

# **United Bank Limited**

**UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE QUARTER ENDED MARCH 31, 2012  
(UNAUDITED)**



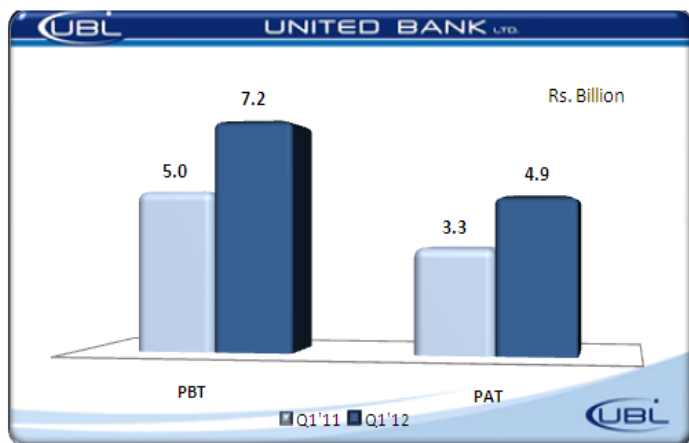
## DIRECTORS' REPORT TO THE MEMBERS

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, 2012.

### Performance Highlights

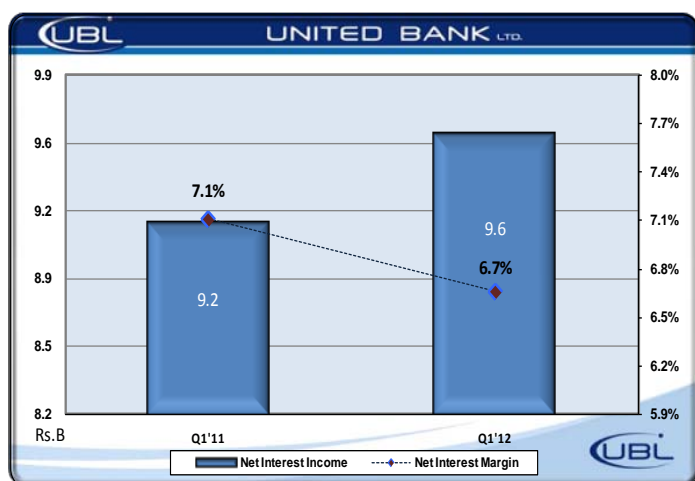
- Unconsolidated PAT for the quarter ended 31 March 2012 was Rs 4.9 billion, reflecting a growth of 49% over the same period last year.
- Net Interest Margin reduced by 45 bps to 6.7% (March 2011: 7.1%) subsequent to the 200 bps reduction in the discount rate during the latter half of 2011.
- The cost/income ratio increased to 40.4% (March 2011: 38.6%)

### Strong and consistent financial performance



For the quarter ending March 31, 2012, UBL has achieved a profit after tax of Rs 4.9 billion. This is 49% higher than the corresponding period last year and translates into earnings per share of Rs. 3.97 (March 2011: Rs. 2.67).

For the same period, UBL's profit before tax is Rs 7.2 billion, 44% higher than the same period last year. This has been achieved mainly through balance sheet growth and reduced provisions. On a consolidated basis, UBL achieved a profit after tax of Rs 4.9 billion, an increase of 43% over the first quarter of 2011.



### Revenue growth

Net interest income before provisions increased to Rs 9.6 billion, 5 % higher than the same period last year, mainly due to a 14 % growth in the balance sheet. Yield on earning assets reduced by 76 bps as a result of the 200 bps reduction in the discount rate during the latter half of 2011, whilst the cost of funds declined by 31 bps. While net interest margin declined from 7.1% in Q1 2011 to 6.7% in Q1 2012, this was more than offset by higher volumes. Provisions for the first quarter reduced by Rs 1.6 billion compared to the corresponding figure last year.

Non-interest income increased by 35% to Rs 4.1 billion in March 2012, primarily driven by growth of Rs 0.7 billion in dividend income. Core banking fees and commissions also showed a strong growth of 17%, reaching Rs 1.9 billion. This was mainly as a result of higher corporate service charges, FI Commissions and income generated on remittances as well as through improved collection of general banking fees.

**Cost management**

Administrative expenses are 17% higher as compared to the first quarter of 2011 due to the full impact of an additional 108 branches and certain one-offs. On a comparable basis, administrative expenses have grown 11% year on year due to the inflationary environment, escalating utilities costs and the Bank's significant investments in business building activities and IT.

**Balance Sheet**

UBL grew its balance sheet by 5% over December 2011 as the Bank increased Repo activity to take advantage of arbitrage opportunities in the Interbank market. Net advances have increased by 6% over December 2011 to reach Rs 345 billion in March 2012, primarily as a result of further disbursements against settlement of circular debt. The Bank was able to maintain the December 2011 peak in deposits which have grown marginally to Rs 614 billion in March 2012.

The return on average assets improved from 2.1% for the year 2011 to 2.5% for the first quarter of 2012, and return on equity increased from 23.7% for 2011 to 28.1% for the first quarter of 2012.

**Strong Capital Ratios**

The Board of Directors of UBL declared a final dividend of 60% in their meeting in Abu Dhabi dated 21 February 2012 along with the results for the year ended 31 December 2011.

The capital adequacy ratio (CAR) of the bank reduced from 14.3% in December 2011 to 13.2% in March 2012 as a result of the dividend. The Tier-1 CAR of the bank also declined from 10.5% in December 2011 to 9.5% in March 2012. Despite the decline, the CAR remains comfortably above minimum required levels.

The Board of Directors of UBL declared an interim dividend of 10% in their meeting in Abu Dhabi dated 26 April 2012 along with the results for the first quarter ended 31 March 2012.

**Key Developments****Macroeconomic performance**

Pakistan's economy has endured a particularly challenging time during the first quarter of 2012. Pakistan has continued to face inflationary pressures not only domestically, but also from the external front. Inflation remains stubbornly in double digits, averaging 10.6% during Q1 2012. The high level of international crude oil prices has yet to completely filter through to the domestic economy and expectations are that inflation will rise further in the coming months.

The country's balance of payments situation remains concerning, especially as international crude oil prices continue to escalate, increasing the cost of imports. The trade deficit has increased by 42% during the 9 months of FY12, as imports have grown by 14.7%, while exports have declined 3% due to lower cotton and yarn prices. Despite a 21.5% YoY growth in remittances during the 9 months of FY12, the current account deficit has grown to US\$ 3.1 billion for the period. Additionally, pressures on the fiscal front remain, both in terms of revenue collection and with increased expenditures on debt servicing and administration. The fiscal deficit for the 9 months of FY 12 is already at 4.3% of GDP vs a revised full year target of 4.7% and, including the impact of energy subsidies, the fiscal deficit for FY12 is expected to rise beyond 6% of GDP.

