

SUMMIT BANK LIMITED
(formerly Arif Habib Bank Limited)
AMALGAMATED STATEMENT OF FINANCIAL POSITION
(After amalgamation of Atlas Bank Limited)
AS AT DECEMBER 31, 2010

	Note	2010 Rupees in '000'	2009
ASSETS			
Cash and balances with treasury banks	7	4,047,554	3,500,619
Balances with other banks	8	338,244	822,493
Lendings to financial institutions	9	-	2,272,255
Investments	10	20,501,299	17,209,421
Advances	11	38,771,189	37,723,743
Operating fixed assets	12	2,690,447	2,709,663
Deferred tax assets	13	3,202,761	2,194,636
Other assets	14	2,717,336	2,610,051
		72,268,830	69,042,881
LIABILITIES			
Bills payable	15	357,293	479,084
Borrowings	16	5,257,243	2,497,915
Deposits and other accounts	17	61,607,550	57,481,168
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	18	1,673,482	2,048,254
		68,895,568	62,506,421
NET ASSETS		<u>3,373,262</u>	<u>6,536,460</u>
REPRESENTED BY			
Share capital	19	7,250,660	10,001,466
Reserves	20	(1,335,050)	1,652,409
Accumulated loss		(2,321,584)	(5,033,926)
		3,594,026	6,619,949
Deficit on revaluation of assets - net of tax	21	(220,764)	-83,489
		<u>3,373,262</u>	<u>6,536,460</u>
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes from 1 to 43 form an integral part of these financial statements.

PRESIDENT AND CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR

SUMMIT BANK LIMITED
(formerly Arif Habib Bank Limited)
AMALGAMATED PROFIT AND LOSS ACCOUNT
(After amalgamation of Atlas Bank Limited)
FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	2010 Rupees in '000'	2009
Mark-up / return / interest earned	23	7,070,906	6,902,291
Mark-up / return / interest expensed	24	-6,102,417	-6,136,244
Net mark-up / interest income		<u>968,489</u>	<u>766,047</u>
Provision against non-performing loans and advances	11.3.1	(1,937,467)	(2,341,265)
Provision for diminution in the value of investments	10.12	(393,055)	(612,337)
		<u>(2,330,522)</u>	<u>(2,953,602)</u>
Net mark-up / interest (loss) after provisions		-1,362,033	-2,187,555
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		314,244	202,832
Dividend income		56,578	65,843
Loss from dealing in foreign currencies		-79,568	-62,958
Gain on sale of securities - net	25	253,977	66,379
Unrealised gain / (loss) on revaluation of investments classified as held for trading	10.14	874	(4,423)
Other income	26	35,592	46,305
Total non-markup / interest income		<u>581,697</u>	<u>313,978</u>
		-780,336	-1,873,577
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	27	-2,735,740	-2,958,956
Other provisions / write-offs	27.2	(349,554)	(151,459)
Other charges	28	-9,815	-28,677
Total non-markup / interest expenses		<u>-3,095,109</u>	<u>-3,139,092</u>
		-3,875,445	-5,012,669
Extra ordinary / unusual items		-	-
LOSS BEFORE TAXATION		<u>-3,875,445</u>	<u>-5,012,669</u>
Taxation	29		
Current		-78,637	(56,134)
Prior years		-	71,542
Deferred		935,709	1,227,362
		<u>857,072</u>	<u>1,242,770</u>
LOSS AFTER TAXATION		<u>-3,018,373</u>	<u>-3,769,899</u>
Basic earnings per share (Rupees) - Basic and diluted	30	<u>-4.16</u>	<u>-5.20</u>

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PRESIDENT AND CHIEF EXECUTIVE

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SUMMIT BANK LIMITED
 (formerly Arif Habib Bank Limited)
AMALGAMATED STATEMENT OF COMPREHENSIVE INCOME
 (After amalgamation of Atlas Bank Limited)
FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	December 31, 2010	December 31, 2009
		Rupees in '000	
Loss after taxation for the year		(3,018,373)	(3,769,899)
Items relating to other comprehensive income	11.3.1	(7,550)	7,550
Comprehensive loss transferred to equity		(3,025,923)	(3,762,349)
Components of comprehensive income not reflected in equity			
Deficit on revaluation of investments		(340,530)	(130,837)
Deferred tax on revaluation		119,766	47,348
		(220,764)	(83,489)
Total comprehensive loss for the year		(3,246,687)	(3,845,838)

The annexed notes from 1 to 43 form an integral part of these financial statements.

PRESIDENT AND CHIEF EXECUTIVE

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SUMMIT BANK LIMITED
(formerly Arif Habib Bank Limited)
AMALGAMATED CASH FLOW STATEMENT
(After amalgamation of Atlas Bank Limited)
FOR THE YEAR ENDED DECEMBER 31, 2010

	2010	2009
	Rupees in '000'	
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(3,875,445)	(5,012,669)
Dividend income	(56,578)	(65,843)
	(3,932,023)	(5,078,512)
Adjustments:		
Depreciation	267,479	232,428
Amortization of intangible assets and deferred cost	55,336	41,823
Provision against non-performing advances	1,937,467	2,341,265
Other provisions / write offs	349,554	151,459
Provision for diminution in value of investments	393,055	612,337
Unrealized (gain) / loss on revaluation of investments in held for trading securities	(874)	4,423
Gain on sale of fixed assets	(390)	3,743
	3,001,627	3,387,478
	(930,396)	(1,691,034)
(Increase) / decrease in operating assets		
Lendings to financial institutions	2,272,255	(1,983,255)
Investments in held for trading securities - net	72,458	(104,199)
Advances	(2,981,149)	(3,741,588)
Other assets	(536,497)	(267,935)
	(1,172,933)	(6,096,977)
Increase / (decrease) in operating liabilities		
Bills payable	(121,791)	147,379
Borrowings from financial institutions	2,759,328	(4,695,450)
Deposits and other accounts	4,126,382	22,218,290
Other liabilities	(352,156)	543,422
	6,411,763	18,213,641
	4,308,434	10,425,630
Income tax paid	(34,549)	(39,946)
Net cash generated from operating activities	4,273,885	10,385,684
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in available-for-sale securities - net	(3,968,270)	(8,410,748)
Dividend received	59,760	65,276
Investments in operating fixed assets	(328,053)	(849,977)
Sale proceeds from disposal of property and equipment	25,365	48,375
Net cash used in investing activities	(4,211,198)	(9,147,074)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of share capital	-	-
Share premium on issue of share capital	-	-
Net cash generated from financing activities	-	-
Increase in cash and cash equivalents	62,687	1,238,608
Cash and cash equivalents at beginning of the year	4,323,111	3,084,504
Cash and cash equivalents at end of the year	4,385,798	4,323,112

31

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SUMMIT BANK LIMITED
(formerly Arif Habib Bank Limited)
AMALGAMATED STATEMENT OF CHANGES IN EQUITY
(After amalgamation of Atlas Bank Limited)
FOR THE YEAR ENDED DECEMBER 31, 2010

	Share capital	Capital Reserves			Revenue reserves		Total	
		Share premium	Statutory reserve	Merger reserve (note 4.4)	Others (note 11.3.1)	General reserve		Accumulated loss
< ----- Rupees in '000' ----- >								
Balance as at January 01, 2009	10,001,466	1,577,537	67,322	-	-	250,000	(1,514,027)	10,382,298
Total comprehensive income for the year ended December 31, 2009								
Loss for the year	-	-	-	-	7,550	-	(3,769,899)	(3,762,349)
Transfer from general reserve	-	-	-	-	-	(250,000)	250,000	-
Balance as at December 31, 2009	10,001,466	1,577,537	67,322		7,550	-	-5,033,926	6,619,949
Total comprehensive income for the year ended December 31, 2010								
Loss for the year	-	-	-	-	(7,550)	-	(3,018,373)	(3,025,923)
Shares determined pursuant to amalgamation scheme (note 1.4)	2,250,660	-	-	-	-	-	-	2,250,660
Deletion of shares and reserves of ATBL pursuant to amalgamation scheme (note 1.4)	(5,001,466)	(577,537)	(2,494)	(2,399,878)	-	-	5,730,715	(2,250,660)
Balance as at December 31, 2010	7,250,660	1,000,000	64,828	-2,399,878	-	-	-2,321,584	3,594,026

The annexed notes from 1 to 43 form an integral part of these financial statements.

PRESIDENT AND CHIEF EXECUTIVE

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SUMMIT BANK LIMITED

(formerly Arif Habib Bank Limited)

AMALGAMATED NOTES TO THE FINANCIAL STATEMENTS

(After amalgamation of Atlas Bank Limited)

FOR THE YEAR ENDED DECEMBER 31, 2010

1. STATUS AND NATURE OF BUSINESS

- 1.1 Summit Bank Limited -formerly Arif Habib Bank Limited (the Bank) was incorporated in Pakistan as public company limited by shares on December 09, 2005 under the Companies Ordinance, 1984. It is listed on all the stock exchange of Pakistan. Registered office Plot No. 6-B, F-6, Supermarket, Federal Capital Islamabad, Pakistan.
- 1.2 The Bank is principally engaged in the business of banking, through its 80 branches (after amalgamation of Atlas Bank Limited having 40 branches) as defined in the Banking Companies Ordinance, 1962, . The medium to long term rating of the Bank rated by JCR-VIS, credit rating company, is 'A' with a positive outlook. Short term rating of the Bank is 'A-2'.
- 1.3 At March 31, 2010, 297,034,854 shares (59.41% of issued shares of the Bank) were transferred by Arif Habib Securities Limited to Suroor Investments Limited (SIL), a company incorporated in Mauritius, under Share Purchase Agreement dated June 30, 2009 and consequently SIL has become parent company of the Bank. As part of change in ownership, effective from August 18, 2010, the name of the Bank has been changed to 'Summit Bank Limited.'
- 1.4 During the year, SBP sanctioned a scheme of amalgamation (the scheme) under section 48 of the Banking Companies Ordinance, 1962, on December 31, 2010 by virtue of which Atlas Bank Limited (ATBL) has been merged with and into Summit Bank Limited on December 31, 2010 (at the close of business). This scheme has earlier been approved by the shareholders of the Bank in their Extra Ordinary General Meeting held on November 06, 2010.

The Scheme of amalgamation provided for the following:

- i) at the effective date, the entire undertaking of ATBL including all the property, assets and liabilities and all the rights and obligations of the branches, without any further act, action or deed and notwithstanding the terms of any contract or other document or any rule of law stand amalgamated and vested with and into the Bank.
- ii) in consideration for the amalgamation contemplated by the Scheme, the Bank shall issue 225,065,982 ordinary shares to the shareholders of ATBL at par value of Rs 10 each.
- 1.5 In accordance with BSD Circular No. 7 dated April 15, 2009, the minimum paid up capital requirement (free of losses) of the Bank at December 31, 2010 was Rs. 7 billion. The paid up capital (free of losses) of the Bank as at December 31, 2010 is Rs. 3.594 billion. The management through its letter No. SB/CORD/244 dated December 30, 2010 has approached the State Bank of Pakistan (SBP) to grant extension of the said minimum capital requirement till March 31, 2011 on the basis of its merger with Atlas Bank Limited effective December 31, 2010 and subsequently Mybank Limited planned in 2011. SBP's reply in this regard is awaited. The Board has also decided to inject further capital of Rs. 2.9 billion out of which Rs 1.4 billion will be issued in the form of right shares and Rs 1.5 billion will be issued in the form of TFCs.
- 1.6 These financial statements represent information of Atlas Bank Limited with and into the Bank at close of business on December 31, 2010. Consolidated financial statements are presented separately.

2. BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchase and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

3. STATEMENT OF COMPLIANCE

- 3.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the directives issued by State Bank of Pakistan (SBP). In case requirements differ, the provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the directives issued by SBP shall prevail.
- 3.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 'Financial Instruments: Disclosures' through its notification S.R.O 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

3.3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Changes in accounting policies and disclosures - Standards, interpretations and amendments to publish approved accounting standards that are effective in the current year

The following new and amended standards and interpretations have been published and are mandatory for the first time for the financial year beginning January 1, 2010:

- (a) IAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The management of the Bank believes that presently this amendment does not have any impact on the Bank's financial statements.
- (b) IAS 7 (amendment), 'Statement of Cash Flows' (effective from January 1, 2010). The amendment requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. The amendment is not expected to have any impact on the Bank's financial statements.
- (c) IAS 36 (amendment), 'Impairment of assets', effective January 1, 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics). The amendment is not expected to have any impact on the Bank's financial statements.
- (d) IFRS 2 (amendments), 'Group cash-settled share-based payment transactions', effective from January 1, 2010. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The management of the Bank believes that presently this amendment does not have any impact on the Bank's financial statements.
- (e) IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed. The management of the Bank believes that presently this standard does not have any impact on the Bank's financial statements.

- (f) IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale' (effective on or after January 1, 2010). The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The management of the Bank believes that presently this standard does not have any impact on the Bank's financial statements.
- (g) IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after July 1, 2009). This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The management of the Bank believes that presently this interpretation does not have any impact on the Bank's financial statements.
- (h) IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after July 1, 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both). The management of the Bank believes that presently this interpretation does not have any impact on the Bank's financial statements.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2010 but are considered not to be relevant or to have any significant effect on the Bank's operations and are, therefore, not disclosed in these financial statements.

3.4 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 1, 2011:

- (a) IAS 1, Presentation of financial statements (effective January 1, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment is not likely to have any impact on the Bank's financial statements as currently no items are being reported in other comprehensive income.
- (b) IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Bank is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.

- (c) IFRIC 14 (amendment), 'Prepayments of a minimum funding requirement'. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning January 1, 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The Bank is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2011 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these financial statements.

3.5 Early adoption of standards

The Bank did not early adopt new or amended standards in 2010.

4. BASIS OF MEASUREMENT

- 4.1 These financial statements have been prepared under the historical cost convention, except that certain financial instruments are carried at fair value and staff retirement benefits are stated at present value.
- 4.2 The preparation of financial statements in conformity with approved accounting standards requires to make certain judgments, accounting estimates and assumptions. It also requires the management to exercise its judgment in the process of applying the Bank's accounting policies. These estimates and associated assumptions are continually evaluated and are based on historical experience, statutory requirements and other factors considered reasonable in the circumstances. Revision to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. The estimates and assumptions that are expected to have a significant effect on the assets and liabilities, income and expenses have been disclosed in note 6 to these financial statements.
- 4.3 The amalgamation of ATBL with and into the Bank at close of business on December 31, 2010 is a business combination of entities under common control of SIL. The accounting standard applicable to Business Combinations in Pakistan is IFRS 3 as notified by the Securities and Exchange Commission of Pakistan (SECP) applicable to the accounting for business combinations.

IFRS 3 defines a "business combination involving entities under common control" as a transaction in which all of the combining entities are controlled by the same party or parties before and after the transaction and that control is not transitory. IFRS 3 excludes from its scope business combinations involving entities or businesses under common control.

Accordingly, the accounting treatment applied to account for the amalgamation in these financial statements is the "pooling of interest method". This method of accounting requires the net assets of both entities to be consolidated based on their carrying values as at the date of the amalgamation. The financial statement items have been included in these financial statements as if the two entities had been combined from the beginning of the earliest period presented.

- 4.4 The shares of the Bank have been issued to the shareholders of ATBL against the transfer of its net assets to the Bank, the surviving entity. The difference in the net assets of ATBL, the merging entity and the above shares issued to ATBL has been carried in the books as a "Merger Reserve" (refer Statement of Changes in Equity).

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and cash equivalents

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

5.2 Lending to / borrowings from financial and other institutions

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

Repurchase agreement borrowings

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

Repurchase agreement lendings

Securities purchased under agreement to resell at a specified future date (reverse repos) are not recognised in the balance sheet. Amounts paid under these agreements are included in lendings to financial institutions. The difference between purchase and resale price is treated as mark-up earned and is accrued over the period of the reverse repo agreement.

Securities purchased are not recognised in the financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability under borrowings from financial institutions.

5.3 Investments

The management determines the appropriate classification of its investments at the time of purchase and classifies these investments as held for trading, available for sale or held to maturity. These are initially recognised at cost, being the fair value of the consideration given including the acquisition cost.

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 to maturity.

Available-for-sale

These are investments, other than those in associates, that do not fall under the held for trading or held to maturity categories.

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

In accordance with the requirements of SBP, quoted securities, other than those classified as held to maturity and investments in associates, are stated at market value. Investments classified as held to maturity are carried at amortized cost whereas investments in associates (which qualify for accounting under International Accounting Standard -28 'Investment in Associates') are carried at cost in accordance with the directive of SBP.

The unrealized surplus / (deficit) arising as a result of revaluation of the Bank's held for trading investment portfolio is taken to profit and loss account.

The surplus / (deficit) arising on revaluation of quoted securities classified as available for sale is kept in a separate account shown in the balance sheet below equity. The surplus / (deficit) arising on these securities is taken to profit and loss account when actually realized on disposal.

