Summit Bank (Formerly Arif Habib Bank)

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Summit Bank (Formerly Arif Habib Bank)

CORPORATE INFORMATION

Board of Directors

Mr. Nasser Abdullah Hussain Lootah
Chairman

Mr. Husain Lawai
President and CEO

Mr. Nasim Beg
Director

Mr. Asadullah Khawaja
Director

Mr. M. Farid Uddin
Director

Dr. Ahmed Khalil Mohammad Samea Al Mutawa
Director

Mr. Shehryar Faruque
Director

Audit Committee

Mr. Asadullah Khawaja
Chairman

Mr. Nasim Beg
Member

Mr. Shehryar Faruque
Member

Risk Management Committee

Mr. Nasim Beg
Chairman

Mr. Husain Lawai
Member

Mr. Asadullah Khawaja
Member

Human Resource (HR) Committee

Mr. Asadullah Khawaja
Chairman

Mr. Husain Lawai
Member

Mr. Shehryar Faruque
Member

CFO and Company Secretary

Mr. Muhammad Amin Bhoori

Auditors

M. Yousuf Adil Salim & Co.
Chartered Accountants

Legal Advisors

Liaquat Merchant Associates

Head Office

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

Registered Office

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

Share Registrar

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

Entity Ratings

Rated by JCR – VIS
Medium to Long term "A"
Short Term "A-2"

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

VISION

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

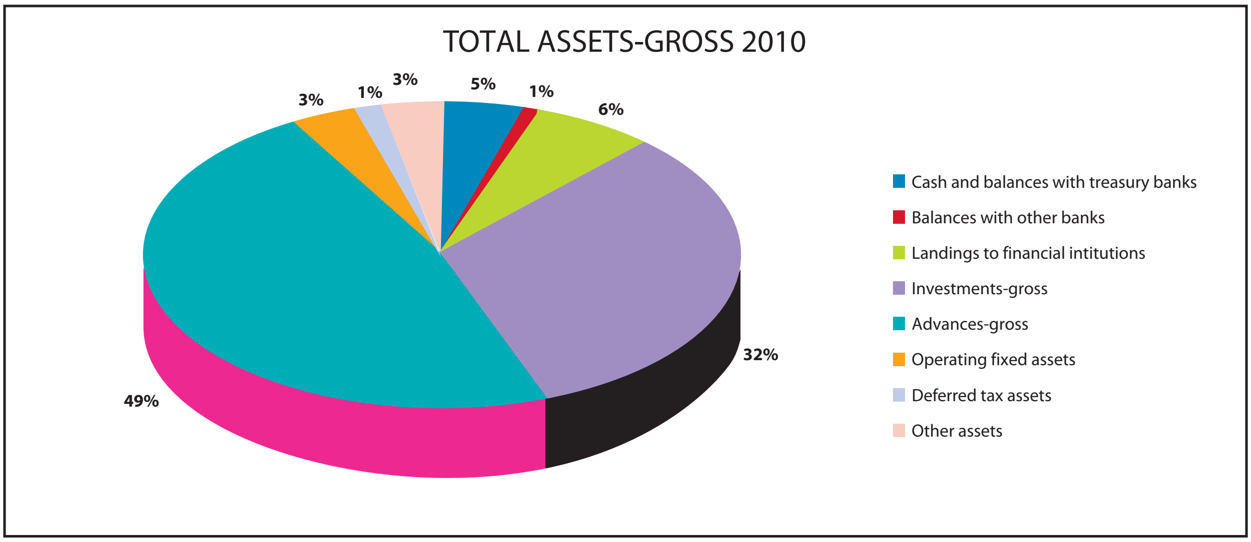
MISSION

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

Summit Bank (Formerly Arif Habib Bank)

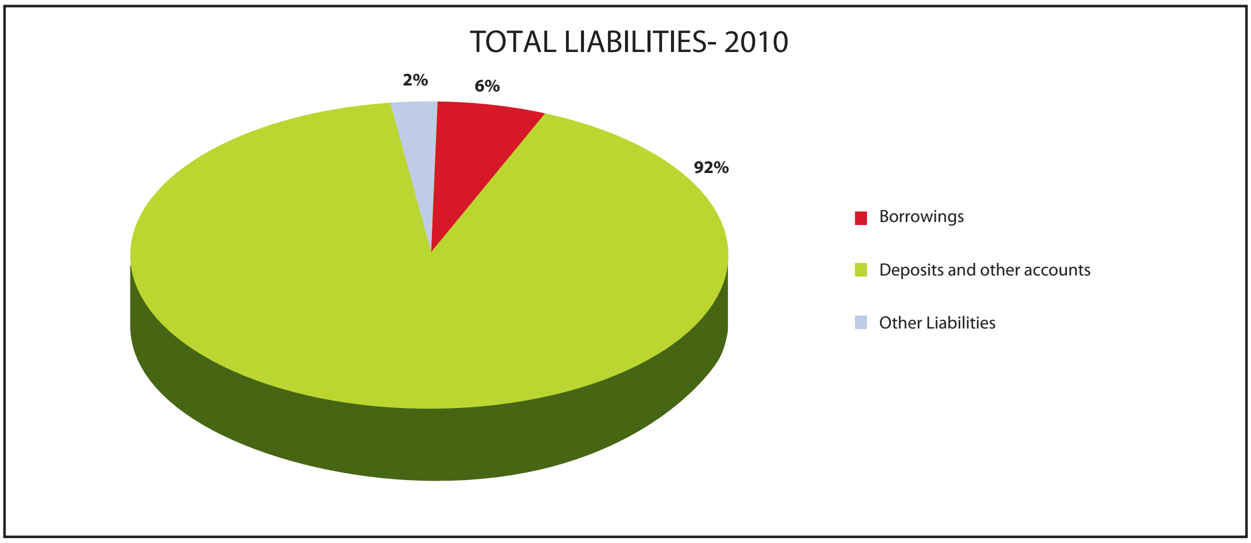
KEY OPERATING AND FINANCIAL DATA

					Rupees in Million
DECEMBER 31	**2006**	**2007**	**2008**	**2009**	**2010**
ASSETS					
Cash and balances with treasury banks	228	754	1,350	1,924	**2,576**
Balances with other banks	646	53	66	724	**315**
Lendings to financial institutions	1,079	2,856	200	1,434	**3,464**
Investments-gross	1,753	5,441	5,576	12,690	**17,054**
Advances-gross	1,564	8,158	16,510	21,072	**25,856**
Operating fixed assets	385	597	928	1,571	**1,701**
Deferred tax assets	-	-	361	381	**732**
Other assets	227	448	1,070	1,189	**1,815**
Total assets-gross	5,882	18,307	26,061	40,985	**53,513**
Provision against non performing advances	(140)	(129)	(752)	(2,568)	**(3,051)**
Deficit on revaluation of investments	(22)	(33)	(482)	(244)	**(570)**
Provision held against other assets	(24)	(24)	(24)	-	-
Total provisions	(186)	(186)	(1,258)	(2,812)	**(3,621)**
TOTAL ASSETS-NET OF PROVISIONS	5,696	18,121	24,803	38,173	**49,892**



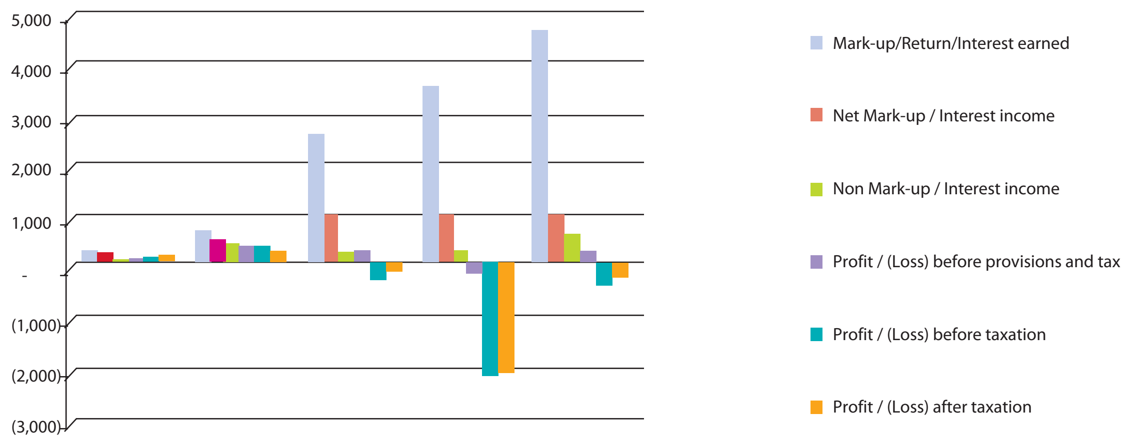
Rupees in Million

DECEMBER 31	2006	2007	2008	2009	2010
LIABILITIES					
Bills payable	4	384	76	213	**154**
Borrowings	-	1,749	1,870	1,555	**2,836**
Deposits and other accounts	2,526	9,465	16,617	31,307	**42,295**
Sub-ordinated loans	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-
Deferred tax liabilities	-	40	-	-	-
Other Liabilities	93	182	420	1,044	**1,016**
Total liabilities	2,623	11,820	18,983	34,119	**46,301**
NET ASSETS	3,073	6,301	5,820	4,054	**3,591**
REPRESENTED BY					
EQUITY					
Share capital	3,000	4,500	5,000	5,000	**5,000**
Share premium	-	1,500	1,000	1,000	**1,000**
Stautory reserves	19	65	65	65	**65**
General reserves	-	66	250	-	-
Unappropriated profit	75	193	(182)	(1,999)	**(2,322)**
Total equity	3,094	6,324	6,133	4,066	**3,743**
Deficit on revaluation of assets-net	(21)	(23)	(313)	(12)	**(152)**



Summit Bank (Formerly Arif Habib Bank)

DECEMBER 31	2006	2007	2008	2009	2010
	Rupees in Million				
RESULTS OF OPERATIONS					
Mark-up/ Return/ Interest earned	143	618	2,472	3,514	**4,573**
Mark-up/ Return/ Interest expensed	23	252	1,586	2,878	**3,677**
Net Mark-up/ Interest income	120	366	886	636	**895**
Net Mark-up/ Interest income after provisions	120	366	263	(1,404)	**196**
Non Mark-up/ Interest income	21	346	167	196	**513**
Non Mark-up/ Interest expense	91	385	777	1,077	**1,259**
Profit / (Loss) before provisions and tax	50	327	276	(245)	**150**
Provision against non performing loans and advances	-	-	(623)	(1,817)	**(482)**
Provision for diminution in the value of investments	-	-	-	(224)	**(217)**
Profit / (Loss) before taxation	50	327	(347)	(2,286)	**(549)**
Taxation	(44)	97	(156)	(219)	**(227)**
Profit / (Loss) after taxation	94	230	(191)	(2,067)	**(323)**



FINANCIAL RATIOS	Ratios (in % or times)				
Return on equity (ROE)	3.04%	3.64%	-3.11%	-50.84%	**-8.62%**
Return on assets (ROA)	1.65%	1.27%	-0.77%	-5.41%	**-0.65%**
Profit / (Loss) before tax ratio	34.97%	52.91%	-14.04%	-65.05%	**-12.02%**
Gross spread ratio	83.92%	59.22%	35.84%	18.10%	**19.58%**
Advances to deposits ratio-Gross	61.92%	86.19%	99.36%	67.31%	**61.13%**
Advances to deposits ratio-Net	56.37%	84.83%	94.83%	59.10%	**53.92%**
Income to expenses ratio (times)	1.44	1.51	0.88	0.62	**0.90**
Cost to revenue ratio	69.51%	66.08%	89.54%	106.60%	**97.05%**
Total assets to shareholders' funds (times)	1.84	2.87	4.04	9.39	**13.33**
NPL ratio	8.95%	1.57%	16.32%	23.81%	**20.53%**
Capital adequacy ratio	56.22%	45.03%	20.85%	12.39%	**10.39%**
SHARE INFORMATION					
Weighted average number of shares outstanding	85.10	401.78	500.00	500.00	**500.00**
Earning/ (Loss) per share (Rupee)	1.10	0.65	(0.38)	(4.13)	**(0.65)**
Market value of shares	-	13,500	2,765	3,350	**1,905**
Price earning ratio (PE)	0.00	58.70	(14.48)	(1.62)	**(5.90)**
Book value per share	10.24	14.00	11.64	8.11	**7.18**
NON FINANCIAL INFORMATION					
Non performing loans (NPL) (Rs. in mn)	140	128	2,694	5,017	**5,307**
Number of emplyees	192	319	541	615	**665**
Number of branches	7	12	33	40	**40**

DIRECTORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2010

On behalf of the Board of Directors of Summit Bank Limited (formerly Arif Habib Bank Limited) "the Bank", I am pleased to present the annual audited financial statements of the Bank for the year ended December 31, 2010.

Financial Highlights

The financial highlights of the Bank for the period under review are as follows:

	December 31, 2010 Audited	December 31, 2009 Audited
	Rupees in '000	Rupees in '000
Pre-tax (Loss) for the period	(549,476)	(2,285,586)
Equity	3,743,244	4,065,941
Paid up capital	5,000,000	5,000,000
Deposits	42,294,961	31,307,488
Advances (Net of provisions)	22,805,539	18,503,815
NPLs	5,307,244	5,016,836
Investments	16,483,335	12,446,033
Total Assets	49,891,630	38,173,375
Basic and Diluted (Loss) per share	(0.65)	(4.13)

During the year, the total assets of the Bank grew by 30.70 % to Rs. 49.9 billion with advances (net of provision) showing a growth of 23.25 % to Rs. 22.8 billion. The Bank was able to achieve deposit growth of 35.10 % increasing its deposit base to Rs. 42.3 billion during the year, and in the process, also reduced its cost of deposits to 9.70 % as compared to 9.90% last year.

In line with the Bank's prudent and long term strategy, the bank maintained high levels of liquidity during the year 2010. Out of a total investment portfolio of Rs. 16.5 billion, the Bank invested Rs. 13.3 billion in SLR eligible securities as at December 31, 2010.

Due to the current economic conditions of the country, the management remained focused on improving the quality of the assets of the bank including its Advances portfolio with particular reference to Non Performing Loans (NPLs). Current NPLs have a provisioning of Rs. 3,050.6 million(2009: Rs. 2,568.2 million) out of which Rs. 482.3 million (2009: Rs. 1,816. 6 million) were charged during the year that contributed significantly to the pre-tax loss of Rs. 549.5 million during the year, as compared to a loss of Rs. 2,285.6 million in 2009.

Economic Overview

Pakistan's economy achieved macroeconomic stability during the past two years even in the global economic meltdown. The economy recorded moderate recovery in various sectors during these challenging times in our country's recent history. As a result of the State Bank of Pakistan's (SBP) firm monetary policy, the demand side was dampened to a certain extent. However, such policies were unable to prevent the CPI spiking to 16% towards the end of 2010, mainly due to the adverse socio economic conditions prevailing in the country.

The inflation increased from 12.3% YoY in first month of FY to 15.5% YoY in December 2010 due to a) increase in oil prices in international market b) higher margins on various food items and c) continued deficit financing. State Bank of Pakistan's (SBP) followed tight monetary policy and as a result base rate increased to 14% in November 2010, which resulted in an increase in both the deposit and lending rates of commercial banks. Going forward, it is likely that SBP will follow strict monetary policy to curb high inflation.

Pakistani Rupee maintained its stability against US Dollar during year 2010 as it was devalued by 1.47% only. Stability of Pakistan currency improved the confidence level among foreign investors and local corporate and commercial sectors.

The economy achieved a modest recovery in FY 10 as GDP growth increased from 1.2% in FY 09 to 4.1% in FY 10. Foreign exchange reserves touched a record high of $ 17.2 billion towards the end of 2010. On the contrary, in FY2011, real GDP growth is likely to be in the range of 2-3 % due to the impact of devastating floods, continued pressure from subsidies, weak tax receipts, persistent power shortages and security conditions. However, an expected good performance by the services sector will provide support to GDP growth in FY2011. Furthermore, significant rise in the prices of agricultural products will increase the nominal income of the farmers which will help to offset part of the negative impact of floods on domestic demand.

The positive aspects of the economy were robust growth in exports due to sharp increase in the prices of cotton coupled with aid inflows for flood relief and significant increase in home remittances which surpassed the growth in imports, turning the current account for July-December FY2011 to a surplus. Exports are expected to exceed US$ 20 billion and Home Remittances have reached near the milestone figure of US$10 billion and the foreign exchange reserves crossed US$ 17 billion as of December 2010 which is an all time high in the history of the country. Moreover, during 1st half of the FY 2011, revenue collection improved by 9% to Rs. 989 billion. The stock markets performed well during 2010 with the KSE 100 index registered an increase of 28%. The foreign investors contributed largely to this increase in the index as they invested US$ 601 million in stock market in 2010 which showed their confidence in the capital market of the country.

As a result of signing trade agreements with various countries, most notably, Afghanistan, Turkey, China and the U.A.E, international trade activities have registered notable improvements, with the trade deficit falling by more than 70% to only $1.62 billion at the end of 2010. Combined with record levels of Home Remittances which reached the astonishing milestone of $9.67 billion as at December 31, 2010, the current account has finally yielded a surplus of $26 million during the period of July-December, 2010.

The Government of Pakistan has taken significant measures to counter the adverse foreign trade situation by signing bilateral trade agreements with the countries stated above. There are also impending trade agreements with Indonesia which are highly likely to materialize as both countries are eager to expand the current bilateral trade volume. Pakistan has also bid to become a party to the Free Trade Agreement with the Gulf Co-operation Council (GCC), strongly supported by the U.A.E. which would see our international trade volume increase significantly.

Banking Sector Overview

After two years of significantly adverse results, the country's banking sector bounced back in 2010, with the major five banks leading the way. After a drastic increase over the previous periods, the banking sector managed to restrict and in some cases even reduce the NPLs which were a serious cause of concern.

Several peer group banks have been confronted with the challenge of meeting the requirement of Minimum Paid-up Capital. The overall downturn in the economy, the resultant losses on account of NPLs and diminution in the value of investments have left a number of small and medium size banks short on meeting Minimum Capital Requirement (MCR)

Business and Branch Network

As at December 31, 2010, the Bank was operating with 40 branches across the country, with a presence in all the provinces of Pakistan and Azad Jammu Kashmir. After the successful merger with Atlas Bank Limited on 31st December 2010, the Bank is now operating with 80 branches all over the country. The Bank is progressing towards finalization of the merger with Mybank to consolidate its position in the industry and emerge as a bigger and stronger bank equipped with a network of 165 branches, offering a wide variety of products and services to cater the needs of various segments of business, industry and individuals.

The Bank is focusing mainly on Trade and fee-based business. Volume of home remittance business is recording a growth every month and will help in increasing fee based income and customer deposit of the Bank in the future.

Presently, the Bank is offering Banc assurance products. Alternate Delivery Channel (ADC) services have been launched via SMBL's ATM network, incorporating Utility Bills and Credit Card Bill Payment along with Inter Bank Fund Transfer Services to all customers and account holders. Recently, the Bank has further strengthened its services to its customers by introducing Utility Bill Payment Service (UBPS) through 24/7 Call Centre and from mobile phones (via SMS). With this service in place and fully functional, the Bank now becomes the first bank in Pakistan to offer UBP service through SMS channel to its customers. The Bank commenced offering consumer finance by providing secured personal loans to its customers, which is an important niche market for future business growth. We believe in customer satisfaction and are committed to provide innovative solutions to fulfill the banking needs of our customers with quality service.

The Bank has invested heavily in critical upgrades to its essential technology infrastructure particularly in areas such as core-banking systems, disaster recovery site and electronic services. The investments in technology would help the Bank enhance its business and operating efficiencies significantly maximize value to the customer.

Merger with Atlas Bank Limited

The Bank successfully completed the merger with Atlas Bank Limited as at the close of day on December 31, 2010. In the process, the Bank achieved certain milestones which have set the benchmark for future mergers across the banking sector. The Bank has achieved the merger in a record time of only 27 days in terms of unification of overall technology infrastructure, core-banking systems and electronic services. As a result, Summit Bank Limited, as a merged entity is now operating on a single technology platform providing unified and seamless banking services to customers across the country.

With the invaluable experience and expertise gained as a result of the successful merger with Atlas Bank Limited, the path is clear for the initiation of the merger process with MyBank Limited.

Minimum Capital, Mergers & Acquisition

According to the State Bank of Pakistan (SBP) BSD Circular No. 7 of 2009 dated April 15, 2009. The Minimum Capital Requirement (MCR) for banks had to be Rs. 7 billion (free of losses) as of December 31, 2010. To overcome the deficit in meeting the MCR, the Bank completed the merger with Atlas Bank Limited (ATBL). A similar Share Purchase Agreement (SPA) is also in place with the majority shareholders of MyBank Limited. The process of merger with Mybank is in advanced stage. Special resolution has been passed by the Shareholders of the in January 2011, approving the scheme of amalgamation of Mybank with and into the Bank subject to approval of State Bank of Pakistan. The effective date of merger shall be notified by the State Bank of Pakistan.

The Board has approved issue of right shares in the proportion of one share of every 5 shares held i.e. 20%, in December 2010. The process of Right Shares Issue will be completed by end of April 2011. In view of foregoing the minimum capital requirement of the merged bank will be met in accordance with SBP MCR requirement.

Tier II Capital

The Board has decided to issue redeemable capital under section 120 of the Companies Ordinance, 1984 by issuance of TFCs amounting to Rs. 1.5bn subject to approval from State Bank of Pakistan and Security & Exchange Commission of Pakistan.

Summit Bank (Formerly Arif Habib Bank)

Credit Rating

JCR-VIS has maintained the credit ratings of the Bank, 'A' for medium to long-term, and 'A-2' for the short term.

Re-branding

The new name Summit Bank Limited was formally launched on August 18, 2010 which has received a positive response from all the stakeholders in the financial sector. We have now formally assumed a new strategic direction and our new name signifies what we are and where we are headed.

Future Outlook

In line with the management's vision to make this Bank a front runner among its peer banks, the merger of Atlas Bank Limited and the proposed merger with MyBank Limited will bring synergies and access to a wider range of customers and will enable the Bank to capture a much larger portion of the market share than it presently enjoys. This will not only reinforce the Bank's commitment towards long term growth but will also support its strategic plan to become one of the leading banks in Pakistan.

Substantial NPLs which had previously depressed the Bank's earnings are being vigorously tackled by the management, with evident success. We are confident that this thorn in our side will be behind us by the end of 2011, and the Bank will emerge much sounder and stronger than before. Extensive recovery efforts have been initiated and there are future plans for an aggressive strategy to tackle this problem of NPLs.

The Bank will continue to maintain a liquid position which will naturally affect earnings in the short term but will yield a long term benefit by giving it the reputation of a sound bank which can weather the most uncertain and economically turbulent times.

Innovation, enterprise and commitment will be the motto of the Bank as it continues to look towards introducing more products and value added services to its customers, and will continue its trend of setting industry benchmarks as we progress to a level which will be viewed with awe and admiration.

Loss per Share

Basic and diluted loss per share has been disclosed in note No. 29.

Pattern of shareholding

The pattern of shareholding is attached with this report

Corporate and Financial reporting framework

The Directors feel pleasure to give the following statement in respect of the Code of Corporate Governance:

- The financial statements, together with the notes thereon have been drawn up in conformity with the Companies Ordinance,1984. These statements present fairly the Company's state of affairs, results of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied.
- The International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departures there from having a material impact on the financials have been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no significant doubt about the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- Key financial and operating data is available in the annual report.
- All the statutory liabilities, if any, have been adequately disclosed in the financial statements.

Board Meetings

The numbers of Board meetings held during the year ended December 31, 2010 were seven (7) and attendance therein by the Directors is as below:

S.No.	Name	Meetings Attended
01.	Mr. Nasser Abdulla Hussain Lootah	7
02.	Mr. Husain Lawai	7
03.	Mr. Nasim Beg	7
04.	Mr. Asadullah Khawaja	7
05.	Mr. M. Farid Uddin	0
06.	Dr. Ahmed Khalil Mohammad Samea Al Mutawa	0
07.	Mr. Shehryar Faruque (appointed on August 28, 2010)	2
08.	Mr. Arif Habib	1
09.	Mr. Md. Abdul Hamid Miah	1
10.	Mr. Mohammad Khan Hoti	1

The Board places on record its sincerest appreciation to the outgoing Directors, Mr. Arif Habib, Mr.Md. Abdul Hamid Miah, Mr. Mohammad Khan Hoti to whom we are indebted for their prudent, professional and diligent guidance that helped in achieving such tremendous performance.

Risk Management

We have in place a Risk Management framework for identifying and managing various types of risks, with an integrated approach to risk management under process. The basic principles employed in the formulation of the risk management policies and procedures have been defined in the Bank's Risk Management Policy and involve identification, measurement, monitoring and controlling the various types of risks to ensure that:

- The Bank's risk exposure is within the limits established by the 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 is available as a buffer to absorb unexpected losses from risk taking activities.

In complying with the SBP guidelines on Risk Management issued in August 2003, the Board of Directors of the Bank approved the response to the Questionnaire on Institutional Risk Assessment Framework (IRAF), submitted to the SBP.

Statement on internal control

The management of the Bank is responsible for establishing and maintaining a sound system of internal controls to ensure operating efficiency, compliance and reliability of financial reporting.
The following specific initiatives have been adopted:

- An independent Internal Audit Division reporting directly to the Audit Committee of the Board of Directors is effectively functioning.
- Compliance Division is working to ensure adherence to Laws, Regulations, and Code of ethics with a strong emphasis on KYC & AML.
- The Statement of Ethics and Business Practices has been signed and adopted by the Directors and the employees of the Bank.
- A portfolio of policies which were approved by the Board, are continuously updated based on the needs and requirements.
- Management responds to the recommendations made by the Auditors for improvements in the internal control system.
- A number of Board and Management Committees are functioning to ensure adequate communication and control.

Auditors

The present auditors M/S Yousuf Adil Saleem & Company, Chartered Accountants retire in pursuance of Code of Corporate after completion of term of five years.

The Board of Directors on the recommendation of the Audit Committee has recommended M/S Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as the Bank's auditors for the year ending December 31, 2011.

Acknowledgment

The Board would like to appreciate and thank the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and other regulatory authorities for their continuous guidance and support. The Board is grateful to our valued customers for their continued patronage and is committed to improving the quality of service and the experience they share with the Bank.

The Board would also like to place on record its appreciation for the employees of the Bank for their professionalism, commitment and dedication towards making Summit Bank Limited one of the best banks of the country.

Hussain Lawai
President and Chief Executive

Karachi
Dated: Februray 28, 2011

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Statement is being presented to comply with Code of Corporate Governance contained in Prudential Regulation No. G-1 for Corporate / Commercial banking issued by the State Bank of Pakistan (SBP), responsibilities of the Board of Directors advised vide SBP BSD Circular No. 15 dated June 13, 2002 and the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance. The Bank has adopted the Code of Corporate Governance and applied the principles contained in the Code in the following manner:

1. The Bank encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present, the Board has two sponsor directors, one executive director and four independent / non-executive directors. Out of seven directors, SBP clearance of two directors has been received subsequent to year ended December 31, 2010, i.e, February 24, 2011; therefore the following provisions of the code related to directors were not applicable to them.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies.

3. All the resident directors of the Bank are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or being a member of stock exchange has been declared as a defaulter by that stock exchange.

4. Seven casual vacancies occurred in the Board of Directors five of which were filled up within 30 days after obtaining approval from the State Bank of Pakistan as per its directives. SBP approval for directors appointed on May 31, 2010 and August 28, 2010 as mentioned in point 1 above was received on February 24, 2011.

5. The Bank has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and key employees of the Bank.

6. The Bank has developed a vision/mission statement, overall corporate strategy and significant policies, which are periodically renewed and updated. A complete record of particulars of significant policies along with the dates on which they were approved or amended is maintained.

7. All the powers of the Board have been duly exercised and the Board has taken decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the executive directors have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and the Board met once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. There was no new appointment of CFO or Company Secretary during the year. However, the appointment, remuneration and terms and conditions of employment of the Head of Internal Audit was determined by the CEO with the approval of Board of Directors.

10. The Directors on the Board of the Bank are individuals of repute and integrity with vast diversified experience of the financial and corporate affairs. They are also directors in other listed companies and are well conversant with the local laws and practices.

11. The Director's report for this year has been prepared in compliance with the requirements of the Code and describes the salient matters required to be disclosed.

12. The financial statements of the Bank were duly endorsed by the CEO and CFO before approval of the Board.

13. The directors, CEO, and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholdings.

Summit Bank (Formerly Arif Habib Bank)

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

14. The Bank has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It comprises of three members, all of whom including the Chairman of the Committee are non-executive directors.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Bank as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17. The Board has set-up an effective internal audit function. The staff of Internal Audit Department is suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Bank.

18. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses, and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors.

21. We confirm that all other material principles contained in the Code have been complied.

Hussain Lawai
President and Chief Executive

Karachi
Dated: Februray 28, 2011

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Summit Bank Limited (formerly Arif Habib Bank Limited) to comply with the Prudential Regulation No.G-1 for Corporate / Commercial banking issued by the State Bank of Pakistan (SBP); responsibilities of the Board of Directors vide BSD Circular No. 15, dated June 13, 2002.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Code.

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

Further, Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges require the Bank to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further all such transactions are required to be separately placed before the audit committee. We are only required and have ensured compliance of requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to enable us to express an opinion as to whether the related party transactions were carried out at arm's length price.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended December 31, 2010.

Chartered Accountants

Karachi
Dated: Februray 28, 2011

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

We have audited the annexed balance sheet of SUMMIT BANK LIMITED (formerly Arif Habib Bank Limited,) - (the Bank) as at December 31, 2010 and the related profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement, together with the notes forming part thereof (here-in-after referred to as the financial statements) for the year then ended, in which are incorporated the unaudited certified returns from branches except for seven branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LV1I of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in case of loans and advances covered more than 60 percent of the total financings of the Bank, we report that:

a. in our opinion proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984) and the returns referred to above received from the branches have been found adequate for the purpose of our audit;

b. in our opinion:

   i. The balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii. The expenditure incurred during the year was for the purpose of the Bank's business; and

   iii. The business conducted, investments made and the expenditures incurred during the year were in accordance with the objects of the Bank and the transactions of' the Bank which have come to our notice have been within the powers of the Bank;

c. in our opinion and to the best of our information and according to the explanations given to us the balance sheet, profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2010 and its true balance of the loss, its total comprehensive loss, changes in equity and its cash flows for the year then ended; and

d. in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance,

Without qualifying our opinion, we draw attention to note 1.4 to the financial statements which fully explains matters regarding Bank's minimum capital requirements, amalgamation of Atlas Bank Limited with and into the Hank at close of business at December 2010, proposed merger of another commercial bank subsequent to the year end and injection of further capital (debt and equity) of' Rs. 2.9 billion. The Bank has applied for relaxation to SBP from the requisite capital requirement till March 31, 2011.

Chartered Accountants

Karachi
Dated: Februray 28, 2011

Financial Statements

Summit Bank (Formerly Arif Habib Bank)

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2010

	Note	2010	2009
		Rupees in '000'	
ASSETS			
Cash and balances with treasury banks	7	2,575,503	1,923,526
Balances with other banks	8	315,450	724,802
Lendings to financial institutions	9	3,463,634	1,433,817
Investments	10	16,483,335	12,446,033
Advances	11	22,805,539	18,503,815
Operating fixed assets	12	1,701,487	1,570,754
Deferred tax assets	13	731,994	381,016
Other assets	14	1,814,688	1,189,612
		49,891,630	38,173,375
LIABILITIES			
Bills payable	15	154,327	213,209
Borrowings	16	2,835,847	1,554,801
Deposits and other accounts	17	42,294,961	31,307,488
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	18	1,015,307	1,043,477
		46,300,442	34,118,975
NET ASSETS		3,591,188	4,054,400
REPRESENTED BY			
Share capital	19	5,000,000	5,000,000
Reserves		1,064,828	1,064,828
Accumulated loss		(2,321,584)	(1,998,887)
		3,743,244	4,065,941
Deficit on revaluation of assets - net of tax	20	(152,056)	(11,541)
		3,591,188	4,054,400
CONTINGENCIES AND COMMITMENTS	21		

The annexed notes from 1 to 42 form an integral part of these financial statements.

President and Chief Executive | Dircetor | Dircetor | Dircetor

Summit Bank (Formerly Arif Habib Bank)

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	2010	2009
		Rupees in '000'	
Mark-up / return / interest earned	22	4,572,710	3,514,363
Mark-up / return / interest expensed	23	(3,677,280)	(2,946,918)
Net mark-up / interest income		895,430	567,445
Provision against non-performing loans and advances	11.3.1	(482,304)	(1,816,580)
Provision for diminution in the value of investments	10.12	(216,950)	(224,207)
		(699,254)	(2,040,787)
Net mark-up / interest income / (loss) after provisions		196,176	(1,473,342)
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		259,608	141,594
Dividend income		27,603	33,120
Gain / (loss) from dealing in foreign currencies		37,819	16,369
Gain on sale of securities - net	24	165,452	65,534
Unrealised gain / (loss) on revaluation of investments			
classified as held-for-trading	10.14	874	(4,423)
Other income	25	21,513	12,616
Total non-markup / interest income		512,869	264,810
		709,045	(1,208,532)
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	26	1,249,094	1,064,723
Other provisions / write-offs		-	-
Other charges	27	9,427	12,331
Total non-markup / interest expenses		1,258,521	1,077,054
		(549,476)	(2,285,586)
Extra ordinary / unusual items		-	-
LOSS BEFORE TAXATION		(549,476)	(2,285,586)
Taxation	28		
Current		(48,538)	(35,799)
Prior years		-	72,359
Deferred		275,317	182,236
		226,779	218,796
LOSS AFTER TAXATION		(322,697)	(2,066,790)
Basic Earnings per share (Rupees)	29	(0.65)	(4.13)
Diluted Earnings per share (Rupees)	29	(0.65)	(4.13)

The annexed notes from 1 to 42 form an integral part of these financial statements.

President and Chief Executive	Dircetor	Dircetor	Dircetor

Summit Bank (Formerly Arif Habib Bank)

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2010

	December 31, 2010	December 31, 2009
	Rupees in '000	
Loss after taxation for the year	(322,697)	(2,066,790)
Other comprehensive income	-	-
Comprehensive income transferred to equity	(322,697)	(2,066,790)
Deficit on revaluation of investments	(233,932)	(17,755)
Deferred tax on revaluation of investments	81,876	6,214
	(152,056)	(11,541)
Total comprehensive income for the year	(474,753)	(2,078,331)

The annexed notes from 1 to 42 form an integral part of these financial statements.

President and Chief Executive | Dircetor | Dircetor | Dircetor

Summit Bank (Formerly Arif Habib Bank)

STATEMENT OF CHANGE IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2010

		Capital Reserves		Revenue reserves		
	Share capital	Share premium	Statutory reserve	General reserve	Unappropriated profit/ (accumulated loss)	Total
	< - - - - - - - - - - - - - - - -	- - - - - - - -	Rupees in '000'	- - - - - - - -	- - - - - - - -	- - - - >
Balance as at January 01, 2009	5,000,000	1,000,000	64,828	250,000	(182,097)	6,132,731
Total comprehensive income for the year ended December 31, 2009						
Loss for the year	-	-	-	-	(2,066,790)	(2,066,790)
Transfer from general reserve	-	-	-	(250,000)	250,000	-
Balance as at December 31, 2009	5,000,000	1,000,000	64,828	-	(1,998,887)	4,065,941
Total comprehensive income for the year ended December 31, 2010						
Loss for the year	-	-	-	-	(322,697)	(322,697)
Balance as at December 31, 2010	**5,000,000**	**1,000,000**	**64,828**	**-**	**(2,321,584)**	**3,743,244**

The annexed notes from 1 to 42 form an integral part of these financial statements.

President and Chief Executive | Dircetor | Dircetor | Dircetor

Summit Bank (Formerly Arif Habib Bank)

CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	2010	2009
		Rupees in '000'	
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(549,476)	(2,285,586)
Dividend income		(27,603)	(33,120)
		(577,079)	(2,318,706)
Adjustments:			
Depreciation		157,482	104,385
Amortization		30,132	27,918
Provision against non-performing advances		482,304	1,816,580
Provision for diminution in value of investments		216,950	224,207
Unrealized (gain) / loss on revaluation of investments in held-for-trading securities		(874)	4,423
Gain on sale of fixed assets		(383)	30
Provision for compensated absences		10,167	4,729
Provision for staff retirement gratuity		15,880	10,714
		911,658	2,192,986
		334,579	(125,720)
(Increase) / decrease in operating assets			
Lendings to financial institutions		(2,029,817)	(1,233,817)
Investments in held-for-trading securities - net		72,458	(108,298)
Advances		(4,784,028)	(4,561,717)
Other assets		(679,317)	(110,214)
		(7,420,704)	(6,014,046)
Increase / (decrease) in operating liabilities			
Bills payable		(58,882)	137,246
Borrowings from financial institutions		1,281,046	(315,139)
Deposits and other accounts		10,987,473	14,691,022
Other liabilities		(54,217)	607,706
		12,155,420	15,120,835
		5,069,295	8,981,070
Income tax paid		(3,156)	(5,301)
Net cash generated from operating activities		5,066,139	8,975,769
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in available-for-sale securities - net		(4,537,589)	(7,008,567)
Dividend received		28,091	32,732
Investments in operating fixed assets		(317,849)	(767,012)
Sale proceeds from disposal of property and equipment		3,833	177
Net cash used in investing activities		(4,823,514)	(7,742,670)
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		242,625	1,233,099
Cash and cash equivalents at beginning of the year		2,648,328	1,415,229
Cash and cash equivalents at end of the year	30	2,890,953	2,648,328

The annexed notes from 1 to 42 form an integral part of these financial statements.

President and Chief Executive | Dircetor | Dircetor | Dircetor

NOTES TO THE FINANCIAL STATEMENTS

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 exchanges 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 40 branches (2009: 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 the 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 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. 3.743 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 with Mybank Limited. 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.

1.5 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 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.

1.6 These financial statements represent standalone financial statements of the Bank. The merged financial statements of the Bank 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 Applicaton 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.

Summit Bank (Formerly Arif Habib Bank)

3.5 Early adoption of standards

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

4. BASIS OF MEASUREMENT

4.1 Accounting convention

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 Critical accounting estimates and judgments

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.

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.

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.

Summit Bank (Formerly Arif Habib Bank)

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 is calculated using the straight line method to write down the cost of assets to their residual values over the estimated useful lives. The rates at which the assets are depreciated are disclosed in Note 12.2 to the 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.

Capital work in progress

Capital work-in-progress are stated at cost.

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. Amortization is charged from the month the assets are available for use at the rate stated in note 12.3.

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 percent of basic salary.

Defined benefit 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 ten percent of the fair value of any plan assets at that date.

Employees' compensated absence

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.

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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 basis.

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

	Note	2010 Rupees in '000'	2009 Rupees in '000'
In hand			
Local currency		420,583	296,474
Foreign currencies		115,763	45,798
With State Bank of Pakistan in			
Local currency current account	7.1	1,588,282	1,108,944
Foreign currency current account	7.2	7,690	15,393
Foreign currency deposit account			
- Non remunerative	7.3	108,330	101,090
- Remunerative	7.4	324,992	303,270
With National Bank of Pakistan in			
Local currency current account		9,863	52,557
		2,575,503	1,923,526

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).

	Note	2010	2009
		Rupees in '000'	
8. BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		9,658	8,283
Outside Pakistan			
On current accounts		305,792	716,519
		315,450	724,802

	Note	2010	2009
9. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	9.1	3,165,000	-
Repurchase agreement lendings (Reverse Repo)	9.2	298,634	1,433,817
		3,463,634	1,433,817

9.1 This represents unsecured lendings to Atlas Bank Limited carrying mark up at the rates ranging between 13.75% to 14.25% per annum and will mature on January 03, 2011.

9.2 This represents short-term lending to Atlas Bank Limited against the government security shown in note 9.2.2 below. It carries mark-up at the rate of 13.50 % (2009: ranging between 12.15 % and 12.40 %) per annum and will mature on January 03, 2011.

	2010	2009
	Rupees in '000'	
9.2.1 Particulars of lendings		
In local currency	3,463,634	1,433,817
In foreign currencies	-	-
	3,463,634	1,433,817

9.2.2 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	298,634	-	298,634	1,433,817	-	1,433,817
	298,634	-	298,634	1,433,817	-	1,433,817

10. INVESTMENTS

10.1 Investments by types:

	Note	December 31, 2010 Held by Bank	December 31, 2010 Given as Collateral	December 31, 2010 Total	December 31, 2009 Held by Bank	December 31, 2009 Given as Collateral	December 31, 2009 Total
		Rupees in '000'					
Held-for-trading securities							
Listed ordinary shares	10.3	35,840	-	35,840	108,298	-	108,298
Available - for - sale securities							
Market Treasury Bills	10.4	11,468,686	1,094,993	12,563,679	8,210,515	487,831	8,698,346
Pakistan Investment Bonds	10.4	598,445	-	598,445	451,748	-	451,748
Listed ordinary shares	10.3	1,041,420	-	1,041,420	700,120	-	700,120
Unlisted ordinary shares	10.5	37,200	-	37,200	-	-	-
Mutual funds unit - open end	10.6	300,000	-	300,000	115,000	-	115,000
Mutual funds unit - closed end		-	-	-	53,244	-	53,244
Term Finance Certificates - listed	10.7	277,204	44,955	322,159	300,084	44,973	345,057
Term Finance Certificates - unlisted	10.8	1,249,600	-	1,249,600	1,499,700	-	1,499,700
Sukuk Bonds	10.9	905,482	-	905,482	605,304	-	605,304
		15,878,037	1,139,948	17,017,985	11,935,715	532,804	12,468,519
Associates							
Listed ordinary shares	10.10	-	-	-	112,773	-	112,773
Investment at cost		15,913,877	1,139,948	17,053,825	12,156,786	532,804	12,689,590
Less: Provision for diminution in value of investments	10.12	(337,432)	-	(337,432)	(221,379)	-	(221,379)
Investments - net of provisions		15,576,445	1,139,948	16,716,393	11,935,407	532,804	12,468,211
Unrealized loss on held-for-trading securities	10.14	874	-	874	(4,423)	-	(4,423)
Deficit on revaluation of available-for-sale securities	20	(232,696)	(1,236)	(233,932)	(14,038)	(3,717)	(17,755)
Total investments at market value		15,344,623	1,138,712	16,483,335	11,916,946	529,087	12,446,033

Summit Bank (Formerly Arif Habib Bank)

10.2 Investments by segments:

	Note	2010	2009
		Rupees in '000'	
Federal Government Securities:			
- Market Treasury Bills	10.3	12,563,679	8,698,346
- Pakistan Investment Bonds	10.3	598,445	451,748
Fully Paid up Ordinary Shares / Units / Certificates:			
- Listed companies	10.4	1,077,260	808,418
- Unlisted companies	10.5	37,200	-
- Mutual funds - open end	10.6	300,000	115,000
- Mutual funds - closed end		-	53,244
Term Finance Certificates and Bonds			
- Listed Term Finance Certificate	10.7	322,159	345,057
- Unlisted Term Finance Certificates	10.8	1,249,600	1,499,700
- Sukuk Bonds	10.9	905,482	605,304
Investment in associates	10.1.1	-	112,773
Total investment at cost		17,053,825	12,689,590
Less: Provision for diminution in value of investments	10.11	(337,432)	(221,379)
Investments - net of provisions		16,716,393	12,468,211
Surplus / (deficit) on revaluation of securities - held-for-trading	10.13	874	(4,423)
(Deficit) on revaluation of securities - available-for-sale	20	(233,932)	(17,755)
Total investments at market value		16,483,335	12,446,033

10.3 Particulars of investments in ordinary shares - listed

Name of companies	Number of shares held 2010	Number of shares held 2009	Paid-up value per share	Total nominal value 2010	Total nominal value 2009
				Rupees in '000'	
Agritech Limited (formerly Pak American Fertlizer Limited)	928,000	-	10	9,280	-
Askari Commercial Bank Limited	3,728,701	5,000,000	10	37,287	50,000
Attock Petroleum Limited	-	60,131	10	-	601
Attock Refinery Limited	-	53,000	10	-	530
Bank Al Falah Limited	-	200,000	10	-	2,000
D.G. Khan Cement Limited	530,000	957,000	10	5,300	9,570
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	25,000	10	3,013	250
First Capital Securities Corporation Limited	11,308,000	-	10	113,080	-
Hub Power Company Limited	-	100,000	10	-	1,000
Ibrahim Fibres Limited	198,457	466,500	10	1,985	4,665
Javedan Cement Limited	1,965,000	-	10	19,650	-
Lucky Cement Limited	192,950	-	10	1,930	-
MyBank Limited	5,400,000	-	10	54,000	-

Name of companies	Number of shares held 2010	2009	Paid-up value per share	Total nominal value 2010	2009
				Rupees in '000'	
National Bank of Pakistan	64,000	230,000	10	640	2,300
Nishat Chunian Power Limited	1,251,117	5,377,600	10	12,511	53,776
Nishat Power Limited	2,019,599	13,884,174	10	20,196	138,842
Pakistan Oilfields Limited	35,000	480,000	10	350	4,800
Pakistan Petroleum Limited	25,000	-	10	250	-
Pakistan State Oil Limited	-	100,000	10	-	1,000
Pak Suzuki Motors Limited	135,000	200,000	10	1,350	2,000
Sui Northern Gas Pipelines Limited	56,000	-	10	560	-
Sui Southern Gas Company Limited	7,250,000	-	10	72,500	-
Thatta Cement Company Limited	7,000,000	-	10	70,000	-
The Bank of Khyber	9,900,000	-	10	99,000	-
United Bank Limited	-	969,000	10	-	9,690
Wateen Telecom Limited	2,382,813	-	10	23,828	-

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 12.81% to 13.38% (2009 : 11.79% to 12.60%) per annum and are maturing within 12 months. Pakistan Investment Bonds carry markup ranging from 9% to 12% (2009 : 8% 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

Name of company	Number of shares held 2010	2009	Paid-up value per share	Total nominal value 2010	2009
Rozgar Microfinance Bank Limited.	5,314,286	-	10	53,143	-

These represents unlisted shares of Rozgar Microfinance Bank Limited which is an associated company on the basis of shareholding (33% shares). 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. Further, subsequent to the year end, the Bank disposed off the said shares at Rs 7 per share which is also the cost of these shares. The break up value of these shares at December 31, 2010 was Rs 5.99 per share.

10.6 Particulars of investment in mutual funds

Name of companies	Number of unis / certificates held 2010	2009	Paid-up value per share	Total nominal value 2010	2009
				Rupees in '000'	
Mutual fund open end					
National Investment Trust - Equity Fund	9,590,793	-	50	479,540	-
Pakistan Income Enhancement Fund	-	1,986,777	50	-	99,339
Mutual fund close end					
Pakistan Premier Fund	-	2,338,500	10	-	23,385
Pakistan Capital Protected Fund - 1	-	3,198,000	10	-	31,980
Pakistan Strategic Allocation Fund	-	500,000	10	-	5,000

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 20,000 (2009: 20,000) certificates Name of Chief Executive: Mr. Khalid A. Sherwani	'AA-'	6 months KIBOR plus 1.15%	Semi-annually	100,000	100,000
United Bank Limited 5,000 (2009: 10,000) certificates Name of Chief Executive: Mr. Atif R. Bukhari	'AA'	6 months KIBOR plus 1.15%	Semi-annually	25,000	50,000
Engro Corporation Limited 20,000 (2009: 20,000) certificates Name of Chief Executive: Mr. Asad Umar	AA'	6 months KIBOR plus 1.15%	Semi-annually	100,000	100,000
NIB Bank Limited 20,000 (2009: 20,000) certificates Name of Chief Executive Officer Mr. Khawaja Iqbal Hassan	'A+'	6 months KIBOR plus 1.15%	Semi-annually	100,000	100,000

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	6 months KIBOR plus 0.23%	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	6 months KIBOR plus 0.23%	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 Mr. Tanveer Safder Cheema	Unrated	6 months KIBOR plus 0.23%	Semi-annually	333,335	333,335

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	Total nominal value 2009
				Rupees in '000	
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.

10.11 Quality of Available- for- Sale Securities

	2010			2009			2010	2009
							Market Values	
	Short Term Rating	Long Term Rating	Rating by	Short Term Rating	Long Term Rating	Rating by	Rupees in '000'	
Securities								
Agritech Limited (fornerly Pak American Fertilizer (Pvt) Limited) - (shares)	-	SD	PACRA	-	-	-	22,179	-
Agritech Limited (fornerly Pak American Fertilizer (Pvt) Limited) - (TFCs)	Unrated	A	PACRA	A1	A+	PACRA	374,700	486,770
Allied Bank Limited - (TFCs)	Unrated	AA-	JCR-VIS	-	AA-	JCR-VIS	97,950	96,641
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	136,500
D.G. Khan Cement Limited	Unrated	Unrated	-	Unrated	Unrated	-	15,990	19,536
Engro Corporation Limited (TFCs)	Unrated	AA	PACRA	Unrated	AA	PACRA	97,902	92,926
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	-
First Capital Securities Corporation Limited.	Unrated	Unrated	-	-	-	-	40,256	-
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
Ibrahim Fibres Limited	A1	A+	PACRA	Unrated	Unrated	-	8,363	17,083
Islamabad Electric Supply Company Limited (TFCs)	Unrated	Unrated	-	Unrated	Unrated	-	250,001	333,335
Javedan Cement Limited	Unrated	Unrated	-	-	-	-	117,841	-
Liberty Power Tech Limited (SUKUK)	Unrated	AA-	PACRA	Unrated	Unrated	-	505,482	205,304
Lucky Cement Limited	Unrated	Unrated	-	-	-	-	14,624	-
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	-	-	-	-	-
NIB Bank Limited (TFCs)	Unrated	A+	PACRA	Unrated	A+	PACRA	97,243	91,723
Nishat Chunian Power Limited	A1+	AA-	PACRA	A1+	AA	PACRA	20,130	55,389
Nishat Power Limited	A1+	AA-	PACRA	A1+	AA	PACRA	32,778	176,746
Pak Electron Limited - (SUKUK)	Unrated	A	PACRA	Unrated	Unrated	-	192,079	184,248
Pak Suzuki Motors Limited	Unrated	Unrated	-	Unrated	Unrated	-	9,426	17,792
Pakistan Capital Protected Fund-1	Unrated	Unrated	-	Unrated	Unrated	-	-	29,326
Pakistan Income Enhancement Fund	Unrated	Unrated	-	Unrated	Unrated	-	-	100,670
Pakistan Oilfields Limited	Unrated	Unrated	-	-	-	-	8,879	110,770
Pakistan Petroleum Limited	Unrated	Unrated	-	-	-	-	2,172	-
Pakistan Premier Fund	Unrated	Unrated	-	Unrated	Unrated	-	-	14,031
Pakistan State Oil Limited	A1+	AA+	PACRA	A1+	AA+	PACRA	-	29,744
Pakistan Strategic Allocation Fund	Unrated	Unrated	-	Unrated	Unrated	-	-	11,000
Rozgar Microfinance Bank Limited	B	BB-	JCR-VIS	-	-	-	31,827	-
Sui Northern Gas Pipe Line Limited	A1+	AA	PACRA	-	-	-	1,497	-
Sui Southern Gas Company Limited	A1+	AA-	PACRA	-	-	-	152,946	-
Thatta Cement Company Limited	Unrated	Unrated	-	-	-	-	132,160	-
The Bank of Khyber	A2	A-	PACRA	-	-	-	42,570	-
United Bank Limited	A-1+	AA+	JCR-VIS	A1+	AA+	JCR-VIS	-	25,718
United Bank Limited - (TFCs)	Unrated	AA	JCR-VIS	Unrated	AA+	JCR-VIS	23,761	44,061
Wateen Telecom Limited	Unrated	Unrated	-	-	-	-	8,673	-
Government Securities								
Pakistan Investment Bonds	-	-	-	Unrated	Unrated	-	539,612	419,448
Market Treasury Bills	-	-	-	Unrated	Unrated	-	12,548,887	8,695,609
							16,145,279	12,229,385

	Note	2010	2009
		Rupees in '000'	
10.12 Particulars of provision			
Opening balance		221,379	-
Charge for the year		216,950	224,207
Reversal during the year		(100,896)	(2,828)
Closing balance		337,433	221,379
10.13 Particulars of provision in respect of Type and Segment			
Available-for-sale securities			
Ordinary shares of listed companies		(187,433)	(171,379)
Sukuk Bonds		(150,000)	(50,000)
		(337,433)	(221,379)

	2010 Unrealized gain /(loss)	2009 Unrealized gain /(loss)
	Rupees in '000'	
10.14 Unrealized 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 Pakista	681	(390.00)
Pakistan Oilfield Limited	34	-
Pakistan Petroleum Limited	44	-
United Bank Limited	-	(1,728.00)
	874	(4,423)

11. ADVANCES

	Note	2010	2009
Loans, cash credits, running finances, etc. - in Pakistan		24,831,955	20,719,557
Net investment in finance lease - in Pakistan	11.2	294,822	142,388
Bills discounted and purchased (excluding Treasury Bills)			
Payable in Pakistan		642,311	97,064
Payable outside Pakistan		86,998	113,049
		729,309	210,113
Advances - gross		25,856,086	21,072,058
Provision against non-performing advances	11.3.1	(3,050,547)	(2,568,243)
Advances - net of provision		22,805,539	18,503,815

11.1 Particulars of advances

	2010	2009
11.1.1 In local currency	25,740,851	20,803,583
In foreign currencies	115,235	268,475
	25,856,086	21,072,058
11.1.2 Short Term (for upto one year)	18,948,325	16,235,600
Long Term (for over one year)	6,907,761	4,836,458
	25,856,086	21,072,058

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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	53,793	288,462	-	342,255	39,386	86,687	-	126,073
Residual value	-	49,921	-	49,921	-	45,922	-	45,922
Minimum lease payments	53,793	338,383	-	392,176	39,386	132,609	-	171,995
Financial charges for future periods	(30,669)	(66,685)	-	(97,354)	(18,312)	(11,295)	-	(29,607)
Present value of minimum lease payments	23,124	271,698	-	294,822	21,074	121,314	-	142,388

11.3 Advances include Rs. 5,307.244 million (2009 : Rs.5,016.836 million) which have been placed under non-performing status as detailed below: -

Category of Classification	2010 Classified Advances	2010 Provision Required	2010 Provision Held	2009 Classified Advances	2009 Provision Required	2009 Provision Held
	----------------------		Rupees in '000			----------------------
Substandard	1,151,593	204,321	204,321	383,045	37,559	37,559
Doubtful	668,774	241,869	241,869	1,693,502	572,411	572,411
Loss	3,486,878	2,603,861	2,603,861	2,940,289	1,958,273	1,958,273
	5,307,244	3,050,051	3,050,051	5,016,836	2,568,243	2,568,243

11.3.1 Particulars of provision against non-performing advances

	2010 Specific	2010 General	2010 Total	2009 Specific	2009 General	2009 Total
	----------------------		Rupees in '000'			----------------------
Opening balance	2,568,243	-	2,568,243	751,663	-	751,663
Charge for the year	1,084,791	496	1,085,287	2,018,268	-	2,018,268
Reversals	(602,983)	-	(602,983)	(201,688)	-	(201,688)
	481,808	496	482,304	1,816,580	-	1,816,580
Amount written off	-	-	-	-	-	-
Closing balance	3,050,051	496	3,050,547	2,568,243	-	2,568,243

11.3.2 Particulars of provisions against non-performing advances

	2010 Specific	2010 General	2010 Total	2009 Specific	2009 General	2009 Total
	----------------------		Rupees in '000'			----------------------
In local currency	3,050,051	496	3,050,547	2,568,243	-	2,568,243
In foreign currencies	-	-	-	-	-	-
	3,050,051	496	3,050,547	2,568,243	-	2,568,243

	Note	2010	2009
		Rupees in '000'	
11.4 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		311,727	224,477
Loans granted during the year		234,270	144,583
Repayments during the year		(102,542)	(57,333)
Balance at end of the year		443,455	311,727

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	Note	2010	2009
		Rupees in '000'	
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		1,346,178	930,458
Loans granted during the year		2,947,900	1,371,260
Repayments during the year		(3,549,612)	(955,540)
Balance at end of the year		744,466	1,346,178
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of the year		861	-
Loans granted during the year		-	414,355
Repayments during the year		(861)	(413,494)
Balance at end of the year		-	861
		1,187,921	1,658,766

12. OPERATING FIXED ASSETS

	Note	2010	2009
Capital work-in-progress	12.1	139,886	90,624
Property and equipment	12.2	1,505,014	1,417,849
Intangible assets	12.3	56,587	62,281
		1,701,487	1,570,754

12.1 Capital work-in-progress

	2010	2009
Civil works	121,596	84,691
Advances to suppliers and contractors	18,290	5,933
	139,886	90,624

12.2 Property and equipment

Category of Classification	2010 COST At January 01, 2010	Additions / (deletions) / * transfers	At December 31 2010	ACCUMULATED DEPRECIATION At January 01, 2010	For the year (on deletion)/ * transfer	At December 31 2010	Net Book value at December 31, 2010	Rate of depreciation %
	.... Rupees in '000'							
Leasehold Land	261,130	-	261,130	-	-	-	261,130	-
Building	497,538	114,567	612,105	38,539	25,815	64,354	547,751	5%
Building improvements	261,798	* 134,310	396,108	20,322	* 29,454	49,776	346,332	10%
Furniture and fixtures	75,816	* 35,057 (995)	109,878	7,485	* 8,465 (53)	15,897	93,981	10%
Electrical, office and computer equipment	297,071	* 112,814 (2,516)	407,369	96,466	* 71,220 (1,446)	166,240	241,129	20% - 25%
Vehicles	24,218	8,543 (3,354)	29,407	10,375	5,491 (1,150)	14,716	14,691	20%
Others	185,856	* (181,847) (4,009)	-	12,390	17,037 * (29,427)	-	-	10%
	1,603,427	405,291 (192,721)	1,815,997 -	185,577 -	157,482 (32,076)	310,983 -	1,505,014	

12.2.1 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs 3.858 million (2009: Rs 0.099 million).

