

# **United Bank Limited**

*UNCONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED MARCH 31, 2010  
(UNAUDITED)*



### DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors, I am pleased to present to you the unconsolidated financial statements of the Bank for the quarter ended March 31, 2010.

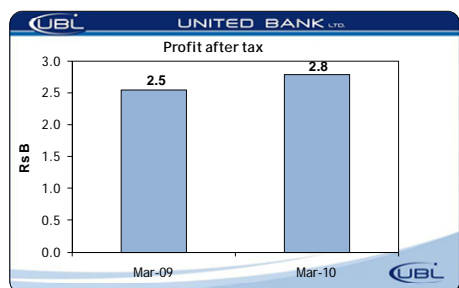
#### Financial Highlights

	<b>(Rs. in millions)</b>
Profit before taxation	4,260
Taxation	(1,477)
Profit after taxation	2,784
Un-appropriated profit brought forward	22,188
Transfer from surplus on revaluation of fixed assets – Incremental depreciation	71
Profit before appropriations	25,042
Transfer to statutory reserve	(557)
Final cash dividend for the year ended December 31, 2009	(2,782)
Transfer to reserve for issue of bonus shares	(1,113)
Un-appropriated profit carried forward	20,590
	<b>(Rupees)</b>
Earnings per share	2.50

#### Performance Highlights

- PAT registered a growth of 10% over previous year and came in at Rs 2.8 billion.
- Net Interest Margin (NIM) remained strong at 7.1% (Mar'09: 6.8%)
- CASA improved from 67% in Dec'09 to 68% in Mar'10.
- Headcount decreased by 110 to 13,872 in Mar'10 from Dec'09.

#### Financial Overview



UBL achieved a profit after tax of Rs 2.8 billion which is 10% higher than the corresponding period last year and this translates into earnings per share of Rs. 2.50 (March 2009: 2.28).

Against the backdrop of the global financial crisis and a challenging regional environment, the Bank adopted a strategy in line with its long-term objective of delivering consistent returns. The strategy was to focus on increasing low cost deposits base resulting in increased earnings from core banking businesses. The results reflect improvement in earnings while efficiently

managing operating expenses. In line with the Bank's prudent approach to risk taking and the overall external credit environment, the Bank increased the level of general loan loss provisions with an emphasis on building a strong balance sheet. Accordingly, the results reflect a PAT of Rs 2.8 billion in 1Q'10 compared to Rs 2.5 billion in 1Q'09, an increase of 10 percent.

Net interest income grew by 3% whereas non-interest income increased by 7% mainly on account of higher commissions on cash management, trade income and the higher dividend income. As a result, operating revenue is up by 4% to Rs 10.6B as compared to last year.

Net interest income before provisions is up 3% to Rs 8.1B from the same period last year reflecting an increase in net interest margin of 30 basis points to 7.1% from March 2009. However, net interest income after provisions is up 6% at Rs 6.0 billion. Net provisions for the quarter came in at Rs 2.1 billion compared to Rs. 2.2 billion for the corresponding period last year. However, it is important to note that the provision expense this quarter is lower than the quarterly provision expense taken in each of the last three quarters.

Advances are down by 6% which has been the result of rationalization across our corporate and consumer portfolios due to tighter credit policies. Deposits are also lower by 8% over Dec'09, however 75% of this reduction is due to the shedding of high cost deposits.

Non-interest income strengthened to Rs 2.4 billion as compared to Rs 2.3 billion (higher by 7%). Fee and commissions increased by 14% owing to higher commission on cash management and trade income. Dividend income increased to Rs 138M as compared to Rs 35M. However, exchange income declined by 25% over the corresponding period last year.

Administrative expenses increased by 4% over the corresponding period last year mainly due to personnel and premises cost. Personnel cost are only up by 1% which was a result of headcount reduction by 875 (6%) to 13,872 from Mar'09. This headcount reduction was mainly due to efficiency improvements, process restructuring initiatives and reduction in consumer lending. Premises cost attributes to half of the increase as a result of higher gas, electricity and insurance charges. In spite of significant inflationary pressure (Feb'10 yoy CPI at 13%), we have managed to achieve considerable cost efficiencies during the year.

Total assets have decreased by Rs. 34 billion to Rs. 586 billion during the first three months of the year with investments increasing by 4% to Rs. 141 billion.

### **Key Developments**

After its launch on the occasion of the bank's Golden Jubilee, Signature – UBL Priority Banking has performed strongly in the first quarter of the year. Offering a range of premium services including a number of firsts for the banking sector in Pakistan, the initiative crossed several important milestones this quarter, ending with Rs. 660 million in low cost deposits from over 350 customer accounts.

Another significant achievement was the seamless implementation of the Internally Displaced Persons (IDPs) program. Under this program assigned exclusively to UBL by the Government of Pakistan, the challenge was to develop a transparent mechanism for distributing financial aid to the IDPs of Swat and Malakand division. In the third quarter of last year, UBL issued wallet Visa debit cards to 335,000 identified families. This has been followed by a collaboration between UBL and VISA Inc. to deploy electronic point of sale (POS) machines at designated places in the northern areas of the country including D.I.Khan, Mardan, Mingora, Batkhela and Peshawar. More than 200 POS machines provided by Visa will be deployed across UBL's extensive merchant network, enabling IDPs to use them in order to buy food supplies and items of daily use.

UBL fund managers has launched its second capital protected scheme, UBL Capital Protected Fund-II (UCPF-II). The fund will be sold from over 1100 branches which offers investors an affordable and easy way of gaining exposure to the stock market while ensuring the safety of their initial investment

UBL Wiz cards reached over 100,000 card milestone with a float of Rs 130 million in a period of just under 18 months.

### **Looking ahead**

The economic landscape continued to show positive signs as most of the economic indicators recorded significant improvement in the first eight months of FY10 with current account deficit down by 68%, remittances up 18%, trade deficit down 21% and large scale manufacturing up by 2.4%. CPI for Mar'10 was recorded at 12.9% y-o-y down from 14.4% in Mar'09. However the recent rise in international oil prices and ongoing energy crises pose significant risks to the local economic recovery. Albeit y-o-y inflation is significantly down, monthly inflation is on the rise which has prompted SBP to keep discount rate unchanged.

March'10 was an eventful quarter for Pakistan. The constitutional reforms package for shifting powers from President to the parliament was a major step towards achieving political stability. Successful US-PAK strategic dialogue was also held where US affirmed its commitment to Pakistan's efforts in fighting terrorism and resolution of the energy crises.