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

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

Provisions for diminution in the value of securities (except for debentures, participation term certificates and term finance certificates) is made after considering impairment, if any, in their value. Provision for diminution in value of debentures, participation term certificates and term finance certificates are made in accordance with the requirements of Prudential Regulations issued by SBP.

Investment in subsidiaries

Investment in subsidiaries are stated at cost less provision for impairment, if any.

5.4 Advances

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

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

5.5 Operating fixed assets and depreciation

Owned

Property and equipment, other than leasehold land which is not depreciated, are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation of ATBL is calculated by the bank using the straight line method to write down the cost of assets to their residual values over the estimated useful lives. However, depreciation on assets of Atlas Bank was charged on reducing balance method. The rates at which the assets are depreciated are disclosed in Note 12.2 to the financial statements. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

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

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

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

Assets held under operating leases

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

Capital work in progress

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

Intangible assets

Intangible assets, other than goodwill, having a finite useful life are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized over their estimated useful lives, using the straight line method. Intangible assets that were earlier in use of ATBL are amortized over their estimated useful lives using reducing balance method. Amortization is charged from the month the assets are available for use at the rate stated in note 123 while no amortization is charged in the month in which the assets are deleted. The useful lives and amortization method are reviewed and adjusted, if appropriate at each balance sheet date. Intangible assets having an indefinite useful lives are stated at acquisition cost less impairment if any.

Software and other development costs are only capitalised to the extent that future economic benefits are expected to be derived by the Bank.

5.6 Non current assets held for sale

Non current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. The assets (or disposal groups) are measured at lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss.

5.7 Assets acquired in satisfaction of claims

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

5.8 Impairment

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

5.9 Deferred costs

Pre-operating / preliminary expenses are included in the deferred costs and are amortized over five years on straight line basis from the date of commencement of business.

5.10 Staff retirement and other benefits

Defined contribution plan

The Bank operates defined contribution provident fund for all its permanent employees. Equal monthly contributions are made both by the Bank and the employees to the fund at the rate of 8.33 % to 11 % of basic salary.

Defined benefit plan / scheme

On amalgamation of ATBL with and into the bank, two separate plan / scheme for defined benefits are being operated for employees; one is funded and another is unfunded.

Funded plan

- a) An approved funded gratuity scheme for all permanent and full time employees in the management cadre was operated by ATBL. The liability recognized in the statement of financial position in respect of defined benefit gratuity scheme is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated periodically by independent actuary using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

b) Unfunded scheme

The Bank operates an unfunded gratuity scheme 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 and are charged to income currently. 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. Actuarial gains/losses arising from experience adjustments and changes in actuarial assumptions are amortized over the future expected remaining working lives of the employees, to the extent of the greater of ten percent of the present value of the defined benefit obligation at that date (before deducting plan assets) and 10% of the fair value of any plan assets at that date.

The management is planning to make defined benefit plan / scheme inform for all employees of the surviving entity effective from January 01, 2011.

c) 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. Actuarial gain/loss are amortized over the future expected average remaining lives of the employees, to the extent of ten percent of the present value of the defined benefit obligations at that date.

5.11 Taxation

Current

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

Deferred

Deferred tax is recognized on all major temporary differences, tax credits and unused tax losses at the balance sheet 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 balance sheet 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 securities which is adjusted against related deficit / surplus in accordance with the requirements of the International Accounting Standard (IAS) 12 "Income Taxes".

5.12 Deposits

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

5.13 Provisions

Provisions are 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 balance sheet date and are adjusted to reflect the current best estimate.

5.14 Foreign currencies

Foreign currency transactions and translations

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

Translation gains and losses

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

5.15 Functional and presentation currency

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

5.16 Proposed dividend and appropriation to reserves

Dividends and appropriations to reserves, except appropriations which are required by the law, after the balance sheet date are recognised as liability in the bank's financial statements in the year in which these are approved.

5.17 Revenue recognition

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

Advances and investments

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

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

Dividend income is recognized when the bank's right to receive the dividend is established.

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

Lease financing

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Unrealized income on classified leases if any, is recognized on receipt basis.

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

Fees, brokerage and commission

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

5.18 Off setting

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

5.19 Financial instruments

Financial assets and liabilities

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

Derivative financial instruments

Derivative financial instruments are initially 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 profit and loss account.

5.20 Segment reporting

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

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

- Retail banking

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

- Commercial banking

This includes loans, deposits and other transactions with corporate customers

- Payment and settlement

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

- Geographical segments

The Bank conducts all its operations in Pakistan.

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

- classification of investments (Note 5.3);
- determining the residual values and useful lives of property and equipment (Note 5.5);
- impairment (Note 5.8);
- accounting for post employment benefits (Note 5.10);
- recognition of taxation and deferred tax (Note 5.11) and;
- provisions (Note 5.3, 5.4 and 5.13).

7. CASH AND BALANCES WITH TREASURY BANKS

In hand

	Note	2010 Rupees in '000'	2009
Local currency		834,914	586,490
Foreign currencies		186,680	146,442

With State Bank of Pakistan in

Local currency current account	7.1	2,310,028	1,811,546
Foreign currency current account	7.2	9,981	19,639
Foreign currency deposit account			
- Non remunerative	7.3	160,140	201,114
- Remunerative	7.4	480,423	603,343

With National Bank of Pakistan in

Local currency current account		65,388	132,045
		<u>4,047,554</u>	<u>3,500,619</u>

- 7.1 Deposits with the SBP are maintained to comply with the statutory requirements issued from time to time and carries nil mark up (2009: nil).
- 7.2 This represents US Dollar Settlement account maintained with SBP carrying nil mark up (2009: nil).
- 7.3 This represents foreign currency special cash reserve maintained with SBP equivalent to at least 5% of the Bank's foreign currency deposits.
- 7.4 This represents foreign currency special cash reserves maintained with SBP equivalent to at least 15% of the Bank's foreign currency deposits. Profit rates on this deposit are fixed on a monthly basis by SBP. Profit rate remained nil in 2010 (2009: nil).

8. BALANCES WITH OTHER BANKS	Note	2010 Rupees in '000'	2009
In Pakistan			
On current accounts		11,524	9,394
Outside Pakistan			
On current accounts		<u>326,720</u>	<u>813,099</u>
		<u><u>338,244</u></u>	<u><u>822,493</u></u>

9. LENDINGS TO FINANCIAL INSTITUTIONS

Repurchase agreement lendings (Reverse Repo)	9.1	-	2,247,255
Letter of placement		<u>-</u>	<u>50,000</u>
		-	2,297,255
Less: Provision held against letter of placement	9.2	<u>-</u>	<u>(25,000)</u>
		<u><u>-</u></u>	<u><u>2,272,255</u></u>

9.1 Particulars of lendings

In local currency		-	2,297,255
In foreign currencies		<u>-</u>	<u>-</u>
		<u><u>-</u></u>	<u><u>2,297,255</u></u>

9.2 Securities held as collateral against lendings to Financial Institutions

	December 31, 2010			December 31, 2009		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	<----- Rupees in '000' ----->					
Market Treasury Bills	-	-	-	2,247,255	-	2,247,255
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,247,255</u>	<u>-</u>	<u>2,247,255</u>

9.3 Particulars of provision held against letter of placement

	2010 Rupees in '000'	2009
Opening balance	25,000	-
Charge for the year	<u>(25,000)</u>	<u>25,000</u>
Closing balance	<u><u>-</u></u>	<u><u>25,000</u></u>

	Note	2010	2009
		Rupees in '000'	
10.2 Investments by segments:			
Federal Government Securities:			
- Market Treasury Bills	10.4	14,534,165	10,633,026
- Pakistan Investment Bonds	10.4	1,558,248	1,435,568
Fully Paid up Ordinary Shares / Units / Certificates:			
- Listed companies	10.3	1,587,243	1,503,418
- Unlisted companies			
Rozgar Microfinance Bank Limited.	10.5	37,200	-
Summit Capital (Private) Limited			
[Formerly Atlas Capital Markets (Private) Limited]	10.5	396,942	396,942
Atlas Asset Management Limited	10.5	30,000	30,000
Arabian Sea Country Club	10.5	1,000	1,000
		465,142	427,942
- Mutual funds - open ended	10.6	300,000	667,235
- Mutual funds - closed ended		564	115,526
Term Finance Certificates and Bonds			
- Listed Term Finance Certificate	10.7	598,366	816,273
- Unlisted Term Finance Certificates	10.8	1,391,805	1,639,488
- Sukuk Bonds	10.9	905,482	605,304
Investment in associates	10.10	-	112,773
Total investment at cost		21,341,015	17,956,553
Less: Provision for diminution in value of investments	10.11	(500,060)	(611,872)
Investments - net of provisions		20,840,955	17,344,681
Surplus / (deficit) on revaluation of securities - held for trading	10.13	874	(4,423)
(Deficit) on revaluation of securities - available for sale	20	(340,530)	(130,837)
Total investments at market value		20,501,299	17,209,421

10.3 Particulars of investments in ordinary shares - listed

Name of companies	Number of shares held		Paid-up value per share	Total nominal value	
	2010	2009		2010	2009
	Rupees in '000'				
AgriTech Limited (formerly Pak American Fertilizer Limited)	6,496,300	-	10	64,963	-
Adamjee Insurance Company Limited	-	58,630	10	-	586
Arif Habib Securities Limited	4,877,250	156,250	10	48,788	1,563
Askari Commercial Bank Limited	3,728,701	5,168,750	10	37,287	51,687
Attock Petroleum Limited	-	60,131	10	-	601
Attock Refinery Limited	-	83,000	10	-	830
Bank Al Falah Limited	-	200,000	10	-	2,000
Crescent Steel Industries Limited	-	110,000	10	-	1,100
D.G. Khan Cement Limited	530,000	1,017,000	10	5,300	10,170
Engro Chemicals Pakistan Limited	-	330,155	10	-	3,301
Eye Television Network Limited	39,000	-	10	390	-
Fatima Fertilizer Company Limited	8,465,082	-	10	84,651	-
Fauji Fertilizer Bin Qasim Limited	500,000	290,000	10	5,000	2,900
Fauji Fertilizer Company Limited	301,315	306,875	10	3,013	3,069
First Capital Securities Corporation Limited	11,308,000	-	10	113,080	-
Hira Textile Mills Limited	-	293,047	10	-	2,930
Hub Power Company Limited	-	100,000	10	-	1,000
Ibrahim Fibres Limited	198,457	466,500	10	1,985	4,665
Jahangir Siddiqui & Company Limited	-	189,078	10	-	1,891

Name of companies	Number of shares held		Paid-up value per share	Total nominal value	
	2010	2009		2010	2009
				Rupees in '000'	
Javedan Cement Limited	3,915,318	-	10	39,153	-
Lucky Cement Limited	192,950	200,000	10	1,930	2,000
Maple Leaf Cement Company Limited (Pref.Shares)	-	30,000	10	-	300
MCB Bank Limited	-	148,500	10	-	1,485
Murree Brewery Company Limited	-	26,620	10	-	266
MyBank Limited	5,400,000	-	10	54,000	-
National Bank of Pakistan	64,000	431,000	10	640	4,310
National Refinery Limited	-	25,000	10	-	250
Nishat Chunian Limited	-	110,000	10	-	1,100
Nishat Chunian Power Limited	1,251,117	5,377,600	10	12,511	53,776
Nishat Mills Limited	-	412,500	10	-	4,125
Nishat Power Limited	2,019,599	13,884,174	10	20,196	138,842
Oil & Gas Development Company Limited	-	480,400	10	-	4,804
Pak Suzuki Motors Limited	135,000	225,000	10	1,350	2,250
Pakistan International Container Terminal Limited	-	60,000	10	-	600
Pakistan Oilfields Limited	35,000	690,000	10	350	6,900
Pakistan Petroleum Limited	25,000	326,040	10	250	3,260
Pakistan Refinery Limited	-	25,000	10	-	250
Pakistan State Oil Limited	-	200,000	10	-	2,000
Pakistan Telecommunications Company Limited	-	250,000	10	-	2,500
Shakarganj Sugar Limited	-	60,000	10	-	600
SME Leasing Limited	-	902,350	10	9,024	9,024
Soneri Bank Limited	-	256,200	10	-	2,562
Sui Northern Gas Pipelines Limited	56,000	-	10	560	-
Sui Southern Gas Company Limited	12,500,000	-	10	125,000	-
Thal Limited	-	42,000	10	-	420
Thatta Cement Company Limited	7,000,000	-	10	70,000	-
The Bank of Khyber	9,900,000	-	10	99,000	-
The Bank of Punjab	-	200,000	10	-	2,000
United Bank Limited	-	1,121,350	10	-	11,214
Wateen Telecom Limited	4,882,813	49,000	10	48,828	490

10.4 Market Treasury Bills and Pakistan Investment Bonds are held with SBP and are eligible for rediscounting. Market Treasury Bills embody effective yield ranging from 12.65% to 13.38% (2009 : 11.79% to 13.23%) per annum and are maturing within 12 months. Pakistan Investment Bonds carry markup ranging from 6.22% to 12% (2009 : 5.2% to 12%) per annum on semi-annual basis and are maturing within 9 to 10 years. Certain government securities are kept with SBP to meet statutory liquidity requirement calculated on the basis of demand and time liabilities.

10.5 Particulars of investment in ordinary shares - unlisted

	Number of shares held		Paid-up value per share	Total nominal value	
	2010	2009		2010	2009
				Rupees in '000'	
Subsidiary					
Summit Capital (Private) Limited [Formerly Atlas Markets (private) Limited] Chief Executive Officer: Mr. Rahat Saeed Khan Percentage holding 100% (2009:100%) Net Asset value per share was Rs.6.97 at December 31, 2010	30,000,000	30,000,000	10	300,000	300,000
Associates					
Rozgar Microfinance Bank Limited. Chief Executive Officer: Mr. S. Faiq Hussain Percentage holding 33% (2009:Nil) Net Asset value per share was Rs.5.00 at December 31, 2010	5,314,286	-	10	53,143	-

Net Asset value per share was Rs.5.99 at
December 31, 2010

Other

Arabian Sea Country Club Chief Executive Officer: Mr. Arif Ali Khan Abbasi Percentage holding 1.29% (2009:1.29%) Net Asset value per share was Rs.11.13 at December 31 2010	100,000	100,000	10	1,000	1,000
Atlas Asset Management Limited Chief Executive Officer: Mr. M. Habib-ur- Rehman Percentage holding 12% (2009:12%) Net Asset value per share was Rs.9.86 at December 31 2010	3,000,000	3,000,000	10	30,000	30,000

10.5.1 Particular of investment

These represents unlisted shares of Rozgar Microfinance Bank Limited, an associated company of the Bank, on the basis of 3.3 percent shareholding. However, for the purpose of measurement, it has been classified as available-for-sale as the Bank does not exercise any significant influence over it. Subsequent to the year end, the Bank has disposed the reshared at Rs 7 per share, which is also Bank's cost of purchase of these shares.

* Unlisted investments are carried at cost less provision for diminution in value of investment, if any.

