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CORPORATE INFORMATION

Board of Directors

Mr. Nasser Abdulla 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

Ernst & Young Ford Rhodes Sidat Hyder
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

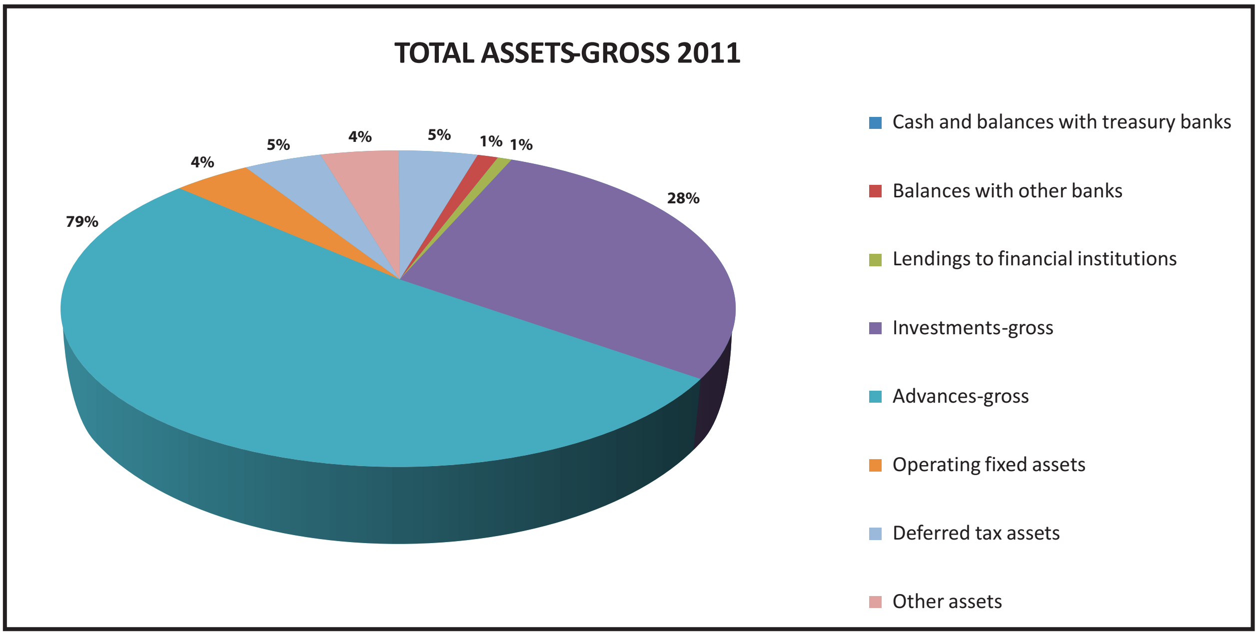
To be the preferred provider of financial products & services to the markets.

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.

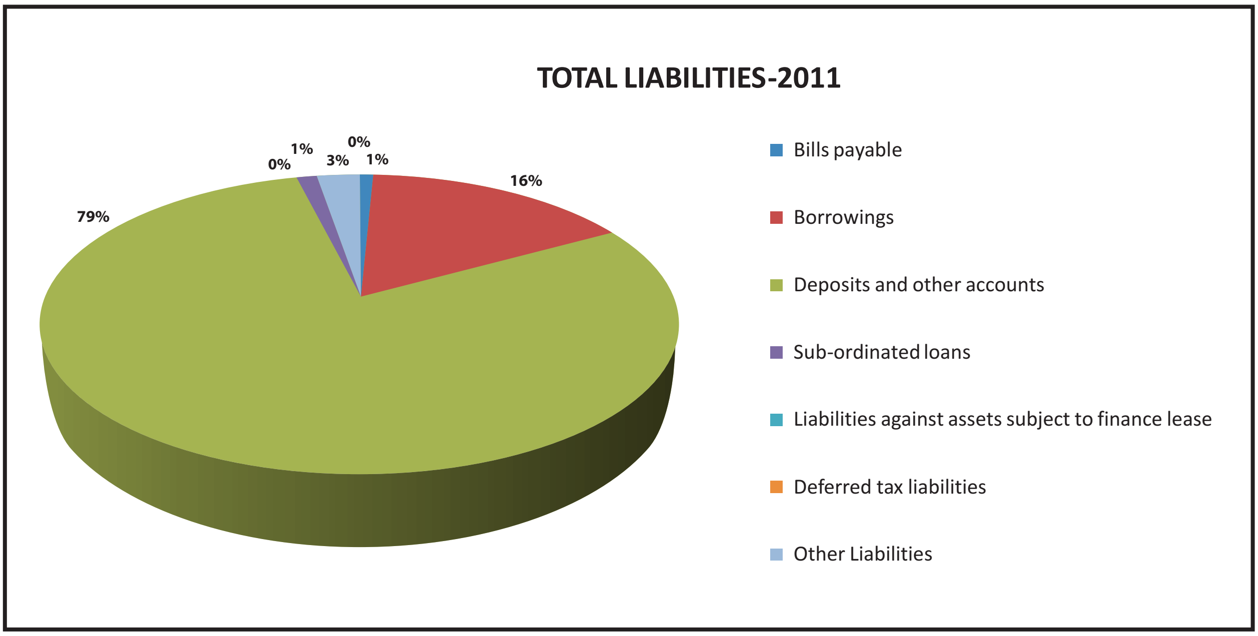
KEY OPERATING AND FINANCIAL DATA

	Rupees in Million					
DECEMBER 31	**2006**	**2007**	**2008**	**2009**	***2010**	****2011**
ASSETS						
Cash and balances with treasury banks	228	754	1,350	1,924	4,048	**6,118**
Balances with other banks	646	53	66	724	338	**1,426**
Lendings to financial institutions	1,079	2,856	200	1,434	-	**1,070**
Investments-gross	1,753	5,441	5,576	12,690	21,341	**37,670**
Advances-gross	1,564	8,158	16,510	21,072	44,495	**68,399**
Operating fixed assets	385	597	928	1,571	2,690	**5,847**
Deferred tax assets	-	-	361	381	3,203	**5,943**
Other assets	227	448	1,070	1,189	2,717	**5,866**
Total assets-gross	5,882	18,307	26,061	40,985	78,832	**132,339**
Provision against non performing advances	(140)	(129)	(752)	(2,568)	(5,724)	**(11,068)**
Surplus/ (Deficit) on revaluation of investments	(22)	(33)	(482)	(244)	(840)	**(1,365)**
Provision held against other assets	(24)	(24)	(24)	-	-	**(153)**
Total provisions	(186)	(186)	(1,258)	(2,812)	(6,564)	**(12,586)**
TOTAL ASSETS-NET OF PROVISIONS	5,696	18,121	24,803	38,173	72,269	**119,753**



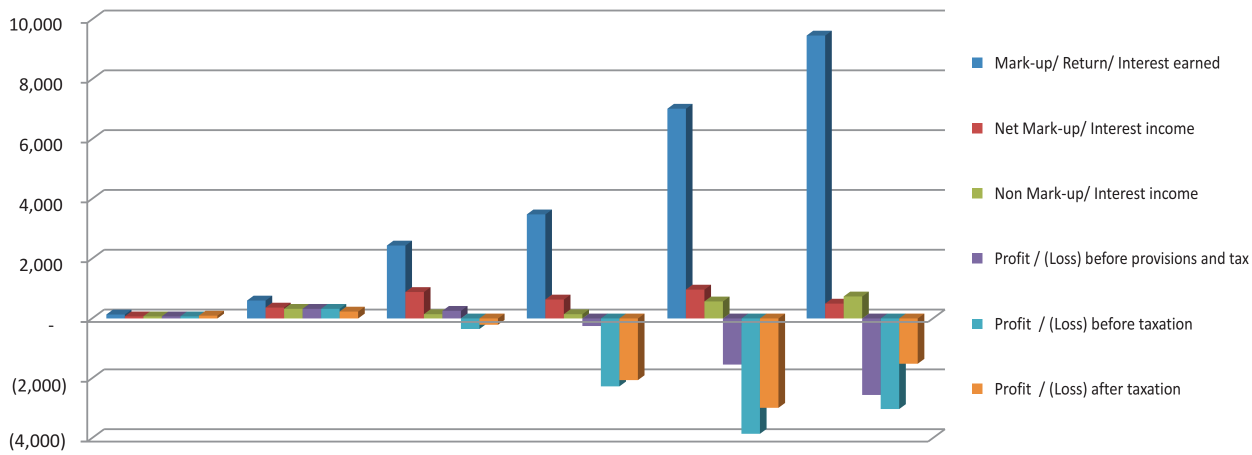
KEY OPERATING AND FINANCIAL DATA

	Rupees in Million					
DECEMBER 31	2006	2007	2008	2009	*2010	**2011
LIABILITIES						
Bills payable	4	384	76	213	357	**901**
Borrowings	-	1,749	1,870	1,555	5,257	**18,563**
Deposits and other accounts	2,526	9,465	16,617	31,307	61,608	**89,649**
Sub-ordinated loans	-	-	-	-	-	**1,500**
Liabilities against assets subject to finance lease	-	-	-	-	-	**-**
Deferred tax liabilities	-	40	-	-	-	**-**
Other Liabilities	93	182	420	1,044	1,673	**2,911**
Total liabilities	2,623	11,820	18,983	34,119	68,896	**113,524**
NET ASSETS	**3,073**	**6,301**	**5,820**	**4,054**	**3,373**	**6,229**
REPRESENTED BY						
EQUITY						
Share capital	3,000	4,500	5,000	5,000	7,251	**10,780**
Share premium	-	1,500	1,000	1,000	1,000	**1,000**
Discount on Issue of Shares	-	-	-	-	-	**(1,297)**
Statutory reserves	19	65	65	65	65	**65**
General reserves	-	66	250	-	-	**-**
Merger reserves	-	-	-	-	(2,400)	**(1,319)**
Unappropriated profit	75	193	(182)	(1,999)	(2,322)	**(3,720)**
Total equity	3,094	6,324	6,133	4,066	3,594	**5,508**
Deficit on revaluation of assets-net	(21)	(23)	(313)	(12)	(221)	**721**



KEY OPERATING AND FINANCIAL DATA

DECEMBER 31	2006	2007	2008	2009	*2010	**2011
RESULTS OF OPERATIONS			**Rupees in Million**			
Mark-up/ Return/ Interest earned	143	618	2,472	3,514	7,071	**9,531**
Mark-up/ Return/ Interest expensed	23	252	1,586	2,878	6,102	**9,025**
Net Mark-up/ Interest income	120	366	886	636	968	**506**
Net Mark-up/ Interest income after provisions	120	366	263	(1,181)	(969)	**11**
Non Mark-up/ Interest income	21	346	167	196	582	**744**
Non Mark-up/ Interest expense	91	385	777	1,077	3,095	**3,837**
Profit / (Loss) before provisions and tax	50	327	276	(245)	(1,545)	**(2,587)**
Provision against non performing loans and advances	-	-	(623)	(1,817)	(1,937)	**(495)**
Provision for diminution in the value of investments	-	-	-	(224)	(393)	**39**
Profit / (Loss) before taxation	50	327	(347)	(2,286)	(3,875)	**(3,043)**
Taxation	(44)	97	(156)	(219)	(857)	**(1,506)**
Profit / (Loss) after taxation	94	230	(191)	(2,067)	(3,018)	**(1,537)**



DECEMBER 31	2006	2007	2008	2009	*2010	**2011
FINANCIAL RATIOS			**Ratios (in % or times)**			
Return on equity (ROE)	3.04%	3.64%	-3.11%	-50.84%	-83.98%	**-27.90%**
Return on assets (ROA)	1.65%	1.27%	-0.77%	-5.41%	-4.18%	**-4.51%**
Profit / (Loss) before tax ratio	34.97%	52.91%	-14.04%	-65.05%	-54.81%	**-31.93%**
Gross spread ratio	83.92%	59.22%	35.84%	18.10%	13.70%	**5.31%**
Advances to deposits ratio-Gross	61.92%	86.19%	99.36%	67.31%	72.22%	**76.30%**
Advances to deposits ratio-Net	56.37%	84.83%	94.83%	59.10%	62.93%	**63.95%**
Income to expenses ratio (times)	1.44	1.51	0.88	0.62	0.66	**0.77**
Cost to revenue ratio	69.51%	66.08%	89.54%	106.60%	120.19%	**125.18%**
Debt to equity ratio	0.00%	27.66%	30.49%	38.24%	146.28%	**337.01%**
Total assets to shareholders' funds (times)	1.84	2.87	4.04	9.39	20.11	**21.74**
NPL ratio	8.95%	1.57%	16.32%	23.81%	25.61%	**32.65%**
Capital adequacy ratio	56.22%	45.03%	20.85%	9.83%	5.35%	**7.77%**
SHARE INFORMATION						
Weighted average number of shares outstanding	85.10	401.78	500.00	500.00	541.13	**914.89**
Earning/ (Loss) per share (Rupee)	1.10	0.65	(0.38)	(4.13)	(5.58)	**(1.53)**
Market value of shares	-	13,500	2,765	3,350	2,763	**1,854**
Price earning ratio (PE)	0.00	58.70	(14.48)	(1.62)	(0.92)	**(1.21)**
Book value per share	10.24	14.00	11.64	8.11	4.65	**5.78**
NON FINANCIAL INFORMATION						
Non performing loans (NPL) (Rs. in mn)	140	128	2,694	5,017	11,397	**22,334**
Number of employees	192	319	541	615	1340	**1655**
Number of branches	7	12	33	40	85	**165**

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

DIRECTORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2011

On behalf of the Board of Directors, I am pleased to present the Annual Report along with the audited accounts and auditor's report thereon of the Summit Bank Limited ('the Bank') for the year ended December 31, 2011.

Performance Review

The summarized financial highlights of the Bank for the period under review are;-

	December 31 , 2011	December 31 , 2010
	Rupees in '000'	
Pre-tax loss for the period	(3,043,097)	(3,875,445)
Equity	5,508,090	3,594,026
Deposits	89,649,256	61,607,550
Advances (net of provisions)	57,330,970	38,771,189
Investments	36,304,678	20,501,299
Basic and diluted loss per share	(1.53)	(5.58)

The year was fairly challenging for your Bank and the management had to achieve results against the backdrop of tough economic/market conditions and overhang of its non-performing loan portfolio. During the year, the Bank successfully tackled the issues emerging from the integration of Atlas Bank Ltd and MyBank Ltd. These problems were deep, diverse and comprised of issues like; i) creating synergies amongst the work force coming from different working cultures; ii) the rationalization of branch network and locations necessitated by the multiple-branches at close physical proximities; iii) cleaning the credit portfolio and recovery of Non-performing loans; iv) rationalization of operational costs. The integration process also brought out certain glaring systemic shortfalls that were addressed on priority basis like comprehensive revamping of compliance requirements for the prudential regulations.

The bank, as a conscious policy decision, during the year focused on reducing the cost of its deposits and was able to effectively bring it down to 9.49% by the end of the year 2011 as compared to 9.7% in the preceding year 2010. The bank also successfully managed to close its deposit position at Rs. 89.649 billion as at December 31, 2011 as compared to Rs. 61.608 billion at the end of year 2010. The apparent increase in deposits was primarily due to acquisition of Mybank Limited during the year. However, considering the merged entities collectively, total deposits declined slightly as these deposits stood at Rs. 91.087 billion on December 31, 2010. This marginal fall in deposits is reflective of the Bank's focus on cost reductions and growth of low cost and CASA deposit base.

Despite multiple challenges and several policy initiatives the Bank also remained focused and continued its efforts for recoveries against non-performing loans (NPLs). The continuous efforts yielded results and a substantial amount of Rs. 2.206 billion of Provisions against NPLs was reversed that provided a net impact of Rs. 493 million charge to Profit & Loss during the year.

Following a cautious strategy, the Bank closed its net loan portfolio book at Rs. 57.330 billion for the year 2011 as compared to Rs. 58.418 billion as at December 31, 2010 of merged entity. However, investments increased to Rs. 36.305 billion by the end of the year 2011, which demonstrates the Bank's prudent strategy of maintaining high liquidity and investing in SLR eligible securities.

The bank incurred an after tax loss of Rs. 1.537 billion, during the year under review, primarily due to the provisions against non-performing loans and suspension of related markup.

Economic Overview

The year 2011 remained fraught with challenges for Pakistan, the core issues which affected Pakistan's economy and were also identified in the Economic Survey issued by the Government included persistent and high inflation, low growth, lesser in revenue collection compared to budget figure leading to a high fiscal deficit which continues to add to the overall debt along with a fall in the investments. All these factors, combined with the global economic slowdown and rise in global fuel prices have further complicated the issues and economic scenario.

The economic development of Pakistan remained under pressure due to the deterioration of major macroeconomic factors. Industrial production and creation of new capacity was negatively impacted by the almost continuous energy crisis throughout the year and the insistent circular debt issue remained an area of concern. The decline in foreign direct investments because of unsafe security situation, along with high inflation and a mounting fiscal deficit remain threats to the macroeconomic stability of the country.

To provide relief to the people and businesses, the SBP reduced the discount rate to around 12% per annum in line with reduction of inflation rate during the year. During the period agriculture sector posted real growth of 1.2% and after suffering consecutive quarterly deficits, industrial production surged to grow at a robust pace in the last quarter of the year. Remittance inflows to Pakistan also rose by an estimated 25 % in 2011 over and above 2010 inflows and touched almost US $ 12 billion constituting almost 4.8% of Pakistan's GDP.

Banking Sector Overview

The Pakistani banking sector mounted an overall recovery drive, increasing its asset base by approximately 8% during the year. However, credit and business conditions are likely to remain fragile, driven by the government's weak fiscal position and the subdued investment climate. Furthermore, downside risks may further weigh on the banks' operating environment over the period.

However, despite the material risks, no further major deterioration in asset quality is expected over the coming period. NPLs are also expected to have peaked at around 16% of total lending by year-end 2011, from 15.3% at end-June 2011. Short-term economic growth, lower interest rates and de-risking of the banks' loan book will drive stabilization in asset-quality metrics.

Recognizing the system's structural challenges the Bank as a policy opted for and benefited from sound funding profiles and low-cost current and savings account deposits, which increased to 67% of total deposits or 56% of total liabilities at end-June 2011. The Bank's reliance on market and foreign funding also remained minimal.

Merger with Mybank Limited

The Bank successfully completed the merger with Mybank Limited at the close of day on June 30, 2011 and eventually concluded its overall merger process. The bank achieved this major landmark in very short span of time. The process was apart from other issues also involved the unification of overall technology infrastructure and core banking systems.

The management of your Bank now feels confident to report that the merged entity with a single technology platform is now well placed to provide seamless banking services to customers all over the country.

Business and Branch Network

After the completion of the merger processes, the Summit Bank Limited is now operating with the network of 165 branches all over Pakistan offering a wide range of products and services to its customers and the community at large. Consequent to the merger of the three banks, multiple branches in the same vicinity have been relocated to the strategic locations. This not only widened the Banks presence in more areas but also reduced the annual rental cost by 53 million approximately.

Summit Bank Limited launched new products and services, during the year 2011. The e-banking services were introduced that satisfied the needs of different customer segments. The Bank also successfully entered the VISA International network by August 2011. Besides broadening the Bank's sources of foreign exchange and income, our entry into the VISA network means that owners of VISA-branded cards issued anywhere in the world can now, without restriction, enjoy the convenience of having access to local currency funds at all ATMs of the Bank.

The internet banking facility of the Bank continues to provide immense convenience to both personal and business clients who need to regularly access and monitor their transactions. The Internet Banking service now provides customers the ease of being able to make transfers to other accountholders in the ease and comfort of their own homes or offices.

Minimum Capital, Mergers & Acquisition

The State Bank of Pakistan (SBP) vide BSD Circular No. 7 of 2009 dated April 15, 2009 has set the Minimum Capital Requirement (MCR) for the banks as Rs.10 billion that is required to be achieved in a phased manner by December 31, 2013. The minimum capital requirement (free of losses) as of December 31, 2011 that was required to be achieved was Rs. 8 billion.

The paid up capital of the Bank as on December 31, 2011 amounted to Rs. 10.780 billion while the reserves and accumulated losses on the date were Rs. (1.552) billion and Rs. (3.720) billion respectively.

Keeping in view the Minimum Capital Requirement and to overcome the deficit in meeting the MCR, the Bank has completed its merger with Mybank Limited and also issued right shares in the proportion of one share of every 5 shares held i.e. 20% during the year. SBP had granted exemption in meeting minimum capital requirement (MCR) and capital adequacy ratio (CAR) till December 31, 2011 for which the management has requested further extention till December 31, 2012

Issuance of Right Shares and Tier II Capital

During the year, the bank raised its paid-up capital by way of issuance of right shares amounting to Rs. 1.450 billion. This raise in paid-up capital will not only support in achieving the Minimum Capital Requirement (MCR) of the bank but also impact positively on the Capital Adequacy Ratio (CAR).

The Bank also successfully completed the issuance of Term Finance Certificates (TFCs) amounting to Rs. 1.50 billion, during the year under review. This issue of TFCs will contribute towards the Tier II Capital and thus improve Bank's CAR.

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.

Future Outlook

The bank has ambitious but realistic plans for the future; it intends to focus on widening and diversifying its customer base, introduce new and innovative products/services including tailored services to meet specific needs of the individual clients. The bank will continue to provide and improve its technological base and introduce the state-of-the-art banking products and solutions. It will also further improve its existing e-banking services to facilitate its customers.

After successfully handling the merger related issues the management is geared to take advantage of its new broader branch network and create new synergies through consolidation process. The bank is now well placed and has the requisite capacities to move forward towards realizing its vision and achieving long term strategic growth.

The Bank is committed to observance and adoption of internationally accepted best practices of Corporate Governance and intends to further improve its current practices of Corporate Governance.

Loss per share

Basic and diluted loss per share has been disclosed in note no. 33.

Pattern of shareholding

The pattern of shareholding is attached with this report.

Corporate and Financial reporting framework

The Directors confirm compliance with the Code of Corporate Governance issued by the SECP and feel pleasure to give the following statement in respect of the Code:

- The financial statements, together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984. These statements present fairly the 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 for the last six years is available in the annual report.
- All the statutory liabilities, if any, have been adequately disclosed in the financial statements.

Board Meetings

The number of Board meetings held during the year ended December 31, 2011 was six (6) and attendance therein by the Directors was as below:

S.NO.	NAME	MEETINGS ATTENDED
1	Mr. Nasser Abdulla Hussain Lootah	4
2	Mr. Husain Lawai (President & CEO)	6
3	Mr. Nasim Beg	6
4	Mr. Asadullah Khawaja	5
5	Mr. M. Farid Uddin	1
6	Dr. Ahmed Khalil Mohammad Samea Al Mutawa	0
7	Mr. Shehryar Faruque	6

Risk Management

Risk taking is central to banking activity. We evaluate business opportunities in terms of the risk reward relationship. The risk is managed through a framework, organizational structure, risk management and monitoring process that are closely aligned with the activities of the Bank and in line with the guidelines issued by the State Bank of Pakistan.

The Group head of Enterprise Risk Management is independent of business divisions and he is also secretary of the Board subcommittee on risk management. This Committee overseas risk management; reviews and approves risk policies and tolerance limits wherever this is required. Further, Market and liquidity risks are managed by a well-represented and high powered 'Assets and Liabilities Committee' (ALCO) whose membership comprises of the President, Group Head – Enterprise Risk Management, Chief Financial Officer and the Heads of Business groups.

Risk Management Division is responsible for implementation of Basel II Accord in the Bank in consultation with the various business units and controlling Divisions of the Bank. Presently, Bank follows the standardised approach for measuring credit, market and operational risk under Basel II Framework in order to comply with SBP guidelines.

Operational Risk Management Department as a part of Enterprise Risk Management Group has been assigned the task of development and implementation of Operational Risk Management in the Bank. This department has started working on operational risk profiling in which major activities of each area are identified for ascertaining inherent risk, mitigating controls and key risk indicators etc. Further, the department gathers information regarding the loss making activity. Data gathered through this exercise is analysed in order to mitigate the lapses and improving the overall systems of the Bank.

Statement on internal control

The Bank's internal controls system has been designed to achieve operational efficiency along with ensuring legal and statutory compliance and the accuracy 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.

The Bank has adopted the internationally accepted COSO Internal Control - Integrated Framework. A reputable advisory firm has been appointed to provide services on implementation of SBP guidelines on Internal Controls over Financial Reporting.

In order to ensure consistency in the process of compliance with the relevant guidelines the Bank has followed a structured roadmap. Accordingly, the Bank has completed a detailed documentation of the existing processes and controls, together with a comprehensive gap analysis of the control design and development of implemented remediation plans for the gaps. Furthermore, the bank has developed a comprehensive management testing and reporting framework for ensuring ongoing operating effectiveness of majority of key controls and has significantly addressed the design improvement opportunities identified to complete the project related initiatives.

Auditors

The present auditors M/S Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants retire and being eligible, offer themselves for re-appointment in the forthcoming Annual General Meeting.

The Board of Directors on the recommendation of the Audit Committee has agreed to recommend the reappointment of M/S Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as the Bank's auditors for the next term.

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 also grateful to the valued customers and shareholders of the Bank for their continued trust and support and assures them of continued commitment to improving the quality of services 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 realize its vision.

On Behalf of the Board of Directors

Husain Lawai
President & CEO

Karachi
February 29, 2012

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.

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. No casual vacancy occurred in the Board of Directors during the year.

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.

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.

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 & CEO

Karachi
February 29, 2012

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

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended 31 December 2011 prepared by the Board of Directors of Summit Bank Limited (the Bank) to comply with the Listing Regulation No. 35 (Chapter XI) of Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited, where the Bank is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Bank compliance with the provisions of the Code 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 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, the Listing Regulations 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 also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement 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 determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code for the year ended 31 December 2011.

Chartered Accountants
Audit Engagement Partner: Shabbir Yunus

Karachi
February 29, 2012

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

We have audited the annexed statement of financial position of Summit Bank Limited (the Bank) as at 31 December 2011 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 the branches except for ten branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion proper books of 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 purposes of our audit;

(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 except for the changes in accounting policies as disclosed in notes 5.1 and 5.2 to the accompanying financial statements with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us the statement of financial position, 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 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 31 December 2011 and its true balance of the loss, its 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 modifying our opinion, we draw attention to the following matters:

(i) note 1.8 to the accompanying financial statements which states that the State Bank of Pakistan (SBP) has granted exemption to the Bank from the prescribed requirement in respect of the minimum paid-up capital (free of losses) and Capital Adequacy Ratio till 31 December 2011. Upon SBP's request, the Bank has submitted a plan and requested for further extension till 31 December 2012;

(ii) note 14 to the accompanying financial statements relating to deferred tax asset amounting to Rs.5,942.796 (2010: Rs.3,202.761) million. The management has recorded the said asset based upon their assessment of its recoverability, on the basis of financial projections for future years, as approved by the Board of Directors of the Bank, which take into account various assumptions regarding the future business and economic conditions. However, as disclosed in the said note, a significant change in the assumptions used may have an effect on the realisability of the deferred tax asset recorded in the financial statements; and

(iii) note 6.1 to the accompanying financial statements which states that the Bank has not completed the accounting for the acquisition of MyBank Limited (MBL) at the year end. Since the fair valuation exercise has not been concluded, the fair values of assets and liabilities acquired (including contingent liabilities) have been determined provisionally based on management's estimates, as allowed by IFRS-3, "Business Combinations" and will be adjusted based on more accurate and complete information with retrospective effect as required by the above referred standard;

Our opinion is not qualified in respect of these matters.

The financial statements of the Bank for the year ended 31 December 2010, were audited by another firm of Chartered Accountants, whose report dated 28 February 2011 expressed an unmodified opinion thereon wherein the matter relating to the minimum paid up capital requirement was emphasized.

The accompanying financial statements incorporate the results of operations for the period from 01 April 2011 (acquisition date) to 30 June 2011 of MyBank Limited (amalgamated with and into the Bank at the close of business on 30 June 2011) which have been audited by another firm of Chartered Accountants, whose report dated 26 October 2011 has been furnished to us and our opinion in so far as it relates to the amounts included for MyBank Limited (MBL) is based solely on the report of such other auditors. The said report includes an emphasis of matter paragraph regarding MBL's capital deficiency and its amalgamation with and into the Bank with effect from the close of business on 30 June 2011.

Chartered Accountants
Audit Engagement Partner: Shabbir Yunus

Karachi
February 29, 2012

Financial Statements

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2011

	Note	December 31, 2011	December 31, 2010
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	8	**6,117,986**	4,047,554
Balances with other banks	9	**1,426,353**	338,244
Lendings to financial institutions	10	**1,069,757**	-
Investments	11	**36,304,678**	20,501,299
Advances	12	**57,330,970**	38,771,189
Operating fixed assets	13	**5,847,046**	2,690,447
Deferred tax assets - net	14	**5,942,796**	3,202,761
Other assets	15	**5,713,305**	2,717,336
		119,752,891	72,268,830
LIABILITIES			
Bills payable	16	**900,750**	357,293
Borrowings	17	**18,562,616**	5,257,243
Deposits and other accounts	18	**89,649,256**	61,607,550
Sub-ordinated loan	19	**1,500,000**	-
Liabilities against assets subject to finance lease		**-**	-
Deferred tax liabilities		**-**	-
Other liabilities	20	**2,911,099**	1,673,482
		113,523,721	68,895,568
NET ASSETS		**6,229,170**	3,373,262
REPRESENTED BY			
Share capital	21	**10,779,796**	7,250,660
Reserves	22	**(1,551,944)**	(1,335,050)
Accumulated losses		**(3,719,762)**	(2,321,584)
		5,508,090	3,594,026
Surplus / (deficit) on revaluation of assets - net of deferred tax	23	**721,080**	(220,764)
		6,229,170	3,373,262
CONTINGENCIES AND COMMITMENTS	24		

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

President & Chief Executive	Director	Director	Director

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	December 31, 2011	December 31, 2010
		(Rupees in '000)	
Mark-up / return / interest earned	25	**9,531,408**	7,070,906
Mark-up / return / interest expensed	26	**(9,025,273)**	(6,102,417)
Net mark-up / interest income		**506,135**	968,489
Provision against non-performing loans and advances	12.3.1	**(492,769)**	(1,937,467)
Reversal of provision / (provision) for diminution in the value of investments	11.14	**38,879**	(393,055)
Bad debts written off directly	12.4.1	**(2,253)**	-
		(456,143)	(2,330,522)
Net mark-up / interest income (loss) after provisions		**49,992**	(1,362,033)
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		**437,129**	314,244
Dividend income		**100,120**	56,578
Gain / (loss) from dealing in foreign currencies		**165,894**	(79,568)
(Loss) / gain on sale of securities - net	27	**(47,972)**	253,977
Unrealised (loss) / gain on revaluation of investments classified as held-for-trading	11.16	**(5,337)**	874
Other income	28	**94,501**	35,592
Total non-mark-up / interest income		**744,335**	581,697
		794,327	(780,336)
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	29	**(3,782,341)**	(2,735,740)
Other provisions / write-offs	30	**(35,729)**	(349,554)
Other charges	31	**(19,354)**	(9,815)
Total non-mark-up / interest expenses		**(3,837,424)**	(3,095,109)
		(3,043,097)	(3,875,445)
Extra ordinary / unusual items		**-**	-
LOSS BEFORE TAXATION		**(3,043,097)**	(3,875,445)
Taxation	32		
Current		**(107,310)**	(78,637)
Prior years		**-**	-
Deferred		**1,613,569**	935,709
		1,506,259	857,072
LOSS AFTER TAXATION		**(1,536,838)**	(3,018,373)
Loss per share (Rupees) - basic and diluted	33	**(1.53)**	(5.58)

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

President & Chief Executive	Director	Director	Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	December 31, 2011	December 31, 2010
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(1,536,838)	(3,875,445)
Dividend income		(100,120)	(56,578)
		(1,636,958)	(3,932,023)
Adjustments:			
Depreciation		469,192	267,479
Amortisation of intangible assets and deferred cost		66,766	55,336
Provision against non-performing advances		492,769	1,937,467
Advances directly written off		2,253	-
Other provisions / write offs		35,729	349,554
(Reversal of provision) / provision for diminution in the value of investments		(38,879)	393,055
Unrealised loss / (gain) on revaluation of investments in held-for-trading securities		5,337	(874)
Loss / (gain) on disposal of operating fixed assets		12,430	(390)
		1,045,597	3,001,627
		(591,361)	(930,396)
(Increase) / decrease in operating assets			
Lendings to financial institutions		(124,173)	2,272,255
Investments in held-for-trading securities - net		(2,957)	72,458
Advances		2,458,166	(2,981,149)
Other assets		(2,262,710)	(536,497)
		68,326	(1,172,933)
Increase / (decrease) in operating liabilities			
Bills payable		67,920	(121,791)
Borrowings from financial institutions		8,023,349	2,759,092
Deposits and other accounts		14,910	4,126,382
Other liabilities		754,610	(352,156)
		8,860,789	6,411,527
		8,337,754	4,308,198
Income tax paid		(28,044)	(34,549)
Net cash generated from operating activities		8,309,710	4,273,649
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in available-for-sale securities - net		(6,528,719)	(3,968,270)
Investments in held-to-maturity securities - net		(824,713)	-
Investment in associates		37,200	-
Dividend received		100,120	59,760
Cash paid for acquisition of MyBank Limited		(2,163,861)	-
Investment in operating fixed assets		(1,567,020)	(328,053)
Sale proceeds from disposal of property and equipment		118,648	25,365
Net cash used in investing activities		(10,828,345)	(4,211,198)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts on issue of right shares		1,450,132	-
Receipts on issue of sub ordinated loan		1,500,000	-
Net cash generated from financing activities		2,950,132	-
Increase in cash and cash equivalents		431,497	62,451
Cash and cash equivalents acquired on acquisition		2,687,623	-
Cash and cash equivalents at beginning of the period		4,385,562	4,323,111
Cash and cash equivalents at end of the period	34	7,504,682	4,385,562

President & Chief Executive	Director	Director	Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	December 31, 2011	December 31, 2010
		(Rupees in '000)	
Loss after taxation		**(1,401,256)**	(3,018,373)
Other comprehensive loss			
Other reserve	12.3.1	-	(7,550)
Comprehensive loss transferred to equity		**(1,401,256)**	(3,025,923)

Surplus / (deficit) arising on revaluation of assets has been reported in accordance with the requirements of the Companies Ordinance, 1984 and the directives of the State Bank of Pakistan in a separate account below equity.

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

President & Chief Executive	Director	Director	Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2011

	Capital reserves						Revenue reserves			
	Share capital	Share premium	Discount on issue of shares	Statutory reserve	Reserve arising on amalgamation	Other reserve	Accumulated losses	Total	Non-Controlling Interest	Total
	(Rupees in '000)									
Balance as at January 01, 2010, as previously reported	5,000,000	1,000,000	-	64,828	-	-	(1,998,887)	4,065,941	-	4,065,941
Issue of share capital and adjustments arising from amalgamation with Atlas Bank Limited	2,250,660	-	-	-	(2,399,878)	7,550	2,695,676	2,554,008	-	2,554,008
Balance as at January 01, 2010 (amalgamated)	7,250,660	1,000,000	-	64,828	(2,399,878)	7,550	696,789	6,619,949	-	6,619,949
Comprehensive loss transferred to equity during the year ended December 31, 2010	-	-	-	-	-	(7,550)	(3,018,373)	(3,025,923)	-	(3,025,923)
Balance as at December 31, 2010	7,250,660	1,000,000	-	64,828	(2,399,878)	-	(2,321,584)	3,594,026	-	3,594,026
Non-controlling interest arising on acquisition (note 6.1)	-	-	-	-	-	-	-	-	1,997,692	1,997,692
Transfer from Surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred tax		-	-	-	-	-	3,078	3,078	-	3,078
Issuance of right shares during the year	1,450,132	-	-	-	-	-	-	1,450,132	-	1,450,132
Comprehensive loss transferred to equity during the year ended December 31, 2011	-	-	-	-	-	-	(1,401,256)	(1,401,256)	(135,582)	(1,536,838)
Issue of share capital and adjustments arising on acquisition and amalgamation of non-controlling interest in MyBank Limited (note 6.4)	2,079,004	-	(1,297,298)	-	1,080,404	-	-	1,862,110	(1,862,110)	-
Balance as at December 31, 2011	**10,779,796**	**1,000,000**	**(1,297,298)**	**64,828**	**(1,319,474)**	**-**	**(3,719,762)**	**5,508,090**	**-**	**5,508,090**

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

President & Chief Executive	Director	Director	Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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 of the Bank is situated at Plot No. 6-B, F-6, Supermarket, Islamabad, Pakistan.

1.2 The Bank is principally engaged in the business of banking through its 165 branches (after amalgamation of MyBank Limited having 80 branches) [2010: 80 Branches (after amalgamation of Atlas Bank Limited having 40 branches)] in Pakistan 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' whereas short-term rating of the Bank is 'A-2' with a 'Rating Watch-Developing' outlook.

1.3 On 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 the Share Purchase Agreement dated June 30, 2009 and, consequently, SIL become the parent company of the Bank. As part of change in ownership, effective from August 18, 2010, the name of the Bank was changed to 'Summit Bank Limited'.

1.4 Further, the 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 was earlier approved by the shareholders of the Bank in their Extra Ordinary General Meeting held on November 06, 2010.

Under the above referred scheme of amalgamation, the Bank issued 225,065,982 Ordinary shares to the shareholders of ATBL at par value of Rs.10 each.

This amalgamation was accounted for in the books using "Pooling of interest" method as it was a business combination of entities under common control and not covered under the scope of IFRS-3 "Business Combinations". The difference in the net assets of ATBL, the merging entity, and the above shares issued to ATBL has been carried in the books under "Reserve arising on amalgamation".

Further, since "Pooling of interest" method assumes that both ATBL and the Bank were merged from the beginning of the earliest period presented, the issue of share capital and adjustments arising from amalgamation have been shown as at January 01, 2010.

1.5 On September 30, 2009, Suroor Investments Limited (SIL) entered into an agreement with a majority shareholder (MS) to sell upto 314,701,450 Ordinary shares constituting 59.34% of shareholding of MyBank Limited (MBL). Subsequently, SIL, Summit Bank Limited (the Bank) and the MS entered into a novation agreement dated February 17, 2011 wherein SIL has agreed to novate and the Bank has agreed to undertake the obligations of SIL to acquire the Ordinary shares from the MS on terms and conditions contained in the agreement.

As part of the agreement, the Bank purchased 270,482,625 shares of MBL at a price of Rs.8 per share resulting in a purchase consideration of Rs.2,163.861 million. Accordingly, MBL became a subsidiary of the Bank upon the acquisition. The Bank, consequently held 51.00% (December 31, 2010: 1.27%) Ordinary shares in MBL as at April 01, 2011. The details of this business combination together with its accounting treatment are given in note 6 to these financial statements.

Furthermore, during the current year, the State Bank of Pakistan (SBP) sanctioned a scheme of amalgamation (the scheme) under section 48 of the Banking Companies Ordinance, 1962, on June 20, 2011 by virtue of which MBL has been merged with and into the Bank at the close of business on June 30, 2011 (effective date). This scheme has earlier been approved by the shareholders of the Bank in their Extra Ordinary General Meeting held on January 20, 2011.

In consideration for the amalgamation and as per the scheme, the Bank allotted 207,900,400 fully paid Ordinary shares of Rs.10 each to the shareholders of MBL for the acquisition of non-controlling interest which will rank pari passu with the existing shares of the Bank.

1.6 These financial statements represent the financial statements of the Bank in which MBL has been merged with and into the Bank. The results for the year have been arrived at after considering MBL as a subsidiary with effect from April 01, 2011 and subsequently amalgamating the same with and into the Bank at the close of business on June 30, 2011 (see details in note 6). Balances in MBL have been taken from its audited financial statements after taking into account adjustments due to alignment of accounting policies of MBL with the Bank and inter-bank transactions.

1.7 The comparatives include balances of Atlas Bank Limited which was merged with and into the Bank at the close of the business on December 31, 2010.

1.8 The State Bank of Pakistan (SBP) through its BSD Circular No. 7 dated April 15, 2009 has prescribed that the minimum paid-up capital (net of losses) for Banks / Development Finance Institutions (DFIs) be raised to Rs.10 billion by the year ending December 31, 2013. The raise is to be achieved in a phased manner requiring Rs.8 billion and Rs.9 billion paid-up capital (free of losses) by the end of the financial year 2011 and 2012, respectively. The paid-up capital (free of losses) of the Bank as at December 31, 2011 is Rs.5.373 billion. Further, vide its aforesaid circular, the SBP has prescribed the banks to achieve minimum Capital Adequacy Ratio (CAR) of 10% with effect from December 31, 2009 irrespective of their CAMEL-S rating, till further instructions. However, the Bank's CAR is below the minimum required level at the year end (refer note 42.3).

However, the Bank has been granted an exemption till December 31, 2011 to meet the minimum capital requirement (MCR) and capital adequacy ratio (CAR) by the SBP through its letter number BSD/BAI-3/608/9203/2011 dated July 16, 2011. Through the above referred letter, the SBP has also requested the Bank to submit a capital plan for meeting the expected shortfall in MCR/CAR, including specific timelines and milestones.

The Bank has injected Rs.1.4 billion capital in the form of right shares during the year. Further, as requested by SBP, the Bank has submitted a plan for meeting the shortfall in MCR/CAR to the SBP on December 22, 2011 and has sought further exemption till December, 2012 to meet the MCR / CAR. The response is awaited from the SBP in this regard.

The said plan envisages (a) additional issue of right shares, (b) crash programme for recovery of its classified portfolio and (c) sale of a portion of its credit portfolio. The management of Bank is of the view that in light of the three pronged strategy, the Bank will be able to meet the capital requirements over an extended period of time.

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 sale arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised 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 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	**Effective date (annual periods beginning on or after)**
IFRS 7 – Financial Instruments : Disclosures – (Amendments)	
- Amendments enhancing disclosures about transfers of financial assets	July 01, 2011
- Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 01, 2013
IAS 1 – Presentation of Financial Statements – Presentation of items of comprehensive income	July 01, 2012
IAS 12 – Income Taxes (Amendment) - Recovery of Underlying Assets	January 01, 2012
IAS 27 – Separate Financial Statements (2011)	January 01, 2013
IAS 28 – Investments in Associates and Joint Ventures (2011)	January 01, 2013
IAS 19 – Employee Benefits – (Amendment)	January 01, 2013

The Bank expects that the adoption of the above revisions and amendments of the standards will not materially affect the Bank's financial statements in the period of initial application other than the amendments to IAS-19 'Employee Benefits'. Such amendments range from fundamental changes to simple clarifications and re-wording. The significant changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e. the corridor approach) has been removed. As revised, actuarial gains and losses are recognised in other comprehensive income when they occur. Amounts recorded in profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognised in other comprehensive income with no subsequent recycling to profit and loss account.

- Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

The Bank is currently assessing the impact of the above amendments which are effective from January 01, 2013 on the financial statements. However, it is expected that the adoption of the said amendments will result in change in the Bank's accounting policy related to recognition of actuarial gains and losses as referred to in note 5.12 to the financial statements.

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

Standard	**IASB Effective date (annual periods beginning on or after)**
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except for held-for-trading and available-for-sale investments, operating fixed assets and derivative financial instruments which are stated at fair value.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below in notes 5.1 and 5.2:

5.1 New and amended standards and interpretations

The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IAS 24 – Related Party Disclosures (Revised)

IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment)

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 3 – Business Combinations

- Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS
- Measurement of non-controlling interests (NCI)
- Un-replaced and voluntarily replaced share-based payment awards

IFRS 7 – Financial Instruments: Disclosures

- Clarification of disclosures

IAS 1 – Presentation of Financial Statements

- Clarification of statement of changes in equity

IAS 27 – Consolidated and Separate Financial Statements

- Transition requirements for amendments made as a result of

IAS 27 Consolidated and Separate Financial Statements

IAS 34 – Interim Financial Reporting

- Significant events and transactions

IFRIC 13 – Customer Loyalty Programmes

- Fair value of award credits

The adoption of the above standards, amendments, interpretations and improvements did not have any material effect on the financial statements.

5.2 Change in accounting policy pertaining to property and equipment

During the current year, the Bank changed it accounting policy with respect of valuation of land and buildings (including improvements thereon). As per the revised policy, the Bank revalued its land and buildings at fair value as against the past policy of measuring the same at cost less accumulated depreciation. Surplus arising on revaluation is credited to the 'surplus on revaluation of fixed assets' account. Any deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above-mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of fixed assets, to the extent of incremental depreciation, is transferred to retained earnings.

The said change has been accounted for by the Bank prospectively in accordance with the requirement of the International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had the policy not been changed, the operating fixed assets, surplus on revaluation of assets - net and loss after taxation for the year would have reduced by Rs.1,242.785 million, Rs.944.186 million and Rs.4.736 million, respectively, and the deferred tax asset - net would have increased by Rs.298.599 million.

5.3 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.

5.4 Lendings to / borrowings from financial and other institutions

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

Repurchase agreement borrowings

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

Repurchase agreement lendings

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

Securities purchased are not recognised in the 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.

5.5 Investments

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

Held-for-trading

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

Held-to-maturity

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

Initial measurement

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

These are initially recognised at cost, being the fair value of the consideration given including, in the case of investments other than held for trading, the acquisition cost associated with the investments.

Subsequent measurement

Held for trading

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

Held to maturity

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

Available-for-sale

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

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

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

Investments in Subsidiaries and Associates

Investments in subsidiaries and associates are valued at cost less impairment, if any. A reversal of an impairment loss on associates and subsidiaries is recognized as it arises provided the increased carrying value does not exceed cost.

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

5.6 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.

5.7 Operating fixed assets and depreciation

Owned

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

Depreciation is calculated by the Bank using the straight line method 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 13.2 to the financial statements. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each statement of financial position date.

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

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

Land and buildings are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation is credited to the surplus on revaluation of fixed assets account. Any deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above-mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of fixed assets, to the extent of incremental depreciation, is transferred to retained earnings.

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

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

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

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

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

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

Goodwill

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

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

5.8 Subordinated loans

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

5.9 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.

5.10 Impairment

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

5.11 Deferred costs

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

5.12 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% 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 amortised over the future expected remaining working lives of the employees, to the extent of the excess over 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.