For UBL this year, the focus will be on strengthening CASA and achieving provision write-backs through negotiations and restructuring efforts. Emphasis on cost efficiencies will continue this year with the help of our process re-engineering and core banking implementation. We will also continue to develop our non-fund income streams which provided a significant cushion for us against the deteriorating asset quality environment of 2009. Given the improving macro-economic backdrop, we expect to see an improvement in asset quality as well the private sector credit off-take and this should help us in delivering a strong growth in profitability in 2010.

### **Acknowledgements**

We would like to express our sincere thanks and gratitude to our customers for their patronage and the State Bank of Pakistan and the Government of Pakistan for their continued support. We also take the opportunity to thank the shareholders for their continued trust and the staff for their dedication and commitment.

For and on behalf of the Board,

Nahayan Mabarak Al Nahayan  
Chairman

Abu Dhabi  
April 26, 2010



## Unconsolidated Condensed Interim Balance Sheet

As at March 31, 2010

	Note	March 31, 2010 (Un-audited)	December 31, 2009 (Audited)
------(Rupees in '000)-----			
<b>ASSETS</b>			
Cash and balances with treasury banks		48,726,581	61,160,678
Balances with other banks		9,511,001	5,407,470
Lendings to financial institutions		13,746,114	23,162,130
Investments	7	141,493,305	136,145,524
Advances	8	331,482,412	354,091,713
Operating fixed assets		22,297,658	21,925,669
Deferred tax asset - net		529,269	608,876
Other assets		18,409,099	17,241,991
		586,195,439	619,744,051
<b>LIABILITIES</b>			
Bills payable		4,330,488	5,147,259
Borrowings from financial institutions	9	40,034,008	35,144,823
Deposits and other accounts	10	451,260,216	492,036,103
Sub-ordinated loans		11,987,776	11,989,800
Deferred tax liability - net		-	-
Other liabilities		17,621,547	14,489,343
		525,234,035	558,807,328
<b>NET ASSETS</b>			
		60,961,404	60,936,723
<b>REPRESENTED BY</b>			
Share capital		11,128,907	11,128,907
Reserves		20,388,662	18,959,537
Unappropriated profit		20,590,012	22,187,802
		52,107,581	52,276,246
Surplus on revaluation of assets - net of deferred tax	11	8,853,823	8,660,477
		60,961,404	60,936,723
<b>CONTINGENCIES AND COMMITMENTS</b>			
	12		

The annexed notes 1 to 20 form an integral part of these unconsolidated condensed interim financial statements.

Atif R. Bokhari  
President &  
Chief Executive Officer

Muhammad Sami Saeed  
Director

Sir Mohammed Anwar Pervez, OBE, HPk  
Deputy Chairman

Nahayan Mabarak Al Nahayan  
Chairman

**Unconsolidated Condensed Interim Profit And Loss Account (Un-audited)  
For the quarter ended March 31, 2010**

	Note	March 31, 2010	March 31, 2009
------(Rupees in '000)-----			
Mark-up / return / interest earned	13	14,129,423	16,142,665
Mark-up / return / interest expensed	14	<u>(5,996,107)</u>	<u>(8,243,972)</u>
Net mark-up / return / interest income		8,133,316	7,898,693
Provision against loans and advances - net		<u>(1,735,122)</u>	<u>(1,604,445)</u>
Provision for diminution in value of investments - net		5,733	(290,060)
Bad debts written off directly		<u>(386,709)</u>	<u>(334,660)</u>
Net mark-up / return / interest income after provisions		<u>6,017,218</u>	<u>5,669,528</u>
<b>Non mark-up / return / interest income</b>			
Fee, commission and brokerage income		<u>1,473,016</u>	<u>1,289,121</u>
Dividend income		137,625	34,805
Income from dealing in foreign currencies		361,362	484,114
Gain on sale of securities		86,073	85,749
Unrealised (loss) / gain on revaluation of investments classified as held for trading		(7,901)	21,992
Other income		<u>376,722</u>	<u>356,002</u>
Total non mark-up / return / interest income		<u>2,426,897</u>	<u>2,271,783</u>
Net non mark-up / return / interest income		8,444,115	7,941,311
<b>Non mark-up / interest expenses</b>			
Administrative expenses	15	<u>(4,082,348)</u>	<u>(3,917,599)</u>
Other provisions / write offs / reversals - net		(8,327)	2,970
Worker welfare fund		(88,908)	(82,618)
Other charges		<u>(4,118)</u>	<u>(820)</u>
Total non mark-up / interest expenses		<u>(4,183,701)</u>	<u>(3,998,067)</u>
<b>Profit before taxation</b>		4,260,414	3,943,244
<b>Taxation</b>			
- Current	16	<u>(1,541,710)</u>	<u>(1,607,896)</u>
- Prior		(262)	(4)
- Deferred		65,080	200,565
		<u>(1,476,892)</u>	<u>(1,407,335)</u>
<b>Profit after taxation</b>		<b>2,783,522</b>	<b>2,535,909</b>
Unappropriated profit brought forward		<u>22,187,802</u>	<u>16,604,076</u>
		24,971,324	19,139,985
Transfer from surplus on revaluation of fixed assets - net of tax		70,510	97,315
Profit available for appropriations		<u>25,041,834</u>	<u>19,237,300</u>
------(Rupees)-----			
<b>Basic and diluted earnings per share</b>		<u>2.50</u>	<u>2.28</u>

The annexed notes 1 to 20 form an integral part of these unconsolidated condensed interim financial statements.

**Unconsolidated Condensed Interim Statement Of Comprehensive Income (Un-audited)  
For the quarter ended March 31, 2010**

	March 31, 2010	March 31, 2009
	----- (Rupees in '000) -----	
<b>Profit for the period</b>	2,783,522	2,535,909
<b>Other comprehensive income:</b>		
Exchange (loss) / gain on translation of net investment in foreign branches	(252,364)	924,103
Gain on cash flow hedges	18,299	425,589
Related deferred tax liability on cash flow hedges	(6,405)	(148,956)
	(240,470)	1,200,736
<b>Comprehensive income transferred to equity - net of tax</b>	<u>2,543,052</u>	<u>3,736,645</u>

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

The annexed notes from 1 to 20 and annexures form an integral part of these unconsolidated financial statements.