10.6 Particulars of investment in mutual funds

Name of companies	Number of shares held		Paid-up value per share	Total nominal value	
	2010	2009		2010	2009
	Rupees in '000'				
Mutual fund open ended					
Atlas Income Fund	-	508,536	10	-	5,085
Atlas Stock Market Fund	-	71,893	10	-	719
Faysal Saving Growth Fund	-	518,957	10	-	5,189
JS Fund of Funds	-	149,818	10	-	1,498
National Investment Trust	-	3,436,404	10	-	34,364
National Investment Trust - Equity Fund	9,590,793	-	50	479,540	-
Pakistan Income Enhancement Fund	-	3,973,554	50	-	99,339
Mutual fund close end					
First Dawood Mutual Fund	331,471	1,161,500	10	-	1,165
Pakistan Capital Protected Fund - 1	-	3,198,000	10	-	31,980
Pakistan Premier Fund	-	2,338,500	10	-	23,385
Pakistan Strategic Allocation Fund	-	3,066,500	10	-	30,665
PICIC Energy Fund	-	412,500	10	-	4,125
PICIC Growth Fund	-	245,000	10	-	2,450
UTP-Large Capital Fund	-	1,796,500	10	-	17,965

10.7 Particulars of investment in listed Term Finance Certificates - Face value of Rs.5,000/- each

Name of companies	Rating	Markup rate	Repayment	Total nominal value	
				2010	2009
	Rupees in '000'				
Allied Bank Limited 23,000 (2009: 23,000) certificates Name of Chief Executive: Mr. Khalid A. Sherwani	'AA-'	1.15%-1.90% above 6 months KIBOR	Semi-annually	115,000	115,000
United Bank Limited 16,000 (2009: 21,000) certificates Name of Chief Executive: Mr. Atif R. Bukhari	'AA' 8.45% per annum.	1.15% above 6 months KIBOR	Semi-annually	80,000	105,000
Engro Corporation Limited 20,000 (2009: 20,000) certificates	AA'	1.55% above 6 months KIBOR	Semi-annually	100,000	100,000

Name of Chief Executive: Mr. Asad Umar		KIBOR			
NIB Bank Limited 25,400 (2009: 25,400) certificates Name of Chief Executive Officer Mr. Khawaja Iqbal Hassan	'A+'	1.15% above 6 months KIBOR	Semi-annually	127,000	127,000
AI - Zamin Leasing Modaraba - 1st issue - 2nd tranche NIL (2009: 3,000) certificates Name of Chief Executive Officer Mr. Basheer Ahmed Chowdry	-	2.75% over the cut-off yield on the last successful SBP auction of five-years Pakistan Investment Bonds with 12.00% per annum as floor and 15.75% per annum as ceiling.	Semi-annually	0	15,000
Askari Bank Limited - 2nd issue (unsecured) 6990 (2009: 6990) certificates Name of Chief Executive: Mr. M. R. Mehkari	AA-	1.50% above 6 months KIBOR.	Semi-annually	34,950	34,950
Azgard Nine Limited 2,000 (2009: 2,000) certificates Name of Chief Executive: Mr. Ahmed H. Shaikh	-	1.00% over simple average of 6 months KIBOR (ask side)	Semi-annually	10,000	10,000
Bank Alfalah Limited - 2nd issue (unsecured) NIL (2009: 8,079) certificates Name of Chief Executive: Mr. Sirajuddin Aziz	-	1.5% over simple average of 6 months KIBOR (ask side).	Semi-annually	-	40,395
Bank Alfalah Limited - 3rd issue (unsecured) 2,000 (2009: 2,000) certificates Name of Chief Executive: Mr. Sirajuddin Aziz	'AA-'	1.50% above 6 months KIBOR.	Semi-annually	10,000	10,000

Name of companies	Rating	Markup rate	Repayment	Total nominal value	
				2010	2009
Rupees in '000'					
Bank Al-Habib Limited - 1st issue (unsecured) 3,480 (2009: 3,480) certificates Name of Chief Executive: Mr. Abbas D. Habib	'AA'	1.50% above 6 months KIBOR (Floor of 3.5% per annum cap of 10% per annum)	Semi-annually	17,400	17,400
Bank Al-Habib Limited - 2nd issue (unsecured) NIL (2009: 7,000) certificates Name of Chief Executive: Mr. Abbas D. Habib		1.95% above 6 months KIBOR.	Semi-annually	-	35,000
AI zamin Leasing Corporation Limited (Formerly Crescent Leasing Corporation Limited) - 2nd issue 2,000 (2009: 2,000) certificates Name of Chief Executive: Mr. Basheer Ahmed Chowdry	'A-'	2.75% over the cut-off yield on the last successful SBP auction of five-years Pakistan Investment Bonds with 12.00% per annum as floor	Semi-annually	10,000	10,000

annum as floor
and 15.75%
per annum as
ceiling.

Escorts Investment Bank Limited 5,000 (2009: 5,000) certificates Name of Chief Executive: Ms. Shazia Bashir	'A'	2.50% above 6 months KIBOR (Floor of 8% per annum & Cap of 17% per annum for first three years and 8% & 18% respectively for 4th and 5th year).	Semi-annually	25,000	25,000
IGI Investment Bank Limited 6,000 (2009: 6,000) certificates Name of Chief Executive: Mr. Syed Javed Hassan	'A+'	2.25% over 6 months KIBOR.	Semi-annually	30,000	30,000
Jahangir Siddiqui & Company Limited - 2nd issue (unsecured) NIL (2009: 5,000) certificates Name of Chief Executive: Mr. Munaf Ibrahim		8.29% per annum.	Semi-annually	-	25,000

Name of companies	Rating	Markup rate	Repayment	Total nominal value	
				2010	2009
Rupees in '000'					
Jahangir Siddiqui & Company Limited - 4th issue 5,000 (2009: 5,000) certificates Name of Chief Executive: Mr. Munaf Ibrahim	'AA'	2.5% above 6 months KIBOR.	Semi-annually	25,000	25,000
Pakistan Mobile Communication (Private) Limited 2,000 (2009: 2,000) certificates Name of Chief Executive: Mr. Rashid Khan	'A+'	2.85% over 6 months KIBOR.	Semi-annually	10,000	10,000
Searle Pakistan Limited 2,000 (2009: 2,000) certificates Name of Chief Executive: Mr. Rashid Abdulla	'A-'	2.50% above 6 months KIBOR.	Semi-annually	10,000	10,000
Standard Chartered Bank Limited - 2nd issue (unsecured) 2,587 (2009: 2,587) certificates Name of Chief Executive: Mr. Badar Kazmi	'AAA'	0.75% over the cut-off yield on the latest cut off yield of five- years Pakistan Investment Bonds conducted by SBP with 5.00% per annum as floor and 10.75% per annum as ceiling.	Semi-annually	12,935	12,935
Standard Chartered Bank Limited - 3rd issue (unsecured)		1.75% above 6 months KIBOR.	Semi-annually	-	50,000

NIL (2009: 10,000) certificates Name of Chief Executive: Mr. Badar Kazmi		KIBOR.			
Telecard Limited 11,530 (2009: 11,530) certificates Name of Chief Executive: Mr. Aamir Niazi	'BBB'	3.75% over simple average of 6 months KIBOR (ask side)	Semi-annually	21,186	26,271
Trust Investment Bank Limited - 2nd issue - 2nd tranche NIL (2009: 6,807) certificates Name of Chief Executive: Humayun Nabi Jan	-	2% above 6 months KIBOR.	Semi-annually	-	34,035
Trust Investment Bank Limited - 3rd issue 3,877 (2009: 3,877) certificates Name of Chief Executive: Humayun Nabi Jan	'BBB'	1.85% above 6 months KIBOR.	Semi-annually	19,385	19,385

Name of companies	Rating	Markup rate	Repayment	Total nominal value	
				2010	2009
				Rupees in '000'	
World Call Telecom Limited 3,727 (2009: 3,727) certificates Name of Chief Executive: Mr. Babar Ali Syed	'A'	2.75% above 6 months KIBOR.	Semi-annually	18,635	18,635

* Represents instrument rating in case of investment in term finance certificates. Wherever rating of instrument is not available or in case the instrument is unrated, the same has been marked as 'N/A'.

** Secured and have face value of Rs. 5,000/- each, unless specified otherwise.

10.8 Particulars of investment in unlisted Term Finance Certificates - Face value of Rs.5,000/- each

Name of companies	Rating	Markup rate	Repayment	Total nominal value	
				2010	2009
				Rupees in '000'	
Agritech Limited (formerly Pak American Fertilizer Limited) 100,000 (2009: 100,000) certificates Maturity date: December 14, 2015 Name of Chief Executive Officer Mr. Ahmed Jauded Bilal	'AA-'	6 months KIBOR plus 1.75%	Semi-annually	500,000	500,000
Gujranwala Electric Power Company Limited 66,666 (2009: 66,666) certificates Maturity date: August 16, 2011 Name of Chief Executive Officer Muhammad Ibrahim Makoja	Unrated	0.23% above 6 months KIBOR	Semi-annually	333,330	333,330
Islamabad Electric Power Company Limited 66,667 (2009: 66,667) certificates Maturity date: August 16, 2011 Name of Chief Executive Officer Mr. Javed Pervaiz	Unrated	0.23% above 6 months KIBOR	Semi-annually	333,335	333,335
Faisalabad Electric Supply Company Limited 66,667 (2009: 66,667) certificates Maturity date: August 16, 2011 Name of Chief Executive Officer	Unrated	0.23% above 6 months KIBOR	Semi-annually	333,335	333,335

Mr. Tanveer Safder Cheema

Avari Hotels Limited 'A-' 3.25% over 6 Semi-annually 25,000 25,000
 5,000 (2009: 5,000) certificates months
 Maturity date: Nov 1, 2016 KIBOR.
 Name of Chief Executive Officer
 Mr. Byram D. Avari

Bunnys Limited Unrated 2.5% over 6 Semi-annually 50,000 50,000
 10,000 (2009: 10,000) certificates months
 Maturity date: Nov 30, 2013 KIBOR.
 Name of Chief Executive Officer
 Ch. Haroon Shafiq

Name of companies	Rating	Markup rate	Repayment	Total nominal value	
				2010	2009

Rupees in '000'

Flying Board & Paper Products Ltd Unrated 1.5% over 6 Semi-annually 25,000 -
 5,000 (2009: nil) certificates months
 Maturity date: July 20, 2014 KIBOR.
 Name of Chief Executive Officer
 Mr. Bader Mehmood

Gharibwal Cement Limited Unrated 3% above 6 Semi-annually 25,000 25,000
 5,000 (2009: 5,000) certificates months
 Maturity date: July 17, 2011 KIBOR.
 Name of Chief Executive Officer
 Mr. Tousif Paracha

Security Leasing Corporation Limited Unrated 1-18th month Monthly 10,000 10,000
 2,000 (2009: 2,000) certificates -3% cash
 Maturity date: March 28, 2011 +3% accrual
 Name of Chief Executive Officer 19th month
 Mr. Mohd. Khalid Ali onwards 1
 month KIBOR.

Grays Leasing Limited A- 2.50% over 6 Monthly 9,000 10,000
 1,800 (2009: 2,000) certificates months
 Maturity date: Jan 10, 2012 KIBOR.
 Name of Chief Executive Officer
 Mr. Abdul Rashid Mir

Kashf Foundation - Semi-annually - 25,000
 Nil (2009: 5,000) certificates
 Maturity date: March 15, 2015
 Name of Chief Executive Officer
 Mr. Roshaneh Zafar

Orix Leasing Pakistan Limited 'AA' 1.40% over 6 Semi-annually 10,000 10,000
 100 (2009: 100) certificates months
 Maturity date: Jan 15, 2013 KIBOR.
 Name of Chief Executive Officer
 Mr. Humayun Murad

Trakker (Private) Limited 'A' 3.5% over 6 Semi-annually 10,000 10,000
 100 (2009: 100) certificates months
 Maturity date: Aug 24, 2011 KIBOR.
 Name of Chief Executive Officer
 Mr. Ali Jamil

New Khan Transport Company (Private) Limited Unrated 3% over 6 Monthly 10,000 10,000
 10 (2009: 10) certificates months
 Maturity date: Oct 13, 2013 KIBOR with
 Name of Chief Executive Officer 8.50% per
 Mr. Mohammad Ashraf annum as floor
 and no ceiling

10.9 Particulars of investment in Sukuk Bonds - Face value of Rs.5,000/- each

Name of companies	Rating	Markup rate	Repayment	Total nominal value	
				2010	2009
Arzoo Textile Mills Limited 40,000 (2009: 40,000) certificates Maturity date: April 15, 2014 Name of Chief Executive Officer Mr. Azhar Majeed Sheikh	Unrated	6 months KIBOR plus 2% for first 2 year and 1.75% for year 3 onwards.	Semi-annually	200,000	200,000
Pak Electron Limited 40,000 (2009: 40,000) certificates Maturity date: March 15, 2015 Name of Chief Executive Officer Mr. M. Naseem Saigol	A+	3 months Kibor plus 1%	Quarterly	200,000	200,000
Liberty Power Tech Limited 100,000 (2009: 40,000) certificates Maturity date: March 15, 2015 Name of Chief Executive Officer Mr. Ashraf Mukati	Unrated	3 months Kibor plus 3%	Quarterly	505,482	205,304

- 10.10** This includes ordinary shares of Thatta Cement Limited costing Rs 112.773 million which were classified as investments in associate upto December 31, 2009 in accordance with International Accounting Standard-28 (IAS-28) and were carried at cost as per SBP directives. However, due to changes in ownership of the Bank during the year as described in note 1.3, it has been reclassified to available-for-sale investment. Loss of Rs. 15.273 million on re-classification has been taken to profit and loss account.

10.12 Particulars of provision for diminution in value of investments	Note	2010 Rupees in '000'	2009
Opening balance		611,872	2,363
Charge for the year		393,055	612,337
Reversal during the year		(504,867)	(2,828)
Closing balance		<u>500,060</u>	<u>611,872</u>

10.13 Particulars of provision in respect of Type and Segment

Available-for-sale securities

Ordinary shares of listed companies	(204,332)	(407,964)
Term finance certificates - unlisted	(42,518)	(11,586)
Mutual funds	-	(138,112)
Ordinary shares of unlisted companies	(3,210)	(4,210)
Sukuk Bonds	(150,000)	(50,000)
	<u>(400,060)</u>	<u>(611,872)</u>

Subsidiary company

	(100,000)	-
	<u>(500,060)</u>	<u>(611,872)</u>

10.14 Unrealized gain / (loss) on investments classified as held-for-trading

Attock Petroleum Limited	-	(780.00)
Attock Refinery Limited	-	(966.00)
Bank Al-Falah Limited	-	60.00
D G Khan Cement Company Limited	-	(823.00)
Fauji Fertilizer Bin Qasim Limited	-	351.00
Fauji Fertilizer Company Limited	115	(6.00)
Hub Power Company Limited	-	(141.00)
National Bank of Pakistan	681	(390.00)
Pakistan Oilfield Limited	34	-
Pakistan Petroleum Limited	44	-
United Bank Limited	-	(1,728.00)
	<u>874</u>	<u>(4,423)</u>

11. ADVANCES

Loans, cash credits, running finances, etc. - in Pakistan

In Pakistan
 43,164,638 | 40,361,055 |

Outside Pakistan
 9,676 | - |

Net investment in finance lease - in Pakistan
 565,910 | 828,998 |

Bills discounted and purchased (excluding Treasury Bills)

Payable in Pakistan
 667,911 | 195,553 |

Payable outside Pakistan
 86,998 | 128,378 |

 754,909 | 323,931 |

Advances - gross
 44,495,133 | 41,513,984 |

Provision against non-performing advances
 (5,723,944) | (3,790,241) |

Advances - net of provision
 38,771,189 | 37,723,743 |

11.1 Particulars of advances

11.1.1 In local currency
 44,370,222 | 41,230,180 |

In foreign currencies
 124,911 | 283,804 |

 44,495,133 | 41,513,984 |

11.1.2 Short Term (for upto one year)
 36,762,006 | 33,873,145 |

Long Term (for over one year)
 7,733,127 | 7,640,839 |

 44,495,133 | 41,513,984 |

11.3 Advances include Rs. 11,394.074 million (2009 : Rs.7,823.997 million) which have been placed under non-performing status as detailed below: -

Category of Classification	2010			2009		
	Classified Advances	Provision Required	Provision Held	Classified Advances	Provision Required	Provision Held
	----- Rupees in '000' -----					
Substandard	2,078,978	348,060	348,060	1,119,830	169,243	169,243
Doubtful	1,811,271	598,314	598,314	2,360,805	750,593	750,593
Loss	7,503,826	4,773,140	4,773,140	4,343,362	2,868,843	2,868,843
	<u>11,394,074</u>	<u>5,719,514</u>	<u>5,719,514</u>	<u>7,823,997</u>	<u>3,788,679</u>	<u>3,788,679</u>

11.3.1 Particulars of provision against non-performing advances

	2010			2009		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000' -----					
Opening balance	3,788,679	1,562	3,790,241	1,510,908	4,822	1,515,730
Charge for the year	2,676,156	4,023	2,680,179	2,731,488	-	2,731,488
Reversals	(741,557)	(1,155)	(742,712)	(386,963)	(3,260)	(390,223)
	1,934,599	2,868	1,937,467	2,344,525	(3,260)	2,341,265
Transferred to:						
- other assets	(2,218)	-	(2,218)	(7,323)	-	(7,323)
- capital reserve	7,550	-	7,550	(7,550)	-	(7,550)
	5,332	-	5,332	(14,873)	-	(14,873)
Amount written off	(9,096)	-	(9,096)	(51,881)	-	(51,881)
Closing balance	<u>5,719,514</u>	<u>4,430</u>	<u>5,723,944</u>	<u>3,788,679</u>	<u>1,562</u>	<u>3,790,241</u>

11.3.2 Particulars of provisions against non-performing advances

	2010			2009		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000' -----					
In local currency	5,719,514	4,430	5,723,944	3,788,679	1,562	3,790,241
In foreign currencies	-	-	-	-	-	-
	<u>5,719,514</u>	<u>4,430</u>	<u>5,723,944</u>	<u>3,788,679</u>	<u>1,562</u>	<u>3,790,241</u>

2010 2009
Rupees in '000'

11.4 Particulars of write offs

11.4.1 Against provisions	9,096	51,881
Directly charged to profit and loss account	-	-
	<u>9,096</u>	<u>51,881</u>
11.4.2 Write offs of Rs.500,000 and above	8,865	50,650
Write offs of below Rs.500,000	231	1231
	<u>9,096</u>	<u>51,881</u>

11.5 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 Rs. 500,000 or above allowed to persons during the year ended December 31, 2010 is given in Annexure 1.

