

# **United Bank Limited**

## **UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013  
(UNAUDITED)**

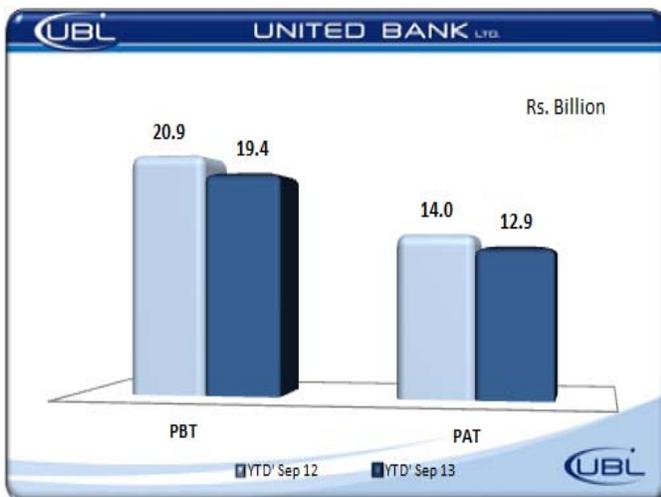


## DIRECTORS' REPORT TO THE MEMBERS

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, 2013.

### Performance Highlights

- Unconsolidated PAT for the nine months ended September 30, 2013 stands at Rs 12.9 billion.
- Net Interest Margin reduced by 125 bps to 5.3% (September 2012: 6.5%) due to the lower rate environment and regulatory changes in the minimum deposit rate on PLS savings accounts.
- Diligent portfolio management resulted in gross NPLs reducing by 9% since December 2012 and a 55% reduction in provisions expense during the current period in comparison to last year.
- Administrative costs for Q3 2013 are flat to prior quarter as a result of increased focus on cost management.

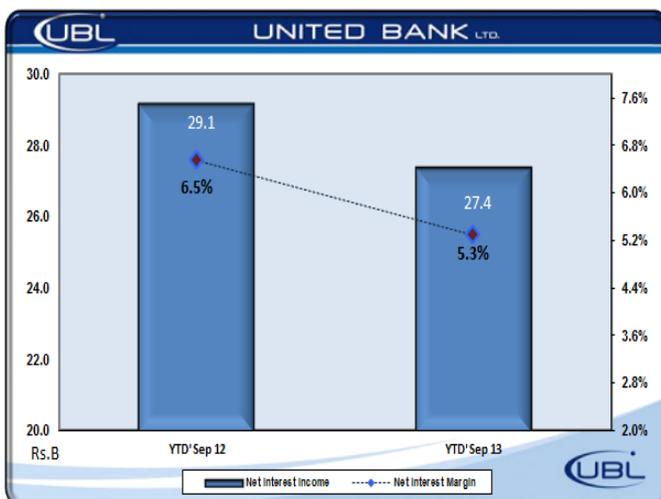


### Financial Highlights

#### Overall performance

For the nine months ending September 30, 2013, UBL has achieved a profit after tax of Rs 12.9 billion. This is 7% lower than the corresponding period last year and translates into earnings per share of Rs. 10.57 (September 2012: Rs. 11.41).

For the same period, UBL's profit before tax is Rs 19.4 billion, 7% lower than the same period last year. On a consolidated basis, UBL achieved a profit after tax of Rs 14.0 billion, 6% lower than for the nine months ended September 30, 2012.



#### Net Interest Income

Interest rates have started to shift upwards after an overall 500bps reduction over the last two years. The tightening in overall interest rate margins over this period has resulted in declining asset yields across the banking sector, along with higher mandatory cost of savings deposits.

Resultantly, net interest margins for the Bank have declined from 6.5% in September '12 to 5.3% in September '13. The impact of margin compression was somewhat offset by a growth of 14% in average assets, mainly funded through the acquisition of core deposits. On an overall basis, net interest income reduced from Rs 29.1 billion for the first nine months of 2012 to Rs 27.4 billion for the first nine months of 2013.

#### Non-Interest Income

Non-interest income reached Rs 13.3 billion during the 9 months ended September '13 and continued to be a significant source of revenue diversification. Fees and commissions increased by 23% over the corresponding period last year in line with higher transaction volumes across the corporate and retail segments and stable general banking fees. The Bank's dominant position in the home remittances

business continued to generate strong revenues with commissions increasing by 55% over the same period last year.

Capital gains grew by Rs 2.0 billion during the first 9 months of 2013 to reach Rs 2.6 billion as the Bank was able to time its market activities to best leverage opportunities. However, dividend income declined to Rs 1.1 billion as the Bank reduced its investments in mutual funds. Overall, non-interest income for the nine months ending September '13 was maintained at prior year levels despite a large one-off gain on derivative transactions during the period ended September '12 which was not a recurring revenue source.

#### **Provisions and loan losses**

Provisions for the first nine months reduced by Rs 1.9 billion (or 55%) compared to the corresponding period last year. Diligent portfolio management and a strong recovery focus have resulted in a consistent reduction in the level of NPLs during the year. NPLs are now 9% lower than at December '12 with the improvement coming from both the domestic and overseas loan portfolios. The Bank's coverage ratio, excluding sovereign guaranteed loans against which no provision is required, has further strengthened from 82% in December '12 to 91% in September '13.

#### **Cost management**

Improved cost management along with operational efficiency has resulted in total administrative expenses remaining flat on a quarter on quarter basis. In comparison to the nine months ended September '12 the overall expense base was 9.8% higher for September '13. The increase is mainly on account of variable costs which move in line with related transaction revenues. The current period also includes the full cost impact of the branch expansion undertaken in 2012, while the impact of the steep rupee devaluation on the costs of overseas operations also contributed to the increase. On a comparable basis, despite significant escalation in utilities and allied costs, increase in administrative expenses was contained to 4.8%.

#### **Balance Sheet**

UBL continued to focus on building its balance sheet on the strength of its deposit base as average domestic core deposits increased by 17% in comparison to the first 9 months of 2012. Targetted mobilization of low cost deposits has resulted in the cost of domestic deposits reducing by 63 bps in the last one year, despite the full impact of the 1% increase in the savings rate and new regulatory requirements. The International loan book has grown by 7%, reflecting the improved macroeconomic conditions in the GCC, while domestically the Bank retains its conservative lending stance. The balance sheet remains highly liquid and well positioned to capitalize on lending opportunities as they arise.

#### **Capital Ratios**

The Tier 1 Capital Adequacy Ratio (CAR) of the Bank was 10.1% as at September 2013, a slight reduction from 10.5% as at December 2012 primarily as a result of new capital rules on mutual fund investments. The bank exercised the call option available on TFC IV, as a result of which this tranche of subordinated debt has been fully repaid. Consequently, the total CAR was 13.5% compared to 14.8% as at December 2012. The CAR remains comfortably above the minimum required level with ability to absorb growth in risk weighted assets.

The Board of Directors of UBL declared an interim dividend of 20% in its meeting in Abu Dhabi held on October 24, 2013 along with the results for the nine months ended 30 September 2013. This is in addition to the 40% interim cash dividend declared and paid up to this period.

## Key Developments

### ***Macroeconomic performance***

Despite the intent shown by the newly elected PML-N government to bring the country out of the existing crisis, their first 100 days have remained challenging both on the political and economic front. Pakistan's economy continues to face the usual problems of a high fiscal deficit, law and order and energy shortages impacting industrial performance, and little foreign investment, resulting in weak levels of growth.

The trade deficit for the first quarter of FY14 has reduced by 5.2% as compared to the same period last year, as export growth of 9.2% outpaced a 3% increase in imports. Workers' remittances grew by 9% and remained critical in managing an otherwise deteriorating balance of payments position. During the first two months of FY14, the current account recorded a deficit of US\$ 632 million, as compared to a surplus of US\$ 582 million witnessed during the same period last year, as the latter included realization of Coalition Support Fund proceeds. Despite relatively better financial account performance during the first two months of FY14, the country's external account position remains precarious, primarily due to sizeable debt repayments.

