

United Bank Limited

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

**FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2011
(UNAUDITED)**





**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2011**

	Note	(Un-audited) September 30, 2011 ----- (Rupees in '000) -----	(Audited) December 31, 2010
ASSETS			
Cash and balances with treasury banks		62,344,144	67,667,226
Balances with other banks		16,803,848	26,430,928
Lendings to financial institutions	6	16,094,655	11,934,778
Investments	7	271,435,675	231,717,214
Advances	8	338,243,216	341,510,412
Operating fixed assets	9	24,957,881	24,684,566
Deferred tax asset - net		1,768,468	1,298,247
Other assets		21,968,749	20,146,272
		<u>753,616,636</u>	<u>725,389,643</u>
LIABILITIES			
Bills payable		6,153,603	5,074,700
Borrowings	10	62,142,633	47,631,814
Deposits and other accounts	11	576,188,039	567,611,258
Sub-ordinated loans		11,317,080	11,985,748
Other liabilities		16,686,393	17,951,943
		<u>672,487,748</u>	<u>650,255,463</u>
NET ASSETS		<u><u>81,128,888</u></u>	<u><u>75,134,180</u></u>
REPRESENTED BY			
Share capital	12	12,241,798	12,241,798
Reserves		26,144,818	24,101,838
Unappropriated profit		30,535,666	27,576,333
Total equity attributable to the equity shareholders of the Bank		68,922,282	63,919,969
Non-controlling interest		2,282,063	2,207,241
		<u>71,204,345</u>	<u>66,127,210</u>
Surplus on revaluation of assets - net of deferred tax	13	9,924,543	9,006,970
		<u><u>81,128,888</u></u>	<u><u>75,134,180</u></u>
CONTINGENCIES AND COMMITMENTS	14		

The annexed notes from 1 to 22 form an integral part of these consolidated 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

**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011**

	Note	Jul - Sep 2011	Jul - Sep 2010	Jan- Sep 2011	Jan- Sep 2010
----- (Rupees in '000) -----					
Mark-up / return / interest earned	15	18,708,674	14,988,884	53,196,597	43,786,179
Mark-up / return / interest expensed	16	(8,223,404)	(6,223,066)	(23,072,829)	(18,151,134)
Net mark-up / return / interest income		<u>10,485,270</u>	<u>8,765,818</u>	<u>30,123,768</u>	<u>25,635,045</u>
Provision against loans and advances - net		(1,437,810)	(1,861,850)	(5,830,654)	(5,287,529)
Provision against lendings to financial institutions		-	-	(91,354)	-
Provision for diminution in value of investments - net		(46,468)	(88,159)	(254,013)	(148,889)
Bad debts written off directly		(103,324)	(217,134)	(336,440)	(853,043)
		<u>(1,587,602)</u>	<u>(2,167,143)</u>	<u>(6,512,461)</u>	<u>(6,289,461)</u>
Net mark-up / return / interest income after provisions		<u>8,897,668</u>	<u>6,598,675</u>	<u>23,611,307</u>	<u>19,345,584</u>
Non mark-up / return / interest income					
Fee, commission and brokerage income		1,910,575	1,730,538	5,513,175	5,167,258
Dividend income		34,198	27,405	131,186	69,290
Income from dealing in foreign currencies		459,252	518,858	1,567,887	1,233,484
Gain on sale of securities		49,889	4,931	255,965	147,087
Unrealised gain / (loss) on revaluation of investments classified as held for trading		108,475	10,785	62,356	(12,316)
Other income		656,662	308,830	1,812,180	901,417
Total non mark-up / return / interest income		<u>3,219,051</u>	<u>2,601,347</u>	<u>9,342,749</u>	<u>7,506,220</u>
		<u>12,116,719</u>	<u>9,200,022</u>	<u>32,954,056</u>	<u>26,851,804</u>
Non mark-up / interest expenses					
Administrative expenses	17	(5,391,542)	(4,777,873)	(15,897,196)	(13,945,789)
Other provisions / write offs / reversals - net		(14,724)	14,084	(1,020)	130,641
Workers' welfare fund		(151,367)	(123,101)	(370,971)	(303,133)
Other charges		(67,661)	(74,991)	(178,622)	(170,052)
Total non mark-up / interest expenses		<u>(5,625,294)</u>	<u>(4,961,881)</u>	<u>(16,447,809)</u>	<u>(14,288,333)</u>
		<u>6,491,425</u>	<u>4,238,141</u>	<u>16,506,247</u>	<u>12,563,472</u>
Share of (loss) / income of associates		(26,109)	56,290	(100,669)	240,941
Profit before taxation		<u>6,465,316</u>	<u>4,294,431</u>	<u>16,405,578</u>	<u>12,804,413</u>
Taxation	18				
- Current		(2,672,451)	(2,145,987)	(6,492,146)	(5,263,021)
- Prior		(370,165)	(1,693)	(362,636)	(396,443)
- Deferred		766,301	634,627	1,047,953	762,258
		<u>(2,276,315)</u>	<u>(1,513,053)</u>	<u>(5,806,829)</u>	<u>(4,897,206)</u>
Profit after taxation		<u>4,189,001</u>	<u>2,781,378</u>	<u>10,598,749</u>	<u>7,907,207</u>
Attributable to:					
Equity shareholders of the Bank		4,176,252	2,793,532	10,596,978	7,959,663
Non-controlling interest		12,749	(12,154)	1,771	(52,456)
		<u>4,189,001</u>	<u>2,781,378</u>	<u>10,598,749</u>	<u>7,907,207</u>
Basic and diluted earnings per share		----- (Rupees) ----- <u>3.41</u>	----- (Rupees) ----- <u>2.28</u>	----- (Rupees) ----- <u>8.66</u>	----- (Rupees) ----- <u>6.50</u>

The annexed notes from 1 to 22 form an integral part of these consolidated 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

