

# **United Bank Limited**

**UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2012  
(UNAUDITED)**



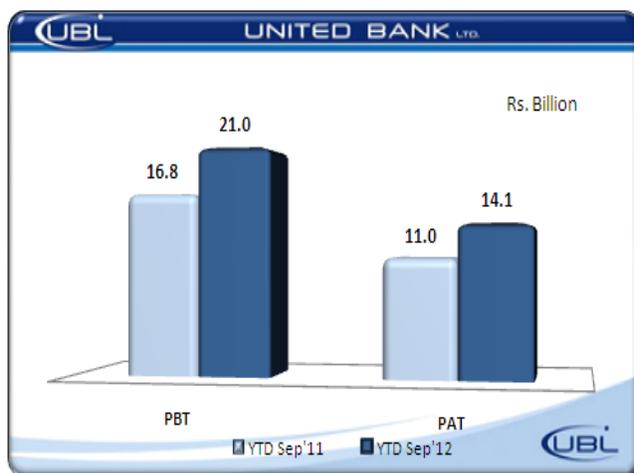
## DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors, I am pleased to present to you the financial statements of UBL for the nine months ended September 30, 2012.

### Performance Highlights

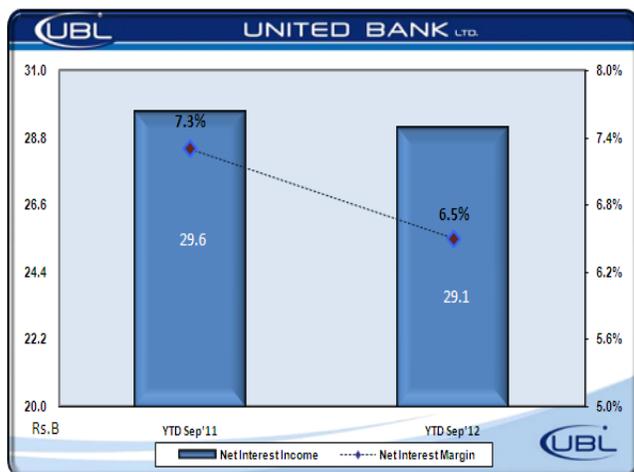
- Unconsolidated PAT for the nine months ended 30 Sep 2012 was Rs 14.1 billion, reflecting a growth of 28% over the same period last year.
- Net Interest Margin for the nine months reduced by 82 bps over the previous year to 6.5% due to a lower rate environment and an increase in the minimum rate paid on PLS savings accounts.
- Lower NPL accretion and improved coverage led to a 47.5% reduction in provisions over the same period last year.

### Strong and consistent financial performance



For the nine months ending September 30, 2012, UBL has achieved a profit after tax of Rs 14.1 billion. This is 28% higher than the corresponding period last year and translates into earnings per share of Rs. 11.48 (Sep 2011: Rs. 8.95).

For the same period, UBL's profit before tax is Rs 21.0 billion, 26% higher than the same period last year. This has been achieved through growth in the balance sheet, improved non fund income and lower provisions. On a consolidated basis, UBL achieved a profit after tax of Rs 15.0 billion, an increase of 42% over the nine months ended 30 Sep 2011.



### Revenue growth

The rate environment for the 9 months of the year is 183 bps lower than for the same period in 2011 as a result of a reduction of 350 bps in the Discount rate. Additionally, a mandated 100 bps increase in the minimum rate paid on PLS savings deposits has resulted in severe spread compression. As a result, net interest margin declined from 7.3% in Sep'11 to 6.5% in Sep'12. However, this was largely offset by a growth of 16% in average assets over the nine months as compared to the corresponding period last year. Consequently, net interest income reduced slightly, from Rs 29.6 billion in Sep'11 to Rs 29.1 billion in Sep'12. Provisions for the nine months reduced by Rs 3.1 billion compared to the

corresponding period last year and have resulted in an improvement in the Bank's coverage ratio from 75% in Sep'11 to 79% in Sep'12.

Non-interest income for the nine months ended Sep'12 increased by 47% to Rs 13.2 billion. Core banking fees and commissions increased to Rs. 5.9 billion, a growth of 18% over the corresponding period last year. This was mainly attributable to increase in domestic and home remittances, improved cross-sell activity and higher general banking fees. Dividend income grew to Rs 1.5 billion in Sep'12 from Rs. 0.4 billion in Sep'11 as a result of the Bank's increased investment in mutual funds, whilst income from treasury related activities increased by 74% as compared to the corresponding period last year.

### ***Cost management***

Total expenses grew by 5% QoQ as the bank has been investing heavily in Omni and, since the latter half of 2011, has undertaken its most ambitious branch expansion post-privatization. UBL has also made significant investments in its new core banking system and an advertising and brand building campaign to promote its products and services. On a comparable basis, YoY expense growth was 10%, despite the significant inflationary pressures and escalating utilities costs. Consequently, as a result of escalating cost and lower rate environment, cost to income ratio increased from 38.3% for the nine months of 2011 to 41.0% in 2012.

### ***Balance Sheet***

Gross advances have increased by 9% over December 11 levels to reach Rs 400 billion. Deposits reduced subsequent to the seasonal peak in June, however, they are 7% higher than December 2011, and the domestic CASA deposit ratio has been maintained at 79%.

The return on average assets improved from 2.1% for the full year 2011 to 2.3% for the nine months ended September 30, 2012, and return on equity increased from 23.7% for 2011 to 25.7% for the nine months of 2012.

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

UBL's capital adequacy ratio (CAR) improved from 14.0% in Jun 2012 to 14.8% in Sep 2012, while the Tier-1 CAR improved from 10.1% to 10.6% over the same period.

The Board of Directors of UBL has declared an interim dividend of 20% in their meeting in Abu Dhabi dated 31 October 2012 along with the results for the nine months ended 30 September 2012. This is in addition to the 30% interim cash dividend declared and paid upto this period.

## **Key Developments**

### ***Macroeconomic performance***

Pakistan's economic performance during the third quarter of 2012 has been mixed. Inflation has reduced to single digits, averaging 9.15% for the quarter, and the full-year target of 9.5% now appears more realistic. The country's structural economic problems remain familiar, with the energy deficit, circular debt, low tax/GDP ratio, and inconsistent industrial growth keeping real GDP growth in the 3-4% range.

The trade deficit for the first quarter of FY13 has reduced by 10.0%, as imports have declined by 2.4%, while exports have increased by 4.3%. The improving trade deficit, and a one-off payment of US\$ 1.2 billion received on account of the Coalition Support Fund, has resulted in a current account surplus of US\$ 0.4 billion for the quarter, compared to a US\$ 1.3 billion deficit for the same period last year. However, there are worrying signs as further quantitative easing by the US has resulted in rising international commodity prices, including crude oil, which will continue to affect Pakistan's balance of payments going forward. Additionally, the rapid growth trajectory of workers' remittances seen during the past few years has slowed down, rising by 9% in the first quarter of FY13 as compared to 25% during the same period

last year.