Foreign Exchange Reserves have declined from US\$13.8 billion in December 2012 to US\$ 9.9 billion by end September 2013, and SBP reserves have recently fallen to less than US\$4 billion, their lowest level in more than 5 years. This has created significant pressure on the Rupee which has already depreciated by around 9% during 2013, with a sharp slide during the third quarter. The IMF has recently approved a new Extended Fund Facility (EFF) of US\$ 6.6 billion for Pakistan, the first tranche of which was received during September. Subsequent disbursements under the EFF are subject to meeting tough quarterly performance targets. These entail containment of the fiscal deficit through higher taxes and lower expenditure, mainly through rationalizing power subsidies, ceilings on the level of Government borrowing from SBP and ambitious targets for Foreign Exchange Reserve levels. Restructuring of loss-making public sector enterprises and their eventual sell-off/ privatization is also one of the key conditions under the program, both as a means of containing the fiscal deficit, as well as increasing reserves.

The fiscal deficit continues to be a major issue for the economy, although the government has set an ambitious target of 5.8% for FY14 in line with its commitment to the IMF. This is underpinned by forecasted improvement in tax collection and a widening of the tax base. However, provisional tax collection estimates for Q1 FY '14 already indicate a shortfall to the target, despite being 17% higher than the comparable period last year. The government has also commenced execution of committed reforms starting with the phased increase in power tariffs in order to reduce energy subsidies. However, in the absence of foreign flows, the government continued to rely on funding through bank borrowings which have reached Rs 285 billion during the first quarter of FY14, nearly 50% higher than in the same period last year.

The stock market continued its uptrend during 2013 with the KSE-100 index setting new records and appreciating by 29% during the first nine months. Daily volumes increased significantly as the re-entry of foreign investors led to a net inflow of \$317 million in Foreign Portfolio Investment. Market activity and appreciation in the index was however restrained during the third quarter due to various factors including monetary tightening and Rupee devaluation, as well as a volatile global and domestic macro environment.

Inflation, which has remained controlled and a positive indicator for the past couple of years, has now started to adjust upwards due to higher food and fuel prices. The average inflation level reached 8.1% in 3Q CY13 as compared to 5.6% in the previous quarter. The State Bank of Pakistan had taken comfort from lower inflation during the last two years to lower its policy discount rate by a cumulative 500 bps to 9.0%. However, in its latest monetary policy, the SBP has changed course and increased the discount rate by 50 bps citing inflationary expectations in the economy. Moreover, the SBP has now also increased the floor rate on PLS accounts from the earlier mandatory level of 6.0%, and linked the minimum rate to

the prevailing repo rate. Therefore any future increase in the discount rate will now directly impact the cost of deposits of the banking sector, hence restricting net margins within a corridor and adding further pressure to the earnings profile.

Deposits for the banking sector grew by 6.6% during the first nine months of 2013. Advances declined to below December 2012 levels as lending remains mainly directed towards government and public sector enterprises. Despite the overall reduction in the discount rate, demand for private sector credit has remained highly subdued with lending to the private sector reducing by 5.4% during 2013. Non-performing loans for the industry remained relatively stable, inching up marginally by 1.5% during 1H 2013 in comparison to December 2012. However, the absolute NPL stock for the sector remains high at Rs 617 billion.

### ***UBL International***

The overall business environment in the GCC region continued to improve during the last quarter. This was mainly the result of the upward trend in oil prices as well as growth in the non-oil sectors in UAE and Qatar. Specifically for UAE, tourism, trade and real estate continued to dominate the economic turnaround.

Capitalizing on the above developments, UBL International registered a 12% growth in its asset base, mostly in the Corporate business which remained the core focus area. On the liability side, the International business continued with the strategy of building its sustainable core deposit base and maintaining strong liquidity across all markets. With single-minded emphasis on recoveries and risk management, the International business has achieved significant recoveries and managed to reduce its level of non-performing loans this year.

In line with its goal of providing high standards of service delivery to its customers, the Bank's UAE business achieved the ISO 9001:2008 Quality Management System Certification in August 2013, covering all its business units and operations. This has placed UBL UAE in a select category of only a few banks in the GCC and only the 3<sup>rd</sup> bank in the UAE to have been awarded this certification across all businesses and operations. Going forward, the Bank plans to roll out this initiative across all its businesses in the GCC countries.

In September 2013, UBL Bank (Tanzania) Limited was formally inaugurated by the Vice President of Tanzania. UBL's entry in Africa through Tanzania is expected to offer tangible opportunities to the Bank in the East African markets. In line with the Bank's strategy to develop its position in the African market, the Investment Banking team successfully concluded its first ever jointly mandated syndication of \$ 84m for a Nigerian Bank in August.

### ***Omni***

UBL Omni continues to enhance the reach and usage of Branchless Banking services in Pakistan with over 12,500 Dukaan outlets in over 790 cities and towns. Usage of the platform increased steadily as transaction volumes and value increased by 7% and 34% respectively compared to the previous quarter, with particularly strong growth in the Domestic Remittance business. The Omni customer base continues to grow, with over 45,000 new accounts opened during the quarter.

During the quarter, UBL Omni has grown its customer base by providing microfinance loan disbursements, school fee collections and salary disbursement facilities in line with its core objective of diversifying business lines and increasing usage across different industries. The business also entered the P2G (People to Government) collection services area by enabling customers to pay Government license fees through the Omni network.

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

Following the migration of the entire conventional domestic branch network to the Core Banking System

(CBS), the first UBL Ameen Islamic Banking branch has been successfully migrated to CBS during the quarter. All Islamic Banking branches are planned to be migrated by the end of the year. Factory Acceptance Testing for UBL's international businesses has been completed and customization for UAE is in progress. The first phase of migration of the 8 UAE branches is expected to be completed in Q1'14.

In order to streamline the loan booking process across all products, the existing Loan Origination System is being upgraded to improve and simplify the user experience. This has now been launched countrywide for all consumer products, and development and roll out of Corporate banking products will be undertaken in 2014.

The Foreign Exchange and Derivatives modules of the Sierra Treasury Management System were successfully implemented in 2012, and scoping work has commenced for the Fixed Income and Money Market modules.

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

In 2013, UBL has contributed a total of Rs 41.3 million to worthy causes as part of its CSR initiatives. One of the worthy new recipients was Bazm-e-Kiran, an NGO focused towards community welfare and the rehabilitation of juvenile delinquents. Through a donation for a Triple Merger Center in Azad Kashmir, the bank continued to support the Marie Adelaide Leprosy Center which provides free treatment for leprosy and related ailments across Pakistan.

Apart from its regular commitment to CSR projects, UBL has always been on the forefront of extending generous help in times of natural calamities. To assist the families in the earthquake affected areas of Balochistan, many of whom have lost their homes, UBL has announced plans to construct a UBL Village in the area of Awaran. The Bank has allocated dedicated resources to ensure that this project takes shape quickly and that shelter is provided to the earthquake victims on an urgent basis.

### ***Looking ahead***

The Government is confronted with imminent fundamental structural issues which it has committed to address. As a priority, steps have been taken to settle the circular debt. However, due to delay in rationalizing the power tariff across the board, the circular debt has started to resurface and will continue to grow until pricing anomalies are addressed throughout the energy chain. Inflation is likely to show an upward trend going forward, especially in the backdrop of higher taxes, escalating utilities prices and the low base effect of the previous fiscal year.

