Half Yearly Report

June 30, 2011

Commitment Means Results.

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Corporate Information

Board of Directors

Mr. Nasser Abdulla Hussain Lootah
Chairman

Mr. Husain Lawai
President and CEO

Mr. Nasim Beg
Director

Mr. Asadullah Khawaja
Director

Mr. M. Farid Uddin
Director

Dr. Ahmed Khalil Mohammad Samea Al Mutawa
Director

Mr. Shehryar Faruque
Director

Audit Committee

Mr. Asadullah Khawaja
Chairman

Mr. Nasim Beg
Member

Mr. Shehryar Faruque
Member

Risk Management Committee

Mr. Nasim Beg
Chairman

Mr. Husain Lawai
Member

Mr. Asadullah Khawaja
Member

Human Resource (HR) Committee

Mr. Asadullah Khawaja
Chairman

Mr. Husain Lawai
Member

Mr. Shehryar Faruque
Member

CFO and Company Secretary

Mr. Muhammad Amin Bhoori

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advisors

Liaquat Merchant Associates

Head Office

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

Registered Office

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

Share Registrar

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

Entity Ratings

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

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

VISION

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

MISSION

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

Summit Bank

DIRECTORS' REPORT TO THE MEMBERS

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, 2011.

The Bank acquired 51% stake in MyBank Limited (MBL) on April 01, 2011 and subsequently the operations of MBL have been merged with and into the bank at the close of business on June 30, 2011. The bank also recognized goodwill amounting to Rs. 84.631 million that represents effect of expected synergies of combining operations of MBL.

Financial Highlights

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

	Unaudited June 2011 (Rs. in million)	Unaudited** June 2010 (Rs. in million)
Operating loss before provisions and diminution in value of investments	(1,293)	(461)
Provision for non performing advances	(906)	(842)
Reversal / (provision) for diminution in value of investments	188	(147)
Bad debts written off directly	(2)	(0.23)
Loss before tax	(2,012)	(1,450)
Reversal of provision for taxation	535	273
Loss after tax	(1,477)	(1,177)
Loss per share – Rupees	(2.48)	(2.10)

(** Comparative figures of June 30, 2010 include results of Ex-Atlas and Ex-Mybank).

The Bank incurred after tax loss of Rs 1.48 billion during the period under review. This was primarily attributable to the net provisions against Non Performing Loans (NPLs) amounting to Rs 906.1 million and related markup suspension. Post acquisition net loss of Rs 276.7 million pertaining to MBL for the quarter from April to June 2011 also incorporated into the financial statements of combined entity.

The deposits of the merged entity closed at Rs 89.4 billion as at June 30, 2011. The Bank continues to pursue its strategy of improving the mix of cost effective core deposits and optimizing operational efficiencies to control cost.

Minimum Capital Requirement

The paid up capital (free of losses) of the Bank as at June 30, 2011 was Rs. 5.565 billion. SBP has granted exemption to the Bank for compliance with the Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) till December 31, 2011. During the period the Bank has raised capital of Rs. 1.45 billion by way of issue of right shares.

Tier II Capital

The purpose of the issuance of Term Finance Certificates (TFCs) is to contribute towards SMBL's "Tier II Capital" as per the guidelines of SBP. Moreover, it will help to improve the Bank's CAR and allow it to expand its asset base.

The process of issuance of (TFCs) amounting to Rs 1.5 billion is in its final stages. Out of total issue size of Rs. 1.5 billion, Pre – IPO investors has taken up Rs 1.125 billion. The remaining issue of Rs 0.375 billion will be offered to the general public in October 2011 through Initial Public Offer.

Summit Bank

Mergers & Acquisitions

MBL was successfully merged with and into the Bank at the close of the business on June 30, 2011. The process of IT systems unification has been successfully completed through which all services of the bank are now on a single technological platform.

Branch Network

The bank is operating with 165 branches across the country with presence in all the provinces and major cities of Pakistan including Azad Jammu and Kashmir. Consequent to the merger of the three banks, multiple branches in the same vicinity are being relocated to the strategic locations.

The Bank's designated evening branches are also functioning successfully.

SBP Monetary Policy

State Bank of Pakistan (SBP) reduced its key policy rate by 150 basis points to 12 percent in October 2011, citing a decline in inflation and government borrowings. It was taking some comfort from declining inflation and high probability of meeting the FY12 inflation target together with a need to support private sector credit and investment growth.

Outlook

After the successful completion of the merger processes, the bank is ready to capitalize the wider branch network along with the brought in synergies to overcome the challenges being faced by the bank.

Recovery against NPLs, building of quality portfolio, generation of fee based income business, rationalization of operating cost and adequate liquidity maintenance will be the part of core strategy of the bank.

The bank will continue to offer the variety of services and products to the public at large in line with its mission, "To be the preferred provider of financial products and services to the market".

Credit rating

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

Acknowledgements

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

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

On behalf of Board of Directors

Husain Lawai
President & CEO

October 26, 2011

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Summit Bank Limited (the Bank) as at 30 June 2011 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six months 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 matters

We draw attention to the following matters:

(i) note 1.7 to the accompanying condensed interim financial information which states that the SBP has granted exemption to the Bank from the prescribed requirement in respect of the minimum paid-up capital (free of losses) and Capital Adequacy Ratio till 31 December 2011;

(ii) note 10 to the accompanying condensed interim financial information relating to deferred tax asset amounting to Rs.5,214.987 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 impact the value of the asset recorded in the amalgamated financial statements; and

(iii) note 7.1 to the accompanying condensed interim financial information which states that the Bank has not completed the accounting for the acquisition of MyBank Limited (MBL) as at 30 June 2011. Since the fair valuation exercise has not been concluded, the fair values of assets and liabilities acquired (including contingent liabilities) have been determined provisionally based on management's estimates, as allowed by IFRS-3, "Business Combinations" and will be adjusted based on more accurate and complete information with retrospective effect as required by the above referred standard.

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

Other matters

(i) The comparatives in the condensed interim statement of financial position as at 31 December 2010 and condensed interim profit and loss account for the half year ended 30 June 2010 were audited/reviewed by the another firm of Chartered Accountants, whose reports dated 28 February 2011 and 28 August 2010, respectively, expressed an unmodified opinion / conclusion thereon wherein the matter relating to the minimum paid up capital requirement was emphasized.

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

ERNST & YOUNG FORD RHODES SIDAT HYDER
Chartered Accountants
Audit Engagement Partner: Shabbir Yunus

Date: October 26, 2011

Karachi

Summit Bank

SUMMIT BANK LIMITED

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED JUNE 30, 2011

Summit Bank

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2011

	Note	(Un-audited) June 30, 2011	(Audited) December 31, 2010
		------ (Rupees in '000) ------	
ASSETS			
Cash and balances with treasury banks		**6,161,644**	4,047,554
Balances with other banks		**678,050**	338,244
Lendings to financial institutions		**-**	-
Investments	8	**26,394,746**	20,501,299
Advances	9	**59,046,225**	38,771,189
Operating fixed assets		**4,751,016**	2,690,447
Deferred tax assets	10	**5,214,987**	3,202,761
Other assets		**5,511,375**	2,717,336
		107,758,043	72,268,830
LIABILITIES			
Bills payable		**956,541**	357,293
Borrowings from financial institutions		**9,697,878**	5,257,243
Deposits and other accounts	11	**89,429,942**	61,607,550
Sub-ordinated loans		**-**	-
Liabilities against assets subject to finance lease		**-**	-
Deferred tax liabilities		**-**	-
Other liabilities		**2,267,925**	1,673,482
		102,352,286	68,895,568
NET ASSETS		**5,405,757**	3,373,262
REPRESENTED BY			
Share capital		**8,700,792**	7,250,660
Reserves		**527,060**	(1,335,050)
Accumulated loss		**(3,663,172)**	(2,321,584)
		5,564,680	3,594,026
Deficit on revaluation of assets - net of tax		**(158,923)**	(220,764)
		5,405,757	3,373,262
CONTINGENCIES AND COMMITMENTS	12		

The annexed notes from 1 to 17 form an integral part of these financial statements.

PRESIDENT AND CHIEF EXECUTIVE **DIRECTOR** **DIRECTOR** **DIRECTOR**

Summit Bank

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)

FOR THE PERIOD ENDED JUNE 30, 2011

	Note	Quarter Ended June 30, 2011	Quarter Ended June 30, 2010	Half Year Ended June 30, 2011	Half Year Ended June 30, 2010
		(Rupees in '000)			
Mark-up / return / interest earned		**2,562,148**	1,818,344	**4,396,390**	3,596,138
Mark-up / return / interest expensed		**(2,282,803)**	(1,435,358)	**(3,961,005)**	(2,943,118)
Net mark-up / interest income		**279,345**	382,986	**435,385**	653,020
Provision against non-performing loans and advances	9.1.1	**(653,096)**	(458,149)	**(906,053)**	(892,031)
Reversal / (provision) for diminution in the value of investments		**187,488**	(147,543)	**188,141**	(168,761)
Bad debts written off directly		**(2,198)**	-	**(2,198)**	-
		(467,806)	(605,692)	**(720,110)**	(1,060,792)
Net mark-up / interest loss after provisions		**(188,461)**	(222,706)	**(284,725)**	(407,772)
NON MARK-UP / INTEREST INCOME					
Fee, commission and brokerage income		**146,532**	103,402	**211,645**	176,397
Dividend income		**1,090**	7,952	**5,923**	22,001
Income from trading in government securities		**-**	458	**-**	1,576
Gain / (loss) from dealing in foreign currencies		**58,070**	(24,987)	**74,018**	(52,946)
Gain on sale of securities - net		**(173,323)**	70,442	**(161,900)**	96,601
Unrealised gain / (loss) on revaluation of investments classified as held-for-trading		**4,463**	(19,108)	**(2,614)**	(22,376)
Other income		**30,878**	6,899	**40,050**	17,152
Total non-mark-up / interest income		**67,710**	145,058	**167,122**	238,405
		(120,751)	(77,648)	**(117,603)**	(169,367)
NON MARK-UP / INTEREST EXPENSES					
Administrative expenses		**(1,167,628)**	(757,087)	**(1,850,543)**	(1,386,214)
Other provisions / write-offs		**(32,008)**	28,416	**(35,154)**	28,416
Other charges		**(7,279)**	(1,566)	**(9,348)**	(2,742)
Total non-mark-up / interest expenses		**(1,206,915)**	(730,237)	**(1,895,045)**	(1,360,540)
		(1,327,666)	(807,885)	**(2,012,648)**	(1,529,907)
Extra ordinary / unusual items		**-**	-	**-**	-
LOSS BEFORE TAXATION		**(1,327,666)**	(807,885)	**(2,012,648)**	(1,529,907)
Taxation					
Current		**(33,427)**	(30,027)	**(52,834)**	(40,141)
Prior years		**-**	-	**-**	-
Deferred		**366,382**	287,288	**588,312**	435,854
		332,955	257,261	**535,478**	395,713
LOSS AFTER TAXATION		**(994,711)**	(550,624)	**(1,477,170)**	(1,134,194)
Loss after taxation attributable to:					
Owners of the parent		**(859,129)**	(550,624)	**(1,341,588)**	(1,134,194)
Non-controlling interests		**(135,582)**	-	**(135,582)**	-
		(994,711)	(550,624)	**(1,477,170)**	(1,134,194)
Earnings per share (Rupees) - basic and diluted		**(1.67)**	(1.02)	**(2.48)**	(2.10)

The annexed notes from 1 to 17 form an integral part of these financial statements.

