

United Bank Limited

UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014
(UNAUDITED)**



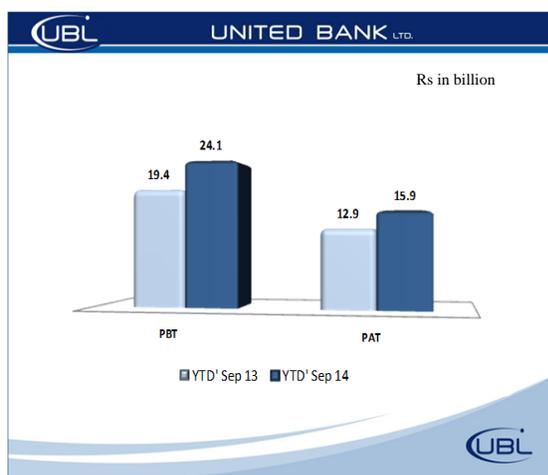
DIRECTORS' REPORT TO THE MEMBERS

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, 2014.

Performance Highlights

- Unconsolidated Profit after Tax for the nine months ended September 30, 2014 stands at Rs 15.9 billion, a growth of 23% over the period ended September 30, 2013.
- Revenues have grown by 15% over the nine months ended September '13, as net interest income has increased through consistent balance sheet growth and improving asset yields.
- The cost/income ratio for the nine months ended September 30, 2014 has improved to 45.0% compared to 47.6% for the comparable period last year.

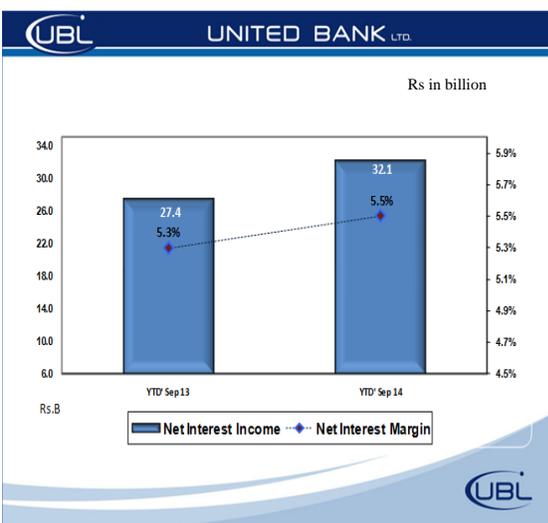
Financial Highlights



Overall performance

For the nine months ended September 30, 2014, UBL has achieved a profit after tax of Rs 15.9 billion. This is 23% higher than the corresponding period last year and translates into earnings per share of Rs. 12.95 (September 2013: Rs. 10.57).

For the same period, UBL's profit before tax is Rs 24.1 billion, which is 25% higher than the corresponding period last year. On a consolidated basis, UBL achieved a profit after tax of Rs 17.2 billion, an increase of 22% over the nine months ended September 30, 2013.



The higher earnings are driven by improved interest income across a growing balance sheet funded by core deposits. Fee income continues to grow strongly while costs remain contained to inflationary levels. The improved operating performance has also been aided by a focus on recoveries, resulting in an overall return on equity of 23.4% for the nine months.

Net Interest Income

Net interest income has grown by 17% over the nine months ended September '13 to reach Rs 32.1 billion, despite continued margin compression resulting from regulatory changes in the cost of savings deposits. Overall asset yields have been enhanced through a

steady buildup of the Pakistan Investment Bonds portfolio, along with a larger corporate loan book. A 20% growth in average current accounts has also helped to contain the increase in deposit cost to 38bps.

Non-Interest Income

Total non-interest income has grown 10% over the corresponding period last year, contributing 31% of the overall revenue base. The fee income component continued its consistent trajectory, growing by 16% over the corresponding period of 2013. The main driver of the growth remained UBL Omni, which contributed over 50% of the growth in fees. Home remittances income increased by 30% as rising flows maintained the Bank's leading market position. Improved cross-sell of Bancassurance and higher transaction volumes across the corporate and retail segments also supported the strong fee performance.

Dividend income is 31% higher than for the corresponding nine months of 2013, reflecting stable and growing yields on the equities book. FX earnings remain strong with a growth of 48% resulting from well managed trading positions and recurring customer flows.

Provisions and loan losses

Provisions for the nine months ended September '14 were Rs 1 billion having reduced by 36% in line with a well maintained focus on recoveries and efforts to restrict new NPL formation. Overall NPLs increased due to the classification of a large customer against which currently no provision is required. The coverage, though reduced from December '13 levels, remains strong at 82%. The overall asset quality has improved from 12.1% in December '13 to 11.6% as at September '14.

Cost management

In comparison to the nine months ended September' 13 administrative expenses were 9% higher for the nine months ended September '14. The increase was mainly due to higher staff costs as a result of normal salary increases for this year, rising cost of utilities across the branch network and variable costs which move in line with related transaction revenues. However, the strong growth in revenues resulted in the cost/income ratio reducing to 45.0% for the nine months compared to 47.6% for the same period last year. On a commercial basis the expense base was flat to the previous quarter and, with a year on year growth of 8%, remained well controlled despite inflationary pressures.

Balance Sheet

The funding profile of the balance sheet continues to be driven by a build-up in core deposits which have shown an average growth of 16% this year. The focus across the retail distribution channel on growing current accounts through deepening and also in the form of new to bank customers has resulted in average current deposit growth of 20%. The overall domestic deposit base has grown by 7.9% over December '13, ahead of market growth of 6.7%, while advances have increased by 13%, mainly through

growth in Corporate loans and commodity financing.

Capital Ratios

The Tier 1 Capital Adequacy Ratio (CAR) of the Bank increased to 10.5% as at September 30, 2014 and the total CAR rose to 13.6%. During the year the Bank has paid enhanced interim dividends of Rs 2.50 per share. Prudent management of risk weighted assets and strong earnings in the first nine months of 2014 have supported the higher payout while maintaining comfortable capital levels.

The Board of Directors of UBL declared an interim dividend of 25 % (Rs 2.5 per share) in their meeting in Islamabad on October 28th 2014, along with the results for the nine months ended September 30, 2014.

Key Developments

Macroeconomic performance

The country's macro outlook had regained a more stable and positive outlook towards the end of FY14 with an improved foreign exchange reserves position, real positive returns with controlled inflation, uptick in economic activity and a reduced budget deficit. This transformation was the result of the government's reforms and policies leading towards an economic revival. However the political uncertainty emerging out of the continued sit-ins within the federal capital has set back the process of rebuilding a climate for investment and growth. As a result of the political impasse the government's priority has been redirected from moving ahead with its economic agenda, to the immediate resolution of the political instability. On the external front this has affected the country's progress on the IMF program, resulting in a delay in the disbursement of the fifth tranche of the Extended Fund Facility (EFF). In addition, the heavy rainfall and floods engulfing central and southern Punjab are threatening the nascent recovery in economic activity.

