



DETERMINED TO **FULL**  
**COMMITMENT**

HALF YEARLY REPORT JUNE 30, 2012

*Summit* **S** *Bank*

Committed to you

# CONTENTS

<b>Corporate Information</b>	<b>03</b>
<b>Vision &amp; Mission</b>	<b>04</b>
<b>Directors' Report</b>	<b>06</b>
<b>Auditors' Review Report</b>	<b>08</b>
<b>Condensed Interim Financial Statements</b>	
• Statement of Financial Position	<b>10</b>
• Profit & Loss Account	<b>11</b>
• Cash Flow Statement	<b>12</b>
• Statement of Comprehensive Income	<b>13</b>
• Statement of Changes in Equity	<b>14</b>
• Notes to the Financial Statements	<b>15</b>
<b>Consolidated Condensed Interim Financial Statements</b>	
• Statement of Financial Position	<b>31</b>
• Profit & Loss Account	<b>32</b>
• Cash Flow Statement	<b>33</b>
• Statement of Comprehensive Income	<b>34</b>
• Statement of Changes in Equity	<b>35</b>
• Notes to the Financial Statements	<b>36</b>
<b>Branch Network</b>	<b>51</b>

# 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 - Acting

Syed Imran Hashmi

## 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](mailto:info@summitbank.com.pk)

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# 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.



# DIRECTORS' REPORT

On behalf of the Board of Directors of Summit Bank Limited "the Bank", I am pleased to present the un-audited financial statements of the Bank for the period ended June 30, 2012.

## Performance Review

Operational highlights of the Bank for the period under review are:

	June 30, 2012	June 30, 2011 (Unaudited) Rupees in '000
Operating loss before provisions and diminution in value of investments	<b>(956,918)</b>	(1,302,686)
Reversal / (Provision) for non performing advances	<b>236,509</b>	(1,231,448)
Reversal for diminution in value of investments	<b>(2,500)</b>	188,141
Bad debts written off directly	<b>(39,511)</b>	(2,198)
Profit / Loss before tax	<b>(762,420)</b>	(2,347,773)
Taxation (reversal) / charge	<b>(183,344)</b>	612,816
Loss after tax	<b>(945,764)</b>	(1,734,957)
Loss per share – Rupees	<b>(0.88)</b>	(2.32)

Last year was extremely testing for your bank. However, the Bank's drive towards enhanced post-merger integration and harmonization, for the strengthened and streamlined back office functions has been effective and successful. As a result the Branches of the Bank are now in a position to provide better customer services to their satisfaction. The process has led to efficiencies and improvements in the decision making processes. Subsequent to successfully accomplishing the difficult task of mergers is now well placed to look towards and explore opportunities for expansion of its branch network, expand its outreach in the Trade Business and also by improving and deepening its current offerings through introduction of new products and also specialized services. The Bank continues to build on the momentum despite not very favourable economic and external environment.

The Bank as part of its efforts to support the poor of the country and appreciating its obligations as a responsible corporate citizen has been a major player in the disbursement of funds to the needy and destitute under the Benazir Income Support Programme (BISP). The Bank made disbursements to more than 75,000 individual beneficiaries living mostly in interior and remote areas of rural Sind, Punjab and Khyber Pakhtunkhwa.

Bank has now a well-established centralized Home Remittance Department equipped with Specialized IT platform and by employing state of the art Web Based Applications for handling home remittance business. Beneficiaries of the remittances made through the Bank now receive instant Cash over the Counter Payments, Fast Account Credits and Personalized Services at Branches. The hard work has paid dividend and the Bank has now achieved 3rd position in terms of the overall Pakistan business with Banks of the two major international remitters namely; Western Union and Xpress Money and now your Bank is also posed to be the first bank that is integrating its Bank transfer system with these world's top money transfer operators and also the UAE X change.

During the period Pakistan's economy was faced with multiple challenges particularly with respect to financing of its fiscal and external account deficits coupled with slowing of the private sector investment demands. The country also continued to suffer from the lack of security that further dampened the investment climate. The fiscal deficits and lack of diversified and sustainable resource mobilization by the Government has resulted in substantial borrowings from the banking system that has squeezed the availability of the credit for the private sector and increased pressure on the liquidity.

However, the Bank's financial results for the period, despite the uncertainties surrounding the macro-economic factors, reflect positive trends which are in harmony with the planned strategy for our Bank. The Bank though sustained a pre-tax loss during the period ended June 30, 2012 of Rs.762 million but there was a massive reduction and it was less than half of the loss sustained by the Bank during the corresponding period last year.

During the half year under review a significant amount of Rs.1,824 million has been recovered by the Bank against its non-performing loans portfolio which reflects a net impact of Rs.237 million reversals of provisions to Profit & Loss account during the period. These recoveries will enhance the liquidity of the Bank and thus contribute to its profitability.

There has been no significant increase in the loan portfolio of the Bank during the period ended 30 June 2012 as compared to the corresponding period of last year. This reflects of the prudent and cautious approach adopted by the Bank and its emphasis on high quality lending.

# DIRECTORS' REPORT

Your Bank in line with its long term business development strategy has continued to focus on realigning its deposit profile by reducing its cost through concentration on CASA deposits and retirement of high cost fixed deposits. During the first half year of the year this policy was vigorously pursued. This policy had a marginal impact on the total deposits but the overall cost of deposit was effectively brought down by 45 basis points as compared to December 31, 2011.

## Minimum Capital Requirement

The State Bank of Pakistan (SBP) vide BSD Circular No. 7 of 2009 dated April 15, 2009 has set the minimum capital requirement for banks to Rs.10 billion that is to be achieved in a phased manner by December 31, 2013. The minimum capital requirement (free of losses) as of December 31, 2011 was Rs.8 billion. The paid up capital of the Bank as of June 30, 2012 amounts to Rs. 10.780 billion while the reserves and accumulated losses on the date are Rs. (1.811) billion and Rs. (4.330) billion respectively. State Bank of Pakistan, however, has granted extension in time limits to the Bank upto December 31, 2012 to meet it's the minimum capital requirement of Rs. 9 billion.

Keeping in view the minimum capital requirements and the need to overcome the deficit in meeting the MCR the Bank has already issued the right share amounting to Rs.1.450 billion and Term Finance Certificate (TFCs) amounting to Rs.1.50 billion in the year 2011.

During the period Bank has obtained approval from Board of Directors for further issuance of 20% Preference shares by way of right shares for minimum capital requirements and the need to overcome the existing deficit in meeting the MCR. In this regard, besides other regulatory requirements, State Bank of Pakistan's approval is in place, whereas, Shareholders EOGM for approval of issuance of Preference shares is schedule on August 31, 2012.

Here it is pertinent to mention that our sponsors are fully committed to raise capital of the Bank to meet the regulatory requirement which is evident from the fact that they had already injected Rs. 1.4 billion and have further commitment to increase the capital to meet the shortfall in regulatory requirement.

## Credit rating

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 'Stable' outlook.

## Future Outlook

The Bank's business strategy is focused on rapidly increasing its customer's base and enhancing relationships with the existing customers through enhancing its geographical and client reach, offering new products but simultaneously ensuring that high standards are not compromised. Innovative products have been introduced that incorporate unique features like health insurance; these products, namely, Summit Classic Current Account and Hamara Family Saving Account have been positively received by the customers.

The Bank will soon start launching a series of Wealth Management Services and products that are geared to address most of the financial and intermediation requirements of the customers. Wealth Management Division of the Bank is now functional and in final stages of finalizing a wide range of tailored made products and services that will meet the specific needs of average individuals and also the corporate customers, these products will be rolled out after required regulatory approvals have been obtained.

## Acknowledgements

I, on the behalf of the Board, would like to express gratitude and thanks to the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan for their professional support and guidance. Gratitude is also due to our customers for their confidence and trust that they have reposed in the Bank. I would also like to thank our shareholders for their continued patronage and support; and also the management and the staff for their hard work and commitment.

On behalf of Board of Directors

**Husain Lawai**

President & CEO

Dated: August 30, 2012

## AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

### Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of Summit Bank Limited (the Bank) as at 30 June 2012 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement, unconsolidated condensed interim statement of changes in equity and notes to the accounts for the six-month period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter

### We draw attention to:

- 1) note 1.6 to the accompanying condensed interim 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 2012; and
- 2) note 11 to the accompanying financial statements relating to deferred tax asset amounting to Rs.6.151 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 impact on the realisability of the deferred tax asset recorded in the financial statements.

Our conclusion is not qualified in respect of the above matters.

Chartered Accountants

Date: August 30, 2012

Karachi

**SUMMIT BANK LIMITED**

**CONDENSED INTERIM  
FINANCIAL STATEMENTS**

**AS AT JUNE 30, 2012**

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**

AS AT JUNE 30, 2012

	Unaudited June 30, 2012	Restated December 31, 2011
Note	----- (Rupees in '000) -----	
<b>ASSETS</b>		
Cash and balances with treasury banks	<b>6,416,303</b>	6,117,986
Balances with other banks	<b>1,221,806</b>	1,426,353
Lendings to financial institutions	<b>221,213</b>	1,069,757
Investments	8 <b>35,715,680</b>	36,268,904
Advances	9 <b>56,229,813</b>	56,017,664
Operating fixed assets	10 <b>5,896,683</b>	6,071,432
Deferred tax assets - net	11 <b>6,150,518</b>	6,298,059
Other assets	<b>7,351,432</b>	6,078,177
	<b>119,203,448</b>	119,348,332
<b>LIABILITIES</b>		
Bills payable	<b>1,230,596</b>	900,750
Borrowings	<b>20,102,778</b>	18,562,616
Deposits and other accounts	12 <b>89,006,734</b>	89,699,819
Sub-ordinated loan	<b>1,499,655</b>	1,500,000
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	<b>2,370,925</b>	2,911,099
	<b>114,210,688</b>	113,574,284
<b>NET ASSETS</b>	<b>4,992,760</b>	5,774,048
<b>REPRESENTED BY</b>		
Share capital	<b>10,779,796</b>	10,779,796
Reserves	<b>(514,378)</b>	(514,377)
Discount on issue of shares	<b>(1,297,298)</b>	(1,297,298)
Accumulated losses	<b>(4,329,903)</b>	(3,392,193)
	<b>4,638,217</b>	5,575,928
Surplus on revaluation of assets - net of deferred tax	<b>354,543</b>	198,120
	<b>4,992,760</b>	5,774,048
<b>CONTINGENCIES AND COMMITMENTS</b>	13	

The annexed notes from 1 to 18 form an integral part of these financial statements.