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011**

	Jul - Sep 2011	Jul - Sep 2010	Jan - Sep 2011	Jan - Sep 2010
	----- (Rupees in '000) -----			
Profit after taxation for the period attributable to:				
Equity shareholders of the Bank	4,176,252	2,793,532	10,596,978	7,959,663
Non-controlling interest	12,749	(12,154)	1,771	(52,456)
	<u>4,189,001</u>	<u>2,781,378</u>	<u>10,598,749</u>	<u>7,907,207</u>
Other comprehensive income / (loss):				
Exchange differences on translation of net investment in foreign branches and subsidiaries				
- Equity shareholders of the Bank	327,888	883,901	896,100	883,016
- Non-controlling interest	(23,448)	147,513	73,051	65,079
	<u>304,440</u>	<u>1,031,414</u>	<u>969,151</u>	<u>948,095</u>
Gain on cash flow hedges	24,301	32,061	79,439	84,364
Related deferred tax liability on cash flow hedges	(8,506)	(11,221)	(27,804)	(29,527)
	<u>15,795</u>	<u>20,840</u>	<u>51,635</u>	<u>54,837</u>
	<u>320,235</u>	<u>1,052,254</u>	<u>1,020,786</u>	<u>1,002,932</u>
Comprehensive income transferred to equity - net of tax	<u><u>4,509,236</u></u>	<u><u>3,833,632</u></u>	<u><u>11,619,535</u></u>	<u><u>8,910,139</u></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 22 form an integral part of these consolidated condensed interim financial statements.

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**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011**

	September 30, 2011	September 30, 2010
	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	16,405,578	12,804,413
Less: Dividend income	(131,186)	(69,290)
Share of loss / (income) of associates	100,669	(240,941)
	<u>16,375,061</u>	<u>12,494,182</u>
Adjustments:		
Depreciation	1,412,905	1,326,804
Workers' welfare fund	370,971	303,133
Provision for retirement benefits and compensated absences	316,242	30,730
Provision against loans and advances - net	5,830,654	5,287,529
Provision against lendings to financial institutions	91,354	-
Provision for diminution in value of investments - net	254,013	148,889
(Gain) / loss on sale of fixed assets	(9,827)	2,298
Finance charges on leased assets	-	128
Charge / (reversal) of provision against other assets	1,020	(130,641)
Amortization of cash flow hedge reserve	79,439	84,364
Unrealized (gain) / loss on revaluation of investments classified as held for trading	(62,356)	12,316
Bad debts written-off	336,440	853,043
	<u>8,620,855</u>	<u>7,918,593</u>
	24,995,916	20,412,775
(Increase) / decrease in operating assets		
Lendings to financial institutions	(4,251,231)	6,817,480
Held for trading investments	(8,044,629)	(2,464,656)
Advances	(2,899,898)	11,958,758
Other assets - (excluding advance taxation)	(2,686,595)	(2,188,090)
	<u>(17,882,353)</u>	<u>14,123,492</u>
Increase / (decrease) in operating liabilities		
Bills payable	1,078,903	(536,006)
Borrowings	14,510,819	822,091
Deposits and other accounts	8,576,781	3,586,748
Other liabilities	(1,802,270)	500,867
	<u>22,364,233</u>	<u>4,373,700</u>
	29,477,796	38,909,967
(Payment to) / receipt from staff retirement benefit funds	(105,405)	316,046
Income tax paid	(6,083,029)	(6,829,158)
Net cash inflow from operating activities	<u>23,289,362</u>	<u>32,396,855</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in securities	(30,325,582)	(19,440,540)
Dividend income received	122,504	384,624
Investment in operating fixed assets	(1,676,842)	(1,751,342)
Sale proceeds from disposal of operating fixed assets	72,901	66,494
Net cash outflow from investing activities	<u>(31,807,019)</u>	<u>(20,740,764)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of principal of sub-ordinated loans	(668,668)	(4,052)
Dividend paid	(6,732,989)	(4,006,407)
Payments of lease obligations	-	(452)
Net cash outflow from financing activities	<u>(7,401,657)</u>	<u>(4,010,911)</u>
	<u>(15,919,313)</u>	<u>7,645,180</u>
Exchange differences on translation of net investment in foreign branches and subsidiaries		
- Equity shareholders of the Bank	896,100	883,016
- Non-controlling interest	73,051	65,079
(Decrease) / increase in cash and cash equivalents during the period	<u>(14,950,162)</u>	<u>8,593,275</u>
Cash and cash equivalents at beginning of the period	<u>94,098,154</u>	<u>75,302,762</u>
Cash and cash equivalents at end of the period	<u><u>79,147,992</u></u>	<u><u>83,896,037</u></u>

The annexed notes from 1 to 22 form an integral part of these consolidated condensed interim financial statements.

