

United Bank Limited Performance Review June 2014

Key Highlights

Standalone PAT up 27% YoY to Rs 10.5B. Consolidated PAT up 22% YoY to Rs 11.3B

Net Interest income up by 19% in H1'14 vs H1'13 to Rs 21.2B

- **Net Interest margins remain under pressure** as increase of 70 bps in KIBOR was off set by a 130 bps mandatory increase in the savings rate mainly due to linking to repo rates.
- **Despite margin compression**, increase of 19% in interest income is due balance sheet growth of 12%
- **Expansion in yields** on the domestic loan book by 38 bps due to upward repricing, along with shift in investment portfolio from T-bills to higher yielding PIBs has enhanced income from earning assets.

Non markup income at Rs 9.55 Bn up by 14% as a result of a growing fee base and strong trading performance

- **Fees and Commissions have grown to Rs 5.5B in H1'14** a 16% increase over H1'13. Major growth within Omni, home remittances, trade commissions, Bancassurance and consistent build up in general banking fees.
- **Strong trading** performance by the equities desk in H1'14 within improving stock market has resulted in sizeable capital gains and stable dividend income.
- **Foreign exchange income is up by 80% through** effective position management within an active domestic market.

Revenues up by 18% through consistent balance sheet growth and diversified non funded income

Improving Asset Quality, NPL recoveries and control over costs remain in focus

Provisions are down by 10% YoY to Rs 1.1B in H1'14

- Cash recoveries for the half year were Rs 2.6B.
- Asset quality improved from 12.2% in Dec'13 to 11.4% as at June'14 due to 3% reduction in NPLs and higher loan growth.
- Coverage has improved to 86% in Jun'14(Dec'13: 84%).The ex sovereign coverage for domestic has been enhanced to 93% (Dec 13: 91%).

Administrative expenses are up 9 % to Rs 13.9B in H1'14

- Staff costs have remained flat on QoQ basis, with a 9% increase over H1'13 due to normal salary increases
- Premises costs have increased in line with the rising cost of utilities across the branch network.
- Robust growth in revenues and contained expenses have improved the C/I ratio from 48.1% in H1'13 to 44.6% in H1'14.

Strong growth momentum within retail banking – deposits grow ahead of market

- 8% growth in the Total and Core domestic deposit base, ahead of market growth of 7.3%
- 21% growth in average current accounts.
- Overall increase in cost of deposits has been contained to 44bps despite a 130 bps mandatory increase in the minimum rate on savings deposits.

Net Advances up by Rs18B to Rs 408B driven by growth in corporate and commodity financing

- The domestic corporate loan portfolio has grown by Rs 21B (12%) within the current half year. Commodity advances are up by Rs10.7B (27%) as a result of seasonal demand.
- UAE loan book has grown by 6% in line with market improvement, net loan repayments at other countries resulting in a marginal reduction of 1% within the overall International loan book

Loan growth funded by low cost deposits strengthens core earnings

Income Statement - Standalone

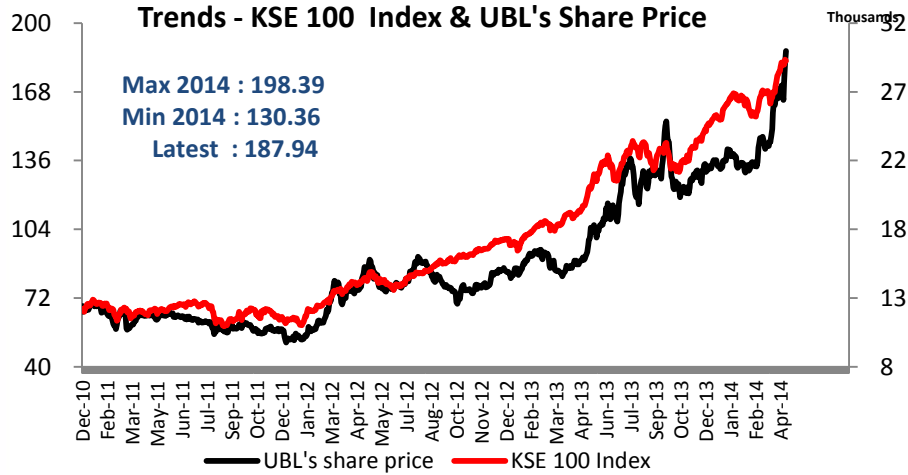
PKR Bn	HY'14	HY'13	Var %	Q2'14	Q1'14	Var %
Interest Earned	40.30	35.36	+14%	20.90	19.39	+8%
Interest Expensed	(19.13)	(17.52)	-9%	(9.55)	(9.58)	+0%
Net Interest Income	21.16	17.84	+19%	11.35	9.81	+16%
Non Interest Income	10.04	8.63	+16%	4.97	5.07	-2%
Total Revenue	31.20	26.47	+18%	16.31	14.89	+10%
Admin. Expenses	(13.91)	(12.72)	-9%	(7.19)	(6.72)	-7%
Operating Expenses	(14.24)	(12.97)	-10%	(7.37)	(6.88)	-7%
Pre Prov. Operating Profit	16.96	13.50	+26%	8.95	8.01	+12%
Provision Exp./Other writeoffs	(1.11)	(1.23)	+10%	(0.91)	(0.20)	-361%
Profit Before Tax	15.85	12.27	+29%	8.04	7.81	+3%
Profit After Tax	10.53	8.27	+27%	5.32	5.21	+2%

Income Statement - Consolidated

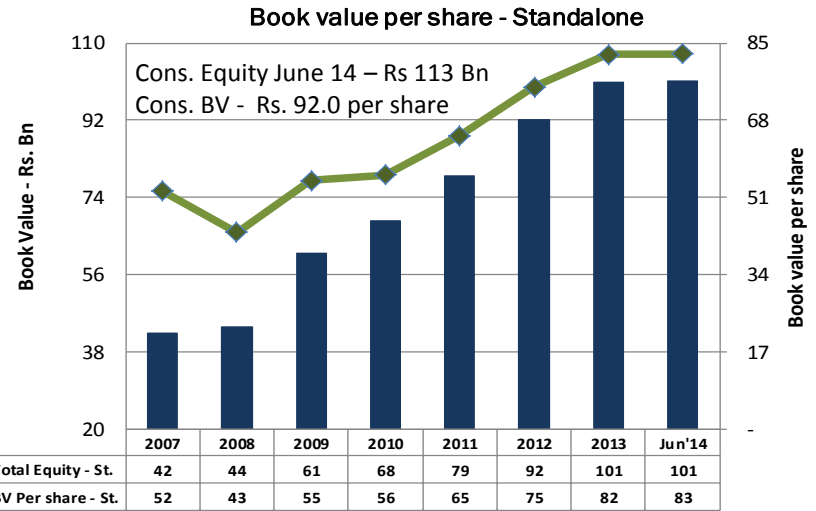
PKR Bn	HY'14	HY'13	Var %	Q2'14	Q1'14	Var %
Interest Earned	41.74	36.72	+14%	21.63	20.11	+8%
Interest Expensed	(19.69)	(18.22)	-8%	(9.83)	(9.86)	+0%
Net Interest Income	22.05	18.50	+19%	11.80	10.26	+15%
Non Interest Income	11.64	10.25	+14%	5.89	5.75	+2%
Total Revenue	33.70	28.75	+17%	17.69	16.01	+10%
Admin. Expenses	(15.26)	(13.81)	-10%	(7.88)	(7.38)	-7%
Operating Expenses	(15.60)	(14.06)	-11%	(8.06)	(7.54)	-7%
Pre Prov. Operating Profit	18.10	14.69	+23%	9.62	8.48	+14%
Provision Exp./Other writeoffs	(1.40)	(1.42)	+1%	(1.08)	(0.32)	-235%
Profit Before Tax	16.70	13.28	+26%	8.54	8.15	+5%
Profit After Tax	11.32	9.24	+22%	5.80	5.52	+5%