 President &  
Chief Executive

Director

Director

Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)**

FOR THE PERIOD ENDED JUNE 30, 2012

	Quarter ended June 30, 2012	Quarter ended June 30, 2011 (Restated)	Half year ended June 30, 2012	Half year ended June 30, 2011 (Restated)
<b>Note</b>	----- (Rupees in '000) -----			
Mark-up / return / interest earned	<b>2,780,757</b>	2,569,324	<b>5,581,239</b>	4,404,932
Mark-up / return / interest expensed	<b>(2,652,947)</b>	(2,282,803)	<b>(5,325,296)</b>	(3,961,005)
Net mark-up / interest income	<b>127,810</b>	286,521	<b>255,943</b>	443,927
Reversal of provision / (charge) against non-performing loans and advances	<b>94,256</b>	(978,491)	<b>236,509</b>	(1,231,448)
Reversal of provision / (charge) for diminution in the value of investments	<b>(8,750)</b>	187,488	<b>(2,500)</b>	188,141
Bad debts written off directly	<b>-</b>	(2,198)	<b>(39,511)</b>	(2,198)
	<b>85,506</b>	(793,201)	<b>194,498</b>	(1,045,505)
Net mark-up / interest income / (loss) after provisions	<b>213,316</b>	(506,680)	<b>450,441</b>	(601,578)
<b>NON MARK-UP / INTEREST INCOME</b>				
Fee, commission and brokerage income	<b>206,621</b>	146,532	<b>319,701</b>	211,645
Dividend income	<b>48,733</b>	1,090	<b>51,799</b>	5,923
Gain from dealing in foreign currencies	<b>94,743</b>	58,070	<b>191,881</b>	74,018
Gain / (loss) on sale of securities - net	<b>143,189</b>	(173,323)	<b>178,475</b>	(161,900)
Unrealised gain / (loss) on revaluation of investments classified as held-for-trading	<b>(9,264)</b>	4,463	<b>(7,493)</b>	(2,614)
Other income	<b>19,868</b>	30,878	<b>55,587</b>	40,050
Total non-mark-up / interest income	<b>503,890</b>	67,710	<b>789,950</b>	167,122
	<b>717,206</b>	(438,970)	<b>1,240,391</b>	(434,456)
<b>NON MARK-UP / INTEREST EXPENSES</b>				
Administrative expenses	<b>(1,016,338)</b>	(1,184,534)	<b>(1,997,456)</b>	(1,868,815)
Other provisions / write-offs	<b>(668)</b>	(32,008)	<b>(1,138)</b>	(35,154)
Other charges	<b>(1,837)</b>	(7,279)	<b>(4,217)</b>	(9,348)
Total non-mark-up / interest expenses	<b>(1,018,843)</b>	(1,223,821)	<b>(2,002,811)</b>	(1,913,317)
	<b>(301,637)</b>	(1,662,791)	<b>(762,420)</b>	(2,347,773)
Extra ordinary / unusual items	<b>-</b>	-	<b>-</b>	-
<b>LOSS BEFORE TAXATION</b>	<b>(301,637)</b>	(1,662,791)	<b>(762,420)</b>	(2,347,773)
<b>Taxation</b>				
Current	<b>(15,563)</b>	(33,427)	<b>(46,800)</b>	(52,834)
Prior	<b>-</b>	-	<b>-</b>	-
Deferred	<b>(72,127)</b>	443,720	<b>(136,544)</b>	665,650
	<b>(87,690)</b>	410,293	<b>(183,344)</b>	612,816
<b>LOSS AFTER TAXATION</b>	<b>(389,327)</b>	(1,252,498)	<b>(945,764)</b>	(1,734,957)
<b>Loss after taxation attributable to:</b>				
Owners of the parent	<b>(389,327)</b>	(1,116,916)	<b>(945,764)</b>	(1,599,375)
Non-controlling interest	<b>-</b>	(135,582)	<b>-</b>	(135,582)
	<b>(389,327)</b>	(1,252,498)	<b>(945,764)</b>	(1,734,957)
<b>Loss per share (Rupees) - basic</b>	<b>(0.36)</b>	(1.67)	<b>(0.88)</b>	(2.32)

The annexed notes from 1 to 18 form an integral part of these financial statements.

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

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)**

FOR THE PERIOD ENDED JUNE 30, 2012

	Half year ended June 30, 2012	Half year ended June 30, 2011
Note	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Loss before taxation</b>	<b>(762,420)</b>	(2,347,773)
Dividend income	<b>(51,799)</b>	(5,923)
	<b>(814,219)</b>	(2,353,696)
<b>Adjustments:</b>		
Depreciation	<b>278,183</b>	219,994
Amortisation of intangible assets and deferred cost	<b>33,373</b>	45,697
(Reversal of provision) / charge against non-performing advances	<b>(196,998)</b>	1,233,646
Other provisions / write offs	<b>1,138</b>	35,154
Reversal of provision for diminution in the value of investments	<b>2,500</b>	(188,141)
Unrealised loss / (gain) on revaluation of investments in held-for-trading securities	<b>7,493</b>	(2,614)
(Gain) / loss on sale of securities	<b>(178,475)</b>	161,900
(Gain) / loss on disposal of operating fixed assets	<b>(23,414)</b>	16,519
	<b>(76,200)</b>	1,522,155
	<b>(890,419)</b>	(831,541)
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	<b>848,544</b>	945,584
Investments in held-for-trading securities - net	<b>81,135</b>	-
Advances	<b>(15,151)</b>	331,880
Other assets	<b>(1,215,249)</b>	(811,931)
	<b>(300,721)</b>	465,533
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	<b>329,846</b>	123,711
Borrowings from financial institutions	<b>1,548,685</b>	(848,655)
Deposits and other accounts	<b>(693,085)</b>	(204,404)
Other liabilities	<b>(540,174)</b>	150,857
	<b>645,272</b>	(778,491)
	<b>(545,868)</b>	(1,144,499)
Income tax paid	<b>(101,676)</b>	(18,513)
<b>Net cash used in operating activities</b>	<b>(647,544)</b>	(1,163,012)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments in available-for-sale securities - net	<b>566,290</b>	1,707,711
Investments in held-to-maturity securities - net	<b>249,755</b>	-
Investment in subsidiaries	-	523,762
Dividend received	<b>47,530</b>	7,219
Investment in operating fixed assets	<b>(194,080)</b>	(154,838)
Sale proceeds from disposal of property and equipment	<b>80,687</b>	75,656
<b>Net cash (used) / generated from investing activities</b>	<b>750,182</b>	2,159,510
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts on issue of right shares	-	1,450,132
Receipts on issue of subordinated loan	<b>(345)</b>	-
<b>Net cash (used) / generated from financing activities</b>	<b>(345)</b>	1,450,132
Decrease in cash and cash equivalents	<b>102,293</b>	2,446,630
Cash and cash equivalents at beginning of the period	<b>7,504,682</b>	4,385,562
<b>Cash and cash equivalents at end of the period</b>	<b>7,606,975</b>	6,832,192

The annexed notes from 1 to 18 form an integral part of these financial statements.

 President &  
Chief Executive

Director

Director

Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
 FOR THE PERIOD ENDED JUNE 30, 2012

	Quarter ended June 30, 2012	Quarter ended June 30, 2011 (Restated)	Half year ended June 30, 2012	Half year ended June 30, 2011 (Restated)
	----- (Rupees in '000) -----			
<b>Loss after taxation</b>	<b>(389,327)</b>	(1,252,498)	<b>(945,764)</b>	(1,734,957)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss</b>	<b><u>(389,327)</u></b>	<u>(1,252,498)</u>	<b><u>(945,764)</u></b>	<u>(1,734,957)</u>

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 18 form an integral part of these financial statements.

\_\_\_\_\_  
**President &  
 Chief Executive**

\_\_\_\_\_  
**Director**

\_\_\_\_\_  
**Director**

\_\_\_\_\_  
**Director**

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
 FOR THE PERIOD ENDED JUNE 30, 2012

	Capital reserves				Discount on issue of shares	Accumulated losses	Total	Non-controlling interest	Total
	Share capital	Share premium	Statutory reserve	Reserve arising on amalgamation					
	(Rupees in '000)								
<b>Balance as at January 01, 2011</b>	7,250,660	1,000,000	64,828	(2,399,878)	-	(2,321,584)	3,594,026	-	3,594,026
Issuance of right shares during the period	1,450,132	-	-	-	-	-	1,450,132	-	1,450,132
Non-controlling interest arising on acquisition	-	-	-	-	-	-	-	1,737,961	1,737,961
Net loss transferred to equity during the period ended June 30, 2011	-	-	-	-	-	(1,599,375)	(1,599,375)	(135,582)	(1,734,957)
Issue of share capital and adjustments arising on acquisition of non-controlling interest and amalgamation of MyBank Limited (note 6.3) - Restated	2,079,004	-	-	820,673	(1,297,298)	-	1,602,379	(1,602,379)	-
<b>Balance as at June 30, 2011 (restated)</b>	<b>10,779,796</b>	<b>1,000,000</b>	<b>64,828</b>	<b>(1,579,205)</b>	<b>(1,297,298)</b>	<b>(3,920,959)</b>	<b>5,047,162</b>	<b>-</b>	<b>5,047,162</b>
Transfer from Surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred tax	-	-	-	-	-	3,078	3,078	-	3,078
Net profit transferred to equity during the period ended December 31, 2011 - Restated	-	-	-	-	-	525,688	525,688	-	525,688
<b>Balance as at December 31, 2011 (restated)</b>	<b>10,779,796</b>	<b>1,000,000</b>	<b>64,828</b>	<b>(1,579,205)</b>	<b>(1,297,298)</b>	<b>(3,392,193)</b>	<b>5,575,928</b>	<b>-</b>	<b>5,575,928</b>
Net loss transferred to equity for the period ended June 30, 2012	-	-	-	-	-	(945,764)	(945,764)	-	(945,764)
Transfer from Surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred tax	-	-	-	-	-	8,054	8,054	-	8,054
<b>Balance as at June 30, 2012</b>	<b>10,779,796</b>	<b>1,000,000</b>	<b>64,828</b>	<b>(1,579,205)</b>	<b>(1,297,298)</b>	<b>(4,329,903)</b>	<b>4,638,217</b>	<b>-</b>	<b>4,638,217</b>

The annexed notes from 1 to 18 form an integral part of these financial statements.

\_\_\_\_\_  
**President & Chief Executive**

\_\_\_\_\_  
**Director**

\_\_\_\_\_  
**Director**

\_\_\_\_\_  
**Director**

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2012

### 1. STATUS AND NATURE OF BUSINESS

- 1.1 Summit Bank Limited (the Bank) was incorporated in Pakistan as public company limited by shares on December 09, 2005 under the Companies Ordinance, 1984. It is listed on 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 166 branches (December 31, 2011: 165 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 'Stable' outlook.
- 1.3 During the year ended 31 December 2010, Suroor Investments Limited (SIL), a company incorporated in Mauritius, acquired 59.4% shareholding and consequently, SIL become the parent company of the Bank. Further, under a scheme of amalgamation (the scheme), at the close of business on December 31, 2010, Atlas Bank Limited (ATBL) was merged with and into Summit Bank Limited.
- 1.4 During the previous year, the Bank purchased 270,482,625 shares of My Bank Limited (MBL) at a price of Rs.8 per share resulting in a purchase consideration of Rs.2,163.861 million. The Bank consequently held 51.00% Ordinary shares in MBL as at April 01, 2011. Accordingly, MBL became a subsidiary of the Bank upon acquisition. The details of this business combination together with its accounting treatment are given in note 6 to these condensed interim financial statements.

