

# **United Bank Limited**

## **UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE QUARTER ENDED MARCH 31, 2011  
(UNAUDITED)**



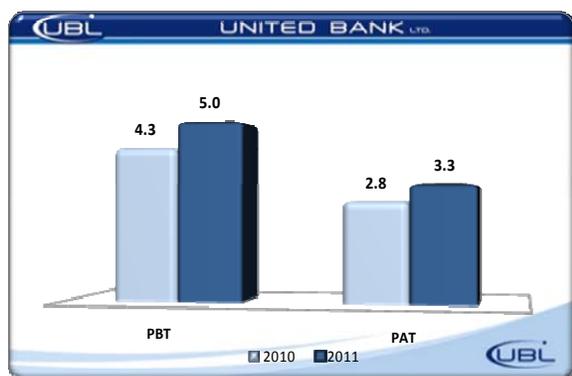
## DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors, I am pleased to present to you the financial statements of UBL for the quarter ended March 31, 2011.

### Performance Highlights

- Unconsolidated PAT for the quarter ended 31 March 2011 was Rs 3.3 billion, reflecting a growth of 18% over the same period last year.
- Net Interest Margin remained strong and improved to 7.2% (March 2010: 7.1%).
- The cost/income ratio improved to 38.3% (March 2010: 38.7%)

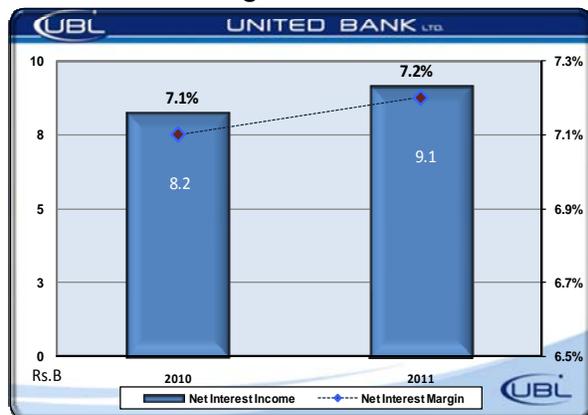
### Strong and consistent financial performance



UBL achieved a profit after tax of Rs 3.3 billion which is 18% higher than the corresponding period last year and translates into earnings per share of Rs. 2.67 (March 2010: Rs. 2.27).

UBL has achieved a profit before tax of Rs 5.0 billion. This is 18% higher than the same period last year as a result of continued improvement in operating efficiency, revenues and margins. On a consolidated basis, UBL achieved a profit after tax of Rs 3.4 billion, an increase of 24% over the first quarter of 2010.

### Continued revenue growth



Net interest income before provisions increased to Rs 9.1 billion, 11.1% higher than the same three month period of last year. The yield on earning assets improved by 60 bps as market rates increased in Q1 2011 compared to Q1 2010. While growing low cost deposits remain a priority for the Bank, deposit cost increased marginally to 4.3% largely as a result of a deliberate strategy to grow the balance sheet through acquisition of profitable deposits. Consequently, net interest margin increased from 7.1% in Q1 2010 to 7.2% in Q1 2011. This enabled the Bank to register a 11.2% growth in net interest income after provisions to Rs 6.8 billion, despite a slight increase in provisions to Rs 2.3

billion, as previously classified accounts flowed to higher buckets

Non-interest income increased to Rs 3.0 billion (31 March 2010: Rs 2.4 billion), a significant rise of 27.4% over last year, with increases in most lines. Core banking fees and commissions increased by 8.6% to Rs 1.6 billion, while FX income more than doubled over last year mainly due to increase in trade volumes and better leveraging of market opportunities.

### Cost management

Administrative expenses reduced by 5% compared to the prior quarter, although they are higher than the first quarter of 2010. This is due to the inflationary environment, escalating utilities costs and the Bank's

significant investments in business building activities and IT. With rising revenues, the cost/income ratio improved over both the prior quarter and the first quarter of 2010.

### ***Balance Sheet***

Gross advances have remained flat to December 2010 levels, while deposits have decreased by 3.9% compared to December 2010, due to seasonality. On an average basis, deposits increased by 5.1% over the prior quarter.

The return on average assets has also improved from 1.7% for the year 2010 to 1.9% for Q1 2011.

### ***Improved Capital Ratios***

The capital adequacy ratio (CAR) of the bank improved to 13.8% in March 2011 (March 2010: 13.2%). The Tier-1 CAR of the bank has also improved from 8.9% in March 2010 to 9.8% in March 2011 reflecting the growing strength of the bank and its franchise.

The Board of Directors of UBL declared a final dividend of 40% in their meeting in Abu Dhabi dated 21 February 2011 along with the results for the year ended 31 December 2010. This dividend was subsequently paid in April 2011.

## **Key Developments**

### ***Macroeconomic performance***

The key macroeconomic indicators continue to show signs of stress as the economy remains weighed down by low tax collection, high inflation, energy shortages and the law and order situation across the country. Despite the flood impact being weaker than anticipated, GDP growth is projected at only 2%-3%. The Large Scale Manufacturing (LSM) sector has grown marginally; however, acute energy shortages remain a key challenge for sustained recovery of this sector.

After a brief respite in early 2011, CPI inflation continued to rise, increasing by 1.5% month-on-month in March 2011. This was driven mainly by food inflation and increase in fuel prices. Challenges on the fiscal front continue; In order to contain the fiscal deficit to IMF agreed levels, the government has recently announced austerity measures including additional taxes. Despite the new measures, tax collection targets have been revised downward although they still appear ambitious. However, non observance of other IMF conditionalities on structural reform has led to lower external financing, forcing the government to resort to bank borrowings to fund the fiscal deficit.

Stability on the external account front remained a key positive, driven by strong export performance (up 25.1% year on year for the period July 2010 - March 2011), record levels of workers' remittances and Coalition Support Fund inflows. The current account has shown a surplus of USD 100 million during the first nine months of FY 2011, and this has added stability to the foreign currency reserves and the exchange rate.

The banking sector continues to see a slowdown in Non Performing Loans (NPL) accumulation which should lead to lower provisioning expense. However, high interest rates continue to adversely affect borrowers and any further upward revision in interest rates may exacerbate deterioration in the asset quality of the banking sector. The stock market, after registering growth of 27% during 2010 has shown mixed trends, declining by 1.8% during Q1 2011.

### ***Omni***

UBL continues to grow Omni, its Branchless Banking platform, with the expansion of Omni Dukaan Agents and Merchant Network, along with enhanced staffing levels for better management in remote areas. Omni now has over 3,000 outlets in 429 cities and towns across Pakistan. Media campaigns during the recently

concluded Cricket World Cup have also contributed to a growing awareness of the Omni business in the target market. This has resulted in healthy growth in transactions which grew to 2.2 million during the first quarter, with a value of Rs 3.2 billion. The business is actively leveraging its partnership with Shorebank and the Bill & Melinda Gates Foundation, utilizing their expertise in developing efficient and effective outreach models to maximize financial inclusion of the unbanked population.