PRESIDENT AND CHIEF EXECUTIVE **DIRECTOR** **DIRECTOR** **DIRECTOR**

Summit Bank

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED JUNE 30, 2011

	Quarter Ended June 30, 2011	Quarter Ended June 30, 2010	Half Year Ended June 30, 2011	Half Year Ended June 30, 2010
	---------------------------- (Rupees in '000) ----------------------------			
Loss after taxation	**(994,711)**	(550,624)	**(1,477,170)**	(1,134,194)
Other comprehensive income	**-**	-	**-**	12,405
Comprehensive loss transferred to equity	**(994,711)**	(550,624)	**(1,477,170)**	(1,121,789)
Deficit on revaluation of investments	**(115,026)**	2,970	**106,871**	(135,191)
Deferred tax on revaluation of investments	**(18,034)**	(16,148)	**(45,030)**	23,955
	(133,060)	(13,178)	**61,841**	(111,236)
Total comprehensive loss for the period	**(1,127,771)**	(563,802)	**(1,415,329)**	(1,233,025)

The annexed notes from 1 to 17 form an integral part of these financial statements.

PRESIDENT AND CHIEF EXECUTIVE DIRECTOR DIRECTOR DIRECTOR

Summit Bank

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED JUNE 30, 2011

	Share capital	Proposed shares to be issued on amalgamation (note 7.4)	Share premium	Statutory reserve	Reserve arising on amalgamation	Other reserve	Accumulated loss	Total	Non-controlling interest	Total
	(Rupees in '000)									
Balance as at January 01, 2010, as previously reported	5,000,000	-	1,000,000	64,828	-	-	(1,998,887)	4,065,941	-	4,065,941
Issue of share capital and adjustments arising from amalgamation with Atlas Bank Limited	2,250,660	-	-	-	(2,399,878)	7,550	2,695,676	2,554,008	-	2,554,008
Balance as at January 01, 2010 (amalgamated)	7,250,660	-	1,000,000	64,828	(2,399,878)	7,550	696,789	6,619,949	-	6,619,949
Comprehensive loss transferred to equity during the half year ended June 30, 2010	-	-	-	-	-	-	(1,134,194)	(1,134,194)	-	(1,134,194)
Balance as at June 30, 2010	7,250,660	-	1,000,000	64,828	(2,399,878)	7,550	(437,405)	5,485,755	-	5,485,755
Comprehensive loss transferred to equity during the half year ended December 31, 2010	-	-	-	-	-	(7,550)	(1,884,179)	(1,891,729)	-	(1,891,729)
Balance as at December 31, 2010	7,250,660	-	1,000,000	64,828	(2,399,878)	-	(2,321,584)	3,594,026	-	3,594,026
Non-controlling interest arising on acquisition	-	-	-	-	-	-	-	-	1,997,692	1,997,692
Issuance of right shares during the half year	1,450,132	-	-	-	-	-	-	1,450,132	-	1,450,132
Comprehensive loss transferred to equity during the half year ended June 30, 2011	-	-	-	-	-	-	(1,341,588)	(1,341,588)	(135,582)	(1,477,170)
Proposed issue of share capital and adjustments arising on acquisition and amalgamation of non-controlling interest in MyBank Limited (note 7.4)	-	781,706	-	-	1,080,404	-	-	1,862,110	(1,862,110)	-
Balance as at June 30, 2011	**8,700,792**	**781,706**	**1,000,000**	**64,828**	**(1,319,474)**	**-**	**(3,663,172)**	**5,564,680**	**-**	**5,564,680**

The annexed notes from 1 to 17 form an integral part of these financial statements.

PRESIDENT AND CHIEF EXECUTIVE **DIRECTOR** **DIRECTOR** **DIRECTOR**

Summit Bank

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

FOR THE PERIOD ENDED JUNE 30, 2011

	Note	June 30, 2011	June 30, 2010
		------ (Rupees in '000) ------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		**(2,012,648)**	(1,529,907)
Dividend income		**(5,923)**	(22,001)
		(2,018,571)	(1,551,908)
Adjustments:			
Depreciation		**219,938**	131,285
Amortisation of intangible assets and deferred cost		**38,221**	27,071
Provision against non-performing advances		**906,053**	892,031
Other provisions / write offs		**35,154**	(28,416)
(Reversal of provision) / provision for diminution in the value of investments		**(188,141)**	168,761
Unrealised (gain) / loss on revaluation of investments in held-for-trading securities		**(2,614)**	22,376
Income from trading in government securities - net		**-**	(1,576)
Loss / (gain) from sale of securities - net		**161,900**	(47,322)
Loss from sale of non banking asset acquired in satisfaction of claims		**-**	51
Loss / (gain) on disposal of operating fixed assets		**16,519**	(68)
		1,187,030	1,164,193
		(831,541)	(387,715)
(Increase) / decrease in operating assets			
Lendings to financial institutions		**945,584**	292,780
Advances		**331,880**	(1,700,624)
Other assets		**(811,931)**	(171,196)
		465,533	(1,579,040)
Increase / (decrease) in operating liabilities			
Bills payable		**123,711**	919
Borrowings from financial institutions		**(848,655)**	4,029,871
Deposits and other accounts		**(204,404)**	(2,769,645)
Other liabilities		**150,857**	(295,295)
		(778,491)	965,850
		(1,144,499)	(1,000,905)
Compensated absences paid		**-**	(540)
Income tax paid		**(18,513)**	(11,723)
Net cash used in operating activities		**(1,163,012)**	(1,013,168)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments made- net		**1,707,711**	581,240
Net cash received on investments in subsidiaries		**523,762**	-
Dividend received		**7,219**	23,845
Investments in operating fixed assets		**(154,838)**	(128,258)
Sale proced from disposal of non banking asset acquired in satisfaction of claims		**-**	16,000
Sale proceeds from disposal of property and equipment		**75,656**	11,514
Net cash generated from investing activities		**2,159,510**	504,341
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of right shares		**1,450,132**	-
Dividend paid		**-**	
Share premium on issue of share capital		**-**	-
Net cash generated from financing activities		**1,450,132**	-
Decrease in cash and cash equivalents		**2,446,630**	(508,827)
Cash and cash equivalents at beginning of the year		**4,385,562**	4,323,112
Cash and cash equivalents at end of the year	13	**6,832,192**	3,814,285

The annexed notes from 1 to 17 form an integral part of these financial statements.

PRESIDENT AND CHIEF EXECUTIVE **DIRECTOR** **DIRECTOR** **DIRECTOR**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2011

1. STATUS AND NATURE OF BUSINESS

1.1 Summit Bank Limited [formerly Arif Habib Bank Limited] (the Bank) was incorporated in Pakistan as public company limited by shares on December 09, 2005 under the Companies Ordinance, 1984. It is listed on all the stock exchanges of Pakistan. Registered office of the Bank is situated at Plot No. 6-B, F-6, Supermarket, Islamabad, Pakistan.

1.2 The Bank is principally engaged in the business of banking through its 165 branches (after amalgamation of Atlas Bank Limited having 40 branches and MyBank Limited having 80 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' with a positive outlook. Short-term rating of the Bank is 'A-2'.

1.3 On March 31, 2010, 297,034,854 shares (59.41% of issued shares of the Bank) were transferred by Arif Habib Securities Limited to Suroor Investments Limited (SIL), a company incorporated in Mauritius, under the Share Purchase Agreement dated June 30, 2009 and, consequently, SIL has become parent company of the Bank. As part of change in ownership, effective from August 18, 2010, the name of the Bank was changed to 'Summit Bank Limited.'

1.4 Further, the SBP sanctioned a scheme of amalgamation (the scheme) under section 48 of the Banking Companies Ordinance, 1962, on December 31, 2010 by virtue of which Atlas Bank Limited (ATBL) has been merged with and into Summit Bank Limited on December 31, 2010 (at the close of business). This scheme was earlier approved by the shareholders of the Bank in their Extra Ordinary General Meeting held on November 06, 2010.

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

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

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

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

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

Furthermore, during the half year, the State Bank of Pakistan (SBP) sanctioned a scheme of amalgamation (the scheme) under section 48 of the Banking Companies Ordinance, 1962, on June 20, 2011 by virtue of which MBL had 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 of amalgamation, the Bank has allotted 207,900,400 fully paid Ordinary shares of Rs.10 each subsequent to the period ended June 30, 2011 to the shareholders of MBL for the acquisition of non-controlling interest which will rank pari passu with the existing shares of the Bank.

1.6 These financial statements represent the amalgamated financial statements of the Bank in which MBL has been amalgamated with and into the Bank. The results for the half year have been arrived at after considering MBL as a subsidiary with effect from April 01, 2011 and subsequently amalgamating the same with and into the Bank at the close of business on June 30, 2011 (see details in note 7). Balances in MBL have been taken from its audited financial statements after taking into account adjustments due to alignment of accounting policies of MBL with the Bank and inter-bank transactions. Accordingly, the assets and liabilities included in the amalgamated statement of financial position as at June 30, 2011 also include balances of MBL.