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011**

	Attributable to equity shareholder of the Bank							Non-controlling Interest	Total	
	Share Capital	General Reserve	Capital Reserves			Cash flow hedge Reserve	Unappropriated Profit			Sub total
			Statutory Reserve	Exchange Translation Reserve	Reserve for Issue of Bonus Share					
(Rupees in '000)										
Balance as at January 1, 2010 (Audited)	11,128,907	3,000	12,221,570	9,149,799	-	(206,415)	23,617,875	55,914,736	2,279,691	58,194,427
Transactions with owners recorded directly in equity										
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)	-	(2,782,227)
Transfer to reserve for issue of bonus shares	-	-	-	-	1,112,891	-	(1,112,891)	-	-	-
Issue of bonus shares	1,112,891	-	-	-	(1,112,891)	-	-	-	-	-
Interim cash dividend for the half year ended June 30, 2010 declared at Re. 1.0 per share	-	-	-	-	-	-	(1,224,180)	(1,224,180)	-	(1,224,180)
	1,112,891	-	-	-	-	-	(5,119,298)	(4,006,407)	-	(4,006,407)
Total comprehensive income for the nine months ended September 30, 2010										
Profit after taxation	-	-	-	-	-	-	7,959,663	7,959,663	(52,456)	7,907,207
Other comprehensive income - net of tax	-	-	-	883,016	-	54,837	-	937,853	65,079	1,002,932
Total comprehensive income	-	-	-	883,016	-	54,837	7,959,663	8,897,516	12,623	8,910,139
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	189,806	189,806	-	189,806
Transfer to statutory reserves	-	-	1,612,055	-	-	-	(1,612,055)	-	-	-
Balance as at September 30, 2010 (Un-audited)	12,241,798	3,000	13,833,625	10,032,815	-	(151,578)	25,035,991	60,995,651	2,292,314	63,287,965
Total comprehensive income for the three months ended December 31, 2010										
Profit after taxation	-	-	-	-	-	-	3,071,967	3,071,967	41,751	3,113,718
Other comprehensive income - net of tax	-	-	-	(267,521)	-	22,426	-	(245,095)	(95,647)	(340,742)
Total comprehensive income	-	-	-	(267,521)	-	22,426	3,071,967	2,826,872	(53,896)	2,772,976
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	66,269	66,269	-	66,269
Preferred dividend relating to non-controlling shareholders	-	-	-	-	-	-	31,177	31,177	(31,177)	-
Transfer to statutory reserve	-	-	629,071	-	-	-	(629,071)	-	-	-
Balance as at December 31, 2010 (Audited)	12,241,798	3,000	14,462,696	9,765,294	-	(129,152)	27,576,333	63,919,969	2,207,241	66,127,210
Transactions with owners recorded directly in equity										
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)	-	(4,896,719)
Interim cash dividend for the half year ended June 30, 2011 declared at Rs.1.5 per share	-	-	-	-	-	-	(1,836,270)	(1,836,270)	-	(1,836,270)
	-	-	-	-	-	-	(6,732,989)	(6,732,989)	-	(6,732,989)
Total comprehensive income for the nine months ended September 30, 2011										
Profit after taxation	-	-	-	-	-	-	10,596,978	10,596,978	1,771	10,598,749
Other comprehensive income - net of tax	-	-	-	896,100	-	51,635	-	947,735	73,051	1,020,786
Total comprehensive income	-	-	-	896,100	-	51,635	10,596,978	11,544,713	74,822	11,619,535
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	190,588	190,588	-	190,588
Transfer to statutory reserves	-	-	1,095,245	-	-	-	(1,095,245)	-	-	-
Balance as at September 30, 2011 (Un-audited)	12,241,798	3,000	15,557,941	10,661,394	-	(77,517)	30,535,666	68,922,282	2,282,063	71,204,345

The annexed notes from 1 to 22 form an integral part of these consolidated 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

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011****1. STATUS AND NATURE OF BUSINESS**

The Group consists of:

Holding Company

United Bank Limited (the Bank)

Subsidiary Companies

United National Bank Limited (UNBL), United Kingdom

United Bank AG (Zurich) (UBAG), Switzerland

United Executors and Trustees Company Limited (UET), Pakistan

UBL Fund Managers Limited (UBLFM), Pakistan

The Group is engaged in commercial banking, asset management, investment advisory and investments business. 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 1,167 (December 31, 2010: 1,123) branches inside Pakistan including 7 (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 September 30, 2011.

The Bank's ordinary shares are listed on all three stock exchanges in Pakistan. 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.

Non-controlling interest represents National Bank of Pakistan's 45% share in the net asset value of UNBL.

2. BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan ("SBP") has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated condensed interim financial statements as such, but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon. The Islamic Banking branches of the Group 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 Group have been included in these consolidated 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 21 to these consolidated condensed interim financial statements.

3. STATEMENT OF COMPLIANCE

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

3.2 The SBP vide BSD Circular Letter 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 issued vide SRO 411(I)/2008 dated April 28, 2008, the 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 consolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

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

3.4 On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme ("the Scheme") for employees of certain State Owned Enterprises (SOEs) and non-SOEs.

The Scheme, needs to be accounted for by the covered entities, including the Bank, under the provisions of amended International Financial Reporting Standard-2: Share Based Payments (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the SECP has granted exemption to such entities from the application of IFRS 2 to the Scheme.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011**

Had the exemption not been granted, the staff costs of the Group for the period would have been higher by Rs. 413 million (September 30, 2010: 413 million), profit before taxation would have been lower by Rs. 413 million (September 30, 2010: 413 million), unappropriated profit would have been lower by Rs. 1,169 million (September 30, 2010: 619 million) and reserves would have been higher by Rs. 1,169 million (September 30, 2010: 619 million), hence, there would have been no impact on net equity. Further, earnings per share would have been lower by Rs. 0.33 per share (September 30, 2010: Rs 0.33).

4. SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT

4.1 The accounting policies adopted in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2010 other than as disclosed in note 4.3 below.

4.2 The financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended December 31, 2010.

4.3 New standards, interpretations and amendments thereof, adopted by the Group

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

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

Adoption of the above standards, amendments and interpretations did not have any material effect on the consolidated condensed interim financial statements in the period of initial application.

4.4 Improvements to IFRSs

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

5. BASIS OF MEASUREMENT

5.1 These consolidated 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.

5.2 The preparation of consolidated condensed interim financial statements requires management to make judgments, 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 judgments 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 consolidated financial statements of the Group for the year ended December 31, 2010.