**Atif R. Bokhari**  
President and  
Chief Executive Officer

**Muhammad Sami Saeed**  
Director

**Sir Mohammed Anwar Pervez, OBE, HPK**  
Deputy Chairman

**Nahayan Mabarak Al Nahayan**  
Chairman

**Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)**

For the quarter ended March 31, 2010

	March 31, 2010	March 31, 2009
	----- (Rupees in '000) -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	4,260,414	3,943,244
Less: dividend income	<u>(137,625)</u>	<u>(34,805)</u>
	4,122,789	3,908,439
<b>Adjustments:</b>		
Depreciation	443,345	396,268
Worker welfare fund	88,908	82,618
Provision for retirement benefits and compensated absences	14,322	72,644
Provision against loans and advances	1,735,122	1,604,445
(Reversal) / provision for diminution in the value of investments	(5,733)	290,060
Gain on sale of fixed assets	(2,371)	(2,437)
Provision / (reversal) against other assets	8,327	(2,970)
Unrealized gain on revaluation of investment classified as held for trading	7,901	(21,992)
Bad debts written-off	386,709	334,660
	<u>2,676,530</u>	<u>2,753,296</u>
	6,799,319	6,661,735
<b>(Increase) / decrease in operating assets</b>		
Lending to financial institutions	9,416,016	9,126,092
Held for trading investments	(935,753)	(7,304,284)
Advances - net	20,487,470	9,117,412
Others assets	<u>(285,842)</u>	<u>1,961,315</u>
	28,681,891	12,900,535
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	(816,771)	286,926
Borrowings from financial institutions	4,889,185	24,492,303
Deposits and other accounts	(40,775,887)	(14,287,480)
Other liabilities	267,754	<u>(2,137,247)</u>
	<u>(36,435,719)</u>	<u>8,354,502</u>
	(954,509)	27,916,772
(Receipt from) / payment to staff retirement benefit funds	237,122	(204,317)
Income tax paid	<u>(2,648,991)</u>	<u>(564,355)</u>
Net cash flow (used) / generated from operating activities	(3,366,378)	27,148,100
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in securities	(4,008,264)	(17,710,871)
Dividend income received	113,629	39,962
Investments in operating fixed assets	(842,624)	(289,233)
Sale proceeds from disposal operating fixed assets	27,459	10,886
Net cash outflow used in investing activities	<u>(4,709,800)</u>	<u>(17,949,256)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayments of principal of sub-ordinated loans	<u>(2,024)</u>	<u>(2,024)</u>
Net cash outflow from financing activities	<u>(2,024)</u>	<u>(2,024)</u>
	(8,078,202)	9,196,820
Exchange difference on translation of net investment in foreign branches	<u>(252,364)</u>	<u>924,103</u>
Increase in cash and cash equivalents during the period	(8,330,566)	10,120,923
Cash and cash equivalents at beginning of the period	<u>66,568,148</u>	<u>57,567,139</u>
Cash and cash equivalents at end of the period	<u>58,237,582</u>	<u>67,688,062</u>

The annexed notes 1 to 20 form an integral part of these unconsolidated condensed interim financial statements.

**Atif R. Bokhari**  
President &  
Chief Executive Officer

**Muhammad Sami Saeed**  
Director

**Sir Mohammed Anwar Pervez, OBE, HPk**  
Deputy Chairman

**Nahayan Mabarak Al Nahayan**  
Chairman



**Unconsolidated Condensed Interim Statement Of Changes In Equity**  
**For the quarter ended March 31, 2010**

	Share Capital	Capital Reserves			Cash flow hedge reserve	Unappropriated Profit	Total
		Statutory Reserve	Exchange Translation Reserve	Reserve for Issue of Bonus Shares			
(Rupees in '000)							
<b>Balance as at January 1, 2009 (Audited)</b>	10,117,188	10,376,375	5,401,771	-	(276,633)	16,604,076	42,222,777
Profit after taxation for the quarter ended March 31, 2009	-	-	-	-	-	2,535,909	2,535,909
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	97,315	97,315
Other comprehensive income - net of tax	-	-	924,103	-	276,633	-	1,200,736
Net expense recognised directly in equity	-	-	924,103	-	276,633	97,315	1,298,051
Total recognised income and expense for the period	-	-	924,103	-	276,633	2,633,224	3,833,960
Transfer to statutory reserves	-	507,182	-	-	-	(507,182)	-
<b>Balance as at March 31, 2009 (Unaudited)</b>	10,117,188	10,883,557	6,325,874	-	-	18,730,118	46,056,737
Final cash dividend for the year ended December 31, 2008 declared subsequent to year end at Rs. 1.00 per share	-	-	-	-	-	(1,011,719)	(1,011,719)
Transfer to reserve for issue of bonus shares	-	-	-	1,011,719	-	(1,011,719)	-
Issue of bonus shares	1,011,719	-	-	(1,011,719)	-	-	-
Profit after taxation for the nine months ended December 31, 2009	-	-	-	-	-	6,656,778	6,656,778
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	155,699	155,699
Net loss on cash flow hedge - net of deferred tax	-	-	-	-	-	-	-
Other comprehensive income - net of tax	-	-	625,166	-	(206,415)	-	418,751
Net expense recognised directly in equity	-	-	625,166	-	(206,415)	155,699	574,450
	-	-	625,166	-	(206,415)	6,812,477	7,231,228
Transfer to statutory reserves	-	1,331,355	-	-	-	(1,331,355)	-
<b>Balance as at December 31, 2009 (Audited)</b>	11,128,907	12,214,912	6,951,040	-	(206,415)	22,187,802	52,276,246
Final cash dividend for the year ended December 31, 2009 declared subsequent to year end at Re. 2.5 per share	-	-	-	-	-	(2,782,227)	(2,782,227)
Transfer to reserve for issue of bonus shares	-	-	-	1,112,891	-	(1,112,891)	-
Profit after taxation for the quarter ended March 31, 2010	-	-	-	-	-	2,783,522	2,783,522
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	70,510	70,510
Other comprehensive income - net of tax	-	-	(252,364)	-	11,894	-	(240,470)
Net expense recognised directly in equity	-	-	(252,364)	-	11,894	70,510	(169,960)
	-	-	(252,364)	-	11,894	2,854,032	2,613,562
Transfer to statutory reserves	-	556,704	-	-	-	(556,704)	-
<b>Balance as at March 31, 2010 (Unaudited)</b>	11,128,907	12,771,616	6,698,676	1,112,891	(194,521)	20,590,012	52,107,581

The annexed notes 1 to 20 form an integral part of these unconsolidated condensed interim financial statements.