### ***Consistent International Growth***

Rising oil prices have had a favorable impact on the GCC economies' fiscal position and balance of payments. In response to the improved fundamentals, the IMF has positively revised the respective GDP growth outlooks for 2011. The restoration of investor confidence, evidenced by the relative easing of credit markets, is expected to support the recovery process which, along with sound macro-economic and monetary policies, should ensure sustainable growth.

While liquidity and asset quality management remain priority focus areas, the business is positioning itself for growth in 2011. During the quarter, liquidity was maintained at market benchmark levels, with deployment mainly in sovereign fixed income securities. The asset portfolio continued to be closely monitored through proactive relationship management, and Corporate Banking performed in line with expectations, mainly driven by top tier customers. Delinquencies in the unsecured retail portfolio are improving steadily; however, the challenges in the mortgage portfolio remain due to falling real estate prices. The Central Bank of UAE introduced more stringent provisioning requirements for this portfolio, the first quarter impact of which has been fully accounted for. The Bank closed its first syndicated financing facility in the regional financial institutions market for a large commercial bank in Sri Lanka. The deal, which was substantially oversubscribed, was fully underwritten by four Mandated Lead Arrangers including UBL, which was also the book runner.

During the first quarter, UBL opened its flagship branch in Abu Dhabi. The Bank also launched net-banking in the UAE and plans to extend this facility to customers in other jurisdictions during 2011. The launch of mobile "Tezraftaar" in the UAE has given a boost to the home remittances business resulting in an 8% growth in remittances over the first quarter of last year.

### ***Project Genesis (new core banking software implementation)***

UBL continues to satisfactorily roll out its new core banking system (CBS) and an additional 21 branches have been migrated in 2011. The Bank expects to convert around 200 branches onto the new system by the end of the year, covering most of the loan portfolio and a sizable percentage of the deposit portfolio.

There has been significant development on the Loan Origination module and the credit card loan origination system is expected to go live in the second quarter, thus bringing all consumer products on one unified platform. UBL has recently entered into an agreement with SunGard for the Sierra treasury system which will be integrated with the CBS. The project will be implemented in two phases with FX and Derivatives expected to go live by the end of 2011 and the remainder during 2012.

### ***Corporate Social Responsibility***

Building on its contribution of providing clean drinking water for the flood affectees, UBL has entered into an agreement with Hisaar Foundation, a registered NGO, which specializes in water management and will provide a comprehensive solution to the water problems still being faced by the flood affectees in targeted areas, including training and rehabilitation. UBL will remain actively engaged in this project with Hisaar Foundation.

### ***Looking ahead***

The macroeconomic outlook continues to remain challenging with low revenue collection and high inflation. Escalating international oil prices pose a renewed threat to inflation and the balance of payments. Higher government borrowings during the last quarter of the fiscal year could tighten liquidity and lead to a further upturn in interest rates, some signs of which are becoming evident.

The Bank's focus will remain on strengthening its balance sheet through the acquisition of low cost deposits and improvement in asset quality. While UBL remains cost conscious, the Bank will continue to invest in brand building activities and in technology, especially in the area of non-traditional banking channels, to implement cost effective innovative customer solutions. UBL is also exploring opportunities in international markets which will naturally flow from the Bank's existing network.

***Acknowledgements***

We would like to express our sincere thanks and gratitude to our customers for their patronage and to 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 27, 2011

**Unconsolidated Condensed Interim Statement Of Financial Position  
As at March 31, 2011**

	Note	(Un-audited) March 31, 2011	(Audited) December 31, 2010
------(Rupees in '000)-----			
<b>ASSETS</b>			
Cash and balances with treasury banks		54,676,672	67,461,668
Balances with other banks		11,831,150	18,192,142
Lendings to financial institutions		12,900,407	12,384,778
Investments	7	223,390,620	224,578,556
Advances	8	333,925,101	333,732,172
Operating fixed assets	9	22,512,805	22,424,072
Deferred tax asset - net		1,299,369	1,298,403
Other assets		18,465,556	18,713,188
		679,001,680	698,784,979
<b>LIABILITIES</b>			
Bills payable		6,472,668	5,045,815
Borrowings from financial institutions	10	44,058,571	45,104,849
Deposits and other accounts	11	529,409,852	550,645,767
Sub-ordinated loans		11,983,720	11,985,748
Other liabilities		20,273,251	17,587,735
		612,198,062	630,369,914
<b>NET ASSETS</b>		<b>66,803,618</b>	<b>68,415,065</b>
<b>REPRESENTED BY</b>			
Share capital		12,241,798	12,241,798
Reserves		21,939,610	21,688,637
Unappropriated profit		24,362,757	26,250,489
		58,544,165	60,180,924
Surplus on revaluation of assets - net of deferred tax	12	8,259,453	8,234,141
		66,803,618	68,415,065
<b>CONTINGENCIES AND COMMITMENTS</b>	13		

The annexed notes from 1 to 21 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, 2011**

	Note	Quarter ended	
		March 31, 2011	March 31, 2010
----- <b>(Rupees in '000)</b> -----			
Mark-up / return / interest earned	14	16,702,390	14,195,035
Mark-up / return / interest expensed	15	<u>(7,596,906)</u>	<u>(5,996,107)</u>
Net mark-up / return / interest income		9,105,484	8,198,928
Provision against loans and advances - net		<u>(2,204,779)</u>	<u>(1,735,122)</u>
(Provision) / reversal for diminution in value of investments - net		<u>(1,632)</u>	<u>5,733</u>
Bad debts written off directly		<u>(132,825)</u>	<u>(386,709)</u>
		<u>(2,339,236)</u>	<u>(2,116,098)</u>
Net mark-up / return / interest income after provisions		6,766,248	6,082,830
<b>Non mark-up / return / interest income</b>			
Fee, commission and brokerage income		<u>1,599,302</u>	<u>1,473,016</u>
Dividend income		<u>101,177</u>	<u>137,625</u>
Income from dealing in foreign currencies		<u>749,323</u>	<u>361,362</u>
Gain on sale of securities		<u>187,990</u>	<u>86,073</u>
Unrealised loss on revaluation of investments classified as held for trading		<u>(7,967)</u>	<u>(7,901)</u>
Other income		<u>379,321</u>	<u>311,110</u>
Total non mark-up / return / interest income		<u>3,009,146</u>	<u>2,361,285</u>
		9,775,394	8,444,115
<b>Non mark-up / interest expenses</b>			
Administrative expenses	16	<u>(4,640,169)</u>	<u>(4,082,348)</u>
Other provisions / write offs / reversals - net		<u>6,201</u>	<u>(8,327)</u>
Workers' welfare fund		<u>(102,673)</u>	<u>(88,908)</u>
Other charges		<u>(26,716)</u>	<u>(4,118)</u>
Total non mark-up / interest expenses		<u>(4,763,357)</u>	<u>(4,183,701)</u>
<b>Profit before taxation</b>		5,012,037	4,260,414
<b>Taxation</b>			
- Current	17	<u>(1,807,417)</u>	<u>(1,541,710)</u>
- Prior		<u>7,538</u>	<u>(262)</u>
- Deferred		<u>60,474</u>	<u>65,080</u>
		<u>(1,739,405)</u>	<u>(1,476,892)</u>
<b>Profit after taxation</b>		<u><u>3,272,632</u></u>	<u><u>2,783,522</u></u>
----- <b>(Rupees)</b> -----			
<b>Basic and diluted earnings per share</b>		<u>2.67</u>	<u>2.27</u>