1.7 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, 2011 is Rs.5.564 billion. Further, vide its aforesaid circular, the SBP has asked the banks to achieve minimum Capital Adequacy Ratio (CAR) of 10% with effect from December 31, 2009 irrespective of their CAMEL-S rating, till further instructions. However, the Bank's CAR is below the minimum required level as at the half year end.

However, the Bank has been granted an exemption till December 31, 2011 to meet the minimum capital requirement (MCR) and capital adequacy ratio (CAR) by the SBP through its letter No. BSD/BAI-3/608/9203/2011 dated July 16, 2011. Through the above referred letter, the SBP has also requested the Bank to submit a capital plan for meeting the expected shortfall in MCR/CAR, including specific timelines and milestones.

The Bank has injected Rs.1.4 billion capital in the form of right shares during the half year.

2. BASIS OF PRESENTATION

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

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

3.3 The disclosures made in these condensed interim financial statements have been limited based on a format prescribed by the SBP vide BSD Circular Letter No. 2 dated May 12, 2004 and International Accounting Standard 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these condensed interim financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2010.

4. BASIS OF MEASUREMENT

4.1 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.

4.2 The preparation of financial statements in conformity with approved accounting standards requires certain judgements, accounting estimates and assumptions. It also requires the management to exercise its judgement 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 6 to these financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 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, 2010 except as noted in 5.3 below.

5.2 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, 2010.

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

During the period, following new / revised standards, amendments and interpretations to accounting standards became effective:

Standard or Interpretation	**Effective date (annual periods beginning on or after)**
IAS 24 Related Party Transactions (Amendment)	January 01, 2011
IAS 32 Financial Instruments: Presentation (Amendment)	January 01, 2011
IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)	January 01, 2011

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

5.4 Improvements to IFRSs

In addition to the above, amendments to various accounting standards have also been issued by the International Accounting Standards Board (IASB). Such improvements are generally effective for accounting periods beginning on or after January 01, 2011. The adoption of these improvements to IFRSs did not have any material impact on the Bank's financial statements in the period of initial application.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The basis for significant accounting estimates and judgements 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, 2010.

7. BUSINESS COMBINATION

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

7.1 Provisional accounting for business combination

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

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

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

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

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

	Amount * (Rs. in '000)
Assets	
Cash and balances with treasury banks	2,206,669
Balances with other banks	480,954
Lendings to financial institutions	945,584
Investments	7,510,462
Advances	21,512,969
Operating fixed assets	2,167,248
Deferred tax assets	1,475,793
Other assets	2,005,186
Total assets	38,304,865
Liabilities	
Bills payable	475,537
Borrowings	5,282,024
Deposits and other accounts	28,026,796
Other liabilities	443,586
Total liabilities	34,227,943
Net assets	4,076,922
Cash consideration paid	
[270,482,682 Ordinary shares @ Rs.8 each (see note 1.5)]	2,163,861
Proportionate share of non-controlling interest (49% of Rs.4,076.922 million)	1,997,692
	4,161,553
Goodwill arising on acquisition (see note 7.2 below)	84,631

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

7.2 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.

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

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

7.4 **Acquisition of non-controlling interest**

As at the date of acquisition, the purchase of Non-Controlling Interest (NCI) is measured at the proportionate share of the NCI in the fair value of net assets acquired by the Bank, as allowed under IFRS 3. The management has, at the date of amalgamation, incorporated the share of NCI's post acquisition results of MBL in the proportionate share of the NCI determined as at the acquisition date of MBL (the adjusted balance). The excess of the fair value of equity shares proposed to be issued and the adjusted balance of the NCI amounting to Rs.1,080.404 million has been recognised as part of the equity (shown separately under 'Reserve arising on amalgamation').

Subsequent to the above acquisition, as stated in note 1.5, the Bank has acquired the NCI by issuing 207,900,400 Ordinary shares of Rs.10 each to the shareholders of MBL. The fair value of these shares (based on the published quoted price at the close of the business on June 30, 2011) amounted to Rs.781.706 million.

	Note	June 30, 2011			December 31, 2010		
		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
		(Rupees in '000)					
8. INVESTMENTS							
8.1 Investments by types:							
Held-for-trading securities							
Listed ordinary shares		204,925	-	204,925	35,840	-	35,840
Available-for-sale securities							
Market Treasury Bills		12,643,622	4,346,805	16,990,427	12,664,172	1,869,993	14,534,165
Pakistan Investment Bonds		3,007,808	-	3,007,808	1,558,248	-	1,558,248
Listed Ordinary shares		1,376,879	-	1,376,879	1,551,403	-	1,551,403
Unlisted Ordinary shares		41,000	-	41,000	31,000	-	31,000
Preference Shares		37,500	-	37,500	-	-	-
Mutual fund units - open end		1,100,000	-	1,100,000	300,000	-	300,000
Mutual fund units - closed end		-	-	-	564	-	564
Term Finance Certificates - listed		562,501	44,946	607,447	553,411	44,955	598,366
Term Finance Certificates - unlisted		1,392,438	-	1,392,438	1,391,805	-	1,391,805
Sukuk Bonds		966,271	-	966,271	905,482	-	905,482
		21,128,019	4,391,751	25,519,770	18,956,085	1,914,948	20,871,033
Held to maturity							
Pakistan Investment Bonds		1,413,116	-	1,413,116	-	-	-
Associates							
Unlisted Ordinary shares		-	-	-	37,200	-	37,200
Subsidiaries							
Unlisted ordinary shares		396,942	-	396,942	396,942	-	396,942
Investment at cost		23,143,002	4,391,751	27,534,753	19,426,067	1,914,948	21,341,015
Less: Provision for diminution in value of investments	8.2	(903,734)	-	(903,734)	(500,060)	-	(500,060)
Investments - net of provisions		22,239,268	4,391,751	26,631,019	18,926,007	1,914,948	20,840,955
Unrealised (loss)/ gain on held-for-trading securities		(2,614)	-	(2,614)	874	-	874
Deficit on revaluation of available-for-sale securities		(230,843)	(2,816)	(233,659)	(339,084)	(1,446)	(340,530)
Total investments at market value		22,005,811	4,388,935	26,394,746	18,587,797	1,913,502	20,501,299

	Note	June 30, 2011	December 31, 2010
		------ (Rupees in '000) ------	
8.2 Particulars of provision			
Opening balance		**500,060**	611,872
Provision for diminution in the value of investments of subsidiary at the date of acquisition		**597,647**	-
Charge for the year		**58,336**	393,055
Reversal during the year		**(252,309)**	(504,867)
		(193,973)	(111,812)
Closing balance		**903,734**	500,060
8.3 Particulars of provision in respect of Type and Segment			
Available-for-sale securities			
Ordinary shares of listed companies		**589,909**	204,332
Ordinary shares of unlisted companies		**103,210**	103,210
Term Finance Certificates		**60,615**	42,518
Sukuk Bonds		**150,000**	150,000
		903,734	500,060
9. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		**66,017,130**	43,164,638
Outside Pakistan		**-**	9,676
Net investment in finance lease - in Pakistan		**517,804**	565,910
Bills discounted and purchased (excluding Treasury Bills)			
Payable in Pakistan		**2,958,846**	667,911
Payable outside Pakistan		**1,045,233**	86,998
		4,004,079	754,909
Advances - gross		**70,539,013**	44,495,133
Provision against non-performing advances	9.1.1	**(11,492,788)**	(5,723,944)
Advances - net of provision		**59,046,225**	38,771,189

9.1 Advances include Rs.20,737.844 million (December 31, 2010: Rs.11,394.074 million) which have been placed under non-performing status as detailed below:

Category of classification	June 30, 2011			December 31, 2010		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
	------ (Rupees in '000) ------					
Other Assets						
Especially Mentioned	**454**	**-**	**-**	-	-	-
Substandard	**1,669,110**	**289,047**	**273,444**	2,078,978	348,060	348,060
Doubtful	**3,525,034**	**1,133,309**	**818,563**	1,811,271	598,314	598,314
Loss	**15,543,246**	**11,586,697**	**10,399,476**	7,503,825	4,773,140	4,773,140
	20,737,844	**13,009,053**	**11,491,483**	11,394,074	5,719,514	5,719,514

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2011

9.1.1 Particulars of provision against non-performing advances

	June 30, 2011			December 31, 2010		
	Specific	General	Total	Specific	General	Total
	---------- (Rupees in '000) ----------					
Opening balance	**5,719,514**	**4,430**	**5,723,944**	3,788,679	1,562	3,790,241
Provision against non-performing advances of subsidiary at the date of acquisition	**4,923,513**	**570**	**4,924,083**	-	-	-
Charge for the period	**1,348,509**	**-**	**1,348,509**	2,676,156	4,023	2,680,179
Reversals	**(438,761)**	**(3,695)**	**(442,456)**	(741,557)	(1,155)	(742,712)
	909,748	**(3,695)**	**906,053**	1,934,599	2,868	1,937,467
Transferred to:						
- other assets	**-**	**-**	**-**	(2,218)	-	(2,218)
- capital reserve	**-**	**-**	**-**	7,550	-	7,550
	-	**-**	**-**	5,332	-	5,332
Amount written off	**(61,292)**	**-**	**(61,292)**	(9,096)	-	(9,096)
Closing balance	**11,491,483**	**1,305**	**11,492,788**	5,719,514	4,430	5,723,944

9.1.2 Consistent with prior years, the Bank has availed the benefit of Forced Sale Value (FSV) 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.4,458 million (December 31, 2010: Rs.2,252 million). The FSV benefit recognised will not be available for the distribution of cash and stock dividend to shareholders.