Budgetary management remains an issue with the government, on both the revenue and expenditure sides. Tax collection for the quarter has been even lower than during the same period last year and achievement of the full year target of Rs 2.4 trillion looks difficult. With elections due to be held in the latter part of the fiscal year, expenditures are also likely to exceed budgetary estimates. It already appears likely that the fiscal deficit for FY13 will be adversely affected and probably will be well above the 4.7% target.

The implementation of the revised capital gains tax rules, along with the sharp reduction in interest rates have given a boost to the stock market. The KSE-100 Index, having already gained 36% during the nine months, has moved to new record-highs in Oct'12. However, volumes still remain sluggish, with very little foreign portfolio investment.

The lower inflation numbers have resulted in the SBP reducing the discount rate by 200 bps since July. Coupled with the 100 bps increase in the minimum PLS deposits rate since May, this has resulted in severe spread compression for the industry. In Aug '12, bank spreads dipped below the 7.00% mark for the first time since Jun'08. In its latest monetary policy statement, the SBP appreciated that while the government has reduced its borrowing from the central bank, budgetary management still needs to be improved. However, the SBP remains concerned that private sector credit growth, which was a key impetus for the rate reduction, is still sluggish.

Deposits for the banking sector grew by 7.5% during the first nine months of 2012. On the other hand, lending has remained limited, mainly to government and public sector enterprises, with the private sector still not willing to borrow for investment purposes. Total advances of the banking sector have increased by 6.6% since Dec'11, however more than half of this is due to a fresh tranche of circular debt settlement earlier in the year. After tapering off during the first quarter, the stock of non-performing loans has risen by 4.3% to Jun'12 QoQ and absolute NPL stock for the sector remains high at Rs 635 billion.

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

The macroeconomic indicators of the GCC countries have continued to show improvement, reflected in a significant decline in sovereign insurance premiums for all GCC countries. While high oil prices added to region's current account surplus, enhanced trade, transport and tourism have further contributed towards a positive outlook on regional economies, particularly UAE. The renewed confidence has also led to the business growing its target market Corporate portfolio in all territories,

The Dubai real estate sector is witnessing firming up of prices and rentals and new projects being launched, which should further help in boosting business confidence and support the Bank's re-entry into the mortgage market. UBL UAE was earlier granted permission to open its branches 7 days a week, with extended evening banking. This has been received positively by the market and provides the business a good opportunity to enhance its Retail customer base and increase 'Tezraftaar' volumes.

In each territory, emphasis has been laid on creating a robust liquidity risk management framework by using proactive measures to meet anticipated guidelines from the respective central banks. The goal is to meet required liquidity parameters while managing deposit costs.

UBL International has aligned its strategy in light of these positive developments to grow within the wholesale banking space, emphasizing cross-sell across products and customers. The Financial Institutions Group successfully pioneered a USD 16 million bilateral facility for 6 Bangladeshi private Banks, the first of its kind for the Sovereign. This provides an opportunity for UBL to partner with banks in Bangladesh, across several product frontiers, expanding the scope and reach of UBL's penetration. The Investment Banking business secured a Lead Arranger mandate for a USD 123 million syndicated financing facility for one of the Bank's customers in the Petrochemical Industry.

### **Omni**

UBL Omni successfully launched Pakistan's first ATM/Debit card that is provided to customers at the time of account opening. This feature has been very well received and is popular with customers. The product launch was supported with an aggressive media campaign, resulting in a four-fold increase in the number of branchless accounts opened daily.

UBL Omni's multi-pronged strategy of G2P payments, providing cash management services for businesses and targeting retail consumers has resulted in an increase in transaction volumes and value of 6% and 35% respectively over the previous quarter. The Domestic Remittances business in particular, continues to show strong growth. During the quarter, the World Health Organization was added to the Omni client portfolio for cash disbursement services to polio eradication field officers working across Pakistan.

The Omni Dukaan network continues to expand and stands close to 9,000 agents across 680 cities and towns across Pakistan.

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

Another 307 branches were converted to the new core banking system (CBS) during the quarter, bringing the total number of branches on CBS to 858. As a result 77% of total Deposits, 97% of Advances and almost the entire Trade Finance portfolio are now on CBS.

The Loan Origination System (LOS) for Corporate, Consumer, Commercial & SME customers has now been rolled out across the country.

The parallel test run for Phase I of the Treasury System (Sierra) implementation covering the Foreign Exchange and Derivatives modules has been conducted successfully and these modules are scheduled to go live by the end of the year.

### **Corporate Social Responsibility**

In Q3 2012, UBL continued to provide support to various causes in the areas of education, health and community services, in line with its CSR objectives. The bank donated to institutions like the Marie Adelaide Leprosy Center and Al-Mehrab Tibbi Imdad among others. The Bank remains committed to aiding social welfare projects to help improve the society that we live in.

### **Looking ahead**

While some of the numbers seem to have given temporary reprieve to the country's macroeconomic picture, the framework remains fragile. Despite repeated Government interventions, circular debt continues to escalate, and tax collection remains a perennial problem. However, inflation is expected to soften during FY13, which may lead to further lowering of interest rates. In this backdrop, the banking sector will be challenged to manage spread compression and maintain profitability going forward.

UBL's focus will be on leveraging its recently expanded network and growing its balance sheet. In the current lower interest rate environment, acquisition of low cost deposits will be a priority to manage spreads. As market conditions improve, the Bank will selectively increase lending to high quality customers and continue to improve asset quality. While managing costs prudently, the Bank will continue to invest in technology and in business building activities in order to provide convenience and superior service to its customers.