The country continues to face massive energy shortages, with the industrial sector receiving intermittent gas supply and the electricity deficit having increased to 6,000MW towards the end of March 2012, as summer approaches. This will further hamper industrial growth and needs to be addressed on priority to achieve GDP targets.

The stock market has remained buoyant, with volumes also having returned to the bourse. The KSE-100 Index gained 21.3% during the quarter, with healthy trading volumes, as investors remained optimistic of a favourable resolution to the proposed amnesty.

The balance of payments pressures and inflationary expectations have led the SBP to keep the discount rate unchanged during 2012, despite the 9-month inflation number remaining lower than the SBP's own full year estimate of 11% - 12%. However, in its Monetary Policy Statement for April 2012, the SBP has increased the minimum return on PLS savings deposits to 6%. This is expected to have a negative impact on the banking sector, particularly the large 5 banks, given the composition of their deposit base.

Deposits for the banking sector have grown by 0.8% during the quarter. The government remains the largest borrower in the country, with private sector lending growing only 3.4% during the quarter, mainly due to seasonal borrowing by the textile industry. Non-performing loans continue to be a concern, growing 10% in 2011 to reach Rs 607 billion.

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

With the improved environment within most presence markets and high oil prices, it is anticipated that Abu Dhabi and Qatar would, in the near future, review and launch projects that had been put on hold. The non-oil sector in UAE has posted significant increases, led by retail sales and hospitality. The real estate market in Dubai has also begun to firm up, especially in the villa segment.

The relative stability in the macro-economic situation in the region has led to a more positive approach towards new corporate lending in the market. The FI business is expanding by venturing into newer territories and offering a wider product range. There is renewed emphasis on growing retail deposits with certain new initiatives to attract a wider customer base. To further complement liability acquisition, there are plans to reactivate secured retail asset products on a selective basis.

On a broader spectrum, the International business now has more focus on developing synergies with our subsidiaries to fully leverage the strength of our network. With closer involvement, it is expected that significant benefits would accrue to the overall UBL franchise.

### ***Omni***

UBL Omni now has 8,000 Dukaan outlets in over 650 cities and towns across Pakistan. Usage of the platform continues to increase rapidly as transaction volumes and value increased by 22% and 19% respectively compared to the previous quarter. The Domestic Remittance business in particular has shown exceptional growth compared to the last quarter, supported by revised SBP regulations and UBL's marketing campaigns.

UBL Omni continues to maintain its market leadership in the Government to Person (G2P) and donor payments space, specifically the Benazir Income Support Program and World Food Program initiatives in Pakistan. UBL Omni has also been successful in signing up new microfinance, school fee collections and other payment services that leverage the Dukaan network. This multi-pronged approach of G2P, business payment solutions and retail consumer services will help drive increased usage and uptake of this unique offering.

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

Another 85 branches were added to the new core banking system (CBS) during the first quarter of 2012. The total number of branches on CBS has reached 343, including all 5 corporate centers and the entire

consumer term loan portfolio. During the quarter, CBS coverage was extended to new cities like Jhelum, Sialkot and Sahiwal.

During the quarter, implementation of the loan origination module for commercial and corporate customers was extended beyond Karachi to other cities of Sindh and roll out is being planned for the rest of the country.

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

In Q1 2012, UBL in line with its CSR policy has continued to provide assistance to various institutions such as SIUT, Karawan-e-Hayat, Special Children, etc. Further, the Bank has continued to support various other initiatives in health and education as a demonstration of its commitment to being a responsible corporate citizen.

### ***Looking ahead***

The country's macroeconomic outlook is largely dependent on the government's ability to control its fiscal deficit, especially in a pre-election timeframe, while also addressing the energy shortages to revitalize large scale manufacturing and GDP growth. UBL's focus will be on expanding its network, growing its balance sheet through acquisition of low cost deposits, selectively enhancing its lending portfolio and continuing to focus on asset quality and strengthening the capital base. 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 and innovative customer solutions.

### ***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 this opportunity to thank the shareholders for their continued trust and the staff for their dedication and commitment.

For and on behalf of the Board,

Nahayan Mabarak Al Nahayan  
Chairman

Abu Dhabi  
April 26, 2012

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT MARCH 31, 2012**

	Note	(Un-audited) March 31, 2012	(Audited) December 31, 2011
----- (Rupees in '000) -----			
<b>ASSETS</b>			
Cash and balances with treasury banks		70,640,820	86,409,551
Balances with other banks		10,499,229	16,546,311
Lendings to financial institutions	6	15,168,279	9,536,211
Investments	7	331,245,847	294,410,661
Advances	8	345,446,381	325,347,208
Operating fixed assets	9	23,189,241	22,981,878
Deferred tax asset - net		1,807,346	1,991,185
Other assets		20,332,454	20,836,736
		818,329,597	778,059,741
<b>LIABILITIES</b>			
Bills payable		8,696,237	5,879,043
Borrowings	10	83,198,329	49,953,251
Deposits and other accounts	11	613,971,009	612,980,139
Subordinated loans		10,318,172	11,317,080
Deferred tax liability - net		-	-
Other liabilities		24,769,411	18,777,320
		740,953,158	698,906,833
<b>NET ASSETS</b>			
		77,376,439	79,152,908
<b>REPRESENTED BY:</b>			
Share capital		12,241,798	12,241,798
Reserves		25,577,131	24,847,019
Unappropriated profit		30,584,509	33,534,116
		68,403,438	70,622,933
Surplus on revaluation of assets - net of deferred tax	12	8,973,001	8,529,975
		77,376,439	79,152,908
<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

**Seerat Asghar**  
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, 2012**

	Note	Quarter ended	
		March 31, 2012	March 31, 2011
------(Rupees in '000)-----			
Mark-up / return / interest earned	14	17,695,825	16,709,413
Mark-up / return / interest expensed	15	<u>(8,095,394)</u>	<u>(7,552,784)</u>
Net mark-up / interest income		9,600,431	9,156,629
Provision against loans and advances - net		<u>(606,557)</u>	<u>(2,205,281)</u>
Provision against lendings to financial institutions		(81,150)	-
Reversal / (provision) for diminution in value of investments - net		1,331	(1,632)
Bad debts written off directly		<u>(79,278)</u>	<u>(132,825)</u>
		<u>(765,654)</u>	<u>(2,339,738)</u>
Net mark-up / interest income after provisions		8,834,777	6,816,891
<b>Non mark-up / interest income</b>			
Fee, commission and brokerage income		<u>1,866,484</u>	<u>1,599,302</u>
Dividend income		810,201	101,177
Income from dealing in foreign currencies		568,258	749,323
Gain on sale of securities - net		416,959	187,990
Unrealised loss on revaluation of investments classified as held for trading		<u>(2,008)</u>	<u>(7,967)</u>
Other income		434,241	396,544
Total non mark-up / interest income		<u>4,094,135</u>	<u>3,026,369</u>
		12,928,912	9,843,260
<b>Non mark-up / interest expenses</b>			
Administrative expenses	16	<u>(5,526,025)</u>	<u>(4,708,035)</u>
Other provisions / write offs - net		1,018	6,201
Workers' welfare fund		<u>(147,332)</u>	<u>(102,673)</u>
Other charges		<u>(26,393)</u>	<u>(26,716)</u>
Total non mark-up / interest expenses		<u>(5,698,732)</u>	<u>(4,831,223)</u>
<b>Profit before taxation</b>		<u>7,230,180</u>	<u>5,012,037</u>
<b>Taxation</b>			
- Current	17	<u>(2,432,069)</u>	<u>(1,807,417)</u>
- Prior		-	7,538
- Deferred		<u>67,147</u>	<u>60,474</u>
		<u>(2,364,922)</u>	<u>(1,739,405)</u>
<b>Profit after taxation</b>		<u><b>4,865,258</b></u>	<u><b>3,272,632</b></u>
------(Rupees)-----			
<b>Earnings per share - basic and diluted</b>		<u>3.97</u>	<u>2.67</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, 2012**

