

United Bank Limited
UNCONSOLIDATED CONDENSED
INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2015
(UNAUDITED)



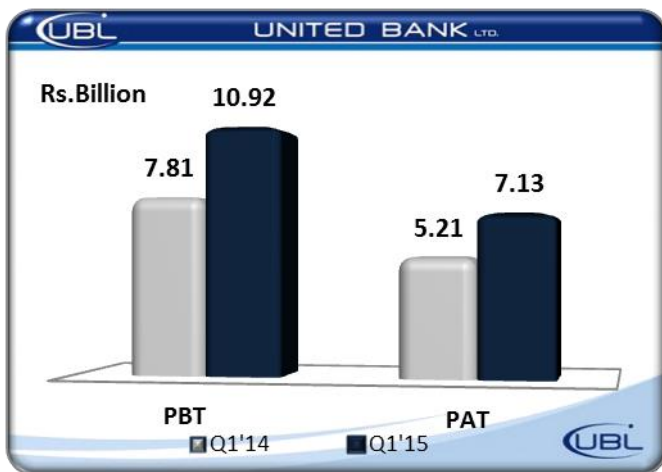
Directors' Report to the Members

On behalf of the Board of Directors, I am pleased to present to you the financial statements of United Bank Limited for the quarter ended March 31, 2015.

Performance Highlights

- Unconsolidated profit after tax for the quarter ended March 31, 2015 has grown by 37% over the corresponding period ended March 31, 2014 and reached Rs. 7.13 billion.
- Revenue levels have increased by 30% over last year driven by an improvement in margins and balance sheet expansion.
- Focus on expenses has improved the cost to income ratio from 45.1% in March '14 to 37.9% in the first quarter of 2015.

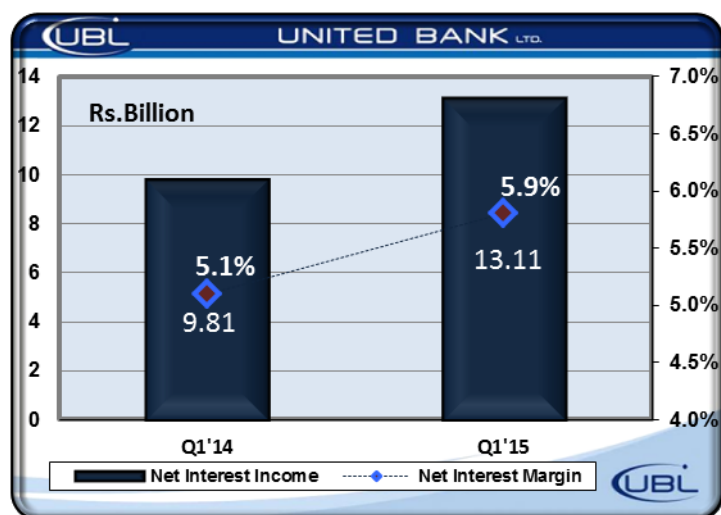
Financial Highlights



Overall Performance

UBL has recorded profit after tax of Rs. 7.13 billion for the first quarter of 2015 which is 37% higher than corresponding period and translates into earnings per share of Rs. 5.82 (March 2014: Rs. 4.26). On a consolidated basis, UBL posted a profit after tax of Rs. 7.70 billion, an increase of 39% over corresponding period of 2014.

UBL has earned a pre-tax profit of Rs. 10.92 billion, a growth of 40% over the corresponding period of 2014. Despite imminent spread compression within a declining rate environment the Bank's earnings have maintained strong growth due to a more proactive balance sheet management strategy. Non-funded income remains a key revenue component leading to the improved performance.



Net Interest Income

Net interest income has grown by Rs. 3.3 billion to Rs. 13.11 billion, an increase of 34%. The steady build up in the high yielding long term portfolio of government securities has well supported revenue streams. Margins have expanded to 5.9% this quarter which is an improvement of 80bps over the level of 5.1% in 2014. A strong growth of 16% in the average

domestic deposit base has funded asset acquisition. Cost of deposits stood at 4.1% in March'15 as compared to 4.6% last year in line with the focus on current accounts and a declining rate environment.

Non-Interest Income

Non-interest income has grown by 23% to reach Rs. 6.2 billion, forming 32% of the Bank's revenues. Fees and commissions are up 4% to Rs. 2.8 billion with Omni, trade and home remittances as the key contributors. Capital gains in the current quarter were Rs 1.9 billion, as a result of effective bond trading and timely realization of market opportunities on equities.

Provisions and loan losses

Provisions for the current quarter were Rs. 0.8 billion against Rs. 0.2 billion in the corresponding period of last year. The increase was due to downgrading of NPLs, withdrawal of FSV benefit and additional general provisions. The coverage ratio at the end of current quarter remains strong at 81% (Dec'14: 81%).

Cost management

Managing the cost base remains a priority with the overall growth in expenses restricted to 9% in the first quarter of 2015. The increase is mainly due to personnel costs in line with inflation, market adjustments and the annual performance appraisal cycle. Variable expenses that are incurred as part of acquisition of targeted business volumes also contributed to the higher expense base. Controlling the impact of higher utilities expense remains a challenge across the network due to power issues. The overall cost to income ratio has improved to 37.9% this quarter in comparison to 45.1% last year.

Balance Sheet Management

The buildup in the earning assets base continues as a result of funding from stable and core deposits resulting in balance sheet expansion of 8% this quarter. Maintaining and growing a higher yielding asset portfolio that supports core interest earnings remains a key strategy. The organic buildup in the low costs deposit base remains a key focus of the retail distribution team which continues to grow its portfolio ahead of the market. Average domestic current accounts have increased by 13% in comparison to the corresponding period last year. The overall deposit base crossed Rs. 945 billion representing a growth of 6% over December 2014. The loans and advances portfolio has declined marginally to Rs. 420 billion as at March 31, 2015 from Rs. 434 billion in Dec'14, in line with seasonal and scheduled repayments. Asset quality considerations would continue to prudently direct future loan growth. Liquidity generated has mainly been deployed in government securities with the investment portfolio having reached Rs. 587 billion as at the end of current quarter, a growth of 18% over December 2014.

Capital Ratios

UBL's capital ratios remained strong with the Tier-1 CAR at 10.06% with the overall capital adequacy at 14.4% as at Mar'15 compared to 10.01% and 13.9% in Dec'14, respectively. Prudent management of risk weighted assets and strong earnings in the first three months of 2015 have supported payout levels while maintaining a comfortable capital position. The Board of Directors of UBL declared an interim dividend of 30% (Rs. 3 per share) in their meeting in Islamabad on April 24th 2015, along with the results for the quarter ended March 31, 2015.