10. DEFERRED TAX ASSETS - net

	Note	June 30, 2011	December 31, 2010
		------ (Rupees in '000) ------	
Deferred debits arising in respect of:			
Deficit on revaluation of assets		**74,736**	119,766
Provision against non performing loans	10.1	**2,236,977**	774,769
Provision for gratuity		**23,979**	14,350
Provision for compensated absences		**23,471**	8,186
Unused tax losses	10.2	**2,772,193**	2,443,792
Amortisation of Premium on purchase of government securities		**35,389**	
Provision for impairment losses		**316,307**	90,663
Net investment in lease finance		**-**	4,738
Unrealised loss on revaluation of investments - held-for-trading		**915**	-
Provision against other assets		**10,098**	-
Minimum tax		**147,850**	102,356
		5,641,915	3,558,620
Deferred credits arising due to:			
Difference between accounting and tax written down values		**(224,522)**	(354,077)
Unrealised gain on revaluation of investments - held-for-trading		**-**	(153)
Surplus arising on revaluation of fixed assets acquired on acquisition		**(202,130)**	
Deferred cost		**(276)**	(1,629)
		(426,928)	(355,859)
	10.3	**5,214,987**	3,202,761

10.1 As at June 30, 2011, the Bank has a deferred tax asset on provision against non performing loans amounting to Rs.2,933.554 (December 31, 2010: Rs.1,172.563) million. However, based on the future projections of taxable income, the management has recognised the above benefit only to the extent of Rs.2,236.977 million.

10.2 As at June 30, 2011, the Bank has not recognised deferred tax asset amounting to Rs.145.502 million on the unused tax losses of MyBank Limited of Rs.415.721 million due to uncertainty on account of their realisation in the future.

10.3 The Bank has an aggregate amount of deferred tax asset of Rs.5,214.987 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 a eight year business plan which has been approved by the Board of Directors of the Bank. The business plan involves certain key assumptions underlying the estimation of future taxable profits projected in the plan. The determination of future profits is most sensitive to certain key assumptions such as cost to income ratio of the Bank, deposit composition, growth of deposits and advances, investment returns, potential provision against assets, branch expansion plan, etc. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset. The management believes that it is probable that the Bank will be able to achieve the profits projected in the business plan and consequently the deferred tax asset will be fully realised in the future.

	June 30, 2011	December 31, 2010
	------ (Rupees in '000) ------	
11. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	**37,138,712**	26,651,761
Savings deposits	**25,060,482**	17,393,130
Current accounts - non-remunerative	**14,799,219**	5,879,797
Call deposits - non-remunerative	**249,699**	-
Margin accounts	**1,678,795**	737,640
	78,926,907	50,662,328
Financial institutions		
Non-remunerative deposits	**108,029**	713,588
Remunerative deposits	**10,395,006**	10,231,634
	10,503,035	10,945,222
	89,429,942	61,607,550
11.1 Particulars of deposits		
In local currency	**85,742,936**	58,360,687
In foreign currencies	**3,687,006**	3,246,863
	89,429,942	61,607,550

12. CONTINGENCIES AND COMMITMENTS

12.1 Taxation

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

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

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

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

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

12.1.4 With respect to the assessment of MBL in respect of tax years 2004 and 2005, CIR (Appeals) has maintained the disallowances made by taxation officer with aggregate unprovided amount of Rs.29.657 million for the reason that this relates to settled issues decided in Bank's favour by higher appellate forums. The Bank has preferred an appeal before the Inland Revenue Tribunal, where the matter is awaiting hearing.

12.1.5 With respect to the assessment of MBL for tax year 2003, the Bank filed an appeal against the order of Appellate Tribunal before the Honourable High Court of Sindh at Karachi, which after hearing the case vacated the order and remanded the case back to the Taxation Officer for re-adjudication of the issues strictly as per law. The Taxation Officer passed a new order ignoring the clear direction of Honourable High Court of Sindh against which the Bank has filed an appeal which is presently awaiting hearing before the

Appellate Tribunal Inland Revenue. The tax involved in appeal amounts to Rs.36.220 million which relates to a previously settled issue in Bank's favour and, hence, no provision has been made on this account.

12.2 Other Contingencies

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

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

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

	June 30, 2011	December 31, 2010
12.3 Direct credit substitutes	------ (Rupees in '000) ------	
Including guarantees and standby letters of credit serving as financial guarantees for loans and securities		
Government	-	459,226
Financial institutions	**600,000**	200,000
Others	**2,900,659**	755,255
	3,500,659	1,414,481
12.4 Transaction-related contingent liabilities / commitments guarantees issued favouring		
Contingent liability in respect of performance bonds, bid bonds, shipping guarantees and standby letters of credit favouring:		
Government	**10,011,167**	9,584,993
Banking companies and other financial institutions	**26,941**	9,596
Others	**2,044,525**	1,936,849
	12,082,633	11,531,438

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2011

	June 30, 2011	December 31, 2010
	------ (Rupees in '000) ------	
12.5 Trade-related contingent liabilities		
Letter of credits	**4,829,151**	2,380,207
Acceptances	**546,988**	185,534
	5,376,139	2,565,741
12.6 Other contingencies - claims against bank not acknowledged as debt	**2,775,668**	2,568,716

12.7 Contingent asset

There was no contingent asset as at June 30, 2011 (December 31, 2010: Nil).

	June 30, 2011	December 31, 2010
12.8 Commitments in respect of forward lending		
Forward documentary bills	**1,025,966**	831,457
Forward sale of equity securities	**152,164**	-
Commitments to extend credit	**15,000,978**	7,725,738
	16,179,108	8,557,195
12.9 Commitments in respect of forward exchange contracts		
Purchase	**2,629,930**	1,755,845
Sale	**1,159,957**	591,844
	3,789,887	2,347,689
12.10 Commitments for the acquisition of operating fixed assets		
Civil works (at branches)	**25,112**	66,047
12.11 Commitments in respect of purchase of rupee traveler cheques	**3,310**	3,520
12.12 Commitments in respect of sale and purchase of securities		
Purchased under re-sale agreements	**-**	-
Sale under re-purchase agreements	**1,082,294**	-

13. CASH AND CASH EQUIVALENTS

	June 30, 2011	June 30, 2010
	------ (Rupees in '000) ------	
Cash and balance with treasury banks	**6,161,644**	3,531,781
Balance with other banks	**678,050**	296,192
Overdrawn nostro accounts	**(7,502)**	(13,688)
	6,832,192	3,814,285

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2011

14. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

June 30, 2011	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Agency services	Total
	(Rupees in '000)						
Total income	**40,218**	**922,286**	**960,520**	**2,636,325**	**4,163**	**-**	**4,563,512**
Total expenses	**88,370**	**611,768**	**2,186,218**	**3,682,050**	**7,754**	**-**	**6,576,160**
Net income / (loss) before tax	**(48,152)**	**310,518**	**(1,225,698)**	**(1,045,725)**	**(3,591)**	**-**	**(2,012,648)**
Segment assets (gross)	**963,706**	**37,459,622**	**11,437,204**	**69,383,529**	**6,770**	**-**	**119,250,831**
Segment non performing loans	**289,756**	**-**	**2,047,446**	**18,400,642**	**-**	**-**	**20,737,844**
Segment provision	**51,521**	**-**	**1,193,841**	**10,247,426**	**-**	**-**	**11,492,788**
Segment assets (net)	**912,185**	**37,459,622**	**10,243,363**	**59,136,103**	**6,770**	**-**	**107,758,043**
Segment liabilities	**32,498**	**4,445,967**	**24,236,632**	**73,123,450**	**513,739**	**-**	**102,352,286**
Segment return on assets (ROA) (%)	**(10.56)**	**1.66**	**(23.93)**	**(3.54)**	**(106.09)**	**-**	
Segment cost of funds (%)	**543.85**	**27.52**	**18.04**	**10.07**	**3.02**	**-**	

June 30, 2010	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Agency services	Total
	(Rupees in '000)						
Total income	8,000	823,347	1,578,584	1,420,232	3,783	597	3,834,543
Total expenses	2,208	448,976	2,407,568	2,505,423	275	-	5,364,450
Net income / (loss) before tax	5,792	374,371	(828,984)	(1,085,191)	3,508	597	(1,529,907)
December 31, 2010							
Segment assets (gross)	4,651	21,895,651	12,713,495	43,375,142	3,835	-	77,992,774
Segment non performing loans	-	-	1,958,240	9,435,834	-	-	11,394,074
Segment provision	-	-	1,032,680	4,691,264	-	-	5,723,944
Segment assets (net)	4,651	21,895,651	11,680,815	38,683,878	3,835	-	72,268,830
Segment liabilities	31,831	2,941,904	27,620,142	37,789,752	511,939	-	68,895,568
Segment return on assets (ROA) (%) *	156.63	4.33	(24.08)	(5.23)	165.58	-	
Segment cost of funds (%) *	8.53	33.22	20.20	13.14	0.81	-	

* The segment return on assets and segment cost of funds have been calculated on the basis of the income and expenses for the year ended December 31, 2010 as it is not practicable to bifurcate the combined assets and liabilities (of the Bank and ATBL) into respective segments as at June 30, 2010.

** The segment information of MyBank Limited for the half year June 30, 2011 is not presented as it is not practicable to bifurcate the information into respective segments.