Inherent line losses within the distribution chain continue to surround power sector issues, with a rising circular debt rebuilding pressure on a system that is already in need of capacity building. The government's constrained fiscal position has deterred any cash injection to the sector while an increase in the power tariff seems unlikely in the current political climate. As a result the Large Scale Manufacturing Index growth has reduced to 3.9% for FY14 and is expected to remain constrained during FY15. With agricultural production also being affected by the recent heavy rainfall and floods, achievement of the GDP growth target of 5.1% for FY15 will be challenging.

The budget deficit for FY14 reduced to 5.5% from 8.2%, well in line with commitments under the IMF program. This was driven by a 17% improvement in tax collection, strong non tax revenues including from the privatization program and curtailed development spending. While revenue collection during the first quarter of FY15 is 12% higher than in Q1 of FY14, it is well below the level necessary to achieve a reduction of the fiscal deficit to 4.9% in FY15.

The trade deficit during Q1 of FY15 has widened significantly by 45%, as exports have declined by 10% while imports increased by 12% year on year. As a result of the sizeable trade gap, the current account deficit has ballooned despite a 19.4% growth in home remittances during 3M FY15 and receipt of another tranche of USD 371 million from the Coalition Support Fund during the period. Despite improved financial account performance, the weaker current account position has resulted in an increasing balance of payments deficit, which in turn, compounded by the political situation, has impacted private capital flows and resulted in a 4% depreciation of the Rupee during the current quarter.

The stock market has also been impacted since mid-August by the renewed political instability. There has however been a gradual reduction in investors' sensitivity to the ongoing situation, allowing the market to recover some ground during the month of September but overall performance has remained lack lustre. Despite this, the KSE has emerged as the third best performing market in the MSCI-FM index this year with the index having appreciated by 18% since December 2013. Overall, there was consistent growth in average daily traded volumes during this period, while foreigners continued to invest with a net inflow of US\$ 427 million.

Inflation has remained under control, averaging 7.5% during 3M FY15 due to stable commodity prices and moderate aggregate demand. Despite controlled inflation, the State Bank of Pakistan has remained cautious and has kept its policy discount rate unchanged at 10.0% in view of the political climate, the deferral of the IMF tranche and the floods. Deposits for the banking sector grew by 6.7% during the first nine months of 2014, with loan growth of 5.2%. Non-performing loans for the industry declined marginally to reach Rs 595 billion as at June 30, 2014 with the gross infection ratio improving slightly to 12.8%.

UBL International

The GCC economies have seen continued growth with a notable increase in GDP contribution from non-oil sectors. In particular, buoyed by their own increased public spending, UAE and Qatar have successfully attracted significant investment in infrastructure development projects.

UBL international has continued to deepen its core corporate lending business, as structuring and allocation across presence countries has enabled participation in larger transactions. A more integrated investment strategy is being pursued by the Treasury business to optimize yields and funding utilization across the network. During the current quarter the Bank successfully participated as lead arranger in a USD 272 million syndicated facility for a major Nigerian Bank. The visibility gained from this transaction is expected to enable UBL to gain further ground in the growing African banking sector. Furthermore, the renewed focus on exploiting synergies between the international branches and the Bank's subsidiaries in Africa and Europe is now translating into enhanced cross-sell activities across the UBL network.

UBL International plans to build its asset base in targeted sectors in the GCC, and also explore the growing SME sector, particularly in UAE. Building on a client relationship based model, core revenue streams would be strengthened through higher non funded income in order to enhance overall portfolio yields.

UBL Omni

With 18,500 Dukaan outlets in over 900 cities and towns, UBL Omni continues to make strides in enhancing the reach and usage of branchless banking services in Pakistan. Omni account holders grew by 44,000 in the quarter with over 40% opting for instantaneous ATM Debit card issuance at the time of account opening. Continuing its leadership in innovation, Omni is providing cash disbursement services to approximately 50,000 Internally Displaced Persons of North Waziristan via fingerprint biometric authentication from its Omni Dukaan locations. This is the first such agent based biometric authentication disbursement project in Pakistan.

Internet Banking

In the current quarter UBL's Netbanking product was recognized as the Best Consumer Internet Bank in Pakistan by Global Finance magazine. UBL won this award on the strength of its strategy for attracting and servicing online customers, breadth of product offerings, website design, and for its functionality rich mobile application.

Core banking system implementation (CBS)

All branches operating in UAE were successfully migrated to the Core Banking System along with complete integration with alternate delivery channels. This is an important milestone for the International business as this will form the model for roll out to be replicated across the remaining countries within the international network.

Corporate Social Responsibility

During the third quarter of 2014, UBL continued to provide support to worthy causes in the areas of education, health and community welfare with donations of over Rs 32 million. Many of these are continuing commitments in line with the Bank's philosophy of nurturing projects over a period of time, such as contributions to the operational costs of The Karachi School of Business and Leadership and The Citizens Foundation's UBL school in Gharo, to the Indus Trust for the rehabilitation of Awaran earthquake victims through the UBL Village and to the Gulab Devi Chest Hospital in Lahore which provides free medical care to the poorest members of society. UBL also played its role in assisting the internally displaced persons from Waziristan through contributions to the Army Relief Fund and commitments to similar funds set up by the governments of Punjab and KPK.

Looking ahead

While there was an appreciable improvement in some of the key macro indicators towards the end of the last fiscal year, an air of uncertainty has been created with the continuing political deadlock in the capital. Key financial stakeholders including donors and rating agencies have expressed their serious concern over the emerging situation with Moody's already having termed Pakistan's current political scenario as a credit negative. The fourth review under the IMF's EFF has now been combined with the fifth review in view of the internal political impasse and has delayed the disbursement of the fifth tranche, at least till the end of the year. The key stipulations under the program include reforms in the areas of energy, taxation and privatization. These must be met in order to ensure continued disbursements which are critical to maintain and build the reserves position.

It is imperative to restore the confidence of international investors and donors that had re-emerged towards the end of the last fiscal year with the successful launch of the Euro Bond issue and the completion of two large capital market transactions. The current political situation has deterred material progress in the potential infrastructure investment by China and in attracting new private capital flows by other investors. However, the government is proceeding with the next capital market transaction, followed by a global Sukuk launch. Continuity in the execution of economic reforms is critical, as a prolonged delay in achieving key milestones in the commitments to the IMF would have a detrimental impact on the overall macro picture and restrict the prospects of a much needed revival.

The recent floods can potentially disrupt the output and supply chain of food which would challenge an otherwise benign inflationary outlook. Moreover, an impact on agricultural output will create macroeconomic imbalances by putting pressure on fiscal and external sectors. The headline spreads for the banking sector remain at decade low levels, although a growing contribution from high yielding Pakistan Investment Bonds has supported margins to some extent. Given the shift in macroeconomic dynamics, as well as IMF pressures, monetary easing does not appear to be viable in the near term.