6. LENDINGS TO FINANCIAL INSTITUTIONS

	(Un-audited) September 30, 2011	(Audited) December 31, 2010
	----- (Rupees in '000) -----	
Call money lendings	130,000	-
Repurchase agreement lendings	4,744,407	4,431,877
Other lendings to financial institutions	11,311,602	7,502,901
	16,186,009	11,934,778
Provisions against lendings to financial institutions	(91,354)	-
	<u>16,094,655</u>	<u>11,934,778</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011**
7. INVESTMENTS

7.1	Investments by types	(Un-audited)			(Audited)		
		September 30, 2011			December 31, 2010		
		Note	Held by Group	Given as collateral	Total	Held by Group	Given as collateral
----- (Rupees in '000) -----							
7.1.1	Held-for-trading securities						
	Market Treasury Bills	24,235,755	-	24,235,755	12,984,400	1,189,144	14,173,544
	Pakistan Investment Bonds	288	-	288	805,257	-	805,257
	Ordinary shares of listed companies	226,484	-	226,484	8,928	-	8,928
	Foreign securities	-	-	-	1,392,186	-	1,392,186
	Term Finance Certificate	104,640	-	104,640	106,431	-	106,431
	Units of Mutual Funds	45,382	-	45,382	46,966	-	46,966
	Sukuk Bonds	28,524	-	28,524	22,852	-	22,852
	Government of Pakistan - Euro bonds	-	-	-	73,494	-	73,494
		24,641,073	-	24,641,073	15,440,514	1,189,144	16,629,658
7.1.2	Available-for-sale securities						
	Market Treasury Bills	51,051,755	42,536,677	93,588,432	39,519,598	20,695,498	60,215,096
	Pakistan Investment Bonds	22,839,503	70,317	22,909,820	18,988,194	536,428	19,524,622
	Government of Pakistan - Sukuk	4,953,256	-	4,953,256	4,122,000	-	4,122,000
	Government of Pakistan Eurobonds	7,147,376	-	7,147,376	3,938,516	-	3,938,516
	Ordinary shares of listed companies	5,153,941	-	5,153,941	3,629,335	-	3,629,335
	Preference shares	478,008	-	478,008	472,097	-	472,097
	Ordinary shares of unlisted companies	445,671	-	445,671	445,632	-	445,632
	Term Finance Certificates	2,152,871	-	2,152,871	2,163,818	-	2,163,818
	Units of mutual funds	179,075	-	179,075	164,662	-	164,662
	Foreign securities	15,169,598	-	15,169,598	15,285,049	-	15,285,049
		109,571,054	42,606,994	152,178,048	88,728,901	21,231,926	109,960,827
7.1.3	Held-to-maturity securities						
	Market Treasury Bills	45,921,546	-	45,921,546	58,843,648	-	58,843,648
	Pakistan Investment Bonds	7,862,901	-	7,862,901	4,392,225	-	4,392,225
	Government of Pakistan - Sukuk	300,000	-	300,000	30,000	-	30,000
	Government of Pakistan - Guaranteed Bonds	53,797	-	53,797	51,399	-	51,399
	Term Finance Certificates	26,923,669	-	26,923,669	27,106,749	-	27,106,749
	Sukuk Bonds	2,337,595	-	2,337,595	2,548,739	-	2,548,739
	Participation Term Certificates	15,354	-	15,354	19,202	-	19,202
	Debentures	4,392	-	4,392	4,392	-	4,392
	Foreign securities	6,416,731	-	6,416,731	9,772,562	-	9,772,562
	CDC SAARC Fund	438	-	438	428	-	428
	Government of Pakistan Eurobonds	1,410,904	-	1,410,904	696,506	-	696,506
		91,247,327	-	91,247,327	103,465,850	-	103,465,850
7.1.4	Associates						
	United Growth and Income Fund	2,684,275	-	2,684,275	3,023,430	-	3,023,430
	UBL Liquidity Plus Fund	2,069,517	-	2,069,517	2,613,475	-	2,613,475
	United Composite Islamic Fund	358,450	-	358,450	338,110	-	338,110
	United Islamic Income Fund	173,762	-	173,762	196,425	-	196,425
	United Stock Advantage Fund	446,278	-	446,278	354,897	-	354,897
	UBL Capital Protected Fund - II	111,921	-	111,921	108,757	-	108,757
	UBL Savings Income Fund	676,928	-	676,928	174,469	-	174,469
	UBL Islamic Savings Fund	611,101	-	611,101	197,224	-	197,224
	UBL Islamic Retirement Savings Fund	107,205	-	107,205	98,310	-	98,310
	UBL Retirement Savings Fund	106,974	-	106,974	99,681	-	99,681
	UBL Government Securities Fund	101,222	-	101,222	-	-	-
	UBL Capital Protected Fund - I	-	-	-	61,652	-	61,652
	UBL Participation Protected Plan	-	-	-	184,639	-	184,639
	UBL Insurers Limited	157,599	-	157,599	150,038	-	150,038
	Oman United Exchange Company, Muscat	59,725	-	59,725	65,108	-	65,108
7.2		7,664,957	-	7,664,957	7,666,215	-	7,666,215
	Provision for diminution in value of investments	(2,627,284)	-	(2,627,284)	(2,649,005)	-	(2,649,005)
	Investments (net of provisions)	230,497,127	42,606,994	273,104,121	212,652,475	22,421,070	235,073,545
	(Deficit) / Surplus on revaluation of available-for-sale securities	(1,742,219)	11,417	(1,730,802)	(3,311,399)	(11,718)	(3,323,117)
	Surplus / (Deficit) on revaluation of held-for-trading securities	62,356	-	62,356	(33,050)	(164)	(33,214)
	Total Investments	228,817,264	42,618,411	271,435,675	209,308,026	22,409,188	231,717,214

7.2 This includes investment in the seed capital aggregating to Rs.530 million (2010: Rs.630 million) which is required to be kept for a period of two years.

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011**

	Note	(Un-audited) September 30, 2011	(Audited) December 31, 2010
----- (Rupees in '000) -----			
8. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		257,093,754	268,760,548
Outside Pakistan		89,046,089	88,132,534
		<u>346,139,843</u>	<u>356,893,082</u>
Bills discounted and purchased			
Payable in Pakistan		19,136,407	14,665,532
Payable outside Pakistan		13,667,228	4,921,410
		<u>32,803,635</u>	<u>19,586,942</u>
	8.1	<u>378,943,478</u>	<u>376,480,024</u>
Provision against advances			
- Specific	8.2	(39,295,945)	(33,544,116)
- General	8.3	(1,404,317)	(1,425,496)
		<u>338,243,216</u>	<u>341,510,412</u>

8.1 Advances include Rs. 54,562.282 million (December 31, 2010: Rs. 48,613.078 million) which have been placed under non-performing status.