	<b>Quarter ended</b>	
	<b>March 31, 2012</b>	<b>March 31, 2011</b>
	<b>----- (Rupees in '000) -----</b>	
<b>Profit after taxation</b>	4,865,258	3,272,632
<b>Other comprehensive income:</b>		
Exchange differences on translation of net investment in foreign branches	229,092	(96,459)
Gain on cash flow hedges	22,299	31,029
Related deferred tax liability on cash flow hedges	(7,805)	(10,860)
	14,494	20,169
	243,586	(76,290)
<b>Comprehensive income transferred to equity - net of tax</b>	5,108,844	3,196,342

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

**Seerat Asghar**  
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, 2012**

	Quarter ended	
	March 31, 2012	March 31, 2011
	----- (Rupees in '000) -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	7,230,180	5,012,037
Less: Dividend income	(810,201)	(101,177)
	6,419,979	4,910,860
<b>Adjustments:</b>		
Depreciation	330,025	369,171
Amortization	94,438	74,924
Workers' welfare fund	147,332	102,673
Provision for retirement benefits	161,877	44,934
Provision against loans and advances	606,557	2,205,281
Provision against lendings to financial institutions	81,150	-
(Reversal) / provision for diminution in the value of investments	(1,331)	1,632
Gain on sale of fixed assets	(10,763)	(7,403)
Net gain on cash flow hedges	22,299	31,029
Unrealized loss on revaluation of investments classified as held for trading	2,008	7,967
Bad debts written-off	79,278	132,825
Reversal against provision for other assets	(1,018)	(6,201)
	1,511,852	2,956,832
	7,931,831	7,867,692
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(5,713,218)	(515,629)
Held for trading securities	(5,419,560)	9,661,550
Advances	(20,785,008)	(2,531,035)
Other assets - (excluding advance taxation)	(4,880)	556,006
	(31,922,666)	7,170,892
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	2,817,194	1,426,853
Borrowings	33,245,078	(1,046,278)
Deposits and other accounts	990,870	(21,235,915)
Other liabilities (excluding current taxation)	(1,579,757)	(2,325,749)
	35,473,385	(23,181,089)
	11,482,550	(8,142,505)
Staff retirement benefits paid	(109,357)	(205,870)
Income taxes paid	(1,326,779)	(1,883,349)
Net cash inflow / (outflow) from operating activities	10,046,414	(10,231,724)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investment in securities	(30,709,047)	(8,345,604)
Dividend income received	237,622	55,150
Investment in operating fixed assets	(675,883)	(577,599)
Sale proceeds from disposal of operating fixed assets	54,897	52,276
Net cash used in investing activities	(31,092,411)	(8,815,777)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayments of subordinated loans	(998,908)	(2,028)
Net cash used in financing activities	(998,908)	(2,028)
	(22,044,905)	(19,049,529)
Exchange differences on translation of net investment in foreign branches	229,092	(96,459)
Decrease in cash and cash equivalents during the period	(21,815,813)	(19,145,988)
Cash and cash equivalents at beginning of the period	102,955,862	85,653,810
Cash and cash equivalents at end of the period	81,140,049	66,507,822

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, 2012**

	Share capital	Statutory reserve	Capital reserves		Unappropriated profit	Total
			Exchange translation reserve	Cash flow hedge reserve		
(Rupees in '000)						
<b>Balance as at January 1, 2011</b>	12,241,798	14,446,898	7,370,891	(129,152)	26,250,489	60,180,924
<b>Transactions with owners recorded directly in equity for the quarter ended March 31, 2011</b>						
Final cash dividend for the year ended December 31, 2010 declared subsequent to the year end at Rs.4.0 per share	-	-	-	-	(4,896,719)	(4,896,719)
<b>Total comprehensive income for the 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 reserve	-	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>(108,983)</b>	<b>24,362,757</b>	<b>58,544,165</b>
<b>Transactions with owners recorded directly in equity for the nine months ended December 31, 2011</b>						
Interim cash dividend for the half year ended June 30, 2011 at Rs.1.5 per share	-	-	-	-	(1,836,270)	(1,836,270)
<b>Total comprehensive income for the nine months ended December 31, 2011</b>						
Profit after taxation for the nine months ended December 31, 2011	-	-	-	-	12,227,031	12,227,031
Other comprehensive income - net of tax	-	-	1,637,718	46,988	-	1,684,706
Total comprehensive income	-	-	1,637,718	46,988	12,227,031	13,911,737
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	3,301	3,301
Transfer to statutory reserve	-	1,222,703	-	-	(1,222,703)	-
<b>Balance as at December 31, 2011 (Audited)</b>	<b>12,241,798</b>	<b>15,996,864</b>	<b>8,912,150</b>	<b>(61,995)</b>	<b>33,534,116</b>	<b>70,622,933</b>
<b>Transactions with owners recorded directly in equity for the quarter ended March 31, 2012</b>						
Final cash dividend for the year ended December 31, 2011 declared subsequent to the year end at Rs.6.0 per share	-	-	-	-	(7,345,078)	(7,345,078)
<b>Total comprehensive income for the quarter ended March 31, 2012</b>						
Profit after taxation for the quarter ended March 31, 2012	-	-	-	-	4,865,258	4,865,258
Other comprehensive income - net of tax	-	-	229,092	14,494	-	243,586
Total comprehensive income	-	-	229,092	14,494	4,865,258	5,108,844
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	16,739	16,739
Transfer to statutory reserve	-	486,526	-	-	(486,526)	-
<b>Balance as at March 31, 2012 (Un-audited)</b>	<b>12,241,798</b>	<b>16,483,390</b>	<b>9,141,242</b>	<b>(47,501)</b>	<b>30,584,509</b>	<b>68,403,438</b>

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

Atif R. Bokhari  
President and  
Chief Executive Officer

Seerat Asghar  
Director

Sir Mohammed Anwar Pervez, OBE, HPK  
Deputy Chairman

Nahayan Mabarak Al Nahayan  
Chairman

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE QUARTER ENDED MARCH 31, 2012****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 1,218 (December 31, 2011: 1,218) branches inside Pakistan including 14 (December 31, 2011: 14) Islamic Banking branches and 1 (December 31, 2011: 1) branch in Karachi Export Processing Zone. The Bank also operates 18 (December 31, 2010: 17) branches outside Pakistan as at March 31, 2012.