## Notes to the unconsolidated condensed interim financial statements For the quarter ended March 31, 2010

### 1. STATUS AND NATURE OF BUSINESS

United Bank Limited is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The bank is listed on all the three stock exchanges in Pakistan. The bank's registered office and principal office are situated at UBL building, Jinnah Avenue, Blue Area, Islamabad and at State Life Building No. 1, I. I. Chundrigar Road, Karachi respectively. The Bank operates 1,120 (December 31,2009:1,120) branches inside Pakistan including the Karachi Export Processing Zone Branch and 17 (December 31, 2009:17) branches outside Pakistan as at March 31, 2010. The domestic branch network includes 5 (December 31,2009:5) Islamic Banking branches.

The Bank's Ordinary shares are listed on all three stock exchanges in Pakistan whereas its Global Depository Receipts (GDRs) are on the list of UK Listing Authority and London Stock Exchange Professional Securities Market. These GDRs are also eligible for trading on the International Order Book System of the London Stock Exchange. Further, the GDRs constitute an offering in the United States only to qualified institutional buyers in reliance on Rule 144A under the US Securities Act of 1933 and an offering outside the United States in reliance on Regulation S.

### 2. BASIS OF PRESENTATION

The disclosures made in these unconsolidated condensed interim financial statements have been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular No. 2 dated May 12, 2004 and International Accounting Standard 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2009.

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan 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 purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon. However, the Islamic Banking branches of the bank have complied with the requirements set out under the Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan and notified under the provisions of the Companies Ordinance, 1984.

The financial results of the Islamic banking branches of the Bank have been consolidated in these unconsolidated condensed interim financial statements for reporting purposes, after eliminating intra branch transactions / balances. Key financial figures of the Islamic banking branches are disclosed in note 19 to these unconsolidated condensed interim financial statements.

### 3. STATEMENT OF COMPLIANCE

These unconsolidated condensed interim financial statements for three months have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives prevail.

The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for banking companies till further instructions. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. 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 of various circulars issued by SBP.

**Notes to the unconsolidated condensed interim financial statements  
For the quarter ended March 31, 2010**
**4. ESTIMATES**

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by the management in applying the accounting policies and the key sources of estimation uncertainty were the same as those applied to financial statements for the year ended December 31, 2009.

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of annual financial statements of the Bank for the year ended December 31, 2009.

**6. FINANCIAL RISK MANAGEMENT**

The financial risk management objectives and policies are consistent with those disclosed in the financial statements of the Bank for the year ended December 31, 2009.

**7. INVESTMENTS**

7.1	Note	(Un-audited) March 31, 2010			(Audited) December 31, 2009			
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total	
-----Rupees in '000-----								
	Held-for-trading securities	7.2.1	4,736,593	-	4,736,593	3,706,540	97,306	3,803,846
	Available-for-sale securities	7.2.2	75,445,399	10,431,385	85,876,784	78,792,487	3,978,323	82,770,810
	Held-to-maturity securities	7.2.3	49,084,909	-	49,084,909	45,750,454	-	45,750,454
	Investments in associates	7.2.4	4,381,213	-	4,381,213	6,921,080	-	6,921,080
	Investments in subsidiaries	7.2.5	2,201,948	-	2,201,948	2,201,948	-	2,201,948
			<u>135,850,062</u>	<u>10,431,385</u>	<u>146,281,447</u>	<u>137,372,509</u>	<u>4,075,629</u>	<u>141,448,138</u>
	Provision for diminution in value of investments		(2,139,218)	-	(2,139,218)	(2,252,653)	-	(2,252,653)
	<b>Investments (net of provisions)</b>		<u>133,710,844</u>	<u>10,431,385</u>	<u>144,142,229</u>	<u>135,119,856</u>	<u>4,075,629</u>	<u>139,195,485</u>
	(Deficit) / surplus on revaluation of available for sale investments		(2,644,709)	3,686	(2,641,023)	(3,049,359)	2,404	(3,046,955)
	Deficit on revaluation of held for trading investments		(7,901)	-	(7,901)	(2,286)	(720)	(3,006)
	<b>Total Investments</b>		<u>131,058,234</u>	<u>10,435,071</u>	<u>141,493,305</u>	<u>132,068,211</u>	<u>4,077,313</u>	<u>136,145,524</u>