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

Category of Classification	September 30, 2011 (Un-audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
----- (Rupees in '000) -----					
Other Assets Especially Mentioned *	657,627	-	657,627	-	-
Substandard	3,549,028	45,505	3,594,533	885,336	885,336
Doubtful	7,337,859	3,032,924	10,370,783	5,161,818	5,161,818
Loss	36,710,324	3,229,015	39,939,339	33,248,791	33,248,791
	<u>48,254,838</u>	<u>6,307,444</u>	<u>54,562,282</u>	<u>39,295,945</u>	<u>39,295,945</u>

Category of Classification	December 31, 2010 (Audited)				
	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	1,608,917	32,196,821	28,837,794	28,837,794
	<u>42,961,712</u>	<u>5,651,366</u>	<u>48,613,078</u>	<u>33,544,116</u>	<u>33,544,116</u>

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

8.3 General provision represents provision amounting to Rs 312.908 million (December 31, 2010: Rs.375.327 million) against consumer finance portfolio as required by the Prudential Regulations issued by the SBP and Rs. 691.929 million (December 31, 2010: Rs.415.169 million) pertaining to overseas advances in line with the requirements of monetary agencies and regulatory authorities of the respective countries in which the overseas branches operate. General provisions also include an amount of Rs. 399.480 million (December 31, 2010: 635.000 million) which the Bank carries based on management estimates.

8.4 Consistent with prior years, the Group has availed the benefit of Forced Sale Value (FSV) of pledged stocks, mortgaged residential and commercial properties (land and building only) held as collateral against non-performing advances as allowed under BSD Circular 2 of 2009. Had the benefit under the said circular not been taken by the Group, the specific provision against non-performing advances would have been higher by Rs. 3,233 million (December 31, 2010: Rs. 3,068 million). The FSV benefit recognized will not be available for the distribution of cash and stock dividend to shareholders.

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	(Un-audited) September 30, 2011	(Audited) December 31, 2010
	----- (Rupees in '000) -----	
9. OPERATING FIXED ASSETS		
Capital work-in-progress	1,858,755	1,337,697
Property and equipment	22,295,949	22,405,859
Intangible assets	803,177	941,010
	<u>24,957,881</u>	<u>24,684,566</u>

9.1 Additions and disposals during the period amounted to Rs. 1,676.842 million (September 30, 2010:Rs. 1,751.342 million) and Rs. 87.407 million (September 30, 2010:Rs. 138.138 million) respectively.

	(Un-audited) September 30, 2011	(Audited) December 31, 2010
	----- (Rupees in '000) -----	
10. BORROWINGS		
Secured		
Borrowings from the State Bank of Pakistan		
- Export refinance scheme	11,063,855	14,840,163
- Refinance facility for modernization of SME	23,960	27,500
- Long term fixed finance	3,514,901	2,444,872
- Long term finance under export oriented projects	1,597,907	2,770,789
	16,200,623	20,083,324
Repurchase agreement borrowings	42,605,824	22,412,235
	<u>58,806,447</u>	<u>42,495,559</u>
Unsecured		
Call borrowings	1,543,398	428,195
Overdrawn nostro accounts	530,291	452,682
Trading liabilities	-	806,942
Other borrowings	1,262,497	3,448,436
	3,336,186	5,136,255
	<u>62,142,633</u>	<u>47,631,814</u>

11. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	177,808,764	169,041,101
Savings deposits	190,873,930	188,600,237
Sundry deposits	9,483,518	4,767,873
Margin deposits	3,842,652	3,696,330
Current accounts - remunerative	5,711,925	4,235,253
Current accounts - non-remunerative	177,420,491	179,548,697
	<u>565,141,280</u>	<u>549,889,491</u>
Financial Institutions		
Remunerative deposits	7,107,523	10,133,811
Non-remunerative deposits	3,939,236	7,587,956
	11,046,759	17,721,767
	<u>576,188,039</u>	<u>567,611,258</u>

12. SHARE CAPITAL				
Issued, subscribed and paid-up capital				
Fully paid-up ordinary shares of Rs.10 each				
	Sep 2011	Dec 2010		
	(Number of shares)			
			Fully paid-up ordinary shares of Rs.10 each	
	518,000,000	518,000,000	Issued for cash	5,180,000
	706,179,687	706,179,687	Issued as bonus shares	7,061,798
	<u>1,224,179,687</u>	<u>1,224,179,687</u>		<u>12,241,798</u>
				<u>12,241,798</u>

12.1 As disclosed in note 20.4 of the audited consolidated financial statements for the year ended December 31, 2010, the Abu Dhabi Group (ADG) and Bestway (Holdings) Limited had entered into a Share Purchase Agreement dated December 28, 2010 for inter se transfer of 20% of the issued and outstanding ordinary shares of the Bank held by ADG to Bestway (Holdings) Limited. The inter se transfer of these shares took place on January 26, 2011.