Furthermore, in 2011, 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 was earlier 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.

- 1.5 These condensed interim financial statements represent the separate standalone financial statements of the Bank.
- 1.6 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 June 30, 2012 is Rs.4.573 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 has been granted an exemption till December 31, 2012 to meet the minimum capital requirement (MCR) and capital adequacy ratio (CAR) by the SBP through its letter number BSD/BAID/649/6177/2012 dated May 18, 2012 subject to compliance with certain conditions. The Bank has also submitted a capital plan to the SBP for meeting the expected shortfall in MCR/CAR in June 2012.

### 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 condensed interim financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED JUNE 30, 2012

**3. STATEMENT OF COMPLIANCE**

- 3.1** These condensed interim financial statements of the Bank have been prepared in accordance with the requirements of International Accounting Standard 34 - Interim Financial Reporting, provisions of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. In case requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.
- 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 condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

**4. BASIS OF MEASUREMENT**

These condensed interim financial statements have been prepared under the historical cost convention, except that certain investments and commitments in respect of forward exchange contracts have been carried at revalued amounts. All amounts are in Pakistan Rupees which is the functional and presentation currency of the Bank.

The preparation of condensed interim financial statements in conformity with approved accounting standards requires certain judgments, accounting estimates and assumptions. It also requires the management to exercise its judgment in the process of applying the Bank's accounting policies. These estimates and associated assumptions are continually evaluated and are based on historical experience, statutory requirements and other factors considered reasonable in the circumstances. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The estimates and assumptions that are expected to have a significant effect on the assets and liabilities, income and expenses have been disclosed in note 7 to these condensed interim financial statements.

**5. SUMMARY OF SIGNIFICANT POLICIES**

- 5.1** The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Bank for the year ended December 31, 2011.
- 5.2** The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2011, except as follows:

**New standards, interpretations and amendments thereof adopted by the Bank**

The Bank has adopted the following amended IFRS which became effective during the period:

**Standard or interpretation**

IFRS 7 - Financial Instruments: Disclosures (Amendment)

IAS 12 – Income Taxes (Amendment) - Recovery of Underlying Assets

The adoption of the above standards / amendments did not have any material effect on the financial statements.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2012

### 6. BUSINESS COMBINATION - Restatement of prior year figures

As stated in note 1.4, 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. The Bank accounted for the same by applying acquisition method of accounting as prescribed by the International Financial Reporting Standard 3, "Business Combination".

The initial accounting for a business combination involves identifying and determining the fair values to be assigned to the acquiree's identifiable assets, liabilities and contingent liabilities and the cost of the combination. At the time of acquisition, the management was in the process of carrying out a detailed exercise for the identification and valuation of assets acquired (including intangible assets) for the purpose of the initial accounting for the acquisition. According to the requirements of IFRS 3, if the initial accounting for a business combination remain incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report provisional amounts for the items for which the accounting is incomplete. Such provisional values shall be adjusted retrospectively within a period of one year from the acquisition date to reflect the results of the valuation and information that existed as of acquisition date. Accordingly, pending the completion of the detailed exercise for valuation of the acquired net assets as referred above, the Bank reported provisional amounts for the assets acquired including the goodwill in respect of the amalgamation in the annual audited financial statements for the year ended December 31, 2011.

The fair valuation exercise for assets and liabilities acquired has now been completed by the management with the assistance of an independent valuer and the accounting treatment of fair valuation of MBL's assets and liabilities (including the contingent liabilities) in the books has been finalised in the current period and accounted for in the condensed interim financial statements in accordance with the written clearance of the SBP, as per the directive received from the SBP in this regard.

A reconciliation between the provisional amounts and final values as at March 31, 2011 in respect of the acquisition is as under:

Note	* Provisional amounts as at the date of acquisition	Fair value adjustments / recognised	Final adjusted amounts as at the date of acquisition
	(Rupees in '000)		
<b>Assets</b>			
Cash and balances with treasury banks	2,206,669	-	2,206,669
Balances with other banks	480,954	-	480,954
Lendings to financial institutions	945,584	-	945,584
Investments	7,510,462	(56,727)	7,453,735
Advances	21,512,969	(1,168,976)	20,343,993
Operating fixed assets	2,167,248	713,702	2,880,950
Deferred tax assets	1,475,793	(328,270)	1,147,523
Other assets	2,005,186	364,871	2,370,057
<b>Total assets</b>	<b>38,304,865</b>	<b>(475,400)</b>	<b>37,829,465</b>
<b>Liabilities</b>			
Bills payable	475,537	-	475,537
Borrowings	5,282,024	-	5,282,024
Deposits and other accounts	28,026,796	54,663	28,081,459
Other liabilities	443,586	-	443,586
<b>Total liabilities</b>	<b>34,227,943</b>	<b>54,663</b>	<b>34,282,606</b>
<b>Net assets</b>	<b>4,076,922</b>	<b>(530,063)</b>	<b>3,546,859</b>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED JUNE 30, 2012

	* Provisional amounts as at the date of acquisition	Fair value adjustments / recognised	Final adjusted amounts as at the date of acquisition
Note	----- (Rupees in '000) -----		
Cash consideration paid [270,482,625 Ordinary shares @ Rs.8 each	1.5	2,163,861	2,163,861
Proportionate share of non-controlling interest (49% of net assets)	6.3	(259,731)	1,737,961
		4,161,553	3,901,822
Intangible assets	6.4	353,712	353,712
Goodwill arising on acquisition	6.2	(83,380)	1,251
		<u>84,631</u>	<u>1,251</u>

\* 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 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 1.4). 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.820.672 million has been recognised as part of the equity (shown separately under 'Reserve arising on amalgamation').

	Note	Rs in '000
<b>6.4 Intangible assets acquired upon amalgamation</b>		
Core deposits	6.4.1	209,874
Brand name	6.4.2	143,838
		<u>353,712</u>

**6.4.1** The intangible asset comprises of core deposits of Ex-Mybank and represents the funding benefit that would be available to the Bank on account of availability of funding through deposit customers rather than borrowing from money market.

Valuations of core deposits rests on the premise that the acquired customer relationships provide a stream of future benefits to the acquirer. These benefits last until the deposit relationship terminates.

The fair value of this identifiable intangible asset has been determined using discounted cash flow method, by an independent valuer.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED JUNE 30, 2012

- 6.4.2** This intangible asset represents Bank's ability to attract new customers and generate superior returns from existing customers due to Brand recognition.

The fair value of this intangible asset has been determined using relief from royalty method by an independent valuer. The management estimates that the benefits from usage of Brand will be available to the Bank for the next 10 years.

**7. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS**

The basis for significant accounting estimates and judgments adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2011.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED JUNE 30, 2012

8. INVESTMENTS	Held by company	Given as collateral	Total
	----- (Rupees in '000) -----		
<b>Balance as at June 30, 2012 (Un-audited)</b>	<b>19,457,359</b>	<b>16,258,321</b>	<b>35,715,680</b>
Balance as at December 31, 2011 (Audited - Restated)	22,301,582	13,967,322	36,268,904
Balance as at June 30, 2011 (Unaudited - Restated)	22,084,786	4,388,935	26,473,721

Note	June 30, 2012 (Unaudited)			December 31, 2011 (Restated)		
	Held by Bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	----- (Rupees in '000) -----					
<b>8.1 Investments by types:</b>						
<b>Held-for-trading securities</b>						
Listed Ordinary shares	131,674	-	131,674	39,671	-	39,671
<b>Available-for-sale securities</b>						
Market Treasury Bills	9,535,036	16,214,613	25,749,649	15,781,443	13,937,057	29,718,500
Pakistan Investment Bonds	3,805,617	-	3,805,617	1,289,099	-	1,289,099
Listed Ordinary shares	1,530,655	-	1,530,655	1,541,937	-	1,541,937
Preference shares	107,941	-	107,941	37,500	-	37,500
Unlisted Ordinary shares	31,000	-	31,000	41,000	-	41,000
Mutual fund units - open end	1,163,363	-	1,163,363	1,125,000	-	1,125,000
Mutual fund units - closed end	43,500	-	43,500	58,000	-	58,000
Term Finance Certificates - listed	472,345	44,928	517,273	514,230	44,937	559,167
Term Finance Certificates - unlisted	1,462,999	-	1,462,999	637,146	-	637,146
Sukuk Bonds	919,010	-	919,010	931,869	-	931,869
	<b>19,071,466</b>	<b>16,259,541</b>	<b>35,331,007</b>	<b>21,957,224</b>	<b>13,981,994</b>	<b>35,939,218</b>
<b>Held to maturity</b>						
Pakistan Investment Bonds	1,008,233	-	1,008,233	1,257,988	-	1,257,988
<b>Subsidiary</b>						
Unlisted Ordinary shares	396,942	-	396,942	396,942	-	396,942
<b>Investment at cost</b>	<b>20,608,315</b>	<b>16,259,541</b>	<b>36,867,856</b>	<b>23,651,825</b>	<b>13,981,994</b>	<b>37,633,819</b>
Less: Provision for diminution in value of investments	(1,019,407)	-	(1,019,407)	(1,058,828)	-	(1,058,828)
<b>Investments - net of provisions</b>	<b>19,588,908</b>	<b>16,259,541</b>	<b>35,848,449</b>	<b>22,592,997</b>	<b>13,981,994</b>	<b>36,574,991</b>
Unrealised loss on revaluation of held-for-trading securities	(7,493)	-	(7,493)	(5,337)	-	(5,337)
Deficit on revaluation of available-for-sale securities	(124,056)	(1,220)	(125,276)	(286,078)	(14,672)	(300,750)
<b>Total investments</b>	<b>19,457,359</b>	<b>16,258,321</b>	<b>35,715,680</b>	<b>22,301,582</b>	<b>13,967,322</b>	<b>36,268,904</b>

8.2 Particulars of provision	Note	Unaudited June 30, 2012	December 31, 2011
		----- (Rupees in '000) -----	
Opening balance		1,058,828	500,060
Provision against investment in a subsidiary at the date of acquisition		-	597,647
Charge for the period		2,500	213,430
Transfers		(6,250)	(252,309)
Reversed on disposal		(35,671)	-
		(41,921)	(252,309)
Closing balance		<b>1,019,407</b>	<b>1,058,828</b>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED JUNE 30, 2012

