

United Bank Limited

UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

**FOR THE QUARTER ENDED MARCH 31, 2013
(UNAUDITED)**



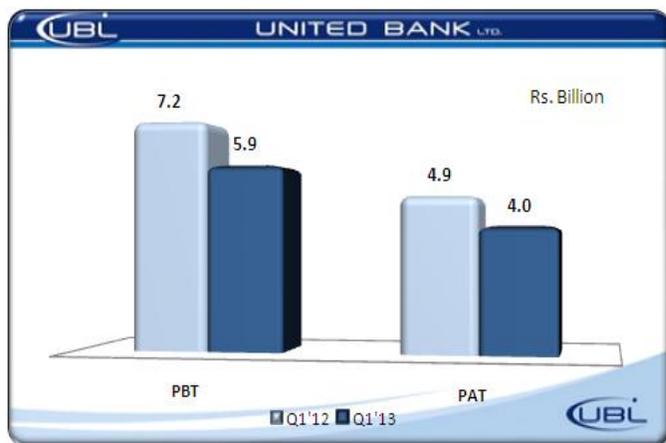
DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors, I am pleased to present to you the financial statements of UBL for the quarter ended March 31, 2013.

Performance Highlights

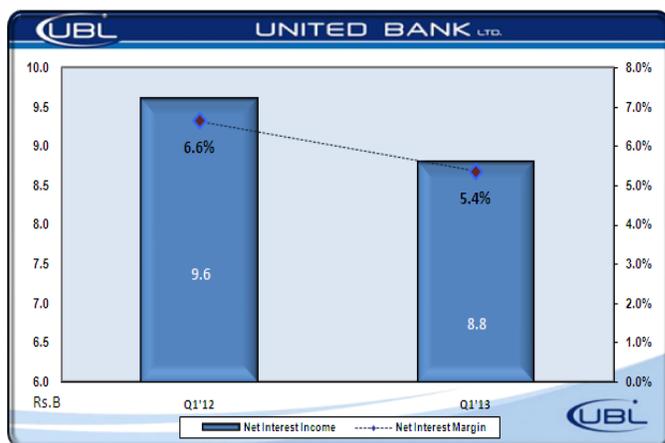
- Unconsolidated PAT for the quarter ended 31 March 2013 stands at Rs 4.0 billion.
- Net Interest Margin reduced by 127 bps to 5.4% (March 2012: 6.6%) subsequent to the 250 bps reduction in the discount rate during the latter half of 2012.
- Lower NPL accretion and improved coverage led to a 38% reduction in provisions over the same period last year.

Financial Highlights



For the quarter ending March 31, 2013, UBL has achieved a profit after tax of Rs 4.0 billion. This is 19% lower than the corresponding period last year and translates into earnings per share of Rs. 3.23 (March 2012: Rs. 3.97).

For the same period, UBL's profit before tax is Rs 5.9 billion, 19% lower than the same period last year. The decline in profitability is primarily attributable to the severe spread compression witnessed in the banking industry. On a consolidated basis, UBL achieved a profit after tax of Rs 4.9 billion, an increase of 2% over the first quarter of 2012.



UBL grew its average Balance Sheet by 14% over the first quarter of 2012. However, the discount rate reductions, coupled with the 1% higher rate on PLS savings deposits resulted in a steep decline in net interest margin, from 6.6% in Q1 2012 to 5.4% in Q1 2013. Consequently, net interest income declined to Rs 8.8 billion in the first quarter of 2013. Provisions for the first quarter reduced by nearly 40% compared to the corresponding quarter last year while the coverage ratio improved significantly to 79% at March 2013.

The Home Remittance business continued its strong growth trajectory with a 60% increase in commission income. Improved general banking fees and growth in the Branchless Banking business further supplemented fees and commissions which increased by 26% to Rs 2.3 billion. Dividend income declined as the Bank reduced its mutual funds investments.

Cost management

Administrative expenses remained flat to the previous quarter. Compared to the first quarter of 2012, expenses increased by Rs 650 million to Rs 6.2 billion, partially due to the full impact of the 2012 branch expansion, rupee devaluation on overseas expenses and an increase in variable costs driven by higher commission earnings. On a comparable basis, administrative expense growth was contained to 7%.

Balance Sheet

UBL grew its balance sheet by 5% over December 2012. Net advances of Rs 352 billion exhibited a seasonal decline of 3% over December 2012, whilst the Bank was able to marginally build on the December 2012 peak in deposits to reach Rs 704 billion.

Given the significant pressure on spreads, the return on average assets reduced from 2.2% for the year 2012 to 1.8% for the first quarter of 2013, and return on equity decreased to 20.4% for the first quarter of 2013.

Capital Ratios

The Board of Directors of UBL declared a final dividend of 35% (Rs 3.5 per share) in their meeting in Abu Dhabi dated 24 February 2013, along with the results for the year ended 31 December 2012, taking the total dividend to 85% (Rs 8.5 per share) for the year.

The capital adequacy ratio (CAR) of the bank reduced to 14.3% in March 2013 as a result of the dividend payout and a reduction in the amount of eligible subordinated debt. The Tier-1 CAR of the bank also declined to 10.3% in March 2013. Despite the decline, the CAR remains comfortably above minimum required levels.

The Board of Directors of UBL declared an interim dividend of 20% in their meeting in Abu Dhabi dated 23 April 2013 along with the results for the first quarter ended 31 March 2013.

Key Developments

Macroeconomic performance

Pakistan's economic performance during the first quarter of 2013 has been mixed. Inflation has maintained its downward trajectory with Q1 2013 averaging 7.4%. The country's structural economic problems remain familiar, with the energy deficit, circular debt, low tax/GDP ratio, and inconsistent industrial performance keeping real GDP growth in the 3-4% range.