The annexed notes from 1 to 21 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, 2011**

	March 31, 2011	March 31, 2010
	----- (Rupees in '000) -----	
<b>Profit after taxation</b>	3,272,632	2,783,522
<b>Other comprehensive income / (loss):</b>		
Exchange differences on translation of net investment in foreign branches	(96,459)	(252,364)
Gain on cash flow hedges	31,029	18,299
Related deferred tax liability on cash flow hedges	(10,860)	(6,405)
	20,169	11,894
<b>Comprehensive income transferred to equity - net of tax</b>	<u>3,196,342</u>	<u>2,543,052</u>

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

The annexed notes from 1 to 21 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 Cash Flow Statement (Un-audited)  
For the quarter ended March 31, 2011**

	<b>Quarter ended</b>	
	<b>March 31, 2011</b>	<b>March 31, 2010</b>
	----- <b>(Rupees in '000)</b> -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	5,012,037	4,260,414
Less: dividend income	(101,177)	(137,625)
	<u>4,910,860</u>	<u>4,122,789</u>
<b>Adjustments:</b>		
Depreciation	444,095	443,345
Workers' welfare fund	102,673	88,908
Provision for retirement benefits and compensated absences	44,934	14,322
Provision against loans and advances	2,204,779	1,735,122
Provision / (reversal) for diminution in the value of investments	1,632	(5,733)
Gain on sale of fixed assets	(7,403)	(2,371)
(Reversal) / provision against other assets	(6,201)	8,327
Amortization of cash flow hedge reserve	31,029	18,299
Unrealized loss on revaluation of investments classified as held for trading	7,967	7,901
Bad debts written-off	132,825	386,709
	<u>2,956,330</u>	<u>2,694,829</u>
	7,867,190	6,817,618
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(515,629)	9,416,016
Held for trading investments	9,661,550	(935,753)
Advances - net	(2,530,533)	20,487,470
Other assets - (excluding advance taxation)	556,006	(285,842)
	<u>7,171,394</u>	<u>28,681,891</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	1,426,853	(816,771)
Borrowings from financial institutions	(1,046,278)	4,889,185
Deposits and other accounts	(21,235,915)	(40,775,887)
Other liabilities	(2,325,749)	249,455
	<u>(23,181,089)</u>	<u>(36,454,018)</u>
	(8,142,505)	(954,509)
(Payment to) / Receipt from staff retirement benefit funds	(205,870)	237,122
Income tax paid	(1,883,349)	(2,648,991)
Net cash flow outflow from operating activities	<u>(10,231,724)</u>	<u>(3,366,378)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investment in securities	(8,345,604)	(4,008,264)
Dividend income received	55,150	113,629
Investment in operating fixed assets	(577,599)	(842,624)
Sale proceeds from disposal of operating fixed assets	52,276	27,459
Net cash outflow from investing activities	<u>(8,815,777)</u>	<u>(4,709,800)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayments of principal of sub-ordinated loans	(2,028)	(2,024)
Net cash outflow from financing activities	<u>(2,028)</u>	<u>(2,024)</u>
	(19,049,529)	(8,078,202)
Exchange difference on translation of net investment in foreign branches	(96,459)	(252,364)
Increase in cash and cash equivalents during the period	<u>(19,145,988)</u>	<u>(8,330,566)</u>
Cash and cash equivalents at beginning of the period	<u>85,653,810</u>	<u>66,568,148</u>
Cash and cash equivalents at end of the period	<u>66,507,822</u>	<u>58,237,582</u>

The annexed notes from 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

**Unconsolidated Condensed Interim Statement Of Changes in Equity  
For the quarter ended March 31, 2011**

	Capital Reserves			Cash flow hedge reserve	Unappropriated Profit	Total	
	Share Capital	Statutory Reserve	Exchange Translation Reserve				Reserve for Issue of Bonus Shares
(Rupees in '000)							
<b>Balance as at January 1, 2010 (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 Rs. 2.5 per share	-	-	-	-	-	(2,782,227)	(2,782,227)
Transfer to reserve for issue of bonus shares	-	-	-	1,112,891	-	(1,112,891)	-
<b>Changes in equity during the quarter ended March 31, 2010</b>							
Profit after taxation for the quarter ended March 31, 2010	-	-	-	-	-	2,783,522	2,783,522
Other comprehensive income - net of tax	-	-	(252,364)	-	11,894	-	(240,470)
Total comprehensive income	-	-	(252,364)	-	11,894	2,783,522	2,543,052
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	70,510	70,510
Transfer to statutory reserves	-	556,704	-	-	-	(556,704)	-
<b>Balance as at March 31, 2010 (Un-audited)</b>	<b>11,128,907</b>	<b>12,771,616</b>	<b>6,698,676</b>	<b>1,112,891</b>	<b>(194,521)</b>	<b>20,590,012</b>	<b>52,107,581</b>
Interim cash dividend for the half year ended June 30, 2010 declared at Re 1 per share	-	-	-	-	-	(1,224,180)	(1,224,180)
Issue of bonus shares	1,112,891	-	-	(1,112,891)	-	-	-
<b>Changes in equity during the nine months ended December 31, 2010</b>							
Profit after taxation for the nine months ended December 31, 2010	-	-	-	-	-	8,376,408	8,376,408
Other comprehensive income - net of tax	-	-	672,215	-	65,369	-	737,584
Total comprehensive income	-	-	672,215	-	65,369	8,376,408	9,113,992
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	183,531	183,531
Transfer to statutory reserves	-	1,675,282	-	-	-	(1,675,282)	-
<b>Balance as at December 31, 2010 (Audited)</b>	<b>12,241,798</b>	<b>14,446,898</b>	<b>7,370,891</b>	<b>-</b>	<b>(129,152)</b>	<b>26,250,489</b>	<b>60,180,924</b>
Final cash dividend for the year ended December 31, 2010 declared subsequent to year end at Rs. 4.0 per share	-	-	-	-	-	(4,896,719)	(4,896,719)
<b>Changes in equity during quarter ended March 31, 2011</b>							
Profit after taxation for the quarter ended March 31, 2011	-	-	-	-	-	3,272,632	3,272,632
Other comprehensive income - net of tax	-	-	(96,459)	-	20,169	-	(76,290)
Total comprehensive income	-	-	(96,459)	-	20,169	3,272,632	3,196,342
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	63,618	63,618
Transfer to statutory reserves	-	327,263	-	-	-	(327,263)	-
<b>Balance as at March 31, 2011 (Un-audited)</b>	<b>12,241,798</b>	<b>14,774,161</b>	<b>7,274,432</b>	<b>-</b>	<b>(108,983)</b>	<b>24,362,757</b>	<b>58,544,165</b>