Key developments

Economy Review

Most of the key macro indicators, which were showing signs of improvement during 2014, continue to reflect a positive trend during the first quarter of 2015. Inflation has maintained its downward trajectory with the significantly lower 1Q 2015 CPI average of 3.2%. Large scale manufacturing (LSM), has started showing some signs of recovery amid a lower cost of energy with the LSM index posting a growth of 2.15% during 7M FY15.

The country's overall balance of payment position has improved to a surplus of USD1.3B in the 8MFY'15 as compared to a deficit of USD1.2B during the corresponding period last year. Although, the trade deficit for the first eight months of FY15 has widened by 15.6% YoY with imports up by 3.8% and exports down by 5.0%, benefits of lower oil prices have provided some respite in the first quarter of 2015. Despite a relatively weaker trade performance during 8M of FY15, the current account balance improved by a significant 34% YoY to reach to a deficit of US\$ 1.6 billion as against US\$ 2.5 billion during the same period last year. This was a result of larger flows under the Coalition Support Fund and a 15% increase in home remittances during the 8M of FY15 to US\$ 11.8 billion.

Despite a setback on the OGDC privatization transaction amid the fall in oil prices, the government managed to successfully offer an International Sukuk of USD 1.0 billion in the last quarter of 2014. Due to the stable and increasing overall FX reserves position in the current quarter, the PKR-USD exchange rate also remained in a comfortable range with a 1.5% depreciation during the period.

The fiscal position remains a concern as revenue generation remains challenging whilst expenditures continue to escalate. Although the country has managed a relatively lower fiscal deficit of 2.2% of GDP during 1H FY15, it was mainly achieved through reduced spending of the Public Sector Development Program (PSDP) budget and higher non-tax revenue collection. Despite a strong first half performance, the country is unlikely to achieve the fiscal deficit target of 4.9% during FY15 as additional spending will be needed on the National Action Plan for counter terrorism while tax revenues are expected to be lower amid the decline in oil prices.

After exhibiting a strong performance in 2014 with a 27% return, the local stock market remained under a corrective phase during 1Q 2015 with the KSE-100 index declining by 5.9%. Despite a more positive view on the macro front, the market maintained a bearish trend amid foreign selling as well as a more volatile geo-political scenario. Foreigners remained net sellers during the quarter with US\$ 131 million net outflow with a resultant negative impact on the market.

Given the significantly lower inflation trajectory along with an improving external account outlook, the State Bank of Pakistan decided to adjust its policy discount rate to 8.0% with an aggressive 150bps cut during the current quarter. The maintenance of a floor rate on savings accounts at 50bps below the repo rate would maintain the pressure on banking sector margins.

Deposits for the banking sector grew by 2.0% during the first quarter of 2015, while lending has remained slow after posting a strong performance during the previous quarter. Non-performing loans for the industry remained relatively under control, with the stock declining by 0.5% QoQ to PKR 605 billion in Dec'14. As a result of this the industry infection ratio has improved to 12.3% in Dec'14 as against 13.0% in Sep'14.

UBL International

Within the UBL international network, UAE which is the largest constituent of the overseas asset base remains the region with a focus for expansion. During the first quarter of 2015, in line with the wholesale banking model the overseas branches continued to build trade and contractor-based businesses in addition to retaining exposures with risk coverage through financial institutions. The treasury managed to book capital gains in the current quarter through well timed execution in its bond portfolio.

Going forward, the Bank plans to further enhance its underwriting scale and quality, as well as maintaining the initiative on recoveries. The focus on liability management and building the retail deposit base continues to support the growing asset base in the network.

The Bank continues to closely monitor the developing situation in Yemen and will take the required steps to safeguard the bank's assets and resources deployed there.

UBL Omni

Continuing its leadership in payments innovation, UBL Omni became the first branchless banking service provider to offer Mobile-based Merchant Payments services. During the first quarter of 2015, the UBL Omni countrywide Dukaan network expanded to over 28,500, a 45% increase over Dec'14. This rapid growth was achieved by leveraging the OmniPlus franchisee distribution model launched in the previous quarter. Over 160 countrywide OmniPlus partners have been signed up to increase the network more rapidly, and provide liquidity services to Omni Dukaans.

As part of its business diversification strategy, UBL Omni also successfully signed up multiple new clients for cash management solutions, loan repayment collection services for Microfinance organizations, salary disbursement solutions for factories, and bill collection services. Additionally, on the G2P front UBL Omni also became the first service provider to launch biometric customer authentication services at the Benazir Income Support Program

(BISP) offices in order to provide unprecedented customer convenience at the time of card replacement/activation.

Awards and Recognitions

UBL was awarded the KSE (Karachi Stock Exchange) Top 25 Companies of Pakistan Award 2010 to 2012, in Karachi recently. The Award is based on stringent criteria of superior performance of selected organizations in finance and banking.

Corporate Social Responsibility (CSR)

During the first quarter of 2015 UBL donated over Rs. 41 million on account of its CSR related activities mainly in the education sector. Donees included the Institute of Business Administration, Karachi (IBA) and The Forman Christian College, Lahore (FCC). UBL also contributed to the health sector with donations to Karwan-e-Hayat, Subh-e-Nau and The Patients' Aid Foundation. To provide for worthy causes in the community welfare area, UBL donated to the SOS Children's Village for their vocational training school in Korangi, Karachi and the Association for the Rehabilitation of Challenged People (ARCP).

Future Outlook

The Bank remains focused on investing in its core businesses in order to maintain a position of leadership across major business segments. The Retail Bank would continue leveraging the branch network gaining market share across untapped sectors. For the corporate business, yield enhancement through a targeted relationship based model would build non funded income and overcome the existing challenge across interest margins. As economic conditions improve, recovery of non-performing loans remains a key priority and a huge opportunity for the Bank.

Acknowledgements

We would like to thank and appreciate UBL shareholders and customers for their trust and support. We also take this opportunity to acknowledge our staff for their dedicated efforts and appreciate the Government, the State Bank of Pakistan, the Securities & Exchange Commission and other regulatory bodies for their guidance and support.