The Balance of Payments position is expected to remain stressed as receipts under the EFF will primarily be used to offset repayments under the Standby Agreement. IMF's performance targets are stringent, especially on the external front and would require serious effort to bring in foreign flows from donor agencies as well as from the Coalition Support Fund, auction of 3G licenses and privatization proceeds. The Government will also be required to take difficult steps to improve fiscal stability by broadening the tax net, while also controlling expenditure by phasing out subsidies and curtailing losses of public sector enterprises through restructuring and privatization, all of which would require strong political will.

The future economic outlook would be significantly influenced by the Government's ability to meet the IMF's eligibility conditions for future disbursements under the EFF. Slippages in achievement of targets and consequent potential delays / cancellation of the EFF could have a serious detrimental impact on the level of reserves, the exchange rate and trigger an unsettling impact across the economy.

For UBL, asset quality, as always, will remain a major focus area with a continuous drive to reduce non-performing loans and pursue recoveries, along with a conservative approach towards growing the balance sheet. Through its expanded branch network, UBL continues to focus on building longer term relationships with customers that deepen the deposit base. Business development through alternate distribution channels continues to be a valuable proposition for further penetration into target markets and the growth



UNITED BANK LTD.

of low cost deposits. There is a renewed focus across the Bank on service quality initiatives, both for front end staff and also within processing hubs. This will be supplemented with investment in infrastructure in order to enhance the customer experience with reliability, ease and efficiency and strengthen UBL's market position.

**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  
October 24, 2013

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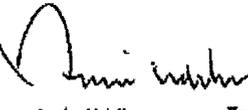

**UNITED BANK LTD.**
**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT SEPTEMBER 30, 2013**

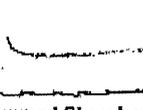
	Note	(Un-audited) September 30, 2013	(Audited) December 31, 2012 (Restated)
------(Rupees in '000)-----			
<b>ASSETS</b>			
Cash and balances with treasury banks		83,614,029	94,081,133
Balances with other banks		13,988,926	15,234,326
Lendings to financial institutions	6	17,355,433	21,953,458
Investments	7	403,604,054	349,590,182
Advances	8	369,395,009	364,363,802
Operating fixed assets	9	24,572,509	24,431,069
Deferred tax asset - net		556,567	-
Other assets		28,737,565	27,132,148
		941,824,092	896,786,118
<b>LIABILITIES</b>			
Bills payable		9,237,338	7,600,633
Borrowings	10	42,665,174	68,720,266
Deposits and other accounts	11	772,713,381	698,429,697
Subordinated loans	12	665,328	9,319,264
Liabilities against assets subject to finance lease		-	-
Deferred tax liability - net		-	856,528
Other liabilities		19,480,960	19,621,440
		844,762,181	804,547,828
<b>NET ASSETS</b>		<b>97,061,911</b>	<b>92,238,290</b>
<b>REPRESENTED BY:</b>			
Share capital		12,241,798	12,241,798
Reserves		33,384,595	29,044,219
Unappropriated profit		39,926,751	37,415,599
		85,553,144	78,701,616
Surplus on revaluation of assets - net of deferred tax	13	11,508,767	13,535,674
		<b>97,061,911</b>	<b>92,238,290</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	14		

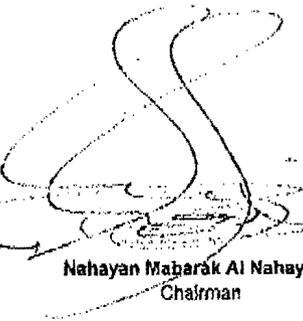
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The annexed notes from 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.

  
Atif R. Bokhari  
President &  
Chief Executive Officer

  
Amin Uddin  
Director

  
Zameer Mohammed Choudry  
Director

  
Nahayan Maharak Al Nahayan  
Chairman


**UNITED BANK LTD.**
**UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

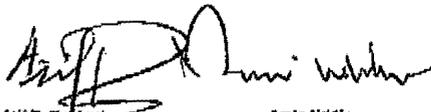
	Note	Jul-Sep 2013	Jul-Sep 2012 (Restated)	Jan-Sep 2013	Jan-Sep 2012 (Restated)
----- (Rupees In '000) -----					
Mark-up / return / interest earned	15	18,076,337	19,214,270	53,434,162	55,469,908
Mark-up / return / interest expensed	16	(8,552,601)	(9,285,847)	(26,072,861)	(26,330,890)
Net mark-up / interest income		9,523,736	9,928,423	27,361,321	29,139,018
Provision against loans and advances - net (Provision) / reversal against lendings to financial institutions - net (Provision) / reversal for diminution in value of investments - net Bad debts written off directly		(242,548) 338 9,857 (57,526) (289,879)	(1,747,776) (15) (86,233) (88,316) (1,903,340)	(1,221,814) (60,848) (19,218) (106,209) (1,468,087)	(2,730,419) (171,039) (42,296) (262,351) (3,206,105)
Net mark-up / interest income after provisions		9,233,867	8,025,083	25,893,234	25,932,913
Non mark-up / Interest income					
Fee, commission and brokerage income		2,633,953	1,948,215	7,250,202	5,913,844
Dividend income		339,540	77,912	1,062,020	1,520,886
Income from dealing in foreign currencies		762,821	486,210	1,552,833	1,533,292
Gain on sale of securities - net		701,843	128,800	2,682,996	591,086
Unrealized (loss) / gain on revaluation of investments classified as held for trading		(66,813)	11,167	(75,864)	3,436
Other income		251,299	2,833,111	779,788	3,606,855
Total non mark-up / interest income		4,822,443	5,486,415	13,252,175	13,168,999
		13,856,300	13,511,498	39,145,409	39,101,912
Non mark-up / interest expenses					
Administrative expenses	17	(6,493,763)	(6,102,157)	(18,193,467)	(17,476,519)
Other provisions - net		(20,563)	(44,754)	(75,898)	(212,702)
Workers' Welfare Fund		(131,804)	(145,537)	(374,637)	(477,622)
Other charges		(112,827)	(25,231)	(138,201)	(177,622)
Total non mark-up / interest expenses		(6,759,057)	(6,317,679)	(19,782,003)	(18,188,797)
Profit before taxation		7,097,243	7,193,819	19,363,406	20,913,115
Taxation	18				
- Current		(2,324,616)	(2,584,035)	(6,315,240)	(7,163,001)
- Prior		(345,897)	(491,853)	(348,457)	(491,863)
- Deferred		240,594	593,370	235,996	703,174
		(2,429,719)	(2,482,518)	(6,427,701)	(6,941,680)
Profit after taxation		4,667,524	4,711,301	12,935,705	13,971,435

(Rupees)

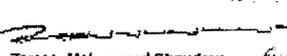
Earnings per share - basic and diluted

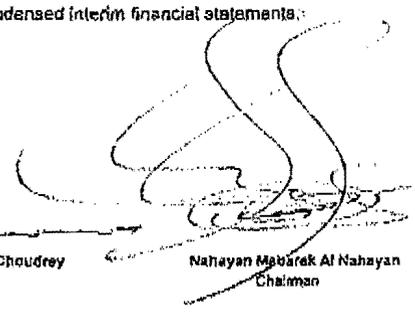
3.81	3.85	10.57	11.41
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The annexed notes from 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.