Upto December 31, 2010, an approved funded gratuity scheme for all permanent and full time employees in the management cadre was operated by ATBL. The liability recognised 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 unrecognised actuarial gains or losses and past service costs as at December 31, 2010.

Upon amalgamation of the Bank with the ATBL, the said scheme / plan been terminated and the net liability has been included in the unfunded plan of the Bank.

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

Employees' compensated absences

The Bank provides its liability towards compensated absences accumulated by its employees on the basis of actuarial valuation carried out using the Projected Unit Credit Method. Actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions are amortised over the future expected remaining working lives of the employees, to the extent of the excess over ten percent of the present value of the defined benefit obligation at that date.

5.13 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 finalised during the year.

Deferred

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

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

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

5.14 Deposits

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

5.15 Provisions

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

5.16 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Bank acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

For accounting policy relating to goodwill, refer note 5.7.

5.17 Foreign currencies

Foreign currency transactions and translations

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

Translation gains and losses

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

5.18 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.

5.19 Revenue recognition

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

Advances and investments

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

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

Dividend income is recognised when the Bank's right to receive the dividend is established.

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

Lease financing

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

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

Fees, brokerage and commission

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

5.20 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 recognised amounts and the Bank intends either to settle either on a net basis, or to realise the assets and to settle the liabilities simultaneously.

5.21 Financial instruments

Financial assets and liabilities

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

Derivative financial instruments

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

5.22 Segment reporting

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

Business segments

- **Corporate finance**

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

- **Trading and sales**

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

- **Retail banking**

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

- **Commercial banking**

This includes loans, deposits and other transactions with corporate customers.

- **Payment and settlement**

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

- **Geographical segments**

The Bank conducts all its operations in Pakistan.

6. BUSINESS COMBINATION

As stated in note 1.5, the Bank acquired the majority shareholding of 51% in MyBank Limited (MBL) for cash consideration of Rs.2,163.861 million on the acquisition date of April 01, 2011 and, hence, MBL became a subsidiary of the Bank at that date.

6.1 Provisional accounting for business combination

At the time these financial statements were authorised for issue, the Bank had not yet completed the accounting for the acquisition of MBL. Hence, as allowed by IFRS-3, the fair values of the assets and liabilities acquired have been provisionally determined based on management's estimates to be equal to their carrying amounts at the date of acquisition as the independent valuations have not been finalised. Accordingly, detailed valuations after taking into account reasonableness of underlying assumptions especially for assets whose values are based on future projections of earnings and related data have not been carried out at this stage.

Further, the fair values of contingent liabilities appearing in the books of MBL have not been included in liabilities acquired and, accordingly, their impact has not been taken in the computation of goodwill. The contingencies have been disclosed as part of the contingent liabilities of the Bank until the fair valuation exercise is concluded.

Hence, the initial accounting for the business combination is incomplete and will be adjusted based on more accurate and complete information and analysis during the measurement period. The Bank will retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. The Bank may also recognise additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date.

The management expects that the fair valuation exercise for assets and liabilities acquired will be completed in due course. However, the accounting treatment of fair valuation of MBL's assets and liabilities (including the contingent liabilities) in the books of the Bank will be finalized and accounted for in the financial statements after prior written clearance of the SBP, as per the directive received from the SBP in this regard.

Accordingly, goodwill arising on acquisition of MBL has been provisionally determined as follows:

	Note	Amount * (Rs. in '000)
Assets		
Cash and balances with treasury banks		2,206,669
Balances with other banks		480,954
Lendings to financial institutions		945,584
Investments		7,510,462
Advances		21,512,969
Operating fixed assets		2,167,248
Deferred tax assets		1,475,793
Other assets		2,005,186
Total assets		38,304,865
Liabilities		
Bills payable		475,537
Borrowings		5,282,024
Deposits and other accounts		28,026,796
Other liabilities		443,586
Total liabilities		34,227,943
Net assets		4,076,922
Cash consideration paid		
[270,482,682 Ordinary shares @ Rs.8 each	1.5	2,163,861
Proportionate share of non-controlling interest		
(49% of Rs.4,076.922 million)	6.4	1,997,692
		4,161,553
Goodwill arising on acquisition	6.2	84,631

* Balances taken from the published financial statements of MBL for the quarter ended March 31, 2011.

6.2 Goodwill

The goodwill recognised represents effect of expected synergies from combining operations of the Bank and its subsidiary, MBL, intangible assets that do not qualify for separate recognition and other factors. The management believes that the entire amount of goodwill is expected to be deductible for tax purposes.

6.3 MBL has contributed Rs.762.885 million of revenue and incurred loss after tax of Rs.136.127 million during the period from April 01, 2011 to June 30, 2011. Had the acquisition been made at January 01, 2011, MBL would have contributed Rs.1,574.357 million of revenue and resulted in loss after tax of Rs.917.920 million. The details of loss after tax which pertains to the operations of MBL for the period from April 01, 2011 to June 30, 2011 are as under:

	For the period from April 01, 2011 to June 30, 2011 (Rs. in '000)
Mark-up / return / interest earned	762,885
Mark-up / return / interest expensed	558,937
Net mark-up / interest income	**203,948**
Provision against non-performing loans and advances	(157,248)
Reversal for diminution in the value of investments	246,477
Bad debts written off directly	(2,198)
	87,031
Net mark-up / interest income / (loss) after provisions	**290,979**
Non mark-up / interest income	
Fee, commission and brokerage income	50,454
Dividend income	227
Gain from dealing in foreign currencies	26,407
Loss on sale of securities - net	(99,740)
Unrealised gain on revaluation of investments classified as held-for-trading	2,166
Other income	13,389
Total non-mark-up / interest income	**(7,097)**
Non mark-up / interest expenses	
Administrative expenses	347,759
Other provisions / write-offs	1,639
Other charges	1,092
Total non-mark-up / interest expenses	**350,490**
Loss before taxation	**(66,608)**
Taxation	
Current	8,826
Prior years	-
Deferred	60,693
	69,519
Loss after taxation	**(136,127)**

6.4 Acquisition of non-controlling interest

As at the date of acquisition, the purchase of Non-Controlling Interest (NCI) is measured at the proportionate share of the NCI in the fair value of net assets acquired by the Bank, as allowed under IFRS 3. The management has, at the date of amalgamation, incorporated the share of NCI's post acquisition results of MBL in the proportionate share of the NCI determined as at the acquisition date of MBL (the adjusted balance).

On the effective date of amalgamation (i.e. close of business on June 30, 2011), the Bank acquired the NCI by issuing 207,900,400 Ordinary shares of Rs.10 each to the shareholders of MBL (see note 1.5). The fair value of these shares (based on the published quoted price at that date) amounted to Rs.781.706 million. The excess of the fair value of the shares issued over the adjusted balance of the NCI amounting to Rs.1,080.404 million has been recognised as part of the equity (shown separately under 'Reserve arising on amalgamation').

7. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

- classification of investments (note 5.5);
- determining the residual values and useful lives of property and equipment (note 5.7);
- impairment (note 5.10);
- accounting for post employment benefits (note 5.12);
- recognition of taxation and deferred tax (note 5.13);
- provisions (note 5.5, 5.6 and 5.15); and
- intangibles, goodwill and deferred tax recognised on acquisition (note 6).

8. CASH AND BALANCES WITH TREASURY BANKS

	Note	December 31, 2011	December 31, 2010
		(Rupees in '000)	
In hand			
Local currency		**1,710,354**	834,914
Foreign currencies		**152,957**	186,680
With State Bank of Pakistan in			
Local currency current account	8.1	**3,191,429**	2,310,028
Foreign currency current account	8.2	**12,451**	9,981
Foreign currency deposit account			
- Non-remunerative	8.3	**202,378**	160,140
- Remunerative	8.4	**607,133**	480,423
With National Bank of Pakistan in			
Local currency current account		**241,284**	65,388
		6,117,986	4,047,554

8.1 This balance with SBP is maintained to comply with the statutory requirements issued from time to time.

8.2 This represents US Dollar Settlement account maintained with SBP.

8.3 This represents foreign currency special cash reserve maintained with SBP equivalent to at least 5% of the Bank's foreign currency deposits.

8.4 This represents foreign currency special cash reserve account 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 upto December 31, 2011 (December 31, 2010: Nil).

		Note	December 31, 2011	December 31, 2010
			------ (Rupees in '000) ------	
9.	**BALANCES WITH OTHER BANKS**			
	In Pakistan			
	On current accounts		**159,763**	11,524
	On deposit accounts		**-**	-
	Outside Pakistan			
	On current accounts		**1,194,907**	326,720
	On deposit accounts	9.1	**71,683**	-
			1,426,353	338,244

9.1 This represents deposit accounts maintained with foreign banks carrying nil mark-up (December 31, 2010: Nil).

		Note	December 31, 2011	December 31, 2010
10.	**LENDINGS TO FINANCIAL INSTITUTIONS**			
	Call money lendings	10.2	**300,000**	-
	Repurchase agreement lendings (Reverse Repo)	10.3 & 10.5	**269,757**	-
	Certificate of investment	10.4	**500,000**	-
			1,069,757	-
10.1	**Particulars of Lendings**			
	In local currency		**1,069,757**	-
	In foreign currencies		**-**	-
			1,069,757	-

10.2 This represents call lendings to financial institution carrying mark-up at rates ranging from 12.60% to 12.65% (December 31, 2010: Nil) per annum and are maturing from January 23, 2012 to January 27, 2012.

10.3 This represents reverse lending to a financial institution carrying mark-up at the rate of 12.75% (December 31, 2010: Nil) per annum and maturing on January 31, 2012.

10.4 This represents lending to a financial institution carrying mark-up at the rate of 12.5% (December 31, 2010: Nil) per annum and maturing on January 23, 2012.

		December 31, 2011			December 31, 2010		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
		------ (Rupees in '000) ------					
10.5	**Securities held as collateral against lending to a financial institution**						
	Pakistan Investment Bonds	**263,721**	**-**	**263,721**	-	-	-

11. INVESTMENTS

11.1 Investments by types:

	Note	December 31, 2011 Held by bank	Given as collateral	Total	December 31, 2010 Held by bank	Given as collateral	Total
		---- (Rupees in '000) ----					
Held-for-trading securities							
Listed Ordinary shares	11.4	**39,671**	-	**39,671**	35,840	-	35,840
Available-for-sale securities							
Market Treasury Bills	11.3	**15,781,443**	**13,937,057**	**29,718,500**	12,664,172	1,869,993	14,534,165
Pakistan Investment Bonds	11.3	**1,289,099**	-	**1,289,099**	1,558,248	-	1,558,248
Listed Ordinary shares	11.4	**1,541,937**	-	**1,541,937**	1,551,403	-	1,551,403
Preference shares	11.7	**37,500**	-	**37,500**	-	-	-
Unlisted Ordinary shares	11.5	**41,000**	-	**41,000**	31,000	-	31,000
Mutual fund units - open end	11.6	**1,125,000**	-	**1,125,000**	300,000	-	300,000
Mutual fund units - closed end	11.6	**58,000**	-	**58,000**	564	-	564
Term Finance Certificates - listed	11.8	**514,230**	**44,937**	**559,167**	553,411	44,955	598,366
Term Finance Certificates - unlisted	11.9	**637,146**	-	**637,146**	1,391,805	-	1,391,805
Sukuk Bonds	11.10	**931,869**	-	**931,869**	905,482	-	905,482
		21,957,224	**13,981,994**	**35,939,218**	18,956,085	1,914,948	20,871,033
Held to maturity							
Pakistan Investment Bonds	11.3	**1,293,762**	-	**1,293,762**	-	-	-
Associates							
Unlisted Ordinary shares	11.11	-	-	-	37,200	-	37,200
Subsidiaries							
Unlisted Ordinary shares	11.12	**396,942**	-	**396,942**	396,942	-	396,942
Investment at cost		**23,687,599**	**13,981,994**	**37,669,593**	19,426,067	1,914,948	21,341,015
Less: Provision for diminution in value of investments	11.14	**(1,058,828)**	-	**(1,058,828)**	(500,060)	-	(500,060)
Investments - net of provisions		**22,628,771**	**13,981,994**	**36,610,765**	18,926,007	1,914,948	20,840,955
(Deficit) / surplus on revaluation of held-for-trading securities	11.16	**(5,337)**	-	**(5,337)**	874	-	874
Deficit on revaluation of available-for-sale securities	23.2	**(286,078)**	**(14,672)**	**(300,750)**	(339,084)	(1,446)	(340,530)
Total investments at market value		**22,337,356**	**13,967,322**	**36,304,678**	18,587,797	1,913,502	20,501,299

11.2 Investments by segments:

	Note	December 31, 2011	December 31, 2010
		(Rupees in '000)	
Federal Government Securities:			
- Market Treasury Bills	11.3	**29,718,500**	14,534,165
- Pakistan Investment Bonds	11.3	**2,582,861**	1,558,248
Fully paid-up Ordinary Shares / Units / Certificates:			
- Listed companies	11.4	**1,581,608**	1,587,243
- Unlisted companies	11.5	**41,000**	31,000
- Mutual funds - open end	11.6	**1,125,000**	300,000
- Mutual funds - closed end	11.6	**58,000**	564
Preference Shares	11.7	**37,500**	-
Term Finance Certificates and Bonds			
- Listed Term Finance Certificates	11.8	**559,167**	598,366
- Unlisted Term Finance Certificates	11.9	**637,146**	1,391,805
- Sukuk Bonds	11.10	**931,869**	905,482
Investment in associates	11.11	**-**	37,200
Investment in a subsidiary	11.12	**396,942**	396,942
Total investment at cost		**37,669,593**	21,341,015
Less: Provision for diminution in value of investments	11.14	**(1,058,828)**	(500,060)
Investments - net of provisions		**36,610,765**	20,840,955
(Deficit) / surplus on revaluation of held-for-trading securities	11.16	**(5,337)**	874
Deficit on revaluation of securities - available-for-sale	23.2	**(300,750)**	(340,530)
Total investments at market value		**36,304,678**	20,501,299

11.3 Market Treasury Bills and Pakistan Investment Bonds are held with SBP and are eligible for rediscounting. Market Treasury Bills embody effective yield ranging from 11.79% to 13.88% (December 31, 2010: 12.65% to 13.38%) per annum and will mature within 12 months. Pakistan Investment Bonds carry mark-up ranging from 4.25% to 12.72% (December 31, 2010: 6.22% to 12.00%) per annum on semi-annual basis and will mature 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.

During the current year, after obtaining necessary approval from the SBP, the Bank transferred Pakistan Investment Bonds acquired from Atlas Bank Limited aggregating to Rs.959.803 million from available-for-sale category to held to maturity. At year end, Pakistan Investment Bonds amounting to Rs.834.773 million are still held by the Bank.

11.4 Particulars of investments in Ordinary shares - listed

Name of companies	Number of shares held December 31, 2011	Number of shares held December 31, 2010	Paid-up value per share	Total book value December 31, 2011	Total book value December 31, 2010
				(Rupees in '000)	
Held-for-trading securities					
D.G. Khan Cement Company Limited	**161,765**	-	10	**3,497**	-
Engro Fertilizers Limited	**10,000**	-	10	**1,465**	-
Fauji Fertilizer Company Limited	**-**	215,000	10	**-**	26,945
National Bank of Pakistan	**317,252**	64,000	10	**15,701**	4,235
Pakistan Petroleum Limited	**-**	15,000	10	**-**	3,213
Pakistan Oilfields Limited	**-**	5,000	10	**-**	1,447
Pakistan State Oil Company Limited	**60,005**	-	10	**14,918**	-
United Bank Limited	**70,000**	-	10	**4,090**	-
				39,671	35,840
Available-for-sale securities					
Agritech Limited	**7,635,703**	6,496,300	10	**114,612**	139,995
Allied Bank Limited	**25,000**	-	10	**1,624**	-
Arif Habib Corporation Limited, a related party	**5,280,859**	4,877,250	10	**139,369**	115,188
Askari Bank Limited	**4,056,276**	3,728,701	10	**135,095**	136,603
Attock Refinery Limited	**25,000**	-	10	**2,978**	-
Azgard Nine Limited	**500,000**	-	10	**5,911**	-
D.G. Khan Cement Company Limited	**470,000**	530,000	10	**25,574**	28,839
Engro Corporation Limited	**20,000**	-	10	**2,808**	-
Fatima Fertilizer Company Limited	**6,000,000**	8,465,082	10	**130,050**	114,279
Fauji Fertilizer Bin Qasim Limited	**-**	500,000	10	**-**	18,584
Fauji Fertilizer Company Limited	**-**	86,315	10	**-**	9,953
First Capital Securities Corporation Limited	**11,308,000**	11,308,000	10	**94,846**	94,846
Hum Network Limited (formerly Eye Television Network Limited)	**39,000**	39,000	10	**906**	906
Ibrahim Fibres Limited	**149,390**	198,457	10	**8,317**	11,048
Javedan Cement Limited	**3,915,318**	3,915,318	10	**235,037**	235,037
Lucky Cement Limited	**192,950**	192,950	10	**15,754**	15,754
MCB Bank Limited	**20,000**	-	10	**3,993**	-
MyBank Limited	**-**	5,400,000	10	**-**	27,188
Nishat Chunian Power Limited	**-**	1,251,117	10	**-**	12,511
Nishat Power Limited	**400,000**	2,019,599	10	**4,004**	20,216
Oil and Gas Development Company Limited	**10,000**	-	10	**1,544**	-
Pak Suzuki Motors Company Limited	**115,000**	135,000	10	**13,248**	15,552
Pakistan Oilfields Limited	**25,000**	30,000	10	**8,969**	8,013
Pakistan Petroleum Limited	**-**	10,000	10	**-**	2,182
Pak Elektron Limited	**299,723**	-	10	**12,500**	-
Pakistan Telecommunication	**100,000**	-	10	**1,191**	-
SME Leasing Limited	**902,350**	902,350	10	**9,926**	9,926
Sui Northern Gas Pipelines Limited	**58,800**	56,000	10	**1,825**	1,825
Sui Southern Gas Company Limited	**13,125,000**	12,500,000	10	**281,532**	281,532
Tariq Glass Industries Limited	**5,329,704**	-	10	**66,668**	-
Thatta Cement Company Limited, a related party	**8,462,835**	7,000,000	10	**174,829**	152,887
The Bank of Khyber	**-**	9,900,000	10	**-**	49,711
Wateen Telecom Limited	**4,882,813**	4,882,813	10	**48,828**	48,828
				1,541,937	1,551,403
				1,581,608	1,587,243

11.5 Particulars of investment in other

Ordinary shares - unlisted

Name of companies	Number of units / certificates held December 31, 2011	December 31, 2010	Paid-up value per share	Total book value December 31, 2011	December 31, 2010
				(Rupees in '000)	
Arabian Sea Country Club Limited Chief Executive Officer: Mr. Arif Ali Khan Abbasi Percentage holding 1.29% (December 31, 2010: 1.29%) Net asset value per share was Rs.7.90 as at June 30, 2011 based on unaudited financial statements (December 31, 2010: Rs.11.13 based on unaudited financial statements)	**100,000**	100,000	10	**1,000**	1,000
Atlas Asset Management Limited Chief Executive Officer: Mr. M. Habib-ur-Rehman Percentage holding 12% (December 31, 2010: 12%) Net asset value per share was Rs.11.60 as at June 30, 2011 based on audited financial statements (December 31, 2010: Rs.9.86 based on unaudited financial statements)	**3,000,000**	3,000,000	10	**30,000**	30,000
Khushali Bank Limited Chief Executive Officer: Mr. Ghalib Nishtar Percentage holding 0.6% (December 31, 2010: Nil) Net asset value per share was Rs.12.99 as at December 31, 2010 based on audited financial statements (December 31, 2009: Rs.12.18 based on audited financial statements)	**1,000,000**	-	10	**10,000**	-
				41,000	**31,000**

11.6 Particulars of investment in mutual funds

Name of companies	Number of units held December 31, 2011	December 31, 2010	Paid-up value per unit	Total book value December 31, 2011	December 31, 2010
				(Rupees in '000)	
Mutual fund (open end)					
National Investment Trust - Equity Fund	**22,931,376**	9,590,793	50	**1,000,000**	300,000
Pakistan Capital Protected Fund	**11,059,617**	-	10	**100,000**	-
AKD Cash Fund	**500,000**	-	10	**25,000**	-
				1,125,000	300,000
Mutual fund (closed end)					
Golden Arrow Selected Stocks Fund Limited	**20,000,000**	-		**58,000**	-
First Dawood Mutual Fund	**-**	331,471	10	**-**	564
				58,000	564

11.7 Particulars of investments in Preference shares

Name of company	Number of shares held December 31, 2011	Number of shares held December 31, 2010	Paid-up value per share	Total book value December 31, 2011	Total book value December 31, 2010
				------ (Rupees in '000) ------	
Pak Elektron Limited	**3,750,000**	-	10	**37,500**	-

Rate of preference dividend: 9.5% - cumulative
Terms of redemption: Redeemable after 6 years of date of issue
Terms of conversion: Conversion option to be exercised after 7 years of issue and if not redeemed within 9 years of issue, convertible in 9th year.

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

Name of companies	Rating	Mark-up rate	Repayment	Total book value December 31, 2011	Total book value December 31, 2010
				------ (Rupees in '000) ------	
Allied Bank Limited 22,975 (Dec 31, 2010: 22,975) certificates Chief Executive Officer: Mr. Khalid A. Sherwani	'AA-'	6 months KIBOR plus 1.90%	Semi-annually	**114,422**	114,397
United Bank Limited 16,000 (Dec 31, 2010: 16,000) certificates Chief Executive Officer: Mr. Atif R. Bukhari	'AA'	6 months KIBOR plus 0.85%	Semi-annually	**61,022**	79,283
Engro Fertilizers Limited 5,000 (Dec 31, 2010: 20,000) certificates Chief Executive Officer: Mr. Asad Umar	'AA'	6 months KIBOR plus 1.55%	Semi-annually	**24,699**	98,428
NIB Bank Limited 25,400 (Dec 31, 2010: 25,400) certificates Chief Executive Officer: Mr. Badar Kazmi	'A+'	6 months KIBOR plus 1.15%	Semi-annually	**126,822**	126,873
Askari Bank Limited **- 2nd issue (unsecured)** 6,990 (Dec 31, 2010: 6,990) certificates Chief Executive Officer: Mr. M. R. Mehkari	'AA-'	1.50% above 6 months KIBOR	Semi-annually	**34,866**	34,880
Azgard Nine Limited 22,000 (Dec 31, 2010: 2,000) certificates Chief Executive Officer: Mr. Ahmed H. Shaikh	'D'	1.00% over simple average of 6 months KIBOR (ask side)	Semi-annually	**82,388**	7,490
			Balance c/f	**444,219**	461,351

Name of companies	Rating	Mark-up rate	Repayment	Total book value December 31, 2011	Total book value December 31, 2010
				------ (Rupees in '000) ------	
			Balance b/f	**444,219**	461,351
Bank Alfalah Limited - 3rd issue (unsecured) 2,000 (Dec 31, 2010: 2,000) certificates Chief Executive Officer: Mr. Sirajuddin Aziz	'AA-'	1.50% above 6 months KIBOR	Semi-annually	**9,977**	9,980
Bank Al-Habib Limited - 1st issue (unsecured) 3,480 (Dec 31, 2010: 3,480) certificates Chief Executive Officer: Mr. Abbas D. Habib	'AA'	1.50% above 6 months KIBOR (floor of 3.5% per annum and cap of 9.5% per annum)	Semi-annually	**11,570**	17,358
Invest Capital Investment Bank Limited (Formerly Al-Zamin Leasing Corporation Limited) - 2nd issue 2,000 (Dec 31, 2010: 2,000) certificates Chief Executive Officer: Mr. Basheer Ahmed Chowdry	'C'	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 (Dec 31, 2010: 5,000) certificates Chief Executive Officer: Ms. Shazia Bashir	'BB'	2.50% above 6 months KIBOR (floor of 8% per annum and cap of 17% per annum for first three years and 8% and 18% respectively for 4th and 5th year)	Semi-annually	**7,494**	12,490
IGI Investment Bank Limited Nil (Dec 31, 2010: 6,000) certificates Chief Executive Officer: Mr. Tariq Hasan Quraishi	'A+'	2.25% over 6 months KIBOR	Semi-annually	**-**	7,497
Jahangir Siddiqui & Company Limited - 4th issue 5,000 (Dec 31, 2010: 5,000) certificates Chief Executive Officer: Mr. Munaf Ibrahim	'AA'	2.5% above 6 months KIBOR	Semi-annually	**12,478**	24,960
			Balance c/f	**495,738**	543,636

Name of companies	Rating	Mark-up rate	Repayment	Total book value	
				December 31, 2011	December 31, 2010
				------ (Rupees in '000) ------	
			Balance b/f	**495,738**	543,636
Pakistan Mobile Communication Limited 2,000 (Dec 31, 2010: 2,000) certificates Chief Executive Officer: Mr. Rashid Khan	'A+'	2.85% over 6 months KIBOR	Semi-annually	**4,992**	8,320
Searle Pakistan Limited Nil (Dec 31, 2010: 2,000) certificates Chief Executive Officer: Mr. Rashid Abdulla	'BBB+'	2.50% above 6 months KIBOR	Semi-annually	-	1,250
Standard Chartered Bank Pakistan Limited - 2nd issue (unsecured) Nil (Dec 31, 2010: 2,587) certificates Chief Executive Officer: Mr. Syed Ali Azhar Naqvi	'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	-	3,234
Telecard Limited 26,530 (Dec 31, 2010: 11,530) certificates Chief Executive Officer: Mr. Shams Ul Afreen	'D'	3.75% over simple average of 6 months KIBOR (ask side)	Semi-annually	**48,749**	21,186
Trust Investment Bank Limited - 3rd issue 3,877 (Dec 31, 2010: 3,877) certificates Chief Executive Officer: Humayun Nabi Jan	'BBB'	1.85% above 6 months KIBOR	Semi-annually	**9,689**	14,533
WorldCall Telecom Limited Nil (Dec 31, 2010: 3,727) certificates Chief Executive Officer: Mr. Babar Ali Syed	'A-'	2.75% above 6 months KIBOR	Semi-annually	-	6,207
				559,167	598,366

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

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

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

Name of companies	Rating	Mark-up rate	Repayment	Total book value December 31, 2011	Total book value December 31, 2010
				------ (Rupees in '000) ------	
Agritech Limited 100,000 (Dec 31, 2010: 100,000) certificates Maturity date: December 14, 2015 Chief Executive Officer: Mr. Ahmed Jaudet Bilal	'D'	6 months KIBOR plus 1.75%	Semi-annually	**499,586**	499,600
Dewan Farooq Spinning Mills Limited 5,000 (Dec 31, 2010: Nil) certificates Maturity date: June 20, 2010 Chief Executive Officer: Mr. Dewan Abdul Baqi Farooqi	Unrated	6 months KIBOR plus 3.75%	Semi-annually	**6,250**	-
Faisalabad Electric Supply Company Limited (note 11.9.1) Nil (Dec 31, 2010: 66,667) certificates Maturity date: August 16, 2011 Chief Executive Officer: Mr. Tariq Mahmood Chattha	Unrated	6 months KIBOR plus 0.23%	Semi-annually	-	250,001
Gujranwala Electric Power Company Limited (note 11.9.1) Nil (Dec 31, 2010: 66,666) certificates Maturity date: August 16, 2011 Chief Executive Officer: Mr. Khalid Rai	Unrated	6 months KIBOR plus 0.23%	Semi-annually	-	249,998
Islamabad Electric Power Company Limited (note 11.9.1) Nil (Dec 31, 2010: 66,667) certificates Maturity date: August 16, 2011 Chief Executive Officer: Mr. Javed Pervaiz	Unrated	6 months KIBOR plus 0.23%	Semi-annually	-	250,001
Avari Hotels Limited 5,000 (Dec 31, 2010: 5,000) certificates Maturity date: Nov 1, 2016 Chief Executive Officer: Mr. Byram D. Avari	'A-'	3.25% over 6 months KIBOR	Semi-annually	**21,229**	21,228
Bunny's Limited 10,000 (Dec 31, 2010: 10,000) certificates Maturity date: Nov 30, 2013 Chief Executive Officer: Ch. Haroon Shafiq	Unrated	2.5% over 6 months KIBOR	Semi-annually	**50,000**	50,000
Flying Board & Paper Products Limited 5,000 (Dec 31, 2010: 5,000) certificates Maturity date: July 20, 2014 Chief Executive Officer: Mr. Bader Mehmood	Unrated	1.5% over 6 months KIBOR	Semi-annually	**25,000**	25,000
Gharibwal Cement Limited 5,000 (Dec 31, 2010: 5,000) certificates Maturity date: July 17, 2011 Chief Executive Officer: Mr. Abdul Rafique Khan	'D'	3% above 6 months KIBOR	Semi-annually	**24,980**	24,980
			Balance c/f	**627,045**	1,370,808

Name of companies	Rating	Mark-up rate	Repayment	Total book value December 31, 2011	Total book value December 31, 2010
				------ (Rupees in '000) ------	
			Balance b/f	**627,045**	1,370,808
Security Leasing Corporation Limited 2,000 (Dec 31, 2010: 2,000) certificates Maturity date: March 28, 2014 Chief Executive Officer: Mr. Mohd. Khalid Ali	Unrated	1-18th month -3% cash +3% accrual 19th month onwards 1 month KIBOR	Monthly	**2,188**	3,125
Grays Leasing Limited Nil (Dec 31, 2010: 1,800) certificates Maturity date: Jan 10, 2012 Chief Executive Officer: Mr. Abdul Rashid Mir	'B'	2.50% over 6 months KIBOR	Monthly	**-**	2,000
Orix Leasing Pakistan Limited 100 (Dec 31, 2010: 100) certificates Maturity date: Jan 15, 2013 Chief Executive Officer: Mr. Teizoon Kisat	'AA+'	1.40% over 6 months KIBOR	Semi-annually	**5,000**	8,333
Trakker (Private) Limited Nil (Dec 31, 2010: 100) certificates Maturity date: Aug 24, 2011 Chief Executive Officer: Mr. Ali Jameel	'A'	3.5% over 6 months KIBOR	Semi-annually	**-**	2,500
New Khan Transport Company (Private) Limited 10 (Dec 31, 2010: 10) certificates Maturity date: Oct 13, 2013 Chief Executive Officer: Mr. Aamir Hayat Khan	Unrated	3% over 6 months KIBOR with 8.50% per annum as floor and no ceiling	Monthly	**2,914**	5,039
				637,146	1,391,805

11.9.1 During the year, in accordance with the instructions of the Government of Pakistan (GoP) through a notification of Finance Division dated November 03, 2011, the Bank has received one year Market Treasury Bills and five year Pakistan Investment Bonds at a purchase price of Rs.902.567 million in settlement of the Term Finance Certificates of Faisalabad Electric Power Company Limited, Gujranwala Electric Power Company Limited and Islamabad Electric Power Company Limited and loan of PASSCO wheat aggregating to Rs.902.625 million (principal of Rs.804.820 million and accrued mark-up of Rs.97.805 million).

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

Name of companies	Rating	Mark-up rate	Repayment	Total book value December 31, 2011	Total book value December 31, 2010
				------ (Rupees in '000) ------	
Arzoo Textile Mills Limited 40,000 (Dec 31, 2010: 40,000) certificates Maturity date: April 15, 2014 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 Elektron Limited 40,000 (Dec 31, 2010: 40,000) certificates Maturity date: March 15, 2015 Chief Executive Officer: Mr. M. Naseem Saigol	'BBB+'	3 months Kibor plus 1%	Quarterly	**200,000**	200,000
Liberty Power Tech Limited 100,000 (Dec 31, 2010: 100,000) certificates Maturity date: March 15, 2015 Chief Executive Officer: Mr. Ashraf Mukati	Unrated	3 months Kibor plus 3%	Quarterly	**531,869**	505,482
				931,869	905,482

11.11 Particulars of investment in associates

Name of companies	Number of units / certificates held December 31, 2011	Number of units / certificates held December 31, 2010	Paid-up value per share	Total book value December 31, 2011	Total book value December 31, 2010
				------ (Rupees in '000) ------	
Ordinary shares - unlisted					
Rozgar Microfinance Bank Limited Chief Executive Officer: Mr. S. Faiq Hussain Percentage holding Nil (December 31, 2010: 33%) Net asset value per share was Rs.5.99 as at December 31, 2010 based on audited financial statements	-	5,314,286	10	-	37,200
				-	37,200

11.12 Particulars of investment in a subsidiary

Summit Capital (Private) Limited - unlisted [Formerly Atlas Capital Markets (Private) Limited] Chief Executive Officer: Mr. Rahat Saeed Khan Percentage holding 100% (December 31, 2010: 100%) Net asset value per share was Rs.6.37 as at June 30, 2011 based on un-audited financial statements (December 31, 2010: Rs.6.50 based on audited financial statements)	**30,000,000**	30,000,000	10	**396,942**	396,942
				396,942	396,942

11.13 Quality of available-for-sale securities

Securities	December 31, 2011 Short-term rating	December 31, 2011 Long-term rating	December 31, 2011 Rating by	December 31, 2010 Short-term rating	December 31, 2010 Long-term rating	December 31, 2010 Rating by	Market values December 31, 2011	Market values December 31, 2010
							------ (Rupees in '000) ------	
Market Treasury Bills	**Unrated**	**Unrated**	-	Unrated	Unrated	-	**29,711,050**	14,518,749
Pakistan Investment Bonds	**Unrated**	**Unrated**	-	Unrated	Unrated	-	**2,543,591**	1,395,290
Listed Ordinary shares								
Agritech Limited	-	**D**	**PACRA**	-	D	PACRA	**117,284**	155,261
Allied Bank Limited	**Unrated**	**AA-**	**JCR-VIS**	-	-	-	**1,347**	-
Arif Habib Corporation Limited, a related party	**Unrated**	**Unrated**	-	Unrated	Unrated	-	**136,827**	121,395
Askari Bank Limited	**A1+**	**AA**	**PACRA**	A1+	AA	PACRA	**40,684**	65,961
Attock Refinery Limited	**A1+**	**AA**	**PACRA**	-	-	-	**2,691**	-
Azgard Nine Limited	-	**D**	**PACRA**	-	-	-	**1,425**	-
D.G. Khan Cement Company Limited	**Unrated**	**Unrated**	-	Unrated	Unrated	-	**12,022**	15,990
Engro Corporation Limited	**A1+**	**AA**	**PACRA**	-	-	-	**1,854**	-
Fatima Fertilizer Company Limited	**A1**	**A**	**PACRA**	A1	A	PACRA	**137,520**	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**	-	Unrated	Unrated	-	**21,033**	40,256
Hum Network Limited (formerly Eye Television Network Limited)	**A1**	**A**	**PACRA**	A1	A	PACRA	**1,551**	919
Ibrahim Fibres Limited	**A1+**	**AA-**	**PACRA**	A1	A+	PACRA	**4,040**	8,363
Javedan Cement Limited	**Unrated**	**Unrated**	-	Unrated	Unrated	-	**248,623**	188,074
Lucky Cement Limited	**Unrated**	**Unrated**	-	Unrated	Unrated	-	**14,479**	14,624
MyBank Limited	-	-	-	A2	A-	PACRA	-	15,174
MCB Bank Limited	**A1+**	**AA+**	**PACRA**	-	-	-	**2,692**	-
National Bank of Pakistan	**A1+**	**AAA**	**JCR-VIS**	-	-	-	**13,023**	-
Nishat Chunian Power Limited	-	-	-	A1+	AA-	PACRA	-	20,130
Nishat Power Limited	**A1+**	**AA-**	**PACRA**	A1+	AA-	PACRA	**5,180**	32,778
Oil and Gas Development Company Limited	**AAA**	**A1+**	**JCR-VIS**	-	-	-	**1,516**	-
Pak Suzuki Motors Company Limited	**Unrated**	**Unrated**	-	Unrated	Unrated	-	**6,788**	9,426
Pakistan Oilfields Limited	**Unrated**	**Unrated**	-	Unrated	Unrated	-	**8,661**	8,879
Pakistan Petroleum Limited	-	-	-	Unrated	Unrated	-	-	2,172
Pakistan State Oil Company Limited	**A1+**	**AA+**	**PACRA**	-	-	-	**13,634**	-
Pakistan Telecommunication	**Unrated**	**Unrated**	-	-	-	-	**1,039**	-
Pak Elektron Limited	**A2**	**A-**	**PACRA**	-	-	-	**1,046**	-
SME Leasing Limited	**A3**	**BBB+**	**JCR-VIS**	Unrated	Unrated	-	**3,158**	12,136
Sui Northern Gas Pipe Line Limited	**A1+**	**AA**	**PACRA**	A1+	AA	PACRA	**924**	1,498
Sui Southern Gas Company Limited	**A1+**	**AA-**	**PACRA**	A1+	AA-	PACRA	**253,181**	265,401
Tariq Glass Industries Limited	**Unrated**	**Unrated**	-	-	-	-	**43,704**	-
Thatta Cement Company Limited, a related party	**Unrated**	**Unrated**	-	Unrated	Unrated	-	**200,992**	132,160
The Bank of Khyber	-	-	-	A2	A-	**JCR-VIS**	-	42,570
United Bank Limited	**A1+**	**AA+**	**JCR-VIS**	-	-	-	**3,667**	-
Wateen Telecom Limited	**Unrated**	**Unrated**	-	Unrated	Unrated	-	**8,740**	17,773
							1,309,325	1,295,155

	December 31, 2011			December 31, 2010			Market values	
	Short-term rating	Long-term rating	Rating by	Short-term rating	Long-term rating	Rating by	December 31, 2011	December 31, 2010
							------ (Rupees in '000) ------	
Unlisted Ordinary shares								
Arabian Sea Country Club Limited	**Unrated**	**Unrated**	**-**	Unrated	Unrated	-	**1,000**	1,000
Atlas Asset Management Limited	**AM3-**	**AMR**	**PACRA**	-	AM3+	PACRA	**30,000**	30,000
Khushali Bank Limited	**Unrated**	**Unrated**	**-**	-	-	-	**10,000**	-
Rozgar Microfinance Bank Limited	**-**	**-**	**-**	B	BB-	JCR-VIS	**-**	31,827
							41,000	62,827
Mutual fund units - open end								
National Investment Trust Units	**Unrated**	**Unrated**	**-**	-	-	-	**593,923**	301,343
Mutual fund units - closed end								
First Dawood Mutual Fund	**2-Star**	**2-Star**	**PACRA**	2-Star	3-Star	PACRA	**-**	663
Golden Arrow Selected Stocks Fund Limited	**2-Star**	**2-Star**	**JCR-VIS**	-	-	-	**54,200**	-
Term Finance Certificates - listed								
Allied Bank Limited	**Unrated**	**AA-**	**JCR-VIS**	Unrated	AA-	JCR-VIS	**114,902**	112,901
Invest Capital Investment Bank Limited (formerly Al-Zamin Leasing Corporation Limited)	**Unrated**	**C**	**JCR-VIS**	-	A-	PACRA	**9,549**	9,548
Askari Bank Limited	**-**	**AA-**	**PACRA**	-	AA-	PACRA	**34,715**	34,169
Azgard Nine Limited	**D**	**D**	**PACRA**	-	A	PACRA	**77,444**	7,040
Bank Alfalah Limited	**Unrated**	**AA-**	**PACRA**	-	AA-	PACRA	**9,942**	9,801
Bank Al-Habib Limited	**Unrated**	**AA**	**PACRA**	-	AA-	PACRA	**10,503**	15,758
Engro Fertilizers Limited	**Unrated**	**AA**	**PACRA**	Unrated	AA	PACRA	**24,463**	97,902
Escorts Investment Bank Limited	**-**	**BB**	**JCR-VIS**	-	A	PACRA	**5,526**	12,390
IGI Investment Bank Limited	**-**	**-**	**-**	-	A+	PACRA	**-**	7,486
Jahangir Siddiqui & Co. Limited	**Unrated**	**AA**	**PACRA**	-	AA	PACRA	**12,555**	25,073
NIB Bank Limited	**Unrated**	**A+**	**PACRA**	Unrated	A+	PACRA	**124,295**	123,811
Mobilink Pakistan Mobile Communications Limited (Private) Limited	**Unrated**	**A+**	**PACRA**	-	A+	PACRA	**5,006**	8,318
Searle Pakistan Limited	**-**	**-**	**-**	-	A-	PACRA	**-**	1,217
Standard Chartered Bank Pakistan Limited	**-**	**-**	**-**	-	AAA	PACRA	**-**	3,144
Telecard Limited	**Unrated**	**D**	**JCR-VIS**	-	BBB	PACRA	**36,562**	16,934
Trust Investment Bank Limited	**Unrated**	**BBB**	**PACRA**	-	BBB	PACRA	**9,299**	13,789
United Bank Limited	**Unrated**	**AA**	**JCR-VIS**	Unrated	AA	JCR-VIS	**59,540**	73,697
WorldCall Telecom Limited, a related party	**-**	**-**	**-**	-	A	PACRA	**-**	6,172
							534,301	579,150

	December 31, 2011			December 31, 2010			Market values	
	Short-term rating	Long-term rating	Rating by	Short-term rating	Long-term rating	Rating by	December 31, 2011	December 31, 2010
							------ (Rupees in '000) ------	
Term Finance Certificates - unlisted								
Agritech Limited (formerly Pak American Fertilizers Limited)	**Unrated**	**D**	**PACRA**	Unrated	A	PACRA	**374,690**	374,700
Avari Hotels Limited	**Unrated**	**A-**	**JCR-VIS**	-	A-	PACRA	**20,260**	21,229
Bunny's Limited	**Unrated**	**Unrated**	**-**	-	Unrated	PACRA	**25,000**	50,000
Dewan Farooq Spinning Mills Limited	**Unrated**	**Unrated**	**-**	Unrated	Unrated	-	**6,250**	-
Faisalabad Electric Supply Company Limited	**Unrated**	**Unrated**	**-**	Unrated	Unrated	-	**-**	250,001
Flying Board & Paper Products Limited	**Unrated**	**Unrated**	**-**	-	Unrated	PACRA	**25,000**	25,000
Gharibwal Cement Limited	**Unrated**	**D**	**JCR-VIS**	-	Unrated	PACRA	**24,980**	24,980
Grays Leasing Limited	**BB**	**B**	**JCR-VIS**	-	A-	PACRA	**-**	2,000
Gujranwala Electric Power Company Limited	**Unrated**	**Unrated**	**-**	Unrated	Unrated	-	**-**	249,998
Islamabad Electric Supply Company Limited	**Unrated**	**Unrated**	**-**	Unrated	Unrated	-	**-**	250,001
New Khan Transport (Private) Company Limited	**Unrated**	**Unrated**	**-**	-	Unrated	-	**2,914**	5,038
Orix Leasing Pakistan Limited	**Unrated**	**AA+**	**PACRA**	-	AA	PACRA	**5,029**	8,333
Security Leasing Corporation Limited	**Unrated**	**Unrated**	**-**	-	Unrated	-	**1,538**	3,125
Trakker (Private) Limited	**Unrated**	**A**	**PACRA**	-	A	PACRA	**-**	2,500
							485,661	1,266,905
Sukuk Bonds								
Arzoo Textile Mills Limited	**Unrated**	**Unrated**	**-**	Unrated	Unrated	-	**200,000**	200,000
Liberty Power Tech Limited	**Unrated**	**AA**	**PACRA**	Unrated	AA-	PACRA	**531,869**	505,482
Pak Elektron Limited	**A2**	**A-**	**PACRA**	Unrated	A	PACRA	**182,932**	192,079
							914,801	897,561
				Total			**36,187,852**	20,316,980

	Note	December 31, 2011	December 31, 2010
		(Rupees in '000)	
11.14 Particulars of provision			
Opening balance		**500,060**	611,872
Provision against investments of subsidiary at the date of acquisition		**597,647**	-
Charge for the period		**213,430**	393,055
Reversal during the period		**(252,309)**	-
		(38,879)	393,055
Reversal of provisions on disposal		**-**	(504,867)
Closing balance	11.15	**1,058,828**	500,060
11.15 Particulars of provision in respect of type and segment			
Available-for-sale securities			
Ordinary shares of listed companies		**285,175**	204,332
Ordinary shares of unlisted companies		**4,210**	3,210
Mutual Fund units		**337,527**	-
Term Finance Certificates - unlisted		**84,144**	42,518
Subsidiary	11.17	**197,772**	100,000
Sukuk Bonds		**150,000**	150,000
		1,058,828	500,060
11.16 (Deficit) / surplus on revaluation of held-for-trading securities			
Fauji Fertilizer Company Limited		**-**	115
D.G. Khan Cement Company Limited		**(419)**	-
Engro Fertilizers Limited		**(538)**	-
National Bank of Pakistan		**(2,673)**	681
Pakistan State Oil Company Limited		**(1,284)**	-
Pakistan Oilfields Limited		**-**	34
Pakistan Petroleum Limited		**-**	44
United Bank Limited		**(423)**	-
		(5,337)	874

11.17 The Bank has tested the investment in its subsidiary for impairment by comparing the recoverable value to the carrying value.

For Summit Capital (Private) Limited (SCPL), the recoverable value was determined using a value in use (VIU) calculation using cash flow projections based on financial projections prepared by the management of SCPL for the forecast period.

The pre-tax discount rate of 26.6% is used for determining the VIU of SCPL, which reflects SCPL management's estimate of the cost of equity applicable to SCPL. The cost of equity has been calculated using the Capital Asset Pricing Model (CAPM). Parameters used in the CAPM calculation are based on published third party data.