For and on behalf of the Board,

Sir Mohammed Anwar Pervez, OBE, HPk

Chairman
Islamabad
April 24th, 2015

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2015**

	Note	(Un-audited) March 31, 2015	(Audited) December 31, 2014
------(Rupees in '000)-----			
ASSETS			
Cash and balances with treasury banks		89,548,674	74,687,959
Balances with other banks		15,951,810	12,885,121
Lendings to financial institutions	6	22,007,557	21,872,138
Investments	7	587,214,057	497,334,002
Advances	8	419,696,652	434,264,050
Operating fixed assets	9	30,354,641	30,303,370
Deferred tax asset - net		-	-
Other assets		31,247,287	40,067,467
		1,196,020,678	1,111,414,107
LIABILITIES			
Bills payable		12,011,576	9,553,585
Borrowings	10	73,422,684	53,065,156
Deposits and other accounts	11	945,375,256	895,083,053
Subordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liability - net		4,432,409	1,899,345
Other liabilities		27,494,215	26,296,516
		1,062,736,140	985,897,655
NET ASSETS		<u>133,284,538</u>	<u>125,516,452</u>
REPRESENTED BY:			
Share capital		12,241,798	12,241,798
Reserves		35,412,161	34,130,131
Unappropriated profit		49,746,922	48,217,351
		97,400,881	94,589,280
Surplus on revaluation of assets - net of deferred tax	12	35,883,657	30,927,172
		<u>133,284,538</u>	<u>125,516,452</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 THREE MONTHS ENDED MARCH 31, 2015**

	Note	March 31, 2015	March 31, 2014
----- (Rupees in '000) -----			
Mark-up / return / interest earned	14	22,911,652	19,394,031
Mark-up / return / interest expensed	15	<u>(9,801,361)</u>	<u>(9,580,200)</u>
Net mark-up / return / interest income		13,110,291	9,813,831
Provision against loans and advances - net		<u>(706,514)</u>	<u>(146,947)</u>
Reversal of provision against lendings to financial institutions - net		-	338
(Provision) / reversal of provision for diminution in value of investments - net		<u>(27,549)</u>	<u>5,578</u>
Bad debts written off directly		<u>(36,052)</u>	<u>(43,730)</u>
		<u>(770,115)</u>	<u>(184,761)</u>
Net mark-up / return / interest income after provisions		12,340,176	9,629,070
Non mark-up / interest income			
Fee, commission and brokerage income		<u>2,818,827</u>	<u>2,703,171</u>
Dividend income		494,129	674,592
Income from dealing in foreign currencies		704,700	654,435
Gain on sale of securities - net		1,932,747	783,002
Unrealized loss on revaluation of investments classified as held for trading		<u>(81,460)</u>	<u>(46,728)</u>
Other income		<u>357,508</u>	<u>305,315</u>
Total non mark-up / interest income		<u>6,226,451</u>	<u>5,073,787</u>
		18,566,627	14,702,857
Non mark-up / interest expenses			
Administrative expenses	16	<u>(7,324,672)</u>	<u>(6,720,293)</u>
Other provisions - net		<u>(31,617)</u>	<u>(13,522)</u>
Workers' Welfare Fund		<u>(228,552)</u>	<u>(156,876)</u>
Other charges		<u>(63,697)</u>	<u>(151)</u>
Total non mark-up / interest expenses		<u>(7,648,538)</u>	<u>(6,890,842)</u>
Profit before taxation		10,918,089	7,812,015
Taxation - Current		<u>(3,912,025)</u>	<u>(2,670,060)</u>
- Deferred		120,725	67,520
		<u>(3,791,300)</u>	<u>(2,602,540)</u>
Profit after taxation		<u>7,126,789</u>	<u>5,209,475</u>
----- (Rupees) -----			
Earnings per share - basic and diluted		<u>5.82</u>	<u>4.26</u>

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 STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2015**

	March 31, 2015	March 31, 2014
	----- (Rupees in '000) -----	
Profit after taxation	7,126,789	5,209,475
Other comprehensive income:		
<i>Items that are not to be reclassified to profit or loss in subsequent periods</i>	-	-
<i>Items that may be reclassified to profit or loss in subsequent periods</i>		
Exchange differences on translation of net investment in foreign branches	569,351	(2,466,508)
Amortization of cash flow hedges	-	4,962
Related deferred tax charge	-	(1,737)
	-	3,225
	569,351	(2,463,283)
Other comprehensive income transferred to equity	7,696,140	2,746,192
<i>Items that may be reclassified to profit or loss in subsequent periods</i>		
Surplus arising on revaluation of available for sale securities	7,643,991	1,951,444
Related deferred tax charge	(2,675,396)	(683,006)
	4,968,595	1,268,438
Total comprehensive income during the period - net of tax	<u>12,664,735</u>	<u>4,014,630</u>

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 CASH FLOW STATEMENT (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2015**

	March 31, 2015	March 31, 2014
	------(Rupees in '000)-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	10,918,089	7,812,015
Less: Dividend income	(494,129)	(674,592)
	<u>10,423,960</u>	<u>7,137,423</u>
Adjustments:		
Depreciation	423,671	400,544
Amortization	98,039	99,562
Workers' Welfare Fund	228,552	156,876
Provision for retirement benefits	207,788	239,251
Provision against loans and advances - net	706,514	146,947
Reversal of provision against lendings to financial institutions - net	-	(338)
Provision / (reversal) of provision for diminution in value of investments - net	27,549	(5,578)
Gain on sale of operating fixed assets	(12,820)	(30,330)
Amortization of cash flow hedges	-	4,962
Unrealized loss on revaluation of investments classified as held for trading	81,460	46,728
Bad debts written-off directly	36,052	43,730
Provision against other assets	31,617	13,522
	<u>1,828,422</u>	<u>1,115,876</u>
	12,252,382	8,253,299
(Increase) / decrease in operating assets		
Lendings to financial institutions	(135,419)	11,680,574
Held for trading securities	(1,348,428)	(46,324,636)
Advances	13,824,832	13,565,341
Other assets - (excluding advance taxation)	8,158,108	(2,165,667)
	<u>20,499,093</u>	<u>(23,244,388)</u>
Increase / (decrease) in operating liabilities		
Bills payable	2,457,991	(7,038,632)
Borrowings	20,357,528	3,019,714
Deposits and other accounts	50,292,203	18,832,268
Other liabilities (excluding current taxation)	(3,495,983)	1,810,341
	<u>69,611,739</u>	<u>16,623,691</u>
	102,363,214	1,632,602
Payments on account of staff retirement benefits	(294,058)	(514,301)
Income taxes paid	(2,797,307)	(2,059,023)
Net cash inflow / (outflow) from operating activities	<u>99,271,849</u>	<u>(940,722)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in securities	(80,996,645)	(11,808,229)
Dividend income received	82,332	277,017
Investment in operating fixed assets	(584,126)	(436,450)
Sale proceeds from disposal of operating fixed assets	32,781	329,193
Net cash outflow from investing activities	<u>(81,465,658)</u>	<u>(11,638,469)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Repayments of subordinated loans	-	(332,668)
Dividends paid	(448,138)	(11,891)
Net cash outflow from financing activities	<u>(448,138)</u>	<u>(344,559)</u>
	17,358,053	(12,923,750)
Exchange differences on translation of net investment in foreign branches	569,351	(2,466,508)
Increase / (decrease) in cash and cash equivalents during the period	<u>17,927,404</u>	<u>(15,390,258)</u>
Cash and cash equivalents at beginning of the period	<u>87,573,080</u>	<u>114,388,222</u>
Cash and cash equivalents at end of the period	<u>105,500,484</u>	<u>98,997,964</u>