The retail business remains the key growth segment for the Bank with focused efforts to improve branch banking service quality. The deposit base has grown ahead of the market through better leveraging of the extended branch network. Asset growth will focus on building share within the commercial and mid-market segments while remaining cognizant of maintaining asset quality standards. The potential upside from provision reversals through restructuring, recovery and settlements remains a key focus area across both domestic and international. We shall continue to target improved efficiency by driving a culture of cost consciousness but with the objective of ensuring seamless service delivery to customers across all segments.

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,

Sir Mohammed Anwar Pervez, OBE, HPk
Chairman

October 28, 2014
Islamabad



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2014**

	Note	(Un-audited) September 30, 2014	(Audited) December 31, 2013
------(Rupees in '000)-----			
ASSETS			
Cash and balances with treasury banks		76,119,771	88,520,725
Balances with other banks		18,948,385	25,867,497
Lendings to financial institutions	6	36,470,146	28,835,115
Investments	7	467,093,381	423,777,250
Advances	8	417,392,548	390,813,462
Operating fixed assets	9	24,642,088	24,607,937
Deferred tax asset - net		-	-
Other assets		27,074,148	27,316,665
		1,067,740,467	1,009,738,651
LIABILITIES			
Bills payable		11,163,144	16,590,884
Borrowings	10	63,432,282	40,573,874
Deposits and other accounts	11	865,749,560	827,847,738
Subordinated loans		-	665,328
Liabilities against assets subject to finance lease		-	-
Deferred tax liability - net		317,087	1,087,240
Other liabilities		22,054,423	22,059,590
		962,716,496	908,824,654
NET ASSETS		<u>105,023,971</u>	<u>100,913,997</u>
REPRESENTED BY:			
Share capital		12,241,798	12,241,798
Reserves		34,339,799	33,681,210
Unappropriated profit		45,934,283	42,634,545
		92,515,880	88,557,553
Surplus on revaluation of assets - net of deferred tax	12	12,508,091	12,356,444
		<u>105,023,971</u>	<u>100,913,997</u>
CONTINGENCIES AND COMMITMENTS	13		

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

Wajahat Husain
President &
Chief Executive Officer

Amin Uddin
Director

Zameer Mohammed Choudrey
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Chairman

**UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014**

	Note	July - September 2014	July - September 2013	January - September 2014	January - September 2013
----- (Rupees in '000) -----					
Mark-up / return / interest earned	14	20,100,260	18,076,337	60,394,918	53,434,182
Mark-up / return / interest expensed	15	(9,123,230)	(8,552,601)	(28,256,287)	(26,072,861)
Net mark-up / return / interest income		10,977,030	9,523,736	32,138,631	27,361,321
Reversal / (provision) against loans and advances - net		489,475	(242,548)	(179,794)	(1,221,814)
(Provision) / reversal against lendings to financial institutions - net		(155,598)	338	(165,303)	(60,848)
(Provision) / reversal against diminution in value of investments - net		(73,340)	9,857	(314,617)	(19,216)
Bad debts written off directly		(113,146)	(57,526)	(189,546)	(166,209)
		147,391	(289,879)	(849,260)	(1,468,087)
Net mark-up / return / interest income after provisions		11,124,421	9,233,857	31,289,371	25,893,234
Non mark-up / interest income					
Fee, commission and brokerage income		2,880,154	2,633,953	8,427,711	7,250,202
Dividend income		355,289	339,540	1,394,512	1,062,020
Income from dealing in foreign currencies		872,311	762,621	2,298,023	1,552,833
Gain on sale of securities - net		95,914	701,843	1,507,214	2,682,996
Unrealized loss on revaluation of investments classified as held for trading		(4,531)	(66,813)	(61,151)	(75,664)
Other income		290,004	251,299	963,286	779,788
Total non mark-up / interest income		4,489,141	4,622,443	14,529,595	13,252,175
		15,613,562	13,856,300	45,818,966	39,145,409
Non mark-up / interest expenses					
Administrative expenses	16	(7,117,663)	(6,606,263)	(21,023,006)	(19,330,967)
Other provisions - net		(25,465)	(20,563)	(140,242)	(75,698)
Workers' Welfare Fund		(173,935)	(131,904)	(503,380)	(374,637)
Other charges		(497)	(327)	(8,324)	(701)
Total non mark-up / interest expenses		(7,317,560)	(6,759,057)	(21,674,952)	(19,782,003)
Profit before taxation		8,296,002	7,097,243	24,144,014	19,363,406
Taxation - Current		(2,996,719)	(2,324,616)	(8,644,957)	(6,315,240)
- Prior		(512,731)	(345,697)	(513,046)	(348,457)
- Deferred		533,507	240,594	866,358	235,996
		(2,975,943)	(2,429,719)	(8,291,645)	(6,427,701)
Profit after taxation		5,320,059	4,667,524	15,852,369	12,935,705
----- (Rupees) -----					
Earnings per share - basic and diluted		<u>4.35</u>	<u>3.81</u>	<u>12.95</u>	<u>10.57</u>

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

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UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

	July - September 2014	July - September 2013	January - September 2014	January - September 2013
	(Rupees in '000)			
Profit after taxation	5,320,059	4,667,524	15,852,369	12,935,705
Other comprehensive income:				
<i>Items that are or may be reclassified to profit and loss account</i>				
Exchange differences on translation of net investment in foreign branches	1,421,502	2,200,663	(929,873)	3,032,487
Amortization of cash flow hedges	-	5,645	4,962	22,027
Related deferred tax charge	-	(1,975)	(1,737)	(7,709)
	-	3,670	3,225	14,318
	1,421,502	2,204,333	(926,648)	3,046,805
Comprehensive income transferred to equity - net of tax	6,741,561	6,871,857	14,925,721	15,982,510

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

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

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Director

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Director

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**UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014**