  
 Amir Borhail  
 President &  
 Chief Executive Officer

Amin Uddin  
 Director

  
 Zameer Mohammed Choudrey  
 Director

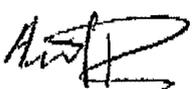
  
 Nahayan Mubarek Al Nahayan  
 Chairman

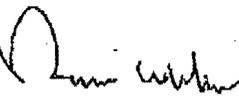

**UNITED BANK LTD.**
**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

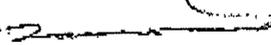
	Jul-Sep 2013	Jul-Sep 2012 (Restated)	Jan-Sep 2013	Jan-Sep 2012 (Restated)
	(Rupees in '000)			
<b>Profit after taxation</b>	4,667,524	4,711,301	12,925,705	13,971,435
<b>Other comprehensive income:</b>				
Exchange differences on translation of net investment in foreign branches	2,200,663	84,353	3,032,487	1,566,823
Gain on cash flow hedges	5,645	14,321	22,027	50,707
Related deferred tax liability on cash flow hedges	(1,975)	(5,012)	(7,709)	(17,747)
	3,670	9,309	14,318	32,960
	2,204,333	93,652	3,046,805	1,599,783
<b>Comprehensive income transferred to equity - net of tax</b>	<b>6,871,857</b>	<b>4,804,983</b>	<b>15,982,510</b>	<b>15,571,218</b>

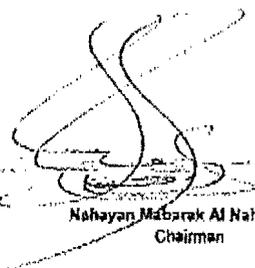
Surplus arising on revaluation of assets has been reported in accordance with the requirements of the Companies Ordinance, 1984 and the directives of the State Bank of Pakistan in a separate account below equity.

The annexed notes from 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.

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

  
**Amin Uddin**  
 Director

  
**Zameer Mohammed Choudhry**  
 Director

  
**Nahayan Mubarak Al Nahayan**  
 Chairman

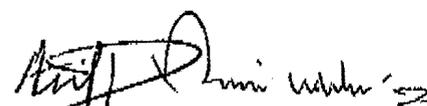
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**UNITED BANK LTD.**
**UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

	September 30, 2013	September 30, 2012 (Restated)
	----- (Rupees in '000) -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	19,363,406	20,915,115
Less: Dividend Income	(1,082,020)	(1,620,688)
	<u>18,301,386</u>	<u>19,392,429</u>
<b>Adjustments:</b>		
Depreciation	1,269,665	1,090,417
Amortization	315,937	306,798
Workers' Welfare Fund	374,837	421,954
Provision for retirement benefits	682,020	819,890
Provision against loans and advances - net	1,221,814	2,730,419
Provision against lendings to financial institutions - net	60,848	171,039
Provision for diminution in value of investments - net	19,216	42,296
Gain on sale of fixed assets	(20,720)	(21,701)
Amortization of cash flow hedges	22,027	50,707
Unrealized loss / (gain) on revaluation of investments classified as held for trading	75,664	(3,436)
Bad debts written-off directly	186,209	262,351
Other provisions - net	75,698	212,702
	<u>4,263,015</u>	<u>5,883,436</u>
	<u>22,564,401</u>	<u>25,276,865</u>
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	4,537,177	(13,190,521)
Held for trading securities	1,277,303	(12,773,278)
Advances	(6,419,230)	(33,080,940)
Other assets - (excluding advance taxation)	(971,110)	735,332
	<u>(1,475,860)</u>	<u>(58,309,357)</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	1,636,705	2,474,427
Borrowings	(28,055,092)	28,500,206
Deposits and other accounts	74,283,684	40,083,715
Other liabilities (excluding current taxation)	(823,764)	(2,098,181)
	<u>49,041,533</u>	<u>68,960,177</u>
	<u>70,130,074</u>	<u>35,926,135</u>
Staff retirement benefits paid	(198,219)	(146,498)
Income taxes paid	(7,591,338)	(8,425,095)
Net cash inflow from operating activities	<u>62,340,518</u>	<u>27,355,092</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investment in securities	(58,429,421)	(33,249,653)
Dividend income received	884,521	1,522,777
Investment in operating fixed assets	(1,871,123)	(2,703,756)
Sale proceeds from disposal of operating fixed assets	185,800	93,159
Net cash outflow from investing activities	<u>(59,250,224)</u>	<u>(34,337,533)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayments of subordinated loans	(8,653,936)	(1,997,815)
Dividend paid	(9,181,349)	(11,017,613)
Net cash outflow from financing activities	<u>(17,835,285)</u>	<u>(13,015,434)</u>
	<u>(14,744,991)</u>	<u>(19,997,875)</u>
Exchange differences on translation of net investment in foreign branches	3,032,487	1,566,812
Decrease in cash and cash equivalents during the period	<u>(11,712,504)</u>	<u>(18,431,053)</u>
Cash and cash equivalents at the beginning of the period	<u>109,315,459</u>	<u>102,955,862</u>
Cash and cash equivalents at the end of the period	<u>97,602,955</u>	<u>84,524,809</u>

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The annexed notes from 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.

  
Atif R. Bokhari  
President &  
Chief Executive Officer

Amin Uddin  
Director

Zameer Mohammed Choudrey  
Director

  
Nahayan Mabrak Al-Nahayan  
Chairman

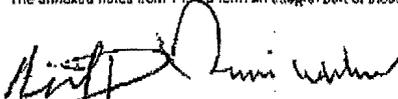
**UNited Bank Ltd.**

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

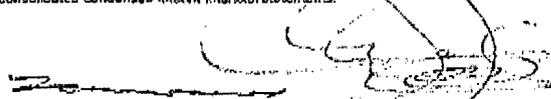
	Share capital	Statutory reserve	Capital reserves		Unappropriated profit	Total
			Exchange translation reserve	Cash flow hedge reserve		
[Rupees in '000]						
Balance as at January 01, 2012 (Audited) - as reported	12,241,788	15,998,864	8,912,150	(81,995)	33,534,116	70,622,933
Restatement due to change in accounting policy on recognition of actuarial gains / (losses) on defined benefit obligations - net of tax	-	-	-	-	1,275,248	1,275,248
Balance as at January 01, 2012 (Audited) - restated	12,241,788	15,998,864	8,912,150	(81,995)	34,809,364	71,898,182
<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 Rs. 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)
	-	-	-	-	(11,017,618)	(11,017,618)
<b>Total comprehensive income for the nine months ended September 30, 2012</b>						
Profit after taxation for the nine months ended September 30, 2012 - restated	-	-	-	-	13,871,435	13,871,435
Other comprehensive income - net of tax	-	-	1,588,823	32,960	-	1,621,783
Total comprehensive income for the nine months ended September 30, 2012	-	-	1,588,823	32,960	13,871,435	15,571,218
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	80,204	80,204
Transfer to statutory reserve	-	1,405,786	-	-	(1,405,786)	-
Balance as at September 30, 2012 (Un-audited) - restated	12,241,788	17,402,880	10,478,973	(29,035)	38,407,580	78,551,896
<b>Transactions with owners recorded directly in equity for the three months ended December 31, 2012</b>						
Interim cash dividend - September 30, 2012 declared at Rs. 2.0 per share	-	-	-	-	(2,448,360)	(2,448,360)
	-	-	-	-	(2,448,360)	(2,448,360)
<b>Total comprehensive income for the three months ended December 31, 2012</b>						
Profit after taxation for the three months ended December 31, 2012 - restated	-	-	-	-	3,919,823	3,919,823
Other comprehensive income - net of tax	-	-	788,703	8,041	(85,415)	711,328
Total comprehensive income for the three months ended December 31, 2012	-	-	788,703	8,041	3,834,508	4,631,252
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	16,738	16,738
Transfer to statutory reserve	-	394,877	-	-	(394,877)	-
Balance as at December 31, 2012 (Audited) - restated	12,241,788	17,797,537	11,287,676	(20,994)	37,415,599	78,731,818
<b>Transactions with owners recorded directly in equity for the nine months ended September 30, 2013</b>						
Final cash dividend - December 31, 2012 declared subsequent to the year end at Rs.3.5 per share	-	-	-	-	(4,244,629)	(4,244,629)
Interim cash dividend - March 31, 2013 declared at Rs.2.0 per share	-	-	-	-	(2,448,360)	(2,448,360)
Interim cash dividend - June 30, 2013 declared at Rs. 2.0 per share	-	-	-	-	(2,448,360)	(2,448,360)
	-	-	-	-	(9,181,349)	(9,181,349)
<b>Total comprehensive income for the nine months ended September 30, 2013</b>						
Profit after taxation for the nine months ended September 30, 2013	-	-	-	-	12,835,705	12,835,705
Other comprehensive income - net of tax	-	-	3,032,487	14,318	-	3,046,805
Total comprehensive income for the nine months ended September 30, 2013	-	-	3,032,487	14,318	12,835,705	15,882,610
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	30,267	30,267
Transfer to statutory reserve	-	1,293,571	-	-	(1,293,571)	-
Balance as at September 30, 2013 (Un-audited)	12,241,788	19,091,108	14,300,163	(6,576)	39,826,761	85,653,144

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The annexed notes from 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.