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 STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2015**

	Share capital	Statutory reserve	Capital reserves		Unappropriated profit	Total
			Exchange translation reserve	Cash flow hedge reserve		
(Rupees in '000)						
Balance as at January 01, 2014 (Audited)	12,241,798	19,658,933	14,025,502	(3,225)	42,634,545	88,557,553
Transactions with owners for the quarter ended March 31, 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)
Total comprehensive income for the quarter ended March 31, 2014						
Profit after taxation for the quarter ended March 31, 2014	-	-	-	-	5,209,475	5,209,475
Other comprehensive income - net of tax	-	-	(2,466,508)	3,225	-	(2,463,283)
Total comprehensive income for the quarter ended March 31, 2014	-	-	(2,466,508)	3,225	5,209,475	2,746,192
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	16,612	16,612
Transfer to statutory reserve	-	520,948	-	-	(520,948)	-
Balance as at March 31, 2014 (Un-audited)	12,241,798	20,179,881	11,558,994	-	42,442,965	86,423,638
Transactions with owners for the nine months ended December 31, 2014						
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)
Interim cash dividend - September 30, 2014 declared at Rs. 2.5 per share	-	-	-	-	(3,060,450)	(3,060,450)
	-	-	-	-	(9,181,350)	(9,181,350)
Total comprehensive income for the nine months ended December 31, 2014						
Profit after taxation for the nine months ended December 31, 2014	-	-	-	-	16,720,086	16,720,086
Other comprehensive income - net of tax	-	-	719,248	-	(142,698)	576,550
Total comprehensive income for the nine months ended December 31, 2014	-	-	719,248	-	16,577,388	17,296,636
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	50,356	50,356
Transfer to statutory reserve	-	1,672,008	-	-	(1,672,008)	-
Balance as at December 31, 2014 (Audited)	12,241,798	21,851,889	12,278,242	-	48,217,351	94,589,280
Transactions with owners for the quarter ended March 31, 2015						
Final cash dividend - December 31, 2014 declared subsequent to the year end at Rs. 4.0 per share	-	-	-	-	(4,896,719)	(4,896,719)
Total comprehensive income for the quarter ended March 31, 2015						
Profit after taxation for the quarter ended March 31, 2015	-	-	-	-	7,126,789	7,126,789
Other comprehensive income - net of tax	-	-	569,351	-	-	569,351
Total comprehensive income for the quarter ended March 31, 2015	-	-	569,351	-	7,126,789	7,696,140
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	12,180	12,180
Transfer to statutory reserve	-	712,679	-	-	(712,679)	-
Balance as at March 31, 2015 (Un-audited)	12,241,798	22,564,568	12,847,593	-	49,746,922	97,400,881

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 THREE MONTHS ENDED MARCH 31, 2015****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 1,295 (December 31, 2014: 1,295) branches inside Pakistan including 24 (December 31, 2014: 24) Islamic Banking branches and 1 (December 31, 2014: 1) branch in Karachi Export Processing Zone. The Bank also operates 18 (December 31, 2014:18) branches outside Pakistan as at March 31, 2015. 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 of the Bank 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, 2014.

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2015**

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, 2014.

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, 2014.

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, 2014.

6. LENDINGS TO FINANCIAL INSTITUTIONS

	(Un-audited) March 31, 2015	(Audited) December 31, 2014
	------(Rupees in '000)-----	
Call money lendings	1,145,000	1,105,000
Repurchase agreement lendings	2,971,062	3,226,563
Other lendings to financial institutions	18,696,107	18,335,817
	<u>22,812,169</u>	<u>22,667,380</u>
Provision against lendings to financial institutions	(804,612)	(795,242)
	<u>22,007,557</u>	<u>21,872,138</u>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2015**