	Unaudited June 30, 2012	December 31, 2011
Note	----- (Rupees in '000) -----	
<b>8.3 Particulars of provision in respect of type and segment</b>		
<b>Available-for-sale securities</b>		
Ordinary shares of listed companies	249,504	285,175
Ordinary shares of unlisted companies	4,210	4,210
Mutual Fund units	337,527	337,527
Term Finance Certificates - unlisted	80,394	84,144
Sukuk Bonds	<u>150,000</u>	<u>150,000</u>
	<b>821,635</b>	<b>861,056</b>
<b>Subsidiary</b>	<u>197,772</u>	<u>197,772</u>
	<u><b>1,019,407</b></u>	<u><b>1,058,828</b></u>
	Unaudited June 30, 2012	Restated December 31, 2011
Note	----- (Rupees in '000) -----	
<b>9. ADVANCES</b>		
Loans, cash credits, running finances, etc. - in Pakistan	64,275,659	65,076,030
Net investment in finance lease - in Pakistan	9.2      306,075	372,747
Bills discounted and purchased (excluding Treasury Bills)		
Payable in Pakistan	<u>2,320,359</u>	<u>2,208,614</u>
Payable outside Pakistan	<u>1,466,536</u>	<u>741,682</u>
	<u>3,786,895</u>	<u>2,950,296</u>
Advances - gross	<u>68,368,629</u>	<u>68,399,073</u>
Provision against non-performing advances	9.3.1 <u>(12,138,816)</u>	<u>(12,381,409)</u>
Advances - net of provision	<u><b>56,229,813</b></u>	<u><b>56,017,664</b></u>
<b>9.1 Particulars of advances</b>		
<b>9.1.1</b> In local currency	<u>66,768,887</u>	<u>68,274,162</u>
In foreign currencies	<u>1,599,742</u>	<u>124,911</u>
	<u><b>68,368,629</b></u>	<u><b>68,399,073</b></u>
<b>9.1.2</b> Short-term (upto one year)	<u>57,384,576</u>	<u>60,665,946</u>
Long-term (over one year)	<u>10,984,053</u>	<u>7,733,127</u>
	<u><b>68,368,629</b></u>	<u><b>68,399,073</b></u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED JUNE 30, 2012

**9.2 Net investment in finance lease - in Pakistan**

	June 30, 2012 (Unaudited)				December 31, 2011 (Restated)			
	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	120,130	170,376	-	290,506	118,440	235,962	-	354,402
Residual value	59,426	3,749	-	63,175	69,004	15,492	-	84,496
Minimum lease payments	179,556	174,125	-	353,681	187,444	251,454	-	438,898
Financial charges for future periods	(13,829)	(33,777)	-	(47,606)	(13,243)	(52,908)	-	(66,151)
Present value of minimum lease payments	<b>165,727</b>	<b>140,348</b>	-	<b>306,075</b>	<b>174,201</b>	<b>198,546</b>	-	<b>372,747</b>

9.3 Advances include Rs.22,804.485 million (December 31, 2011: Rs.23,964.013 million) which have been placed under non-performing status as detailed below:

Category of classification	June 30, 2012 (Unaudited)			December 31, 2011 (Restated)		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
	----- (Rupees in '000) -----					
Substandard	1,689,694	242,329	242,329	3,520,410	760,341	760,341
Doubtful	3,769,952	906,525	906,525	3,986,610	1,179,640	1,179,640
Loss	17,344,839	10,988,599	10,988,599	16,456,993	10,440,195	10,440,195
	<b>22,804,485</b>	<b>12,137,453</b>	<b>12,137,453</b>	<b>23,964,013</b>	<b>12,380,176</b>	<b>12,380,176</b>

**9.3.1 Particulars of provision against non-performing advances**

	June 30, 2012 (Unaudited)			December 31, 2011 (Restated)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	12,380,176	1,233	12,381,409	5,719,514	4,430	5,723,944
Provision against non-performing advances of subsidiary at the date of acquisition	-	-	-	6,092,489	570	6,093,059
Charge for the period	826,681	130	826,811	2,855,538	-	2,855,538
Reversals	(1,063,320)	-	(1,063,320)	(2,214,672)	(3,767)	(2,218,439)
	(236,639)	130	(236,509)	640,866	(3,767)	637,099
Transfers	6,250	-	6,250	-	-	-
Amount written off	(12,334)	-	(12,334)	(72,693)	-	(72,693)
Closing balance	<b>12,137,453</b>	<b>1,363</b>	<b>12,138,816</b>	<b>12,380,176</b>	<b>1,233</b>	<b>12,381,409</b>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED JUNE 30, 2012

**9.3.2 Particulars of provision against non-performing advances**

	June 30, 2012 (Unaudited)			December 31, 2011 (Restated)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
In local currency	12,137,453	1,363	12,138,816	12,380,176	1,233	12,381,409
In foreign currencies	-	-	-	-	-	-
	<b>12,137,453</b>	<b>1,363</b>	<b>12,138,816</b>	12,380,176	1,233	12,381,409

**9.3.3** 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.8,907 million (December 31, 2011: Rs.8,653 million). Further, the Bank has also availed the benefit of certain exemptions from Prudential Regulations requiring provision against non performing loans which are given by the State Bank of Pakistan.

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

	Unaudited June 30, 2012	Restated December 31, 2011
<b>Note</b>	----- (Rupees in '000) -----	
<b>9.4 Particulars of write offs</b>		
<b>9.4.1</b> Against provisions	<b>12,334</b>	72,693
Directly charged to profit and loss account	<b>39,511</b>	2,198
	<b>51,845</b>	74,891

**10. OPERATING FIXED ASSETS - at cost**

Opening written down value		<b>6,071,432</b>	2,690,447
Add: Additions during the period / year - at cost	10.1	<b>196,813</b>	658,258
Assets acquired on amalgamation - at WDV		-	2,157,541
Adjustment on revaluation of Assets		-	1,302,184
		<b>196,813</b>	4,117,983
Less: Written down value of deletions	10.2	<b>57,273</b>	161,319
Depreciation / amortisation for the period		<b>314,289</b>	574,428
Goodwill written off		-	1,251
		<b>371,562</b>	736,998
		<b>5,896,683</b>	6,071,432

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED JUNE 30, 2012

	Unaudited June 30, 2012	Restated December 31, 2011
Note	----- (Rupees in '000) -----	
<b>10.1 Additions - at cost</b>		
Leasehold improvements	54,857	169,528
Electrical, office and computer equipment	79,884	97,220
Furniture and fixtures	20,346	34,630
Computer software	2,364	11,401
Vehicles	20,157	2,943
Advance to supplier	6,394	41,126
Civil works	12,811	2,361
Core deposits	-	155,211
Brand name	-	143,838
	<b>196,813</b>	<b>658,258</b>
<b>10.2 Deletions</b>		
Land	44,525	-
Leasehold improvements	9,670	115,525
Electrical, office and computer equipment	12,572	56,737
Furniture and fixtures	3,645	36,746
Vehicles	8,330	67,874
	<b>78,742</b>	<b>276,882</b>
Less: Depreciation / amortisation on disposals	<b>(21,469)</b>	<b>(115,563)</b>
	<b>57,273</b>	<b>161,319</b>
<b>11. DEFERRED TAX ASSETS - net</b>		
<b>Deferred debits arising in respect of:</b>		
Deficit on revaluation of available-for-sale securities	69,053	77,644
Deficit on revaluation of held to maturity	6,985	19,855
Provision against non performing loans	2,121,348	2,357,247
Provision for gratuity	15,240	36,023
Provision for compensated absences	44,416	42,994
Provision against other assets	54,852	45,821
Unused tax losses	3,975,383	4,053,007
Provision for impairment losses	356,792	370,590
Unrealised loss on revaluation of investments - held-for-trading	2,622	1,868
	<b>6,646,691</b>	<b>7,005,049</b>
<b>Deferred credits arising in respect of:</b>		
Surplus on revaluation of fixed assets	(110,265)	(107,857)
Difference between accounting and tax written down values	(385,908)	(599,133)
	<b>(496,173)</b>	<b>(706,990)</b>
	<b>6,150,518</b>	<b>6,298,059</b>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED JUNE 30, 2012

- 11.1** As at June 30, 2012, the Bank has a deferred tax asset on provision against non performing loans amounting to Rs.3,030.497 (December 31, 2011: Rs.3,367.496) million. However, the management has recognised the above benefit only to the extent of Rs.2,121.348 (December 31, 2011: Rs.2,357.247) million based on the absorption / admissibility of the provision against non-performing loans under the relevant tax laws during the forecast period.
- 11.2** The Bank has an aggregate amount of deferred tax asset of Rs.6,150.518 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 impact 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.

**12. DEPOSITS AND OTHER ACCOUNTS**
**Customers**

Fixed deposits  
Savings deposits  
Current accounts - non-remunerative  
Margin accounts

Unaudited June 30, 2012	Restated December 31, 2011
----- (Rupees in '000) -----	

<b>35,641,464</b>	34,756,400
<b>26,749,438</b>	24,940,852
<b>17,178,243</b>	13,031,012
<b>1,713,917</b>	1,680,617
<b>81,283,062</b>	74,408,881

**Financial institutions**

Non-remunerative deposits  
Remunerative deposits

<b>160,710</b>	70,784
<b>7,562,962</b>	15,220,154
<b>7,723,672</b>	15,290,938
<b>89,006,734</b>	89,699,819

**12.1 Particulars of deposits**

In local currency  
In foreign currencies

<b>84,948,116</b>	85,719,259
<b>4,058,618</b>	3,980,560
<b>89,006,734</b>	89,699,819

**13. CONTINGENCIES AND COMMITMENTS**
**13.1 Direct credit substitutes**

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

Government  
Financial institutions  
Others

Unaudited June 30, 2012	December 31, 2011
----- (Rupees in '000) -----	

<b>669,455</b>	668,995
<b>400,000</b>	400,000
<b>28,365</b>	287,983
<b>1,097,820</b>	1,356,978

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED JUNE 30, 2012

	Unaudited June 30, 2012	December 31, 2011
	----- (Rupees in '000) -----	
<b>13.2 Transaction-related contingent liabilities / commitments / guarantees issued favouring</b>		
Contingent liability in respect of performance bonds, bid bonds, shipping guarantees and standby letters of credit favouring:		
Government	9,845,203	8,675,547
Banking companies and other financial institutions	8,279	4,290
Others	1,196,755	1,083,355
	<u>11,050,237</u>	<u>9,763,192</u>
<b>13.3 Trade-related contingent liabilities</b>		
Letters of credit	6,531,767	6,996,529
Acceptances	975,746	1,534,857
	<u>7,507,513</u>	<u>8,531,386</u>
<b>13.4 Other contingencies - claims against Bank not acknowledged as debts</b>	<u>3,563,872</u>	<u>2,773,833</u>
<b>13.5 Contingent asset</b>		
There was no contingent asset as at June 30, 2012 (December 31, 2011: Nil).		
<b>13.6 Commitments in respect of forward lending</b>		
Forward documentary bills	3,100,390	2,462,779
Commitments to extend credit	12,102,726	11,381,725
	<u>15,203,116</u>	<u>13,844,504</u>
<b>13.7 Commitments in respect of forward exchange contracts</b>		
Purchase	7,076,662	5,487,145
Sale	6,119,963	4,214,578
	<u>13,196,625</u>	<u>9,701,723</u>
<b>13.8 Commitments for capital expenditure</b>		
Civil works (at branches)	<u>48,054</u>	<u>24,920</u>
<b>13.9 Commitments in respect of purchase of rupee traveller cheques</b>	<u>-</u>	<u>1,210</u>
<b>13.10 Taxation and other contingencies</b>		

There has been no change in tax or other contingencies as reported in the annual audited financial statements of the Bank for the year ended December 31, 2011 other than the following update in respect of certain taxation matters:

In respect of the tax assessments of SMBL relating to tax years 2009 to 2011, various disallowances have been made by taxation authorities including provision against non-performing advances, amortisation of intangible assets, adjustment of gain on sale of shares of listed companies against business income, loans to employees/directors and interest charged thereon, distribution of interest income of the mutual fund, unrealized loss on

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED JUNE 30, 2012

forward foreign exchange contracts, reversal on account of provision for diminution in value of investment, levy of Workers Welfare Fund and surcharge. In relation to the above, the Bank has already filed an appeal before CIR(A) in respect of the disallowances. The adjustment with regard to the above matters has already been made in these condensed interim financial statements.