Share Info

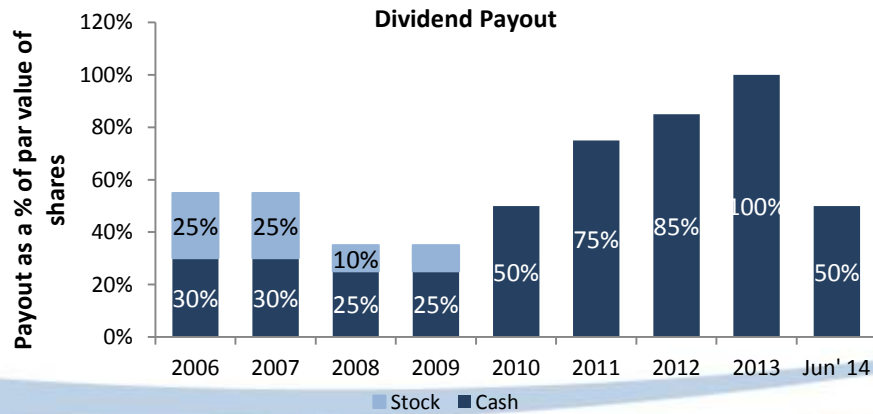
Trends – KSE 100 Index and UBL's Share Price



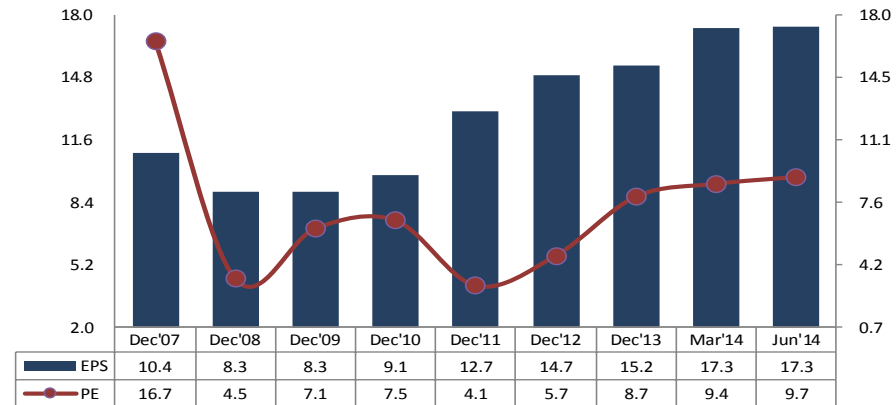
Book Value Per Share



Cash and Stock Payout



EPS & PE



Key Ratios – Bank (Standalone)

Balance Sheet Ratios	Dec-13	Jun-14
Advances / Deposits	50.1%	50.5%
Asset Quality	12.2%	11.4%
Coverage *	86.1%	88.6%

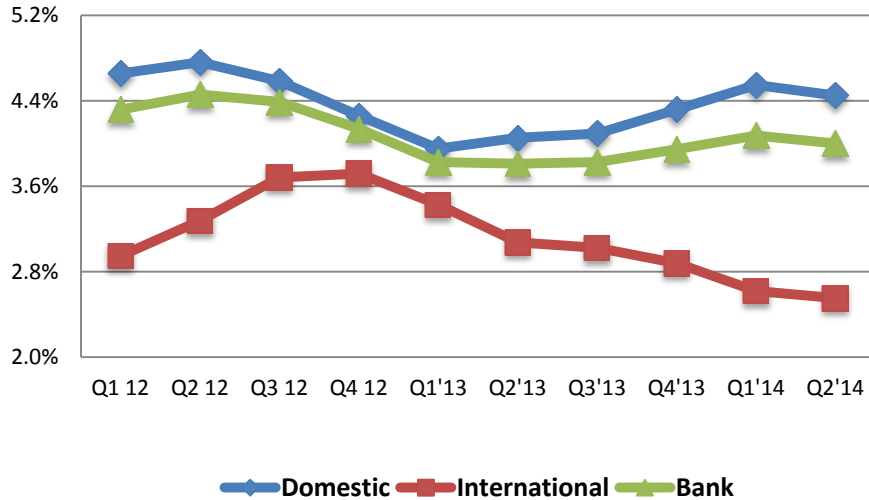
Financial Ratios	HY'13	HY'14	Q1'14	Q2'14
Yield on P. Advances	9.5%	9.4%	9.1%	9.7%
Cost of Deposits	3.8%	4.0%	4.1%	3.9%
Net Interest Margin	5.3%	5.5%	5.1%	5.8%
NCL Ratio	0.6%	0.4%	0.2%	0.6%
Return on Avg Assets	1.8%	2.1%	2.1%	2.1%
Return on Shareholders' Equity	20.9%	23.9%	24.1%	24.4%

P/L Ratios	HY'13	HY'14	Q1'14	Q2'14
Cost to Income Ratio	48.1%	44.6%	45.2%	44.0%
Non Fund Inc. / Total Revenue	32.6%	32.2%	34.1%	30.4%

**This ratio excludes non performing loans which are backed by sovereign guarantee.*

Deposits Structure (Bank level)

Cost of Deposits

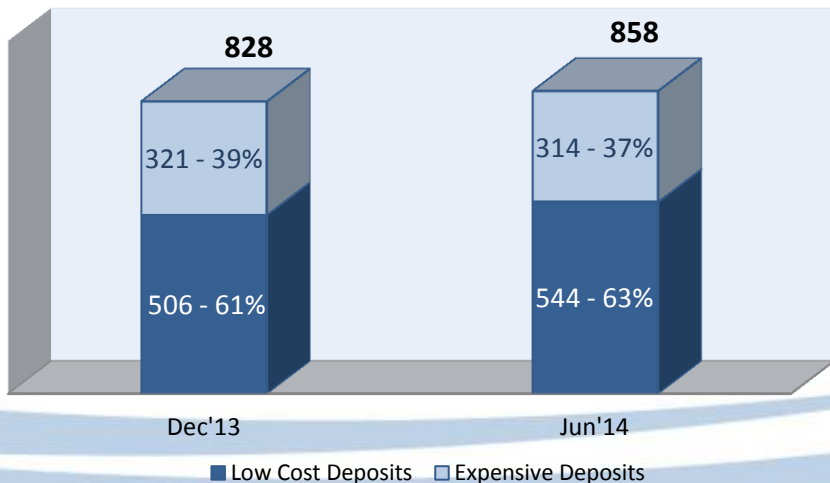


Deposits - Bank

Bank	Dec'13		Jun'14	
	PE - Rs.Bn	COF%	PE - Rs.Bn	COF%
Domestic deposits	619	4.1%	665	4.4%
International deposits	209	3.1%	192	2.6%
Total Bank	828	3.9%	858	4.0%