	September 30, 2014	September 30, 2013
	------(Rupees in '000)-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	24,144,014	19,363,406
Less: Dividend income	(1,394,512)	(1,062,020)
	<u>22,749,502</u>	<u>18,301,386</u>
Adjustments:		
Depreciation	1,191,305	1,269,665
Amortization	317,058	315,937
Workers' Welfare Fund	503,380	374,637
Provision for retirement benefits	776,153	682,020
Provision against loans and advances - net	179,794	1,221,814
Provision against lendings to financial institutions - net	165,303	60,848
Provision against diminution in value of investments - net	314,617	19,216
Gain on sale of operating fixed assets	(33,642)	(20,720)
Amortization of cash flow hedges	4,962	22,027
Unrealized loss on revaluation of investments classified as held for trading	61,151	75,664
Bad debts written-off directly	189,546	166,209
Provision against other assets	140,242	75,698
	<u>3,809,869</u>	<u>4,263,015</u>
	26,559,371	22,564,401
(Increase) / decrease in operating assets		
Lendings to financial institutions	(7,800,334)	4,537,177
Held for trading securities	(47,809,794)	1,277,303
Advances	(26,948,426)	(6,419,230)
Other assets - (excluding advance taxation)	(2,589,766)	(951,423)
	<u>(85,148,320)</u>	<u>(1,556,173)</u>
Increase / (decrease) in operating liabilities		
Bills payable	(5,427,740)	1,636,705
Borrowings	22,858,408	(26,055,092)
Deposits and other accounts	37,901,822	74,283,684
Other liabilities (excluding current taxation)	(1,866,552)	(725,823)
	<u>53,465,938</u>	<u>49,139,474</u>
	(5,123,011)	70,147,702
Payments on account of staff retirement benefits	(969,277)	(198,219)
Income taxes paid	(6,191,076)	(7,731,613)
Net cash (outflow) / inflow from operating activities	<u>(12,283,364)</u>	<u>62,217,870</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in securities	4,428,703	(58,429,421)
Dividend income received	1,257,431	884,521
Investment in operating fixed assets	(1,853,027)	(1,828,789)
Sale proceeds from disposal of operating fixed assets	370,098	165,800
Net cash inflow / (outflow) from investing activities	<u>4,203,205</u>	<u>(59,207,889)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Repayments of subordinated loans	(665,328)	(8,653,936)
Dividends paid	(9,644,706)	(9,181,349)
Net cash outflow from financing activities	<u>(10,310,034)</u>	<u>(17,835,285)</u>
	(18,390,193)	(14,825,304)
Exchange differences on translation of net investment in foreign branches	(929,873)	3,032,487
Decrease in cash and cash equivalents during the period	<u>(19,320,066)</u>	<u>(11,792,817)</u>
Cash and cash equivalents at beginning of the period	114,388,222	109,395,772
Cash and cash equivalents at end of the period	<u>95,068,156</u>	<u>97,602,955</u>

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**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014**

	Share capital	Statutory reserve	Capital reserves		Unappropriated profit	Total
			Exchange translation reserve	Cash flow hedge reserve		
(Rupees in '000)						
Balance as at January 1, 2013 (Audited) - Restated	12,241,798	17,797,537	11,267,676	(20,994)	37,415,599	78,701,616
Transactions with owners for the nine months ended September 30, 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)
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)
Total comprehensive income for the nine months ended September 30, 2013						
Profit after taxation for the nine months ended September 30, 2013	-	-	-	-	12,935,705	12,935,705
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	12,935,705	15,982,510
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	50,367	50,367
Transfer to statutory reserve	-	1,293,571	-	-	(1,293,571)	-
Balance as at September 30, 2013 (Un-audited)	12,241,798	19,091,108	14,300,163	(6,676)	39,926,751	85,553,144
Transactions with owners for the three months ended December 31, 2013						
Interim cash dividend - September 30, 2013 declared at Rs.2.0 per share	-	-	-	-	(2,448,360)	(2,448,360)
	-	-	-	-	(2,448,360)	(2,448,360)
Total comprehensive income for the three months ended December 31, 2013						
Profit after taxation for the three months ended December 31, 2013	-	-	-	-	5,678,250	5,678,250
Other comprehensive income - net of tax	-	-	(274,661)	3,451	28,998	(242,212)
Total comprehensive income for the three months ended December 31, 2013	-	-	(274,661)	3,451	5,707,248	5,436,038
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	16,731	16,731
Transfer to statutory reserve	-	567,825	-	-	(567,825)	-
Balance as at December 31, 2013 (Audited)	12,241,798	19,658,933	14,025,502	(3,225)	42,634,545	88,557,553
Transactions with owners for the nine months ended September 30, 2014						
Final cash dividend - December 31, 2013 declared subsequent to the year end at Rs. 4.0 per share	-	-	-	-	(4,896,719)	(4,896,719)
Interim cash dividend - March 31, 2014 declared at Rs.2.5 per share	-	-	-	-	(3,060,450)	(3,060,450)
Interim cash dividend - June 30, 2014 declared at Rs.2.5 per share	-	-	-	-	(3,060,450)	(3,060,450)
	-	-	-	-	(11,017,619)	(11,017,619)
Total comprehensive income for the nine months ended September 30, 2014						
Profit after taxation for the nine months ended September 30, 2014	-	-	-	-	15,852,369	15,852,369
Other comprehensive income - net of tax	-	-	(929,873)	3,225	-	(926,648)
Total comprehensive income for the nine months ended September 30, 2014	-	-	(929,873)	3,225	15,852,369	14,925,721
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	50,225	50,225
Transfer to statutory reserve	-	1,585,237	-	-	(1,585,237)	-
Balance as at September 30, 2014 (Un-audited)	12,241,798	21,244,170	13,095,629	-	45,934,283	92,515,880

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

Wajahat Husain
President &
Chief Executive Officer

Amin Uddin
Director

Zameer Mohammed Choudrey
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Chairman

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014****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 1,287 (December 31, 2013: 1,283) branches inside Pakistan including 22 (December 31, 2013: 22) Islamic Banking branches and 1 (December 31, 2013: 1) branch in Karachi Export Processing Zone. The Bank also operates 18 (December 31, 2013:18) branches outside Pakistan as at September 30, 2014. The Bank is a subsidiary of Bestway (Holdings) Limited which is incorporated in the United Kingdom.

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 have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, 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, 2013.

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014**

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.

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, 2013.

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, 2013.

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 its 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, 2013.

6. LENDINGS TO FINANCIAL INSTITUTIONS

	(Un-audited) September 30, 2014	(Audited) December 31, 2013
	------(Rupees in '000)-----	
Call money lendings	1,075,000	100,000
Repurchase agreement lendings	13,774,359	13,791,125
Other lendings to financial institutions	<u>22,429,833</u>	<u>15,597,908</u>
	37,279,192	29,489,033
Provision against lendings to financial institutions	(809,046)	(653,918)
	<u><u>36,470,146</u></u>	<u><u>28,835,115</u></u>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014**