The annexed notes from 1 to 21 form an integral part of these unconsolidated condensed interim financial statements:

**Notes to the unconsolidated condensed interim financial statements (Un-audited)  
For the quarter ended March 31, 2011**

**1. STATUS AND NATURE OF BUSINESS**

United Bank Limited ("the Bank") is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. 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 1,125 (December 31,2010:1,123) branches inside Pakistan including 6 (December 31,2010: 6) Islamic Banking branches and 1 (December 31, 2010: 1) branch in Karachi Export Processing Zone. The Bank also operates 17 (December 31, 2010:17) branches outside Pakistan as at March 31, 2011.

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 the UK Listing Authority and the 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**

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 unconsolidated condensed interim 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 included 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 20 to these unconsolidated condensed interim financial statements.

**3. STATEMENT OF COMPLIANCE**

These unconsolidated condensed interim financial statements of the Bank for the quarter ended March 31, 2011 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 and the State Bank of Pakistan. In case requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.

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 the SECP dated April 28, 2008, IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable to 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 the SBP.

The disclosures made in these unconsolidated condensed interim financial statements have, however, been limited based on a 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 the disclosures required for annual financial statements, and these unconsolidated 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**

These unconsolidated condensed interim financial statements have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts and certain investments, commitments in respect of certain forward foreign exchange contracts and derivative financial instruments have been marked to market and are carried at fair value.

The preparation of unconsolidated condensed 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.

**5. 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 the annual financial statements for the year ended December 31, 2010.

**Notes to the unconsolidated condensed interim financial statements (Un-audited)  
For the quarter ended March 31, 2011**
**6. SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT**

The accounting policies and the methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the annual financial statements for the year ended December 31, 2010.

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.

**7. INVESTMENTS**

	Note	(Un-audited) March 31, 2011			(Audited) December 31, 2010		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
----- Rupees in '000 -----							
Held-for-trading securities	7.2.1	6,585,219	-	6,585,219	15,095,990	1,189,144	16,285,134
Available-for-sale securities	7.2.2	86,997,919	21,031,082	108,029,001	88,313,537	21,231,926	109,545,463
Held-to-maturity securities	7.2.3	105,416,346	-	105,416,346	95,181,046	-	95,181,046
Investments in associates	7.2.4	6,882,192	-	6,882,192	7,382,192	-	7,382,192
Investments in subsidiaries	7.2.5	2,201,948	-	2,201,948	2,201,948	-	2,201,948
		<u>208,083,624</u>	<u>21,031,082</u>	<u>229,114,706</u>	<u>208,174,713</u>	<u>22,421,070</u>	<u>230,595,783</u>
Provision for diminution in value of investments		(2,532,866)	-	(2,532,866)	(2,658,000)	-	(2,658,000)
<b>Investments (net of provisions)</b>		<u>205,550,758</u>	<u>21,031,082</u>	<u>226,581,840</u>	<u>205,516,713</u>	<u>22,421,070</u>	<u>227,937,783</u>
(Deficit) / surplus on revaluation of available-for-sale securities		(3,189,997)	6,744	(3,183,253)	(3,309,144)	(11,718)	(3,320,862)
Deficit on revaluation of held-for-trading investments		(7,967)	-	(7,967)	(38,201)	(164)	(38,365)
<b>Total Investments</b>		<u><u>202,352,794</u></u>	<u><u>21,037,826</u></u>	<u><u>223,390,620</u></u>	<u><u>202,169,368</u></u>	<u><u>22,409,188</u></u>	<u><u>224,578,556</u></u>

**Notes to the unconsolidated condensed interim financial statements (Un-audited)**  
**For the quarter ended March 31, 2011**