**Acknowledgements**

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

For and on behalf of the Board,

Nahayan Mabarak Al Nahayan  
Chairman

Abu Dhabi  
October 31, 2012

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT SEPTEMBER 30, 2012**

	Note	(Un-audited) September 30, 2012	(Audited) December 31, 2011
----- (Rupees in '000) -----			
<b>ASSETS</b>			
Cash and balances with treasury banks		73,826,300	86,409,551
Balances with other banks		10,698,509	16,546,311
Lendings to financial institutions	6	22,555,693	9,536,211
Investments	7	347,131,008	294,410,661
Advances	8	355,471,150	325,347,208
Operating fixed assets	9	24,217,434	22,981,878
Deferred tax asset - net		303,636	1,991,185
Other assets		20,523,642	20,836,736
		854,727,372	778,059,741
<b>LIABILITIES</b>			
Bills payable		8,353,470	5,879,043
Borrowings	10	78,453,457	49,953,251
Deposits and other accounts	11	653,063,864	612,980,139
Subordinated loans		9,319,264	11,317,080
Deferred tax liability - net		-	-
Other liabilities		17,342,184	18,777,320
		766,532,239	698,906,833
<b>NET ASSETS</b>		<u>88,195,133</u>	<u>79,152,908</u>
<b>REPRESENTED BY:</b>			
Share capital		12,241,798	12,241,798
Reserves		27,852,598	24,847,019
Unappropriated profit		35,218,867	33,534,116
		75,313,263	70,622,933
Surplus on revaluation of assets - net of deferred tax	12	12,881,870	8,529,975
		<u>88,195,133</u>	<u>79,152,908</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	13		

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

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

**Rana Assad Amin**  
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 NINE MONTHS ENDED SEPTEMBER 30, 2012**

	Note	Jul-Sep 2012	Jul-Sep 2011	Jan-Sep 2012	Jan-Sep 2011
------(Rupees in '000)-----					
Mark-up / return / interest earned	14	19,214,270	18,454,930	55,469,908	52,532,426
Mark-up / return / interest expensed	15	(9,285,848)	(8,152,142)	(26,330,891)	(22,898,926)
Net mark-up / interest income		<u>9,928,422</u>	<u>10,302,788</u>	<u>29,139,017</u>	<u>29,633,500</u>
Provision against loans and advances - net		(1,735,043)	(1,419,145)	(2,694,647)	(5,831,076)
Provision against lendings to financial institutions - net		(15)	-	(171,039)	(91,354)
Provision for diminution in value of investments - net		(98,966)	(46,468)	(78,068)	(251,983)
Bad debts written off directly		(69,316)	(103,324)	(262,351)	(336,440)
		<u>(1,903,340)</u>	<u>(1,568,937)</u>	<u>(3,206,105)</u>	<u>(6,510,853)</u>
Net mark-up / interest income after provisions		<u>8,025,082</u>	<u>8,733,851</u>	<u>25,932,912</u>	<u>23,122,647</u>
<b>Non mark-up / interest income</b>					
Fee, commission and brokerage income		1,949,215	1,711,515	5,913,844	4,991,508
Dividend income		77,912	107,757	1,520,686	429,750
Income from dealing in foreign currencies		486,210	441,235	1,533,292	1,516,804
Gain on sale of securities - net		128,800	49,209	591,086	245,115
Unrealized gain on revaluation of investments classified as held for trading		11,167	106,216	3,436	54,847
Other income		2,833,111	622,395	3,606,655	1,698,893
Total non mark-up / interest income		<u>5,486,415</u>	<u>3,038,327</u>	<u>13,168,999</u>	<u>8,936,917</u>
		<u>13,511,497</u>	<u>11,772,178</u>	<u>39,101,911</u>	<u>32,059,564</u>
<b>Non mark-up / interest expenses</b>					
Administrative expenses	16	(6,057,784)	(5,016,266)	(17,343,400)	(14,758,344)
Other provisions - net		(44,754)	(14,724)	(212,702)	(1,020)
Workers' Welfare Fund		(145,537)	(151,111)	(421,954)	(369,820)
Other charges		(25,231)	(67,661)	(77,622)	(178,622)
Total non mark-up / interest expenses		<u>(6,273,306)</u>	<u>(5,249,762)</u>	<u>(18,055,678)</u>	<u>(15,307,806)</u>
<b>Profit before taxation</b>		<u>7,238,191</u>	<u>6,522,416</u>	<u>21,046,233</u>	<u>16,751,758</u>
<b>Taxation</b>					
- Current	17	(2,584,035)	(2,670,332)	(7,153,001)	(6,485,379)
- Prior		(491,853)	(370,165)	(491,853)	(362,636)
- Deferred		577,839	765,990	656,582	1,048,707
		<u>(2,498,049)</u>	<u>(2,274,507)</u>	<u>(6,988,272)</u>	<u>(5,799,308)</u>
<b>Profit after taxation</b>		<u><u>4,740,142</u></u>	<u><u>4,247,909</u></u>	<u><u>14,057,961</u></u>	<u><u>10,952,450</u></u>
------(Rupees)-----					
<b>Earnings per share - basic and diluted</b>		<u>3.87</u>	<u>3.47</u>	<u>11.48</u>	<u>8.95</u>

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Director

Sir Mohammed Anwar Pervez, OBE, HPk  
Deputy Chairman

Nahayan Mabarak Al Nahayan  
Chairman

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012**

	Jul-Sep 2012	Jul-Sep 2011	Jan-Sep 2012	Jan-Sep 2011
	------(Rupees in '000)-----			
<b>Profit after taxation</b>	4,740,142	4,247,909	14,057,961	10,952,450
<b>Other comprehensive income:</b>				
Exchange differences on translation of net investment in foreign branches	84,353	523,698	1,566,823	642,379
Gain on cash flow hedges	14,321	24,301	50,707	79,439
Related deferred tax liability on cash flow hedges	(5,012)	(8,506)	(17,747)	(27,804)
	9,309	15,795	32,960	51,635
	93,662	539,493	1,599,783	694,014
<b>Comprehensive income transferred to equity - net of tax</b>	<u>4,833,804</u>	<u>4,787,402</u>	<u>15,657,744</u>	<u>11,646,464</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.