2010

2009

Note

Rupees in '000'

**11.6 Particulars of loans and advances to Directors,
Associated Companies, etc.**

**Debts due by directors, executives or officers of the bank or any
of them either severally or jointly with any other persons**

Balance at beginning of the year	733,853	752,110
Loans granted during the year	234,270	206,769
Repayments during the year	(520,274)	(225,026)
Balance at end of the year	447,849	733,853

**Debts due by companies or firms in which the directors of the
bank are interested as directors, partners or in the case of
private companies as members**

Balance at beginning of the year	1,553,628	1,463,679
Loans granted during the year	3,063,751	1,711,409
Repayments during the year	(3,872,913)	(1,621,460)
Balance at end of the year	744,466	1,553,628

**Debts due by subsidiary companies, controlled firms, managed
modarabas and other related parties**

Balance at beginning of the year	861	112,973
Loans granted during the year	-	414,355
Repayments/Adjustment during the year	(861)	(526,467)
Balance at end of the year	-	861
	<u>1,192,315</u>	<u>2,288,342</u>

12. OPERATING FIXED ASSETS

Capital work-in-progress	12.1	259,089	205,145
Property and equipment - own use	12.2	2,315,363	2,360,482
Property and equipment - operating lease	12.3	33	47
Intangible assets	12.4	115,963	143,989
		<u>2,690,447</u>	<u>2,709,663</u>

12.1 Capital work-in-progress

Civil works		145,490	103,904
Advances to suppliers and contractors		141,454	129,096
		<u>286,944</u>	<u>233,000</u>
Less: Provision against advances to suppliers	12.1.1	(27,855)	(27,855)
		<u>259,089</u>	<u>205,145</u>

12.1.1 Provision against advances to suppliers

Opening balance		27,855	22,089
Charge for the year		-	5,766
Closing balance		<u>27,855</u>	<u>27,855</u>

Note	2010	2009
	Rupees in '000'	
13. DEFERRED TAX ASSETS / (LIABILITIES) - NET		
Deferred debits arising in respect of:		
Deficit on revaluation of assets	119,766	47,348
Provision against non performing loans	774,769	527,249
Provision against lendings to financial institutions	-	8,750
Provision for gratuity	14,350	8,792
Provision for compensated absences	8,186	4,627
Unused tax losses	2,443,792	1,704,010
Provision for impairment losses	90,663	215,206
Net investment in lease finance	4,738	-
Minimum turn	102,356	24,085
	3,558,620	2,540,067
Deferred credits arising due to		
Difference between accounting and tax written down values	(354,077)	(343,802)
Unrealised gain on revaluation of investments - held for trading	(153)	-
Deferred cost	(1,629)	(1,629)
	(355,859)	(345,431)
	3,202,761	2,194,636

14. OTHER ASSETS

Income / mark-up accrued in local currency		1,419,376	1,238,337
Income / mark-up accrued in foreign currency		1,189	783
Advances, deposits, advance rent and other prepayments	14.1	266,307	357,975
Non banking assets acquired in satisfaction of claims	14.2	755,288	402,336
Advance taxation - net of provision		150,506	194,593
Dividend receivable		-	488
Receivable from brokers - secured		40,002	12,267
Receivable from group companies		155	-
Deferred costs	14.3	4,974	13,344
Branch adjustment account		-	3,842
Stationery and stamps on hand		1,628	1,908
Goodwill	14.4	-	377,421
Branch claims		128,448	125,580
Other charges recoverable from lessees		2,886	6,394
Others		77,373	8,590
		2,848,132	2,743,858
Less: Provision held against other assets	14.5	(130,796)	(133,807)
		2,717,336	2,610,051

14.1 This includes consideration amount deposited in Banking Court for purchase of land and building of British Biscuits Company (Private) Limited, in auction proceedings. (The confirmation of sale of the property was challenged by the judgment debtors / company in the Honourable Lahore High Court. Subsequently, case was transferred to Islamabad High Court). After hearing the appeal, Islamabad High Court passed the order on December 01, 2008 and directed the Judgment Debtors to deposit the decreed money in the court within 90 days failing which the sale of land will be confirmed in favour of the Bank. The Judgment Debtors failed to deposit the amount as directed by court and sale of property stand confirmed.

Note	2010	2009
	Rupees in '000'	
14.2 Market value of non banking assets acquired in satisfaction of claims	779,603	469,462

	Note	2010 Rupees in '000'	2009 Rupees in '000'
14.3 Deferred costs - net			
Opening balance		13,344	21,714
Incurred during the year		-	-
Amortized during the year		(8,370)	(8,370)
Closing balance		<u>4,974</u>	<u>13,344</u>
14.4 Goodwill			
Cost		516,498	516,498
Less: Accumulated impairment		(516,498)	(139,077)
Book value at the end of year		<u>-</u>	<u>377,421</u>
14.4.1 ATBL had recognised goodwill amounting to Rs. 516,498 million upon amalgamation of Atlas Investment Bank Limited with the ATBL in the year 2006. As of the year end, the management considers that the business units that were expected to benefit from the synergies of the amalgamation of Atlas Investment bank Limited in the year 2006, are impaired and therefore, the goodwill allocated to such units have been written off in these financial statements.			
	Note	2010 Rupees in '000'	2009 Rupees in '000'
14.5 Provision held against other assets			
Opening balance		133,807	13,598
Charge for the year		-	127,847
Reversals		(5,229)	(7,154)
Transferred from provision against non-performing advances		2,218	7,323
Write off against provision		-	(7,807)
		<u>130,796</u>	<u>133,807</u>
15. BILLS PAYABLE			
In Pakistan		357,293	479,084
Outside Pakistan		-	-
		<u>357,293</u>	<u>479,084</u>
16. BORROWINGS			
In Pakistan		5,257,007	2,497,915
Outside Pakistan		236	-
		<u>5,257,243</u>	<u>2,497,915</u>
16.1 Particulars of borrowings with respect to currencies			
In local currency		5,257,007	2,497,915
In foreign currencies		236	-
		<u>5,257,243</u>	<u>2,497,915</u>
16.2 Details of borrowings secured / unsecured			
Secured			
Borrowings from State Bank of Pakistan	16.3	2,697,210	1,985,084
Repurchase agreement borrowings	16.4	1,559,797	487,831
		4,257,007	2,472,915
Unsecured			
Overdrawn nostro accounts		236	-
Call borrowings		1,000,000	25,000
		1,000,236	25,000
		<u>5,257,243</u>	<u>2,497,915</u>
16.3 These are secured against promisory notes, export documents and undertakings by the Bank granting the right to SBP to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current accounts maintained with the SBP. The mark up rate on these borrowings ranging from 8.5% to 9.5% (2009: 6.5% to 7%) per annum payable quarterly or upon maturity of loans whichever is earlier.			
16.4 These represent borrowings from various financial institutions at markup rate ranging from 13% to 14.25% (2009 : 12.14% to 12.40%) per annum maturing in January 2011. Market Treasury Bills amounting to Rs.1,095 million (2009: Rs 487.831 million) have been given as collateral against these borrowings.			

17. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	28,082,564	32,228,103
Savings deposits	26,181,443	16,580,674
Current accounts - Non-remunerative	5,890,178	5,539,855
Margin accounts	737,889	690,552
	60,892,074	55,039,184

Financial institutions

Non-remunerative deposits	57,568	23,468
Remunerative deposits	657,908	2,418,516
	715,476	2,441,984

	61,607,550	57,481,168
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17.1 Particulars of deposits

In local currency	58,360,687	53,585,082
In foreign currencies	3,246,863	3,896,086
	61,607,550	57,481,168

18. OTHER LIABILITIES

Mark-up / return / interest payable in local currency	1,127,943	1,356,597
Mark-up / return / interest payable in foreign currency	7,419	17,242
Payable to Bangladesh Bank	41,389	41,389
Payable to Rupali Bank - Bangladesh	16,292	16,292
Payable to brokers against purchase of shares	287	5,246
Payable to vendors/creditors	33,504	29,507
Provision for compensated absences	55,545	62,962
Payable to group companies	(852)	1,097
Payable to Bank of Ceylon, Colombo	20,163	20,163
Retention money	1,610	2,839
Branch adjustment account	3,723	-
Security deposits against leases	95,926	234,357
Accrued expenses	81,377	87,502
Payments from clients / lessees received on account	6,287	12,442
Unrealised loss on forward exchange contracts	5,108	13,529
Payable to defined benefit plan / scheme	50,423	36,685
Security deposit against lease finance	50,418	45,922
Withholding tax payable	5,454	375
Others	71,466	64,108
	1,673,482	2,048,254

19. SHARE CAPITAL

19.1 Authorized capital

	2010	2009		2010	2009
	Number of Shares			Rupees in '000'	
1,100,000,000	1,100,000,000		Ordinary shares of Rs.10/- each	11,000,000	11,000,000

19.2 Issued, subscribed and paid-up capital

	2010	2009		2010	2009
	Number of Shares			Rupees in '000'	
428,500,000	769,754,985		Fully paid in cash	4,285,000	7,697,550
21,500,000	180,391,642		Issued for consideration other than cash	215,000	1,803,916
50,000,000	50,000,000		Issued as bonus shares	500,000	500,000
225,065,982	-		Issued pursuant to the scheme of amalgamation	2,250,660	-
725,065,982	1,000,146,627			7,250,660	10,001,466

19.3 As at December 31, 2010, Suroor Investments Limited (SIL), holding company and Rupali Bank Limited, Bangladesh, an associated undertaking held 297,034,854 (59.41%) and 32,777,450 (6.56%) [2009 : Nil and 32,777,450 (6.56%)] ordinary shares respectively. (Refer note 1).

2010 **2009**
Rupees in '000'

20. RESERVES

Share premium	1,000,000	1,577,537
Statutory reserve	64,828	67,322
Merger Reserve	(2,399,878)	-
General Reserve	-	-
Other	-	7,550
	<u>(1,335,050)</u>	<u>1,652,409</u>

21. DEFICIT ON REVALUATION OF ASSETS - BY TYPE AND SEGMENT

Available-for-sale securities

Federal Government Securities

Market Treasury Bills	(119,540)	(119,492)
Pakistan Investment Bonds	(58,833)	(32,301)

Fully paid-up shares / units / certificates:

Term finance certificates and sukuks bonds	(154,386)	(63,866)
Listed companies shares	(9,212)	61,256
Open end mutual funds units	1,441	22,453
Closed end mutual funds units	-	1,113
Total deficit on revaluation of securities	<u>(340,530)</u>	<u>(130,837)</u>
Related deferred tax asset	119,766	47,348
	<u>(220,764)</u>	<u>(83,489)</u>

22. CONTINGENCIES AND COMMITMENTS

22.1 Direct credit substitutes

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

Government	-	22,282
Financial institutions	-	-
Others	-	3,092
	-	25,374

22.2 Transaction-related contingent liabilities / commitments guarantees issued favouring

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

Government	10,044,220	9,074,453
Banking companies and other financial institutions	209,596	1,021,107
Others	2,692,103	1,823,822
	12,945,919	11,919,382

22.3 Trade-related contingent liabilities

Letter of credits	2,380,207	2,600,569
Acceptances	185,534	244,984
	2,565,741	2,845,553

	2010	2009
	Rupees in '000'	
22.4 Other contingencies - claims against bank not acknowledge as debt	2,568,716	83,903
22.5 Contingent asset		
There was no contingent assets as at December 31, 2010 (2009: Nil)		
22.6 Commitments in respect of forward lending		
Forward repurchase agreement lending	-	1,533,560
Forward documentary bills	831,457	-
Commitments to extend credit	7,725,738	18,650,360
	8,557,195	20,183,920
22.7 Commitments in respect of forward exchange contracts		
Purchase	1,755,845	3,872,163
Sale	591,844	1,834,645
	2,347,689	5,706,808
22.8 Commitments for the acquisition of operating fixed assets		
Civil works (at branches)	66,047	128,343
22.9 Commitments in respect of underwriting agreements	-	28,000
22.10 Commitments in respect of purchase of TFCs	-	100,000
22.11 Commitments in respect of purchase of rupee traveller cheques	3,520	-
	2010	2009
	Rupees in '000'	
23. MARK-UP / RETURN / INTEREST EARNED		
a. On loans and advances to:		
Customers	5,209,616	5,140,761
Financial institutions	84,626	33,774
b. On investments in:		
Available-for-sale securities	1,692,392	1,503,317
On lending to financial institutions	83,833	215,301
c. On deposits with financial institutions	439	9,138
	7,070,906	6,902,291
	2010	2009
	Rupees in '000'	
24. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits and other accounts	5,427,204	5,739,395
Securities sold under repurchase agreements	330,478	154,278
Other short term borrowings	256,268	173,450
Swap cost on foreign currency transactions	88,467	69,121
	6,102,417	6,136,244
25. GAIN ON SALE OF SECURITIES - net		
Federal Government Securities		
- Market Treasury Bills	1,567	13,118
- Pakistan Investment Bonds	404	1,256
Listed shares	137,486	37,387
Mutual Funds Units / Certificates	110,419	12,630
Term Finance Certificates	4,101	1,988
	253,977	66,379
	2010	2009
	Rupees in '000'	

26. OTHER INCOME

Bad debts recovered		2,219	9,313
Gain / (loss) on disposal of operating fixed assets		390	(30)
Others	26.1	32,983	37,022
		<u>35,592</u>	<u>46,305</u>

26.1 Includes income from various general banking services such as cheque book charges, cheque return charges, cheque handling charges, rent of lockers, ATM switch fee, ATM card replacement charges, late payment charges, penalty on overdue installments etc.

27. ADMINISTRATIVE EXPENSES

	Note	2010	2009
		Rupees in '000'	
Salaries, allowances, etc.		1,211,352	1,355,805
Charge for defined benefit plan - gratuity	33.5	25,302	22,278
Contribution to defined contribution scheme		47,725	51,120
Non-executive directors' fees, allowances and other expenses		355	544
Brokerage and commission		54,310	218,650
Rent, taxes, insurance and electricity, etc.		554,368	467,539
Legal and professional		59,929	63,487
Fees and subscription		25,799	32,990
Repairs and maintenance		155,837	152,210
Communications		94,897	107,471
Stationery and printing		31,402	37,880
Advertisement and publicity		24,661	44,777
Traveling and conveyance		25,897	46,344
Education and training		2,449	1,491
Entertainment		17,423	17,469
Security services and charges		50,145	43,224
Auditors' remuneration	27.1	6,178	4,739
Depreciation	12.2	267,479	232,428
Amortization	12.3 & 14.2	55,336	41,823
Others		24,896	16,687
		<u>2,735,740</u>	<u>2,958,956</u>

27.1 Auditors' remuneration

Audit fee		2,800	1,800
Tax services		1,000	1,279
Certifications, half yearly review and sundry advisory services		1,750	1,259
Out of pocket expenses		628	401
		<u>6,178</u>	<u>4,739</u>

27.2 Other provisions / write offs

Fixed assets written off		2,362	-
Provision / (reversal of provision) against			
- letter of placement		(25,000)	25,000
- other assets		(5,229)	120,693
- advances to suppliers		-	5,766
Impairment of goodwill		377,421	-
		<u>349,554</u>	<u>151,459</u>

28. OTHER CHARGES

Penalties imposed by State Bank of Pakistan		4,724	21,690
Bank charges		5,091	3,238
Decline in market value of non banking assets		-	36
Net loss on sale of fixed assets		-	3,713
		<u>9,815</u>	<u>28,677</u>

29. TAXATION

	Note	2010	2009
		Rupees in '000'	
For the year			
Current		78,637	56,134
Deferred		(935,709)	(1,227,362)

	(857,072)	(1,171,228)
For prior year	-	(71,542)
	<u>(857,072)</u>	<u>(1,242,770)</u>

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

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

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

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

29.3 For tax assessment of ATBL in respect of tax year 2003 to 2005 and 2008, various disallowances have been made by assessing officer including provision against non-performing advances, lessing losses, allocation of expenses against exempt income and amortisation of intangible and deferred cost In relation to tax year 20003 the Bank filed an appeal before ATIR in respect of disallowances of provision for non-performing advances who confirmed the order of CIR(A) against the Bank, as well as department have filed tax references before Sindh High Court. In respect of tax years 2004,2005 and 2008 the Bank has filed appeals before CIR(A) in respect of aforesaid issue. In respect of tax year 2004 the CIR(A) has confirmed the order of the officer and the Bank has preferred an appeal before ATIR. The above matters may result in reduction of claimed tax losses and have an aggregate tax impact of Rs. 238.72 million. The management of the Bank is confident about the favourable outcome of the appeals and hence no adjustment with regard to the above matters has been made in the financial statements.

30. EARNINGS PER SHARE - BASIC AND DILUTED

		2010	2009
Loss for the year	Rupees in '000'	<u>(3,018,373)</u>	<u>(3,769,899)</u>
Weighted average number of ordinary shares		<u>725,065,982</u>	<u>725,065,982</u>
Earnings per share - Basic and diluted	Rs.	<u>(4.16)</u>	<u>(5.20)</u>

Note	2010	2009
	Rupees in '000'	

31. CASH AND CASH EQUIVALENTS

Cash and balance with treasury banks	7	4,047,554	3,500,619
Balance with other banks	8	<u>338,244</u>	<u>822,493</u>
		<u>4,385,798</u>	<u>4,323,112</u>

32. STAFF STRENGTH

	Note	2010	2009
Permanent		944	1,142
Contractual basis		<u>169</u>	<u>187</u>
Bank's own staff strength at end of the year		1,113	1,329
Outsourced		<u>227</u>	<u>371</u>
Total staff strength		<u>1,340</u>	<u>1,700</u>

33. DEFINED BENEFIT PLAN / SCHEME

Defined benefit plan (Funded) - ATBL	32.1	9,422	11,564
Defined benefit scheme (Unfunded) - SBL	32.2	41,001	25,121
		<u>50,423</u>	<u>36,685</u>

33.1 Defined benefit plan

ATBL operated an approved funded gratuity scheme for all its permanent and full time employees in the management cadre who have completed the minimum qualifying period of ten years. Contributions were made to the fund in accordance with the recommendations of the actuary. Employees were entitled to the benefits under the scheme which comprise of 15 days last drawn basic salary for each completed year of service.