* During the year, the Bank has transferred assets of Rs. 185.856 million having accumulated depreciation of Rs. 29.427 million, previously appearing in others, to proper categories of assets on receipt of details of refurbishment cost incurred on the rental premises at Arif Habib Center.

For comparative period

Category of Classification	2009 COST At January 01, 2009	Additions / (deletions) *	At December 31 2009	ACCUMULATED DEPRECIATION At January 01, 2009	For the year / period (on deletion)/	At December 31 2009	Net Book value at December 31, 2009	Rate of depreciation %
	.... Rupees in '000'							
Leasehold Land	88,030	173,100	261,130	-	-	-	261,130	-
Building	188,107	309,431	497,538	21,725	16,814	38,539	458,999	5%
Building improvements	68,777	193,021	261,798	6,706	13,616	20,322	241,476	10%
Furniture and fixtures	28,642	47,174	75,816	3,187	4,298	7,485	68,331	10%
Electrical, office and computer equipment	174,475	122,776	297,071	44,044	52,485	96,466	200,605	20% - 25%
		(180)			(63)			
Vehicles	19,114	5,271	24,218	5,671	4,782	10,375	13,843	20%
		(167)			(78)			
Others	-	185,856	185,856	-	12,390	12,390	173,466	10%
	567,145	1,036,629	1,603,427	81,334	104,385	185,577	1,417,849	
		(347)	-	-	(141)	-		

12.2.2 Disposal of property and equipment

Description	2010 Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	.... Rupees in '000'					
Furniture and fixtures						
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	995	53	942	770	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	1,086	374	712	264	Negotiation	Various
Generator	1,430	1,072	358	507	Negotiation	Generation School, Karachi
Vehicles						
Car	1,426	475	951	974	HR policy	Employee
Car	1,928	675	1,253	1,318	HR policy	Ex-Employee
	6,865	2,649	4,216	3,833		

12.3 Intangible assets

Category of Classification	2010							
	COST			ACCUMULATED AMORTIZATION			Net Book	
	At January 01, 2010	Additions	At December 31 2010	At January 01, 2010	For the year (on deletion)	At December 31 2010	value at December 31, 2010	Rate of amortization %
	.... Rupees in '000'							
Computer software	102,370	16,067	118,437	40,089	21,761	61,850	56,587	20%
	102,370	16,067	118,437	40,089	21,761	61,850	56,587	

Category of Classification	2009							
	COST			ACCUMULATED AMORTIZATION			Net Book	
	At January 01, 2009	Additions	At December 31 2009	As at January 01, 2009	For the year (on deletion)	As at December 31 2009	value at December 31, 2009	Rate of amortization %
	.... Rupees in '000'							
Computer software	92,918	9,452	102,370	20,541	19,548	40,089	62,281	20%
	92,918	9,452	102,370	20,541	19,548	40,089	62,281	

Summit Bank (Formerly Arif Habib Bank)

13. DEFERRED TAX ASSETS / (LIABILITIES) - NET

	Note	2010	2009
		Rupees in '000'	
Deferred debits arising in respect of:			
Deficit on revaluation of assets		81,876	6,214
Provision against non performing loans		397,794	298,183
Provision for gratuity		14,350	8,792
Provision for compensated absences		8,186	4,627
Unused tax losses		313,099	158,577
Provision for impairment losses		33,743	78,533
Minimum turn over tax		102,356	18,836
		951,404	573,762
Deferred credits arising due to			
Difference between accounting and tax written down values		(217,628)	(191,117)
Unrealised gain on revaluation of investments - held-for-trading		(153)	-
Deferred cost		(1,629)	(1,629)
		(219,410)	(192,746)
		731,994	381,016

The Bank has an aggregate amount of deferred tax asset of Rs. 731.994 million which represents management best estimate of the probable benefits expected to be realized in future years in the form of reduced tax liability as the Bank would be able to set off the profits earned in these years against losses carried forward and other timing differences relating to prior years.

14. OTHER ASSETS

	Note	2010	2009
Income / mark-up accrued in local currency		989,082	695,659
Income / mark-up accrued in foreign currency		585	783
Advances, deposits, advance rent and other prepayments		116,245	166,001
Non banking assets acquired in satisfaction of claims	14.1	567,714	214,762
Advance taxation - net of provision		39,617	85,000
Dividend receivable		-	488
Receivable from brokers - secured		40,002	12,267
Receivable from group companies		1,007	-
Deferred costs	14.2	4,974	13,344
Others		55,462	1,308
		1,814,688	1,189,612

		2010	2009
14.1	Market value of non banking assets acquired in satisfaction of claims	589,703	214,762
14.2	**Deferred costs - net**		
	Opening balance	13,344	21,714
	Incurred during the year	-	-
	Amortized during the year	(8,370)	(8,370)
	Closing balance	4,974	13,344

15. BILLS PAYABLE

	2010	2009
In Pakistan	154,327	213,209
Outside Pakistan	-	-
	154,327	213,209

	Note	2010	2009
		Rupees in '000'	

16. BORROWINGS

	Note	2010	2009
In Pakistan		2,835,611	1,554,801
Outside Pakistan		236	-
		2,835,847	1,554,801

16.1 Particulars of borrowings with respect to currencies

	Note	2010	2009
In local currency		2,835,611	1,554,801
In foreign currencies		236	-
		2,835,847	1,554,801

16.2 Details of borrowings secured / unsecured

	Note	2010	2009
Secured			
Borrowings from State Bank of Pakistan	16.3	1,740,618	1,066,970
Repurchase agreement borrowings	16.4	1,094,993	487,831
		2,835,611	1,554,801
Unsecured			
Overdrawn nostro accounts		236	-
		2,835,847	1,554,801

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 13.25% (2009 : 12.14%) per annum maturing upto January 13, 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

	Note	2010	2009
Customers			
Fixed deposits		17,232,741	16,927,613
Savings deposits		20,685,480	10,475,845
Current accounts - Non-remunerative		3,677,628	3,271,909
Margin accounts		654,063	616,006
		42,249,912	31,291,373
Financial institutions			
Non-remunerative deposits		45,049	16,115
		42,294,961	31,307,488

17.1 Particulars of deposits

	Note	2010	2009
In local currency		40,083,470	29,393,994
In foreign currencies		2,211,491	1,913,494
		42,294,961	31,307,488

18. OTHER LIABILITIES

	Note	2010	2009
Mark-up / return / interest payable in local currency		716,323	774,931
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		17,249	10,841
Provision for compensated absences		23,388	13,221
Payable to group companies		-	1,097
Accrued expenses		36,256	55,101
Unrealised loss on forward exchange contracts		3,342	1,499
Payable to defined benefit scheme	32	41,001	25,121
Security deposit against lease finance		50,418	45,922
Withholding tax payable		5,454	375
Others		63,908	52,442
		1,015,307	1,043,477

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	428,500,000	Fully paid in cash	4,285,000	4,285,000
21,500,000	21,500,000	Issued for consideration other than cash	215,000	215,000
50,000,000	50,000,000	Issued as bonus shares	500,000	500,000
500,000,000	500,000,000		5,000,000	5,000,000

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 regarding change in ownership during the year.

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

	2010	2009
	Rupees in '000'	
Avaialble-for-sale securities		
Federal Government Securities		
Market Treasury Bills	(14,791)	(2,735)
Pakistan Investment Bonds	(58,833)	(32,301)
Fully paid-up shares / units / certificates:		
Term finance certificates and sukuks bonds	(140,473)	(45,423)
Listed companies shares	(21,177)	57,576
Open end mutual funds units	1,342	4,015
Closed end mutual funds units	-	1,113
Total deficit on revaluation of securities	(233,932)	(17,755)
Related deferred tax asset	81,876	6,214
	(152,056)	(11,541)

21. CONTINGENCIES AND COMMITMENTS

21.1 Direct credit substitutes

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

	2010	2009
Government	-	-
Financial institutions	-	-
Others	-	-
	-	-

21.2 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:

	2010	2009
Government	10,044,220	8,676,394
Banking companies and other financial institutions	209,596	1,010,067
Others	2,692,103	1,631,136
	12,945,919	11,317,597

	Note	2010	2009
		Rupees in '000'	
21.3 Trade-related contingent liabilities			
Letter of credits		2,380,207	2,024,123
Acceptances		185,534	244,984
		2,565,741	2,269,107
21.4 Other contingencies - claims against bank not acknowledge as debt		2,568,716	1,465,217
21.5 Contingent asset			
There was no contingent assets as at December 31, 2010 (2009: Nil)			
21.6 Commitments in respect of forward lending			
Forward documentary bills		831,457	-
Commitments to extend credit		7,725,738	13,304,338
		8,557,195	13,304,338
21.7 Commitments in respect of forward exchange contracts			
Purchase		1,755,845	688,650
Sale		591,844	42,195
		2,347,689	730,845
21.8 Commitments for the acquisition of operating fixed assets			
Civil works (at branches)		66,047	67,266
21.9 Commitments in respect of underwriting agreements		-	28,000
21.10 Commitments in respect of purchase of TFCs		-	100,000
21.11 Commitments in respect of purchase of rupee traveller cheques		3,520	-

22. MARK-UP / RETURN / INTEREST EARNED

		2010	2009
a. On loans and advances to:			
Customers		2,957,828	2,248,971
Financial institutions		160,822	4,650
b. On investments in:			
Available-for-sale securities		1,405,083	1,183,077
c. On lending to financial institutions		48,977	77,665
		4,572,710	3,514,363

	Note	2010	2009
		Rupees in '000'	

23. MARK-UP / RETURN / INTEREST EXPENSED

	Note	2010	2009
Deposits and other accounts		3,171,642	2,715,142
Securities sold under repurchase agreements		302,148	125,519
Other short term borrowings		115,023	37,136
Swap cost on foreign currency transactions		88,467	69,121
		3,677,280	2,946,918

24. GAIN ON SALE OF SECURITIES - net

	Note	2010	2009
Federal Government Securities			
- Market Treasury Bills		1,567	13,118
- Pakistan Investment Bonds		404	1,256
Listed shares		93,200	36,542
Mutual Funds Units / Certificates		69,108	12,630
Term Finance Certificates		1,173	1,988
		165,452	65,534

25. OTHER INCOME

	Note	2010	2009
Bad debts recovered		-	303
Gain / (loss) on disposal of operating fixed assets		383	(30)
Others		21,130	12,343
		21,513	12,616

26. ADMINISTRATIVE EXPENSES

	Note	2010	2009
Salaries, allowances, etc.		519,160	486,561
Charge for defined benefit plan - gratuity	32.5	15,880	10,714
Contribution to defined contribution scheme		16,886	13,664
Non-executive directors' fees, allowances and other expenses		245	314
Brokerage and commission		5,560	5,665
Rent, taxes, insurance and electricity, etc.		265,745	213,190
Legal and professional		23,419	11,174
Fees and subscription		25,162	29,615
Repairs and maintenance		46,672	25,183
Communications		34,842	29,564
Stationery and printing		17,519	14,296
Advertisement and publicity		21,252	22,814
Traveling and conveyance		10,285	21,045
Education and training		2,449	1,491
Entertainment		10,128	8,479
Security services and charges		28,170	22,668
Auditors' remuneration	26.1	3,800	2,567
Depreciation	12.2	157,482	104,385
Amortization	12.3 & 14.2	30,132	27,918
Others		14,306	13,416
		1,249,094	1,064,723

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	Note	2010	2009
		Rupees in '000'	

26.1 Auditors' remuneration

Audit fee		1,700	700
Tax services		1,000	1,000
Certifications, half yearly review and sundry advisory services		950	720
Out of pocket expenses		150	147
		3,800	2,567

27. OTHER CHARGES

Penalties imposed by State Bank of Pakistan		4,336	9,057
Bank charges		5,091	3,238
Decline in market value of non banking assets		-	36
		9,427	12,331

28. TAXATION

28.1 For the year

Current		48,538	35,799
Deferred		(275,317)	(182,236)
		(226,779)	(146,437)
For prior year		-	(72,359)
		(226,779)	(218,796)

28.2 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. EARNINGS PER SHARE - BASIC AND DILUTED

		2010	2009
Loss for the year	**Rupees in '000'**	(322,697)	(2,066,790)
Weighted average number of ordinary shares		500,000,000	500,000,000
Earnings per share - Basic and diluted	**Rs.**	(0.65)	(4.13)

	Note	2010	2009
		Rupees in '000'	

30. CASH AND CASH EQUIVALENTS

Cash and balance with treasury banks	7	2,575,503	1,923,526
Balance with other banks	8	315,450	724,802
		2,890,953	2,648,328

	2010	2009
	Rupees in '000'	

31. STAFF STRENGTH

	2010	2009
Permanent	501	433
Contractual basis	164	182
Bank's own staff strength at end of the year	665	615
Outsourced	-	-
Total staff strength	665	615

32. DEFINED BENEFIT SCHEME

32.1 The benefits under the unfunded gratuity scheme 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".

32.2 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%

	2010	2009
	Rupees in '000'	

32.3 Reconciliation of liability recognised by the Bank

	2010	2009
Present value of defined benefit obligations	38,475	23,665
Net actuarial gains or losses not recognized	2,526	1,456
	41,001	25,121

32.4 Movement in liability recognised by the Bank

	2010	2009
Opening balance	25,121	14,407
Charge for the year	15,880	10,714
Closing balance	41,001	25,121

32.5 Charge for the year

	2010	2009
Current service cost	11,837	8,464
Interest cost	4,043	2,250
	15,880	10,714

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

33. 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% of basic salary. During the year employees made a contribution of Rs.16.886 million (2009 : Rs.13.664 million) to the fund. The Bank has also made a contribution of equal amount to the fund.

34. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
	.... Rupees in '000'					
Fees	-	-	245	314	-	-
Managerial remuneration	10,909	10,909	-	-	133,403	130,981
Charge for defined contribution plan	909	-	-	-	11,113	9,368
Rent and house maintenance	4,909	4,909	-	-	60,032	58,942
Utilities	1,091	1,091	-	-	13,340	13,098
Dearness allowance	1,819	909	-	-	22,238	11,217
Medical	1,091	1,091	-	-	13,340	13,098
Conveyance	-	-	-	-	23,046	16,031
Car allowance	-	-	-	-	25,380	27,210
Bonus	-	909	-	-	-	10,225
	20,728	19,818	245	314	301,892	290,170
Number of person(s)	1	1	2	2	152	116

34.1 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.

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

35. 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 40.4.4 and 40.5.1 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.

36. 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	Total
	.... Rupees in '000'					
2010						
Total income	10,001	1,847,066	673,814	2,546,449	8,249	5,085,579
Total expenses	2,716	812,476	1,839,989	2,975,737	4,137	5,635,055
Net income / (loss) before tax	7,285	1,034,590	(1,166,175)	(429,288)	4,112	(549,476)
Segment assets (Gross)	4,651	23,519,153	7,502,794	21,911,744	3,835	52,942,177
Segment non performing loans	-	-	1,859,256	3,447,988	-	5,307,244
Segment provision	-	-	981,136	2,069,411	-	3,050,547
Segment assets (Net)	4,651	23,519,153	6,521,658	19,842,333	3,835	49,891,630
Segment liabilities	515	1,171,011	10,257,171	34,717,100	154,645	46,300,442
Segment return on assets (ROA) (%)	156.64%	4.40%	(17.88)%	(2.16)%	107.23%	
Segment cost of funds (%)	-	69.38%	17.94%	8.57%	2.68%	

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Total
	.... Rupees in '000'					
2009						
Total income	23,120	1,306,860	206,406	2,171,577	2,089	3,710,052
Total expenses	13,157	568,628	1,532,463	3,881,140	250	5,995,638
Net income / (loss) before tax	9,963	738,232	(1,326,057)	(1,709,563)	1,839	(2,285,586)
Segment assets (Gross)	9,812	17,230,556	3,854,766	19,645,596	887	40,741,618
Segment non performing loans	-	-	1,780,655	3,236,181	-	5,016,836
Segment provision	-	-	760,795	1,807,448	-	2,568,243
Segment assets (Net)	9,812	17,230,556	3,093,971	17,838,148	887	38,173,375
Segment liabilities	1,372	565,872	5,723,562	27,614,835	213,334	34,118,975
Segment return on assets (ROA) (%)	101.54%	4.28%	(42.86)%	(9.58)%	207.33%	
Segment cost of funds (%)	-	3.30%	49.53%	21.76%	28.18%	

37. TRUST ACTIVITIES

The Bank is not engaged in any trust activities.

38. 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	Association/ related parties	Key management personnel	Association/ related parties
	.... Rupees in '000'			
Advances				
Balance at beginning of the year	98,817	1,347,039	103,694	930,458
Sanctioned / granted during the year	32,617	3,243,987	3,885	1,785,615
Payment received during the year	(36,642)	(4,549,327)	(8,762)	(1,369,034)
Balance at end of the year	94,792	41,699	98,817	1,347,039
Deposits				
Balance at beginning of the year	7,601	442,313	3,934	1,489,978
Deposits during the year	1,314,245	39,747,160	3,563,588	76,936,419
Withdrawal during the year	(1,237,401)	(39,851,104)	(3,559,921)	(77,984,084)
Balance at end of the year	84,445	338,369	7,601	442,313
Investment in shares / TFC's				
Thatta Cement Company Limited	-	-	-	112,773
Lending to financial institutions	-	3,463,634	-	-
Advance rent	-	-	-	6,125
Purchase of assets (note 12.2.1)	-	-	-	185,856
Guarantees, letters of credits and acceptances	-	230,121	-	161,383
Contribution paid to the provident fund	-	16,886	-	13,664
Other receivable	-	40,864	-	-
Other payable	-	8,682	-	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	-	14	-	-
Brokerage expenses paid - equity securities	-	-	-	1,693
Rent Expense	-	-	-	15,816
Mark up earned	4776	161,536	8,228	157,561
Capital gain/(Loss)	-	24,787	-	5,592
Dividend income	-	9,671	-	17,900
Mark up expensed	896	69,443	6,523	97,084
Mark up paid	789	43,134	2,981	100,982

39. CAPITAL ADEQUACY

39.1 Scope of applications

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

39.2 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 II 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.

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

	2010	2009
	Rupees in '000'	
Tier I Capital		
Shareholders equity /Assigned capital	5,000,000	5,000,000
Share premium	1,000,000	1,000,000
Reserves	64,828	64,828
Unappropriated / unremitted profits (Net of losses)	(2,321,584)	(1,998,887)
Less: Intangible assets	(56,587)	(62,281)
Deficit on revaluation of investments in available-for-sale securities	(233,932)	(17,755)
Total Tier I Capital	3,452,725	3,985,905
Tier II Capital		
Subordinated debt (upto 50% of total Tier 1 Capital)	-	-
General provisions subject to 1.25% of Total Risk Weighted Assets	496	-
Revaluation Reserve (upto 45%)	-	-
Total Tier II Capital	496	-
Eligible Tier III Capital	-	-
Total Regulatory Capital Base	**3,453,221**	**3,985,905**

39.3 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-à-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. 3.743 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 10.39% (2009: 12.39%) 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.	2,437,129	24,371,286	2,284,449	22,844,488
Retail	24,421	244,206	33,192	331,924
Financial Institutions	78,965	789,651	27,611	276,112
Others	316,421	3,164,214	242,638	2,426,381

	2010		2009	
	Capital requirements	Risk weighted assets	Capital requirements	Risk weighted assets
	Rupees in '000'		Rupees in '000'	
Portfolios subject to Internal Rating Based (IRB) approach				
Corporate,	-	-	-	-
Sovereign ,	-	-	-	-
Retail ,	-	-	-	-
Securitization etc.	-	-	-	-
Equity exposure risk in the banking book				
Equity portfolio subject to market-based approaches				
Under simple risk weight method	-	-	-	-
Under Internal models approach	-	-	-	-
Equity portfolio subject to PD / LGD				
Market risk				
Capital requirement for portfolios subject to				
Standardized approach				
Interest rate risk	58,495	731,183	187,905	2,348,812
Equity position risk etc.	188,205	2,352,560	156,685	1,958,560
Foreign exchange risk etc.	6,645	83,063	28,559	356,987
Capital requirement for portfolios subject to Internal models approach				
Interest rate risk	-	-	-	-
Foreign exchange risk etc.	-	-	-	-
Operational risk	118,895	1,486,200	129,828	1,622,851
Capital requirement for operational risks	**3,229,176**	**33,222,363**	**3,090,867**	**32,166,115**
Capital Adequacy Ratio				
Total eligible regulatory capital held		3,453,221		3,985,905
Total risk weighted assets		33,222,363		32,166,115
Capital Adequacy Ratio (a) / (b)		**10.39%**		**12.39%**

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

The Risk Management is headed by a 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 reports.

40.1 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 asses 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.

40.1.1 Segmental information

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

40.1.1.1 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	-	0.00	518	0.00	277,249	0.92
Mining and Quarrying	34,515	0.13	69,937	0.17	15,580	0.05
Textile	2,506,782	9.70	208,272	0.49	912,738	3.04
Chemical and Pharmaceuticals	1,413,618	5.47	252,954	0.60	828,899	2.76
Cement	559,426	2.16	46	0.00	239,671	0.80
Sugar	973,500	3.77	662	0.00	696,500	2.32
Footwear and Leather garments	97,454	0.38	3,172	0.01	33,082	0.11
Automobile and transportation equipment	56,862	0.22	6,166	0.01	21,835	0.07
Electronic and electrical appliances	103,235	0.40	5,952	0.01	1,990,768	6.62
Construction	1,771,939	6.85	679,843	1.61	461,479	1.53
Power (electricity), Gas, Water, Sanitary	4,502,250	17.41	3,337,038	7.89	9,305,068	30.94
Wholesale and Retail Trade	2,829,368	10.94	36,950	0.09	177,526	0.59
Exports/Imports	844,353	3.27	119,611	0.28	190,652	0.63
Transport, Storage and Communication	163,043	0.63	1,112,185	2.63	1,119,063	3.72
Financial	2,225,619	8.61	11,600,767	27.43	8,779,520	29.19
Services	722,603	2.79	510,480	1.21	593,205	1.97
Individuals	2,996,755	11.59	10,080,743	23.83	2,303,541	7.66
Others	4,054,764	15.68	14,269,665	33.74	2,127,181	7.07
	25,856,086	100.00	42,294,961	100.00	30,073,557	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	0.03
Mining and Quarrying	-	0.00	59,326	0.19	285,000	0.97
Textile	2,056,919	9.76	229,575	0.73	1,303,325	4.43
Chemical and Pharmaceuticals	1,261,500	5.99	72,526	0.23	583,701	1.98
Cement	650,791	3.09	1,531	0.00	287,758	0.98
Sugar	354,955	1.68	32,215	0.10	710,045	2.41
Footwear and Leather garments	77,196	0.37	3,869	0.01	34,770	0.12
Automobile and transportation equipment	54,686	0.26	6,848	0.02	28,214	0.10
Electronic and electrical appliances	136,985	0.65	3,295	0.01	144,425	0.49
Construction	1,565,126	7.43	403,191	1.29	3,076,283	10.45
Power (electricity), Gas, Water, Sanitary	3,002,252	14.25	5,513,892	17.61	10,771,638	36.60
Wholesale and Retail Trade	2,290,846	10.87	37,978	0.12	275,584	0.94
Exports/Imports	765,384	3.63	89,882	0.29	418,710	1.42
Transport, Storage and Communication	923,986	4.38	1,735,146	5.54	1,574,024	5.35
Financial	3,062,132	14.53	927,156	2.96	5,523,560	18.77
Services	447,140	2.12	665,977	2.13	1,365,862	4.64
Individuals	3,424,654	16.25	6,884,657	21.99	1,265,220	4.30
Others	997,506	4.73	14,640,117	46.76	1,776,497	6.04
	21,072,058	100.00	31,307,488	100.00	29,434,616	100.00

40.1.1.2 Segment by sector

	2010					
Public / Government	1,019,936	3.94	32,210,515	76.16	1,683,817	5.60
Private	24,836,150	96.06	10,084,446	23.84	28,389,740	94.40
	25,856,086	100.00	42,294,961	100.00	30,073,557	100.00

	2009					
Public / Government	1,019,936	4.84	11,299,128	36.09	1,683,817	5.72
Private	20,052,122	95.16	20,008,360	63.91	27,750,799	94.28
	21,072,058	100.00	31,307,488	100.00	29,434,616	100.00

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

	2010		2009	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees in '000'		Rupees in '000'	
Textile	486,571	123,010	202,322	185,156
Chemical and Pharmaceuticals	-	-	-	-
Automobile and transportation equipment	-	-	-	-
Electronic and electrical appliances	52,710	24,825	115,334	61,929
Construction	112,722	37,500	431,914	57,364
Power (electricity), Gas, Water, Sanitary	199,008	199,008	199,007	99,504
Wholesale and retail trade	296,862	238,673	54,452	6,686
Exports/Imports	390,230	125,689	19,248	19,248
Financial	1,599,644	1,165,182	2,046,394	1,212,956
Services	134,018	134,018	164,021	164,021
Individuals	1,932,817	980,640	1,780,655	759,167
Others	102,662	21,506	3,489	2,212
	5,307,244	3,050,051	5,016,836	2,568,243

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

Public/ Government	-	-	-	-
Private	5,307,244	3,050,046	5,016,836	2,568,243
	5,307,244	3,050,046	5,016,836	2,568,243

40.1.1.5 Geographical Segment Analysis

	Loss Before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	.... Rupees in '000'			
2010				
Pakistan	(549,476)	49,891,630	3,591,188	30,073,557
2009				
Pakistan	(2,285,586)	38,173,375	4,054,400	29,434,616

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.

40.2 Credit Risk - General disclosure Basel II specific

40.2.1 Credit Risk - General disclosures

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

40.2.1.1 **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 AA+ AA AA-	Aaa Aa1 Aa2 Aa3	AAA AA+ AA AA-	AAA AA+ AA AA-	AAA AA+ AA AA-	0 1
2	A+ A A-	A1 A2 A3	A+ A A-	A+ A A-	A+ A A-	2
3	BBB+ BBB BBB-	Baa1 Baa2 Baa3	BBB+ BBB BBB-	BBB+ BBB BBB-	BBB+ BBB BBB-	3
4	BB+ BB BB-	Ba1 Ba2 Ba3	BB+ BB BB-	BB+ BB BB-	BB+ BB BB-	4
5	B+ B B-	B1 B2 B3	B+ B B-	B+ B B-	B+ B B-	5 6
6	CCC+ and below	Caa1 and belowCC	CCC+ and below	CCC CC C	CCC CC C D	7

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	-	-	-	-	-
Securitizations	-	-	-	-	-
Others	-	-	-	Yes	Yes

		-----2010-----			-----2009-----		
Exposure	**Rating category**	**Amount outstanding**	**Deduction CRM**	**Net amount**	**Amount outstanding**	**Deduction CRM**	**Net amount**
		.... Rupees in '000'					
Corporate	20%	1,354,172	-	270,834	1,352,292	-	270,458
	50%	3,211,197	(1,936,497)	637,350	788,950	-	394,475
	100%	-	-	-	-	-	-
	unrated	17,937,357	(891,769)	17,045,588	13,886,092	(1,459,660)	12,426,432
Retail	75%	219,192	(49,206)	127,490	347,338	(14,961)	249,283
				-			
Past due Loan	150%	721,208	-	1,081,812	674,002	(291,957)	573,068
	100%	1,075,612	-	1,075,612	1,197,021	291,957	1,488,978
	50%	510,380	-	255,190	577,570	-	288,785
				-			
Bank	20%	3,635,498	(238,907)	679,318	2,122,621	(1,147,054)	195,113
	50%	105,454	-	52,727	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%	536,346	-	-	342,272	-	-
	35%	333,475	-	116,716	236,121	-	82,642
	100%	3,164,214	-	3,164,214	2,382,660	-	2,382,660
		34,914,550	(3,116,379)	24,564,457	25,524,740	(2,621,675)	18,375,540

40.2.1.2 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.