Total Deposits

Rs. Billion

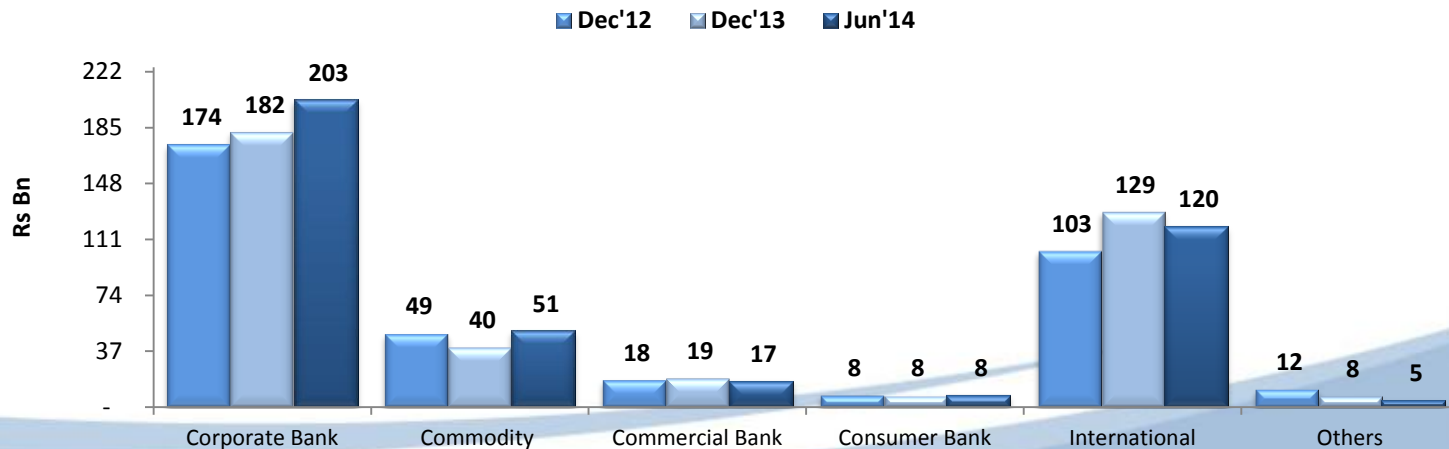


International \$	1,986	3.1%	1,947	2.6%
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Domestic CASA	83.45%	86.25%
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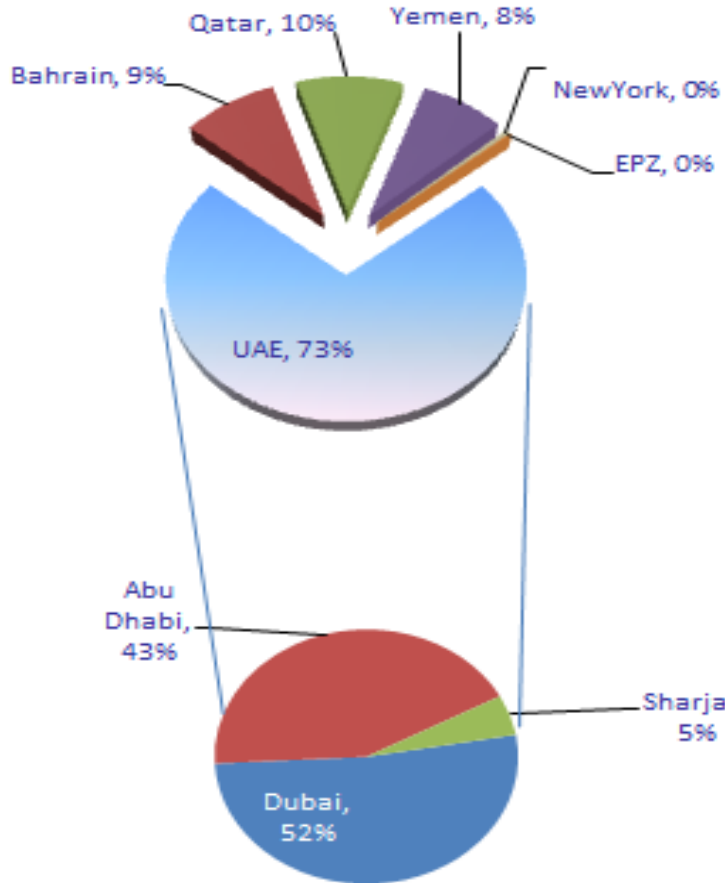
Net Advances

Net Advances - Rs. Bn	Dec'13	Jun'14	% Change
Corporate Bank	182.1	203.4	+12%
Commodity	39.9	50.6	+27%
Commercial	19.4	17.3	-11%
Consumer	7.7	8.1	0.0
Others	7.5	4.6	(0.4)
Total Domestic	256.6	284.0	0.1
International	129.2	119.5	-8%
Bank	385.9	403.5	0.0
International US\$ Mn	1,227.0	1,209.0	-1%