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Director

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Deputy Chairman

**Nahayan Mabarak Al Nahayan**  
Chairman

**UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012**

	September 30, 2012	September 30, 2011
	----- (Rupees in '000) -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	21,046,233	16,751,758
Less: Dividend income	(1,520,686)	(429,750)
	<u>19,525,547</u>	<u>16,322,008</u>
<b>Adjustments:</b>		
Depreciation	1,090,417	1,119,880
Amortization	306,798	221,935
Workers' Welfare Fund	421,954	369,820
Provision for retirement benefits	487,322	280,595
Provision against loans and advances	2,694,647	5,831,076
Provision against lendings to financial institutions	171,039	91,354
Provision for diminution in value of investments	78,068	251,983
Gain on sale of fixed assets	(21,701)	(12,832)
Other provisions - net	212,702	1,020
Amortization of cash flow hedges	50,707	79,439
Unrealized gain on revaluation of investments classified as held for trading	(3,436)	(54,847)
Bad debts written off directly	262,351	336,440
	<u>5,750,868</u>	<u>8,515,863</u>
	25,276,415	24,837,871
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(13,190,521)	(3,645,830)
Held for trading securities	(12,773,278)	(8,215,758)
Advances	(33,080,940)	1,821,825
Other assets - (excluding advance taxation)	735,382	(2,427,569)
	<u>(58,309,357)</u>	<u>(12,467,332)</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	2,474,427	1,092,216
Borrowings	28,500,206	16,572,674
Deposits and other accounts	40,083,725	6,564,569
Other liabilities - (excluding current taxation)	(2,098,181)	(1,991,713)
	<u>68,960,177</u>	<u>22,237,746</u>
	35,927,235	34,608,285
Staff retirement benefits paid	(147,049)	(69,758)
Income tax paid	(8,425,095)	(6,068,850)
Net cash inflow from operating activities	<u>27,355,091</u>	<u>28,469,677</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investment in securities	(33,249,693)	(33,162,957)
Dividend income received	1,522,777	360,981
Investment in operating fixed assets	(2,703,756)	(1,608,434)
Sale proceeds from disposal of operating fixed assets	93,139	72,901
Net cash used in investing activities	<u>(34,337,533)</u>	<u>(34,337,509)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayments of subordinated loans	(1,997,816)	(668,668)
Dividend paid	(11,017,618)	(6,732,989)
Net cash used in financing activities	<u>(13,015,434)</u>	<u>(7,401,657)</u>
	(19,997,876)	(13,269,489)
Exchange difference on translation of net investment in foreign branches	1,566,823	642,379
Decrease in cash and cash equivalents during the period	<u>(18,431,053)</u>	<u>(12,627,110)</u>
Cash and cash equivalents at the beginning of the period	102,955,862	86,103,810
Cash and cash equivalents at the end of the period	<u>84,524,809</u>	<u>73,476,700</u>

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**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 01, 2011 (Audited)</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 nine months ended September 30, 2011</b>						
Final cash dividend - December 31, 2010 declared subsequent to the year end at Rs.4.0 per share	-	-	-	-	(4,896,719)	(4,896,719)
Interim cash dividend - June 30, 2011 declared at Rs.1.5 per share	-	-	-	-	(1,836,270)	(1,836,270)
<b>Total comprehensive income for the nine months ended September 30, 2011</b>						
Profit after taxation for the nine months ended September 30, 2011	-	-	-	-	10,952,450	10,952,450
Other comprehensive income - net of tax	-	-	642,379	51,635	-	694,014
Total comprehensive income for the nine months ended September 30, 2011	-	-	642,379	51,635	10,952,450	11,646,464
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	190,588	190,588
Transfer to statutory reserve	-	1,095,245	-	-	(1,095,245)	-
<b>Balance as at September 30, 2011 (Un-audited)</b>	12,241,798	15,542,143	8,013,270	(77,517)	29,565,293	65,284,987
<b>Total comprehensive income for the three months ended December 31, 2011</b>						
Profit after taxation for the three months ended December 31, 2011	-	-	-	-	4,547,213	4,547,213
Other comprehensive income - net of tax	-	-	898,880	15,522	-	914,402
Total comprehensive income for the three months ended December 31, 2011	-	-	898,880	15,522	4,547,213	5,461,615
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	(123,669)	(123,669)
Transfer to statutory reserve	-	454,721	-	-	(454,721)	-
<b>Balance as at December 31, 2011 (Audited)</b>	12,241,798	15,996,864	8,912,150	(61,995)	33,534,116	70,622,933
<b>Transactions with owners recorded directly in equity for the nine months ended September 30, 2012</b>						
Final cash dividend - December 31, 2011 declared subsequent to the year end at Rs.6.0 per share	-	-	-	-	(7,345,078)	(7,345,078)
Interim cash dividend - March 31, 2012 declared at Re.1.0 per share	-	-	-	-	(1,224,180)	(1,224,180)
Interim cash dividend - June 30, 2012 declared at Rs.2.0 per share	-	-	-	-	(2,448,360)	(2,448,360)
<b>Total comprehensive income for the nine months ended September 30, 2012</b>						
Profit after taxation for the nine months ended September 30, 2012	-	-	-	-	14,057,961	14,057,961
Other comprehensive income - net of tax	-	-	1,566,823	32,960	-	1,599,783
Total comprehensive income for the nine months ended September 30, 2012	-	-	1,566,823	32,960	14,057,961	15,657,744
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	50,204	50,204
Transfer to statutory reserve	-	1,405,796	-	-	(1,405,796)	-
<b>Balance as at September 30, 2012 (Un-audited)</b>	12,241,798	17,402,660	10,478,973	(29,035)	35,218,867	75,313,263

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

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 1,228 (December 31, 2011: 1,218) branches inside Pakistan including 16 (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, 2011: 17) branches outside Pakistan as at September 30, 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.

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012**

Had the exemption not been granted, the staff costs of the Bank for the period would have been higher by Rs. 508 million (September 30, 2011: Rs. 98 million), profit before taxation would have been lower by Rs.508 million (September 30, 2011: Rs.98 million), unappropriated profit would have been lower by Rs.1,204 million (December 31, 2011: Rs.696 million) and reserves would have been higher by Rs 1,204 million (December 31, 2011: Rs.696 million), hence, there would have been no impact on net equity. Further, earnings per share would have been lower by Rs.0.42 per share (September 30, 2011: Rs.0.08 per share).

**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.

**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 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 financial statements of the Bank for the year ended December 31, 2011.

**4.3 New standards, interpretations and amendments thereof, adopted by the Bank**

During the period, the following amended accounting standard has been adopted by the Bank:

Standard or Interpretation	Effective date (annual periods beginning on or after)
IAS 12 Income Taxes (Amendment) - Recovery of underlying assets	January 01, 2012

Adoption of the above standard did not have any material effect on these unconsolidated condensed interim financial statements.

**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 judgments made by 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) September 30, 2012	(Audited) December 31, 2011
------(Rupees in '000)-----	

**6. LENDINGS TO FINANCIAL INSTITUTIONS**

Call money lendings	355,000	130,000
Repurchase agreement lendings	2,328,292	-
Other lendings to financial institutions	<u>20,419,113</u>	<u>9,762,848</u>
	23,102,405	9,892,848
Provision against lendings to financial institutions	<u>(546,712)</u>	<u>(356,637)</u>
	<u><u>22,555,693</u></u>	<u><u>9,536,211</u></u>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012**