40.3 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 associates	Held for trading	Available for sale	Investment in associates
	.... Rupees in '000'					
Equity Investments						
- Publicly Traded	36,714	838,184	-	103,875	870,469	-
Mutual Funds	-	301,342	-	-	173,372	-
Total Value	36,714	1,139,526	-	103,875	1,043,841	-

The cumulative realized gain arose of Rs. 162.308 million (2009: 49.172 million) from sale of equity securities; however unrealized loss of Rs. 233.932 million (2009: 17.755 million) was recognized in the balance sheet in respect of "AFS" securities.

40.4 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.

40.4.1 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).

40.4.2 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.
- Identify warming and stress zones for mismatch gaps.
- Usage of different tools to manage the inherent risk of product and market, such as compliance of credit limit, monitoring of foreign exchange exposure limit, review of mark to market portfolio and safe settlement, etc.

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

	2010			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	.... Rupees in '000'			
Pakistan rupee	48,913,243	44,088,715	1,164,001	5,988,529
United States dollar	739,002	1,762,256	(964,671)	(1,987,926)
Great Britain pound	92,513	215,643	(122,663)	(245,793)
Japanese yen	462	-	-	462
Euro	114,628	193,057	(76,667)	(155,096)
Other currencies	31,782	40,770	-	(8,988)
	49,891,630	46,300,442	-	3,591,188

	2009			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	.... Rupees in '000'			
Pakistan rupee	36,722,046	32,205,275	634,374	5,151,145
United States dollar	1,383,145	1,834,433	(622,292)	(1,073,580)
Great Britain pound	37,813	38,603	-	(790)
Japanese yen	299	-	-	299
Euro	28,859	40,664	(12,082)	(23,887)
Other currencies	1,213	-	-	1,213
	38,173,375	34,118,975	-	4,054,400

40.4.3 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.

Summit Bank (Formerly Arif Habib Bank)

40.4.4 Mismatch of Interest Rate Sensitive Assets and Liabilities

	Effective Yield/ Interest rate	2010										
			Exposed to yield / Interest risk									Non-interest bearing financial instruments
		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	-	2,575,503	7,690	-	-	-	-	-	-	-	-	2,567,813
Balances with other banks	-	315,450	-	-	-	-	-	-	-	-	-	315,450
Lending to financial institutions	13.5% to 14.25%	3,463,634	3,463,634	-	-	-	-	-	-	-	-	-
Investments	8% to 16.09%	16,483,335	4,391,290	2,388,033	6,785,599	506,254	168,782	256,288	406,133	372,889	-	1,208,067
Advances	3% to 26%	22,805,539	4,623,746	2,788,636	5,303,346	7,358,817	1,097,098	570,474	470,823	258,130	290,713	43,755
Other assets	-	1,030,676	-	-	-	-	-	-	-	-	-	1,030,676
		46,674,137	12,486,360	5,176,670	12,088,945	7,865,071	1,265,880	826,762	876,956	631,019	290,713	5,165,761
Liabilities												
Bills payable	-	154,327	-	-	-	-	-	-	-	-	-	154,327
Borrowings	8.5% to 13.25%	2,835,847	1,174,729	1,036,050	625,068	-	-	-	-	-	-	-
Deposits and other accounts	1.5% to 16%	42,294,961	9,012,784	14,351,458	9,256,822	4,857,601	323,524	113,962	2,860	-	-	4,375,951
Other liabilities	-	878,214	-	-	-	-	-	-	-	-	-	878,214
		46,163,349	10,187,513	15,387,508	9,881,890	4,857,601	323,524	113,962	2,860	-	-	5,408,492
On-balance sheet gap		510,788	2,298,847	(10,210,838)	2,207,055	3,007,470	942,357	712,800	874,096	631,019	290,713	(242,730
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		510,788	2,298,847	(10,210,838)	2,207,055	3,007,470	942,357	712,800	874,096	631,019	290,713	
Cumulative Yield/Interest Risk Sensitivity Gap			2,298,847	(7,911,991)	(5,704,936)	(2,697,466)	1,755,110)	(1,042,310)	(168,214)	462,805	753,518	

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

	2010 Rupees '000
Total financial assets as per note 40.4.4	46,674,137
Add Non Financial Assets	
Operating fixed assets	1,701,487
Deferred tax assets	731,994
Other assets	784,012
Total assets as per Statement of Financial Position	49,891,630
Total financial liabilities as per note 40.4.4	46,163,349
Add Non Financial Liabilities	
Other liabilities	137,093
Total liabilities as per Statement of Financial Position	46,300,442

	Effective Yield/ Interest rate	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-interest bearing financial instruments
		2009										
			Exposed to yield / Interest risk									
		.... Rupees in '000'										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	1,923,526	303,270	-	-	-	-	-	-	-	-	1,620,256
Balances with other banks	-	724,802	-	-	-	-	-	-	-	-	-	724,802
Lending to financial institutions	12.15% to 12.40%	1,433,817	1,433,817	-	-	-	-	-	-	-	-	-
Investments	8% to 15.60%	12,446,033	79,475	3,465,165	2,180,661	3,111,258	1,446,237	267,744	639,663	276,533	-	979,297
Advances	7.50% to 20%	18,503,815	6,153,519	1,916,869	3,129,385	2,352,675	3,453,753	532,620	468,421	455,872	-	40,701
Other assets	-	709,197	-	-	-	-	-	-	-	-	-	1,189,612
		35,741,190	7,970,081	5,382,034	5,310,046	5,463,933	4,899,990	800,364	1,108,084	732,405	-	4,554,668
Liabilities												
Bills payable	-	213,209	213,209	-	-	-	-	-	-	-	-	-
Borrowings	6.5% to 12.14%	1,554,801	487,831	596,520	466,600	3,850	-	-	-	-	-	-
Deposits and other accounts	0.5% to 15%	31,307,488	11,611,698	4,503,817	726,196	10,345,170	58,865	110,354	47,356	-	-	3,904,032
Other liabilities	-	951,194	-	-	-	-	-	-	-	-	-	1,043,477
		34,026,692	12,312,738	5,100,337	1,192,796	10,349,020	58,865	110,354	47,356	-	-	4,947,509
On-balance sheet gap		1,714,498	(4,342,657)	281,697	4,117,250	(4,885,087)	4,841,125	690,010	1,060,728	732,405	-	(392,841)
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		16,064,565	9,907,667	381,440	4,117,250	(4,885,087)	4,841,125	690,010	1,060,728	732,405	-	
Cumulative Yield/Interest Risk Sensitivity Gap			9,907,667	10,289,107	14,406,357	9,521,270	14,362,395	15,052,405	16,113,133	16,845,538	16,845,538	

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

	2009 Rupees '000
Total financial assets as per note 40.4.4	35,741,190
Add Non Financial Assets	
Operating fixed assets	1,570,754
Deferred tax assets	381,016
Other assets	480,415
Total assets as per Statement of Financial Position	38,173,375
Total financial liabilities as per note 40.4.4	34,026,692
Add Non Financial Liabilities	
Other liabilities	92,283
Total liabilities as per Statement of Financial Position	34,118,975

40.5 Liquidity risk

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

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

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

40.5.1 Maturities of Assets and Liabilities

	2010									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	.... Rupees in '000'									
Assets										
Cash and balances with treasury banks	2,575,503	2,575,503	-	-	-	-	-	-	-	-
Balances with other banks	315,450	315,450	-	-	-	-	-	-	-	-
Lending to financial institutions	3,463,634	3,463,634	-	-	-	-	-	-	-	-
Investments	16,483,335	4,391,290	2,424,747	6,785,599	506,254	1,340,136	256,288	406,133	372,889	-
Advances	22,805,539	4,625,369	2,791,802	5,308,063	7,367,653	1,110,737	578,939	473,771	258,496	290,710
Other assets	1,814,688	1,814,688	-	-	-	-	-	-	-	-
Operating fixed assets	1,701,487	156,419	33,067	49,601	99,202	177,373	143,219	199,447	340,347	502,812
Deferred tax assets	731,994	-	-	-	-	731,994	-	-	-	-
	49,891,630	17,342,353	5,249,615	12,143,262	7,973,108	3,360,240	978,445	1,079,351	971,732	793,522
Liabilities										
Bills payable	154,327	154,327	-	-	-	-	-	-	-	-
Borrowings	2,835,847	1,174,729	1,036,050	625,068	-	-	-	-	-	-
Deposits and other accounts	42,294,961	10,325,570	16,101,838	10,569,607	4,857,601	323,524	113,962	2,860	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,015,307	1,015,307	-	-	-	-	-	-	-	-
	46,300,442	12,669,932	17,137,888	11,194,675	4,857,601	323,524	113,962	2,860	-	-
Net assets	3,591,188	4,672,421	(11,888,273)	948,588	3,115,507	3,036,717	864,483	1,076,491	971,732	793,522
Share capital	5,000,000									
Reserves	1,064,828									
Accumulated loss	(2,321,584)									
Deficit on revaluation of assets - net	(152,056)									
	3,591,188									

	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 banks	1,923,526	1,923,526	-	-	-	-	-	-	-	-
Balances with other banks	724,802	724,802	-	-	-	-	-	-	-	-
Lending to financial institutions	1,433,817	1,433,817	-	-	-	-	-	-	-	-
Investments	12,446,033	79,474	3,569,040	2,180,662	3,873,908	1,446,237	267,744	639,663	389,305	-
Advances	18,503,815	6,153,520	1,919,293	3,133,020	2,359,946	3,467,721	541,247	471,025	458,043	-
Other assets	1,189,612	810,036	29,062	43,593	301,948	4,973	-	-	-	-
Operating fixed assets	1,570,754	13,796	27,592	41,388	173,400	165,551	165,551	166,193	345,922	471,361
Deferred tax assets	381,016	-	-	-	-	38,102	76,203	114,305	152,406	-
	38,173,375	11,138,971	5,544,987	5,398,663	6,709,202	5,122,584	1,050,745	1,391,186	1,345,676	471,361
Liabilities										
Bills payable	213,209	213,209	-	-	-	-	-	-	-	-
Borrowings	1,554,801	487,831	596,520	466,600	3,850	-	-	-	-	-
Deposits and other accounts	31,307,488	15,515,730	4,503,817	726,196	10,345,170	58,865	110,354	47,356	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,043,477	1,043,477	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	34,118,975	17,260,247	5,100,337	1,192,796	10,349,020	58,865	110,354	47,356	-	-
Net assets	4,054,400	(6,121,276)	444,650	4,205,867	(3,639,818)	5,063,719	940,391	1,343,830	1,345,676	471,361
Share capital	5,000,000									
Reserves	1,064,828									
Unappropriated profit	(1,998,887)									
Deficit on revaluation of assets - net	(11,541)									
	4,054,400									

40.6 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.

Summit Bank (Formerly Arif Habib Bank)

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.

41. DATE OF AUTHORIZATION FOR ISSUE

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

42. 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	Dircetor	Dircetor	Dircetor

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2008

S. No.	Name and address of the borrower	Name of individuals/ partners/directors (with NIC No.)	Father's/ Husband's name	Outstanding Liabilities at beginning of year				Principal written-off	Interest/ Mark-up written-off	Other fin-ancial relief provided	Total (9+10+11)
				Principal	Interest/ Mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
				.... Rupees in '000'							
			TOTAL:	0	0	-	0	0	0	-	0

DIRECTORS' REPORT ON AMALGAMATED FINANCIAL STATEMENT

On behalf of the Board of Directors of Summit Bank Limited (formerly Arif Habib Bank Limited) "the Bank", I am pleased to present the amalgamated financial statements of the Summit Bank Limited together with the Auditors' Report thereon for the year ended December 31, 2010.

Financials

The amalgamated financials of the Bank for the year ended December 31, 2010 are summarized as follows:

	2010 Rs'000	2009 Rs'000
Operating Loss before provision and taxation	**(1,195,369)**	**(1,907,608)**
Provisions	(2,680,076)	(3,105,061)
Loss before taxation	**(3,875,445)**	**(5,102,669)**
Reversal of provision for taxation	857,072	1,242,770
Loss after taxation	**(3,018,373)**	**(3,769,899)**
Accumulated profit / (loss) brought forward	(5,033,926)	(1,514,027)
	(8,052,299)	(5,283,926)
Appropriations:		
Merger reserve adjustment / transfer from general reserve	5,730,715	250,000
Accumulated loss carried forward	**(2,321,584)**	**(5,033,926)**
Loss per share - Basic and diluted (Rupees)	**(4.16)**	**(5.20)**

Pattern of Shareholdings

The pattern of shareholding as at December 31, 2010 is annexed with the financials statements of Summit Bank Limited.

For and on the behalf of the Board of Directors

Hussain Lawai
President and Chief Executive

Karachi
Dated: Februray 28, 2011

Summit Bank (Formerly Arif Habib Bank)

AUDITORS' REPORT TO THE MEMBERS ON AMALGAMATED FINANCIAL STATEMENTS

We have audited the annexed unconsolidated statement of financial position of SUMMIT BANK LIMITED (formerly Arif Habib Bank Limited,) - (the Bank) after amalgamation of Atlas Bank Limited as close of business at December 31, 2010 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement, and statement of changes in equity , together with the notes forming part thereof (here-in-after referred to as the financial statements) for the year then ended, in which are incorporated the unaudited certified returns from branches except for seven branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit. These financial statements include unaudited certified returns from 40 branches of Atlas Bank Limited for the year ended December 31, 2010 except for five branches audited by its auditors. The financial statments of Atlas Bank Limited for the year ended December 31, 2010 were audited by another firm of chartered accountants, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for Atlas Bank Limited is based solely on the repor tof the other auditors.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LV1I of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements.

We believe that our audit provides a reasonable basis for our opinion and after due verification, which in case of loans and advances covered more than 60 percent of the total loan and advacnes of the Bank, we report that:

a. in our opinion proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984);

b. in our opinion:

   i. the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii. the expenditure incurred during the year was for the purpose of the Bank's business; and

   iii. the business conducted, investments made and the expenditures incurred during the year were in accordance with the objects of the Bank and the transactions of' the Bank which have come to our notice have been within the powers of the Bank;

c. in our opinion and to the best of our information and according to the explanations given to us the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of comprehensive income, statement of changes in equity and together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2010 and its true balance of the loss, its total comprehensive loss, its cash flows and changes in equity for the year then ended; and

d. in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance,

Without qualifying our opinion, we draw attention to note 1.5 to the financial statements which fully explains matters regarding Bank's minimum capital requirements, proposed merger with another commercial bank subsequent to the year end and injection of further capital (debt and equity) of' Rs. 2.9 billion. The Bank has applied for relaxation to SBP from the requisite capital requirement till March 31, 2011.

Chartered Accountants

Karachi
Dated: Februray 28, 2011

Summit Bank (Formerly Arif Habib Bank)

AMALGAMATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2010

	Note	2010	2009
		Rupees in '000'	
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		3,373,262	6,536,460
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)
		3,373,262	6,536,460
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 (Formerly Arif Habib Bank)

AMALGAMATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	2010	2009
		Rupees in '000'	
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		968,489	766,047
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)
		(2,330,522)	(2,953,602)
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		581,697	313,978
		(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		(3,095,109)	(3,139,092)
		(3,875,445)	(5,012,669)
Extra ordinary / unusual items		-	-
LOSS BEFORE TAXATION		(3,875,445)	(5,012,669)
Taxation	29		
Current		(78,637)	(56,134
Prior years		-	71,542
Deferred		935,709	1,227,362
		857,072	1,242,770
LOSS AFTER TAXATION		(3,018,373)	(3,769,899)
Basic earnings per share (Rupees) - Basic and diluted	30	(4.16)	(5.20)

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

President and Chief Executive	Director	Director	Director

Summit Bank (Formerly Arif Habib Bank)

AMALGAMATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	2010	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	Director	Director	Director

Summit Bank (Formerly Arif Habib Bank)

AMALGAMATED CASH FLOW SATATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	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	31	4,385,798	4,323,112

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

President and Chief Executive   Director   Director   Director

Summit Bank (Formerly Arif Habib Bank)

AMALGAMATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2010

	Capital Reserves					Revenue reserves		
	Share capital	Share premium	Statutory reserve	Merger reserve (note 4.4)	Others (note 11.3.1)	General reserve	Accumulated loss	Total
	<------------------	--------	-- 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
Adjustment 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 | Director | Director | Director

AMALGAMATED NOTES TO THE FINANCIAL STATEMENTS

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 exchanges 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 amalgamtion 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 amalagation contemplated by the Scheme, the Bank shall issue 225,065,982 ordinary shares to the shareholders of ATBLat 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.

Summit Bank (Formerly Arif Habib Bank)

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 APPLICATON 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 form 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 excudes 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, depeciation 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 is 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. Intangibale 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 chart from the month the assets are available for use at the rate stated in note 12.3 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 lifes are stated at acquisition cost less impairmant 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.

(a) Funded plan

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 uniform 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 basis.

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, IP 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 indludes 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 cusotmers.

- **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).

	Note	2010	2009
		Rupees in '000'	
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
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
		4,047,554	3,500,619

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).

	Note	2010	2009
		Rupees in '000'	
8. BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		11,524	9,394
Outside Pakistan			
On current accounts		326,720	813,099
		338,244	822,493
9. LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings (Reverse Repo)	9.2	-	2,247,255
Letter of placement		-	50,000
		-	2,297,255
Less: Provision held against letter of placement	9.3	-	(25,000)
		-	2,272,255
9.1 Particulars of lendings			
In local currency		-	2,297,255
In foreign currencies		-	-
		-	2,297,255

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
	-	-	-	2,247,255	-	2,247,255

	Note	2010	2009
		Rupees in '000'	
9.3 Particulars of provision held against letter of placement			
Opening balance		25,000	-
(Reversal) / Charge for the year		(25,000)	25,000
Closing balance		-	25,000

10. INVESTMENTS

10.1 Investments by types:

	Note	December 31, 2010 Held by Bank	December 31, 2010 Given as collateral	December 31, 2010 Total	December 31, 2009 Held by Bank	December 31, 2009 Given as collateral	December 31, 2009 Total
		< ----------		Rupees in '000'			---------->
Held-for-trading securities							
Listed ordinary shares	10.3	35,840	-	35,840	108,298	-	108,298
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	10.6	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
Subsidiary							
Unlisted ordinary shares - Summit Capital (Pvt) Limited (formerly Atlas Capital market (Pvt) Limited	10.5	396,942	-	396,942	396,942	-	396,942
Investment at cost		19,426,067	1,914,948	21,341,015	17,423,749	532,804	17,956,553
Less: Provision for diminution in value of investments	10.12	(500,060)	-	(500,060)	(611,872)	-	(611,872)
Investments - net of provisions		18,926,007	1,914.948	20,840,955	16,811,877	532,804	17,344,681
Unrealized loss on held-for-trading securities	10.14	874	-	874	(4,423)	-	(4,423)
Deficit on revaluation of available-for-sale securities	21	(339,084)	(1,446)	(340,530)	(127,120)	(3,717)	(130,837)
Total investments at market value		18,587,797	1,913,502	20,501,299	16,680,334	529,087	17,209,421

Summit Bank (Formerly Arif Habib Bank)

	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	10.6	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	10.12	(500,060)	(611,872)
Investments - net of provisions		20,840,955	17,344,681
Unrealized (gain) / loss on revaluation of securities - held for trading	10.14	874	(4,423)
Deficit on revaluation of securities - available for sale	21	(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 2010	Number of shares held 2009	Paid-up value per share	Total nominal value 2010 (Rupees in '000')	Total nominal value 2009 (Rupees in '000')
Agritech Limited (formerly Pak American Fertlizer 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

	Number of shares held		Paid-up value	Total nominal value	
	2010	2009	per share	2010	2009
Name of companies				Rupees in '000'	
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
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 : 6.22% 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

	Number of shares held		Paid-up value per share	Total nominal value	
	2010	2009		2010	2009
				Rupees in '000'	
Subsidiaries					
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 Ececutive Officer: Mr.S.Faiq Hussain Percentage holding 33% (2009:Nill) Net asset value per share was Rs. 5.99 at December 31, 2010	5,314,286	-	10	53,143	-
Others					
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 33 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

	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	3,315	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 Name of Chief Executive: Mr. Asad Umar	AA'	1.55% above 6 months KIBOR	Semi-annually	100,000	100,000
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
Al - 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	-	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
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

Name of companies	Markup: Rating	Markup: Rate	Markup: Repayment	Total nominal value 2010	Total nominal value 2009
				Rupees in '000'	
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
Al 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 and 15.75% per annum as ceiling.	Semi-annually	10,000	10,000
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
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

Name of companies	Rating	Markup Rate	Repayment	Total nominal value 2010	2009
				Rupees in '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) NIL (2009: 10,000) certificates Name of Chief Executive: Mr. Badar Kazmi	'AAA'	1.75% above 6 months KIBOR.	Semi-annually	-	50,000
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
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 incase of investment in term finance certificates. Wherever rating of instrument is not available or incase 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-'	1.75% above 6 months KIBOR	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

Name of companies	Markup Rating	Markup Rate	Markup Repayment	Total nominal value 2010	Total nominal value 2009
				Rupees in '000'	
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 Mr. Tanveer Safder Cheema	Unrated	0.23% above 6 months KIBOR	Semi-annually	333,335	333,335
Avari Hotels Limited 5,000 (2009: 5,000) certificates Maturity date: Nov 1, 2016 Name of Chief Executive Officer Mr. Byram D. Avari	'A-'	3.25% over 6 months KIBOR.	Semi-annually	25,000	25,000
Bunnys Limited 10,000 (2009: 10,000) certificates Maturity date: Nov 30, 2013 Name of Chief Executive Officer Ch. Haroon Shafiq	Unrated	2.5% over 6 months KIBOR.	Semi-annually	50,000	50,000
Flying Board & Paper Products Ltd 5,000 (2009: nil) certificates Maturity date: July 20, 2014 Name of Chief Executive Officer Mr. Bader Mehmood	Unrated	1.5% over 6 months KIBOR.	Semi-annually	25,000	-
Gharibwal Cement Limited 5,000 (2009: 5,000) certificates Maturity date: July 17, 2011 Name of Chief Executive Officer Mr. Tousif Paracha	Unrated	3% above 6 months KIBOR.	Semi-annually	25,000	25,000
Security Leasing Corporation Limited 2,000 (2009: 2,000) certificates Maturity date: March 28, 2011 Name of Chief Executive Officer Mr. Mohd. Khalid Ali	Unrated	1-18th month - 3% cash + 3% accrual19th month onwards 1 month KIBOR.	Monthly	10,000	10,000
Grays Leasing Limited 1,800 (2009: 2,000) certificates Maturity date: Jan 10, 2012 Name of Chief Executive Officer Mr. Abdul Rashid Mir	A-	2.50% over 6 months KIBOR.	Monthly	9,000	10,000

Name of companies	Rating	Markup rate	Repayment	Total nominal value 2010	2009
				Rupees in '000'	
Kashf Foundation Nil (2009: 5,000) certificates Maturity date: March 15, 2015 Name of Chief Executive Officer Mr. Roshaneh Zafar	-		Semi-annually	-	25,000
Orix Leasing Pakistan Limited 100 (2009: 100) certificates Maturity date: Jan 15, 2013 Name of Chief Executive Officer Mr. Humayun Murad	'AA'	1.40% over 6 months KIBOR	Semi-annually	10,000	10,000
Trakker (Private) Limited 100 (2009: 100) certificates Maturity date: Aug 24, 2011 Name of Chief Executive Officer Mr. Ali Jamil	'A'	3.5% over 6 months KIBOR	Semi-annually	10,000	10,000
New Khan Transport Company (Private) Limited 10 (2009: 10) certificates Maturity date: Oct 13, 2013 Name of Chief Executive Officer Mr. Mohammad Ashraf	Unrated	3% over 6 months KIBOR with 8.50% per annum as floor and no ceiling.	Monthly	10,000	10,000

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
				Rupees in '000'	
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 3 KIBOR plus 2% for first 2 year and 1.75% for 3 years 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.

10.11 Quality of Available- for- Sale Securities

	2010			2009			2010	2009
							Market Values	
	Short Term Rating	Long Term Rating	Rating by	Short Term Rating	Long Term Rating	Rating by	Rupees in '000'	
Adamjee Insurance Company Limited	-	-	-	-	AA	PACRA	-	7,211
Agritech Limited (fornerly Pak American Fertilizer (Pvt) Limited) - (shares)	-	SD	PACRA	-	-	-	155,261	-
Agritech Limited (fornerly Pak American Fertilizer (Pvt) Limited) - (TFCs)	Unrated	A	PACRA	A1	A+	PACRA	374,700	486,770
Al - Zamin Leasing Modaraba 1st issue - 2nd tranche-(TFC)	-	-	-	-	A	PACRA	-	4,952
Al zamin Leasing Corporation Limited (Formerly Crescent Leasing Corporation Limited) - 2nd issue-(TFC)	-	A-	PACRA	-	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	-	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	-	AA-	PACRA	9,801	9,625
Bank Al-Habib Limited - 1st issue (unsecured)-(TFC)	-	AA-	PACRA	-	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	-	-	-	-	-	-	-	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	-	-	-	-	-	-	-	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	-	-	-	-	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	-	-	-	-	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	-	-	-	-	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	-	-	-	-	Unrated	PACRA	-	4,390
PICIC Energy Fund	-	-	-	-	Unrated	-	-	1,955
PICIC Growth Fund	-	-	-	-	Unrated	-	-	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	-	-	-	-	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
							20,167,643	16,595,832

	Note	2010	2009
		Rupees in '000'	

10.12 Particulars of provision for diminution in value of investments

Opening balance	611,872	2,363
Charge for the year	393,055	612,337
Reversal during the year	(504,867)	(2,828)
Closing balance	500,060	611,872

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)
	(400,060)	(611,872)
Subsidiary company	(100,000)	-
	(500,060)	(611,872)

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)
	874	(4,423)

11. ADVANCES

	Note	2010	2009
Loans, cash credits, running finances, etc.			
In Pakistan		43,164,638	40,361,055
Outside Pakistan		9,676	-
Net investment in finance lease - in Pakistan	11.2	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	11.3.1	(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

11.2 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	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

11.3 Advances include Rs. 11,394.074 million (2009 : Rs.7,823.887 million) which have been placed under non-performing status as detailed below: -

	2010			2009		
Category of Classification	**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	7,503,825	4,773,140	4,773,140	4,343,362	2,868,843	2,868,843
	11,394,074	5,719,514	5,719,514	7,823,997	3,788,679	3,788,679

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	5,719,514	4,430	5,723,944	3,788,679	1,562	3,790,241

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	-	-	-	-	-	-
	5,719,514	4,430	5,723,944	3,788,679	1,562	3,790,241

	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	-	-
	9,096	51,881
11.4.2 Write offs of Rs.500,000 and above	8,865	50,650
Write offs of below Rs.500,000	231	1231
	9,096	51,88

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.