**Notes to the unconsolidated condensed interim financial statements**  
**For the quarter ended March 31, 2010**

7. INVESTMENTS	(Un-audited) March 31, 2010			(Audited) December 31, 2009		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
<b>7.2 Investments by types</b>	----- (Rupees in '000) -----					
<b>7.2.1 Held for trading securities</b>						
Market treasury bills	3,235,220	-	3,235,220	3,268,035	-	3,268,035
Ordinary shares of listed companies	385,595	-	385,595	-	-	-
Pakistan Investment Bonds	1,115,778	-	1,115,778	438,505	97,306	535,811
	4,736,593	-	4,736,593	3,706,540	97,306	3,803,846
<b>7.2.2 Available for sale securities</b>						
Market Treasury Bills	30,843,109	10,431,385	41,274,494	35,572,747	3,978,323	39,551,070
Pakistan Investment Bonds	18,773,093	-	18,773,093	16,728,759	-	16,728,759
Foreign securities	13,138,056	-	13,138,056	12,740,879	-	12,740,879
Government of Pakistan - Sukuk	3,470,000	-	3,470,000	3,470,000	-	3,470,000
Government of Pakistan Euro Bonds	2,447,105	-	2,447,105	3,870,557	-	3,870,557
Ordinary shares of listed companies	4,034,059	-	4,034,059	3,639,088	-	3,639,088
Term Finance Certificates	1,918,212	-	1,918,212	1,948,689	-	1,948,689
Ordinary shares of unlisted companies	441,571	-	441,571	441,574	-	441,574
Units of mutual funds	191,299	-	191,299	191,299	-	191,299
Preference shares	188,895	-	188,895	188,895	-	188,895
	75,445,399	10,431,385	85,876,784	78,792,487	3,978,323	82,770,810
<b>7.2.3 Held to maturity securities</b>						
Term Finance Certificates	25,176,142	-	25,176,142	25,289,199	-	25,289,199
Market Treasury Bills	14,606,889	-	14,606,889	11,611,110	-	11,611,110
Sukuk Bonds	2,620,731	-	2,620,731	2,640,040	-	2,640,040
Pakistan Investment Bonds	2,972,577	-	2,972,577	2,497,301	-	2,497,301
Foreign securities	1,684,404	-	1,684,404	1,687,712	-	1,687,712
Government of Pakistan - Guaranteed Bonds	1,485,004	-	1,485,004	1,485,057	-	1,485,057
Government of Pakistan - Euro Bond	477,312	-	477,312	478,184	-	478,184
Government of Pakistan - Sukuk	30,000	-	30,000	30,000	-	30,000
Participation Term Certificates	26,838	-	26,838	26,838	-	26,838
Debentures	4,592	-	4,592	4,592	-	4,592
CDC SAARC Fund	420	-	420	421	-	421
	49,084,909	-	49,084,909	45,750,454	-	45,750,454
<b>7.2.4 Associates</b>						
United Growth and Income Fund	3,030,136	-	3,030,136	5,002,027	-	5,002,027
UBL Liquidity Plus Fund	100,000	-	100,000	600,000	-	600,000
United Composite Islamic Fund	319,021	-	319,021	386,997	-	386,997
United Islamic Income Fund	250,000	-	250,000	250,000	-	250,000
United Stock Advantage Fund	250,000	-	250,000	250,000	-	250,000
UBL Principal Protected Plan	200,000	-	200,000	200,000	-	200,000
UBL Insurers Limited	150,000	-	150,000	150,000	-	150,000
UBL Capital Protected Fund - I	75,075	-	75,075	75,075	-	75,075
Oman United Exchange Company, Muscat	6,981	-	6,981	6,981	-	6,981
	4,381,213	-	4,381,213	6,921,080	-	6,921,080
<b>7.2.5 Subsidiaries</b>						
United National Bank, UK	1,482,011	-	1,482,011	1,482,011	-	1,482,011
United Bank AG Zurich, Switzerland	589,837	-	589,837	589,837	-	589,837
UBL Fund Managers Limited	100,000	-	100,000	100,000	-	100,000
United Executors and Trustees Company Ltd	30,100	-	30,100	30,100	-	30,100
	2,201,948	-	2,201,948	2,201,948	-	2,201,948
	135,850,062	10,431,385	146,281,447	137,372,509	4,075,629	141,448,138
Provision for diminution in value of investments	(2,139,218)	-	(2,139,218)	(2,252,653)	-	(2,252,653)
<b>Investments (net of provisions)</b>	133,710,844	10,431,385	144,142,229	135,119,856	4,075,629	139,195,485
(Deficit) / surplus on revaluation of for sale securities	(2,644,709)	3,686	(2,641,023)	(3,049,359)	2,404	(3,046,955)
Deficit on revaluation of held for trading securities	(7,901)	-	(7,901)	(2,286)	(720)	(3,006)
<b>Total Investments</b>	131,058,234	10,435,071	141,493,305	132,068,211	4,077,313	136,145,524

**Notes to the unconsolidated condensed interim financial statements**  
**For the quarter ended March 31, 2010**

	Note	(Un-audited) March 31, 2010	(Audited) December 31, 2009
----- (Rupees in '000) -----			
<b>8. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		262,966,652	276,609,933
Outside Pakistan		<u>79,431,915</u>	<u>86,528,137</u>
		342,398,567	363,138,070
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		14,585,560	14,007,068
Payable outside Pakistan		<u>4,498,451</u>	<u>5,333,104</u>
		19,084,011	19,340,172
		361,482,578	382,478,242
Provision for non-performing advances - Specific	8.1	(28,618,101)	(27,673,022)
- General	8.2	<u>(1,382,065)</u>	<u>(713,507)</u>
		<u>331,482,412</u>	<u>354,091,713</u>

**8.1** Advances include Rs.41,014 million (December 31, 2009: 39,101 million) which have been placed under non-performing status as detailed below:-

Category of Classification	March 31, 2010 (Un-audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
----- (Rupees in '000) -----					
Other Assets Especially Mentioned	498,721	-	498,721	-	-
Substandard	5,120,799	1,517,711	6,638,510	1,410,786	1,410,786
Doubtful	5,308,906	1,760,747	7,069,653	3,228,284	3,228,284
Loss	25,279,375	1,528,184	26,807,559	23,979,031	23,979,031
	<u>36,207,801</u>	<u>4,806,642</u>	<u>41,014,443</u>	<u>28,618,101</u>	<u>28,618,101</u>

Category of Classification	December 31, 2009 (Audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
----- (Rupees in '000) -----					
Other Assets Especially Mentioned	386,517	-	386,517	-	-
Substandard	3,802,275	1,473,002	5,275,277	1,259,749	1,259,749
Doubtful	6,007,332	1,696,401	7,703,733	3,499,795	3,499,795
Loss	24,424,423	1,311,446	25,735,869	22,913,478	22,913,478
	<u>34,620,547</u>	<u>4,480,849</u>	<u>39,101,396</u>	<u>27,673,022</u>	<u>27,673,022</u>

**8.2** General provision represents provision amounting to Rs. 502.583 million (December 31, 2009: Rs.569.195 million) against consumer financing portfolio as required by the Prudential Regulations issued by State Bank of Pakistan, Rs 218.982 million (December 31, 2009: Rs. 144.311 million) pertaining to overseas advances to meet the requirements of monetary agencies and regulating authorities of the respective country in which the overseas branches operate and a general provision against its loans and advances portfolio for Rs. 660.5 million (December 31, 2009: Nil).

	(Un-audited) March 31, 2010	(Audited) December 31, 2009
----- (Rupees in '000) -----		

**9. BORROWINGS FROM FINANCIAL INSTITUTIONS**
**Secured**

Borrowings from State Bank of Pakistan		
- Under export refinance scheme	13,661,123	14,666,570
- Long term fixed finance	1,542,207	1,018,535
- Long term finance under export oriented projects	3,391,434	3,705,568
- Locally manufactured machinery	-	-
	18,594,764	19,390,673

Repurchase agreement borrowings	13,970,828	5,066,098
	<u>32,565,592</u>	<u>24,456,771</u>

**Unsecured**

Call borrowings	5,948,953	8,679,283
Overdrawn nostro accounts	258,146	648,559
Trading liabilities	-	96,586
Other borrowings	1,261,317	1,263,624
	<u>7,468,416</u>	<u>10,688,052</u>
	<u>40,034,008</u>	<u>35,144,823</u>