15. RELATED PARTY TRANSACTIONS

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

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

	June 30, 2011					December 31, 2010	
	Key management personnel	**Directors**	**Parent company**	**Subsidiaries**	**Associates / other related parties**	**Key management personnel / directors ****	**Parent company / subsidiaries / associates / other related parties ****
	(Rupees in '000)						
Advances							
Balance at beginning of the period *	**75,453**	-	-	-	-	186,432	1,554,489
Sanctioned / granted during the period	**3,508**	-	-	**18,000**	-	32,618	3,243,987
Payment received during the period	**(10,572)**	-	-	-	-	(74,689)	(4,756,777)
Balance at end of the period	**68,389**	-	-	**18,000**	-	144,361	41,699
* This balance does not include balances of related parties of prior year.							
Deposits							
Balance at beginning of the period *	**12,330**	**71,771**	-	-	**174,617**	23,141	1,352,121
Deposits during the period	**209,934**	**99,355**	-	**962,708**	**2,005,964**	1,636,297	43,565,641
Withdrawal during the period	**(175,194)**	**(98,223)**	-	**(945,898)**	**(2,042,638)**	(1,570,728)	(44,552,631)
Balance at end of the period	**47,070**	**72,903**	-	**16,810**	**137,943**	88,710	365,131
* This balance does not include balances of related parties of prior year.							
Investment in shares / TFC's							
MyBank Limited	-	-	-	**2,163,861**	-	-	-
Summit Capital (Private) Limited	-	-	-	**396,942**	-	-	396,942
Subscription of right shares	-	-	**856,457**	-	-	-	-
Disposal of investment in associates	-	-	-	**37,000**	-	-	-
Guarantees, letters of credits and acceptances	-	-	-	-	**25,986**	-	230,121
Commitments in respect of purchase of rupee traveller cheques	-	-	-	**3,310**	-	-	-
Contribution paid to the provident fund	-	-	-	-	**16,100**	-	47,726
Contribution paid to the gratuity fund	-	-	-	-	-	-	11,564
Redemption of mutual fund units	-	-	-	-	-	-	310,991
Other receivable	-	-	**27,000**	**22,186**	**11**	-	43,371
Other payable	-	-	-	-	**17,484**	-	4,551
Mark-up payable	-	-	-	-	-	107	3,510
Mark-up receivable	-	-	-	**741**	-	-	138

	June 30, 2011					June 30, 2010	
	Key management personnel	**Directors**	**Parent company**	**Subsidiaries**	**Associates / other related parties**	**Key management personnel / directors ****	**Parent company / subsidiaries / associates / other related parties ****
	(Rupees in '000)						
Profit / expense for the period							
Brokerage expenses paid - CFS	-	-	-	-	-	-	-
Brokerage expenses paid - equity securities	-	-	-	-	-	-	82
Capital gain / (loss)	-	-	-	**(188)**	-	-	3,077
Dividend income	-	-	-	-	-	-	3,030
Rent expense	-	-	-	-	-	-	14,059
Rent paid	-	-	-	-	-	-	5,400
Sharing of rent received	-	-	-	-	-	-	942
Insurance claim	-	-	-	-	-	-	1,457
Printing and stationary expense	-	-	-	-	-	-	137
Mark-up earned	**1,367**	-	-	**1,480**	-	4,580	92,032
Mark-up paid	**676**	-	-	**3,313**	**5,324**	1,539	18,464
Contribution paid to provident fund	-	-	-	-	-	-	25,845
Contribution paid to gratuity fund	-	-	-	-	-	-	11,564

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

Summit Bank

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2011

16. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 26, 2011 by the Board of Directors of the Bank.

17. GENERAL

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

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

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

PRESIDENT AND CHIEF EXECUTIVE **DIRECTOR** **DIRECTOR** **DIRECTOR**

SUMMIT BANK LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED JUNE 30, 2011

Summit Bank

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2011

	Note	(Un-audited) June 30, 2011	(Audited) December 31, 2010
		------ (Rupees in '000) ------	
ASSETS			
Cash and balances with treasury banks		**6,161,699**	4,047,590
Balances with other banks		**711,678**	375,207
Lendings to financial institutions		**-**	-
Investments	8	**26,125,598**	20,204,357
Advances	9	**59,028,929**	38,771,413
Operating fixed assets		**4,922,930**	2,781,943
Deferred tax assets	10	**5,195,469**	3,218,243
Other assets		**5,573,229**	2,776,151
		107,719,532	72,174,904
LIABILITIES			
Bills payable		**956,541**	357,293
Borrowings from financial institutions		**9,697,878**	5,275,243
Deposits and other accounts	11	**89,411,897**	61,537,424
Sub-ordinated loans		**-**	-
Liabilities against assets subject to finance lease		**-**	-
Deferred tax liabilities		**-**	-
Other liabilities		**2,300,950**	1,731,676
		102,367,266	68,901,636
NET ASSETS		**5,352,266**	3,273,268
REPRESENTED BY			
Share capital		**8,700,792**	7,250,660
Reserves		**527,060**	(1,335,050)
Accumulated loss		**(3,716,663)**	(2,421,578)
		5,511,189	3,494,032
Deficit on revaluation of assets - net of tax		**(158,923)**	(220,764)
		5,352,266	3,273,268
CONTINGENCIES AND COMMITMENTS	12		

The annexed notes from 1 to 17 form an integral part of these financial statements.

PRESIDENT AND CHIEF EXECUTIVE **DIRECTOR** **DIRECTOR** **DIRECTOR**

Summit Bank

CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2011

	Note	Quarter Ended June 30, 2011	Quarter Ended June 30, 2010	Half Year Ended June 30, 2011	Half Year Ended June 30, 2010
		(Rupees in '000)			
Mark-up / return / interest earned		**2,565,063**	1,822,657	**4,402,277**	3,600,057
Mark-up / return / interest expensed		**(2,283,777)**	(1,435,173)	**(3,962,900)**	(2,944,017)
Net mark-up / interest income		**281,286**	387,484	**439,377**	656,040
Provision against non-performing loans and advances	9.1.1	**(653,096)**	(458,150)	**(906,053)**	(892,032)
Reversal / (provision) for diminution in the value of investments		**187,488**	(147,542)	**188,141**	(168,760)
Bad debts written off directly		**(2,198)**	-	**(2,198)**	-
		(467,806)	(605,692)	**(720,110)**	(1,060,792)
Net mark-up / interest loss after provisions		**(186,520)**	(218,208)	**(280,733)**	(404,752)
NON MARK-UP / INTEREST INCOME					
Fee, commission and brokerage income		**153,100**	110,566	**225,839**	192,067
Dividend income		**1,090**	7,952	**5,923**	22,001
Income from trading in government securities		**-**	458	**-**	1,576
Gain / (loss) from dealing in foreign currencies		**58,070**	(24,987)	**74,018**	(52,946)
Gain on sale of securities - net		**(173,323)**	70,583	**(161,900)**	96,742
Unrealised gain / (loss) on revaluation of investments classified as held-for-trading		**(4,943)**	(19,139)	**(12,020)**	(22,376)
Other income		**32,929**	6,089	**42,633**	20,154
Total non-mark-up / interest income		**66,923**	151,522	**174,493**	257,218
		(119,597)	(66,686)	**(106,240)**	(147,534)
NON MARK-UP / INTEREST EXPENSES					
Administrative expenses		**(1,181,950)**	(771,633)	**(1,877,852)**	(1,413,640)
Other provisions / write-offs		**(32,008)**	28,416	**(35,154)**	28,416
Other charges		**(7,279)**	(1,980)	**(9,348)**	(3,156)
Total non-mark-up / interest expenses		**(1,221,237)**	(745,197)	**(1,922,354)**	(1,388,380)
		(1,340,834)	(811,883)	**(2,028,594)**	(1,535,914)
Extra ordinary / unusual items		**-**	-	**-**	-
LOSS BEFORE TAXATION		**(1,340,834)**	(811,883)	**(2,028,594)**	(1,535,914)
Taxation					
Current		**(35,010)**	(30,480)	**(55,109)**	(41,249)
Prior years		**-**	-	**-**	-
Deferred		**366,382**	287,288	**588,312**	435,854
		331,372	256,808	**533,203**	394,605
LOSS AFTER TAXATION		**(1,009,462)**	(555,075)	**(1,495,391)**	(1,141,309)
Loss after taxation attributable to:					
Owners of the parent		**(873,880)**	(555,075)	**(1,359,809)**	(1,141,309)
Non-controlling interests		**(135,582)**	-	**(135,582)**	-
		(1,009,462)	(555,075)	**(1,495,391)**	(1,141,309)
Earnings per share (Rupees) - basic and diluted		**(1.55)**	(1.03)	**(2.51)**	(2.11)

The annexed notes from 1 to 17 form an integral part of these financial statements.

PRESIDENT AND CHIEF EXECUTIVE **DIRECTOR** **DIRECTOR** **DIRECTOR**

Summit Bank

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2011

	Quarter Ended June 30, 2011	Quarter Ended June 30, 2010	Half Year Ended June 30, 2011	Half Year Ended June 30, 2010
	----------------------------	(Rupees in '000)	----------------------------	
Loss after taxation	**(1,009,462)**	(555,075)	**(1,495,391)**	(1,141,309)
Other comprehensive income	**-**	-	**-**	12,405
Comprehensive loss transferred to equity	**(1,009,462)**	(555,075)	**(1,495,391)**	(1,128,904)
Deficit on revaluation of investments	**(115,026)**	2,970	**106,871**	(135,191)
Deferred tax on revaluation of investments	**(18,034)**	(16,148)	**(45,030)**	23,955
	(133,060)	(13,178)	**61,841**	(111,236)
Total comprehensive loss for the period	**(1,142,522)**	(568,253)	**(1,433,550)**	(1,240,140)

The annexed notes from 1 to 17 form an integral part of these financial statements.

PRESIDENT AND CHIEF EXECUTIVE DIRECTOR DIRECTOR DIRECTOR

Summit Bank

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2011

	Share capital	Proposed shares to be issued on amalgamation (note 7.4)	Share premium	Statutory reserve	Reserve arising on amalgamation	Other reserve	Accumulated loss	Total	Non-controlling interest	Total
	----------	----------	----------	----------	(Rupees in '000)	----------	----------	----------	----------	----------
Balance as at January 01, 2010, as previously reported	5,000,000	-	1,000,000	64,828	-	-	(2,075,914)	3,988,914	-	3,988,914
Issue of share capital and adjustments arising from amalgamation with Atlas Bank Limited	2,250,660	-	-	-	(2,399,878)	7,550	2,695,676	2,554,008	-	2,554,008
Balance as at January 01, 2010 (amalgamated)	7,250,660	-	1,000,000	64,828	(2,399,878)	7,550	619,762	6,542,922	-	6,542,922
Comprehensive loss transferred to equity during the half year ended June 30, 2010	-	-	-	-	-	-	(1,141,309)	(1,141,309)	-	(1,141,309)
Balance as at June 30, 2010	7,250,660	-	1,000,000	64,828	(2,399,878)	7,550	(521,547)	5,401,613	-	5,401,613
Comprehensive loss transferred to equity during the half year ended December 31, 2010	-	-	-	-	-	(7,550)	(1,835,307)	(1,842,857)	-	(1,842,857)
Balance as at December 31, 2010	7,250,660	-	1,000,000	64,828	(2,399,878)	-	(2,356,854)	3,558,756	-	3,558,756
Non-controlling interest arising on acquisition	-	-	-	-	-	-	-	-	1,997,692	1,997,692
Issuance of right shares during the half year	1,450,132	-	-	-	-	-	-	1,450,132	-	1,450,132
Comprehensive loss transferred to equity during the half year ended June 30, 2011	-	-	-	-	-	-	(1,359,809)	(1,359,809)	(135,582)	(1,495,391)
Proposed issue of share capital and adjustments arising on acquisition and amalgamation of non-controlling interest in MyBank Limited (note 7.4)	-	781,706	-	-	1,080,404	-	-	1,862,110	(1,862,110)	-
Balance as at June 30, 2011	**8,700,792**	**781,706**	**1,000,000**	**64,828**	**(1,319,474)**	**-**	**(3,716,663)**	**5,511,189**	**-**	**5,511,189**

The annexed notes from 1 to 17 form an integral part of these financial statements.