7. INVESTMENTS	(Un-audited) March 31, 2015			(Audited) December 31, 2014		
	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	7,609,282	-	7,609,282	6,941,106	-	6,941,106
Pakistan Investment Bonds	1,406,754	-	1,406,754	822,818	-	822,818
Ordinary shares of listed companies	486,011	-	486,011	430,943	-	430,943
	9,502,047	-	9,502,047	8,194,867	-	8,194,867
Available for sale securities						
Market Treasury Bills	34,103,010	7,806,137	41,909,147	40,823,380	-	40,823,380
Pakistan Investment Bonds	216,148,992	26,552,989	242,701,981	168,005,906	20,563,460	188,569,366
Government of Pakistan Sukuk	9,269,385	-	9,269,385	9,280,698	-	9,280,698
Government of Pakistan Eurobonds	11,930,140	-	11,930,140	11,815,701	-	11,815,701
Ordinary shares of listed companies	18,118,672	-	18,118,672	16,686,985	-	16,686,985
Preference shares	425,797	-	425,797	421,087	-	421,087
Ordinary shares of unlisted companies	243,028	-	243,028	242,997	-	242,997
Term Finance Certificates	1,371,339	-	1,371,339	1,483,030	-	1,483,030
Foreign bonds - sovereign	14,601,432	390,919	14,992,351	14,667,408	-	14,667,408
Foreign bonds - others	5,838,026	4,784,910	10,622,936	10,903,768	-	10,903,768
	312,049,821	39,534,955	351,584,776	274,330,960	20,563,460	294,894,420
Held to maturity securities						
Market Treasury Bills	47,859,675	-	47,859,675	30,281,900	-	30,281,900
Pakistan Investment Bonds	127,562,683	-	127,562,683	122,713,145	-	122,713,145
Government of Pakistan Eurobonds	5,177,246	-	5,177,246	5,082,949	-	5,082,949
Term Finance Certificates	5,491,611	-	5,491,611	5,570,990	-	5,570,990
Sukuks	4,347,978	-	4,347,978	1,880,379	-	1,880,379
Participation Term Certificates	2,795	-	2,795	2,795	-	2,795
Debentures	2,266	-	2,266	2,266	-	2,266
Foreign bonds - others	221,123	-	221,123	217,942	-	217,942
Recovery note	314,222	-	314,222	309,708	-	309,708
CDC SAARC Fund	221	-	221	218	-	218
	190,979,820	-	190,979,820	166,062,292	-	166,062,292
Associates						
United Growth and Income Fund	3,030,136	-	3,030,136	3,030,136	-	3,030,136
UBL Liquidity Plus Fund	10,079	-	10,079	100,000	-	100,000
UBL Money Market Fund	9,850	-	9,850	100,000	-	100,000
UBL Retirement Savings Fund	120,000	-	120,000	120,000	-	120,000
UBL Principal Protected Fund - II	100,000	-	100,000	100,000	-	100,000
UBL Principal Protected Fund - III	200,000	-	200,000	200,000	-	200,000
UBL Government Securities Fund	1,503,779	-	1,503,779	1,600,000	-	1,600,000
UBL Gold Fund	100,000	-	100,000	100,000	-	100,000
Al Ameen Islamic Cash Fund	10,470	-	10,470	100,000	-	100,000
Al Ameen Islamic Aggressive Income Fund	25,944	-	25,944	200,000	-	200,000
Al Ameen Islamic Sovereign Fund	250,000	-	250,000	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	100,000	-	100,000
Al Ameen Islamic Principal Preservation Fund – IV	100,000	-	100,000	100,000	-	100,000
Al Ameen Islamic Principal Preservation Fund – V	100,000	-	100,000	100,000	-	100,000
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	-	-	-	-	-	-
	7,129,723	-	7,129,723	7,769,602	-	7,769,602
Subsidiaries						
United National Bank Limited (UBL UK)	2,855,223	-	2,855,223	2,855,223	-	2,855,223
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
	4,897,174	-	4,897,174	4,897,174	-	4,897,174
	524,558,585	39,534,955	564,093,540	461,254,895	20,563,460	481,818,355
Provision for diminution in value of investments	(1,724,578)	-	(1,724,578)	(1,725,669)	-	(1,725,669)
Investments (net of provisions)	522,834,007	39,534,955	562,368,962	459,529,226	20,563,460	480,092,686
Surplus on revaluation of available for sale securities	23,443,593	1,482,962	24,926,555	16,517,995	764,569	17,282,564
Deficit on revaluation of held for trading securities	(81,460)	-	(81,460)	(41,248)	-	(41,248)
Total investments	546,196,140	41,017,917	587,214,057	476,005,973	21,328,029	497,334,002

7.2 As a result of exercise of a pledge in 2013, the Bank holds 20.99% of the issued and paid up capital of DHA Cogen Limited without any consideration having been paid. Consequently, DHA Cogen Limited is classified as an associated company.

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2015**

	Note	(Un-audited) March 31, 2015	(Audited) December 31, 2014
------(Rupees in '000)-----			
8. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		311,400,392	313,662,887
Outside Pakistan		112,687,481	115,124,415
		424,087,873	428,787,302
Bills discounted and purchased			
Payable in Pakistan		21,291,672	24,589,010
Payable outside Pakistan		20,913,170	26,622,008
		42,204,842	51,211,018
Advances - gross		466,292,715	479,998,320
Provision against advances			
Specific		(44,063,099)	(43,714,188)
General	8.2	(2,532,964)	(2,020,082)
Advances - net of provision		419,696,652	434,264,050

8.1 Advances include Rs. 54,294 million (December 31, 2014: Rs. 53,853 million) which have been placed under non-performing status as detailed below:

Category of Classification	March 31, 2015 (Un-audited)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
------(Rupees in '000)-----									
Other assets especially mentioned*	104,808	-	104,808	2,367	-	2,367	2,367	-	2,367
Substandard	4,412,109	573,848	4,985,957	282,161	29,557	311,718	282,161	29,557	311,718
Doubtful	1,387,373	1,976,192	3,363,565	687,121	787,545	1,474,666	687,121	787,545	1,474,666
Loss	38,745,949	7,093,895	45,839,844	36,940,992	5,333,356	42,274,348	36,940,992	5,333,356	42,274,348
	44,650,239	9,643,935	54,294,174	37,912,641	6,150,458	44,063,099	37,912,641	6,150,458	44,063,099

Category of Classification	December 31, 2014 (Audited)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
------(Rupees in '000)-----									
Other assets especially mentioned*	114,459	-	114,459	650	-	650	650	-	650
Substandard	4,419,940	623,812	5,043,752	284,598	34,891	319,489	284,598	34,891	319,489
Doubtful	1,018,729	1,956,548	2,975,277	499,788	851,273	1,351,061	499,788	851,273	1,351,061
Loss	39,031,546	6,687,729	45,719,275	36,961,605	5,081,383	42,042,988	36,961,605	5,081,383	42,042,988
	44,584,674	9,268,089	53,852,763	37,746,641	5,967,547	43,714,188	37,746,641	5,967,547	43,714,188

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

8.2 General provision represents provision amounting to Rs. 246.652 million (December 31, 2014: Rs. 252.740 million) against consumer finance portfolio and Rs. 37.942 million (December 31, 2014: Rs. 32.942 million) against advances to small enterprises as required by the Prudential Regulations issued by the SBP and Rs. 1,830.550 million (December 31, 2014: Rs. 1,686.400 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. 417.820 million (December 31, 2014: 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. 680.698 million (December 31, 2014: Rs. 922.746 million). The FSV benefit availed is not available for the distribution of cash or stock dividend to shareholders.

	Note	(Un-audited) March 31, 2015	(Audited) December 31, 2014
------(Rupees in '000)-----			
9. OPERATING FIXED ASSETS			
Capital work-in-progress		3,206,999	2,974,574
Property and equipment		25,976,692	26,093,356
Intangible assets		1,170,950	1,235,440
	9.1	30,354,641	30,303,370

9.1 Additions and disposals during the period amounted to Rs. 584.126 million (March 31, 2014: Rs. 436.450 million) and Rs. 92.176 million (March 31, 2014: Rs. 441.664 million), respectively.

