	13,360
Withholding taxes and government levies payable		16,716	26,010
Federal excise duty and sales tax payable		6,485	10,135
Commission payable on home remittances	19.5	9,575	137,909
Lease liability against right-of-use assets	19.6	2,092,254	2,119,682
Account payable		159,360	74,624
Others		343,491	325,092
		5,562,865	6,183,032

19.1 This includes advance received amounting to Rs. 219.303 million (2019: Rs. 346.115 million) against sale of property included in other assets as property - held for sale.

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

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

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

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

19.6 Maturity analysis of lease liability	2020 ----- (Rupees in '000) -----	2019
Not later than one year	516,271	250,972
Later than one year and not later than five years	1,188,908	986,244
Later than five years	387,075	882,466
	2,092,254	2,119,682

20. SHARE CAPITAL - NET

20.1 Authorized Capital

2020	2019		2020	2019
----- (Number of shares) -----			----- (Rupees in '000) -----	
<u>2,800,000,000</u>	<u>2,800,000,000</u>	Ordinary shares of Rs. 10 each	<u>28,000,000</u>	<u>28,000,000</u>

20.2 Issued, subscribed and paid up capital

2020	2019		2020	2019
----- (Number of shares) -----				
		Ordinary shares		
<u>1,459,686,957</u>	<u>1,459,686,957</u>	Fully paid in cash	<u>14,596,869</u>	<u>14,596,869</u>
<u>673,997,721</u>	<u>673,997,721</u>	Issue of shares upon conversion of preference shares	<u>6,739,977</u>	<u>6,739,977</u>
<u>50,000,000</u>	<u>50,000,000</u>	Issued as bonus shares	<u>500,000</u>	<u>500,000</u>
<u>454,466,382</u>	<u>454,466,382</u>	Issued for consideration other than cash	<u>4,544,664</u>	<u>4,544,664</u>
<u>2,638,151,060</u>	<u>2,638,151,060</u>		<u>26,381,510</u>	<u>26,381,510</u>
		Less: Discount on issue of shares	<u>(5,881,316)</u>	<u>(5,881,316)</u>
<u>2,638,151,060</u>	<u>2,638,151,060</u>		<u>20,500,194</u>	<u>20,500,194</u>

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

2020	2019		2020	2019
----- (Number of shares) -----			----- % age holding -----	
<u>1,761,412,119</u>	<u>1,761,412,119</u>	Suroor Investments Limited	<u>66.77%</u>	<u>66.77%</u>

	2020	2019
Note	----- (Rupees in '000) -----	
21. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS		
Surplus / (deficit) on revaluation of		
- Available for sale securities	8.1 806,302	(71,124)
- Fixed assets	21.1 4,130,785	3,568,007
- Non-banking assets acquired in satisfaction of claims	21.2 800,903	446,712
- Property - held for sale	21.3 1,160,784	1,160,784
	6,898,774	5,104,379
Deferred tax on surplus / (deficit) on revaluation of:		
- Available for sale securities	21.1 (275,524)	30,262
- Fixed assets	21.2 (1,105,287)	(1,026,325)
- Non-banking assets acquired in satisfaction of claims	21.3 (280,316)	(156,349)
- Property - held for sale	(406,274)	(406,274)
	(2,067,401)	(1,558,686)
	4,831,373	3,545,693
21.1 Surplus on revaluation of fixed assets		
Surplus on revaluation of fixed assets as at January 01,	3,568,007	3,712,954
Recognised during the year	652,965	-
Realised on disposal during the year - net of deferred tax	-	(42,080)
Transferred to accumulated losses in respect of incremental depreciation charged during the year - net of deferred tax	(58,622)	(65,568)
Related deferred tax liability on surplus realised on disposal	-	(1,992)
Related deferred tax liability on incremental depreciation charged during the year	(31,565)	(35,307)
Surplus on revaluation of fixed assets as at December 31,	4,130,785	3,568,007
Less: related deferred tax liability on:		
- revaluation as at January 01,	(1,026,325)	(1,063,624)
- revaluation recognised during the year	(110,527)	-
- surplus realised on disposal during the year	-	1,992
- incremental depreciation charged during the year	31,565	35,307
	(1,105,287)	(1,026,325)
	3,025,498	2,541,682
21.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims		
Surplus on revaluation as at January 01	446,712	403,865
Recognised during the year	354,191	43,749
Realised on disposal during the year - net of deferred tax	-	(586)
Related deferred tax liability on surplus realised on disposal	-	(316)
Surplus on revaluation as at December 31	800,903	446,712
Less: related deferred tax liability on:		
- revaluation as at January 01	(156,349)	(141,353)
- revaluation recognised during the year	(123,967)	(15,312)
- surplus realised on disposal during the year	-	316
	(280,316)	(156,349)
	520,587	290,363

	2020	2019
Note	------(Rupees in '000)-----	
21.3 Surplus on revaluation of Property - Held for sale		
Surplus on revaluation as at January 01	1,160,784	1,160,784
Recognised during the year	-	-
Surplus on revaluation as at December 31	1,160,784	1,160,784
Less: related deferred tax liability on:		
- revaluation as at January 01	(406,274)	(406,274)
- revaluation recognized during the year	-	-
	(406,274)	(406,274)
	<u>754,510</u>	<u>754,510</u>
22. CONTINGENCIES AND COMMITMENTS		
Guarantees	22.1 10,938,046	19,912,355
Commitments	22.2 15,807,831	24,318,660
Other contingent liabilities	22.3 18,337,923	11,632,928
	<u>45,083,800</u>	<u>55,863,943</u>
22.1 Guarantees:		
Financial guarantees	20,470	23,677
Performance guarantees	9,486,981	16,025,962
Other guarantees	1,430,595	3,862,716
	<u>10,938,046</u>	<u>19,912,355</u>
22.2 Commitments:		
Documentary credits and short-term trade-related transactions		
- letters of credit	2,428,147	6,953,447
Commitments in respect of:		
- forward foreign exchange contracts	22.2.1 5,711,514	5,507,866
- forward lending	22.2.2 6,902,916	6,198,509
- operating leases	22.2.3 36,057	46,310
Commitments for acquisition of:		
- operating fixed assets	2,338	75,637
- intangible assets	105,226	96,175
Other commitments	22.2.4 621,633	5,440,716
	15,807,831	24,318,660

22.2.1 Commitments in respect of forward foreign exchange contracts	Note	2020	2019
		------(Rupees in '000)-----	
Purchase		5,229,005	4,815,225
Sale		482,509	692,641
		<u>5,711,514</u>	<u>5,507,866</u>
22.2.2 Commitments in respect of forward lending			
Forward documentary bills		5,138,777	4,465,388
Undrawn formal standby facilities, credit lines and other commitments to lend	22.2.2.1	1,764,139	1,733,121
		<u>6,902,916</u>	<u>6,198,509</u>
22.2.2.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Group without the risk of incurring significant penalty or expense.			
		2020	2019
		------(Rupees in '000)-----	
22.2.3 Commitments in respect of operating leases			
Not later than one year		36,057	46,310
Later than one year and not later than five years		-	-
Later than five years		-	-
		<u>36,057</u>	<u>46,310</u>
22.2.4 Other commitments			
Purchase (Repo)		621,633	5,440,716
22.3 Other contingent liabilities - claims against the Group not acknowledged as debts		<u>18,337,923</u>	<u>11,632,928</u>

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

22.5 Contingency for tax payable

Contingency related to tax payable is disclosed in note 31.2.

	Note	2020 ------(Rupees in '000)-----	2019
23. MARK-UP / RETURN / INTEREST EARNED			
On:			
Loans and advances		2,880,015	4,490,090
Investments		2,175,487	1,338,081
Lendings to financial institutions		47,234	57,579
Balances with banks		15,142	29,583
		<u>5,117,878</u>	<u>5,915,333</u>
24. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		5,021,435	5,030,210
Borrowings		668,910	1,166,677
Subordinated debt		190,325	214,510
Cost of foreign currency swaps against foreign currency deposits / borrowings		430,003	522,250
Finance cost of lease liability		282,575	280,047
		<u>6,593,248</u>	<u>7,213,694</u>
25. FEE AND COMMISSION INCOME			
Branch banking customer fees		17,446	29,485
Consumer finance related fees		9,477	3,113
Card related fees (debit cards)		61,658	108,016
Credit related fees		5,393	11,866
Investment banking fees		23,972	32,121
Commission on trade		176,622	221,984
Commission on guarantees		117,204	164,964
Commission on cash management		1,619	3,456
Commission on remittances including home remittances		13,817	51,617
Commission on bancassurance		1,112	2,028
Commission on Benazir Income Support Programme		1	66,016
Commission on brokerage		66,868	54,766
Alternate delivery channels (ADC)		5,912	19,118
Others		294	2,403
		<u>501,395</u>	<u>770,953</u>
26. GAIN / (LOSS) ON SECURITIES			
Realised	26.1	803,559	(16,890)
Unrealised - held for trading	8.1	-	(308)
		<u>803,559</u>	<u>(17,198)</u>
26.1 Realised gain / (loss) on:			
Federal Government Securities		801,192	(28,278)
Shares		2,367	11,388
		<u>803,559</u>	<u>(16,890)</u>

27. OTHER INCOME

	2020	2019
	----- (Rupees in '000) -----	
Rent on property / locker	22,628	21,225
Gain on sale of fixed assets - net	3,336	49,072
Gain on sale of ijarah assets	8,645	4,027
Account maintenance and other relevant charges	10,435	18,410
Recovery of expenses from customers	11,057	13,836
Gain on cancellation of sale contract	2,691	-
Others	43	300
	58,835	106,870
	58,835	106,870

28. OPERATING EXPENSES	Note	2020 ------(Rupees in '000)-----	2019
Total compensation expense	28.1	1,864,122	1,822,106
Property expense			
Rent and taxes		142,775	148,264
Insurance - Property		5,030	5,077
Insurance - Non Banking Assets		539	109
Utilities cost		238,499	260,198
Security (including guards)		195,872	165,891
Repair and maintenance (including janitorial charges)		136,991	108,791
Depreciation on owned fixed assets	10.2	276,968	296,371
Depreciation on right-of-use assets	10.3	531,872	531,200
Depreciation on non banking assets	13.1.1	44,126	44,135
		1,572,672	1,560,036
Information technology expenses			
Software maintenance		86,614	60,492
Hardware maintenance		101,270	68,844
Depreciation on computer equipments	10.2	93,248	108,185
Amortisation of computer softwares	11.2	26,278	26,834
Network charges		89,411	90,725
Insurance		1,585	1,211
		398,406	356,291
Other operating expenses			
Directors' fees and allowances		8,850	750
Fees and allowances to Shariah Board		9,140	4,800
Legal and professional charges		133,442	380,766
Outsourced services costs		157,603	135,177
Travelling and conveyance		151,451	166,241
NIFT clearing charges		24,315	29,622
Depreciation	10.2	143,568	150,379
Amortisation of core deposit and brand name	11.2	35,371	35,371
Training and development		3,111	5,497
Postage and courier charges		35,997	43,134
Communication		47,477	45,915
Stationery and printing		83,276	119,742
Marketing, advertisement and publicity		10,389	29,495
Brokerage and commission		542	2,226
Fee and subscription		87,216	101,608
Cash transportation and sorting charges		78,664	95,930
Entertainment		32,096	34,615
Insurance		134,429	149,003
Deposit insurance premium expense		106,152	103,543
Repair and maintenance		83,977	92,499
Auditors' remuneration	28.2	14,390	14,523
Others		17,631	55,474
		1,399,087	1,796,310
		5,234,287	5,534,743

The total cost for the year included in other operating expenses relating to outsourced activities is Rs. 58.997 million (2019: Rs. 72.452 million). This cost pertains to companies incorporated in Pakistan. This includes payments other than outsourced services cost, which are disclosed above.

	Note	2020 ------(Rupees in '000)-----	2019
28.1 Total compensation expense			
Fees and allowances etc.		20,221	38,801
Managerial remuneration			
i) Fixed		1,139,709	1,069,919
ii) Variable			
of which;			
a) Cash bonus / awards etc.		5,793	4,804
b) Incentives and commission		5,230	5,586
Charge for defined benefit plan	35.1.8.1 & 35.2.5	86,634	136,356
Contribution to defined contribution plan	36	70,923	59,910
Charge for employees compensated absences	35.1.8.1 & 35.2.7	31,173	25,389
Rent and house maintenance		346,190	330,046
Utilities		76,944	73,339
Medical		80,765	77,441
Employee old age benefit institution		540	515
Total		1,864,122	1,822,106
28.2 Auditors' remuneration			
Audit fee		4,242	3,995
Fee for other statutory certifications		3,899	4,375
Fee for audit of employee funds		178	178
Special certifications and sundry advisory services		4,859	4,714
Out-of-pocket expenses		1,212	1,261
		14,390	14,523
29. OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		15,746	52,215
Penalties imposed by SECP		300	-
Bank charges		21,757	23,179
		37,803	75,394
30. PROVISIONS AND WRITE OFFS - NET			
Provisions for diminution in value of investments	8.3.1	275,432	1,284,034
Provisions against loans and advances	9.5	4,343,596	7,397,092
Provision against other assets	13.4.1	44,763	1,908
Deficit on revaluation of fixed assets	10.2	42,276	-
Deficit on revaluation of non banking assets	13.1.1	107,991	-
Fixed assets written off	10.2	48	13
Bad debts written off directly	9.6.1	972	89
Provision against intangible assets	11.2	1,886	-
Other provision / operational loss		4,932	-
Balances with other banks written off		-	30
Recovery of written off / charged off bad debts		(716)	(1,794)
		4,821,180	8,681,372
31. TAXATION			
Current	31.1 & 31.2	92,580	111,505
Prior years		-	157
Deferred	12	(3,163,815)	(4,925,903)
		(3,071,235)	(4,814,241)

- 31.1** This represents the provision for minimum taxation made in accordance with the requirements of section 113 of the Income Tax Ordinance, 2001. Therefore, reconciliation of tax expense and accounting profit / loss has not been disclosed.
- 31.2** The Income Tax Returns of the Bank and its subsidiary have been submitted up to and including financial year ended December 31, 2018 i.e. tax year 2019.

In respect of assessments of Summit Bank Limited from tax year 2008 to tax year 2014, the tax authorities disputed the Bank's treatment on certain issues and created an additional tax demand (net of rectification) of Rs. 230.52 million through amended assessment orders and the same have been paid / adjusted against available refunds.

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

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

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

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

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

32. BASIC AND DILUTED LOSS PER SHARE	Note	2020 ----- (Rupees in '000) -----	2019
Loss for the year		(6,933,787)	(9,486,918)
		2020 ----- (Number of shares) -----	2019
Weighted average number of ordinary shares - Basic		2,638,151,060	2,638,151,060
		2020 ----- (Rupees) -----	2019
Basic loss per share		(2.63)	(3.60)
		2020 ----- (Number of shares) -----	2019
Weighted average number of ordinary shares - Diluted	32.1	2,638,151,060	2,638,151,060
		2020 ----- (Rupees) -----	2019
Diluted loss per share		(2.63)	(3.60)
32.1 There are no potential ordinary shares outstanding as of December 31, 2020.		2020	2019
33. CASH AND CASH EQUIVALENTS	Note	-----(Rupees in '000)-----	
Cash and balances with treasury banks	5	11,571,283	5,613,561
Balances with other banks	6	1,364,826	947,572
Overdrawn nostro accounts	16	(38,223)	(171,055)
		12,897,886	6,390,078

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

2020						
Liabilities		Equity			Total	
Sub-ordinated debt	Other liabilities	Share Capital	Reserves	Accumulated losses		
----- (Rupees in '000) -----						
Balance as at January 01, 2020	1,495,515	6,183,032	20,500,194	(425,043)	(29,286,726)	(1,533,028)
Changes from financing cash flows						
Payment of lease liability against right-of-use-assets	-	(677,467)	-	-	-	(677,467)
	-	(677,467)	-	-	-	(677,467)
Liability related other changes						
Changes in other liabilities						
- Cash based	-	(580,406)	-	-	-	(580,406)
- Non cash based	-	637,706	-	-	-	637,706
Total liability related other changes	-	57,300	-	-	-	57,300
Equity related other changes	-	-	-	-	(6,857,572)	(6,857,572)
Balance as at December 31, 2020	1,495,515	5,562,865	20,500,194	(425,043)	(36,144,298)	(9,010,767)
2019						
Liabilities		Equity			Total	
Sub-ordinated debt	Other liabilities	Share Capital	Reserves	Accumulated losses		
----- (Rupees in '000) -----						
Balance as at January 01, 2019	1,495,515	4,434,250	20,500,194	(425,043)	(19,947,568)	6,057,348
Changes from financing cash flows						
Payment of lease liability against right-of-use-assets	-	(785,221)	-	-	-	(785,221)
	-	(785,221)	-	-	-	(785,221)
Liability related other changes						
Changes in other liabilities						
- Cash based	-	(480,404)	-	-	-	(480,404)
- Non cash based	-	3,014,407	-	-	-	3,014,407
Total liability related other changes	-	2,534,003	-	-	-	2,534,003
Equity related other changes	-	-	-	-	(9,339,158)	(9,339,158)
Balance as at December 31, 2019	1,495,515	6,183,032	20,500,194	(425,043)	(29,286,726)	(1,533,028)

34. STAFF STRENGTH	2020	2019
	----- (Number of employees) -----	
Permanent	1,727	1,708
On Group contract	64	77
Group's own staff strength at the end of the year	1,791	1,785

34.1 In addition to the above, 430 (2019: 417) employees of outsourcing services companies were assigned to the Group as at the end of the year to perform services other than guarding and janitorial services.

35. DEFINED BENEFIT PLAN

35.1 Holding Company - Summit Bank Limited

35.1.1 General description

The Holding Company maintains two schemes under defined benefit plan:

- **A funded gratuity plan** - under which benefits are payable to eligible employees on retirement or on cessation of services in lump sum. The benefit is equal to one month's last drawn basic salary for each year of confirmed service, subject to a minimum of five years of service.

- **A unfunded employee compensated absences scheme** - under which benefits are payable to permanent and contractual employees on retirement or at the time of their final settlement. The benefit is equal to a maximum of 45 days gross salary subject to availability of privilege leaves balance.

The actuarial valuation of the funded and unfunded scheme is carried out periodically. Latest actuarial valuation was carried out as at December 31, 2020 using 'Projected Unit Credit Method'.

35.1.2 Number of Employees under the scheme

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

	2020	2019
	----- (Number) -----	
- Gratuity fund	1,677	1,728
- Employees Compensated Absences	1,738	1,728

35.1.3 Principal actuarial assumptions

Latest actuarial valuation was carried out as at December 31, 2020 using 'Projected Unit Credit Method'.