The trade deficit for the first nine months of FY13 has narrowed by 4.9%, as exports increased by 5.4%, while growth in imports was contained to 0.4%. The improving trade deficit, and receipt of US\$ 1.8 billion from the Coalition Support Fund has held the current account deficit at US\$ 1.0 billion for 9M FY13 compared to a US\$ 3.0 billion deficit for the same period last year. Workers' remittances of US\$ 10.4 billion during 9M FY13 continued to support the external account. However, foreign exchange reserves have reduced to US\$ 12.2 billion due to weaker financial inflows as well as debt repayments to the IMF.

The fiscal deficit remains a major issue both in terms of its quantum and also its funding which, in the absence of foreign flows, is increasingly dependent on domestic sources. Tax collection has improved slightly, reaching Rs 1.3 trillion for 9M FY13, but is still expected to fall well short of even the revised target of Rs 2.1 trillion for FY13. Expenditures, on the other hand, have risen sharply with energy related subsidies having already surpassed the full year target. It appears likely that the fiscal deficit for FY13 will

again be well above the 4.7% target.

The stock market moved towards a consolidation phase during Q1'13 with the KSE-100 index appreciating by 6.7%. Foreign Portfolio Investment increased during the quarter while average daily traded value increased significantly over the previous quarter.

The State Bank of Pakistan has kept its policy rate unchanged at 9.5% in 2013. The April 2013 monetary policy statement cites concerns on the external account, widening fiscal deficit and higher monetary growth, despite the comfort on the inflation front. During the quarter, the SBP also directed banks to apply the minimum profit rate of 6.0% on all saving deposits using average instead of minimum monthly balances from April 2013. This will further reduce banking spreads, which are already at 5-year lows.

Deposits for the banking sector grew marginally by 1.4% during the first quarter of 2013. Lending remains mainly directed towards government and public sector enterprises. Non-performing loans for the industry remained relatively under control, with the stock of non-performing loans declining by 1.6% quarter on quarter to Rs 607 billion in December 2012.

UBL International

In continuation of the positive trend seen in 2012, the macroeconomic indicators of the GCC countries, in particular UAE and Qatar, have further strengthened, resulting in improving the overall risk profile for the region. In particular the Dubai real estate sector has witnessed improvement, with property prices and rentals both registering a rebound. This reflects investor confidence and signs of future growth potential, and is expected to have a positive impact on both the existing portfolio and new loan bookings.

UBL International, while keeping its focus on the corporate portfolio, plans to benefit from these developments by capitalizing on new opportunities to expand its asset base. In line with the Bank's overall strategy, due emphasis has been laid on further strengthening the risk management structure with special emphasis on maintaining strong liquidity. The business has aligned its strategy in light of these positive developments to grow within the wholesale banking space, driving cross-sell across products and customers.

Omni

UBL Omni now has 11,000 Dukaan outlets in over 650 cities and towns, enabling this business to offer customized payment solutions to an ever expanding customer base across industries and business segments. Transaction volumes and value increased by 5% and 11% respectively compared to the previous quarter. The Domestic Remittance business in particular has grown rapidly with a 31% increase in transaction volumes and 41% increase in transaction value as compared to the previous quarter.

In February 2013, Omni was recognized globally as one of 14 'Sprinters' by the GSMA's Mobile Money for the Unbanked (MMU) program, the only bank out of the 150 worldwide branchless implementations surveyed. UBL Omni was also nominated for GSMA 2013 award for "Best use of mobile for Women".

Project Genesis (new core banking software implementation)

A significant milestone was achieved in 2013 with the completion of the migration of the entire conventional domestic branch network to the new Core banking System (CBS). The project to enhance the existing Loan Origination System is in the testing phase and planning and analysis for the 2013 migration of 8 UAE branches to CBS is at an advanced stage.

After the successful implementation of the FX and Derivative modules of the Sierra Treasury Management System, the remaining modules are planned for implementation in 2013.

Corporate Social Responsibility

In the first quarter of 2013, a total amount of nearly Rs 16 million was paid as donations to various educational and welfare organizations and NGOs. UBL's signature initiative during the quarter was a commitment to building and supporting a school in Gharo, Sindh in partnership with The Citizens Foundation (TCF).

Looking ahead

A political landmark was reached as a democratically elected government completed its full term in office for the first time in Pakistan's history. With the general elections only weeks away, much will depend on the strategy and economic policies pursued by the new government. The fundamental issues affecting the country remain familiar vis-à-vis low tax collections, problems in the energy chain and the fragile law and order situation, and will need to be tackled on priority by any new Government. Inflation has remained in the single digits in the current fiscal year and is expected to soften further in the remaining months of FY13. In the absence of financial inflows, the external account is likely to remain under pressure amid sizeable upcoming debt repayments.

In the current backdrop, the banking sector will be significantly challenged to mitigate the impact of spread compression and maintain profitability. UBL expects to start seeing the benefits of the long-term investments made in its network and technology infrastructure over the last two years. As market conditions improve, the Bank will selectively increase lending to high quality customers. Key priorities for 2013 continue to be proactive risk management of the loan book, low cost deposit growth, and prudent cost management.

Acknowledgements

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

For and on behalf of the Board,

Nahayan Mabarak Al Nahayan
Chairman

Abu Dhabi
April 23, 2013

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2013**

	Note	(Un-audited) March 31, 2013	(Audited) December 31, 2012 (Restated)
------(Rupees in '000)-----			
ASSETS			
Cash and balances with treasury banks		77,862,054	94,081,133
Balances with other banks		24,458,985	15,234,326
Lendings to financial institutions	6	23,127,381	21,953,458
Investments	7	411,512,856	349,590,182
Advances	8	352,054,416	364,363,802
Operating fixed assets	9	24,602,848	24,431,069
Deferred tax asset - net		-	-
Other assets		22,884,331	26,339,854
		936,502,871	895,993,824
LIABILITIES			
Bills payable		14,401,683	7,600,633
Borrowings	10	97,823,396	67,214,445
Deposits and other accounts	11	704,494,700	699,935,518
Subordinated loans		6,985,996	9,319,264
Liabilities against assets subject to finance lease		-	-
Deferred tax liability - net		135,607	856,528
Other liabilities		21,594,887	18,829,146
		845,436,269	803,755,534
NET ASSETS		<u>91,066,602</u>	<u>92,238,290</u>
REPRESENTED BY:			
Share capital		12,241,798	12,241,798
Reserves		29,873,165	29,044,219
Unappropriated profit		36,706,179	37,415,599
		78,821,142	78,701,616
Surplus on revaluation of assets - net of deferred tax	12	12,245,460	13,536,674
		<u>91,066,602</u>	<u>92,238,290</u>
CONTINGENCIES AND COMMITMENTS	13		