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.

**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 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. 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 material inter 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**

- 3.1 These unconsolidated condensed interim financial statements of the Bank have been prepared in accordance with the requirements of International Accounting Standard 34, Interim Financial Reporting, the provisions of the Companies Ordinance, 1984, the 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 and International Accounting Standard 40, Investment Property for banking companies till further instructions. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, International Financial Reporting Standard (IFRS) 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated 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 unconsolidated 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 unconsolidated condensed interim financial statements should be read in conjunction with the unconsolidated annual financial statements of the Bank for the year ended December 31, 2011.
- 3.4 On August 14, 2009, the Government of Pakistan (GoP) launched the 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 IFRS 2: Share Based Payments. 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.

Had the exemption not been granted, the staff costs of the Bank for the period would have been higher by Rs.54 million (March 31, 2011: Rs.42 million), profit before taxation would have been lower by Rs.54 million (March 31, 2011: Rs.42 million), unappropriated profit would have been lower by Rs.750 million (March 31, 2011: Rs.624 million) and reserves would have been higher by Rs.750 million (March 31, 2011: Rs.624 million), hence, there would have been no impact on net equity. Further, earnings per share would have been lower by Rs. 0.04 per share (March 31, 2011: Rs.0.03).

- 3.5 These unconsolidated condensed interim financial statements represent the separate condensed interim financial statements of the Bank. The consolidated condensed interim financial statements of the Bank and its subsidiary companies are presented separately.

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE QUARTER ENDED MARCH 31, 2012**
**4. SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT**

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

**5. BASIS OF MEASUREMENT**

- 5.1 These unconsolidated condensed interim financial statements have been prepared under the historical cost convention except that certain operating fixed assets have been stated at revalued amounts and certain investments and derivative financial instruments have been stated at fair value.
- 5.2 The preparation of these unconsolidated condensed interim financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in the application of its accounting policies. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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 of the Bank for the year ended December 31, 2011.

(Un-audited)	(Audited)
March 31, 2012	December 31, 2011
------(Rupees in '000)-----	

**6. LENDINGS TO FINANCIAL INSTITUTIONS**

Call money lendings	-	130,000
Repurchase agreement lendings	3,931,456	-
Other lendings to financial institutions	<u>11,676,815</u>	<u>9,762,848</u>
	15,608,271	9,892,848
Provisions against lendings to financial institutions	<u>(439,992)</u>	<u>(356,637)</u>
	<u>15,168,279</u>	<u>9,536,211</u>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE QUARTER ENDED MARCH 31, 2012**
**7. INVESTMENTS**

7.1	Investments by types	Note	(Un-audited) March 31, 2012			(Audited) December 31, 2011		
			Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
(Rupees in '000)								
7.1.1	<b>Held for trading securities</b>							
	Market Treasury Bills		6,172,100	-	6,172,100	692,705	-	692,705
	Pakistan Investment Bonds		283,197	-	283,197	-	-	-
	Ordinary shares of listed companies		-	-	-	386,782	-	386,782
			6,455,297	-	6,455,297	1,079,487	-	1,079,487
7.1.2	<b>Available for sale securities</b>							
	Market Treasury Bills		85,824,902	61,604,692	147,429,594	100,056,116	28,236,295	128,292,411
	Pakistan Investment Bonds		28,840,200	187,686	29,027,886	28,741,922	-	28,741,922
	Government of Pakistan Sukuk		8,549,169	-	8,549,169	7,666,532	-	7,666,532
	Government of Pakistan Eurobonds		7,601,946	-	7,601,946	7,373,609	-	7,373,609
	Ordinary shares of listed companies		2,035,680	-	2,035,680	5,806,294	-	5,806,294
	Preference shares		480,114	-	480,114	477,816	-	477,816
	Ordinary shares of unlisted companies	7.3	442,788	-	442,788	445,474	-	445,474
	Term Finance Certificates		2,143,387	-	2,143,387	2,146,271	-	2,146,271
	Units of mutual funds		2,114,075	-	2,114,075	2,114,075	-	2,114,075
	Foreign bonds		17,277,665	-	17,277,665	14,529,330	-	14,529,330
			155,309,926	61,792,378	217,102,304	169,357,439	28,236,295	197,593,734
7.1.3	<b>Held to maturity securities</b>							
	Market Treasury Bills		54,547,057	-	54,547,057	50,545,793	-	50,545,793
	Pakistan Investment Bonds		23,499,185	-	23,499,185	23,468,779	-	23,468,779
	Government of Pakistan Sukuk		300,000	-	300,000	300,000	-	300,000
	Government of Pakistan Guaranteed Bonds		46,982	-	46,982	51,202	-	51,202
	Term Finance Certificates		3,688,741	-	3,688,741	3,832,169	-	3,832,169
	Sukuk Bonds		1,862,467	-	1,862,467	1,863,468	-	1,863,468
	Participation Term Certificates		9,378	-	9,378	10,661	-	10,661
	Debentures		4,392	-	4,392	4,392	-	4,392
	Foreign bonds		2,011,550	-	2,011,550	1,994,978	-	1,994,978
	Recovery note		289,398	-	289,398	289,214	-	289,214
	Commercial paper		50,438	-	50,438	50,438	-	50,438
	CDC SAARC Fund		454	-	454	450	-	450
			86,310,042	-	86,310,042	82,411,544	-	82,411,544
7.1.4	<b>Associates</b>							
	United Growth and Income Fund		3,030,136	-	3,030,136	3,030,136	-	3,030,136
	UBL Liquidity Plus Fund		10,600,000	-	10,600,000	5,100,000	-	5,100,000
	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 Capital Protected Fund - II		100,000	-	100,000	100,000	-	100,000
	UBL Savings Income Fund		2,600,000	-	2,600,000	2,600,000	-	2,600,000
	UBL Islamic Savings Fund		1,600,000	-	1,600,000	1,600,000	-	1,600,000
	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 Principal Protected Fund - I		100,000	-	100,000	-	-	-
	UBL Government Securities Fund		3,100,000	-	3,100,000	3,100,000	-	3,100,000
	UBL Insurers Limited		240,000	-	240,000	240,000	-	240,000
	Oman United Exchange Company, Muscat		6,981	-	6,981	6,981	-	6,981
		7.2	22,257,117	-	22,257,117	16,657,117	-	16,657,117
7.1.5	<b>Subsidiaries</b>							
	United National Bank Limited, 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
			272,534,330	61,792,378	334,326,708	271,707,535	28,236,295	299,943,830
	Provision for diminution in value of investments		(1,022,916)	-	(1,022,916)	(2,726,226)	-	(2,726,226)
	<b>Investments (net of provisions)</b>		271,511,414	61,792,378	333,303,792	268,981,309	28,236,295	297,217,604
	(Deficit) / surplus on revaluation of available for sale securities		(2,036,370)	(19,567)	(2,055,937)	(2,796,114)	32,921	(2,763,193)
	Deficit on revaluation of held for trading securities		(2,008)	-	(2,008)	(43,750)	-	(43,750)
	<b>Total Investments</b>		<u>269,473,036</u>	<u>61,772,811</u>	<u>331,245,847</u>	<u>266,141,445</u>	<u>28,269,216</u>	<u>294,410,661</u>