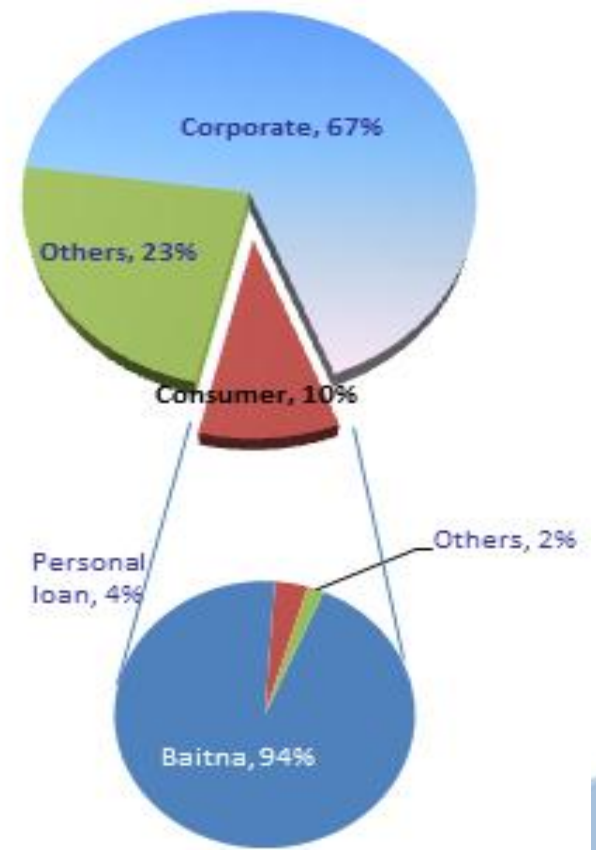


International Advances Jun-14

By Geography



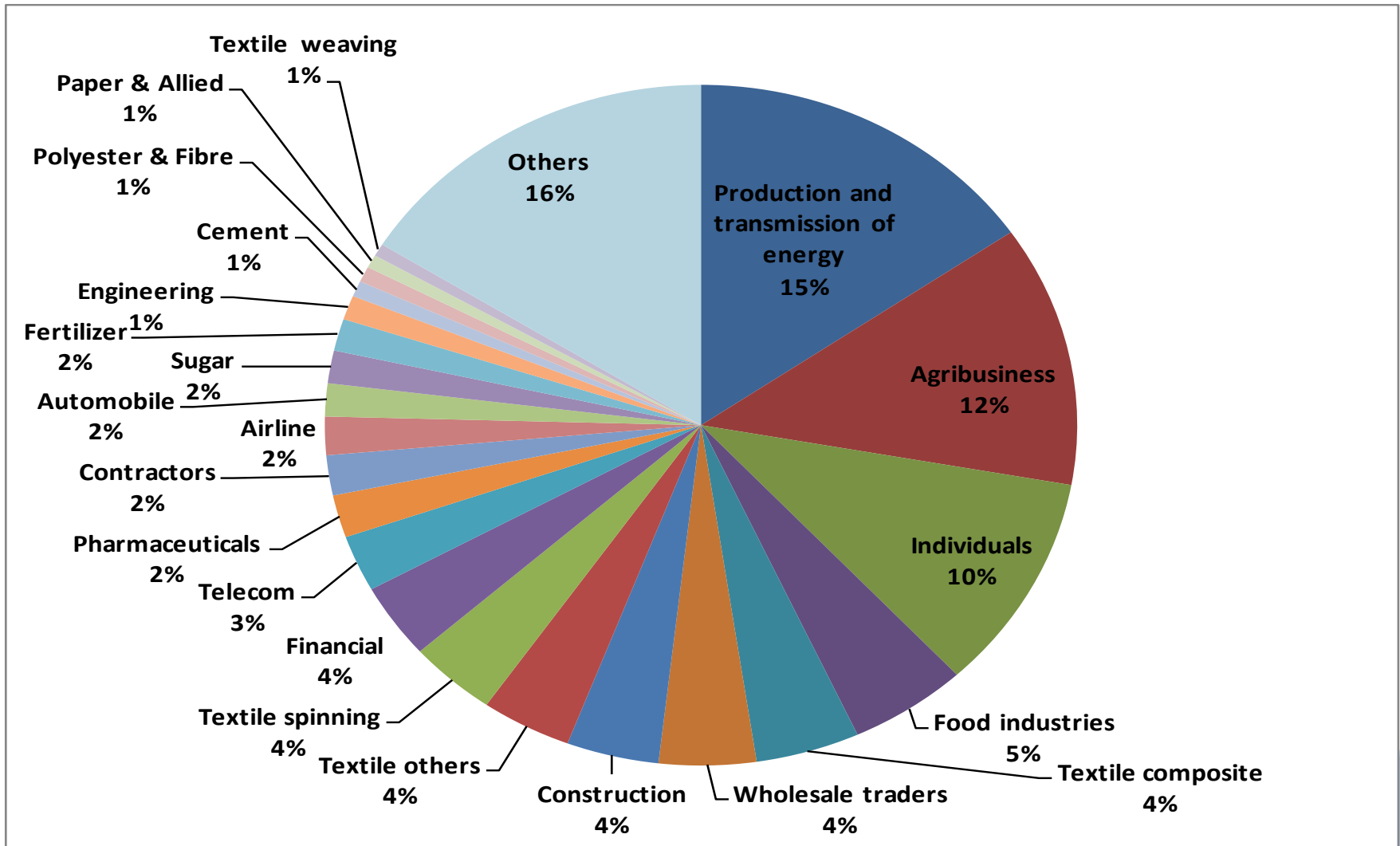
By Business - UAE



Spread Analysis – Bank Level

Bank	HY' 2013				HY' 2014			
	PE	AVG	IE	Avg.Yield /Cost	PE	AVG	IE	Avg.Yield /Cost
Rs Bn								
Avg KIBOR - 3M				9.4%				10.1%
Interest Earning Assets								
Performing Advances	334	329	15.6	9.5%	388	364	17.0	9.4%
Corporate	145	159	7.8	9.9%	190	178	9.5	10.8%
Commercial	17	17	1.2	13.9%	19	17	1.2	13.6%
Commodity	51	43	2.5	11.5%	51	38	2.1	11.2%
Consumer	7	7	0.7	20.2%	8	8	0.7	18.0%
International	109	100	3.1	6.3%	118	121	3.3	5.6%
Others	4	1	0.2	30.4%	1	2	0.2	16.6%
Investments (earning)	393	361	19.1	10.6%	394	417	22.2	10.7%
Lending to Financial Institutions	20	18	0.3	3.2%	18	29	0.8	5.7%
Others	17	18	0.2	2.7%	23	16	0.2	1.9%
Total int. earning assets (a)	764	726	35.2	9.8%	822	825	40.2	9.8%
<i>Non int. earning assets</i>	202	184	0.0	0.0%	206	194	0.0	0.0%
Total Assets (A)	966	910	35.2	7.8%	1,028	1,019	40.2	8.0%
Interest bearing liabilities								
Total deposits	752	699	(13.2)	3.8%	858	826	(16.4)	4.0%
Core Deposits - Domestic	538	481	(8.4)	3.5%	610	564	(11.0)	3.9%
Non Core Deposits-Domestic	40	49	(2.1)	8.8%	55	67	(2.9)	8.8%
International	174	169	(2.7)	3.2%	192	196	(2.5)	2.6%
Subordinated Debts - TFC	7	8	(0.4)	10.9%	0	0	(0.0)	11.3%
Swap cost (net)	-	-	(0.6)	0.0%	-	-	(0.4)	0.0%
Borrowings	79	82	(3.3)	8.1%	35	59	(2.3)	8.0%
Total interest bearing liab (b)	838	788	(17.5)	4.5%	893	885	(19.1)	4.4%
<i>Non int. bearing liabilities & equity</i>	128	122	-	0.0%	135	134	-	0.0%
Total Liabilities+Equity (B)	966	910	(17.5)	3.9%	1,028	1,019	(19.1)	3.8%
Net Interest Margin (a-b)	-	-	17.7	5.3%	-	-	21.1	5.5%
Spread (A-B)				3.9%				4.2%

Concentration of Advances – Bank level (Jun'14)



Non Markup / Return / Interest Income

Non Fund Income - Rs. Mn	HY'14	HY'13	Var %	Q2'14	Q1'14	Var %
Fee, commission and brokerage income	5,548	4,616	16%	2,844	2,703	5%
Dividend income	1,039	722	44%	365	675	-46%
Income from dealing in foreign currencies	1,426	790	80%	771	654	18%
Gain / (loss) on sale of securities	1,355	1,972	-31%	618	736	-16%
Derivatives Income	246	73	238%	178	68	161%
Other income	427	456	-6%	190	237	-20%
Total Non Fund Income	10,040	8,630	14%	4,967	5,074	-3%

Fee Commission and Brokerage Income

Fee Commission Income - Rs. Mn	HY'14	HY'13	Var %	Q2'14	Q1'14	Var %
Commission on trade	874	754	16%	432	442	-2%
Commission on consumer loan	318	295	8%	171	147	16%
Commission on remittance / uniremote	1,022	763	34%	511	511	0%
Corporate service chgs/finance fee/FI inc.	575	589	-2%	294	282	4%
General banking service charges	921	926	-1%	478	443	8%
Commission on cash management	251	210	19%	127	124	2%
Commission on home remittance	697	529	32%	369	328	13%
Commission income - Bancassurance	313	203	55%	166	148	12%
Commission others	575	347	66%	296	279	6%
Total	5,548	4,616	20%	2,844	2,703	5%

Administrative Expenses

Administrative Expenses - Rs. Mn	HY '14	HY '13	Var %	Q1'14	Q2'14	Var %
Personnel Cost	5,643	5,213	-8%	2,823	2,820	0%
Premises Cost	1,857	1,708	-9%	875	982	11%
Outsourced service charges including sales commission	1,776	1,373	-29%	856	920	7%
Advertisement and publicity	385	261	-48%	120	265	55%
Communications	548	525	-4%	262	286	8%
Depreciation / Amortization	1,012	1,055	4%	500	512	2%
Legal and professional charges	79	121	34%	52	27	-95%
Banking service charges	467	404	-16%	208	259	20%
Stationery and printing	280	277	-1%	130	150	13%
Travelling	121	114	-6%	54	68	21%
Cash transportation charges	252	204	-23%	123	129	5%
Repairs and maintenance	596	568	-5%	287	309	7%
Vehicle expenses	104	93	-11%	49	55	11%
Office running expenses	264	237	-11%	120	144	16%
Insurance expense	41	56	27%	25	15	-64%
Others	480	516	7%	236	244	3%
Total	13,905	12,725	-9%	6,720	7,185	6%