7. INVESTMENTS	(Un-audited) September 30, 2014			(Audited) December 31, 2013		
	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	53,420,434	-	53,420,434	7,401,965	-	7,401,965
Pakistan Investment Bonds	1,123,787	-	1,123,787	-	-	-
Ordinary shares of listed companies	979,081	-	979,081	317,933	-	317,933
	55,523,302	-	55,523,302	7,719,898	-	7,719,898
Available for sale securities						
Market Treasury Bills	5,340,941	30,241,711	35,582,652	176,092,538	12,054,264	188,146,802
Pakistan Investment Bonds	145,376,293	2,547,012	147,923,305	65,136,963	-	65,136,963
Government of Pakistan Sukuk	9,881,631	-	9,881,631	6,186,752	-	6,186,752
Government of Pakistan Eurobonds	11,755,611	-	11,755,611	10,934,926	-	10,934,926
Ordinary shares of listed companies	16,156,364	-	16,156,364	14,157,209	-	14,157,209
Preference shares	428,018	-	428,018	436,645	-	436,645
Ordinary shares of unlisted companies	243,043	-	243,043	243,100	-	243,100
Term Finance Certificates	1,662,145	-	1,662,145	1,921,367	-	1,921,367
Foreign bonds - sovereign	13,194,179	-	13,194,179	13,388,237	-	13,388,237
Foreign bonds - others	11,153,086	-	11,153,086	11,557,116	-	11,557,116
	215,191,311	32,788,723	247,980,034	300,054,853	12,054,264	312,109,117
Held to maturity securities						
Market Treasury Bills	17,635,212	-	17,635,212	40,607,486	-	40,607,486
Pakistan Investment Bonds	119,273,252	-	119,273,252	38,333,967	-	38,333,967
Government of Pakistan Eurobonds	5,187,800	-	5,187,800	5,281,493	-	5,281,493
Government of Pakistan Sukuk	-	-	-	300,000	-	300,000
Term Finance Certificates	5,653,853	-	5,653,853	5,045,801	-	5,045,801
Sukuks	1,899,906	-	1,899,906	1,774,197	-	1,774,197
Participation Term Certificates	2,795	-	2,795	4,939	-	4,939
Debentures	2,266	-	2,266	2,266	-	2,266
Foreign bonds - others	222,618	-	222,618	228,454	-	228,454
Recovery note	316,346	-	316,346	324,639	-	324,639
CDC SAARC Fund	223	-	223	229	-	229
	150,194,271	-	150,194,271	91,903,471	-	91,903,471
Associates						
United Growth and Income Fund	3,030,136	-	3,030,136	3,030,136	-	3,030,136
UBL Liquidity Plus Fund	100,000	-	100,000	335,378	-	335,378
UBL Money Market Fund	100,000	-	100,000	100,000	-	100,000
UBL Retirement Savings Fund	120,000	-	120,000	90,000	-	90,000
UBL Principal Protected Fund - I	-	-	-	100,000	-	100,000
UBL Principal Protected Fund - II	100,000	-	100,000	100,000	-	100,000
UBL Principal Protected Fund - III	200,000	-	200,000	-	-	-
UBL Government Securities Fund	1,600,000	-	1,600,000	100,000	-	100,000
UBL Asset Allocation Fund	500,000	-	500,000	600,000	-	600,000
UBL Gold Fund	100,000	-	100,000	100,000	-	100,000
Al-Ameen Islamic Sovereign Fund	350,000	-	350,000	350,000	-	350,000
Al-Ameen Islamic Retirement Savings Fund	90,000	-	90,000	90,000	-	90,000
Al-Ameen Islamic Principal Preservation Fund - I	100,000	-	100,000	100,000	-	100,000
Al-Ameen Islamic Principal Preservation Fund - II	100,000	-	100,000	100,000	-	100,000
Al-Ameen Islamic Principal Preservation Fund - III	100,000	-	100,000	-	-	-
Al-Ameen Islamic Cash Fund	100,000	-	100,000	100,000	-	100,000
Al Ameen Islamic Aggressive Income Fund	200,000	-	200,000	200,000	-	200,000
Al-Ameen Islamic Asset Allocation Fund	100,000	-	100,000	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
DHA Cogen Limited	-	-	-	-	-	-
	8,069,602	-	8,069,602	6,674,980	-	6,674,980
Subsidiaries						
United National Bank Limited (UBL 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
	432,502,448	32,788,723	465,291,171	409,877,164	12,054,264	421,931,428
Provision for diminution in value of investments	(1,775,768)	-	(1,775,768)	(1,476,109)	-	(1,476,109)
Investments (net of provisions)	430,726,680	32,788,723	463,515,403	408,401,055	12,054,264	420,455,319
Surplus / (deficit) on revaluation of available for sale securities	3,233,176	405,953	3,639,129	3,333,337	(5,016)	3,328,321
Deficit on revaluation of held for trading securities	(61,151)	-	(61,151)	(6,390)	-	(6,390)
Total investments	<u>433,898,705</u>	<u>33,194,676</u>	<u>467,093,381</u>	<u>411,728,002</u>	<u>12,049,248</u>	<u>423,777,250</u>

7.2 The Bank holds 20.99% of the issued and paid up shares of DHA Cogen Limited which were acquired without any consideration having been paid.

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014**

	Note	(Un-audited) September 30, 2014	(Audited) December 31, 2013
------(Rupees in '000)-----			
8. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		302,574,778	269,527,934
Outside Pakistan		111,898,348	119,212,245
		414,473,126	388,740,179
Bills discounted and purchased			
Payable in Pakistan		30,967,121	29,857,262
Payable outside Pakistan		17,900,066	18,151,641
		48,867,187	48,008,903
Advances - gross		463,340,313	436,749,082
Provision against advances			
Specific		(43,940,083)	(44,096,739)
General	8.2	(2,007,682)	(1,838,881)
Advances - net of provision		417,392,548	390,813,462

8.1 Advances include Rs. 53,895 million (December 31, 2013: Rs.52,630 million) which have been placed under non-performing status as detailed below:

Category of Classification	September 30, 2014 (Un-audited)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
------(Rupees in '000)-----									
Other assets especially mentioned*	151,151	-	151,151	3,026	-	3,026	3,026	-	3,026
Substandard	5,009,285	149,053	5,158,338	427,297	22,957	450,254	427,297	22,957	450,254
Doubtful	539,208	1,946,118	2,485,326	262,994	874,622	1,137,616	262,994	874,622	1,137,616
Loss	39,231,487	6,868,669	46,100,156	37,106,400	5,242,787	42,349,187	37,106,400	5,242,787	42,349,187
	44,931,131	8,963,840	53,894,971	37,799,717	6,140,366	43,940,083	37,799,717	6,140,366	43,940,083

Category of Classification	December 31, 2013 (Audited)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
------(Rupees in '000)-----									
Other assets especially mentioned*	100,063	-	100,063	640	-	640	640	-	640
Substandard	1,876,334	1,622,940	3,499,274	310,902	406,299	717,201	310,902	406,299	717,201
Doubtful	1,526,948	1,860,661	3,387,609	206,431	1,345,232	1,551,663	206,431	1,345,232	1,551,663
Loss	39,374,606	6,268,507	45,643,113	37,250,604	4,576,631	41,827,235	37,250,604	4,576,631	41,827,235
	42,877,951	9,752,108	52,630,059	37,768,577	6,328,162	44,096,739	37,768,577	6,328,162	44,096,739

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

8.2 General provision represents provision amounting to Rs.260.242 million (December 31, 2013: Rs.252.592 million) against consumer finance portfolio and Rs.42.942 million (December 31, 2013: Rs. 32.942 million) against advances to small enterprises as required by the Prudential Regulations issued by the SBP and Rs.1,656.498 million (December 31, 2013: Rs.1,505.347 million) pertaining to overseas advances to meet the requirements of the 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, 2013: 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 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.1,000.469 million (December 31, 2013: Rs.1,354.730 million). The FSV benefit availed is not available for the distribution of cash or stock dividend to shareholders.