	2020	2019	2020	2019
	Employees compensated absences (Unfunded)		Gratuity fund (Funded)	
	----- (Per annum) -----			
Discount rate	9.75%	11.25%	9.75%	11.25%
Discount rate for profit and loss	11.25%	13.25%	11.25%	13.25%
Expected rate of salary increase	9.75%	10.25%	9.75%	10.25%
Expected rate of return on plan assets	-	-	9.75%	11.25%
Leave accumulation factor - per annum	10 days	10 days	-	-
Withdrawal rates	Moderate	Moderate	Moderate	Moderate
Mortality rates	SLIC 2001-05	SLIC 2001-05	SLIC 2001-05	SLIC 2001-05

35.4 Reconciliation of payable to defined benefit plans

	2020	2019	2020	2019
	Employees compensated absences (Unfunded)		Gratuity fund (Funded)	
	----- (Rupees in '000) -----			
Present value of obligations	132,130	109,592	561,442	449,662
Fair value of plan assets	-	-	(462,577)	(314,989)
Payable	132,130	109,592	98,865	134,673

35.1.5 Movement in defined benefit obligations

Obligations at the beginning of the year	109,592	101,082	449,662	343,131
Current service cost	2,176	3,835	59,043	61,173
Past service cost	-	-	(1,965)	71,704
Interest cost	11,904	12,264	49,232	41,445
Benefits paid by the holding company	(7,560)	(17,053)	(24,095)	(60,674)
Re-measurement loss / (gain)	16,018	9,464	29,565	(7,117)
Obligations at the end of the year	132,130	109,592	561,442	449,662

35.1.6 Movement in fair value of plan assets

Fair value at the beginning of the year	-	-	314,989	309,773
Interest income on plan assets	-	-	20,828	39,235
Contribution by the holding company - net	-	-	110,578	(27,316)
Re-measurements: Net return on plan assets over interest income (loss) / gain	35.1.8.2	-	16,182	(6,703)
Fair value at the end of the year	-	-	462,577	314,989

35.1.7 Movement in payable under defined benefit schemes

Opening balance	109,592	101,082	134,673	33,358
Charge for the year	30,098	25,563	85,482	135,087
Contribution by the holding company - net	-	-	(110,578)	27,316
Re-measurement (gain) recognised in OCI during the year	35.1.8.2	-	13,383	(414)
Benefits paid by the holding company	(7,560)	(17,053)	(24,095)	(60,674)
Closing balance	132,130	109,592	98,865	134,673

2020	2019	2020	2019
Employees compensated absences (Unfunded)		Gratuity fund (Funded)	
----- (Rupees in '000) -----			

35.8 Charge for defined benefit plans

35.8.1 Cost recognised in profit and loss

Current service cost	18,194	13,299	59,043	61,173
Past service cost	-	-	(1,965)	71,704
Net interest on defined benefit asset / liability	11,904	12,264	28,404	2,210
	30,098	25,563	85,482	135,087

35.1.8.2 Re-measurements recognised in OCI during the year

Loss / (gain) on obligation				
- Financial assumptions	-	-	42,862	(4,580)
- Demographic assumptions	-	-	(4,806)	3,071
- Experience adjustment	-	-	(8,491)	(5,608)
Return on plan assets over interest income	-	-	(16,182)	6,703
Total re-measurements recognised in OCI	-	-	13,383	(414)

35.1.9 Components of plan assets

Cash and cash equivalents - net	-	-	425,568	281,001
Mark-up / profit receivable	-	-	37,009	33,988

35.1.10 Sensitivity analysis

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

	Change in assumption	Employees compensated absences (Unfunded)		Gratuity fund (Funded)	
		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
----- (Rupees in '000) -----					
Discount rate	+ - 1%	(10,103)	11,598	(44,228)	50,532
Salary increase rate	+ - 1%	10,836	(9,630)	52,824	(46,968)
Withdrawal rate	+ - 10%	(131)	131	(499)	512
Leave accumulation factor	+ - 1 day	176	(207)	-	-

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

The Holding Company contributes to the employee Compensated absences and gratuity funds according to the actuary's advice.

2020	
Employees compensated absences	Gratuity fund
----- (Rupees in '000) -----	
14,479	76,205
8.15	8.44

Expected charge for the next financial year

35.1.12 Maturity profile

The weighted average duration of the obligation (in years)

35.1.13 Funding Policy

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

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

Investment Risks:

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

Longevity Risks:

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

Salary Increase Risk:

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

Withdrawal Risk:

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

Asset Volatility:

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

Changes in bond yields:

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

Inflation risk:

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

35.2 Subsidiary - Summit Capital (Private) Limited

35.2.1 General description

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

The cost of providing benefits under gratuity fund is determined using the Projected Unit Credit method, with actuarial valuation being carried out as at balance sheet date. The latest valuation was carried out as on December 31, 2020.

35.2.2 Principal actuarial assumptions

The following principal assumptions were used for the valuation:

	2020	2019
	----- % per annum -----	
Estimated rate of increase in salary of employees - percent, per annum (%)	13.00	13.00
Expected rate of return on plan assets - percent, per annum (%)	13.00	13.00
Discount rate - per annum (%)	10.25	13.00

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

	2020	2019
	----- (Rupees in '000) -----	
Present value of defined benefit obligation	15,375	12,479
Fair value of plan assets	(15,375)	(12,479)
Asset / liability recognized in balance sheet	-	-

35.2.4 Movement in net liability recognized

Opening net (asset) / liability	-	-
Expense recognized	1,152	1,269
Other comprehensive income (OCI)	589	(1,497)
Contribution paid to the fund during the year	(1,741)	228
Closing net (asset) / liability	-	-

35.2.5 Expense recognized in the profit and loss account

Current service cost	1,265	1,257
Net interest	(113)	12
	1,152	1,269

35.2.6 Sensitivity analysis on significant actuarial assumptions

	Change in assumption	Impact on present value of DBO	
		Increase in assumption	Decrease in assumption
		----- (Rupees in '000) -----	
Discount Rate	± 1 %	13.898	17.162
Salary Increase Rate	± 1 %	17.218	13.765
Withdrawal Rate	± 1 %	15.362	15.389
1 year mortality age set	Back/Forward	15.373	15.378

35.2.7 Provision for staff compensated absences

	2020	2019
	----- (Rupees in '000) -----	
Opening balance	4,336	4,657
Charge / (reversal) for the year	1,075	(174)
Encashment during the year	(138)	(147)
Closing balance	5,273	4,336

36. DEFINED CONTRIBUTION PLAN

36.1 Holding Company - Summit Bank Limited

An amount of Rs. 68.022 million (2019: Rs. 57.094 million) has been charged during the year in respect of contributory provident fund maintained by the Holding Company.

36.2 Subsidiary Company - Summit Capital (Private) Limited

An amount of Rs. 2.901 million (2019: Rs. 2.816 million) has been charged during the year in respect of contributory provident fund maintained by the Subsidiary Company.

37. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

37.1 Total Compensation Expense

Items	2020						
	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Executives (other than CEO)	Non- Executives				
(Rupees in '000)							
Fees and allowances etc.	1,800	-	7,050	9,140	-	-	-
Managerial remuneration							
i) Fixed	-	4,838	-	2,139	13,211	67,403	26,389
ii) Total variable							
of which							
a) Cash bonus / awards	-	-	-	-	-	79	3,578
b) Commission	-	-	-	-	-	2,270	-
Contribution to defined contribution plan	-	484	-	77	1,321	6,232	2,530
Rent and house maintenance	-	2,177	-	813	5,945	30,332	11,875
Utilities	-	484	-	181	1,321	6,740	2,639
Dearness allowance	-	807	-	301	2,202	8,895	4,399
Medical	-	484	-	181	1,321	5,596	2,639
Conveyance	-	723	-	329	-	10,522	6,532
Car allowance	-	1,704	-	280	-	16,666	10,708
General / special allowance	-	-	-	-	27	5,636	290
Relocation allowance	-	-	-	-	-	2,026	662
Others	-	-	-	-	-	180	170
Total	1,800	11,701	7,050	13,441	25,348	162,577	72,411
Number of persons	2 *	1	5 **	5	1	29	19

* Number of persons include outgoing Chairman.

** Number of persons include outgoing Non-Executives Directors.

2019							
Items	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Executives (other than CEO)	Non- Executives				
(Rupees in '000)							
Fees and allowances etc.	50	-	700	4,800	-	-	-
Managerial remuneration							
i) Fixed	-	380	-	3,639	13,211	63,576	32,250
ii) Total variable							
of which							
a) Cash bonus / awards	-	-	-	-	-	674	2,282
b) Commission	-	-	-	-	-	855	-
Contribution to defined contribution plan	-	38	-	63	1,321	5,234	3,029
Rent and house maintenance	-	171	-	1,637	5,945	28,609	14,512
Utilities	-	38	-	364	1,321	6,358	3,225
Dearness allowance	-	63	-	607	2,202	8,587	5,376
Medical	-	38	-	364	1,321	5,381	3,225
Conveyance	-	67	-	653	-	10,503	8,051
Car allowance	-	142	-	552	-	14,531	12,486
General / special allowance	-	-	-	-	27	4,168	1,599
Relocation allowance	-	-	-	-	-	2,026	607
Others	-	-	-	16	-	182	194
Total	50	937	700	12,695	25,348	150,684	86,836
Number of persons	1	1	6 *	5	1	28	26

* Number of persons include outgoing Non-Executives Directors.

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

Key Management personnel of the Group includes all the staff having a direct reporting line to the Bank's President and Chief Executive Officer and the key management personnel classified by the subsidiary company.

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

The aggregate remuneration paid during the year to executives as defined under the Companies Act, 2017 amounted to Rs. 192.053 million (2019: Rs. 173.202 million).

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

2020							
Name of Director	Meeting Fees and Allowances Paid						
	Board Meetings	For Board Committees					Total amount paid
		Board Audit Committee (BAC)	Board Human Resource and Remuneration Committee (BHR & RC)	Board Information Technology Committee (BITC)	Board Risk Management Committee (BRMC)	Board Compliance Committee (BCC)	
(Rupees in '000)							
Mr. Waseem Mehdi Syed	1,100	-	150	300	-	150	1,700
Ms. Fauzia Hasnain	1,150	400	350	150	200	-	2,250
Mr. Wajahat Ahmed Baqai	1,050	300	300	150	150	150	2,100
Mr. Zafar Iqbal Siddiqui	1,050	300	300	300	150	150	2,250
Mr. Shafiqur Rahman Adhami *	-	-	50	50	-	-	100
Mr. Rana Ahmed Humayun *	-	100	-	-	50	-	150
Mr. Kamran Butt *	50	100	50	50	50	-	300
Total amount paid	4,400	1,200	1,200	1,000	600	450	8,850

* These directors resigned from the Board on April 18, 2020

2019							
Name of Director	Meeting Fees and Allowances Paid						
	Board Meetings	For Board Committees					Total amount paid
		Board Audit Committee (BAC)	Board Human Resource and Remuneration Committee (BHR & RC)	Board Information Technology Committee (BITC)	Board Risk Management Committee (BRMC)	Board Compliance Committee (BCC)	
(Rupees in '000)							
Mr. Shafiqur Rahman Adhami	50	-	-	-	-	-	50
Mr. Rana Ahmed Humayun	50	-	-	-	-	-	50
Mr. Kamran Butt	50	-	-	-	-	-	50
Ms. Fauzia Hasnain	50	-	-	-	-	-	50
Mr. Shehryar Faruque *	100	100	50	-	-	-	250
Mr. Asadullah Khawaja **	100	100	50	-	-	-	250
Mr. Md. Ataur Rahman ***	50	-	-	-	-	-	50
Total amount paid	450	200	100	-	-	-	750

* Mr. Shehryar Faruque resigned from the Board with effect from July 15, 2019.

** Mr. Asadullah Khawaja ceased to hold office with effect from April 06, 2019 owing to the election of Directors.

*** Mr. Md. Ataur Rahman ceased to hold office with effect from April 06, 2019 owing to the election of Directors.

37.3 Remuneration paid to Shariah Board Members

Items	2020			2019		
	Chairman	Resident Members	Non-Resident Member(s)	Chairman	Resident Members	Non-Resident Member(s)
	(Rupees in '000)					
Meeting Fees and Allowances	1,800	-	7,340	1,800	-	3,000
Other Heads						
Basic salary	-	2,139	-	-	3,639	-
House rent	-	813	-	-	1,637	-
Utilities	-	181	-	-	364	-
Dearness	-	301	-	-	607	-
Medical	-	181	-	-	364	-
Conveyance	-	329	-	-	653	-
Car allowance	-	280	-	-	552	-
General / special allowance	-	-	-	-	-	-
Relocation allowance	-	-	-	-	-	-
Others	-	-	-	-	16	-
Contribution to defined contribution plan	-	77	-	-	63	-
Total amount	1,800	4,301	7,340	1,800	7,895	3,000
Total number of persons	1	2	3	1	2	2

38. FAIR VALUE MEASUREMENTS

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

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

38.1 Fair value of financial assets

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

38.2 The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

2020			
Level 1	Level 2	Level 3	Total
(Rupees in '000)			
On balance sheet financial instruments			
Financial assets - measured at fair value			
Investments			
- Federal Government Securities	- 25,557,336		- 25,557,336
- Shares - Listed	2,136,199	-	- 2,136,199
Financial assets - disclosed but not measured at fair value			
Investments			
- Shares - Unlisted	-	- 69,568	69,568
Non-Financial assets - measured at fair value			
Operating fixed assets	-	- 7,810,153	7,810,153
Non banking assets acquired in satisfaction of claims	-	- 3,126,947	3,126,947
Off-balance sheet financial instruments - measured at fair value			
Forward purchase of foreign exchange	-	- 4,800,861	- 4,800,861
Forward sale of foreign exchange	-	- 690,545	- 690,545

2019			
Level 1	Level 2	Level 3	Total
(Rupees in '000)			
On balance sheet financial instruments			
Financial assets - measured at fair value			
Investments			
- Federal Government Securities	- 19,636,066		- 19,636,066
- Shares - Listed	1,850,989	-	- 1,850,989
Financial assets - disclosed but not measured at fair value			
Investments			
- Shares - Unlisted	-	- 65,483	65,483
Non-Financial assets - measured at fair value			
Operating fixed assets	-	- 7,400,018	7,400,018
Non banking assets acquired in satisfaction of claims	-	- 2,924,873	2,924,873
Off-balance sheet financial instruments - measured at fair value			
Forward purchase of foreign exchange	-	- 4,800,861	- 4,800,861
Forward sale of foreign exchange	-	- 690,545	- 690,545

Valuation techniques used in determination of fair value

Item	Valuation approach and input used
Federal Government Securities	The fair values of Federal Government securities are determined using the PKRV rates. The fair values of GoP Ijarah Sukuk are determined using the PKISRV rates.
Units of mutual funds	The fair values of investments in units of mutual funds are determined based on their net asset values as published at the close of each business day.
Ordinary shares - Listed	The fair value of investment in listed equity securities are valued on the basis of closing quoted market price available at the Pakistan Stock Exchange.
Ordinary shares - Unlisted	This represents breakup value of investments.
Non-Government Debt Securities	Investments in debt securities (comprising term finance certificates, bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.
Forward foreign exchange contracts	The valuation has been incorporated by interpolating the foreign exchange revaluation rates announced by the SBP.
Operating fixed assets (land and building) and non-banking assets acquired in satisfaction of claims	The valuation experts used a market based approach to arrive at the fair value of the Group's properties. The market approach used prices and other relevant information generated by market transactions involving identical or comparable or similar properties.

2019							
Corporate finance	Trading and sales	Branch banking	Islamic	Brokerage business	Others	Total	
----- (Rupees in '000) -----							
Balance Sheet							
Cash and bank balances	-	1,870,617	4,130,983	462,275	97,258	-	6,561,133
Investments	-	20,120,181	1,557,319	-	31,650	-	21,709,150
Net inter segment lending	-	-	-	14,001,113	-	-	14,001,113
Lendings to financial institutions	-	791,272	-	200,000	-	-	991,272
Advances - performing	-	-	27,548,061	3,755,854	626	-	31,304,541
Advances - non-performing	-	-	11,863,059	75,351	-	-	11,938,410
Others	36,596	4,068,744	16,416,347	735,424	218,051	11,828,177	33,303,339
Total assets	36,596	26,850,814	61,515,769	19,230,017	347,585	11,828,177	119,808,958
Borrowings	465	5,491,088	7,763,227	250,000	-	-	13,504,780
Subordinated debt	4,063	440,405	1,051,047	-	-	-	1,495,515
Deposits and other accounts	-	-	73,026,340	15,448,224	-	-	88,474,564
Net inter segment borrowing	-	14,001,113	-	-	-	-	14,001,113
Others	2,651	319,515	5,156,226	1,989,042	93,019	438,415	7,998,868
Total liabilities	7,179	20,252,121	86,996,840	17,687,266	93,019	438,415	125,474,840
Equity	29,417	6,598,693	(25,481,071)	1,542,751	254,566	11,389,762	(5,665,882)
Total equity and liabilities	36,596	26,850,814	61,515,769	19,230,017	347,585	11,828,177	119,808,958
Contingencies and Commitments	-	10,736,460	28,182,452	5,140,291	-	11,804,740	55,863,943

39.1.1 The Group does not have any operations outside Pakistan.

40. TRUST ACTIVITIES

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

2020				
Category	No. of IPS accounts	Securities Held (Face Value)		Total
		Market Treasury Bills	Pakistan Investment Bonds	
----- (Rupees in '000) -----				
Employee Funds	3	19,410	100,700	120,110
Insurance company	2	250,000	16,000	266,000
Total	5	269,410	116,700	386,110

2019				
Category	No. of IPS accounts	Securities Held (Face Value)		Total
		Market Treasury Bills	Pakistan Investment Bonds	
----- (Rupees in '000) -----				
Employee Funds	3	72,000	100,700	172,700
Insurance company	1	-	16,000	16,000
Total	4	72,000	116,700	188,700

41. RELATED PARTY TRANSACTIONS

The Group has related party transactions with its parent, employee benefit plans and its directors and Key Management Personnel.