33.1.1 Principal actuarial assumptions

The actuarial valuation of ATBL's defined benefit plan based on Projected Unit Credit Method was carried out on December 31, 2010. Following are the significant assumptions used in the actuarial valuation:

	2010	2009
	%	%
Discount rate - percent (per annum)	14	12.75
Expected rate of return on plan assets - percent (per annum)	14	12.75
Long term rate of salary increase - percent (per annum)	14	11.75
	2010	2009
	----- (Rupees '000) -----	

33.1.2 Reconciliation of payable to defined benefit plan

Present value of defined benefit obligation	24,424	30,690
Fair value of plan assets	(15,733)	(21,153)
Unrecognised actuarial (gain) / loss	1,892	(2,079)
Payable to subsidiary company	(1,161)	3,982
Payable to related party in respect of employees transferred	-	124
	<u>9,422</u>	<u>11,564</u>

33.1.3 Movement in payable to defined benefit plan

Opening balance	11,564	7,019
Charge for the year	9,422	11,564
Contribution to fund made during the year	(11,564)	(7,019)
Closing balance	<u>9,422</u>	<u>11,564</u>

33.1.4 Charge for defined benefit plan

Current service cost	7,802	9,169
Interest cost	4,358	4,368
Expected return on plan assets	(2,738)	(2,343)
Actuarial loss recognised	-	370
Charge for the year	<u>9,422</u>	<u>11,564</u>

33.1.5 Actual return on plan assets

	<u>(1,323)</u>	<u>1,753</u>
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2010
----- (Rupees '000) -----

33.1.6 Movement in present value of defined benefit obligation

Defined benefit obligation as at beginning of the year	30,690	24,921
Service cost	7,802	9,169
Interest cost	4,358	4,368
Actuarial gain on obligation	(8,033)	(5,816)
Transfer to related party in respect of employees transferred	(7,113)	(182)
Benefits paid during the year	(3,280)	(1,770)
Defined benefit obligation as at end of the year	<u>24,424</u>	<u>30,690</u>

33.1.7 Movement in fair value of plan assets

Fair value of plan assets as at beginning of the year	21,153	12,476
Expected return on plan assets	2,738	2,343
Profit allocated to subsidiary	-	450
Actuarial loss on plan assets	(4,061)	(591)
Contribution to fund made during the year	11,564	7,019
Contribution to fund made during the year on behalf of subsidiary	-	1,589
Transferred to related party in respect of employees transferred	(12,381)	(58)
Benefits paid during the year on behalf of subsidiary	-	(305)
Benefits paid during the year	(3,280)	(1,770)
Fair value of plan assets as at end of the year	<u>15,733</u>	<u>21,153</u>

33.1.8 Annual Actuarial losses

Experience gain on obligation	(8,033)	(5,816)
Experience loss on plan assets	4,061	591
Total actuarial gain during the year	<u>(3,972)</u>	<u>(5,225)</u>

33.1.9 Categories of plan assets as a percentage of fair value of total plan assets

Fixed income	27%	23%
Cash	-	16%
Term Deposit Receipt	20%	-
Mutual Funds	53%	61%
Total	<u>100%</u>	<u>100%</u>

33.1.10 Historical information	2010	2009	2008	2007	2006
	----- (Rupees '000) -----				
Present value of defined benefit obligation	24,424	30,690	24,921	14,209	17,074
Fair value of plan assets	(15,733)	(21,153)	(12,476)	(17,554)	(14,994)
Deficit / (surplus)	<u>8,691</u>	<u>9,537</u>	<u>12,445</u>	<u>(3,345)</u>	<u>2,080</u>

33.2 Defined benefit plan

SBL maintains an unfunded gratuity scheme that are payable to permanent and contractual basis employees on retirement at the age of 60 years or earlier cessation of services in lump sum. The benefit is equal to one month's last drawn basic salary of each year of confirmed services, subject to a minimum of five years of service. The actuarial valuation of the funded scheme is carried out periodically. Latest actuarial valuation was carried out as at December 31, 2010 using "Projected Unit Credit Method".

33.2.1 Principal actuarial assumptions

The following significant assumptions were used for actuarial valuation of the scheme: -

	2010	2009
Discount rate	14%	13%
Expected rate of salary increase	14%	13%

33.2.2 Reconciliation of liability recognised by the Bank

	2010	2009
	Rupees in '000'	
Present value of defined benefit obligations	38,475	23,665
Net actuarial gains or losses not recognized	2,526	1,456
	<u>41,001</u>	<u>25,121</u>

33.2.3 Movement in liability recognised by the Bank

Opening balance	25,121	14,407
Charge for the year	15,880	10,714
Closing balance	<u>41,001</u>	<u>25,121</u>

33.2.4 Charge for the year

Current service cost	11,837	8,464
Interest cost	4,043	2,250
	<u>15,880</u>	<u>10,714</u>

The expected future charge for defined benefit plan is Rs.19.335 million (2009 : Rs.14.913 million) according to actuarial recommendation.

34. DEFINED CONTRIBUTION PLAN

The Bank operates a provident fund scheme administered by the Board of Trustees for all its permanent employees. Equal monthly contributions are made both by the Bank and employees to the fund @ 8.33% to 11.00% of basic salary. During the year employees made a contribution of Rs.47.725 million (2009 : Rs.51.120 million) to the fund. The Bank has also made a contribution of equal amount to the fund.

35. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
	-----'Rupees in '000'-----					
Fees	-	-	245	314	-	-
Managerial remuneration	19,027	27,150	-	-	278,524	324,110
Charge for defined contribution plan	-	-	-	-	-	-
Rent and house maintenance	1,685	1,553	-	-	26,689	29,970
Utilities	8,085	11,262	-	-	60,032	58,942
Dearness allowance	1,797	2,503	-	-	13,340	13,098
Medical	1,819	909	-	-	22,238	11,217
Conveyance	1,091	1,091	-	-	13,340	13,098
Car allowance	-	-	-	-	76,259	81,257
Bonus	-	-	-	-	25,380	27,210
Bonus	-	909	-	-	-	10,225
General/Special Allowance	4	-	-	-	127,550	169,373
Others	-	-	-	-	-	718
	<u>33,508</u>	<u>45,377</u>	<u>245</u>	<u>314</u>	<u>643,352</u>	<u>739,218</u>
Number of person(s)	* 2	* 2	2	2	314	272

* Include remuneration of ex-chief executive of Atlas Bank Limited

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

35.2 Number of persons include outgoing Director(s) and executives.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Fair value of fixed term advances, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for non-performing advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.4.

The repricing profile and effective rates and maturity are stated in notes 41.4.4 and 41.5.1 respectively.

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

38. TRUST ACTIVITIES

The Bank is not engaged in any trust activities.

39. RELATED PARTY TRANSACTIONS

Related parties comprise associated undertakings, majority shareholders, retirement benefit plans, directors and key management personnel of the Bank.

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

	2010		2009	
	Key management personnel	Associates/ related parties	Key management personnel	Associates/ related parties
< ----- Rupees '000' ----- >				
Advances				
Balance at beginning of the year	186,432	1,554,489	186,163	1,463,679
Sanctioned / granted during the year	32,617	3,243,987	42,503	2,125,764
Payment received during the year	(74,689)	(4,756,777)	(42,234)	(2,034,954)
Balance at end of the year	144,361	41,699	186,432	1,554,489
Deposits				
Balance at beginning of the year	23,141	1,352,121	33,858	2,984,179
Deposits during the year	1,636,298	43,565,641	4,041,663	91,822,339
Withdrawal during the year	(1,570,728)	(44,552,631)	(4,052,380)	(93,454,397)
Balance at end of the year	88,710	365,131	23,141	1,352,121
Investment in shares / TFC's				
Thatta Cement Company Limited	-	-	-	112,773
Lending to financial institutions	-	298,634	-	-
Advance rent	-	-	-	6,125
Purchase of assets (note 12.2.1)	-	-	-	185,856
Bills payable	-	-	-	-
Guarantees, letters of credits and acceptances	-	230,121	-	182,081
Contribution paid to the provident fund	-	47,726	-	51,120
Contribution paid to the gratuity fund	-	11,564	-	7,019
Purchase of mutual fund units	-	-	-	250,000
Redemption of mutual fund units	-	310,991	-	-
Other receivable	-	43,371	-	-
Other payable	-	4,551	-	1,097
Mark up payable	107	3,510	3,565	4,285
Mark up receivable	-	138	-	65,435
Profit / expense for the year				
Brokerage expenses paid - CFS	-	452	-	159
Brokerage expenses paid - equity securities	-	14	-	1,693
Rent Expense	-	8,100	-	27,774
Mark up earned	8,153	101,530	13,770	211,262
Capital gain/(Loss)	-	24,787	-	5,592
Dividend income	-	9,671	-	17,900
Mark up expensed	1,537	98,901	7,902	195,745
Mark up paid	1,430	76,862	4,360	199,933

40. CAPITAL ADEQUACY

40.1 Scope of applications

The Basel-II framework is applicable to the Bank in assessment of its capital adequacy requirement.

40.2 Capital structure

Banks regulatory capital is analyzed into two tiers:

Tier 1 capital, which includes fully issued, subscribed and paid up capital, balance in share premium account, general reserves as per the financial statements and net un-appropriated profits, etc after deductions for deficit on revaluation of available-for-sale investments and intangible assets.

Tier 2 capital, which includes general provisions for loan losses (up to a maximum of 1.25 % of risk weighted assets), reserves on the revaluation of fixed assets and equity investments (up to a maximum of 45% of the balance in the related revaluation reserves) and subordinated debt (up to a maximum of 50% of total tier 1).

Tier 3 Capital has also been prescribed by the SBP for managing market risk; however the Bank does not have any Tier 3 capital.

The required capital is achieved by the Bank through: -

- (a) enhancement in the risk profile of asset mix at the existing volume level;
- (b) ensuring better recovery management; and
- (c) maintain acceptable profit margins.

Detail of the Bank's eligible capital is as follows: -

	2010	2009
	Rupees in '000'	
Tier I Capital		
Shareholders equity /Assigned capital	7,250,660	10,001,466
Share premium	-	-
Reserves	(1,270,050)	1,652,409
Unappropriated / unremitted profits (Net of losses)	(2,386,584)	(5,033,926)
Less: Intangible assets	(115,963)	(633,609)
Deficit on revaluation of investments in available-for-sale securities	(339,637)	(128,445)
Other deductions (50% of the amount as calculated on CAP 2)	(148,471)	(198,471)
Total Tier I Capital	2,989,955	5,659,424
Tier II Capital		
Subordinated debt (upto 50% of total Tier 1 Capital)	-	-
General provisions subject to 1.25% of Total Risk Weighted Assets	4,430	-
Revaluation Reserve (upto 45%)	-	1,562
Other deductions (50% of the amount as calculated on CAP 2)	(148,471)	(198,471)
Total Tier II Capital	(144,041)	(196,909)
Eligible Tier III Capital	-	-
Total Regulatory Capital Base	<u>2,845,914</u>	<u>5,462,515</u>

40.3 Capital Adequacy

Objectives of managing capital

Capital Management aims to ensure that there is sufficient capital to meet the capital requirements of the Bank as determined by the underlying business strategy and the minimum requirements of the SBP. The Capital Management process is governed by the Bank's Asset & Liability Committee (ALCO). ALCO is responsible for managing Bank's capital position vis-a-vis internal as well as regulatory requirements. ALCO also reviews the volume and mix of the Bank's assets, liabilities and funding sources in light of liquidity, capital, risk and profitability considerations.

Bank's capital management seeks: -

- to comply with the capital requirements set by the regulators and comparable to the peers;
- to actively manage the supply of capital costs and increase capital velocity;
- to increase strategic and tactical flexibility in the deployment of capital to allow for the timely reallocation of capital;
- to improve the liquidity of the Bank's assets to allow for an optimal deployment of the Bank's resources;
- to protect the Bank against unexpected events and maintain strong ratings;
- to safeguard the Bank's ability to continue as a going concern so that it can continue to provide adequate return to shareholders.
- availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Bank to expand; and
- to achieve low overall cost of capital with appropriate mix of capital elements.

Externally imposed capital requirements

In order to strengthen the solvency of Banks / Development Financial Institutions (DFI), SBP through its BSD Circular No. 7 dated April 15, 2009 has advised the Banks to raise their minimum paid up capital to Rs. 7 billion by the end of financial year 2010. Further, banks are required to increase their paid up capital to Rs. 10 billion (free of losses) in a phased manner by the end of financial year 2013. The Bank has at present paid up capital (free of losses) of Rs. 3.758 billion (2009: 4.066 billion) which needs to be raised to above mentioned level in a phased manner till 2013. Further, SBP through the said circular has asked the banks to achieve minimum capital adequacy ratio (CAR) of 10%. The CAR of the Bank as at December 31, 2010 is 5.35 % (2009: 9.83%) of its risk weighted exposures.

2010		2009	
Capital requirements	Risk weighted assets	Capital requirements	Risk weighted assets
Rupees in '000'		Rupees in '000'	

Credit risk

Portfolios subject to standardized approach (Simple or Comprehensive)

Corporate portfolio etc.	3,286,248	32,862,479	3,651,180	36,511,803
Retail	581,506	5,815,057	474,651	4,746,514
Financial Institutions	16,283	162,834	158,433	1,584,333
Others	752,797	7,527,970	567,508	5,675,081

Portfolios subject to Internal Rating Based (IRB) approach

Corporate,	-	-	-	-
Sovereign ,	-	-	-	-
Retail ,	-	-	-	-
Securitization etc.	-	-	-	-

	2010		2009	
	Capital requirements	Risk weighted assets	Capital requirements	Risk weighted assets
	Rupees in '000'		Rupees in '000'	
Equity exposure risk in the banking book				
Equity portfolio subject to market-based approaches				
Under simple risk weight method	-	-	-	-
Under Internal models approach	-	-	-	-
<u>Equity portfolio subject to PD / LGD</u>				
Market risk				
Capital requirement for portfolios subject to				
<u>Standardized approach</u>				
Interest rate risk	88,339	1,104,236	187,905	2,348,812
Equity position risk etc.	273,565	3,419,562	156,685	1,958,560
Foreign exchange risk etc.	7,597	94,959	33,493	418,661
<u>Capital requirement for portfolios subject to Internal models approach</u>				
Interest rate risk	-	-	-	-
Foreign exchange risk etc.	-	-	-	-
Operational risk	173,714	2,171,419	183,887	2,298,464
<u>Capital requirement for operational risks</u>	<u>5,180,049</u>	<u>53,158,516</u>	<u>5,413,743</u>	<u>55,542,228</u>
Capital Adequacy Ratio				
Total eligible regulatory capital held		<u>2,845,914</u>		<u>5,462,515</u>
Total risk weighted assets		<u>53,158,516</u>		<u>55,542,228</u>
Capital Adequacy Ratio (a) / (b)		<u>5.35%</u>		<u>9.83%</u>

41. RISK MANAGEMENT

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

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

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

Risk responsibilities

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

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

The Risk Management is headed by a Chief Risk Officer responsible to set-up and implement the Framework of the Bank.

Risk management group organization

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

The Bank has acquired and installed a state of the art, hPLUS™, core banking software. hPLUS™ is a fully functional, well proven, single integrated banking application and is also capable of generating numerous standard and customized MIS

41.1 Credit risk management

Credit risk is the risk that one party to financial instrument fails to discharge an obligation and cause other party to incur a financial loss. The Bank is exposed to credit risk through its lending and investment activities as well as in cases where it acts as an intermediary of behalf of customers or other third parties or issues guarantees. The following objectives govern the credit policy of the Bank: -

- The Bank complies with the requirements of Prudential Regulations prescribed by SBP
- Facilities provided by the Bank will be well diversified into different sectors as well as financing in different consumer products to achieve a strong market position and adequate return on capital.
- Return commensurate with the risk
- Lending decision is based on a full appreciation for the risks inherent in the transaction and within the approved limits by the Board of Directors.
- Risk is related correctly and risk changes are identified promptly and remedial action are taken.

The Bank creates loan loss provisions against non-performing commercial advances in accordance with Prudential Regulations issued by SBP. Please refer note 11.4.1 for reconciliation in loan loss provision.

Concentrations of credit risk (whether on or off balance sheet) that arise from financial instruments exist for counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be affected in a similar way by changes in economic or other conditions. As part of managing concentration risk, sector risk is managed on a portfolio basis. Please refer to note 40.1.1.1 for segment reporting.