	(Un-audited) September 30, 2014	(Audited) December 31, 2013
------(Rupees in '000)-----		
9. OPERATING FIXED ASSETS		
Capital work-in-progress	2,702,904	1,916,346
Property and equipment	20,721,074	21,370,720
Intangible assets	1,218,110	1,320,871
	24,642,088	24,607,937

Additions and disposals during the period amounted to Rs.1,933.129 million (September 30, 2013: Rs. 1,828.789 million) and Rs. 744.254 million (September 30, 2013: Rs. 427.755 million), respectively.

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014**

	Note	(Un-audited) September 30, 2014	(Audited) December 31, 2013
------(Rupees in '000)-----			
10. BORROWINGS			
Secured			
Borrowings from the State Bank of Pakistan under:			
Export refinance scheme		10,792,480	10,835,330
Refinance facility for modernization of SME		30,142	40,795
Long term financing facility		6,168,233	5,950,207
Long term financing under export oriented projects		230,841	423,958
		17,221,696	17,250,290
Repurchase agreement borrowings		33,196,415	12,042,846
		50,418,111	29,293,136
Unsecured			
Call borrowings		5,295,758	5,033,830
Overdrawn nostro accounts		263,203	456,008
Trading Liabilities		2,227,231	-
Other borrowings		5,227,979	5,790,900
		13,014,171	11,280,738
		63,432,282	40,573,874
11. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		221,618,498	231,663,187
Savings deposits		313,103,510	278,705,006
Sundry deposits		9,190,209	7,083,484
Margin deposits		4,234,875	5,448,770
Current accounts - remunerative		7,019,030	10,493,768
Current accounts - non-remunerative		295,089,164	278,364,577
		850,255,286	811,758,792
Financial Institutions			
Remunerative deposits		12,022,830	11,692,591
Non-remunerative deposits		3,471,444	4,396,355
		15,494,274	16,088,946
		865,749,560	827,847,738
12. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX			
Surplus arising on revaluation of assets - net of tax:			
Fixed assets	12.1	10,142,657	10,193,035
Securities	12.2	2,365,434	2,163,409
		12,508,091	12,356,444
12.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		15,227,721	15,330,037
Exchange adjustments		(235)	912
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax		(50,225)	(67,098)
Related deferred tax liability on incremental depreciation charged during the period / year		(27,044)	(36,130)
		(77,504)	(102,316)
		15,150,217	15,227,721
Less: Related deferred tax liability on:			
Revaluation as at January 1		5,034,686	5,070,497
Exchange adjustments		(82)	319
Incremental depreciation charged during the period / year		(27,044)	(36,130)
		5,007,560	5,034,686
		10,142,657	10,193,035

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014**

	(Un-audited) September 30, 2014	(Audited) December 31, 2013
	------(Rupees in '000)-----	
12.2 Surplus / (deficit) on revaluation of available for sale securities		
Market Treasury Bills	(5,040)	(147,850)
Pakistan Investment Bonds	(959,134)	(402,073)
Listed shares	2,688,971	2,767,273
Term Finance Certificates, Sukuks, other bonds, etc.	45,083	75,680
Foreign bonds	1,869,249	1,035,291
	3,639,129	3,328,321
Related deferred tax liability	(1,273,695)	(1,164,912)
	<u>2,365,434</u>	<u>2,163,409</u>
13. CONTINGENCIES AND COMMITMENTS		
13.1 Direct credit substitutes		
Contingent liabilities in respect of guarantees given favouring:		
Government	4,306,646	3,796,673
Banking companies and other financial institutions	2,375,341	2,540,111
Others	5,158,167	3,872,302
	<u>11,840,154</u>	<u>10,209,086</u>
13.2 Transaction-related contingent liabilities		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring:		
Government	84,479,697	79,772,016
Banking companies and other financial institutions	6,278,639	5,364,806
Others	40,812,638	34,406,478
	<u>131,570,974</u>	<u>119,543,300</u>
13.3 Trade-related contingent liabilities		
Contingent liabilities in respect of letters of credit opened favouring:		
Government	51,531,306	59,515,538
Others	119,157,294	108,446,502
	<u>170,688,600</u>	<u>167,962,040</u>
13.4 Other contingencies		
Claims against the Bank not acknowledged as debts	<u>11,834,927</u>	<u>12,464,289</u>
13.5 Commitments to extent 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.		
	(Un-audited) September 30, 2014	(Audited) December 31, 2013
	------(Rupees in '000)-----	
13.6 Commitments in respect of forward foreign exchange contracts		
Purchase	<u>166,956,662</u>	<u>207,539,873</u>
Sale	<u>137,461,853</u>	<u>172,499,461</u>
13.7 Commitments in respect of derivatives		
Forward sale of Government securities	<u>987,020</u>	<u>-</u>
Interest rate swaps	<u>4,867,879</u>	<u>5,723,576</u>
Cross currency swaps	<u>9,886,800</u>	<u>10,550,240</u>
13.8 Commitments in respect of capital expenditure	<u>2,015,660</u>	<u>1,699,696</u>
13.9 For contingencies relating to taxation refer note 17		

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014**

	January - September 2014	January - September 2013
	------(Rupees in '000)-----	
14. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to customers	26,019,926	24,022,871
On lendings to financial institutions		
Call money lendings	21,217	4,396
Repurchase agreement lendings	864,893	181,217
Other lendings to financial institutions	369,074	298,911
	1,255,184	484,524
On investments in		
Held for trading securities	1,307,798	423,990
Available for sale securities	20,316,706	19,104,693
Held to maturity securities	11,394,292	9,324,894
	33,018,796	28,853,577
On deposits with financial institutions	101,012	73,210
	<u>60,394,918</u>	<u>53,434,182</u>
15. MARK-UP / RETURN / INTEREST EXPENSED		
On deposits	24,595,635	20,512,616
On securities sold under repurchase agreements	1,685,676	3,010,841
On other short term borrowings	1,549,640	1,696,406
On long term borrowings	425,336	852,998
	<u>28,256,287</u>	<u>26,072,861</u>
16. ADMINISTRATIVE EXPENSES		
Salaries, allowances etc.	7,251,010	6,808,272
Charge for compensated absences	370,175	434,407
Medical expenses	375,897	350,942
Contribution to defined contribution plan	143,241	131,955
Charge in respect of defined benefit obligations	262,737	115,658
Rent, taxes, insurance, electricity etc.	2,888,328	2,622,042
Depreciation	1,191,305	1,269,665
Amortization	317,058	315,937
Outsourced service charges including sales commission	2,678,331	2,178,379
Communications	818,381	786,343
Banking service charges	693,875	632,988
Cash transportation charges	381,942	313,036
Stationery and printing	423,838	419,951
Legal and professional charges	146,170	178,422
Advertisement and publicity	523,891	377,399
Repairs and maintenance	993,548	851,974
Travelling	185,214	152,245
Office running expenses	403,269	355,676
Vehicle expenses	162,310	140,249
Entertainment	142,813	125,772
Cartage, freight and conveyance	62,882	62,824
Insurance expense	58,170	79,877
Auditors' remuneration	61,759	53,664
Training and seminars	65,819	57,637
Brokerage expenses	31,229	37,548
Subscriptions	49,336	49,977
Donations	56,186	41,305
Non-executive Directors' fees	26,912	23,966
Zakat paid by overseas branch	72,860	72,278
Miscellaneous expenses	184,520	290,579
	<u>21,023,006</u>	<u>19,330,967</u>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014**
17. TAXATION