The Group enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

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

	2020				2019			
	Parent company	Directors	Key management personnel	Other related parties	Parent company	Directors	Key management personnel	Other related parties
	(Rupees in '000)							
Investments								
Opening balance	-	-	-	1,692,490	-	-	-	1,713,990
Investment made during the year	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	(21,500)
Closing balance	-	-	-	1,692,490	-	-	-	1,692,490
Provision for diminution in value of investments	-	-	-	1,613,242	-	-	-	1,613,242
Advances								
Opening balance	-	-	265,793	660,792	-	-	259,303	932,302
Addition during the year	-	-	16,031	300,000	-	-	36,601	2,139,568
Repaid during the year	-	-	(37,659)	(293,617)	-	-	(18,393)	(2,214,009)
Transfer in / (out) - net	-	-	51,541	8,010	-	-	(11,718)	(197,069)
Closing balance	-	-	295,706	675,185	-	-	265,793	660,792
Provision held against advances	-	-	-	-	-	-	-	-

	2020				2019			
	Parent company	Directors	Key management personnel	Other related parties	Parent company	Directors	Key management personnel	Other related parties
Other Assets								
Interest / mark-up accrued	-	-	-	13,763	-	-	-	11,320
Other receivable	699	-	-	-	699	-	375	-
Provision against other assets	-	-	-	-	-	-	-	-
Deposits and other accounts								
Opening balance	-	-	20,042	1,512,961	-	18,463	13,421	1,769,716
Received during the year	-	-	239,139	1,336,975	-	-	224,304	852,565
Withdrawn during the year	-	-	(231,713)	(1,598,647)	-	-	(217,761)	(848,128)
Transfer in / (out) - net	-	-	36,604	831,964	-	(18,463)	78	(261,192)
Closing balance	-	-	64,072	2,083,253	-	-	20,042	1,512,961
Other Liabilities								
Interest / mark-up payable	-	-	262	9,740	-	-	245	16,293
Payable to defined benefit plan	-	-	-	98,865	-	-	-	134,673
Contingencies and Commitments								
Guarantees, letters of credit and acceptances	-	-	-	86,500	-	-	-	86,500
Commitments to extend credit	-	-	-	8,815	-	-	-	9,915
Income								
Mark-up / return / interest earned	-	-	13,279	79,962	-	-	13,528	78,890
Other income	-	-	11	-	-	-	8	-
Expense								
Mark-up / return / interest paid	-	-	1,315	119,986	-	-	2,759	165,407
Operating expenses:								
- Directors' fees and allowances	-	8,850	-	-	-	750	-	-
- Fee and subscription	-	-	1,071	-	-	-	1,944	-
- Managerial remuneration	-	-	182,569	-	-	-	180,606	-
- Contribution to defined contribution plan	-	-	-	70,923	-	-	-	59,910
- Charge for defined benefit plan	-	-	-	86,634	-	-	-	136,356
Provision for diminution in value of investments	-	-	-	-	-	-	-	79,591

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

42. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2020	2019
	----- (Rupees in '000) -----	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	(16,223,309)	(9,365,737)
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier-I (CET-I) Capital	(30,976,955)	(21,424,406)
Eligible Additional Tier-I (ADT-I) Capital	-	-
Total Eligible Tier-I Capital	(30,976,955)	(21,424,406)
Eligible Tier-2 Capital	-	-
Total Eligible Capital (Tier-I + Tier-2)	(30,976,955)	(21,424,406)
Risk Weighted Assets (RWAs):		
Credit Risk	54,458,731	70,219,585
Market Risk	7,764,588	6,972,343
Operational Risk	3,800,036	5,755,700
Total	66,023,355	82,947,628
Common Equity Tier I Capital Adequacy ratio	-46.92%	-25.83%
Tier I Capital Adequacy Ratio	-46.92%	-25.83%
Total Capital Adequacy Ratio	-46.92%	-25.83%

Under the applicable Laws and Regulations, the Group is required to maintain a minimum paid-up capital (free of losses) of Rs. 10 billion. Moreover, the Group is subject to the Basel II capital adequacy guideline stipulated by the State Bank of Pakistan under BSD Circular No. 8 of 2006 and Basel III guideline vide its BPRD Circular No. 6 of 2013. As of December 31, 2020, the Group is required to maintain minimum CET I ratio of 6%, minimum Tier I capital ratio of 7.5% and minimum total capital adequacy ratio of 11.50% (inclusive of Capital Conservation Buffer of 1.50%).

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

- a) Tier I capital (going concern capital) which comprises Common Equity Tier I (CET I) and Additional Tier I (AT I) capital), which includes fully paid up capital, balance in share premium account net of discount on issue of shares, reserves arising on amalgamation and un-appropriated/accumulated losses. Moreover, regulatory deductions pertaining to book value of intangibles, deferred tax assets and reciprocal crossholdings are made from Tier I capital as per the applicable Basel III guidelines.
- b) Tier 2 Capital (gone concern capital), which includes general provisions for loan losses (up to a maximum of 1.25% of credit risk weighted assets), reserves on revaluation of fixed assets and available for sale investments after deduction of deficit on available for sale investments (as per Basel III requirement). The outstanding sub-ordinated debt/TFC of the Group has not been included in Tier-2 capital as of December 31, 2020 because the said TFC has less than one year remaining maturity (revised maturity date is October 27, 2021) and therefore not eligible as Tier 2 capital as per the applicable Basel III guidelines.

Due to negative Tier I capital, the Bank could not take benefit of available Tier 2 capital which includes surplus/ (deficit) on revaluation of assets and general provision/reserve for loan losses amounting to Rs. 4,332.457 million.

As on December 31, 2020 the Group does not meet the applicable requirements stipulated by the SBP as explained above. In this regard management of the Group is taking various steps to comply with applicable minimum capital requirements. A business plan has been put in place which has been approved by the Board of Directors and aims to improve the Group's Capital base and risk absorption capacity and to provide impetus to its future growth initiatives. This plan indicates future profitable operations based on various assumptions including capital injection as explained in note 1.2 to these consolidated financial statements. Moreover, the management is committed to taking all the necessary steps for successful execution of the business plan to comply with the capital requirements as explained above.

Capital Management

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

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

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

	2020	2019
	----- (Rupees in '000) -----	
Leverage Ratio (LR):		
Eligible Tier-I Capital	(30,976,955)	(21,424,406)
Total Exposures	138,078,420	138,078,420
Leverage Ratio	-22.43%	-15.52%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	29,821,667	14,935,767
Total Net Cash Outflow	17,116,667	17,180,961
Liquidity Coverage Ratio	174.23%	86.93%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	71,961,781	66,795,162
Total Required Stable Funding	56,670,046	66,682,561
Net Stable Funding Ratio	126.98%	100.17%

Under the applicable Laws and Regulations, the Group is required to maintain the Leverage Ratio (LR) at 3%, Liquidity Coverage Ratio (LCR) at 100% and Net Stable Funding Ratio (NSFR) at 100%. The Group's LR is below the applicable regulatory requirement as of December 31, 2020. As more fully explained in note 1.2 of these consolidated financial statements, the Group has made a business plan which envisages the compliance with applicable regulatory requirements.

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

43. RISK MANAGEMENT

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

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

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

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 appoints 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 and strategic planning with responsibility to look after this function as per the approved policies and procedures of the Group.

Risk management group organization

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

The COVID-19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

The State Bank of Pakistan (SBP) has also responded to the crisis by cutting the Policy Rate by 625 basis points since beginning of the year to 7% in June 2020. Other regulatory measures to provide an impetus to economic activity include the following:

- Reduction in the capital conservation buffer by 100 basis points to 1.5%;
- Increasing the regulatory limit on extension of credit to SMEs to Rs 180 million;
- Relaxing the debt burden ratio for consumer loans from 50% to 60%;
- Allowing banks to defer borrowers' principal loan payments by one year;
- Relaxing regulatory criteria for restructured / rescheduled loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up and
 - Introducing refinancing schemes for payment of wages and salaries, setting up of Covid - 19 related facilities / new hospitals and import of plant and machinery for new / existing industrial projects.

COVID-19 impacts banks in Pakistan on a number of fronts including increase in overall credit risk pertaining to the loans and advances portfolio, reduced fee income due to overall slowdown in economic activity, continuity of business operations and managing cybersecurity threat as a significant number of the Bank's staff is working from home and an ever increasing number of customers are being encouraged to use digital channels.

43.1 Credit Risk

Credit risk is the risk that one party to financial instrument fails to discharge an obligation and cause other party to incur a financial loss. The Group is exposed to credit risk through its lending and investment activities as well as in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees. The following objectives govern the credit policy of the Group:

- The Group complies with the requirements of Prudential Regulations prescribed by SBP.
- Facilities provided by the Group are well diversified into different sectors as well as financing in different consumer products to achieve a strong market position and adequate return on capital.
- Return commensurate with the risk.
- Lending decision is based on a full appreciation for the risks inherent in the transaction and within the approved limits by the Board of Directors.
- Risk 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 9.5 for reconciliation in loan loss provision.

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

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

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

COVID-19 has impacted banks in Pakistan through increase in overall credit risk, overall slowdown in the economic activity, increase in overall credit risk pertaining to the loans and advances portfolio as well as reduced fee income due to overall slowdown in economic activity.

The Bank's management is fully cognizant of the business challenges posed by the COVID. The Bank is also monitoring its credit risk exposure through its risk management function and assessment of the credit portfolio to identify customers or portfolios that may require additional risk management considerations or identify accounts susceptible to higher risk, resulting from the COVID-19 outbreak.

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 secured and the Bank's procedures ensure that the Group has clear rights over the collateral and may liquidate, retain or take legal possession of it in a timely manner in the event of the default, insolvency or bankruptcy or otherwise defined credit event set out in the transaction documentation, of the counterparty and, where applicable, of the custodian holding the collateral.

43.1.1 Credit Risk Approach for Capital Adequacy Ratio: Standardised Approach

The Group has adopted the standardized approach of Basel II for risk weighing its credit risk exposures.

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

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

Types of exposures and ECAI's used

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

Exposures	2020				
	Fitch	Moody's	S&P	PACRA	JCR-VIS
Corporate	-	-	-	Yes	Yes
Banks	Yes	Yes	Yes	Yes	Yes
Sovereigns	-	-	-	-	-
SME's	-	-	-	-	-
Securitisations	-	-	-	-	-
Others	-	-	-	Yes	Yes

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

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

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

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

Mapping to SBP rating grades

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

Long-Term Rating Grades Mapping

SBP rating grade	Fitch	Moody's	S&P	PACRA	JCR-VIS	ECA scores
1	AAA	Aaa	AAA	AAA	AAA	0
	AA+	Aa1	AA+	AA+	AA+	1
	AA	Aa2	AA	AA	AA	
	AA-	Aa3	AA-	AA-	AA-	
2	A+	A1	A+	A+	A+	2
	A	A2	A	A	A	
	A-	A3	A-	A-	A-	
3	BBB+	Baa1	BBB+	BBB+	BBB+	3
	BBB	Baa2	BBB	BBB	BBB	
	BBB-	Baa3	BBB-	BBB-	BBB- z	
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 CC	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

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

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

The Group has adopted the comprehensive approach of Credit Risk Mitigation for the Banking Book. Since the trading book of the Group only comprises equity investments; therefore no Credit Risk Mitigation benefit is taken in the trading book. In instances where the Group's exposure on an obligor is secured by collateral that confirms with the eligibility criteria under the comprehensive Approach of CRM, then the Group reduces its exposure under that particular transaction by taking into account the risk mitigating effect of the collateral for the calculation of capital requirement.

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

43.1.3 Credit Risk Summary for On-Balance Sheet Exposures:

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

Rating category	2020			2019		
	Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
----- (Rupees in '000) -----						
Exposure category:						
Corporate						
20%	452,366	152,223	300,143	16,536	-	16,536
50%	2,242,616	38,833	2,203,783	3,027,256	100,164	2,927,092
100%	526,315	-	526,315	963,798	-	963,798
unrated	11,790,261	1,829,015	9,961,246	14,813,900	2,543,141	12,270,759
125%	6,302,306	27,159	6,275,147	7,712,257	-	7,712,257
Retail						
75%	1,539,086	102,825	1,436,261	3,005,241	197,492	2,807,749
Past due loan						
150%	3,411,329	85,313	3,326,016	6,531,573	40,967	6,490,606
100%	2,812,501	2,135	2,810,366	2,622,716	142,143	2,480,573
50%	977,571	176,761	800,810	2,784,122	66,015	2,718,107
Bank						
20%	1,568,918	-	1,568,918	2,404,773	-	2,404,773
50%	107,928	-	107,928	120,555	-	120,555
100%	-	-	-	88,228	-	88,228
150%	-	-	-	568,149	-	568,149
unrated	804,509	-	804,509	97,977	-	97,977
Sovereign etc.						
0%	11,491,335	-	11,491,335	6,171,384	-	6,171,384
Others						
0%	-	-	-	-	-	-
35%	2,061,757	-	2,061,757	2,312,916	-	2,312,916
50%	-	-	-	-	-	-
100%	18,619,587	-	18,619,587	18,434,412	-	18,434,412
150%	-	-	-	-	-	-
250%	-	-	-	-	-	-
	64,708,385	2,414,264	62,294,121	71,675,793	3,089,922	68,585,871

43.1.4 Lendings to financial institutions

Credit risk by public / private sector

Gross lendings		Non-performing lendings		Provision held	
2020	2019	2020	2019	2020	2019
(Rupees in '000)					
Public / Government	-	-	-	-	-
Private	991,272	-	-	-	-
	991,272	-	-	-	-

43.1.5 Investment in debt securities

Credit risk by industry sector

Gross investments		Non-performing investments		Provision held	
2020	2019	2020	2019	2020	2019
(Rupees in '000)					
Textile	200,000	200,000	200,000	200,000	200,000
Chemical and pharmaceuticals	499,586	499,586	499,586	499,586	499,586
Sugar	281,566	281,566	281,566	281,566	118,981
Financial	12,857	15,557	12,857	15,557	15,557
Services	803,641	803,641	803,641	803,641	803,641
	1,797,650	1,800,350	1,797,650	1,797,650	1,637,765
Credit risk by public / private sector					
Public / Government	-	-	-	-	-
Private	1,797,650	1,800,350	1,797,650	1,797,650	1,637,765
	1,797,650	1,800,350	1,797,650	1,797,650	1,637,765

43.1.6 Advances

Credit risk by industry sector

Gross advances		Non-performing advances		Provision held	
2020	2019	2020	2019	2020	2019
(Rupees in '000)					
Agriculture, forestry, hunting and fishing	606,125	606,153	598,083	601,774	597,032
Automobile and transportation equipment	1,143,173	1,242,030	1,129,249	1,126,538	931,548
Banaspati and allied industries	83,165	169,506	123,202	141,431	113,150
Carpet	5,040	42,310	8,041	38,458	8,041
Cement	620,390	658,056	329,169	329,169	329,169
Chemical and pharmaceuticals	413,283	1,711,861	293,625	338,918	182,417
Construction	1,986,174	2,395,548	1,361,247	1,359,823	907,679
Dairy and poultry	132,134	132,465	999	999	999
Education	68,458	158,499	38,512	37,570	35,173
Electronics and electrical appliances	1,445,321	1,858,364	476,647	488,486	305,045
Exports / imports	4,976,080	6,202,506	4,757,250	4,758,694	4,020,365
Financial	2,334,446	3,764,011	3,289,776	3,038,316	2,298,451
Food, tobacco and beverages	2,279,834	2,577,967	982,657	1,039,534	666,062
Footwear and leather garments	5,410	377,759	31,535	31,385	31,423
Furniture and allied products	17,030	124,530	6,577	7,112	3,536
Glass and ceramics	54,460	57,660	57,660	57,660	54,460
Health care	96,948	221,858	40,588	59,175	40,125
Hotels	135,458	211,382	163,176	162,585	162,017
Individuals	3,565,180	4,241,237	369,721	387,553	214,848
Mining and quarrying	4,670	1,280,870	4,670	4,670	4,670
Miscellaneous manufacturing	575,388	950,914	256,164	260,016	227,667
Paper and allied products	3,101	8,528	6,895	6,803	6,895
Power (electricity), gas, water, sanitary	667,591	2,058,917	1,075,594	1,745,517	984,092
Printing, publishing and allied industries	116,420	92,823	34,501	34,088	27,639
Services	2,837,226	4,055,398	1,295,665	1,528,409	1,028,756
Steel and engineering	2,871,861	2,944,336	2,699,234	2,785,112	2,104,688
Sugar	9,112,711	9,500,181	8,727,988	9,308,669	7,593,593
Textile	19,595,406	12,122,192	3,784,352	4,426,542	3,683,452
Transport, storage and communication	1,189,618	2,263,384	562,646	683,007	476,933
Wholesale and retail trade	2,889,772	5,181,161	2,382,464	2,274,503	1,865,365
Others	4,399,398	4,974,457	3,836,190	3,779,298	3,520,254
	64,231,271	72,186,863	38,724,077	40,841,814	32,425,544
					28,903,404

	Gross advances		Non-performing advances		Provision held	
	2020	2019	2020	2019	2020	2019
----- (Rupees in '000) -----						
Credit risk by public / private sector						
Public / Government	-	-	-	-	-	-
Private	64,231,271	72,186,863	38,724,077	40,841,814	32,425,544	28,903,404
	64,231,271	72,186,863	38,724,077	40,841,814	32,425,544	28,903,404

43.1.7 Contingencies and Commitments

	2020	2019
	----- (Rupees in '000) -----	
Credit risk by industry sector		
Agriculture, forestry, hunting and fishing	783,027	129,869
Automobile and transportation equipment	209,340	156,190
Carpet	311,381	319,839
Cement	271,079	323,174
Chemical and pharmaceuticals	336,794	285,207
Construction	2,095,334	3,253,209
Consumer	439,122	433,000
Education	427	38,598
Electronics and electrical appliances	692,049	866,731
Exports / imports	1,370,234	1,652,063
Financial	7,860,699	11,095,739
Food, tobacco and beverages	1,553,517	1,348,137
Footwear and Leather garments	26,488	35,822
Furniture and allied products	87,513	107,594
Glass and ceramics	104,313	22,783
Health care	138,250	125,424
Hotels	56,099	81,357
Individuals	1,611,417	1,599,119
Miscellaneous manufacturing	828,271	1,173,143
Others	3,637,158	2,264,835
Paper and allied products	33,665	4,701
Power (electricity), gas, water, sanitary	571,987	561,813
Printing, publishing and allied industries	14,792	9,756
Services	7,135,513	11,872,844
Steel and engineering	1,042,836	899,578
Sugar	999,998	1
Textile	11,493,178	10,240,704
Transport, Storage and Communication	525,243	1,365,685
Wholesale and retail trade	854,076	5,597,028
	45,083,800	55,863,943
Credit risk by public / private sector		
Public / Government	4,825,300	7,770,403
Private	40,258,500	48,093,540
	45,083,800	55,863,943

43.1.8 Concentration of Advances

The Group top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 14,234.535 million (2019: Rs. 18,822.237 million) are as follows:

	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
Funded	13,765,415	11,851,059
Non Funded	469,120	6,971,178
Total Exposure	<u>14,234,535</u>	<u>18,822,237</u>

The sanctioned limits against these top 10 exposures aggregated to Rs. 14,383.466 million (2019: Rs. 20,639.987 million).