	Note	2010	2009
		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
		1,192,315	2,288,342
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
		2,690,447	2,709,663
12.1 Capital work-in-progress			
Civil works		145,490	103,904
Advances to suppliers and contractors		141,454	129,096
		286,944	233,000
Less: Provision against advances to suppliers	12.1.1	(27,855)	(27,855)
		259,089	205,145
12.1.1 Provision against advances to suppliers			
Opening balance		27,855	22,089
Charge for the year		-	5,766
Closing balance		27,855	27,855

12.2 Property and equipment - own use

	2010								
	COST			ACCUMULATED DEPRECIATION			Net Book	
Category of Classification	At January 01, 2010	Additions / (deletions) / transfers / * write off	At December 31 2010	At January 01, 2010	For the year / (on deletion/ transfers/* wirte offs)	At December 31 2010	value at December 31 31, 2010	Rate of depreciation %
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	99,249 (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%
	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

	2009							
	COST			ACCUMULATED DEPRECIATION			Net Book	
Category of Classification December	At January 01, 2009	Additions / (deletions)	At December 31 2009	At January 01, 2009	For the depreciation (on deletion)	At year/ 2009	value at December 31 31, 2009	Rate of depreciation %
	-----Rupees in '000'-----							
Leasehold Land	88,030	173,100	261,130	-	-	-	261,130	-
Building	188,107	347,256 51,800	587,163	21,725	17,503	39,228	547,935	5%
Building improvements	405,473	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%
	1,520,495	1,311,111 (37,588)	2,794,018	214,288	230,793 (11,545)	433,535	2,360,482	

Summit Bank (Formerly Arif Habib Bank)

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	52	232	232	284	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	1499	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		

12.3 Property and equipment - operating lease

2010

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

For comparative period

2009

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

12.4 Intangible assets

2010

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

2009

Category of Classification	COST At January 01, 2009	COST Additions	COST At December 31 2009	ACCUMULATED AMORTIZATION At January 01, 2009	ACCUMULATED AMORTIZATION For the year / (on deletion)	ACCUMULATED AMORTIZATION At December 31 2009	Net Book value at December 31, 2009	Rate of amortization %
	-----Rupees in '000'-----							
Computer software	161,465	69,022	230,487	53,045	33,453	86,498	143,989	20% - 30%
Tenancy rights	51,800	(51,800)	-	-	-	-	-	
	161,465	69,022	230,487	53,045	33,453	86,498	143,989	

13. DEFERRED TAX ASSETS / (LIABILITIES) - NET

	Note	2010	2009
		Rupees in '000'	
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 value		(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

	Note	2010	2009
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
Receivable from Summit Bank Limited		-	-
Branch claims		128,448	125,580
Other charges recoverable from lessee		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
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		4,974	13,344
14.4 Goodwill			
Cost		516,498	516,498
Less: Accumulated impairment		(516,498)	(139,077)
Book value at the end of year		-	377,421

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	2009
		Rupees in '000'	
14.5 Provision held against other asset			
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
		130,796	133,807
15. BILLS PAYABLE			
In Pakistan		357,293	479,084
Outside Pakistan		-	-
		357,293	479,084
16. BORROWINGS			
In Pakistan		5,257,007	2,497,915
Outside Pakistan		236	-
		5,257,243	2,497,915
16.1 Particulars of borrowings with respect to currencies			
In local currency		5,257,007	2,497,915
In foreign currencies		236	-
		5,257,243	2,497,915
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
		5,257,243	2,497,915

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.

	Note	2010	2009
		Rupees in '000'	

17. DEPOSITS AND OTHER ACCOUNTS

		2010	2009
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

17.1 Particulars of deposits

	2010	2009
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

	Note	2010	2009
		Rupees in '000'	
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	33	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

Summit Bank (Formerly Arif Habib Bank)

19.2 Issued, subscribed and paid-up capital

2010 Number of Shares	2009 Number of Shares	Ordinary shares	2010 Rupees in '000'	2009 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 Rupees in '000'	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
	(1,335,050)	1,652,409
21. DEFICIT ON REVALUATION OF ASSETS - BY TYPE AND SEGMENT		
Avaialble-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	(340,530)	(130,837)
Related deferred tax asset	119,766	47,348
	(220,764)	(83,489)

22. CONTINGENCIES AND COMMITMENTS

22.1 Direct credit substitutes

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

	2010	2009
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:

	2010	2009
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

	2010	2009
	Rupees in '000'	
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
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)	6,047	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	-
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

	Note	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

	Note	2010	2009
		Rupees in '000'	
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

26. OTHER INCOME

	Note	2010	2009
Bad debts recovered		2,219	9,313
Gain / (loss) on disposal of operating fixed assets		390	(30)
Others	26.1	32,983	37,022
		35,592	46,305

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
		2,735,740	2,958,956

27.1 Auditors' remuneration

	Note	2010	2009
		Rupees in '000'	
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
		6,178	4,739

27.2 Other provisions / write offs

	Note	2010	2009
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	-
		349,554	151,459

	Note	2010	2009
		Rupees in '000'	
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
		9,815	28,677
29. TAXATION			
For the year			
Current		78,637	56,134
Deferred		(935,709)	(1,227,362)
		(857,072)	(1,171,228)
For prior year		-	(71,542)
		(857,072)	(1,242,770)

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 assasment 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 excempt 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 aforsaid 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.

		2010	2009
30. EARNINGS PER SHARE - BASIC AND DILUTED			
Loss for the year	Rupees in '000'	(3,018,373)	(3,769,899)
Weighted average number of ordinary shares		725,065,982	725,065,982
Earnings per share - Basic and diluted (Rupees)		(4.16)	(5.20)

	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	338,244	822,493
		4,385,798	4,323,112

32. STAFF STRENGTH

	Note	2010	2009
		Rupees in '000'	
Permanent		944	1,142
Contractual basis		169	187
Bank's own staff strength at end of the year		1,113	1,329
Outsourced		227	371
Total staff strength		1,340	1,700

33. DEFINED BENEFIT PLAN / SCHEME

	Note	2010	2009
Defined benefit plan (Funded) - ATBL	33.1	9,422	11,564
Defined benefit scheme (Unfunded) - SBL	33.2	41,001	25,121
		50,423	36,685

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

33.1.2 Reconciliation of payable to defined benefit plan

	2010	2009
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
	9,422	11,564

33.1.3 Movement in payable to defined benefit plan

	2010	2009
	-------- (Rupees '000) --------	
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	9,422	11,564

	2010	2009
	-------- (Rupees '000) --------	

33.1.4 Charge for defined benefit plan

	2010	2009
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	9,422	11,564

	2010	2009
33.1.5 Actual return on plan assets	(1,323)	1,753

33.1.6 Movement in present value of defined benefit obligation

	2010	2009
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	24,424	30,690

	2010	2009
	-------- (Rupees '000) --------	

33.1.7 Movement in fair value of plan assets

	2010	2009
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	15,733	21,153

33.1.8 Annual Actuarial losses

	2010	2009
Experience gain on obligation	(8,033)	(5,816)
Experience loss on plan assets	4,061	591
Total actuarial gain during the year	(3,972)	(5,225)

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

	2010	2009
Fixed income	27%	23%
Cash	-	16%
Term Deposit Receipt	20%	-
Mutual Funds	53%	61%
Total	100%	100%

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)	8,691	9,537	12,445	(3,345)	2,080

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%

	2010	2009
	-------- (Rupees '000) --------	
33.2.2 Reconciliation of liability recognised by the Bank		
Present value of defined benefit obligations	38,475	23,665
Net actuarial gains or losses not recognized	2,526	1,456
	41,001	25,121
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	41,001	25,121
33.2.4 Charge for the year		
Current service cost	11,837	8,464
Interest cost	4,043	2,250
	15,880	10,714

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	1,685	1,553	-	-	26,689	29,970
Rent and house maintenance	8,085	11,262	-	-	60,032	58,942
Utilities	1,797	2,503	-	-	13,340	13,098
Dearness allowance	1,819	909	-	-	22,238	11,217
Medical	1,091	1,091	-	-	13,340	13,098
Conveyance	-	-	-	-	76,259	81,257
Car allowance	-	-	-	-	25,380	27,210
Bonus	-	909	-	-	-	10,225
General/Special Allowance	4	-	-	-	127,550	169,373
Others	-	-	-	-	-	718
	33,508	45,377	245	314	643,352	739,218
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.

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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	3,835	-	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%)	165.57%	-	
Segment cost of funds (%)	-	8.79%	13.91%	9.42%	2.68%	-	

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement		Total
	----------	----------	Rupees in '000'	----------	----------		
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%		

Summit Bank (Formerly Arif Habib Bank)

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	Subsidiaries/ Associates/ related parties	Key management personnel	Subsidiaries/ 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	(74,690)	(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	(1,570,729)	(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 Limite	-	-	-	112,773
Lending to financial institution	-	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 unit	-	-	-	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	-	8100	-	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	(1,335,050)	1,652,409
Unappropriated / unremitted profits (Net of losses)	(2,321,584)	(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 Bas	**2,845,914**	**5,462,515**

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 ass ets, 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 '000'		Rupees '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 '000'		Rupees '000'	
Equity exposure risk in the banking book				
Equity portfolio subject to market-based approaches				
Under simple risk weight method	-	-	-	-
Under Internal models approach	-	-	-	-
Equity portfolio subject to PD / LGD				
Market risk				
Capital requirement for portfolios subject to				
Standardized approach				
Interest rate risk	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	33,494	418,661
Capital requirement for portfolios subject to Internal models approach				
Interest rate risk	-	-	-	-
Foreign exchange risk etc.	-	-	-	-
Operational risk	173,714	2,171,419	183,887	2,298,464
Capital requirement for operational risks	5,180,049	53,158,516	5,413,743	55,542,228
Capital Adequacy Ratio				
Total eligible regulatory capital held		2,845,914		5,462,515
Total risk weighted assets		53,158,516		55,542,228
Capital Adequacy Ratio (a) / (b)		5.35%		9.83%

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 reports.

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 asses 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.

41.1.1.1 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	-	-	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					
Public/ Government	1,019,936	2.46	21,146,095	36.79	1,683,817	5.80
Private	43,475,197	97.54	36,335,073	63.21	27,371,010	94.20
	44,495,133	100.00	61,607,550	100.00	29,054,827	100.00

	2009					
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

Summit Bank (Formerly Arif Habib Bank)

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

	2010		2009	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees in '000'		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
	11,394,074	5,719,514	7,823,997	3,788,679

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

Public/ Government	-	-	-	-
Private	11,394,075	5,719,514	7,823,997	3,788,679
	11,394,075	5,719,514	7,823,997	3,788,679

41.1.1.5 Geographical Segment Analysis

	Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	<- - - - - - - - - - - - - Rupees '000' - - - - - - - - - - - - ->			
2010				
Pakistan	(3,018,373)	72,268,830	3,373,262	29,054,827
2009				
Pakistan	(3,769,899)	69,042,881	6,536,460	41,021,283

Summit Bank (Formerly Arif Habib Bank)

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-	

SBP Rating gradeFitch	Moody's	S & P	PACRA	JCR-VIS	ECA Scores	
2	A+	A1	A+	A+	A+	2
	A	A2	A	A	A	
	A-	A3	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	-	-	-	-	-
Securitizations	-	-	-	-	-
Others	-	-	-	Yes	Yes

Summit Bank (Formerly Arif Habib Bank)

Exposure	Rating category	2010 Amount outstanding	2010 Deduction CRM	2010 Net amount	2009 Amount outstanding	2009 Deduction CRM	2009 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
		54,144,477	(2,937,217)	41,911,664	25,524,740	(2,621,675)	18,375,540

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 associates	Held for trading	Avilable 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	5,334,154
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	(108,353)
Other currencies	31,782	40,770	-	(8,988)
	72,268,830	68,895,568	-	3,373,262

	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
	69,042,881	62,506,421	-	6,536,460

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.

41.4.4 Mismatch of Interest Rate Sensitive Assets and Liabilities

	Effective Yield/ Interest rate	2010 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	Non-interest bearing financial instruments
		<------------------					Rupees in '000					------------------>
On-balance sheet financial instruments												
Assets												
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
Liabilities												
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 borrowin g, 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	72,268,830
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	68,895,568

	Effective Yield/ Interest rate	2009 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	Non-interest bearing financial instruments
		<------	------	------	------	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	-	-	-	-	-	-	-	-
	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

41.5 Liquidity risk

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

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

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

41.5.1 Maturities of Assets and Liabilities

	2010									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	<------ Rupees in '000 ------>									
Assets										
Cash and balances with treasury banks	4,047,554	4,047,554	-	-	-	-	-	-	-	-
Balances with other banks	338,244	338,244	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	20,501,299	5,691,854	2,527,652	7,613,162	874,835	1,909,007	484,316	656,055	420,687	323,732
Advances	38,771,189	8,101,560	6,344,226	9,196,596	11,113,803	1,294,482	847,925	1,323,392	258,496	290,710
Other assets	2,717,336	1,888,097	442,812	42,567	343,860	-	-	-	-	-
Operating fixed assets	2,690,447	156,596	33,067	49,601	130,152	282,586	148,946	548,558	838,129	502,812
Deferred tax assets	3,202,761	49	2,699	10	11,206	787,798	20,733	2,345,219	47	35,000
	72,268,830	20,223,954	9,350,455	16,901,935	12,473,855	4,273,873	1,501,919	4,873,224	1,517,359	1,152,254
Liabilities										
Bills payable	357,293	357,293	-	-	-	-	-	-	-	-
Borrowings	5,257,243	2,649,991	1,930,974	676,278	-	-	-	-	-	-
Deposits and other accounts	61,607,550	15,361,883	18,382,005	15,252,521	8,744,626	1,289,062	1,346,655	940,253	290,546	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,673,482	1,106,911	96,108	277,862	89,309	103,237	9	46	-	-
	68,895,568	19,476,077	20,409,087	16,206,661	8,833,935	1,392,299	1,346,664	940,299	290,546	-
Net assets	3,373,262	747,877	(11,058,632)	695,275	3,639,920	2,881,575	155,255	3,932,925	1,226,813	1,152,254
Share capital	7,250,660									
Reserves	(1,335,050)									
Accumulated loss	(2,321,584)									
Deficit on revaluation of assets-net	(220,764)									
	3,373,262									

	2009									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to Year	Over 1 to 2 1 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
		<------ Rupees in '000 ------>								
Assets										
Cash and balances with treasury banks	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	6,536,460	1,888,264	(3,693,449)	5,274,173	(9,152,530)	4,548,077	573,932	3,547,742	2,396,182	1,154,069
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									

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.

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

STATEMENT SHOWING WRITE OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF Rs.500,000/- OR ABOVE PROVIDED

DURING THE YEAR ENDED DECEMBER 31, 2010

S. NO.	Name and address of the borrower	Name of Individuals / Partners / Directors with CNIC#	Father /Husband's Name	Outstanding liabilities at the beginning of the year				Principal Written Off	Interest / Markup Written Off	Other Financial Relief Provided	Total
				Principal	Interest/ Markup	Others	Total				
1	Health Care Hospital	QAMAR ZAMAN KHAN 42301-1080022-5	SULTAN ZAMAN KHAN	8,865	2,880	-	11,744	8,865	7,051	-	15,916
		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**	**8,865**	**7,051**	**-**	**15,916**

DIRECTORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENT

On behalf of the Board of Directors of Summit Bank Limited (formerly Arif Habib bank Limited) "the Bank", I am pleased to present the consolidated financial statements of Summit Bank Limited and its subsidiary namely Summit Capital Markets (Pvt.) Limited together with the Auditors' Report thereon for the year ended December 31, 2010.

Financials

The consolidated financials of your Bank for the year ended December 31, 2010 under review are summarized as follows:

	2010 Rs'000	2009 Rs'000
Operating Loss before provision and taxation	**(1,209,670)**	**(1,935,893)**
Provisions	(2,680,076)	(3,131,730)
Loss before taxation	**(3,889,746)**	**(5,067,623)**
Reversal of provision for taxation	857,602	1,245,826
Loss after taxation	**(3,032,144)**	**(3,821,797)**
Accumulated profit / (loss) brought forward	(5,120,149)	(1,548,352)
	(8,152,293)	(5,370,149)
Appropriations:		
Merger reserve adjustment / transfer from general reserve	5,730,715	250,005
Accumulated loss carried forward	**(2,421,577)**	**(5,120,148)**
Loss per share - Basic and diluted (Rupees)	**(4.18)**	**(5.27)**

Pattern of Shareholdings

The pattern of shareholding as at December 31, 2010 is annexed with the financials statements of Summit Bank Limited.

For and on the behalf of the Board of Directors

Hussain Lawai
President and Chief Executive

Karachi
Dated: Februray 28, 2011

AUDITORS' REPORT TO THE MEMBERS ON CONSOLIDATED FINANCIAL STATEMENTS

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Summit Bank Limited (formerly Arif Habib Bank Limited) (after amalgamation of Atlas Bank Limited at close of business at December 31, 2010) – (the Bank) and its subsidiary company, Summit Capital (Private) Limited "formerly Atlas Capital Markets (Private) Limited" (the 'Group') as at December 31, 2010 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement together with the notes forming part thereof for the year then ended. These financial statements include unaudited certified returns from the 80 branches (40 branches of the Summit Bank Limited and 40 branches of Atlas Bank Limited) for the year ended December 31, 2010 except for seven branches audited by us and five branches of Atlas Bank Limited audited by their auditors. The financial statements of Atlas Bank Limited and Summit Capital (Private) Limited were audited by another firm of chartered accountants, whose reports have been furnished to us and our opinion in so far as it relates to the amounts included for such bank and company is based solely on the report of other auditors.

These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the above said statements. An audit also includes assessing accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion in our opinion

In our opinion the consolidated financial statements present fairly the financial position of the Group as at December 31, 2010 and the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Without qualifying our opinion, we draw attention to note 1.4 to the consolidated financial statements which fully explains matters regarding Group's minimum capital requirements, proposed merger of another commercial bank into the group subsequent to the year end and injection of further capital (debt and equity) of Rs 2.9 billion. The Bank has applied for relaxation to SBP from the requisite capital requirement till March 31, 2011.

Chartered Accountants

Karachi
Dated: February 28, 2011

Summit Bank (Formerly Arif Habib Bank)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2010

	Note	2010	2009
		Rupees in '000'	
ASSETS			
Cash and balances with treasury banks	7	4,047,590	3,500,669
Balances with other banks	8	375,207	918,152
Lendings to financial institutions	9	-	2,272,255
Investments	10	20,204,357	16,814,606
Advances	11	38,771,413	37,724,459
Operating fixed assets	12	2,781,943	2,907,138
Deferred tax assets	13	3,218,243	2,206,900
Other assets	14	2,776,151	2,736,900
		72,174,904	69,081,079
LIABILITIES			
Bills payable	15	357,293	479,084
Borrowings	16	5,275,243	2,567,915
Deposits and other accounts	17	61,537,424	57,480,206
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	18	1,731,676	2,103,637
		68,901,636	62,630,842
NET ASSETS		3,273,268	6,450,237
REPRESENTED BY			
Share capital	19	7,250,660	10,001,466
Reserves	20	(1,335,050)	1,652,409
Accumulated loss		(2,421,578)	(5,120,149)
		3,494,032	6,533,726
Deficit on revaluation of assets - net of tax	21	(220,764)	(83,489)
		3,273,268	6,450,237
CONTINGENCIES AND COMMITMENTS	22		

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

President and Chief Executive | Director | Director | Director

Summit Bank (Formerly Arif Habib Bank)

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	2010	2009
		Rupees in '000'	
Mark-up / return / interest earned	23	7,068,952	6,897,586
Mark-up / return / interest expensed	24	(6,100,832)	(6,151,958)
Net mark-up / interest income		968,120	745,628
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	(293,055)	(612,337)
		(2,230,522)	(2,953,602)
Net mark-up / interest (loss) after provisions		(1,262,402)	(2,207,974)
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		342,117	236,942
Dividend income		56,578	65,843
Loss from dealing in foreign currencies		(79,568)	(62,958)
Gain on sale of securities - net	25	254,530	67,905
Unrealised gain / (loss) on revaluation of investments classified as held-for-trading	10.14	874	(4,296)
Other income	26	48,915	74,710
Total non-markup / interest income		623,446	378,146
		(638,956)	(1,829,828)
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	27	(2,790,634)	(3,026,810)
Other provisions / write-offs	27.2	(449,554)	(178,128)
Other charges	28	(10,602)	(32,857)
Total non-markup / interest expenses		(3,250,790)	(3,237,795)
		(3,889,746)	(5,067,623)
Extra ordinary / unusual items		-	-
LOSS BEFORE TAXATION		(3,889,746)	(5,067,623)
Taxation	29		
Current		(81,325)	(58,503)
Prior years		-	71,542
Deferred		938,927	1,232,787
		857,602	1,245,826
LOSS AFTER TAXATION		(3,032,144)	(3,821,797)
Basic earnings per share (Rupees) - Basic and diluted	30	(4.18)	(5.27)

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

President and Chief Executive | Director | Director | Director

Summit Bank (Formerly Arif Habib Bank)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	2010	2009
		Rupees in '000'	
Loss after taxation for the year		(3,032,144)	(3,821,797)
Items relating to other comprehensive income	11.3.1	(7,550)	7,550
Comprehensive loss transferred to equity		(3,039,694)	(3,814,247)
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		(3,260,458)	(3,897,736)

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

President and Chief Executive　　Director　　Director　　Director

Summit Bank (Formerly Arif Habib Bank)

CONSOLIDATED CASH FLOW SATATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	2010	2009
		Rupees in '000'	
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(3,889,746)	(5,067,623)
Dividend income		(56,578)	(65,843)
		(3,946,324)	(5,133,466)
Adjustments:			
Depreciation		271,969	238,780
Amortization of intangible assets and deferred cost		56,008	42,589
Provision against non-performing advances		1,937,467	2,341,265
Other provisions / write offs		449,554	178,128
Provision for diminution in value of investments		293,055	612,337
Unrealized (gain) / loss on revaluation of investments in held for trading securities		(874)	4,296
Gain on sale of fixed assets		(975)	3,583
		3,006,204	3,420,978
		(940,120)	(1,712,488)
(Increase) / decrease in operating assets			
Lendings to financial institutions		2,272,255	(1,983,255)
Investments in held for trading securities - net		74,458	(91,237)
Advances		(2,980,657)	(3,769,876)
Other assets		(215,372)	(267,935)
		(885,316)	(6,112,303)
Increase / (decrease) in operating liabilities			
Bills payable		(121,791)	147,379
Borrowings from financial institutions		2,707,328	(4,695,450)
Deposits and other accounts		4,057,218	22,218,290
Other liabilities		(417,695)	468,384
		6,225,060	18,138,603
		4,399,624	10,313,812
Income tax paid		(38,418)	(43,302)
Net cash generated from operating activities		4,361,206	10,270,510
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in available-for-sale securities - net		(3,968,270)	(8,093,780)
Dividend received		57,066	65,276
Investments in operating fixed assets		(473,487)	(849,977)
Sale proceeds from disposal of property and equipment		27,461	74,681
Net cash used in investing activities		(4,357,230)	(8,803,800)
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		3,976	1,466,711
Cash and cash equivalents at beginning of the year		4,418,821	2,952,110
Cash and cash equivalents at end of the year	31	4,422,797	4,418,821

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

President and Chief Executive | Director | Director | Director

Summit Bank (Formerly Arif Habib Bank)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2010

	Capital Reserves					Revenue reserves		
	Share capital	Share premium	Statutory reserve	Merger reserve (note 4.4)	Others (note 11.3.1)	General reserve	Accumulated loss	Total
	<------------------ Rupees in '000' ------------------>							
Balance as at January 01, 2009	10,001,466	1,577,537	67,322	-	-	250,000	(1,548,352)	10,347,973
Total comprehensive income for the year ended December 31, 2009								
Loss for the year	-	-	-	-	7,550	-	(3,821,797)	(3,814,247)
Transfer from general reserve	-	-	-	-	-	(250,000)	250,000	-
Balance as at December 31, 2009	10,001,466	1,577,537	67,322	-	7,550	-	(5,120,149)	6,533,726
Total comprehensive income for the year ended December 31, 2010								
Loss for the year	-	-	-	-	(7,550)	-	(3,032,144)	(3,039,694)
Shares determined pursuant to amalgamation scheme (note 1.2)	2,250,660	-	-	-	-	-	-	2,250,660
Adjustment of shares and reserves of ATBL pursuant to amalgamation scheme (note 1.2)	(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)**	**-**	**-**	**(2,421,578)**	**3,494,032**

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

President and Chief Executive | Director | Director | Director

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

1. STATUS AND NATURE OF BUSINESS

1.1 The Group comprises of Summit Bank Limited (formerly Arif Habib Bank Limited) - the holding company (the Bank) and Summit Capital (Private) Limited (SCPL) (formerly Atlas Capital Markets (Private) Limited) - a wholly owned subsidiary. The ultimate holding company of the Bank is Suroor Investments Limited, (SIL) a company incorporated in Mauritius.

1.2 Summit Bank Limited (the Bank) was incorporated in Pakistan as public company limited by shares on December 09, 2005 under the Companies Ordinance, 1984. It is listed on all the stock exchanges of Pakistan. Registered office is situated at Plot No.6-B, F-6, Supermarket, Islamabad, Federal Capital, Pakistan. The Bank is principally engaged in the business of banking as defined in the Banking Companies Ordiannace, 1962, through its 80 branches after amalgamation of Atlas Bank Limited with and into the Bank at close of business as at December 31, 2010 in accordance with the Scheme of Amalgamation approved by the State Bank of Pakistan vide its order dated December 15, 2010. 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'.

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), 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.'

1.3 SCPL, the subsidiary company was incorporated in Pakistan on March 08, 2006 under the Companies Ordinance, 1984. The subsidiary company is a corporate member of Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited, Islamabad Stock Exchange (Guarantee) Limited and National Commodity Exchange Limited. The principal activities of the subsidiary company are equity and money market brokerage, advisory and consultancy services. The Group acquired interest in SCPL by virtue of amalgamation of Atlas Bank Limited.

1.4 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 group as at December 31, 2010 is Rs. 3.49 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 and into Atlas Bank Limited effective December 31, 2010 and planned merger with Mybank Limited. 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.

2. BASIS OF PRESENTATION AND CONSOLIDATION

2.1 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.

2.2 These consolidated financial statements comprise the financial statements of the Bank after merger of Atlas Bank Limited with and into the Bank at close of business at December 31, 2010 and its subsidiary company. Subsidiary is entity controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of the entity, so as to obtain economic benefits from its activities. The financial statements of the subsidiary company have been prepared for the same reporting year as the Bank using consistent accounting policies unless stated otherwise. The assets, liabilities, income and expenses of the subsidiary company have been consolidated on a line by line basis. Material intra-group balances and transactions have been eliminated for the purposes of consolidation.

3. STATEMENT OF COMPLIANCE

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

3.2 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 APPLICATON OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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 Group believes that presently this amendment does not have any impact on the Group'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 Group's financial statements.

(c) IAS 36 (amendment), 'Impairment of assets', (effective January 01, 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 Group's financial statements.

(d) IFRS 2 (amendments), 'Group cash-settled share-based payment transactions', (effective form January 01, 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 Group believes that presently this amendment does not have any impact on the Group's financial statements.

(e) IIFRS 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 01, 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 Group believes that presently this standard does not have any impact on the Group'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 Group believes that presently this standard does not have any impact on the Group'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 Group believes that presently this interpretation does not have any impact on the Group'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 IFRS 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 Group believes that presently this interpretation does not have any impact on the Group'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 Group'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 Group'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 Group 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 Group 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 Group's operations and are therefore not detailed in these financial statements.

3.5 Early adoption of standards

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

4. BASIS OF MEASUREMENT

4.1 These consolidated 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 Group'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 Atlas Bank Limited (ATBL) with and into Summit Bank Limited (SBL) 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) is 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 of financial statements of two banks i.e, SBL and ATBL 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 consolidated 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 Consolidated 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 Group enters into transactions of borrowings (re-purchase) from and lending (reverse re-purchase) to financial and other institutions, at contracted rates for a specified period of time. These are recorded as under:

Repurchase agreement borrowings

Securities sold subject to an agreement to repurchase at a specified future date (repos) 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 Group 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 Group 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 Group'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 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.

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

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

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 is calculated using the straight line method to write down the cost of assets to their residual values over the estimated useful lives. However, depeciation on assets that were earlier in use of ATBL and of Summit Capital (Private) Limited (SCPL) is 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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account as and when incurred.

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 and of SCPL 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 12.3 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 life 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 Group 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

At the time of amalgamation of ATBL with and into the Bank, two separate plan / scheme for defined benefits are being operated for Group's employees; one is funded and another is unfunded.

Funded plan

An approved funded gratuity scheme for all permanent and full time employees who were working in the management cadre with ATBL is operated. 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.

Unfunded scheme

An unfunded gratuity scheme is operated for all permanent employees of SBL and SCPL 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.

Employees' compensated absences

The Group provides its liability towards compensated absences accumulated by its employees on the basis of actuarial valuation carried out using the Projected Unit Credit Method. 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.

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

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 Group 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 Group has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each 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.

Summit Bank (Formerly Arif Habib Bank)

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 Group'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 Group 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 group'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 basis.

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 Group intends either to settle either on a net basis, or to realize the assets and to settle the liabilities simultaneously.

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

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 indludes 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 cusotmers.

- **Geographical segments**
  The Group 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).

	Note	2010	2009
		Rupees in '000'	
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		834,950	586,540
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
		4,047,590	3,500,669

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).

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	Note	2010	2009
		Rupees in '000'	

8. BALANCES WITH OTHER BANKS

	Note	2010	2009
In Pakistan			
On current accounts		11,574	9,444
On deposit accounts	8.1	36,913	95,609
Outside Pakistan			
On current accounts		326,720	813,099
		375,207	918,152

8.1 It includes term deposit receipts of Rs 30 million deposited by SPCL with a bank at rate of 11.5% per annum (2009: 11%) with maturity on September 18, 2011. The term deposit is under lien against a bank guarantee to Karachi Stock Exchange (Guarantee) Limited issued by a commercial bank.

9. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2010	2009
Repurchase agreement lendings (Reverse Repo)	9.1	-	2,247,255
Letter of placement	9.1	-	50,000
		-	2,297,255
Less: Provision held against letter of placement	9.3	-	(25,000)
		-	2,272,255

9.1 Particulars of lendings

	2010	2009
In local currency	-	2,297,255
In foreign currencies	-	-
	-	2,297,255

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
	-	-	-	2,247,255	-	2,247,255

	Note	2010	2009
		Rupees in '000'	

9.3 Particulars of provision held against letter of placement

	2010	2009
Opening balance	25,000	-
(Reversal) / Charge for the year	(25,000)	25,000
Closing balance	-	25,000

10. INVESTMENTS

10.1 Investments by types:

	Note	December 31, 2010 Held by Bank	December 31, 2010 Given as Collateral	December 31, 2010 Total	December 31, 2009 Held by Bank	December 31, 2009 Given as Collateral	December 31, 2009 Total
		Rupees in '000'					
Held-for-trading securities							
Listed ordinary shares	10.3	35,840	-	35,840	108,298	-	108,298
Mutual funds unit - open ended	10.6	-	-	-	2,000	-	2,000
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 ended	10.6	300,000	-	300,000	667,235	-	667,235
Mutual funds Certificates - closed ended	10.6	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
Investment at cost		19,029,125	1,914,948	20,944,073	17,028,807	532,804	17,561,611
Less: Provision for diminution in value of investments	10.12	(400,060)	-	(400,060)	(611,872)	-	(611,872
Investment - net of provisions		18,629,065	1,914,948	20,544,013	16,416,935	532,804	16,949,739
Unrealized again / (loss) on revaluation of held-for-trading securities	10.14	874	-	874	(4,296)	-	(4,296)
Deficit on revaluation of available-for-sale securities	21	(339,084)	(1,446)	(340,530)	(127,120)	(3,717)	(130,837)
Total investments at market value		18,290,855	1,913,502	20,204,357	16,285,519	529,087	16,814,606

	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	-
Atlas Asset Management Limited	10.5	30,000	30,000
Arabian Sea Country Club	10.5	1,000	1,000
		68,200	31,000
- Mutual funds - open ended	10.6	300,000	669,235
- Mutual funds - closed ended	10.6	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		20,944,073	17,561,611
Less: Provision for diminution in value of investments	10.12	(400,060)	(611,872)
Investments - net of provisions		20,544,013	16,949,739
Surplus / (deficit) on revaluation of securities - held for trading	10.14	874	(4,296)
(Deficit) on revaluation of securities - available for sale	21	(340,530)	(130,837)
Total investments at market value		20,204,357	16,814,606

10.3 Particulars of investments in ordinary shares - listed

Name of companies	Number of shares held 2010	Number of shares held 2009	Paid-up value per share	Total nominal value 2010	Total nominal value 2009
				Rupees in '000'	
Agritech Limited (formerly Pak American Fertlizer 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

Name of companies	Number of shares held 2010	2009	Paid-up value per share	Total nominal value 2010	2009
				Rupees in '000'	
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
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 : 6.22% 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.

Summit Bank (Formerly Arif Habib Bank)

10.5 Particulars of investment in ordinary shares

- unlisted	Number of shares held		Paid-up value	Total nominal value	
	2010	2009	per share	2010	2009
				Rupees in '000'	
Associate					
Rozgar Microfinance Bank Limited	5,314,286	-	10	53,143	-
Chief Ececutive Officer: Mr.S.Faiq Hussain					
Percentage holding 33% (2009:Nil)					
Net asset value per share was Rs. 5.99 at December 31, 2010					
Others					
Arabian Sea Country Club	100,000	100,000	10	1,000	1,000
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					
Atlas Asset Management Limited	3,000,000	3,000,000	10	30,000	30,000
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					

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 33 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. Break up value of these shares at December 31, 2010 was Rs. 5.99 per share.

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

10.6 Particulars of investment in mutual funds

	Number of shares held		Paid-up value	Total nominal value	
	2010	2009	per share	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	3,315	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-'	6 months KIBOR plus 1.15%-1.90%	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.	6 months KIBOR plus 1.15%	Semi-annually	80,000	105,000
Engro Corporation Limited 20,000 (2009: 20,000) certificates Name of Chief Executive: Mr. Asad Umar	AA'	6 months KIBOR plus 1.55%	Semi-annually	100,000	100,000
NIB Bank Limited 25,400 (2009: 25,400) certificates Name of Chief Executive Officer Mr. Khawaja Iqbal Hassan	'A+'	6 months KIBOR plus 1.15%	Semi-annually	127,000	127,000
Al - 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
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

Summit Bank (Formerly Arif Habib Bank)

Name of companies	Markup Rating	Markup Rate	Markup Repayment	Total nominal value 2010	Total nominal value 2009
				Rupees in '000'	
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
Al 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 and 15.75% per annum as ceiling.	Semi-annually	10,000	10,000
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
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

Name of companies	Markup Rating	Markup Rate	Markup Repayment	Total nominal value 2010	Total nominal value 2009
				Rupees in '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) NIL (2009: 10,000) certificates Name of Chief Executive: Mr. Badar Kazmi		1.75% above 6 months KIBOR.	Semi-annually	-	50,000
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
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 incase of investment in term finance certificates. Wherever rating of instrument is not available or incase 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	Markup Rating	Markup Rate	Markup Repayment	Total nominal value 2010	Total nominal value 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	6 months KIBOR plus 0.23%	Semi-annually	333,330	333,330

Name of companies	Markup Rating	Markup Rate	Markup Repayment	Total nominal value 2010	Total nominal value 2009
				Rupees in '000'	
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	6 months KIBOR plus 0.23%	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 Mr. Tanveer Safder Cheema	Unrated	6 months KIBOR plus 0.23%	Semi-annually	333,335	333,335
Avari Hotels Limited 5,000 (2009: 5,000) certificates Maturity date: Nov 1, 2016 Name of Chief Executive Officer Mr. Byram D. Avari	'A-'	3.25% over 6 months KIBOR.	Semi-annually	25,000	25,000
Bunnys Limited 10,000 (2009: 10,000) certificates Maturity date: Nov 30, 2013 Name of Chief Executive Officer Ch. Haroon Shafiq	Unrated	2.5% over 6 months KIBOR.	Semi-annually	50,000	50,000
Flying Board & Paper Products Ltd 5,000 (2009: nil) certificates Maturity date: July 20, 2014 Name of Chief Executive Officer Mr. Bader Mehmood	Unrated	1.5% over 6 months KIBOR.	Semi-annually	25,000	-
Gharibwal Cement Limited 5,000 (2009: 5,000) certificates Maturity date: July 17, 2011 Name of Chief Executive Officer Mr. Tousif Paracha	Unrated	3% above 6 months KIBOR.	Semi-annually	25,000	25,000
Security Leasing Corporation Limited 2,000 (2009: 2,000) certificates Maturity date: March 28, 2011 Name of Chief Executive Officer Mr. Mohd. Khalid Ali	Unrated	1-18th month - 3% cash + 3% accrual19th month onwards 1 month KIBOR.	Monthly	10,000	10,000
Grays Leasing Limited 1,800 (2009: 2,000) certificates Maturity date: Jan 10, 2012 Name of Chief Executive Officer Mr. Abdul Rashid Mir	A-	2.50% over 6 months KIBOR.	Monthly	9,000	10,000

Name of companies	Rating	Markup rate	Repayment	Total nominal value 2010	2009
				Rupees in '000'	
Kashf Foundation Nil (2009: 5,000) certificates Maturity date: March 15, 2015 Name of Chief Executive Officer Mr. Roshaneh Zafar	-		Semi-annually	-	25,000
Orix Leasing Pakistan Limited 100 (2009: 100) certificates Maturity date: Jan 15, 2013 Name of Chief Executive Officer Mr. Humayun Murad	'AA'	1.40% over 6 months KIBOR	Semi-annually	10,000	10,000
Trakker (Private) Limited 100 (2009: 100) certificates Maturity date: Aug 24, 2011 Name of Chief Executive Officer Mr. Ali Jamil	'A'	3.5% over 6 months KIBOR	Semi-annually	10,000	10,000
New Khan Transport Company (Private) Limited 10 (2009: 10) certificates Maturity date: Oct 13, 2013 Name of Chief Executive Officer Mr. Mohammad Ashraf	Unrated	3% over 6 months KIBOR with 8.50% per annum as floor and no ceiling.	Monthly	10,000	10,000

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
				Rupees in '000'	
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 onwards.	6 months 3 KIBOR plus 2% for first 2 year and 1.75% for year	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.

10.11 Quality of Available- for- Sale Securities

	2010			2009			2010	2009
							Market Values	
	Short Term Rating	Long Term Rating	Rating by	Short Term Rating	Long Term Rating	Rating by	Rupees in '000'	
Adamjee Insurance Company Limited	-	-	-	-	AA	PACRA	-	7,211
Agritech Limited (fornerly Pak American Fertilizer (Pvt) Limited) - (shares)	-	SD	PACRA	-	-	-	155,261	-
Agritech Limited (fornerly Pak American Fertilizer (Pvt) Limited) - (TFCs)	Unrated	A	PACRA	A1	A+	PACRA	374,700	486,770
Al - Zamin Leasing Modaraba 1st issue - 2nd tranche-(TFC)	-	-	-	-	A	PACRA	-	4,952
Al - Zamin Leasing Corporation Limited (Formerly Crescent Leasing Corporation Limited) - 2nd issue-(TFC)	-	A-	PACRA	-	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	-	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	-	AA-	PACRA	9,801	9,625
Bank Al-Habib Limited - 1st issue (unsecured)-(TFC)	-	AA-	PACRA	-	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	-	-	-	-	-	-	-	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	-	-	-	-	-	-	-	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

	2010			2009			Market Values 2010	Market Values 2009
	Short Term Rating	Long Term Rating	Rating by	Short Term Rating	Long Term Rating	Rating by	Rupees in '000'	
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	-	-	-	-	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	-	-	-	-	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	-	-	-	-	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	-	-	-	-	Unrated	PACRA	-	4,390
PICIC Energy Fund	-	-	-	-	Unrated	-	-	1,955
PICIC Growth Fund	-	-	-	-	Unrated	-	-	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	-	-	-	-	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
							20,167,643	16,595,832

Summit Bank (Formerly Arif Habib Bank)

	Note	2010	2009
		Rupees in '000'	

10.12 Particulars of provision for diminution in value of investments

	Note	2010	2009
Opening balance		611,872	2,363
Charge for the year		293,055	612,337
Reversal during the year		(504,867)	(2,828)
Closing balance		400,060	611,872

10.13 Particulars of provision in respect of Type and Segment

	Note	2010	2009
Available-for-sale securities			
Ordinary shares of listed companies		204,333	407,964
Term finance certificates - unlisted		42,517	11,586
Mutual funds		-	138,112
Ordinary shares of unlisted companies		3,210	4,210
Sukuk Bonds		150,000	50,000
		400,060	611,872

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

	Note	2010	2009
Attock Petroleum Limited		-	(780)
Attock Refinery Limited		-	(966)
Bank Al-Falah Limited		-	60
Crosby Pheonix Fund		-	127
D G Khan Cement Company Limited		-	(823)
Fauji Fertilizer Bin Qasim Limited		-	351
Fauji Fertilizer Company Limited		115	(6)
Hub Power Company Limited		-	(141)
National Bank of Pakistan		681	(390)
Pakistan Oilfield Limited		34	-
Pakistan Petroleum Limited		44	-
United Bank Limited		-	(1,728)
		874	(4,296)

11. ADVANCES

	Note	2010	2009
Loans, cash credits, running finances, etc.			
In Pakistan		43,164,862	40,361,771
Outside Pakistan		9,676	-
Net investment in finance lease - in Pakistan	11.2	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		44,495,357	41,514,700
Provision against non-performing advances	11.3.1	(5,723,944)	(3,790,241)
Advances - net of provision		38,771,413	37,724,459

11.1 Particulars of advances

		Note	2010	2009
11.1.1	In local currency		44,370,446	41,230,896
	In foreign currencies		124,911	283,804
			44,495,357	41,514,700
11.1.2	Short Term (for upto one year)		36,762,202	33,873,475
	Long Term (for over one year)		7,733,155	7,641,225
			44,495,357	41,514,700

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	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

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 Classified Advances	2010 Provision Required	2010 Provision Held	2009 Classified Advances	2009 Provision Required	2009 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	7,503,825	4,773,140	4,773,140	4,343,362	2,868,843	2,868,843
	11,394,074	5,719,514	5,719,514	7,823,997	3,788,679	3,788,679

11.3.1 Particulars of provision against non-performing advances

	2010 Specific	2010 General	2010 Total	2009 Specific	2009 General	2009 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	5,719,514	4,430	5,723,944	3,788,679	1,562	3,790,241

11.3.2 Particulars of provisions against non-performing advances

	2010 Specific	2010 General	2010 Total	2009 Specific	2009 General	2009 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	-	-	-	-	-	-
	5,719,514	4,430	5,723,944	3,788,679	1,562	3,790,241

	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	-	-
	9,096	51,881
11.4.2 Write offs of Rs.500,000 and above	8,865	50,650
Write offs of below Rs.500,000	231	1,231
	9,096	51,881

Summit Bank (Formerly Arif Habib Bank)

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 to these consolidated financial statements.

	Note	2010	2009
		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
		1,192,315	2,288,342

12. OPERATING FIXED ASSETS

	Note	2010	2009
Capital work-in-progress	12.1	261,789	208,876
Property and equipment - own use	12.2	2,360,136	2, 410,788
Property and equipment - operating lease	12.3	33	47
Intangible assets	12.4	159,985	287,428
		2,781,943	2,907,139

12.1 Capital work-in-progress

	Note	2010	2009
Civil works		147,990	106,404
Advances to suppliers and contractors		141,654	130,327
		289,644	236,731
Less: Provision against advances to suppliers	12.1.1	(27,855)	(27,855)
		261,789	208,876

12.1.1 Provision against advances to suppliers

	2010	2009
Opening balance	27,855	22,089
Charge for the year	-	5,766
Closing balance	27,855	27,855

12.2 Property and equipment - own use

	2010							
	COST			ACCUMULATED DEPRECIATION			Net Book	
Category of Classification	At January 01, 2010	Additions / transfers / * write off	At December 31 (deletions) /	At January 01, 2010 transfers/* wirte offs)	For the year / (on deletion/	At December 31 2010	value at December 31 31, 2010	Rate of depreciation %
Leasehold Land	261,130	-	261,130	-	-	-	261,130	-
Building	610,663	114,567	725,230	39,620	30,724	70,344	654,886	2-5
Building improvements (note 12.2.1)	692,367 -	134,078	826,445	85,358 -	65,998	151,365	675,089	10
Furniture and fixtures (note 12.2.1)	512,715	30,022 (3,005) * (2,034)	537,698	77,782	44,628 (461) * (608)	121,341	416,357	10 - 15
Electrical, office and computer equipment (note 12.2.1)	501,943	113,038 (2,898) * (3,123)	608,960	196,234	101,529 (2,135) * (2,115)	293,513	315,447	10 - 30
Vehicles	99,239	8,674 (28,986)	78,927	41,741	12,039 (12,080)	41,700	37,227	20
Others (note 12.2.1)	185,856	(181,847) (4,009)	-	12,390	17,037 (29,427)	-	-	10
	2,863,913	218,532 (38,898) * (5,157)	3,038,390	453,125	271,955 (44,103) * (2,723)	678,254	2,360,136	

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. Amount of Rs 4.009 (accumulated depreciation of Rs 2.521million) has been charged off in repair and maintenance.

12.2.3 The fair value of property and equipment as per the management estimate is not materially different from the carrying values.

For comparative period

	2009							
	COST			ACCUMULATED DEPRECIATION			Net Book	
Category of Classification December	At January 01, 2009	Additions / (deletions)	At December 31 2009	At January 01, 2009	For the depreciation (on deletion)	At year/ 2009	value at December 31 31, 2009	Rate of depreciation %
	-----Rupees in '000'-----							
Leasehold Land	88,030	173,100	261,130	-	-	-	261,130	-
Building	188,107	347,256 51,800	587,163	21,725	17,503	39,228	571,043	5
Building improvements	402,117	279,308 (6.069) (989)	692,367	33,244	53,009 (621) (274)	85,358	607,009	10
Furniture and fixtures	392,334	121,618 (1,237)	512,715	34,022	33,013 (253)	77,782	434,933	10 -15
Electrical, office and computer equipment	356,977	146,352 (1,386)	501,943	106,101	90,344 (211)	196,234	305,709	20 - 30
Vehicles	134,937	8,734 (44,432)	99,239	36,082	19,494 (13`835)	41,741	57,498	20
Others	-	185,856	185,856	-	12,390	12,390	173,466	10
	1,580,402	1,337,524 (53,124) (989)	2,863,913	231,175	237,145 (14,920) (274)	453,125	2,410,788	

12.3 Property and equipment - operating lease

2010

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

For comparative period

2009

Category of Classification	COST: At January 01, 2009	COST: Additions / (deletions) /	COST: At December 31 2009	ACCUMULATED DEPRECIATION: At January 01, 2009	ACCUMULATED DEPRECIATION: For the year / (on deletion)	ACCUMULATED DEPRECIATION: At December 31 2009	Net Book value at December 31, 2009	Rate of depreciation %
	-----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%
	35,825	(35,667	158	8,071	1,635 (9,595)	111	47	

12.4 Intangible assets

	2010							
	COST			ACCUMULATED AMORTIZATION AND IMPAIRMENT			Carrying	
Category of Classification	At January 01, 2010	Additions	At December 31 2010	At January 01, 2010	For the year / (on deletion)	At December 31 2010	value at December 31, 2010	Rate of amortization %
	Rupees in '000'							
Computer software	235,825	20,195	256,020	90,045	47,618	137,663	118,357	20 - 30
Cards (note 12.4.1)	118,798	-	118,798	-	100,000	100,000	18,798	-
Tenancy rights (note 12.4.2)	22,800	-	22,800	-	-	-	22,800	-
Website Cost	150	-	150	100	20	120	30	30
	377,573	20,195	397,768	90,145	147,638	237,783	159,985	

12.4.1 These represent membership cards of Karachi, Lahore and Islamabad Stock Exchanges. These have an indefinite useful life. Provision for impairment of Rs. 100 million against membership cards has been made at December 31, 2010.

12.4.2 These represent tenancy rights in respect of rooms in Karachi, Lahore and Islamabad Stock exchanges. These have an indefinite useful life and are carried at cost and are not amortised.

	2009							
	COST			ACCUMULATED AMORTIZATION			Carrying	
Category of Classification	At January 01, 2009	Additions	At December 31 2009	At January 01, 2009	For the year / (on deletion)	At December 31 2009	value at December 31, 2009	Rate of amortization %
	Rupees in '000'							
Computer software	166,420	69,405	235,825	55,871	34,174	90,045	145,780	20 - 30
Cards	118,798	-	118,798	-	-	-	118,798	-
Tenancy rights	74,600	(51,800)	22,800	-	-	-	22,800	
Website Cost	150	-	150	55	45	100	50	30
	359,968	69,405	377,573	55,926	34,219	90,145	287,428	
	-	(51,800						

Summit Bank (Formerly Arif Habib Bank)

	Note	2010	2009
		Rupees in '000'	

13. DEFERRED TAX ASSETS / (LIABILITIES) - NET

	2010	2009
Deferred debits arising due to:		
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	15,437	8,792
Provision for compensated absences	8,426	5,906
Unused tax losses	2,460,340	1,717,150
Provision for impairment losses	90,663	215,206
Net investment in lease finance	4,738	-
Minimum tax	102,356	24,085
	3,576,495	2,554,486
Deferred credits arising due to:		
Difference between accounting and tax written down values	(356,470)	(345,957)
Unrealised gain on revaluation of investments - held for trading	(153)	-
Deferred cost	(1,629)	(1,629)
	(358,252)	(347,586)
	3,218,243	2,206,900

14. OTHER ASSETS

	Note	2010	2009
Income / mark-up accrued in local currency		1,420,628	1,239,286
Income / mark-up accrued in foreign currency		1,189	783
Advances, deposits, advance rent and other prepayments	14.1	270,914	361,063
Non banking assets acquired in satisfaction of claims	14.2	755,288	402,336
Advance taxation - net of provision		159,367	202,273
Dividend receivable		-	488
Receivable from brokers - secured		40,002	12,267
Due from clients in respect of securities transactions	14.3	136,200	206,971
Deposit with Stock Exchanges		3,087	3,387
Brokerage commission receivable		1,458	1,665
Recevables from Stock Exchanges		-	-
Receivable from group companies		155	-
Deferred costs	14.4	4,974	13,344
Branch adjustment account		-	3,842
Stationery and stamps on hand		1,628	1,908
Goodwill	14.5	-	377,421
Branch claims		128,448	125,580
Other charges recoverable from lessees		2,886	6,394
Others		77,631	8,607
		3,003,855	2,967,615
Less: Provision held against other assets	14.6	(227,704)	(230,715)
		2,776,151	2,736,900

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 in the Honourable Lahore High Court. Subsequently, the case was transferred to Islamabad High Court. After hearing the appeal, Islamabad High Court passed an 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	657,036

14.3 Due from clients in respect of securities transactions

	2010	2009
Considered good		
Due from clients in respect of securities transactions - secured	31,681	110,063
Receivable from stock exchanges - unsecured	7,611	-
Considered doubtful		
Due from clients in respect of securities transactions - unsecured	96,908	96,908
	136,200	206,971

	Note	2010	2009
		Rupees in '000'	
Considered doubtful		96,908	96,908
Less: Provision for doubtful debts		(96,908)	(96,908)
		-	-

14.4 Deferred costs - net

Opening balance		13,344	21,714
Incurred during the year		-	-
Amortized during the year		(8,370)	(8,370)
Closing balance		4,974	13,344

14.5 Goodwill

Cost		516,498	516,498
Less: Accumulated impairment (note 14.5.1)		(516,498)	(139,077)
Carrying value at the end of year		-	377,421

14.5.1 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 Group 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 consolidated financial statements.

14.6 Provision held against other assets

	Note	2010	2009
		Rupees in '000'	
Opening balance		230,715	108,209
Charge for the year		-	154,516
Reversals		(5,229)	(7,154)
Transferred from provision against non-performing advances		2,218	7,323
Write off against provision		-	(32,179)
		227,704	230,715

15. BILLS PAYABLE

In Pakistan		357,293	479,084
Outside Pakistan		-	-
		357,293	479,084

16. BORROWINGS

In Pakistan		5,275,007	2,567,915
Outside Pakistan		236	-
		5,275,243	2,567,915

16.1 Particulars of borrowings with respect to currencies

In local currency		5,275,007	2,567,915
In foreign currencies		236	-
		5,275,243	2,567,915

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
Borrowings from banks	16.5	18,000	-
Loan from a related party		-	70,000
		4,275,007	2,542,915
Unsecured			
Overdrawn nostro accounts		236	-
Call borrowings		1,000,000	25,000
		1,000,236	25,000
		5,275,243	2,567,915

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 mark up 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.

16.5 This represents a loan facility of Rs. 18 million obtained from a commercial bank against equitable mortgage of six flats located at Bhurban Heights, Islamabad. The loan is repayable in May 2012 and carries markup at three months KIBOR plus 3% per annum (with no floor and cap) and is payable on quarterly basis.

17. DEPOSITS AND OTHER ACCOUNTS

	Note	2010	2009
		Rupees in '000'	
Customers			
Fixed deposits		28,082,564	32,228,103
Savings deposits		26,111,317	16,579,712
Current accounts - Non-remunerative		5,890,178	5,539,855
Margin accounts		737,889	690,552
		60,821,948	55,038,222
Financial institutions			
Non-remunerative deposits		57,568	23,468
Remunerative deposits		657,908	2,418,516
		715,476	2,441,984
		61,537,424	57,480,206

17.1 Particulars of deposits

	2010	2009
In local currency	58,290,561	53,584,120
In foreign currencies	3,246,863	3,896,086
	61,537,424	57,480,206

18. OTHER LIABILITIES

	Note	2010	2009
Mark-up / return / interest payable in local currency		1,127,951	1,359,612
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		57,238	64,862
Payable to Bank of Ceylon, Colombo		20,163	20,163
Payable to stock exchanges		-	4,063
Payable to brokerage house clients		48,666	41,556
Retention money		1,610	2,839
Branch adjustment account		3,723	-
Security deposits against leases		95,926	234,357
Accrued expenses		84,701	89,246
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	33	53,655	39,054
Security deposit against lease finance		50,418	45,922
Withholding tax payable		5,454	375
Others		71,885	65,941
		1,731,676	2,103,637

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

Summit Bank (Formerly Arif Habib Bank)

19.2 Issued, subscribed and paid-up capital

2010 Number of Shares	2009 Ordinary shares		2010 Rupees in '000'	2009 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 Shares held by holding compnay, associates and related arties are disclosed in pattern of share holding.

20. RESERVES

	2010 Rupees in '000'	2009 Rupees in '000'
Share premium	1,000,000	1,577,537
Statutory reserve	64,828	67,322
Merger Reserve	(2,399,878)	-
Other	-	7,550
	(1,335,050)	1,652,409

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

	2010	2009
Avaialble-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	(340,530)	(130,837)
Related deferred tax asset	119,766	47,348
	(220,764)	(83,489)

22. CONTINGENCIES AND COMMITMENTS

22.1 Direct credit substitutes

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

	2010	2009
Government	-	22,282
Financial institutions	-	-
Others	-	33,092
	-	55,374

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:

	2010	2009
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

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	2010	2009
	Rupees in '000'	
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
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)

	2010	2009
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	-

22.12 Letter of guarantee of Rs. 30 million in favour of the Karachi Stock Exchange (Guarantee) Limited issued by a commercial bank in favour of SCPL. The guarantee will expire on September 18, 2011 and is secured against term deposit receipts of Rs. 30 million.

23. MARK-UP / RETURN / INTEREST EARNED

	2010	2009
a. On loans and advances to:		
Customers	5,209,616	5,140,761
Financial institutions	82,672	28,934
b. On investments in:		
Available-for-sale securities	1,692,392	1,503,317
On lending to financial institutions	83,833	215,436
c. On deposits with financial institutions	439	9,138
	7,068,952	6,897,586

24. MARK-UP / RETURN / INTEREST EXPENSED

	Note	2010	2009
		Rupees in '000'	
Deposits and other accounts		5,424,152	5,734,265
Securities sold under repurchase agreements		330,478	154,278
Long term borrowings		884	14,473
Other short term borrowings		256,851	179,821
Swap cost on foreign currency transactions		88,467	69,121
		6,100,832	6,151,958

Summit Bank (Formerly Arif Habib Bank)

	Note	2010	2009
		Rupees in '000'	
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		138,039	38,913
Mutual Funds Units / Certificates		110,419	12,630
Term Finance Certificates		4,101	1,988
		254,530	67,905
26. OTHER INCOME			
Bad debts recovered		2,219	9,313
Gain / (loss) on disposal of operating fixed assets		975	-
Others	26.1	45,721	65,397
		48,915	74,710

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.

	Note	2010	2009
		Rupees in '000'	
27. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		1,235,319	1,387,731
Charge for defined benefit plan - gratuity	33	26,164	23,359
Contribution to defined contribution scheme		49,141	53,145
Non-executive directors' fees, allowances and other expenses		355	574
Brokerage and commission		51,880	218,491
Rent, taxes, insurance and electricity, etc.		562,972	476,434
Legal and professional		61,882	64,432
Fees and subscription		29,145	35,124
Repairs and maintenance		157,613	153,962
Communications		98,709	111,730
Stationery and printing		32,071	38,570
Advertisement and publicity		24,682	44,777
Traveling and conveyance		28,058	48,735
Education and training		2,449	1,491
Entertainment		17,936	17,945
Security services and charges		50,145	43,224
Auditors' remuneration	27.1	6,619	5,175
Depreciation	12.2 &12.3	271,969	238,780
Amortization	12.3 &14.4	56,008	42,589
Others		27,517	20,542
		2,790,634	3,026,810

	Note	2010	2009
		Rupees in '000'	
27.1 Auditors' remuneration			
Audit fee		2,950	1,950
Tax services		1,148	1,399
Certifications, half yearly review and sundry advisory services		1,840	1,344
Out of pocket expenses		681	482
		6,619	5,175
27.2 Other provisions / write offs			
Fixed assets written off		2,362	
Provision for impairment of intangible	12.4	100,000	-
Provision / (reversal of provision) against			-
- letter of placement		(25,000)	25,000
- other assets		(5,229)	147,362
- advances to suppliers		-	5,766
mpairment of goodwill		377,421	-
		449,554	178,128

	2010	2009
	Rupees in '000'	

28. OTHER CHARGES

	2010	2009
Penalties imposed by State Bank of Pakistan	4,724	21,690
Bank charges	5,878	3,835
Decline in market value of non banking assets	-	36
Net loss on sale of fixed assets	-	7,296
	10,602	32,857

29. TAXATION

	2010	2009
For the year		
Current	(81,325)	(58,503)
Deferred	938,927	1,232,787
	857,602	1,174,284
For prior year	-	71,542
	857,602	1,245,826

29.1 The charged for the current taxes represents minimum tax in accordance with section 113 of the Income Tax Ordinance, 2001, (the Ordinance). Accordingly, reconciliation of tax expense with the accounting loss is not presented.