PRESIDENT AND CHIEF EXECUTIVE **DIRECTOR** **DIRECTOR** **DIRECTOR**

Summit Bank

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT (UNAUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2011

	Note	June 30, 2011	June 30, 2010
		------ (Rupees in '000) ------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(2,028,594)	(1,535,914)
Dividend income		(5,923)	(22,001)
		(2,034,517)	(1,557,915)
Adjustments:			
Depreciation		219,938	131,285
Amortisation of intangible assets and deferred cost		38,221	27,071
Provision against non-performing advances		906,053	892,031
Other provisions / write offs		35,154	(28,416)
(Reversal of provision) / provision for diminution in the value of investments		(188,141)	168,761
Unrealised (gain) / loss on revaluation of investments in held-for-trading securities		(2,614)	22,376
Income from trading in government securities - net		-	(1,576)
Loss / (gain) from sale of securities - net		161,900	(47,322)
Loss from sale of non banking asset acquired in satisfaction of claims		-	51
Loss / (gain) on disposal of operating fixed assets		16,519	(68)
		1,187,030	1,164,193
		(847,487)	(393,722)
(Increase) / decrease in operating assets			
Lendings to financial institutions		945,584	292,780
Advances		349,880	(1,700,624)
Other assets		(810,526)	(165,189)
		484,938	(1,573,033)
Increase / (decrease) in operating liabilities			
Bills payable		123,711	919
Borrowings from financial institutions		(848,655)	4,029,871
Deposits and other accounts		(204,404)	(2,769,645)
Other liabilities		154,900	(295,295)
		(774,448)	965,850
		(1,136,997)	(1,000,905)
Compensated absences paid		-	(540)
Income tax paid		(18,513)	(11,723)
Net cash used in operating activities		(1,155,510)	(1,013,168)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments made- net		1,707,711	581,240
Net cash received on investments in subsidiaries		523,762	-
Dividend received		7,219	23,845
Investments in operating fixed assets		(154,838)	(128,258)
Sale proced from disposal of non banking asset acquired in satisfaction of claims		-	16,000
Sale proceeds from disposal of property and equipment		75,656	11,514
Net cash generated from investing activities		2,159,510	504,341
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of right shares		1,450,132	-
Dividend paid		-	
Share premium on issue of share capital		-	-
Net cash generated from financing activities		1,450,132	-
Decrease in cash and cash equivalents		2,454,132	(508,827)
Cash and cash equivalents at beginning of the year		4,385,562	4,336,800
Cash and cash equivalents at end of the year	13	6,839,694	3,827,973

The annexed notes from 1 to 17 form an integral part of these financial statements.

PRESIDENT AND CHIEF EXECUTIVE **DIRECTOR** **DIRECTOR** **DIRECTOR**

Summit Bank

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2011

1. STATUS AND NATURE OF BUSINESS

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

1.2 Summit Bank Limited [formerly Arif Habib Bank Limited] (the Bank) was incorporated in Pakistan as public company limited by shares on December 09, 2005 under the Companies Ordinance, 1984. It is listed on all the stock exchanges of Pakistan. Registered office of the Bank is situated at Plot No. 6-B, F-6, Supermarket, Islamabad, Pakistan.

The Bank is principally engaged in the business of banking through its 165 branches (after amalgamation of Atlas Bank Limited having 40 branches and MyBank Limited having 80 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' with a positive outlook. Short-term rating of the Bank is 'A-2'.

1.3 On March 31, 2010, 297,034,854 shares (59.41% of issued shares of the Bank) were transferred by Arif Habib Securities Limited to Suroor Investments Limited (SIL), a company incorporated in Mauritius, under the Share Purchase Agreement dated June 30, 2009 and, consequently, SIL has become parent company of the Bank. As part of change in ownership, effective from August 18, 2010, the name of the Bank was changed to 'Summit Bank Limited.'

1.4 Further, the SBP sanctioned a scheme of amalgamation (the scheme) under section 48 of the Banking Companies Ordinance, 1962, on December 31, 2010 by virtue of which Atlas Bank Limited (ATBL) has been merged with and into Summit Bank Limited on December 31, 2010 (at the close of business). This scheme was earlier approved by the shareholders of the Bank in their Extra Ordinary General Meeting held on November 06, 2010.

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

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

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

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

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

Furthermore, during the half year, the State Bank of Pakistan (SBP) sanctioned a scheme of amalgamation (the scheme) under section 48 of the Banking Companies Ordinance, 1962, on June 20, 2011 by virtue of which MBL had 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 of amalgamation, the Bank has allotted 207,900,400 fully paid Ordinary shares of Rs.10 each subsequent to the period ended June 30, 2011 to the shareholders of MBL for the acquisition of non-controlling interest which will rank pari passu with the existing shares of the Bank.

1.6 These consolidated financial statements along with Summit Capital (Pvt.) Limited represents the amalgamated financial statements of the Bank in which MBL has been amalgamated with and into the Bank. The results for the half year have been arrived at after considering MBL as a subsidiary with effect from April 01, 2011 and subsequently amalgamating the same with and into the Bank at the close of business on June 30, 2011 (see details in note 7). Balances in MBL have been taken from its audited financial statements after taking into account adjustments due to alignment of accounting policies of MBL with the Bank and inter-bank transactions. Accordingly, the assets and liabilities included in the amalgamated statement of financial position as at June 30, 2011 also include balances of MBL.

1.7 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, 2011 is Rs.5.511 billion. Further, vide its aforesaid circular, the SBP has asked the banks to achieve minimum Capital Adequacy Ratio (CAR) of 10% with effect from December 31, 2009 irrespective of their CAMEL-S rating, till further instructions. However, the Bank's CAR is below the minimum required level as at the half year end.

However, the Bank has been granted an exemption till December 31, 2011 to meet the minimum capital requirement (MCR) and capital adequacy ratio (CAR) by the SBP through its letter No. BSD/BAI-3/608/9203/2011 dated July 16, 2011. Through the above referred letter, the SBP has also requested the Bank to submit a capital plan for meeting the expected shortfall in MCR/CAR, including specific timelines and milestones.

The Bank has injected Rs.1.4 billion capital in the form of right shares during the half year.

2. BASIS OF PRESENTATION

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

3. STATEMENT OF COMPLIANCE

3.1 These consolidated 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 financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

3.3 The disclosures made in these consolidated condensed interim financial statements have been limited based on a format prescribed by the SBP vide BSD Circular Letter No. 2 dated May 12, 2004 and International Accounting Standard 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these consolidated condensed interim financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2010.

4. BASIS OF MEASUREMENT

4.1 These consolidated 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.

4.2 The preparation of financial statements in conformity with approved accounting standards requires certain judgements, accounting estimates and assumptions. It also requires the management to exercise its judgement 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 6 to consolidated these financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 The accounting policies adopted in the preparation of these consolidated 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, 2010 except as noted in 5.3 below.

5.2 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, 2010.

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

During the period, following new / revised standards, amendments and interpretations to accounting standards became effective:

Standard or Interpretation	**Effective date (annual periods beginning on or after)**
IAS 24 Related Party Transactions (Amendment)	January 01, 2011
IAS 32 Financial Instruments: Presentation (Amendment)	January 01, 2011
IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)	January 01, 2011

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

5.4 Improvements to IFRSs

In addition to the above, amendments to various accounting standards have also been issued by the International Accounting Standards Board (IASB). Such improvements are generally effective for accounting periods beginning on or after January 01, 2011. The adoption of these improvements to IFRSs did not have any material impact on the Bank's financial statements in the period of initial application.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The basis for significant accounting estimates and judgements adopted in the preparation of these consolidated 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, 2010.

7. BUSINESS COMBINATION

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

7.1 Provisional accounting for business combination

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

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

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

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

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

	Amount * (Rs. in '000)
Assets	
Cash and balances with treasury banks	2,206,669
Balances with other banks	480,954
Lendings to financial institutions	945,584
Investments	7,510,462
Advances	21,512,969
Operating fixed assets	2,167,248
Deferred tax assets	1,475,793
Other assets	2,005,186
Total assets	38,304,865
Liabilities	
Bills payable	475,537
Borrowings	5,282,024
Deposits and other accounts	28,026,796
Other liabilities	443,586
Total liabilities	34,227,943
Net assets	4,076,922
Cash consideration paid	
[270,482,682 Ordinary shares @ Rs.8 each (see note 1.5)]	2,163,861
Proportionate share of non-controlling interest (49% of Rs.4,076.922 million)	1,997,692
	4,161,553
Goodwill arising on acquisition (see note 7.2 below)	84,631

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

7.2 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.

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

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

7.4 **Acquisition of non-controlling interest**

As at the date of acquisition, the purchase of Non-Controlling Interest (NCI) is measured at the proportionate share of the NCI in the fair value of net assets acquired by the Bank, as allowed under IFRS 3. The management has, at the date of amalgamation, incorporated the share of NCI's post acquisition results of MBL in the proportionate share of the NCI determined as at the acquisition date of MBL (the adjusted balance). The excess of the fair value of equity shares proposed to be issued and the adjusted balance of the NCI amounting to Rs.1,080.404 million has been recognised as part of the equity (shown separately under 'Reserve arising on amalgamation').