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

**UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013**

	Note	March 31, 2013 ------(Rupees in '000)-----	March 31, 2012 ------(Rupees in '000)-----
Mark-up / return / interest earned	14	17,005,878	17,695,825
Mark-up / return / interest expensed	15	(8,218,114)	(8,095,394)
Net mark-up / interest income		<u>8,787,764</u>	<u>9,600,431</u>
Provision against loans and advances - net		(419,155)	(611,397)
Reversal / (provision) against lendings to financial institutions - net		4,338	(81,150)
(Provision) / reversal for diminution in value of investments - net		(13,220)	6,171
Bad debts written off directly		(44,691)	(79,278)
		<u>(472,728)</u>	<u>(765,654)</u>
Net mark-up / interest income after provisions		8,315,036	8,834,777
Non mark-up / interest income			
Fee, commission and brokerage income		2,344,275	1,866,484
Dividend income		548,856	810,201
Income from dealing in foreign currencies		394,018	568,258
Gain on sale of securities - net		393,011	416,959
Unrealized gain / (loss) on revaluation of investments classified as held for trading		6,222	(2,008)
Other income		168,191	434,241
Total non mark-up / interest income		<u>3,854,573</u>	<u>4,094,135</u>
		12,169,609	12,928,912
Non mark-up / interest expenses			
Administrative expenses	16	(6,182,132)	(5,526,025)
Other (provisions) / reversals - net		(3,954)	1,018
Workers' Welfare Fund		(116,523)	(147,332)
Other charges		(12,799)	(26,393)
Total non mark-up / interest expenses		<u>(6,315,408)</u>	<u>(5,698,732)</u>
Profit before taxation		5,854,201	7,230,180
Taxation	17		
- Current		(1,924,554)	(2,432,069)
- Deferred		24,188	67,147
		<u>(1,900,366)</u>	<u>(2,364,922)</u>
Profit after taxation		<u>3,953,835</u>	<u>4,865,258</u>
		------(Rupees)-----	
Earnings per share - basic and diluted		<u>3.23</u>	<u>3.97</u>

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

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013**

	March 31, 2013	March 31, 2012
	------(Rupees in '000)-----	
Profit after taxation	3,953,835	4,865,258
Other comprehensive income:		
Exchange differences on translation of net investment in foreign branches	426,551	229,092
Gain on cash flow hedges	10,786	22,299
Related deferred tax liability on cash flow hedges	(3,775)	(7,805)
	7,011	14,494
	433,562	243,586
Comprehensive income transferred to equity - net of tax	4,387,397	5,108,844

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 22 form an integral part of these unconsolidated condensed interim financial statements.

Atif R. Bokhari
President &
Chief Executive Officer

Seerat Asghar
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Deputy Chairman

Nahayan Mabarak Al Nahayan
Chairman

**UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013**
March 31, 2013 March 31, 2012
----- (Rupees in '000) -----
CASH FLOW FROM OPERATING ACTIVITIES

Profit before taxation	5,854,201	7,230,180
Less: Dividend income	(548,856)	(810,201)
	<u>5,305,345</u>	<u>6,419,979</u>

Adjustments:

Depreciation	399,230	330,025
Amortization	102,983	94,438
Workers' Welfare Fund	116,523	147,332
Provision for retirement benefits	159,730	161,708
Provision against loans and advances - net	419,155	611,397
Provision against lendings to financial institutions - net	(4,338)	81,150
Provision / (reversal) for diminution in value of investments - net	13,220	(6,171)
Gain on sale of fixed assets	(3,469)	(10,763)
Gain on cash flow hedges	10,786	22,299
Unrealized (gain) / loss on revaluation of investments classified as held for trading	(6,222)	2,008
Bad debts written-off directly	44,691	79,278
Other provisions / (reversals) - net	3,954	(1,018)
	<u>1,256,243</u>	<u>1,511,683</u>
	<u>6,561,588</u>	<u>7,931,662</u>

(Increase) / decrease in operating assets

Lendings to financial institutions	(1,169,585)	(5,713,218)
Held for trading securities	(1,914,165)	(5,419,560)
Advances	11,845,540	(20,785,008)
Other assets - (excluding advance taxation)	4,561,667	(4,880)
	<u>13,323,457</u>	<u>(31,922,666)</u>

Increase / (decrease) in operating liabilities

Bills payable	6,801,050	2,817,194
Borrowings	30,608,951	33,245,078
Deposits and other accounts	4,559,182	990,870
Other liabilities (excluding current taxation)	(1,606,055)	(1,579,757)
	<u>40,363,128</u>	<u>35,473,385</u>

Staff retirement benefits paid	60,248,173	11,482,381
Income taxes paid	(203,349)	(109,188)
	<u>(2,648,709)</u>	<u>(1,326,779)</u>
Net cash inflow from operating activities	<u>57,396,115</u>	<u>10,046,414</u>

CASH FLOW FROM INVESTING ACTIVITIES

Net investment in securities	(61,976,352)	(30,709,047)
Dividend income received	162,913	237,622
Investment in operating fixed assets	(702,914)	(675,883)
Sale proceeds from disposal of operating fixed assets	32,535	54,897
Net cash outflow from investing activities	<u>(62,483,818)</u>	<u>(31,092,411)</u>