  
 Amir Waheed  
 President &  
 Chief Executive Officer

Amir Waheed  
 Director

  
 Zameer Mohammad Choudhry  
 Director

  
 Mohyudin Mubarak Al-Hadi  
 Chairman

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**
**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 1,282 (December 31, 2012: 1,278) branches inside Pakistan including 22 (December 31, 2012: 19) Islamic Banking branches and 1 (December 31, 2012: 1) branch in Karachi Export Processing Zone. The Bank also operates 18 (December 31, 2012: 18) branches outside Pakistan as at September 30, 2013.

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 21 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 (IAS) 34, Interim Financial Reporting, the requirements 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 requirements 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 IAS 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 financial statements of the Bank for the year ended December 31, 2012.
- 3.4 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 NINE MONTHS ENDED SEPTEMBER 30, 2013**
**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 unconsolidated financial statements of the Bank for the year ended December 31, 2012 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 financial statements of the Bank for the year ended December 31, 2012.
- 4.3** During the period the Bank has adopted IAS-19 (Revised) effective from January 1, 2013. The significant changes to IAS 19 are as follows:
- For defined benefit plans, the option to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in the profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income / (expense). All other changes in the net defined benefit obligation are recognized directly in other comprehensive income with no subsequent recycling through the profit and loss account.
  - The distinction between short-term and long-term employee benefits is based on the expected timing of settlement rather than the employee's entitlement to the benefits.
  - The revised standard has new or revised disclosure requirements. The disclosures now include quantitative information regarding the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

The adoption of the said amendments has resulted in a change in the Bank's accounting policy related to recognition of actuarial gains and losses (note 5.10.3 to the unconsolidated financial statements for the year ended December 31, 2012). Consequently, the Bank now recognizes all actuarial gains and losses directly in other comprehensive income with no subsequent recycling through the profit and loss account.

Had the said change not been made, the Bank's equity as at September 30, 2013 would have been lower by Rs.999.888 million (December 31, 2012: Rs.1,074.464 million), profit after tax for the nine months ended September 30, 2013 would have been higher by Rs. 74.576 million and earnings per share would have been higher by Rs. 0.06.

**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 unconsolidated financial statements of the Bank for the year ended December 31, 2012.

**6. LENDINGS TO FINANCIAL INSTITUTIONS**

	(Un-audited) September 30, 2013	(Audited) December 31, 2012
	------(Rupees in '000)-----	
Call money lendings	100,000	-
Repurchase agreement lendings	397,996	6,470,898
Other lendings to financial institutions	<u>17,515,285</u>	<u>16,036,288</u>
	18,013,281	22,507,186
Provision against lendings to financial institutions	<u>(657,848)</u>	<u>(553,728)</u>
	<u><u>17,355,433</u></u>	<u><u>21,953,458</u></u>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

7. INVESTMENTS	(Un-audited) September 30, 2013			(Audited) December 31, 2012		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
<b>7.1 Investments by type</b>	----- (Rupees in '000) -----					
<b>Held for trading securities</b>						
Market Treasury Bills	2,988,095	-	2,988,095	3,797,712	-	3,797,712
Pakistan Investment Bonds	32,695	-	32,695	514,070	-	514,070
Ordinary shares of listed companies	511,978	-	511,978	498,289	-	498,289
	3,532,768	-	3,532,768	4,810,071	-	4,810,071
<b>Available for sale securities</b>						
Market Treasury Bills	145,720,083	13,930,237	159,650,320	78,285,856	44,734,778	123,020,634
Pakistan Investment Bonds	66,911,660	441,644	67,353,304	63,327,795	-	63,327,795
Government of Pakistan Sukuk	7,935,012	-	7,935,012	9,043,880	-	9,043,880
Government of Pakistan Eurobonds	10,980,222	-	10,980,222	9,466,364	-	9,466,364
Ordinary shares of listed companies	12,343,493	-	12,343,493	6,537,756	-	6,537,756
Preference shares	439,025	-	439,025	422,057	-	422,057
Ordinary shares of unlisted companies	243,116	-	243,116	242,926	-	242,926
Term Finance Certificates	2,032,452	-	2,032,452	2,021,199	-	2,021,199
Units of mutual funds	-	-	-	114,075	-	114,075
Foreign bonds	23,688,513	-	23,688,513	18,966,614	-	18,966,614
	270,293,576	14,371,881	284,665,457	188,428,522	44,734,778	233,163,300
<b>Held to maturity securities</b>						
Market Treasury Bills	55,434,412	-	55,434,412	54,799,452	-	54,799,452
Pakistan Investment Bonds	38,629,521	-	38,629,521	31,273,156	-	31,273,156
Government of Pakistan Eurobonds	5,296,364	-	5,296,364	-	-	-
Government of Pakistan Sukuk	300,000	-	300,000	300,000	-	300,000
Government of Pakistan Guaranteed Bonds	34,143	-	34,143	42,654	-	42,654
Term Finance Certificates	3,852,240	-	3,852,240	3,971,848	-	3,971,848
Sukuk Bonds	1,365,485	-	1,365,485	1,498,551	-	1,498,551
Participation Term Certificates	4,939	-	4,939	4,939	-	4,939
Debentures	4,392	-	4,392	4,392	-	4,392
Foreign bonds	230,061	-	230,061	210,727	-	210,727
Recovery note	326,922	-	326,922	307,517	-	307,517
CDC SAARC Fund	230	-	230	211	-	211
	105,478,709	-	105,478,709	92,413,447	-	92,413,447
<b>Associates</b>						
United Growth and Income Fund	3,030,136	-	3,030,136	3,030,136	-	3,030,136
UBL Liquidity Plus Fund	335,378	-	335,378	6,307,994	-	6,307,994
UBL Shariah Stock Fund	-	-	-	250,000	-	250,000
United Islamic Income Fund	200,000	-	200,000	200,000	-	200,000
United Stock Advantage Fund	-	-	-	250,000	-	250,000
UBL Savings Income Fund	100,000	-	100,000	100,000	-	100,000
UBL Islamic Sovereign Fund	350,000	-	350,000	350,000	-	350,000
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	100,000	-	100,000
UBL Principal Protected Fund - II	100,000	-	100,000	-	-	-
UBL Government Securities Fund	100,000	-	100,000	100,000	-	100,000
UBL Islamic Cash Fund	100,000	-	100,000	100,000	-	100,000
UBL Gold Fund	100,000	-	100,000	-	-	-
UBL Islamic Principal Preservation Fund - I	100,000	-	100,000	-	-	-
UBL Asset Allocation Fund	100,000	-	100,000	-	-	-
UBL Insurers Limited	240,000	-	240,000	240,000	-	240,000
Khushhali Bank Limited	832,485	-	832,485	832,485	-	832,485
Oman United Exchange Company, Muscat	6,981	-	6,981	6,981	-	6,981
	5,974,980	-	5,974,980	12,047,596	-	12,047,596
<b>Subsidiaries</b>						
United National Bank Limited, UK	1,482,011	-	1,482,011	1,482,011	-	1,482,011
UBL (Switzerland) AG	589,837	-	589,837	589,837	-	589,837
UBL Fund Managers Limited	100,000	-	100,000	100,000	-	100,000
UBL Bank (Tanzania) Limited	1,322,014	-	1,322,014	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	3,523,962	-	3,523,962
	388,803,995	14,371,881	403,175,876	301,223,598	44,734,778	345,958,376
Provision for diminution in value of investments	(1,494,536)	-	(1,494,536)	(1,412,174)	-	(1,412,174)
<b>Investments (net of provisions)</b>	387,309,459	14,371,881	401,681,340	299,811,424	44,734,778	344,546,202
Surplus/ (deficit) on revaluation of available for sale securities	2,015,683	(17,305)	1,998,378	4,648,328	393,416	5,041,744
(Deficit) / surplus on revaluation of held for trading securities	(75,664)	-	(75,664)	2,236	-	2,236
<b>Total investments</b>	<b>389,249,478</b>	<b>14,354,576</b>	<b>403,604,054</b>	<b>304,461,988</b>	<b>45,128,194</b>	<b>349,590,182</b>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