	<b>Unaudited June 30, 2012</b>	<b>Restated Unaudited June 30, 2011</b>
<b>Note</b>	----- (Rupees in '000) -----	
<b>14. LOSS PER SHARE - BASIC</b>		
Loss for the period	<u>(945,764)</u>	<u>(1,734,957)</u>
	----- (Number of shares) -----	
Weighted average number of Ordinary shares	<u>1,077,979,582</u>	<u>749,101,318</u>
	----- (Rupees) -----	
Loss per share - basic	<u>(0.88)</u>	<u>(2.32)</u>
<b>14.1</b> Diluted earnings per share is not disclosed as the Bank does not have any convertible instruments in issue as at June 30, 2012.		
	<b>Unaudited June 30, 2012</b>	<b>December 31, 2011</b>
	----- (Rupees in '000) -----	
<b>15. CASH AND CASH EQUIVALENTS</b>		
Cash and balances with treasury banks	<b>6,416,303</b>	6,161,644
Balances with other banks	<b>1,221,806</b>	678,050
Overdrawn nostro accounts	<u>(31,134)</u>	<u>(7,502)</u>
	<u><b>7,606,975</b></u>	<u>6,832,192</u>

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2012

### 16. RELATED PARTY TRANSACTIONS

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 condensed interim financial statements, are as follows:

	June 30, 2012 (Unaudited)				December 31, 2011					
	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)				(Rupees in '000)					
<b>Advances</b>										
Balance at beginning of the period	91,933	-	-	18,000	12,148	66,206	-	-	-	41,699
Sanctioned / granted during the period	11,040	-	-	1,002	137,284	40,028	-	-	18,000	216,709
Payment received during the period	(25,701)	-	-	(1,002)	(136,055)	(14,301)	-	-	-	(246,260)
Balance at end of the period	77,272	-	-	18,000	13,377	91,933	-	-	18,000	12,148
<b>Deposits</b>										
Balance at beginning of the period	7,576	67,668	-	34,518	47,568	5,972	71,770	-	-	204,666
Deposits during the period	120,002	269,265	-	939,664	439,917	287,273	280,430	-	2,251,438	3,390,245
Withdrawal during the period	(119,038)	(331,351)	-	(939,730)	(402,846)	(285,669)	(284,532)	-	(2,216,920)	(3,547,343)
Balance at end of the period	8,540	5,582	-	34,452	84,639	7,576	67,668	-	34,518	47,568
<b>Investment in shares / TFC's</b>										
Summit Capital (Private) Limited	-	-	-	396,942	-	-	-	-	396,942	-
Subscription of right shares	-	-	856,457	-	-	-	-	856,457	-	-
Purchase of Investments	-	-	-	-	250,169	-	-	-	-	373,899
Disposal of investment	-	-	-	-	259,066	-	-	-	37,200	312,504
Maturity of investment	-	-	-	-	-	-	-	-	-	6,172
Guarantees, letters of credits and acceptances	-	-	-	-	1,550	-	-	-	-	27,934
Contribution paid to the provident fund	-	-	-	-	27,056	-	-	-	-	37,664
Contribution paid to the gratuity fund	-	-	-	-	5,353	-	-	-	-	-
Other receivable	-	-	27,000	-	11	-	-	27,000	-	11
Other payable	-	-	-	99	1,192	-	-	-	287	1,192
Mark-up payable	101	-	-	282	99	22	-	-	236	353
Mark-up receivable	-	-	-	669	314	-	-	-	-	527
	June 30, 2012 (Unaudited)				June 30, 2011 (Unaudited)					
	(Rupees in '000)				(Rupees in '000)					
<b>Profit / expense for the period</b>										
Brokerage expenses paid - equity securities	-	-	-	581	-	-	-	-	2,028	-
Capital gain / (loss)	-	-	-	-	9,995	-	-	-	-	16,881
Dividend income	-	-	-	-	-	-	-	-	-	7,904
Mark-up earned	2,321	-	-	1,342	636	3,146	-	-	2,964	1,663
Mark-up expensed	407	748	-	1,819	799	1,292	3,213	-	4,531	11,003
Mark-up paid	306	726	-	1,537	699	1,271	3,213	-	4,295	10,650

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED JUNE 30, 2012

**17. DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements were authorised for issue on August 30, 2012 by the Board of Directors of the Bank.

**18. GENERAL**

- 18.1 Figures have been re-arranged and re-classified, wherever necessary, for the purpose of better presentation.
- 18.2 The figures in the condensed interim financial statements have been rounded off to the nearest thousand.
- 18.3 Figures of the profit and loss account for the quarters ended June 30, 2012 and June 30, 2011 have not been subjected to limited scope review by the auditors as they are only required to review half-yearly figures.

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**President &  
Chief Executive**

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**Director**

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**Director**

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**Director**

**SUMMIT BANK LIMITED**

**CONSOLIDATED CONDENSED INTERIM  
FINANCIAL STATEMENTS**

**AS AT JUNE 30, 2012**

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**

AS AT JUNE 30, 2012

	Unaudited June 30, 2012	Restated December 31, 2011
<b>ASSETS</b>		
	----- (Rupees in '000) -----	
	<b>Note</b>	
Cash and balances with treasury banks	<b>6,416,315</b>	6,117,998
Balances with other banks	<b>1,221,806</b>	1,433,614
Lendings to financial institutions	<b>221,213</b>	1,069,757
Investments	8 <b>35,569,420</b>	36,098,644
Advances	9 <b>56,212,090</b>	55,999,664
Operating fixed assets	10 <b>5,993,455</b>	6,175,011
Deferred tax assets - net	11 <b>6,102,116</b>	6,249,658
Other assets	<b>7,407,291</b>	6,123,167
	<b>119,143,706</b>	119,267,513
<b>LIABILITIES</b>		
Bills payable	<b>1,230,596</b>	900,750
Borrowings	<b>20,102,778</b>	18,562,616
Deposits and other accounts	12 <b>88,975,747</b>	89,665,301
Sub-ordinated loan	<b>1,499,655</b>	1,500,000
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	<b>2,421,185</b>	2,938,294
	<b>114,229,961</b>	113,566,961
<b>NET ASSETS</b>	<b>4,913,745</b>	5,700,552
<b>REPRESENTED BY</b>		
Share capital	<b>10,779,796</b>	10,779,796
Reserves	<b>(1,811,676)</b>	(1,811,676)
Accumulated losses	<b>(4,408,918)</b>	(3,465,688)
	<b>4,559,202</b>	5,502,432
Surplus on revaluation of assets - net of deferred tax	<b>354,543</b>	198,120
	<b>4,913,745</b>	5,700,552
<b>CONTINGENCIES AND COMMITMENTS</b>	13	

The annexed notes from 1 to 18 form an integral part of these condensed consolidated interim financial statements.

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**President &  
Chief Executive**

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**Director**

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**Director**

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**Director**

**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
 FOR THE PERIOD ENDED JUNE 30, 2012

	Quarter ended June 30, 2012	Quarter ended June 30, 2011 (Restated)	Half year ended June 30, 2012	Half year ended June 30, 2011 (Restated)	
Note ----- (Rupees in '000) -----					
Mark-up / return / interest earned	2,780,089	2,570,872	5,580,571	4,408,086	
Mark-up / return / interest expensed	(2,651,156)	(2,283,777)	(5,323,505)	(3,962,900)	
Net mark-up / interest income	128,933	287,095	257,066	445,186	
Reversal of provision / (charge) against non-performing loans and advances	9.3.1	88,007	(978,491)	230,260	(1,231,448)
Reversal of provision / (charge) for diminution in the value of investments		(2,500)	187,488	3,750	188,141
Bad debts written off directly	9.4.1	-	(2,198)	(39,511)	(2,198)
Net mark-up / interest income / (loss) after provisions		85,507	(793,201)	194,499	(1,045,505)
		214,440	(506,106)	451,565	(600,319)
<b>NON MARK-UP / INTEREST INCOME</b>					
Fee, commission and brokerage income	222,076	153,100	335,156	225,839	
Dividend income	48,733	1,090	51,799	5,923	
Gain from dealing in foreign currencies	94,743	58,070	191,881	74,018	
Gain / (loss) on sale of securities - net	143,189	(173,323)	178,475	(161,900)	
Unrealised gain / (loss) on revaluation of investments classified as held-for-trading	236	4,463	2,007	(2,614)	
Other income	15,800	32,929	51,519	42,633	
Total non-mark-up / interest income	524,777	76,329	810,837	183,899	
	739,217	(429,777)	1,262,402	(416,420)	
<b>NON MARK-UP / INTEREST EXPENSES</b>					
Administrative expenses	(1,042,659)	(1,197,489)	(2,023,777)	(1,893,391)	
Other provisions / write-offs	(668)	(32,008)	(1,138)	(35,154)	
Other charges	(1,837)	(7,279)	(4,217)	(9,348)	
Total non-mark-up / interest expenses	(1,045,164)	(1,236,776)	(2,029,132)	(1,937,893)	
	(305,947)	(1,666,553)	(766,730)	(2,354,313)	
Extra ordinary / unusual items	-	-	-	-	
<b>LOSS BEFORE TAXATION</b>	<b>(305,947)</b>	<b>(1,666,553)</b>	<b>(766,730)</b>	<b>(2,354,313)</b>	
<b>Taxation</b>					
Current	(16,773)	(35,010)	(48,010)	(55,109)	
Prior	-	-	-	-	
Deferred	(72,127)	443,720	(136,544)	665,650	
	(88,900)	408,710	(184,554)	610,541	
<b>LOSS AFTER TAXATION</b>	<b>(394,847)</b>	<b>(1,257,843)</b>	<b>(951,284)</b>	<b>(1,743,772)</b>	
<b>Loss after taxation attributable to:</b>					
Owners of the parent	(394,847)	(1,122,261)	(951,284)	(1,608,190)	
Non-controlling interests	-	(135,582)	-	(135,582)	
	(394,847)	(1,257,843)	(951,284)	(1,743,772)	
<b>Loss per share (Rupees) - basic and diluted</b>	<b>14</b>	<b>(0.37)</b>	<b>(1.50)</b>	<b>(0.88)</b>	<b>(2.15)</b>

The annexed notes from 1 to 18 form an integral part of these condensed consolidated interim financial statements.