29.2 In respect of the assessment years 1997-1998 to 2002-2003 and tax year 2003 of ATBL 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 years 2003 to 2005 and 2008, various disallowances have been made by assessing officer including provision against non-performing advances, leasing losses, allocation of expenses against exempt income and amortisation of intangible and deferred cost. In relation to tax year 2003 the Bank filed an appeal before ATIR, in respect of disallowances of provision for non-performing advances, who confirmed the order of CIR(A) against which 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 issues. 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.

29.4 The tax authorities initiated proceedings against SCPL under section 122 (5A) of the Income Tax ordinance, 2001 for the tax year 2008 and 2009 and has passed amended assessment order, in which certain disallowances were made having a tax impact of Rs. 3.65 million. The company is in the process of filing an appeal before Income Tax Appellate Tribunal against the amended order. The management expects a favourable outcome of the appeal, hence no provision in this regard has been made in these financial statements.

	Note	2010	2009

30. EARNINGS PER SHARE - BASIC AND DILUTED

		2010	2009
Loss for the year	Rupees in '000'	(3,032,144)	(3,821,797)
Weighted average number of ordinary shares		725,065,982	725,065,982
Earnings per share - Basic and diluted	Rupees	(4.18)	(5.27)

31. CASH AND CASH EQUIVALENTS

	Note	2010	2009
		Rupees in '000'	
Cash and balance with treasury banks	7	4,047,590	3,500,669
Balance with other banks	8	375,207	918,152
		4,422,797	4,418,821

32. STAFF STRENGTH

	2010	2009
Permanent	987	1,195
Contractual basis	169	187
Bank's own staff strength at end of the year	1,156	1,382
Outsourced	227	371
Total staff strength	1,383	1,753

33. DEFINED BENEFIT PLAN / SCHEME

	Note	Rupees in '000'	
Defined benefit plan (Funded) - ATBL	33.1	9,422	11,564
Defined benefit scheme (Unfunded) - SBL and SCML	33.2	44,233	27,491
		53,655	39,055

33.1 Defined benefit plan

An approved funded gratuity scheme is maintained for all permanent and full time employees who were working with ATBL in the management cadre and 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 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

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	731	1,903
Payable to related party in respect of employees transferred	-	124
	9,422	11,564

	2010	2009
	-------- (Rupees '000) --------	

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	9,422	11,564

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	9,422	11,564

33.1.5 Actual return on plan assets	(1,323)	1,753

	2010	2009
	-------- (Rupees '000) --------	

33.1.6 Movement in present value of defined benefit obligation

	2010	2009
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	24,424	30,690

	2010	**2009**
	-------- (Rupees '000) --------	

33.1.7 Movement in fair value of plan assets

	2010	2009
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	15,733	21,153

33.1.8 Annual Actuarial losses

	2010	2009
Experience gain on obligation	(8,033)	(5,816)
Experience loss on plan assets	4,061	591
Total actuarial gain during the year	(3,972)	(5,225)

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

	2010	2009
Fixed income	27%	23%
Cash	-	16%
Term Deposit Receipt	20%	-
Mutual Funds	53%	61%
Total	100%	100%

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)	8,691	9,537	12,445	(3,345)	2,080

33.2 Defined benefit plan

SBL and SCPL maintain unfunded gratuity schemes 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	
	SBL	**SCPL**	**SBL**	**SCPL**
Discount rate (per annum)	14%	14%	13%	12.75%
Expected rate of salary increase (per annum)	14%	14%	13%	11.75%

	2010	2009
	-------- (Rupees '000) --------	
33.2.2 Reconciliation of liability recognised by the Bank		
Present value of defined benefit obligations	40,993	27,609
Net actuarial gains or losses not recognized	3,240	(118)
	44,233	27,491
33.2.3 Movement in liability recognised by the Bank		
Opening balance	27,491	17,283
Charge for the year	16,742	11,795
Contribution paid to the fund	-	(1,587)
Closing balance	44,233	27,491
33.2.4 Charge for the year		
Current service cost	12,166	9,045
Interest cost	4,483	3,163
Expected return on assets	-	(433)
Actuarial loss recognized	93	20
	16,742	11,795

34. DEFINED CONTRIBUTION PLAN

The Group 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.

35. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
	---'Rupees in '000'---					
Fees (note 35.3)	-	-	245	314	-	-
Managerial remuneration	19,027	27,150	-	-	284,199	334,647
Charge for defined contribution plan	1,685	1,553	-	-	27,634	31,129
Rent and house maintenance	8,085	11,262	-	-	62,646	61,050
Utilities	1,797	2,503	-	-	13,340	13,098
Dearness allowance	1,819	909	-	-	22,238	11,217
Medical	1,091	1,091	-	-	13,574	13,469
Conveyance	-	-	-	-	76,259	81,257
Car allowance	-	-	-	-	25,380	27,210
Bonus	-	909	-	-	-	10,225
General/Special Allowance	4	-	-	-	127,550	169,373
Others	-	-	-	-	2,356	4,442
	33,508	45,377	245	314	655,176	757,117
Number of person(s)	*2	*2	2	2	321	282

* 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.

35.3 Fee is paid to non-executive directors only.

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.

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	1,964,230	2,765,262	2,941,297	10,487	1,121	7,692,398
Total expenses	2,716	1,031,394	5,578,157	4,965,740	4,137	-	11,583,144
Net income / (loss) before tax	7,285	932,836	(2,812,895)	(2,024,443)	6,350	1,121	(3,889,746)
Segment assets (Gross)	4,651	21,801,725	12,713,495	43,375,142	3,835	-	77,898,848
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	21,801,725	11,680,815	38,683,878	3,835	-	72,174,904
Segment liabilities	515	2,941,297	28,008,751	37,789,752	154,646	-	68,901,636
Segment return on assets (ROA) (%)	156.64%	4.33%	(24.08%)	(5.23%)	165.57%	-	
Segment cost of funds (%)	-	8.79%	13.91%	9.42%	2.68%	-	

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement		Total
	----------Rupees in '000'----------						
2009							
Total income	23,120	1,558,887	2,435,704	3,249,631	4,807	-	7,272,149
Total expenses	13,157	1,295,107	5,502,985	5,528,273	250	-	12,339,772
Net income / (loss) before tax	9,963	263,780	(3,067,281)	(2,278,642)	4,557	-	(5,067,623)
Segment assets (Gross)	9,812	20,157,418	10,277,934	42,425,268	887	-	72,871,320
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	20,157,418	9,496,508	39,416,453	887	-	69,081,079
Segment liabilities	1,372	747,540	30,469,750	31,198,846	213,334	-	62,630,842
Segment return on assets (ROA) (%)	101.54%	1.31%	(32.30)%	(5.78)%	513.75%		
Segment cost of funds (%)	-	6.42%	13.82%	12.47%	3.92%		

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	144,360	41,699	186,432	1,554,489
Deposits				
Balance at beginning of the year	23,140	1,350,923	33,858	2,981,613
Deposits during the year	1,636,298	43,192,231	4,041,663	91,483.100
Withdrawal during the year	(1,570,728)	(44,200,619)	(4,052,380)	(93,113,790)
Balance at end of the year	88,710	342,535	23,141	1,350,923
Investment in shares / TFC's				
Thatta Cement Company Limite	-	-	-	112,773
Lending to financial institution	-	298,634	-	-
Advance rent	-		-	6,125
Purchase of assets	-		-	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 unit		-		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	-	-	-	-
Brokerage expenses paid - equity securities	-	14	-	1,693
Rent Expense	-	8100	-	26,616
Sharing of Rent Expense	-	1,410	-	1,874
Insurance Premium Paid	-	-	-	13,350
insurance claim received	-	1,457	-	4,826
Repair of photocopier, PABX etc.	-	3,227	-	4,200
Operating lease rental income	-	-	-	6,336
Mark up earned	8,153	101,007	13,770	206,422
Capital gail/(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	75,763	4,360	119,643

Summit Bank (Formerly Arif Habib Bank)

40. CAPITAL ADEQUACY

40.1 Scope of applications

The Basel-II framework applies to all banks and DFIs on standalone as well as consolidated basis. The Bank is the only entity in the Group to which Basel II capital adequacy framework applies.

40.2 Capital structure

The Group's 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 Group does not have any Tier 3 capital.

The required capital is achieved by the Group 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 Group'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	(1,335,050)	1,652,409
Unappropriated / unremitted profits (Net of losses)	(2,421,578)	(5,120,149)
Less: Intangible assets	(159,986)	(199,681)
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)	-	-
Total Tier I Capital	2,994,409	6,205,600
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)	-	-
Total Tier II Capital	4,430	1,562
Eligible Tier III Capital	-	-
Total Regulatory Capital Base	**2,998,839**	**6,207,162**

Summit Bank (Formerly Arif Habib Bank)

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 Group as determined by the underlying business strategy and the minimum requirements of the SBP. The Capital Management process is governed by the Group's Asset & Liability Committee (ALCO). ALCO is responsible for managing Group's capital position vis-à-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.

Group'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 Group's assets to allow for an optimal deployment of the Group's resources;
- to protect the Group against unexpected events and maintain strong ratings;
- to safeguard the Group'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 Group 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 Group has at present paid up capital (free of losses) of Rs. 3.49 billion (2009: 6.53 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% on consolidated as well as on stand-alone basis. The CAR of the Group as at December 31, 2010 is 5.59 % (2009: 11.06%) of its risk weighted exposures. As mentioned in note 1.4, the Bank has requested to SBP to grant extension to meet minimum capital requirements till March 31, 2011.

	2010		2009	
	Capital requirements	**Risk weighted assets**	**Capital requirements**	**Risk weighted assets**
	Rupees '000'		**Rupees '000'**	
Credit risk				
Portfolios subject to standardized approach (Simple or Comprehensive)				
Corporate portfolio etc.	3,286,270	32,862,703	3,746,874	37,468,740
Retail	581,506	5,815,057	474,705	4,747,052
Financial Institutions	17,882	178,823	46,299	462,993
Others	765,534	7,655,335	601,280	6,012,798
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 '000'		Rupees '000'	
Equity exposure risk in the banking book				
Equity portfolio subject to market-based approaches				
Under simple risk weight method	-	-	-	-
Under Internal models approach	-	-	-	-
Equity portfolio subject to PD / LGD				
Market risk				
Capital requirement for portfolios subject to				
Standardized approach				
Interest rate risk	88,339	1,104,236	187,905	2,348,812
Equity position risk etc.	273,565	3,419,562	157,025	1,962,813
Foreign exchange risk etc.	7,597	94,959	33,493	418,661
Capital requirement for portfolios subject to Internal models approach				
Interest rate risk	-	-	-	-
Foreign exchange risk etc.	-	-	-	-
Operational risk	199,400	2,492,500	217,202	2,715,025
Capital requirement for operational risks	5,220,092	53,623,174	5,464,783	56,136,894
Capital Adequacy Ratio				
Total eligible regulatory capital held		2,998,839		6,207,162
Total risk weighted assets		53,623,174		56,136,894
Capital Adequacy Ratio (a) / (b)		5.59%		11.06%

41. RISK MANAGEMENT

The acceptance and management of financial risk is inherent to banking business activities. The Group is exposed to numerous risks in pursuit of its business objectives. The core risks are Credit, Market and Liquidity risks. These risks arise directly through the Group's commercial activities whilst Operational and Compliance / Legal / Regulatory risks are normal consequences of any business undertaking. We believe a sound Risk Management Framework provides principles for identifying, accessing and monitoring risk within the Group. 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 Group 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 Group's risk exposure is within the limits established by Board of Directors.
- Risk taking decisions are in line with the business strategy and objectives of the 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 Group.

The Board of Directives approves the policies proposed by risk management committee of the Group 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 Group.

Risk management group organization

A clear management structure has been put in place in the Group,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 Group. The Support Group provides various services necessary for maintaining operations of the Group on a sustainable basis. The Risk Management Group is responsible for management of the risk inherent in the Group's operations. The Risk Management Group comprises of (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 Group'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 Group. 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 reports.

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 Group 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 Group complies with the requirements of Prudential Regulations prescribed by SBP.
- Facilities provided by the Group 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 Group 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 Group is faced with undesirable positions. For this reason, all facilities of a continuing character are only approved after the next review date, unless otherwise agreed.

Credit administration tasks include the following:

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

It is the Group's policy to reduce or mitigate credit risk on credit facilities or exposure, as much as possible, in a given commercial environment by securing credit facilities or exposure with collateral. To correctly asses the extent to which the collateral mitigates the credit risk the collateral must be valued according to a specified valuation method and documented and monitored. The legal mechanism by which collateral is pledged and the Group's procedures ensures that the Group has clear rights over the collateral and may liquidate, retain or take legal possession of it in a timely manner in the event of the default, insolvency or bankruptcy or otherwise defined credit event set out in the transaction documentation, of the counterparty and, where applicable, of the custodian holding the collateral.

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.

41.1.1.1 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	1.51	518	-	277,249	0.95
Automobile	727,749	1.64	30,409	0.05	40,688	0.14
Banaspati & Allied Industries	700,180	1.57	-	-	1,520	-
Carpet	194,536	0.44	8,391	0.01	7,500	0.03
Cement	589,420	1.32	755	-	241,171	0.83
Chemical & Pharma	3,053,525	6.86	577,120	0.94	904,154	3.11
Construction	2,989,202	6.72	1,494,550	2.43	500,676	1.72
Consumer	116,546	0.26	8,923,414	14.50	14,697	0.05
Dairy & Poultry	50,139	0.11	30	-	1,480	-
Education	207,329	0.47	480,651	0.78	203,198	0.70
Electric & Electrical Goods	761,035	1.71	13,382	0.02	2,019,263	6.95
Energy Oil & Gas	1,008,709	2.27	1,011,522	1.64	2,668,120	9.18
Exports/Imports	844,353	1.90	119,611	0.19	190,652	0.66
Financial	2,341,244	5.26	12,199,561	19.82	8,782,320	30.23
Food, Tobacco & Beverages	2,219,937	4.99	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	0.40	66	0.00	1	-
Health Care	442,404	0.99	4,002	0.01	109,906	0.38
Hotels	389,816	0.88	1,648	-	11,746	0.04
Individuals	2,996,755	6.73	10,080,743	16.38	2,303,541	7.93
Leather & Footwear	35,511	0.08	530	-	14,602	0.05
Mining and Quarrying	34,515	0.08	69,937	0.11	15,580	0.05
Miscellaneous	2,714,232	6.10	3,291,336	5.35	852,576	2.93
Others	4,054,988	9.11	14,269,665	23.19	2,127,181	7.32
Paper & Allied Products	56,805	0.13	313	-	2,732	0.01
Power (electricity), Gas, Water, Sanitary	4,502,250	10.12	3,337,038	5.42	3,297,325	11.35
Print Publish & Allied	610,340	1.37	20,215	0.03	13,342	0.05
Services	1,579,352	3.55	2,779,390	4.52	1,208,570	4.16
Steel & Engineering	739,840	1.66	19,141	0.03	9,231	0.03
Sugar	1,485,751	3.34	996	-	696,500	2.40
Textile	4,894,821	11.00	253,154	0.41	1,068,644	3.68
Transport & Communication	1,049,005	2.36	1,124,281	1.83	1,128,814	3.89
Trust	-	-	1,143,735	1.86	-	0.00
Wholesale and Retail Trade	2,158,479	4.85	36,950	0.06	177,526	0.61
	44,495,357	100.00	61,537,424	100.00	29,054,827	100.00

Summit Bank (Formerly Arif Habib Bank)

	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	3.83
Automobile and transportation equipment	-	-	-	0.00	-	0.00
Banaspati & Allied Industries	1,261,500	3.04	72,526	0.13	583,701	1.41
Carpet	650,791	1.57	1,531	0.00	287,758	0.69
Cement	432,151	1.04	36,084	0.06	744,815	1.79
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	13,384,504	33.36
Consumer	2,290,846	5.52	37,978	0.07	275,584	0.66
Dairy & Poultry	765,384	1.84	89,882	0.16	418,710	1.01
Education	923,986	2.23	1,735,146	3.02	1,574,024	3.79
Electric & Electrical Goods	3,509,272	8.45	1,593,133	2.77	6,889,422	16.60
Energy Oil & Gas	3,424,654	8.25	6,884,657	11.98	1,265,220	3.05
Exports/Imports	997,506	2.40	14,640,117	25.47	1,776,497	4.28
Financial	1,148,215	2.77	63,567	0.11	349,663	0.84
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	1.31
Health Care	1,334,196	3.21	496,570	0.86	677,362	1.63
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	0.64
Mining and Quarrying	622,798	1.50	4,649	0.01	388,677	0.94
Miscellaneous	405,212	0.98	1,694,578	2.95	19,763	0.05
Others	154,429	0.37	2,425,867	4.22	5,469,380	13.17
Paper & Allied Products	2,859,313	6.89	103,049	0.18	445,514	1.07
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	1.05
Textile	3,002,079	7.23	4,426,029	7.70	1,113,715	2.68
Transport & Communication	3,491,662	8.41	66,603	0.12	1,311,471	3.16
Trust	1,204,103	2.90	31,267	0.05	255,714	0.62
Wholesale and Retail Trade	-	-	1,833,124	3.19	-	0.00
	41,514,700	100.00	57,480,206	100.00	41,051,283	100.00

41.1.1.2 Segments by Sector

	2010					
Public/ Government	1,019,936	2.29	36,421,886	59.19	1,683,817	5.80
Private	43,475,421	97.71	25,115,538	40.81	27,371,010	94.20
	44,495,357	100.00	61,537,424	100.00	29,054,827	100.00

	2009					
Public/ Government	1,019,936	2.46	21,146,095	36.79	1,683,817	4.10
Private	40,494,764	97.54	36,334,111	63.21	39,367,466	95.90
	41,514,700	100.00	57,480,206	100.00	41,051,283	100.00

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

	2010		2009	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees in '000'		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	296,861	238,673	54,452	6,686
	11,394,073	5,719,514	7,823,997	3,788,676

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

Public/ Government	-	-	-	-
Private	11,394,073	5,719,514	7,823,997	3,788,676
	11,394,073	5,719,514	7,823,997	3,788,676

41.1.1.5 Geographical Segment Analysis

	Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	<------------- Rupees '000' ------------->			
2010				
Pakistan	(3,889,746)	72,174,904	3,273,268	29,054,827
2009				
Pakistan	(5,067,623)	69,081,079	6,450,237	41,514,700

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

Mapping to SBP rating grades

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

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Long – Term Rating Grades Mapping

SBP Rating grade	Fitch	Moody's	S & P	PACRA	JCR-VIS	ECA Scores
1	AAA AA+ AA AA-	Aaa Aa1 Aa2 Aa3	AAA AA+ AA AA-	AAA AA+ AA AA-	AAA AA+ AA AA-	0 1

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

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	-	-	-	-	-
Securitizations	-	-	-	-	-
Others	-	-	-	Yes	Yes

Exposure	Rating category	2010 Amount outstanding	2010 Deduction CRM	2010 Net amount	2009 Amount outstanding	2009 Deduction CRM	2009 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	22,880,235	(931,216)	21,949,019	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%	276,714	-	55,343	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%	2,960,572	-	-	1,528,697	-	-
				-			
Others	0%	1,021,594	-	-	342,272	-	-
	35%	658,817	-	230,586	236,121	-	82,642
	50%	-	-	-			
	100%	7,555,365	-	7,555,365	2,382,660	-	2,382,660
		53,436,090	(2,937,217)	41,946,676	25,524,740	(2,621,675)	18,375,540

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

The Group has adopted the Simple Approach of Credit Risk Mitigation for the Banking Book. Since, the trading book of the Group only comprises equity investments; therefore no Credit Risk Mitigation benefit is taken in the trading book. In instances where Group'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 Group accepts cash, lien on deposits, government securities and eligible guarantees etc. under the simple approach of Credit Risk Mitigation. The Group has in place detailed guidelines with respect to valuation and management of various collateral types. In order to obtain the credit risk mitigation benefit, the Group uses realizable value of eligible collaterals to the extent of outstanding exposure.

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

The Group 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 Group's held for trading investment portfolio is taken to the profit and loss account. The surplus / (deficit) arising on revaluation of quoted securities classified as available for sale is kept in a separate account shown in the 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 associates	Held for trading	Avilable 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: 130.837 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 Group will be adversely affected by movements in market rates or prices such as interest rates, foreign exchange rates, equity prices and/or credit spreads resulting in a loss to earnings and capital.

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

41.4.1 Interest rate risk

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

Summit Bank (Formerly Arif Habib Bank)

41.4.2 Foreign exchange risk

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

- Maximize profitability with minimum risk by keeping the exposure at desirable levels in view of strict compliance of regulatory / international standards and the Group's internal guidelines.

- Manage appropriate maturity mismatch gaps

- 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 Group's foreign exchange risk is presently limited to future cash flows in foreign currencies arising from foreign exchange transactions and translation of net open position in foreign currencies. The Group is carefully monitoring the net foreign currency exposure as well as utilizing the currency swap and forward contract to hedge the related exposure.

	2010			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	.... Rupees in '000'			
Pakistan rupee	70,872,023	65,647,036	8,174	5,233,160
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	(108,353)
Other currencies	31,782	40,770	-	(8,988)
	72,174,904	68,901,636	-	3,273,268

	2009			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	.... Rupees in '000'			
Pakistan rupee	66,993,481	58,717,221	(667,950)	7,608,310
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
	69,081,079	62,630,842	-	6,450,237

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 Group 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. Group 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.

Summit Bank (Formerly Arif Habib Bank)

41.4.4 Mismatch of Interest Rate Sensitive Assets and Liabilities

	Effective Yield/ Interest rate	2010 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	Non-interest bearing financial instruments
		<----	----	----	----	----	Rupees in '000	----	----	----	----	---->
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	4,047,590	7,690	-	-	-	-	-	-	-	-	4,039,900
Balances with other banks	-	375,207	6,963	-	-	30,000	-	-	-	-	-	338,244
Lending to financial institutions	13.5% to 14.25%	-	-	-	-	-	-	-	-	-	-	-
Investments	8% to 16.09%	20,204,356	5,691,854	2,490,938	7,359,475	621,811	737,653	484,316	656,055	420,687	-	1,741,568
Advances	3% to 26%	38,771,412	7,697,137	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	-	1,517,852	10,255	-	-	964	-	-	-	-	-	1,506,633
		64,916,417	13,413,899	5,506,029	14,971,712	17,188,056	2,022,829	1,255,157	1,919,106	678,817	290,713	7,670,100
Liabilities												
Bills payable	-	357,293	-	-	-	-	-	-	-	-	-	357,293
Borrowings	8.5% to 13.25%	5,275,243	2,649,991	1,930,974	676,278	-	18,000	-	-	-	-	-
Deposits and other accounts	1.5% to 16%	61,537,424	13,083,971	16,091,167	17,849,141	7,204,536	498,696	120,462	4,610	-	-	6,684,842
Other liabilities	-	1,543,860	8	-	-	-	-	-	-	-	-	1,543,672
		68,713,640	15,733,970	18,022,141	18,525,419	7,204,536	516,696	120,462	4,610	-	-	8,585,807
On-balance sheet gap		(3,797,223)	(2,320,071)	(12,516,112)	(3,553,707)	9,983,520	1,506,134	1,134,695	1,914,496	678,817	290,713	(915,706)
Off-balance sheet financial instruments												
Forward Lending (including call lending, repurchase agreement lending, commitments to extend credit, etc.)		8,557,195	8,557,195	-	-	-	-	-	-	-	-	-
Forward exchange contracts												
Purchase		1,755,845	1,755,845	-	-	-	-	-	-	-	-	-
Sale		591,844	591,844	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		10,904,884	10,904,884	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap			8,584,813	(12,516,112)	(3,553,707)	9,983,520	1,506,134	1,134,695	1,914,496	678,817	290,713	
Cumulative Yield/Interest Risk Sensitivity Gap			8,584,813	(3,931,299)	(7,485,006)	2,498,514	4,004,647	5,139,342	7,053,838	7,732,655	8,023,368	

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	64,916,418
Add Non Financial Assets	
Operating fixed assets	2,781,943
Deferred tax assets	3,218,243
Other assets	1,258,300
Total assets as per Statement of Financial Position	72,174,904
Total financial liabilities as per 44.4.4	68,713,640
Add Non Financial Liabilities	
Other liabilities	187,996
Total liabilities as per Statement of Financial Position	68,901,636

	Effective Yield/ Interest rate	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-interest bearing financial instruments
			2009									
			Exposed to yield/ Interest risk									
		< - - - - - - - - - - - -	- - - - - - - - - -	- - - - - Rupees in '000	- - - - - - - - - -	- - - - - - - - - -	- - - - - - - - - -	- - - - - - - - - -	- - - - - - - - - -	- - - - - - - - - -	- - - - - - - - - -	- - - - >
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	3,500,669	607,589	-	-	-	-	-	-	-	-	2,893,080
Balances with other banks	-	918,152	65,609	-	-	-	30,000	-	-	-	-	822,543
Lending to financial institutions	12.15% to 12.40%	2,272,255	2,247,255	25,000	-	-	-	-	-	-	-	-
Investments	8% to 15.60%	16,814,606	219,524	4,085,712	3,889,467	3,111,268	1,562,689	761,027	943,234	276,533	-	1,965,152
Advances 1,046,730	7.50% to 20%	37,724,459	18,572,000	4,730,083	5,743,616	2,662,631	3,638,742	892,987	532,872	609,990	258,977	82,561
Other assets	-	1,433,594	22,969	13,000	13,000	13,888	-	-	-	-	-	1,370,737
		62,663,735	21,734,946	8,853,795	9,646,083	5,787,787	5,231,431	1,654,014	1,476,106	886,523	258,977	7,134,073
Liabilities												
Bills payable	-	479,084	213,209	-	-	-	-	-	-	-	-	265,875
Borrowings	6.5% to 12.14%	2,567,915	517,691	1,483,609	492,765	3,850	70,000	-	-	-	-	-
Deposits and other accounts	0.5% to 15%	57,480,206	21,454,317	11,822,567	2,879,910	14,672,487	92,546	255,396	49,106	-	-	6,253,877
Other liabilities	-	1,970,338	3,015	-	-	-	-	-	-	-	-	1,967,323
		62,497,543	22,188,232	13,306,176	3,372,675	14,676,337	162,546	255,396	49,106	-	-	8,487,075
On-balance sheet gap		166,192	(453,286)	(4,452,381)	6,273,408	(8,888,550)	5,068,885	1,398,618	1,427,000	886,523	258,977	(1,353,002)
Off-balance sheet financial instruments												
Forward Lending (including call lending, repurchase agreement lending, commitments to extend credit, etc.)		14,837,898	14,738,155	99,743	-	-	-	-	-	-	-	-
Forward borrowings (including call borrowing, repurchase agreement borrowing, etc.)		487,831	487,831	-	-	-	-	-	-	-	-	-
Off-balance sheet gap			14,250,324	99,743	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap			13,797,038	(4,352,638)	6,273,408	8,888,550	(5,068,885)	1,398,618	1,427,000	886,523	258,977	
Cumulative Yield/Interest Risk Sensitivity Gap			13,797,038	9,444,400	15,717,808	6,829,258	11,898,143	13,296,761	14,723,761	15,610,284	15,610,261	

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	62,663,735
Add Non Financial Assets	
Operating fixed assets	2,907,139
Deferred tax assets	2,206,900
Other assets	1,303,305
Total assets as per Statement of Financial Position	69,081,079
Total financial liabilities as per 44.4.4	62,497,543
Add Non Financial Liabilities	
Other liabilities	133,299
Total liabilities as per Statement of Financial Position	62,630,842

41.5 Liquidity risk

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

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

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

41.5.1 Maturities of Assets and Liabilities

	2010									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to Year	Over 1 to 2 1 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	<---- Rupees in '000 ---->									
Cash and balances with treasury banks	4,047,590	4,047,590	-	-	-	-	-	-	-	-
Balances with other banks	375,207	345,207	-	-	30,000	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	20,204,357	5,691,854	2,527,652	7,613,162	874,835	1,612,066	484,316	656,055	420,687	323,732
Advances	38,771,413	8,101,560	6,344,225	9,196,596	11,113,975	1,294,534	847,925	1,323,392	258,496	290,710
Operating fixed assets	2,781,943	156,981	33,836	50,754	132,459	289,010	154,538	554,130	843,780	566,456
Deferred tax assets	3,218,243	49	2,699	10	11,206	787,798	20,733	2,395,701	47	-
Other assets	2,776,151	1,926,633	443,795	44,044	344,932	7,886	8,861	-	-	-
	72,174,904	20,269,874	9,352,207	16,904,566	12,507,406	3,991,294	1,516,372	4,929,278	1,523,010	1,180,898
Liabilities										
Bills payable	357,293	357,293	-	-	-	-	-	-	-	-
Borrowings	5,257,243	2,649,991	1,930,974	676,278	-	18,000	-	-	-	-
Deposits and other accounts	61,537,424	15,291,757	18,382,005	15,252,521	8,744,626	1,289,062	1,346,655	940,253	290,546	-
Other liabilities	1,731,676	1,160,432	96,108	277,862	91,809	104,930	489	46	-	-
	68,901,636	19,459,472	20,409,087	16,206,661	8,836,435	1,411,992	1,347,144	940,299	290,546	
Net assets	3,273,268	810,401	(11,056,880)	697,905	3,670,971	2,579,302	169,228	3,988,979	1,232,464	1,180,898

Share capital	7,250,660
Reserves	(1,335,050)
Accumulated loss	(2,421,578)
Deficit on revaluation of assets-net	(220,764)
	3,273,268

	2009									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to Year	Over 1 to 2 1 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	<-------- Rupees in '000 -------->									
Assets										
Cash and balances with treasury banks	3,500,669	2,937,218	158,415	113,274	92,029	47,974	75,879	57,276	18,604	-
Balances with other banks	918,152	790,461	97,691	-	30,000	-	-	-	-	-
Lending to financial institutions	2,272,255	2,247,255	25,000	-	-	-	-	-	-	-
Investments	16,814,606	121,278	4,064,699	4,617,375	3,937,917	1,289,005	882,507	1,058,972	419,121	423,732
Advances	37,724,459	16,166,920	5,486,547	5,901,668	2,714,348	3,699,774	1,112,854	1,112,664	1,270,708	258,976
Operating fixed assets	2,907,138	14,018	28,864	43,823	197,659	264,940	216,886	610,416	943,832	586,700
Deferred tax assets	2,206,900	-	779	775	-	40,371	92,221	1,920,348	152,406	-
Other ssets	2,736,900	882,859	1,014,792	113,912	671,074	44,235	-	-	10,028	-
	69,081,079	23,160,009	10,876,787	10,790,827	7,643,027	5,386,299	2,380,347	4,759,676	2,814,699	1,269,408
Liabilities										
Bills payable	479,084	213,209	265,875	-	-	-	-	-	-	-
Borrowings	2,567,915	517,691	1,483,609	492,765	3,850	70,000	-	-	-	-
Deposits and other accounts	57,480,206	19,180,575	12,488,342	4,906,526	16,513,066	1,052,022	1,772,983	1,194,619	372,073	-
Other liabilities	2,103,637	1,295,471	312,420	94,710	218,168	179,919	2,928	21	-	-
	62,630,842	21,206,946	14,550,246	5,494,001	16,735,084	1,301,941	1,775,911	1,194,640	372,073	-
Net assets	6,450,237	1,953,063	(3,673,459)	5,296,826	(9,092,057)	4,084,358	604,436	3,565,036	2,442,626	1,269,408

Share capital	10,001,466
Reserves	1,652,409
Unappropriated profit	(5,120,149)
Deficit on revaluation of assets - net	(83,489)
	6,450,237

41.6 Operational risk management

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

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

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

The Group is currently in the process of implementing internationally accepted Internal Control-Integrated Framework published by the Committee of Sponsoring 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 consolidated financial statements were authorized for issue in the Board of Directors meeting held on February 28, 2011.