7.2 This includes investment in mutual funds aggregating to Rs.480 million (December 31, 2011: Rs.480 million) which is required to be kept for a period of two years.

7.3 As explained in note 9.7 of the annual financial statements for the year ended December 31, 2011, the bid submitted by the Bank's consortium on February 16, 2012 has been selected as the highest bid by the selling shareholders of Khushhali Bank Limited (KBL). In this regard a letter of acceptance has been issued by the sellers in favor of the Bank's consortium.

Consummation of purchase of shares from the selling shareholders is conditional upon regulatory consents and approvals from the SBP and the Competition Commission of Pakistan and on successful execution of the Share Purchase Agreement. Post acquisition, UBL's direct shareholding in KBL shall become approximately 29.7%.

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE QUARTER ENDED MARCH 31, 2012**

	Note	(Un-audited) March 31, 2012	(Audited) December 31, 2011
----- (Rupees in '000) -----			
<b>8. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		273,345,969	258,874,253
Outside Pakistan		79,949,846	78,557,426
		<u>353,295,815</u>	<u>337,431,679</u>
Bills discounted and purchased			
Payable in Pakistan		24,897,741	18,552,309
Payable outside Pakistan		8,942,653	10,322,640
		<u>33,840,394</u>	<u>28,874,949</u>
		387,136,209	366,306,628
Provision against advances			
- Specific		(40,658,344)	(39,950,726)
- General	8.2	(1,031,484)	(1,008,694)
		<u>345,446,381</u>	<u>325,347,208</u>

8.1 Advances include Rs. 59,703 million (December 31, 2011: Rs.51,117 million) which have been placed under non-performing status as detailed below:

Category of Classification	March 31, 2012 (Un-audited)									
	Classified advances			Provision required			Provision held			
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total	
----- (Rupees in '000) -----										
Other Assets Especially										
Mentioned*	385,551	-	385,551	-	-	-	-	-	-	-
Substandard	1,538,106	2,004,638	3,542,744	334,633	481,201	815,834	334,633	481,201	815,834	815,834
Doubtful	3,541,100	1,271,245	4,812,345	1,709,397	945,707	2,655,104	1,709,397	945,707	2,655,104	2,655,104
Loss	46,229,186	4,733,643	50,962,829	33,849,946	3,337,460	37,187,406	33,849,946	3,337,460	37,187,406	37,187,406
	<u>51,693,943</u>	<u>8,009,526</u>	<u>59,703,469</u>	<u>35,893,976</u>	<u>4,764,368</u>	<u>40,658,344</u>	<u>35,893,976</u>	<u>4,764,368</u>	<u>40,658,344</u>	<u>40,658,344</u>

Category of Classification	December 31, 2011 (Audited)									
	Classified advances			Provision required			Provision held			
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total	
----- (Rupees in '000) -----										
Other Assets Especially										
Mentioned*	319,428	-	319,428	-	-	-	-	-	-	-
Substandard	2,274,422	747,378	3,021,800	431,607	174,625	606,232	431,607	174,625	606,232	606,232
Doubtful	4,276,895	1,081,319	5,358,214	2,156,044	794,875	2,950,919	2,156,044	794,875	2,950,919	2,950,919
Loss	37,639,745	4,777,637	42,417,382	32,996,932	3,396,643	36,393,575	32,996,932	3,396,643	36,393,575	36,393,575
	<u>44,510,490</u>	<u>6,606,334</u>	<u>51,116,824</u>	<u>35,584,583</u>	<u>4,366,143</u>	<u>39,950,726</u>	<u>35,584,583</u>	<u>4,366,143</u>	<u>39,950,726</u>	<u>39,950,726</u>

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

8.2 General provision represents provision amounting to Rs 293.236 million (December 31, 2011: Rs.308.153 million) against consumer finance portfolio as required by the Prudential Regulations issued by the SBP and Rs. 638.248 million (December 31, 2011: Rs.600.541 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. General provisions also include an amount of Rs. 100.000 million (December 31, 2011: Rs.100.000 million) which the Bank carries as matter of prudence given the current economic environment and is based on management estimates.

8.3 The Bank has availed the benefit of Forced Sale Value (FSV) of pledged stocks and mortgaged residential and commercial properties (land and building only) held as collateral against non-performing advances as allowed under BSD Circular 1 of 2011. Had the benefit under the said circular not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 3,198 million (December 31, 2011: Rs.3,217 million). The FSV benefit recognized is not available for the distribution of cash or stock dividend to shareholders.

	Note	(Un-audited) March 31, 2012	(Audited) December 31, 2011
----- (Rupees in '000) -----			
<b>9. OPERATING FIXED ASSETS</b>			
Capital work-in-progress		1,135,448	944,750
Property and equipment		20,579,814	20,541,088
Intangible assets		1,473,979	1,496,040
	9.1	<u>23,189,241</u>	<u>22,981,878</u>

9.1 Additions and disposals during the period amounted to Rs. 669.134 million (March 31, 2011:Rs. 577.599 million) and Rs. 45.778 million (March 31, 2011:Rs. 45.688 million), respectively.