As a matter of paramount importance the affairs of the customers enjoying credit facilities are carefully reviewed and reconsidered periodically. The facility review provides a timely signal of unfavourable developments in clients' affairs and warns of dangers before the bank is faced with undesirable positions. For this reason, all facilities of a continuing character are only approved after the next review date, unless otherwise agreed.

Credit administration tasks include the following:

- Maintain Credit, Custody and Security documentation files,
- Register Security and Collateral documents,
- Tracking of covenants,
- Administer facility fees/receipts/payments,
- Load limits into credit system, and
- Satisfy internal and external risk reporting requirements.

It is the Bank's policy to reduce or mitigate credit risk on credit facilities or exposure, as much as possible, in a given commercial environment by securing credit facilities or exposure with collateral. To correctly assess the extent to which the collateral mitigates the credit risk the collateral must be valued according to a specified valuation method and documented and monitored. The legal mechanism by which collateral is pledged and the Bank's procedures ensures 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.

41.1.1 Segmental information

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

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

2010		2009	
Classified	Specific Provisions	Classified	Specific Provisions

	Advances Rupees in '000	Held Rupees in '000	Advances Rupees in '000	Held Rupees in '000
Automobile	118,407	52,312	140,854	55,847
Banaspati & Allied Industries	358,145	103,058	80,304	53,557
Carpet	73,660	31,912	69,080	24,329
Cement	-	-	287	287
Chemical & Pharma	393,829	188,105	62,043	39,458
Construction	594,083	188,568	627,232	108,395
Consumer	34,409	30,348	27,474	19,079
Education	34,094	12,917	19,642	7,640
Electric & Electrical Goods	315,063	169,281	270,590	108,194
Energy Oil & Gas	340,357	202,219	125,240	31,490
Exports/Imports	390,230	125,689	19,248	19,248
Financial	1,599,644	1,165,182	2,046,394	1,212,956
Food, Tobacco & Beverages	598,206	195,467	107,216	43,494
Glass & Ceramics	33,578	33,069	30,881	28,700
Health Care	123,163	38,047	41,167	25,902
Hotels	40,768	12,870	76,527	23,828
Individuals	1,932,817	980,640	1,780,655	759,167
Leather & Footwear	4,489	3,092	-	-
Miscellaneous	1,385,358	583,952	264,669	119,221
Others	102,662	21,506	3,489	2,209
Power (electricity), Gas, Water, Sanitary	199,008	199,008	199,007	99,504
Print Publish & Allied	327,103	211,788	282,195	70,459
Services	391,758	202,192	538,806	351,161
Steel & Engineering	325,022	141,061	95,602	41,804
Textile	1,136,294	444,418	791,436	495,075
Transport & Communication	245,065	144,140	69,507	40,986
Wholesale and retail trade	296,862	238,673	54,452	6,689
	<u>11,394,074</u>	<u>5,719,514</u>	<u>7,823,997</u>	<u>3,788,679</u>

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

Public/ Government	-	-	-	-
Private	11,394,074	5,719,514	7,823,997	3,788,679
	<u>11,394,074</u>	<u>5,719,514</u>	<u>7,823,997</u>	<u>3,788,679</u>

Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
-----Rupees in '000'-----			

41.1.1.5 Geographical Segment Analysis

2010				
Pakistan	<u>(3,018,373)</u>	<u>72,268,830</u>	<u>3,373,262</u>	<u>29,054,827</u>
2009				
Pakistan	<u>(3,769,899)</u>	<u>69,042,881</u>	<u>6,536,460</u>	<u>41,021,283</u>

Total assets employed shown above mean total assets shown on the balance sheet and intra group items. Net assets employed mean net assets shown on the balance sheet.

41.2 Credit Risk - General disclosure Basel II specific

41.2.1 Credit Risk - General disclosures

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

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

Under standardized approach, the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. In this connection, the Bank utilizes the credit ratings assigned by ECAIs and has recognized agencies such as PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company – Vital Information Systems), Fitch, Moody's and Standard & Poors which are also recognized by the SBP. The Bank also utilizes rating scores of Export Credit Agencies (ECA) participating in the "Arrangement on Officially Supported Export Credits".

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

Selection of ECAIs

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

Sovereigns 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 OECD’s website.

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

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

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

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

Use of ECAI ratings

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

Mapping to SBP rating grades

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

Long – Term Rating Grades Mapping

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

Short – Term Rating Grades Mapping

SBP Rating grade	Fitch	Moody's	S & P	PACRA	JCR-VIS
S1	F1	P-1	A-1+	A-1+	A-1+
			A-1	A-1	A-1
S2	F2	P-2	A-2	A-2	A-2
S3	F3	P-3	A-3	A-3	A-3
S4	Others	Others	Others	Others	Others

Types of exposures and ECAI's used

December 31, 2009

Exposures	Fitch	Moody's	S & P	PACRA	JCR-VIS
Corporate	-	-	-	Yes	Yes
Banks	Yes	Yes	Yes	Yes	Yes
Sovereigns	-	-	-	-	-
SME's	-	-	-	-	-
Securitized	-	-	-	-	-
Others	-	-	-	Yes	Yes

Exposure	Rating category	-----2010-----			-----2009-----		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
..... Rupees in '000'							
Corporate	20%	1,354,172	(20,298)	266,775	1,352,292	-	270,458
	50%	3,244,668	(1,936,497)	654,085	788,950	-	394,475
	100%	-	-	-	-	-	-
	unrated	22,880,011	(931,216)	21,948,795	13,886,092	(1,459,660)	12,426,432
	150%	103,125	-	154,688	-	-	-
Retail	75%	7,495,167	(49,206)	5,584,471	347,338	(14,961)	249,283
Past due Loan	150%	1,614,844	-	2,422,266	674,002	(291,957)	573,068
	100%	1,843,277	-	1,843,277	1,197,021	291,957	1,488,978
	50%	2,231,832	-	1,115,916	577,570	-	288,785
Bank	20%	239,751	-	47,950	2,122,621	(1,147,054)	195,113
	50%	114,558	-	57,279	19,415	-	9,708
	150%	31,827	-	47,741	-	-	-
	unrated	49,323	-	9,865	69,689	-	13,938
Sovereign etc.	0%	2,029,294	-	-	1,528,697	-	-
Others	0%	1,021,594	-	-	342,272	-	-
	35%	658,817	-	230,586	236,121	-	82,642
	50%	1,704,247	-	-	-	-	-
	100%	7,527,970	-	7,527,970	2,382,660	-	2,382,660
		<u>54,144,477</u>	<u>(2,937,217)</u>	<u>41,911,664</u>	<u>25,524,740</u>	<u>(2,621,675)</u>	<u>18,375,540</u>

41.2.1.2 Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardized Approach

The Bank has adopted the Simple Approach of Credit Risk Mitigation for the Banking Book. Since, the trading book of the Bank only comprises equity investments; therefore no Credit Risk Mitigation benefit is taken in the trading book. In instances where the Bank's exposure on an obligor is secured by collateral that conforms with the eligibility criteria under the Simple Approach of CRM, then the Bank reduces its exposure under that particular transaction by taking into account the risk mitigating effect of the collateral for the calculation of capital requirement i.e. risk weight of the collateral instrument securing the exposure is substituted for the risk weight of the counter party.

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

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

National Government, Central Bank etc.

41.3 Equity position risk In The banking book

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

Classification of investments

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

Policies, valuation and accounting of equity investments

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

The unrealized surplus / (deficit) arising on revaluation of the bank's held for trading investment portfolio is taken to the profit and loss account. The surplus / (deficit) arising on revaluation of quoted securities classified as available for sale is kept in a separate account shown in the balance sheet below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realized upon disposal.

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

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

Composition of equity investments - market values

	December 31, 2010			December 31, 2009		
	Held for trading	Available for sale	Investment in	Held for trading	Available for sale	Investment in associates
	-----Rupees in '000-----					
Equity Investments						
- Publicly Traded	35,840	1,551,403	-	108,298	1,395,120	-
Mutual Funds	-	300,564	-	-	782,761	-
Total Value	35,840	1,851,967	-	108,298	2,177,881	-

The cumulative realized gain arose of Rs. 253.977 million (2009: 66.379 million) from sale of equity securities; however unrealized loss of Rs. 340.530 million (2009: 130.857 million) was recognized in the balance sheet in respect of "AFS" securities.

41.4 Market risk

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

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

41.4.1 Interest rate risk

Interest Rate risk is the potential impact on a bank's earnings and asset values with variation in interest rates. Interest rate risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specified period. These positions include loans, debt securities, certain trading-related assets and liabilities, deposits

and borrowings. The Bank's overall goal is to manage interest rate sensitivity so that movements in interest rates do not adversely affect net interest income. Interest rate risk is measured as the potential volatility in our net interest income caused by changes in market interest rates. The Bank seeks to mitigate interest rate risk in a variety of ways including taking offsetting positions and other asset and liability management process. Whilst the Treasury and the Risk Management Division of the Bank monitor and manage the interest rate risk on a daily basis, the overall interest rate risk position and strategies are reviewed on an ongoing basis with Asset and Liability Committee (ALCO).

41.4.2 Foreign exchange risk

The Bank 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 Bank's internal guidelines.
- Manage appropriate maturity mismatch gaps
- Identity warning and stress zones for mismatch gaps. Manage appropriate maturity mismatch gaps
- Usage of different tools to manage the inherent risk of product and market, such as compliance of credit limit, monitoring of foreign exchange exposure limit, review of mark to market portfolio and safe settlement, etc.

Foreign exchange risk represents exposures to changes in the values of current holdings and future cash flows denominated in foreign currencies. The potential for loss arises from the process of revaluing foreign currency positions in rupee terms. The Bank's foreign exchange risk is presently limited to future cash flows in foreign currencies arising from foreign exchange transactions and translation of net open position in foreign currencies. The Bank is carefully monitoring the net foreign currency exposure as well as utilizing the currency swap and forward contract to hedge the related exposure.

2010				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
-----Rupees in '000'-----				
Pakistan rupee	70,965,949	65,640,968	8,174	5,333,155
United States dollar	1,015,486	2,589,651	(23,741)	(1,597,906)
Great Britain pound	111,414	340,076	(16,480)	(245,142)
Japanese yen	497	-	-	497
Euro	143,703	284,102	32,047	(108,352)
Other currencies	31,782	40,770	-	(8,988)
	<u>72,268,830</u>	<u>68,895,568</u>	<u>-</u>	<u>3,373,262</u>
2009				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
-----Rupees in '000'-----				
Pakistan rupee	66,955,283	58,592,800	(667,950)	7,694,533
United States dollar	1,930,137	3,566,911	509,627	(1,127,147)
Great Britain pound	78,361	223,072	135,814	(8,897)
Japanese yen	639	-	-	639
Euro	77,248	123,638	22,509	(23,881)
Other currencies	1,213	-	-	1,213
	<u>69,042,881</u>	<u>62,506,421</u>	<u>-</u>	<u>6,536,460</u>

41.4.3 Equity position risk

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

41.6 Operational risk management

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

execution of legal, fiduciary and agency responsibilities.

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

The Bank seeks to manage the operational risk from two perspectives, firstly by way of ensuring compliance of standard operating procedures including defined processes for prevention and detection of any fraud and forgery, and work place safety and security, secondly through contingency planning to ensure continuity of business. Policies and procedures covering all activities in Bank are in place.

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

42. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on **February 28, 2011** by the Board of Directors of the Bank.

43. GENERAL

These financial statements have been prepared in accordance with the revised form of annual financial statements of the Bank issued by the State Bank of Pakistan through its BSD Circular No. 4 dated February 17, 2006.

PRESIDENT AND CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR

10. INVESTMENTS

10.1 Investments by types:

Held-for-trading securities

Listed ordinary shares	10.3	35,840	-	35,840	108,298	-	108,298
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Available - for - sale securities

Market Treasury Bills	10.4	12,664,172	1,869,993	14,534,165	10,145,195	487,831	10,633,026
Pakistan Investment Bonds	10.4	1,558,248	-	1,558,248	1,435,568	-	1,435,568
Listed ordinary shares	10.3	1,551,403	-	1,551,403	1,395,120	-	1,395,120
Unlisted ordinary shares	10.5	68,200	-	68,200	31,000	-	31,000
Mutual funds unit - open end	10.6	300,000	-	300,000	667,235	-	667,235
Mutual funds unit - closed end		564	-	564	115,526	-	115,526
Term Finance Certificates - listed	10.7	553,411	44,955	598,366	771,300	44,973	816,273
Term Finance Certificates - unlisted	10.8	1,391,805	-	1,391,805	1,639,488	-	1,639,488
Sukuk Bonds	10.9	905,482	-	905,482	605,304	-	605,304
		18,993,285	1,914,948	20,908,233	16,805,736	532,804	17,338,540

Associates

Listed ordinary shares	10.10	-	-	-	112,773	-	112,773
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Subsidiary

Unlisted ordinary shares - Summit Capital (Pvt) Limited (formerly Atlas Capital market (Pvt) Limited	10.5	396,942	-	396,942	396,942	-	396,942
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Investment at cost

		19,426,067	1,914,948	21,341,015	17,423,749	532,804	17,956,553
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Less: Provision for diminution in value of investments	10.12	(500,060)	-	(500,060)	(611,872)	-	(611,872)
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Investments - net of provisions

		18,926,007	1,914,948	20,840,955	16,811,877	532,804	17,344,681
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Unrealized loss on held-for-trading securities	10.14	874	-	874	(4,423)	-	(4,423)
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Deficit on revaluation of available-for-sale securities	20	(339,084)	(1,446)	(340,530)	(127,120)	(3,717)	(130,837)
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Total investments at market value

		18,587,797	1,913,502	20,501,299	16,680,334	529,087	17,209,421
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Note	December 31, 2010			December 31, 2009		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	-----Rupees '000'-----					

10.11 Quality of Available- for- Sale Securities

	2010			2009			2010	2009
	Short Term Rating	Long Term Rating	Rating by	Short Term Rating	Long Term Rating	Rating by	----- Market values ----- Rupees in '000'	
Securities								
Adamjee Insurance Company Limited	-	-	-	-	AA	PACRA	-	7,211
Agritech Limited (formerly Pak American Fertilizer (Pvt) Limited) - (shares)	-	SD	PACRA	-	-	-	155,261	-
Agritech Limited (formerly Pak American Fertilizer (Pvt) Limited) - (TFCs)	Unrated	A	PACRA	A1	A+	PACRA	374,700	486,770
AI - Zamin Leasing Modaraba 1st issue - 2nd tranche-(TFC)	-	-	-	0	A	PACRA	-	4,952
AI zamin Leasing Corporation Limited(Formerly Crescent Leasing Corporation Limited) - 2nd issue-(TFC)	-	A-	PACRA	0	A-	PACRA	9,548	10,000
Allied Bank Limited - (TFCs)	Unrated	AA-	JCR-VIS	-	AA-	JCR-VIS	112,901	111,155
Arabian Sea Country Club	Unrated	Unrated	-	Unrated	Unrated	-	1,000	1,000
Arif Habib Securities Limited	Unrated	Unrated	-	Unrated	Unrated	-	121,395	7,681
Arzoo Textile Mills Limited (SUKUK)	Unrated	Unrated	-	Unrated	Unrated	-	50,000	150,000
Askari Commercial Bank Limited	A1+	AA	PACRA	A1+	AA	PACRA	65,961	141,064
Askari Commercial Bank Limited 2nd issue (unsecured)-(TFC)	-	AA-	PACRA	-	AA-	PACRA	34,169	33,538
Atlas Asset Management Limited	-	AM3+	PACRA	-	AM3+	PACRA	30,000	30,000
Atlas Income Fund (a related party)	-	-	-	5-Star	4-Star	PACRA	-	262,490
Atlas Stock Market Fund (a related party)	-	-	-	4-Star	-	PACRA	-	33,233
Attock Refinery Limited	-	-	-	A1+	AA	PACRA	-	4,148
Avari Hotels Limited	-	A-	PACRA	-	A-	PACRA	21,229	25,000
Azgard Nine Limited-(TFC)	-	A	PACRA	0	AA-	PACRA	7,040	7,466
Bank Alfalah Limited - 2nd issue (unsecured)-(TFC)	-	-	-	-	AA-	PACRA	-	39,423
Bank Alfalah Limited - 3rd issue (unsecured)-(TFC)	-	AA-	PACRA	0	AA-	PACRA	9,801	9,625
Bank Al-Habib Limited - 1st issue (unsecured)-(TFC)	-	AA-	PACRA	0	AA	PACRA	15,758	15,942
Bank Al-Habib Limited - 2nd issue (unsecured)-(TFC)	-	-	-	-	AA	PACRA	-	34,965
Bunnys Limited	-	Unrated	PACRA	-	Unrated	PACRA	50,000	50,000
Crescent Steel Industries Limited	-	-	-	0	0	0	-	2,861
D.G. Khan Cement Limited	Unrated	Unrated	-	Unrated	Unrated	-	15,990	21,490
Engro Chemicals Pakistan Limited	-	-	-	A1+	AA	PACRA	-	55,136
Engro Corporation Limited (TFCs)	Unrated	AA	PACRA	Unrated	AA	PACRA	97,902	92,926
Escorts Investment Bank Limited-(TFC)	-	A	PACRA	-	A	PACRA	12,390	20,637
Eye Television Network Limited	A1	A	PACRA	A1	A	PACRA	919	1,426
Faisalabad Electric Supply Company Limited (TFCs)	Unrated	Unrated	-	Unrated	Unrated	-	250,001	333,335
Fatima Fertilizer Company Limited	A1	A	PACRA	-	-	-	95,486	-
Fauji Fertilizer Bin Qasim Limited	Unrated	Unrated	-	-	-	-	17,865	-
Fauji Fertilizer Company Limited	Unrated	Unrated	-	-	-	-	10,864	23,616
Faysal Saving Growth Fund	-	-	-	-	4-Star	PACRA	-	53,406
First Capital Securities Corporation Limited.	Unrated	Unrated	-	-	-	-	40,256	-
First Dawood Mutual Fund	2-Star	3-Star	PACRA	-	4-Star	PACRA	663	1,975
Flying Board & Paper Products Ltd	-	Unrated	PACRA	-	Unrated	PACRA	25,000	-
Gharibwal Cement Limited	-	Unrated	PACRA	-	Unrated	PACRA	24,980	24,985
Grays Leasing Limited	-	A-	PACRA	-	Unrated	PACRA	2,000	5,000
Gujranwala Electric Power Company Limited (TFCs)	Unrated	Unrated	-	Unrated	Unrated	-	249,998	333,330
Habib Bank Limited	A-1+	AA+	JCR-VIS	A1+	AA+	JCR-VIS	-	6
Hira Textile Mills Limited	-	-	-	0	0	0	-	1,108
Ibrahim Fibres Limited	A1	A+	PACRA	Unrated	Unrated	-	8,363	11,818
IGI Investment Bank Limited-(TFC)	-	A+	PACRA	-	A+	PACRA	7,486	14,897
Islamabad Electric Supply Company Limited (TFCs)	Unrated	Unrated	-	Unrated	Unrated	-	250,001	333,335
Jahangir Siddiqui & Company Limited	-	-	-	A1+	AA+	PACRA	-	5,672
Jahangir Siddiqui & Company Limited - 4th issue-(TFC)	-	AA	PACRA	-	AA+	PACRA	25,073	25,574
Jahangir Siddiqui & Company Limited- 2nd issue (unsecured)-(TFC)	-	-	-	-	AA+	PACRA	-	12,480
Javedan Cement Limited	Unrated	Unrated	-	-	-	-	188,074	-
JS Fund of Funds	-	-	-	-	4-Star	PACRA	-	14,777
Kashf Foundation	-	-	PACRA	-	A-	PACRA	-	10,714