12. ADVANCES

	Note	December 31, 2011	December 31, 2010
		(Rupees in '000)	
Loans, cash credits, running finances, etc. - in Pakistan			
In Pakistan		**65,076,030**	43,164,638
Outside Pakistan		**-**	9,676
Net investment in finance lease - in Pakistan	12.2	**372,747**	565,910
Bills discounted and purchased (excluding Treasury Bills)			
Payable in Pakistan		**2,208,614**	667,911
Payable outside Pakistan		**741,682**	86,998
		2,950,296	754,909
Advances - gross		**68,399,073**	44,495,133
Provision against non-performing advances	12.3.1	**(11,068,103)**	(5,723,944)
Advances - net of provision		**57,330,970**	38,771,189

12.1 Particulars of advances

		2011	2010
12.1.1	In local currency	**67,522,081**	44,370,222
	In foreign currencies	**876,992**	124,911
		68,399,073	44,495,133
12.1.2	Short-term (upto one year)	**58,643,970**	36,762,006
	Long-term (over one year)	**9,755,103**	7,733,127
		68,399,073	44,495,133

12.2 Net investment in finance lease - in Pakistan

	December 31, 2011				December 31, 2010			
	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	**118,440**	**235,962**	**-**	**354,402**	231,963	300,519	-	532,482
Residual value	**69,004**	**15,492**	**-**	**84,496**	102,414	49,921	-	152,335
Minimum lease payments	**187,444**	**251,454**	**-**	**438,898**	334,377	350,440	-	684,817
Financial charges for future periods	**(13,243)**	**(52,908)**	**-**	**(66,151)**	(51,572)	(67,335)	-	(118,907)
Present value of minimum lease payments	**174,201**	**198,546**	**-**	**372,747**	282,805	283,105	-	565,910

12.3 Advances include Rs.22,417.723 million (December 31, 2010: Rs.11,394.074 million) which have been placed under non-performing status as detailed below:

Category of classification	December 31, 2011 Classified advances	December 31, 2011 Provision required	December 31, 2011 Provision held	December 31, 2010 Classified advances	December 31, 2010 Provision required	December 31, 2010 Provision held
	(Rupees in '000)					
Substandard	**1,974,120**	**289,543**	**289,543**	2,078,978	348,060	348,060
Doubtful	**3,986,610**	**753,786**	**753,786**	1,811,271	598,314	598,314
Loss	**16,456,993**	**10,023,541**	**10,023,541**	7,503,825	4,773,140	4,773,140
	22,417,723	**11,066,870**	**11,066,870**	11,394,074	5,719,514	5,719,514

12.3.1 Particulars of provision against non-performing advances

	December 31, 2011 Specific	December 31, 2011 General	December 31, 2011 Total	December 31, 2010 Specific	December 31, 2010 General	December 31, 2010 Total
	(Rupees in '000)					
Opening balance	**5,719,514**	**4,430**	**5,723,944**	3,788,679	1,562	3,790,241
Provision against non-performing advances of subsidiary at the date of acquisition	**4,923,513**	**570**	**4,924,083**	-	-	-
Charge for the period	**2,702,338**	**-**	**2,702,338**	2,676,156	4,023	2,680,179
Reversals	**(2,205,802)**	**(3,767)**	**(2,209,569)**	(741,557)	(1,155)	(742,712)
	496,536	**(3,767)**	**492,769**	1,934,599	2,868	1,937,467
Transferred to:						
- other assets	**-**	**-**	**-**	(2,218)	-	(2,218)
- capital reserve	**-**	**-**	**-**	7,550	-	7,550
	-	**-**	**-**	5,332	-	5,332
Amount written off	**(72,693)**	**-**	**(72,693)**	(9,096)	-	(9,096)
Closing balance	**11,066,870**	**1,233**	**11,068,103**	5,719,514	4,430	5,723,944

12.3.2 Particulars of provision against non-performing advances

	December 31, 2011 Specific	December 31, 2011 General	December 31, 2011 Total	December 31, 2010 Specific	December 31, 2010 General	December 31, 2010 Total
	(Rupees in '000)					
In local currency	**11,066,870**	**1,233**	**11,068,103**	5,719,514	4,430	5,723,944
In foreign currencies	**-**	**-**	**-**	-	-	-
	11,066,870	**1,233**	**11,068,103**	5,719,514	4,430	5,723,944

12.3.3 Consistent with prior years, the Bank has availed the benefit of Forced Sale Value (FSV) and exemptions of pledged stocks, mortgaged residential and commercial properties (land and building only) held as collateral against the non-performing advances (excluding consumer housing finance portfolio). Had this benefit of FSV not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs.8,653 million (December 31, 2010: Rs.2,252 million). Further, the Bank has availed the benefit of certain exemption from Prudential Regulation requiring provision against non performing loans which are given by the State Bank of Pakistan. The aggregate amount of such benefit amounted to Rs.74.328 million as at year end.

The FSV and exemptions benefits recognised will not be available for the distribution of cash and stock dividend to shareholders.

	Note	December 31, 2011	December 31, 2010
		------ (Rupees in '000) ------	
12.4 Particulars of write offs			
12.4.1 Against provisions		**72,693**	9,096
Directly charged to profit and loss account		**2,253**	-
		74,946	9,096
12.4.2 Write offs of Rs.500,000 and above		**71,348**	8,865
Write offs of below Rs.500,000		**3,598**	231
		74,946	9,096

12.5 Details of write off of Rs.500,000 and above

In terms of sub-section 3 of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written off loans or any other financial relief of Rs.500,000 or above allowed to persons during the year ended December 31, 2011 is given in Annexure I.

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

	December 31, 2011	December 31, 2010
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 period	**447,849**	733,853
Loans granted during the period	**869,513**	234,270
Repayments during the period	**(237,864)**	(520,274)
Balance at end of the period	**1,079,498**	447,849
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 period	**41,699**	1,554,489
Loans granted during the period	**216,709**	3,243,987
Repayments during the period	**(246,260)**	(4,756,777)
Balance at end of the period	**12,148**	41,699
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties		
Balance at beginning of the period	**18,000**	18,861
Loans granted during the period	**-**	-
Repayments during the period	**-**	(861)
Balance at end of the period	**18,000**	18,000
	1,109,646	507,548

13. OPERATING FIXED ASSETS

	Note	December 31, 2011	December 31, 2010
Capital work-in-progress	13.1	**302,576**	259,089
Property and equipment - own use	13.2	**5,321,267**	2,315,362
Property and equipment - operating lease	13.3	**-**	33
Intangible assets	13.4	**223,203**	115,963
		5,847,046	2,690,447

13.1 Capital work-in-progress

	December 31, 2011	December 31, 2010
Civil works	**186,616**	145,490
Advances to suppliers and contractors	**20,650**	18,289
Advances against computer software	**123,165**	123,165
Less: Provision thereagainst	**(27,855)**	(27,855)
	95,310	95,310
	302,576	259,089

13.2 Property and equipment - own use

		December 31, 2011											
		COST					ACCUMULATED DEPRECIATION						
Category of classification	Note	At January 01, 2011	Additions / Assets acquired on amalgamation *	Adjustments arising due to revaluation of assets	(Deletions) / transfers / ** write off) ***	At December 31, 2011	At January 01, 2011	Charge / On assets acquired on amalgamation *	Adjustments arising due to revaluation of assets	(Deletion) / transfers / ** write off) ***	At December 31, 2011	Net book value at December 31, 2011	Rate of deprecia tion
		---------- (Rupees in '000) ----------											%
Leasehold land		261,130	-	389,644	-	1,373,447	-	-	-	-	-	1,373,447	-
			722,673 *		-			-	-	-			
Building on leasehold land		701,730	16,855	1,099,676	-	3,012,137	69,490	90,682	255,008	-	668,704	2,343,433	5%
			1,193,876 *		-			253,524 *		-			
Building improvements	13.2.1	818,575	152,673	18,458	(76,217)	1,076,709	148,676	87,859	5,249	(21,887)	256,917	819,792	10%
			238,933 *		(36,405) **			55,864 *		(8,470) **			
					(39,308) ***					(10,374) ***			
Furniture and fixtures	13.2.1	533,347	34,630	-	(35,488)	371,754	119,161	40,631	-	(15,437)	125,236	246,518	10% - 15%
			104,830 *		(264,307) **			44,840 *	-	(63,535) **			
					(1,258) ***					(424) ***			
Electrical, office and computer equipment	13.2.1	583,727	97,220	-	(55,708)	1,282,949	278,367	230,826	-	(23,650)	775,692	507,257	20% - 30%
			358,650 *		300,089 **			217,021 *	-	73,684 **			
					(1,029) ***					(556) ***			
Vehicles		70,450	2,943	-	(67,874)	123,226	37,903	19,161	-	(43,235)	92,406	30,820	20%
			117,705 *		2 **			80,590 *	-	(2,013) **			
December 31, 2011		2,968,959	304,321	1,507,778	(235,287)	7,240,222	653,597	469,159	260,257	(104,209)	1,918,955	5,321,267	
			2,736,667 *		(621) **			651,839 *		(334) **			
					(41,595) ***					(11,354) ***			

**Transfers include transfer to intangible assets.

13.2.1 Included in cost of property and equipment are fully depreciated items still in use amounting to Rs.321 million (December 31, 2010: Rs.14.408 million).

13.2.2 Revaluation of properties

During the year, on December 31, 2011, the properties of the Bank were revalued by independent professional valuers. The revaluation was carried out by M/s. Sadruddin Associates on the basis of professional assessment of present market values and resulted in a surplus of Rs.1,247 million. Had there been no revaluation, the carrying amount of revalued assets as at December 31, 2011 would have been as follows:

	December 31, 2011 **Rs. in 000**
Leasehold land	983,803
Buildings on leasehold land	1,503,347
Buildings improvements	806,891

	COST			ACCUMULATED DEPRECIATION				
Category of classification	**At January 01, 2010**	**Additions / (deletions) / transfers* / write off**)**	**At December 31, 2010**	**At January 01, 2010**	**For the period / (on deletion / transfers* / write off**)**	**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	587,163	114,567	701,730	39,228	30,262	69,490	632,240	5%
Building improvements	684,549	134,078 (52) *	818,575	83,306	65,422 (52) *	148,676	669,899	10%
Furniture and fixtures	509,487	30,022 (2,989) (1,139) * (2,034) **	533,347	76,978	44,387 (457) (1,139) * (608) **	119,161	414,186	10% - 15%
Electrical, office and computer equipment	477,553	112,220 (2,812) (207) * (3,027) **	583,727	183,510	99,237 (2,084) (207) * (2,089) **	278,367	305,360	20% - 30%
Vehicles	88,280	8,503 (26,300) (33) *	70,450	38,123	11,122 (11,309) (33) *	37,903	32,547	20%
Others	185,856	(181,847) (4,009)	-	12,390	17,037 (29,427)	-	-	10%
December 31, 2010	2,794,018	217,543 (36,110) (1,431) * (5,061) **	2,968,959	433,535	267,467 (43,277) (1,431) * (2,697) **	653,597	2,315,362	

13.2.3 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	9,794	5,548	4,246	1,877	Negotiation	Various
Building renovations	10,227	2,629	7,598	3,130	Negotiation	The Bank of Khyber, Peshawar
Building renovations	47,828	12,036	35,792	35,835	Negotiation	Sindh Bank Limited, Karachi
Building renovations	8,368	1,674	6,694	665	Negotiation	Mr. Shamsuddin, Sukkur
Furniture and fixtures						
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	35,488	15,436	20,052	15,265	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	27,338	15,313	12,025	11,787	Negotiation	Various
Generators	15,977	4,543	11,434	8,251	Negotiation	Generation's School, Karachi
Generators	6,448	2,190	4,258	4,242	Negotiation	Sindh Bank Limited, Karachi
PABX system	2,450	429	2,021	1,996	Negotiation	Sindh Bank Limited, Karachi
Lift	2,340	625	1,715	500	Negotiation	Mr. Sh. Amjad & Sh. Mubashir, Karachi
Switch	1,155	550	605	578	Negotiation	Sindh Bank Limited, Karachi
Vehicles						
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	59,978	40,577	19,401	27,765	Bank's policy	Various employees
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	2,034	2,034	-	1,593	Negotiation	Various
Toyota Corolla 2-OD	1,812	242	1,570	1,720	Stolen	Insurance Claim
Toyota Corolla	1,350	203	1,147	1,148	Bank's policy	Qurban Ali, Employee
Toyota Corolla	1,350	90	1,260	1,148	Bank's policy	Syed Imran Hashmi, Employee
Toyota Corolla	1,350	90	1,260	1,148	Bank's policy	Syed Muhammad Azeem, Employee
	235,287	104,209	131,078	118,648		
Details of write offs *						
Building improvements	39,308	10,374	28,934	-	Written off	
Furniture and fixtures	1,258	424	834	-	Written off	
Electrical, office and computer equipment	1,029	556	473	-	Written off	
	41,595	11,354	30,241	-		

* To achieve synergies due to acquisition of MyBank Limited, the Bank closed down certain branches located in near vicinity and, accordingly, the assets therein were written off.

13.3 Property and equipment - operating lease

	December 31, 2011							
	COST			ACCUMULATED DEPRECIATION			Net book value at December 31, 2011	Rate of depreciation
Category of classification	At January 01, 2011	Addition / (Written off)	At December 31, 2011	At January 01, 2011	For the period / (Written off)	At December 31, 2011		
	(Rupees in '000)							%
Computer and allied equipment	158	- (158)	-	125	33 (158)	-	-	30
December 31, 2011	**158**	**- (158)**	**-**	**125**	**33 (158)**	**-**	**-**	

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

13.4 Intangible assets

	December 31, 2011							
	COST			ACCUMULATED AMORTISATION			Net book value at December 31, 2011	Rate of amortisation
Category of classification	At January 01, 2010	Additions / Transfer/ * Assets acquired on amalgamation **	At December 31, 2011	At January 01, 2011	For the period / Transfer/ * On assets acquired on amalgamation **	At December 31, 2011		
	(Rupees in '000)							%
Computer software	249,427	11,401 621 * 117,500 **	378,949	133,464	61,792 334 * 44,787 **	240,377	138,572	20 - 30
Goodwill	-	84,631	84,631	-	-	-	84,631	
December 31, 2011	**249,427**	**96,032 621 * 117,500 ****	**463,580**	**133,464**	**61,792 334 * 44,787 ****	**240,377**	**223,203**	

	December 31, 2010							
	COST			ACCUMULATED AMORTISATION			Net book value at December 31, 2010	Rate of amortisation
Category of classification	At January 01, 2010	Additions	At December 31, 2010	At January 01, 2010	For the period / (on deletion)	At December 31, 2010		
	(Rupees in '000)							%
Computer software	230,487	18,940	249,427	86,498	46,966	133,464	115,963	20 - 30
December 31, 2010	230,487	18,940	249,427	86,498	46,966	133,464	115,963	

	Note	December 31, 2011	December 31, 2010
		------ (Rupees in '000) ------	
14. DEFERRED TAX ASSETS - net			
Deferred debits arising in respect of:			
Deficit on revaluation of available for sale securities		**77,644**	119,766
Provision against non performing loans	14.1	**2,033,314**	774,769
Provision for gratuity		**36,023**	14,350
Provision for compensated absences		**42,994**	8,186
Provision against other assets		**53,478**	-
Unused tax losses		**4,053,007**	2,443,792
Provision for impairment losses		**370,590**	90,663
Net investment in lease finance		**-**	4,738
Unrealised loss on revaluation of investments - held-for-trading		**1,868**	-
Minimum tax		**-**	102,356
		6,668,918	3,558,620
Deferred credits arising in respect of:			
Surplus on revaluation of fixed assets		**(298,599)**	-
Difference between accounting and tax written down values		**(427,523)**	(354,077)
Unrealised gain on revaluation of investments - held-for-trading		**-**	(153)
Deferred cost		**-**	(1,629)
		(726,122)	(355,859)
	14.2	**5,942,796**	3,202,761

14.1 As at December 31, 2011, the Bank has a deferred tax asset on provision against non performing loans amounting to Rs 2,904.734 (December 31, 2010: Rs.1,172.563) million. However, the management has recognised the above benefit only to the extent of Rs.2,033.314 million based on the absorption / admissibility of the provision against non-performing loans under the relevant tax laws during the forecast period (see note 14.2 below).

14.2 The Bank has an aggregate amount of deferred tax asset of Rs.5,942.796 million which represents management's best estimate of the probable benefits expected to be realised in future years in the form of reduced tax liability as the Bank would be able to set off the profits earned in those years against losses carried forward and other taxable temporary differences relating to prior years. The management of the Bank has prepared an eight year business plan which has been approved by the Board of Directors of the Bank. The business plan involves certain key assumptions underlying the estimation of future taxable profits projected in the plan. The determination of future profits is most sensitive to certain key assumptions such as cost to income ratio of the Bank, deposit composition, growth of deposits and advances, investment returns, potential provision against assets, branch expansion plan, etc. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset. The management believes that it is probable that the Bank will be able to achieve the profits projected in the business plan and consequently the deferred tax asset will be fully realised in the future.

15. OTHER ASSETS

	Note	December 31, 2011	December 31, 2010
		------ (Rupees in '000) ------	
Income / mark-up accrued in local currency		**2,047,508**	1,419,376
Income / mark-up accrued in foreign currency		**753**	1,189
Advances, deposits, advance rent and other prepayments	15.1	**508,630**	266,307
Non banking assets acquired in satisfaction of claims	15.2 & 15.3	**2,553,550**	755,288
Advance taxation - net of provision		**388,512**	150,506
Receivable from a Summit Capital (Private) Limited, a subsidiary		**-**	40,002
Receivable from MyBank Limited, a subsidiary company		**-**	155
Receivable from Arif Habib Investments Limited, a related party		**11**	11
Receivable from Suroor Investments Limited, the parent company	15.4	**27,000**	-
Deferred costs	15.5	**-**	4,974
Stationery and stamps on hand		**10,737**	1,628
Receivable against sale of property and equipment		**16,327**	-
Commission receivable on guarantee		**9,880**	14,995
Receivable from other banks against clearing and settlement		**68,843**	9,869
Others		**234,348**	183,832
		5,866,099	2,848,132
Less: Provision held against other assets	15.6	**(152,794)**	(130,796)
		5,713,305	2,717,336

15.1 This includes an amount of Rs.34.430 (December 31, 2010: Rs.34.430) million in respect of consideration deposited in Banking Court for purchase of land and building of British Biscuits Company (Private) Limited (Judgment Debtor), 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 the order on December 01, 2008 and directed the Judgment Debtor to deposit the decreed money in the Court within 90 days failing which the sale of land would be confirmed in favour of the Bank. The Judgment Debtor failed to deposit the amount as directed by Court and, hence, the sale of property stands confirmed.

15.2 Market value of non banking assets acquired in satisfaction of claims	**3,106,776**	779,603

15.3 During the year 2009, the Bank acquired properties as consideration from a borrower against the loans and advances amounting to Rs.976 million and incurred transfer cost of Rs.86 million thereon. The said borrower had an option to re-purchase such properties within two years, which expired during the year. However, the said borrower has filed a suit before the Honorable High Court of Sindh and the Court has issued an order restraining creation of any third party charge against such properties till the disposal of the case.

15.4 This represents amount receivable in respect of sale of 5.4 million Ordinary shares of MyBank Limited, held by the Bank.

15.5 Deferred costs - net

Opening balance	**4,974**	13,344
Amortised during the period	**(4,974)**	(8,370)
Closing balance	**-**	4,974

	Note	December 31, 2011	December 31, 2010
		------ (Rupees in '000) ------	
15.6 Provision held against other assets			
Opening balance		**130,796**	133,807
Provision against other assets of subsidiary at the date of acquisition		**7,656**	-
Charge for the period		**14,342**	-
Reversals		**-**	(5,229)
Transfers		**-**	2,218
		152,794	130,796

16. BILLS PAYABLE

In Pakistan		**900,750**	357,293
Outside Pakistan		**-**	-
		900,750	357,293

17. BORROWINGS

In Pakistan		**18,522,959**	5,257,007
Outside Pakistan		**39,657**	236
		18,562,616	5,257,243

17.1 Particulars of borrowings with respect to currencies

In local currency		**18,522,959**	5,257,007
In foreign currencies		**39,657**	236
		18,562,616	5,257,243

17.2 Details of borrowings secured / unsecured

Secured			
Borrowings from State Bank of Pakistan	17.3	**4,413,341**	2,697,210
Repurchase agreement borrowings	17.4	**13,909,618**	1,559,797
		18,322,959	4,257,007
Unsecured			
Overdrawn nostro accounts		**39,657**	236
Call borrowings	17.5	**200,000**	1,000,000
		239,657	1,000,236
		18,562,616	5,257,243

17.3 These are secured against promissory notes, export documents and undertakings by the Bank granting the right to SBP to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current accounts maintained with the SBP. The mark-up rate on these borrowings ranges from 5.0% to 10.0% (December 31, 2010: 8.5% to 9.5%) per annum, payable quarterly or upon maturity of loans whichever is earlier.

17.4 These represent borrowings from various financial institutions at mark-up rate ranging from 11.62% to 11.90% (December 31, 2010: 13% to 14.25%) per annum, maturing upto January 06, 2012. Market Treasury Bills amounting to Rs.13,937 million (December 31, 2010: Rs.1,870 million) have been given as collateral against these borrowings (see note 10).

17.5 These represent borrowings from Bank at mark-up rate of 11.9% (December 31, 2010: Nil) per annum, maturing upto January 03, 2012.

	Note	December 31, 2011	December 31, 2010
		------ (Rupees in '000) ------	
18. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		**34,705,837**	26,651,761
Savings deposits		**24,940,852**	17,393,130
Current accounts - non-remunerative		**13,031,012**	5,879,797
Margin accounts		**1,680,617**	737,640
		74,358,318	50,662,328
Financial institutions			
Non-remunerative deposits		**70,784**	713,588
Remunerative deposits		**15,220,154**	10,231,634
		15,290,938	10,945,222
		89,649,256	61,607,550
18.1 Particulars of deposits			
In local currency		**85,668,696**	58,360,687
In foreign currencies		**3,980,560**	3,246,863
		89,649,256	61,607,550
19. SUB-ORDINATED LOAN			
Term Finance Certificate, Unquoted, Unsecured	19.1	**1,500,000**	-

19.1 During the year, in October 2011, the Bank issued unquoted Term Finance Certificates which are subordinated as to the payment of principal and profit to all other indebtness of the Bank including the deposits. The terms and conditions for the issue are as under:

Mark-up	: Base rate (6 months KIBOR - ask side) plus 325 bps
Issue Date	: October 27, 2011
Rating	: A
Tenor	: 7 years
Redemption	: 0.30 % of the issued amount in the first 78 months and the remaining 99.70 % of the issued amount in the 84th month
Maturity	: October 26, 2018

20. OTHER LIABILITIES

	Note	December 31, 2011	December 31, 2010
		------ (Rupees in '000) ------	
Mark-up / return / interest payable in local currency		**2,153,761**	1,127,943
Mark-up / return / interest payable in foreign currency		**5,881**	7,419
Payable to Bangladesh Bank	20.1	**41,389**	41,389
Payable to Rupali Bank - Bangladesh, a related party	20.2	**16,293**	16,292
Payable to vendors / creditors		**106,652**	33,791
Provision for compensated absences		**122,839**	55,545
Payable to Bank of Ceylon, Colombo		**20,163**	20,163
Retention money		**7,228**	1,610
Branch adjustment account		**-**	3,723
Security deposits		**91,557**	146,344
Accrued expenses		**89,682**	81,377
Payments from clients / lessees received on account		**-**	6,287
Unrealised loss on forward exchange contracts		**7,483**	5,108
Payable to defined benefit scheme (unfunded)	36	**102,924**	41,001
Payable to defined benefit plan (funded)		**-**	9,422
Withholding taxes and government levies payable		**2,798**	5,454
Payable to other banks against clearing and settlement		**13,695**	531
Unclaimed dividend		**2,213**	800
Unearned income	20.3	**58,488**	31,316
Others		**68,053**	37,967
		2,911,099	1,673,482

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

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

20.3 This represents unearned income mainly pertaining to local and foreign bills discounting.

21. SHARE CAPITAL

21.1 Authorised capital

December 31, 2011	December 31, 2010		December 31, 2011	December 31, 2010
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

21.2 Issued, subscribed and paid-up capital

December 31, 2011	December 31, 2010		December 31, 2011	December 31, 2010
Number of Shares		Ordinary shares	------ (Rupees in '000) ------	
573,513,200	428,500,000	Fully paid in cash	**5,735,132**	4,285,000
454,466,382	246,565,982	Issued for consideration other than cash	**4,544,664**	2,465,660
50,000,000	50,000,000	Issued as bonus shares	**500,000**	500,000
1,077,979,582	725,065,982		**10,779,796**	7,250,660

21.3 As at December 31, 2011, Suroor Investments Limited (SIL), parent company, and Rupali Bank Limited, Bangladesh, a related party held 553,569,293 (51.35%) and 32,777,450 (3.04%) [December 31, 2010: 428,228,566 (59.06%) and 32,777,450 (4.52%)] Ordinary shares in the Bank, respectively.

	Note	December 31, 2011	December 31, 2010
		------ (Rupees in '000) ------	
22. RESERVES			
Share premium		**1,000,000**	1,000,000
Statutory reserve		**64,828**	64,828
Discount on issue of shares		**(1,297,298)**	-
Reserve arising on amalgamation		**(1,319,474)**	(2,399,878)
		(1,551,944)	(1,335,050)
23. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF DEFERRED TAX			
Surplus / (deficit) arising on revaluation of assets - net of tax:			
Operating fixed assets	23.1	**944,186**	-
Available-for-sale securities	23.2	**(223,106)**	(220,764)
		721,080	(220,764)
23.1 Surplus on revaluation of operating fixed assets			
Balance as at January 1		**-**	-
Addition during the year		**1,247,521**	-
Transferred to unappropriated profit in respect of			
- Incremental depreciation - net of deferred tax		**(3,078)**	-
- Related deferred tax liability		**(1,658)**	-
		(4,736)	-
		1,242,785	-
Less: Related deferred tax liability on:			
- Revaluation as at January 1		**-**	-
- Revaluation carried out during the year		**(300,257)**	-
- Incremental depreciation		**1,658**	-
		(298,599)	-
		944,186	-
23.2 Surplus on revaluation of available-for-sale securities			
Federal Government Securities			
Market Treasury Bills		**(7,450)**	(119,540)
Pakistan Investment Bonds		**(39,269)**	(58,833)
Fully paid-up shares / units			
Listed companies shares		**(24,630)**	(9,212)
Open end mutual fund units		**(60,981)**	1,441
Term Finance Certificates and Bonds			
Term finance certificates		**(151,352)**	(154,386)
Sukuks		**(17,068)**	-
Total deficit on revaluation of securities		**(300,750)**	(340,530)
Related deferred tax asset		**77,644**	119,766
		(223,106)	(220,764)

24. CONTINGENCIES AND COMMITMENTS

	December 31, 2011	December 31, 2010
	------ (Rupees in '000) ------	

24.1 Direct credit substitutes

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

	2011	2010
Government	**668,995**	459,226
Financial institutions	**400,000**	200,000
Others	**287,983**	755,255
	1,356,978	1,414,481

24.2 Transaction-related contingent liabilities / commitments / guarantees issued favouring

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

	2011	2010
Government	**8,675,547**	9,584,994
Banking companies and other financial institutions	**4,290**	9,596
Others	**1,083,355**	1,936,848
	9,763,192	11,531,438

24.3 Trade-related contingent liabilities

	2011	2010
Letters of credit	**6,996,529**	2,380,207
Acceptances	**1,534,857**	185,534
	8,531,386	2,565,741

	2011	2010
24.4 Other contingencies - claims against Bank not acknowledged as debts	**2,773,833**	2,568,716

24.5 Contingent asset

There was no contingent asset as at December 31, 2011 (December 31, 2010: Nil).

24.6 Commitments in respect of forward lending

	2011	2010
Forward documentary bills	**2,462,779**	831,457
Commitments to extend credit	**11,381,725**	7,725,738
	13,844,504	8,557,195

24.7 Commitments in respect of forward exchange contracts

	2011	2010
Purchase	**5,487,145**	1,755,845
Sale	**4,214,578**	591,844
	9,701,723	2,347,689

24.8 Commitments for capital expenditure

	2011	2010
Civil works (at branches)	**24,920**	66,047

	2011	2010
24.9 Commitments in respect of purchase of rupee traveller cheques	**1,210**	3,520

24.10 For tax-related contingencies, refer notes 32.2 to 32.6.

24.11 Other Contingencies

In the year 2004, forward sale of Pakistan Investment Bonds (PIB's) with face value of Rs.250 million was entered into with Speedway Fondmetall (Private) Limited (Speedway). The deal was not honoured by Speedway on the due date and the contract was rolled over subject to receipt of Rs.6 million and mortgage of properties. Consequent upon the failure by Speedway to honour the terms of the contract, the Bank served a final notice intimating to settle the deal within stipulated time otherwise the Bank would liquidate the deal, and claim the loss on deal by taking legal recourse. In response, Speedway filed a suit against the Bank and obtained stay order from Honorable High Court of Sindh (the Court) against the sale of PIB's which was vacated by the Court during the year 2005.

The Bank started proceedings during the financial year 2006 to recover the loss on the deal by disposing off the mortgaged properties. However, Speedway filed another suit and obtained stay order from the Court against the sale of the properties mortgaged with the Bank, which was also dismissed as withdrawn by Speedway. Speedway filed third suit in the Banking Court No.2 against publication by which the mortgage properties were put to sale. The Bank has also filed recovery suit against Speedway in the Court. Subsequently, the Bank moved an application for transfer of the suit filed by Speedway in Banking Court No. 2 to the Court, so that the two suits are heard together in the apex Court.

During the financial year 2007, the Court passed a decree in Bank’s favour for Rs.25.697 million with mark-up at the rate of 20 percent per annum from the date of filing of the suit till its realisation. The Bank has filed an execution application in the Court. In this regard, provision of Rs.10.915 million has been kept in the financial statements as a matter of prudence against the claim receivable.

	December 31, 2011	December 31, 2010
	------ (Rupees in '000) ------	
25. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to:		
Customers	**6,748,981**	5,209,616
Financial institutions	**-**	84,626
On investments in:		
Available-for-sale securities	**2,640,003**	1,692,392
Held-to-maturity securities	**80,649**	-
On lendings to financial institutions	**50,991**	83,833
On deposits with financial institutions	**10,784**	439
	9,531,408	7,070,906

	December 31, 2011	December 31, 2010
26. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits and other accounts	**7,581,326**	5,427,204
Securities sold under repurchase agreements	**890,667**	330,478
Other short-term borrowings	**362,778**	256,268
Sub-ordinated loan	**47,624**	-
Swap cost on foreign currency transactions	**142,878**	88,467
	9,025,273	6,102,417

	Note	December 31, 2011	December 31, 2010
		------ (Rupees in '000) ------	

27. (LOSS) / GAIN ON SALE OF SECURITIES - net

	Note	December 31, 2011	December 31, 2010
Federal Government Securities			
- Market Treasury Bills		**92,995**	1,567
- Pakistan Investment Bonds		**9,283**	404
- Ijarah Sukuk Bonds		**(219)**	-
Listed Ordinary shares		**40,268**	137,486
Mutual Funds units / certificates		**(204,083)**	110,419
Term Finance Certificates		**13,784**	4,101
		(47,972)	253,977

28. OTHER INCOME

	Note	December 31, 2011	December 31, 2010
Bad debts recovered		**4,937**	2,219
Gain on disposal of operating fixed assets		**-**	390
Income on ATM charges		**10,379**	7,338
Income on cheque return charges		**8,575**	2,073
Income on cheque book charges		**5,876**	1,827
Others	28.1	**64,734**	21,745
		94,501	35,592

28.1 This includes income from various general banking services such as cheque handling charges, rent of lockers, late payment charges, penalty on overdue installments, etc.

29. ADMINISTRATIVE EXPENSES

	Note	December 31, 2011	December 31, 2010
Salaries, allowances, etc.		**1,381,438**	1,211,352
Charge for defined benefit plan - gratuity	36.1.3	**44,766**	25,302
Contribution to defined contribution scheme	36.2	**41,614**	47,725
Non-executive directors' fees, allowances and other expenses		**675**	355
Brokerage and commission		**11,282**	54,310
Rent, taxes, insurance and electricity, etc.		**738,746**	554,368
Legal and professional		**103,549**	59,929
Fees and subscription		**134,797**	25,799
Repairs and maintenance		**102,587**	155,837
Communications		**124,071**	94,897
Stationery and printing		**61,554**	31,402
Advertisement and publicity		**186,550**	24,661
Travelling and conveyance		**118,868**	25,897
Education and training		**835**	2,449
Entertainment		**22,367**	17,423
Security services and charges		**92,121**	50,145
Donation		**-**	2,500
Auditors' remuneration	29.1	**7,737**	6,178
Depreciation	13.2 & 13.3	**469,192**	267,481
Amortisation	13.4 & 15.5	**66,766**	55,336
Loss on disposal of operating fixed assets		**12,430**	-
Others		**60,396**	22,394
		3,782,341	2,735,740

	Note	December 31, 2011	December 31, 2010
		------ (Rupees in '000) ------	
29.1 Auditors' remuneration			
Audit fee		**2,500**	2,100
Certifications, special audit, half yearly review and sundry advisory services		**4,975**	2,450
Tax services		**-**	1,000
Out of pocket expenses		**262**	628
		7,737	6,178
30. OTHER PROVISIONS / WRITE OFFS			
Fixed assets written off		**30,241**	2,362
Provision / (reversal of provision) against			
- letter of placement		**-**	(25,000)
- other assets		**5,488**	(5,229)
Impairment of goodwill		**-**	377,421
		35,729	349,554
31. OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		**8,933**	4,724
Bank charges		**10,421**	5,091
		19,354	9,815
32. TAXATION			
For the period			
Current		**107,310**	78,637
Deferred		**(1,613,569)**	(935,709)
		(1,506,259)	(857,072)
For prior year		**-**	-
		(1,506,259)	(857,072)

32.1 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.

32.2 In respect of the assessment years 1997-1998 to 2002-2003 and tax year 2003, the taxation authorities apportioned / allocated administrative and financial charges 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 said order before the Appellate Tribunal Inland Revenue (ATIR), Karachi which through a Larger Bench disapproved the formula of 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.

32.3 In respect of the tax assessments of ATBL relating to 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 intangibles 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 the Bank. Further, the department has filed tax references before the Honourable High Court of Sindh. In respect of tax years 2004, 2005 and 2008 the Bank has filed appeals before CIR(A) in respect of aforesaid issue. In respect of tax year 2004 the CIR(A) has confirmed the order of the officer and the Bank has preferred an appeal before ATIR. The above matters may result in reduction of claimed tax losses and have an aggregate tax impact of Rs.238.72 million. The management of the Bank is confident about the favourable outcome of the appeals and, hence, no adjustment with regard to the above matters has been made in the financial statements.

32.4 For assessment of MBL in respect of tax years 2006, 2007, 2008 and 2009, the Taxation Officer has amended the deemed assessment under Section 122(5A) of the Income Tax Ordinance, 2001 by making various disallowances, out of which an amount of Rs.230.131 million has not been provided for in the books of account for the reason that the disallowances are based on issues which have already been decided at the higher appellate forums in Bank's favour. The Bank's appeal contesting the settled issues is awaiting disposal before the CIR(A) except in respect of the tax year 2006 wherein relief allowed on some issues has been remanded back and few disallowances made has been maintained against which second appeal before the ATIR has been preferred. Hence, the disallowances are likely to be decided as per higher appellate forums favouring Bank not requiring further tax provision.

32.5 With respect to the assessment of MBL in respect of tax years 2004 and 2005, CIR(A) has maintained the disallowances made by Taxation Officer having an aggregate amount of Rs.29.657 million. No provision has been made against the same for the reason that this relates to settled issues decided in Bank's favour by higher appellate forums. The Bank has preferred an appeal before the ATIR, where the matter is awaiting hearing.

32.6 With respect to the assessment of MBL for tax year 2003, the Bank filed an appeal against the order of ATIR before the Honourable High Court of Sindh (the Court) in Karachi. The Court, after hearing the case, vacated the order and remanded the case back to the Taxation Officer for re-adjudication of the issues strictly as per law. The Taxation Officer passed a new order ignoring the clear direction of the Court against which the Bank has filed an appeal which is presently awaiting hearing before the ATIR. The tax involved in appeal amounts to Rs.36.220 million which relates to a previously settled issue in Bank's favour and, hence, no provision has been made on this account.

	Note	December 31, 2011	December 31, 2010
		------ (Rupees in '000) ------	
33. LOSS PER SHARE - BASIC AND DILUTED			
Loss for the period		**(1,401,256)**	(3,018,373)
		------ (Number of shares) ------	
Weighted average number of Ordinary shares		**914,892,005**	541,126,748
		---------- (Rupees) ----------	
Loss per share - Basic and diluted	33.1	**(1.53)**	(5.58)

33.1 Comparative information has been restated due to issuance of right shares during the year.

34. CASH AND CASH EQUIVALENTS

	Note	December 31, 2011	December 31, 2010
		------ (Rupees in '000) ------	
Cash and balances with treasury banks	8	**6,117,986**	4,047,554
Balances with other banks	9	**1,426,353**	338,244
Overdrawn nostro accounts	17.2	**(39,657)**	(236)
		7,504,682	4,385,562

35. STAFF STRENGTH

	---------- (Number) ----------	
Permanent	**1,286**	944
Contractual basis	**156**	169
Bank's own staff strength at end of the period	**1,442**	1,113
Outsourced	**213**	227
Total staff strength	**1,655**	1,340

36. DEFINED BENEFIT AND CONTRIBUTION SCHEMES

		------ (Rupees in '000) ------	
Defined benefit scheme (unfunded)	36.1	**102,924**	41,001
Defined contribution scheme (funded)	36.2	**41,614**	47,725
Compensated absences	36.3	**122,839**	55,545

36.1 Defined benefit scheme

The Bank maintains an unfunded gratuity scheme under which benefits are payable to permanent and contractual 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 for each year of confirmed service, subject to a minimum of five years of service. The actuarial valuation of the unfunded scheme is carried out periodically. Latest actuarial valuation was carried out as at December 31, 2011 using "Projected Unit Credit Method".

Upto December 31, 2010, an approved funded gratuity scheme for all permanent and full time employees in the management cadre was operated by ATBL. Upon amalgamation of the Bank with the ATBL, the said scheme has been terminated and net liability has been included in the unfunded plan of the Bank.

Principal actuarial assumptions

	December 31, 2011	December 31, 2010
	-------- % per annum --------	
Discount rate	**12.5%**	14%
Expected rate of salary increase	**12.5%**	14%

36.1.1 Reconciliation of liability recognised by the Bank

	December 31, 2011	December 31, 2010
	------ (Rupees in '000) ------	
Present value of defined benefit obligations	**97,644**	38,475
Net actuarial gains or losses not recognised	**5,280**	2,526
	102,924	41,001

	December 31, 2011	December 31, 2010
	------ (Rupees in '000) ------	
36.1.2 Movement in liability recognised by the Bank		
Opening balance	**41,001**	25,121
Net liability of defined benefit plan of ATBL	**21,367**	-
Charge for the year	**44,766**	25,302
Benefits paid during the year	**(4,210)**	(9,422)
Closing balance	**102,924**	41,001
36.1.3 Charge for the year		
Current service cost	**36,629**	21,259
Interest cost	**8,137**	4,043
	44,766	25,302
36.1.4 Movement in present value of defined benefit obligation		
Defined benefit obligation as at beginning of the period	**41,001**	25,121
Net liability of defined benefit plan of ATBL	**21,367**	-
Current service cost	**36,629**	21,259
Interest cost	**8,137**	4,043
Benefits paid during the year	**(4,210)**	(9,422)
Defined benefit obligation as at end of the year	**102,924**	41,001

The expected future charge for defined benefit scheme is Rs.54.542 million (December 31, 2010: Rs.19.335 million) according to actuarial recommendation.

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007
	------ (Rupees in '000) ------				
36.1.5 Historical information					
Present value of defined benefit obligation	**97,644**	38,475	17,668	15,003	5,561
Experience adjustments - Actuarial (gain) / loss on obligation	**5,280**	2,526	2,096	(596)	(479)

36.2 Defined contribution scheme

An amount of Rs.41.614 million (December 31, 2010: Rs.47.725 million) has been charged during the year in respect of contributory provident fund maintained by the Bank.

36.3 Compensated absences

The Bank maintains a staff compensated scheme under which benefits are payable to permanent and contractual 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 for each year of confirmed service, subject to a minimum of five years of service. The actuarial valuation of the unfunded scheme is carried out periodically. Latest actuarial valuation was carried out as at December 31, 2011 using "Projected Unit Credit Method".

	December 31, 2011	December 31, 2010
36.3.1 Principal actuarial assumptions	--------------- % ---------------	
Discount rate	**12.5%**	14%
Expected rate of salary increase	**12.5%**	14%

	December 31, 2011	December 31, 2010
	------ (Rupees in '000) ------	
36.3.2 Reconciliation of liability recognised by the Bank		
Present value of defined benefit obligations	**122,839**	55,545
36.3.3 Movement in liability recognised by the Bank		
Opening balance	**23,388**	36,040
Charge for the year	**110,794**	19,505
Benefits paid during the year	**(11,343)**	-
Closing balance	**122,839**	55,545
36.3.4 Charge for the year		
Current service cost	**110,794**	19,505
36.3.5 Movement in present value of defined benefit obligation		
Defined benefit obligation as at beginning of the period	**23,388**	36,040
Current service cost	**110,794**	19,505
Benefits paid during the year	**(11,343)**	-
Defined benefit obligation as at end of the year	**122,839**	55,545

37. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	------ (Rupees in '000) ------					
Fees	**-**	-	**675**	245	**-**	-
Managerial remuneration	**10,909**	19,027	**-**	-	**210,003**	278,524
Charge for defined contribution plan	**-**	776	**-**	-	**41,204**	26,689
Rent and house maintenance	**4,909**	8,085	**-**	-	**94,501**	60,032
Utilities	**1,091**	1,797	**-**	-	**21,000**	13,340
Dearness allowance	**1,819**	1,819	**-**	-	**35,037**	22,238
Medical	**1,091**	1,091	**-**	-	**21,000**	13,340
Conveyance allowance	**-**	-	**-**	-	**46,802**	76,259
Car allowance	**-**	-	**-**	-	**33,995**	25,380
General / special allowance	**-**	4	**-**	-	**-**	127,550
	19,819	32,599	**675**	245	**503,542**	643,352
Number of person(s)	**1**	*2	**2**	2	**279**	314

* Includes remuneration of Ex-Chief Executive of Atlas Bank Limited.

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

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

38. 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 5.6.

The repricing profile and effective rates and maturity are stated in notes 43.4.4 and 43.5.1 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.

39. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

December 31, 2011	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Total
	(Rupees in '000)					
Total income	37,890	2,806,834	1,383,086	6,032,117	15,816	10,275,743
Total expenses	11,441	1,416,784	2,840,201	9,032,323	18,091	13,318,840
Net income / (loss) before tax	26,449	1,390,050	(1,457,114)	(3,000,206)	(2,275)	(3,043,097)
Segment assets (gross)	40,084	45,931,737	14,446,310	70,386,130	16,733	130,820,994
Segment non performing loans	-	-	3,853,938	18,563,785	-	22,417,723
Segment provision	-	-	1,879,687	9,188,416	-	11,068,103
Segment assets (net)	40,490	45,931,737	12,566,624	61,197,714	16,733	119,752,891
Segment liabilities	64,206	14,719,706	40,310,034	57,531,492	898,284	113,523,721
Segment return on assets (ROA) (%)	65.98	3.03	(11.60)	(4.90)	(13.60)	
Segment cost of funds (%)	17.82	9.63	7.05	15.70	2.01	

December 31, 2010	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Total
	(Rupees in '000)					
Total income	11,122	1,924,435	2,765,262	2,941,297	10,487	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	8,406	947,137	(2,812,895)	(2,024,443)	6,350	(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	72,268,830
Segment liabilities	31,831	2,941,904	27,620,142	37,789,752	511,939	68,895,568
Segment return on assets (ROA) (%)	180.74	4.33	(24.08)	(5.23)	165.58	
Segment cost of funds (%)	8.53	33.22	20.20	13.14	0.81	

40. TRUST ACTIVITIES

The Bank is not engaged in any trust activities.

41. RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its associates, parent company, subsidiary companies, employee benefit plans and its directors and executive officers (including their associates).

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

	December 31, 2011					December 31, 2010	
	Key management personnel	Directors	Parent company	Subsidiaries	Associates / other related parties	Key management personnel / directors **	Parent company / subsidiaries / associates / other related parties **
	(Rupees in '000)						
Advances							
Balance at beginning of the period *	66,206	-	-	-	41,699	186,432	1,554,489
Sanctioned / granted during the period	40,028	-	-	18,000	216,709	32,618	3,243,987
Payment received during the period	(14,301)	-	-	-	(246,260)	(74,689)	(4,756,777)
Balance at end of the period	91,933	-	-	18,000	12,148	144,361	41,699
* This balance does not include balances of related parties of prior year.							
Deposits							
Balance at beginning of the period *	5,972	71,770	-	-	204,666	23,141	1,352,121
Deposits during the period	287,273	280,430	-	2,251,438	3,390,245	1,636,297	43,565,641
Withdrawal during the period	(285,669)	(284,532)	-	(2,216,920)	(3,547,343)	(1,570,728)	(44,552,631)
Balance at end of the period	7,576	67,668	-	34,518	47,568	88,710	365,131
* This balance does not include balances of related parties of prior year.							
Investment in shares / TFC's							
Summit Capital (Private) Limited	-	-	-	396,942	-	-	396,942
Subscription of right shares	-	-	856,457	-	-	-	-
Purchase of Investments	-	-	-	-	373,899	-	-
Disposal of investment	-	-	-	37,200	312,504	-	-
Maturity of investment	-	-	-	-	6,172	-	-
Guarantees, letters of credits and acceptances	-	-	-	-	27,934	-	230,121
Contribution paid to the provident fund	-	-	-	-	37,664	-	47,726
Contribution paid to the gratuity fund	-	-	-	-	-	-	11,564
Redemption of mutual fund units	-	-	-	-	-	-	310,991
Other receivable	-	-	27,000	-	11	-	43,371
Other payable	-	-	-	287	1,192	-	4,551
Mark-up payable	22	-	-	236	353	107	3,510
Mark-up receivable	-	-	-	-	527	-	138
Profit / expense for the period							
Brokerage expenses paid - CFS	-	-	-	-	-	-	452
Brokerage expenses paid - equity securities	-	-	-	2,028	-	-	14
Capital gain / (loss)	-	-	-	-	16,881	-	24,787
Dividend income	-	-	-	-	7,904	-	9,671
Rent expense	-	-	-	-	-	-	8,100
Mark-up earned	3,146	-	-	2,964	1,663	8,153	101,530
Mark-up expensed	1,292	3,213	-	4,531	11,003	1,537	98,901
Mark-up paid	1,271	3,213	-	4,295	10,650	1,430	76,862

** Related party transactions / balances of prior year have been taken from the audited financial statements of the Bank for year ended December 31, 2010 as it is not practicable to bifurcate the combined transactions (of the Bank and ATBL) into directors, subsidiaries and parent company.