UBL OMNI – Branchless Banking

- Winner of GSMA International Mobile Award 2012 for “Best Use of Mobile in Humanitarian Initiatives” and recipient of Financial Insights Innovation Award 2012, Singapore. Nominated again for GSMA Mobile Award 2013.
- GSMA benchmarking survey of MMU programs has ranked UBL Omni at or near the top of most success indicators and well above global and regional averages.
- Recognized globally as one of the 14 “Sprinters” by the GSMA’s Mobile Money for the Unbanked (MMU) program, the only Bank out of the 150 worldwide branchless implementation surveyed
- Menu of services includes: account opening, instant debit card issuance at agent location, cash deposit, cash withdrawal, cash transfer, bill payments, purchase of airtime vouchers etc
- Continued diversification in the distribution model has led UBL Omni to now include additional Super Agency distribution partners.
- UBL Omni was also recognized during the World Marketing Summit Malaysia 2013 which identified the top 50 worldwide marketing leaders that focus on attaining the UN’s 8 Millennium Development Goals.
- UBL Omni platform achieved Payment Application – Data Security Standards (PA DSS) Certification in July 2013 which is the global security standard for the Payment Card Industry.
- UBL Omni’s proprietary platform remains a key competitive advantage. Omni has also been implemented in the UK for remittances to Pakistan.

UBL OMNI

Commercial Launch:	April 2010
No of Accounts:	1.55 Million
No of Agents:	17,000+
No of cities/towns:	800+
No of transactions	138 Million
Transaction volume	PKR 553 Billion
Grant Received:	US\$ 6.9 Million from Bill & Melinda Gates Foundation

Benazir Income Support Program

Purpose:	Cash subsidy for the poor
Current beneficiaries:	1.2 Million
Funds disbursed:	PKR 36 Billion

WATAN/PAKISTAN CARDS

Purpose:	G2P aid for the flood affectees
Watan cards issued:	1.4 Million
Funds disbursed:	PKR 59 Billion
Grant received:	US\$ 1.5 Million from Bill & Melinda Gates Foundation

World Food Program & World Health Organization

Purpose:	Cash in lieu of food, Payments to polio workers
Beneficiaries:	145,000+
Funds disbursed:	PKR 2.07 Billion

CASH MANAGEMENT SERVICES

Microfinance, FMCG clients, Schools, Collections	
No of transactions:	4.6 Million+
Transaction volume:	PKR 17 Billion+

Financial ratios – Consolidated (1/3)

DuPont	Full Year				QTD (Annualized)	
	2010	2011	2012	2013	Mar-14	Jun-14
Spread (Standalone) ¹	5.5%	5.6%	4.7%	4.0%	3.9%	4.4%
Net Interest Margin (Standalone)	7.0%	7.2%	6.4%	5.4%	5.1%	5.8%
Non Interest Yield ³	1.6%	1.7%	2.2%	2.0%	2.1%	2.1%
Admin Exp./Avg Assets	2.8%	2.8%	2.9%	2.7%	2.7%	2.9%
Cost Income Ratio	41.7%	40.1%	43.2%	47.5%	46.1%	44.6%
Loan Loss / Assets	1.1%	0.9%	0.4%	0.2%	0.1%	0.3%
Loan Loss / RWA ⁴	1.5%	1.2%	0.6%	0.2%	0.2%	0.5%
Effective Tax Rate	37.7%	37.0%	32.0%	31.9%	32.2%	32.1%
ROA	1.6%	1.9%	2.2%	1.9%	2.0%	2.1%
ROE	17.7%	20.7%	23.4%	21.3%	22.6%	23.7%

Formulas

1. *Net interest income / average assets*
2. *Net interest income / average earning assets*
3. *Non interest income / average assets*
4. *Risk weighted assets*

Financial ratios – Consolidated (2/3)

Asset Quality	Full Year				QTD (Annualized)	
	2010	2011	2012	Dec 13	Mar-14	Jun-14
Gross NPLs / Gross Loan	12.9%	13.4%	13.6%	11.9%	11.7%	11.0%
Net NPLs / Gross Loan	3.6%	2.9%	3.4%	2.2%	2.0%	1.8%
Coverage Ratio	71.9%	80.1%	76.7%	84.6%	87.6%	87.7%
Prov. held / Gross loan	8.9%	10.5%	10.1%	9.6%	9.8%	9.2%
Net Credit Loss ratio	2.2%	2.0%	1.1%	0.4%	0.3%	0.9%

Growth	Full Year				QTD (Annualized)	
	2010	2011	2012	Dec 13	Mar-14	Jun-14
Growth in Loan Book	-5.7%	-0.1%	13.1%	7.6%	-2.3%	8.0%
Growth in Deposits	12.7%	11.8%	18.6%	18.2%	1.8%	1.4%
Operating Revenue	-1.4%	16.3%	11.8%	1.7%	12.4%	21.8%
Operating Expense	7.6%	11.3%	19.6%	12.1%	11.1%	10.8%
Pre-provision Oper.Profit	-7.2%	20.1%	6.3%	-6.6%	13.6%	32.9%
Provision exp.+ Other prov.	-39.2%	-9.1%	-36.6%	-59.5%	-44.8%	29.7%
Profit After Tax	16.1%	35.1%	29.3%	2.5%	11.6%	35.0%

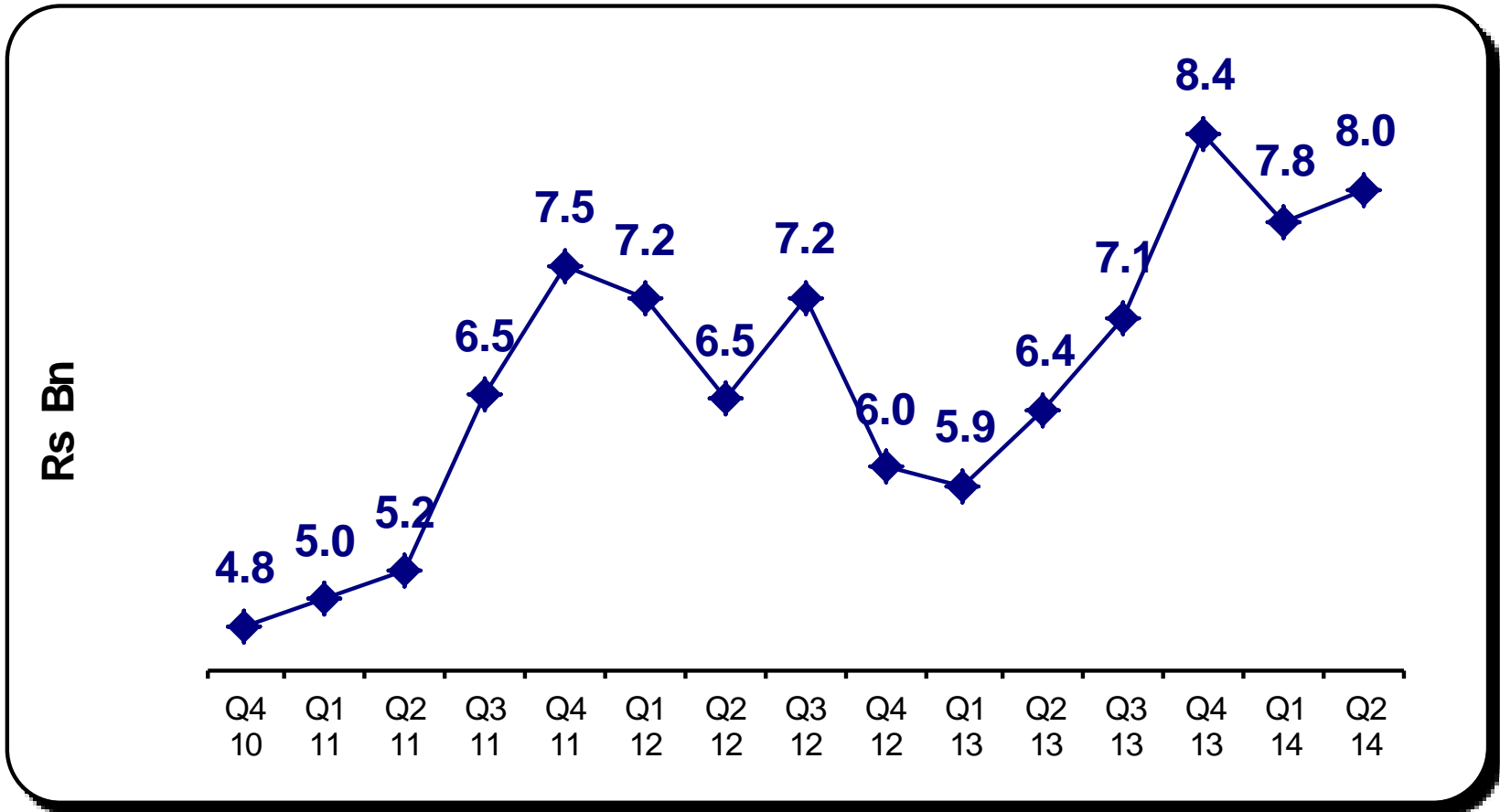
Financial ratios – Consolidated (3/3)