Liberty Power Tech Limited (SUKUK)	Unrated	AA-	PACRA	Unrated	Unrated	-	505,482	205,304
Lucky Cement Limited	Unrated	Unrated	-	-	-	-	14,624	13,220
Maple Leaf Cement Company Limited (Pref.Shares)	-	-	-	-	SD	PACRA	-	143
MCB Bank Limited	-	-	-	A1+	AA+	PACRA	-	32,596
Murree Brewery Company Limited	-	-	-	-	Unrated	PACRA	-	2,047
My Bank Limited	A2	A-	PACRA	-	-	-	15,174	-
Namco Income Fund	Unrated	A(f)	PACRA	Unrated	Unrated	-	-	18,346
National Bank of Pakistan	A-1+	AAA	JCR-VIS	-	-	-	-	14,924
National Investment Trust	-	-	-	-	5-Star	PACRA	301,343	103,951
National Refinery Limited	-	-	-	A1+	AAA	PACRA	-	4,413
New Khan Transport Company	-	Unrated	PACRA	-	Unrated	PACRA	5,038	5,339
NIB Bank Limited (TFCs)	Unrated	A+	PACRA	Unrated	A+	PACRA	123,811	116,488
Nishat Chunian Power Limited	A1+	AA-	PACRA	A1+	AA	PACRA	20,130	57,710
Nishat Mills Limited	-	-	-	A1	A+	PACRA	-	28,722
Nishat Power Limited	A1+	AA-	PACRA	A1+	AA	PACRA	32,778	176,746
Oil & Gas Development Company Limited	-	-	-	0	AAA	PACRA	-	53,036
Orix Leasing Pakistan Limited	-	AA	PACRA	-	AA	PACRA	8,333	10,000
Pak Electron Limited - (SUKUK)	Unrated	A	PACRA	Unrated	Unrated	-	192,079	184,248
Pak Suzuki Motors Limited	Unrated	Unrated	-	Unrated	Unrated	-	9,426	20,027
Pakistan Capital Protected Fund-1	Unrated	Unrated	-	Unrated	Unrated	-	-	29,326
Pakistan Income Enhancement Fund	Unrated	Unrated	-	Unrated	Unrated	-	-	100,670
Pakistan Int'l Container Terminal Limited	-	-	-	0	A	PACRA	-	6,000
Pakistan Mobile Communication (Private) Limited-(TFC)	-	A+	PACRA	-	AA-	PACRA	8,318	10,014
Pakistan Oilfields Limited	Unrated	Unrated	-	-	-	-	8,879	159,175
Pakistan Petroleum Limited	Unrated	Unrated	-	-	-	-	2,172	61,664
Pakistan Premier Fund	Unrated	Unrated	-	Unrated	Unrated	-	-	14,031
Pakistan Refinery Limited	-	-	-	0	Unrated	PACRA	-	2,988
Pakistan State Oil Limited	A1+	AA+	PACRA	A1+	AA+	PACRA	-	59,744
Pakistan Strategic Allocation Fund	Unrated	Unrated	-	Unrated	4-Star	PACRA	-	22,293
Pakistan Telecommunications Company Limited	-	-	-	0	Unrated	PACRA	-	4,390
PICIC Energy Fund	-	-	-	0	Unrated	0	-	1,955
PICIC Growth Fund	-	-	-	0	Unrated	0	-	3,499
Rozgar Microfinance Bank Limited	B	BB-	JCR-VIS	-	-	-	31,827	-
Searle Pakistan Limited-(TFC)	-	A-	PACRA	-	BBB+	PACRA	1,217	3,627
Security Leasing Corporation Limited	-	Unrated	PACRA	-	BBB-	PACRA	3,125	3,750
Shakarganj Sugar Limited	-	-	-	D	D	PACRA	-	480
SME Leasing Limited	Unrated	Unrated	Unrated	-	A-	PACRA	12,136	9,475
Soneri Bank Limited	-	-	-	A1+	AA-	PACRA	-	2,844
Standard Chartered Bank Limited - 2nd issue (unsecured)-(TFC)	-	AAA	PACRA	-	AAA	PACRA	3,144	8,858
Standard Chartered Bank Limited - 3rd issue (unsecured)-(TFC)	-	-	-	-	AAA	PACRA	-	49,930
Sui Northern Gas Pipe Line Limited	A1+	AA	PACRA	-	-	-	1,497	-
Sui Southern Gas Company Limited	A1+	AA-	PACRA	-	-	-	265,401	-
Telecard Limited-(TFC)	-	BBB	PACRA	-	BBB	PACRA	16,934	23,577
Thal Limited	-	-	-	0	Unrated	-	-	3,556
Thatta Cement Company Limited	Unrated	Unrated	-	-	-	-	132,160	-
The Bank of Khyber	A2	A-	PACRA	-	-	-	42,570	-
The Bank of Punjab	-	-	-	A1+	AA-	PACRA	-	3,870
Trakker (Private) Limited	-	A	PACRA	-	A	PACRA	2,500	5,000
Trust Investment Bank Limited - 3rd issue-(TFC)	-	BBB	PACRA	-	A	PACRA	13,789	17,346
Trust Investment Bank Limited - 2nd issue - 2nd tranche-(TFC)	-	-	-	-	A	PACRA	-	9,786
United Bank Limited	A-1+	AA+	JCR-VIS	A1+	AA+	JCR-VIS	-	34,577
United Bank Limited - (TFCs)	Unrated	AA	JCR-VIS	Unrated	AA+	JCR-VIS	73,697	92,773
UTP-Large Capital Fund	-	-	-	-	5-Star	PACRA	-	8,264
Wateen Telecom Limited	Unrated	Unrated	-	-	-	-	17,773	-
World Call Telecom Limited-(TFC)	-	A	PACRA	-	A	PACRA	6,172	12,145
Government Securities								
Pakistan Investment Bonds	Unrated	Unrated	-	Unrated	Unrated	-	1,395,290	1,393,031
Market Treasury Bills	Unrated	Unrated	-	Unrated	Unrated	-	14,518,749	10,523,769
							<u>20,167,643</u>	<u>16,595,832</u>

11.2 Net Investment in Finance Lease

	2010				2009			
	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	231,963	300,519	-	532,482	336,283	296,519	-	632,802
Residual value	102,414	49,921	-	152,335	204,521.00	83,677	-	288,198
Minimum lease payments	334,377	350,440	-	684,817	540,804	380,196	-	921,000
Financial charges for future periods	(51,572)	(67,335)	-	(118,907)	(44,970)	(47,032)	-	(92,002)
Present value of minimum lease payments	282,805	283,105	-	565,910	495,834	333,164	-	828,998

12.2 Property and equipment - own use

Category of Classification	2010						Net Book value at December 31, 2010	Rate of depreciation %
	COST			ACCUMULATED DEPRECIATION				
	At January 01, 2010	Additions / (deletions) / transfers / * write off	At December 31 2010	At January 01, 2010	For the year / (on deletion/ transfers/*write offs)	At December 31 2010		
Leasehold Land	261,130	-	261,130	-	-	-	261,130	-
Building	587,163	114,567	701,730	39,228	30,262	69,490	632,240	5%
Building improvements (note 12.2.1)	684,549	134,078 -	818,627	83,306	65,422 -	148,728	669,899	10%
Furniture and fixtures (note 12.2.1)	509,487	30,022 (2,989) * (2,034)	534,486	76,978	44,387 (457) * (608)	120,300	414,186	10% - 15%
Electrical, office and computer equipment (note 12.2.1)	477,553	112,220 (2,812) * (3,027)	583,934	183,510	99,236 (2,084) * (2,089)	278,573	305,361	20% - 30%
Vehicles	88,280	8,503 (26,300)	70,483	38,123	11,122 (11,309)	37,936	32,547	20%
Others (note 12.2.1)	185,856	(181,847) (4,009)	-	12,390	17,037 (29,427)	-	-	10%
2010	2,794,018	217,543 (36,110) (5,061)	2,970,390	433,535	267,479 (43,277) (2,697)	655,027	2,315,363	

12.2.1 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs 14.408 million (2009: Rs 10.649 million).

12.2.2 During the year, the Bank has transferred an amount of Rs 185.856 million to its proper categories of classification after obtaining details of refurbishment cost at the rental premises in Arif Habib Center

For comparative period

Category of Classification	2009							
	COST			ACCUMULATED DEPRECIATION			Net Book value at December 31, 2009	Rate of depreciatio %
	At January 01, 2009	Additions / (deletions)	At December 2009	At January 01, 2009	For the year/ (on deletion)	At December 2009		
-----Rupees in '000'-----								
Leasehold Land	88,030	173,100	261,130	-	-	-	261,130	-
Building	188,107	347,256	587,163	21,725	17,503	39,228	547,935	5%
Building improvements	405,473	51,800 279,076	684,549	31,069	52,237	83,306	601,243	10%
Furniture and fixtures	388,167	121,618 (298)	509,487	33,292	43,727 (41)	76,978	432,509	10% - 15%
Electrical, office and computer equipment	331,621	146,112 (180)	477,553	96,226	87,347 (63)	183,510	294,043	20% - 30%
Vehicles	119,097	6,293 (37,110)	88,280	31,975	17,589 (11,441)	38,123	50,157	20%
Others	-	185,856	185,856	-	12,390	12,390	173,466	10%
2009	1,520,495	1,311,111	2,794,018	214,288	230,793	433,535	2,360,482	
		(37,588)	-	-	(11,545)	-		

12.3 Property and equipment - operating lease

		2010						
Category of Classification	COST			ACCUMULATED DEPRECIATION			Net Book value at December 31, 2010	Rate of depreciation %
	At January 01, 2010	Additions / (deletions) /	At December 31 2010	At January 01, 2010	For the year / (on deletion)	At December 31 2010		
-----Rupees in '000'-----								
Computer and allied equipment	158	-	158	111	14	125	33	30%
2010	158	-	158	111	14	125	33	

For comparative period

		2009						
Category of Classification	COST			ACCUMULATED DEPRECIATION			Net Book value at December 31, 2009	Rate of depreciation %
	At January 01, 2009	Additions / (deletions)	At December 31 2009	At January 01, 2009	For the year / (on deletion)	At December 31 2009		
-----Rupees in '000'-----								
Equipment	35,667	(35,667)	-	7,980	1,615 (9,595)	-	-	10%
Computer and allied equipment	158	-	158	91	20	111	47	30%
2009	35,825	(35,667)	158	8,071	1,635 (9,595)	111	47	

12.4 Intangible assets

2010

Category of Classification	COST		ACCUMULATED AMORTIZATION			Net Book value at December 31, 2010	Rate of amortization %
	At January 01, 2010	Additions	At December 2010	At January 01, 2010	For the year (on deletion)		
-----Rupees in '000'-----							
Computer software	230,487	18,939	249,426	86,498	46,966	133,464	20% - 30%
	230,487	18,939	249,426	86,498	46,966	133,464	115,963

2009

Category of Classification	COST		ACCUMULATED AMORTIZATION			Net Book value at December 31, 2009	Rate of amortization %
	At January 01, 2009	Additions	At December 2009	As at January 01, 2009	For the year (on deletion)		
-----Rupees in '000'-----							
Computer software	161,465	69,022	230,487	53,045	33,453	86,498	143,989
Tenancy rights	51,800	(51,800)	-	-	-	-	-
	161,465	69,022	230,487	53,045	33,453	86,498	143,989

12.2.3 Disposal of property and equipment

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
-----Rupees in '000'-----						
Building improvements						
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	284	52	232	232	Negotiation	Various
Furniture and fixtures						
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	10,421	1596	8,825	8,568	Negotiation	Various
Electrical, office and computer equipment						
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	2,513	1,219	1,294	781	Negotiation	Various
Generator	1,430	1,072	358	507	Negotiation	Generation School, Karachi
Vehicles						
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	2,851	1,364	1,487	1,499	Negotiation	Various
Car	1,928	675	1,253	1,318	HR policy	Ex-Employee
Car	1,476	753	723	723	HR policy	Employee
Car	1,426	475	951	974	HR policy	Employee
Car	923	436	487	487	HR policy	Employee
Car	920	389	531	532	HR policy	Employee
Car	914	414	500	500	HR policy	Employee
Car	901	427	474	474	HR policy	Employee
Car	882	417	465	466	HR policy	Employee
Car	709	252	457	457	HR policy	Employee
Car	694	279	415	415	HR policy	Employee
Car	694	265	429	429	HR policy	Employee
Car	694	272	422	422	HR policy	Employee
Car	694	293	401	401	HR policy	Employee
Car	694	328	366	366	HR policy	Employee
Car	694	322	372	372	HR policy	Employee
Car	689	270	419	419	HR policy	Employee
Car	677	240	437	437	HR policy	Employee
Car	661	349	312	311	HR policy	Employee
Car	660	301	359	359	HR policy	Employee
Car	620	363	257	257	HR policy	Employee
Car	507	203	304	304	HR policy	Employee
Car	497	205	292	292	HR policy	Employee
Car	497	178	319	319	HR policy	Employee
Car	497	200	297	297	HR policy	Employee
Car	497	215	282	282	HR policy	Employee
Car	497	205	292	292	HR policy	Employee
Car	497	215	282	282	HR policy	Employee
Car	497	204	293	293	HR policy	Employee
Car	497	226	271	271	HR policy	Employee
Car	497	221	276	276	HR policy	Employee
Car	495	214	281	281	HR policy	Employee
Car	497	172	325	470	Insurance claim	Insurance Company
	40,029	14,895	25,134	24,614		

37. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows: -

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
-----Rupees in '000'-----							
2010							
Total income	10,001	1,924,435	2,765,263	2,941,297	10,487	1,121	7,652,603
Total expenses	2,716	977,298	5,578,157	4,965,740	4,137	-	11,528,048
Net income / (loss) before tax	7,285	947,137	(2,812,895)	(2,024,442)	6,350	1,121	(3,875,445)
Segment assets (Gross)	4,651	21,895,651	12,713,495	43,375,142	3,835	-	77,992,774
Segment non performing loans	-	-	1,958,240	9,435,834	-	-	11,394,074
Segment provision	-	-	1,032,680	4,691,264	-	-	5,723,944
Segment assets (Net)	4,651	21,895,651	11,680,815	38,683,878	3,834	-	72,268,829
Segment liabilities	515	2,941,904	28,008,751	37,789,752	154,645	-	68,895,568
Segment return on assets (ROA) (%)	156.64%	4.33%	(24.08)%	(5.23)%	165.61%	-	
Segment cost of funds (%)	-	8.79%	13.91%	9.42%	2.68%	-	
2009							
Total income	23,120	1,503,007	2,435,704	3,249,631	4,807	-	7,216,269
Total expenses	13,157	1,184,273	5,502,985	5,528,273	250	-	12,228,938
Net income / (loss) before tax	9,963	318,734	(3,067,281)	(2,278,642)	4,557	-	(5,012,669)
Segment assets (Gross)	9,812	20,119,220	10,277,934	42,425,268	887	-	72,833,122
Segment non performing loans	-	-	1,808,119	6,015,878	-	-	7,823,997
Segment provision	-	-	781,426	3,008,815	-	-	3,790,241
Segment assets (Net)	9,812	20,119,220	9,496,508	39,416,453	887	-	69,042,881
Segment liabilities	1,372	623,119	30,469,750	31,198,846	213,334	-	62,506,421
Segment return on assets (ROA) (%)	101.54%	1.58%	(32.30)%	(5.78)%	513.75%	-	
Segment cost of funds (%)	-	5.89%	13.82%	12.47%	3.92%	-	

41.1.1.1 Segments by class of business

	2010					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry, Hunting and Fishing	670,887	1.49	518	0.00	277,249	0.95
Automobile	727,749	1.61	30,409	0.05	40,688	0.14
Banaspati & Allied Industries	700,180	1.55	-	0.00	1,520	0.00
Carpet	194,536	0.43	8,391	0.01	7,500	0.03
Cement	589,420	1.31	755	0.00	241,171	0.83
Chemical & Pharma	3,053,525	6.76	577,120	0.94	904,154	3.11
Construction	2,989,202	6.62	1,494,550	2.43	500,676	1.72
Consumer	116,546	0.26	8,923,414	14.48	14,697	0.05
Dairy & Poultry	50,139	0.11	30	0.00	1,480	0.00
Education	207,329	0.46	480,651	0.78	203,198	0.70
Electric & Electrical Goods	761,035	1.68	13,382	0.02	2,019,263	6.95
Energy Oil & Gas	1,008,709	2.23	1,011,522	1.64	2,668,120	9.18
Exports/Imports	844,353	1.87	119,611	0.19	190,652	0.66
Financial	2,341,244	5.18	12,269,687	19.92	8,782,320	30.23
Food, Tobacco & Beverages	2,219,937	4.92	241,198	0.39	131,236	0.45
Footwear and Leather garments	97,454	0.22	3,172	0.01	33,082	0.11
Glass & Ceramics	178,246	0.39	66	0.00	1	0.00
Health Care	442,404	0.98	4,002	0.01	109,906	0.38
Hotels	389,816	0.86	1,648	0.00	11,746	0.04
Individuals	2,996,755	6.63	10,080,743	16.36	2,303,541	7.93
Leather & Footwear	35,511	0.08	530	0.00	14,602	0.05
Mining and Quarrying	34,515	0.08	69,937	0.11	15,580	0.05
Miscellaneous	2,714,232	6.01	3,291,336	5.34	852,576	2.93
Others	4,054,764	8.98	14,269,665	23.16	2,127,181	7.32
Paper & Allied Products	56,805	0.13	313	0.00	2,732	0.01
Power (electricity), Gas, Water, Sanitary	4,502,250	9.97	3,337,038	5.42	3,297,325	11.35
Print Publish & Allied	610,340	1.35	20,215	0.03	13,342	0.05
Services	1,579,352	3.50	2,779,390	4.51	1,208,570	4.16
Steel & Engineering	739,840	1.64	19,141	0.03	9,231	0.03
Sugar	1,485,751	3.29	996	0.00	696,500	2.40
Textile	4,894,821	10.84	253,154	0.41	1,068,644	3.68
Transport & Communication	1,049,005	2.32	1,124,281	1.82	1,128,814	3.89
Trust	-	0.00	1,143,735	1.86	0	0.00
Wholesale and Retail Trade	2,158,479	6.26	36,950	0.06	177,526	0.62
	44,495,133	100.00	61,607,550	100.00	29,054,827	100.00

	2009					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry, Hunting and Fishing	-	-	307	0.00	10,000	0.02
Automobile	2,056,919	4.95	288,901	0.50	1,588,325	3.87
Automobile and transportation equipment	-	-	-	0.00	-	0.00
Banaspati & Allied Industries	1,261,500	3.04	72,526	0.13	583,701	1.42
Carpet	650,791	1.57	1,531	0.00	287,758	0.70
Cement	432,151	1.04	36,084	0.06	744,815	1.82
Chemical & Pharma	191,671	0.46	10,143	0.02	172,639	0.42
Construction	4,567,378	11.00	5,917,083	10.29	13,847,921	33.76
Consumer	2,290,846	5.52	37,978	0.07	275,584	0.67
Dairy & Poultry	765,384	1.84	89,882	0.16	418,710	1.02
Education	923,986	2.23	1,735,146	3.02	1,574,024	3.84
Electric & Electrical Goods	3,509,272	8.45	1,593,133	2.77	6,889,422	16.79
Energy Oil & Gas	3,424,654	8.25	6,884,657	11.98	1,265,220	3.08
Exports/Imports	997,506	2.40	14,640,117	25.47	1,776,497	4.33
Financial	1,147,499	2.76	64,529	0.11	349,663	0.85
Food, Tobacco & Beverages	229,620	0.55	1,888	0.00	51,271	0.12
Footwear and Leather garments	30,279	0.07	78	0.00	18,209	0.04
Glass & Ceramics	1,694,654	4.08	113,833	0.20	543,614	1.33
Health Care	1,334,196	3.21	496,570	0.86	677,362	1.65
Hotels	676,932	1.63	7,370,515	12.82	71,043	0.17
Individuals	35,478	0.09	343	0.00	24,075	0.06
Leather & Footwear	320,761	0.77	533,169	0.93	264,905	0.65
Mining and Quarrying	622,798	1.50	4,649	0.01	388,677	0.95
Miscellaneous	405,212	0.98	1,694,578	2.95	19,763	0.05
Others	154,429	0.37	2,425,867	4.22	4,975,963	12.13
Paper & Allied Products	2,859,313	6.89	103,049	0.18	445,514	1.09
Power (electricity), Gas, Water, Sanitary	221,901	0.53	106	0.00	13,362	0.03
Print Publish & Allied	497,168	1.20	19,470	0.03	185,116	0.45
Services	488,325	1.18	4,966	0.01	214,889	0.52
Steel & Engineering	1,141,926	2.75	6,979,740	12.14	226,374	0.55
Sugar	883,591	2.13	3,307	0.01	435,967	1.06
Textile	3,002,079	7.23	4,426,029	7.70	1,113,715	2.71
Transport & Communication	3,491,662	8.41	66,603	0.12	1,311,471	3.20
Trust	1,204,103	2.90	31,267	0.05	255,714	0.62
Wholesale and Retail Trade	-	0.00	1,833,124	3.19	-	0.00
	41,513,984	100.00	57,481,168	100.00	41,021,283	100.00

41.1.1.2 Segment by sector

	2010					
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public/ Government	1,019,936	2.29	22,032,660	35.76	1,683,817	5.80
Private	43,475,197	97.71	39,574,890	64.24	27,371,010	94.20
	44,495,133	100.00	61,607,550	100.00	29,054,827	100.00
	2009					
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public/ Government	1,019,936	2.46	21,146,095	36.79	1,683,817	4.10
Private	40,494,048	97.54	36,335,073	63.21	39,337,466	95.90
	41,513,984	100.00	57,481,168	100.00	41,021,283	100.00

41.4.4 Mismatch of Interest Rate Sensitive Assets and Liabilities

Effective Yield/ Interest rate	2010										Non-interest bearing financial instruments	
	Total	Exposed to yield/ Interest risk										
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
←----- Rupees in '000 ----->												
On-balance sheet financial instruments												
<u>Assets</u>												
Cash and balances with treasury banks	-	4,047,554	7,690	-	-	-	-	-	-	-	-	4,039,864
Balances with other banks	-	338,244	-	-	-	-	-	-	-	-	-	338,244
Lending to financial institutions	13.5% to 14.25%	-	-	-	-	-	-	-	-	-	-	-
Investments	8% to 16.09%	20,501,299	5,691,854	2,490,938	7,359,475	621,811	737,653	484,316	656,055	420,687	-	2,038,510
Advances	3% to 26%	38,771,189	7,696,913	3,015,091	7,612,237	16,535,281	1,285,176	770,841	1,263,051	258,130	290,713	43,755
Other assets	-	1,467,897	-	-	-	-	-	-	-	-	-	1,467,897
		65,126,183	13,396,457	5,506,030	14,971,712	17,157,092	2,022,829	1,255,157	1,919,106	678,817	290,713	7,928,270
<u>Liabilities</u>												
Bills payable	-	357,293	-	-	-	-	-	-	-	-	-	357,293
Borrowings	8.5% to 13.25%	5,257,243	2,649,991	1,930,974	676,278	-	-	-	-	-	-	-
Deposits and other accounts	1.5% to 16%	61,607,550	13,154,097	16,091,167	17,849,141	7,204,536	498,696	120,462	4,610	-	-	6,684,842
Other liabilities	-	1,485,486	-	-	-	-	-	-	-	-	-	1,485,486
		68,707,572	15,804,088	18,022,141	18,525,419	7,204,536	498,696	120,462	4,610	-	-	8,527,621
On-balance sheet gap		(3,581,390)	(2,407,631)	(12,516,111)	(3,553,707)	9,952,556	1,524,134	1,134,695	1,914,496	678,817	290,713	(599,350)
Off-balance sheet financial instruments												
Forward Lending (including call lending, repurchase agreement lending, commitments to extend credit, etc.)		-	-	-	-	-	-	-	-	-	-	-
Forward borrowings (including call borrowing, repurchase agreement borrowing, etc.)		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap		(3,581,390)	(2,407,631)	(12,516,111)	(3,553,707)	9,952,556	1,524,134	1,134,695	1,914,496	678,817	290,713	
Cumulative Yield/Interest Risk Sensitivity Gap		(3,581,390)	(2,407,631)	(14,923,742)	(18,477,449)	(8,524,893)	(7,000,760)	(5,866,065)	(3,951,569)	(3,272,752)	(2,982,039)	

Reconciliation of Assets and Liabilities exposed to Yield/Interest Rate Risk with Total Assets and Liabilities

2010	
Rupees '000	
Total financial assets as per 44.4.4	65,126,183
Add Non Financial Assets	
Operating fixed assets	2,690,447
Deferred tax assets	3,202,761
Other assets	1,249,439
Total assets as per Statement of Financial Position	<u>72,268,830</u>
Total financial liabilities as per 44.4.4	68,707,572
Add Non Financial Liabilities	
Other liabilities	187,996
Total liabilities as per Statement of Financial Position	<u>68,895,568</u>

Effective Yield/ Interest rate	2009										Non-interest bearing financial instruments	
	Exposed to Yield/ Interest risk											
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
←----- Rupees in '000 ----->												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	3,500,619	607,589	-	-	-	-	-	-	-	-	2,893,030
Balances with other banks	-	822,493	-	-	-	-	-	-	-	-	-	822,493
Lending to financial institutions	12.15% to 12.40%	2,272,255	2,247,255	25,000	-	-	-	-	-	-	-	-
Investments	8% to 15.60%	17,209,421	219,524	4,085,712	3,889,467	3,111,268	1,562,689	761,027	943,234	276,533	-	2,359,967
Advances	(14,918,204) 7.50% to 20%	37,723,743	18,572,000	4,730,083	5,743,616	2,662,308	3,638,742	892,987	532,872	609,990	258,977	82,168
Other assets	-	1,314,427	-	-	-	-	-	-	-	-	-	1,314,427
		62,842,958	21,646,368	8,840,795	9,633,083	5,773,576	5,201,431	1,654,014	1,476,106	886,523	258,977	7,472,085
Liabilities												
Bills payable	-	479,084	213,209	-	-	-	-	-	-	-	-	265,875
Borrowings	6.5% to 12.14%	2,497,915	517,691	1,483,609	492,765	3,850	-	-	-	-	-	-
Deposits and other accounts	0.5% to 15%	57,481,168	21,455,279	11,822,567	2,879,910	14,672,487	92,546	255,396	49,106	-	-	6,253,877
Other liabilities	-	1,914,955	-	-	-	-	-	-	-	-	-	1,914,955
		62,373,122	22,186,179	13,306,176	3,372,675	14,676,337	92,546	255,396	49,106	-	-	8,434,707
On-balance sheet gap		469,836	(539,811)	(4,465,381)	6,260,408	(8,902,761)	5,108,885	1,398,618	1,427,000	886,523	258,977	(962,622)
Off-balance sheet financial instruments												
Forward Lending (including call lending, repurchase agreement lending, commitments to extend credit, etc.)	12.15% to 12.40%	14,837,898	14,738,155	99,743	-	-	-	-	-	-	-	-
Forward borrowings (including call borrowing, repurchase agreement borrowing, etc.)	12.14%	487,831	487,831	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		14,350,067	14,250,324	99,743	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap		14,819,903	13,710,513	(4,365,638)	6,260,408	(8,902,761)	5,108,885	1,398,618	1,427,000	886,523	258,977	
Cumulative Yield/Interest Risk Sensitivity Gap		14,819,903	13,710,513	9,344,875	15,605,283	6,702,522	11,811,407	13,210,025	14,637,025	15,523,548	15,782,525	

Reconciliation of Assets and Liabilities exposed to Yield/Interest Rate Risk with Total Assets and Liabilities

2009	
Rupees '000	
Total financial assets as per 44.4.4	62,842,958
Add Non Financial Assets	
Operating fixed assets	2,709,663
Deferred tax assets	2,194,636
Other assets	1,295,624
Total assets as per Statement of Financial Position	69,042,881
Total financial liabilities as per 44.4.4	62,373,122
Add Non Financial Liabilities	
Other liabilities	133,299
Total liabilities as per Statement of Financial Position	62,506,421

2009									
Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
←----- Rupees in '000 ----->									

Assets

Cash and balances with treasury ban	3,500,619	2,937,168	158,415	113,274	92,029	47,974	75,879	57,276	18,604	-
Balances with other banks	822,493	724,802	97,691	-	-	-	-	-	-	-
Lending to financial institutions	2,272,255	2,247,255	25,000	-	-	-	-	-	-	-
Investments	17,209,421	119,151	4,064,699	4,617,375	3,937,917	1,685,947	882,507	1,058,972	419,121	423,732
Advances	37,723,743	16,166,920	5,486,547	5,901,668	2,713,962	3,699,774	1,112,854	1,112,334	1,270,708	258,976
Other assets	2,610,051	833,822	996,074	93,694	643,268	43,193	-	-	-	-
Operating fixed assets	2,709,663	14,018	27,592	41,388	195,378	260,859	185,935	605,716	907,416	471,361
Deferred tax assets	2,194,636	-	779	775	-	40,371	92,221	1,908,084	152,406	-
	69,042,881	23,043,136	10,856,797	10,768,174	7,582,554	5,778,118	2,349,396	4,742,382	2,768,255	1,154,069

Liabilities

Bills payable	479,084	213,209	265,875	-	-	-	-	-	-	-
Borrowings	2,497,915	517,691	1,483,609	492,765	3,850	-	-	-	-	-
Deposits and other accounts	57,481,168	19,181,537	12,488,342	4,906,526	16,513,066	1,052,022	1,772,983	1,194,619	372,073	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	2,048,254	1,242,435	312,420	94,710	218,168	178,019	2,481	21	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	62,506,421	21,154,872	14,550,246	5,494,001	16,735,084	1,230,041	1,775,464	1,194,640	372,073	-

Net assets

Share capital	10,001,466
Reserves	1,652,409
Unappropriated profit	(5,033,926)
Deficit on revaluation of assets - net	(83,489)
	6,536,460

STATEMENT SHOWING WRITE OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF Rs.500,000/- OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2010

Preparer: []
 Reviewer: []

Financial Statements 2008 - Linked

2235: 1/2

S.NO.	Name and address of the borrower	Name of Individuals / Partners / Directors with NIC#	Father /Husband's Name	Outstanding liabilities at the beginning of the year			
				Principal	Interest / Markup	Others	Total
1	Health Care Hospital	QAMAR ZAMAN KHAN 42301-1080022-5	SULTAN ZAMAN KHAN	8,865	2,880	-	11,744
		FARHANA QAMAR 42301-0970890-4	W/O QAMAR ZAMAN KHAN				
		USMAN ZAMAN KHAN 42301-1114944-7	QAMAR ZAMAN KHAN				
		SALMAN ZAMAN KHAN 42301-1080023-7	QAMAR ZAMAN KHAN				
	TOTAL			8,865	2,880	-	11,744

Preparer: []
Reviewer: []

2235: 2/2

Financial Statements 2008 - Linked

Principal Written Off	Interest / Markup	Other Financial Relief Provided	Total
8,865	7,051	-	15,916
8,865	7,051	-	15,916