42. CAPITAL ADEQUACY

42.1 Scope of application

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

42.2 Capital structure

Bank's regulatory capital is analysed into two tiers:

Tier I 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 I).

Tier III Capital has also been prescribed by the SBP for managing market risk; however the Bank does not have any Tier III 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.maintaining acceptable profit margins.

Details of the Bank's eligible capital are as follows:

	December 31, 2011	December 31, 2010
	(Rupees in '000)	
Tier I Capital		
Shareholders equity / assigned capital	**10,779,796**	7,250,660
Share premium	**1,000,000**	1,000,000
Reserves	**(2,551,944)**	(2,335,050)
Accumulated loss	**(3,719,762)**	(2,321,584)
Less: Intangible assets	**(318,514)**	(115,963)
Deficit on revaluation of investments in available-for-sale securities	**-**	(340,530)
Investments in TFCs of other Banks exceeding the prescribed limit	**-**	-
Other deductions (50% of the amount as calculated on CAP 2)	**(99,585)**	(148,471)
Total Tier I Capital	**5,089,991**	2,989,062
Tier II Capital		
Subordinated debt (upto 50% of total Tier 1 Capital)	**1,500,000**	-
General provisions subject to 1.25% of total risk weighted assets	**1,233**	4,430
Revaluation Reserve (upto 45%)	**324,486**	-
Other deductions (50% of the amount as calculated on CAP 2)	**(99,585)**	(148,471)
Total Tier II Capital	**1,726,134**	(144,041)
Eligible Tier III Capital	**-**	-
Total Regulatory Capital Base	**6,816,125**	2,845,021

42.3 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 and Liability Committee (ALCO). ALCO is responsible for managing Bank's capital position vis-a-vis internal as well as regulatory requirements. ALCO also reviews the volume and mix of the Bank's assets, liabilities and funding sources in light of liquidity, capital, risk and profitability considerations.

Bank's capital management seeks:

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

Externally imposed capital requirements

In order to strengthen the solvency of Banks / Development Financial Institutions (DFI), SBP through its BSD Circular No. 7 dated April 15, 2009 has advised the Banks to raise their minimum paid-up capital to Rs.8 billion by the end of financial year 2011. 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's paid-up capital (free of losses) amounted to Rs.5.508 billion as at December 31, 2011 (December 31, 2010: Rs.3.594 billion). However, the Bank has been granted an exemption till December 31, 2011 to meet the minimum capital requirement by the SBP through its letter No. BSD/BAI-3/608/9203/2011 dated July 16, 2011. Through the above referred letter, the SBP has also requested the Bank to submit a capital plan for meeting the expected shortfall in MCR/CAR, including specific timelines and milestones.

The Bank has injected Rs.1.4 billion capital in the form of right shares during the year. Further, as requested by SBP, the Bank has submitted a plan for meeting the shortfall in MCR/CAR to the SBP on December 22, 2011 and has sought further exemption till December, 2012 to meet the MCR / CAR. The response is awaited from the SBP in this regard.

The said plan envisages (a) additional issue of right shares, (b) crash programme for recovery of its classified portfolio and (c) sale of a portion of its credit portfolio. The management of Bank is of the view that in light of the three pronged strategy, the Bank will be able to meet the capital requirements over an extended period of time.

Further, the SBP through the aforesaid circular has asked the Banks to achieve minimum capital adequacy ratio (CAR) of 10%. The CAR of the Bank as at December 31, 2011 is 7.77% (December 31, 2010: 5.35%) of its risk weighted exposures.

	December 31, 2011		December 31, 2010	
	Capital requirements	Risk weighted assets	Capital requirements	Risk weighted assets
Credit risk	------ (Rupees in '000) ------		------ (Rupees in '000) ------	
Portfolios subject to standardised approach (Simple or comprehensive)				
Corporate portfolio etc.	**5,281,678**	**52,816,778**	3,286,248	32,862,479
Retail	**438,886**	**4,388,860**	581,506	5,815,057
Financial Institutions	**169,968**	**1,699,682**	16,283	162,834
Others	**1,605,502**	**16,055,023**	752,797	7,527,970
Portfolios subject to Internal Rating Based (IRB) approach				
Corporate	**-**	**-**	-	-
Sovereign	**-**	**-**	-	-
Retail	**-**	**-**	-	-
Securitisation 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				
Standardised approach				
Interest rate risk	**247,322**	**3,091,522**	88,339	1,104,236
Equity position risk etc.	**334,759**	**4,184,482**	273,565	3,419,561
Foreign exchange risk etc.	**30,311**	**378,889**	7,597	94,959
Capital requirement for portfolios subject to Internal models approach				
Interest rate risk	**-**	**-**	-	-
Foreign exchange risk etc.	**-**	**-**	-	-
Operational risk	**409,753**	**5,121,912**	173,714	2,171,419
Capital requirement for operational risks	**8,518,179**	**87,737,148**	5,180,049	53,158,515

Capital Adequacy Ratio

	2011	2010
Total eligible regulatory capital held	**6,816,125**	2,845,021
Total risk weighted assets	**87,737,148**	53,158,515
Capital Adequacy Ratio	**7.77%**	5.35%

43. RISK MANAGEMENT

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

Clearly defined risk management policies and procedures covering all activities of the Bank including general banking, trade finance, credit evaluation, credit management, treasury operations, administration and human resources management, compliance functions, risk management, 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 Group Head - Enterprise Risk Management responsible to set-up and implement the Framework of the Bank.

Risk management group organisation

A clear management structure has been put in place in the Bank, which clusters around three distinct groups namely, the Business Group, the Support Group and the Risk Management Group. The Business Group is responsible for generation and management of the business and 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 customised MIS reports.

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

The Bank creates loan loss provisions against non-performing commercial advances in accordance with Prudential Regulations issued by SBP. Please refer note 12.3.1 for reconciliation in loan loss provision.

Concentrations of credit risk (whether on or off statement of financial position) that arise from financial instruments exist for counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be affected in a similar way by changes in economic or other conditions. As part of managing concentration risk, sector risk is managed on a portfolio basis. Please refer to note 43.1.1 for segment reporting.

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

Credit administration tasks include the following:

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

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

43.1.1 Segmental information

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

43.1.1.1 Segments by class of business

	December 31, 2011					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, forestry, hunting and fishing	36,250	0.05	2,808,151	3.13	516,473	1.12
Automobile	1,180,245	1.73	96,162	0.11	235,738	0.51
Carpet	123,043	0.18	28,583	0.03	15,668	0.03
Cement	864,940	1.26	221,548	0.25	567,963	1.23
Chemical and pharmaceutical	3,349,978	4.90	1,855,956	2.07	1,012,209	2.20
Construction / real estate	4,981,840	7.28	2,413,453	2.69	1,060,199	2.30
Consumer / Individuals / Staff	5,289,512	7.73	38,517,519	42.96	2,911,695	6.33
Dairy and poultry	41,506	0.06	706,364	0.79	182,777	0.40
Education	378,678	0.55	799,054	0.89	207,394	0.45
Electric and electrical goods	1,290,142	1.89	59,122	0.07	1,128,665	2.45
Energy, oil, gas and power	7,929,604	11.59	3,669,191	4.09	6,628,299	14.41
Exports / imports	1,457,693	2.13	-	0.00	577,517	1.26
Financial	2,926,442	4.28	18,683,340	20.84	14,162,719	30.79
Food, tobacco and beverages	2,945,972	4.31	192,066	0.21	555,376	1.21
Furniture and allied products	151,248	0.22	-	0.00	6,795	0.01
Leather and footwear	300,516	0.44	41,871	0.05	241,846	0.53
Glass and ceramics	129,276	0.19	9,766	0.01	15,830	0.03
Health care	224,134	0.33	314,743	0.35	279,205	0.61
Hotels	853,089	1.25	117,988	0.13	117,051	0.25
Mining and quarrying	636,964	0.93	201,138	0.22	133,128	0.29
Miscellaneous manufacturing	531,905	0.78	-	0.00	57,876	0.13
Printing, publishing and allied industries	484,340	0.71	146,434	0.16	32,707	0.07
Paper and allied products	42,573	0.06	6,245	0.01	5,356	0.01
Services	1,956,531	2.86	8,765,802	9.78	949,735	2.06
Steel and engineering	2,208,624	3.23	572,938	0.64	1,702,659	3.70
Sugar	3,641,653	5.32	85,392	0.10	1,249,217	2.72
Textile	12,812,814	18.73	1,111,445	1.24	4,360,051	9.49
Transport and communication	2,619,986	3.83	1,692,894	1.89	2,940,283	6.39
Trust	-	0.00	1,249,254	1.39	5,757	0.01
Wholesale and retail trade	6,968,561	10.19	1,889,993	2.11	2,217,277	4.83
Others	2,041,014	2.99	3,392,844	3.79	1,920,281	4.18
	68,399,073	100.00	89,649,256	100.00	45,997,746	100.00

	December 31, 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	0.00	277,249	0.95
Automobile	727,749	1.64	30,409	0.05	40,688	0.14
Carpet	194,536	0.44	8,391	0.01	7,500	0.03
Cement	589,420	1.32	755	0.00	241,171	0.82
Chemical and pharmaceutical	3,053,525	6.86	577,120	0.94	904,154	3.09
Construction	2,989,202	6.72	1,494,550	2.43	500,676	1.71
Consumer / Individuals	3,113,301	7.00	19,004,157	30.85	2,318,238	7.91
Dairy and poultry	50,139	0.11	30	0.00	1,480	0.01
Education	207,329	0.47	480,651	0.78	203,198	0.69
Electric and electrical goods	761,035	1.71	13,382	0.02	2,019,263	6.89
Energy, oil, gas and power	5,510,959	12.39	4,348,560	7.06	5,965,445	20.36
Exports / imports	844,353	1.90	119,611	0.19	190,652	0.65
Financial	2,341,244	5.26	12,269,687	19.92	8,782,320	29.98
Federal Government	-	0.00	-	0.00	238,720	0.81
Food, tobacco and beverages	2,920,117	6.56	241,198	0.39	132,756	0.45
Footwear and leather garments	132,965	0.30	3,702	0.01	47,685	0.16
Glass and ceramics	178,246	0.40	66	0.00	1	0.00
Health care	442,404	0.99	4,002	0.01	109,906	0.38
Hotels	389,816	0.88	1,648	0.00	11,747	0.04
Mining and quarrying	34,515	0.08	69,937	0.11	15,580	0.05
Print publish and allied products	667,145	1.50	20,528	0.03	16,074	0.05
Services	1,579,352	3.55	2,779,390	4.51	1,208,570	4.13
Steel and engineering	739,840	1.66	19,141	0.03	9,231	0.03
Sugar	1,485,751	3.34	996	0.00	696,500	2.38
Textile	4,894,821	11.00	253,154	0.41	1,068,645	3.65
Transport and communication	1,049,007	2.35	1,124,281	1.82	1,128,815	3.85
Trust	-	0.00	1,143,735	1.86	-	0.00
Wholesale and retail trade	2,158,479	4.85	36,950	0.06	177,526	0.61
Others	6,768,996	15.21	17,561,001	28.51	2,979,757	10.18
	44,495,133	100.00	61,607,550	100.00	29,293,547	100.00

43.1.1.2 Segment by sector

	December 31, 2011					
Public / Government	**1,083,929**	**1.58**	**24,644,792**	**27.49**	**898,462**	**1.95**
Private	**67,315,144**	**98.42**	**65,004,464**	**72.51**	**45,099,284**	**98.05**
	68,399,073	**100.00**	**89,649,256**	**100.00**	**45,997,746**	**100.00**

	December 31, 2010					
Public / Government	1,019,936	2.29	22,032,660	35.76	1,922,537	6.56
Private	43,475,197	97.71	39,574,890	64.24	27,371,010	93.44
	44,495,133	100.00	61,607,550	100.00	29,293,547	100.00

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

	December 31, 2011		December 31, 2010	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	------ (Rupees in '000) ------		------ (Rupees in '000) ------	
Agriculture, forestry, hunting and fishing	**33,730**	**32,200**	-	-
Automobile	**952,108**	**751,188**	118,407	52,312
Banaspati and allied industries	**193,029**	**70,333**	358,145	103,058
Carpet	**48,860**	**22,315**	73,660	31,912
Cement	**329,169**	**266,626**	-	-
Chemical and pharmaceutical	**509,943**	**215,875**	393,829	188,105
Construction / Real Estate	**1,565,475**	**258,183**	594,083	188,568
Consumer / individuals / staff	**1,741,030**	**896,610**	1,967,226	1,010,988
Dairy and poultry	**418**	**418**	-	-
Education	**68,880**	**14,222**	34,094	12,917
Electric and electrical goods	**196,047**	**104,021**	315,063	169,281
Energy oil, gas and power	**376,657**	**347,483**	539,365	401,227
Exports / imports	**682,467**	**395,163**	390,230	125,689
Financial	**1,712,528**	**1,392,028**	1,599,644	1,165,182
Food, tobacco and beverages	**773,625**	**114,388**	598,206	195,467
Footwear and leather garments	**70,758**	**4,122**	4,489	3,092
Furniture and allied products	**101,642**	**27,028**	-	-
Glass and ceramics	**91,510**	**31,184**	33,578	33,069
Health care	**101,327**	**22,745**	123,163	38,047
Hotels	**259,752**	**97,938**	40,768	12,870
Jewellery	**14,095**	**13,367**	-	-
Mining and quarrying	**19,949**	**845**	-	-
Others	**788,451**	**429,211**	1,488,020	605,458
Paper and allied products	**6,933**	**5,663**	-	-
Print publish and allied products	**365,494**	**159,357**	327,103	211,788
Rubber and plastic products	**212,427**	**63,385**	-	-
Services	**360,051**	**57,072**	391,758	202,192
Sports goods	**22,900**	**11,128**	-	-
Steel and engineering	**1,043,140**	**216,048**	325,022	141,061
Sugar	**1,160,931**	**940,355**	-	-
Textile	**5,471,150**	**2,851,427**	1,136,294	444,418
Transport and communication	**349,104**	**249,099**	245,065	144,140
Wholesale and retail trade	**2,794,143**	**1,005,843**	296,862	238,673
	22,417,723	**11,066,870**	11,394,074	5,719,514

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

Public / Government	**-**	**-**	-	-
Private	**22,417,723**	**11,066,870**	11,394,074	5,719,514
	22,417,723	**11,066,870**	11,394,074	5,719,514

43.1.1.5 Geographical segment analysis

	Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	------------------------ (Rupees in '000) ------------------------			
December 31, 2011				
Pakistan	**(3,043,097)**	**119,752,891**	**6,229,170**	**46,236,466**
December 31, 2010				
Pakistan	(3,875,445)	72,268,830	3,373,262	29,293,547

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

43.2 Credit risk - general disclosure Basel II specific

43.2.1 Credit risk - general disclosures

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

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

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

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

Selection of ECAIs

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

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

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

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

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

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

Use of ECAI ratings

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

Mapping to SBP rating grades

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

Long-Term Rating Grades Mapping

SBP rating grade	Fitch	Moody's	S&P	PACRA	JCR-VIS	ECA scores
1	AAA	Aaa	AAA	AAA	AAA	0
	AA+	Aa1	AA+	AA+	AA+	1
	AA	Aa2	AA	AA	AA	
	AA-	Aa3	AA-	AA-	AA-	
2	A+	A1	A+	A+	A+	2
	A	A2	A	A	A	
	A-	A3	A-	A-	A-	
3	BBB+	Baa1	BBB+	BBB+	BBB+	3
	BBB	Baa2	BBB	BBB	BBB	
	BBB-	Baa3	BBB-	BBB-	BBB-	
4	BB+	Ba1	BB+	BB+	BB+	4
	BB	Ba2	BB	BB	BB	
	BB-	Ba3	BB-	BB-	BB-	
5	B+	B1	B+	B+	B+	5
	B	B2	B	B	B	6
	B-	B3	B-	B-	B-	
6	CCC+ and below	Caa1 and below CC	CCC+ and below	CCC CC C D	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, 2011				
Exposures	Fitch	Moody's	S&P	PACRA	JCR-VIS
Corporate	-	-	-	Yes	Yes
Banks	Yes	Yes	Yes	Yes	Yes
Sovereigns	-	-	-	-	-
SME's	-	-	-	-	-
Securitisations	-	-	-	-	-
Others	-	-	-	Yes	Yes

Exposure	Rating category	December 31, 2011 Amount outstanding	Deduction CRM	Net amount	December 31, 2010 Amount outstanding	Deduction CRM	Net amount
		(Rupees in '000)					
Corporate	20%	**3,280,394**	**-**	**656,079**	1,354,172	20,298	266,775
	50%	**3,110,822**	**-**	**1,555,411**	3,244,668	1,936,497	654,085
	100%	**732,693**	**-**	**732,693**	-	-	-
	unrated	**28,742,438**	**1,389,440**	**27,352,998**	22,880,011	931,216	21,948,795
	150%	**2,408,277**	**-**	**3,612,415**	103,125	-	154,688
Retail	75%	**5,940,983**	**467,155**	**3,988,583**	7,495,167	49,206	5,584,471
Past due Loan	150%	**6,490,945**	**-**	**9,736,418**	1,614,844	-	2,422,266
	100%	**2,853,471**	**-**	**2,853,471**	1,843,277	-	1,843,277
	50%	**2,006,365**	**-**	**1,003,183**	2,231,832	-	1,115,916
Bank	20%	**3,868,623**	**-**	**773,725**	239,751	-	47,950
	50%	**736,963**	**-**	**368,482**	114,558	-	57,279
	150%	**-**	**-**	**-**	31,827	-	47,741
	unrated	**752,432**	**-**	**309,887**	49,323	-	9,865
Sovereign etc.	0%	**5,127,641**	**-**	**-**	2,029,294	-	-
Others	0%	**1,863,309**	**-**	**-**	1,021,594	-	-
	35%	**747,946**	**-**	**261,781**	658,817	-	230,586
	50%	**-**	**-**	**-**	1,704,247	-	-
	100%	**15,602,933**	**-**	**15,602,933**	7,527,970	-	7,527,970
	150%	**78,500**	**-**	**117,750**	-	-	-
		84,344,734	**1,856,595**	**68,925,808**	54,144,477	2,937,217	41,911,664

43.2.1.2 Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardised 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.

43.3 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 directives of SBP.

The unrealised surplus / (deficit) arising on revaluation of the Bank's held-for-trading investment portfolio is taken to the profit and loss account. The surplus / (deficit) arising on revaluation of quoted securities classified as available-for-sale is kept in a separate account shown in the statement of financial position below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realised 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, 2011			December 31, 2010		
	Held-for-trading	**Available-for-sale**	**Investment in subsidiaries and associates**	Held-for-trading	Available-for-sale	Investment in subsidiaries and associates
	(Rupees in '000)					
Equity investments						
- Publicly traded	**34,334**	**1,274,991**	**296,942**	36,714	1,258,441	296,942
Mutual fund units						
- Open end	**-**	**593,923**	**-**	-	301,343	-
- Close end	**-**	**54,200**	**-**	-	663	-
Total value	**34,334**	**1,923,114**	**296,942**	36,714	1,560,447	296,942

The cumulative realised (loss) / gain on sale of equity securities amounted to Rs.47.972 million (December 31, 2010: Rs.253.977 million); however unrealised loss of Rs.300.750 million (December 31, 2010: Rs.340.530 million) was recognised in the statement of financial position in respect of "AFS" securities.

43.4 Market risk

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

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

43.4.1 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).

43.4.2 Foreign exchange risk

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

- Maximise profitability with minimum risk by keeping the exposure at desirable levels in view of strict compliance of regulatory / international standards and the Bank's internal guidelines.
- Manage appropriate maturity mismatch gaps.
- Identify warning and stress zones for mismatch gaps.
- Usage of different tools to manage the inherent risk of product and market, such as compliance of credit limit, monitoring of foreign exchange exposure limit, review of mark to market portfolio and safe settlement, etc.

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

	December 31, 2011			
	Assets	**Liabilities**	**Off-balance sheet items**	**Net foreign currency exposure**
	(Rupees in '000)			
Pakistan rupee	**116,619,222**	**109,497,934**	**(1,275,155)**	**5,846,133**
United States dollar	**2,804,618**	**3,046,206**	**570,139**	**328,551**
Great Britain pound	**72,130**	**346,795**	**276,930**	**2,265**
Japanese yen	**230**	**3**	**1,157**	**1,384**
Euro	**192,813**	**615,427**	**426,929**	**4,315**
Other currencies	**63,878**	**17,356**	**-**	**46,522**
	119,752,891	**113,523,721**	**-**	**6,229,170**

	December 31, 2010			
	Assets	**Liabilities**	**Off-balance sheet items**	**Net foreign currency exposure**
	(Rupees in '000)			
Pakistan rupee	70,965,948	65,640,969	8,174	5,333,153
United States dollar	1,015,486	2,589,651	(23,741)	(1,597,906)
Great Britain pound	111,414	340,076	(16,480)	(245,142)
Japanese yen	497	-	-	497
Euro	143,703	284,102	32,047	(108,352)
Other currencies	31,782	40,770	-	(8,988)
	72,268,830	68,895,568	-	3,373,262

43.4.3 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 statement of financial position exposure, some off statement of financial position equity exposure also comes from the future contracts. Bank is in the process of instituting measures to mitigate the risk associated with the trading equity portfolio through future contracts and active trading on stop loss basis. The strategic equity portfolio however remains exposed to market variations. The Board with the recommendations of ALCO approves exposure limits applicable to investments in trading book.

43.4.4 Mismatch of Interest Rate Sensitive Assets and Liabilities

	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
		December 31, 2011										
			Exposed to yield/ Interest rate risk									
			(Rupees in '000)									
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	6,117,986	607,133	-	-	-	-	-	-	-	-	5,510,853
Balances with other banks	-	1,426,353	-	-	-	-	-	-	-	-	-	1,426,353
Lendings to financial institutions	12.50% to 12.75%	1,069,757	1,069,757	-	-	-	-	-	-	-	-	-
Investments	8% to 18.10%	36,304,678	3,381,895	629,045	3,282,750	24,207,869	688,542	490,446	720,329	481,611	-	2,422,190
Advances	0% to 28%	57,330,970	3,111,314	11,051,420	4,335,188	26,534,119	4,343,011	2,139,906	2,766,328	2,604,375	360,859	84,450
Other assets	-	2,170,322	-	-	-	-	-	-	-	-	-	2,170,322
		104,420,066	8,170,099	11,680,465	7,617,938	50,741,988	5,031,554	2,630,352	3,486,657	3,085,986	360,859	11,614,168
Liabilities												
Bills payable	-	900,750	-	-	-	-	-	-	-	-	-	900,750
Borrowings	5% to 11.90%	18,562,616	14,188,852	3,966,097	279,283	24,174	34,696	68,273	1,241	-	-	-
Deposits and other accounts	1.5% to 18.5%	89,649,256	20,097,068	14,917,839	9,953,067	10,978,622	426,484	18,468,997	14,054	10,710	-	14,782,413
Sub-ordinated loans	15.14%	1,500,000	-	-	-	-	-	-	-	1,500,000	-	-
Other liabilities		2,530,985	-	-	-	-	-	-	-	-	-	2,530,985
		113,143,607	34,285,920	18,883,936	10,232,350	11,002,796	461,180	18,537,270	15,295	1,510,710	-	18,214,148
On-balance sheet gap		(8,723,541)	(26,115,821)	(7,203,471)	(2,614,412)	39,739,192	4,570,374	(15,906,918)	3,471,361	1,575,276	360,859	(6,599,980)
Off-balance sheet financial instruments												
Foreign currency forward purchase		5,487,145	2,243,120	2,636,021	571,924	36,080	-	-	-	-	-	
Foreign currency forward sale		4,214,578	1,897,188	1,230,055	1,087,335	-	-	-	-	-	-	
Off-balance sheet gap		1,272,566	345,931	1,405,966	(515,411)	36,080	-	-	-	-	-	
Total yield / interest risk sensitivity gap		(7,450,975)	(25,769,890)	(5,797,505)	(3,129,823)	39,775,272	4,570,374	(15,906,918)	3,471,361	1,575,276	360,859	
Cumulative yield / interest risk sensitivity gap		(7,450,975)	(25,769,890)	(31,567,395)	(34,697,218)	5,078,054	9,648,428	(6,258,491)	(2,787,129)	(1,211,853)	(850,994)	

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

	December 31, 2011 Rupees '000
Total financial assets	104,420,066
Add: Non financial assets	
Operating fixed assets	5,847,046
Deferred tax assets	5,942,796
Other assets	3,542,983
Total assets as per statement of financial position	119,752,891
Total financial liabilities	113,143,607
Add: Non financial liabilities	
Other liabilities	380,114
Total liabilities as per statement of financial position	113,523,721

	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
		December 31, 2010										
			Exposed to yield/ Interest risk									
		(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
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-
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	7,696,914	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	13,396,458	5,506,029	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	-	-	6,684,841
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	-	-	8,527,620
On-balance sheet gap		(3,581,389)	(2,407,630)	(12,516,112)	(3,553,707)	9,952,556	1,524,133	1,134,695	1,914,496	678,817	290,713	(599,350)
Off-balance sheet financial instruments												
Foreign currency forward purchase		1,755,845	1,755,845	-	-	-	-	-	-	-	-	
Foreign currency forward sale		(591,844)	(591,844)	-	-	-	-	-	-	-	-	
Off-balance sheet gap		1,164,001	1,164,001	-	-	-	-	-	-	-	-	
Total yield / interest risk sensitivity gap		(2,417,388)	(1,243,629)	(12,516,112)	(3,553,707)	9,952,556	1,524,133	1,134,695	1,914,496	678,817	290,713	
Cumulative yield / interest risk sensitivity gap		(2,417,388)	(1,243,629)	(13,759,741)	(17,313,448)	(7,360,892)	(5,836,759)	(4,702,064)	(2,787,568)	(2,108,751)	(1,818,038)	

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

	December 31, 2010 Rupees '000
Total financial assets	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	68,707,572
Add: Non financial liabilities	
Other liabilities	187,996
Total liabilities as per statement of financial position	68,895,568

43.5 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) affecting the Bank's cost of funds (ii) adversely affecting ability to raise funds and (iii) resorting to sale of assets.

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

43.5.1 Maturities of Assets and Liabilities

	December 31, 2011									
	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	6,117,986	6,117,986	-	-	-	-	-	-	-	-
Balances with other banks	1,426,353	1,426,353	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,069,757	1,069,757	-	-	-	-	-	-	-	-
Investments	36,304,678	3,381,895	663,379	3,282,751	26,271,993	688,542	490,446	720,329	481,611	323,732
Advances	57,330,970	3,111,314	11,056,543	4,342,589	26,548,230	4,368,599	2,158,478	2,774,565	2,609,792	360,859
Operating fixed assets	5,847,046	334,617	68,004	102,006	204,012	347,292	299,627	489,331	819,385	3,182,772
Deferred tax assets	5,942,796	(37,873)	(7,612)	(10,710)	423,030	7,142	(31,044)	4,226,916	619,717	753,231
Other assets	5,713,305	5,713,305	-	-	-	-	-	-	-	-
	119,752,891	21,117,354	11,780,314	7,716,636	53,447,265	5,411,575	2,917,507	8,211,141	4,530,505	4,620,594
Liabilities										
Bills payable	900,750	900,750	-	-	-	-	-	-	-	-
Borrowings	18,562,616	14,188,852	3,966,097	279,283	24,174	34,696	68,273	1,241	-	-
Deposits and other accounts	89,649,256	22,976,683	15,648,090	10,866,620	10,978,622	426,484	28,727,992	14,054	10,710	-
Sub-ordinated loans	1,500,000	-	-	-	-	-	-	-	1,500,000	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	2,911,099	2,911,099	-	-	-	-	-	-	-	-
	113,523,721	40,977,384	19,614,187	11,145,903	11,002,796	461,180	28,796,265	15,295	1,510,710	-
Net assets	6,229,170	(19,860,030)	(7,833,873)	(3,429,267)	42,444,469	4,950,395	(25,878,758)	8,195,846	3,019,795	4,620,594
Share capital	10,779,796									
Reserves	(1,551,944)									
Accumulated loss	(3,719,762)									
Deficit on revaluation of assets - net	721,080									
	6,229,170									

	December 31, 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	-	-	-	-	-	-	-	-
Lendings 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	323,731
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	290,709
Operating fixed assets	2,690,447	156,597	33,067	49,601	130,152	282,586	148,946	548,558	838,129	502,811
Deferred tax assets	3,202,761	49	2,699	10	11,206	787,798	20,733	2,345,219	47	35,000
Other assets	2,717,336	1,888,097	442,812	42,567	343,860	-	-	-	-	-
	72,268,830	20,223,955	9,350,456	16,901,936	12,473,856	4,273,873	1,501,920	4,873,224	1,517,359	1,152,251
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	290,545	-
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	19,476,078	20,409,087	16,206,661	8,833,935	1,392,299	1,346,664	940,299	290,545	-
Net assets	3,373,262	747,877	(11,058,631)	695,275	3,639,921	2,881,574	155,256	3,932,925	1,226,814	1,152,251
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									

43.6 Operational risk management

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

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

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

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

44. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 29. 2012 by the Board of Directors of the Bank.

45. GENERAL

45.1 Figures have been re-arranged and re-classified, wherever necessary, for the purpose of better presentation. Major reclassifications made are as follows:

	December 31, 2010	
	Before reclassification	After reclassification
	---------------- (Rupees in '000)	--------------
Statement of financial position		
Deposit and other accounts		
Customers		
Fixed deposits	28,082,564	26,651,761
Savings deposits	26,181,443	17,393,130
Current accounts - non-remunerative	5,890,178	5,879,797
Margin accounts	737,889	737,640
	60,892,074	50,662,328
Financial institutions		
Non-remunerative deposits	57,568	713,588
Remunerative deposits	657,908	10,231,634
	715,476	10,945,222
	61,607,550	61,607,550

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

President & Chief Executive	Director	Director	Director

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2011

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with N.I.C. No.)	Father's / husband's name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / mark-up written-off	Other financial relief provided	Total (9+10+11)
				Principal	Interest / mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
				----- (Rupees in '000) -----							
1	**Global Associates** M/R 6/3, Rizwan Manzil, Mohammad Feroz Street, Jodia Bazar, Karachi.	Mohammad Asif CNIC No.42201-4873294-9 NIC No.517-68-019298	Abdul Razzaq	1,648	1,100	-	2,748	1,648	1,100	-	2,748
2	**Jawad Usman Textiles (pvt) Ltd** 399-2/C TOWN SHIP LAHORE	Naseer Usman CNIC No.3520230124101	MUHMMAD USAMAN	28,473	8,926	-	37,399	3,472	14,038	-	17,510
3	**Arshad Ahmed** Flat No A-11 Gulshan E Mohammadi Block 7 FB Area Karachi	ARSHAD AHMED 4210148021847	AIJAZ AHMED ALVI	1,320	487	-	1,807	608	624	-	1,232
4	**Muhammad Amir Qureshi** H # 1443 -5 Near Old Baker Manid Ahmed Abad Colony Multan	MUHAMMAD AMIR QURESHI 3630202958521	MUHAMMAD SHARIF QURESHI	1,790	716	-	2,506	1,790	857	-	2,647
5	**Aftab Ahmed** House No 1443 W-10 Muhalla Ahmed Abad Hazoori Bagh Multan	AFTAB AHMED 3630250556195	MUHAMMAD SHARIF	1,999	1,133	-	3,132	1,999	1,819	-	3,818
6	**Master Weavers**, 24- Abbot Road, Opposite Metropole Cinema, Lahore	Muhammad Siddiq Butt CNIC No.35202-2833581-3	Nazir Ahmed Butt	9,655	4,504	-	14,159	905	4,504	-	5,409
7	**Sheikh Zahid Inam** 1) Zahid Electric Centre, 12, Electric Centre Serai Road, Karachi-74000 Tel: 32444719-32418230 2) A-115, / Sector 11-B, North Karachi	Sheikh Zahid Inam Holding CNIC # 42101-1033852-3 (Individual)	Sheikh Inam Ilahi	2,326	807	-	3,133	1,326	918	-	2,244
8	**Motiwala Security (Pvt.) Ltd.** 1) 609, 6th Floor, Stock Exchange Building, Off I. I. Chundrigar Road, Karachi. 2) H No. 27-G, Phase -4, Gizri, 5th Street, Defence Housing Authority, Karachi 3) A-5A, Naval Housing Society 1st, Zamzama Street, Clifton Karachi.	Muhammad Aslam Motiwala Holding CNIC # 42000-0411388-7 (Owner)	Abdul Sattar	144,659	27,758	-	172,417	41,189	32,788	-	73,977
9	**Muhammad Aslam Motiwala** 1) 609, 6th Floor, Stock Exchange Building, Off I. I. Chundrigar Road, Karachi. 2) H No. 27-G, Phase -4, Gizri, 5th Street, Defence Housing Authority, Karachi 3) A-5A, Naval Housing Society 1st, Zamzama Street, Clifton Karachi.	Muhammad Aslam Motiwala Holding CNIC # 42000-0411388-7 (Individual)	Abdul Sattar	46,831	9,099	-	55,930	10,931	10,969	-	21,900

10	**Shahid Ali Habib Security (Pvt.) Ltd.** 1) Suit # 701, 7th Floor, Stock Exchange Building, Off I. I. Chundrigar Road, Karachi.	1) Muhammad Shahid Ali Holding CNIC # 42301-0870728-7 (Owner)		30,109	4,715	-	34,824	2,599	5,794	-	8,393
11	**M/s. Ali Asghar Textile Mills Limited** 306-308, Uni Tower, I. I. Chundrigar Road, Karachi.	Naveed Ellahi Shaikh 42000-0532641-3 Nadeem Ellahi Shaikh 42301-0993217-3 Mrs. Gulnar Humayun 42301-0899905-0 Mst. Marium Humayun 42000-0485329-0 Salman Masood 42301-0851969-1	Humayun Ellahi Shaikh Humayun Ellahi Shaikh Humayun Ellahi Shaikh Humayun Ellahi Shaikh Masood ul Hasan	3,026	573	-	3,599	1,214	573	-	1,787
12	**Sheikh Khalid Mehmood** Madina Tyre Centre, Shop No.1, Plot No.1, Kalyal, Sector B-4, Allama Iqbal Road, Mirpur A/K	Sh. Khalid Mehmood 81302-1623226-7	Sh. Abdul Hameed	2,160	1,719	-	3,879	-	739	-	739
13	**Mir Muhammad Alam Khan Lehri** House No.11, Street No.14, Jinnah Park, Rahim Yar Khan.	Munir Ahmed Choudhary 31303-9050151-9 Muhammad Alam Lehri 42301-0874859-9	Haji Sardar Muhammad Mir Shadi Khan Lehri	1,448	956	-	2,404	-	906	-	906
14	**Zohaib Sikandar Knit.** 17 KM, Multan Road, Lahore.	Shaukat Iqbal 35202-1073424-3	Chaudhry Jan Muhammad	6,306	799	-	7,105	1,806	799	-	2,605
15	**Allied Business Corp.** 527, 5th Floor, Mashriq Center, Block-14, Gulshan-e-Iqbal, Karachi.	Mrs. Sadia Aamir 42101-5475478-4	Mohammad Aamir Khan	1,387	835	-	2,222	367	835	-	1,202
16	**Mughal Industries** P-1524/A, Asghar Mall Road, Rawalpindi.	Ahmed Din (Late) (As per Succession Certificate Mr. Ahmed Din has died on 17.10.2002)		997	491	-	1,488	997	491	-	1,488
17	**Everbright Industries** D/1016, Haripur Mohallah, Rawalpindi.	Zia-ul-Haq 61101-0991847-3	Ahmed Din	497	263	-	760	497	263	-	760
	TOTAL			**284,631**	**64,881**	**-**	**349,512**	**71,348**	**78,017**	**-**	**149,365**

DIRECTORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENT

On behalf of the Board of Directors of Summit Bank Limited ("the Bank"), I am pleased to present the consolidated financial statements of Summit Bank Limited and its subsidiary namely Summit Capital (Pvt.) Limited together with the Auditor's Report thereon for the year ended December 31, 2011.

Financials

The consolidated financials of the Bank for the year ended December 31, 2011 are summarized as follows:

	2011 Rs'000'	2010 Rs'000'
Operating Loss before provision and taxation	**(2,588,940)**	**(1,209,670)**
Provisions	(395,467)	(2,680,076)
Loss before taxation	**(2,984,407)**	**(3,889,746)**
Reversal of provision for taxation	1,474,068	857,602
Loss after taxation	**(1,510,339)**	**(3,032,144)**
Transfer to Minority Interest	135,582	-
Incremental Depreciation – net of tax	3,078	-
Accumulated profit / (loss) brought forward	(2,421,578)	(5,120,149)
	(3,770,511)	(8,152,293)
Appropriations:		
Transfer to Merger reserve	-	5,730,715
Accumulated loss carried forward	**(3,793,257)**	**(2,421,578)**
Loss per share - Basic and diluted (Rupees)	**(1.50)**	**(5.60)**

Pattern of Shareholdings

The pattern of shareholding as at December 31, 2011 is annexed with the financials statements of Summit Bank Limited.

For and on the behalf of the Board of Directors

Hussain Lawai
President and CEO

Karachi
February 29, 2012

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Summit Bank Limited (the Bank) as at 31 December 2011 and the related consolidated profit and loss account, consolidated cash flow statement, consolidated statement of comprehensive income and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. These financial statements include unaudited certified returns from the branches, except for ten branches which have been audited by us. We have also expressed separate unmodified opinion on the financial statements of Summit Capital (Private) Limited, a subsidiary company, dated 29 February 2012.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly the financial position of the Bank and its subsidiary company as at 31 December 2011 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Without modifying our opinion, we draw attention to the following matters:

(i) note 1.10 to the accompanying financial statements which states that the State Bank of Pakistan (SBP) has granted exemption to the Bank from the prescribed requirement in respect of the minimum paid-up capital (free of losses) and Capital Adequacy Ratio till 31 December 2011. Upon SBP's request, the Bank has submitted a plan and requested for further extension till 31 December 2012;

(ii) note 14 to the accompanying financial statements relating to deferred tax asset amounting to Rs.5,894.395 (31 December 2010: Rs.3,218.243) million. The management has recorded the said asset based upon their assessment of its recoverability, on the basis of financial projections for future years, as approved by the Board of Directors of the Bank, which take into account various assumptions regarding the future business and economic conditions. However, as disclosed in the said note, a significant change in the assumptions used may have an effect on the realisability of the deferred tax asset recorded in the financial statements; and

(iii) note 6.1 to the accompanying financial statements which states that the Bank has not completed the accounting for the acquisition of MyBank Limited (MBL) at the year end. Since the fair valuation exercise has not been concluded, the fair values of assets and liabilities acquired (including contingent liabilities) have been determined provisionally based on management's estimates, as allowed by IFRS-3, "Business Combinations" and will be adjusted based on more accurate and complete information with retrospective effect as required by the above referred standard;

Our opinion is not qualified in respect of these matters.

The consolidated financial statements of the Group for the year ended 31 December 2010, were audited by another firm of Chartered Accountants, whose report dated 28 February 2011 expressed an unmodified opinion thereon wherein the matter relating to the minimum paid up capital requirement was emphasized.

The accompanying financial statements incorporate the results of operations for the period from 01 April 2011 (acquisition date) to 30 June 2011 of MyBank Limited (amalgamated with and into the Bank at the close of business on 30 June 2011) which have been audited by another firm of Chartered Accountants, whose report dated 26 October 2011 has been furnished to us and our opinion in so far as it relates to the amounts included for MyBank Limited (MBL) is based solely on the report of such other auditors. The said report includes an emphasis of matter paragraph regarding MBL's capital deficiency and its amalgamation with and into the Bank with effect from the close of business on 30 June 2011.

Chartered Accountants
Audit Engagement Partner: Shabbir Yunus

Karachi
February 29, 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2011

	Note	December 31, 2011	December 31, 2010
		------ (Rupees in '000) ------	
ASSETS			
Cash and balances with treasury banks	8	**6,117,998**	4,047,590
Balances with other banks	9	**1,433,614**	375,207
Lendings to financial institutions	10	**1,069,757**	-
Investments	11	**36,134,418**	20,204,357
Advances	12	**57,312,970**	38,753,413
Operating fixed assets	13	**5,950,625**	2,781,943
Deferred tax assets - net	14	**5,894,395**	3,218,243
Other assets	15	**5,758,296**	2,776,151
		119,672,073	72,156,904
LIABILITIES			
Bills payable	16	**900,750**	357,293
Borrowings	17	**18,562,616**	5,257,243
Deposits and other accounts	18	**89,614,738**	61,537,424
Sub-ordinated loan	19	**1,500,000**	-
Liabilities against assets subject to finance lease		**-**	-
Deferred tax liabilities		**-**	-
Other liabilities	20	**2,938,294**	1,731,676
		113,516,398	68,883,636
NET ASSETS		**6,155,675**	3,273,268
REPRESENTED BY			
Share capital	21	**10,779,796**	7,250,660
Reserves	22	**(1,551,944)**	(1,335,050)
Accumulated losses		**(3,793,257)**	(2,421,578)
		5,434,595	3,494,032
Surplus / (deficit) on revaluation of assets - net of deferred tax	23	**721,080**	(220,764)
		6,155,675	3,273,268
CONTINGENCIES AND COMMITMENTS	24		

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

President & Chief Executive	Director	Director	Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	December 31, 2011	December 31, 2010
		------ (Rupees in '000) ------	
Mark-up / return / interest earned	25	**9,529,068**	7,068,952
Mark-up / return / interest expensed	26	**(9,020,995)**	(6,100,832)
Net mark-up / interest income		**508,073**	968,120
Provision against non-performing loans and advances	12.3.1	**(492,769)**	(1,937,467)
Reversal of provision / (provision)for diminution in the value of investments	11.13	**127,213**	(293,055)
Bad debts written off directly	12.4.1	**(2,253)**	-
		(367,809)	(2,230,522)
Net mark-up / interest income (loss) after provisions		**140,264**	(1,262,402)
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		**458,668**	342,117
Dividend income		**100,120**	56,578
Gain / (loss) from dealing in foreign currencies		**165,894**	(79,568)
(Loss) / gain on sale of securities - net	27	**(47,972)**	254,530
Unrealised (loss) / gain on revaluation of investments classified as held-for-trading	11.15	**(5,337)**	874
Other income	28	**106,658**	48,915
Total non-mark-up / interest income		**778,031**	623,446
		918,295	(638,956)
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	29	**(3,855,690)**	(2,790,634)
Other provisions / write-offs	30	**(27,658)**	(449,554)
Other charges	31	**(19,354)**	(10,602)
Total non-mark-up / interest expenses		**(3,902,702)**	(3,250,790)
		(2,984,407)	(3,889,746)
Extra ordinary / unusual items		**-**	-
LOSS BEFORE TAXATION		**(2,984,407)**	(3,889,746)
Taxation	32		
Current		**(110,618)**	(81,325)
Prior years		**-**	-
Deferred		**1,584,686**	938,927
		1,474,068	857,602
LOSS AFTER TAXATION		**(1,510,339)**	(3,032,144)
Loss per share (Rupees) - basic and diluted	33	**(1.50)**	(5.60)

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

President & Chief Executive	Director	Director	Director

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	December 31, 2011	December 31, 2010
		------ (Rupees in '000) ------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		**(1,510,339)**	(3,889,746)
Dividend income		**(100,120)**	(56,578)
		(1,610,459)	(3,946,324)
Adjustments:			
Depreciation		**474,066**	271,969
Amortisation of intangible assets and deferred cost		**67,468**	56,008
Provision against non-performing advances		**492,769**	1,937,467
Advances directly written off		**2,253**	-
Other provisions / write offs		**27,658**	349,554
(Reversal of provision) / provision for diminution in the value of investments		**(127,213)**	393,055
Unrealised loss / (gain) on revaluation of investments in held-for-trading securities		**5,337**	(874)
Loss / (gain) on disposal of operating fixed assets		**12,139**	(975)
		954,477	3,006,204
		(655,982)	(940,120)
(Increase) / decrease in operating assets			
Lendings to financial institutions		**(124,173)**	2,272,255
Investments in held-for-trading securities - net		**(2,957)**	74,458
Advances		**2,458,390**	(2,980,657)
Other assets		**(2,176,932)**	(251,372)
		154,328	(885,316)
Increase / (decrease) in operating liabilities			
Bills payable		**67,920**	(121,791)
Borrowings from financial institutions		**8,023,349**	2,707,328
Deposits and other accounts		**50,518**	4,057,218
Other liabilities		**723,611**	(417,695)
		8,865,398	6,225,060
		8,363,744	4,399,624
Income tax paid		**(28,044)**	(38,418)
Net cash generated from operating activities		**8,335,700**	4,361,206
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in available-for-sale securities - net		**(6,538,157)**	(3,968,270)
Investments in held-to-maturity securities - net		**(824,713)**	-
Investment in associates		**8,290**	-
Dividend received		**100,120**	57,066
Cash paid for acquisition of MyBank Limited		**(2,163,861)**	-
Investment in operating fixed assets		**(1,585,360)**	(473,487)
Sale proceeds from disposal of property and equipment		**119,620**	27,461
Net cash used in investing activities		**(10,884,061)**	(4,357,230)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts on issue of right shares		**1,450,132**	-
Receipts on issue of sub ordinated loan		**1,500,000**	-
Net cash generated from financing activities		**2,950,132**	-
Increase in cash and cash equivalents		**401,771**	3,976
Cash and cash equivalents acquired on acquisition		**2,687,623**	-
Cash and cash equivalents at beginning of the period		**4,422,561**	4,418,585
Cash and cash equivalents at end of the period	34	**7,511,955**	4,422,561

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

President & Chief Executive	Director	Director	Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	December 31, 2011	December 31, 2010
		------ (Rupees in '000) ------	
Loss after taxation		**(1,374,757)**	(3,032,144)
Other comprehensive loss			
Other reserve	12.3.1	-	(7,550)
Comprehensive loss transferred to equity		**(1,374,757)**	(3,039,694)

Surplus / (deficit) arising on revaluation of assets has been reported in accordance with the requirements of the Companies Ordinance, 1984 and the directives of the State Bank of Pakistan in a separate account below equity.