Other Metrics	Full Year					QTD (Annualized)	
	2009	2010	2011	2012	2013	Mar-14	Jun-14
Capital Adequacy Ratio	14.0%	15.0%	14.9%	14.8%	13.3%	13.1%	13.4%
Loan / Deposits	73.7%	62.8%	57.5%	55.0%	50.0%	48.0%	51.1%
Net Loans / Assets	56.5%	47.1%	42.2%	40.1%	38.3%	36.9%	39.7%
RWA / Assets	75.9%	72.7%	72.8%	70.3%	71.3%	69.9%	70.2%
Average Headcount (St) ¹	8,639	8,474	8,655	8,934	9,022	8,932	8,856
Personnel cost (St) / Headcount (000)	863.9	879.3	988.8	1,091.8	1,167.6	1,265.9	1,243.9
Yield on Earning Assets (St) ²	12.3%	11.7%	12.3%	11.3%	9.7%	9.6%	10.1%
Cost of Funds (St) ³	5.4%	4.7%	5.1%	4.9%	4.3%	4.4%	4.3%
Yield on Performing Adv (St)	13.4%	12.4%	13.1%	11.7%	9.7%	9.1%	9.7%
Cost of Deposits (St)	4.8%	4.0%	4.3%	4.3%	3.9%	4.1%	3.9%