Total funded classified therein

	2020		2019	
	Amount	Provision held	Amount	Provision held
----- (Rupees in '000) -----				
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	215,735	5,014
Loss	9,115,705	7,486,736	5,565,397	2,751,241
Total	<u>9,115,705</u>	<u>7,486,736</u>	5,781,132	2,756,255

43.1.9 Advances - Province / Region-wise Disbursement and Utilization

Province / Region	2020						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
----- (Rupees in '000) -----							
Punjab	24,411,559	24,384,874	1,454	13,252	-	11,979	-
Sindh	20,521,396	-	20,521,396	-	-	-	-
KPK including FATA	24,557	-	-	24,557	-	-	-
Balochistan	67,064	-	-	-	67,064	-	-
Islamabad	162,188	-	-	-	-	162,188	-
AJK including Gilgit-Baltistan	100,410	-	-	-	-	-	100,410
Total	<u>45,287,174</u>	<u>24,384,874</u>	<u>20,522,850</u>	<u>37,809</u>	<u>67,064</u>	<u>174,167</u>	<u>100,410</u>

Province / Region	2019						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
----- (Rupees in '000) -----							
Punjab	27,084,886	27,071,085	2,266	5,861	-	5,674	-
Sindh	51,618,020	-	51,618,020	-	-	-	-
KPK including FATA	47,605	-	-	47,605	-	-	-
Balochistan	93,326	-	-	-	93,326	-	-
Islamabad	180,588	-	-	-	-	180,588	-
AJK including Gilgit-Baltistan	164,041	-	-	-	-	-	164,041
Total	<u>79,188,466</u>	<u>27,071,085</u>	<u>51,620,286</u>	<u>53,466</u>	<u>93,326</u>	<u>186,262</u>	<u>164,041</u>

43.2 Market Risk

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

The Group seeks to mitigate market risk by employing strategies that correlate price, rate and spread movements of its earning assets, liabilities and trading activities. Treasury front office and market risk management / treasury middle office perform market risk management activities within the Group.

43.2.1 Balance sheet split by trading and banking books

	2020			2019		
	Banking book	Trading book	Total	Banking book	Trading book	Total
(Rupees in '000)						
Cash and balances with treasury banks	11,571,283	-	11,571,283	5,613,561	-	5,613,561
Balances with other banks	1,364,826	-	1,364,826	947,572	-	947,572
Lendings to financial institutions	-	-	-	991,272	-	991,272
Investments	1,865	27,705,145	27,707,010	329,432	21,379,718	21,709,150
Advances	31,784,056	-	31,784,056	43,242,951	-	43,242,951
Fixed assets	10,225,804	-	10,225,804	10,220,651	-	10,220,651
Intangible assets	93,018	-	93,018	153,027	-	153,027
Deferred tax assets	14,227,494	-	14,227,494	11,572,394	-	11,572,394
Other assets	10,648,622	-	10,648,622	11,357,267	-	11,357,267
	79,916,968	27,705,145	107,622,113	84,428,127	21,379,718	105,807,845

43.2.2 Foreign Exchange Risk

The Group has set the following objectives for managing the inherent risk on foreign currency exposures:

- Maximize profitability with minimum risk by keeping the exposure at desirable levels in view of strict compliance of regulatory / international standards and the Group's internal guidelines.
- Manage appropriate maturity mismatch gaps.
- Identify warning and stress zones for mismatch gaps.
- Usage of different tools to manage the inherent risk of product and market, such as compliance of credit limit, monitoring of foreign exchange exposure limit, review of mark to market portfolio and safe settlement, etc.
- Foreign exchange risk represents exposures to changes in the values of current holdings and future cash flows denominated in foreign currencies. The potential for loss arises from the process of revaluing foreign currency positions in rupee terms. The Group's foreign exchange risk is presently limited to future cash flows in foreign currencies arising from foreign exchange transactions and translation of net open position in foreign currencies. The Group is carefully monitoring the net foreign currency exposure as well as utilizing the forward contract to hedge the related exposure.

	2020				2019			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
(Rupees in '000)								
United States Dollar	2,934,958	7,360,134	4,746,496	321,320	2,078,673	5,647,236	5,284,130	1,715,567
Great Britain Pound Sterling	164,543	387,417	-	(222,874)	34,014	449,795	-	(415,781)
Euro	509,737	511,465	-	(1,728)	363,537	544,390	223,736	42,883
Other currencies	12,872	12,556	-	316	55,325	2,125	-	53,200
	3,622,110	8,271,572	4,746,496	97,034	2,531,549	6,643,546	5,507,866	1,395,869

2020		2019	
Banking book	Trading book	Banking book	Trading book
----- (Rupees in '000) -----			

Impact of 1% change in foreign exchange rates on

- Profit and loss account	46,495	47,465	41,120	40,673
- Other comprehensive income	-	-	-	-

43.2.3 Equity position Risk

Equity position risk is the risk that the fair value of financial instruments will fluctuate due to changes in the prices of individual stocks or the level of equity indices. The Group's equity book comprises of held for trading (HFT) and available for sale (AFS) portfolios. The objective of the HFT portfolio is to make short-term capital gains, whilst the AFS portfolio is maintained with a medium term view of earning both capital gains and dividend income. Policies and procedures have been developed to provide guidelines on the risk and their mitigants, limits and related controls for the equity portfolio of the Group.

2020		2019	
Banking book	Trading book	Banking book	Trading book
----- (Rupees in '000) -----			

Impact of 5% change in equity prices on

- Profit and loss account	-	79,288	-	30,203
- Other comprehensive income	-	26,334	-	61,347

43.2.4 Interest Rate Risk

Interest rate risk is the risk that fair value of a financial instrument will fluctuate as a result of changes in interest rates, including changes in the shape of yield curves. Interest rate risk is inherent in many of the Group's businesses and arises from mismatches between the contractual maturities or the re-pricing of on and off-balance sheet assets and liabilities. The interest rate sensitivity profile is prepared on a quarterly basis based on the re-pricing or contractual maturities of assets and liabilities.

Interest rate risk is monitored and managed by performing periodic gap analysis, sensitivity analysis and stress testing and taking appropriate actions where required.

2020		2019	
Banking book	Trading book	Banking book	Trading book
----- (Rupees in '000) -----			

Impact of 1% change in interest rates on

- Profit and loss account	69,396	-	272,524	-
- Other comprehensive income	-	46,524	-	364,655

43.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

Effective Yield / Interest Rate	2020										Non-interest bearing financial instruments	
	Total	Exposed to Yield/ Interest risk										
		Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
	(Rupees in '000)											
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	11,571,283	737,799	-	-	-	-	-	-	-	-	-	10,833,484
Balances with other banks	1,364,826	167,830	-	39,960	-	-	-	-	-	-	-	1,087,703
Lendings to financial institutions	-	-	69,333	-	-	-	-	-	-	-	-	-
Investments	27,707,010	7,966,924	11,364,134	5,917,371	300,100	8,807	-	-	-	-	-	2,149,674
Advances	31,784,056	1,079,789	18,905,764	2,024,422	2,056,891	102,146	93,704	410,809	6,642,884	-	-	286,776
Other assets	1,435,158	-	-	-	-	-	-	-	-	-	-	1,435,158
	73,862,333	9,952,342	30,269,898	8,011,126	2,396,951	110,953	93,704	410,809	6,642,884	-	-	15,792,795
Liabilities												
Bills payable	2,402,870	-	-	-	-	-	-	-	-	-	-	2,402,870
Borrowings	7,668,886	1,329,133	4,771,719	768,731	-	65,316	361,620	223,368	-	-	-	38,224
Deposits and other accounts	101,729,751	3,161,114	55,897,356	3,312,129	4,741,035	220,121	87,165	161,454	-	-	-	34,149,377
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	1,495,515	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	4,252,415	-	-	1,495,515	-	-	-	-	-	-	-	4,252,415
	117,549,437	4,490,247	60,669,075	5,576,375	4,741,035	285,437	448,785	272,229	223,368	-	-	40,842,886
On-balance sheet gap	(43,687,104)	5,462,095	(30,399,177)	2,434,751	(2,344,084)	(174,484)	(355,081)	(91,358)	187,441	6,642,884	(25,050,091)	
Off-balance sheet financial instruments												
Commitments in respect of:												
- forward foreign exchange contracts	5,711,514	5,711,514	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	5,711,514	5,711,514	-	-	-	-	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap	11,173,609	(30,399,177)	2,434,751	(2,344,084)	(174,484)	(355,081)	(91,358)	187,441	6,642,884	(25,050,091)		
Cumulative Yield / Interest Risk Sensitivity Gap	11,173,609	(19,225,568)	(16,790,817)	(19,134,901)	(19,309,385)	(19,664,466)	(19,755,824)	(19,568,383)	(12,925,499)	(37,975,590)		
Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities												
2020												
--(Rupees in '000)--												
Total financial assets	73,862,333											
Add: Non financial assets												
Fixed assets	10,225,804											
Intangible assets	93,018											
Deferred tax assets	14,227,494											
Other assets	9,213,464											
Total assets as per statement of financial position	107,622,113											
Total financial liabilities	117,549,437											
Add: Non financial liabilities												
Other liabilities	1,310,450											
Total liabilities as per statement of financial position	118,859,887											

	2019										Non-interest bearing financial instruments	
	Effective Yield / Interest Rate	Total	Exposed to Yield/ Interest risk							Above 10 Years		
			Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years			Over 5 to 10 Years
----- (Rupees in '000) -----												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0% to 1.51%	5,613,561	1,46,827	-	-	-	-	-	-	-	-	5,466,734
Balances with other banks	0% to 11.40%	947,572	463,456	-	61,939	-	-	-	-	-	-	295,431
Lendings to financial institutions	9.00% to 13.00%	991,272	991,272	-	-	-	-	-	-	-	-	-
Investments	5.24% to 14.24%	21,709,150	5,514,242	4,77,500	4,170,168	2,406,184	1,953,172	899,008	3,286,865	1,091,512	1,910,499	1,910,499
Advances	0% to 28%	43,242,951	23,955,532	2,885,008	3,159,110	-	-	-	-	-	11,938,410	232,276
Other assets	-	2,535,494	-	-	-	-	-	-	-	-	-	2,535,494
		75,040,000	2,683,170	29,469,774	3,489,254	7,391,217	1,953,172	2,406,184	3,286,865	899,008	13,029,922	10,431,434
Liabilities												
Bills payable	-	1,815,836	-	-	-	-	-	-	-	-	-	1,815,836
Borrowings	1.00% to 13.36%	13,504,780	5,806,016	5,793,690	871,150	-	794	78,890	558,786	224,399	-	171,055
Deposits and other accounts	0% to 14.3%	88,474,564	3,777,476	46,555,506	2,328,751	4,631,787	1,60,888	2,25,423	1,06,994	1,300	-	30,686,439
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	14.34%	1,495,515	-	-	-	1,495,515	-	-	-	-	-	-
Other liabilities	-	4,803,568	-	-	-	-	-	-	-	-	-	4,803,568
		110,094,263	9,583,492	52,349,196	3,199,901	6,127,302	2,262,217	2,39,778	665,780	225,699	13,029,922	37,476,898
On-balance sheet gap		(35,054,263)	(6,900,322)	(22,879,422)	289,353	1,263,915	2,179,967	1,713,394	2,621,085	673,309	13,029,922	(27,045,464)
Off-balance sheet financial instruments												
Commitments in respect of - forward foreign exchange contracts		5,507,866	5,507,866	-	-	-	-	-	-	-	-	-
Off-balance sheet ga		5,507,866	5,507,866	-	-	-	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap		(1,392,456)	(22,879,422)	289,353	1,263,915	2,179,967	1,713,394	2,621,085	673,309	13,029,922	(27,045,464)	
Cumulative Yield / Interest Risk Sensitivity Gap		(1,392,456)	(24,271,878)	(23,982,525)	(22,718,610)	(20,538,643)	(18,825,249)	(16,204,164)	(15,530,855)	(2,500,933)	(29,546,397)	
Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities												
2019												
Total financial assets		75,040,000										
Add: Non financial assets		10,220,651										
Fixed assets		153,027										
Intangible assets		11,572,394										
Deferred tax assets		8,831,773										
Other assets		105,807,845										
Total assets as per statement of financial position		110,094,263										
Total financial liabilities		11,473,727										
Add: Non financial liabilities		1,379,464										
Other liabilities		111,473,727										
Total liabilities as per statement of financial position		11,473,727										

43.3 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Board Risk Management Committee oversees the implementation of operational risk management which is governed by the Operational Risk Management Policy and Procedures of the Group. In compliance with the regulatory guidelines, a separate unit is established within the Risk Management Division which is responsible for the implementation of the risk management framework across the Group.

In accordance with the Operational Risk policy and framework, various tools and techniques are being implemented to identify, assess, measure and control operational risk embedded in the exposures, products, systems and processes. These tools include collection of operational loss data, development and monitoring of Key Risk Indicators and Risk Control Self Assessment exercise.

The Group seeks to manage the operational risk from two perspectives, firstly by way of ensuring compliance of standard operating procedures including defined processes for prevention and detection of any fraud and forgery, and work place safety and security, secondly through contingency planning to ensure continuity of business. Policies and procedures covering all activities in Group are in place. Besides these, to ensure business continuity, the Group has implemented Business Continuity Plan (BCP) across the Group for which BCP and Disaster Recovery Tests are performed on a regular basis.

The Group maintains a system of internal controls designed to keep operational risk at appropriate levels, in view of the Group's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated to conform to the industry best practices.

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

The Group has set up IT Security Division to manage IT security risk faced by the Group. The Group will continue to strengthen its cyber defence mechanism by utilising effective preventive and detective information security measure to counter evolving cyber challenges.

43.4 Liquidity Risk

Liquidity Risk is the risk that the Group may be unable to meet its payment obligations as they become due, or to fund assets, at a reasonable cost, because of an inability to liquidate assets, or to obtain adequate funding.

The liquidity risk policy of the Bank is formulated keeping in view State Bank guidelines on risk management and best market practice. The Bank's Asset and Liability Committee (ALCO) reviews the liquidity position on a periodic basis. Liquidity Management policy of the Bank aims to maintain adequate liquidity at all times and in all currencies under both normal and stress conditions, to meet the Bank's contractual and potential payment obligations without incurring additional and unacceptable cost to the business. Treasury is responsible for managing liquidity under the guidance of Asset and Liability Committee of the Bank.

The Bank maintains a portfolio of highly marketable assets i.e. Market Treasury Bills, Pakistan Investment Bonds and GoP Ijarah Sukuk, that can either be sold in the open market or funds can be arranged there against under repo arrangements. This is further supported by investments in short term securities. In line with its liquidity risk management policy, the Bank aims to maintain a cushion over and above the minimum statutory liquidity requirement prescribed by SBP for maintaining liquidity reserves to ensure continuity of cash flows.

The Bank uses liquidity gap ladder to assess the liquidity gaps and liquidity needs in different time buckets, under normal and stressed scenarios. Sources of liquidity are regularly reviewed / monitored by the Asset and Liability Committee (ALCO). The ALCO reviews the current economic situation, projected cash flows and asset / liability mix and approves strategy for managing appropriate liquidity. The liquidity risk management policy of the Bank encompasses liquidity contingency plan for actions to be taken in case of liquidity crises.

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

	2020												
	Up to 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
Total	9,755,466	22,814	107,328	224,645	260,425	231,277	376,739	256,796	282,475	25,038	9,915	18,365	-
	1,087,703	-	-	167,830	-	-	69,333	15,984	23,976	-	-	-	-
	1,952	87,057	89,008	3,162,441	7,039,495	5,036,705	2,046,920	300,100	-	8,807	-	9,921,050	13,475
	-	46,917	43,774	2,772,584	2,552,795	1,935,065	5,304,667	4,693,215	2,121,080	2,275,404	1,098,250	1,302,658	7,637,647
	1,248	7,490	8,739	19,974	37,452	37,452	112,355	112,355	125,723	455,664	455,664	702,932	8,148,756
	29	171	199	456	855	855	2,565	2,565	50,635	10,402	10,402	8,996	4,888
	(339)	(12,304)	(12,642)	(25,717)	(51,241)	(51,152)	(159,912)	(16,746)	(14,279)	1,040,108	3,827,442	7,342,775	2,361,501
	25,420	61,233	358,546	775,312	314,896	247,765	381,958	381,958	381,958	3,406,041	3,406,041	907,494	-
	10,871,479	213,378	594,952	7,097,525	10,154,677	7,437,967	8,134,625	5,746,227	2,971,568	7,221,464	8,807,714	20,204,270	18,166,267
Liabilities													
Bills payable	2,402,870	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	38,223	621,633	300,000	407,500	2,172,990	2,598,729	768,731	-	-	65,316	361,620	110,775	223,369
Deposits and other accounts	85,765,873	200,570	943,584	1,974,986	2,289,546	2,033,289	3,312,129	2,257,640	2,483,395	220,121	87,165	161,453	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	1,495,515	-	-	-	-
Other liabilities	22,646	26,749	79,914	153,426	519,212	251,219	189,568	126,430	647,975	664,145	570,993	218,334	2,092,254
	88,229,612	848,952	1,323,498	2,535,912	4,981,748	4,883,237	4,270,428	2,384,070	4,626,885	949,582	1,019,778	490,562	2,315,623
Net assets	(77,358,133)	(635,574)	(728,546)	4,561,613	5,172,929	2,554,730	3,864,197	3,362,157	(1,655,317)	6,271,882	7,787,936	19,713,708	15,850,644
Share capital - net	20,500,194	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	(425,043)	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated losses	(36,144,298)	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	4,831,373	-	-	-	-	-	-	-	-	-	-	-	-
	(11,237,774)	-	-	-	-	-	-	-	-	-	-	-	-