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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

	(Un-audited) September 30, 2011	(Audited) December 31, 2010
	----- (Rupees in '000) -----	
13. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX		
Surplus / (Deficit) arising on revaluation of assets - net of tax:		
Fixed assets		
- Group's share	10,688,087	10,865,342
- Non-controlling interest	397,511	386,706
13.1	11,085,598	11,252,048
Securities		
- Group's share	(1,124,009)	(2,159,801)
- Non-controlling interest	(1,043)	(1,014)
13.2	(1,125,052)	(2,160,815)
Deficit arising on revaluation of assets of associates	(36,003)	(84,263)
	<u>9,924,543</u>	<u>9,006,970</u>
13.1 Surplus on revaluation of fixed assets		
Surplus on revaluation of fixed assets at January 01	16,394,246	16,331,741
Revaluation of fixed assets during the period / year	-	467,625
Exchange adjustments	24,207	(12,251)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year	(190,588)	(256,075)
Related deferred tax charge on incremental depreciation during the period / year	(102,624)	(136,794)
	<u>(269,005)</u>	<u>62,505</u>
	16,125,241	16,394,246
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	-	3,075
Exchange adjustments	69	17
Incremental depreciation charged on related assets	(102,624)	(136,794)
	<u>5,039,643</u>	<u>5,142,198</u>
	<u>11,085,598</u>	<u>11,252,048</u>
13.2 Deficit on revaluation on available-for-sale securities		
Market Treasury Bills	198,184	(55,830)
Pakistan Investment Bonds	(702,260)	(1,937,605)
Listed shares	(99,219)	(34,452)
Mutual fund units	132	(709)
Term Finance Certificates, Sukuk, other Bonds etc.	1,228	(27,242)
Overseas securities	(1,128,866)	(1,267,279)
	(1,730,801)	(3,323,117)
Related deferred tax asset	605,749	1,162,302
	<u>(1,125,052)</u>	<u>(2,160,815)</u>

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

	(Un-audited) September 30, 2011	(Audited) December 31, 2010
	----- (Rupees in '000) -----	
14. CONTINGENCIES AND COMMITMENTS		
14.1 Direct credit substitutes		
Contingent liabilities in respect of guarantees given favouring:		
Government	10,221,597	8,742,208
Banking companies and other financial institutions	4,829,875	5,766,641
Others	7,023,472	6,124,874
	<u>22,074,944</u>	<u>20,633,723</u>
14.2 Transaction-related contingent liabilities		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring:		
Government	73,579,257	82,423,478
Banking companies and other financial institutions	2,313,545	2,470,740
Others	17,107,925	14,018,380
	<u>93,000,727</u>	<u>98,912,598</u>
14.3 Trade-related contingent liabilities		
Contingent liabilities in respect of letters of credit opened favouring:		
Government	44,028,921	52,890,721
Banking companies and other financial institutions	3,447,585	760,593
Others	100,581,484	74,685,738
	<u>148,057,990</u>	<u>128,337,052</u>
14.4 Other contingencies		
Claims against the Group not acknowledged as debts	<u>22,206,001</u>	<u>21,995,613</u>
14.5 Commitments in respect of forward lending		
The Group 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)	(Audited)
	September 30,	December 31,
	2011	2010
	----- (Rupees in '000) -----	
14.6 Commitments in respect of forward exchange contracts		
Sale	<u>85,293,151</u>	<u>85,906,329</u>
Purchase	<u>136,083,509</u>	<u>131,134,706</u>



**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011**

	(Un-audited) September 30, 2011 ----- (Rupees in '000) -----	(Audited) December 31, 2010
14.7 Other commitments		
Interest rate swaps	8,581,790	6,985,703
Cross Currency swaps	35,338,601	35,570,843
FX options - purchased	-	2,055,442
FX options - sold	-	2,055,442
Forward sale contracts of government securities	614	441,981
Commitments in respect of capital expenditure	782,370	576,398
	----- (Un-audited) -----	
	Jan-Sep 2011	Jan-Sep 2010
	----- (Rupees in '000) -----	
15. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to customers	29,953,896	30,186,909
On lendings to financial institutions		
- Call money lending	20,324	49,158
- Securities purchased under resale agreements	388,208	729,855
- Advances to financial institutions	271,741	178,265
	680,273	957,278
On investments in		
- Held for trading securities	1,196,855	476,718
- Available for sale securities	13,919,757	5,764,868
- Held to maturity securities	7,212,287	5,981,350
- Associates	-	3,140
	22,328,899	12,226,076
On deposits with financial institutions	191,152	394,044
Discount income	42,377	21,872
	53,196,597	43,786,179
16. MARK-UP / RETURN / INTEREST EXPENSED		
On deposits	17,925,178	13,727,932
On securities sold under repurchase agreements	2,127,823	1,227,289
On other short - term borrowings	1,885,226	2,137,600
On long - term borrowings	1,134,602	1,058,313
	23,072,829	18,151,134

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011**

	------(Un-audited)-----	
	Jan-Sep 2011	Jan-Sep 2010
	----- (Rupees in '000) -----	
17. ADMINISTRATIVE EXPENSES		
Salaries, allowances etc.	6,687,988	6,167,234
Rent, taxes, insurance, electricity etc.	1,942,700	1,751,861
Depreciation	1,412,905	1,326,804
Outsourced service charges including sales commission	1,178,658	1,074,554
Communications	612,689	562,774
Banking service charges	596,589	446,208
Cash transportation charges	237,437	205,921
Stationery and printing	316,361	312,476
Legal and professional charges	203,890	233,519
Contribution to retirement plan - net	34,784	(73,658)
Advertisement and publicity	430,600	323,707
Repairs and maintenance	226,325	180,988
Maintenance contracts	479,862	364,445
Travelling	194,907	136,938
Office running expenses	205,063	154,825
Charge for compensated absences	281,458	104,388
Vehicle expenses	110,534	85,537
Entertainment	100,308	68,797
Cartage, freight and conveyance	61,044	49,048
Insurance expense	121,131	60,062
Auditors' remuneration	56,150	48,998
Training and seminars	38,222	29,815
Brokerage expenses	24,197	12,920
Subscriptions	43,582	33,039
Subordinated debt related costs	4,799	5,448
Donations	24,559	76,285
Miscellaneous expenses	270,454	202,857
	<u>15,897,196</u>	<u>13,945,789</u>

18. 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 amended assessments for the tax years 2003 to 2010 (accounting year ended December 31, 2002 to 2009) determining additional tax liability of Rs.7,308 million, which has been fully paid as required under the law. For the tax years 2004 to 2009, appeals have also been decided by the Commissioner of Inland Revenue [CIR(A)], while tax years 2003 and 2010 remain pending before CIR(A). Tax years 2004 to 2007 have been decided by the Appellate Tribunal Inland Revenue (ATIR), while tax years 2008 and 2009 remain pending for decision before ATIR. For tax years 2004 to 2007, the ATIR has allowed relief on certain issues. During the quarter a refund order of Rs 1,340 million has been issued for tax years 2004 to 2007 to give the appeal effect of the order of the ATIR. The Bank has filed a reference application before the Honorable High Court of Sindh for a decision on the remaining issues in tax years 2004 to 2007. 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 the 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% of other advances. A deferred tax asset of Rs. 3,050 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.4,114 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 it would be allowed to the Bank at appellate levels.