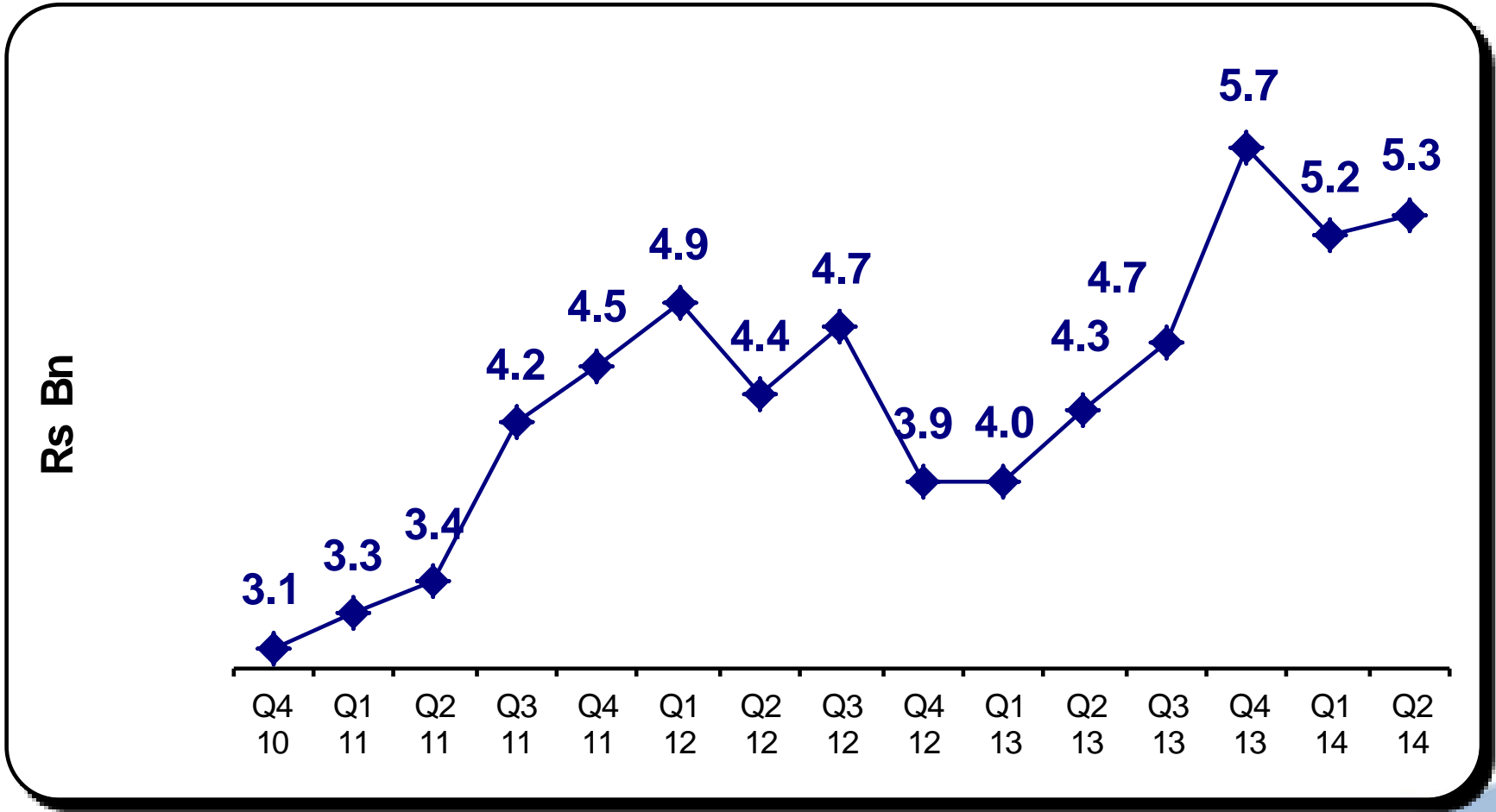
Quarterly Trend Analysis

**Bank Level
(Stand Alone)**

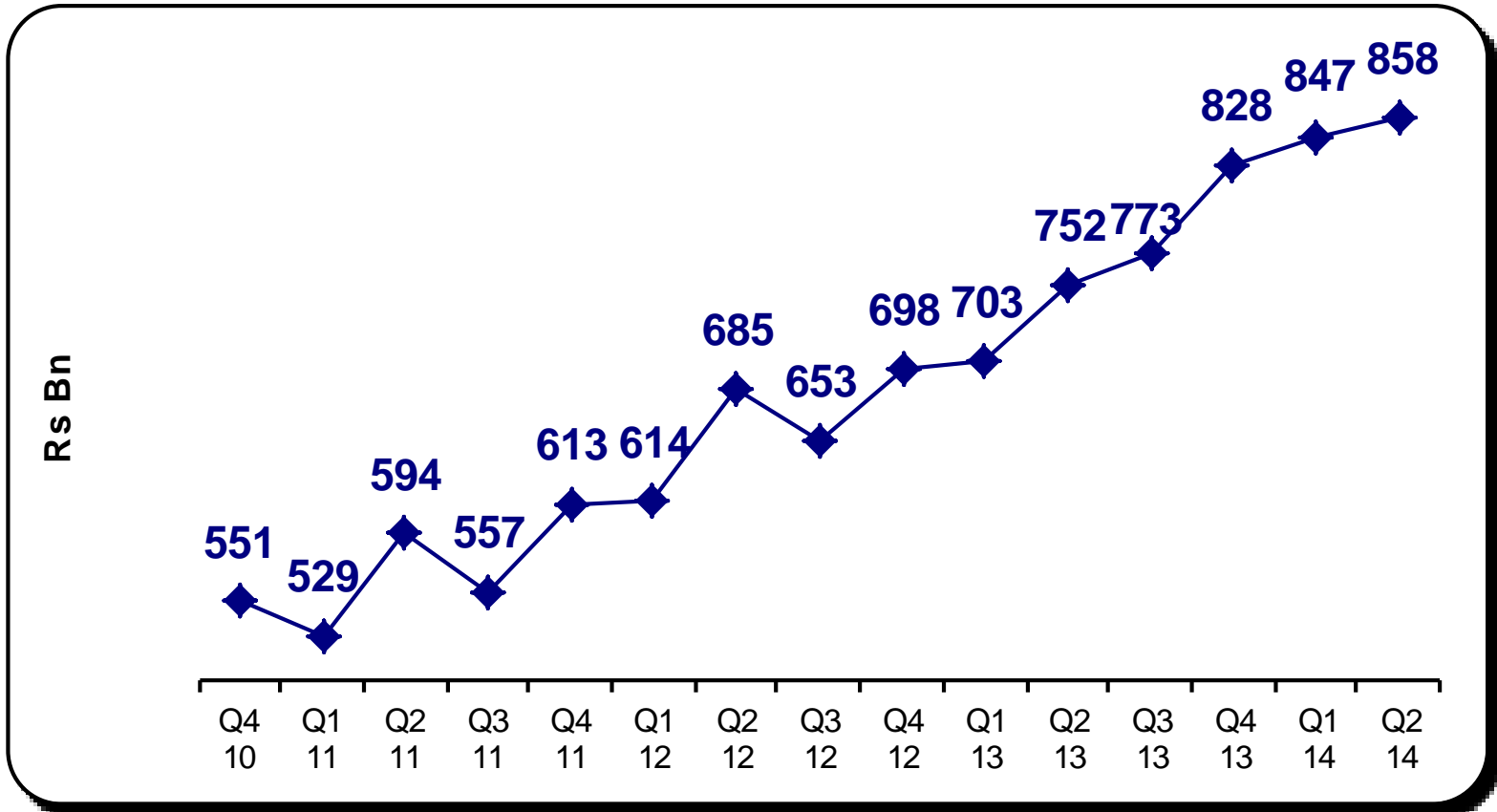
Profit before Tax