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

President & Chief Executive	Director	Director	Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2011

	Capital reserves						Revenue reserves			
	Share capital	**Share premium**	**Discount on issue of shares**	**Statutory reserve**	**Reserve arising on amalgamation**	**Other reserve**	**Accumulated losses**	**Total**	**Non-Controlling Interest**	**Total**
	(Rupees in '000)									
Balance as at January 01, 2010, as previously reported	5,000,000	1,000,000	-	64,828	-	-	(1,998,887)	4,065,941	-	4,065,941
Issue of share capital and adjustments arising from amalgamation with Atlas Bank Limited	2,250,660	-	-	-	(2,399,878)	7,550	2,609,453	2,467,785	-	2,467,785
Balance as at January 01, 2010 (amalgamated)	7,250,660	1,000,000	-	64,828	(2,399,878)	7,550	610,566	6,533,726	-	6,533,726
Comprehensive loss transferred to equity during the year ended December 31, 2010	-	-	-	-	-	(7,550)	(3,032,144)	(3,039,694)	-	(3,039,694)
Balance as at December 31, 2010	7,250,660	1,000,000	-	64,828	(2,399,878)	-	(2,421,578)	3,494,032	-	3,494,032
Non-controlling interest arising on acquisition (note 6.1)	-	-	-	-	-	-	-	-	1,997,692	1,997,692
Transfer from Surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred tax		-	-	-	-	-	3,078	3,078	-	3,078
Issuance of right shares during the year	1,450,132	-	-	-	-	-	-	1,450,132	-	1,450,132
Comprehensive loss transferred to equity during the year ended December 31, 2011	-	-	-	-	-	-	(1,374,757)	(1,374,757)	(135,582)	(1,510,339)
Issue of share capital and adjustments arising on acquisition and amalgamation of non-controlling interest in MyBank Limited (note 6.4)	2,079,004	-	(1,297,298)	-	1,080,404	-	-	1,862,110	(1,862,110)	-
Balance as at December 31, 2011	**10,779,796**	**1,000,000**	**(1,297,298)**	**64,828**	**(1,319,474)**	**-**	**(3,793,257)**	**5,434,595**	**-**	**5,434,595**

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

President & Chief Executive	**Director**	**Director**	**Director**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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 Group is Suroor Investments Limited, (SIL) a company incorporated in Mauritius.

1.2 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 of the Bank is situated at Plot No. 6-B, F-6, Supermarket, Islamabad, Pakistan.

1.3 The Bank is principally engaged in the business of banking through its 165 branches (after amalgamation of MyBank Limited having 80 branches) [2010: 80 Branches (after amalgamation of Atlas Bank Limited having 40 branches)] in Pakistan 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' whereas short-term rating of the Bank is 'A-2', with a 'Rating Watch Developing Outlook'.

1.4 SCPL, the subsidiary company was incorporated in Pakistan on March 08, 2006 under the Companies Ordinance, 1984. The subsidiary company is a corporate member of Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited, Islamabad Stock Exchange (Guarantee) Limited and Pakistan Mercantile Exchange Limited (formerly 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.

1.5 On 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 the Share Purchase Agreement dated June 30, 2009 and, consequently, SIL become the parent company of the Bank. As part of change in ownership, effective from August 18, 2010, the name of the Bank was changed to 'Summit Bank Limited'.

1.6 Further, the 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 was earlier approved by the shareholders of the Bank in their Extra Ordinary General Meeting held on November 06, 2010.

Under the above referred scheme of amalgamation, the Bank issued 225,065,982 Ordinary shares to the shareholders of ATBL at par value of Rs.10 each.

This amalgamation was accounted for in the books using "Pooling of interest" method as it was a business combination of entities under common control and not covered under the scope of IFRS-3 "Business Combinations". The difference in the net assets of ATBL, the merging entity, and the above shares issued to ATBL has been carried in the books under "Reserve arising on amalgamation".

Further, since "Pooling of interest" method assumes that both ATBL and the Bank were merged from the beginning of the earliest period presented, the issue of share capital and adjustments arising from amalgamation have been shown as at January 01, 2010.

1.7 On September 30, 2009, Suroor Investments Limited (SIL) entered into an agreement with a majority shareholder (MS) to sell upto 314,701,450 Ordinary shares constituting 59.34% of shareholding of MyBank Limited (MBL). Subsequently, SIL, Summit Bank Limited (the Bank) and the MS entered into a novation agreement dated February 17, 2011 wherein SIL has agreed to novate and the Bank has agreed to undertake the obligations of SIL to acquire the Ordinary shares from the MS on terms and conditions contained in the agreement.

As part of the agreement, the Bank purchased 270,482,625 shares of MBL at a price of Rs.8 per share resulting in a purchase consideration of Rs.2,163.861 million. Accordingly, MBL became a subsidiary of the Bank upon the acquisition. The Bank, consequently held 51.00% (December 31, 2010: 1.27%) Ordinary shares in MBL as at April 01, 2011. The details of this business combination together with its accounting treatment are given in note 6 to these consolidated financial statements.

Furthermore, during the current year, the State Bank of Pakistan (SBP) sanctioned a scheme of amalgamation (the scheme) under section 48 of the Banking Companies Ordinance, 1962, on June 20, 2011 by virtue of which MBL has been merged with and into the Bank at the close of business on June 30, 2011 (effective date). This scheme has earlier been approved by the shareholders of the Bank in their Extra Ordinary General Meeting held on January 20, 2011.

In consideration for the amalgamation and as per the scheme, the Bank allotted 207,900,400 fully paid Ordinary shares of Rs.10 each to the shareholders of MBL for the acquisition of non-controlling interest which will rank pari passu with the existing shares of the Bank.

1.8 These consolidated financial statements included the financial statements of the Bank in which MBL has been merged with and into the Bank. The results for the year have been arrived at after considering MBL as a subsidiary with effect from April 01, 2011 and subsequently amalgamating the same with and into the Bank at the close of business on June 30, 2011 (see details in note 6). Balances in MBL have been taken from its audited financial statements after taking into account adjustments due to alignment of accounting policies of MBL with the Bank and inter-bank transactions.

1.9 The comparatives include balances of Atlas Bank Limited which was merged with and into the Bank at the close of the business on December 31, 2010.

1.10 The State Bank of Pakistan (SBP) through its BSD Circular No. 7 dated April 15, 2009 has prescribed that the minimum paid-up capital (net of losses) for Banks / Development Finance Institutions (DFIs) be raised to Rs.10 billion by the year ending December 31, 2013. The raise is to be achieved in a phased manner requiring Rs.8 billion and Rs.9 billion paid-up capital (free of losses) by the end of the financial year 2011 and 2012, respectively. The paid-up capital (free of losses) of the Group as at December 31, 2011 is Rs.5.435 billion. Further, vide its aforesaid circular, the SBP has prescribed the banks to achieve minimum Capital Adequacy Ratio (CAR) of 10% with effect from December 31, 2009 irrespective of their CAMEL-S rating, till further instructions. However, the Bank's CAR is below the minimum required level at the year end (refer note 42.3).

However, the Bank has been granted an exemption till December 31, 2011 to meet the minimum capital requirement (MCR) and capital adequacy ratio (CAR) by the SBP through its letter number BSD/BAI-3/608/9203/2011 dated July 16, 2011. Through the above referred letter, the SBP has also requested the Bank to submit a capital plan for meeting the expected shortfall in MCR/CAR, including specific timelines and milestones.

The Bank has injected Rs.1.4 billion capital in the form of right shares during the year. Further, as requested by SBP, the Bank has submitted a plan for meeting the shortfall in MCR/CAR to the SBP on December 22, 2011 and has sought further exemption till December, 2012 to meet the MCR / CAR. The response is awaited from the SBP in this regard.

The said plan envisages (a) additional issue of right shares, (b) crash programme for recovery of its classified portfolio and (c) sale of a portion of its credit portfolio. The management of Bank is of the view that in light of the three pronged strategy, the Bank will be able to meet the capital requirements over an extended period of time.

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 sale arising under these arrangements are not reflected in these consolidated financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.

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

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 7 – Financial Instruments : Disclosures – (Amendments)	
- Amendments enhancing disclosures about transfers of financial assets	July 01, 2011
- Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 01, 2013
IAS 1 – Presentation of Financial Statements – Presentation of items of comprehensive income	July 01, 2012
IAS 12 – Income Taxes (Amendment) - Recovery of Underlying Assets	January 01, 2012
IAS 27 – Separate Financial Statements (2011)	January 01, 2013
IAS 28 – Investments in Associates and Joint Ventures (2011)	January 01, 2013
IAS 19 – Employee Benefits – (Amendment)	January 01, 2013

The Group expects that the adoption of the above revisions and amendments of the standards will not materially affect these consolidated financial statements in the period of initial application other than the amendments to IAS-19 'Employee Benefits'. Such amendments range from fundamental changes to simple clarifications and re-wording. The significant changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e. the corridor approach) has been removed. As revised, actuarial gains and losses are recognised in other comprehensive income when they occur. Amounts recorded in profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognised in other comprehensive income with no subsequent recycling to profit and loss account.

- Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

The Group is currently assessing the impact of the above amendments which are effective from January 01, 2013 on the consolidated financial statements. However, it is expected that the adoption of the said amendments will result in change in the Group's accounting policy related to recognition of actuarial gains and losses as referred to in note 5.12 to the consolidated financial statements.

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

Standard	**IASB Effective date (annual periods beginning on or after)**
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013

4. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention, except for held-for-trading and available-for-sale investments, operating fixed assets and derivative financial instruments which are stated at fair value.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year except as described below in notes 5.1 and 5.2:

5.1 New and amended standards and interpretations

The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IAS 24 – Related Party Disclosures (Revised)

IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment)

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 3 – Business Combinations
- Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS
- Measurement of non-controlling interests (NCI)
- Un-replaced and voluntarily replaced share-based payment awards

IFRS 7 – Financial Instruments: Disclosures
- Clarification of disclosures

IAS 1 – Presentation of Financial Statements
- Clarification of statement of changes in equity

IAS 27 – Consolidated and Separate Financial Statements
- Transition requirements for amendments made as a result of

IAS 27 Consolidated and Separate Financial Statements

IAS 34 – Interim Financial Reporting
- Significant events and transactions

IFRIC 13 – Customer Loyalty Programmes
- Fair value of award credits

The adoption of the above standards, amendments, interpretations and improvements did not have any material effect on the consolidated financial statements.

5.2 Change in accounting policy pertaining to property and equipment

During the current year, the Group changed it accounting policy with respect of valuation of land and buildings (including improvements thereon). As per the revised policy, the Group revalued its land and buildings at fair value as against the past policy of measuring the same at cost less accumulated depreciation. Surplus arising on revaluation is credited to the 'surplus on revaluation of fixed assets' account. Any deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above-mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of fixed assets, to the extent of incremental depreciation, is transferred to retained earnings.

The said change has been accounted for by the Group prospectively in accordance with the requirement of the International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had the policy not been changed, the operating fixed assets, surplus on revaluation of assets - net and loss after taxation for the year would have reduced by Rs.1,242.785 million, Rs.944.186 million and Rs.4.736 million, respectively, and the deferred tax asset - net would have increased by Rs.298.599 million.

5.3 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.

5.4 Lendings to / borrowings from financial and other institutions

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

Repurchase agreement borrowings

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

Repurchase agreement lendings

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

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

5.5 Investments

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

Held-for-trading

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

Held-to-maturity

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

Initial measurement

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

These are initially recognised at cost, being the fair value of the consideration given including, in the case of investments other than held for trading, the acquisition cost associated with the investments.

Subsequent measurement

Held for trading

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

Held to maturity

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

Available-for-sale

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

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

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

Investments in Subsidiaries and Associates

Investments in subsidiaries and associates are valued at cost less impairment, if any. A reversal of an impairment loss on associates and subsidiaries is recognized as it arises provided the increased carrying value does not exceed cost.

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

5.6 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.

5.7 Operating fixed assets and depreciation

Owned

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

Depreciation is calculated by the Group using the straight line method 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 13.2 to the consolidated financial statements. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each statement of financial position date.

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

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

Land and buildings are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation is credited to the surplus on revaluation of fixed assets account. Any deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above-mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of fixed assets, to the extent of incremental depreciation, is transferred to retained earnings.

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

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

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

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

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

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

Goodwill

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

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

5.8 Subordinated loans

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

5.9 Assets acquired in satisfaction of claims

The Group 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.

5.10 Impairment

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

5.11 Deferred costs

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

5.12 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% of basic salary.

Defined benefit scheme

The Group 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 amortised over the future expected remaining working lives of the employees, to the extent of the excess over 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.

Upto December 31, 2010, an approved funded gratuity scheme for all permanent and full time employees in the management cadre was operated by ATBL. The liability recognised 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 unrecognised actuarial gains or losses and past service costs as at December 31, 2010.

Upon amalgamation of the Bank with the ATBL, the said scheme / plan been terminated and the net liability has been included in the unfunded plan of the Group.

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

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 gains / losses arising from experience adjustments and changes in actuarial assumptions are amortised over the future expected remaining working lives of the employees, to the extent of the excess over ten percent of the present value of the defined benefit obligation at that date.

5.13 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 finalised during the year.

Deferred

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

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

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

5.14 Deposits

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

5.15 Provisions

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

5.16 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

For accounting policy relating to goodwill, refer note 5.7.

5.17 Foreign currencies

Foreign currency transactions and translations

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

Translation gains and losses

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

5.18 Functional and presentation currency

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

5.19 Revenue recognition

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

Advances and investments

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

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

Dividend income is recognised when the Group's right to receive the dividend is established.

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

Lease financing

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

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

Fees, brokerage and commission

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

5.20 Off setting

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

5.21 Financial instruments

Financial assets and liabilities

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

Derivative financial instruments

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

5.22 Segment reporting

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

Business segments

- **Corporate finance**

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

- **Trading and sales**

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

- **Retail banking**

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

- **Commercial banking**

This includes loans, deposits and other transactions with corporate customers.

- **Payment and settlement**

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

- **Geographical segments**

The Group conducts all its operations in Pakistan.

6. BUSINESS COMBINATION

As stated in note 1.5, the Group acquired the majority shareholding of 51% in MyBank Limited (MBL) for cash consideration of Rs. 2,163.861 million on the acquisition date of April 01, 2011 and, hence, MBL became a subsidiary of the Group at that date.

6.1 Provisional accounting for business combination

At the time these consolidated financial statements were authorised for issue, the Group had not yet completed the accounting for the acquisition of MBL. Hence, as allowed by IFRS-3, the fair values of the assets and liabilities acquired have been provisionally determined based on management's estimates to be equal to their carrying amounts at the date of acquisition as the independent valuations have not been finalised. Accordingly, detailed valuations after taking into account reasonableness of underlying assumptions especially for assets whose values are based on future projections of earnings and related data have not been carried out at this stage.

Further, the fair values of contingent liabilities appearing in the books of MBL have not been included in liabilities acquired and, accordingly, their impact has not been taken in the computation of goodwill. The contingencies have been disclosed as part of the contingent liabilities of the Group until the fair valuation exercise is concluded.

Hence, the initial accounting for the business combination is incomplete and will be adjusted based on more accurate and complete information and analysis during the measurement period. The Group will retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. The Group may also recognise additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date.

The management expects that the fair valuation exercise for assets and liabilities acquired will be completed in due course. However, the accounting treatment of fair valuation of MBL's assets and liabilities (including the contingent liabilities) in the books of the Group will be finalized and accounted for in the financial statements after prior written clearance of the SBP, as per the directive received from the SBP in this regard.

Accordingly, goodwill arising on acquisition of MBL has been provisionally determined as follows:

	Note	Amount * (Rs. in '000)
Assets		
Cash and balances with treasury banks		2,206,669
Balances with other banks		480,954
Lendings to financial institutions		945,584
Investments		7,510,462
Advances		21,512,969
Operating fixed assets		2,167,248
Deferred tax assets		1,475,793
Other assets		2,005,186
Total assets		38,304,865
Liabilities		
Bills payable		475,537
Borrowings		5,282,024
Deposits and other accounts		28,026,796
Other liabilities		443,586
Total liabilities		34,227,943
Net assets		4,076,922
Cash consideration paid [270,482,682 Ordinary shares @ Rs.8 each	1.5	2,163,861
Proportionate share of non-controlling interest (49% of Rs.4,076.922 million)	6.4	1,997,692
		4,161,553
Goodwill arising on acquisition	6.2	84,631

* Balances taken from the published financial statements of MBL for the quarter ended March 31, 2011.

6.2 Goodwill

The goodwill recognised represents effect of expected synergies from combining operations of the Bank and its subsidiary, MBL, intangible assets that do not qualify for separate recognition and other factors. The management believes that the entire amount of goodwill is expected to be deductible for tax purposes.

6.3 MBL has contributed Rs.762.885 million of revenue and incurred loss after tax of Rs.136.127 million during the period from April 01, 2011 to June 30, 2011. Had the acquisition been made at January 01, 2011, MBL would have contributed Rs.1,574.357 million of revenue and resulted in loss after tax of Rs.917.920 million. The details of loss after tax which pertains to the operations of MBL for the period from April 01, 2011 to June 30, 2011 are as under:

	For the period from April 01, 2011 to June 30, 2011 (Rs. in '000)
Mark-up / return / interest earned	762,885
Mark-up / return / interest expensed	558,937
Net mark-up / interest income	203,948
Provision against non-performing loans and advances	(157,248)
Reversal for diminution in the value of investments	246,477
Bad debts written off directly	(2,198)
	87,031
Net mark-up / interest income / (loss) after provisions	290,979
Non mark-up / interest income	
Fee, commission and brokerage income	50,454
Dividend income	227
Gain from dealing in foreign currencies	26,407
Loss on sale of securities - net	(99,740)
Unrealised gain on revaluation of investments classified as held-for-trading	2,166
Other income	13,389
Total non-mark-up / interest income	(7,097)
Non mark-up / interest expenses	
Administrative expenses	347,759
Other provisions / write-offs	1,639
Other charges	1,092
Total non-mark-up / interest expenses	350,490
Loss before taxation	(66,608)
Taxation	
Current	8,826
Prior years	-
Deferred	60,693
	69,519
Loss after taxation	(136,127)

6.4 Acquisition of non-controlling interest

As at the date of acquisition, the purchase of Non-Controlling Interest (NCI) is measured at the proportionate share of the NCI in the fair value of net assets acquired by the Group, as allowed under IFRS 3. The management has, at the date of amalgamation, incorporated the share of NCI's post acquisition results of MBL in the proportionate share of the NCI determined as at the acquisition date of MBL (the adjusted balance).

On the effective date of amalgamation (i.e. close of business on June 30, 2011), the Group acquired the NCI by issuing 207,900,400 Ordinary shares of Rs.10 each to the shareholders of MBL (see note 1.5). The fair value of these shares (based on the published quoted price at that date) amounted to Rs.781.706 million. The excess of the fair value of the shares issued over the adjusted balance of the NCI amounting to Rs.1,080.404 million has been recognised as part of the equity (shown separately under 'Reserve arising on amalgamation').

7. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

- classification of investments (note 5.5);
- determining the residual values and useful lives of property and equipment (note 5.7);
- impairment (note 5.10);
- accounting for post employment benefits (note 5.12);
- recognition of taxation and deferred tax (note 5.13);
- provisions (note 5.5, 5.6 and 5.15); and
- intangibles, goodwill and deferred tax recognised on acquisition (note 6).

8. CASH AND BALANCES WITH TREASURY BANKS

	Note	December 31, 2011	December 31, 2010
		------ (Rupees in '000) ------	
In hand			
Local currency		**1,710,366**	834,950
Foreign currencies		**152,957**	186,680
With State Bank of Pakistan in			
Local currency current account	8.1	**3,191,429**	2,310,028
Foreign currency current account	8.2	**12,451**	9,981
Foreign currency deposit account			
- Non remunerative	8.3	**202,378**	160,140
- Remunerative	8.4	**607,133**	480,423
With National Bank of Pakistan in			
Local currency current account		**241,284**	65,388
		6,117,998	4,047,590

8.1 This balance with SBP is maintained to comply with the statutory requirements issued from time to time.

8.2 This represents US Dollar Settlement account maintained with SBP.

8.3 This represents foreign currency special cash reserve maintained with SBP equivalent to at least 5% of the Group's foreign currency deposits.

8.4 This represents foreign currency special cash reserve account maintained with SBP equivalent to at least 15% of the Group's foreign currency deposits. Profit rates on this deposit are fixed on a monthly basis by SBP. Profit rate remained Nil upto December 31, 2011 (December 31, 2010: Nil).

	Note	December 31, 2011	December 31, 2010
		------ (Rupees in '000) ------	
9. BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		**159,770**	11,574
On deposit accounts	9.1	**7,254**	36,913
Outside Pakistan			
On current accounts		**1,194,907**	326,720
On deposit accounts	9.2	**71,683**	-
		1,433,614	375,207

9.1 This carries profit at the rates ranging from 11% to 12% (2010: 6% to 11%) per annum.

9.2 This represents deposit accounts maintained with foreign banks carrying nil mark-up (December 31, 2010: Nil).

	Note	December 31, 2011	December 31, 2010
		------ (Rupees in '000) ------	
10. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	10.2	**300,000**	-
Repurchase agreement lendings (Reverse Repo)	10.3 & 10.5	**269,757**	
Certificate of investment	10.4	**500,000**	-
		1,069,757	-
10.1 Particulars of Lendings			
In local currency		**1,069,757**	-
In foreign currencies		**-**	-
		1,069,757	-

10.2 This represents call lendings to financial institution carrying mark-up at rates ranging from 12.60% to 12.65% (December 31, 2010: Nil) per annum and are maturing from January 23, 2012 to January 27, 2012.

10.3 This represents reverse lending to a financial institution carrying mark-up at the rate of 12.75% (December 31, 2010: Nil) per annum and maturing on January 31, 2012.

10.4 This represents lending to a financial institution carrying mark-up at the rate of 12.5% (December 31, 2010: Nil) per annum and maturing on January 23, 2012.

	December 31, 2011			December 31, 2010		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	------ (Rupees in '000) ------					
10.5 Securities held as collateral against lending to a financial institution						
Pakistan Investment Bonds	263,721	-	263,721	-	-	-

11. INVESTMENTS

11.1 Investments by types:

	Note	December 31, 2011 Held by Bank	Given as collateral	Total	December 31, 2010 Held by bank	Given as collateral	Total
		---- (Rupees in '000) ----					
Held-for-trading securities							
Listed Ordinary shares	11.4	**39,671**	-	**39,671**	35,840	-	35,840
Available-for-sale securities							
Market Treasury Bills	11.3	**15,781,443**	**13,937,057**	**29,718,500**	12,664,172	1,869,993	14,534,165
Pakistan Investment Bonds	11.3	**1,289,099**	-	**1,289,099**	1,558,248	-	1,558,248
Listed Ordinary shares	11.4	**1,541,937**	-	**1,541,937**	1,551,403	-	1,551,403
Preference shares	11.7	**37,500**	-	**37,500**	-	-	-
Unlisted Ordinary shares	11.5	**41,000**	-	**41,000**	31,000	-	31,000
Mutual fund units - open end	11.6	**1,125,000**	-	**1,125,000**	300,000	-	300,000
Mutual fund units - closed end	11.6	**58,000**	-	**58,000**	564	-	564
Term Finance Certificates - listed	11.8	**514,230**	**44,937**	**559,167**	553,411	44,955	598,366
Term Finance Certificates - unlisted	11.9	**637,146**	-	**637,146**	1,391,805	-	1,391,805
Sukuk Bonds	11.10	**931,869**	-	**931,869**	905,482	-	905,482
		21,957,224	**13,981,994**	**35,939,218**	18,956,085	1,914,948	20,871,033
Held to maturity							
Pakistan Investment Bonds	11.3	**1,293,762**	-	**1,293,762**	-	-	-
Associates							
Unlisted Ordinary shares	11.11	**28,910**	-	**28,910**	37,200	-	37,200
Investment at cost		**23,319,567**	**13,981,994**	**37,301,561**	19,029,125	1,914,948	20,944,073
Less: Provision for diminution in value of investments	11.13	**(861,056)**	-	**(861,056)**	(400,060)	-	(400,060)
Investments - net of provisions		**22,458,511**	**13,981,994**	**36,440,505**	18,629,065	1,914,948	20,544,013
(Deficit) / surplus on revaluation of held-for-trading securities	11.15	**(5,337)**	-	**(5,337)**	874	-	874
Deficit on revaluation of available-for-sale securities	23.2	**(286,078)**	**(14,672)**	**(300,750)**	(339,084)	(1,446)	(340,530)
Total investments at market value		**22,167,096**	**13,967,322**	**36,134,418**	18,290,855	1,913,502	20,204,357

11.2 Investments by segments:

	Note	December 31, 2011	December 31, 2010
		------ (Rupees in '000) ------	
Federal Government Securities:			
- Market Treasury Bills	11.3	**29,718,500**	14,534,165
- Pakistan Investment Bonds	11.3	**2,582,861**	1,558,248
Fully paid-up Ordinary Shares / Units / Certificates:			
- Listed companies	11.4	**1,581,608**	1,587,243
- Unlisted companies	11.5	**41,000**	31,000
- Mutual funds - open end	11.6	**1,125,000**	300,000
- Mutual funds - closed end	11.6	**58,000**	564
Preference Shares	11.7	**37,500**	-
Term Finance Certificates and Bonds			
- Listed Term Finance Certificates	11.8	**559,167**	598,366
- Unlisted Term Finance Certificates	11.9	**637,146**	1,391,805
- Sukuk Bonds	11.10	**931,869**	905,482
Investment in associates	11.11	**28,910**	37,200
Total investment at cost		**37,301,561**	20,944,073
Less: Provision for diminution in value of investments	11.13	**(861,056)**	(400,060)
Investments - net of provisions		**36,440,505**	20,544,013
(Deficit) / surplus on revaluation of held-for-trading securities	11.15	**(5,337)**	874
Deficit on revaluation of securities - available-for-sale	21	**(300,750)**	(340,530)
Total investments at market value		**36,134,418**	20,204,357

11.3 Market Treasury Bills and Pakistan Investment Bonds are held with SBP and are eligible for rediscounting. Market Treasury Bills embody effective yield ranging from 11.79% to 13.88% (December 31, 2010: 12.65% to 13.38%) per annum and will mature within 12 months. Pakistan Investment Bonds carry mark-up ranging from 4.25% to 12.72% (December 31, 2010: 6.22% to 12.00%) per annum on semi-annual basis and will mature 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.

During the current year, after obtaining necessary approval from the SBP, the Bank transferred Pakistan Investment Bonds acquired from Atlas Bank Limited aggregating to Rs.959.803 million from available-for-sale category to held to maturity. At year end, Pakistan Investment Bonds amounting to Rs.834.773 million are still held by the Bank.

11.4 Particulars of investments in Ordinary shares - listed

Name of companies	Number of shares held December 31, 2011	Number of shares held December 31, 2010	Paid-up value per share	Total book value December 31, 2011	Total book value December 31, 2010
				------ (Rupees in '000) ------	
Held-for-trading securities					
D.G. Khan Cement Company Limited	**161,765**	-	10	**3,497**	-
Engro Fertilizers Limited	**10,000**	-	10	**1,465**	-
Fauji Fertilizer Company Limited	**-**	215,000	10	**-**	26,945
National Bank of Pakistan	**317,252**	64,000	10	**15,701**	4,235
Pakistan Petroleum Limited	**-**	15,000	10	**-**	3,213
Pakistan Oilfields Limited	**-**	5,000	10	**-**	1,447
Pakistan State Oil Company Limited	**60,005**	-	10	**14,918**	-
United Bank Limited	**70,000**	-	10	**4,090**	-
				39,671	35,840
Available-for-sale securities					
Agritech Limited	**7,635,703**	6,496,300	10	**114,612**	139,995
Allied Bank Limited	**25,000**	-	10	**1,624**	-
Arif Habib Corporation Limited, a related party	**5,280,859**	4,877,250	10	**139,369**	115,188
Askari Bank Limited	**4,056,276**	3,728,701	10	**135,095**	136,603
Attock Refinery Limited	**25,000**	-	10	**2,978**	-
Azgard Nine Limited	**500,000**	-	10	**5,911**	-
D.G. Khan Cement Company Limited	**470,000**	530,000	10	**25,574**	28,839
Engro Corporation Limited	**20,000**	-	10	**2,808**	-
Fatima Fertilizer Company Limited	**6,000,000**	8,465,082	10	**130,050**	114,279
Fauji Fertilizer Bin Qasim Limited	**-**	500,000	10	**-**	18,584
Fauji Fertilizer Company Limited	**-**	86,315	10	**-**	9,953
First Capital Securities Corporation Limited	**11,308,000**	11,308,000	10	**94,846**	94,846
Hum Network Limited (formerly Eye Television Network Limited)	**39,000**	39,000	10	**906**	906
Ibrahim Fibres Limited	**149,390**	198,457	10	**8,317**	11,048
Javedan Cement Limited	**3,915,318**	3,915,318	10	**235,037**	235,037
Lucky Cement Limited	**192,950**	192,950	10	**15,754**	15,754
MCB Bank Limited	**20,000**	-	10	**3,993**	-
MyBank Limited	**-**	5,400,000	10	**-**	27,188
Nishat Chunian Power Limited	**-**	1,251,117	10	**-**	12,511
Nishat Power Limited	**400,000**	2,019,599	10	**4,004**	20,216
Oil and Gas Development Company Limited	**10,000**	-	10	**1,544**	-
Pak Suzuki Motors Company Limited	**115,000**	135,000	10	**13,248**	15,552
Pakistan Oilfields Limited	**25,000**	30,000	10	**8,969**	8,013
Pakistan Petroleum Limited	**-**	10,000	10	**-**	2,182
Pak Elektron Limited	**299,723**	-	10	**12,500**	-
Pakistan Telecommunication	**100,000**	-	10	**1,191**	-
SME Leasing Limited	**902,350**	902,350	10	**9,926**	9,926
Sui Northern Gas Pipelines Limited	**58,800**	56,000	10	**1,825**	1,825
Sui Southern Gas Company Limited	**13,125,000**	12,500,000	10	**281,532**	281,532
Tariq Glass Industries Limited	**5,329,704**	-	10	**66,668**	-
Thatta Cement Company Limited, a related party	**8,462,835**	7,000,000	10	**174,829**	152,887
The Bank of Khyber	**-**	9,900,000	10	**-**	49,711
Wateen Telecom Limited	**4,882,813**	4,882,813	10	**48,828**	48,828
				1,541,937	1,551,403
				1,581,608	1,587,243

11.5 Particulars of investment in other Ordinary shares - unlisted

Name of companies	Number of units / certificates held December 31, 2011	Number of units / certificates held December 31, 2010	Paid-up value per share	Total book value December 31, 2011	Total book value December 31, 2010
				------ (Rupees in '000) ------	
Arabian Sea Country Club Limited Chief Executive Officer: Mr. Arif Ali Khan Abbasi Percentage holding 1.29% (December 31, 2010: 1.29%) Net asset value per share was Rs.7.90 as at June 30, 2011 based on unaudited financial statements (December 31, 2010: Rs.11.13 based on unaudited financial statements)	**100,000**	100,000	10	**1,000**	1,000
Atlas Asset Management Limited Chief Executive Officer: Mr. M. Habib-ur-Rehman Percentage holding 12% (December 31, 2010: 12%) Net asset value per share was Rs.11.60 as at June 30, 2011 based on audited financial statements (December 31, 2010: Rs.9.86 based on unaudited financial statements)	**3,000,000**	3,000,000	10	**30,000**	30,000
Khushali Bank Limited Chief Executive Officer: Mr. Ghalib Nishtar Percentage holding 0.6% (December 31, 2010: Nil) Net asset value per share was Rs.12.99 as at December 31, 2010 based on audited financial statements (December 31, 2009: Rs.12.18 based on audited financial statements)	**1,000,000**	-	10	**10,000**	-
				41,000	**31,000**

11.6 Particulars of investment in mutual funds

Name of companies	Number of units held December 31, 2011	Number of units held December 31, 2010	Paid-up value per unit	Total book value December 31, 2011	Total book value December 31, 2010
				------ (Rupees in '000) ------	
Mutual fund (open end)					
National Investment Trust - Equity Fund	**22,931,376**	9,590,793	50	**1,000,000**	300,000
Pakistan Capital Protected Fund	**11,059,617**	-	10	**100,000**	-
AKD Cash Fund	**500,000**	-	10	**25,000**	-
				1,125,000	300,000
Mutual fund (closed end)					
Golden Arrow Selected Stocks Fund Limited	**20,000,000**	-		**58,000**	-
First Dawood Mutual Fund	**-**	331,471	10	**-**	564
				58,000	564

11.7 Particulars of investments in Preference shares

Name of company	Number of shares held December 31, 2011	Number of shares held December 31, 2010	Paid-up value per share	Total book value December 31, 2011	Total book value December 31, 2010
				------ (Rupees in '000) ------	
Pak Elektron Limited	**3,750,000**	-	10	**37,500**	-

Rate of preference dividend: 9.5% - cumulative
Terms of redemption: Redeemable after 6 years of date of issue
Terms of conversion: Conversion option to be exercised after 7 years of issue and if not redeemed within 9 years of issue, convertible in 9th year.

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

Name of companies	Rating	Mark-up rate	Repayment	Total book value December 31, 2011	Total book value December 31, 2010
				------ (Rupees in '000) ------	
Allied Bank Limited 22,975 (Dec 31, 2010: 22,975) certificates Chief Executive Officer: Mr. Khalid A. Sherwani	'AA-'	6 months KIBOR plus 1.90%	Semi-annually	**114,422**	114,397
United Bank Limited 16,000 (Dec 31, 2010: 16,000) certificates Chief Executive Officer: Mr. Atif R. Bukhari	'AA'	6 months KIBOR plus 0.85%	Semi-annually	**61,022**	79,283
Engro Fertilizers Limited 5,000 (Dec 31, 2010: 20,000) certificates Chief Executive Officer: Mr. Asad Umar	'AA'	6 months KIBOR plus 1.55%	Semi-annually	**24,699**	98,428
NIB Bank Limited 25,400 (Dec 31, 2010: 25,400) certificates Chief Executive Officer: Mr. Badar Kazmi	'A+'	6 months KIBOR plus 1.15%	Semi-annually	**126,822**	126,873
Askari Bank Limited **- 2nd issue (unsecured)** 6,990 (Dec 31, 2010: 6,990) certificates Chief Executive Officer: Mr. M. R. Mehkari	'AA-'	1.50% above 6 months KIBOR	Semi-annually	**34,866**	34,880
Azgard Nine Limited 22,000 (Dec 31, 2010: 2,000) certificates Chief Executive Officer: Mr. Ahmed H. Shaikh	'D'	1.00% over simple average of 6 months KIBOR (ask side)	Semi-annually	**82,388**	7,490
			Balance c/f	**444,219**	461,351

Name of companies	Rating	Mark-up rate	Repayment	Total book value December 31, 2011	Total book value December 31, 2010
				------ (Rupees in '000) ------	
			Balance b/f	**444,219**	461,351
Bank Alfalah Limited - 3rd issue (unsecured) 2,000 (Dec 31, 2010: 2,000) certificates Chief Executive Officer: Mr. Sirajuddin Aziz	'AA-'	1.50% above 6 months KIBOR	Semi-annually	**9,977**	9,980
Bank Al-Habib Limited - 1st issue (unsecured) 3,480 (Dec 31, 2010: 3,480) certificates Chief Executive Officer: Mr. Abbas D. Habib	'AA'	1.50% above 6 months KIBOR (floor of 3.5% per annum and cap of 9.5% per annum)	Semi-annually	**11,570**	17,358
Invest Capital Investment Bank Limited (Formerly Al-Zamin Leasing Corporation Limited) - 2nd issue 2,000 (Dec 31, 2010: 2,000) certificates Chief Executive Officer: Mr. Basheer Ahmed Chowdry	'C'	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 (Dec 31, 2010: 5,000) certificates Chief Executive Officer: Ms. Shazia Bashir	'BB'	2.50% above 6 months KIBOR (floor of 8% per annum and cap of 17% per annum for first three years and 8% and 18% respectively for 4th and 5th year)	Semi-annually	**7,494**	12,490
IGI Investment Bank Limited Nil (Dec 31, 2010: 6,000) certificates Chief Executive Officer: Mr. Tariq Hasan Quraishi	'A+'	2.25% over 6 months KIBOR	Semi-annually	-	7,497
Jahangir Siddiqui & Company Limited - 4th issue 5,000 (Dec 31, 2010: 5,000) certificates Chief Executive Officer: Mr. Munaf Ibrahim	'AA'	2.5% above 6 months KIBOR	Semi-annually	**12,478**	24,960
			Balance c/f	**495,738**	543,636

Name of companies	Rating	Mark-up rate	Repayment	Total book value December 31, 2011	Total book value December 31, 2010
				------ (Rupees in '000) ------	
			Balance b/f	**495,738**	543,636
Pakistan Mobile Communication Limited 2,000 (Dec 31, 2010: 2,000) certificates Chief Executive Officer: Mr. Rashid Khan	'A+'	2.85% over 6 months KIBOR	Semi-annually	**4,992**	8,320
Searle Pakistan Limited Nil (Dec 31, 2010: 2,000) certificates Chief Executive Officer: Mr. Rashid Abdulla	'BBB+'	2.50% above 6 months KIBOR	Semi-annually	-	1,250
Standard Chartered Bank Pakistan Limited - 2nd issue (unsecured) Nil (Dec 31, 2010: 2,587) certificates Chief Executive Officer: Mr. Syed Ali Azhar Naqvi	'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	-	3,234
Telecard Limited 26,530 (Dec 31, 2010: 11,530) certificates Chief Executive Officer: Mr. Shams Ul Afreen	'D'	3.75% over simple average of 6 months KIBOR (ask side)	Semi-annually	**48,749**	21,186
Trust Investment Bank Limited - 3rd issue 3,877 (Dec 31, 2010: 3,877) certificates Chief Executive Officer: Humayun Nabi Jan	'BBB'	1.85% above 6 months KIBOR	Semi-annually	**9,689**	14,533
WorldCall Telecom Limited Nil (Dec 31, 2010: 3,727) certificates Chief Executive Officer: Mr. Babar Ali Syed	'A-'	2.75% above 6 months KIBOR	Semi-annually	-	6,207
				559,168	598,366

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

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

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

Name of companies	Rating	Mark-up rate	Repayment	Total book value December 31, 2011	Total book value December 31, 2010
				------ (Rupees in '000) ------	
Agritech Limited 100,000 (Dec 31, 2010: 100,000) certificates Maturity date: December 14, 2015 Chief Executive Officer: Mr. Ahmed Jaudet Bilal	'D'	6 months KIBOR plus 1.75%	Semi-annually	**499,586**	499,600
Dewan Farooq Spinning Mills Limited 5,000 (Dec 31, 2010: Nil) certificates Maturity date: June 20, 2010 Chief Executive Officer: Mr. Dewan Abdul Baqi Farooqi	Unrated	6 months KIBOR plus 3.75%	Semi-annually	**6,250**	-
Faisalabad Electric Supply Company Limited (note 11.9.1) Nil (Dec 31, 2010: 66,667) certificates Maturity date: August 16, 2011 Chief Executive Officer: Mr. Tariq Mahmood Chattha	Unrated	6 months KIBOR plus 0.23%	Semi-annually	-	250,001
Gujranwala Electric Power Company Limited (note 11.9.1) Nil (Dec 31, 2010: 66,666) certificates Maturity date: August 16, 2011 Chief Executive Officer: Mr. Khalid Rai	Unrated	6 months KIBOR plus 0.23%	Semi-annually	-	249,998
Islamabad Electric Power Company Limited (note 11.9.1) Nil (Dec 31, 2010: 66,667) certificates Maturity date: August 16, 2011 Chief Executive Officer: Mr. Javed Pervaiz	Unrated	6 months KIBOR plus 0.23%	Semi-annually	-	250,001
Avari Hotels Limited 5,000 (Dec 31, 2010: 5,000) certificates Maturity date: Nov 1, 2016 Chief Executive Officer: Mr. Byram D. Avari	'A-'	3.25% over 6 months KIBOR	Semi-annually	**21,229**	21,228
Bunny's Limited 10,000 (Dec 31, 2010: 10,000) certificates Maturity date: Nov 30, 2013 Chief Executive Officer: Ch. Haroon Shafiq	Unrated	2.5% over 6 months KIBOR	Semi-annually	**50,000**	50,000
Flying Board & Paper Products Limited 5,000 (Dec 31, 2010: 5,000) certificates Maturity date: July 20, 2014 Chief Executive Officer: Mr. Bader Mehmood	Unrated	1.5% over 6 months KIBOR	Semi-annually	**25,000**	25,000
Gharibwal Cement Limited 5,000 (Dec 31, 2010: 5,000) certificates Maturity date: July 17, 2011 Chief Executive Officer: Mr. Abdul Rafique Khan	'D'	3% above 6 months KIBOR	Semi-annually	**24,980**	24,980
			Balance c/f	**627,045**	1,370,808

Name of companies	Rating	Mark-up rate	Repayment	Total book value December 31, 2011	Total book value December 31, 2010
				------ (Rupees in '000) ------	
			Balance b/f	**627,045**	1,370,808
Security Leasing Corporation Limited 2,000 (Dec 31, 2010: 2,000) certificates Maturity date: March 28, 2014 Chief Executive Officer: Mr. Mohd. Khalid Ali	Unrated	1-18th month -3% cash +3% accrual 19th month onwards 1 month KIBOR	Monthly	**2,188**	3,125
Grays Leasing Limited Nil (Dec 31, 2010: 1,800) certificates Maturity date: Jan 10, 2012 Chief Executive Officer: Mr. Abdul Rashid Mir	'B'	2.50% over 6 months KIBOR	Monthly	-	2,000
Orix Leasing Pakistan Limited 100 (Dec 31, 2010: 100) certificates Maturity date: Jan 15, 2013 Chief Executive Officer: Mr. Teizoon Kisat	'AA+'	1.40% over 6 months KIBOR	Semi-annually	**5,000**	8,333
Trakker (Private) Limited Nil (Dec 31, 2010: 100) certificates Maturity date: Aug 24, 2011 Chief Executive Officer: Mr. Ali Jameel	'A'	3.5% over 6 months KIBOR	Semi-annually	-	2,500
New Khan Transport Company (Private) Limited 10 (Dec 31, 2010: 10) certificates Maturity date: Oct 13, 2013 Chief Executive Officer: Mr. Aamir Hayat Khan	Unrated	3% over 6 months KIBOR with 8.50% per annum as floor and no ceiling	Monthly	**2,914**	5,039
				637,146	1,391,805

11.9.1 During the year, in accordance with the instructions of the Government of Pakistan (GoP) through a notification of Finance Division dated November 03, 2011, the Bank has received one year Market Treasury Bills and five year Pakistan Investment Bonds at a purchase price of Rs.902.567 million in settlement of the Term Finance Certificates of Faisalabad Electric Power Company Limited, Gujranwala Electric Power Company Limited and Islamabad Electric Power Company Limited and loan of PASSCO wheat aggregating to Rs.902.625 million (principal of Rs.804.820 million and accrued mark-up of Rs.97.805 million).

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

Name of companies	Rating	Mark-up rate	Repayment	Total book value December 31, 2011	Total book value December 31, 2010
				------ (Rupees in '000) ------	
Arzoo Textile Mills Limited 40,000 (Dec 31, 2010: 40,000) certificates Maturity date: April 15, 2014 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 Elektron Limited 40,000 (Dec 31, 2010: 40,000) certificates Maturity date: March 15, 2015 Chief Executive Officer: Mr. M. Naseem Saigol	'BBB+'	3 months Kibor plus 1%	Quarterly	**200,000**	200,000
Liberty Power Tech Limited 100,000 (Dec 31, 2010: 100,000) certificates Maturity date: March 15, 2015 Chief Executive Officer: Mr. Ashraf Mukati	Unrated	3 months Kibor plus 3%	Quarterly	**531,869**	505,482
				931,869	905,482

11.11 Particulars of investment in associates

Name of companies	Number of units / certificates held December 31, 2011	Number of units / certificates held December 31, 2010	Paid-up value per share	Total book value December 31, 2011	Total book value December 31, 2010
				------ (Rupees in '000) ------	
Ordinary shares - unlisted					
Rozgar Microfinance Bank Limited Chief Executive Officer: Mr. S. Faiq Hussain Percentage holding Nil (December 31, 2010: 33%) Net asset value per share was Rs.5.99 as at December 31, 2010 based on audited financial statements	5,314,286	5,314,286	10	**28,910**	37,200
				28,910	37,200

Break-up value of investment and percentage of holding in associate are Rs.28.910 million and 28.62% respectively (2010: Rs.Nil).