**Notes to the unconsolidated condensed interim financial statements  
For the quarter ended March 31, 2010**

	Note	(Un-audited) March 31, 2010 ------(Rupees in '000)-----	(Audited) December 31, 2009
<b>10. DEPOSITS AND OTHER ACCOUNTS</b>			
<b>Customers</b>			
Fixed deposits		134,718,592	150,792,206
Savings deposits		164,438,874	178,287,618
Sundry Deposits		5,172,825	4,643,923
Margin Deposits		3,777,560	4,319,476
Current accounts - remunerative		1,885,612	2,114,809
Current accounts - non-remunerative		<u>139,718,388</u>	<u>150,803,732</u>
		449,711,851	490,961,764
<b>Financial Institutions</b>			
Remunerative deposits		1,493,285	964,066
Non-remunerative deposits		55,080	110,273
		<u>1,548,365</u>	<u>1,074,339</u>
		<u>451,260,216</u>	<u>492,036,103</u>
<b>11. SURPLUS ON REVALUATION OF ASSETS</b>			
Surplus arising on revaluation of assets - net of tax:			
Fixed assets	11.1	10,570,488	10,640,998
Securities	11.2	<u>(1,716,665)</u>	<u>(1,980,521)</u>
		<u>8,853,823</u>	<u>8,660,477</u>
<b>11.1 Surplus on revaluation of fixed assets</b>			
Surplus on revaluation of fixed assets at January 01			
		15,916,898	12,193,629
Revaluation of fixed assets during the period			
Written off during the period		-	4,139,592
Transferred to unappropriated profit in respect of incremental depreciation charged during the period		-	(27,071)
Related deferred tax liability on incremental depreciation charged during the period		(70,510)	(253,014)
Related deferred tax liability on transfer of property during the period		(37,967)	(136,238)
		<u>-</u>	<u>-</u>
		<u>(108,477)</u>	<u>3,723,269</u>
		15,808,421	15,916,898
Less: related deferred tax liability on:			
Revaluation as on January 01		5,275,900	3,972,755
Revaluation of fixed assets during the period		-	1,448,858
Written off during the period		-	(9,475)
Incremental depreciation charged on related assets		<u>(37,967)</u>	<u>(136,238)</u>
		<u>5,237,933</u>	<u>5,275,900</u>
		<u>10,570,488</u>	<u>10,640,998</u>
<b>11.2 Deficit on revaluation on available-for-sale securities</b>			
Market Treasury Bills		6,573	20,995
Pakistan Investment Bonds		(1,106,191)	(1,129,224)
Quoted shares		104,304	93,619
Mutual fund units		(2,277)	(2,302)
Term Finance Certificates, Sukuks, Other Bonds etc.		(41,153)	(43,856)
Overseas securities		<u>(1,602,279)</u>	<u>(1,986,187)</u>
		(2,641,023)	(3,046,955)
Related deferred tax asset		924,358	1,066,434
		<u>(1,716,665)</u>	<u>(1,980,521)</u>
<b>12. CONTINGENCIES AND COMMITMENTS</b>			
<b>12.1 Direct Credit Substitutes</b>			
Contingent liabilities in respect of guarantees given favouring:			
Government		9,972,899	10,818,102
Banking companies and other financial institutions		2,849,136	2,758,243
Others		<u>6,686,436</u>	<u>7,396,201</u>
		<u>19,508,471</u>	<u>20,972,546</u>
<b>12.2 Transaction-related Contingent Liabilities</b>			
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring			
Government		78,410,890	77,448,985
Banking companies and other financial institutions		2,978,593	3,311,075
Others		<u>14,823,302</u>	<u>18,521,775</u>
		<u>96,212,785</u>	<u>99,281,835</u>
<b>12.3 Trade-related Contingent Liabilities</b>			
Contingent liabilities in respect of letters of credit opened favouring:			
Government		50,856,828	56,186,541
Others		<u>84,158,045</u>	<u>61,762,728</u>
		<u>135,014,873</u>	<u>117,949,269</u>
<b>12.4 Other Contingencies</b>			
Claims against the bank not acknowledged as debts			
		<u>20,511,376</u>	<u>20,668,309</u>

**Notes to the unconsolidated condensed interim financial statements  
For the quarter ended March 31, 2010**
**12. CONTINGENCIES AND COMMITMENTS**
**12.5 Commitments in respect of forward lending**

The bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

Note	(Un-audited)	(Audited)
	March 31, 2010	December 31, 2009
------(Rupees in '000)-----		
<b>12.6 Other commitments</b>		
Forward sale contracts of government securities	500,000	-
Interest rate swaps	13,153,051	11,014,381
Cross currency swaps	36,051,405	36,372,837
FX options - purchased	189,979	410,535
FX options - sold	189,979	410,535
Swaption	-	2,527,248
Commitments in respect of capital expenditure	339,343	567,882

**12.7 Commitments in respect of forward exchange contracts**

Sale	53,915,788	46,364,122
Purchase	100,756,582	90,952,188

**13. MARK-UP / RETURN / INTEREST EARNED**

Note	(Un-audited)	(Audited)
	March 31, 2010	March 31, 2009
------(Rupees in '000)-----		
On loans and advances		
- Customers	9,980,833	12,158,117
- Financial institutions	89,008	272,248
	10,069,841	12,430,365
On investments in		
- Available for sale securities	2,141,971	2,300,373
- Held to maturity securities	1,550,846	1,012,261
- Associates and subsidiaries	56	647
	3,692,873	3,313,281
On deposits with financial institutions	54,721	105,122
On securities purchased under resale agreements	305,169	289,425
Discount income	6,819	4,472
	14,129,423	16,142,665

**14. MARK-UP / RETURN / INTEREST EXPENSED**

On deposits	4,585,261	6,787,970
On securities sold under repurchase agreements	320,112	417,055
On other short - term borrowings	650,636	524,895
On long - term borrowings	399,206	381,068
Discount expense	40,892	132,984
	5,996,107	8,243,972

**15. ADMINISTRATIVE EXPENSES**

Salaries, allowances etc.	1,937,645	1,837,983
Rent, taxes, insurance, electricity etc.	501,572	454,946
Depreciation	443,345	396,268
Outsourced service charges including sales commission	326,414	334,274
Communications	171,810	169,459
Banking service charges	133,093	112,414
Cash transportation charges	62,830	94,080
Stationery and printing	91,104	66,185
Legal and professional charges	56,742	49,108
Contribution to retirement plan	(21,150)	42,284
Advertisement and publicity	33,149	42,088
Repairs and maintenance	60,351	38,192
Travelling	28,276	36,389
Office running expenses	41,428	32,845
Charge for compensated absences	35,472	30,360
Vehicle expenses	30,714	23,456
Entertainment	22,604	21,331
Cartage, freight and conveyance	14,280	16,833
Insurance	12,112	11,931
Auditors' remuneration	10,729	10,382
Training and seminar	5,342	7,670
Brokerage expenses	3,055	6,387
Subscriptions	7,240	6,243
Sub debt expense	2,094	2,002
Donations	22,400	483
Miscellaneous expenses	49,697	74,006
	4,082,348	3,917,599