CASH FLOW FROM FINANCING ACTIVITIES

Repayments of subordinated loans	(2,333,268)	(998,908)
Net cash outflow from financing activities	<u>(2,333,268)</u>	<u>(998,908)</u>
Exchange differences on translation of net investment in foreign branches	(7,420,971)	(22,044,905)
Decrease in cash and cash equivalents during the period	<u>426,551</u>	<u>229,092</u>
	<u>(6,994,420)</u>	<u>(21,815,813)</u>

Cash and cash equivalents at beginning of the period	109,315,459	102,955,862
Cash and cash equivalents at end of the period	<u>102,321,039</u>	<u>81,140,049</u>

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

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED MARCH 31, 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	12,241,798	15,996,864	8,912,150	(61,995)	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	-	-	-	-	1,275,249	1,275,249
Balance as at January 01, 2012 (Audited) - restated	12,241,798	15,996,864	8,912,150	(61,995)	34,809,365	71,898,182
Transactions with owners recorded directly in equity for the quarter ended March 31, 2012						
Final cash dividend - December 31, 2011 declared subsequent to the year end at Rs.6.0 per share	-	-	-	-	(7,345,078)	(7,345,078)
Total comprehensive income for the quarter ended March 31, 2012						
Profit after taxation for the quarter ended March 31, 2012	-	-	-	-	4,865,258	4,865,258
Other comprehensive income - net of tax	-	-	229,092	14,494	-	243,586
Total comprehensive income for the quarter ended March 31, 2012	-	-	229,092	14,494	4,865,258	5,108,844
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	16,739	16,739
Transfer to statutory reserve	-	486,526	-	-	(486,526)	-
Balance as at March 31, 2012 (Un-audited) - restated	12,241,798	16,483,390	9,141,242	(47,501)	31,859,758	69,678,687
Transactions with owners recorded directly in equity for the nine months ended December 31, 2012						
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)
Interim cash dividend - September 30, 2012 declared at Rs.2.0 per share	-	-	-	-	(2,448,360)	(2,448,360)
	-	-	-	-	(6,120,900)	(6,120,900)
Total comprehensive income for the nine months ended December 31, 2012						
Profit after taxation for the nine months ended December 31, 2012	-	-	-	-	13,026,100	13,026,100
Other comprehensive income - net of tax	-	-	2,126,434	26,507	(85,415)	2,067,526
Total comprehensive income for the nine months ended December 31, 2012	-	-	2,126,434	26,507	12,940,685	15,093,626
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	50,203	50,203
Transfer to statutory reserve	-	1,314,147	-	-	(1,314,147)	-
Balance as at December 31, 2012 (Audited) - restated	12,241,798	17,797,537	11,267,676	(20,994)	37,415,599	78,701,616
Transactions with owners recorded directly in equity for the quarter ended March 31, 2013						
Final cash dividend - December 31, 2012 declared subsequent to the year end at Rs.3.5 per share	-	-	-	-	(4,284,629)	(4,284,629)
Total comprehensive income for the quarter ended March 31, 2013						
Profit after taxation for the quarter ended March 31, 2013	-	-	-	-	3,953,835	3,953,835
Other comprehensive income - net of tax	-	-	426,551	7,011	-	433,562
Total comprehensive income for the quarter ended March 31, 2013	-	-	426,551	7,011	3,953,835	4,387,397
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	16,758	16,758
Transfer to statutory reserve	-	395,384	-	-	(395,384)	-
Balance as at March 31, 2013 (Un-audited)	12,241,798	18,192,921	11,694,227	(13,983)	36,706,179	78,821,142

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 QUARTER ENDED MARCH 31, 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 March 31, 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 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 (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 On August 14, 2009, the Government of Pakistan (GoP) launched the Benazir Employees' Stock Option Scheme (the Scheme) for employees of certain State Owned Enterprises (SOEs) and non-SOEs.

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

Had the exemption not been granted, the staff costs of the Bank for the period would have been higher by Rs. 74.795 million (March 31, 2012: Rs. 54.074 million), profit before taxation would have been lower by Rs. 74.795 million (March 31, 2012: Rs. 54.074 million), unappropriated profit would have been lower by Rs. 1,353.486 million (December 31, 2012: Rs. 1,278.691 million) and reserves would have been higher by Rs. 1,353.486 million (December 31, 2012: Rs. 1,278.691 million), hence, there would have been no impact on net equity. Further, earnings per share would have been lower by Rs. 0.06 per share (March 31, 2012: Rs. 0.04 per share).

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013**

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

4.3 During the quarter 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 March 31, 2013 would have been lower by Rs.1,049.605 million (December 31, 2012: Rs.1,074.464 million), profit after tax for the quarter ended March 31, 2013 would have been higher by Rs.24.859 million and earnings per share would have been higher by Rs.0.02.

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) March 31, 2013 ------(Rupees in '000)-----	(Audited) December 31, 2012
Repurchase agreement lendings	7,334,505	6,470,898
Other lendings to financial institutions	<u>16,348,536</u>	<u>16,036,288</u>
	23,683,041	22,507,186
Provision against lendings to financial institutions	<u>(555,660)</u>	<u>(553,728)</u>
	<u><u>23,127,381</u></u>	<u><u>21,953,458</u></u>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013**