	(Un-audited) March 31, 2011			(Audited) December 31, 2010		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
----- (Rupees in '000) -----						
<b>7.2 Investments by types</b>						
<b>7.2.1 Held-for-trading securities</b>						
Market Treasury Bills	5,993,498	-	5,993,498	12,984,400	1,189,144	14,173,544
Pakistan Investment Bonds	276,295	-	276,295	805,257	-	805,257
Ordinary shares of listed companies	315,426	-	315,426	8,928	-	8,928
Foreign securities	-	-	-	1,297,405	-	1,297,405
	6,585,219	-	6,585,219	15,095,990	1,189,144	16,285,134
<b>7.2.2 Available-for-sale securities</b>						
Market Treasury Bills	35,044,093	20,402,121	55,446,214	39,519,598	20,695,498	60,215,096
Pakistan Investment Bonds	19,863,649	628,961	20,492,610	18,988,194	536,428	19,524,622
Government of Pakistan - Sukuk	4,622,000	-	4,622,000	4,122,000	-	4,122,000
Government of Pakistan Eurobonds	4,910,175	-	4,910,175	3,938,516	-	3,938,516
Ordinary shares of listed companies	4,295,782	-	4,295,782	3,629,299	-	3,629,299
Preference shares	463,100	-	463,100	463,977	-	463,977
Ordinary shares of unlisted companies	445,376	-	445,376	445,382	-	445,382
Term Finance Certificates	2,157,349	-	2,157,349	2,163,810	-	2,163,810
Units of mutual funds	164,662	-	164,662	164,662	-	164,662
Foreign securities	15,031,733	-	15,031,733	14,878,099	-	14,878,099
	86,997,919	21,031,082	108,029,001	88,313,537	21,231,926	109,545,463
<b>7.2.3 Held-to-maturity securities</b>						
Market Treasury Bills	65,145,371	-	65,145,371	58,843,648	-	58,843,648
Pakistan Investment Bonds	8,351,547	-	8,351,547	4,392,225	-	4,392,225
Government of Pakistan - Sukuk	330,000	-	330,000	30,000	-	30,000
Government of Pakistan - Guaranteed Bonds	51,346	-	51,346	51,399	-	51,399
Term Finance Certificates	26,940,702	-	26,940,702	27,106,749	-	27,106,749
Sukuk Bonds	2,399,980	-	2,399,980	2,548,739	-	2,548,739
Participation Term Certificates	17,920	-	17,920	19,202	-	19,202
Debentures	4,392	-	4,392	4,392	-	4,392
Foreign securities	2,174,661	-	2,174,661	2,184,264	-	2,184,264
CDC SAARC Fund	427	-	427	428	-	428
	105,416,346	-	105,416,346	95,181,046	-	95,181,046
<b>7.2.4 Associates</b>						
United Growth and Income Fund	3,030,136	-	3,030,136	3,030,136	-	3,030,136
UBL Liquidity Plus Fund	2,100,000	-	2,100,000	2,600,000	-	2,600,000
United Composite Islamic Fund	250,000	-	250,000	250,000	-	250,000
United Islamic Income Fund	200,000	-	200,000	200,000	-	200,000
United Stock Advantage Fund	250,000	-	250,000	250,000	-	250,000
UBL Participation Protected Plan	200,000	-	200,000	200,000	-	200,000
UBL Capital Protected Fund - II	100,000	-	100,000	100,000	-	100,000
UBL Savings Income Fund	100,000	-	100,000	100,000	-	100,000
UBL Islamic Savings Fund	150,000	-	150,000	150,000	-	150,000
UBL Islamic Retirement Savings Fund	90,000	-	90,000	90,000	-	90,000
UBL Retirement Savings Fund	90,000	-	90,000	90,000	-	90,000
UBL Capital Protected Fund - I	75,075	-	75,075	75,075	-	75,075
UBL Insurers Limited	240,000	-	240,000	240,000	-	240,000
Oman United Exchange Company, Muscat	6,981	-	6,981	6,981	-	6,981
	6,882,192	-	6,882,192	7,382,192	-	7,382,192
<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
	208,083,624	21,031,082	229,114,706	208,174,713	22,421,070	230,595,783
Provision for diminution in value of investments	(2,532,866)	-	(2,532,866)	(2,658,000)	-	(2,658,000)
<b>Investments (net of provisions)</b>	205,550,758	21,031,082	226,581,840	205,516,713	22,421,070	227,937,783
(Deficit) / surplus on revaluation of available-for-sale securities	(3,189,997)	6,744	(3,183,253)	(3,309,144)	(11,718)	(3,320,862)
Deficit on revaluation of held-for-trading investments	(7,967)	-	(7,967)	(38,201)	(164)	(38,365)
<b>Total Investments</b>	202,352,794	21,037,826	223,390,620	202,169,368	22,409,188	224,578,556

**Notes to the unconsolidated condensed interim financial statements (Un-audited)  
For the quarter ended March 31, 2011**

	Note	(Un-audited) March 31, 2011	(Audited) December 31, 2010
----- (Rupees in '000) -----			
<b>8. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		268,538,972	268,760,548
Outside Pakistan		81,332,911	80,428,953
		<u>349,871,883</u>	<u>349,189,501</u>
Bills discounted and purchased			
Payable in Pakistan		15,534,997	14,665,532
Payable outside Pakistan		5,726,988	4,836,907
		<u>21,261,985</u>	<u>19,502,439</u>
	8.1	<u>371,133,868</u>	<u>368,691,940</u>
Provision against advances			
- Specific	8.2	(36,403,551)	(33,534,272)
- General	8.3	(805,216)	(1,425,496)
		<u>333,925,101</u>	<u>333,732,172</u>

**8.1** Advances include Rs.52,935 million (December 31, 2010: Rs.48,593 million) which have been placed under non-performing status.

**8.2** The category wise classification of non performing status is detailed below:

	March 31, 2011 (Un-audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
----- (Rupees in '000) -----					
Other Assets Especially Mentioned*	446,943	-	446,943	-	-
Substandard	5,395,566	1,070,611	6,466,177	1,629,369	1,629,369
Doubtful	6,746,556	2,705,244	9,451,800	4,713,455	4,713,455
Loss	34,486,917	2,083,245	36,570,162	30,060,727	30,060,727
	<u>47,075,982</u>	<u>5,859,100</u>	<u>52,935,082</u>	<u>36,403,551</u>	<u>36,403,551</u>
-----					
	December 31, 2010 (Audited)				
Category of Classification	Domestic	Overseas	Total	Provision Required	Provision Held
----- (Rupees in '000) -----					
Other Assets Especially Mentioned*	336,651	-	336,651	-	-
Substandard	6,320,318	1,037,361	7,357,679	1,673,379	1,673,379
Doubtful	5,716,839	3,005,088	8,721,927	3,032,943	3,032,943
Loss	30,587,904	1,588,399	32,176,303	28,827,950	28,827,950
	<u>42,961,712</u>	<u>5,630,848</u>	<u>48,592,560</u>	<u>33,534,272</u>	<u>33,534,272</u>

\* The other assets especially mentioned category pertains to agricultural finance.

**8.3** General provision represents provision amounting to Rs.345.706 million (December 31, 2010: Rs.375.327 million) against consumer finance portfolio as required by the Prudential Regulations issued by the SBP, Rs.459.510 million (December 31, 2010: Rs.415.169 million) pertaining to overseas advances to meet the requirements of monetary agencies and regulatory authorities of the respective countries in which the overseas branches operate and Rs.Nil (December 31, 2010: 635 million) against other domestic advances.

**8.4** During the quarter the Bank has availed certain forced sale value (FSV) benefits allowed by SBP vide its circular no. BSD 10 of 2009 dated October 20, 2009. Had the benefit not been availed by the Bank, the specific provision against non-performing advances would have been higher and consequently profit before taxation and advances (net of provisions) as of March 31, 2011 would have been lower by Rs. 297 million.