Summit Bank

Subsequent to the above acquisition, as stated in note 1.5, the Bank has acquired the NCI by issuing 207,900,400 Ordinary shares of Rs.10 each to the shareholders of MBL. The fair value of these shares (based on the published quoted price at the close of the business on June 30, 2011) amounted to Rs.781.706 million.

8. INVESTMENTS

8.1 Investments by types:

	Note	June 30, 2011 Held by Bank	June 30, 2011 Given as collateral	June 30, 2011 Total	December 31, 2010 Held by Bank	December 31, 2010 Given as collateral	December 31, 2010 Total
		---------- (Rupees in '000) ----------					
Held-for-trading securities							
Listed ordinary shares		**204,925**	-	**204,925**	35,840	-	35,840
Available-for-sale securities							
Market Treasury Bills		**12,643,622**	**4,346,805**	**16,990,427**	12,664,172	1,869,993	14,534,165
Pakistan Investment Bonds		**3,007,808**	-	**3,007,808**	1,558,248	-	1,558,248
Listed Ordinary shares		**1,376,879**	-	**1,376,879**	1,551,403	-	1,551,403
Unlisted Ordinary shares		**68,794**	-	**68,794**	31,000	-	31,000
Preference Shares		**37,500**	-	**37,500**	-	-	-
Mutual fund units - open end		**1,100,000**	-	**1,100,000**	300,000	-	300,000
Mutual fund units - closed end		-	-	-	564	-	564
Term Finance Certificates - listed		**562,501**	**44,946**	**607,447**	553,411	44,955	598,366
Term Finance Certificates - unlisted		**1,392,438**	-	**1,392,438**	1,391,805	-	1,391,805
Sukuk Bonds		**966,271**	-	**966,271**	905,482	-	905,482
		21,155,813	**4,391,751**	**25,547,564**	18,956,085	1,914,948	20,871,033
Held to maturity							
Pakistan Investment Bonds		**1,413,116**	-	**1,413,116**	-	-	-
Associates							
Unlisted Ordinary shares		-	-	-	37,200	-	37,200
Subsidiaries							
Unlisted ordinary shares		**396,942**	-	-	396,942	-	-
Investment at cost		**23,170,796**	**4,391,751**	**27,165,605**	19,426,067	1,914,948	20,944,073
Less: Provision for diminution in value of investments	8.2	**(803,734)**	-	**(803,734)**	(400,060)	-	(400,060)
Investments - net of provisions		**22,367,062**	**4,391,751**	**26,361,871**	19,026,007	1,914,948	20,544,013
Unrealised (loss)/ gain on held-for-trading securities		**(2,614)**	-	**(2,614)**	874	-	874
Deficit on revaluation of available-for-sale securities		**(230,843)**	**(2,816)**	**(233,659)**	(339,084)	(1,446)	(340,530)
Total investments at market value		**22,133,605**	**4,388,935**	**26,125,598**	18,687,797	1,913,502	20,204,357

8.2 Particulars of provision

	Note	June 30, 2011	December 31, 2010
		------ (Rupees in '000) ------	
Opening balance		**400,060**	611,872
Provision for diminution in the value of investments of subsidiary at the date of acquisition		**597,647**	-
Charge for the year		**58,336**	293,055
Reversal during the year		**(252,309)**	(504,867)
		(193,973)	(211,812)
Closing balance		**803,734**	400,060

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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8.3 Particulars of provision in respect of Type and Segment

	Note	June 30, 2011	December 31, 2010
		------ (Rupees in '000) ------	
Available-for-sale securities			
Ordinary shares of listed companies		**589,909**	204,332
Ordinary shares of unlisted companies		**3,210**	3,210
Term Finance Certificates		**60,615**	42,518
Sukuk Bonds		**150,000**	150,000
		803,734	400,060

9. ADVANCES

	Note	June 30, 2011	December 31, 2010
Loans, cash credits, running finances, etc.			
In Pakistan		**65,999,834**	43,164,862
Outside Pakistan		**-**	9,676
Net investment in finance lease - in Pakistan		**517,804**	565,910
Bills discounted and purchased (excluding Treasury Bills)			
Payable in Pakistan		**2,958,846**	667,911
Payable outside Pakistan		**1,045,233**	86,998
		4,004,079	754,909
Advances - gross		**70,521,717**	44,495,357
Provision against non-performing advances	9.1.1	**(11,492,788)**	(5,723,944)
Advances - net of provision		**59,028,929**	38,771,413

9.1 Advances include Rs.20,737.844 million (December 31, 2010: Rs.11,394.074 million) which have been placed under non-performing status as detailed below:

Category of classification	June 30, 2011			December 31, 2010		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
	------ (Rupees in '000) ------					
Other Assets Especially Mentioned	**454**	**-**	**-**	-	-	-
Substandard	**1,669,110**	**289,047**	**273,444**	2,078,978	348,060	348,060
Doubtful	**3,525,034**	**1,133,309**	**818,563**	1,811,271	598,314	598,314
Loss	**15,543,246**	**11,586,697**	**10,399,476**	7,503,825	4,773,140	4,773,140
	20,737,844	**13,009,053**	**11,491,483**	11,394,074	5,719,514	5,719,514

9.1.1 Particulars of provision against non-performing advances

	June 30, 2011			December 31, 2010		
	Specific	General	Total	Specific	General	Total
	---------- (Rupees in '000) ----------					
Opening balance	**5,719,514**	**4,430**	**5,723,944**	3,788,679	1,562	3,790,241
Provision against non-performing advances of subsidiary at the date of acquisition	**4,923,513**	**570**	**4,924,083**	-	-	-
Charge for the period	**1,348,509**	**-**	**1,348,509**	2,676,156	4,023	2,680,179
Reversals	**(438,761)**	**(3,695)**	**(442,456)**	(741,557)	(1,155)	(742,712)
	909,748	**(3,695)**	**906,053**	1,934,599	2,868	1,937,467
Transferred to:						
- other assets	**-**	**-**	**-**	(2,218)	-	(2,218)
- capital reserve	**-**	**-**	**-**	7,550	-	7,550
	-	**-**	**-**	5,332	-	5,332
Amount written off	**(61,292)**	**-**	**(61,292)**	(9,096)	-	(9,096)
Closing balance	**11,491,483**	**1,305**	**11,492,788**	5,719,514	4,430	5,723,944

9.1.2 Consistent with prior years, the Bank has availed the benefit of Forced Sale Value (FSV) 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.4,458 million (December 31, 2010: Rs.2,252 million). The FSV benefit recognised will not be available for the distribution of cash and stock dividend to shareholders.

10. DEFERRED TAX ASSETS - net

	Note	June 30, 2011	December 31, 2010
		------ (Rupees in '000) ------	
Deferred debits arising in respect of:			
Deficit on revaluation of assets		**74,736**	119,766
Provision against non performing loans	10.1	**2,236,977**	774,769
Provision for gratuity		**23,979**	15,437
Provision for compensated absences		**23,471**	8,426
Unused tax losses	10.2	**2,772,193**	2,460,340
Amortisation of Premium on purchase of government securities		**35,389**	
Provision for impairment losses		**281,307**	90,663
Net investment in lease finance		**-**	4,738
Unrealised loss on revaluation of investments - held-for-trading		**915**	-
Provision against other assets		**10,098**	-
Minimum tax		**147,850**	102,356
		5,606,915	3,576,495
Deferred credits arising due to:			
Difference between accounting and tax written down values		**(209,040)**	(356,470)
Unrealised gain on revaluation of investments - held-for-trading		**-**	(153)
Surplus arising on revaluation of fixed assets acquired on acquisition		**(202,130)**	
Deferred cost		**(276)**	(1,629)
		(411,446)	(358,252)
	10.3	**5,195,469**	3,218,243

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10.1 As at June 30, 2011, the Bank has a deferred tax asset on provision against non performing loans amounting to Rs.2,933.554 (December 31, 2010: Rs.1,172.563) million. However, based on the future projections of taxable income, the management has recognised the above benefit only to the extent of Rs.2,236.977 million.

10.2 As at June 30, 2011, the Bank has not recognised deferred tax asset amounting to Rs.145.502 million on the unused tax losses of MyBank Limited of Rs.415.721 million due to uncertainty on account of their realisation in the future.

10.3 The Bank has an aggregate amount of deferred tax asset of Rs.5,195.469 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 a eight year business plan which has been approved by the Board of Directors of the Bank. The business plan involves certain key assumptions underlying the estimation of future taxable profits projected in the plan. The determination of future profits is most sensitive to certain key assumptions such as cost to income ratio of the Bank, deposit composition, growth of deposits and advances, investment returns, potential provision against assets, branch expansion plan, etc. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset. The management believes that it is probable that the Bank will be able to achieve the profits projected in the business plan and consequently the deferred tax asset will be fully realised in the future.

11. DEPOSITS AND OTHER ACCOUNTS

	June 30, 2011	December 31, 2010
	------ (Rupees in '000) ------	
Customers		
Fixed deposits	**37,138,712**	26,651,761
Savings deposits	**25,042,437**	17,312,374
Current accounts - non-remunerative	**14,799,219**	5,890,178
Call deposits - non-remunerative	**249,699**	-
Margin accounts	**1,678,795**	737,889
	78,908,862	50,592,202
Financial institutions		
Non-remunerative deposits	**108,029**	713,588
Remunerative deposits	**10,395,006**	10,231,634
	10,503,035	10,945,222
	89,411,897	61,537,424

11.1 Particulars of deposits

	June 30, 2011	December 31, 2010
In local currency	**85,724,891**	58,360,687
In foreign currencies	**3,687,006**	3,246,863
	89,411,897	61,607,550

12. CONTINGENCIES AND COMMITMENTS

12.1 Taxation

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

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

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

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

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

12.1.4 With respect to the assessment of MBL in respect of tax years 2004 and 2005, CIR (Appeals) has maintained the disallowances made by taxation officer with aggregate unprovided amount of Rs.29.657 million for the reason that this relates to settled issues decided in Bank's favour by higher appellate forums. The Bank has preferred an appeal before the Inland Revenue Tribunal, where the matter is awaiting hearing.