 President &  
Chief Executive

Director

Director

Director

**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)**  
 FOR THE PERIOD ENDED JUNE 30, 2012

	Half Year Ended June 30, 2012	Half Year Ended June 30, 2011 (Restated)
Note	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Loss before taxation</b>	<b>(766,730)</b>	(2,354,313)
Dividend income	<b>(51,799)</b>	(5,923)
	<b>(818,529)</b>	(2,360,236)
<b>Adjustments:</b>		
Depreciation	<b>278,183</b>	219,994
Amortisation of intangible assets and deferred cost	<b>33,373</b>	45,697
(Reversal) / charge of provision against non-performing advances	<b>(190,749)</b>	1,233,646
Other provisions / write offs	<b>1,138</b>	35,154
Reversal of provision for diminution in the value of investments	<b>(3,750)</b>	(188,141)
Unrealised (gain) / loss on revaluation of investments	<b>-</b>	-
in held-for-trading securities	<b>(2,007)</b>	(2,614)
Loss / (gain) on sale of securities	<b>(178,475)</b>	161,900
Gain on disposal of operating fixed assets	<b>(23,414)</b>	16,519
	<b>(85,701)</b>	1,522,155
	<b>(904,230)</b>	(838,081)
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	<b>848,544</b>	945,584
Investments in held-for-trading securities - net	<b>66,635</b>	-
Advances	<b>(21,677)</b>	349,880
Other assets	<b>(1,225,674)</b>	(810,526)
	<b>(332,172)</b>	484,938
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	<b>329,846</b>	123,711
Borrowings from financial institutions	<b>1,548,685</b>	(848,655)
Deposits and other accounts	<b>(689,554)</b>	(204,404)
Other liabilities	<b>(517,109)</b>	154,900
	<b>671,868</b>	(774,448)
Income tax paid	<b>(564,534)</b>	(1,127,591)
<b>Net cash used in operating activities</b>	<b>(667,862)</b>	(1,146,104)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments in available-for-sale securities - net	<b>572,540</b>	1,707,711
Investments in held-to-maturity securities - net	<b>249,755</b>	-
Investment in subsidiaries	<b>-</b>	523,762
Dividend received	<b>47,530</b>	7,219
Investment in operating fixed assets	<b>(192,977)</b>	(138,063)
Sale proceeds from disposal of property and equipment	<b>86,391</b>	75,656
<b>Net cash (used) / generated from investing activities</b>	<b>763,239</b>	2,176,285
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts on issue of right shares	<b>-</b>	1,450,132
Receipts on issue of subordinated loan	<b>(345)</b>	-
<b>Net cash (used) / generated from investing activities</b>	<b>(345)</b>	1,450,132
Decrease in cash and cash equivalents	<b>95,032</b>	2,480,313
Cash and cash equivalents at beginning of the period	<b>7,511,955</b>	4,385,562
<b>Cash and cash equivalents at end of the period</b>	<b>7,606,987</b>	6,865,875

The annexed notes from 1 to 18 form an integral part of these condensed consolidated interim financial statements.

 President &  
Chief Executive

Director

Director

Director

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
 FOR THE PERIOD ENDED JUNE 30, 2012

	Quarter ended June 30, 2012	Quarter ended June 30, 2011 (Restated)	Half year ended June 30, 2012	Half year ended June 30, 2011 (Restated)
	----- (Rupees in '000) -----			
<b>Loss after taxation</b>	<b>(394,847)</b>	(1,257,843)	<b>(951,284)</b>	(1,743,772)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss</b>	<b>(394,847)</b>	(1,257,843)	<b>(951,284)</b>	(1,743,772)

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 18 form an integral part of these condensed consolidated interim financial statements.

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**President &  
 Chief Executive**

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**Director**

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**Director**

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**Director**

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
 FOR THE PERIOD ENDED JUNE 30, 2012

	Capital reserves					Accumulated losses	Total
	Share capital	Share premium	Statutory reserve	Reserve arising on amalgamation	Discount on issue of shares		
	(Rupees in '000)						
<b>Balance as at January 01, 2011</b>	7,250,660	1,000,000	64,828	(2,399,878)	-	(2,321,584)	3,594,026
Issuance of right shares during the year	1,450,132	-	-	-	-	-	1,450,132
Net loss transferred to equity during the period ended June 30, 2011	-	-	-	-	-	(1,608,190)	(1,608,190)
Issue of share capital and adjustments arising on acquisition and amalgamation of non-controlling interest in amalgamation of MyBank Limited (note 6.3) - Restated	2,079,004	-	-	820,672	(1,297,298)	-	1,602,378
<b>Balance as at June 30, 2011 (restated)</b>	10,779,796	1,000,000	64,828	(1,579,206)	(1,297,298)	(3,929,774)	5,038,346
Transfer from Surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred tax	-	-	-	-	-	3,078	3,078
Net profit transferred to equity during the period ended December 31, 2011 - Restated	-	-	-	-	-	461,008	461,008
<b>Balance as at December 31, 2011 (restated)</b>	10,779,796	1,000,000	64,828	(1,579,206)	(1,297,298)	(3,465,688)	5,502,432
Net loss transferred to equity for the period ended June 30, 2012	-	-	-	-	-	(951,284)	(951,284)
Transfer from Surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred tax	-	-	-	-	-	8,054	8,054
<b>Balance as at June 30, 2012</b>	<b>10,779,796</b>	<b>1,000,000</b>	<b>64,828</b>	<b>(1,579,206)</b>	<b>(1,297,298)</b>	<b>(4,408,918)</b>	<b>4,559,202</b>

The annexed notes from 1 to 18 form an integral part of these condensed consolidated interim financial statements.

\_\_\_\_\_  
**President &  
 Chief Executive**

\_\_\_\_\_  
**Director**

\_\_\_\_\_  
**Director**

\_\_\_\_\_  
**Director**

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2012

### 1. STATUS AND NATURE OF BUSINESS

- 1.1 The Group comprises of Summit Bank Limited - the holding company "the Bank" and Summit Capital (Private) Limited (SCPL) (formerly Atlas Capital Markets (Private) Limited) - a wholly owned subsidiary. The ultimate holding company of the Bank is Suroor Investments Limited, (SIL) a company incorporated in Mauritius.
- 1.2 Summit Bank Limited (the Bank) was incorporated in Pakistan as public company limited by shares on December 09, 2005 under the Companies Ordinance, 1984. It is listed on all the stock exchanges of Pakistan. Registered office 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 166 branches (December 31, 2011: 165 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 'Stable' outlook.
- 1.4 SCPL, the subsidiary company was incorporated in Pakistan on March 08, 2006 under the Companies Ordinance, 1984. The subsidiary company is a corporate member of Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited, Islamabad Stock Exchange (Guarantee) Limited and National Commodity Exchange Limited. The principal activities of the subsidiary company are equity and money market brokerage, advisory and consultancy services. The Group acquired interest in SCPL by virtue of amalgamation of Atlas Bank Limited.
- 1.5 At the close of business on December 31, 2010, Atlas Bank Limited (ATBL) has been merged with and into Summit Bank Limited by virtue of a scheme of amalgamation (the scheme) under section 48 of the Banking Companies Ordinance, 1962, sanctioned by SBP. This scheme had been approved by the shareholders of the Bank in their Extra Ordinary General Meeting held on November 06, 2010.
- 1.6 During the year ended 31 December 2010, Suroor Investments Limited (SIL), a company incorporated in Mauritius, acquired 59.4% shareholding and consequently, SIL become the parent company of the Bank. Further, under a scheme of amalgamation (the scheme), at the close of business December 31, 2010 Atlas Bank Limited (ATBL) has been merged with and into Summit Bank Limited on December 31, 2010 (at the close of business).
- 1.7 During the previous year, the Bank purchased 270,482,625 shares of My Bank Limited (MBL) at a price of Rs.8 per share resulting in a purchase consideration of Rs.2,163.861 million. The Bank, consequently held 51.00% Ordinary shares in MBL as at April 01, 2011. Accordingly, MBL became a subsidiary of the Bank upon the acquisition. The details of this business combination together with its accounting treatment are given in note 6 to these condensed interim financial statements.

Furthermore, in 2011, 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 condensed consolidated interim financial statements represent the consolidated financial statements of the Group.
- 1.9 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

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2012

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 June 30, 2012 is Rs.4.494 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 has been granted an exemption till December 31, 2012 to meet the minimum capital requirement (MCR) and capital adequacy ratio (CAR) by the SBP through its letter number BSD/BAID/649/6177/2012 dated May 18, 2012. 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.

### 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 condensed interim 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 condensed interim financial statements of the Group have been prepared in accordance with the requirements of International Accounting Standard 34 - Interim Financial Reporting, provisions of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. In case requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.

**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 condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

### 4. BASIS OF MEASUREMENT

These condensed interim financial statements have been prepared under the historical cost convention, except that certain investments and commitments in respect of forward exchange contracts have been carried at revalued amounts. All amounts are in Pakistan Rupees which is the functional and presentation currency of the Group.

The preparation of condensed interim financial statements in conformity with approved accounting standards requires certain judgments, accounting estimates and assumptions. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. These estimates and associated assumptions are continually evaluated and are based on historical experience, statutory requirements and other factors considered reasonable in the circumstances. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The estimates and assumptions that are expected to have a significant effect on the assets and liabilities, income and expenses have been disclosed in note 7 to these condensed interim financial statements.

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2012

### 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 5.1 The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Group for the year ended December 31, 2011.
- 5.2 The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended December 31, 2011.

#### **New standards, interpretations and amendments thereof adopted by the Company**

The Company has adopted the following amended IFRS which became effective during the period:

#### **Standard or interpretation**

IFRS 7 - Financial Instruments: Disclosures (Amendment)

IAS 12 – Income Taxes (Amendment) - Recovery of Underlying Assets

The adoption of the above standards / amendments did not have any material effect on the financial statements.

The financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements of the Company for the year ended December 31, 2011.

### 6. BUSINESS COMBINATION - Restatement of prior year figures

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. The Group accounted for the same by applying acquisition method of accounting as prescribed by the International Financial Reporting Standards 3, "Business Combination".

The initial accounting for a business combination involves identifying and determining the fair values to be assigned to the acquiree's identifiable assets, liabilities and contingent liabilities and the cost of the combination. At the time of acquisition, the management was in the process of carrying out a detailed exercise for the identification and valuation of assets acquired (including intangible assets) for the purpose of the initial accounting for the acquisition. According to the requirements of IFRS 3, if the initial accounting for a business combination remain incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report provisional amounts for the items for which the accounting is incomplete. Such provisional values shall be adjusted retrospectively within a period of one year from the acquisition date to reflect the results of the valuation and information that existed as of acquisition date. Accordingly, pending the completion of the detailed exercise for valuation of the acquired net assets as referred above, the Group reported provisional amounts for the assets acquired including the goodwill in respect of the amalgamation in the financial statements for the year ended December 31, 2011.

The fair valuation exercise for assets and liabilities acquired is completed by the management with the assistance of an independent valuer and the accounting treatment of fair valuation of MBL's assets and liabilities (including the contingent liabilities) in the books have been finalised in the current period and accounted for in the condensed interim financial statements in accordance with the written clearance of the SBP, as per the directive received from the SBP in this regard.