7. INVESTMENTS	Note	(Un-audited) September 30, 2012			(Audited) December 31, 2011		
		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
------(Rupees in '000)-----							
<b>7.1 Investments by types</b>							
<b>7.1.1 Held for trading securities</b>							
Market Treasury Bills		12,646,813	-	12,646,813	692,705	-	692,705
Pakistan Investment Bonds		619,831	-	619,831	-	-	-
Ordinary shares of listed companies		384,121	-	384,121	386,782	-	386,782
Government of Pakistan Sukuk		202,000	-	202,000	-	-	-
		13,852,765	-	13,852,765	1,079,487	-	1,079,487
<b>7.1.2 Available for sale securities</b>							
Market Treasury Bills		74,535,847	59,491,100	134,026,947	100,056,116	28,236,295	128,292,411
Pakistan Investment Bonds		50,620,501	1,229,445	51,849,946	28,741,922	-	28,741,922
Government of Pakistan Sukuk		9,045,643	-	9,045,643	7,666,532	-	7,666,532
Government of Pakistan Eurobonds		9,184,825	-	9,184,825	7,373,609	-	7,373,609
Ordinary shares of listed companies		4,131,903	-	4,131,903	5,806,294	-	5,806,294
Preference shares		493,439	-	493,439	477,816	-	477,816
Ordinary shares of unlisted companies		242,876	-	242,876	445,474	-	445,474
Term Finance Certificates		2,198,643	-	2,198,643	2,146,271	-	2,146,271
Units of mutual funds		114,075	-	114,075	2,114,075	-	2,114,075
Foreign bonds		18,055,013	-	18,055,013	14,529,330	-	14,529,330
		168,622,765	60,720,545	229,343,310	169,357,439	28,236,295	197,593,734
<b>7.1.3 Held to maturity securities</b>							
Market Treasury Bills		34,205,235	-	34,205,235	50,545,793	-	50,545,793
Pakistan Investment Bonds		31,153,781	-	31,153,781	23,468,779	-	23,468,779
Government of Pakistan Sukuk		300,000	-	300,000	300,000	-	300,000
Government of Pakistan Guaranteed Bonds		42,708	-	42,708	51,202	-	51,202
Term Finance Certificates		3,981,552	-	3,981,552	3,832,169	-	3,832,169
Sukuk Bonds		1,512,490	-	1,512,490	1,863,468	-	1,863,468
Participation Term Certificates		4,939	-	4,939	10,661	-	10,661
Debentures		4,392	-	4,392	4,392	-	4,392
Foreign bonds		2,101,944	-	2,101,944	1,994,978	-	1,994,978
Recovery note		301,473	-	301,473	289,214	-	289,214
Commercial paper		116,600	-	116,600	50,438	-	50,438
CDC SAARC Fund		206	-	206	450	-	450
		73,725,320	-	73,725,320	82,411,544	-	82,411,544
<b>7.1.4 Associates</b>							
United Growth and Income Fund		3,030,136	-	3,030,136	3,030,136	-	3,030,136
UBL Liquidity Plus Fund		11,300,000	-	11,300,000	5,100,000	-	5,100,000
United Shariah Stock 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
UBL Savings Income Fund		2,600,000	-	2,600,000	2,600,000	-	2,600,000
UBL Islamic Sovereign 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 Islamic Cash Fund		100,000	-	100,000	-	-	-
UBL Insurers Limited		240,000	-	240,000	240,000	-	240,000
Khushhali Bank Limited	7.2	832,485	-	832,485	-	-	-
Oman United Exchange Company, Muscat		6,981	-	6,981	6,981	-	6,981
		23,789,602	-	23,789,602	16,657,117	-	16,657,117
<b>7.1.5 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
UBL Bank (Tanzania) Limited	7.3	1,322,014	-	1,322,014	-	-	-
United Executors and Trustees Company Ltd		30,100	-	30,100	30,100	-	30,100
		3,523,962	-	3,523,962	2,201,948	-	2,201,948
		283,514,414	60,720,545	344,234,959	271,707,535	28,236,295	299,943,830
Provision for diminution in value of investments		(1,116,201)	-	(1,116,201)	(2,726,226)	-	(2,726,226)
<b>Investments (net of provisions)</b>		282,398,213	60,720,545	343,118,758	268,981,309	28,236,295	297,217,604
Surplus / (deficit) on revaluation of available for sale securities		3,898,797	110,017	4,008,814	(2,796,114)	32,921	(2,763,193)
Surplus / (deficit) on revaluation of held for trading securities		3,436	-	3,436	(43,750)	-	(43,750)
<b>Total Investments</b>		<u>286,300,446</u>	<u>60,830,562</u>	<u>347,131,008</u>	<u>266,141,445</u>	<u>28,269,216</u>	<u>294,410,661</u>

**7.2** As explained in note 9.7 to the annual financial statements for the year ended December 31, 2011, a consortium led by UBL had submitted a bid for acquiring majority control of Khushhali Bank Limited (KBL). The consortium's bid was selected as the highest bid by the selling shareholders of KBL and, after completion of regulatory consents and approvals from the SBP and the Competition Commission of Pakistan, a Share Purchase Agreement was successfully executed between the Bank's consortium and the selling shareholders of KBL on June 04, 2012.

Post acquisition, UBL's direct shareholding in KBL is 29.69%. The investment in KBL is classified as an associate due to UBL's significant influence on KBL by virtue of its shareholding.

**7.3** This represents the Bank's investment in UBL Bank (Tanzania) Limited, which was incorporated on March 13, 2012 and is in the process of completing formalities for commencement of business. The Bank owns 99.99% of the paid up capital of UBL Bank (Tanzania) Limited.

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012**

	Note	(Un-audited) September 30, 2012	(Audited) December 31, 2011
------(Rupees in '000)-----			
<b>8. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		277,220,408	258,874,253
Outside Pakistan		90,055,103	78,557,426
		<u>367,275,511</u>	<u>337,431,679</u>
Bills discounted and purchased			
Payable in Pakistan		26,062,593	18,552,309
Payable outside Pakistan		6,182,401	10,322,640
		<u>32,244,994</u>	<u>28,874,949</u>
Advances - gross		399,520,505	366,306,628
Provision against advances			
Specific		(42,782,806)	(39,950,726)
General	8.2	(1,266,549)	(1,008,694)
		<u>355,471,150</u>	<u>325,347,208</u>

8.1 Advances include Rs 55,997 million (December 31, 2011: Rs.51,117 million) which have been placed under non-performing status as detailed below:

Category of Classification	September 30, 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*	319,587	-	319,587	-	-	-	-	-	-
Substandard	2,266,650	322,474	2,589,124	497,087	53,077	550,164	497,087	53,077	550,164
Doubtful	2,814,363	1,950,430	4,764,793	1,331,104	1,023,774	2,354,878	1,331,104	1,023,774	2,354,878
Loss	42,248,164	6,075,680	48,323,844	35,375,911	4,501,853	39,877,764	35,375,911	4,501,853	39,877,764
	<u>47,648,764</u>	<u>8,348,584</u>	<u>55,997,348</u>	<u>37,204,102</u>	<u>5,578,704</u>	<u>42,782,806</u>	<u>37,204,102</u>	<u>5,578,704</u>	<u>42,782,806</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
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
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
	<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>

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

8.2 General provision represents provision amounting to Rs. 272.336 million (December 31, 2011: Rs.308.153 million) against consumer finance portfolio as required by the Prudential Regulations issued by the SBP and Rs. 894.213 million (December 31, 2011: Rs.600.541 million) pertaining to overseas advances to meet the requirements of the 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 a 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 properties 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. 2,877 million (December 31, 2011: Rs.3,811 million). The FSV benefit recognized will not be available for the distribution of cash or stock dividend to shareholders.