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2015**

	Note	(Un-audited) March 31, 2015	(Audited) December 31, 2014
------(Rupees in '000)-----			
10. BORROWINGS			
Secured			
Borrowings from the State Bank of Pakistan under:			
Export refinance scheme		13,728,459	14,267,463
Refinance facility for modernization of SME		29,689	33,591
Long term financing facility		6,513,161	6,461,411
Long term financing under export oriented projects		148,780	173,925
		20,420,089	20,936,390
Repurchase agreement borrowings		40,264,530	21,269,642
		60,684,619	42,206,032
Unsecured			
Call borrowings		5,779,806	4,217,499
Overdrawn nostro accounts		571,612	297,173
Trading liabilities		-	102,539
Other borrowings		6,386,647	6,241,913
		12,738,065	10,859,124
		73,422,684	53,065,156
11. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		231,387,909	224,072,873
Savings deposits		346,405,835	313,007,411
Sundry deposits		8,719,884	7,323,725
Margin deposits		5,728,571	6,683,291
Current accounts - remunerative		6,958,244	10,267,464
Current accounts - non-remunerative		323,724,450	316,074,790
		922,924,893	877,429,554
Financial Institutions			
Remunerative deposits		19,775,815	13,920,093
Non-remunerative deposits		2,674,548	3,733,406
		22,450,363	17,653,499
		945,375,256	895,083,053
12. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX			
Surplus arising on revaluation of assets - net of tax:			
Fixed assets	12.1	19,681,396	19,693,506
Securities	12.2	16,202,261	11,233,666
		35,883,657	30,927,172
12.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		20,271,107	15,227,721
Revaluation of fixed assets during the period / year		-	5,146,820
Exchange adjustments		108	(406)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax		(12,180)	(66,968)
Related deferred tax liability on incremental depreciation charged during the period / year		(6,558)	(36,060)
		(18,630)	5,043,386
		20,252,477	20,271,107
Less: Related deferred tax liability on:			
Revaluation as at January 1		577,601	5,034,686
Revaluation of fixed assets during the period / year		-	36,432
Reversal of deferred tax on revaluation of land		-	(4,457,315)
Exchange adjustments		38	(142)
Incremental depreciation charged during the period / year		(6,558)	(36,060)
		571,081	577,601
		19,681,396	19,693,506

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2015**

	(Un-audited) March 31, 2015	(Audited) December 31, 2014
	------(Rupees in '000)-----	
12.2 Surplus / (deficit) on revaluation of available for sale securities		
Market Treasury Bills	193,033	22,796
Pakistan Investment Bonds	18,038,254	10,550,575
Listed shares	4,899,803	5,160,199
Term Finance Certificates, Sukuks, other bonds, etc.	(43,354)	(74,792)
Foreign bonds	1,838,819	1,623,786
	24,926,555	17,282,564
Related deferred tax liability	(8,724,294)	(6,048,898)
	<u>16,202,261</u>	<u>11,233,666</u>
13. CONTINGENCIES AND COMMITMENTS		
13.1 Direct credit substitutes		
Contingent liabilities in respect of guarantees given favouring:		
Government	5,776,953	4,113,804
Banking companies and other financial institutions	4,175,538	2,479,948
Others	4,159,338	3,605,207
	<u>14,111,829</u>	<u>10,198,959</u>
13.2 Transaction-related contingent liabilities		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring:		
Government	84,587,907	83,496,420
Banking companies and other financial institutions	5,615,723	4,306,447
Others	36,780,222	40,579,368
	<u>126,983,852</u>	<u>128,382,235</u>
13.3 Trade-related contingent liabilities		
Contingent liabilities in respect of letters of credit opened favouring:		
Government	47,108,894	50,620,631
Others	93,865,671	88,189,565
	<u>140,974,565</u>	<u>138,810,196</u>
13.4 Other contingencies		
Claims against the Bank not acknowledged as debts	<u>12,256,160</u>	<u>10,927,017</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) March 31, 2015	(Audited) December 31, 2014
	------(Rupees in '000)-----	
13.6 Commitments in respect of forward foreign exchange contracts		
Purchase	183,375,101	176,779,148
Sale	<u>150,993,038</u>	<u>140,729,954</u>
13.7 Commitments in respect of derivatives		
Interest rate swaps	4,296,333	4,511,816
Cross currency swaps	506,233	5,934,000
FX Options - purchased	227,108	190,043
FX Options - sold	227,108	190,043
Forward purchase of Government securities	437,990	1,329,394
Forward sale of Government securities	-	906,201
13.8 Commitments in respect of capital expenditure	<u>2,151,263</u>	<u>1,874,447</u>
13.9 For contingencies relating to taxation refer note 17		

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2015**

	March 31, 2015	March 31, 2014
	------(Rupees in '000)-----	
14. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to customers	9,316,632	8,093,263
On lendings to financial institutions		
Call money lendings	30,621	4,369
Repurchase agreement lendings	89,724	465,521
Other lendings to financial institutions	150,802	99,277
	271,147	569,167
On investments in		
Held for trading securities	124,091	534,761
Available for sale securities	8,110,388	7,022,108
Held to maturity securities	5,064,067	3,139,699
	13,298,546	10,696,568
On deposits with financial institutions	25,327	35,033
	<u>22,911,652</u>	<u>19,394,031</u>
15. MARK-UP / RETURN / INTEREST EXPENSED		
On deposits	8,190,765	8,235,679
On securities sold under repurchase agreements	863,349	653,925
On other short term borrowings	614,289	541,575
On long term borrowings	132,958	149,021
	<u>9,801,361</u>	<u>9,580,200</u>
16. ADMINISTRATIVE EXPENSES		
Salaries, allowances etc.	2,619,521	2,458,068
Charge for compensated absences	63,363	100,950
Medical expenses	128,536	125,204
Contribution to defined contribution plan	52,049	48,322
Charge in respect of defined benefit obligations	92,376	89,979
Rent, taxes, insurance, electricity etc.	930,493	874,716
Depreciation	423,671	400,544
Amortization	98,039	99,562
Outsourced service charges including sales commission	980,591	856,498
Communications	297,359	262,013
Banking service charges	248,223	207,539
Cash transportation charges	134,463	122,668
Stationery and printing	132,671	130,281
Legal and professional charges	65,554	52,474
Advertisement and publicity	144,852	120,244
Repairs and maintenance	410,676	302,230
Travelling	63,884	53,644
Office running expenses	139,935	120,192
Vehicle expenses	44,397	48,667
Entertainment	52,209	43,349
Cartage, freight and conveyance	23,252	19,938
Insurance expense	8,585	25,422
Auditors' remuneration	14,059	22,693
Training and seminars	18,975	15,434
Brokerage expenses	8,446	12,293
Subscriptions	20,983	14,782
Donations	41,405	21,100
Non-executive Directors' fees	10,587	5,066
Zakat paid by overseas branch	21,386	25,473
Miscellaneous expenses	34,132	40,948
	<u>7,324,672</u>	<u>6,720,293</u>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2015**
17. TAXATION

The Income Tax returns of the Bank have been filed up to the tax year 2014 (accounting year ended December 31, 2013) 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 2014, and created additional tax demands of Rs.11,559 million (including disallowances of provisions made prior to Seventh Schedule), 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.1,350 million (December 31, 2014: Rs.1,350 million) in respect of provisions in excess of the above mentioned limits.