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2012

A reconciliation between the provisional amounts and final values as at June 30, 2011 in respect of the amalgamation is as under:

	* Provisional amounts as at the date of Amalgamation	Fair value adjustments / recognised	Final adjusted amounts as at the date of Amalgamation
Note	----- (Rupees in '000) -----		-----
<b>Assets</b>			
Cash and balances with treasury banks	2,206,669	-	2,206,669
Balances with other banks	480,954	-	480,954
Lendings to financial institutions	945,584	-	945,584
Investments	7,510,462	(56,727)	7,453,735
Advances	21,512,969	(1,168,976)	20,343,993
Operating fixed assets	2,167,248	713,702	2,880,950
Deferred tax assets	1,475,793	(328,270)	1,147,523
Other assets	2,005,186	364,871	2,370,057
<b>Total assets</b>	<b>38,304,865</b>	<b>(475,400)</b>	<b>37,829,465</b>
<b>Liabilities</b>			
Bills payable	475,537	-	475,537
Borrowings	5,282,024	-	5,282,024
Deposits and other accounts	6.4 28,026,796	54,663	28,081,459
Other liabilities	443,586	-	443,586
<b>Total liabilities</b>	<b>34,227,943</b>	<b>54,663</b>	<b>34,282,606</b>
<b>Net assets</b>	<b>4,076,922</b>	<b>(530,063)</b>	<b>3,546,859</b>
Cash consideration paid			
[270,482,625 Ordinary shares @ Rs.8 each	1.5 2,163,861	-	2,163,861
Proportionate share of non-controlling interest (49% of net assets)	6.3 1,997,692	(259,731)	1,737,961
	4,161,553	(259,731)	3,901,822
Intangible assets	6.4 -	-	353,712
Goodwill arising on acquisition	6.2 84,631	270,332	1,251

\* 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 Group 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 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).

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**  
 FOR THE PERIOD ENDED JUNE 30, 2012

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.820.672 million has been recognised as part of the equity (shown separately under 'Reserve arising on amalgamation').

	Note	Rs in '000
<b>6.4 Intangible assets acquired upon amalgamation</b>		
Core deposits	6.4.1	209,874
Brand name	6.4.2	143,838
		353,712

**6.4.1** The intangible asset comprises of core deposits of Ex- Mybank and represents the funding benefit that would be available to the Group on account of availability of funding through deposit customers rather than from the whole or inter-bank markets.

Valuations of core deposits rests on the premise that the acquired customer relationships provide a stream of future benefits to the acquirer. These benefits last until the deposit relationship terminates.

The fair value of this identifiable intangible asset has been determined using discounted cash flow method, by an independent valuer.

**6.4.2** This intangible asset represents Bank's ability to attract new customers and generate superior returns from existing customers due to Brand recognition.

The fair value of this intangible has been determined using relief from royalty method by an independent valuer. The management estimates that the benefits from usage of Brand will be available to the Group for the next 10 years.

**7. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS**

The basis for significant accounting estimates and judgments adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Group for the year ended December 31, 2011.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED JUNE 30, 2012**

Note	June 30, 2012 ( Unaudited )			December 31, 2011 ( Restated )		
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
<b>8. INVESTMENTS</b>	(Rupees in '000)					
<b>8.1 Investments by types:</b>						
<b>Held-for-trading securities</b>						
Listed Ordinary shares	146,174	-	146,174	39,671	-	39,671
<b>Available-for-sale securities</b>						
Market Treasury Bills	9,535,036	16,214,613	25,749,649	15,781,443	13,937,057	29,718,500
Pakistan Investment Bonds	3,805,617	-	3,805,617	1,289,099	-	1,289,099
Listed Ordinary shares	1,530,655	-	1,530,655	1,541,937	-	1,541,937
Preference shares	107,941	-	107,941	37,500	-	37,500
Unlisted Ordinary shares	31,000	-	31,000	41,000	-	41,000
Mutual fund units - open end	1,163,363	-	1,163,363	1,125,000	-	1,125,000
Mutual fund units - closed end	43,500	-	43,500	58,000	-	58,000
Term Finance Certificates - listed	472,345	44,928	517,273	514,230	44,937	559,167
Term Finance Certificates - unlisted	1,462,999	-	1,462,999	637,146	-	637,146
Sukuk Bonds	919,010	-	919,010	931,869	-	931,869
	19,071,466	16,259,541	35,331,007	21,957,224	13,981,994	35,939,218
<b>Held to maturity</b>						
Pakistan Investment Bonds	1,008,233	-	1,008,233	1,257,988	-	1,257,988
<b>Associate</b>						
Unlisted Ordinary shares	28,910	-	28,910	28,910	-	28,910
<b>Investment at cost</b>	20,254,783	16,259,541	36,514,324	23,283,793	13,981,994	37,265,787
Less: Provision for diminution in value of investments	8.2 (821,635)	-	(821,635)	(861,056)	-	(861,056)
<b>Investments - net of provisions</b>	19,433,148	16,259,541	35,692,689	22,422,737	13,981,994	36,404,731
Surplus / (deficit) on revaluation of held-for-trading securities	2,007	-	2,007	(5,337)	-	(5,337)
Deficit on revaluation of available-for-sale securities	(124,056)	(1,220)	(125,276)	(286,078)	(14,672)	(300,750)
<b>Total investments</b>	19,311,099	16,258,321	35,569,420	22,131,322	13,967,322	36,098,644

Note	Unaudited	
	June 30, 2012	December 31, 2011
	----- (Rupees in '000) -----	
<b>8.2 Particulars of provision</b>		
Opening balance	861,056	400,060
Provision against investment in a subsidiary at the date of acquisition	-	597,647
Charge for the period	2,500	115,658
Transfer of provision to advances	(6,250)	(252,309)
Reversal of provision on disposal of investments	(35,671)	-
Closing balance	821,635	861,056

**8.3 Particulars of provision in respect of type and segment**
**Available-for-sale securities**

Ordinary shares of listed companies	249,504	285,175
Ordinary shares of unlisted companies	4,210	4,210
Mutual Fund units	337,527	337,527
Term Finance Certificates - unlisted	80,394	84,144
Sukuk Bonds	150,000	150,000
	821,635	861,056

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**  
 FOR THE PERIOD ENDED JUNE 30, 2012

	Note	Unaudited June 30, 2012 ----- (Rupees in '000) -----	Restated December 31, 2011
<b>9. ADVANCES</b>			
Loans, cash credits, running finances, etc. - in Pakistan			
In Pakistan		<b>64,257,936</b>	65,058,030
Outside Pakistan		-	-
Net investment in finance lease - in Pakistan	9.2	<b>306,075</b>	372,747
Bills discounted and purchased (excluding Treasury Bills)			
Payable in Pakistan		<b>2,320,359</b>	2,208,614
Payable outside Pakistan		<b>1,466,536</b>	741,682
		<b>3,786,895</b>	2,950,296
Advances - gross		<b>68,350,906</b>	68,381,073
Provision against non-performing advances	9.3.1	<b>(12,138,816)</b>	(12,381,409)
Advances - net of provision		<b>56,212,090</b>	55,999,664
<b>9.1 Particulars of advances</b>			
<b>9.1.1</b> In local currency		<b>66,751,164</b>	68,256,162
In foreign currencies		<b>1,599,742</b>	124,911
		<b>68,350,906</b>	68,381,073
<b>9.1.2</b> Short-term (upto one year)		<b>57,384,853</b>	60,647,946
Long-term (over one year)		<b>10,966,053</b>	7,733,127
		<b>68,350,906</b>	68,381,073

**9.2 Net investment in finance lease - in Pakistan**

	June 30, 2012 ( Unaudited )				December 31, 2011 (Restated)			
	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	120,130	170,376	-	290,506	118,440	235,962	-	354,402
Residual value	59,426	3,749	-	63,175	69,004	15,492	-	84,496
Minimum lease payments	179,556	174,125	-	353,681	187,444	251,454	-	438,898
Financial charges for future periods	(13,829)	(33,777)	-	(47,606)	(13,243)	(52,908)	-	(66,151)
Present value of minimum lease payments	<b>165,727</b>	<b>140,348</b>	-	<b>306,075</b>	174,201	198,546	-	372,747

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**  
 FOR THE PERIOD ENDED JUNE 30, 2012

- 9.3** Advances include Rs.22,804.485 million (December 31, 2011: Rs.23,964.013 million) which have been placed under non-performing status as detailed below:

Category of classification	June 30, 2012 ( Unaudited )			December 31, 2011 (Restated)		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
	----- (Rupees in '000) -----					
Substandard	1,689,694	242,329	242,329	3,520,410	760,341	760,341
Doubtful	3,769,952	906,525	906,525	3,986,610	1,179,640	1,179,640
Loss	17,344,839	10,988,599	10,988,599	16,456,993	10,440,195	10,440,195
	<b>22,804,485</b>	<b>12,137,453</b>	<b>12,137,453</b>	<b>23,964,013</b>	<b>12,380,176</b>	<b>12,380,176</b>

**9.3.1 Particulars of provision against non-performing advances**

	June 30, 2012 ( Unaudited )			December 31, 2011 (Restated)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	12,380,176	1,233	12,381,409	5,719,514	4,430	5,723,944
Provision against non-performing advances of subsidiary at the date of acquisition	-	-	-	6,092,489	570	6,093,059
Charge for the period	832,931	130	833,061	2,855,538	-	2,855,538
Reversals	(1,063,320)	-	(1,063,320)	(2,214,672)	(3,767)	(2,218,439)
	(230,389)	130	(230,259)	640,866	(3,767)	637,099
Amount written off	(12,334)	-	(12,334)	(72,693)	-	(72,693)
Closing balance	<b>12,137,453</b>	<b>1,363</b>	<b>12,138,816</b>	<b>12,380,176</b>	<b>1,233</b>	<b>12,381,409</b>

**9.3.2 Particulars of provision against non-performing advances**

	June 30, 2012 ( Unaudited )			December 31, 2011 (Restated)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
In local currency	12,137,453	1,363	12,138,816	12,380,176	1,233	12,381,409
In foreign currencies	-	-	-	-	-	-
	<b>12,137,453</b>	<b>1,363</b>	<b>12,138,816</b>	<b>12,380,176</b>	<b>1,233</b>	<b>12,381,409</b>

- 9.3.3** 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 8,907 million (December 31, 2011: Rs.8,653 million). Further, the Group has also 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 FSV and exemptions benefits recognised will not be available for the distribution of cash and stock dividend to shareholders.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**  
 FOR THE PERIOD ENDED JUNE 30, 2012