	Note	(Un-audited) September 30, 2013 ----- (Rupees in '000)	(Audited) December 31, 2012 ----- (Rupees in '000)
<b>8. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		257,345,519	273,319,693
Outside Pakistan		114,039,064	99,868,086
		<u>371,384,583</u>	<u>373,187,779</u>
Bills discounted and purchased			
Payable in Pakistan		29,652,191	25,396,189
Payable outside Pakistan		14,882,276	10,506,476
		<u>44,534,467</u>	<u>35,902,665</u>
Advances - gross		415,919,050	409,090,444
Provision against advances			
Specific		(44,385,761)	(43,463,810)
General	8.2	(2,138,280)	(1,262,832)
Advances - net of provision		<u>369,395,009</u>	<u>364,363,802</u>

8.1 Advances include Rs.52,438 million (December 31, 2012: Rs.57,347 million) which have been placed under non-performing status as detailed below:

Category of Classification	September 30, 2013 (Un-audited)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other assets especially mentioned*	230,440	-	230,440	1,531	-	1,531	1,531	-	1,531
Substandard	2,134,124	106,534	2,240,658	182,509	21,032	203,541	182,509	21,032	203,541
Doubtful	808,471	1,889,703	2,698,174	371,570	1,339,381	1,710,951	371,570	1,339,381	1,710,951
Loss	40,707,833	6,561,064	47,268,897	37,691,010	4,778,728	42,469,738	37,691,010	4,778,728	42,469,738
	<u>43,880,868</u>	<u>8,557,301</u>	<u>52,438,169</u>	<u>38,246,620</u>	<u>6,139,141</u>	<u>44,385,761</u>	<u>38,246,620</u>	<u>6,139,141</u>	<u>44,385,761</u>

Category of Classification	December 31, 2012 (Audited)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other assets especially mentioned*	248,010	-	248,010	-	-	-	-	-	-
Substandard	2,138,136	1,346,874	3,485,010	425,466	306,622	732,088	425,466	306,622	732,088
Doubtful	2,540,057	2,095,227	4,635,284	1,148,763	1,093,678	2,242,441	1,148,763	1,093,678	2,242,441
Loss	42,982,937	5,995,755	48,978,692	36,264,639	4,224,642	40,489,281	36,264,639	4,224,642	40,489,281
	<u>47,909,140</u>	<u>9,437,856</u>	<u>57,346,996</u>	<u>37,838,868</u>	<u>5,624,942</u>	<u>43,463,810</u>	<u>37,838,868</u>	<u>5,624,942</u>	<u>43,463,810</u>

\* The other assets especially mentioned category pertains to agricultural finance and advances to small enterprises.

8.2 General provision represents provision amounting to Rs.256.494 million (December 31, 2012: Rs.264.970 million) against consumer finance portfolio and Rs.44.700 million (December 31, 2012: Nil) against advances to small enterprises as required by the Prudential Regulations issued by the SBP and Rs.1,789.086 million (December 31, 2012: Rs.949.862 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. 48.000 million (December 31, 2012: Rs.48.000 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.2,152 million (December 31, 2012: Rs.3,169 million). The FSV benefit recognized will not be available for the distribution of cash or stock dividend to shareholders.

	Note	(Un-audited) September 30, 2013 ----- (Rupees in '000)	(Audited) December 31, 2012 ----- (Rupees in '000)
<b>9. OPERATING FIXED ASSETS</b>			
Capital work-in-progress		1,780,076	1,681,230
Property and equipment		21,432,175	21,317,645
Intangible assets		1,360,258	1,432,194
	9.1	<u>24,572,509</u>	<u>24,431,069</u>

9.1 Additions and disposals during the period amounted to Rs. 1,828.789 million (September 30, 2012: Rs.2,696.947 million) and Rs. 427.755 million (September 30, 2012: Rs.273.895 million), respectively.



**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

	(Un-audited) September 30, 2013	(Audited) December 31, 2012
	------(Rupees in '000)-----	
<b>13.2 Surplus / (deficit) on revaluation of available for sale securities</b>		
Market Treasury Bills	(10,478)	626,591
Pakistan Investment Bonds	(952,327)	2,692,613
Listed shares	2,199,917	368,507
Mutual fund units	-	(1,879)
Term Finance Certificates, Sukuks, other Bonds, etc.	39,242	109,937
Foreign bonds	722,024	1,245,975
	1,998,378	5,041,744
Related deferred tax liability	(699,433)	(1,764,610)
	<u>1,298,945</u>	<u>3,277,134</u>
<b>14. CONTINGENCIES AND COMMITMENTS</b>		
<b>14.1 Direct credit substitutes</b>		
Contingent liabilities in respect of guarantees given favouring:		
Government	3,836,917	2,631,890
Banking companies and other financial institutions	3,053,753	4,353,102
Others	3,519,726	3,002,658
	<u>10,410,396</u>	<u>9,987,650</u>
<b>14.2 Transaction-related contingent liabilities</b>		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring:		
Government	90,734,015	75,352,238
Banking companies and other financial institutions	3,372,655	4,559,713
Others	29,875,657	20,091,896
	<u>123,982,327</u>	<u>100,003,847</u>
<b>14.3 Trade-related contingent liabilities</b>		
Contingent liabilities in respect of letters of credit opened favouring:		
Government	48,816,053	54,515,574
Others	112,422,353	91,938,820
	<u>161,238,406</u>	<u>146,454,394</u>
<b>14.4 Other contingencies</b>		
Claims against the Bank not acknowledged as debts	<u>24,119,720</u>	<u>23,818,821</u>
<b>14.5 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,
	2013	2012
	------(Rupees in '000)-----	
<b>14.6 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	208,397,721	119,658,061
Sale	174,670,209	90,502,058
<b>14.7 Commitments in respect of derivatives</b>		
Forward purchase of Government securities	4,997	-
Forward sale of Government securities	51,137	308,867
Interest rate swaps	6,927,610	8,059,417
Cross currency swaps	10,195,070	12,490,616
FX Options - purchased	129,960	37,234
FX Options - sold	129,960	37,234
<b>14.8 Commitments in respect of capital expenditure</b>	<u>1,796,185</u>	<u>2,150,282</u>
<b>14.9 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, 2013**