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE QUARTER ENDED MARCH 31, 2012**

	Note	(Un-audited) March 31, 2012	(Audited) December 31, 2011
------(Rupees in '000)-----			
<b>10. BORROWINGS</b>			
<b>Secured</b>			
Borrowings from the State Bank of Pakistan		10,486,611	12,386,674
- Export refinance scheme		39,778	42,264
- Refinance facility for modernization of SME		3,801,563	3,516,846
- Long term financing facility		1,279,530	1,410,276
- Long term financing under export oriented projects		15,607,482	17,356,060
Repurchase agreement borrowings		61,686,392	28,241,667
		<u>77,293,874</u>	<u>45,597,727</u>
<b>Unsecured</b>			
Call borrowings		4,189,895	3,772,258
Overdrawn nostro accounts		1,131,735	5,044
Other borrowings		582,825	578,222
		<u>5,904,455</u>	<u>4,355,524</u>
		<u>83,198,329</u>	<u>49,953,251</u>
<b>11. DEPOSITS AND OTHER ACCOUNTS</b>			
<b>Customers</b>			
Fixed deposits		180,357,418	172,496,615
Savings deposits		211,851,205	206,364,946
Sundry deposits		6,904,299	7,061,853
Margin deposits		3,909,537	4,047,310
Current accounts - remunerative		3,157,263	6,047,055
Current accounts - non-remunerative		196,896,564	204,004,415
		<u>603,076,286</u>	<u>600,022,194</u>
<b>Financial Institutions</b>			
Remunerative deposits		4,695,534	6,824,281
Non-remunerative deposits		6,199,189	6,133,664
		<u>10,894,723</u>	<u>12,957,945</u>
		<u>613,971,009</u>	<u>612,980,139</u>
<b>12. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX</b>			
Surplus / (deficit) arising on revaluation of assets - net of tax:			
Fixed assets	12.1	10,309,361	10,326,050
Securities	12.2	(1,336,360)	(1,796,075)
		<u>8,973,001</u>	<u>8,529,975</u>
<b>12.1 Surplus on revaluation of fixed assets</b>			
Surplus on revaluation of fixed assets at January 01		15,432,360	15,534,899
Exchange adjustments		77	413
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year		(16,739)	(66,919)
Related deferred tax liability on incremental depreciation charged during the period / year		(9,013)	(36,033)
		<u>(25,675)</u>	<u>(102,539)</u>
		15,406,685	15,432,360
Less: Related deferred tax liability on:			
Revaluation as on January 01		5,106,310	5,142,198
Exchange adjustments		27	145
Incremental depreciation charged on related assets		(9,013)	(36,033)
		<u>5,097,324</u>	<u>5,106,310</u>
		<u>10,309,361</u>	<u>10,326,050</u>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE QUARTER ENDED MARCH 31, 2012**

	(Un-audited) March 31, 2012 ------(Rupees in '000)-----	(Audited) December 31, 2011 ------(Rupees in '000)-----
<b>12.2 (Deficit) / surplus on revaluation on available for sale securities</b>		
Market Treasury Bills	93,228	129,358
Pakistan Investment Bonds	(806,015)	(714,954)
Listed shares	(125,625)	(551,038)
Mutual fund units	(39,070)	(38,452)
Term Finance Certificates, Sukuk, other Bonds, etc.	26,809	36,224
Foreign bonds	(1,205,264)	(1,624,331)
	(2,055,937)	(2,763,193)
Related deferred tax asset	719,577	967,118
	<u>(1,336,360)</u>	<u>(1,796,075)</u>
<b>13. CONTINGENCIES AND COMMITMENTS</b>		
<b>13.1 Direct credit substitutes</b>		
Contingent liabilities in respect of guarantees given favouring:		
Government	2,229,638	2,436,053
Banking companies and other financial institutions	4,041,897	4,589,359
Others	2,333,431	2,503,563
	<u>8,604,966</u>	<u>9,528,975</u>
<b>13.2 Transaction-related contingent liabilities</b>		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring		
Government	83,475,441	78,652,267
Banking companies and other financial institutions	3,077,957	2,788,949
Others	22,070,797	19,930,066
	<u>108,624,195</u>	<u>101,371,282</u>
<b>13.3 Trade-related contingent liabilities</b>		
Contingent liabilities in respect of letters of credit opened favouring:		
Government	41,048,204	37,368,414
Others	94,113,182	88,217,532
	<u>135,161,386</u>	<u>125,585,946</u>
<b>13.4 Other contingencies</b>		
Claims against the Bank not acknowledged as debts	<u>22,180,870</u>	<u>22,214,453</u>
<b>13.5 Commitments to extent credit</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.		
	Note	
	(Un-audited) March 31, 2012 ------(Rupees in '000)-----	(Audited) December 31, 2011 ------(Rupees in '000)-----
<b>13.6 Commitments in respect of forward foreign exchange contracts</b>		
Sale	<u>97,424,965</u>	<u>94,144,141</u>
Purchase	<u>149,784,497</u>	<u>136,641,383</u>
<b>13.7 Commitments in respect of derivatives</b>		
Interest rate swaps	<u>8,425,921</u>	<u>8,444,451</u>
Cross currency swaps	<u>35,610,289</u>	<u>35,041,839</u>
<b>13.8 Commitments in respect of capital expenditure</b>	<u>1,799,529</u>	<u>1,082,145</u>
<b>13.9 For contingencies relating to taxation refer note</b>		



**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE QUARTER ENDED MARCH 31, 2012**

	----- <b>(Un-audited)</b> -----	
	Jan-Mar 2012	Jan-Mar 2011
	----- <b>(Rupees in '000)</b> -----	
<b>14. MARK-UP / RETURN / INTEREST EARNED</b>		
On loans and advances to customers	9,132,704	9,806,012
On lendings to financial institutions		
Call money lending	5,253	15,814
Securities purchased under resale agreements	69,169	113,957
Advances to financial institutions	89,135	71,136
	163,557	200,907
On investments in		
Held for trading securities	104,563	534,792
Available for sale securities	5,308,826	2,757,032
Held to maturity securities	2,914,133	3,379,553
	8,327,522	6,671,377
On deposits with financial institutions	67,202	28,273
Discount income	4,840	2,844
	17,695,825	16,709,413
<b>15. MARK-UP / RETURN / INTEREST EXPENSED</b>		
On deposits	6,531,215	5,675,052
On securities sold under repurchase agreements	610,193	595,008
On other short term borrowings	614,286	914,642
On long term borrowings	339,700	368,082
	8,095,394	7,552,784
<b>16. ADMINISTRATIVE EXPENSES</b>		
Salaries, allowances etc.	2,160,801	1,938,522
Charge for compensated absences	143,415	43,094
Medical expenses	106,023	100,667
Contribution to defined contribution plan	40,869	37,137
Reversal in respect of defined benefit obligations	(22,407)	(35,297)
Rent, taxes, insurance, electricity etc.	674,103	566,007
Depreciation	330,025	369,171
Amortization	94,438	74,924
Outsourced service charges including sales commission	468,465	340,603
Communications	220,313	198,192
Banking service charges	196,971	169,191
Cash transportation charges	83,284	75,871
Stationery and printing	102,481	99,033
Legal and professional charges	71,408	37,566
Advertisement and publicity	133,697	128,102
Repairs and maintenance	278,935	200,754
Travelling	61,912	59,594
Office running expenses	96,550	87,982
Vehicle expenses	44,747	33,989
Entertainment	36,529	29,537
Cartage, freight and conveyance	20,695	17,049
Insurance expense	55,377	35,792
Auditors' remuneration	15,149	13,056
Training and seminars	18,677	10,092
Brokerage expenses	5,431	10,457
Subscriptions	9,570	9,648
Non-executive Directors' fees	5,910	5,379
Donations	727	100
Miscellaneous expenses	71,930	51,823
	5,526,025	4,708,035

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE QUARTER ENDED MARCH 31, 2012**
**17. TAXATION**

The Income Tax return of the Bank for the tax year 2011 (accounting year ended December 31, 2010) was filed and was deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (the Ordinance).