	June 30, 2012 Unaudited	December 31, 2011 Restated
Note	----- (Rupees in '000) -----	
<b>9.4 Particulars of write offs</b>		
<b>9.4.1</b> Against provisions	12,334	72,693
Directly charged to profit and loss account	39,511	2,198
	<u>51,845</u>	<u>74,891</u>
<b>10. OPERATING FIXED ASSETS - at cost</b>		
Opening written down value	6,175,011	2,781,943
Add: Additions during the period / year - at cost	10.1 <b>198,074</b>	676,477
Assets acquired on Amalgamation - at WDV	-	2,157,541
Adjustment on revaluation of Assets	-	1,302,184
	<b>198,074</b>	4,136,202
Less: Written down value of deletion	10.2 <b>62,977</b>	162,577
Depreciation / amortisation for the period	316,653	579,306
Goodwill written off	-	1,251
	<b>379,630</b>	743,134
	<u><b>5,993,455</b></u>	<u>6,175,011</u>
<b>10.1 Additions - at cost</b>		
Leasehold improvements	54,857	169,589
Electrical, office and computer equipment	81,145	109,003
Furniture and fixtures	20,346	34,700
Computer software	2,364	11,401
Vehicles	20,157	9,248
Advance to supplier	6,394	41,126
Civil works	12,811	2,361
Core deposits	-	155,211
Brand name	-	143,838
	<u>198,074</u>	<u>676,477</u>
<b>10.2 Deletions</b>		
Land	44,525	-
Leasehold improvements	16,109	115,725
Electrical, office and computer equipment	14,930	57,112
Furniture and fixtures	4,975	37,342
Vehicles	8,330	69,071
Computer software	826	-
	<u>88,869</u>	279,250
Less: Depreciation / amortisation on disposals	<u>(25,892)</u>	<u>(116,673)</u>
	<u><b>62,977</b></u>	<u>162,577</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**  
 FOR THE PERIOD ENDED JUNE 30, 2012

Note	2.00 2012 Unaudited ----- (Rupees in '000) -----	December 31, 2011 Restated
<b>11. DEFERRED TAX ASSETS - net</b>		
<b>Deferred debits arising in respect of:</b>		
Deficit on revaluation of available-for-sale securities	69,053	77,644
Deficit on revaluation of held to maturity	19,855	19,855
Provision against non performing loans	2,121,348	2,357,247
Provision for gratuity	16,135	36,918
Provision for compensated absences	44,416	42,994
Provision against other assets	54,852	45,821
Unused tax losses	3,996,782	4,074,406
Provision for impairment losses	287,572	301,370
Unrealised loss on revaluation of investments - held-for-trading	-	1,868
	<b>6,610,013</b>	<b>6,958,123</b>
<b>Deferred credits arising in respect of:</b>		
Surplus on revaluation of fixed assets	(110,265)	(107,857)
Difference between accounting and tax written down values	(395,010)	(600,608)
Unrealised gain on revaluation of investments - held-for-trading	(2,622)	-
	<b>(507,897)</b>	<b>(708,465)</b>
	<b>6,102,116</b>	<b>6,249,658</b>

**11.1** As at June 30, 2012, the Group has a deferred tax asset on provision against non performing loans amounting to Rs.3,263.612 (December 31, 2011: Rs.3,367.496) million. However, the management has recognised the above benefit only to the extent of Rs.2,121.348 (December 31, 2011: Rs.2,357.247) million based on the absorption / admissibility of the provision against non-performing loans under the relevant tax laws during the forecast period.

**11.2** The Group has an aggregate amount of deferred tax asset of Rs.6,102.116 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 an eight year business plan which has been approved by the Board of Directors of the Group. 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 realisability of the deferred tax asset. The management believes that it is probable that the Group 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.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**  
 FOR THE PERIOD ENDED JUNE 30, 2012

	June 30, 2012 Unaudited	December 31, 2011 Restated
	----- (Rupees in '000) -----	
<b>12. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	35,641,464	34,756,400
Savings deposits	26,718,451	24,906,334
Current accounts - non-remunerative	17,178,243	13,031,012
Margin accounts	1,713,917	1,680,617
	<b>81,252,075</b>	74,374,363
<b>Financial institutions</b>		
Non-remunerative deposits	160,710	70,784
Remunerative deposits	7,562,962	15,220,154
	<b>7,723,672</b>	15,290,938
	<b>88,975,747</b>	89,665,301
<b>12.1 Particulars of deposits</b>		
In local currency		
In foreign currencies		
<b>13. CONTINGENCIES AND COMMITMENTS</b>		
<b>13.1 Direct credit substitutes</b>		
Including guarantees and standby letters of credit serving as financial guarantees for loans and securities		
Government	669,455	668,995
Financial institutions	400,000	400,000
Others	28,365	287,983
	<b>1,097,820</b>	1,356,978
<b>13.2 Transaction-related contingent liabilities / commitments / guarantees issued favouring</b>		
Contingent liability in respect of performance bonds, bid bonds, shipping guarantees and standby letters of credit favouring:		
Government	9,845,203	8,675,547
Banking companies and other financial institutions	8,279	4,290
Others	1,196,755	1,083,355
	<b>11,050,238</b>	9,763,192
<b>13.3 Trade-related contingent liabilities</b>		
Letters of credit	6,531,767	6,996,529
Acceptances	975,746	1,534,857
	<b>7,507,512</b>	8,531,386

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**  
 FOR THE PERIOD ENDED JUNE 30, 2012

	Unaudited June 30, 2012	December 31, 2011
	----- (Rupees in '000) -----	
<b>13.4 Other contingencies - claims against Bank not acknowledged as debts</b>	<b>3,563,872</b>	<b>2,773,833</b>

**13.5 Contingent asset**

There was no contingent asset as at June 30, 2012 (December 31, 2011: Nil).

	Unaudited June 30, 2012	December 31, 2011
	----- (Rupees in '000) -----	
<b>13.6 Commitments in respect of forward lending</b>		
Forward documentary bills	3,100,390	2,462,779
Commitments to extend credit	12,102,726	11,381,725
	15,203,116	13,844,504
<b>13.7 Commitments in respect of forward exchange contracts</b>		
Purchase	7,076,662	5,487,145
Sale	6,119,963	4,214,578
	13,196,625	9,701,723
<b>13.8 Commitments for capital expenditure</b>		
Civil works (at branches)	48,054	24,920
<b>13.9 Commitments in respect of purchase of rupee traveller cheques</b>	-	1,210

**13.10 Taxation and other contingencies**

There has been no change in tax or other contingencies from the matters as reported in annual audited financial statements for the year ended December 31, 2011 other than the following:

In respect of the tax assessments of SBL relating to tax years 2009 to 2011, various disallowances have been made by taxation authorities including provision against non-performing advances, amortisation of intangibles, adjustment of gain on sale of shares of listed companies against business income, loans to employees/ directors and interest charged thereon, distribution from mutual funds out of profit on debt, unrealized loss on forward foreign exchange contracts, reversal on account of provision for diminution in value of investment, levy of WWF and surcharge. In relation to the above mentioned tax years, the Bank has already filed an appeal before CIR(A) in respect of disallowances. The management of the Bank is hopeful about the favourable outcome of the appeals, however adjustment with regard to the above matters has already been made in the condensed interim financial statements.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**  
 FOR THE PERIOD ENDED JUNE 30, 2012

	June 30, 2012 Unaudited ----- (Rupees in '000) -----	Restated June 30, 2011 Unaudited ----- (Rupees in '000) -----
<b>14. LOSS PER SHARE - BASIC AND DILUTED</b>		
Loss for the period	<u>(951,284)</u>	<u>(1,743,772)</u>
	----- (Number of shares) -----	
Weighted average number of Ordinary shares	<u>1,077,979,582</u>	<u>749,101,318</u>
	----- (Rupees) -----	
Loss per share - basic and diluted	<u>(0.88)</u>	<u>(2.33)</u>
	June 30, 2012 Unaudited ----- (Rupees in '000) -----	December 31, 2011 Unaudited ----- (Rupees in '000) -----
<b>15. CASH AND CASH EQUIVALENTS</b>		
Cash and balances with treasury banks	<u>6,416,315</u>	6,161,644
Balances with other banks	<u>1,221,806</u>	678,050
Overdrawn nostro accounts	<u>(31,134)</u>	<u>(7,502)</u>
	<u>7,606,987</u>	<u>6,832,192</u>

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2012

### 16. RELATED PARTY TRANSACTIONS

The group has related party transactions with its associates, parent company, employee benefit plans and its directors and executive officers (including their associates). Details of transactions with the related parties, other than those which have been disclosed elsewhere in these condensed consolidated interim financial statements, are as follows:

	June 30, 2012 (Unaudited)				December 31, 2011			
	Key management personnel	Directors	Parent company	Associates / other related parties	Key management personnel	Directors	Parent company	Associates / other related parties
	(Rupees in '000)				(Rupees in '000)			
<b>Advances</b>								
Balance at beginning of the period	91,933	-	-	12,148	66,206	-	-	41,699
Sanctioned / granted during the period	11,040	-	-	137,284	40,028	-	-	216,709
Payment received during the period	(25,701)	-	-	(136,055)	(14,301)	-	-	(246,260)
Balance at end of the period	77,272	-	-	13,377	91,933	-	-	12,148
<b>Deposits</b>								
Balance at beginning of the period	7,576	67,668	-	47,568	5,972	71,770	-	204,666
Deposits during the period	120,002	269,265	-	439,917	287,273	280,430	-	3,390,245
Withdrawal during the period	(119,038)	(331,351)	-	(402,846)	(285,669)	(284,532)	-	(3,547,343)
Balance at end of the period	8,540	5,581	-	84,639	7,576	67,668	-	47,568
<b>Investment in shares / TFC's</b>								
Summit Capital (Private) Limited	-	-	-	-	-	-	-	-
Subscription of right shares	-	-	856,457	-	-	-	856,457	-
Purchase of Investments	-	-	-	250,169	-	-	-	373,899
Disposal of investment	-	-	-	259,066	-	-	-	312,504
Maturity of investment	-	-	-	-	-	-	-	6,172
Guarantees, letters of credits and acceptances	-	-	-	1,550	-	-	-	27,934
Contribution paid to the provident fund	-	-	-	27,056	-	-	-	37,664
Contribution paid to the gratuity fund	-	-	-	5,353	-	-	-	-
Other receivable	-	-	27,000	11	-	-	27,000	11
Other payable	-	-	-	1,192	-	-	-	1,192
Mark-up payable	101	-	-	99	22	-	-	353
Mark-up receivable	-	-	-	314	-	-	-	527
<b>Profit / expense for the period</b>								
	June 30, 2012 (Unaudited)				June 30, 2011 (Unaudited)			
	(Rupees in '000)				(Rupees in '000)			
Brokerage expenses paid - equity securities	-	-	-	-	-	-	-	-
Capital gain / (loss)	-	-	-	9,995	-	-	-	16,881
Dividend income	-	-	-	-	-	-	-	7,904
Mark-up earned	2,321	-	-	636	3,146	-	-	1,663
Mark-up expensed	407	748	-	799	1,292	3,213	-	11,003
Mark-up paid	306	726	-	699	1,271	3,213	-	10,650

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**  
FOR THE PERIOD ENDED JUNE 30, 2012**17. DATE OF AUTHORISATION FOR ISSUE**

These condensed consolidated interim financial statements were authorised for issue on August 30, 2012 by the Board of Directors of the Bank.

**18. GENERAL**

**18.1** Figures have been re-arranged and re-classified, wherever necessary, for the purpose of better presentation.

**18.2** The figures in the condensed consolidated interim financial statements have been rounded off to the nearest thousand.

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**President &  
Chief Executive**

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**Director**

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**Director**

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**Director**