43. GENERAL

These consolidated 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

STATEMENT SHOWING WRITE OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF Rs.500,000/- OR ABOVE PROVIDED

DURING THE YEAR ENDED DECEMBER 31, 2010

S. NO.	Name and address of the borrower	Name of Individuals / Partners / Directors with CNIC#	Father /Husband's Name	Outstanding liabilities at the beginning of the year				Principal Written Off	Interest / Markup Written Off	Other Financial Relief Provided	Total
				Principal	Interest/ Markup	Others	Total				
1	Health Care Hospital	QAMAR ZAMAN KHAN 42301-1080022-5	SULTAN ZAMAN KHAN	8,865	2,880	-	11,744	8,865	7,051	-	15,916
		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**	**8,865**	**7,051**	**-**	**15,916**

Summit Bank (Formerly Arif Habib Bank)

CATEGORIES OF SHAREHOLDERS

AS AT DECEMBER 31, 2010

Categories of Shareholders	Shares Held	
	Number	% age
Associated Companies, Undertakings & Related Parties		
Suroor Investments Limited	428,228,566	59.06
Rupali Bank Limited	32,777,450	4.52
Deg-Deutsche Investitons- Und Entwicklungsgesellschaft Mbh	56,041,430	7.73
Directors		
Mr. Nasim Beg	1,114,877	0.15
Mr. Asadullah Khawaja	74	0.00
National Investment Trust & Investment Corporation of Pakistan	8,584,573	1.18
Banks, Development Financial Institutions, Non Banking Finance Institutions, Insurance Companies, Modarabas & Mutual Funds	35,471,146	4.89
Foreign Shareholders	160,749	0.02
Individuals	144,267,483	19.90
Others	18,419,634	2.54
Total	725,065,982	100.00

Summit Bank (Formerly Arif Habib Bank)

CATEGORIES OF SHAREHOLDERS

AS AT DECEMBER 31, 2010

Categories of Shareholders		Shares Held	
		Number	% age
Associated Companies, Undertakings & Related Parties			
Suroor Investments Limited	1	428,228,566	59.06
Rupali Bank Limited	1	32,777,450	4.52
Deg-Deutsche Investitons- Und Entwicklungsgesellschaft Mbh	1	56,041,430	7.73
Directors	2	1,114,951	0.15
National Investment Trust & Investment Corporation of Pakistan	4	8,584,573	1.18
Banks, Development Financial Institutions, Non Banking			
Finance Institutions, Insurance Companies,			
Modarabas & Mutual Funds	36	35,471,146	4.89
Foreign Shareholders	11	160,749	0.02
Individuals	47,289	144,267,483	19.90
Others	193	18,419,634	2.54
Total	47,537	725,065,982	100.00

Summit Bank (Formerly Arif Habib Bank)

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2010

NO. OF SHAREHOLDERS	SHAREHOLDING		TOTAL SHARES HELD
	From	To	
3,041	1	100	128,148
3,875	101	500	922,488
26,684	501	1,000	15,055,593
10,876	1,001	5,000	20,688,538
1,497	5,001	10,000	9,537,077
520	10,001	15,000	5,688,449
247	15,001	20,000	3,639,788
177	20,001	25,000	3,578,179
101	25,001	30,000	2,315,240
60	30,001	35,000	1,701,797
57	35,001	40,000	1,543,511
28	40,001	45,000	953,229
51	45,001	50,000	1,914,189
26	50,001	55,000	1,092,187
33	55,001	60,000	1,534,095
14	60,001	65,000	703,767
13	65,001	70,000	732,626
8	70,001	75,000	463,084
17	75,001	80,000	1,033,234
3	80,001	85,000	246,050
12	85,001	90,000	814,234
6	90,001	95,000	453,566
22	95,001	100,000	1,644,545
10	100,001	105,000	680,044
6	105,001	110,000	407,914
10	110,001	115,000	1,002,254
8	115,001	120,000	758,648
3	120,001	125,000	298,680
3	125,001	130,000	174,243
2	130,001	135,000	264,896
2	135,001	140,000	199,710
2	140,001	145,000	209,139
7	145,001	150,000	712,708
2	150,001	155,000	221,266 5
2	155,001	160,000	442,519
2	160,001	165,000	324,286
2	165,001	170,000	334,442
2	170,001	175,000	252,314
1	175,001	180,000	177,300
1	185,001	190,000	85,106
1	190,001	195,000	194,977
7	195,001	200,000	1,180,000
1	200,001	205,000	200,036
3	205,001	210,000	504,707
2	215,001	220,000	433,642
3	220,001	225,000	422,683
2	225,001	230,000	205,207
1	230,001	235,000	231,669
2	240,001	245,000	353,405
2	245,001	250,000	361,444
2	250,001	255,000	227,520
1	260,001	265,000	118,260
3	265,001	270,000	804,221
1	290,001	295,000	132,333
3	295,001	300,000	896,972
1	310,001	315,000	310,500
1	315,001	320,000	143,702
1	330,001	335,000	333,333
1	335,001	340,000	152,269
2	340,001	345,000	498,938
2	350,001	355,000	317,494
2	355,001	360,000	516,475

Summit Bank (Formerly Arif Habib Bank)

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2010

NO. OF SHAREHOLDERS	SHAREHOLDING		TOTAL SHARES HELD
	From	To	
2	365,001	370,000	329,850
1	375,001	380,000	379,310
1	380,001	385,000	382,700
1	390,001	395,000	394,248
2	430,001	435,000	626,754
2	445,001	450,000	900,000
1	455,001	460,000	455,591
1	470,001	475,000	213,750
1	485,001	490,000	485,684
1	490,001	495,000	222,498
1	500,001	505,000	225,215
1	550,001	555,000	554,444
1	585,001	590,000	588,500
1	610,001	615,000	612,951
1	615,001	620,000	279,000
2	665,001	670,000	970,715
1	700,001	705,000	315,248
1	770,001	775,000	348,750
1	775,001	780,000	776,666
1	795,001	800,000	360,000
2	805,001	810,000	727,044
1	815,001	820,000	368,280
2	840,001	845,000	1,684,371
1	900,001	905,000	405,225
1	1,060,001	1,065,000	1,063,095
1	1,065,001	1,070,000	481,465
1	1,110,001	1,115,000	1,111,101
1	1,150,001	1,155,000	518,400
1	1,170,001	1,175,000	528,213
1	1,250,001	1,255,000	1,253,444
1	1,440,001	1,445,000	649,125
1	1,510,001	1,515,000	680,490
1	1,595,001	1,600,000	718,222
1	1,895,001	1,900,000	855,000
1	1,995,001	2,000,000	2,000,000
1	3,445,001	3,450,000	3,447,948
1	3,585,001	3,590,000	1,614,437
1	3,965,001	3,970,000	3,970,000
1	3,995,001	4,000,000	4,000,000
1	4,515,001	4,520,000	4,517,000
1	4,965,001	4,970,000	4,966,176
1	6,020,001	6,025,000	2,711,250
1	11,700,001	11,705,000	5,266,779
1	11,820,001	11,825,000	11,822,252
1	16,765,001	16,770,000	7,544,851
1	18,330,001	18,335,000	18,333,343
1	25,890,001	25,895,000	25,890,282
1	32,775,001	32,780,000	32,777,450
1	124,535,001	124,540,000	56,041,430
1	291,540,001	291,545,000	131,193,712
1	297,030,001	297,035,000	297,034,854
47,537			**725,065,982**

Summit Bank (Formerly Arif Habib Bank)

NOTICE OF THE FIFTH ANNUAL GENERAL MEETING

Notice is hereby given that the fifth Annual General Meeting of the shareholders of Summit Bank Limited (Formerly Arif Habib Bank) "the bank", will be held on Wednesday, March 30, 2011 at 10:00 a.m. at Marriott Hotel, Islamabad to transact the following business:

Ordinary Business:

1. To confirm the minutes of Extraordinary General Meeting of the Bank held on January 20, 2011.
2. To receive, consider and adopt the standalone, amalgamated and consolidated audited financial statements of the Bank for the year ended December 31, 2010 alongwith Directors' and Auditors' Report thereon and Statement of Compliance with the Code of Corporate Governance.
3. To appoint External Auditors of the Bank for the year ending December 31, 2011.

Other Business:

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

-SD-
By order of the Board
Muhammad Amin Bhoori
Company Secretary

Karachi:
Date: March 09, 2011

Notes:

1. The Register of Members of the Bank will remain closed from March 21, 2011 to March 29, 2011 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another member as his / her proxy to attend and vote on his / her behalf. The instrument appointing a Proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power of attorney must be valid and received at the Share Registrar of the Bank, M/s. Technology Trade (Pvt.) Ltd., Dagia House, 241-C, Block-2, P.E.C.H.S., Off. Shahrah-e-Quideen, Karachi duly stamped, signed and witnessed not later than 48 hours before the meeting.
3. Shareholders whose shares are deposited with Central Depository Company of Pakistan Limited (CDC) are requested to bring their Computerized National Identity Card (CNIC) alongwith their CDC Account Number for verification. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
4. Members are requested to notify any change in their addresses immediately.
5. Members are requested to submit copy of their CNICs with our Share Registrar M/s.Technology Trade (Pvt.) Ltd.

Summit Bank (Formerly Arif Habib Bank)

BRANCH NETWORK

Karachi Branches

Adamjee Nagar
115-A/Z, Block 7/8,
Tipu Sultan Road, Karachi.
Tel: 021-34312984-7
Fax: 021-34312980

Atrium Mall
Shop No. 6 and 21 Ground Floor,
Plot No. 249, Atrium Mall, Staff Lines,
Zaibunnisa Street, Saddar, Karachi.
Tel: 021-35641001-7
Fax: 021-35641008

Bahadurabad-1
28-Adam Arcade, Sub Plot # B/7 & B/8,
Block # 3, BMCHS, Karachi.
Tel: 021-34145317, 34145321-23
Fax: 021-4145325

Bahadurabad-2
Plot # C-23, Shop # 1&2 Block-3,
BMC Commercial Area,
Bahadurabad, Karachi.
Tel: 021-34913447-49
Fax: 021-34913453

Boat Basin
Ground floor, Plot No. FL-4,
Hanging Garden, Block-5, Clifton.
Tel: 021-35824171
Fax: 021-35824163

Burns Road
Plot No. 55-A, Survey Sheet A.M.,
Artillery Maidan Quarters,
(Burns Road), Karachi
Tel: 021-32215174-6
Fax: 021-32215289

Cloth Market-1
41, Saleh Muhammad Street,
Cloth Market, Karachi
Tel: 021-32461601-2, 32461605
Fax: 021-32461608

Cloth Market-2
28, Cochinwala Market,
LaxmiDas Street, Karachi.
Tel: 021-32443451,32443651
Fax: 021-32443821

DHA Phase-1
101-C, Commercial Area 'B',
Phase-1 DHA, Karachi.
Tel: 021-35314066-7,
Fax: 021-35314070

Dolmen City
Ground Floor Harbor Front
Triangular Towers, Dolmen City,
Marine Drive, Phase IV, Clifton. Karachi.
Tel: 021-35297611-3
Fax: 021-35297610

Electronic Market, Saddar
Shop No 1 &2, Plot # 19,
Ghafoor Chambers, Preedy Quarters,
Saddar, Karachi.
Tel: 021-32711615-7
Fax: 021-32711613

Gulistan-e-Jauhar
Plot # 118/A-B, Shop # 02,03,
04 Ground Floor Rufi Paradise,
Block-18, Gulistan-e-Jauhar.
Tel: 021-34621281-4
Fax: 021-34621285

Gulshan-e-Iqbal
Ground Floor, Hasan Center, Block-16,
Main University Road, Karachi.
Tel: 021-34829026-9
Fax: 021-34829023

Hasan Square
I/15, Hassan Square, Block 13/A,
Gulshan-e-Iqbal, Karachi
Tel: 021-34818759, 34818763, 34818766
Fax: 021-34818720

Hyderi
D-10 Block-F, North Nazimabad,
Hyderi, Karachi.
Tel: 021-36724992-94
Fax: 021-36724971

I. I. Chundrigar Road
Uni Towers, I.I. Chundrigar Road,
Tel: 021-32466410-3
Fax: 021-32466500

Summit Bank (Formerly Arif Habib Bank)

BRANCH NETWORK

Jami Commercial, DHA
64 C, Jami Commercial Phase VII,
7th Street, DHA. Karachi.
Tel: 021-35316200-7
Fax: 021-35316199

Jodia Bazar-1
Plot # 65, N.P.2, Napier Quarter,
Karachi.
Tel: 021-32537845-48
Fax: 021-32537842

Jodia Bazar-2
A/25/28 Darayalal Street,
Jodia Bazar, Karachi.
Tel: 021-32500121-6
Fax: 021-32500128

Karachi Stock Exchange
Room No. 60 to 63, KSE Building,
Stock Exchange Road, Karachi.
Tel: 021-32462844-9
Fax: 021-32462843

Karimabad
Plot No BS-16, Block 1,
FB Area, Karimabad-KHI
Tel: 021-36826646-48
Fax: 021-36826649

Kh-e-Shahbaz
Plot No. 21-C Khayaban-e-Shahbaz,
Phase VI, DHA Karachi.
Tel: 021-35344957, 63, 66
Fax: 021-35344942

Kh-e-Tanzeem
C 4-C, Tauheed Commercial,
Khayaban-e-Tanzeem, Phase-5, DHA, Karachi.
Tel: 021-35869147, 35810977, 35871640, 35869427
Fax: 021-35869342

Korangi Industrial Area
33/1, Sector-15, Korangi Industrial Area, Karachi
Tel: 021-35122231-2
Fax: 021-35114282

M. A. Jinnah Road
Mezzanine & Ground Floor, Plot Survey # 19,
Street # R.B.6. Shop # 3,4, Ram Bagh Quarters 166,
M.A. Jinnah Road, Karachi.
Tel: 021-32218395,32218409
Fax: 021-32218376

Ranchore Line
R.C. 11, Old Survey # E-7/143, Ranchore Line,
New Lakhpati Hotel- Karachi.
Tel: 021-32767234-36
Fax: 021-32767460

Shahrah-e-Faisal
44/A-Nice Trade Orbit, Shop 8, Blk-6,
PECHS, Shahrah-e-Fasial, Karachi.
Tel: 021-34328426-7
Fax: 021-34386180

SITE
B/53, Estate Avenue, SITE Area, Karachi.
Tel: 021-32587535-37, 32554702-05
Fax: 021-32587672

Truck Stand
Truck Stand, K-28, Hawksbay Raod,
Trans Lyari-Karachi.
Tel: 021-35428830, 35428829
Fax: 021-37671962

Zaibun Nisa St.
B-6/16-A, Sadar Bazar Quarters
Zaibun Nisa Street, Karachi
Tel: 021-35660612, 35660615
Fax: 021-35224761

Nooriabad Branch

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

Lahore Branches

Azam Cloth Mkt
285-286, Punjab Block,
Azam Cloth Market, Lahore.
Tel: 042-37661686, 37642390-94
Fax: 042-37661863

Cantt
Day Building 1482/A, Abdul Rehman Road,
Lahore Cantt.
Tel: 042-36603061-64
Fax: 042-36603065

Summit Bank (Formerly Arif Habib Bank)

BRANCH NETWORK

Circular Road-1
1 SE, 38-R-55/D, Circular Road, Lahore
Tel: 042-37379209,10,11, 13
Fax: 042-37379212

Circular Road-2
Babar Centre, 51, Circular Road, Lahore.
Tel: 042-37379371-5
Fax: 042-37379370

DHA Y Block
163, Block Y, Phase III, DHA Lahore Cantt.
Tel: 042-35692531-8
Fax: 042-35692690

Faisal Town
853/D, Akbar Chowk, Faisal Town, Lahore
Tel: 042-35204101,2,3
Fax: 042-35204104

Ferozepur Road
Siza Farmer Factory, Sufiabad,
Tel: 042-35800092-93 & 96
Fax: 042-35800094

Gulberg-1
131/A-E-1, Gulberg-III, Lahore.
Tel: 042-35871740, 43, 45
Fax: 042-35871744

Gulberg-2
132-E/I Main Boulevard,Gulberg-III, Lahore.
Tel: 042-35870832-3
Fax: 042-35870834

Lahore Stock Exchange
Office No. 5, LSE Building, 19,
Aiwan e Iqbal Road, Lahore
Tel: 042-36280854-5
Fax: 042-36280851

Model Town
14-15, Central Commercial Market,
Model Town, Lahore
Tel: 042-35915540-48,49
Fax: 042-35915549

Multan Road - SubBranch
Plot # 9/A, Scheme more Corner, Allama Iqbal Town Multan Road, Lahore.
Tel: 042-37497452-5
Fax: 042-37497450

PASSCO House
PASSCO House,11, Kashmir Road,
Adjacent LDA Plaza, Lahore
Tel: 042-36300670-1, 36300673-4
Fax: 042-36310362

The Mall
56, Ground Floor, Sh-e-Quaid-e-Azam
(The Mall), Lahore.
Tel: 042-36284801-4, 799
Fax: 042-36284805

Z Block DHA
323-Z, DHA, Phase-3, Lahore.
Tel: 042-35693112-5
Fax: 042-35693117

Islamabad Branches

Blue Area
24-West Raza Noor Plaza, Jinnah Avenue,
Blue Area, Islamabad
Tel: 051-2871630-32
Fax: 051-2871596

F-11 Markaz
28-Alkaram Plaza, F-11 Markaz, Islamabad.
Tel: 051-2228027-28
Fax: 051-2228365

F6 Markaz
2-Fateh Plaza, Block C, Super Market,
F-6 Markaz, Islamabad.
Tel: 051-2601701-3
Fax: 051-2601710

Super Market
Plot No. 6B, F-6, Super Market,
Tel: 051-2279168-70
Fax: 051-2279166

Islamabad Stock Exchange - SubBranch
Shop No. 5 Al-Khair Plaza, Blue Area,
Islamabad Stock Exchange, Islamabad.
Tel: 051-2806281-3
Fax: 051-2806284

Summit Bank (Formerly Arif Habib Bank)

BRANCH NETWORK

Rawalpindi Branches

Bank Road
60, Bank Road, Rawalpindi
Tel: 051-5120778-80, 5564123
Fax: 051-5528148

Rawalpindi
Plot #27, Bank Road, Rawalpindi
Tel: 051-5120714-7
Fax: 051-5120712

Faisalabad Branches

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

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

Susan Road
Chak No. 213/RB Susan Road, Faisalabad.
Tel: 041-8502368-69, 71,72,73
Fax: 041-8710168

Multan Branches

Abdali Road-1
77, Abdali Tower, Moaza Taraf Ismail,
Abdali Road, Multan.
Tel: 061-4575264,5269, 5918, 4500253, 0258
Fax: 061-4575249

Abdali Road-2
Plot No. 66-A & 66-B/9, Abdali Road, Multan.
Tel: 061-4500110,4500111
Fax: 061-4516762

Hussain Agahi Road - SubBranch
Zenith Market, Chowk Bazar, Multan.
Tel: 061-4511089-79,89
Fax: 061-4511194

Hyderabad Branches

Hyderabad Branch
41/364, Saddar, Bori Bazar, Hyderabad.
Tel: 022-2730911-5
Fax: 022-2730919

Qasimabad
Qasimabad, Hyderabad
Shop No. 23, 24 & 25, Rani Arcade,
Qasiamabd, Hyderabad.
Tel: 022-2650742-43
Fax: 022-2650475

Gujranwala Branches

Gujranwala- G. T. Road
B/11-S7/103, G. T. Road, Gujranwala.
Tel: 055-3842751, 29
Fax: 055-3842890

Gujranwala Branch
Property No. Bx11-7S-105,
Tel: 055-3820970-3
Fax: 055-3820967

Gujrat Branches

Gujrat-vG. T. Road
Small Estate, G. T. Road (Next to Mybank), Gujrat.
Tel: 053-3533934
Fax: 053-3533995

Gujrat Branch
Main GT Road Tehsil & Distt. Gujrat.
Tel: 053-3517051-4
Fax: 053-3516756

Gujar Khan Branch

Gujar Khan-G.T. Road
Hammad Plaza, G.T Road, Gujar Khan.
Tel: 051-3516431-34
Fax: 051-3516435

Kamoki Branch

Kamoki
Madni Trade Centre, G.T Road, Kamoki.
Tel: 055-6815175-81
Fax: 055-6815184

BRANCH NETWORK

Sadiqabad Branch

Sadiqabad
Mozzah Khuda Bux Dehar, Macchi Goth,
KLP Road, Sadiqabad
Tel: 068-5786791-2
Fax: 068-5786300

Sargodha Branch

Club Road
2-B, Civil Lines, Club Road, Sargodha.
Tel: 048-3741845-7, 3729197-8
Fax: 048-3741843

Sialkot Branch

Paris Road
B1,16S, 71/A/1, Paris Road, Sialkot.
Tel: 052-4602712-17
Fax: 052-4598849

Kashmir Road
Address: Block 'A', ZHC, Kashmir Road, Sialkot.
Tel: 052-3573304&5
Fax: 052-3573310

Sukkur Branches

Mianra Road
C.C No. C-550, Plot # 10-B, 10-C,
Regent Colony, Sukkur.
Tel: 071-5626291, 334, 336
Fax: 071-5626340

Sukkur Branch
B – 885, March Bazar, Sukkur.
Tel: 071-5627781-2,85,90
Fax: 071-5627755

Mirpurkhas Branch

Mirpurkhas Sindh
Plot No : 988 to 991 Umerkot Gharibabad,
Mirpur Khas
Tel: 0233-575113-7
Fax: 0233-875118

Peshawar Branches

Sadar
Shop # 4, Jasmine Arcade, Fakhar-e-Alam Road,
Peshawar.
Tel: 091-5260185,6
Fax: 091-5260917

Peshawar Branch
Deans Trade Centre, Islamia Road,
Tel: 091-5253081-3
Fax: 091-5253080

Quetta Branches

M. A. Jinnah Road
20-21, Ward No. 18,
Main M. A. Jinnah Road, Quetta
Tel: 081-2842369-70, 2842372
Fax: 081-2842374

Quetta Branch
Ground Floor, Malik Plaza,
Near Adara-e-Saqafat, M.A. Jinnah Road, Quetta.
Tel: 081-2865590-5
Fax: 081-2865587

AJK Branches

Mirpur Azad Kashmir
Ghazi Archade, 6-B/3, Part II,
Allama Iqbal Road, Mirpur, Azad Kashmir
Tel: 058610-46409-9
Fax: 058610-45405

Mirpur Azad Kashmir
NS Tower 119 F/1, Kotli Road Mirpur,
Azad Kashmir.
Tel: 058274-37193-9
Fax: 058274-37192

Summit Bank (Formerly Arif Habib Bank)

FORM OF PROXY

5th Annual General Meeting

The Company Secretary
Summit Bank Limited
10th Floor, Summit Bank Plaza
Plot No. 8/C-1, Mumtaz Hasan Road
Karachi.

I/We ______________________ of ______________________ being a member(s) of Summit Bank Limited (formerly Arif Habib Bank Limited) holding ______________________ ordinary shares as per CDC A/c. No ______________________ hereby appoint Mr./Mrs./Miss ______________________ of (full address)

____

or failing him/her Mr./Mrs./Mis ______________________ of (full address) (being member of the Bank) as my/our Proxy to attend, act and vote for me/us and on my/our behalf at the 5th Annual General Meeting of the Bank will be hold on March 30, 2011 and /or any adjournment thereof.

Signed this ______________________ day of ______________________ 2011.

Witnesses:

1. Name : ______________________

   Address : ______________________

   CNIC No. : ______________________

   Signature : ______________________

Signature on
Rs. 5/-
Revenue
Stamp

2. Name : ______________________

   Address : ______________________

   CNIC No. : ______________________

   Signature : ______________________

NOTICE:

(i) A member entitled to attend and vote at the meeting may appoint another member as his / her proxy who shall have such rights as respects attending, speaking and voting at the meeting as are available to a member.

(ii) The account holders, sub-account holders, proxy or nominee shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport and bring his/her folio number at the time of attending the meeting.

(iii) In the case of corporate entity Board of Directors' resolution/power of attorney with specimen signature of the nominee shall also be produced (unless provided earlier) at the time of meeting.

(iv) In order to be effective, the proxy forms must be received at the office of our registrar M/s. Technology Trade (Pvt.) Ltd; Dagia House 241-C Block-2, PECHS off Shahrah-e-Quaideen Karachi not later than 48 hours before the meeting duly signed and stamped and witnessed by two persons with their names, addresses and CNIC numbers mentioned on the form.

(v) In the case of individuals attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.

(vi) In the case of proxy by a corporate entity, Board of Directors resolution/power of attorney with specimen signature and attested copies of the CNIC or passport of the proxy shall be submitted alongwith proxy form.

Summit Bank (Formerly Arif Habib Bank)

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Summit Bank (Formerly Arif Habib Bank)

AFFIX
CORRECT
POSTAGE

REGISTRAR

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

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