The Income Tax returns of the Bank have been filed up to the tax year 2013 (accounting year ended December 31, 2012) 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 2013, 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.2,365 million (December 31, 2013: Rs.2,365 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, 2013: 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 2013 (financial year 2012) 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, except for Bahrain, have been filed upto the year ended December 31, 2013 under the provisions of the laws prevailing in the respective countries, and are deemed as assessed unless opened for reassessment. There is no requirement to file a return in Bahrain.

18. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES
For the nine months ended September 30, 2014 (Un-audited)

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
	(Rupees in '000)					
Total income	215,047	11,476,674	26,558,598	6,448,099	1,969,808	-
Total expenses	(85,449)	(701,101)	(16,564,729)	(3,769,637)	(1,403,296)	-
Profit before tax	129,598	10,775,574	9,993,868	2,678,462	566,512	-
Segment return on assets (ROA)	40.4%	1.7%	1.2%	0.5%	-	-
Segment cost of funds	1.5%	6.5%	4.1%	6.2%	-	-

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	10,715,575	21,830,333	5,936,981	1,959,484	-
Total expenses	(61,120)	(817,643)	(16,181,154)	(3,044,892)	(1,145,281)	-
Profit before tax	110,003	9,897,932	5,649,179	2,892,089	814,203	-
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%	-	-

As at September 30, 2014 (Un-audited)

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
	(Rupees in '000)					
Segment assets (gross of NPL provisions)	770,081	540,455,997	798,339,307	431,096,336	97,852,394	(756,833,565)
Segment non performing loans (NPLs)	671,392	1,993,500	21,382,536	29,647,434	200,110	-
Segment provision held against NPLs	497,885	1,694,378	18,550,039	23,137,281	60,500	-
Segment liabilities	188,779	528,969,126	773,365,338	406,253,347	10,773,471	(756,833,565)

As at December 31, 2013 (Audited)

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
	(Rupees in '000)					
Segment assets (gross of NPL provisions)	871,272	505,618,254	778,669,287	386,731,271	91,234,812	(709,289,506)
Segment non performing loans (NPLs)	686,875	2,065,568	22,850,714	26,826,792	200,110	-
Segment provision held against NPLs	489,059	1,708,033	19,996,508	21,842,639	60,500	-
Segment liabilities	254,094	492,653,835	754,299,614	361,127,444	9,779,173	(709,289,506)

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, 2014**
19. RELATED PARTY TRANSACTIONS

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

The Bank enters into transactions with related parties in the normal course of business. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in these unconsolidated condensed interim financial statements, are as follows:

	As at September 30, 2014 (Un-audited)					As at December 31, 2013 (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	-	-	1,492,151	-	-	-	-	1,130,454	-	-
In deposit accounts	-	-	800,246	-	-	-	-	979,576	-	-
	-	-	2,292,397	-	-	-	-	2,110,030	-	-
Landings to financial institutions										
Other landings to financial institution	-	-	946,735	500,000	-	-	-	349,374	-	-
Investments										
Opening balance	-	-	3,523,962	6,674,980	4,075,691	-	-	3,523,962	12,047,596	487,775
Investment made during the period / year	-	-	-	3,105,579	-	-	-	-	1,100,000	971,319
Investment redeemed / disposed off during the period / year	-	-	-	(1,710,956)	(180,363)	-	-	-	(6,472,616)	(491,881)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	3,108,478
Closing balance	-	-	3,523,962	8,069,603	3,895,328	-	-	3,523,962	6,674,980	4,075,691
Provision for diminution in value of investments	-	-	-	-	116,548	-	-	-	-	116,548
Advances										
Opening balance	-	105,328	-	2,155,149	412,954	-	124,163	-	-	11,913,710
Addition during the period / year	-	52,586	-	-	14,323,416	-	72,108	-	-	9,707,517
Repaid during the period / year	-	(63,979)	-	-	(3,982,535)	-	(90,943)	-	-	(21,208,273)
Transfer in / (out) - net	-	7,158	-	-	-	-	-	-	2,155,149	-
Closing balance	-	101,093	-	2,155,149	10,753,835	-	105,328	-	2,155,149	412,954
Provision held against advances	-	-	-	2,155,149	-	-	-	-	2,155,149	-
Other Assets										
Interest mark-up accrued	-	62	10,796	160	339,526	-	30	4,695	-	145,551
Receivable from staff retirement funds	-	-	-	-	229,976	-	-	-	-	58,964
Prepaid insurance	-	-	-	67,250	-	-	-	-	-	-
Dividend Receivable	-	-	-	-	-	-	-	-	1,201	-
Advance against Pre-IPO investments	-	-	-	100,000	-	-	-	-	-	-
Other receivable	-	-	11,282	-	30,164	-	-	4,998	-	30,164
Provision against other assets	-	-	-	-	30,164	-	-	-	-	30,164
Borrowings										
Opening balance	-	-	1,008,108	-	-	-	-	-	-	306,215
Borrowings during the period / year	-	-	2,020,272	-	-	-	-	1,737,858	2,155,493	16,356,760
Settled during the period / year	-	-	(1,984,933)	-	-	-	-	(729,750)	(2,155,493)	(16,662,975)
Closing balance	-	-	1,043,447	-	-	-	-	1,008,108	-	-
Overdrawn nostros	-	-	-	-	-	-	-	56,424	-	-
Deposits and other accounts										
Opening balance	7,506,473	124,455	277,343	665,956	81,859	6,173,963	98,008	142,656	819,332	1,913,538
Received during the period / year	23,153,267	1,016,042	105,098,325	78,357,668	78,094,928	22,861,734	980,912	171,477,272	67,507,686	201,691,134
Withdrawn during the period / year	(24,226,397)	(988,117)	(105,174,422)	(75,834,089)	(78,080,591)	(21,522,949)	(954,465)	(171,342,585)	(67,661,062)	(202,918,770)
Transfer in / (out) - net	1,057,392	(27,891)	-	-	92,312	(6,275)	-	-	-	(604,043)
Closing balance	7,490,735	124,489	201,246	3,189,535	188,508	7,506,473	124,455	277,343	665,956	81,859
Other Liabilities										
Interest / return / mark-up payable on deposits	49,355	943	44	821	46	32,260	1,097	78	-	709
Interest / return / mark-up payable on borrowings	-	-	2,131	-	-	-	-	4,574	-	-
Payable to staff retirement fund	-	-	-	-	4,582	-	-	-	-	152,441
Unearned income	-	-	467	-	-	-	-	187	-	-
Contingencies and Commitments										
Letter of guarantee	-	-	-	76,061	-	-	-	-	78,051	-
Forward foreign exchange contracts purchase	-	-	2,976,389	-	-	-	-	3,633,699	-	-
Forward foreign exchange contracts sale	-	-	2,786,831	-	-	-	-	3,710,543	-	-
----- (Rupees in '000) -----										
	For the nine months ended September 30, 2014 (Un-audited)					For the nine months ended September 30, 2013 (Un-audited)				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
Mark-up / return / interest earned	-	4,044	22,319	160	559,054	-	4,799	31,132	-	771,450
Commission / charges recovered	22	108	544	751	639	6	25	357	586	27,391
Dividend income	-	-	129,691	44,185	258,248	-	-	81,210	31,905	84,599
Net gain on sale of securities	-	-	-	158,917	50,419	-	-	-	859,300	42,314
Other income	-	455	840	263	-	-	153	823	244	-
Mark-up / return / interest paid	143,664	2,134	20,653	61,902	6,905	182,477	1,858	30,773	43,562	58,413
Remuneration paid	-	642,528	-	-	-	-	538,082	-	-	-
Post employment benefits	-	13,217	-	-	-	-	10,814	-	-	-
Non-executive directors' fee	26,912	-	-	-	-	23,966	-	-	-	-
Net charge for defined contribution plans	-	-	-	-	143,241	-	-	-	-	131,955
Net charge / (reversal) for defined benefit plans	-	-	-	-	80,382	-	-	-	-	(58,086)
Donation	-	-	-	-	10,000	-	-	-	-	-
Insurance premium paid	-	-	-	270,285	-	-	-	-	266,644	-
Insurance claims settled	-	-	-	89,426	-	-	-	-	138,703	-
Other expenses	-	-	-	45,118	80,126	-	-	-	-	59,219