	(Un-audited) March 31, 2011	(Audited) December 31, 2010
----- (Rupees in '000) -----		
<b>9. OPERATING FIXED ASSETS</b>		
Capital work-in-progress	1,627,233	1,334,951
Property and equipment	19,994,413	20,166,071
Intangible assets	891,159	923,050
	<u>22,512,805</u>	<u>22,424,072</u>

**Notes to the unconsolidated condensed interim financial statements (Un-audited)  
For the quarter ended March 31, 2011**

	(Un-audited)	(Audited)
Note	March 31, 2011	December 31, 2010
	------(Rupees in '000)-----	
<b>10. BORROWINGS FROM FINANCIAL INSTITUTIONS</b>		
<b>Secured</b>		
Borrowings from the State Bank of Pakistan		
- Export refinance scheme	13,578,057	14,840,163
- Refinance facility for modernization of SME	47,500	27,500
- Long term fixed finance	2,965,600	2,444,872
- Long term finance under export oriented projects	2,142,036	2,770,789
	18,733,193	20,083,324
Repurchase agreement borrowings	21,035,982	22,412,235
	<u>39,769,175</u>	<u>42,495,559</u>
<b>Unsecured</b>		
Call borrowings	2,119,187	428,195
Overdrawn nostro accounts	800,061	456,617
Trading liabilities	455,575	806,942
Other borrowings	914,573	917,536
	4,289,396	2,609,290
	<u>44,058,571</u>	<u>45,104,849</u>
<b>11. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	165,042,484	162,426,884
Savings deposits	180,553,333	193,982,616
Sundry deposits	5,449,049	4,767,873
Margin deposits	3,903,121	3,696,330
Current accounts - remunerative	3,816,299	3,412,476
Current accounts - non-remunerative	169,170,559	180,688,420
	527,934,845	548,974,599
<b>Financial Institutions</b>		
Remunerative deposits	1,264,487	1,518,443
Non-remunerative deposits	210,520	152,725
	1,475,007	1,671,168
	<u>529,409,852</u>	<u>550,645,767</u>
<b>12. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX</b>		
Surplus arising on revaluation of assets - net of tax:		
Fixed assets	12.1 10,329,063	10,392,701
Securities	12.2 (2,069,610)	(2,158,560)
	<u>8,259,453</u>	<u>8,234,141</u>
<b>12.1 Surplus on revaluation of fixed assets</b>		
Surplus on revaluation of fixed assets at January 01	15,534,899	15,916,898
Revaluation of fixed assets during the period / year	-	8,788
Exchange Adjustment	(30)	48
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year	(63,618)	(254,041)
Related deferred tax charge on incremental depreciation during the period / year	(34,256)	(136,794)
	(97,904)	(381,999)
	15,436,995	15,534,899
Less: related deferred tax liability on:		
Revaluation as on January 01	5,142,198	5,275,900
Revaluation of fixed assets during the period / year	-	3,092
Exchange adjustments	(10)	-
Incremental depreciation charged on related assets	(34,256)	(136,794)
	5,107,932	5,142,198
	<u>10,329,063</u>	<u>10,392,701</u>

**Notes to the unconsolidated condensed interim financial statements (Un-audited)  
For the quarter ended March 31, 2011**

	(Un-audited) March 31, 2011 ------(Rupees in '000)-----	(Audited) December 31, 2010 ------(Rupees in '000)-----
<b>12.2 Deficit on revaluation on available-for-sale securities</b>		
Market Treasury Bills	(8,248)	(55,830)
Pakistan Investment Bonds	(1,755,755)	(1,937,605)
Listed shares	(150,942)	(34,452)
Mutual fund units	(3,094)	(709)
Term Finance Certificates, Sukuk, other Bonds etc.	(23,671)	(27,242)
Overseas securities	(1,241,543)	(1,265,024)
Related deferred tax asset	(3,183,253)	(3,320,862)
	<u>(2,069,610)</u>	<u>(2,158,560)</u>
<b>13. CONTINGENCIES AND COMMITMENTS</b>		
<b>13.1 Direct Credit Substitutes</b>		
Contingent liabilities in respect of guarantees given favouring:		
Government	8,865,235	8,742,208
Banking companies and other financial institutions	4,985,855	5,316,009
Others	7,896,324	6,079,170
	<u>21,747,414</u>	<u>20,137,387</u>
<b>13.2 Transaction-related Contingent Liabilities</b>		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring		
Government	79,298,991	82,423,478
Banking companies and other financial institutions	2,541,505	2,470,740
Others	14,321,369	14,018,380
	<u>96,161,865</u>	<u>98,912,598</u>
<b>13.3 Trade-related Contingent Liabilities</b>		
Contingent liabilities in respect of letters of credit opened favouring:		
Government	49,528,693	52,859,909
Others	78,954,954	74,635,184
	<u>128,483,647</u>	<u>127,495,093</u>
<b>13.4 Other Contingencies</b>		
Claims against the bank not acknowledged as debts	<u>31,203,381</u>	<u>29,934,358</u>
<b>13.5 Commitments in respect of forward lending</b>		
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.		
	(Un-audited) March 31, 2011 ------(Rupees in '000)-----	(Audited) December 31, 2010 ------(Rupees in '000)-----
<b>13.6 Commitments in respect of forward exchange contracts</b>		
Sale	65,206,715	85,434,818
Purchase	<u>112,079,431</u>	<u>130,653,749</u>
<b>13.7 Other commitments</b>		
Interest rate swaps	<u>7,701,169</u>	<u>6,985,703</u>
Cross currency swaps	<u>35,443,243</u>	<u>35,570,843</u>
FX options - purchased	<u>-</u>	<u>2,055,442</u>
FX options - sold	<u>-</u>	<u>2,055,442</u>
Forward sale contracts of government securities	<u>268,073</u>	<u>441,981</u>
Commitments in respect of capital expenditure	<u>417,734</u>	<u>571,403</u>

**Notes to the unconsolidated condensed interim financial statements (Un-audited)  
For the quarter ended March 31, 2011**

	----- (Un-audited) -----	
	March 31, 2011	March 31, 2010
	----- (Rupees in '000) -----	
<b>14. MARK-UP / RETURN / INTEREST EARNED</b>		
On loans and advances to customers	9,798,942	10,052,035
On lendings to financial institutions		
- Call money lending	15,814	26,484
- Securities purchased under resale agreements	113,957	305,169
- Advances to financial institutions	71,131	57,575
	200,902	389,228
On investments in		
- Held for trading securities	534,792	142,658
- Available for sale securities	2,757,032	1,999,313
- Held to maturity securities	3,379,553	1,550,846
- Associates and subsidiaries	153	56
	6,671,530	3,692,873
On deposits with financial institutions	28,173	54,080
Discount income	2,843	6,819
	<u>16,702,390</u>	<u>14,195,035</u>
<b>15. MARK-UP / RETURN / INTEREST EXPENSED</b>		
On deposits	5,668,484	4,585,261
On securities sold under repurchase agreements	595,008	320,112
On other short - term borrowings	914,642	650,636
On long - term borrowings	368,082	399,206
Discount expense	50,690	40,892
	<u>7,596,906</u>	<u>5,996,107</u>
<b>16. ADMINISTRATIVE EXPENSES</b>		
Salaries, allowances etc.	2,039,189	1,937,586
Rent, taxes, insurance, electricity etc.	566,007	508,455
Depreciation	444,095	443,345
Outsourced service charges including sales commission	362,239	318,022
Communications	197,473	171,810
Banking service charges	118,455	91,267
Cash transportation charges	75,871	62,830
Stationery and printing	83,521	91,104
Legal and professional charges	37,566	57,292
Contribution to retirement plan - net	1,840	(21,150)
Advertisement and publicity	128,102	33,558
Repairs and maintenance	50,146	38,793
Maintenance contracts	136,987	66,080
Travelling	59,594	28,276
Office running expenses	66,346	52,835
Charge for compensated absences	43,094	35,472
Vehicle expenses	33,989	30,714
Entertainment	29,537	22,604
Cartage, freight and conveyance	17,049	14,406
Insurance expense	35,792	5,229
Auditors' remuneration	13,056	10,729
Training and seminars	10,092	5,342
Brokerage expenses	10,457	3,055
Subscriptions	9,648	7,240
Subordinated debt related cost	1,642	2,094
Donations	100	22,400
Miscellaneous expenses	68,282	42,960
	<u>4,640,169</u>	<u>4,082,348</u>