7. INVESTMENTS	(Un-audited) March 31, 2013			(Audited) December 31, 2012		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
7.1 Investments by type	----- (Rupees in '000) -----					
Held for trading securities						
Market Treasury Bills	5,206,776	-	5,206,776	3,797,712	-	3,797,712
Pakistan Investment Bonds	232,372	-	232,372	514,070	-	514,070
Ordinary shares of listed companies	1,285,088	-	1,285,088	498,289	-	498,289
	6,724,236	-	6,724,236	4,810,071	-	4,810,071
Available for sale securities						
Market Treasury Bills	93,962,097	78,835,440	172,797,537	78,285,856	44,734,778	123,020,634
Pakistan Investment Bonds	65,011,231	436,735	65,447,966	63,327,795	-	63,327,795
Government of Pakistan Sukuk	8,042,038	-	8,042,038	9,043,880	-	9,043,880
Government of Pakistan Eurobonds	10,031,571	-	10,031,571	9,466,364	-	9,466,364
Ordinary shares of listed companies	9,606,835	-	9,606,835	6,537,756	-	6,537,756
Preference shares	451,210	-	451,210	422,057	-	422,057
Ordinary shares of unlisted companies	242,953	-	242,953	242,926	-	242,926
Term Finance Certificates	2,139,474	-	2,139,474	2,021,199	-	2,021,199
Units of mutual funds	114,075	-	114,075	114,075	-	114,075
Foreign bonds	24,647,070	-	24,647,070	18,966,614	-	18,966,614
	214,248,554	79,272,175	293,520,729	188,428,522	44,734,778	233,163,300
Held to maturity securities						
Market Treasury Bills	50,430,338	-	50,430,338	54,799,452	-	54,799,452
Pakistan Investment Bonds	35,791,483	-	35,791,483	31,273,156	-	31,273,156
Government of Pakistan Sukuk	300,000	-	300,000	300,000	-	300,000
Government of Pakistan Guaranteed Bonds	38,417	-	38,417	42,654	-	42,654
Term Finance Certificates	3,872,927	-	3,872,927	3,971,848	-	3,971,848
Sukuk Bonds	1,446,109	-	1,446,109	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
Certificate of Deposits	1,534,602	-	1,534,602	-	-	-
Foreign bonds	213,530	-	213,530	210,727	-	210,727
Recovery note	306,867	-	306,867	307,517	-	307,517
CDC SAARC Fund	214	-	214	211	-	211
	93,943,818	-	93,943,818	92,413,447	-	92,413,447
Associates						
United Growth and Income Fund	3,030,136	-	3,030,136	3,030,136	-	3,030,136
UBL Liquidity Plus Fund	6,307,994	-	6,307,994	6,307,994	-	6,307,994
UBL 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 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 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 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
	12,147,596	-	12,147,596	12,047,596	-	12,047,596
Subsidiaries						
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, Tanzania	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
Provision for diminution in value of investments	330,588,166	79,272,175	409,860,341	301,223,598	44,734,778	345,958,376
	(1,434,606)	-	(1,434,606)	(1,412,174)	-	(1,412,174)
Investments (net of provisions)	329,153,560	79,272,175	408,425,735	299,811,424	44,734,778	344,546,202
Surplus on revaluation of available for sale securities	2,833,370	247,529	3,080,899	4,648,328	393,416	5,041,744
Surplus on revaluation of held for trading securities	6,222	-	6,222	2,236	-	2,236
Total investments	331,993,152	79,519,704	411,512,856	304,461,988	45,128,194	349,590,182

7.2 The SBP, vide Letter No. BPRD/BRD-(Policy)/2012-13702 dated November 20, 2012 has permitted banks to maintain provision against Term Finance Certificates issued by Azgard Nine Limited, classified in Loss category, at 75% of the exposure. Accordingly, provision for diminution in value of investments includes Rs.73.212 million (December 31, 2012: Rs.48.808 million) against Azgard Nine Limited.

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013**

	Note	(Un-audited) March 31, 2013 ------(Rupees in '000)-----	(Audited) December 31, 2012
8. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		259,936,524	273,319,693
Outside Pakistan		99,262,860	99,868,086
		<u>359,199,384</u>	<u>373,187,779</u>
Bills discounted and purchased			
Payable in Pakistan		27,193,974	25,396,189
Payable outside Pakistan		10,699,862	10,506,476
		<u>37,893,836</u>	<u>35,902,665</u>
Advances - gross		397,093,220	409,090,444
Provision against advances			
Specific		(43,715,509)	(43,463,810)
General	8.2	(1,323,295)	(1,262,832)
Advances - net of provision		<u>352,054,416</u>	<u>364,363,802</u>

8.1 Advances include Rs 57,075 million (December 31, 2012: Rs.57,347 million) which have been placed under non-performing status as detailed below:

Category of Classification	March 31, 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*	303,935	-	303,935	-	-	-	-	-	-
Substandard	1,730,046	1,639,149	3,369,195	334,376	390,708	725,084	334,376	390,708	725,084
Doubtful	2,303,772	2,226,604	4,530,376	1,009,207	1,287,046	2,296,253	1,009,207	1,287,046	2,296,253
Loss	42,901,296	5,969,703	48,870,999	36,502,522	4,191,650	40,694,172	36,502,522	4,191,650	40,694,172
	<u>47,239,049</u>	<u>9,835,456</u>	<u>57,074,505</u>	<u>37,846,105</u>	<u>5,869,404</u>	<u>43,715,509</u>	<u>37,846,105</u>	<u>5,869,404</u>	<u>43,715,509</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 only.

8.2 General provision represents provision amounting to Rs. 255.909 million (December 31, 2012: Rs.264.970 million) against consumer finance portfolio as required by the Prudential Regulations issued by the SBP and Rs. 1,019.386 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. 2,756 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.

8.4 The SBP, vide Letter No. BPRD/BRD-(Policy)/2012-13702 dated November 20, 2012 has permitted banks to maintain provision against Azgard Nine Limited, classified in Loss category, at 75% of the exposure. Accordingly, specific provision includes Rs.101.252 million (December 31, 2012: Rs.67.501 million) against Azgard Nine Limited.

	Note	(Un-audited) March 31, 2013 ------(Rupees in '000)-----	(Audited) December 31, 2012
9. OPERATING FIXED ASSETS			
Capital work-in-progress		1,902,718	1,681,230
Property and equipment		21,285,307	21,317,645
Intangible assets		1,414,823	1,432,194
	9.1	<u>24,602,848</u>	<u>24,431,069</u>

9.1 Additions and disposals during the period amounted to Rs. 693.730 million (March 31, 2012: Rs.669.134 million) and Rs. 81.709 million (March 31, 2012: Rs.105.659 million), respectively.