The tax returns for Azad Kashmir (AK) Branches have been filed upto the tax year 2014 (financial year 2013) 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 authorities have also carried out monitoring for Federal Exercise Duty, Sales tax and withholding taxes covering period from year ended 2007 to 2013. Consequently various addbacks and demands were raised creating a total demand of Rs. 994 million. The Bank has filed appeals against all such demands and is confident that these would be decided in the favor of the Bank.

The tax returns for UAE have been filed upto the year ended December 31, 2014 and other overseas branches 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.

18. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the three months ended March 31, 2015 (Un-audited)					Inter segment elimination
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	
	(Rupees in '000)					
Total income	93,825	6,178,057	9,181,234	3,016,932	866,694	-
Total expenses	(25,046)	(365,054)	(6,213,102)	(1,051,010)	(764,441)	-
Profit before tax	68,779	5,813,003	2,968,132	1,965,922	102,253	-
Segment return on assets (ROA)	107.3%	2.4%	1.0%	1.3%	-	-
Segment cost of funds	2.6%	6.5%	3.7%	6.1%	-	-

	For the three months ended March 31, 2014 (Un-audited)					Inter segment elimination
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	
	(Rupees in '000)					
Total income	84,157	3,927,783	7,968,278	2,115,630	791,770	-
Total expenses	(20,815)	(213,041)	(4,907,120)	(1,552,911)	(381,716)	-
Profit before tax	63,342	3,714,742	3,061,158	562,719	410,054	-
Segment return on assets (ROA)	97.5%	1.8%	1.2%	0.4%	-	-
Segment cost of funds	4.4%	6.4%	4.2%	6.5%	-	-

	As at March 31, 2015 (Un-audited)					Inter segment elimination
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	
	(Rupees in '000)					
Segment assets (gross of NPL provisions)	689,673	656,919,939	867,603,362	421,352,037	119,257,748	(825,738,982)
Segment non performing loans (NPLs)	657,535	1,987,225	20,902,046	30,529,860	217,508	-
Segment provision held against NPLs	494,525	1,810,732	18,045,286	23,647,764	64,792	-
Segment liabilities	150,425	634,684,805	847,934,180	396,415,392	9,290,320	(825,738,982)

	As at December 31, 2014 (Audited)					Inter segment elimination
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	
	(Rupees in '000)					
Segment assets (gross of NPL provisions)	775,136	553,839,601	843,640,420	434,496,803	97,622,294	(775,245,959)
Segment non performing loans (NPLs)	648,147	1,988,086	21,059,066	29,930,610	226,854	-
Segment provision held against NPLs	487,423	1,643,702	18,169,702	23,337,495	75,866	-
Segment liabilities	152,477	530,682,212	817,313,036	408,026,115	4,969,774	(775,245,959)

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 THREE MONTHS ENDED MARCH 31, 2015**
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, 2015 (Un-audited)					As at December 31, 2014 (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	-	-	1,274,027	-	-	-	-	990,076	-	-
In deposit accounts	-	-	435,331	-	-	-	-	1,284,622	-	-
	-	-	1,709,358	-	-	-	-	2,274,698	-	-
Lendings to financial institutions										
Other lendings to financial institution	-	-	857,126	500,000	-	-	-	314,065	500,000	-
Investments										
Opening balance	-	-	4,897,174	7,769,602	3,895,328	-	-	3,523,962	6,674,980	4,075,691
Investment made during the period / year	-	-	-	-	-	-	-	1,373,212	3,305,579	-
Investment redeemed / disposed off during the period / year	-	-	-	(639,878)	-	-	-	-	(2,210,957)	(180,363)
Closing balance	-	-	4,897,174	7,129,724	3,895,328	-	-	4,897,174	7,769,602	3,895,328
Provision for diminution in value of investments	-	-	-	-	118,356	-	-	-	-	118,356
Advances										
Opening balance	368	106,148	-	2,155,149	9,394,005	-	105,328	-	2,155,149	412,954
Addition during the period / year	490	7,401	-	-	3,255,041	3,668	82,263	-	-	14,328,295
Repaid during the period / year	(785)	(8,760)	-	-	(2,906,280)	(3,300)	(90,422)	-	-	(5,347,244)
Transfer in / (out) - net	-	(28,702)	-	-	-	-	8,979	-	-	-
Closing balance	73	76,087	-	2,155,149	9,742,766	368	106,148	-	2,155,149	9,394,005
Provision held against advances	-	-	-	2,155,149	-	-	-	-	2,155,149	-
Other Assets										
Interest mark-up accrued	-	74	7,262	320	222,704	-	155	7,816	14,893	282,516
Receivable from staff retirement funds	-	-	-	-	118,025	-	-	-	-	88,862
Prepaid insurance	-	-	-	166,977	-	-	-	-	-	-
Other receivable	-	-	10,562	-	30,164	-	-	7,458	-	30,164
Provision against other assets	-	-	-	-	30,164	-	-	-	-	30,164
Borrowings										
Opening balance	-	-	1,230,900	-	-	-	-	1,008,108	-	-
Borrowings during the period / year	-	-	1,199,675	-	-	-	-	2,945,057	-	-
Settled during the period / year	-	-	(1,224,235)	-	-	-	-	(2,722,265)	-	-
Closing balance	-	-	1,206,340	-	-	-	-	1,230,900	-	-
Overdrawn nostros	-	-	221,437	-	-	-	-	-	-	-
Deposits and other accounts										
Opening balance	7,920,019	126,853	272,133	2,498,946	204,907	7,506,473	124,455	277,343	665,956	81,859
Received during the period / year	4,977,356	289,170	6,929,470	26,302,094	27,674,465	26,067,173	1,431,994	126,102,516	112,527,304	127,557,270
Withdrawn during the period / year	(5,934,302)	(194,623)	(6,926,114)	(25,788,684)	(27,709,744)	(26,710,567)	(1,409,059)	(126,107,726)	(110,694,314)	(127,526,534)
Transfer in / (out) - net	-	(76,891)	-	-	-	1,056,940	(20,537)	-	-	92,312
Closing balance	6,963,073	144,509	275,489	3,012,356	169,628	7,920,019	126,853	272,133	2,498,946	204,907
Other Liabilities										
Interest / return / mark-up payable on deposits	56,740	227	141	944	74	47,181	1,206	21	9,793	266
Interest / return / mark-up payable on borrowings	-	-	3,074	-	-	-	-	2,408	-	-
Payable to staff retirement fund	-	-	-	-	4,972	-	-	-	-	78,172
Unearned income	-	-	-	-	-	-	-	187	-	-
Contingencies and Commitments										
Letter of guarantee	-	-	-	42,206	-	-	-	-	41,600	-
Forward foreign exchange contracts purchase	-	-	8,362,077	-	55,507	-	-	2,914,010	-	149,615
Forward foreign exchange contracts sale	-	-	8,240,131	-	564,396	-	-	2,837,357	-	31,313
Cross Currency Swaps	-	-	-	506,233	-	-	-	-	-	-