**Notes to the unconsolidated condensed interim financial statements (Un-audited)**
**For the quarter ended March 31, 2011**
**17. TAXATION**

The Income Tax returns of the Bank have been filed up to the tax year 2010 (accounting year ended December 31, 2009) and were deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (Ordinance) unless amended by the Commissioner of Inland Revenue.

The tax authorities have issued amended assessment orders for the tax years 2003 to 2010 (accounting year ended December 31, 2002 to 2009) determining additional tax liability of Rs.7,308 million. The amount has been fully paid as required under the law. For the tax years 2004 to 2009, appeals have been decided by the Commissioner of Inland Revenue [CIR(A)], and for tax years 2004 to 2007, the Appellate Tribunal Inland Revenue (ATIR) has also decided the appeals by allowing relief on certain issues. For the remaining issues, the Bank is in the process of filing reference application before the High Court of Sindh. For the tax years 2003 and 2010, decision is still pending with CIR (A). The management is confident that the appeals will be decided in favor of the Bank.

The tax returns for Azad Kashmir (AK) Branches have been filed for tax years 2005 to 2010 (financial years ended December 31, 2004 to 2009) under the provisions of section 120(1) read with section 114 of the Ordinance and in compliance with the terms of agreement between banks and the Azad Kashmir Council in May 2005. The returns filed are considered as deemed assessment orders under the law.

The Seventh Schedule to the Ordinance allows provision for advances and off balance sheet exposures @ 5% of advances to consumer and small and medium enterprises (SMEs), and 1% for other advances. A deferred tax asset of Rs. 2,574 million has been recognized relating to amounts in excess of the allowable limits which is carried forward to future years.

The Bank also carries a tax asset amounting to Rs.5,454 million (December 31, 2010: 5,454 million), representing disallowance of provisions against advances and off balance sheet obligations, for the periods prior to the applicability of the Seventh schedule. The Management, in consultation with its tax advisors, is confident that these would be allowed to the Bank at appellate levels.

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

	<b>For the Period Ended March 31, 2011 (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	78,590	1,303,884	8,294,497	2,066,155	371,504
Total expenses	(28,750)	(1,084,799)	(4,790,076)	(904,095)	(294,873)
Net income	49,840	219,085	3,504,421	1,162,060	76,631
Segment return on assets (ROA) (%)	3.53%	0.16%	2.07%	1.27%	-
Segment cost of funds (%)	0.57%	9.11%	4.46%	11.69%	-

	<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	39,524	596,446	7,399,475	2,254,087	270,681
Total expenses	(22,107)	(107,931)	(5,027,385)	(949,015)	(193,362)
Net income / (loss)	17,417	488,516	2,372,090	1,305,073	77,319
Segment return on assets (ROA) (%)	0.73%	0.52%	1.56%	1.44%	-
Segment cost of funds (%)	8.05%	8.47%	3.96%	11.04%	-

	<b>As at March 31, 2011 (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>				
Segment assets (gross of NPL provisions)	4,854,769	246,840,337	150,100,015	282,618,725	30,991,386
Segment non performing loans (NPL)	-	2,002,017	22,200,279	28,719,633	13,153
Segment provision	-	975,579	17,677,046	17,737,773	13,153
Segment liabilities	4,283,644	245,746,173	134,912,864	258,329,232	(31,073,851)

	<b>As at December 31, 2010 (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)	5,004,302	257,667,931	173,895,858	265,008,433	30,742,727
Segment non performing loans (NPL)	-	2,002,017	21,766,521	24,810,869	13,153
Segment provision	-	10,105	16,682,106	16,828,908	13,153
Segment liabilities	4,665,722	258,459,687	150,835,644	245,510,597	(29,101,736)

**Notes to the unconsolidated condensed interim financial statements (Un-audited)  
For the quarter ended March 31, 2011**
**19. RELATED PARTY TRANSACTIONS**

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

The Bank enters into transactions with related parties in the normal course of business. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