11.11.1 Movement of investment in associate

	December 31, 2011	December 31, 2010
	------ (Rupees in '000) ------	
Cost	**37,200**	-
Share of profit upto December 31, 2011	**1,148**	-
Less: Provision for impairment	**9,438**	-
	(8,290)	-
Closing balance	**28,910**	-

Following information has been summarised based on the un-audited financial statements for the year ended December 31, 2011 of the associate:

	December 31, 2011	December 31, 2010
Total assets	**110,622**	120,093
Total liabilities	**9,636**	27,133
Net assets	**100,986**	92,960
Share of net assets	**28,910**	26,605
Total income	**15,496**	9,714
Net income after tax	**8,026**	(3,696)

11.12 Quality of available-for-sale securities

Securities	December 31, 2011			December 31, 2010			Market values	
	Short-term rating	Long-term rating	Rating by	Short-term rating	Long-term rating	Rating by	December 31, 2011	December 31, 2010
							------ (Rupees in '000) ------	
Market Treasury Bills	**Unrated**	**Unrated**	**-**	Unrated	Unrated	-	**29,711,050**	14,518,749
Pakistan Investment Bonds	**Unrated**	**Unrated**	**-**	Unrated	Unrated	-	**2,543,591**	1,395,290
Listed Ordinary shares								
Agritech Limited	**-**	**D**	**PACRA**	-	D	PACRA	**117,284**	155,261
Allied Bank Limited	**Unrated**	**AA-**	**JCR-VIS**	-	-	-	**1,347**	-
Arif Habib Corporation Limited, a related party	**Unrated**	**Unrated**	**-**	Unrated	Unrated	-	**136,827**	121,395
Askari Bank Limited	**A1+**	**AA**	**PACRA**	A1+	AA	PACRA	**40,684**	65,961
Attock Refinery Limited	**A1+**	**AA**	**PACRA**	-	-	-	**2,691**	-
Azgard Nine Limited	**-**	**D**	**PACRA**	-	-	-	**1,425**	-
D.G. Khan Cement Company Limited	**Unrated**	**Unrated**	**-**	Unrated	Unrated	-	**12,022**	15,990
Engro Corporation Limited	**A1+**	**AA**	**PACRA**	-	-	-	**1,854**	-
Fatima Fertilizer Company Limited	**A1**	**A**	**PACRA**	A1	A	PACRA	**137,520**	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**	**-**	Unrated	Unrated	-	**21,033**	40,256
Hum Network Limited (formerly Eye Television Network Limited)	**A1**	**A**	**PACRA**	A1	A	PACRA	**1,551**	919
Ibrahim Fibres Limited	**A1+**	**AA-**	**PACRA**	A1	A+	PACRA	**4,040**	8,363
Javedan Cement Limited	**Unrated**	**Unrated**	**-**	Unrated	Unrated	-	**248,623**	188,074
Lucky Cement Limited	**Unrated**	**Unrated**	**-**	Unrated	Unrated	-	**14,479**	14,624
MyBank Limited	**-**	**-**	**-**	A2	A-	PACRA	**-**	15,174
MCB Bank Limited	**A1+**	**AA+**	**PACRA**	-	-	-	**2,692**	-
National Bank of Pakistan	**A1+**	**AAA**	**JCR-VIS**	-	-	-	**13,023**	-
Nishat Chunian Power Limited	**-**	**-**	**-**	A1+	AA-	PACRA	**-**	20,130
Nishat Power Limited	**A1+**	**AA-**	**PACRA**	A1+	AA-	PACRA	**5,180**	32,778
Oil and Gas Development Company Limited	**AAA**	**A1+**	**JCR-VIS**	-	-	-	**1,516**	-
Pak Suzuki Motors Company Limited	**Unrated**	**Unrated**	**-**	Unrated	Unrated	-	**6,788**	9,426
Pakistan Oilfields Limited	**Unrated**	**Unrated**	**-**	Unrated	Unrated	-	**8,661**	8,879
Pakistan Petroleum Limited	**-**	**-**	**-**	Unrated	Unrated	-	**-**	2,172
Pakistan State Oil Company Limited	**A1+**	**AA+**	**PACRA**	-	-	-	**13,634**	-
Pakistan Telecommunication	**Unrated**	**Unrated**	**-**	-	-	-	**1,039**	-
Pak Elektron Limited	**A2**	**A-**	**PACRA**	-	-	-	**1,046**	-
SME Leasing Limited	**A3**	**BBB+**	**JCR-VIS**	Unrated	Unrated	-	**3,158**	12,136
Sui Northern Gas Pipe Line Limited	**A1+**	**AA**	**PACRA**	A1+	AA	PACRA	**924**	1,498
Sui Southern Gas Company Limited	**A1+**	**AA-**	**PACRA**	A1+	AA-	PACRA	**253,181**	265,401
Tariq Glass Industries Limited	**Unrated**	**Unrated**	**-**	-	-	-	**43,704**	-
Thatta Cement Company Limited, a related party	**Unrated**	**Unrated**	**-**	Unrated	Unrated	-	**200,992**	132,160
The Bank of Khyber	**-**	**-**	**-**	A2	A-	**JCR-VIS**	**-**	42,570
United Bank Limited	**A1+**	**AA+**	**JCR-VIS**				**3,667**	-
Wateen Telecom Limited	**Unrated**	**Unrated**	**-**	Unrated	Unrated	-	**8,740**	17,773
							1,309,325	1,295,155

	December 31, 2011			December 31, 2010			Market values	
	Short-term rating	Long-term rating	Rating by	Short-term rating	Long-term rating	Rating by	December 31, 2011	December 31, 2010
							------ (Rupees in '000) ------	
Unlisted Ordinary shares								
Arabian Sea Country Club Limited	**Unrated**	**Unrated**	**-**	Unrated	Unrated	-	**1,000**	1,000
Atlas Asset Management Limited	**AM3-**	**AMR**	**PACRA**	-	AM3+	PACRA	**30,000**	30,000
Khushali Bank Limited							**10,000**	-
Rozgar Microfinance Bank Limited	**-**	**-**	**-**	B	BB-	JCR-VIS	**-**	31,827
							41,000	62,827
Mutual fund units - open end								
National Investment Trust Units	**Unrated**	**Unrated**	**-**	-	-	-	**593,923**	301,343
Mutual fund units - closed end								
First Dawood Mutual Fund	**2-Star**	**2-Star**	**PACRA**	2-Star	3-Star	PACRA	**-**	663
Golden Arrow Selected Stocks Fund Limited	**2-Star**	**2-Star**	**JCR-VIS**	-	-	-	**54,200**	-
Term Finance Certificates - listed								
Allied Bank Limited	**Unrated**	**AA-**	**JCR-VIS**	Unrated	AA-	JCR-VIS	**114,902**	112,901
Invest Capital Investment Bank Limited (formerly Al-Zamin Leasing Corporation Limited)	**Unrated**	**C**	**JCR-VIS**	-	A-	PACRA	**9,549**	9,548
Askari Bank Limited	**-**	**AA-**	**PACRA**	-	AA-	PACRA	**34,715**	34,169
Azgard Nine Limited	**D**	**D**	**PACRA**	-	A	PACRA	**77,444**	7,040
Bank Alfalah Limited	**Unrated**	**AA-**	**PACRA**	-	AA-	PACRA	**9,942**	9,801
Bank Al-Habib Limited	**Unrated**	**AA**	**PACRA**	-	AA-	PACRA	**10,503**	15,758
Engro Fertilizers Limited	**Unrated**	**AA**	**PACRA**	Unrated	AA	PACRA	**24,463**	97,902
Escorts Investment Bank Limited	**-**	**BB**	**JCR-VIS**	-	A	PACRA	**5,526**	12,390
IGI Investment Bank Limited	**-**	**-**	**-**	-	A+	PACRA	**-**	7,486
Jahangir Siddiqui & Co. Limited	**Unrated**	**AA**	**PACRA**	-	AA	PACRA	**12,555**	25,073
NIB Bank Limited	**Unrated**	**A+**	**PACRA**	Unrated	A+	PACRA	**124,295**	123,811
Mobilink Pakistan Mobile Communications Limited (Private) Limited	**Unrated**	**A+**	**PACRA**	-	A+	PACRA	**5,006**	8,318
Searle Pakistan Limited	**-**	**-**	**-**	-	A-	PACRA	**-**	1,217
Standard Chartered Bank Pakistan Limited	**-**	**-**	**-**	-	AAA	PACRA	**-**	3,144
Telecard Limited	**Unrated**	**D**	**JCR-VIS**	-	BBB	PACRA	**36,562**	16,934
Trust Investment Bank Limited	**Unrated**	**BBB**	**PACRA**	-	BBB	PACRA	**9,299**	13,789
United Bank Limited	**Unrated**	**AA**	**JCR-VIS**	Unrated	AA	JCR-VIS	**59,540**	73,697
WorldCall Telecom Limited, a related party	**-**	**-**	**-**	-	A	PACRA	**-**	6,172
							534,301	579,150

	December 31, 2011			December 31, 2010			Market values	
	Short-term rating	Long-term rating	Rating by	Short-term rating	Long-term rating	Rating by	December 31, 2011	December 31, 2010
							------ (Rupees in '000) ------	
Term Finance Certificates - unlisted								
Agritech Limited (formerly Pak American Fertilizers Limited)	**Unrated**	**D**	**PACRA**	Unrated	A	PACRA	**374,690**	374,700
Avari Hotels Limited	**Unrated**	**A-**	**JCR-VIS**	-	A-	PACRA	**20,260**	21,229
Bunny's Limited	**Unrated**	**Unrated**	**-**	-	Unrated	PACRA	**25,000**	50,000
Dewan Farooq Spinning Mills Limited	**Unrated**	**Unrated**	**-**	Unrated	Unrated	-	**6,250**	-
Faisalabad Electric Supply Company Limited	**Unrated**	**Unrated**	**-**	Unrated	Unrated	-	**-**	250,001
Flying Board & Paper Products Limited	**Unrated**	**Unrated**	**-**	-	Unrated	PACRA	**25,000**	25,000
Gharibwal Cement Limited	**Unrated**	**D**	**JCR-VIS**	-	Unrated	PACRA	**24,980**	24,980
Grays Leasing Limited	**BB**	**B**	**JCR-VIS**	-	A-	PACRA	**-**	2,000
Gujranwala Electric Power Company Limited	**Unrated**	**Unrated**	**-**	Unrated	Unrated	-	**-**	249,998
Islamabad Electric Supply Company Limited	**Unrated**	**Unrated**	**-**	Unrated	Unrated	-	**-**	250,001
New Khan Transport (Private) Company Limited	**Unrated**	**Unrated**	**-**	-	Unrated	PACRA	**2,914**	5,038
Orix Leasing Pakistan Limited	**Unrated**	**AA+**	**PACRA**	-	AA	PACRA	**5,029**	8,333
Security Leasing Corporation Limited	**Unrated**	**Unrated**	**-**	-	Unrated	PACRA	**1,538**	3,125
Trakker (Private) Limited	**Unrated**	**A**	**PACRA**	-	A	PACRA	**-**	2,500
							485,661	1,266,905
Sukuk Bonds								
Arzoo Textile Mills Limited	**Unrated**	**Unrated**	**-**	Unrated	Unrated	-	**200,000**	200,000
Liberty Power Tech Limited	**Unrated**	**AA**	**PACRA**	Unrated	AA-	PACRA	**531,869**	505,482
Pak Elektron Limited	**A2**	**A-**	**PACRA**	Unrated	A	PACRA	**182,932**	192,079
							914,801	897,561
				Total			**36,187,852**	20,316,980

	Note	December 31, 2011	December 31, 2010
		------ (Rupees in '000) ------	

11.13 Particulars of provision

	Note	December 31, 2011	December 31, 2010
Opening balance		**400,060**	611,872
Provision against investments of subsidiary at the date of acquisition		**597,647**	-
Charge for the period		**115,658**	293,055
Reversal during the period		**(252,309)**	-
		(136,651)	293,055
Reversal of provisions on disposal		**-**	(504,867)
Closing balance	11.14	**861,056**	400,060

11.14 Particulars of provision in respect of type and segment

	December 31, 2011	December 31, 2010
Available-for-sale securities		
Ordinary shares of listed companies	**285,175**	204,332
Ordinary shares of unlisted companies	**4,210**	3,210
Mutual Fund units	**337,527**	-
Term Finance Certificates - unlisted	**84,144**	42,518
Sukuk Bonds	**150,000**	150,000
	861,056	400,060

11.15 (Deficit) / surplus on revaluation of held-for-trading securities

	December 31, 2011	December 31, 2010
Fauji Fertilizer Company Limited	**-**	115
D.G. Khan Cement Company Limited	**(419)**	-
Engro Fertilizers Limited	**(538)**	-
National Bank of Pakistan	**(2,673)**	681
Pakistan State Oil Company Limited	**(1,284)**	-
Pakistan Oilfields Limited	**-**	34
Pakistan Petroleum Limited	**-**	44
United Bank Limited	**(423)**	-
	(5,337)	874

12. ADVANCES

	Note	December 31, 2011	December 31, 2010
Loans, cash credits, running finances, etc. - in Pakistan			
In Pakistan		**65,058,030**	43,146,862
Outside Pakistan		**-**	9,676
Net investment in finance lease - in Pakistan	12.2	**372,747**	565,910
Bills discounted and purchased (excluding Treasury Bills)			
Payable in Pakistan		**2,208,614**	667,911
Payable outside Pakistan		**741,682**	86,998
		2,950,296	754,909
Advances - gross		**68,381,073**	44,477,357
Provision against non-performing advances	12.3.1	**(11,068,103)**	(5,723,944)
Advances - net of provision		**57,312,970**	38,753,413

		December 31, 2011	December 31, 2010
		------ (Rupees in '000) ------	
12.1	**Particulars of advances**		
12.1.1	In local currency	**67,504,081**	44,352,446
	In foreign currencies	**876,992**	124,911
		68,381,073	44,477,357
12.1.2	Short-term (upto one year)	**58,625,970**	36,744,230
	Long-term (over one year)	**9,755,103**	7,733,127
		68,381,073	44,477,357

12.2 Net investment in finance lease

	December 31, 2011				December 31, 2010			
	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	**118,440**	**235,962**	**-**	**354,402**	231,963	300,519	-	532,482
Residual value	**69,004**	**15,492**	**-**	**84,496**	102,414	49,921	-	152,335
Minimum lease payments	**187,444**	**251,454**	**-**	**438,898**	334,377	350,440	-	684,817
Financial charges for future periods	**(13,243)**	**(52,908)**	**-**	**(66,151)**	(51,572)	(67,335)	-	(118,907)
Present value of minimum lease payments	**174,201**	**198,546**	**-**	**372,747**	282,805	283,105	-	565,910

12.3 Advances include Rs.22,417.723 million (December 31, 2010: Rs.11,394.074 million) which have been placed under non-performing status as detailed below:

Category of classification	December 31, 2011			December 31, 2010		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
	(Rupees in '000)					
Substandard	**1,974,120**	**289,543**	**289,543**	2,078,978	348,060	348,060
Doubtful	**3,986,610**	**753,786**	**753,786**	1,811,271	598,314	598,314
Loss	**16,456,993**	**10,023,541**	**10,023,541**	7,503,825	4,773,140	4,773,140
	22,417,723	**11,066,870**	**11,066,870**	11,394,074	5,719,514	5,719,514

12.3.1 Particulars of provision against non-performing advances

	December 31, 2011			December 31, 2010		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	**5,719,514**	**4,430**	**5,723,944**	3,788,679	1,562	3,790,241
Provision against non-performing advances of subsidiary at the date of acquisition	**4,923,513**	**570**	**4,924,083**	-	-	-
Charge for the period	**2,702,338**	**-**	**2,702,338**	2,676,156	4,023	2,680,179
Reversals	**(2,205,802)**	**(3,767)**	**(2,209,569)**	(741,557)	(1,155)	(742,712)
	496,536	**(3,767)**	**492,769**	1,934,599	2,868	1,937,467
Transferred to:						
- other assets	**-**	**-**	**-**	(2,218)	-	(2,218)
- capital reserve	**-**	**-**	**-**	7,550	-	7,550
	-	**-**	**-**	5,332	-	5,332
Amount written off	**(72,693)**	**-**	**(72,693)**	(9,096)	-	(9,096)
Closing balance	**11,066,870**	**1,233**	**11,068,103**	5,719,514	4,430	5,723,944

12.3.2 Particulars of provision against non-performing advances

	December 31, 2011			December 31, 2010		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	**11,066,870**	**1,233**	**11,068,103**	5,719,514	4,430	5,723,944
In foreign currencies	**-**	**-**	**-**	-	-	-
	11,066,870	**1,233**	**11,068,103**	5,719,514	4,430	5,723,944

12.3.3 Consistent with prior years, the Group has availed the benefit of Forced Sale Value (FSV) and exemptions of pledged stocks, mortgaged residential and commercial properties (land and building only) held as collateral against the non-performing advances (excluding consumer housing finance portfolio). Had this benefit of FSV not been taken by the Group, the specific provision against non-performing advances would have been higher by Rs.8,653 million (December 31, 2010: Rs.2,252 million). Further, the Group has availed the benefit of certain exemption from Prudential Regulation requiring provision against non performing loans which are given by the State Bank of Pakistan. The aggregate amount of such benefit amounted to Rs.74.328 million as at year end.

The FSV and exemptions benefits recognised will not be available for the distribution of cash and stock dividend to shareholders.

	Note	December 31, 2011	December 31, 2010
12.4 Particulars of write offs		(Rupees in '000)	
12.4.1 Against provisions		**72,693**	9,096
Directly charged to profit and loss account		**2,253**	-
		74,946	9,096
12.4.2 Write offs of Rs.500,000 and above		**71,348**	8,865
Write offs of below Rs.500,000		**3,598**	231
		74,946	9,096

12.5 Details of write off of Rs.500,000 and above

In terms of sub-section 3 of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written off loans or any other financial relief of Rs.500,000 or above allowed to persons during the year ended December 31, 2011 is given in Annexure I.

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

		December 31, 2011	December 31, 2010
		------ (Rupees in '000) ------	
Debts due by directors, executives or officers of the Group or any of them either severally or jointly with any other persons			
Balance at beginning of the period		**447,849**	733,853
Loans granted during the period		**869,513**	234,270
Repayments during the period		**(237,864)**	(520,274)
Balance at end of the period		**1,079,498**	447,849
Debts due by companies or firms in which the directors of the Group are interested as directors, partners or in the case of private companies as members			
Balance at beginning of the period		**41,699**	1,554,489
Loans granted during the period		**216,709**	3,243,987
Repayments during the period		**(246,260)**	(4,756,777)
Balance at end of the period		**12,148**	41,699
		1,091,646	489,548

13. OPERATING FIXED ASSETS

		December 31, 2011	December 31, 2010
Capital work-in-progress	13.1	**305,076**	261,789
Property and equipment - own use	13.2	**5,366,901**	2,360,135
Property and equipment - operating lease	13.3	**-**	33
Intangible assets	13.4	**278,648**	159,986
		5,950,625	2,781,943

13.1 Capital work-in-progress

	December 31, 2011	December 31, 2010
Civil works	**186,616**	147,990
Advances to suppliers and contractors	**23,150**	18,489
Advances against computer software	**123,165**	123,165
Less: Provision thereagainst	**(27,855)**	(27,855)
	95,310	95,310
	305,076	261,789

13.2 Property and equipment - own use

		December 31, 2011											
		COST					ACCUMULATED DEPRECIATION						
Category of classification	Note	At January 01, 2011	Additions / Assets acquired on amalgamation*	Adjustments arising due to revaluation of assets	(Deletions) / transfers / ** write off) ***	At December 31, 2011	At January 01, 2011	Charge / On assets acquired on amalgamation*	Adjustments arising due to revaluation of assets	(Deletion) / transfers / ** write off) ***	At December 31, 2011	Net book value at December 31, 2011	Rate of deprecia tion
		(Rupees in '000)											%
Leasehold land		261,130	- 722,673 *	389,644	- -	1,373,447	-	- -		- -	-	1,373,447	-
Building on leasehold land		725,230	16,855 1,193,876 *	1,099,676	- -	3,035,637	70,344	91,135 253,524 *	255,008	- -	670,011	2,365,626	5%
Building improvements	13.2.1	826,393	152,734 238,933 *	18,458	(76,217) (36,605) ** (39,308) ***	1,084,388	151,304	88,373 55,864 *	5,249	(21,887) (8,520) ** (10,374) ***	260,009	824,379	10%
Furniture and fixtures	13.2.1	536,559	34,700 104,830 *	-	(35,488) (264,903) ** (1,258) ***	374,440	120,202	40,847 44,840 *	-	(15,437) (63,703) ** (424) ***	126,325	248,115	10% - 15%
Electrical, office and computer equipment	13.2.1	608,753	97,781 358,650 *	-	(56,083) 300,089 ** (1,029) ***	1,308,161	293,307	232,633 217,021 *	-	(23,946) 73,684 ** (556) ***	792,143	516,018	20% - 30%
Vehicles		78,894	9,248 117,705 *	-	(69,071) 2 **	136,778	41,667	21,049 80,590 *	-	(43,831) (2,013) **	97,462	39,316	20%
December 31, 2011		3,036,959	311,318 2,736,667 *	1,507,778	(236,859) (1,417) ** (41,595) ***	7,312,851	676,824	474,037 651,839 *	260,257	(105,101) (552) ** (11,354) ***	1,945,950	5,366,901	

** Transfers include transfer to intangible assets.

13.2.1 Included in cost of property and equipment are fully depreciated items still in use amounting to Rs.321 million (December 31, 2010: Rs.14.408 million).

13.2.2 Revaluation of properties

During the year, on December 31, 2011, the properties of the Group were revalued by independent professional valuers. The revaluation was carried out by M/s. Sadruddin Associates on the basis of professional assessment of present market values and resulted in a surplus of Rs.1,247 million. Had there been no revaluation, the carrying amount of revalued assets as at December 31, 2011 would have been as follows:

	December 31, 2011 Rs. in 000
Leasehold land	983,803
Buildings on leasehold land	1,503,347
Buildings improvements	806,891

	December 31, 2010							
	COST			**ACCUMULATED DEPRECIATION**				
Category of classification	**At January 01, 2010**	**Additions / (deletions) / transfers* / write off**)**	**At December 31, 2010**	**At January 01, 2010**	**For the period / (on deletion / transfers* / write off**)**	**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	610,663	114,567	725,230	39,620	30,724	70,344	654,886	5%
Building improvements	692,367	134,078 (52) *	826,393	85,358	65,998 (52) *	151,304	675,089	10%
Furniture and fixtures	512,715	30,022 (3,005) (1,139) * (2,034) **	536,559	77,782	44,628 (461) (1,139) * (608) **	120,202	416,357	10% - 15%
Electrical, office and computer equipment	501,943	113,038 (2,898) (3,123) **	608,960	196,234	101,529 (2,135) (2,115) **	293,513	315,447	20% - 30%
Vehicles	99,239	8,674 (28,986) (33) *	78,894	41,741	12,488 (12,529) (33) *	41,667	37,227	20%
Others	185,856	(181,847) (4,009)	-	12,390	17,037 (29,427)	-	-	10%
December 31, 2010	2,863,913	218,532 (38,898) (1,224) * (5,157) **	3,037,166	453,125	272,404 (44,552) (1,224) * (2,723) **	677,030	2,360,136	

13.2.3 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	9,794	5,548	4,246	1,877	Negotiation	Various
Building renovations	10,227	2,629	7,598	3,130	Negotiation	The Bank of Khyber, Peshawar
Building renovations	47,828	12,036	35,792	35,835	Negotiation	Sindh Bank Limited, Karachi
Building renovations	8,368	1,674	6,694	665	Negotiation	Mr. Shamsuddin, Sukkur
Furniture and fixtures						
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	35,488	15,436	20,052	15,265	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	27,713	15,609	12,104	11,814	Negotiation	Various
Generators	15,977	4,543	11,434	8,251	Negotiation	Generation's School, Karachi
Generators	6,448	2,190	4,258	4,242	Negotiation	Sindh Bank Limited, Karachi
PABX system	2,450	429	2,021	1,996	Negotiation	Sindh Bank Limited, Karachi
Lift	2,340	625	1,715	500	Negotiation	Mr. Sh. Amjad & Sh. Mubashir, Karachi
Switch	1,155	550	605	578	Negotiation	Sindh Bank Limited, Karachi
Vehicles						
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	61,175	41,172	20,003	28,710	Bank's policy	Various employees
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	2,034	2,034	-	1,593	Negotiation	Various
Toyota Corolla 2-OD	1,812	242	1,570	1,720	Stolen	Insurance Claim
Toyota Corolla	1,350	203	1,147	1,148	Bank's policy	Qurban Ali, Employee
Toyota Corolla	1,350	90	1,260	1,148	Bank's policy	Syed Imran Hashmi, Employee
Toyota Corolla	1,350	90	1,260	1,148	Bank's policy	Syed Muhammad Azeem, Employee
	236,859	105,100	131,759	119,620		
Details of write offs *						
Building improvements	39,308	10,374	28,934	-	Written off	
Furniture and fixtures	1,258	424	834	-	Written off	
Electrical, office and computer equipment	1,029	556	473	-	Written off	
	41,595	11,354	30,241	-		

* To achieve synergies due to acquisition of MyBank Limited, the Bank closed down certain branches located in near vicinity and, accordingly, the assets therein were written off.

13.3 Property and equipment - operating lease

Category of classification	COST: At January 01, 2011	COST: Addition / (Written off)	COST: At December 31, 2011	ACCUMULATED DEPRECIATION: At January 01, 2011	ACCUMULATED DEPRECIATION: For the period / (Written off)	ACCUMULATED DEPRECIATION: At December 31, 2011	Net book value at December 31, 2011	Rate of depreciation
December 31, 2011								
	(Rupees in '000)							%
Computer and allied equipment	158	- (158)	-	125	33 (158)	-	-	30
December 31, 2011	158	- (158)	-	125	33 (158)	-	-	

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

13.4 Intangible assets

Category of classification	COST: At January 01, 2010	COST: Additions / transfer/ * write off assets *** acquired on amalgamation **	COST: At December 31, 2011	ACCUMULATED AMORTISATION: At January 01, 2011	ACCUMULATED AMORTISATION: For the period / transfer / * on assets acquired on amalgamation **	ACCUMULATED AMORTISATION: At December 31, 2011	Net book value at December 31, 2011	Rate of amortisation
December 31, 2011								
	(Rupees in '000)							%
Computer software	256,021	11,501 621 * 117,500 ** (509)***	385,134	137,663	62,584 334 * 44,787 ** (400)	244,968	140,166	20 - 30
Website cost	150	- (150)***	-	120	30 (150)	-	-	
Rooms and cards	41,598	12,253	53,851	-	-	-	53,851	
Goodwill	-	84,631	84,631	-	-	-	84,631	
December 31, 2011	297,769	108,385 621 * (659)*** 117,500 **	523,616	137,783	62,614 334 * (550)*** 44,787 **	244,968	278,648	

Category of classification	COST: At January 01, 2010	COST: Additions	COST: At December 31, 2010	ACCUMULATED AMORTISATION: At January 01, 2010	ACCUMULATED AMORTISATION: For the period / (on deletion)	ACCUMULATED AMORTISATION: At December 31, 2010	Net book value at December 31, 2010	Rate of amortisation
December 31, 2010								
	(Rupees in '000)							%
Computer software	235,825	20,196	256,021	90,045	47,618	137,663	118,358	20 - 30
Website cost	150	-	150	100	20	120	30	30
Rooms and cards	41,598	-	41,598	-	-	-	41,598	
December 31, 2010	277,573	20,196	297,769	90,145	47,638	137,783	159,986	

14. DEFERRED TAX ASSETS - net

	Note	December 31, 2011	December 31, 2010
		------ (Rupees in '000) ------	
Deferred debits arising in respect of:			
Deficit on revaluation of available for sale securities		**77,644**	119,766
Provision against non performing loans	14.1	**2,033,314**	774,769
Provision for gratuity		**36,918**	15,437
Provision for compensated absences		**42,994**	8,426
Provision against other assets		**53,478**	-
Unused tax losses		**4,074,406**	2,460,340
Provision for impairment losses		**301,370**	90,663
Net investment in lease finance		**-**	4,738
Unrealised loss on revaluation of investments - held-for-trading		**1,868**	-
Minimum tax		**-**	102,356
		6,621,992	3,576,495
Deferred credits arising in respect of:			
Surplus on revaluation of fixed assets		**(298,599)**	-
Difference between accounting and tax written down values		**(428,998)**	(356,470)
Unrealised gain on revaluation of investments - held-for-trading		**-**	(153)
Deferred cost		**-**	(1,629)
		(727,597)	(358,252)
	14.2	**5,894,395**	3,218,243

14.1 As at December 31, 2011, the Group has a deferred tax asset on provision against non performing loans amounting to Rs.2,935.545 (December 31, 2010: Rs.1,172.563) million. However, the management has recognised the above benefit only to the extent of Rs.2,033.314 million based on the absorption / admissibility of the provision against non-performing loans under the relevant tax laws during the forecast period (see note 14.2 below).

14.2 The Group has an aggregate amount of deferred tax asset of Rs.5,894.395 million which represents management's best estimate of the probable benefits expected to be realised in future years in the form of reduced tax liability as the Group would be able to set off the profits earned in those years against losses carried forward and other taxable temporary differences relating to prior years. The management of the Group has prepared a seven year business plan which has been approved by the Board of Directors of the Bank. The business plan involves certain key assumptions underlying the estimation of future taxable profits projected in the plan. The determination of future profits is most sensitive to certain key assumptions such as cost to income ratio of the Group, deposit composition, growth of deposits and advances, investment returns, potential provision against assets, branch expansion plan, etc. Any significant change in the key assumptions may have an effect on the realisation of the deferred tax asset. The management believes that it is probable that the Bank will be able to achieve the profits projected in the business plan and consequently the deferred tax asset will be fully realised in the future.

	Note	December 31, 2011	December 31, 2010
		------ (Rupees in '000) ------	
15. OTHER ASSETS			
Income / mark-up accrued in local currency		**2,046,801**	1,420,628
Income / mark-up accrued in foreign currency		**753**	1,189
Advances, deposits, advance rent and other prepayments	15.1	**632,332**	270,914
Non banking assets acquired in satisfaction of claims	15.2 & 15.3	**2,553,550**	755,288
Advance taxation - net of provision		**398,529**	159,367
Receivable from brokers - secured		**-**	40,002
Receivable from Arif Habib Investments Limited, a related party		**11**	11
Receivable from Suroor Investments Limited, the parent company	15.4	**27,000**	-
Deferred costs	15.5	**-**	4,974
Stationery and stamps on hand		**10,737**	1,628
Receivable against sale of property and equipment		**16,327**	-
Commission receivable on guarantee		**9,880**	14,995
Receivable from other banks against clearing and settlement		**68,843**	9,869
Others		**234,358**	324,990
		5,999,121	3,003,855
Less: Provision held against other assets	15.6	**(240,825)**	(227,704)
		5,758,296	2,776,151

15.1 This includes an amount of Rs.34.430 (December 31, 2010: Rs.34.430) million in respect of consideration deposited in Banking Court for purchase of land and building of British Biscuits Company (Private) Limited (Judgment Debtor), 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 the order on December 01, 2008 and directed the Judgment Debtor to deposit the decreed money in the Court within 90 days failing which the sale of land would be confirmed in favour of the Group. The Judgment Debtor failed to deposit the amount as directed by Court and, hence, the sale of property stands confirmed.

	2011	2010
15.2 Market value of non banking assets acquired in satisfaction of claims	**3,106,776**	779,603

15.3 During the year 2009, the Group acquired properties as consideration from a borrower against the loans and advances amounting to Rs.976 million and incurred transfer cost of Rs.86 million thereon. The said borrower had an option to re-purchase such properties within two years, which expired during the year. However, the said borrower has filed a suit before the Honorable High Court of Sindh and the Court has issued an order restraining creation of any third party charge against such properties till the disposal of the case.

15.4 This represents amount receivable in respect of sale of 5.4 million Ordinary shares of MyBank Limited, held by the Bank.

15.5 Deferred costs - net

	2011	2010
Opening balance	**4,974**	13,344
Amortised during the period	**(4,974)**	(8,370)
Closing balance	**-**	4,974

	Note	December 31, 2011	December 31, 2010
		------ (Rupees in '000) ------	
15.6 Provision held against other assets			
Opening balance		**227,704**	230,715
Provision against other assets of subsidiary at the date of acquisition		**7,656**	-
Charge for the period		**14,342**	-
Reversals		**(8,877)**	(5,229)
Transfers		**-**	2,218
		240,825	227,704
16. BILLS PAYABLE			
In Pakistan		**900,750**	357,293
Outside Pakistan		**-**	-
		900,750	357,293
17. BORROWINGS			
In Pakistan		**18,522,959**	5,257,007
Outside Pakistan		**39,657**	236
		18,562,616	5,257,243
17.1 Particulars of borrowings with respect to currencies			
In local currency		**18,522,959**	5,257,007
In foreign currencies		**39,657**	236
		18,562,616	5,257,243
17.2 Details of borrowings secured / unsecured			
Secured			
Borrowings from State Bank of Pakistan	17.3	**4,413,341**	2,697,210
Repurchase agreement borrowings	17.4	**13,909,618**	1,559,797
		18,322,959	4,257,007
Unsecured			
Overdrawn nostro accounts		**39,657**	236
Call borrowings	17.5	**200,000**	1,000,000
		239,657	1,000,236
		18,562,616	5,257,243

17.3 These are secured against promissory notes, export documents and undertakings by the Group granting the right to SBP to recover the outstanding amount from the Group at the date of maturity of the finance by directly debiting the current accounts maintained with the SBP. The mark-up rate on these borrowings ranges from 5.0% to 10.0% (December 31, 2010: 8.5% to 9.5%) per annum, payable quarterly or upon maturity of loans whichever is earlier.

17.4 These represent borrowings from various financial institutions at mark-up rate ranging from 11.62% to 11.90% (December 31, 2010: 13% to 14.25%) per annum, maturing upto January 06, 2012. Market Treasury Bills amounting to Rs.13,937 million (December 31, 2010: Rs.1,870 million) have been given as collateral against these borrowings (see note 10).

17.5 These represent borrowings from Banks at mark-up rate of 11.9% (December 31, 2010: Nil) per annum, maturing upto January 03, 2012.

	Note	December 31, 2011	December 31, 2010
		------ (Rupees in '000) ------	
18. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		**34,705,837**	26,651,761
Savings deposits		**24,940,852**	17,393,130
Current accounts - non-remunerative		**13,031,012**	5,879,797
Margin accounts		**1,680,617**	737,640
		74,358,318	50,662,328
Financial institutions			
- Non-remunerative deposits		**70,784**	713,588
- Remunerative deposits		**15,185,636**	10,161,508
		15,256,420	10,875,096
		89,614,738	61,537,424
18.1 Particulars of deposits			
In local currency		**85,634,178**	58,290,561
In foreign currencies		**3,980,560**	3,246,863
		89,614,738	61,537,424
19. SUB-ORDINATED LOAN			
Term Finance Certificate, Unquoted, Unsecured	19.1	**1,500,000**	-

19.1 During the year, in October 2011, the Group issued unquoted Term Finance Certificates which are subordinated as to the payment of principal and profit to all other indebtness of the Group including the deposits. The terms and conditions for the issue are as under:

Mark-up	: Base rate (6 months KIBOR - ask side) plus 325 bps
Issue Date	: October 27, 2011
Rating	: A
Tenor	: 7 years
Redemption	: 0.30 % of the issued amount in the first 78 months and the remaining 99.70 % of the issued amount in the 84th month
Maturity	: October 26, 2018

20. OTHER LIABILITIES

	Note	December 31, 2011	December 31, 2010
		------ (Rupees in '000) ------	
Mark-up / return / interest payable in local currency		**2,153,453**	1,127,951
Mark-up / return / interest payable in foreign currency		**5,881**	7,419
Payable to Bangladesh Bank	20.1	**41,389**	41,389
Payable to Rupali Bank - Bangladesh, a related party	20.2	**16,293**	16,292
Payable to brokers against purchase of shares		**1,071**	287
Payable to brokerage house clients		**-**	48,666
Payable to vendors / creditors		**128,837**	39,791
Provision for compensated absences		**124,913**	57,238
Payable to Bank of Ceylon, Colombo		**20,163**	20,163
Retention money		**7,228**	1,610
Branch adjustment account		**-**	3,723
Security deposits		**91,557**	154,171
Accrued expenses		**91,028**	81,377
Unrealised loss on forward exchange contracts		**7,483**	5,108
Payable to defined benefit scheme (unfunded)	36	**103,682**	41,001
Payable to defined benefit plan (funded)		**-**	9,422
Withholding taxes and government levies payable		**2,798**	5,454
Payable to other banks against clearing and settlement		**13,695**	531
Unclaimed dividend		**2,213**	800
Unearned income	20.3	**58,488**	31,316
Others		**68,122**	37,967
		2,938,294	1,731,676

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

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

20.3 This represents unearned income mainly pertaining to local and foreign bills discounting.

21. SHARE CAPITAL

21.1 Authorised capital

December 31, 2011	December 31, 2010		December 31, 2011	December 31, 2010
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

21.2 Issued, subscribed and paid-up capital

December 31, 2011	December 31, 2010		December 31, 2011	December 31, 2010
Number of Shares		**Ordinary shares**	------ (Rupees in '000) ------	
573,513,200	428,500,000	Fully paid in cash	**5,735,132**	4,285,000
454,466,382	246,565,982	Issued for consideration other than cash	**4,544,664**	2,465,660
50,000,000	50,000,000	Issued as bonus shares	**500,000**	500,000
1,077,979,582	725,065,982		**10,779,796**	7,250,660

21.3 As at December 31, 2011, Suroor Investments Limited (SIL), parent company, and Rupali Bank Limited, Bangladesh, a related party held 553,569,293 (51.35%) and 32,777,450 (3.04%) [December 31, 2010: 428,228,566 (59.06%) and 32,777,450 (4.52%)] Ordinary shares in the Group, respectively.

22. RESERVES

	Note	December 31, 2011	December 31, 2010
		------ (Rupees in '000) ------	
Share premium		**1,000,000**	1,000,000
Statutory reserve		**64,828**	64,828
Discount on issue of shares		**(1,297,298)**	-
Reserve arising on amalgamation		**(1,319,474)**	(2,399,878)
		(1,551,944)	(1,335,050)

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

	Note	December 31, 2011	December 31, 2010
Surplus / (deficit) arising on revaluation of assets - net of tax:			
Operating fixed assets	23.1	**944,186**	-
Available-for-sale securities	23.2	**(223,106)**	(220,764)
		721,080	(220,764)

23.1 Surplus on revaluation of operating fixed assets

	December 31, 2011	December 31, 2010
Balance as at January 1	**-**	-
Addition during the year	**1,247,521**	
Transferred to unappropriated profit in respect of		
- Incremental depreciation - net of deferred tax	**(3,078)**	-
- Related deferred tax liability	**(1,658)**	-
	(4,736)	-
	1,242,785	-
Less: Related deferred tax liability on:		
- Revaluation as at January 1	**-**	-
- Revaluation carried out during the year	**(300,257)**	-
- Incremental depreciation	**1,658**	-
	(298,599)	-
	944,186	-

23.2 Surplus on revaluation of available-for-sale securities

	December 31, 2011	December 31, 2010
Federal Government Securities		
Market Treasury Bills	**(7,450)**	(119,540)
Pakistan Investment Bonds	**(39,269)**	(58,833)
Fully paid-up shares / units		
Listed companies shares	**(24,630)**	(9,212)
Open end mutual fund units	**(60,981)**	1,441
Term Finance Certificates and Bonds		
Term finance certificates	**(151,352)**	(154,386)
Sukuks	**(17,068)**	-
Total deficit on revaluation of securities	**(300,750)**	(340,530)
Related deferred tax asset	**77,644**	119,766
	(223,106)	(220,764)

24. CONTINGENCIES AND COMMITMENTS

	December 31, 2011	December 31, 2010
	------ (Rupees in '000) ------	
24.1 Direct credit substitutes		
Including guarantees and standby letters of credit serving as financial guarantees for loans and securities		
Government	**668,995**	459,226
Financial institutions	**400,000**	200,000
Others	**287,984**	755,255
	1,356,978	1,414,481
24.2 Transaction-related contingent liabilities / commitments / guarantees issued favouring		
Contingent liability in respect of performance bonds, bid bonds, shipping guarantees and standby letters of credit favouring:		
Government	**8,675,547**	9,584,994
Banking companies and other financial institutions	**4,290**	9,596
Others	**1,083,354**	1,936,848
	9,763,192	11,531,438
24.3 Trade-related contingent liabilities		
Letters of credit	**6,996,529**	2,380,207
Acceptances	**1,534,857**	185,534
	8,531,386	2,565,741
24.4 Other contingencies - claims against Bank not acknowledged as debts	**2,773,833**	2,568,716

24.5 Contingent asset

There was no contingent asset as at December 31, 2011 (December 31, 2010: Nil).

	December 31, 2011	December 31, 2010
24.6 Commitments in respect of forward lending		
Forward documentary bills	**2,462,779**	831,457
Commitments to extend credit	**11,381,725**	7,725,738
	13,844,504	8,557,195
24.7 Commitments in respect of forward exchange contracts		
Purchase	**5,487,145**	1,755,845
Sale	**4,214,578**	591,844
	9,701,723	2,347,689
24.8 Commitments for capital expenditure		
Civil works (at branches)	**24,920**	66,047
24.9 Commitments in respect of purchase of rupee traveller cheques	**1,210**	3,520

24.10 The tax authorities initiated proceedings under section 122(5A) of the Income Tax ordinance, 2001 for the tax years 2008 and 2009 and have passed amended assessment order, in which certain disallowances were made having a tax impact of Rs.3.65 million. SCPL has filed an appeal before the Appellate Tribunal, after it has been dismissed by the Commissioner Inland Revenue (Appeals) against the amended order. The management and the tax adviser of SCPL expect a favourable outcome of the appeal, hence, no provision in this regard has been made in these financial statements.

24.11 For further tax-related contingencies, refer notes 32.2 to 32.6.

24.12 Other Contingencies

In the year 2004, forward sale of Pakistan Investment Bonds (PIB's) with face value of Rs.250 million was entered into with Speedway Fondmetall (Private) Limited (Speedway). The deal was not honoured by Speedway on the due date and the contract was rolled over subject to receipt of Rs.6 million and mortgage of properties. Consequent upon the failure by Speedway to honour the terms of the contract, the Group served a final notice intimating to settle the deal within stipulated time otherwise the Group would liquidate the deal, and claim the loss on deal by taking legal recourse. In response, Speedway filed a suit against the Group and obtained stay order from Honorable High Court of Sindh (the Court) against the sale of PIB's which was vacated by the Court during the year 2005.

The Group started proceedings during the financial year 2006 to recover the loss on the deal by disposing off the mortgaged properties. However, Speedway filed another suit and obtained stay order from the Court against the sale of the properties mortgaged with the Group, which was also dismissed as withdrawn by Speedway. Speedway filed third suit in the Banking Court No.2 against publication by which the mortgage properties were put to sale. The Group has also filed recovery suit against Speedway in the Court. Subsequently, the Group moved an application for transfer of the suit filed by Speedway in Banking Court No. 2 to the Court, so that the two suits are heard together in the apex Court.

During the financial year 2007, the Court passed a decree in Group's favour for Rs.25.697 million with mark-up at the rate of 20 percent per annum from the date of filing of the suit till its realisation. The Group has filed an execution application in the Court. In this regard, provision of Rs.10.915 million has been kept in the consolidated financial statements as a matter of prudence against the claim receivable.

	December 31, 2011	December 31, 2010
	------ (Rupees in '000) ------	
25. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to:		
Customers	**6,746,641**	5,209,616
Financial institutions	**-**	82,672
On investments in:		
Available-for-sale securities	**2,640,003**	1,692,392
Held-to-maturity securities	**80,649**	-
On lendings to financial institutions	**50,991**	83,833
On deposits with financial institutions	**10,784**	439
	9,529,068	7,068,952

	December 31, 2011	December 31, 2010
26. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits and other accounts	**7,575,838**	5,424,152
Securities sold under repurchase agreements	**890,667**	330,478
Long term borrowings	**-**	884
Other short-term borrowings	**363,988**	256,851
Sub-ordinated loan	**47,624**	-
Swap cost on foreign currency transactions	**142,878**	88,467
	9,020,995	6,100,832

27. (LOSS) / GAIN ON SALE OF SECURITIES - net

	Note	December 31, 2011	December 31, 2010
		------ (Rupees in '000) ------	
Federal Government Securities			
- Market Treasury Bills		**92,995**	1,567
- Pakistan Investment Bonds		**9,283**	404
- Ijarah Sukuk Bonds		**(219)**	-
Listed Ordinary shares		**40,268**	138,039
Mutual Funds units / certificates		**(204,083)**	110,419
Term Finance Certificates		**13,784**	4,101
		(47,972)	254,530

28. OTHER INCOME

	Note	December 31, 2011	December 31, 2010
Bad debts recovered		**4,937**	2,219
Gain on disposal of operating fixed assets		**-**	975
Share of profit of an associate		**1,148**	-
Income on ATM charges		**10,379**	7,338
Income on cheque return charges		**8,575**	2,073
Income on cheque book charges		**5,876**	1,827
Others	28.1	**75,743**	34,483
		106,658	48,915

28.1 This includes income from various general banking services such as cheque handling charges, rent of lockers, late payment charges, penalty on overdue installments, etc.

29. ADMINISTRATIVE EXPENSES

	Note	December 31, 2011	December 31, 2010
		------ (Rupees in '000) ------	
Salaries, allowances, etc.		**1,409,034**	1,235,319
Charge for defined benefit plan - gratuity	36.1.3	**45,524**	26,164
Contribution to defined contribution scheme	36	**42,681**	49,141
Non-executive directors' fees, allowances and other expenses		**675**	355
Brokerage and commission		**7,365**	51,880
Rent, taxes, insurance and electricity, etc.		**750,028**	562,972
Legal and professional		**103,714**	61,882
Fees and subscription		**135,487**	29,145
Repairs and maintenance		**104,189**	157,613
Communications		**124,071**	98,709
Stationery and printing		**62,071**	32,071
Advertisement and publicity		**186,550**	22,182
Travelling and conveyance		**121,364**	28,058
Education and training		**835**	2,449
Entertainment		**23,024**	17,936
Security services and charges		**92,121**	50,145
Donation		**-**	2,500
Auditors' remuneration	29.1	**8,194**	6,619
Depreciation	13.2 & 13.3	**474,066**	271,969
Amortisation	13.4 & 15.5	**67,468**	56,008
Loss on disposal of operating fixed assets		**12,139**	-
Others		**85,090**	27,517
		3,855,690	2,790,634

	Note	December 31, 2011	December 31, 2010
		------ (Rupees in '000) ------	
29.1 Auditors' remuneration			
Audit fee		**2,957**	2,950
Certifications, special audit, half yearly review and sundry advisory services		**4,975**	1,840
Tax services		**-**	1,148
Out of pocket expenses		**262**	681
		8,194	6,619

30. OTHER PROVISIONS / WRITE OFFS

Fixed assets written off		**31,047**	2,362
Provision for impairment of intangible		**-**	100,000
Provision / (reversal of provision) against			
- letter of placement		**-**	(25,000)
- other assets		**(3,389)**	(5,229)
Impairment of goodwill		**-**	377,421
		27,658	449,554

31. OTHER CHARGES

Penalties imposed by State Bank of Pakistan		**8,933**	4,724
Bank charges		**10,421**	5,878
		19,354	10,602

32. TAXATION

For the period			
Current		**110,618**	81,325
Deferred		**(1,584,686)**	(938,927)
		(1,474,068)	(857,602)
For prior year		**-**	-
		(1,474,068)	(857,602)

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

32.2 In respect of the assessment years 1997-1998 to 2002-2003 and tax year 2003, the taxation authorities apportioned / allocated administrative and financial charges against exempt income for the said years. The Group 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 Group. However, the department filed an appeal against the said order before the Appellate Tribunal Inland Revenue (ATIR), Karachi which through a Larger Bench disapproved the formula of 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 Group 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 Group 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 consolidated financial statements.