	For the three months ended March 31, 2015 (Un-audited)					For the three months ended March 31, 2014 (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	-	918	10,360	14,613	222,704	-	1,448	7,378	-	8,939
Commission / charges recovered	11	43	128	953	59	7	7	155	546	17
Dividend income	-	-	-	-	53,262	-	-	-	19,195	250,856
Net gain on sale of securities	-	-	-	123,470	-	-	-	-	66,931	5
Other income	-	3,615	187	-	-	-	166	187	88	-
Mark-up / return / interest paid	53,214	894	8,890	34,366	1,143	46,513	1,594	7,196	9,575	5,626
Remuneration paid	-	238,869	-	-	-	-	338,776	-	-	-
Post employment benefits	-	4,928	-	-	-	-	3,731	-	-	-
Non-executive directors' fee	10,587	-	-	-	-	5,066	-	-	-	-
Net charge for defined contribution plans	-	-	-	-	52,049	-	-	-	-	48,322
Net charge for defined benefit plans	-	-	-	-	28,774	-	-	-	-	26,794
Other expenses	-	-	-	1,960	25,600	-	-	-	15,319	24,432
Insurance premium paid	-	-	-	222,601	-	-	-	-	261,758	-
Insurance claims settled	-	-	-	45,827	-	-	-	-	31,786	-

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2015**
20. ISLAMIC BANKING BUSINESS

20.1 The statement of financial position of the Bank's Islamic Banking branches is as follows:

Note	(Un-audited) March 31, 2015	(Audited) December 31, 2014
----- (Rupees in '000) -----		
ASSETS		
Cash and balances with treasury banks	1,495,262	1,105,791
Balances with other banks	409,853	388,594
Investments	10,466,997	8,078,202
Islamic financing and related assets	6,688,383	6,656,812
Operating fixed assets	96,764	99,954
Due from Head Office	5,474,134	2,503,182
Other assets	203,193	154,874
Total Assets	24,834,586	18,987,409
LIABILITIES		
Bills payable	79,175	112,626
Deposits and other accounts		
Current accounts	2,254,943	2,345,427
Saving accounts	2,872,374	2,331,634
Term deposits	935,394	1,061,485
Deposits from financial institutions - remunerative	17,636,497	12,120,720
Deposits from financial institutions - non remunerative	32	32
Due to Head Office	23,699,240	17,859,298
Other liabilities	-	-
	198,973	179,808
	<u>23,977,388</u>	<u>18,151,732</u>
NET ASSETS	857,198	835,677
REPRESENTED BY		
Islamic Banking Fund	1,181,000	1,181,000
Accumulated losses	(297,769)	(276,733)
	883,231	904,267
Deficit on revaluation of assets	(26,033)	(68,590)
	<u>857,198</u>	<u>835,677</u>

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

	March 31, 2015	March 31, 2014
----- (Rupees in '000) -----		
Return earned	422,492	330,138
Return expensed	(315,295)	(244,307)
	107,197	85,831
Provision against loans and advances - net	-	(1,613)
Reversal for diminution in value of investments - net	-	360
Reversal / (provision) against assets given on Ijarah	397	(482)
	397	(1,735)
Net return after provisions	107,594	84,096
Other Income		
Fee, commission and brokerage income	5,847	4,565
Dividend income	-	3,164
Income / (loss) from dealing in foreign currencies	1,710	(7,303)
Loss on sale of securities - net	(48)	-
Other income	(233)	28,578
Total other income	7,276	29,004
	114,870	113,100
Other Expenses		
Administrative expenses	(135,906)	(138,845)
Other reversals - net	-	373
Total other expenses	(135,906)	(138,472)
Net loss for the period	(21,036)	(25,372)
Accumulated losses brought forward	(276,733)	(156,679)
Accumulated losses carried forward	(297,769)	(182,051)
Remuneration to Shariah Advisor	426	308

20.3 Islamic financing and related assets

	(Un-audited) March 31, 2015	(Audited) December 31, 2014
----- (Rupees in '000) -----		
Financings		
Murabaha	985,297	230,260
Ijarah	726,073	706,341
Diminishing Musharaka	4,776,201	4,801,540
Provision against financings	(36,052)	(36,052)
	6,451,519	5,702,089
Advances		
Advances and receivables against Ijarah	111,875	124,731
Advances for Diminishing Musharaka	-	4,500
Advances for Murabaha	33,316	834,246
Provision against advances for Murabaha	(17,498)	(17,498)
	127,693	945,979
Profit receivable against financing	109,171	8,744
	<u>6,688,383</u>	<u>6,656,812</u>

20.4 Deposit and other accounts include redeemable capital of Rs. 21,444.265 million (2014: Rs. 15,513.839 million) and deposit on Qard basis of Rs. 2,245.975 million (2014: Rs. 2,345.459 million). Remunerative deposits which are on Modaraba basis are considered as Redeemable Capital and non-remunerative deposits are classified as being on Qard basis. All the Redeemable capital held by the bank is in Pakistan Rupee.

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2015**

21. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on April 24, 2015 has declared a cash dividend in respect of the three months ended March 31, 2015 of Rs. 3.0 per share (March 31, 2014: Rs. 2.5 per share). The unconsolidated condensed interim financial statements for the three months ended March 31, 2015 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 24, 2015 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