**Notes to the unconsolidated condensed interim financial statements  
For the quarter ended March 31, 2010**
**16. TAXATION**

The Income Tax assessments of the Bank for domestic branches up to tax year 2009 (financial year ended December 31, 2008) were filed under the provisions of Section 114 of the Income Tax Ordinance, 2001 (Ordinance) and are deemed to be assessed under section 120 of the Ordinance, unless amended by the Commissioner of Income Tax.

For tax year 2008 and 2009 (financial year ended December 31, 2007 and 2008), the taxation authorities have issued amended assessment orders under section 122(5A) of the Ordinance determining further tax liability of Rs. 1,609 Million and Rs.960 million respectively. The Bank has filed appeals before the Commissioner of Income Tax (Appeals) [CIT (A)] against the said additional liability. The management is confident that the appeals will be decided in favour of the Bank.

For tax years 2004 to 2007 (financial year ended December 31, 2003 to 2006) the taxation authorities have issued amended assessment orders under section 122(5A) of the Ordinance, which were further rectified under section 221 of the Ordinance determining additional tax liability of Rs.3,564 million. Appeals filed by the Bank before the CIT (A) against these amended assessments have been decided, by allowing relief on certain issues. However, for remaining issues appeals have been filed before the Income Tax Appellate Tribunal (ITAT), and hearing is still pending. The return for the tax year 2003 was selected for audit under section 177 of the Ordinance and the amended assessment order was passed, which has been contested before the CIT(A). The management is confident that the appeals will be decided in favour of the Bank.

In respect of Azad Kashmir Branches for the tax years 2005 to 2009 (financial years ended December 31, 2004 to 2008) were filed under the provisions of Section 120(1) read with section 114 of the Ordinance and in compliance with the terms of agreement between the Banks and the Azad Kashmir Council in May 2005. The returns so filed qualify the statutory conditions to be termed as deemed assessment orders.

In the year 2009, amendments were brought in through Finance Act 2009 regarding allowance of provision against non performing loans and off balance sheet exposures applicable from tax year 2010 (accounting year December 31, 2009) and onwards. The Bank has accounted for these in the tax computation for the period, therefore, in accordance with the law, provision under the category of doubtful and loss category have been treated as allowed subject to a maximum limit of 1% of gross advances. Consequently a deferred tax asset of Rs. 1,589 million is recognized relating to amounts allowed to be carried forward to future years. Based upon the legal opinion of the tax advisor, the Bank is confident that these disallowances and any relating to prior periods, which approximates to Rs.5,454 million, would be allowed to the Bank in future periods against available profits and hence, the same has been carried forward as a deferred tax asset in these financial statements.

**17. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES**

	<b>For the Period Ended March 31, 2010 (Un-audited)</b>				
	<b>Corporate Finance</b>	<b>Trading &amp; Sales</b>	<b>Retail Banking</b>	<b>Commercial Banking</b>	<b>Others</b>
	<b>(Rupees in '000)</b>				
Total income - gross	136,289	2,670,053	5,251,762	7,616,766	881,450
Total expenses	(118,872)	(2,181,511)	(2,953,985)	(6,327,927)	(713,611)
Net income	17,418	488,542	2,297,777	1,288,839	167,839
Segment return on assets (ROA) (%)	0.10%	0.10%	1.90%	0.10%	-
Segment cost of funds (%)	12.20%	9.10%	4.60%	10.90%	-

	<b>For the Period Ended March 31, 2009 (Un-audited)</b>				
	<b>Corporate Finance</b>	<b>Trading &amp; Sales</b>	<b>Retail Banking</b>	<b>Commercial Banking</b>	<b>Others</b>
	<b>(Rupees in '000)</b>				
Total income	139,198	3,883,528	4,523,050	8,748,440	1,120,232
Total expenses	(267,631)	(3,438,346)	(2,680,838)	(7,239,579)	(844,811)
Net income / (loss)	(128,433)	445,182	1,842,212	1,508,862	275,421
Segment return on assets (ROA) (%)	-1.12%	0.10%	1.30%	1.10%	-
Segment cost of funds (%)	12.60%	8.70%	6.40%	11.50%	-

	<b>As at March 31, 2010 (Unaudited)</b>				
	<b>Corporate Finance</b>	<b>Trading &amp; Sales</b>	<b>Retail Banking</b>	<b>Commercial Banking</b>	<b>Others</b>
	<b>(Rupees in '000)</b>				
Segment assets (gross of NPL provisions)	7,310,103	164,912,721	158,877,430	250,089,469	33,623,817
Segment non performing loans (NPL)	-	-	20,491,062	14,020,941	6,502,440
Segment provision required against NPLs	-	-	14,083,672	8,125,992	6,408,437
Segment liabilities	5,610,003	159,908,132	153,577,665	226,563,808	(20,425,573)

	<b>As at December 31, 2009 (Audited)</b>				
	<b>Corporate Finance</b>	<b>Trading &amp; Sales</b>	<b>Retail Banking</b>	<b>Commercial Banking</b>	<b>Others</b>
	<b>(Rupees in '000)</b>				
Segment assets (gross of NPL provisions)	7,449,464	166,432,507	200,371,985	248,102,046	25,061,071
Segment non performing loans (NPL)	-	-	19,058,065	13,522,882	6,520,449
Segment provision required against NPLs	-	-	12,953,324	8,293,354	6,426,344
Segment liabilities	6,449,753	162,112,729	186,413,184	228,265,230	(24,433,567)



**Notes to the unconsolidated condensed interim financial statements  
For the quarter ended March 31, 2010**
**18. RELATED PARTY TRANSACTIONS**

The Bank has related party relationships with its associates, subsidiary companies, employee benefit plans and its directors and key management personnel (including their associates).