32.3 In respect of the tax assessments of ATBL relating to 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 intangibles and deferred cost. In relation to tax year 2003, the Group filed an appeal before ATIR in respect of disallowances of provision for non-performing advances who confirmed the order of CIR(A) against the Group. Further, the department has filed tax references before the Honourable High Court of Sindh. In respect of tax years 2004, 2005 and 2008 the Group has filed appeals before CIR(A) in respect of aforesaid issue. In respect of tax year 2004 the CIR(A) has confirmed the order of the officer and the Group 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 Group is confident about the favourable outcome of the appeals and, hence, no adjustment with regard to the above matters has been made in the consolidated financial statements.

32.4 For assessment of MBL in respect of tax years 2006, 2007, 2008 and 2009, the Taxation Officer has amended the deemed assessment under Section 122(5A) of the Income Tax Ordinance, 2001 by making various disallowances, out of which an amount of Rs.230.131 million has not been provided for in the books of account for the reason that the disallowances are based on issues which have already been decided at the higher appellate forums in Group's favour. The Group's appeal contesting the settled issues is awaiting disposal before the CIR(A) except in respect of the tax year 2006 wherein relief allowed on some issues has been remanded back and few disallowances made has been maintained against which second appeal before the ATIR has been preferred. Hence, the disallowances are likely to be decided as per higher appellate forums favouring Group not requiring further tax provision.

32.5 With respect to the assessment of MBL in respect of tax years 2004 and 2005, CIR(A) has maintained the disallowances made by Taxation Officer having an aggregate amount of Rs.29.657 million. No provision has been made against the same for the reason that this relates to settled issues decided in Group's favour by higher appellate forums. The Group has preferred an appeal before the ATIR, where the matter is awaiting hearing.

32.6 With respect to the assessment of MBL for tax year 2003, the Bank filed an appeal against the order of ATIR before the Honourable High Court of Sindh (the Court) in Karachi. The Court, after hearing the case, vacated the order and remanded the case back to the Taxation Officer for re-adjudication of the issues strictly as per law. The Taxation Officer passed a new order ignoring the clear direction of the Court against which the Group has filed an appeal which is presently awaiting hearing before the ATIR. The tax involved in appeal amounts to Rs.36.220 million which relates to a previously settled issue in Group's favour and, hence, no provision has been made on this account.

	Note	December 31, 2011	December 31, 2010
		------ (Rupees in '000) ------	
33. LOSS PER SHARE - BASIC AND DILUTED			
Loss for the period		**(1,374,757)**	(3,032,144)
		------ (Number of shares) ------	
Weighted average number of Ordinary shares		**914,892,005**	541,126,748
		---------- (Rupees) ----------	
Loss per share - Basic and diluted	33.1	**(1.50)**	(5.60)

33.1 Comparative information has been restated due to issuance of right shares during the year.

34. CASH AND CASH EQUIVALENTS

	Note	December 31, 2011	December 31, 2010
		------ (Rupees in '000) ------	
Cash and balances with treasury banks	8	**6,117,998**	4,047,590
Balances with other banks	9	**1,433,614**	375,207
Overdrawn nostro accounts	17.2	**(39,657)**	(236)
		7,511,955	4,422,561

35. STAFF STRENGTH

	2011	2010
	---------- (Number) ----------	
Permanent	**1,336**	987
Contractual basis	**156**	169
Bank's own staff strength at end of the period	**1,492**	1,156
Outsourced	**213**	227
Total staff strength	**1,705**	1,383

36. DEFINED BENEFIT AND CONTRIBUTION SCHEMES

	Note	2011	2010
		------ (Rupees in '000) ------	
Defined benefit scheme (unfunded)	36.1	**103,682**	44,233
Defined benefit plan(funded)	36.2	**758**	3,232
Defined contribution scheme (funded)	36.3	**42,681**	49,141
Compensated absences	36.4	**124,913**	57,238

36.1 Defined benefit scheme

The Bank maintains an unfunded gratuity scheme under which benefits are payable to permanent and contractual 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 for each year of confirmed service, subject to a minimum of five years of service. The actuarial valuation of the unfunded scheme is carried out periodically. Latest actuarial valuation was carried out as at December 31, 2011 using "Projected Unit Credit Method".

Upto December 31, 2010, an approved funded gratuity scheme for all permanent and full time employees in the management cadre was operated by ATBL. Upon amalgamation of the Bank with the ATBL, the said scheme has been terminated and net liability has been included in the unfunded plan of the Group.

Principal actuarial assumptions	December 31, 2011	December 31, 2010
	-------- % per annum --------	
Discount rate	**12.5%**	14%
Expected rate of salary increase	**12.5%**	14%

36.1.1 Reconciliation of liability recognised by the Bank

	December 31, 2011	December 31, 2010
	------ (Rupees in '000) ------	
Present value of defined benefit obligations	**97,644**	38,475
Net actuarial gains or losses not recognised	**5,280**	2,526
	102,924	41,001

	December 31, 2011	December 31, 2010
	------ (Rupees in '000) ------	
36.1.2 Movement in liability recognised by the Bank		
Opening balance	**41,001**	25,121
Net liability of defined benefit plan of ATBL	**21,367**	-
Charge for the year	**44,766**	25,302
Benefits paid during the year	**(4,210)**	(9,422)
Closing balance	**102,924**	41,001
36.1.3 Charge for the year		
Current service cost	**36,269**	21,259
Interest cost	**8,137**	4,043
	44,766	25,302
36.1.4 Movement in present value of defined benefit obligation		
Defined benefit obligation as at beginning of the period	**41,001**	25,121
Net liability of defined benefit plan of ATBL	**21,367**	-
Current service cost	**36,629**	21,259
Interest cost	**8,137**	4,043
Benefits paid during the year	**(4,210)**	(9,422)
Defined benefit obligation as at end of the year	**102,924**	41,001

The expected future charge for defined benefit scheme is Rs.54.542 million (December 31, 2010: Rs.19.335 million) according to actuarial recommendation.

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007
	---------------- (Rupees in '000) ----------------				
36.1.5 Historical information					
Present value of defined benefit obligation	**97,644**	38,475	17,668	15,003	5,561
Experience adjustments - Actuarial (gain) / loss on obligation	**5,280**	2,526	2,096	(596)	(479)

36.2 Gratuity payable - defined benefit plan

36.2.1 General description

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

The cost of providing benefits under each gratuity scheme is determined using the Project Unit Credit method, with actuarial valuation being carried out at balance sheet date. The latest valuation was carried out for the year ended December 31, 2011.

	December 31, 2011	December 31, 2010
	------ (Rupees in '000) ------	
36.2.2 Principal actuarial assumption		
The following principal assumptions were used for the valuation:		
Estimated rate of increase in salary of the employees - percent, per annum (%)	**12.50**	14.00
Expected rate of return on plan assets - percent, per annum (%)	**6.00**	14.00
Discount rate - per annum (%)	**12.50**	14.00
Expected average remaining lives of employees - years	**14**	14
36.2.3 Reconciliation of payable to / (receivable from) defined benefit plan		
Present value of defined benefit obligation	**3,044**	2,518
Fair value of plan assets	**(3,232)**	-
Receivable from Summit Bank Limited - Staff Gratuity Fund	**(3,036)**	(3,036)
Payable to Summit Bank Limited - Staff Gratuity Fund	**4,197**	4,197
Atlas Honda Management Staff Gratuity Fund		
Unrecognised actuarial gain loss	**(215)**	(447)
Liability recognised in balance sheet	**758**	3,232
36.2.4 Movement in payable to defined benefit plan		
Opening balance	**3,232**	2,370
Charge for the year	**(758)**	862
Contributions paid to the fund during the year	**(3,232)**	-
Closing balance	**(758)**	3,232
36.2.5 Expense recognised in the profit and loss account		
Current service cost	**401**	329
Interest cost	**347**	440
Expected return on assets	**-**	-
Amortisation of actuarial loss	**10**	93
	758	862

36.3 Defined contribution scheme

An amount of Rs.41.614 million (December 31, 2010: Rs.47.725 million) has been charged during the year in respect of contributory provident fund maintained by the Group.

36.4 Compensated absences

The Bank maintains a staff compensated scheme under which benefits are payable to permanent and contractual 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 for each year of confirmed service, subject to a minimum of five years of service. The actuarial valuation of the unfunded scheme is carried out periodically. Latest actuarial valuation was carried out as at December 31, 2011 using "Projected Unit Credit Method".

36.4.1 Principal actuarial assumptions

	December 31, 2011	December 31, 2010
	--------------- %	---------------
Discount rate	**12.5%**	14%
Expected rate of salary increase	**12.5%**	14%

36.4.2 Reconciliation of liability recognised by the Bank

	December 31, 2011	December 31, 2010
	------ (Rupees in '000)	------
Present value of defined benefit obligations	**124,913**	57,238

36.4.3 Movement in liability recognised by the Bank

	2011	2010
Opening balance	**57,238**	37,940
Charge for the year	**79,277**	19,695
Benefits paid during the year	**(11,602)**	(397)
Closing balance	**124,913**	57,238

36.4.4 Charge for the year

	2011	2010
Current service cost	**79,277**	19,695

36.4.5 Movement in present value of defined benefit obligation

	2011	2010
Defined benefit obligation as at beginning of the period	**57,238**	37,940
Current service cost	**79,277**	19,695
Benefits paid during the year	**(11,602)**	-
Defined benefit obligation as at end of the year	**124,913**	57,635

37. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	(Rupees in '000)					
Fees	**-**	-	**675**	245	**-**	-
Managerial remuneration	**10,909**	19,027	**-**	-	**216,130**	284,199
Charge for defined contribution plan	**-**	776	**-**	-	**41,727**	27,634
Rent and house maintenance	**4,909**	8,085	**-**	-	**97,872**	62,646
Utilities	**1,091**	1,797	**-**	-	**21,000**	13,340
Dearness allowance	**1,819**	1,819	**-**	-	**35,037**	22,238
Medical	**1,091**	1,091	**-**	-	**21,175**	13,574
Conveyance allowance	**-**	-	**-**	-	**46,802**	76,259
Car allowance	**-**	-	**-**	-	**33,995**	25,380
General / special allowance	**-**	4	**-**	-	**2,013**	129,906
	19,819	32,599	**675**	245	**515,751**	655,176
Number of person(s)	**1**	*2	**2**	2	**286**	321

* Includes remuneration of Ex-Chief Executive of Atlas Bank Limited.

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

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

38. 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 consolidated 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 5.6.

The repricing profile and effective rates and maturity are stated in notes 43.4.4 and 43.5.1 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.

39. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Total
December 31, 2011			(Rupees in '000)			
Total income	**37,890**	**2,838,189**	**1,383,087**	**6,032,117**	**15,816**	**10,307,099**
Total expenses	**11,441**	**1,366,704**	**2,840,201**	**9,055,069**	**18,091**	**13,268,760**
Net income / (loss) before tax	**26,449**	**1,471,485**	**(1,457,114)**	**(3,022,952)**	**(2,275)**	**(2,961,661)**
Segment assets (gross)	**40,084**	**45,873,665**	**14,446,311**	**70,363,384**	**16,732**	**130,740,176**
Segment non performing loans	**-**	**-**	**3,853,938**	**18,563,785**	**-**	**22,417,723**
Segment provision	**-**	**-**	**1,879,687**	**9,188,416**	**-**	**11,068,103**
Segment assets (net)	**40,084**	**45,873,665**	**12,566,624**	**61,174,968**	**16,732**	**119,672,073**
Segment liabilities	**64,206**	**14,712,382**	**40,310,034**	**57,531,492**	**898,284**	**113,516,398**
Segment return on assets (ROA) (%)	**65.98**	**3.21**	**(11.60)**	**(4.94)**	**(13.60)**	
Segment cost of funds (%)	**17.82**	**9.29**	**7.05**	**15.74**	**2.01**	

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Total
December 31, 2010			(Rupees in '000)			
Total income	11,122	1,964,230	2,765,262	2,941,297	10,487	7,692,398
Total expenses	2,716	1,031,394	5,578,157	4,965,740	4,137	11,582,144
Net income / (loss) before tax	8,406	932,836	(2,812,895)	(2,024,443)	6,350	(3,889,746)
Segment assets (gross)	4,651	21,783,725	12,713,495	43,375,142	3,835	77,880,848
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	21,783,725	11,680,815	38,683,878	3,835	72,156,904
Segment liabilities	31,831	2,929,972	27,620,142	37,789,752	511,939	68,883,636
Segment return on assets (ROA) (%)	180.74	4.28	(24.08)	(5.23)	165.58	
Segment cost of funds (%)	8.53	35.20	20.20	13.14	0.81	

40. TRUST ACTIVITIES

The Group is not engaged in any trust activities.

41. RELATED PARTY TRANSACTIONS

The Group has related party transactions with its associates, parent company, subsidiary companies, employee benefit plans and its directors and executive officers (including their associates).

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

	December 31, 2011					December 31, 2010	
	Key management personnel	Directors	Parent company	Subsidiaries	Associates / other related parties	Key management personnel / directors **	Parent company / subsidiaries / associates / other related parties **
	---------- (Rupees in '000) ----------						
Advances							
Balance at beginning of the period *	**66,206**	-	-	-	**41,699**	186,432	1,554,489
Sanctioned / granted during the period	**40,028**	-	-	-	**216,709**	32,618	3,243,987
Payment received during the period	**(14,301)**	-	-	-	**(246,260)**	(74,689)	(4,756,777)
Balance at end of the period	**91,933**	-	-	-	**12,148**	144,361	41,699

* This balance does not include balances of related parties of prior year.

	Key management personnel	Directors	Parent company	Subsidiaries	Associates / other related parties	Key management personnel / directors **	Parent company / subsidiaries / associates / other related parties **
Deposits							
Balance at beginning of the period *	**5,971**	**71,770**	-	-	**204,666**	23,141	1,352,121
Deposits during the period	**287,273**	**280,430**	-	-	**3,390,245**	1,636,297	43,565,641
Withdrawal during the period	**(285,669)**	**(284,532)**	-	-	**(3,547,343)**	(1,570,728)	(44,552,631)
Balance at end of the period	**7,576**	**67,668**	-	-	**47,568**	88,710	365,131

* This balance does not include balances of related parties of prior year.

	Key management personnel	Directors	Parent company	Subsidiaries	Associates / other related parties	Key management personnel / directors **	Parent company / subsidiaries / associates / other related parties **
Investment in shares / TFC's							
Subscription of right shares	-	-	**856,457**	-	-	-	-
Purchase of Investments					**373,899**		
Disposal of investment	-	-	-	-	**312,504**	-	-
Maturity of investment	-	-	-	-	**6,172**	-	-
Guarantees, letters of credits and acceptances	-	-	-	-	**27,934**	-	230,121
Contribution paid to the provident fund	-	-	-	-	**37,664**	-	47,726
Contribution paid to the gratuity fund	-	-	-	-	-	-	11,564
Redemption of mutual fund units	-	-	-	-	-	-	310,991
Other receivable	-	-	**27,000**	-	**11**	-	43,371
Other payable	-	-	-	-	**1,192**	-	4,551
Mark-up payable	**22**	-	-	-	**353**	107	3,510
Mark-up receivable	-	-	-	-	**527**	-	138
Profit / expense for the period							
Brokerage expenses paid - CFS	-	-	-	-	-	-	452
Brokerage expenses paid - equity securities	-	-	-	-	-	-	14
Capital gain / (loss)	-	-	-	-	**16,881**	-	24,787
Dividend income	-	-	-	-	**7,904**	-	9,671
Rent expense	-	-	-	-	-	-	8,100
Mark-up earned	**3,146**	-	-	-	**1,663**	8,153	101,530
Mark-up expensed	**1,292**	**3,213**	-	-	**11,003**	1,537	98,901
Mark-up paid	**1,271**	**3,213**	-	-	**10,650**	1,430	76,862

** Related party transactions / balances of prior year have been taken from the audited consolidated financial statements of the Group for year ended December 31, 2010 as it is not practicable to bifurcate the combined transactions (of the Bank and ATBL) into directors, subsidiaries and parent company.

42 CAPITAL ADEQUACY

42.1 Scope of application

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

42.2 Capital structure

Group's regulatory capital is analysed into two tiers:

Tier I capital, which includes fully issued, subscribed and paid up capital, balance in share premium account, general reserves as per the consolidated 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 III Capital has also been prescribed by the SBP for managing market risk; however the Group does not have any Tier III 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.maintaining acceptable profit margins.

Details of the Group's eligible capital are as follows:

	December 31, 2011	December 31, 2010
	------ (Rupees in '000) ------	
Tier I Capital		
Shareholders equity / assigned capital	**10,779,796**	7,250,660
Share premium	**1,000,000**	1,000,000
Reserves	**(2,551,944)**	(2,335,050)
Accumulated loss	**(3,770,511)**	(2,421,578)
Less: Intangible assets	**(373,958)**	(159,986)
Deficit on revaluation of investments in available-for-sale securities	**-**	(339,637)
Investments in TFCs of other Banks exceeding the prescribed limit	**-**	-
Other deductions (50% of the amount as calculated on CAP 2)	**-**	-
Total Tier I Capital	**5,083,383**	2,994,409
Tier II Capital		
Subordinated debt (upto 50% of total Tier 1 Capital)	**1,500,000**	-
General provisions subject to 1.25% of total risk weighted assets	**1,233**	4,430
Revaluation Reserve (upto 45%)	**324,486**	-
Other deductions (50% of the amount as calculated on CAP 2)	**-**	-
Total Tier II Capital	**1,825,719**	4,430
Eligible Tier III Capital	**-**	-
Total Regulatory Capital Base	**6,909,102**	2,998,839

42.3 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 and Liability Committee (ALCO). ALCO is responsible for managing Group's capital position vis-a-vis internal as well as regulatory requirements. ALCO also reviews the volume and mix of the Group'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.8 billion by the end of financial year 2011. 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's paid-up capital (free of losses) amounted to Rs.5.435 billion as at December 31, 2011 (December 31, 2010: Rs.3.494 billion). However, the Bank has been granted an exemption till December 31, 2011 to meet the minimum capital requirement by the SBP through its letter No. BSD/BAI-3/608/9203/2011 dated July 16, 2011. Through the above referred letter, the SBP has also requested the Group to submit a capital plan for meeting the expected shortfall in MCR/CAR, including specific timelines and milestones.

The Group has injected Rs.1.4 billion capital in the form of right shares during the year. Further, as requested by SBP, the Group has submitted a plan for meeting the shortfall in MCR/CAR to the SBP on December 22, 2011 and has sought further exemption till December, 2012 to meet the MCR / CAR. The response is awaited from the SBP in this regard.

The said plan envisages (a) additional issue of right shares, (b) crash programme for recovery of its classified portfolio and (c) sale of a portion of its credit portfolio. The management of Group is of the view that in light of the three pronged strategy, the Group will be able to meet the capital requirements over an extended period of time.

Further, the SBP through the aforesaid circular has asked the Groups to achieve minimum capital adequacy ratio (CAR) of 10%. The CAR of the Group as at December 31, 2011 is 6.51% (December 31, 2010: 5.35%) of its risk weighted exposures.

	December 31, 2011		December 31, 2010	
	Capital requirements	Risk weighted assets	Capital requirements	Risk weighted assets
	------ (Rupees in '000) ------		------ (Rupees in '000) ------	
Credit risk				
Portfolios subject to standardised approach (Simple or comprehensive)				
Corporate portfolio etc.	**5,279,878**	**52,798,778**	3,286,270	32,862,703
Retail	**438,886**	**4,388,860**	581,506	5,815,057
Financial Institutions	**170,113**	**1,701,134**	17,882	178,823
Others	**1,616,586**	**16,165,859**	765,534	7,655,335
Portfolios subject to Internal Rating Based (IRB) approach				
Corporate	**-**	**-**	-	-
Sovereign	**-**	**-**	-	-
Retail	**-**	**-**	-	-
Securitisation 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				
Standardised approach				
Interest rate risk	**247,322**	**3,091,522**	88,339	1,104,236
Equity position risk etc.	**334,759**	**4,184,482**	273,565	3,419,562
Foreign exchange risk etc.	**30,311**	**378,889**	7,597	94,959
Capital requirement for portfolios subject to Internal models approach				
Interest rate risk	**-**	**-**	-	-
Foreign exchange risk etc.	**-**	**-**	-	-
Operational risk	**435,217**	**5,440,211**	199,400	2,492,500
Capital requirement for operational risks	**8,553,071**	**88,149,735**	5,220,093	53,623,175
Capital Adequacy Ratio				
Total eligible regulatory capital held		**6,909,102**		2,998,839
Total risk weighted assets		**88,149,735**		53,623,175
Capital Adequacy Ratio		**7.84%**		5.59%

43. RISK MANAGEMENT

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

Clearly defined risk management policies and procedures covering all activities of the Group including general banking, trade finance, credit evaluation, credit management, treasury operations, administration and human resources management, compliance functions, risk management, 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 Group.
- The expected payoffs compensate the risks taken by the Group.
- Risk taking decisions are explicit and clear.
- Sufficient capital as buffer is available to mitigate risk.

Risk responsibilities

The Board of Directors is 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 Directors 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 Group Head - Enterprise Risk Management responsible to set-up and implement the Framework of the Group.

Risk management group organisation

A clear management structure has been put in place in the Group, which clusters around three distinct groups namely, the Business Group, the Support Group and the Risk Management Group. The Business Group is responsible for generation and management of the business and 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 Group 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 customised MIS reports.

43.1 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 Group:

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

The Group creates loan loss provisions against non-performing commercial advances in accordance with Prudential Regulations issued by SBP. Please refer note 12.3.1 for reconciliation in loan loss provision.

Concentrations of credit risk (whether on or off statement of financial position) that arise from financial instruments exist for counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be affected in a similar way by changes in economic or other conditions. As part of managing concentration risk, sector risk is managed on a portfolio basis. Please refer to note 43.1.1 for segment reporting.

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

Credit administration tasks include the following:

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

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

43.1.1 Segmental information

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

43.1.1.1 Segments by class of business

	December 31, 2011					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, forestry, hunting and fishing	36,250	0.05	2,808,151	3.13	516,473	1.12
Automobile	1,180,245	1.73	96,162	0.11	235,738	0.51
Carpet	123,043	0.18	28,583	0.03	15,668	0.03
Cement	864,940	1.26	221,548	0.25	567,963	1.23
Chemical and pharmaceutical	3,349,978	4.90	1,855,956	2.07	1,012,209	2.20
Construction / real estate	4,981,840	7.29	2,413,453	2.69	1,060,199	2.30
Consumer / Individuals / Staff	5,289,512	7.74	38,517,519	42.98	2,911,695	6.33
Dairy and poultry	41,506	0.06	706,364	0.79	182,777	0.40
Education	378,678	0.55	799,054	0.89	207,394	0.45
Electric and electrical goods	1,290,142	1.89	59,122	0.07	1,128,665	2.45
Energy, oil, gas and power	7,929,604	11.60	3,669,191	4.09	6,628,299	14.41
Exports / imports	1,457,693	2.13	-	0.00	577,517	1.26
Financial	2,908,442	4.25	18,648,822	20.81	14,162,719	30.79
Food, tobacco and beverages	2,945,972	4.31	192,066	0.21	555,376	1.21
Furniture and allied products	151,248	0.22	-	0.00	6,795	0.01
Leather and footwear	300,516	0.44	41,871	0.05	241,846	0.53
Glass and ceramics	129,276	0.19	9,766	0.01	15,830	0.03
Health care	224,134	0.33	314,743	0.35	279,205	0.61
Hotels	853,089	1.25	117,988	0.13	117,051	0.25
Mining and quarrying	636,964	0.93	201,138	0.22	133,128	0.29
Miscellaneous manufacturing	531,905	0.78	-	0.00	57,876	0.13
Printing, publishing and allied industries	484,340	0.71	146,434	0.16	32,707	0.07
Paper and allied products	42,573	0.06	6,245	0.01	5,356	0.01
Services	1,956,531	2.86	8,765,802	9.78	949,735	2.06
Steel and engineering	2,208,624	3.23	572,938	0.64	1,702,659	3.70
Sugar	3,641,653	5.33	85,392	0.10	1,249,217	2.72
Textile	12,812,814	18.74	1,111,445	1.24	4,360,051	9.48
Transport and communication	2,619,986	3.83	1,692,894	1.89	2,940,283	6.39
Trust	-	0.00	1,249,254	1.39	5,757	0.01
Wholesale and retail trade	6,968,561	10.19	1,889,993	2.11	2,217,277	4.82
Others	2,041,014	2.98	3,392,844	3.79	1,920,281	4.17
	68,381,073	100.00	89,614,738	100.00	45,997,746	100.00

	December 31, 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	0.00	277,249	0.95
Automobile	727,749	1.64	30,409	0.05	40,688	0.14
Carpet	194,536	0.44	8,391	0.01	7,500	0.03
Cement	589,420	1.33	755	0.00	241,171	0.82
Chemical and pharmaceutical	3,053,525	6.87	577,120	0.94	904,154	3.09
Construction	2,989,202	6.72	1,494,550	2.43	500,676	1.71
Consumer / Individuals	3,113,301	7.00	19,004,157	30.88	2,318,238	7.91
Dairy and poultry	50,139	0.11	30	0.00	1,480	0.01
Education	207,329	0.47	480,651	0.78	203,198	0.69
Electric and electrical goods	761,035	1.71	13,382	0.02	2,019,263	6.89
Energy, oil, gas and power	5,510,959	12.39	4,348,560	7.07	5,965,445	20.36
Exports / imports	844,353	1.90	119,611	0.19	190,652	0.65
Financial	2,323,468	5.22	12,199,561	19.82	8,782,320	29.98
Federal Government	-	0.00	-	0.00	238,720	0.81
Food, tobacco and beverages	2,920,117	6.57	241,198	0.39	132,756	0.45
Footwear and leather garments	132,965	0.30	3,702	0.01	47,685	0.16
Glass and ceramics	178,246	0.40	66	0.00	1	0.00
Health care	442,404	0.99	4,002	0.01	109,906	0.38
Hotels	389,816	0.88	1,648	0.00	11,747	0.04
Mining and quarrying	34,515	0.08	69,937	0.11	15,580	0.05
Print publish and allied products	667,145	1.50	20,528	0.03	16,074	0.05
Services	1,579,352	3.55	2,779,390	4.52	1,208,570	4.13
Steel and engineering	739,840	1.66	19,141	0.03	9,231	0.03
Sugar	1,485,751	3.34	996	0.00	696,500	2.38
Textile	4,894,821	11.01	253,154	0.41	1,068,645	3.65
Transport and communication	1,049,007	2.36	1,124,281	1.83	1,128,815	3.85
Trust	-	0.00	1,143,735	1.86	-	0.00
Wholesale and retail trade	2,158,479	4.85	36,950	0.06	177,526	0.61
Others	6,768,996	15.22	17,561,001	28.54	2,979,757	10.17
	44,477,357	100.00	61,537,424	100.00	29,293,547	100.00

43.1.1.2 Segment by sector

	December 31, 2011					
Public / Government	**1,083,929**	**1.59**	**24,644,792**	**27.50**	**898,462**	**1.95**
Private	**67,297,144**	**98.41**	**64,969,946**	**72.50**	**45,099,284**	**98.05**
	68,381,073	**100.00**	**89,614,738**	**100.00**	**45,997,746**	**100.00**

	December 31, 2010					
Public / Government	1,019,936	2.29	22,032,660	35.80	1,922,537	6.56
Private	43,457,421	97.71	39,504,764	64.20	27,371,010	93.44
	44,477,357	100.00	61,537,424	100.00	29,293,547	100.00

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

	December 31, 2011		December 31, 2010	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	------ (Rupees in '000) ------		------ (Rupees in '000) ------	
Agriculture, forestry, hunting and fishing	**33,730**	**32,200**	-	-
Automobile	**952,108**	**751,188**	118,407	52,312
Banaspati and allied industries	**193,029**	**70,333**	358,145	103,058
Carpet	**48,860**	**22,315**	73,660	31,912
Cement	**329,169**	**266,626**	-	-
Chemical and pharmaceutical	**509,943**	**215,875**	393,829	188,105
Construction / Real Estate	**1,565,475**	**258,183**	594,083	188,568
Consumer / individuals / staff	**1,741,030**	**896,610**	1,967,226	1,010,988
Dairy and poultry	**418**	**418**	-	-
Education	**68,880**	**14,222**	34,094	12,917
Electric and electrical goods	**196,047**	**104,021**	315,063	169,281
Energy oil, gas and power	**376,657**	**347,483**	539,365	401,227
Exports / imports	**682,467**	**395,163**	390,230	125,689
Financial	**1,712,528**	**1,392,028**	1,599,644	1,165,182
Food, tobacco and beverages	**773,625**	**114,388**	598,206	195,467
Footwear and leather garments	**70,758**	**4,122**	4,489	3,092
Furniture and allied products	**101,642**	**27,028**	-	-
Glass and ceramics	**91,510**	**31,184**	33,578	33,069
Health care	**101,327**	**22,745**	123,163	38,047
Hotels	**259,752**	**97,938**	40,768	12,870
Jewellery	**14,095**	**13,367**	-	-
Mining and quarrying	**19,949**	**845**	-	-
Others	**788,451**	**429,211**	1,488,020	605,458
Paper and allied products	**6,933**	**5,663**	-	-
Print publish and allied products	**365,494**	**159,357**	327,103	211,788
Rubber and plastic products	**212,427**	**63,385**	-	-
Services	**360,051**	**57,072**	391,758	202,192
Sports goods	**22,900**	**11,128**	-	-
Steel and engineering	**1,043,140**	**216,048**	325,022	141,061
Sugar	**1,160,931**	**940,355**	-	-
Textile	**5,471,150**	**2,851,427**	1,136,294	444,418
Transport and communication	**349,104**	**249,099**	245,065	144,140
Wholesale and retail trade	**2,794,143**	**1,005,843**	296,862	238,673
	22,417,723	**11,066,870**	11,394,074	5,719,514

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

Public / Government	**-**	**-**	-	-
Private	**22,417,723**	**11,066,870**	11,394,074	5,719,514
	22,417,723	**11,066,870**	11,394,074	5,719,514

43.1.1.5 Geographical segment analysis	Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	------------------------ (Rupees in '000) ------------------------			
December 31, 2011				
Pakistan	**(2,984,407)**	**119,672,073**	**6,155,675**	**46,236,466**
December 31, 2010				
Pakistan	(3,889,746)	72,156,904	3,273,268	29,293,547

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

43.2 Credit risk - general disclosure Basel II specific

43.2.1 Credit risk - general disclosures

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

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

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

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

Selection of ECAIs

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

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

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

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

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

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

Use of ECAI ratings

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

Mapping to SBP rating grades

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

Long-Term Rating Grades Mapping

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

Short-Term Rating Grades Mapping

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

Types of exposures and ECAI's used

	December 31, 2011				
Exposures	Fitch	Moody's	S&P	PACRA	JCR-VIS
Corporate	-	-	-	Yes	Yes
Banks	Yes	Yes	Yes	Yes	Yes
Sovereigns	-	-	-	-	-
SME's	-	-	-	-	-
Securitisations	-	-	-	-	-
Others	-	-	-	Yes	Yes

Exposure	Rating category	December 31, 2011 Amount outstanding	December 31, 2011 Deduction CRM	December 31, 2011 Net amount	December 31, 2010 Amount outstanding	December 31, 2010 Deduction CRM	December 31, 2010 Net amount
		(Rupees in '000)					
Corporate	20%	**3,280,394**	**-**	**656,079**	1,354,172	20,298	266,775
	50%	**3,110,822**	**-**	**1,555,411**	3,244,668	1,936,497	654,086
	100%	**732,693**	**-**	**732,693**	-	-	-
	unrated	**28,724,438**	**1,389,440**	**27,334,998**	22,880,235	931,216	21,949,019
	150%	**2,408,277**	**-**	**3,612,415**	103,125	-	154,688
Retail	75%	**5,940,983**	**467,155**	**3,988,583**	7,495,167	49,206	5,584,471
Past due Loan	150%	**6,490,945**	**-**	**9,736,418**	1,614,844	-	2,422,266
	100%	**2,853,471**	**-**	**2,853,471**	1,843,277	-	1,843,277
	50%	**2,006,365**	**-**	**1,003,183**	2,231,832	-	1,115,916
Bank	20%	**3,875,884**	**-**	**775,177**	276,714	-	55,343
	50%	**736,963**	**-**	**368,482**	114,558	-	57,279
	150%	**-**	**-**	**-**	31,827	-	47,741
	unrated	**752,432**	**-**	**309,887**	49,323	-	9,865
Sovereign etc.	0%	**5,127,641**	**-**	**-**	2,960,572	-	-
Others	0%	**1,863,321**	**-**	**-**	1,021,594	-	-
	35%	**747,946**	**-**	**261,781**	658,817	-	230,586
	50%	**-**	**-**	**-**	-	-	-
	100%	**15,670,404**	**-**	**15,670,404**	7,555,365	-	7,555,365
	150%	**107,410**	**-**	**161,115**	-	-	-
		84,430,388	**1,856,594**	**69,020,096**	53,436,090	2,937,217	41,946,674

43.2.1.2 Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardised 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 the Group's exposure on an obligor is secured by collateral that conforms with the eligibility criteria under the Simple Approach of CRM, then the Group reduces its exposure under that particular transaction by taking into account the risk mitigating effect of the collateral for the calculation of capital requirement 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.

43.3 Equity position risk in the banking book

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

The unrealised surplus / (deficit) arising on revaluation of the Group's held-for-trading investment portfolio is taken to the profit and loss account. The surplus / (deficit) arising on revaluation of quoted securities classified as available-for-sale is kept in a separate account shown in the statement of financial position below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realised 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 consolidated 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, 2011			December 31, 2010		
	Held-for-trading	Available-for-sale	Investment in subsidiaries and associates	Held-for-trading	Available-for-sale	Investment in subsidiaries and associates
	------------------------ (Rupees in '000) ------------------------					
Equity investments						
- Publicly traded	**34,334**	**1,274,991**	**28,910**	36,714	1,258,441	(100,000)
Mutual fund units						
- Open end	**-**	**593,923**	**-**	-	301,343	-
- Close end	**-**	**54,200**	**-**	-	663	-
Total value	**34,334**	**1,923,114**	**28,910**	36,714	1,560,447	(100,000)

The cumulative realised (loss) / gain on sale of equity securities amounted to Rs.(47.972) million (December 31, 2010: Rs.254.540 million); however unrealised loss of Rs. 300.750 million (December 31, 2010: Rs .340.530 million) was recognised in the statement of financial position in respect of "AFS" securities.

43.4 Market risk

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

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

43.4.1 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).

43.4.2 Foreign exchange risk

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

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

- Manage appropriate maturity mismatch gaps.

- Identify warning and stress zones for mismatch gaps.

- Usage of different tools to manage the inherent risk of product and market, such as compliance of credit limit, monitoring of foreign exchange exposure limit, review of mark to market portfolio and safe settlement, etc.

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

	December 31, 2011			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	------------------------ (Rupees in '000) ------------------------			
Pakistan rupee	**116,538,403**	**109,490,611**	**(1,275,154)**	**5,772,638**
United States dollar	**2,804,618**	**3,046,206**	**570,139**	**328,551**
Great Britain pound	**72,130**	**346,795**	**276,930**	**2,265**
Japanese yen	**231**	**3**	**1,157**	**1,385**
Euro	**192,813**	**615,427**	**426,928**	**4,314**
Other currencies	**63,878**	**17,356**	**-**	**46,522**
	119,627,073	**113,516,398**	**-**	**6,155,615**

	December 31, 2010			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	------------------------ (Rupees in '000) ------------------------			
Pakistan rupee	70,854,022	65,629,037	8,174	5,233,159
United States dollar	1,015,486	2,589,651	(23,741)	(1,597,906)
Great Britain pound	111,414	340,076	(16,480)	(245,142)
Japanese yen	497	-	-	497
Euro	143,703	284,102	32,047	(108,352)
Other currencies	31,782	40,770	-	(8,988)
	72,156,904	68,883,636	-	3,273,268

43.4.3 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 statement of financial position exposure, some off statement of financial position equity exposure also comes from the future contracts. Group is in the process of instituting measures to mitigate the risk associated with the trading equity portfolio through future contracts and active trading on stop loss basis. The strategic equity portfolio however remains exposed to market variations. The Board with the recommendations of ALCO approves exposure limits applicable to investments in trading book.

43.4.4 Mismatch of Interest Rate Sensitive Assets and Liabilities

	Effective Yield/ Interest rate	December 31, 2011										
		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	-	6,117,998	607,145	-	-	-	-	-	-	-		5,510,853
Balances with other banks	11% to 12%	1,433,614	-	-	-	7,254	-	-	-	-	-	1,426,360
Lendings to financial institutions	12.50% to 12.75%	1,069,757	1,069,757	-	-	-	-	-	-	-	-	-
Investments	8% to 18.10%	36,134,418	3,294,391	629,045	3,282,751	24,207,869	688,542	490,446	720,329	481,611	-	2,339,434
Advances	0% to 28%	57,312,970	3,093,314	11,051,420	4,335,188	26,534,119	4,343,011	2,139,906	2,766,328	2,604,375	360,859	84,450
Other assets	-	2,170,322	-	-	-	-	-	-	-	-	-	2,170,322
		104,239,079	8,064,607	11,680,465	7,617,939	50,749,242	5,031,553	2,630,352	3,486,657	3,085,986	360,859	11,531,419
Liabilities												
Bills payable	-	900,750	-	-	-	-	-	-	-	-	-	900,750
Borrowings	5% to 11.90%	18,562,616	14,188,852	3,966,097	279,283	24,174	34,696	68,273	1,241	-	-	-
Deposits and other accounts	1.5% to 18.5%	89,614,738	20,062,550	14,917,839	9,953,067	10,978,622	426,484	18,468,997	14,054	10,712	-	14,782,413
Sub-ordinated loans	15.14%	1,500,000	-	-	-	-	-	-	-	1,500,000	-	-
Other liabilities	-	2,530,985	-	-	-	-	-	-	-	-	-	2,530,985
		113,109,089	34,251,402	18,883,936	10,232,350	11,002,796	461,180	18,537,270	15,295	1,510,712	-	18,214,148
On-balance sheet gap		(8,870,010)	(26,186,795)	(7,203,471)	(2,614,411)	39,746,446	4,570,373	(15,906,918)	3,471,362	1,575,274	360,859	(6,682,729)
Off-balance sheet financial instruments												
Foreign currency forward purchase		5,487,145	2,243,120	2,636,021	571,924	36,080	-	-	-	-	-	
Foreign currency forward sale		4,214,578	1,897,188	1,230,055	1,087,335	-	-	-	-	-	-	
Off-balance sheet gap		9,701,723	4,140,308	3,866,076	(515,411)	36,080	-	-	-	-	-	
Total yield / interest risk sensitivity gap		831,713	(22,046,487)	(3,337,395)	(3,129,822)	39,782,526	4,570,373	(15,906,918)	3,471,362	1,575,274	360,859	
Cumulative yield / interest risk sensitivity gap		831,713	(22,046,487)	(25,383,882)	(28,513,704)	11,268,822	15,839,195	(67,723)	3,403,639	4,978,913	5,339,772	

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

	December 31, 2011 Rupees '000
Total financial assets	104,239,079
Add: Non financial assets	
Operating fixed assets	5,950,625
Deferred tax assets	5,894,395
Other assets	3,587,974
Total assets as per statement of financial position	119,672,073
Total financial liabilities	113,109,089
Add: Non financial liabilities	
Other liabilities	407,309
Total liabilities as per statement of financial position	113,516,398

	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
		December 31, 2010										
			Exposed to yield/ Interest risk									
			---------- (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	6% to 11	375,207	6,913	-	-	30,000	-	-	-	-	-	338,294
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-
Investments	8% to 16.09%	20,204,357	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%	38,753,413	7,679,138	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	-	-	-	-	-	-	-	-	-	1,517,852
		64,898,419	13,385,595	5,506,029	14,971,712	17,187,092	2,022,829	1,255,157	1,919,106	678,817	290,713	7,681,369
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%	61,537,424	13,083,971	16,091,167	17,849,141	7,204,536	498,696	120,462	4,610	-	-	6,684,841
Other liabilities	-	1,543,680	-	-	-	-	-	-	-	-	-	1,543,680
		68,695,640	15,733,962	18,022,141	18,525,419	7,204,536	498,696	120,462	4,610	-	-	8,585,814
On-balance sheet gap		(3,797,221)	(2,348,367)	(12,516,112)	(3,553,707)	9,982,556	1,524,133	1,134,695	1,914,496	678,817	290,713	(904,445)
Off-balance sheet financial instruments												
Foreign currency forward purchase		1,755,845	1,755,845	-	-	-	-	-	-	-	-	
Foreign currency forward sale		(591,844)	(591,844)	-	-	-	-	-	-	-	-	
Off-balance sheet gap		1,164,001	1,164,001	-	-	-	-	-	-	-	-	
Total yield / interest risk sensitivity gap		(2,633,220)	(1,184,366)	(12,516,112)	(3,553,707)	9,982,556	1,524,133	1,134,695	1,914,496	678,817	290,713	
Cumulative yield / interest risk sensitivity gap		(2,633,220)	(1,184,366)	(13,700,478)	(17,254,185)	(7,271,629)	(5,747,496)	(4,612,801)	(2,698,305)	(2,019,488)	(1,728,775)	

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

	December 31, 2010 Rupees '000
Total financial assets	64,898,419
Add: Non financial assets	
Operating fixed assets	2,781,943
Deferred tax assets	3,218,243
Other assets	1,258,299
Total assets as per statement of financial position	72,156,904
Total financial liabilities	68,695,640
Add: Non financial liabilities	
Other liabilities	187,996
Total liabilities as per statement of financial position	68,883,636

43.5 Liquidity risk

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

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

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

43.5.1 Maturities of Assets and Liabilities

	December 31, 2011									
	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	6,117,998	6,117,998	-	-	-	-	-	-	-	-
Balances with other banks	1,433,614	1,426,360	-	-	7,254	-	-	-	-	-
Lendings to financial institutions	1,069,757	1,069,757	-	-	-	-	-	-	-	-
Investments	36,134,418	3,211,635	663,379	3,282,751	26,271,993	688,542	490,446	720,329	481,611	323,732
Advances	57,312,970	3,093,314	11,056,543	4,342,589	26,548,230	4,368,599	2,158,478	2,774,566	2,609,792	360,859
Operating fixed assets	5,950,625	438,196	68,004	102,006	204,012	347,292	299,627	489,331	819,385	3,182,772
Deferred tax assets	5,894,395	(86,725)	(7,612)	(10,710)	423,030	7,142	(31,044)	4,226,916	619,717	753,231
Other assets	5,758,296	5,758,296	-	-	-	-	-	-	-	-
	119,672,073	21,029,281	11,780,314	7,716,636	53,454,519	5,411,575	2,917,507	8,211,142	4,530,505	4,620,594
Liabilities										
Bills payable	900,750	900,750	-	-	-	-	-	-	-	-
Borrowings	18,562,616	14,188,852	3,966,097	279,283	24,174	34,696	68,273	1,241	-	-
Deposits and other accounts	89,614,738	22,942,165	15,648,090	10,866,620	10,978,622	426,484	28,727,992	14,054	10,710	-
Sub-ordinated loans	1,500,000	-	-	-	-	-	-	-	1,500,000	-
Liabilities against assets subject	-	-	-	-	-	-	-	-	-	-
to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	2,938,294	2,938,294	-	-	-	-	-	-	-	-
	113,516,398	40,970,061	19,614,187	11,145,903	11,002,796	461,180	28,796,265	15,295	1,510,710	-
Net assets	6,155,675	(19,940,780)	(7,833,873)	(3,429,267)	42,451,723	4,950,395	(25,878,758)	8,195,847	3,019,795	4,620,594
Share capital	10,779,796									
Reserves	(1,551,944)									
Accumulated loss	(3,793,257)									
Deficit on revaluation of assets - net	721,080									
	6,155,675									

	December 31, 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	4,047,590	4,047,590	-	-	-	-	-	-	-	-
Balances with other banks	375,207	345,207	-	-	30,000	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	20,204,357	5,691,853	2,527,652	7,613,162	874,835	1,612,066	484,316	656,055	420,687	323,731
Advances	38,753,413	8,083,560	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	566,455
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	-	-	-
	72,156,904	20,251,873	9,352,207	16,904,566	12,507,407	3,991,294	1,516,373	4,929,278	1,523,010	1,180,896
Liabilities										
Bills payable	357,293	357,293	-	-	-	-	-	-	-	-
Borrowings	5,257,243	2,649,991	1,930,974	676,278	-	-	-	-	-	-
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	290,545	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject	-	-	-	-	-	-	-	-	-	-
to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,731,676	1,160,432	96,108	277,862	91,809	104,930	489	46	-	-
	68,883,636	19,459,473	20,409,087	16,206,661	8,836,435	1,393,992	1,347,144	940,299	290,545	-
Net assets	3,273,268	792,400	(11,056,880)	697,906	3,670,972	2,597,302	169,229	3,988,979	1,232,465	1,180,896
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									

43.6 Operational risk management

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

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 Organisations of the Tread way Commission (COSO), with a view to consolidate and enhance the existing internal control processes.

44. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on February 29, 2012 by the Board of Directors of the Group.