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011**
19. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES
For the Period Ended September 30, 2011 (Un-audited)

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment elimination
----- (Rupees in '000) -----							
Total income	347,009	4,736,146	26,569,186	6,617,808	314,990	780,709	-
Total expenses	(90,704)	(2,028,575)	(16,212,230)	(3,547,070)	(273,552)	(808,139)	-
Net income before tax	256,305	2,707,571	10,356,956	3,070,738	41,438	(27,430)	-
Segment return on assets (ROA) (%)	4.62%	0.79%	1.60%	1.05%	6.75%	-	-
Segment cost of funds (%)	0.32%	7.87%	4.14%	9.08%	-	-	-

For the Period Ended September 30, 2010 (Un-audited)

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment elimination
----- (Rupees in '000) -----							
Total income	346,240	1,845,181	23,537,112	6,761,778	278,852	613,043	-
Total expenses	(116,498)	(408,394)	(15,961,152)	(3,277,093)	(242,612)	(572,045)	-
Net income before tax	229,742	1,436,787	7,575,961	3,484,685	36,240	40,998	-
Segment return on assets (ROA) (%)	2.90%	0.58%	1.41%	1.20%	6.30%	-	-
Segment cost of funds (%)	0.27%	6.87%	4.00%	8.83%	-	-	-

As at September 30, 2011 (Un-audited)

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment elimination
----- (Rupees in '000) -----							
Segment assets (gross of NPL provisions)	5,298,255	279,279,244	602,710,317	298,925,177	581,489	112,114,357	(505,753,746)
Segment non performing loans (NPL)	-	2,156,892	24,811,852	27,580,385	-	13,153	-
Segment provision held against NPL	-	1,484,802	20,049,200	17,748,790	-	13,153	-
Segment liabilities	5,071,721	276,876,487	571,119,361	278,144,559	109,768	47,162,110	(505,753,746)

As at December 31, 2010 (Audited)

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment elimination
----- (Rupees in '000) -----							
Segment assets (gross of NPL provisions)	5,003,810	247,898,002	598,074,899	270,480,254	483,062	101,609,573	(464,615,841)
Segment non performing loans (NPL)	-	2,002,017	23,917,326	22,680,582	-	13,153	-
Segment provision held against NPL	-	10,105	18,357,840	15,163,018	-	13,153	-
Segment liabilities	4,667,770	248,723,372	568,742,408	250,963,805	37,560	41,736,389	(464,615,841)

Segment assets and liabilities include inter segment balances.

Transactions between reportable segments are based on an appropriate transfer pricing mechanism using agreed rates.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011**
20. RELATED PARTY TRANSACTIONS

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

The Group 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 condensed interim financial statements, are as follows:

	As at September 30, 2011 (Un-audited)				As at December 31, 2010 (Audited)			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
----- (Rupees in '000) -----								
Balances with other banks								
In current accounts	-	-	-	-	-	-	-	-
In saving accounts	-	-	-	6	-	-	-	2,773
				<u>6</u>				<u>2,773</u>
In deposit accounts								
Opening balance	-	-	-	350,000	-	-	-	-
Placements during the period / year	-	-	-	2,118,363	-	-	-	350,000
Settled during the period / year	-	-	-	(1,968,363)	-	-	-	-
Closing balance	-	-	-	<u>500,000</u>	-	-	-	<u>350,000</u>
Investments								
Opening balance	-	-	7,666,215	317,176	-	-	7,522,641	317,176
Investment made during the period / year	-	-	4,645,908	-	-	-	2,738,412	-
Investment sold / liquidated during the period / year	-	-	(4,313,412)	(49,313)	-	-	(2,434,051)	-
Equity method adjustment	-	-	(333,754)	-	-	-	(160,787)	-
Closing balance	-	-	<u>7,664,957</u>	<u>267,863</u>	-	-	<u>7,666,215</u>	<u>317,176</u>
Provision for diminution in value of investments	-	-	-	(59,803)	-	-	-	(59,803)
Advances								
Opening balance	969	147,711	-	-	2,142	103,637	-	-
Addition during the period / year	-	128,581	-	-	-	177,514	-	-
Repaid during the period / year	(70)	(41,151)	-	-	(1,173)	(133,440)	-	-
Closing balance	<u>899</u>	<u>235,141</u>	-	-	<u>969</u>	<u>147,711</u>	-	-
Other Assets								
Interest markup accrued	11	151	-	7,769	-	135	-	4,656
Receivable from staff retirement funds	-	-	-	21,507	-	-	-	66,595
Prepaid insurance	-	-	113,776	-	-	-	1,368	-
Remuneration receivable from management of fund	-	-	39,421	323	-	-	15,011	458
Sales load receivable	-	-	5,804	-	-	-	1,327	-
Formation cost receivable	-	-	4,780	-	-	-	4,961	-
Other receivable	-	-	355	230	-	-	9,012	2,100
Borrowings								
Opening balance	-	-	-	-	-	-	300,000	100,000
Borrowings during the period / year	-	-	-	874,791	-	-	2,100,000	-
Settled during the period / year	-	-	-	(437,396)	-	-	(2,400,000)	(100,000)
Closing balance	-	-	-	<u>437,395</u>	-	-	-	-
Overdrawn nostros	-	-	-	-	-	-	533	-
Deposits and other accounts								
Opening balance	2,796,798	78,785	3,824,208	957,640	28,205	30,038	220,116	888,467
Received during the period / year	14,696,641	1,747,997	22,491,009	58,262,418	9,791,140	508,169	37,943,495	62,734,505
Withdrawn during the period / year	(14,419,734)	(1,758,766)	(24,445,708)	(58,611,729)	(7,022,547)	(459,422)	(34,339,403)	(62,665,332)
Closing balance	<u>3,073,705</u>	<u>68,016</u>	<u>1,869,509</u>	<u>608,329</u>	<u>2,796,798</u>	<u>78,785</u>	<u>3,824,208</u>	<u>957,640</u>
Sub-ordinated loans	-	5	5,998	-	-	5	5,999	-
Other Liabilities								
Interest / markup payable on deposits	9,238	285	28	1,373	9,431	41	17,769	1,024
Interest / markup payable on sub-ordinated loans	-	0	23	-	-	-	167	-
Unrealised loss on derivative transactions	-	-	-	1,066,651	-	-	-	618,818
Contingencies and Commitments								
Letter of guarantee	1,733,611	-	73,591	-	1,697,143	-	30,031	-
Forward purchase of exchange contracts	-	-	-	4,978,350	-	-	-	2,602,090
Forward sale of exchange contracts	-	-	-	803,730	-	-	-	429,850
For the nine months ended September 30, 2011				For the nine months ended September 30, 2010				
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
----- (Rupees in '000) -----								
Income								
Mark-up / return / interest earned	93	6,409	-	18,603	195	5,508	-	22,331
Commission / charges recovered	5	10	505	3,258	4	5	954	6,139
Dividend received	-	-	281,968	-	-	-	328,704	2,346
Net gain on sale of investment	-	-	20,724	-	-	-	2,191	-
Realised gain on derivative transactions	-	-	-	584,461	-	-	-	1,674,938
Remuneration received from management of fund	-	-	272,797	529	-	-	249,497	956
Sales load received	-	-	10,497	1,673	-	-	4,604	2,923
Other income	-	2,398	90	-	-	528	614	23
Expenses								
Mark-up / return / interest paid	66,179	3,511	97,510	20,298	9,605	718	161,154	22,786
Managerial remuneration	-	474,888	-	-	-	403,157	-	-
Post employment benefits	-	15,549	-	-	-	14,858	-	-
Non-executive directors' fee and allowances	29,799	-	-	-	34,031	-	-	-
Net charge for defined contribution plans	-	-	-	114,228	-	-	-	77,767
Net reversal for defined benefit plans	-	-	-	(227,315)	-	-	-	(279,191)
Payment for employee motivation and retention scheme	-	-	-	230,000	-	-	-	210,000
Donation	-	-	-	20,000	-	-	-	40,000
Insurance premium paid	-	-	243,745	-	-	-	204,453	-
Insurance claims settled	-	-	132,211	-	-	-	111,112	-

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011**
21. ISLAMIC BANKING BUSINESS

21.1 The statement of financial position of the Group's Islamic Banking branches as at September 30, 2011 is as follows:

	(Un-audited) September 30, 2011	(Audited) December 31, 2010
	----- (Rupees in '000) -----	
ASSETS		
Cash and balances with treasury banks	474,550	389,582
Balances with other banks	1,714,138	496,654
Investments	4,490,991	2,884,260
Financing and receivables		
- Murabaha	335,716	203,787
- Musharaka	111,111	166,667
- Diminishing Musharaka	74,282	90,888
	521,109	461,342
Operating fixed assets		
- In own use	45,984	54,546
- Given under Ijarah financing	464,733	371,506
	510,717	426,052
Due from head office	767,184	83,725
Other assets	312,470	297,649
Total Assets	8,791,159	5,039,264
LIABILITIES		
Bills payable	970	970
Deposits and other accounts		
- Current accounts	1,141,638	724,750
- Saving accounts	991,350	933,100
- Term deposits	2,392,696	1,456,596
- Deposits from financial institutions - remunerative	3,629,596	1,344,775
	8,155,280	4,459,221
Other liabilities	147,083	101,782
	8,303,333	4,561,973
NET ASSETS	487,826	477,291
REPRESENTED BY		
Islamic Banking Fund	681,000	681,000
Accumulated loss	(191,074)	(203,000)
	489,926	478,000
Deficit on revaluation of assets	(2,100)	(709)
	487,826	477,291

21.2 The profit and loss account of the Group's Islamic Banking branches for the nine months ended September 30, 2011 is as follows:

	(Un-audited) Jan-Sep 2011	(Un-audited) Jan-Sep 2010
	----- (Rupees in '000) -----	
Return earned	595,492	439,114
Return expensed	(437,892)	(205,982)
	157,600	233,132
Reversal / (charge) of diminution in value of investment	26,276	(69,092)
Reversal of provision against assets given on Ijara	3,598	4,612
	29,874	(64,480)
Net return after provision	187,474	168,652
OTHER INCOME		
Fee, commission and brokerage income	5,791	4,168
Dividend income	29,586	7,325
Income from dealing in foreign currencies	1,202	736
Loss on sale of securities	-	(4,750)
Other Income	4,367	104
Total other income	40,946	7,583
	228,420	176,235
OTHER EXPENSES		
Administrative expenses	(216,494)	(205,466)
Other provisions / write offs	-	(1,721)
Total other expenses	(216,494)	(207,187)
Net profit / (loss) for the period	11,926	(30,952)
Accumulated losses brought forward	(203,000)	(174,404)
Accumulated losses carried forward	(191,074)	(205,356)
	1,816	2,039

22. DATE OF AUTHORIZATION

These condensed interim financial statements were authorised for issue on October 25, 2011 by the Board of Directors of the Group.