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

	For the Period Ended March 31, 2010 (Un-audited)				For the Year Ended December 31, 2009 (Audited)			
	Key management personnel	Subsidiaries	Associates	Other related parties	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)							
<b>Advances</b>								
At January 01	102,750	-	-	-	148,875	-	-	-
Given during the period	30,722	-	-	-	37,492	-	-	-
Repaid during the period	(12,873)	-	-	-	(83,617)	-	-	-
At March 31, 2010 / December 31, 2009	120,599	-	-	-	102,750	-	-	-
<b>Deposits</b>								
At January 01	19,365	112,364	164,877	56,453	20,149	35,835	147,701	308,347
Received during the year	65,199	25,219,585	3,118,850	304,514	258,920	77,334,856	15,508,596	1,151,870
Withdrawn during the year	(73,898)	(25,250,406)	(3,089,438)	(326,180)	(259,704)	(77,258,327)	(15,491,420)	(1,403,764)
At March 31, 2010 / December 31, 2009	10,666	81,543	194,289	34,787	19,365	112,364	164,877	56,453
Balances with other banks	-	56,474	-	-	-	5,119	-	-
Overdrawn Nostros	-	(118,612)	-	-	-	(160,227)	-	-
Outstanding placement at the end of the period	-	436,738	-	-	-	433,463	-	-
Outstanding borrowing at the end of the period	-	-	300,000	-	-	-	300,000	-
Distribution commission receivable	-	2,369	-	-	-	2,369	-	-
Insurance payable	-	-	11,803	-	-	-	26,851	-
Unearned income	-	-	-	-	-	435	-	-
Employee Motivation and Retention Scheme	-	-	-	262,979	-	-	-	210,000
	For the Period Ended March 31, 2010 (Un-audited)				For the Period Ended March 31, 2009 (Un-audited)			
	Key management personnel	Subsidiaries	Associates	Other related parties	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)							
Mark-up / return / interest earned	790	-	-	-	1,885	363	-	-
Mark-up / return / interest expensed	170	61	9,272	-	197	224	13,305	-
Dividend income received	-	-	110,732	-	-	-	-	-
Other expenses paid	-	-	-	-	-	435	-	-
Other income	-	-	-	-	-	-	35,798	-
Insurance premium paid	-	-	288,162	-	-	-	170,626	-
Remuneration paid	76,069	-	-	-	44,817	-	-	-
Post employment benefits	3,356	-	-	-	2,748	-	-	-
Contribution to defined contribution plan	-	-	-	34,647	-	-	-	30,971
Contribution to defined benefit plan	-	-	-	78,380	-	-	-	85,896
Employee Motivation and Retention Scheme	-	-	-	-	-	-	-	33,176
Placements made during the period	-	-	-	-	-	805,144	-	-
Placements settled during the period	-	-	-	-	-	-	-	-
Maximum amount of a placement made during the period	-	-	-	-	-	805,144	-	-
Borrowing made during the period	-	-	900,000	-	-	-	850,000	-
Borrowing settled during the period	-	-	600,000	-	-	-	-	-
Maximum amount of a placement made during the period	-	-	300,000	-	-	-	-	-
Investment made during the period	-	-	1,967,867	-	-	-	1,651,853	-
Redemption made during the period	-	-	4,514,702	-	-	-	-	-
Bonus units received	-	-	-	-	-	-	-	-
Realised gain on cross currency swaps	-	-	221,400	-	-	-	-	-
Unrealised loss on cross currency swaps	-	-	9,809	-	-	-	-	-
Insurance claims	-	-	45,323	-	-	-	75,057	-
Bank charges received	-	-	168	-	-	-	143	-

**Notes to the unconsolidated condensed interim financial statements**  
**For the quarter ended March 31, 2010**
**19. ISLAMIC BANKING BUSINESS**

19.1 The balance sheet of the bank's Islamic Banking branches as at March 31, 2010 is as follows:

	(Un-audited) March 31, 2010	(Audited) December 31, 2009
	----- (Rupees in '000) -----	
<b>ASSETS</b>		
Cash and balances with treasury banks	227,999	208,180
Balances with other banks	23,433	93,410
Lendings to financial institutions	-	100,000
Investments	1,501,683	1,563,953
Financing and receivables		
- Murabaha	205,919	154,650
- Musharaka	194,445	222,222
- Diminishing Musharaka	259,506	261,259
	659,870	638,131
Operating fixed assets including assets given on Ijara	527,630	598,452
Due from head office	21,685	-
Other assets	355,213	548,396
<b>Total Assets</b>	<b>3,317,513</b>	<b>3,750,522</b>
<b>LIABILITIES</b>		
Bills payable	233	4,522
Deposits and other accounts		
- Current accounts	401,642	429,412
- Saving accounts	256,577	209,676
- Term deposits	560,170	459,878
- Deposits from financial institutions - remunerative	1,491,958	1,109,452
	2,710,347	2,208,418
Due to head office	-	948,744
Other liabilities	77,070	84,544
	2,787,650	3,246,228
<b>NET ASSETS</b>	<b>529,863</b>	<b>504,294</b>
<b>REPRESENTED BY</b>		
Islamic Banking Fund	681,000	681,000
Unremitted deficit	(148,860)	(174,404)
Deficit on revaluation of assets	532,140	506,596
	(2,277)	(2,302)
	<b>529,863</b>	<b>504,294</b>

19.2 The profit and loss account of the bank's Islamic Banking branches for the quarter year ended March 31, 2010 is as follows:

	(Un-audited) March 31, 2010	(Un-audited) March 31, 2009
	----- (Rupees in '000) -----	
Return earned	137,227	125,918
Return expensed	48,479	33,819
	88,748	92,099
Reversal for diminution in value of investment	5,733	34,619
Reversal against assets given on Ijara	3,804	234
	9,537	34,853
<b>Net return after provision</b>	<b>98,285</b>	<b>126,952</b>
Fee, commission and brokerage income	1,534	626
Dividend income	1,250	2,170
Income from dealing in foreign currencies	108	767
Loss on sale of securities	(2,732)	-
Other Income	319	549
	479	4,112
	98,764	131,064
Administrative expenses	(71,499)	(77,199)
Other provisions / write offs	(1,721)	-
	(73,220)	(77,199)
<b>Net surplus for the period</b>	<b>25,544</b>	<b>53,865</b>
Unappropriated deficit brought forward	(174,404)	(346,051)
Unappropriated deficit carried forward	(148,860)	(292,186)
Remuneration to sharia advisor / board	735	559

**20 DATE OF AUTHORIZATION**

These financial statements were authorised for issue on April 26, 2010 by the Board of Directors of the Bank.