2019													
Total	Up to 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
5,613,561	4,687,506	60,820	56,346	119,224	67,134	149,515	147,755	108,057	185,822	14,303	10,208	6,789	82
947,572	372,313	-	-	387,119	-	-	126,201	-	61,939	-	-	-	-
991,272	-	991,272	-	-	-	-	-	-	-	-	-	-	-
21,709,150	1,789	77,485	79,274	158,546	317,094	5,958,716	1,423,241	4,188,623	-	2,443,093	1,990,080	3,357,179	1,714,030
43,242,951	48,686	28,319	35,880	2,714,137	2,356,519	2,057,247	5,959,754	5,135,121	1,970,174	7,426,845	1,521,210	1,830,457	12,158,602
10,220,651	1,404	8,422	9,626	22,458	42,111	42,111	126,334	126,334	206,716	512,353	512,353	891,627	7,718,602
153,027	59	352	410	935	1,758	1,758	5,273	5,273	52,752	21,383	21,383	23,132	18,559
11,572,394	(264)	(7,482)	(7,746)	(15,810)	(31,301)	42,921	(99,026)	(12,656)	(15,151)	896,667	3,141,427	5,948,600	1,732,215
11,357,267	58,843	937,778	208,194	455,542	573,819	415,080	392,234	375,552	375,552	3,354,808	3,354,808	855,057	-
105,807,845	5,170,336	2,096,966	382,184	3,842,151	3,327,134	8,667,348	8,081,766	9,926,304	2,837,804	14,669,452	10,551,469	12,912,841	23,342,090
1,815,836	1,815,836	-	-	-	-	-	-	-	-	-	-	-	-
13,504,780	171,055	5,450,716	11,000	344,300	3,625,640	2,168,050	871,150	-	-	794	78,890	558,786	224,399
88,474,564	73,879,139	958,570	888,056	1,879,092	1,058,087	2,356,478	2,328,751	1,703,069	2,928,717	225,423	160,888	106,994	1,300
-	-	-	-	-	-	-	-	-	-	-	-	-	-
1,495,515	-	-	-	-	-	-	-	-	1,495,515	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
6,183,032	56,057	645,450	86,563	328,840	338,057	271,280	549,606	88,699	249,404	881,924	789,369	837,797	1,059,986
111,473,727	75,922,087	7,054,736	985,619	2,552,232	5,021,784	4,795,808	3,749,507	1,791,768	4,673,636	1,108,141	1,029,147	1,503,577	1,285,685
(5,665,882)	(70,751,751)	(4,957,770)	(603,435)	1,289,919	(1,694,650)	3,871,540	4,332,259	8,134,536	(1,835,832)	13,561,311	9,522,322	11,409,264	22,056,405
20,500,194	Share capital - net	(425,043)	Reserves	(29,286,726)	Accumulated losses	3,545,693	Surplus on revaluation of assets	(5,665,882)					

43.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Group

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

	2020									
	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
Total	11,571,283	890,168	714,797	416,624	672,557	497,039	17,942	1,401,058	3,525,395	3,435,703
Assets										
Cash and balances with treasury banks	1,364,826	1,255,533	-	69,333	39,960	-	-	-	-	-
Balances with other banks	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	27,707,010	3,340,458	12,076,200	2,046,920	300,100	8,807	-	9,921,050	13,475	-
Advances	31,784,056	2,863,275	4,487,860	5,304,667	6,814,295	2,275,404	1,098,250	1,302,658	821,582	6,816,065
Fixed assets	10,225,804	37,450	74,904	112,355	238,079	455,664	455,664	702,932	1,451,596	6,697,160
Intangible assets	93,018	855	1,710	2,565	53,200	10,402	10,402	8,996	2,388	2,500
Deferred tax assets	14,227,494	(51,003)	(102,393)	(159,912)	(31,024)	1,040,108	3,827,442	7,342,775	2,361,501	-
Other assets	10,648,622	1,220,512	562,661	381,958	763,915	3,406,041	3,406,041	907,494	-	-
	107,622,113	9,557,248	17,815,739	8,174,510	8,851,082	7,693,465	8,815,741	21,586,963	8,175,937	16,951,428
Liabilities										
Bills payable	2,402,870	2,402,870	-	-	-	-	-	-	-	-
Borrowings	7,668,886	1,367,356	4,771,719	768,731	-	65,316	361,620	110,775	223,369	-
Deposits and other accounts	101,729,751	7,825,969	6,284,191	3,662,784	5,912,828	4,369,756	157,737	12,317,499	30,993,759	30,205,228
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	1,495,515	-	-	-	1,495,515	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	5,562,865	282,734	770,431	189,568	774,406	664,145	570,993	218,334	2,092,254	-
	118,859,887	11,878,929	11,826,341	4,621,083	8,182,749	5,099,217	1,090,350	12,646,608	33,309,382	30,205,228
Net assets	(11,237,774)	(2,321,681)	5,989,398	3,553,427	668,333	2,594,248	7,725,391	8,940,355	(25,133,445)	(13,253,800)
Share capital - net	20,500,194									
Reserves	(425,043)									
Accumulated losses	(36,144,298)									
Surplus on revaluation of assets	4,831,373									
	(11,237,774)									

2019									
(Rupees in '000)									
Total	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets									
Cash and balances with treasury banks	5,613,561	339,317	185,761	339,186	61,664	19,909	700,605	1,715,837	1,709,170
Balances with other banks	947,572	-	126,201	61,939	-	-	-	-	-
Lendings to financial institutions	991,272	-	-	-	-	-	-	-	-
Investments	21,709,150	6,275,810	1,423,241	4,188,623	2,443,093	1,990,080	3,357,179	1,714,030	-
Advances	43,242,951	4,413,766	5,959,754	7,105,295	7,426,845	1,521,210	1,830,457	(2,410,443)	14,569,045
Fixed assets	10,220,651	84,222	126,334	333,050	512,353	512,353	891,627	2,415,004	5,303,598
Intangible assets	153,027	1,757	5,273	58,025	21,383	21,383	23,132	18,559	-
Deferred tax assets	11,572,394	(31,302)	(99,026)	(27,807)	896,667	3,141,427	5,948,600	2,679,197	(946,982)
Other assets	11,357,267	1,660,358	392,234	751,103	3,354,808	3,354,808	855,057	-	-
	105,807,845	12,117,149	8,119,772	12,809,414	14,716,813	10,561,170	13,606,657	6,132,184	20,634,831
Liabilities									
Bills payable	1,815,836	-	-	-	-	-	-	-	-
Borrowings	13,504,780	5,793,690	871,150	-	794	78,890	558,786	224,399	-
Deposits and other accounts	88,474,564	5,347,932	2,927,759	5,345,869	971,886	313,783	11,042,144	27,043,098	26,938,017
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Subordinated debt	1,495,515	-	-	1,495,515	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
Other liabilities	6,183,032	609,337	549,606	338,103	881,924	789,369	837,797	1,059,986	-
	111,473,727	11,750,959	4,348,515	7,179,487	1,854,604	1,182,042	12,438,727	28,327,483	26,938,017
Net assets	(5,665,882)	366,190	3,771,257	5,629,927	12,862,209	9,379,128	1,167,930	(22,195,299)	(6,303,186)
Share capital - net	20,500,194								
Reserves	(425,043)								
Accumulated losses	(29,286,726)								
Surplus on revaluation of assets	3,545,693								
	(5,665,882)								

43.5 Derivative Risk

The policy guidelines for taking derivative exposures are approved by the Board of Directors (BOD). Group's Asset and Liability Committee (ALCO) is responsible for reviewing and managing associated risks of the transactions.

The overall responsibility for managing derivatives and sustaining profitability lies with the treasury front office / Head of Treasury. Treasury Middle Office (TMO) / market risk management function of the Group is responsible for monitoring the risk exposure and for analysis of present and potential risk factors arising from the same. The TMO also monitors associated risks in line with the Board of Directors' approved limits / policies and coordinates with the business for necessary approvals of the derivatives risk limits and also produces necessary reports / analysis as may be required.

44. CORRESPONDING FIGURES

Corresponding figures have been re-classified, wherever necessary for the purposes of comparison.

45. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on November 19, 2021 by the Board of Directors of the Group.

President / Chief Executive

Chief Financial Officer

Director

Director

Director

**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2020**

S.No.	Name and address of the Borrower	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's Name	Outstanding Liabilities as at January 01, 2020			Principal written-off	Interest / Mark-up written-off / waived	Other financial relief provided	Total	
				Principal	Interest / Mark-up	Other than Interest / Mark-up					
1	2	3	4	5	6	7	8	9	10	11	12
(Rupees in '000)											
1	Muhammad Zahid Ali H # 464 GG, St # 23 Phase #4 DHA Lahore	1. Muhammad Zahid Ali (35202-4374663-1)	1. Shiekh Muhammad Zafar	1,498	295	-	1,793	373	295	-	668
2	Muhammad Jabbar H No B 41 St No 02 Sec I Kha Yaban E Sir Rawalpindi	1. Muhammad Jabbar (37405-4555577-9)	1. Sheikh Laal Muhammad	1,996	470	-	2,466	599	470	-	1,069
3	DHA Cogen Ltd., D - 35 Block 5 Clifton Karachi	1. Brig Hafeezullah Khan (17201-9503417-9) 2. Col. Asad Nauman (Retd) (42601-7319209-9) 3. Col. Rashid Javed Butt (17201-2298690-5) 4. Col. Mubarak Ali Mazhar (Retd)	1. Nasrullah Khan 2. Saeed-Ul-Rehman Quresh 3. Muhammad Jhangeer Butt 4. Muhammad Sharif 5. Sadiq Ali Hamdani 6. Noor Ul Hasan	324,008	149,149	-	473,157	303,656	149,149	-	452,805
4	DSJ Pakistan (Pvt) Ltd ; I/6.10 Sector 16 Korangi Industrial Area Karachi.	1. Dawood Moosa Desai (42301-1697255-1) 2. Shabbir Ahmed Desai (42301-2324689-9) 3. Muhammad Amin Desai (42301-8645590-1) 4. Muhammad Sadique Desai (42301-2624784-9) 5. Shahid Mehmood Desai (42301-2625734-9) 6. Iqbal Moosa Desai (42301-4742374-5)	1. Moosa Dawood Desai 2. Moosa Dawood Desai 3. Dawood Desai 4. Shabbir Ahmed Desai 5. Shabbir Ahmed Desai 6. Moosa Dawood Desai	76,979	18,993	-	95,972	29,761	18,993	-	48,754

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2020

S.No.	Name and address of the Borrower	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's Name	Outstanding Liabilities as at January 01, 2020				Interest / Mark-up written-off / waived	Other financial relief provided	Total	
				Principal	Interest / Mark-up	Other than Interest / Mark-up	Total				
1	2	3	4	5	6	7	8	9	10	11	12
5	DSI Corporation; 11/9-10 Sector 16 Korangi Industrial Zone, Karachi."	1. Dawood Moosa Desai (42301-1697255-1) 2. Shabbir Ahmed Desai (42301-2324689-9) 3. Muhammad Amin Desai (42301-8645590-1) 4. Muhammad Sadique Desai (42301-2624784-9) 5. Shahid Mehmood Desai (42301-2625734-9) 6. Iqbal Moosa Desai (42301-4742374-5)	1. Moosa Dawood Desai 2. Moosa Dawood Desai 3. Dawood Desai 4. Shabbir Ahmed Desai 5. Shabbir Ahmed Desai 6. Moosa Dawood Desai	330,634	66,139	-	396,773	215,790	66,139	-	281,929
6	Al-Abid Silk Mills Limited; A-34/A S.I.T.E., Manghopir Road, Karachi.	1. S.M. Jawed Azam (42201-8147445-3) 2. Naseem A. Sattar (42301-0840043-1) 3. Azim Ahmed (42301-0912143-9) 4. Qamar Mashkooor (42201-6780761-7) 5. Muhammad Sajid Hafeez (42101-3124729-3) 6. Adia Naseem (42301-0783384-4) 7. Sadaf Nadeem (42301-0878866-8)	1. S.M. Farooque Azam 2. Shaikh Abdul Sattar 3. Naseem A. Sattar 4. Mashkooor Ahmed 5. Ejaz Ahmed Siddiqui 6. Naseem A. Sattar 7. Nadeem Younus	387,909	42,158	-	430,067	290,932	42,158	-	333,090
TOTAL				1,123,024	277,204	-	1,400,228	841,111	277,204	-	1,118,315

(Rupees in '000)

Annexure - II

ISLAMIC BANKING BUSINESS

The Bank commenced its Islamic Banking Operations in Pakistan on March 07, 2014 and is operating with 14 (2019: 14) Islamic banking branches and 35 (2019: 35) Islamic banking windows at the end of the year.

**STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020**

	2020	2019
Note	----- (Rupees in '000) -----	
ASSETS		
Cash and balances with treasury banks	1,004,828	451,368
Balances with other banks	463	10,907
Due from financial institutions	1 10,158,875	14,201,113
Investments	2 6,435,750	-
Islamic financing and related assets - net	3 3,372,284	3,831,205
Fixed assets	393,982	320,842
Intangible assets	2,415	4,638
Due from Head Office	-	-
Other assets	361,948	409,944
Total Assets	21,730,545	19,230,017
LIABILITIES		
Bills payable	246,818	194,231
Due to financial institutions	4 653,826	250,000
Deposits and other accounts	5 17,358,457	15,448,224
Due to Head Office	-	-
Subordinated debt	-	-
Deferred tax liabilities	14,449	-
Other liabilities	1,738,342	1,794,811
	20,011,892	17,687,266
NET ASSETS	1,718,653	1,542,751
REPRESENTED BY		
Islamic Banking Fund	1,000,000	1,000,000
Reserves	-	-
Surplus on revaluation of assets	26,834	-
Unappropriated/ Unremitted profit	7 691,819	542,751
	1,718,653	1,542,751
CONTINGENCIES AND COMMITMENTS	8	

**ISLAMIC BANKING BUSINESS
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2020**

	2020	2019
Note -----	(Rupees in '000) -----	
Profit / return earned	9 1,865,468	2,101,420
Profit / return expensed	10 883,679	821,890
Net Profit / return	981,789	1,279,530
Other income		
Fee and commission income	43,742	66,229
Dividend income	-	-
Foreign exchange loss	(63,820)	(105,624)
Income / (loss) from derivatives	-	-
Loss on sale of securities	(11,942)	(3,170)
Other income	14,977	10,480
Total other income	(17,043)	(32,085)
Total income	964,746	1,247,445
Other expenses		
Operating expenses	757,118	678,975
Workers' welfare fund	-	-
Other charges	677	702
Total other expenses	757,795	679,677
Profit before provisions	206,951	567,768
Provisions and write offs - net	57,883	650,212
Profit / (loss) before taxation	149,068	(82,444)
Taxation	-	-
Profit / (loss) after taxation	149,068	(82,444)

**ISLAMIC BANKING BUSINESS
NOTES TO THE ANNEXURE II
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Note	2020			2019		
		In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
----- (Rupees in '000) -----							
I Due from Financial Institutions							
<i>Unsecured</i>							
Bai Muajjal Receivable from other Financial Institutions	1.1	10,158,875	-	10,158,875	14,001,113	-	14,001,113
Musharakah	1.2	-	-	-	200,000	-	200,000
		10,158,875	-	10,158,875	14,201,113	-	14,201,113

1.1 This represents Bai Muajjal agreements with conventional operations of Summit Bank Limited and carries profit rate ranging from 6.75% to 9.00% per annum (2019: 13.25% to 13.75% per annum).

1.2 This represented Musharakah placement to a financial institution at mark-up rate of 9.00% per annum that matured on January 2020.

2 Investments

	2020				2019			
	Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value
----- (Rupees in '000) -----								
Investments by segments:								
Federal Government Securities:								
- GOP ijarah Sukuks	6,494,443	-	(58,693)	6,435,750	-	-	-	-
Total Investments	6,494,443	-	(58,693)	6,435,750	-	-	-	-

	Note	2020	2019
		----- (Rupees in '000) -----	
3 Islamic financing and related assets			
Ijarah	3.1	427,435	636,161
Murabaha	3.2	6,343	8,945
Running Musharakah		654,051	698,301
Diminishing Musharakah		2,337,111	2,516,321
Tijarah		699,998	717,068
Advance against Ijarah		900	-
Qarz-e-Hasna		-	80
Gross Islamic financing and related assets		4,125,838	4,576,876
Less: provision against Islamic financings			
- Specific		(748,025)	(734,190)
- General		(5,529)	(11,481)
		(753,554)	(745,671)
Islamic financing and related assets - net of provision		3,372,284	3,831,205

3.1 Ijarah

2020						
Cost			Accumulated Depreciation			Book Value as at December 31, 2020
As at January 01, 2020	Additions / (deletions)	As at December 31, 2020	As at January 01, 2020	Charge for the year	As at December 31, 2020	
(Rupees in '000)						
Plant and Machinery	-	-	-	-	-	-
Vehicles consumer	695,067	(170,645)	524,422	225,047	956	226,003
Vehicles corporate	552,445	15,548	567,993	386,304	52,673	438,977
Equipment	-	-	-	-	-	-
Total	1,247,512	(155,097)	1,092,415	611,351	53,629	664,980
						427,435

2019						
Cost			Accumulated Depreciation			Book Value as at December 31, 2019
As at January 01, 2019	Additions / (deletions)	As at December 31, 2019	As at January 01, 2019	Charge for the year	As at December 31, 2019	
(Rupees in '000)						
Plant and Machinery	-	-	-	-	-	-
Vehicles consumer	771,595	(76,528)	695,067	138,321	86,726	225,047
Vehicles corporate	590,237	(37,792)	552,445	304,072	82,232	386,304
Equipment	-	-	-	-	-	-
Total	1,361,832	(114,320)	1,247,512	442,393	168,958	611,351
						636,161

Future Ijarah payments receivable

2020				2019				
Not later than 1 year	Later than 1 year and less than 5 years	Over Five years	Total	Not later than 1 year	Later than 1 year and less than 5 years	Over Five years	Total	
(Rupees in 000)								
Ijarah rental receivables	199,643	227,792	-	427,435	240,528	395,633	-	636,161

3.2 Murabaha

Murabaha financing

Note

2020	2019
----- (Rupees in '000) -----	-----

	3.2.1	6,343	8,945
		6,343	8,945
		6,343	8,945

3.2.1 Murabaha receivable - gross

	3.2.2	6,910	9,594
--	--------------	--------------	--------------

Less: Deferred murabaha income

	3.2.4	(567)	(649)
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Murabaha financings

	3.2.1	6,343	8,945
		6,343	8,945
		6,343	8,945

	Note	2020 ----- (Rupees in '000) -----	2019
3.2.2 The movement in Murabaha financing during the year is as follows:			
Opening balance		9,594	52,168
Sales during the year		3,395	22,423
Adjusted during the year		(6,079)	(64,997)
Closing balance		<u>6,910</u>	<u>9,594</u>
3.2.3 Murabaha sale price		3,395	22,423
Murabaha purchase price		(3,119)	(20,899)
		<u>276</u>	<u>1,524</u>
3.2.4 Deferred murabaha income			
Opening balance		649	35,724
Arising during the year		276	1,524
Less: Recognised during the year		(358)	(36,599)
Closing balance		<u>567</u>	<u>649</u>
4 Due to financial institutions			
Secured			
Acceptances from the SBP under Islamic Export Refinance Scheme	4.1	300,000	250,000
Total secured		<u>300,000</u>	<u>250,000</u>
Unsecured			
Overdrawn nostro accounts		3,826	-
Musharakah	4.2	350,000	-
Total unsecured		<u>353,826</u>	<u>-</u>
		<u>653,826</u>	<u>250,000</u>

4.1 The Bank has entered into an agreement with SBP for extending export finance to its islamic customers. Borrowing under the export refinance scheme of SBP carry profit rate of 2.00% per annum (2019: 2.00% per annum). These are secured against demand promissory notes and are due to mature by March 2021 (2019: March 2020).