On the basis of tax returns filed, the tax authorities have issued amended assessment orders for the tax years 2003 to 2011 (accounting years ended December 31, 2002 to 2010) determining additional tax liability of Rs.8,356 million, which has been fully paid as required under the law, except for a portion of Rs.518 million relating to the tax year 2011 which has not been paid because of available refunds. For the tax years 2004 to 2009, appeals have been decided by the Commissioner of Inland Revenue [CIR(A)] by allowing relief on certain issues, while the tax years 2003 and 2010 remain pending before the CIR(A). The appeal for the tax year 2011 is in the process of preparation and will be filed in due course before the CIR(A). For the tax years 2004 to 2007, appeals have been decided by the Appellate Tribunal Inland Revenue (ATIR) and relief on certain issues have been allowed, the appeal effect order of which has resulted in a refund of Rs. 1,340 million. For the remaining matters, the Bank has filed a reference application before the High Court of Sindh. For the tax years 2008 and 2009 the appeals are pending adjudication. The management is confident that the appeals will be decided in favor of the Bank.

Under the Seventh Schedule to the Ordinance, banks are allowed to claim provisions against advances upto 5% of total advances for consumer and small and medium enterprises and upto 1% of total advances for other advances. Amounts above these limits are allowed to be claimed in future years. The Bank has booked a deferred tax asset of Rs. 3,200 million (2011: 3,200 million) in respect of provisions in excess of the above mentioned limits.

The Bank also carries a tax asset amounting to Rs.4,114 million (December 31, 2011: Rs.4,114 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 advisor, is confident that these would be allowed to the Bank at appellate levels.

The tax returns for Azad Kashmir (AK) Branches have been filed for the tax years 2005 to 2011 (accounting years ended December 31, 2004 to 2010) under the provisions of section 120(1) read with section 114 of the Ordinance, and in compliance with the terms of the agreement between the banks and the Azad Kashmir Council in May 2005. The returns filed are considered as deemed assessment orders under the law.

The tax returns for overseas branches (for UAE, Qatar, Yemen and New York) have been filed up to the accounting year ended December 31, 2010 under the provisions of the laws prevailing in the respective countries, and are deemed as assessed unless opened for reassessment.

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

	For the Period Ended March 31, 2012 (Un-audited)					
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Others	Inter segment elimination
	(Rupees in '000)					
Total income	64,374	2,513,142	8,264,920	2,135,614	716,516	-
Total expenses	(26,094)	(5,650)	(4,957,548)	(1,084,517)	(390,577)	-
Net income before tax	38,280	2,507,492	3,307,372	1,051,097	325,939	-
Segment return on assets (ROA) (%)	9.3%	1.9%	1.5%	0.9%	-	-
Segment cost of funds (%)	1.0%	8.0%	4.1%	7.3%	-	-

	For the Period Ended March 31, 2011 (Un-audited)					
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Others	Inter segment elimination
	(Rupees in '000)					
Total income	78,590	1,303,884	8,361,117	2,067,902	371,505	-
Total expenses	(28,750)	(1,084,799)	(4,864,695)	(906,163)	(286,554)	-
Net income before tax	49,840	219,085	3,496,422	1,161,739	84,951	-
Segment return on assets (ROA) (%)	2.7%	0.2%	1.8%	1.0%	-	-
Segment cost of funds (%)	0.4%	8.0%	4.2%	7.4%	-	-

	As at March 31, 2012 (Un-audited)					
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Others	Inter segment elimination
	(Rupees in '000)					
Segment assets (gross of NPL provisions)	1,189,157	382,218,030	589,705,288	293,914,640	98,369,479	(506,408,653)
Segment non performing loans (NPLs)	590,762	644,473	24,948,078	33,507,003	13,153	-
Segment provision held against NPLs	150,589	322,008	19,724,915	20,447,679	13,153	-
Segment liabilities	1,013,323	381,683,232	567,958,971	272,784,870	23,921,415	(506,408,653)

	As at December 31, 2011 (Audited)					
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Others	Inter segment elimination
	(Rupees in '000)					
Segment assets (gross of NPL provisions)	1,890,059	363,562,165	598,730,339	333,590,846	81,079,379	(560,842,322)
Segment non performing loans (NPLs)	616,212	2,151,690	23,899,966	24,435,803	13,153	-
Segment provision held against NPLs	149,404	1,667,117	19,262,645	18,858,407	13,153	-
Segment liabilities	1,416,057	358,598,945	611,090,007	273,270,982	15,373,164	(560,842,322)

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 UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE QUARTER ENDED MARCH 31, 2012**
**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 condensed interim financial statements, are as follows:

	As at March 31, 2012 (Un-audited)					As at December 31, 2011 (Audited)				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	------(Rupees in '000)-----									
Balances with banks										
In current accounts	-	-	812,859	-	-	-	-	882,673	-	-
In deposit accounts	-	-	947,205	-	955	-	-	1,708,188	-	500,006
	-	-	1,760,064	-	955	-	-	2,590,861	-	500,006
<b>Investments</b>										
<b>In shares / mutual funds - cost</b>										
Opening balance	-	-	2,201,948	16,657,117	264,553	-	-	2,201,948	7,382,192	317,176
Investment made during the period / year	-	-	-	5,600,000	-	-	-	-	13,550,000	-
Investment redeemed / disposed off during the period / year	-	-	-	-	(225)	-	-	-	(4,275,075)	(52,623)
Closing balance	-	-	2,201,948	22,257,117	264,328	-	-	2,201,948	16,657,117	264,553
Provision for diminution in value of investments	-	-	-	-	58,259	-	-	-	-	58,259
Purchase of investment	-	-	-	-	-	-	-	101,170	-	-
<b>Advances</b>										
Opening balance	871	122,016	-	-	-	969	141,762	-	-	-
Addition during the period / year	-	36,541	-	-	-	-	33,717	-	-	-
Repaid during the period / year	(29)	(22,332)	-	-	-	(98)	(53,463)	-	-	-
Closing balance	842	136,225	-	-	-	871	122,016	-	-	-
<b>Other Assets</b>										
Interest markup accrued	11	24	9,924	-	6,628	11	139	821	-	4,549
Dividend receivable	-	-	20,000	449,422	-	-	-	-	-	-
Receivable from staff retirement funds	-	-	-	-	121,714	-	-	-	-	99,182
Prepaid insurance	-	-	-	177,066	-	-	-	-	805	-
Advance for pre-IPO investment	-	-	-	-	-	-	-	-	100,000	-
Other receivable	-	-	2,369	-	-	-	-	2,403	-	-
<b>Borrowings</b>										
Opening balance	-	-	-	-	449,740	-	-	-	-	428,195
Borrowings during the period / year	-	-	-	-	2,321,317	-	-	1,628,297	-	899,480
Settled during the period / year	-	-	-	-	(903,047)	-	-	(1,628,297)	-	(877,935)
Closing balance	-	-	-	-	1,868,010	-	-	-	-	449,740
<b>Deposits and other accounts</b>										
Opening balance	2,898,779	63,495	131,902	1,217,179	1,485,930	2,796,798	24,857	146,247	3,824,208	957,640
Received during the period / year	582,238	207,931	32,628,835	9,523,849	19,460,214	15,000,221	1,817,159	112,822,806	36,730,601	82,625,198
Withdrawn during the period / year	(363,825)	(151,657)	(32,597,703)	(10,240,110)	(19,695,763)	(14,898,240)	(1,778,521)	(112,837,151)	(39,337,630)	(82,096,908)
Closing balance	3,117,192	119,769	163,034	500,918	1,250,381	2,898,779	63,495	131,902	1,217,179	1,485,930
<b>Subordinated loans</b>	-	5	-	5,998	-	-	5	-	5,998	-
<b>Other Liabilities</b>										
Interest / markup payable on deposits	15,622	95	42	60	1,069	35,518	222	158	64	2,844
Interest / markup payable on borrowings	-	-	-	-	1,203	-	-	-	-	761
Interest / markup payable on sub-ordinated loans	-	0	-	25	-	-	0	-	167	-
Unrealised loss on derivative transactions	-	-	-	-	1,782,339	-	-	-	-	1,623,223
Unearned income	-	-	933	-	-	-	-	154	-	-
Others	-	-	-	-	-	-	-	10,000	-	-
<b>Contingencies and Commitments</b>										
Letter of guarantee	1,796,675	-	-	76,268	-	1,782,540	-	-	75,668	-
Forward foreign exchange contracts purchase	-	-	347,925	-	3,337,940	-	-	696,955	-	1,451,040
Forward foreign exchange contracts sale	-	-	347,925	-	837,810	-	-	696,955	-	1,448,555
	------(Rupees in '000)-----					------(Rupees in '000)-----				
<b>For the quarter ended March 31, 2012 (Un-audited)</b>										
Mark-up / return / interest earned	32	1,992	9,313	-	16,244	38	2,272	126	-	65,674
Commission / charges recovered	1	7	19	101	65	2	4	53	253	686
Dividend income	-	-	20,000	617,212	-	-	-	-	29,735	-
Net gain on sale of investment	-	-	-	-	-	-	-	-	4,375	-
Realised gain on derivative transactions	-	-	-	-	506,914	-	-	-	-	575,518
Other income	-	685	320	-	-	-	2,398	424	90	-
<b>For the quarter ended March 31, 2011 (Un-audited)</b>										
Mark-up / return / interest paid	31,150	158	250	3,674	9,553	22,414	152	161	32,483	16,255
Remuneration paid	-	226,724	-	-	-	-	182,904	-	-	-
Post employment benefits	-	3,949	-	-	-	-	3,424	-	-	-
Non-executive directors' fee	5,910	-	-	-	-	5,379	-	-	-	-
Net charge for defined contribution plans	-	-	-	-	40,869	-	-	-	-	37,137
Net reversal for defined benefit plans	-	-	-	-	(70,188)	-	-	-	-	(83,053)
Payment for employee motivation and retention scheme	-	-	-	-	250,000	-	-	-	-	115,000
Insurance premium paid	-	-	-	263,926	-	-	-	-	235,591	-
Insurance claims settled	-	-	-	38,636	-	-	-	-	43,807	-

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE QUARTER ENDED MARCH 31, 2012**
**20. ISLAMIC BANKING BUSINESS**

20.1 The statement of financial position of the Bank's Islamic Banking branches as at March 31, 2012 is as follows:

	(Un-audited) March 31, 2012	(Audited) December 31, 2011
	----- (Rupees in '000) -----	
<b>ASSETS</b>		
Cash and balances with treasury banks	487,778	520,737
Balances with other banks	198,435	2,185,282
Investments	6,964,997	5,006,664
Financing and receivables		
- Murabaha	184,851	355,909
- Musharaka	83,333	111,111
- Diminishing Musharaka	61,405	67,051
- Salam	72,969	-
Provision against advances	(28,672)	(21,982)
	373,886	512,089
Operating fixed assets including assets given under Ijarah	556,328	503,512
Other assets	615,605	384,977
<b>Total Assets</b>	<b>9,197,029</b>	<b>9,113,261</b>
<b>LIABILITIES</b>		
Bills payable	960	960
Deposits and other accounts		
- Current accounts	1,553,575	1,453,763
- Saving accounts	1,471,947	1,233,772
- Term deposits	2,410,416	1,652,628
- Deposits from financial institutions - remunerative	2,755,032	2,841,225
	8,190,970	7,181,388
Due to Head Office	289,195	1,339,874
Other liabilities	98,663	105,099
	8,579,788	8,627,321
<b>NET ASSETS</b>	<b>617,241</b>	<b>485,940</b>
<b>REPRESENTED BY</b>		
Islamic Banking Fund	681,000	681,000
Accumulated loss	(69,693)	(199,658)
	611,307	481,342
Surplus / (deficit) on revaluation of assets	5,934	4,598
	<b>617,241</b>	<b>485,940</b>

20.2 The profit and loss account of the Bank's Islamic Banking branches for the quarter ended March 31, 2012 is as follows:

	Quarter ended (Un-audited) March 31, 2012	March 31, 2011
	----- (Rupees in '000) -----	
Return earned	326,792	181,005
Return expensed	(138,373)	(107,584)
	188,419	73,421
Provision against loans & advances - net	(6,690)	-
Reversal for diminution in value of investment	673	35,130
Reversal against assets given on Ijara	239	2,634
	(5,778)	37,764
Net return after provision	182,641	111,185
<b>OTHER INCOME</b>		
Fee, commission and brokerage income	2,666	1,582
Dividend income	27,865	3,866
Income from dealing in foreign currencies	3,749	729
Gain on sale of securities	860	-
Other income	4,049	3,664
Total other income	39,189	9,841
	221,830	121,026
<b>OTHER EXPENSES</b>		
Administrative expenses	(88,480)	(69,441)
Other provisions / write offs	(3,385)	(1,521)
Total other expenses	(91,865)	(70,962)
Net profit / (loss) for the period	129,965	50,064
Accumulated losses brought forward	(199,658)	(203,000)
Accumulated losses carried forward	(69,693)	(152,936)
Remuneration to Sharia Advisor / Board	681	602

**21. DATE OF AUTHORIZATION**

These condensed interim financial statements were authorised for issue on April 26, 2012 by the Board of Directors of the Bank.