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

	<b>For the quarter ended March 31, 2011 (un-audited)</b>				<b>For the year ended December 31, 2010 (audited)</b>			
	<b>Key management personnel</b>	<b>Subsidiaries</b>	<b>Associates</b>	<b>Other related parties</b>	<b>Key management personnel</b>	<b>Subsidiaries</b>	<b>Associates</b>	<b>Other related parties</b>
	----- <b>(Rupees in '000)</b> -----							
<b>Balances with banks</b>								
In current accounts	-	661,796	4,810	33,299	-	1,274,033	-	-
In saving accounts	-	-	-	5,119	-	-	-	2,773
	-	661,796	4,810	38,418	-	1,274,033	-	2,773
<b>In deposit accounts</b>								
Opening balance	-	-	-	-	-	-	-	-
Placements during the period / year	-	-	-	-	-	4,960,214	-	-
Settled during the period / year	-	-	-	-	-	(4,960,214)	-	-
Closing balance	-	-	-	-	-	-	-	-
<b>Lendings to financial institutions</b>								
Call Money Lendings	-	-	-	-	-	-	-	350,000
<b>Investments</b>								
Opening balance	-	2,201,948	7,382,192	296,077	-	2,201,948	6,921,080	296,077
Investment made during the period / year	-	-	-	-	-	-	2,620,000	-
Investment redeemed/disposed off during the period / year	-	-	(500,000)	(8,306)	-	-	(2,158,888)	-
Closing balance	-	2,201,948	6,882,192	287,771	-	2,201,948	7,382,192	296,077
<b>Advances</b>								
Opening balance	141,762	-	-	-	102,750	-	-	-
Addition during the period / year	11,164	-	-	-	170,447	-	-	-
Repaid during the period / year	(5,299)	-	-	-	(131,435)	-	-	-
Closing balance	147,627	-	-	-	141,762	-	-	-
<b>Other Assets</b>								
Interest markup accrued	-	-	-	7,520	-	-	-	4,656
Receivable from staff retirement funds	-	-	-	239,271	-	-	-	66,595
Prepaid insurance	-	-	174,894	-	-	-	1,368	-
Other receivable	-	2,369	-	-	-	2,369	-	-
<b>Borrowings</b>								
Opening balance	-	-	-	-	-	-	300,000	100,000
Borrowings during the period / year	-	512,203	-	50,000	-	1,461,661	2,100,000	-
Settled during the period / year	-	(512,203)	-	(50,000)	-	(1,461,661)	(2,400,000)	(100,000)
Closing balance	-	-	-	-	-	-	-	-
Overdrawn nostros	-	32,640	-	-	-	120,552	533	-
<b>Deposits and other accounts</b>								
Opening balance	24,857	150,477	3,779,008	62,986	19,365	112,363	164,877	56,453
Received during the period / year	162,801	24,779,688	6,326,612	9,467,598	444,766	127,967,474	31,725,811	34,749,151
Withdrawn during the period / year	(144,878)	(24,729,249)	(8,387,073)	(9,225,060)	(439,274)	(127,929,360)	(28,111,680)	(34,742,618)
Closing balance	42,780	200,916	1,718,547	305,524	24,857	150,477	3,779,008	62,986
Sub-ordinated loans	5	-	5,999	-	5	-	5,999	-
<b>Other Liabilities</b>								
Interest / markup payable on deposits	22	45	1,075	356	41	50	17,769	1,024
Interest / markup payable on sub-ordinated loans	0	-	25	-	-	-	167	-
Unrealised loss on derivative transactions	-	-	-	588,979	-	-	-	618,818
Unearned income	-	2,443	-	-	-	1,305	-	-
Provision for employee benefit scheme	-	-	-	195,498	-	-	-	250,000
Others	-	10,790	-	-	-	10,000	-	-

	<b>For the quarter ended March 31, 2011 (Un-audited)</b>				<b>For the quarter ended March 31, 2010 (Un-audited)</b>			
	<b>Key management personnel</b>	<b>Subsidiaries</b>	<b>Associates</b>	<b>Other related parties</b>	<b>Key management personnel</b>	<b>Subsidiaries</b>	<b>Associates</b>	<b>Other related parties</b>
	----- <b>(Rupees in '000)</b> -----							
Mark-up / return / interest earned	2,272	126	-	65,674	790	46	-	-
Dividend income	-	-	29,735	-	-	5,005	110,732	-
Net gain on sale of investment	-	-	4,375	-	-	-	6,965	-
Realised gain on derivative transactions	-	-	-	575,518	-	-	-	221,400
Other income	2,398	424	90	-	-	1,156	135	-
Mark-up / return / interest paid	152	161	32,483	16,255	170	61	9,272	9,492
Remuneration paid	182,904	-	-	-	76,069	-	-	-
Post employment benefits	3,424	-	-	-	3,356	-	-	-
Non-executive directors' fee and allowances	-	-	-	5,379	-	-	-	4,039
Net charge for defined contribution plans	-	-	-	37,137	-	-	-	34,854
Net reversal for defined benefit plans	-	-	-	(75,619)	-	-	-	(90,341)
Payment for employee motivation and retention scheme	-	-	-	115,000	-	-	-	-
Insurance premium paid	-	-	235,591	-	-	-	288,162	-
Insurance claims settled	-	-	43,807	-	-	-	45,323	-

**Notes to the unconsolidated condensed interim financial statements (Un-audited)**
**For the quarter ended March 31, 2011**
**20. ISLAMIC BANKING BUSINESS**
**20.1** The statement of financial position of the bank's Islamic Banking branches as at March 31, 2011 is as follows:

	(Un-audited) March 31, 2011	(Audited) December 31, 2010
	----- (Rupees in '000) -----	
<b>ASSETS</b>		
Cash and balances with treasury banks	268,193	389,582
Balances with other banks	76,024	46,654
Lendings to financial institutions	-	450,000
Investments	3,729,785	2,884,260
Financing and receivables		
- Murabaha	347,803	203,787
- Musharaka	138,889	166,667
- Diminishing Musharaka	83,192	90,888
	569,884	461,342
Operating fixed assets including assets given on Ijara	415,993	426,052
Due from head office	-	83,725
Other assets	205,216	297,649
<b>Total Assets</b>	<b>5,265,095</b>	<b>5,039,264</b>
<b>LIABILITIES</b>		
Bills payable	969	970
Deposits and other accounts		
- Current accounts	634,130	724,750
- Saving accounts	533,127	933,100
- Term deposits	1,619,460	1,456,596
- Deposits from financial institutions - remunerative	1,263,874	1,344,775
	4,050,591	4,459,221
Due to head office	594,242	-
Other liabilities	94,323	101,782
	4,740,125	4,561,973
<b>NET ASSETS</b>	<b>524,970</b>	<b>477,291</b>
<b>REPRESENTED BY</b>		
Islamic Banking Fund	681,000	681,000
Accumulated loss	(152,936)	(203,000)
	528,064	478,000
Deficit on revaluation of assets	(3,094)	(709)
	<b>524,970</b>	<b>477,291</b>

**20.2** The profit and loss account of the bank's Islamic Banking branches for the quarter ended March 31, 2011 is as follows:

	Quarter ended (Un-audited) March 31, 2011	March 31, 2010
	----- (Rupees in '000) -----	
Return earned	181,005	137,227
Return expensed	(107,584)	(48,479)
	73,421	88,748
Reversal of diminution in value of investment	35,130	5,733
Reversal of provision against assets given on Ijara	2,634	3,804
	37,764	9,537
Net return after provision	111,185	98,285
<b>OTHER INCOME</b>		
Fee, commission and brokerage income	1,582	1,534
Dividend income	3,866	1,250
Income from dealing in foreign currencies	729	108
Loss on sale of securities	-	(2,732)
Other income	3,664	319
Total other income	9,841	479
	121,026	98,764
<b>OTHER EXPENSES</b>		
Administrative expenses	(69,441)	(71,499)
Other provisions / write offs	(1,521)	(1,721)
Total other expenses	(70,962)	(73,220)
Net Profit for the period	50,064	25,544
Accumulated losses brought forward	(203,000)	(174,404)
Accumulated losses carried forward	(152,936)	(148,860)
Remuneration to Sharia Advisor / Board	602	735

**21. DATE OF AUTHORIZATION**

These financial statements were authorised for issue on April 27, 2011 by the Board of Directors of the Bank.