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013**

	Note	(Un-audited) March 31, 2013	(Audited) December 31, 2012
------(Rupees in '000)-----			
10. BORROWINGS			
Secured			
Borrowings from the State Bank of Pakistan under:			
Export refinance scheme		10,594,598	12,460,384
Refinance facility for modernization of SME		29,473	32,050
Long term financing facility		4,486,184	3,535,341
Long term financing under export oriented projects		729,698	822,015
		15,839,953	16,849,790
Repurchase agreement borrowings		79,444,245	45,064,760
		<u>95,284,198</u>	<u>61,914,550</u>
Unsecured			
Call borrowings		1,981,996	4,508,819
Trading liabilities		50,939	-
Other borrowings		506,263	791,076
		<u>2,539,198</u>	<u>5,299,895</u>
		<u>97,823,396</u>	<u>67,214,445</u>
11. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		203,480,469	193,621,057
Savings deposits		244,867,108	240,777,697
Sundry deposits		11,814,746	7,662,302
Margin deposits		3,395,230	3,846,759
Current accounts - remunerative		9,605,101	7,228,020
Current accounts - non-remunerative		220,519,606	233,724,104
		<u>693,682,260</u>	<u>686,859,939</u>
Financial Institutions			
Remunerative deposits		6,915,934	8,191,096
Non-remunerative deposits		3,896,506	4,884,483
		<u>10,812,440</u>	<u>13,075,579</u>
		<u>704,494,700</u>	<u>699,935,518</u>
12. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX			
Surplus arising on revaluation of assets - net of tax:			
Fixed assets	12.1	10,242,876	10,259,540
Securities	12.2	2,002,584	3,277,134
		<u>12,245,460</u>	<u>13,536,674</u>
12.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 01		15,330,037	15,432,360
Exchange adjustments		144	665
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year		(16,758)	(66,942)
Related deferred tax liability on incremental depreciation charged during the period / year		(9,024)	(36,046)
		<u>(25,638)</u>	<u>(102,323)</u>
		15,304,399	15,330,037
Less: Related deferred tax liability on:			
Revaluation as at January 01		5,070,497	5,106,310
Exchange adjustments		50	233
Incremental depreciation charged on related assets		(9,024)	(36,046)
		<u>5,061,523</u>	<u>5,070,497</u>
		<u>10,242,876</u>	<u>10,259,540</u>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013**

	(Un-audited) March 31, 2013 ------(Rupees in '000)-----	(Audited) December 31, 2012
12.2 Surplus / (deficit) on revaluation of available for sale securities		
Market Treasury Bills	252,662	626,591
Pakistan Investment Bonds	1,988,581	2,692,613
Listed shares	620,940	368,507
Mutual fund units	2,097	(1,879)
Term Finance Certificates, Sukuks, other Bonds, etc.	44,650	109,937
Foreign bonds	171,969	1,245,975
	3,080,899	5,041,744
Related deferred tax liability	(1,078,315)	(1,764,610)
	<u>2,002,584</u>	<u>3,277,134</u>

13. CONTINGENCIES AND COMMITMENTS
13.1 Direct credit substitutes

Contingent liabilities in respect of guarantees given favouring:

Government	3,100,637	2,631,890
Banking companies and other financial institutions	3,518,101	4,353,102
Others	3,206,557	3,002,658
	<u>9,825,295</u>	<u>9,987,650</u>

13.2 Transaction-related contingent liabilities

Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring:

Government	78,084,931	75,352,238
Banking companies and other financial institutions	5,087,165	4,559,713
Others	23,669,563	20,091,896
	<u>106,841,659</u>	<u>100,003,847</u>

13.3 Trade-related contingent liabilities

Contingent liabilities in respect of letters of credit opened favouring:

Government	45,656,585	54,515,574
Others	82,055,393	91,938,820
	<u>127,711,978</u>	<u>146,454,394</u>

13.4 Other contingencies

Claims against the Bank not acknowledged as debts

	<u>23,562,572</u>	<u>23,818,821</u>
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13.5 Commitments to extend credit

The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	Note	(Un-audited) March 31, 2013 ------(Rupees in '000)-----	(Audited) December 31, 2011
13.6 Commitments in respect of forward foreign exchange contracts			
Purchase		135,589,113	119,658,061
Sale		101,214,281	90,502,058
13.7 Commitments in respect of derivatives			
Forward purchase of Government securities		704,730	-
Forward sale of Government securities		-	308,867
Interest rate swaps		8,202,172	8,059,417
Cross currency swaps		12,747,659	12,490,616
FX Options - purchased		160,130	37,234
FX Options - sold		160,130	37,234
13.8 Commitments in respect of capital expenditure			
		<u>1,877,685</u>	<u>2,150,282</u>

13.9 For contingencies relating to taxation refer note

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013**

	March 31, 2013	March 31, 2012
	----- (Rupees in '000) -----	
14. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to customers	7,875,150	9,137,544
On lendings to financial institutions		
Call money lendings	511	5,253
Repurchase agreement lendings	52,457	69,169
Other lendings to financial institutions	88,721	89,135
	141,689	163,557
On investments in		
Held for trading securities	137,205	104,563
Available for sale securities	5,786,610	5,308,826
Held to maturity securities	3,035,094	2,914,133
	8,958,909	8,327,522
On deposits with financial institutions	30,130	67,202
	17,005,878	17,695,825
15. MARK-UP / RETURN / INTEREST EXPENSED		
On deposits	6,474,977	6,531,215
On securities sold under repurchase agreements	859,425	610,193
On other short term borrowings	643,111	614,286
On long term borrowings	240,601	339,700
	8,218,114	8,095,394
16. ADMINISTRATIVE EXPENSES		
Salaries, allowances etc.	2,325,199	2,160,970
Charge for compensated absences	81,516	143,246
Medical expenses	116,987	106,023
Contribution to defined contribution plan	44,191	40,869
Charge / (reversal) in respect of defined benefit obligations	34,023	(22,407)
Rent, taxes, insurance, electricity etc.	830,797	674,103
Depreciation	399,230	330,025
Amortization	102,983	94,438
Outsourced service charges including sales commission	669,013	482,471
Communications	257,770	220,313
Banking service charges	189,879	196,971
Cash transportation charges	108,204	83,284
Stationery and printing	121,500	102,481
Legal and professional charges	59,598	71,408
Advertisement and publicity	103,518	133,697
Repairs and maintenance	274,049	278,935
Travelling	52,494	61,912
Office running expenses	106,907	96,550
Vehicle expenses	45,766	44,747
Entertainment	41,213	36,529
Cartage, freight and conveyance	20,720	20,695
Insurance expense	29,679	55,377
Auditors' remuneration	15,850	15,149
Training and seminars	27,344	18,677
Brokerage expenses	13,515	5,431
Subscriptions	17,005	9,570
Donations	15,980	727
Non-executive Directors' fees	5,513	6,715
Zakat paid by overseas branch	23,671	24,127
Miscellaneous expenses	48,018	32,992
	6,182,132	5,526,025