	Note	(Un-audited) September 30, 2012	(Audited) December 31, 2011
------(Rupees in '000)-----			
<b>9. OPERATING FIXED ASSETS</b>			
Capital work-in-progress		1,466,547	944,750
Property and equipment		21,244,021	20,541,088
Intangible assets		1,506,866	1,496,040
	9.1	<u>24,217,434</u>	<u>22,981,878</u>

9.1 Additions and disposals during the period amounted to Rs. 2,696.947 million (September 30, 2011: Rs.1,608.435 million) and Rs. 273.895 million (September 30, 2011: Rs.368.786 million), respectively.

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012**

	Note	(Un-audited) September 30, 2012	(Audited) December 31, 2011
------(Rupees in '000)-----			
<b>10. BORROWINGS</b>			
<b>Secured</b>			
Borrowings from the State Bank of Pakistan			
Export refinance scheme		8,276,526	12,384,999
Scheme for revival of SMEs and Agricultural activities in flood affected areas		-	1,675
Refinance facility for modernization of SME		34,626	42,264
Long term financing facility		3,841,135	3,516,846
Long term financing under export oriented projects		979,805	1,410,276
		13,132,092	17,356,060
Repurchase agreement borrowings		60,757,380	28,241,667
		73,889,472	45,597,727
<b>Unsecured</b>			
Call borrowings		3,308,666	3,772,258
Overdrawn nostro accounts		-	5,044
Trading liabilities		848,988	-
Other borrowings		406,331	578,222
		4,563,985	4,355,524
		78,453,457	49,953,251
<b>11. DEPOSITS AND OTHER ACCOUNTS</b>			
<b>Customers</b>			
Fixed deposits		196,147,000	172,496,615
Savings deposits		222,168,762	206,364,946
Sundry deposits		11,007,455	7,061,853
Margin deposits		3,710,337	4,047,310
Current accounts - remunerative		5,819,202	6,047,055
Current accounts - non-remunerative		201,693,007	204,004,415
		640,545,763	600,022,194
<b>Financial Institutions</b>			
Remunerative deposits		6,216,245	6,824,281
Non-remunerative deposits		6,301,856	6,133,664
		12,518,101	12,957,945
		653,063,864	612,980,139
<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	10,276,140	10,326,050
Securities	12.2	2,605,730	(1,796,075)
		12,881,870	8,529,975
<b>12.1 Surplus on revaluation of fixed assets</b>			
Surplus on revaluation of fixed assets as at January 01			
		15,432,360	15,534,899
Exchange adjustments		453	413
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year		(50,204)	(66,919)
Related deferred tax liability on incremental depreciation charged during the period / year		(27,033)	(36,033)
		(76,784)	(102,539)
		15,355,576	15,432,360
Less: Related deferred tax liability on:			
Revaluation as at January 01		5,106,310	5,142,198
Exchange adjustments		159	145
Incremental depreciation charged on related assets		(27,033)	(36,033)
		5,079,436	5,106,310
		10,276,140	10,326,050

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012**

	(Un-audited) September 30, 2012 ------(Rupees in '000)-----	(Audited) December 31, 2011
<b>12.2 Surplus / (deficit) on revaluation of available for sale securities</b>		
Market Treasury Bills	661,049	129,358
Pakistan Investment Bonds	2,619,560	(714,954)
Listed shares	148,300	(551,038)
Mutual fund units	(134)	(38,452)
Term Finance Certificates, Sukuks, other Bonds, etc.	92,185	36,224
Foreign bonds	487,855	(1,624,331)
	4,008,815	(2,763,193)
Related deferred tax (liability) / asset	(1,403,085)	967,118
	<u>2,605,730</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	2,952,844	2,436,053
Banking companies and other financial institutions	3,527,148	4,589,359
Others	3,192,344	2,503,563
	<u>9,672,336</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	76,040,219	78,652,267
Banking companies and other financial institutions	4,418,095	2,788,949
Others	22,027,766	19,930,066
	<u>102,486,080</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	41,360,964	37,368,414
Others	103,810,342	88,217,532
	<u>145,171,306</u>	<u>125,585,946</u>
<b>13.4 Other contingencies</b>		
Claims against the Bank not acknowledged as debts	<u>23,028,672</u>	<u>22,214,453</u>
<b>13.5 Commitments to extend 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.		
	<b>Note</b>	
	(Un-audited)	(Audited)
	September 30,	December 31,
	2012	2011
	------(Rupees in '000)-----	
<b>13.6 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	115,449,036	136,641,383
Sale	<u>94,286,434</u>	<u>94,144,141</u>
<b>13.7 Commitments in respect of derivatives</b>		
Forward purchase of Government securities	101,081	-
Forward sale of Government securities	<u>9,654,991</u>	<u>-</u>
Interest rate swaps	8,253,989	8,444,451
Cross currency swaps	<u>12,709,824</u>	<u>35,041,839</u>
FX Options - purchased	341,417	-
FX Options - sold	<u>341,417</u>	<u>-</u>
<b>13.8 Commitments in respect of capital expenditure</b>	<u>2,319,829</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 NINE MONTHS ENDED SEPTEMBER 30, 2012**