4.2 This represents Musharaka acceptance with conventional operations of Summit Bank Limited.

5 Deposits	2020			2019		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	----- (Rupees in '000) -----					
Customers						
Current deposits	5,408,764	487,500	5,896,264	4,794,164	487,731	5,281,895
Savings deposits	9,657,197	92,844	9,750,041	8,248,534	86,186	8,334,720
Term deposits	1,327,175	73,317	1,400,492	1,152,052	293,686	1,445,738
Margin accounts	174,553	-	174,553	230,383	-	230,383
	16,567,689	653,661	17,221,350	14,425,133	867,603	15,292,736
Financial Institutions						
Current deposits	77,807	127	77,934	77,812	121	77,933
Savings deposits	59,173	-	59,173	77,555	-	77,555
Term deposits	-	-	-	-	-	-
	136,980	127	137,107	155,367	121	155,488
	16,704,669	653,788	17,358,457	14,580,500	867,724	15,448,224

	2020	2019
	----- (Rupees in '000) -----	
5.1 Composition of deposits		
- Individuals	11,693,956	10,851,572
- Government (Federal and Provincial)	851,892	557,777
- Public Sector Entities	13,563	5,494
- Banking Companies	28,654	22,856
- Non-Banking Financial Institutions	313,321	430,836
- Private Sector	4,457,071	3,579,689
	<u>17,358,457</u>	<u>15,448,224</u>

5.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 9,820.715 million (2019: Rs. 9,033.794 million).

	2020	2019
	----- (Rupees in '000) -----	
6 Charity Fund		
Opening Balance	504	1,032
Additions during the year		
- Received from customers on account of delayed payment	2,562	504
- Dividend purification amount	-	-
- Profit on charity saving account	-	-
- Other Non-Shariah compliant income	-	-
	<u>2,562</u>	<u>504</u>
Payments / utilization during the year		
- Education	-	-
- Health	(749)	(1,032)
- Others	-	-
	<u>(749)</u>	<u>(1,032)</u>
Closing Balance	<u>2,317</u>	<u>504</u>
7 Islamic Banking Business Unappropriated Profit		
Opening Balance	542,751	625,195
Add / (less): Islamic Banking profit / (loss) for the year	149,068	(82,444)
Closing Balance	<u>691,819</u>	<u>542,751</u>

	2020	2019
	----- (Rupees in '000) -----	
8 CONTINGENCIES AND COMMITMENTS		
-Guarantees	2,137,420	3,962,232
-Commitments	1,321,882	1,178,059
-Other contingent liabilities	-	-
	<u><u>3,459,302</u></u>	<u><u>5,140,291</u></u>
9 Profit / Return Earned of Financing, Investments and Placement		
Profit earned on:		
Financing	451,379	733,045
Investments	126,064	-
Placements	1,287,624	1,367,791
Balances with banks	401	584
	<u><u>1,865,468</u></u>	<u><u>2,101,420</u></u>
10 Profit on Deposits and other Dues Expensed		
Deposits and other accounts	822,491	762,134
Due to Financial Institutions	33,007	29,111
Finance cost of lease liability	28,181	30,645
	<u><u>883,679</u></u>	<u><u>821,890</u></u>

11 Deposits

Deposits are generated on the basis of two modes i.e. Qard and Mudaraba.

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

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

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

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

I2 Pool Management

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

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

(i) Specific pool

Specific pools are operated for funds acquired / accepted from customers in foreign currencies (FCY) in addition to Pakistani Rupees (PKR) for customers willing to invest in specific sectors / Industry / exposures for want of higher returns. These pools operate in accordance with the rules as specified under general pool disclosure, however, varies in degree of risks associated with the investments / assets. Similarly, for interbank acceptances specific pool(s) based on Musharakah are also maintained by the Bank to meet liquidity requirement of the Bank. SMBL-IBD maintains 10 (Ten) Local Currency (LCY) and 01 (one) Foreign Currency (FCY) specific pools.

(ii) General pool

General pool is the basket in which all the deposits from depositors are placed along with the Bank's own equity as well as funds from other financial institutions. The general pool is based on the principle of unrestricted 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. SMBL-IBD maintains 01 LCY and 01 FCY General pool.

(iii) Treasury pool(s)

Treasury pool(s) may be created from time to time by obtaining funds from financial institutions. Treasury pool will be created on the basis of Mudaraba, Musharakah or Wakalah, as per agreement between Summit Bank and counter party.

Treasury pool may be created for one or more of the following reasons:

- a) Foreseeable major withdrawals by existing depositors;
- b) Expected new disbursement / financing requirement; and
- c) Meeting general liquidity requirement.

In case a major withdrawal has been requested from any depositor in an existing pool, the Bank may arrange funds from financial institution by creating a separate pool. The Bank will transfer matching assets(s) from the pool in which the withdrawal request has been made, to the treasury pool. These pools need to be maintained separately due to its peculiar nature (i.e. liquidity management).

(iv) IERS Pool:

IERS is an SBP program to offer Islamic equivalent of ERF and enables exporters to avail refinance through Islamic Banks under Shariah compliant modes. Summit Islamic Banking has been providing this refinance facility to its customers. Hence, this pool is created for the same purpose on Musharakah basis. The profit distribution works exactly the same as pre agreed profit sharing. As this is structured as Musharakah (partnership) as opposed to Mudarabah (fund management) there is no Mudarib fee sharing mechanism.

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

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

(b) Weightages for distribution of profit in general pool

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

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

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

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

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

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

- depreciation of Ijarah assets;
- cost of sales of inventories;
- Takaful expenses of pool assets;
- taxes (sales tax and service tax levied by the provincial government);
- stamp fee or documentation charges;
- other costs / foreign exchange losses (if ascertainable);
- brokerage fee for purchase of securities/commodities etc.; and
- impairment / losses due to physical damages to specific assets in pools etc.

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

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

(d) Parameters associated with risk and rewards

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

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

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

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

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

	2020	2019
	----- (Rupees in '000) -----	
Avenues / sectors of economy / business where deposits have been deployed*		
Cement	241,379	254,967
Chemical and pharmaceuticals	217,000	218,052
Construction	35,343	47,275
Education	-	11,998
Electronics and electrical appliances	906,223	991,624
Exports / imports	47,192	80,505
GOP Ijarah Sukuks	6,435,750	-
Food, tobacco and beverages	309,383	263,541
Health care	-	11,781
Individuals	418,524	634,738
Miscellaneous manufacturing	237,480	265,978
Paper and allied products	731	1,109
Power (electricity), gas, water, sanitary	-	17,070
Services	632,216	538,940
Sugar	699,998	699,998
Textile	-	2,442
Transport, storage and communication	148,506	181,053
Wholesale and retail trade	10,421	165,437
Others	49,735	49,733
Total gross Islamic financing and related assets and investments	10,389,881	4,436,241
Total lending to financial institutions	10,158,875	14,201,113
Total deployed funds	20,548,756	18,637,354

* Staff financing amounting Rs. 171.707 million (2019: Rs. 140.635 million) is not included as it is financed through Islamic Banking Fund.

Basis of profit allocation

Profit of the general pool has been distributed between Mudarib and Rabbul Maal by using pre-agreed profit sharing ratio. The profit was distributed between Mudarib and Rabbul Maal on the under mentioned profit sharing ratios based upon gross income level less direct expenses.

	Profit sharing ratio	
	LCY Deposits	FCY Deposits
	2020	
	-----%-----	
Rabbul Maal	50%	6%
Mudarib	50%	94%

Mudarib share (in amount and percentage of distributable income)

	2020	2019	2020	2019
	----- (Rupees in '000) -----		%	
Rabbul Maal	785,911	720,143	76%	68%
Mudarib	253,190	346,196	24%	32%
	<u>1,039,101</u>	<u>1,066,339</u>		

Amount and percentage of Mudarib share transferred to depositors through Hiba

	2020	2019
	----- (Rupees in '000) -----	
Mudarib share	231,921	306,313
Hiba	21,268	39,883
	-----%-----	
Hiba percentage of Mudarib share	8	12

Profit rate earned vs profit rate distributed to the depositors during the year ended December 31, 2020

	2020	2019
	-----%-----	
Profit rate earned	9.79%	12.61%
Profit rate distributed to depositors	6.99%	8.01%

CATEGORIES OF SHAREHOLDERS

AS OF DECEMBER 31, 2020

	NUMBER OF SHAREHOLDERS	SHARE HELD	PERCENTAGE %
ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES			
SUROOR INVESTMENTS LIMITED	1	1,761,412,119	66.77
RUPALI BANK LIMITED	1	32,777,450	1.24
SUB TOTAL	2	1,794,189,569	68.01
SHAREHOLDERS HOLDING FIVE PERCENT OR MORE (EXCLUDING SIL)			
NIL	-	-	0.00
DIRECTORS			
MR.AHSAN RAZA DURRANI		7	
MR.AZIZ MORRIS		2	
MS. FAUZIA HASNAIN		2	
SUB TOTAL	3	11	0.00
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS	11	158,024,999	5.99
NATIONAL INVESTMENT TRUST & INVESTMENT CORPORATON OF PAKISTAN	-	-	-
FOREIGN SHAREHOLDERS	194	83,988,408	3.18
INDIVIDUAL	41,808	383,258,159	14.53
OTHERS	87	218,689,914	8.29
TOTAL	42,105	2,638,151,060	100.00

PATTERN OF SHAREHOLDING

AS OF DECEMBER 31, 2020

No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
8119	1	100	351442
3666	101	500	998277
22300	501	1000	12657613
5914	1001	5000	11883807
801	5001	10000	5942777
292	10001	15000	3633509
198	15001	20000	3563599
104	20001	25000	2424523
65	25001	30000	1810354
37	30001	35000	1205113
41	35001	40000	1552177
24	40001	45000	1031680
78	45001	50000	3855652
23	50001	55000	1206388
21	55001	60000	1214052
11	60001	65000	686503
14	65001	70000	962454
25	70001	75000	1825333
5	75001	80000	400000
5	80001	85000	417332
6	85001	90000	528225
4	90001	95000	365615
47	95001	100000	4700000
9	100001	105000	924002
6	105001	110000	655331
7	110001	115000	787611
6	115001	120000	711494
8	120001	125000	986315
7	125001	130000	904397
1	130001	135000	133000
3	135001	140000	41664
2	140001	145000	284278
10	145001	150000	1492388
21	55001	60000	1214052
11	60001	65000	686503
14	65001	70000	962454
25	70001	75000	1825333
5	75001	80000	400000
5	80001	85000	417332
6	85001	90000	528225
4	90001	95000	365615
47	95001	100000	4700000
9	100001	105000	924002
6	105001	110000	655331
7	110001	115000	787611
6	115001	120000	711494
8	120001	125000	986315
7	125001	130000	904397

No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
1	130001	135000	133000
3	135001	140000	416649
2	140001	145000	284278
10	145001	150000	1492388
4	150001	155000	616762
2	155001	160000	312500
5	160001	165000	815059
2	165001	170000	336172
4	170001	175000	691206
4	175001	180000	711800
2	185001	190000	379800
23	195001	200000	4597444
3	200001	205000	610000
8	205001	210000	1661557
4	210001	215000	855500
3	215001	220000	656222
6	220001	225000	1344220
1	225001	230000	230000
3	230001	235000	701500
1	240001	245000	243000
5	245001	250000	1245500
2	250001	255000	506000
3	255001	260000	770678
2	260001	265000	521455
2	265001	270000	539000
1	280001	285000	285000
8	295001	300000	2399000
1	305001	310000	310000
1	320001	325000	325000
2	335001	340000	677385
2	345001	350000	699913
3	355001	360000	1072978
2	360001	365000	721000
3	365001	370000	1105080
2	375001	380000	756000
1	385001	390000	389000
1	395001	400000	400000
3	410001	415000	1239000
10	415001	420000	4170639
1	420001	425000	423500
1	430001	435000	432000
1	440001	445000	442166
2	445001	450000	900000
2	455001	460000	915091
1	460001	465000	465000
1	465001	470000	470000
1	490001	495000	491500
5	495001	500000	2500000

No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
1	500001	505000	502000
1	505001	510000	506978
1	510001	515000	512500
1	515001	520000	518400
1	520001	525000	523062
1	525001	530000	528212
1	540001	545000	540500
1	570001	575000	573500
1	585001	590000	587777
1	590001	595000	590710
1	595001	600000	600000
1	600001	605000	600757
1	610001	615000	611000
1	630001	635000	634000
2	645001	650000	1300000
1	670001	675000	671000
1	675001	680000	677000
1	680001	685000	682000
1	685001	690000	688500
1	695001	700000	700000
2	700001	705000	1408980
1	710001	715000	711000
1	715001	720000	720000
1	720001	725000	722500
1	745001	750000	749500
1	755001	760000	755555
1	770001	775000	772000
1	825001	830000	828500
1	845001	850000	850000
1	865001	870000	869000
1	895001	900000	898500
1	925001	930000	929000
1	935001	940000	936000
1	950001	955000	955000
1	955001	960000	957000
1	960001	965000	963388
3	995001	1000000	3000000
1	1025001	1030000	1026500
1	1045001	1050000	1047000
2	1075001	1080000	2155943
1	1120001	1125000	1120500
2	1195001	1200000	2396000
1	1250001	1255000	1254555
1	1260001	1265000	1261500
1	1345001	1350000	1347500
1	1375001	1380000	1380000
1	1495001	1500000	1500000
1	1620001	1625000	1622717

No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
1	1645001	1650000	1650000
1	1710001	1715000	1712500
1	1750001	1755000	1755000
1	1765001	1770000	1767000
1	1995001	2000000	2000000
1	2040001	2045000	2041000
1	2080001	2085000	2084500
1	2180001	2185000	2185000
1	2235001	2240000	2237500
1	2310001	2315000	2312000
1	2325001	2330000	2327000
1	2340001	2345000	2341500
1	2495001	2500000	2500000
1	2600001	2605000	2600500
1	2820001	2825000	2820500
1	2995001	3000000	3000000
1	3045001	3050000	3046500
1	3310001	3315000	3312500
1	3770001	3775000	3773600
2	3995001	4000000	8000000
1	4115001	4120000	4116000
1	4465001	4470000	4465500
1	5095001	5100000	5100000
1	5740001	5745000	5742500
1	5840001	5845000	5841389
1	5855001	5860000	5857429
1	5995001	6000000	6000000
1	6165001	6170000	6166000
1	6595001	6600000	6600000
1	8720001	8725000	8723500
1	9995001	10000000	10000000
2	13550001	13555000	27106122
1	13730001	13735000	13735000
1	14935001	14940000	14940000
1	15110001	15115000	15113393
1	15195001	15200000	15200000
1	31745001	31750000	31747500
1	32775001	32780000	32777450
1	49995001	50000000	50000000
1	51495001	51500000	51500000
1	54215001	54220000	54216512
1	65320001	65325000	65322946
1	68225001	68230000	68228986
1	69695001	69700000	69700000
1	88935001	88940000	88939563
1	1761410001	1761415000	1761412119
42105			2,638,151,060

NOTICE OF THE FIFTEENTH ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF SUMMIT BANK LIMITED

NOTICE is hereby given that the Fifteenth Annual General Meeting of the Shareholders (the “Shareholders”) of Summit Bank Limited (the “Bank”) will be held on Tuesday, December 14, 2021 at 12:00 p.m. at Serena Hotel, Islamabad to transact the following business:

AGENDA

Ordinary Business:

1. To confirm the minutes of the Annual General Meeting of the Bank held on November 11, 2021.
2. To receive, consider and adopt the audited financial statements of the Bank together with the Directors’ and Auditors’ Reports for the year ended December 31, 2020.
3. To appoint External Auditors of the Bank for the financial year ended December 31, 2021 till the conclusion of the next Annual General Meeting and fix their remuneration (present Auditors, M/s. Baker Tilly Mehmood Idrees Qamar, Chartered Accountants being eligible, have offered themselves for re-appointment).

Special Business:

4. To grant post facto approval for increase in payment of remuneration to Independent / Non-Executive Directors for attending Board Meetings and Board Sub-Committee Meetings.

RESOLVED THAT post facto approval for increase in payment of remuneration from PKR 150,000/- to PKR 300,000/- per meeting, to the Independent and Non-Executive Directors for attending Board Meetings and Board Sub-Committee Meetings is be and hereby granted.

Other Business:

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

By order of the Board

Place: Karachi
Date: November 23, 2021

Syed Muhammad Talib Raza
Company Secretary

Notes:

1. The share transfer books of the Bank will be closed from December 07, 2021 to December 14, 2021 (both days inclusive). Transfers received by our Shares Registrar, M/s. THK Associates (Private) Limited, 32-C, Jami Commercial Street No. 11, D.H.A, Phase 7, Karachi at the close of business i.e. December 06, 2021 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, speak and vote on his / her behalf. A corporation being a member may appoint as its proxy any of its official or any other person whether a member of the Bank or otherwise.
3. An instrument of proxy and Power of Attorney or other authority (if any) under which it is signed or notarized, copy of such Power of Attorney must be valid and deposited with the Share Registrar of the Bank, M/s. THK Associate (Pvt.) Limited 32-C, Jami Commercial Street No. 11, D.H.A, Phase 7, Karachi duly stamped, signed and witnessed not less than 48 hours before the time of the meeting.

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 Bank. Members who have not yet submitted photocopies of their CNICs to the Registrar are requested once again to submit a valid attested copy of their CNICs with our Share Registrar, M/s. THK Associates (Pvt.) Ltd.
6. Those shareholders whose shares are deposited with Central Depository Company of Pakistan Limited (CDC) are requested to bring their original Computerized National Identity Card (CNIC) along with the participant ID number and their account/sub-account numbers in CDC to facilitate identification at the time of AGM. In case of proxy, attested copies of proxy CNIC or passport, Account and Participant ID number must be deposited along with the Form of Proxy with our Share Registrar. In case of proxy for corporate members, the Board of Directors' Resolution / Power of Attorney with specimen signature of the nominee shall be produced at the time of the meeting unless it has been provided earlier to the Share Registrar.
7. Shareholders having physical scrip of shares are requested to promptly notify change in their postal address and / or email address if any, to our Share Registrar, in writing, whereas CDC account holders are requested to contact their CDC Participant / CDC Account Services.
8. Pursuant to SECP S.R.O No. 43(l)/2016 dated January 22, 2016, members can also exercise their right to vote through e-voting by giving their consent in writing at least 10 days before the date of the meeting to the Bank on the appointment by the Intermediary as a Proxy.