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014**
20. ISLAMIC BANKING BUSINESS

20.1 The statement of financial position of the Bank's Islamic Banking branches as at September 30, 2014 is as follows:

	Note	(Un-audited) September 30, 2014	(Audited) December 31, 2013
----- (Rupees in '000) -----			
ASSETS			
Cash and balances with treasury banks		970,891	951,157
Balances with other banks		389,232	1,701,743
Investments		10,800,755	7,363,524
Islamic financing and related assets	20.3	2,632,137	5,183,080
Operating fixed assets		104,181	117,974
Due from Head Office		1,371,927	2,144,911
Other assets		240,004	153,963
Total Assets		16,509,127	17,616,352
LIABILITIES			
Bills payable		77,138	54,532
Deposits and other accounts			
Current accounts		2,423,145	2,328,416
Saving accounts		1,949,229	2,490,262
Term deposits		1,134,810	1,994,823
Deposits from financial institutions - remunerative		10,346,133	9,980,829
	20.4	15,853,317	16,794,330
Other liabilities		97,429	191,564
		16,027,884	17,040,426
NET ASSETS		481,243	575,926
REPRESENTED BY			
Islamic Banking Fund		681,000	681,000
Accumulated losses		(243,285)	(156,679)
		437,715	524,321
Surplus on revaluation of assets		43,528	51,605
		481,243	575,926

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014**

20.2 The profit and loss account of the Bank's Islamic Banking branches for the nine months ended September 30, 2014 is as follows:

	----- (Un-audited) -----	
	January - September 2014	January - September 2013
	----- (Rupees in '000) -----	
Return earned	890,225	1,118,308
Return expensed	(640,517)	(664,832)
	<u>249,708</u>	<u>453,476</u>
Provision against loans and advances - net (Provision) / reversal for diminution in value of investments - net (Provision) / reversal against assets given on Ijarah	(4,663) (10,192) (9,971)	- 1,080 2,048
	<u>(24,826)</u>	<u>3,128</u>
Net return after provisions	224,882	456,604
Other Income		
Fee, commission and brokerage income	21,288	11,415
Dividend income	9,062	15,812
Income from dealing in foreign currencies	(3,079)	8,829
Gain on sale of securities - net	-	5,906
Other income	31,114	7,438
Total other income	<u>58,385</u>	<u>49,400</u>
	<u>283,267</u>	<u>506,004</u>
Other Expenses		
Administrative expenses	(370,246)	(480,774)
Other reversals - net	373	-
Total other expenses	<u>(369,873)</u>	<u>(480,774)</u>
Net (loss) / profit for the period	<u>(86,606)</u>	<u>25,230</u>
Accumulated losses brought forward	(156,679)	(194,579)
Accumulated losses carried forward	<u>(243,285)</u>	<u>(169,349)</u>
Remuneration to Shariah Advisor	<u>821</u>	<u>950</u>
	(Un-audited) September 30, 2014	(Audited) December 31, 2013
	----- (Rupees in '000) -----	
20.3 Islamic financing and related assets		
Financing		
Murabaha	214,216	3,232,150
Ijarah	556,622	867,257
Diminishing Musharaka	1,686,210	687,448
Salam	-	281,040
Provision against financing	(36,052)	(31,389)
	<u>2,420,996</u>	<u>5,036,506</u>
Advances		
Advances and receivables against Ijarah	180,628	143,753
Advances for Murabaha	22,742	17,498
Provision against advances for Murabaha	(17,498)	(17,498)
	<u>185,872</u>	<u>143,753</u>
Profit receivable against financing	25,269	2,821
	<u>2,632,137</u>	<u>5,183,080</u>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014**

20.4 Deposit and other accounts include redeemable capital of Rs. 13,430.172 million (December 31, 2013: Rs. 14,465.914 million) and deposits on Qard basis of Rs. 2,423.145 million (December 31, 2013: Rs. 2,328.416 million). Remunerative deposits which are on Modaraba basis are considered as Redeemable Capital and non-remunerative deposits are classified as being on Qard basis.

21. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on October 28, 2014 has declared a cash dividend for the quarter ended September 30, 2014 of Rs. 2.50 per share (September 30, 2013: Rs. 2 per share). The unconsolidated condensed interim financial statements for the nine months ended September 30, 2014 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

22. DATE OF AUTHORIZATION

These unconsolidated condensed interim financial statements were authorised for issue on October 28, 2014 by the Board of Directors of the Bank.

Wajahat Husain
President &
Chief Executive Officer

Amin Uddin
Director

Zameer Mohammed Choudrey
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Chairman