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013**
17. 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 UAE have been filed upto the year ended December 31, 2012 and for other overseas branches 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 quarter ended March 31, 2013 (Un-audited)

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
(Rupees in '000)						
Total income	33,000	3,226,817	7,021,811	1,899,906	460,803	-
Total expenses	(46,481)	(231,848)	(5,426,326)	(648,708)	(434,773)	-
Profit before tax	(13,481)	2,994,969	1,595,485	1,251,198	26,030	-
Segment return on assets (ROA)	-4.5%	1.9%	0.7%	1.0%	-	-
Segment cost of funds	1.0%	6.4%	3.6%	6.3%	-	-

For the quarter ended March 31, 2012 (Un-audited)

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
(Rupees in '000)						
Total income	64,374	2,485,772	8,234,294	2,192,421	717,705	-
Total expenses	(26,094)	(7,739)	(4,833,200)	(1,247,456)	(349,897)	-
Profit before tax	38,280	2,478,033	3,401,094	944,965	367,808	-
Segment return on assets (ROA)	9.2%	1.9%	1.5%	0.9%	-	-
Segment cost of funds	1.0%	8.0%	4.1%	7.4%	-	-

As at March 31, 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)	1,150,717	479,500,365	658,278,713	328,609,138	100,745,400	(588,065,953)
Segment non performing loans (NPLs)	998,196	2,121,137	25,289,884	28,465,177	200,111	-
Segment provision held against NPLs	475,006	1,530,753	20,812,984	20,836,613	60,153	-
Segment liabilities	684,404	473,849,164	636,580,413	306,966,796	15,421,445	(588,065,953)

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	667,040,326	324,520,391	85,645,351	(553,297,874)
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	637,495,291	302,458,554	14,277,994	(553,297,874)

Segment assets and liabilities include inter segment balances.

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

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013**
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 March 31, 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)-----										
Balances with banks										
In current accounts	-	-	1,402,894	-	-	-	-	1,400,068	-	-
In deposit accounts	-	-	1,710,551	-	2	-	-	1,291,442	-	773,770
	-	-	3,113,445	-	2	-	-	2,691,510	-	773,770
Lendings to financial institutions										
Repurchase agreement lendings	-	-	393,766	-	-	-	-	-	-	-
Investments										
Opening balance	-	-	3,523,962	12,047,596	403,041	-	-	2,201,948	16,657,117	264,553
Transfer in	-	-	-	-	-	-	-	-	200,000	-
Investment made during the period / year	-	-	-	100,000	618,498	-	-	1,322,014	2,040,479	193,224
Investment redeemed / disposed off during the period / year	-	-	-	-	(142)	-	-	-	(6,850,000)	(54,736)
Closing balance	-	-	3,523,962	12,147,596	1,021,397	-	-	3,523,962	12,047,596	403,041
Provision for diminution in value of investments	-	-	-	-	48,158	-	-	-	-	48,158
Advances										
Opening balance	-	124,163	-	-	-	871	122,016	-	-	-
Addition during the period / year	-	18,123	-	-	-	-	118,883	-	-	-
Repaid during the period / year	-	(30,814)	-	-	-	(871)	(116,736)	-	-	-
Closing balance	-	111,473	-	-	-	-	124,163	-	-	-
Other Assets										
Interest mark-up accrued	-	125	5,640	-	7,223	-	198	107	-	3,305
Receivable from staff retirement funds	-	-	-	-	1,600,549	-	-	-	-	1,600,549
Prepaid insurance	-	-	-	204,223	-	-	-	-	-	-
Advance for Pre-IPO investment	-	-	-	-	-	-	-	-	-	364,000
Receivable against redemption of units of mutual funds	-	-	-	-	-	-	-	-	1,004,226	-
Other receivable	-	-	32,744	-	-	-	-	17,319	-	-
Borrowings										
Opening balance	-	-	-	-	306,215	-	-	-	-	449,740
Borrowings during the period / year	-	-	-	-	3,822,831	-	-	1,282,323	4,548,669	86,365,214
Settled during the period / year	-	-	-	-	(4,129,046)	-	-	(1,282,323)	(4,548,669)	(86,508,739)
Closing balance	-	-	-	-	-	-	-	-	-	306,215
Deposits and other accounts										
Opening balance	6,173,963	82,808	142,656	819,332	1,908,857	2,898,779	63,495	131,902	1,217,179	1,485,930
Received during the period / year	3,930,800	206,689	49,562,543	13,696,849	90,544,597	6,948,406	910,308	162,987,974	55,089,236	82,446,405
Withdrawn during the period / year	(3,960,496)	(147,677)	(48,591,341)	(14,269,729)	(91,152,311)	(3,673,222)	(890,995)	(162,977,220)	(55,487,083)	(82,023,478)
Closing balance	6,144,267	141,820	1,113,857	246,452	1,301,143	6,173,963	82,808	142,656	819,332	1,908,857
Subordinated loans										
	-	-	-	-	-	-	5	-	5,998	-
Other Liabilities										
Interest / mark-up payable on deposits	6,157	521	52	76	2,067	75,061	56	-	-	9,328
Interest / mark-up payable on borrowings	-	-	-	-	-	-	-	-	-	837
Interest / mark-up payable on subordinated loans	-	-	-	-	-	-	0	-	167	-
Unearned income	-	-	1,026	-	-	-	-	170	-	-
Contingencies and Commitments										
Letter of guarantee	-	-	-	72,950	-	-	-	-	71,993	-
Forward foreign exchange contracts purchase	-	-	3,911,595	-	2,360,153	-	-	6,285,868	-	2,914,491
Forward foreign exchange contracts sale	-	-	3,785,942	-	2,458,493	-	-	6,378,146	-	2,817,341