	September 30, 2013	September 30, 2012
	------(Rupees in '000)-----	
<b>15. MARK-UP / RETURN / INTEREST EARNED</b>		
On loans and advances to customers	24,022,871	28,736,182
On lendings to financial institutions		
Call money lendings	4,396	10,156
Repurchase agreement lendings	181,217	238,847
Other lendings to financial institutions	298,911	323,653
	484,524	572,656
On investments in		
Held for trading securities	423,990	603,238
Available for sale securities	19,104,693	16,900,236
Held to maturity securities	9,324,894	8,533,676
	28,853,577	26,037,150
On deposits with financial institutions	73,210	123,920
	53,434,182	55,469,908
<b>16. MARK-UP / RETURN / INTEREST EXPENSED</b>		
On deposits	20,512,616	20,807,498
On securities sold under repurchase agreements	3,010,841	2,865,544
On other short term borrowings	1,696,406	1,443,903
On long term borrowings	852,998	1,213,945
	26,072,861	26,330,890
<b>17. ADMINISTRATIVE EXPENSES</b>		
Salaries, allowances etc.	6,808,272	6,512,758
Charge for compensated absences	434,407	439,821
Medical expenses	350,942	323,626
Contribution to defined contribution plan	131,955	122,685
Charge in respect of defined benefit obligations	115,658	57,384
Rent, taxes, insurance, electricity etc.	2,622,042	2,234,872
Depreciation	1,269,665	1,090,417
Amortization	315,937	306,798
Outsourced service charges including sales commission	2,178,379	1,570,178
Communications	786,343	697,493
Banking service charges	632,988	607,918
Cash transportation charges	313,036	281,159
Stationery and printing	419,951	366,283
Legal and professional charges	178,422	212,493
Advertisement and publicity	377,399	563,897
Repairs and maintenance	851,974	797,055
Travelling	152,245	194,658
Office running expenses	324,722	297,389
Vehicle expenses	140,249	127,283
Entertainment	125,772	115,549
Cartage, freight and conveyance	62,824	63,369
Insurance expense	79,877	97,545
Auditors' remuneration	53,664	46,312
Training and seminars	57,637	73,015
Brokerage expenses	37,548	21,706
Subscriptions	49,977	39,329
Donations	41,305	6,157
Non-executive Directors' fees	23,966	24,010
Zakat paid by overseas branch	72,278	71,334
Miscellaneous expenses	184,033	114,026
	19,193,467	17,476,519

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**
**18. TAXATION**

The Income Tax returns of the Bank have been filed up to the tax year 2012 (accounting year ended December 31, 2011) and were deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (Ordinance) unless amended by the Commissioner of Inland Revenue.

The income tax authorities have issued amended assessment orders for the tax years 2003 to 2012, and created additional tax demands of Rs.9,589 million, which have been fully paid as required under the law. The Bank has filed appeals before the various appellate forums against these amendments. Where the appellate authorities have allowed relief on certain issues, the assessing authorities have filed appeals before higher appellate forums. Where the appellate authorities have not allowed relief the Bank has filed appeals before higher appellate forums. The management of the Bank 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.3,229 million (December 31, 2012: Rs.3,229 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, 2012: 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 upto the tax year 2012 (financial year 2011) 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 upto the year ended December 31, 2012 under the provisions of the laws prevailing in the respective countries, and are deemed as assessed unless opened for reassessment.

**19. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES**
**For the nine months ended September 30, 2013 (Un-audited)**

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
(Rupees in '000)						
Total income	171,123	10,715,660	21,830,712	5,935,717	1,960,286	-
Total expenses	(61,120)	(817,643)	(16,201,266)	(3,024,758)	(1,145,303)	-
Profit before tax	110,003	9,898,017	5,629,446	2,910,959	814,983	-
Segment return on assets (ROA)	26.8%	1.8%	0.8%	0.7%	-	-
Segment cost of funds	1.9%	6.3%	3.7%	6.6%	-	-

**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	8,542,943	26,159,665	5,898,362	1,517,394	-
Total expenses	(204,345)	(403,187)	(15,312,668)	(4,458,278)	(1,016,424)	-
Profit before tax	(14,693)	8,139,756	10,846,997	1,440,084	500,970	-
Segment return on assets (ROA)	-1.4%	1.9%	1.6%	0.4%	-	-
Segment cost of funds	0.8%	8.0%	4.2%	8.7%	-	-

**As at September 30, 2013 (Un-audited)**

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
(Rupees in '000)						
Segment assets (gross of NPL provisions)	862,193	468,933,048	715,552,835	371,035,046	94,292,135	(664,465,404)
Segment non performing loans (NPLs)	691,744	2,068,296	23,614,740	25,863,279	200,110	-
Segment provision held against NPLs	(492,494)	(1,666,792)	(20,253,044)	(21,913,278)	(60,153)	-
Segment liabilities	298,550	459,218,083	691,788,453	347,240,649	10,681,849	(664,465,404)

**As at December 31, 2012 (Audited)**

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
(Rupees in '000)						
Segment assets (gross of NPL provisions)	1,433,174	414,116,266	669,774,770	374,148,056	85,640,381	(604,862,720)
Segment non performing loans (NPLs)	1,016,151	2,122,695	25,272,491	28,735,549	200,110	-
Segment provision held against NPLs	(441,892)	(1,520,078)	(20,660,063)	(20,781,624)	(60,153)	-
Segment liabilities	1,069,695	401,751,874	640,391,016	351,919,970	14,277,993	(604,862,720)

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, 2013**
**20. 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, 2013 (Un-audited)					As at December 31, 2012 (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	-	-	1,349,524	-	-	-	-	1,400,068	-	-
In deposit accounts	-	-	1,515,991	-	686,239	-	-	1,291,442	-	773,770
	-	-	<u>2,865,514</u>	-	<u>686,239</u>	-	-	<u>2,691,510</u>	-	<u>773,770</u>
<b>Lendings to financial institutions</b>										
Other lendings to financial institution	-	-	-	-	118,479	-	-	-	-	810,000
<b>Investments</b>										
Opening balance	-	-	3,523,962	12,047,596	404,668	-	-	2,201,948	16,657,117	266,180
Transfer in	-	-	-	-	-	-	-	-	200,000	-
Investment made during the period / year	-	-	-	400,000	816,498	-	-	1,322,014	2,040,479	193,224
Investment redeemed / disposed off during the period / year	-	-	-	(6,472,616)	(491,881)	-	-	-	(6,850,000)	(54,736)
Closing balance	-	-	<u>3,523,962</u>	<u>5,974,980</u>	<u>729,285</u>	-	-	<u>3,523,962</u>	<u>12,047,596</u>	<u>404,668</u>
Provision for diminution in value of investments	-	-	-	-	48,158	-	-	-	-	48,158
<b>Advances</b>										
Opening balance	-	124,163	-	-	-	871	122,016	-	-	-
Addition during the period / year	-	49,188	-	-	-	-	118,883	-	-	-
Repaid during the period / year	-	(76,352)	-	-	-	(871)	(116,736)	-	-	-
Closing balance	-	<u>96,999</u>	-	-	-	-	<u>124,163</u>	-	-	-
<b>Other Assets</b>										
Interest mark-up accrued	-	60	1,330	-	11,551	-	198	107	-	6,784
Receivable from staff retirement funds	-	-	-	-	1,305,414	-	-	-	-	1,600,549
Prepaid insurance	-	-	-	73,561	-	-	-	-	-	-
Advance for Pre-IPO investment	-	-	-	-	-	-	-	-	-	364,000
Receivable against redemption of units of mutual funds	-	-	-	-	-	-	-	-	1,004,226	-
Dividend Receivable	-	-	-	1,287	-	-	-	-	-	-
Other receivable	-	-	66,969	-	-	-	-	17,319	-	-
<b>Borrowings</b>										
Opening balance	-	-	-	-	306,215	-	-	-	-	449,740
Borrowings during the period / year	-	-	856,193	2,155,493	7,243,620	-	-	1,282,323	4,548,669	86,365,214
Settled during the period / year	-	-	-	(2,155,493)	(7,511,336)	-	-	(1,282,323)	(4,548,669)	(86,508,739)
Closing balance	-	-	<u>856,193</u>	-	<u>38,499</u>	-	-	-	-	<u>306,215</u>
<b>Deposits and other accounts</b>										
Opening balance	6,173,963	82,808	142,656	819,332	1,909,324	2,898,779	63,495	131,902	1,217,179	1,485,930
Received during the period / year	15,465,319	860,794	135,993,818	50,556,576	180,268,419	6,948,406	910,308	162,987,974	55,089,236	86,697,265
Withdrawn during the period / year	(12,488,506)	(850,133)	(134,876,092)	(50,798,879)	(181,415,653)	(3,673,222)	(890,995)	(162,977,220)	(55,487,083)	(85,273,871)
Closing balance	<u>9,150,776</u>	<u>93,469</u>	<u>1,260,383</u>	<u>577,029</u>	<u>762,090</u>	<u>6,173,963</u>	<u>82,808</u>	<u>142,656</u>	<u>819,332</u>	<u>1,909,324</u>
<b>Subordinated loans</b>	-	-	-	-	-	-	5	-	5,998	-
<b>Other Liabilities</b>										
Interest / mark-up payable on deposits	42,338	131	14,849	2,000	1,874	75,061	310	-	-	9,328
Interest / mark-up payable on borrowings	-	-	15	-	42	-	-	-	-	837
Interest / mark-up payable on subordinated loans	-	-	-	-	-	-	0	-	167	-
Payable to staff retirement fund	-	-	-	-	105,441	-	-	-	-	105,441
Unearned income	-	-	467	-	-	-	-	170	-	-
<b>Contingencies and Commitments</b>										
Letter of guarantee	-	-	-	78,599	-	-	-	-	71,993	-
Forward foreign exchange contracts purchase	-	-	3,447,044	-	2,662,179	-	-	6,285,868	-	2,914,491
Forward foreign exchange contracts sale	-	-	3,561,817	-	2,184,869	-	-	6,378,146	-	2,817,341