45. GENERAL

45.1 Figures have been re-arranged and re-classified, wherever necessary, for the purpose of better presentation. Major reclassifications made are as follows:

	December 31, 2010	
	Before reclassification	After reclassification
	------------- (Rupees in '000) -------------	
Statement of financial position		
Deposit and other accounts		
Customers		
Fixed deposits	28,082,564	26,651,761
Savings deposits	26,181,443	17,393,130
Current accounts - non-remunerative	5,890,178	5,879,797
Margin accounts	737,889	737,640
	60,892,074	50,662,328
Financial institutions		
Non-remunerative deposits	57,568	713,588
Remunerative deposits	587,782	10,161,508
	645,350	10,875,096
	61,537,424	61,537,424

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

President & Chief Executive	Director	Director	Director

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2011

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with N.I.C. No.)	Father's / husband's name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / mark-up written-off	Other financial relief provided	Total (9+10+11)
				Principal	Interest / mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
				(Rupees in '000)							
1	**Global Associates** M/R 6/3, Rizwan Manzil, Mohammad Feroz Street, Jodia Bazar, Karachi.	Mohammad Asif CNIC No.42201-4873294-9 NIC No.517-68-019298	Abdul Razzaq	1,648	1,100	-	2,748	1,648	1,100	-	2,748
2	**Jawad Usman Textiles (pvt) Ltd** 399-2/C TOWN SHIP LAHORE	Naseer Usman CNIC No.3520230124101	MUHMMAD USAMAN	28,473	8,926	-	37,399	3,472	14,038	-	17,510
3	**Arshad Ahmed** Flat No A-11 Gulshan E Mohammadi Block 7 FB Area Karachi	ARSHAD AHMED 4210148021847	AIJAZ AHMED ALVI	1,320	487	-	1,807	608	624	-	1,232
4	**Muhammad Amir Qureshi** H # 1443 -5 Near Old Baker Manid Ahmed Abad Colony Multan	MUHAMMAD AMIR QURESHI 3630202958521	MUHAMMAD SHARIF QURESHI	1,790	716	-	2,506	1,790	857	-	2,647
5	**Aftab Ahmed** House No 1443 W-10 Muhalla Ahmed Abad Hazoori Bagh Multan	AFTAB AHMED 3630250556195	MUHAMMAD SHARIF	1,999	1,133	-	3,132	1,999	1,819	-	3,818
6	**Master Weavers**, 24- Abbot Road, Opposite Metropole Cinema, Lahore	Muhammad Siddiq Butt CNIC No.35202-2833581-3	Nazir Ahmed Butt	9,655	4,504	-	14,159	905	4,504	-	5,409
7	**Sheikh Zahid Inam** 1) Zahid Electric Centre, 12, Electric Centre Serai Road, Karachi-74000 Tel: 32444719-32418230 2) A-115, / Sector 11-B, North Karachi	Sheikh Zahid Inam Holding CNIC # 42101-1033852-3 (Individual)	Sheikh Inam Ilahi	2,326	807	-	3,133	1,326	918	-	2,244
8	**Motiwala Security (Pvt.) Ltd.** 1) 609, 6th Floor, Stock Exchange Building, Off I. I. Chundrigar Road, Karachi. 2) H No. 27-G, Phase -4, Gizri, 5th Street, Defence Housing Authority, Karachi 3) A-5A, Naval Housing Society 1st, Zamzama Street, Clifton Karachi.	Muhammad Aslam Motiwala Holding CNIC # 42000-0411388-7 (Owner)	Abdul Sattar	144,659	27,758	-	172,417	41,189	32,788	-	73,977
9	**Muhammad Aslam Motiwala** 1) 609, 6th Floor, Stock Exchange Building, Off I. I. Chundrigar Road, Karachi. 2) H No. 27-G, Phase -4, Gizri, 5th Street, Defence Housing Authority, Karachi 3) A-5A, Naval Housing Society 1st, Zamzama Street, Clifton Karachi.	Muhammad Aslam Motiwala Holding CNIC # 42000-0411388-7 (Individual)	Abdul Sattar	46,831	9,099	-	55,930	10,931	10,969	-	21,900

10	**Shahid Ali Habib Security (Pvt.) Ltd.** 1) Suit # 701, 7th Floor, Stock Exchange Building, Off I. I. Chundrigar Road, Karachi.	1) Muhammad Shahid Ali Holding CNIC # 42301-0870728-7 (Owner)		30,109	4,715	-	34,824	2,599	5,794	-	8,393
11	**M/s. Ali Asghar Textile Mills Limited** 306-308, Uni Tower, I. I. Chundrigar Road, Karachi.	Naveed Ellahi Shaikh 42000-0532641-3 Nadeem Ellahi Shaikh 42301-0993217-3 Mrs. Gulnar Humayun 42301-0899905-0 Mst. Marium Humayun 42000-0485329-0 Salman Masood 42301-0851969-1	Humayun Ellahi Shaikh Humayun Ellahi Shaikh Humayun Ellahi Shaikh Humayun Ellahi Shaikh Masood ul Hasan	3,026	573	-	3,599	1,214	573	-	1,787
12	**Sheikh Khalid Mehmood** Madina Tyre Centre, Shop No.1, Plot No.1, Kalyal, Sector B-4, Allama Iqbal Road, Mirpur A/K	Sh. Khalid Mehmood 81302-1623226-7	Sh. Abdul Hameed	2,160	1,719	-	3,879	-	739	-	739
13	**Mir Muhammad Alam Khan Lehri** House No.11, Street No.14, Jinnah Park, Rahim Yar Khan.	Munir Ahmed Choudhary 31303-9050151-9 Muhammad Alam Lehri 42301-0874859-9	Haji Sardar Muhammad Mir Shadi Khan Lehri	1,448	956	-	2,404	-	906	-	906
14	**Zohaib Sikandar Knit.** 17 KM, Multan Road, Lahore.	Shaukat Iqbal 35202-1073424-3	Chaudhry Jan Muhammad	6,306	799	-	7,105	1,806	799	-	2,605
15	**Allied Business Corp.** 527, 5th Floor, Mashriq Center, Block-14, Gulshan-e-Iqbal, Karachi.	Mrs. Sadia Aamir 42101-5475478-4	Mohammad Aamir Khan	1,387	835	-	2,222	367	835	-	1,202
16	**Mughal Industries** P-1524/A, Asghar Mall Road, Rawalpindi.	Ahmed Din (Late) (As per Succession Certificate Mr. Ahmed Din has died on 17.10.2002)		997	491	-	1,488	997	491	-	1,488
17	**Everbright Industries** D/1016, Haripur Mohallah, Rawalpindi.	Zia-ul-Haq 61101-0991847-3	Ahmed Din	497	263	-	760	497	263	-	760
	TOTAL			**284,631**	**64,881**	**-**	**349,512**	**71,348**	**78,017**	**-**	**149,365**

CATEGORIES OF SHAREHOLDERS

AS ON DECEMBER 31, 2011

Categories of Shareholders	Shares Held	
	Number	% age
Associated Companies, Undertakings & Related Parties		
Suroor Investments Limited	553,569,293	51.35
Rupali Bank Limited	32,777,450	3.04
Shirazi Capital (Pvt.) Ltd.	56,041,429	5.20
Directors		
Mr. Nasim Beg	1,114,877	0.10
Mr. Asadullah Khawaja	74	0.00
National Investment Trust & Investment Corporation of Pakistan	8,391,292	0.78
Banks, Development Financial Institutions, Non Banking Finance Institutions, Insurance Companies, Modarabas & Mutual Funds	58,645,481	5.44
Foreign Shareholders	129,766	0.01
Individuals	235,548,415	21.85
Others	131,761,498	12.22
Total	**1,077,979,575**	**100.00**

CATEGORIES OF SHAREHOLDERS

AS ON DECEMBER 31, 2011

Categories of Shareholders	Number of Shareholder	Shares Held	
		Number	% age
Associated Companies, Undertakings & Related Parties			
Suroor Investments Limited	1	553,569,293	51.35
Rupali Bank Limited	1	32,777,450	3.04
Shirazi Capital (Pvt.) Ltd.	1	56,041,429	5.20
Directors	2	1,114,951	0.10
National Investment Trust & Investment Corporation of Pakistan	2	8,391,292	0.78
Banks, Development Financial Institutions, Non Banking Finance Institutions, Insurance Companies, Modarabas & Mutual Funds	30	58,645,481	5.44
Foreign Shareholders	9	129,766	0.01
Individuals	52,091	235,548,415	21.85
Others	152	131,761,498	12.22
Total	**52,288**	**1,077,979,575**	**100.00**

PATTERN OF SHAREHOLDING

AS ON DECEMBER 31, 2011

NO. OF SHAREHOLDERS	SHAREHOLDING		TOTAL SHARES HELD
	From	To	
7,767	1	100	333,956
4,367	101	500	1,157,290
26,567	501	1000	15,182,238
10,561	1001	5000	21,146,990
1,404	5001	10000	10,049,356
528	10001	15000	6,417,628
260	15001	20000	4,557,314
171	20001	25000	3,871,115
97	25001	30000	2,676,017
68	30001	35000	2,210,796
69	35001	40000	2,603,330
38	40001	45000	1,649,764
41	45001	50000	2,002,378
26	50001	55000	1,362,732
27	55001	60000	1,558,614
19	60001	65000	1,181,520
17	65001	70000	1,154,706
15	70001	75000	1,084,127
18	75001	80000	1,415,912
12	80001	85000	998,268
5	85001	90000	435,814
2	90001	95000	183,888
22	95001	100000	2,195,544
8	100001	105000	819,768
6	105001	110000	651,696
12	110001	115000	1,346,348
4	115001	120000	476,667
4	120001	125000	490,885
2	125001	130000	258,000
2	130001	135000	263,866
3	135001	140000	419,649
3	140001	145000	432,125
5	145001	150000	744,274
6	150001	155000	916,300
5	155001	160000	796,880
5	160001	165000	811,867
2	165001	170000	334,450
2	170001	175000	349,062
2	175001	180000	353,300
1	190001	195000	193,065
9	195001	200000	1,794,572
1	200001	205000	202,704
3	205001	210000	618,668
2	210001	215000	424,768
2	215001	220000	431,944
2	220001	225000	445,320
1	230001	235000	231,669
1	235001	240000	235,404
2	240001	245000	485,279
1	245001	250000	248,944
1	250001	255000	250,474
1	260001	265000	264,134
4	265001	270000	1,075,696
1	275001	280000	277,481
3	285001	290000	863,803
2	305001	310000	613,904
1	315001	320000	319,555
1	330001	335000	333,333
1	335001	340000	338,885
1	345001	350000	348,750
1	350001	355000	353,550
3	355001	360000	1,075,199
2	365001	370000	733,360

PATTERN OF SHAREHOLDING

AS ON DECEMBER 31, 2011

NO. OF SHAREHOLDERS	SHAREHOLDING		TOTAL SHARES HELD
	From	To	
1	385001	390000	388,664
1	390001	395000	393,600
2	395001	400000	796,624
1	405001	410000	408,196
1	410001	415000	410,913
1	420001	425000	423,887
1	430001	435000	432,753
1	435001	440000	438,118
3	455001	460000	1,367,797
4	485001	490000	1,952,684
1	495001	500000	500,000
1	500001	505000	500,885
1	515001	520000	518,400
1	525001	530000	528,212
1	555001	560000	556,217
1	585001	590000	587,777
1	620001	625000	624,024
1	665001	670000	666,814
1	680001	685000	680,489
1	830001	835000	831,938
1	915001	920000	916,326
1	980001	985000	982,850
2	995001	1000000	2,000,000
1	1060001	1065000	1,063,095
1	1110001	1115000	1,111,101
1	1140001	1145000	1,142,821
1	1195001	1200000	1,200,000
1	1250001	1255000	1,253,444
1	1370001	1375000	1,374,754
1	1495001	1500000	1,500,000
1	1560001	1565000	1,561,600
1	1730001	1735000	1,732,874
1	1795001	1800000	1,800,000
1	1880001	1885000	1,881,996
1	1995001	2000000	2,000,000
1	2210001	2215000	2,211,250
1	3105001	3110000	3,108,700
1	3280001	3285000	3,281,824
1	4090001	4095000	4,092,845
1	4260001	4265000	4,262,481
1	5495001	5500000	5,500,000
1	6165001	6170000	6,170,000
1	6245001	6250000	6,247,948
1	6490001	6495000	6,492,703
4	6595001	6600000	26,400,000
1	6625001	6630000	6,625,600
1	7130001	7135000	7,132,269
1	7155001	7160000	7,160,000
1	8340001	8345000	8,342,700
1	8385001	8390000	8,386,864
1	10755001	10760000	10,760,000
1	25225001	25230000	25,226,222
1	25590001	25595000	25,590,282
1	32775001	32780000	32,777,450
1	37625001	37630000	37,626,519
1	38010001	38015000	38,012,574
1	51375001	51380000	51,376,874
1	56040001	56045000	56,041,429
1	553565001	553570000	553,569,293
52,288			**1,077,979,575**

NOTICE OF THE SIXTH ANNUAL GENERAL MEETING

Notice is hereby given that the Sixth Annual General Meeting of the shareholders of Summit Bank Limited ("Bank"), will be held on Thursday, March 29, 2012 at 11:00 a.m. at Marriott Hotel, Islamabad to transact the following business:

Normal Business:

1. To confirm the minutes of Fifth Annual General Meeting of Summit Bank Limited held on March 30, 2011.

2. To confirm the minutes of Extraordinary General Meeting of ex-Mybank Limited held on May 24, 2011.

3. To receive, consider and adopt the audited financial statements of the Bank for the year ended December 31, 2011 alongwith Directors' and Audtiors' Report thereon and Statement of Compliance with the Code of Corporate Governance.

4. To appoint External Auditors of the Bank for the year ending December 31, 2012 till the conclusion of next Annual General Meeting and fix their remuneration. (Present Auditors', M/s.Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants being eligible and offer themselves for re-appointment).

Special Business:

5. To approve and to ratify investment made by the Bank in Arif Habib Corporation Limited (formerly Arif Habib Securities Limited) an associated company of the Bank in the year 2010 as recommended by the Board of Directors of the Bank as follows:

   "RESOLVED that the investment of PKR 250 million made by the Bank in Arif Habib Corporation Limited (formerly Arif Habib Securities Limited) an associated company of the Bank in the year 2010 be and is hereby approved and ratified."

   A statement under section 160(1)(b) of the Companies Ordinance, 1984 pertaining to the Special Business referred to above is annexed to this Notice of Meeting.

Other Business:

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

By order of the Board
Muhammad Amin Bhoori
CFO & Company Secretary

Karachi:
Date: March 08, 2012

Notes:

1. The Register of Members of the Bank will remain closed from March 20, 2012 to March 29, 2012 (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.

NOTICE OF THE SIXTH ANNUAL GENERAL MEETING

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

1. Investment in Arif Habib Corporation Limited (formerly Arif Habib Securities Limited)

The Bank has in the year 2010 made an investment of an aggregate amount of PKR 250 million in Arif Habib Corporation Limited (formerly Arif Habib Securities Limited) an associated company of the Bank. In order to comply with the provisions of Section 208 of the Companies Ordinance, 1984, the Board of Directors of the Bank in its meeting held on February 29, 2012 has resolved that such investment made by the Bank in Arif Habib Corporation Limited (formerly Arif Habib Securities Limited) be put before the shareholders of the Bank for approval and ratification and has further resolved that in future all equity investments made by the bank in its associated companies shall be approved by the shareholders of the Bank in accordance with Section 208 of the Companies Ordinance, 1984.

The details of the investment are as follows:

(i) Name of Investee Company: Arif Habib Corporation Limited (formerly Arif Habib Securities Limited).

(ii) Nature of Investment: AFS PKR 250 million.

(iii) Average market price of Shares purchased during preceding 6 months: Rs.28.79.

(iv) Break-Up Value of Shares Purchased: (2011: 56.3, 2010: 52.76, 2009: 43.03).

(v) Price at which Shares have been purchased: Rs. 26.50.

(vi) Earnings per Share of the Investee Company in last 3 years: (2011: 7.57, 2010: 10.13, 2009: (7.38).

(vii) Source of Funds from where Shares were purchased: Bank's funds available for investment in securities.

(viii) Purpose of Investment: Investment in shares is made with the intention to earn capital gains and dividend income in order to enhance the overall yield of the portfolio.

(ix) Benefits likely to Accrue to the Bank and its shareholders from the Investment: Investment in shares is made with the intention to earn capital gains and dividend income in order to enhance the overall returns of the portfolio.

(x) Interest of Directors of the Bank and their relatives in the Investee Company: There is no interest of any directors of the Bank and their relatives in the investee company. All investments are made with the prior approval of the management while ensuring optimal returns with a Risk profile as per the Bank's policies and parameters defined by its management.

The Directors of the Bank have no interest in the special business and / or special resolution that would need a further disclosure.

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All the Shareholders of Summit Bank Limited:

INFORMATION UNDER SECTION 218 OF THE COMPANIESORDINANCE 1984

We are pleased to inform you that upon completion of term of office of President & CEO on February 03, 2012, the Board of Directors of the Bank in its meeting held on February 29, 2012 re-appointed Mr. Husain Lawai as President & CEO of the Bank for a period of 3 years commencing from February 04, 2012 and ending on February 03, 2015 on the following terms and conditions:

Mr. Husain Lawai will be entitled to managerial remuneration of Rs. 2 million (Base & Gross Salary) per month in addition to perquisites and other entitlements arising under his Employment with the Bank and the applicable Service Rules of the Bank, including membership of 4 clubs and performance bonus.

The above remuneration shall be subject to such increments, bonuses, adjustments and other entitlements as may be granted at any time and from time to time by the Board of Directors of the Bank and/or in accordance with the policies and Service Rules of the Bank for the time being in force.

Muhammad Amin Bhoori
CFO & Company Secretary

Branch Network

Karachi- I. I. Chundrigar Road
Uni Towers, I.I. Chundrigar Road
Tel: 021 - 32466410-413
Fax: 021 - 32466500

Karachi- Ranchore Line Branch

R.C. 11, Old Survey # E-7/143, Ranchore Line, New Lakhpati Hotel- Karachi.
Tel: 021 - 32767234-5
Fax: 021 - 32767236

Karachi- Karachi Stock Exchange

Office No. 52, 52-A, 52-B, (1st Floor) KSE Building-KHI
Tel: 021 - 32462850,021-32462844-9
Fax: 021 - 32462843

Karachi- Atrium Mall

Shop No. 6 and 21 Ground floor,Plot No. 249, Atrium Mall,Staff Lines, Zaibunnisa Street, Saddar, KARACHI
Tel: 021 - 35641000-5
Fax: 021 - 35641008

Karachi- Bahadurabad

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

Karachi- Soldier Bazar Branch

Shop # 4,5 & 6, Plot No 14, Survey # 13-B-2, Soldier Bazar Quarters-Karachi.
Tel: 021 - 32231559-60
Fax: 021 - 32231556

Karachi- Gulshan-e-Iqbal

Ground Floor, Hasan Center, Block-16, Main University Road. Karachi.
Tel: 021 - 34829024-27
Fax: 021 - 34829023

Karachi- Gulistan-e-Jauhar

Plot # 118/A-B, Shop # 02,03,04 Ground Floor Rufi Paradise Block-18 Gulistan-e-Jauhar.
Tel: 021 - 34621281-3
Fax: 021 - 34621285

Karachi- Adamjee Nagar

115-A/Z, Block 7/8, Tipu sultan Road, Karachi.
Tel: 021 - "34312984-9"
Fax: 021 - 34312980

Karachi- Manzoor Colony

Plot No. 23, Sector I, Street No. 02, Manzoor Colony, Jamshed Town-KHI
Tel: 021 - 35393829-31
Fax: 021 - 35393832

Karachi- Korangi Industrial Area

33/1, Sector-15, Korangi Industrial Area, Karachi
Tel: 021 - 35114290, 35121294, 35122231-32
Fax: 021 - 35114282

Karachi- Jami Commercial, DHA

64 C, Jami Commercial Phase VII, 7th Street, DHA. Karachi.
Tel: 021 - 35316200-07
Fax: 021 - 35316199

Karachi- Dolmen City

Ground Floor Harbor Front,Triangular Towers,Dolmen City Marine Drive Phase IV, Clifton. Karachi.
Tel: 021 - 35297611-15
Fax: 021 - 35297610

Karachi- Hyderi

D-10 Block-F,North Nazimabad, Hyderi. Karachi.
Tel: 021 - 36724992-4
Fax: 021 - 36724972

Karachi- Karimabad Branch

Plot No BS-16, Block 1, FB Area, Karimabad-KHI.
Tel: 021 - 36826646-47-48
Fax: 021 - 36826649

Karachi- 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, 32218409,32218428
Fax: 021 - 32218376

Karachi- Nooriabad

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

Karachi- Abdullah Haroon Road Sub-Branch

Shop No 1 &2, Plot # 19,Ghafoor Chambers, Preedy Quarters, Saddar, Karachi.
Tel: 021 - 32711614-7
Fax: 021 - 32716113

Karachi- Jodia Bazar

A/25/28 Darayalal Street, Jodia Bazar, Karachi.
Tel: 021 - 32500121-5
Fax: 021 - 32500128

Karachi- Khayaban-e-Shahbaz Branch

Plot No. 21-C Khayaban-e-Shahbaz, Phase VI, DHA Karachi.
Tel: 021 - 35344952 & 35344957
Fax: 021 - 35344942

Karachi- Saeedabad Branch

Plot # 1004/1 & 1004-A/1 (5G/102-A & 5G/012-A/2), Saeedabad, Baldia, Mahajir Camp, Karachi.
Tel: 021 - 32815092-94
Fax: 021 - 32815096

Karachi- Burns Road Branch

Plot No. 55-A, Survey Sheet A.M., Artillery Maidan Quarters (Burns Road), Karachi.
Tel: 021 - 32215174-75
Fax: 021 - 32215289

Karachi- Cloth Market (2)

41, Saleh Muhammad Street, Cloth Market, Karachi.
Tel: 021 - 32461601-03
Fax: 021 - 32461604

Karachi- Truck Stand Branch

Truck Stand, K-28, Hawksbay Road, Trans Lyari-Karachi.
Tel: 021 - 35428829 & 30
Fax: 021 - 37671962

Branch Network

Karachi- Shahra-e-Faisal Branch

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

Karachi- Shershah. Branch

Plot # D-175, Industrial Trading Estate Area, Trans Lyari Qrtrs, Shershah-KHI
Tel: 021 - 32588191-193
Fax: 021 - 32588195

Karachi- Nazimabad(Gol Market)

Plot # 7, Sub Block 'E', in Block # III (III-E-7), Nazimabad (Gole Market), Karachi
Tel: 021 - 36620261-63
Fax: 021 - 36620264

Karachi- Khayaban-e-Tanzeem Branch

C 4-C, Tauheed Commercial, Khayaban-e-Tanzeem, Phase-5, DHA, Karachi.
Tel: 021 - 35869147-35869207-35871640
Fax: 021 - 35869342

Karachi- Zaibunnisa Street Branch

B-6/16-A, Sadar Bazar Quarters, Zaibun Nisa Street, Karachi.
Tel: 021 - 35210084,35660613,35660611,35215033
Fax: 021 - 35224762

Karachi- DHA Phase I Branch

101-C, Commercial Area 'B', Phase-1 DHA, Karachi.
Tel: 021 - 35314063,35314065,35314067
Fax: 021 - 35314070

Hyderabad Branch

41/364, Saddar, Bori Bazar-Hyderabad
Tel: 022 - 2730911-14
Fax: 022 - 2730910

Qasimabad Branch, Karachi

Shop No. 23, 24 & 25, Rani Arcade, Qasiamabd-HYD
Tel: 022 - 2650742-43
Fax: 022 - 2650745

Sukkur Branch

B – 885, March Bazar, Sukkur
Tel: 071 - 5627781
Fax: 071 - 5627755

Shikarpur Road, Sukkur

Shop # D-195, Ward D, Near A Section Police Station Shikarpur Road- Sukkur.
Tel: 071 - 5617142-143-144
Fax: 071 - 5617145

Mirpurkhas Sindh

Plot No : 988 to 991 Umerkot Gharibabad, Mirpur Khas
Tel: 0233 - 875115-7
Fax: 0233 - 875118

DHA Y Block, Lahore

163, Block Y, Phase III, DHA Lahore Cantt.
Tel: 042 - 3569 2531-36
Fax: 042 - 3589 4682

Gulberg Lahore

132-E/I Main Boulevard,Gulberg-III, Lahore
Tel: 042 - 35870832-3, 042-35870975-6
Fax: 042 - 35870834

Lahore Stock Exchange

Office No. 5, LSE Building, 19, Aiwan e Iqbal Road, Lahore
Tel: 042 - 36280853-56
Fax: 042 - 36280851

Ferozepur Road, Lahore

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

Multan Road Sub-Branch, Lahore

Plot # 9/A, Scheme more Corner, Allama Iqbal Town Multan Road, Lahore.
Tel: 042 - 37497451-54
Fax: 042 - 37497450

Circular Road Branch, Lahore

Babar Centre, 51, Circular Road, Lahore
Tel: 042 - 37379371 - 74
Fax: 042 - 37379370

Icchra More, Ferozepur Road, Lahore

House # 146, Muhallah Ferozpur Road, Ichra More, Lahore.
Tel: 042 - 37572091-93
Fax: 042 - 37572089

Wapda Town Branch-Gujranwala

Plot # B - III, MM - 53, Hamza Centre, Wapda Town, Gujranwala
Tel: 055 - 4800204 - 06
Fax: 055 - 4800203

GT Road Gujranwala

B/11-S7/103, G. T. Road, Gujranwala
Tel: 055 - 3842751-3842729
Fax: 055 - 3842890

Gujrat Branch

Main GT Road Tehsil & Distt. Gujrat
Tel: 053 - 3517051-054
Fax: 053 - 3516756

Faisalabad- Susan Road Branch

Chak No. 213/RB Susan Road.Faisalabad.
Tel: 041 - 8502367-69
Fax: 041 - 8502371

Faisalabad- Liaquat Road Branch

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

Faisalabad- Kotwali Road Branch

P-12, Kotwali Road, Faisalabad
Tel: 041 - 2412151-52-53
Fax: 041 - 2412154

Multan- Abdali Road Branch

Plot No. 66-A & 66-B/9, Abdali Road,Multan
Tel: 061 - 4500108, 4500110,4500115,4500116
Fax: 061 - 4516762

Branch Network

Multan- Vehari Road Ghalla Mandi Branch

PU # 2227-A, Shrh Chowk Shah Abbas, Vehari Road-Multan.
Tel: 061 - 6241015-17
Fax: 061 - 6241014

Multan- Qadafi Chowk, Sub-Branch

Plot # 43, Block T, New Multan Road, Qadafi Chowk-Multan
Tel: 061 - 6770882-84
Fax: 061 - 6770889

Sadiqabad

Mozzah Khuda Bux Dehar, Macchi Goth, KLP Road, Sadiqabad
Tel: 068 - 5786791-3
Fax: 068 - 5786300

Islamabad- Super Market Branch

Plot No. 6B, F-6, Super Market,
Tel: 051 - 2279168-70, 051-2824533-34
Fax: 051 - 2279166

Islamabad- Stock Exchange Sub-Branch

Plot # 109, East F-7/G-7, Jinnah Avenue, Blue Area-Islamabad
Tel: 051 - 2806281-83
Fax: 051 - 2806284

Bahria Town-ISB

Plot # 3-4, Express Way, Sufiyan Plaza, Phase VII, Bahria Town-ISB.
Tel: 051 - 5707360 – 63 (0345-5078789 OPS MG)
Fax: 051 - 5707358

Rawalpindi Branch (2)

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

Lahore- Faisal Town Branch

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

Lahore- Azam Cloth Market Branch

285-286, Punjab Block, Azam Cloth Market, Lahore.
Tel: 042 - 37661686 / 37654320 /37642344
Fax: 042 - 37661863

Lahore- Z Block DHA Branch

323-Z, DHA, Phase-3, Lahore.
Tel: 042 - 35693112-15
Fax: 042 - 35693117

Lahore- New Garden Town Branch

19-A, Ali Block, New Garden Town, Lahore.
Tel: 042 - 35911361-4
Fax: 042 - 35911365

Lahore- Mall Road Branch

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

Islamabad- F-6 Markaz Branch

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

Islamabad- F-10 Markaz

Plot No. 08, Maroof Hospital, F-10 Markaz-Islamabad.
Tel: 051 - 2222860-62
Fax: 051 - 2222863

Islamabad- F-11 Markaz Branch

Plot # 29, Select Center, F-11 Markaz-Islamabad.
Tel: 051 - 2228027 – 28
Fax: 051 - 2228365

Gujar Khan Branch

Hammad Plaza, G.T Road Gujar Khan
Tel: 051 - 3516431-2
Fax: 051 - 3516435

Gujrat- GT Road Branch

Small Estate, G. T. Road (Next to Mybank), Gujrat
Tel: 053 - 3533926/3534208/3533934
Fax: 053 - 3533995

Kamoki- GT Road Branch

Madni Trade Centre, G.T Road, Kamoki
Tel: 055 - 6815175-76
Fax: 055 - 6815184

Lahore- Model Town Branch, Lahore

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

Lahore- Cantt Branch

Day building 1482/A, Abdul Rehman Road, Lahore Cantt.
Tel: 042 - 36603061-63
Fax: 042 - 36603065

Lahore- Pasco House Branch

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

Sargodha-Satellite Town

Satellite Town Branch,Ground Floor, Afzal Towers, Plot # 302-A, Main Satellite Town, Sargodha.
Tel: 048 - 3221027-28
Fax: 048 - 3221029

Mirpur Azad Kashmir Branch

NS Tower 119 F/1, Kotli Road Mirpur – Azad Kashmir
Tel: 05827 - 437193-97
Fax: 05827 - 437193

Mirpur Azad Kashmir Branch (2)

Ghazi Archade, 6-B/3, Part II, Allama Iqbal Road, Mirpur, Azad Kashmir
Tel: 05827 - 446406-9
Fax: 05827 - 446405

Branch Network

Peshawar- Deans Trade Center Branch

Deans Trade Centre, Islamia Road,
Tel: 091 - 5253081-85
Fax: 091 - 5253080

Peshawar- Main University Road Branch

Tehkal Payan, Main University Road-Peshawar
Tel: 091 - 5850540-41
Fax: 091 - 5850546

Sialkot- Kashmir Road Branch

Address: Block 'A', ZHC, Kashmir Road, Sialkot
Tel: 052 - 3573304 to 07 (4 lines)
Fax: 052 - 3573310

Sialkot- Paris Road Branch (2)

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

Quetta- M. A. Jinnah Road Branch

Ground Floor, Malik Plaza, Near Adara-e-Saqafat, M.A. Jinnah Road, Quetta.
Tel: 081 - 2865590-95
Fax: 081 - 2865587

Quetta- Fatima Jinnah Road

Plot No. Khasra No.134 & 138, Ward No. 19, Urban # 1, Fatima Jinnah Road, Quetta
Tel: 081 - 2301094 , 2301095
Fax: 081 - 2301096

Rabwah Branch

Plot No-9-10, Block-14, Darul Sadar, Gol Bazar, (Chenab Nagar)Rabwah
Tel: 047 - 621 3795-96
Fax: 047 - 621 3797

Haripur

Ground Floor, Akbar Arcade, Main G.T. Road, Haripur
Tel: 0995 - 610832 - 33
Fax: 0995 - 610829

Swabi

Property bearing No. 3361, Main Mardan Road, Swabi
Tel: 0938 - 222968 - 69
Fax: 0938 - 221572

Hazro

Plot # B -386, 386-A, Dawood Centre, Bank Square, Ziaul Haq Road, Hazro
Tel: 057 - 2313283 - 85
Fax: 057 - 2313286

Jhelum Sub-Branch

Plot # 89, Mehfooz Plaza, Kazim Kamal Road, Jhelum Cantt.
Tel: 0544 - 720216 - 18
Fax: 0544 - 720219

Clifton Branch

Pearl Heaven Apartments, Khayaban-e-Roomi, Block No-5, Clifton, Karachi.
Tel: 021 - 35823469, 35824171,35823619, 35824180
Fax: 021 - 35821463

DHA Phase IV-Karachi

Plot # 129, 9th Commercial Street, Phase IV, DHA, Karachi
Tel: 21 - 35313068-70
Fax: 21 - 35313071

Jodia Bazar Branch

Ram Bharti Street, Ismail Trade Centre, Karachi
Tel: 021 - 32437991-3 - 32471120
Fax: 021 - 32437994

North Napier Road Branch

18-19, North Napier Road, Karachi.
Tel: 021 - 32766477 & 32766755
Fax: 021 - 32766487

New Challi Branch

Ground Floor, Trade Tower, Altaf Hussain Road, New Challi, Karachi
Tel: 021 - 32422071,32422027, 32422096, 32422069
Fax: 021 - 32422051

Paper Market Branch

Al-Abbas Centre, Paper Market, Shahrah-e-Liaquat, Karachi.
Tel: 021 - 32639671-2
Fax: 021 - 32639670

Abdullah Haroon Road Branch

282/3, Abdullah Haroon Road, Area, Saddar, Karachi.
Tel: 021 - 35685269, 35685393,35685940
Fax: 021 - 35683991

Water Pump Branch

Lateef Square. Block-16, Federal 'B' Area, Main Water Pump Market, Karachi.
Tel: 021 - 36321387, 36314817
Fax: 021 - 36314848

Bahadur Shah Center Branch
Bahadur Shah Center, Urdu Bazar, Off: M.A. Jinnah Road, Karachi.
Tel: 021 - 32768547, 32768559
Fax: 021 - 32765083

I. I. Chundrigar Road Branch

5-Business & Finance Centre, Opp: State Bank of Pakistan, Karachi.
Tel: 021 - 32438212, 32472176, 32471796
Fax: 021 - 32438218

North Karachi Industrial Area Branch

Plot No. R-14, Gabol Town, North Karachi Industrial Area, Karachi.
Tel: 021 - 32015919 -20 , 36995925
Fax: 021 - 36975919

Garden East Branch

Shop No. 4,5 & 6, Jumani Centre Plot No. 177-B, Garden East, Karachi
Tel: 021 - 32243311-13
Fax: 021 - 32243314

S.I.T.E. Branch

B/9-B/3, Near Metro Chowrangi S.I.T.E., Area, Karachi.
Tel: 021 - 32586801-4, 32587166-8
Fax: 021 - 32586806

Branch Network

Plaza Quarters Branch

Al-Shafi Building Noman Street, Off: M.A. Jinnah Road, Karachi
Tel: 021 - 32771515-16-18
Fax: 021 - 32771517

Muhammad Ali Society-KHI

Muhammad Ali Housing Society Branch Plot# 4-C Commercial Area Muhammad Ali Co-Operative Housing Society Karachi.
Tel: 021 - 34168036-37
Fax: 021 - 34186045

Timber Market Branch

Siddique Wahab Road, Karachi.
Tel: 021 - 32732729, 32766995
Fax: 021 - 32733214

Gulshan-e-Iqbal Branch

B-44, Block 13/A, Main University Road, Gulshan-e-Iqbal, Karachi.
Tel: 021 - 34987688, 34987739-40
Fax: 021 - 34987689

Tariq Road Branch

C-51, Central Commercial Area, Near KFC Tariq Road, P.E.C.H.S., Karachi.
Tel: 021 - 34556486, 34556682
Fax: 021 - 34555478

Barkat-e- Hyderi Branch
Almas Square, Block-G, North Nazimabad, Karachi.
Tel: 021 - 36628931, 36706896-7
Fax: 021 - 36723165

Shahrah-e-Faisal Branch

Business Avenue Block-6, P.E.C.H.S., Karachi.
Tel: 021 - 34386417-18
Fax: 021 - 34531819

Defence Branch

55-C, Phase-II, D.H.A, Opp Toyota Motors, Main Korangi Road, Karachi.
Tel: 021 - 35387809-35396263 - 35312592
Fax: 021 - 35387810

Badar Commercial Branch

Plot No. 41-C, Badar Commercial, Street No. 10, Phase-V Extension, DHA Karachi
Tel: 021 - 35348501, 35348502, 35348503
Fax: 021 - 35348504

Steel Market, Branch

Ground Floor, Shop #. G-13, 14, 32, 33 Steel Market, Ranchorelines Quarters Karachi
Tel: 021 - 32763001- 07
Fax: 021 - 32462550

Gulistan-e-Jauhar Branch

Shop No. 5,6,7 & Office No. D-2 , Farhan Centre Block No. 1. Gulistan-e-Jauhar Karachi
Tel: 021 - 34022259, 34613674, 34016488-9
Fax: 021 - 34022639

Rizvia Society Branch

B-12, Rizvia Cooperative Society, Nazimabad, Karachi
Tel: 021 - 36600956-57
Fax: 021 - 36600958

Jamshed Quarters Branch

Showroom no. 3 & 4 AB Arcade Plot #. 714-6-1 Block A, New M.A. Jinnah Road, Karachi
Tel: 021 - 34860422-23, 34860425
Fax: 021 - 34860424

Dhoraji Branch

Plot No. 133, Block No. 7 & 8 Dhoraji Colony, C.P & Berar Co-operative Housing Society, Karachi
Tel: 021 - 34860773-75
Fax: 021 - 34860772

Market Chowk-Hyderabad

Shop CS # A/2772/2, Ward -A, Market Road, Hyderabad
Tel: 022 - 2638451-54
Fax: 022 - 2638450

Latifabad No. 7. Branch

Latifabad # 7, 5/D Unit #. 7, Hyderabad
Tel: 022 - 3810524 & 3810525
Fax: 022 - 3810515

Workshop Road, Sukkur

City Survey #. 3403/2/1 and C.s # 3403/2M/6, Ward-B Tooba Tower Workshop Road, Sukkur
Tel: 071 - 5616663, 5616664,5616582
Fax: 071 - 5624317

Khipro Bus Stand- Mirpur Khas

Plot # 92-93, Samanabad, Khipro District, Ghumanabad Chowk, Khipro Bus Stand- Mirpurkhas..
Tel: 0233 - 876384
Fax: 0233 - 875925

Jinnah Road Branch, Quetta

Regal Chowk, Jinnah Road, Quetta.
Tel: 081 - 2837028-29
Fax: 081 - 2825065

Liaquat Bazar Branch, Quetta

Ainuddin Street, Quetta.
Tel: 081 - 2837300-1
Fax: 081 - 2837302

Main Bazar Branch, Turbat

Main Bazar, Turbat.
Tel: 0852 - 413874
Fax: 0852 - 414048

Gawadar Branch

Airport Road, Khasra No. 430, Khewat No. 192, Khatoni No. 192, Gawadar Pakistan
Tel: 0864 - 212144- 212146
Fax: 0864 - 212147

DHA G Block-LHR

Plot # 13 G, Commercial Zone DHA, Phase-I, Lahore. Cantt.
Tel: 042 - 35691173-78
Fax: 042 - 35691171

Liberty Market Branch

26/C, Commercial Zone, Liberty Market, Gulberg, Lahore.
Tel: 042 - 111-692-265, 35717273, 35763308
Fax: 042 - 35763310

Branch Network

Badami Bagh Branch

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

Ravi Road-Lahore

Plot # 48-J, Ravi Road, Lahore.
Tel: 042 - 37722903 - 04
Fax: 042 - 37722905

Shahalam Gate Branch

12-A, ShahAlam Gate, Lahore.
Tel: 042 - 37666854 - 57
Fax: 042 - 37663488

Johar Town Branch

Plot # 85, Block G/1, M.A Johar Town-Lahore
Tel: 042 - 35291172-74
Fax: 042 - 35171047

Egerton Road Branch

27-Ajmal House, Egerton Road, Lahore.
Tel: 042 - 36364522, 36364532
Fax: 042 - 36364542

Allama Iqbal Town Branch

56/12, Karim Block, Allama Iqbal Town, Lahore.
Tel: 042 - 35434160-61,35434163
Fax: 042 - 35434164

Darogawala Branch

Near Shalimar garden G.T.Road Darogawala Lahore
Tel: 042 - 36520681 - 83
Fax: 042 - 36520684

Wahdat Road Branch

Mauza Ichra, Wahdat Road, Lahore
Tel: 042 - 37503001
Fax: 042 - 37503004

Kamahan Branch

Kamahan, Mauza Jhatool, Lahore
Tel: 042 - 35921487
Fax: 042 - 35921489

Samanabad Branch

Plot No.855,Poonch Road, Samanabad, Lahore.
Tel: 042 - 37568831, 37568844
Fax: 042 - 37568854

Airport Road Branch

M. M. Arcade, 192-B, New Air Port Road, Lahore
Tel: 042 - 35700336, 35700338-9
Fax: 042 - 35700323

Muridke Branch

774, G.T. Road Muridke
Tel: 042 - 37950456,37994711-12
Fax: 042 - 37994713

Booth at Doctor's Hospital

152-A, G1, Canal Bank, Johar Town, Lahore.
Tel: 042 - 35314640
Fax: 042 - 35314642

Booth at Lahore Medical College

Lahore Medical & Dental College Tulsapura, Canal Bank, Lahore.
Tel: 042 - 36583305
Fax: 042 - 36583305

Kasur Branch

Near Pul Qatal Gahri, Kutchery Road, Kasur.
Tel: 049 - 2721993
Fax: 049 - 2721994

Sahiwal Branch

558/8-1, Navid, Plaza, High Street Sahiwal.
Tel: 040 - 4229247, 4221615,4229247
Fax: 040 - 4460960

Okara Branch

23/A, Ravi Road, Okara.
Tel: 044 - 2528755, 2525355
Fax: 044 - 2525356

Multan Branch

2576, Hussain Agahi Road, Multan.
Tel: 061 - 4548083-4583268-4583168
Fax: 061 - 4543794

Rahim Yar Khan Branch

31/34 Shahi Road, Rahimyar Khan.
Tel: 068 - 5877821-5883876
Fax: 068 - 5876776

Gujranwala Branch

G.T. Rd., Opp. General Bus Stand, Gujranwala.
Tel: 055 - 3820401-3
Fax: 055 - 3820404

Small Industrial Area-Sialkot

Plot No. 32 / A, S.I.E -1, Small Industrial Estate, UGOKE Road, Sialkot
Tel: 052 - 3242690 - 92
Fax: 052 - 3242695

Katchery Chown Branch, Gujrat

Shop #. 1263 & 1270 B-II, Katchery Chowk, Opp. Zahoor Elahi Satadium, Near New Narala Bakers, Gujrat.
Tel: 053 - 3601021-24
Fax: 053 - 525108

Jail Road-Faisalabad

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

Sargodha Branch

Prince Cinema Market Railway Road. Sargodha
Tel: 048 - 3768113-5
Fax: 048 - 3768116

Mandi Bahauddin Branch

Khasra # 143/112, Chak #51,Bank Rd., Off Railway Rd., (Ghalla Mandi), Mandi Bahauddin.
Tel: 0546 - 600901, 600903-4-5
Fax: 0546 - 600902

Katchery Road-NArowal

Katchery Road, Narowal
Tel: 0542 - 414105-7
Fax: 0542 - 414089

Branch Network

Chak Ghanian Branch

Khewat No. 478/1 Khatooni No. 1457/60. Chak Ghanian, Post Office Sarai Alamgir
Tel: 0544 - 654402-03, 655155
Fax: 0544 - 654401

Dalwal Branch

Village & Post Office Dalwal, Tehsil Choha, Saidan Shah, Distt Chakwal
Tel: 0543 - 582834
Fax: 0543 - 582842

Lalamusa Branch

G. T. Road, Lalamusa
Tel: 053 - 7515694,7515699, 7515697,7519977
Fax: 053 - 7515685

Blue Area Branch

20 - Al Asghar Plaza, Blue Area, Islamabad.
Tel: 051 - 111-692-265 2823204,2872913
Fax: 051 - 2274276

Barah Koh Branch

Murree Road, Tehsil / District, Islamabad.
Tel: 051 - 2231344, 2233136
Fax: 051 - 2231345

G-11 Markaz Branch

Shop #. 25-34, Plot #. 23, Sajid Sharif plaza, G-11 Markaz, Islamabad
Tel: 051 - 2220973-6
Fax: 051 - 2220977

Bank Road Branch

Saddar Bazar, Rawalpindi Cantt.
Tel: 051 - 5523840-41
Fax: 051 - 5523837

Raja Bazar Branch

Raja Bazar, Rawalpindi.
Tel: 051 - 5534173-5557244
Fax: 051 - 5559544

Murree Road Branch

DD/29, Shamsabad Murree Rd., Ojri Kalan, Rawalpindi.
Tel: 051 - 4854400, 4854401-03
Fax: 051 - 4854404

Wah Cantt Branch

Plot No. 17/37, Civic Center, Aslam Market, Wah Cantt
Tel: 051 - 4542157, 4542167, 4542279
Fax: 051 - 4542144

Fateh Jang Branch

Main Rawalpindi Road, Mouza & Tehsil Fateh Jang Distt Attock
Tel: 057 - 2210321-23
Fax: 057 - 2210324

Chakwal Branch

Al- Noor Plaza Sabzi Mandi, Talagang Road, Chakwal
Tel: 0543 - 554796,540650-51
Fax: 0543 - 554797

Dina Branch

Mian G.T. Road Dina
Tel: 0544 - 634471 -3
Fax: 0544 - 636675

Fruit Market-Peshawar

Near Fruit Market, G.T. Road, Peshawar
Tel: 091 - 2260375
Fax: 091 - 2260374

Milad Chowk, Branch

Milad Chowk, New Gate, Peshawar City
Tel: 094 - 2550477, 2550466, 2217131
Fax: 094 - 2550488

Mardan Branch

Bank Road, Mardan.
Tel: 0937 - 865341
Fax: 0937 - 865342

Mansehra Branch

Al- Hadeed Corporation Market Shahrah Resham Mansehra
Tel: 0997 - 303186, 303180
Fax: 0997 - 303135

Attock Branch

Hamam Road, Attock
Tel: 057 - 2703120
Fax: 057 - 2703117

Shaheed Chowk, Kotli-AJK

Deen Plaza, Shaheed Chowk, Kotli Azad Kashmir
Tel: 05826 - 448453-54
Fax: 05826 - 448455

Dadyal Branch

Choudhary Centre, Ara Jattan, Dadyal, Azad Kashmir.
Tel: 05827 - 463475
Fax: 05827 - 465316

FORM OF PROXY

6th 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 holding____ ordinary shares as per share register folio No.____ and/or CDC Participation ID ____hereby appoint Mr./Mrs./Miss ____of (full address) ____ ________ or failing him/her Mr./Mrs./Miss____ of (full address) ____ (being member of the Bank) as my/our Proxy to attend, act and vote for me/us and on my/our behalf at the 6th Annual General Meeting of the Bank will be held on March 29, 2012 and /or any adjournment thereof.

Signed this ___________________________________ day of ___________________________________ 2012.

Witnesses:

1. Name : ______________________________

   Address : ______________________________

   CNIC No. : ______________________________

   Signature : ______________________________

2. Name : ______________________________

   Address : ______________________________

   CNIC No. : ______________________________

   Signature : ______________________________

Signature on
Rs. 5/-
Revenue Stamp

NOTICE:

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

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

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

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

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

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

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Summit 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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