For Attending the Meeting:

- i. In case of individuals, the account holders or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card ("CNIC") or original passport at the time of attending the Meeting.
- ii. In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

For Appointing of Proxies:

- i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per the above requirement.
- ii. The proxy form shall be witnessed by the two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii. Attested copy of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv. The proxy shall produce his/her original CNIC or passport at the time of the meeting.
- v. In case of corporate entity, the Board of Directors Resolution / Power of Attorney with specimen signature shall be submitted along with proxy form of the Bank.

9. A Proxy Form, both in English and Urdu language, is being separately sent to the members, along with the Notice of AGM.
10. In accordance with SECP Circular No. 10 of 2014 dated May 21, 2014 (the Circular), member holding in an aggregate of 10% or more shareholding in the paid-up capital of the Bank residing in a city, may avail video conference facility to attend the meeting.

Requirement and procedure for availing video conference facility as stipulated in the Circular are detailed here as under:

The member should provide their consent as per the following format and submit to the registered address of the Bank 10 days before holding of general meeting.

Consent Form for Video Conference Facility

I/We _____ of _____
being a member of Summit Bank Limited, holder of _____ ordinary shares as
per Register Folio / CDC Account No _____ hereby opt for
video conference facility at _____ (geographical
location).

11. As per Section 72 of the Companies Act, 2017, every existing listed company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the Commission, within a period not exceeding four years from the commencement of this Act, i.e., May 30, 2017.

The Shareholders having physical shareholding are encouraged to open CDC sub-account with any of the brokers or Investor Account directly with CDC to place their physical shares into scrip less form, this will facilitate them in many ways, including safe custody and sale of shares, any time they want, as the trading of physical shares is not permitted as per existing regulations of the Pakistan Stock Exchange.

12. Shareholders who could not collect their dividend / physical shares are advised to contact our Share Registrar to collect/enquire about their unclaimed dividend or shares, if any. In compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, all such dividend and shares outstanding for a period of three (3) years or more from the date due and payable shall be deposited to the credit of the Federal Government in case of unclaimed dividend and in case of shares, shall be delivered to the SECP.
13. Copies of the Notice of AGM and the latest annual audited/quarterly financial statements of the Bank have been kept at the Registered Office of the Bank which can be obtained and/or inspected during the business hours on any working day from the date of publication of this Notice till the conclusion of the AGM by the members and other persons entitled to attend the Meeting. Notice of the Fifteenth (15th) AGM and the latest annual audited/quarterly financial statements have further been placed on the website of the Bank: www.summitbank.com.pk.
14. The Securities & Exchange Commission of Pakistan (SECP) through its SRO 470(1)/2016 dated May 31, 2016 has allowed the companies to circulate its Annual Audited Financial Statements to its members through CD/DVD/USB or any electronic media at their registered addresses.

However, shareholders who wish to receive the hard copy of the Financial Statements shall have to fill out the 'Standard Request Form' available on the Bank's website and send to us at the given addresses.

Statement of Material Fact under Section 134 (3) of the Companies Act, 2017 relating to Special Business

The following statement sets out the material facts pertaining to the Special Business to be transacted in the 15th Annual General Meeting of the Bank to be held on Tuesday, December 14, 2021:

Agenda item No. 4

The Board of Directors of Summit Bank Limited (SMBL), on the recommendations of Board Human Resource and Remuneration Committee (BHR&RC), has decided to increase the Directors' remuneration from PKR 150,000/- to PKR 300,000/- per meeting for Independent and Non-Executive Directors for attending the Board Meetings and Board Sub-Committee Meetings. The decision to increase the remuneration has been undertaken to compensate for the time and efforts required to discharge Director's obligations and to value their skills and expertise in managing the affairs of the Board and the related Board Sub-Committees. The increase in remuneration is well within the limits prescribed by State Bank of Pakistan and complies with the requirements as detailed out in the related regulatory notification i.e. BPRD Circular No.03 of 2019 dated August 17, 2019.

The post facto approval of the shareholders of the Bank is sought in terms of State Bank of Pakistan's Prudential Regulation G-1(C) (2) for the above mentioned matter.

The above proposed matter seeking the approval of the shareholders as an Ordinary Resolution entails the recommendation / approval of the Board of Directors.

Interest of Directors

The Directors of the Bank have no personal interest, directly or indirectly, in the above mentioned special business that would require further disclosure except to the extent of their remuneration.

Inspection of Documents

The copies of the Memorandum and Articles of Association of the Bank and the minutes of the last AGM may be inspected / procured free of cost during the business hours on any working day from the Registered Office / Head Office of the Bank from the date of publication of the accompanying notice till the conclusion of the Annual General Meeting of the Bank.

BRANCH NETWORK

CONVENTIONAL BANKING BRANCHES

KARACHI

Abdullah Haroon Road Branch

282/3, Abdullah Haroon Road, Area, Saddar, Karachi
Tel: 021-35685269, 35685393, 35685940
Fax: 021-35683991

Adamjee Nagar Branch

115-A/Z, Block 7/8, Tipu Sultan Road, Karachi
Tel: 021- 34312984-9
Fax: 021-34312980

Atrium Mall Branch

Shop No. 6 and 21 Ground floor, Plot No. 249, Atrium Mall, Staff Lines, Zaibunnisa Street, Saddar, Karachi
Tel: 021-35641001-7
Fax: 021-35641008

Badar Commercial Branch

Plot No. 41-C, Badar Commercial, Street No. 10, Phase-V Extension, DHA Karachi
Tel: 021-35348501-3
Fax: 021-35348504

Bahadur Shah Center Branch

Bahadur Shah Center, Urdu Bazar,
Off: M.A. Jinnah Road, Karachi
Tel: 021-32768547, 32768559
Fax: 021-32765083

Bahadurabad Branch

Plot # C-23, Shop # 1&2 Block-3, BMC Commercial Area Bahadurabad, Karachi
Tel: 021-34913447 & 49
Fax: 021-34913453

Barkat-e-Hyderi Branch

Almas Square, Block-G, North Nazimabad, Karachi
Tel: 021-36628931, 36706896-7
Fax: 021-36723165

Burns Road Branch

Plot No. 55-A, Survey Sheet A.M., Artillery Maidan Quarters (Burns Road), Karachi.
Tel: 021-32215174, 75 & 76
Fax: 021-32215289

Clifton Branch

Pearl Heaven Apartments, Khayaban-e-Roomi, Block No-5, Clifton, Karachi
Tel: 021-35823469, 35824171, 35823619
Fax: 021-35821463

Cloth Market Branch

41, Saleh Muhammad Street, Cloth Market, Karachi
Tel: 021-32461601-03 & 32461605
Fax: 021-32461608

Com-3, Clifton Branch, Karachi

Show Room No. 12, "Com-3", (Opp: Bar B. Q. Tonight), Block 6, Clifton, Karachi.
Tel: 021 - 35148311 - 13
Fax: 021 - 35148314

Defence Branch

55-C, Phase-II, D.H.A, Opp Toyota Motors, Main Korangi Road, Karachi.
Tel: 021-35387809-35396263 - 35312592
Fax: 021-35387810

DHA Phase I Branch

101-C, Commercial Area 'B', Phase-I DHA, Karachi
Tel: 021- 35314061, 35314063-67, 35314105
Fax: 021-35314070

DHA Phase IV Branch

Plot # 129, 9th Commercial Street, Phase IV, DHA, Karachi
Tel: 021-35313068-70
Fax: 021-35313071

Dhoraji Colony Branch

Plot No. 133, Block No. 7 & 8 Dhoraji Colony, C.P & Berar Co-operative Housing Society, Karachi
Tel: 021-34860773-75
Fax: 021-34860772

Ex. Dolmen City Branch

temporary shifted to:
Plot No. G-2, Block 2, (Ground Floor), Clifton, Karachi
Tel: 021-3572020-22
Fax: 021-3572023

Electronic Market (Abdullah Haroon Road) Branch

Shop No 1 & 2, Plot # 19, Ghafoor Chambers, Preedy Quarters, Saddar, Karachi
Tel: 021-32711614-8
Fax: 021-32716113

Fish Harbour Branch

K - 3, Export Zone, Adjacent Main Auction Hall, Fish Harbour, Karachi
PABX: 021-32315383 - 85
Fax: 021-32315386

Garden East Branch

Shop No. 1,2,3,4, 5 & 6, Jumani Centre Plot No. 177-B,
Garden East, Karachi
Tel: 021-32243311-13
Fax: 021-32243314

Gulistan-e-Jauhar - Branch I

Plot # 118/A-B, Shop # 02, 03, 04 Ground Floor Rufi
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 I

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 I - 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-I Block A,
New M.A. Jinnah Road, Karachi
Tel: 021-34860422-23, 34860425
Fax: 021-34860424

Jodia Bazar - Branch I

A/25/28 Daryalal Street, Jodia Bazar, Karachi
Tel: 021-32500121-5
Fax: 021-32500128

Karachi Stock Exchange Branch

Office No. 52, 52-A, 52-B, (1st Floor) KSE Building, Karachi
Tel: 021-32462850, 32462844-9
Fax: 021-32462843

Karimabad Branch

Plot No BS-16, Block I, FB Area, Karimabad, Karachi
Tel: 021- 36826646-48
Fax: 021-36826649

Khayaban-e-Shahbaz Branch

Plot No. 21-C Khayaban-e-Shahbaz, Phase VI, DHA, Karachi
Tel: 021-35344952, 353444957 & 35344963
Fax: 021-35344942

Khayaban-e-Tanzeem Branch

C 4-C, Tauheed Commercial, Khayaban-e-Tanzeem,
Phase-5, DHA, Karachi
Tel: 021-35869147-35810977 & 35871640
Fax: 021-35869342

Korangi Industrial Area Branch

33/1, Sector-15, Korangi Industrial Area, Karachi
Tel: 021-35114290, 35121294, 35122231-32
Fax: 021-35114282

Malir Cantt Branch

Army Shopping Complex, Adjacent Tooba Army Store
Malir Cantonment, Karachi
Tel: 021-34196142-44
Fax: 021-34196145

M. A. Jinnah Road Branch

Mezzanine & Ground Floor, Plot Survey # 19, Street #
R.B.6. Shop # 3, 4, Ram Bagh Quarters 166 M.A. Jinnah
Road, Karachi
Tel: 021- 32218395, 32218409,32218428
Fax: 021-32218376

Muhammad Ali Society Branch

Plot # 4-C Commercial Area, Muhammad Ali
Co-Operative Housing Society, Karachi
Tel: 021-34168036-37
Fax: 021-34186045

Nazimabad (Gol Market) Branch

Plot # 7, Sub Block 'E', in Block # III (III-E-7), Nazimabad
(Gole Market), Karachi
Tel: 021-36620261-63 & 36620267
Fax: 021-36620264

New Challi Branch

Plot No. 27, Survey No. 27, (New Challi),
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

PAF-Base Faisal Branch

Camp-2, Faisal Arcade, PF-I, Market
PAF-Base Faisal, Karachi
PABX: 021-34601360-62
Fax: 021-34601363

Paper Market Branch

Al-Abbas Centre, Paper Market, Shahrah-e-Liaquat,
Karachi
Tel: 021-32639671-2 & 32634135
Fax: 021-32639670

Plaza Quarters Branch

Al-Shafi Building Noman Street,
Off: M.A. Jinnah Road, Karachi
Tel: 021-32771515-16-18
Fax: 021-32771517

Ranchore Line Branch

R.C. 11, Old Survey # E-7/143, Ranchore Line, New
Lakhpati Hotel, Karachi
Tel: 021-32767234-36
Fax: 021-32767460

Rizvia Society Branch

B-12, Rizvia Cooperative Society, Nazimabad, Karachi
Tel: 021-36600956-57
Fax: 021-36600958

Sea View, Clifton Branch, Karachi

Plot No. G - 2, Block 2, (Ground Floor), Clifton, Karachi.
Tel: 021 - 3572020 -22
Fax: 021 - 3572023

S.I.T.E. Branch

B/9-B/3, Near Metro Chowrangi, S.I.T.E., Area, Karachi
Tel: 021-32586801-4, 32587166-8
Fax: 021-32586806

Saeedabad Branch

Plot # 1004/1 & 1004-A/1 (5G/102-A & 5G/012-A/2),
Saeedabad, Baldia, Mahajir Camp, Karachi
Tel: 021-32815092-94
Fax: 021-32815095

Shahrah-e-Faisal Branch

Business Avenue Block-6, P.E.C.H.S., Karachi
Tel: 021-34386417-18 & 34374476
Fax: 021-34531819

Shershah Branch

Plot # D-175, Industrial Trading Estate Area, Trans Lyari
Qrtrs, Shershah, Karachi
Tel: 021-32588191-93
Fax: 021-32588195

Soldier Bazar Branch

Shop # 4, 5 & 6, Plot No 14, Survey # 13-B-2, Soldier Bazar
Quarters, Karachi
Tel: 021-32231559-60
Fax: 021-32231556

Steel Market Branch

Ground Floor, Shop # G-13, 14, 32, 33 Steel Market,
Ranchore lines Quarters, Karachi
Tel: 021-32763001- 07
Fax: 021-32763009

Tariq Road Branch

C-51, Central Commercial Area, Near Pizza Max Tariq Road,
P.E.C.H.S., Karachi
Tel: 021-34556486, 34556682
Fax: 021-34555478

Timber Market Branch

Siddique Wahab Road, Karachi
Tel: 021-32732729, 32766995
Fax: 021-32733214

Water Pump Branch

Lateef Square, Block-16, Federal 'B' Area, Main
Water Pump Market, Karachi
Tel: 021-36321387, 36314817
Fax: 021-36314848

LAHORE

Allama Iqbal Town Branch

56/12, Karim Block, Allama Iqbal Town, Lahore
Tel: 042-35434160-61, 35434163
Fax: 042-35434164

Azam Cloth Market Branch

285-286, Punjab Block, Azam Cloth Market, Lahore
Tel: 042-37661686,
37660341 & 37660298
Fax: 042-37661863

Badami Bagh Branch

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

Bahria Town Branch

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

Bedian Road Branch

Plot No. 2512/I, 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 G Block Branch

Plot # 13 G, Commercial Zone DHA,
Phase-I, Lahore Cantt.
Tel: 042-35691173-78
Fax: 042-35691171

DHA Phase - VI Branch

Property No 16-MB , Block MB, Phase VI DHA Lahore
Tel: 042 -37189650 -52
Fax: 042-37189653

DHA Y Block Branch

163, Block Y, Phase III, DHA Lahore Cantt
Tel: 042-35692531-36
Fax: 042-35692690

Egerton Road Branch

27-Ajmal House, Egerton Road, Lahore
Tel: 042-36364522, 36364532
Fax: 042-36364542

Empress Road Branch

Plot #. 29, Empress Road, Lahore
Tel: 042-36300670-3
Fax: 042-36310362

Faisal Town Branch

853/D, Akbar Chowk, Faisal Town, Lahore
Tel: 042-35204101-3
Fax: 042-35204104

Ferozpur Road Branch

Siza Farmer Factory, Sufiabad, Lahore
Tel: 042- 35401751-3, 35401754
Fax: 042-35800094

Gulberg Branch

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 - 042-37426301
Fax: 042-37572089

Johar Town Branch

Plot # 85, Block G/I, M.A Johar Town-Lahore
Tel: 042-35291172-74
Fax: 042-35171047

Kashmir Block, Allama Iqbal Town Branch

Plot # 1, Kashmir Block, Allama Iqbal Town
Scheme, Lahore
Tel: 042-37809021-24
Fax: 042-37809026

Lahore - Cantt Branch

Day building 1482/A, Abdul Rehman Road, Lahore Cantt
Tel: 042- 36603061-63
Fax: 042-36603065

Lahore Stock Exchange Branch

Office No. 1, Lower Ground floor # 1, Lahore Stock
Exchange Plaza, Plot No. 19, Khasra No. 1047, 19,
Khayaban e Aiwan e Iqbal, Lahore
Tel: 042-36280853 - 56
Fax: 042-36280851

Liberty Market Branch

Shop No.02 & 03, Ground floor, Diamond Tower,
28 Commercial Zone, Liberty Market, Gulberg III,
Lahore
Tel: 042- 35717273, 35763308
Fax: 042-35763310

Mall Road Branch

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

Model Town Branch

14-15, Central Commercial Market, Model Town, Lahore
Tel: 042-35915540-4
2 & 35915548
Fax: 042-35915549

New Garden Town Branch

19-A, Ali Block, New Garden Town, Lahore
Tel: 042-35911361-4
Fax: 042-35911365

Shah Alam Gate Branch

12-A, Shah Alam Gate, Lahore
Tel: 042-37666854 - 57
Fax: 042-37663488

Urdu Bazar Branch

S - 38-R, Urdu Bazar Chowk - 205, Circular Road, Lahore
Tel: 042-37116001-3
Fax: 042-37116004
Wahdat Road Branch
Mauza Ichra, Wahdat Road, Lahore
Tel: 042-37503001-3
Fax: 042-37503004

Z Block DHA Branch

323-Z, DHA, Phase-3, Lahore
Tel: 042-35693112-5
Fax: 042-35693117

ISLAMABAD

Bahria Town Branch

Plot # 3-4, Express Way, Sufiyan Plaza,
Phase VII, Bahria Town, Islamabad
Tel: 051- 5707360 – 63-65
Fax: 051-5707358

Barah Koh Branch

Murree Road, Tehsil / District,
Islamabad
Tel: 051- 2321712- 13
Fax: 051-2321714

Blue Area Branch

20 - Al- Asghar Plaza, Blue Area,
Islamabad
Tel: 051-2823204, 2872913
Fax: 051-2274276

F-10 Markaz Branch

Plot No. 08, Maroof Hospital, F-10
Markaz, Islamabad
Tel: 051-2222860-62
Fax: 051-2222863

F-11 Markaz Branch

Plot # 29, Select Center, F-11
Markaz, Islamabad
Tel: 051-2228027-28
Fax: 051-2228365

G-11 Markaz Branch

Shop #. 25-34, Plot # 23, Sajid Sharif
plaza, G-11 Markaz, Islamabad
Tel: 051-2220973-6
Fax: 051-2220977

I-9 Markaz Branch

Plot # 3/L, Shops Nos. 6, 7, 13, & 14, I-9,
Markaz, Islamabad
Tel: 051-4449832-35
Fax: 051-4449836