12.1.5 With respect to the assessment of MBL for tax year 2003, the Bank filed an appeal against the order of Appellate Tribunal before the Honourable High Court of Sindh at Karachi, which after hearing the case vacated the order and remanded the case back to the Taxation Officer for re-adjudication of the issues strictly as per law. The Taxation Officer passed a new order ignoring the clear direction of Honourable High Court of Sindh against which the Bank has filed an appeal which is presently awaiting hearing before the

Appellate Tribunal Inland Revenue. The tax involved in appeal amounts to Rs.36.220 million which relates to a previously settled issue in Bank's favour and, hence, no provision has been made on this account.

12.2 Other Contingencies

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

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

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

	June 30, 2011	December 31, 2010
12.3 Direct credit substitutes	------ (Rupees in '000) ------	
Including guarantees and standby letters of credit serving as financial guarantees for loans and securities		
Government	**-**	459,226
Financial institutions	**600,000**	200,000
Others	**2,900,659**	755,255
	3,500,659	1,414,481
12.4 Transaction-related contingent liabilities / commitments guarantees issued favouring		
Contingent liability in respect of performance bonds, bid bonds, shipping guarantees and standby letters of credit favouring:		
Government	**10,011,167**	9,584,993
Banking companies and other financial institutions	**26,941**	9,596
Others	**2,044,525**	1,936,849
	12,082,633	11,531,438

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	June 30, 2011	December 31, 2010
	------ (Rupees in '000) ------	
12.5 Trade-related contingent liabilities		
Letter of credits	**4,829,151**	2,380,207
Acceptances	**546,988**	185,534
	5,376,139	2,565,741
12.6 Other contingencies - claims against bank not acknowledged as debt	**2,775,668**	2,568,716

12.7 Contingent asset

There was no contingent asset as at June 30, 2011 (December 31, 2010: Nil).

	June 30, 2011	December 31, 2010
12.8 Commitments in respect of forward lending		
Forward documentary bills	**1,025,966**	831,457
Forward sale of equity securities	**152,164**	-
Commitments to extend credit	**15,000,978**	7,725,738
	16,179,108	8,557,195
12.9 Commitments in respect of forward exchange contracts		
Purchase	**2,629,930**	1,755,845
Sale	**1,159,957**	591,844
	3,789,887	2,347,689
12.10 Commitments for the acquisition of operating fixed assets		
Civil works (at branches)	**25,112**	66,047
12.11 Commitments in respect of purchase of rupee traveler cheques	**3,310**	3,520
12.12 Commitments in respect of sale and purchase of securities		
Purchased under re-sale agreements	**-**	-
Sale under re-purchase agreements	**1,082,294**	-

	June 30, 2011	June 30, 2010
	------ (Rupees in '000) ------	
13. CASH AND CASH EQUIVALENTS		
Cash and balance with treasury banks	**6,161,699**	3,531,781
Balance with other banks	**711,678**	296,192
Overdrawn nostro accounts	**(7,502)**	(13,688)
	6,865,875	3,814,285

Summit Bank

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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14. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Agency services	Total
June 30, 2011				(Rupees in '000)			
Total income	**40,218**	**935,544**	**960,520**	**2,636,325**	**4,163**	**-**	**4,576,770**
Total expenses	**88,370**	**640,972**	**2,186,218**	**3,682,050**	**7,754**	**-**	**6,605,364**
Net income / (loss) before tax	**(48,152)**	**294,572**	**(1,225,698)**	**(1,045,725)**	**(3,591)**	**-**	**(2,028,594)**
Segment assets (gross)	**963,706**	**37,421,111**	**11,437,204**	**69,383,529**	**6,770**	**-**	**119,212,320**
Segment non performing loans	**289,756**	**-**	**2,047,446**	**18,400,642**	**-**	**-**	**20,737,844**
Segment provision	**51,521**	**-**	**1,193,841**	**10,247,426**	**-**	**-**	**11,492,788**
Segment assets (net)	**912,185**	**37,421,111**	**10,243,363**	**59,136,103**	**6,770**	**-**	**107,719,532**
Segment liabilities	**32,498**	**4,460,947**	**24,236,632**	**73,123,450**	**513,739**	**-**	**102,367,266**
Segment return on assets (ROA) (%)	**(10.56)**	**1.57**	**(23.93)**	**(3.54)**	**(106.09)**	**-**	
Segment cost of funds (%)	**543.85**	**28.74**	**18.04**	**10.07**	**3.02**	**-**	

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Agency services	Total
June 30, 2010				(Rupees in '000)			
Total income	8,000	846,079	1,578,584	1,420,232	3,783	597	3,857,275
Total expenses	2,208	477,715	2,407,568	2,505,423	275	-	5,393,189
Net income / (loss) before tax	5,792	368,364	(828,984)	(1,085,191)	3,508	597	(1,535,914)
December 31, 2010							
Segment assets (gross)	4,651	21,801,725	12,713,495	43,375,142	3,835	-	77,898,848
Segment non performing loans	-	-	1,958,240	9,435,834	-	-	11,394,074
Segment provision	-	-	1,032,680	4,691,264	-	-	5,723,944
Segment assets (net)	4,651	21,801,725	11,680,815	38,683,878	3,835	-	72,174,904
Segment liabilities	31,831	2,947,972	27,620,142	37,789,752	511,939	-	68,901,636
Segment return on assets (ROA) (%) *	156.63	4.23	(24.08)	(5.23)	165.58	-	
Segment cost of funds (%) *	8.53	33.19	20.20	13.14	0.81	-	

* The segment return on assets and segment cost of funds have been calculated on the basis of the income and expenses for the year ended December 31, 2010 as it is not practicable to bifurcate the combined assets and liabilities (of the Bank and ATBL) into respective segments as at June 30, 2010.

** The segment information of MyBank Limited for the half year June 30, 2011 is not presented as it is not practicable to bifurcate the information into respective segments.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2011

15. RELATED PARTY TRANSACTIONS

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

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

	June 30, 2011					December 31, 2010	
	Key management personnel	Directors	Parent company	Subsidiaries	Associates / other related parties	Key management personnel / directors **	Parent company / subsidiaries / associates / other related parties **
	(Rupees in '000)						
Advances							
Balance at beginning of the period *	**75,453**	-	-	-	-	186,432	1,554,489
Sanctioned / granted during the period	**3,508**	-	-	**18,000**	-	32,618	3,243,987
Payment received during the period	**(10,572)**	-	-	-	-	(74,689)	(4,756,777)
Balance at end of the period	**68,389**	-	-	**18,000**	-	144,361	41,699

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

	Key management personnel	Directors	Parent company	Subsidiaries	Associates / other related parties	Key management personnel / directors **	Parent company / subsidiaries / associates / other related parties **
Deposits							
Balance at beginning of the period *	**12,330**	**71,771**	-	-	**174,617**	23,141	1,352,121
Deposits during the period	**209,934**	**99,355**	-	**962,708**	**2,005,964**	1,636,297	43,565,641
Withdrawal during the period	**(175,194)**	**(98,223)**	-	**(945,898)**	**(2,042,638)**	(1,570,728)	(44,552,631)
Balance at end of the period	**47,070**	**72,903**	-	**16,810**	**137,943**	88,710	365,131

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

	Key management personnel	Directors	Parent company	Subsidiaries	Associates / other related parties	Key management personnel / directors **	Parent company / subsidiaries / associates / other related parties **
Investment in shares / TFC's							
MyBank Limited	-	-	-	**2,163,861**	-	-	-
Summit Capital (Private) Limited	-	-	-	**396,942**	-	-	396,942
Subscription of right shares	-	-	**856,457**	-	-	-	-
Disposal of investment in associates	-	-	-	**37,000**	-	-	-
Guarantees, letters of credits and acceptances	-	-	-	-	**25,986**	-	230,121
Commitments in respect of purchase of rupee traveller cheques	-	-	-	**3,310**	-	-	-
Contribution paid to the provident fund	-	-	-	-	**16,100**	-	47,726
Contribution paid to the gratuity fund	-	-	-	-	-	-	11,564
Redemption of mutual fund units	-	-	-	-	-	-	310,991
Other receivable	-	-	**27,000**	**22,186**	**11**	-	43,371
Other payable	-	-	-	-	**17,484**	-	4,551
Mark-up payable	-	-	-	-	-	107	3,510
Mark-up receivable	-	-	-	**741**	-	-	138

	June 30, 2011					June 30, 2010	
	Key management personnel	Directors	Parent company	Subsidiaries	Associates / other related parties	Key management personnel / directors **	Parent company / subsidiaries / associates / other related parties **
	(Rupees in '000)						
Profit / expense for the period							
Brokerage expenses paid - CFS	-	-	-	-	-	-	-
Brokerage expenses paid - equity securities	-	-	-	-	-	-	82
Capital gain / (loss)	-	-	-	**(188)**	-	-	3,077
Dividend income	-	-	-	-	-	-	3,030
Rent expense	-	-	-	-	-	-	14,059
Rent paid	-	-	-	-	-	-	5,400
Sharing of rent received	-	-	-	-	-	-	942
Insurance claim	-	-	-	-	-	-	1,457
Printing and stationary expense	-	-	-	-	-	-	137
Mark-up earned	**1,367**	-	-	**1,480**	-	4,580	92,032
Mark-up paid	**676**	-	-	**3,313**	**5,324**	1,539	18,464
Contribution paid to provident fund	-	-	-	-	-	-	25,845
Contribution paid to gratuity fund	-	-	-	-	-	-	11,564

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

16. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 26, 2011 by the Board of Directors of the Bank.

17. GENERAL

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

	December 31, 2010	
	From	To
	---------- (Rupees) ----------	
Condensed interim statement of financial position		
Deposit and other accounts		
Customers		
Fixed deposits	28,082,564	26,651,761
Savings deposits	26,111,317	17,393,130
Current accounts - non-remunerative	5,890,178	5,879,797
Margin accounts	737,889	737,640
	60,821,948	50,662,328
Financial institutions		
Non-remunerative deposits	57,568	713,588
Remunerative deposits	657,908	10,161,508
	715,476	10,875,096
	61,537,424	61,537,424

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

PRESIDENT AND CHIEF EXECUTIVE | DIRECTOR | DIRECTOR | DIRECTOR