	For the quarter ended March 31, 2013 (Un-audited)					For the quarter ended March 31, 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	-	1,743	8,084	-	13,395	32	1,992	9,313	-	16,244
Commission / charges recovered	5	9	67	196	198	1	7	19	101	65
Dividend income	-	-	-	6,005	-	-	-	20,000	617,212	-
Net loss on sale of securities	-	-	-	-	(197)	-	-	-	-	-
Realised gain on derivative transactions	-	-	-	-	-	-	-	-	-	506,914
Other income	-	-	263	-	-	-	685	320	-	-
Mark-up / return / interest paid	28,492	252	12,618	6,244	7,372	31,150	158	250	3,674	9,553
Remuneration paid	-	309,026	-	-	-	-	226,724	-	-	-
Post employment benefits	-	3,970	-	-	-	-	3,949	-	-	-
Non-executive directors' fee	5,513	-	-	-	-	6,715	-	-	-	-
Net charge for defined contribution plans	-	-	-	-	44,191	-	-	-	-	40,869
Net reversal for defined benefit plans	-	-	-	-	(19,427)	-	-	-	-	(70,188)
Payment for employee motivation and retention scheme	-	-	-	-	-	-	-	-	-	250,000
Insurance premium paid	-	-	-	258,277	-	-	-	-	263,926	-
Insurance claims settled	-	-	-	32,909	-	-	-	-	38,636	-

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013**
20. ISLAMIC BANKING BUSINESS
20.1 The statement of financial position of the Bank's Islamic Banking branches as at March 31, 2013 is as follows:

	Note	(Un-audited) March 31, 2013	(Audited) December 31, 2012
----- (Rupees in '000) -----			
ASSETS			
Cash and balances with treasury banks		660,945	748,333
Balances with other banks		953,894	1,293,290
Due from financial institutions		-	-
Investments		8,963,631	8,036,026
Islamic financing and related assets	20.3	2,409,869	3,118,266
Operating fixed assets		105,692	100,250
Due from Head Office		-	-
Other assets		193,487	173,481
Total Assets		13,287,518	13,469,646
LIABILITIES			
Bills payable		960	960
Due to financial institutions		-	-
Deposits and other accounts			
Current accounts		1,922,645	1,863,420
Savings accounts		2,152,205	2,533,628
Term deposits		2,806,377	3,141,108
Deposits from financial institutions - remunerative		4,686,106	4,956,027
		11,567,333	12,494,183
Due to Head Office		1,083,695	272,971
Other liabilities		138,158	162,915
		12,790,146	12,931,029
NET ASSETS		497,372	538,617
REPRESENTED BY			
Islamic Banking Fund		681,000	681,000
Accumulated losses		(210,825)	(194,579)
		470,175	486,421
Surplus on revaluation of assets		27,197	52,196
		497,372	538,617

20.2 The profit and loss account of the Bank's Islamic Banking branches for the quarter ended March 31, 2013 is as follows:

	(Un-audited) March 31, 2013	(Audited) March 31, 2012
----- (Rupees in '000) -----		
Return earned	331,472	326,792
Return expensed	(206,885)	(138,373)
	124,587	188,419
Provision against loans and advances - net	-	(6,690)
Reversal for diminution in value of investments - net	240	673
Reversal against assets given on Ijarah	-	239
	240	(5,778)
Net return after provisions	124,827	182,641
Other Income		
Fee, commission and brokerage income	3,288	2,666
Dividend income	6,005	27,865
Income from dealing in foreign currencies	307	3,749
Gain on sale of securities - net	-	860
Other income	1,820	4,049
Total other income	11,420	39,189
	136,247	221,830
Other Expenses		
Administrative expenses	(155,319)	(88,480)
Other (provisions) / reversal - net	2,826	(3,385)
Total other expenses	(152,493)	(91,865)
Net (loss) / profit for the year	(16,246)	129,965
Accumulated losses brought forward	(194,579)	(199,658)
Accumulated losses carried forward	(210,825)	(69,693)
Remuneration to Shariah Advisor	285	681
	(Un-audited) March 31, 2013	(Audited) December 31, 2012
----- (Rupees in '000) -----		
20.3 Islamic financing and related assets		
Financings		
Murabaha	797,495	1,394,021
Ijarah	1,014,462	982,463
Musharaka	27,778	55,556
Diminishing Musharaka	180,918	192,924
Salam	293,793	347,171
Provision against financings	(29,864)	(29,864)
	2,284,582	2,942,271
Advances		
Advances and receivables against Ijarah	107,084	171,780
Advances for Murabaha	33,631	17,531
Provision against advances for Murabaha	(17,498)	(17,498)
	123,217	171,813
Profit receivable against financings	2,070	4,182
	2,409,869	3,118,266

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2013**

21 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on April 23, 2013 has declared a cash dividend in respect of the quarter ended March 31, 2013 of Rs. 2.0 per share (March 31, 2012: Re 1.0). The unconsolidated condensed interim financial statements for the quarter ended March 31, 2013 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 April 23, 2013 by the Board of Directors of the Bank.

Atif R. Bokhari
President &
Chief Executive Officer

Seerat Asghar
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Deputy Chairman

Nahayan Mabarak Al Nahayan
Chairman