Stock Exchange Branch

Plot # 109, East F-7/G-7, Jinnah Avenue,
Blue Area, Islamabad
Tel: 051-2806281-83
Fax: 051-2806284

Super Market Branch

Shop No. 9, Block - C, F-6 Markaz, Islamabad.
Tel: 051-2279168-170 & 051-2824533-34
Fax: 051-2279166

RAWALPINDI

Raja Bazar Branch

Raja Bazar, Rawalpindi
Tel: 051-5553504, 5557244 & 5777707 - 5534173-5557244
Fax: 051-5559544

Shamsabad Muree Road Branch

DD/29, Shamsabad Murree Road, Ojri Kalan, Rawalpindi
Tel: 051-4854400, 4854401-03
Fax: 051-4854404

The Mall Road Branch, Rawalpindi

Shop No. 31-A/4, The Mall Road,
Opp: State Life Bldg., Saddar,
Rawalpindi Cantt.
Tel: 051-5564123, 051-5120777-80
Fax: 051-5528148

FAISALABAD

Jail Road Branch

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

Kotwali Road Branch

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

Liaquat Road Branch

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

Satiana Road Branch

679-DGM, Batala Colony, Satiana Road, Faisalabad
Tel: 041 - 8500569 - 71
Fax: 041 - 8500568

Susan Road Branch

Chak No. 213/RB Susan Road, Faisalabad
Tel: 041-8502367-69
Fax: 041-8502371

MULTAN

Abdali Road Branch

Plot No. 66-A & 66-B/9, Abdali
Road, Multan
Tel: 061-4588171, 4588172 & 4588175-78
Fax: 061-4516762

Hussain Agahi Road Branch

2576, Hussain Agahi Road, Multan
Tel: 061-4548083, 4583268, 4583168 & 4584815
Fax: 061-4543794

Qadafi Chowk Branch

Plot # 43, Block T, New Multan Road, Qadafi Chowk-Multan
Tel: 061-6770882-84
Fax: 061-6770889

Vehari Road Branch

Plot # 2227-A, Chowk Shah Abbas, Vehari Road, Multan
Tel: 061-6241015-17
Fax: 061-6241014

SUKKUR

Marich Bazar Branch

B – 885, Marich Bazar, Sukkur
Tel: 071-5627781-2
Fax: 071-5627755

Shikarpur Road Branch

Shop # D-195, Ward D, Near A Section Police Station
Shikarpur Road, Sukkur
Tel: 071-5617142-44
Fax: 071-5617145

Workshop Road Branch

City Survey # 3403/2/1 and C.S # 3403/2M/6,
Ward-B Tooba Tower Workshop Road, Sukkur
Tel: 071-5616663, 5616664, 5616582
Fax: 071-5616584

GUJRANWALA

GT Road Branch

B/11-S7/103, G. T. Road, Gujranwala
Tel: 055-3842751-3842729
Fax: 055-3842890

Gujranwala Branch

G.T. Rd., Opp. General Bus Stand, Gujranwala
Tel: 055-3820401-3
Fax: 055-3820404

Wapda Town Branch

Plot # B - III, MM - 53, Hamza Centre,
Wapda Town, Gujranwala
Tel: 055-4800204-06
Fax: 055-4800203

GUJRAT

GT Road Branch

Small Estate, G. T. Road , Gujrat
Tel: 053-3534208, 3533949 & 3534208
Fax: 053-3533934

Gujrat Branch

Main GT Road Tehsil & Distt., Gujrat
Tel: 053-3517051-54
Fax: 053-3516756

Katchery Chowk Branch

Shop #. 1263 & 1270 B-II, Katchery Chowk,
Opp. Zahoor Elahi
Satadium, Near New Narala Bakers, Gujrat
Tel: 053-3601021-24
Fax: 053-3601025

PESHAWAR

Deans Trade Center Branch

Deans Trade Centre, Islamia Road, Peshawar
Tel: 091-5253081 -3 & 5
Fax: 091-5253080

Fruit Market Branch

Near Fruit Market, G.T. Road, Peshawar
Tel: 091-2260373-4
Fax: 091-2260375

Hayatabad Branch

Shop# I, Hayatabad Mall, Baghee-Naran Road,
Phase II, Sector J-I Hayatabad Peshawar.
Tel: 091-5822923-25
Fax: 091-5822926

Main University Road Branch

Tehkal Payan, Main University Road-Peshawar
Tel: 091-5850540-41 & 5850548-9
Fax: 091-5850546

Milad Chowk Branch

Milad Chowk, New Gate, Peshawar City
Tel: 091-2550477, 2550466, 2217131
Fax: 091-2550488

QUETTA

Fatima Jinnah Road Branch

Plot No. Khasra No.134 & 138, Ward No. 19,
Urban # I, 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: 057-2520328-331 & 2520320-321
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Fateh Jang Branch

Main Rawalpindi Road, Fateh
Jang Distt Attock
Tel: 057-2210321-23
Fax: 057-2210324

AZAD KASHMIR

Dadyal Branch

Choudhary Centre, Ara Jattan, Dadyal, Azad Kashmir
Tel: 05827-463475
Fax: 05827-465316

Mirpur Azad Kashmir - Branch I

NS Tower 119 F/1, Kotli Road
Mirpur, Azad Kashmir
Tel: 05827-437193-97
Fax: 05827-437192

Mirpur Azad Kashmir Branch II

Ghazi Archade, 6-B/3, Part II, Allama Iqbal Road,
Mirpur, Azad Kashmir
Tel: 05827-446405, 446407-9
Fax: 05827-446406

Muzzafarabad Branch

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

DADU

Dadu Branch

CS No. 1036/2, Ward 'B', Station Road,
Dadu, Sindh
Tel: 0254-711471-3
Fax: 0254-711474

DINA

Dina Branch

Mian G.T. Road Dina
Tel: 0544-634471 -3
Fax: 0544-636675

GAWADAR

Gawadar Branch

Plot Askani Hotel, Mullah Faazul Chowk, Gawadar
Tel: 0864-212144- 212146
Fax: 0864-212147

GHOTKI

Ghotki Branch

CS # 395 & 407, Muhallah Machhi Bazar,
Opp: Sarkari Bagh, Ghotki, Sindh
Tel: 0723-681571 - 73
Fax: 0723-681574

GILGIT

Gilgit Branch

Khasra# 1103, 1112, 1113,
Haji Ghulam Hussain Building
Raja Bazar Gilgit
Tel: 05811-457366-68
Fax: 05811-457369

GUJAR KHAN

Gujar Khan Branch

Plot # 58-D, 59-C, Sector/Block Area
Development, Scheme # 1, Akbar Kayani
Plaza, G. T. Road, Gujjar Khan
Tel: 051-3516431-4 & 3516436
Fax: 051-3516435

HARIPUR

Haripur Branch

Ground Floor, Akbar Arcade, Main G.T. Road, Haripur
Tel: 0995- 610832 - 34
Fax: 0995-610829

HAZRO

Hazro Branch

Plot # B -386, 386-A, Dawood Centre, Bank Square,
Ziaul Haq Road, Hazro
Tel: 057-2313283 - 85
Fax: 057-2313286

HYDERABAD

Bohri Bazar Hyderabad Branch

41/364, Saddar, Bohri Bazar-Hyderabad
Tel: 022-2730911-14
Fax: 022-2730910

Latifabad No. 7 Branch

Latifabad # 7, 5/D Unit # 7, Hyderabad
Tel: 022-3810524 & 3810525
Fax: 022-3810515

Market Chowk Branch

Shop CS # A/2772/2, Ward -A,
Market Road, Hyderabad
Tel: 022-2638451-54
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

KAMOKE

Kamoke - GT Road Branch

Madni Trade Centre, G.T Road, Kamoke
Tel: 055- 6815175-76
Fax: 055-6815184

KANDH KOT

Kandh Kot Branch

Registry # 505 & 520, Mukhi Muhallah,
Adjacent: Press Club, Kandh Kot, Sindh
Tel: 0722-572604 - 6 & 0722-675607
Fax: 0722-572607

KASUR

Kasur Branch

Near Pul Qatal Gahri, Kutchery Road, Kasur.
Tel: 049-2721993
Fax: 049-2721994

KHAIRPUR

Pacca Chang Branch

CS No. 418/1-08, Deh. Pacca Chang,
Taluqa Faiz Ganj, District Khairpur, Sindh
Tel: 0243-557403-5
Fax: 0243-557406

KOT ADDU

Kot Addu Branch

Property # 43, RH, 48/A-49-50, Ward B-III,
Kot Addu District, Muzaffar Garh
Tel: 066-2240206-07
Fax: 066-2240208

LALAMUSA

Lalamusa Branch

G. T. Road, Lalamusa
Tel: 0537 -515694,515699, 515697,519977
Fax: 0537-515685

LARKANA

Larkana Branch

C.S. No. 1808, Pakistan Chowk, Larkana , Sindh
Tel: 074-4053608-10
Fax: 074-4053611

MANDI BHAUDDIN

Mandi Bahauddin Branch

Khasra # 143/112, Chak #51, Bank Road,
Off Railway Road, Ghalla Mandi, Mandi
Bahauddin
Tel: 0546-600901, 600903-4-5
Fax: 0546-600902

MANSEHRA

Mansehra Branch

Al- Hadeed Corporation Market Shahrah
Resham, Mansehra
Tel: 0997-303186, 303180
Fax: 0997-303135

MARDAN

The Mall Branch

Plot No. 337, 337-A, The Mall, Mardan.
Tel: 0937-865344-45
Fax: 0937-865342

MIRPURKHAS

Khipro Bus Stand Branch

Plot No. 92-93, Samanabad, Khipro District,
Ghumanabad Chowk, Khipro Bus Stand - Mirpurkhas
Tel: 0233-876384 & 874518
Fax: 0233-875925

Umer Kot Road Branch

Plot No : 988 to 991 Umerkot Gharibabad,
Mirpur Khas
Tel: 0233- 875113-7
Fax: 0233-875118

MURIDKE

Muridke Branch

774, G.T. Road Muridke
Tel: 042-37950456,37994711-12
Fax: 042-37994713

NAROWAL

Katchery Road Branch

Katchery Road, Narowal
Tel: 0542-414105-7
Fax: 0542-414089

NAWABSHAH

Nawabshah Branch

Survey No. 77, Masjid Road,
Nawabshah, Sindh
Tel: 0244 - 372042 - 44
Fax: 0244-372045

JAMSHORO

Nooriabad Branch

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

OKARA

Ghulam Mustafa Centre,

M.A. Jinnah 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- 5951303 & 5951301-2
Fax: 068-5951300

SAHIWAL

High Street Branch

558/8-I, Navid, Plaza, High Street Sahiwal.
Tel: 040-4229247, 4221615, 4229247
Fax: 040-4460960

SARGODHA

Sargodha Branch

Prince Cinema Market Railway Road, Sargodha
Tel: 048-3768113-5
Fax: 048-3768116

Satellite Town Branch

Satellite Town, Ground Floor, Afzal Towers,
Plot # 302-A, Main Satellite Town, Sargodha.
Tel: 048-3221025-28
Fax: 048-3221029

SHIKARPUR

Shikarpur Branch

C.S. No.52/33/I, 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

BI, I6S, 71/A/I, Paris Road, Sialkot
Tel: 052-4602712-17
Fax: 052-4598849

Small Industrial Area Branch

Plot No. 32 / A, S.I.E -I, Small Industrial Estate,
UGOKE Road, Sialkot
Tel: 052-3242690 - 92
Fax: 052-3242695

SWABI

Swabi Branch

Property bearing No. 336 I, Main Mardan Road, Swabi
Tel: 0938-222968 - 69
Fax: 0938-221572

TANDO ALLAH YAR

Tando Allah Yar Branch

C-I, Survey # 274, Main Road, Tando Allah Yar - Sindh
Tel: 022-2763181-83
Fax: 022-2763184

TURBAT

Main Bazar Branch

Main Bazar, Turbat
Tel: 0852-413874 & 411606
Fax: 0852-414048

WAH CANTT

Wah Cantt Branch

Plot No. 17/37, Civic Center, Aslam Market, Wah Cantt
Tel: 051- 4902238-39 & 4902241
Fax: 051-490224

ISLAMIC BANKING BRANCHES

KARACHI

Fish Harbour Branch

Plot No. L - 2, Block "L"
Fish Harbour, Dockyard Road,
West Wharf, Karachi
PABX: 021-32312166-68
Fax: 021-32312165

I. I. Chundrigar Road Branch II

5-Business & Finance Centre, Opposite State Bank of Pakistan,
Karachi.
Tel: 021-32438212, 32472176, 32471796
Fax: 021-32438218

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
Fax: 021-36830162

Zamzama Branch

Shop No. 3, 4, 5, 6 & 7, Plot No. 16-C, 2nd
Zamzama Commercial Lane DHA - Karachi
Tel: 021 - 35373135-7
Fax: 021 - 35373138

LAHORE

PIA Society Islamic Banking Branch

Plot # 40, Block-D, Main Boulevard PIA Society,
Opp Wapda Town Roundabout, Lahore
Tel: 042-35189957 - 59
Fax: 042-35210895

HUB

Hub Branch

Shop No. 12 - 14, Khasra No. 106/4, Int. Shopping Mall Hotel,
Mouza Berot, Tehsil Hub, Lasbella, Baluchistan
Tel: 0853 - 363056 - 058
Fax: 0853 - 363050

CHILAS

Chilas Branch

Khasra No. 02, Bazar Area, Chillas, District Baltistan
Tel: 05812 - 450702-3
Fax: 05812-450704

SKARDU

Skardu Branch

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

ISLAMABAD

DHA Phase-2 Branch

Plot No. 7, Street SSZBS Al Nahayaan, Sector-A,
DHA Phase-2, Near Al Ghurair, Main Boulevard, Islamabad
Tel: 051-4918314 -16
Fax: 051-4918317

Naval Anchorage Branch

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

CHITRAL

Chitral Branch

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

HYDERBAD

DHA Plaza Branch

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

RAWALPINDI

Bahria Town Branch Phase-IV

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

FORM OF PROXY

15th Annual General Meeting
The Company Secretary
Summit Bank Limited
Summit Tower Head Office
Level-I I, Plot No. G-2, Block-2,
Clifton, Karachi

I / We _____ s/o, d/o, w/o _____

being a/the member(s) of Summit Bank Limited holding _____ ordinary shares as per Register

Folio No./ CDC A/c. No. _____ hereby appoint **Mr. / Mrs. / Miss** _____

of _____

(full address) or failing him/her to **Mr./Mrs./Miss** _____

of (full address) _____

(being member of the Bank) as my / our Proxy to attend, act and vote for me/us and on my/our behalf at the 15th Annual General Meeting of the Bank to be held on December 14, 2021 and /or any adjournment thereof.

Signed this _____ day of _____ 2021.

Witnesses:

1. Name : _____

Address : _____

CNIC No. : _____

Signature : _____

2. Name : _____

Address : _____

CNIC No. : _____

Signature : _____

Signature on
Rs. 5/-
Revenue Stamp

NOTICE:

- (i) A member entitled to attend and vote at the meeting may appoint another member as his / her proxy who shall have such rights as respect to attending, speaking and voting at the meeting as are available to a member.
- (ii) The account holders, sub-account holders, proxy or nominee shall authenticate his/her identity by showing his/her original national identity card (NIC) or original passport and bring his/her folio number at the time of attending the meeting.
- (iii) In the case of corporate entity Board of Directors' resolution/power of attorney with specimen signature of the nominee shall also be produced (unless provided earlier) at the time of meeting.
- (iv) In order to be effective, the proxy forms must be received at the office of our registrar M/s. THK Associates (Private) Limited, Plot No. 32-C, Jami Commercial Street No. 2, D.H.A., Phase VII, Karachi not later than 48 hours before the meeting duly signed and stamped and witnessed by two persons with their names, addresses and NIC numbers mentioned on the form.
- (v) In the case of individuals attested copies of NIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (vi) In the case of proxy by a corporate entity, Board of Directors resolution/power of attorney with specimen signature and attested copies of the NIC or passport of the proxy shall be submitted along with proxy form.

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REGISTRAR

M/s. THK Associates (Private) Limited

Plot No. 32-C, Jami Commercial
Street No. 2, D.H.A., Phase - VII,
Karachi.

Tel : 021-111-000-322 Ext: 107-111-115

Fax : 021-35310190

Email : secretariat@thk.com.pk

Website : www.thk.com.pk

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پروکسی فارم

پندرہواں سالانہ اجلاس عام

جناب کمپنی سیکرٹری

گیارہویں منزل

سمت ناور (ہیڈ آفس)

پلاٹ نمبر 2 - G، بلاک 2،

کلشن، کراچی، پاکستان۔

میں/ ہم از سمٹ بینک لمیٹڈ کا ممبر (ز) ہونے کے ناطے
اعزازی شیئرز کا حامل برطابق رجسٹری ڈی سی اکاؤنٹ نمبر
بذریعہ پدمحترم/محترمہ کا تقرر کرتا ہوں جس کا مکمل پتہ
ہے یا اس کی عدم موجودگی میں
محترم/محترمہ جس کا مکمل پتہ
ہے، میں (بینک کا ممبر ہونے کے ناطے) بطور پروکسی تقرر کرتا ہوں جسے میرے/ ہمارے جانب سے 4 اکتوبر 2021 کو منعقد ہونے والے پندرہویں 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 2021 ء

گواہان:

1. نام:

پتہ:

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر:

دستخط:

2. نام:

پتہ:

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر:

دستخط:

اطلاع:

- (i) ایک ممبر جو اجلاس میں شرکت اور ووٹ دینے کا اہل ہو وہ کسی اور ممبر کو اپنا/ اپنی پروکسی مقرر کر سکتا/ سکتی ہے جسے اجلاس میں شرکت، بولنے اور ووٹ ڈالنے کے اُتنے ہی اختیار حاصل ہوں گے جتنے ایک ممبر کو حاصل ہوتے ہیں۔
- (ii) اکاؤنٹ ہولڈرز، سب اکاؤنٹ ہولڈرز، پروکسی یا نامزد کو اپنا اصل قومی شناختی کارڈ (CNIC) یا پاسپورٹ دکھا کر اپنے/ اپنی شناخت کی تصدیق کروانی ہوگی اور اجلاس میں شرکت کے وقت اپنا 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 ٹی ایچ کے ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، پلاٹ نمبر 32-سی، جامی کمرشل اسٹریٹ نمبر 2، ڈی۔ ایچ۔ اے۔، فیز VII، کراچی، مناسبت 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 ہینڈیشنل آئرز 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۔

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
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