	Jan-Sep 2012	Jan-Sep 2011
	----- (Rupees in '000) -----	
<b>14. MARK-UP / RETURN / INTEREST EARNED</b>		
On loans and advances to customers	28,736,182	29,618,748
On lendings to financial institutions		
Call money lendings	10,156	20,324
Repurchase agreement lendings	238,847	388,208
Other lendings to financial institutions	323,653	261,478
	572,656	670,010
On investments in		
Held for trading securities	603,238	1,183,661
Available for sale securities	16,900,236	10,912,751
Held to maturity securities	8,533,676	10,075,570
	26,037,150	22,171,982
On deposits with financial institutions	123,920	71,686
	55,469,908	52,532,426
<b>15. MARK-UP / RETURN / INTEREST EXPENSED</b>		
On deposits	20,807,524	17,753,306
On securities sold under repurchase agreements	2,865,544	2,127,823
On other short term borrowings	1,718,968	1,885,226
On long term borrowings	938,855	1,132,571
	26,330,891	22,898,926
<b>16. ADMINISTRATIVE EXPENSES</b>		
Salaries, allowances etc.	6,512,207	5,741,777
Charge for compensated absences	440,372	281,458
Medical expenses	323,626	298,121
Contribution to defined contribution plan	122,685	105,752
Reversal in respect of defined benefit obligations	(75,735)	(106,615)
Rent, taxes, insurance, electricity etc.	2,234,872	1,872,406
Depreciation	1,090,417	1,119,880
Amortization	306,798	221,935
Outsourced service charges including sales commission	1,531,975	1,106,351
Communications	697,493	581,122
Banking service charges	607,918	544,644
Cash transportation charges	281,159	233,931
Stationery and printing	366,283	295,829
Legal and professional charges	212,493	171,899
Advertisement and publicity	563,897	408,487
Repairs and maintenance	797,055	707,040
Travelling	194,658	177,838
Office running expenses	297,389	277,295
Vehicle expenses	127,283	110,300
Entertainment	115,549	97,092
Cartage, freight and conveyance	63,369	56,953
Insurance expense	97,545	111,330
Auditors' remuneration	46,312	37,995
Training and seminars	73,015	30,419
Brokerage expenses	21,706	24,196
Subscriptions	39,329	32,946
Donations	6,157	24,794
Non-executive Directors' fees	21,626	24,599
Miscellaneous expenses	225,947	168,570
	17,343,400	14,758,344

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

The Tax authorities have issued amended assessment orders for the tax years 2003 to 2011 (accounting years ended December 31, 2002 to 2010) determining an additional tax liability of Rs.7,944 million, which has been fully paid / adjusted as required under the law. For the tax years 2003 to 2010, appeals have been decided by the Commissioner of Inland Revenue [CIR(A)] by allowing relief on certain issues, while the tax year 2011 remains pending before the CIR(A). For the tax years 2004 - 2007, the Appellate Tribunal Inland Revenue (ATIR) had provided relief to the Bank on certain issues, and for the remaining matters the Bank has filed reference applications before the High Court of Sindh. For the tax years 2008 to 2010 appeals are pending before the ATIR. For all the above tax years, certain additional amendments have been made by the Tax authorities and the Bank has filed appeals before the CIR(A). 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 up to 5% of total advances for consumer and small and medium enterprises and up to 1% of total advances for remaining 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 (December 31, 2011: Rs.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 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 have been filed up to the accounting year ended December 31, 2011 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 nine months ended September 30, 2012 (Un-audited)**

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
----- (Rupees in '000) -----						
Total income	189,652	8,532,088	26,364,361	5,722,523	1,499,392	-
Total expenses	(209,933)	(398,562)	(15,369,474)	(4,333,872)	(949,942)	-
Profit before tax	(20,281)	8,133,526	10,994,887	1,388,651	549,450	-
Segment return on assets (ROA)	-1.9%	1.9%	1.6%	0.4%	-	-
Segment cost of funds	0.8%	8.0%	4.2%	8.0%	-	-

**For the nine months ended September 30, 2011 (Un-audited)**

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
----- (Rupees in '000) -----						
Total income	347,009	4,736,146	26,072,935	6,633,622	780,705	-
Total expenses	(83,902)	(2,074,841)	(15,211,886)	(3,566,487)	(881,543)	-
Profit before tax	263,107	2,661,305	10,861,049	3,067,135	(100,838)	-
Segment return on assets (ROA)	4.7%	0.8%	1.8%	0.9%	-	-
Segment cost of funds	0.3%	7.9%	4.1%	7.5%	-	-

**As at September 30, 2012 (Un-audited)**

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
----- (Rupees in '000) -----						
Segment assets (gross of NPL provisions)	1,138,962	385,749,139	626,870,849	313,546,915	85,307,618	(515,103,305)
Segment non performing loans (NPLs)	590,574	2,134,627	26,146,073	27,112,921	13,153	-
Segment provision held against NPLs	298,846	1,550,200	21,334,995	19,585,613	13,153	-
Segment liabilities	854,670	375,834,916	598,539,812	293,043,828	13,362,319	(515,103,305)

**As at December 31, 2011 (Audited)**

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
----- (Rupees in '000) -----						
Segment assets (gross of NPL provisions)	1,890,059	363,562,165	640,421,933	284,633,562	81,079,379	(553,576,631)
Segment non performing loans (NPLs)	616,212	2,151,690	25,348,743	22,987,025	13,153	-
Segment provision held against NPLs	149,404	1,667,117	20,730,643	17,390,410	13,153	-
Segment liabilities	1,505,667	361,104,145	610,752,941	264,185,124	14,935,587	(553,576,631)

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 NINE MONTHS ENDED SEPTEMBER 30, 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 unconsolidated condensed interim financial statements, are as follows:

	As at September 30, 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)									
<b>Balances with banks</b>										
In current accounts	-	-	871,561	-	-	-	-	882,673	-	-
In deposit accounts	-	-	3,719,596	-	267,177	-	-	1,708,188	-	500,006
	-	-	4,591,157	-	267,177	-	-	2,590,861	-	500,006
<b>Lendings to financial institutions</b>										
Repurchase agreement lendings	-	-	-	-	80,000	-	-	-	-	-
<b>Investments</b>										
Opening balance	-	-	2,201,948	16,657,117	264,553	-	-	2,201,948	7,382,192	317,176
Transfer in	-	-	-	200,000	-	-	-	-	-	-
Investment made during the period / year	-	-	1,322,014	7,032,485	116,416	-	-	-	13,550,000	-
Investment redeemed / disposed off during the period / year	-	-	-	(100,000)	(5,696)	-	-	-	(4,275,075)	(52,623)
Closing balance	-	-	3,523,962	23,789,602	375,273	-	-	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	-	89,710	-	-	-	-	33,717	-	-	-
Repaid during the period / year	(871)	(86,752)	-	-	-	(98)	(53,463)	-	-	-
Closing balance	-	124,974	-	-	-	871	122,016	-	-	-
<b>Other Assets</b>										
Interest mark-up accrued	-	117	15,584	-	6,647	11	139	821	-	4,549
Receivable from staff retirement funds	-	-	-	-	-	-	-	-	-	99,182
Prepaid insurance	-	-	-	64,779	-	-	-	-	805	-
Advance for Pre-IPO investment	-	-	-	-	-	-	-	-	100,000	-
Other receivable	-	-	13,974	-	-	-	-	2,403	-	-
<b>Borrowings</b>										
Opening balance	-	-	-	-	449,740	-	-	-	-	428,195
Borrowings during the period / year	-	-	948,105	2,099,495	78,357,910	-	-	1,628,297	-	899,480
Settled during the period / year	-	-	(948,105)	(2,099,495)	(78,508,808)	-	-	(1,628,297)	-	(877,935)
Closing balance	-	-	-	-	298,842	-	-	-	-	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	6,425,190	772,157	113,998,545	39,794,609	61,202,242	15,000,221	1,817,159	112,822,806	36,730,601	82,625,198
Withdrawn during the period / year	(3,424,741)	(758,094)	(113,818,156)	(40,241,746)	(60,811,618)	(14,898,240)	(1,778,521)	(112,837,151)	(39,337,630)	(82,096,908)
Closing balance	5,899,228	77,558	312,291	770,042	1,876,555	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 / mark-up payable on deposits	14,309	45	32	84	3,437	35,518	222	158	64	2,844
Interest / mark-up payable on borrowings	-	-	-	-	274	-	-	-	-	761
Interest / mark-up payable on subordinated loans	-	0	-	23	-	-	0	-	167	-
Unrealised loss on derivative transactions	-	-	-	-	-	-	-	-	-	1,623,223
Unearned income	-	-	424	-	-	-	-	154	-	-
Others	-	-	-	-	-	-	-	10,000	-	-
<b>Contingencies and Commitments</b>										
Letter of guarantee	-	-	-	70,259	-	1,782,540	-	-	75,668	-
Forward foreign exchange contracts purchase	-	-	3,818,703	-	2,630,274	-	-	696,955	-	1,451,040
Forward foreign exchange contracts sale	-	-	3,862,463	-	1,907,683	-	-	696,955	-	1,448,555
	For the nine months ended September 30, 2012 (Un-audited)					For the nine months ended September 30, 2011 (Un-audited)				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)									
Mark-up / return / interest earned	77	6,366	43,680	-	28,842	93	6,325	1,031	-	18,603
Commission / charges recovered	29	22	191	824	419	5	10	106	505	3,258
Dividend income	-	-	20,000	1,126,350	-	-	-	16,600	281,968	-
Net gain on sale of securities	-	-	-	-	-	-	-	-	20,724	-
Realised gain on derivative transactions	-	-	-	-	1,123,975	-	-	-	-	584,461
Other income	-	685	38,246	4,562	-	-	2,398	911	3,251	-
Mark-up / return / interest paid	119,044	1,083	842	8,547	90,935	66,179	2,690	575	97,510	20,298
Remuneration paid	-	410,839	-	-	-	-	314,141	-	-	-
Post employment benefits	-	11,143	-	-	-	-	10,620	-	-	-
Non-executive directors' fee	21,626	-	-	-	-	24,599	-	-	-	-
Net charge for defined contribution plans	-	-	-	-	122,685	-	-	-	-	105,752
Net reversal for defined benefit plans	-	-	-	-	(214,988)	-	-	-	-	(248,875)
Payment for employee motivation and retention scheme	-	-	-	-	250,000	-	-	-	-	230,000
Donation	-	-	-	-	25	-	-	-	-	20,000
Insurance premium paid	-	-	-	254,360	-	-	-	-	243,745	-
Insurance claims settled	-	-	-	116,669	-	-	-	-	132,211	-

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012**
**20. ISLAMIC BANKING BUSINESS**

20.1 The statement of financial position of the Bank's Islamic Banking branches as at September 30, 2012 is as follows:

	(Un-audited) September 30, 2012	(Audited) December 31, 2011
	----- (Rupees in '000) -----	
<b>ASSETS</b>		
Cash and balances with treasury banks	676,975	520,737
Balances with other banks	310,335	2,185,282
Investments	8,045,320	5,006,664
Financing and receivables		
- Murabaha	1,309,312	355,909
- Musharaka	55,556	111,111
- Diminishing Musharaka	52,790	67,051
- Salam	394,437	-
Provision against advances	(26,384)	(21,982)
	1,785,711	512,089
Operating fixed assets including assets given under Ijarah	1,100,314	503,512
Due from head office	52,720	-
Other assets	709,617	384,977
<b>Total Assets</b>	<b>12,680,992</b>	<b>9,113,261</b>
<b>LIABILITIES</b>		
Bills payable	960	960
Deposits and other accounts		
- Current accounts	1,443,323	1,453,763
- Saving accounts	2,104,612	1,233,772
- Term deposits	3,476,944	1,652,628
- Deposits from financial institutions - remunerative	4,761,720	2,841,225
	11,786,599	7,181,388
Due to Head Office	-	1,339,874
Other liabilities	170,574	105,099
	11,958,133	8,627,321
<b>NET ASSETS</b>	<b>722,859</b>	<b>485,940</b>
<b>REPRESENTED BY</b>		
Islamic Banking Fund	681,000	681,000
Accumulated losses	(17,814)	(199,658)
	663,186	481,342
Surplus on revaluation of assets	59,673	4,598
	<b>722,859</b>	<b>485,940</b>

20.2 The profit and loss account of the Bank's Islamic Banking branches for the nine months ended September 30, 2012 is as follows:

	(Un-audited) September 30, 2012	September 30, 2011
	----- (Rupees in '000) -----	
Return earned	1,013,036	595,492
Return expensed	(588,855)	(437,892)
	424,181	157,600
Provision against loans and advances - net	(4,401)	-
Reversal for diminution in value of investments	36,508	26,276
(Provision) / reversal against assets given under Ijarah	(14,574)	3,598
	17,533	29,874
Net return after provisions	441,714	187,474
<b>OTHER INCOME</b>		
Fee, commission and brokerage income	9,003	5,791
Dividend income	39,794	29,586
Income from dealing in foreign currencies	26,697	1,202
Gain on sale of securities	860	-
Other income	6,696	4,367
Total other income	83,050	40,946
	524,764	228,420
<b>OTHER EXPENSES</b>		
Administrative expenses	(340,641)	(216,494)
Other provisions - net	(2,279)	-
Total other expenses	(342,920)	(216,494)
Net profit for the period	181,844	11,926
Accumulated losses brought forward	(199,658)	(203,000)
Accumulated losses carried forward	(17,814)	(191,074)
Remuneration to Sharia Advisor	1,877	1,816

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012****21 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors in its meeting held on October 31, 2012 has declared a cash dividend in respect of the nine months ended September 30, 2012 of Rs. 2.0 per share (September 30, 2011: Nil). In addition, the Directors have also announced a bonus issue of Nil (September 30, 2011: Nil). The unconsolidated condensed interim financial statements for the nine months ended September 30, 2012 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

**22. DATE OF AUTHORIZATION**

These unconsolidated condensed interim financial statements were authorised for issue on October 31, 2012 by the Board of Directors of the Bank.

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

**Rana Assad Amin**  
Director

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

**Nahayan Mabarak Al Nahayan**  
Chairman