	For the nine months ended September 30, 2013 (Un-audited)					For the nine months ended September 30, 2012 (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	-	4,799	31,132	-	73,835	77	6,366	43,680	-	119,151
Commission / charges recovered	6	25	357	586	646	29	22	191	824	419
Dividend income	-	-	81,210	31,905	84,599	-	-	20,000	1,126,350	12,847
Net gain on sale of securities	-	-	-	859,300	9,841	-	-	-	13,756	-
Realised gain on derivative transactions	-	-	-	-	-	-	-	-	-	1,123,975
Other income	-	153	823	244	-	-	685	38,246	4,562	-
Mark-up / return / interest paid	182,477	1,858	30,773	43,562	58,413	119,044	1,083	842	8,547	90,935
Remuneration paid	-	538,082	-	-	-	-	410,839	-	-	-
Post employment benefits	-	10,814	-	-	-	-	11,143	-	-	-
Non-executive directors' fee	23,966	-	-	-	-	24,010	-	-	-	-
Net charge for defined contribution plans	-	-	-	-	131,955	-	-	-	-	122,685
Net reversal for defined benefit plans	-	-	-	-	(57,896)	-	-	-	-	(81,869)
Payment for employee motivation and retention scheme	-	-	-	-	-	-	-	-	-	250,000
Donation	-	-	-	-	-	-	-	-	-	25
Other expenses	-	-	-	-	55,099	-	-	-	-	53,781
Insurance premium paid	-	-	-	266,644	-	-	-	-	254,360	-
Insurance claims settled	-	-	-	138,703	-	-	-	-	116,669	-

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**
**21. ISLAMIC BANKING BUSINESS**

21.1 The statement of financial position of the Bank's Islamic Banking branches as at September 30, 2013 is as follows:

	Note	(Un-audited) September 30, 2013	(Audited) December 31, 2012
----- (Rupees in '000) -----			
<b>ASSETS</b>			
Cash and balances with treasury banks		750,284	748,333
Balances with other banks		115,184	1,293,290
Investments		8,678,454	8,036,026
Islamic financing and related assets	21.3	5,413,392	3,118,266
Operating fixed assets		111,676	100,250
Other assets		183,369	173,481
<b>Total Assets</b>		<b>15,252,359</b>	<b>13,469,646</b>
<b>LIABILITIES</b>			
Bills payable		4,682	960
Deposits and other accounts			
Current accounts		2,124,196	1,863,420
Saving accounts		2,765,434	2,533,628
Term deposits		2,445,295	3,141,108
Deposits from financial institutions - remunerative		4,169,404	4,956,027
		11,504,329	12,494,183
Due to Head Office		2,969,163	272,971
Other liabilities		246,899	162,915
		14,725,073	12,931,029
<b>NET ASSETS</b>		<b>527,286</b>	<b>538,617</b>
<b>REPRESENTED BY</b>			
Islamic Banking Fund		681,000	681,000
Accumulated losses		(169,349)	(194,579)
		511,651	486,421
Surplus on revaluation of assets		15,635	52,196
		<b>527,286</b>	<b>538,617</b>

21.2 The profit and loss account of the Bank's Islamic Banking branches for the nine months ended September 30, 2013 is as follows:

	(Un-audited)	September 30, 2013	September 30, 2012
----- (Rupees in '000) -----			
Return earned		1,118,308	1,013,036
Return expensed		(664,832)	(588,855)
		453,476	424,181
Provision against loans and advances - net		-	(4,401)
Reversal of diminution in value of investments - net		1,080	36,508
Reversal / (provision) against assets given on Ijarah		2,048	(14,574)
		3,128	17,533
Net return after provisions		456,604	441,714
<b>Other Income</b>			
Fee, commission and brokerage income		11,415	9,003
Dividend income		15,812	39,794
Income from dealing in foreign currencies		8,829	26,697
Gain on sale of securities - net		5,906	860
Other income		7,438	6,696
Total other income		49,400	83,050
		506,004	524,764
<b>Other Expenses</b>			
Administrative expenses		(480,774)	(340,641)
Other provisions - net		-	(2,279)
Total other expenses		(480,774)	(342,920)
Net profit for the year		25,230	181,844
Accumulated losses brought forward		(194,579)	(199,658)
Accumulated losses carried forward		(169,349)	(17,814)
<b>Remuneration to Shariah Advisor</b>		<b>950</b>	<b>1,877</b>
		<b>25,230</b>	<b>181,844</b>
----- (Rupees in '000) -----			
<b>21.3 Islamic financing and related assets</b>			
<b>Financings</b>			
Murabaha		3,547,032	1,394,021
Ijarah		879,947	982,463
Musharaka		-	55,556
Diminishing Musharaka		523,536	192,924
Salam		378,674	347,171
Provision against financings		(29,864)	(29,864)
		5,299,325	2,942,271
<b>Advances</b>			
Advances and receivables against Ijarah		112,344	171,780
Advances for Murabaha		17,498	17,531
Provision against advances for Murabaha		(17,498)	(17,498)
		112,344	171,813
Profit receivable against financings		1,723	4,182
		<b>5,413,392</b>	<b>3,118,266</b>



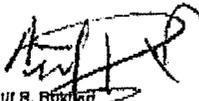
NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013

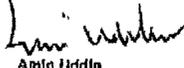
22 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

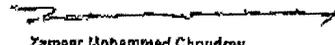
The Board of Directors in its meeting held on October 24, 2013 has declared a cash dividend in respect of the nine months ended September 30, 2013 of Rs.2.0 per share (September 30, 2012: Rs.2.0). The unconsolidated condensed interim financial statements for the nine months ended September 30, 2013 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

23. DATE OF AUTHORIZATION

These unconsolidated condensed interim financial statements were authorised for issue on October 24, 2013 by the Board of Directors of the Bank.

  
AUL R. Bokhari  
President  
Chief Executive Officer

  
Amin Uddin  
Director

  
Zameer Mohammed Choudrey  
Director

  
Nahayan Mubarak Al Nahayan  
Chairman

**SIGN HEI**