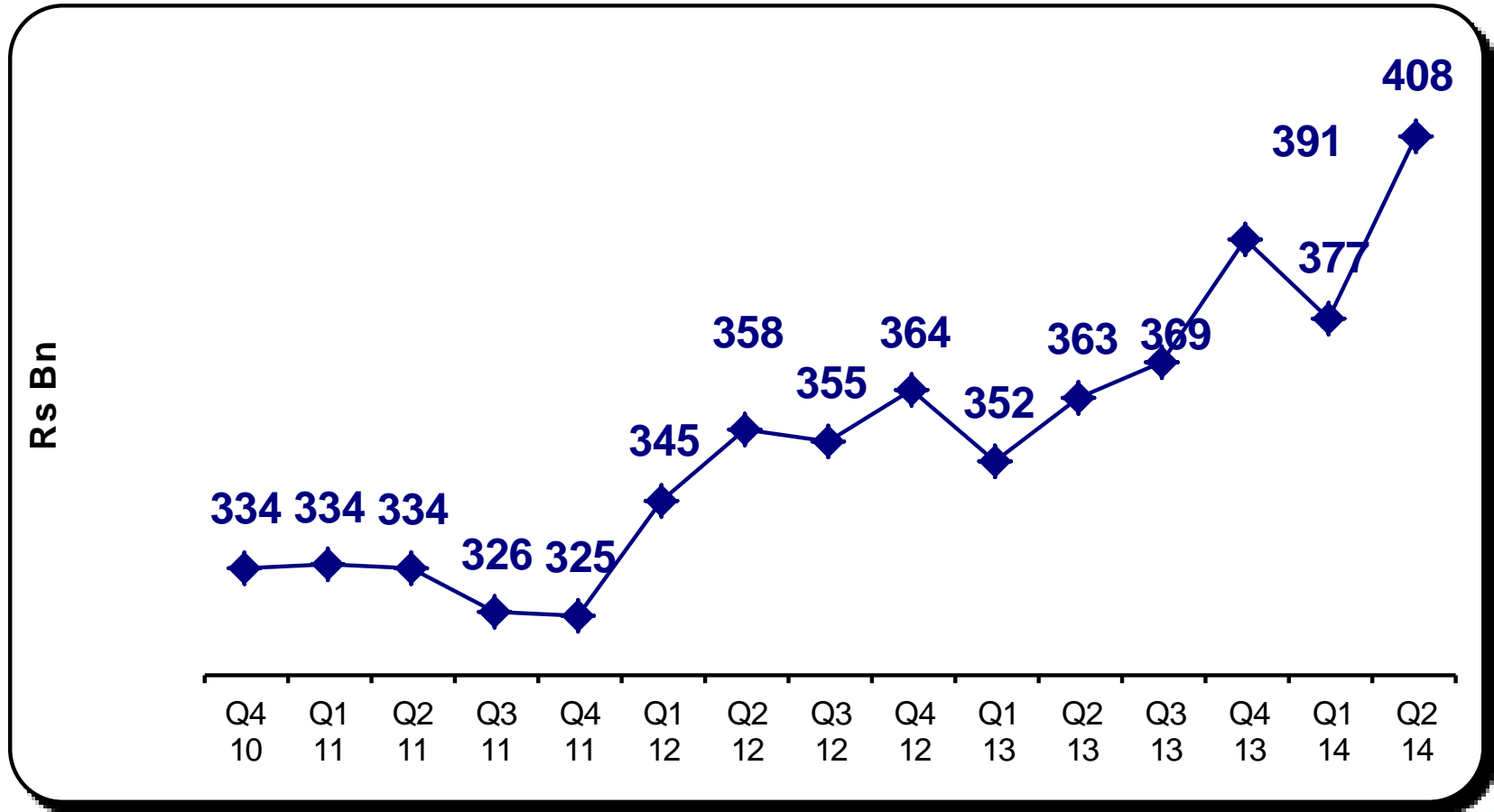
Profit after Tax



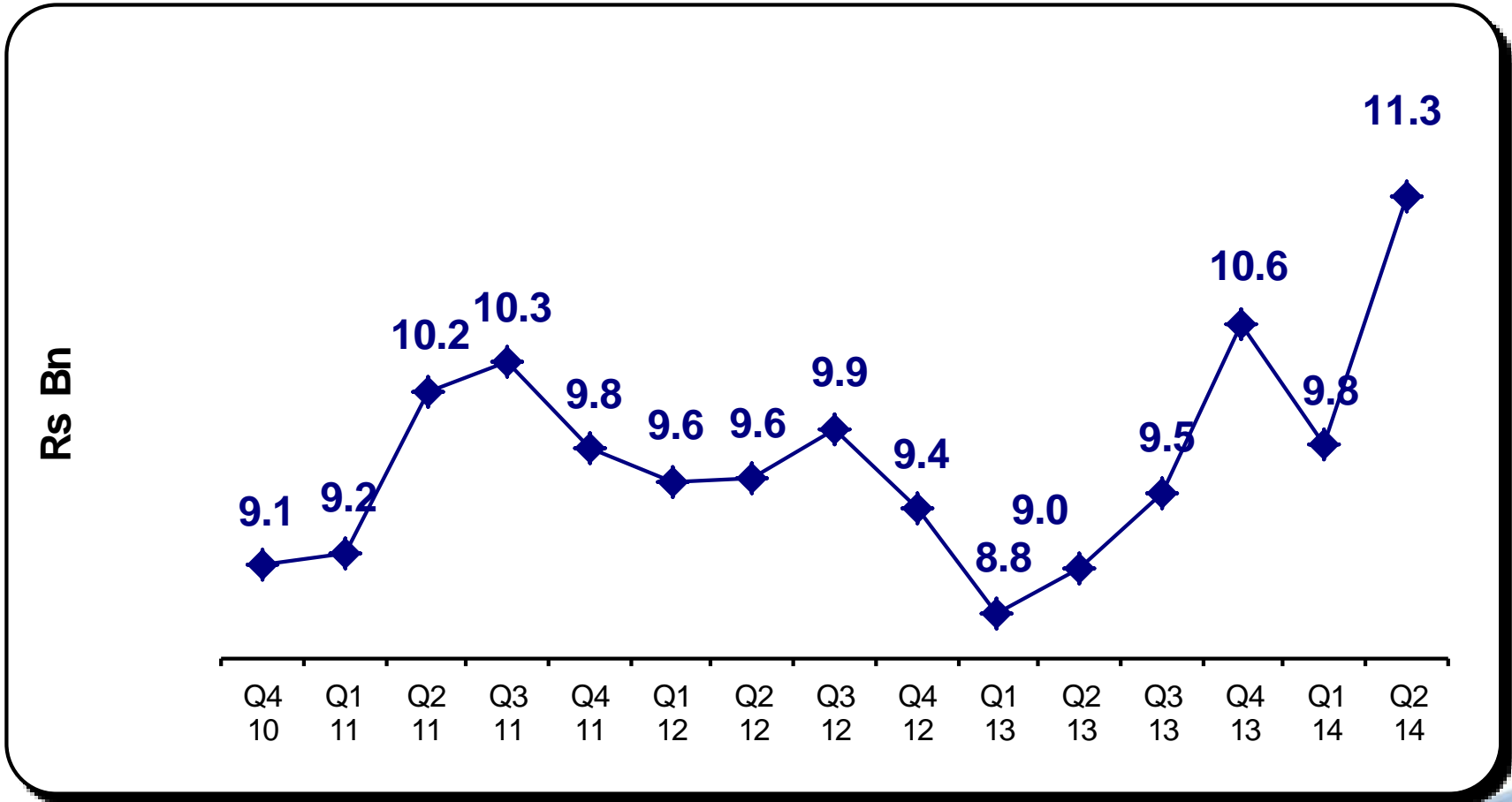
Deposits



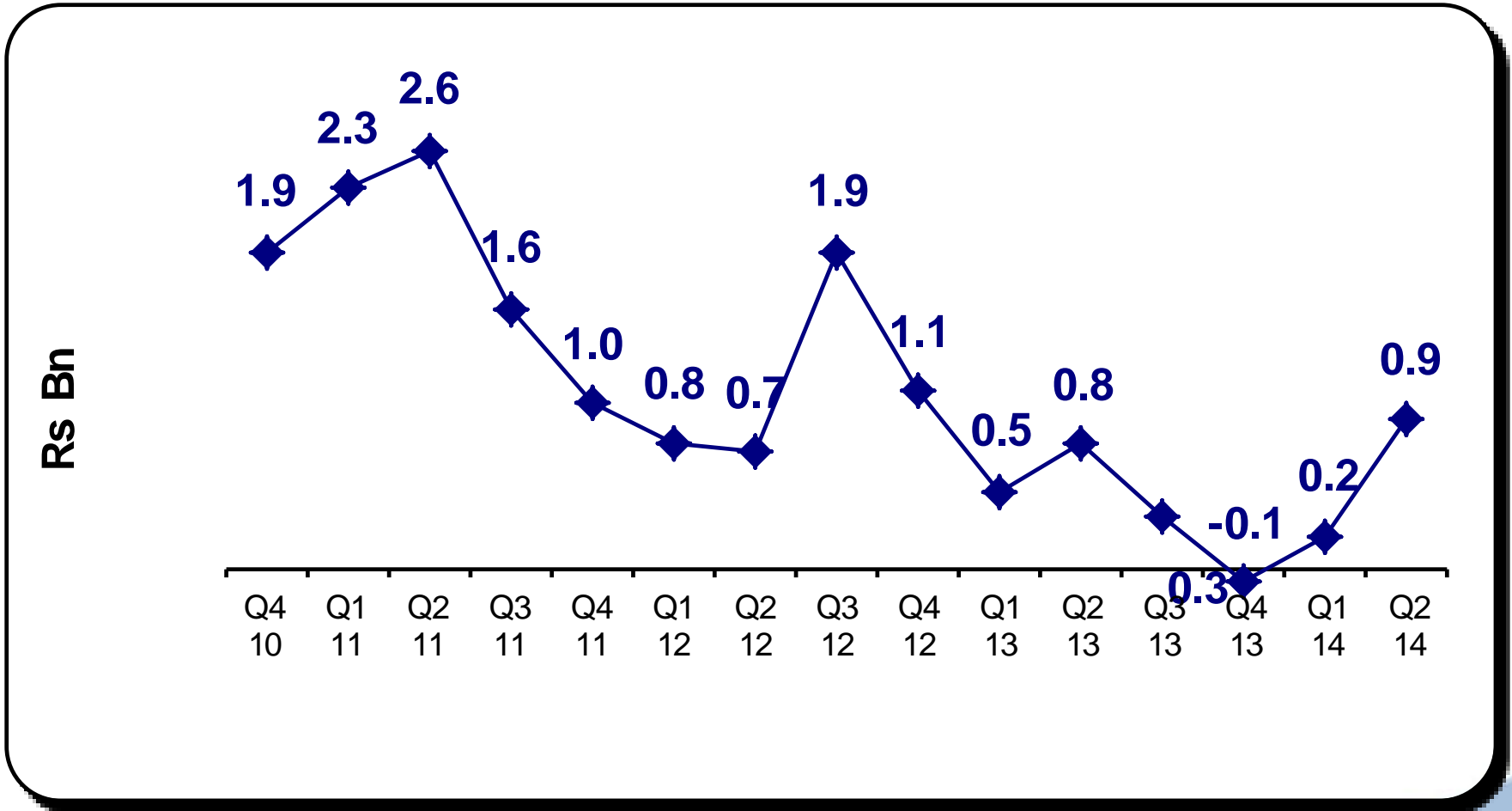
Net Advances



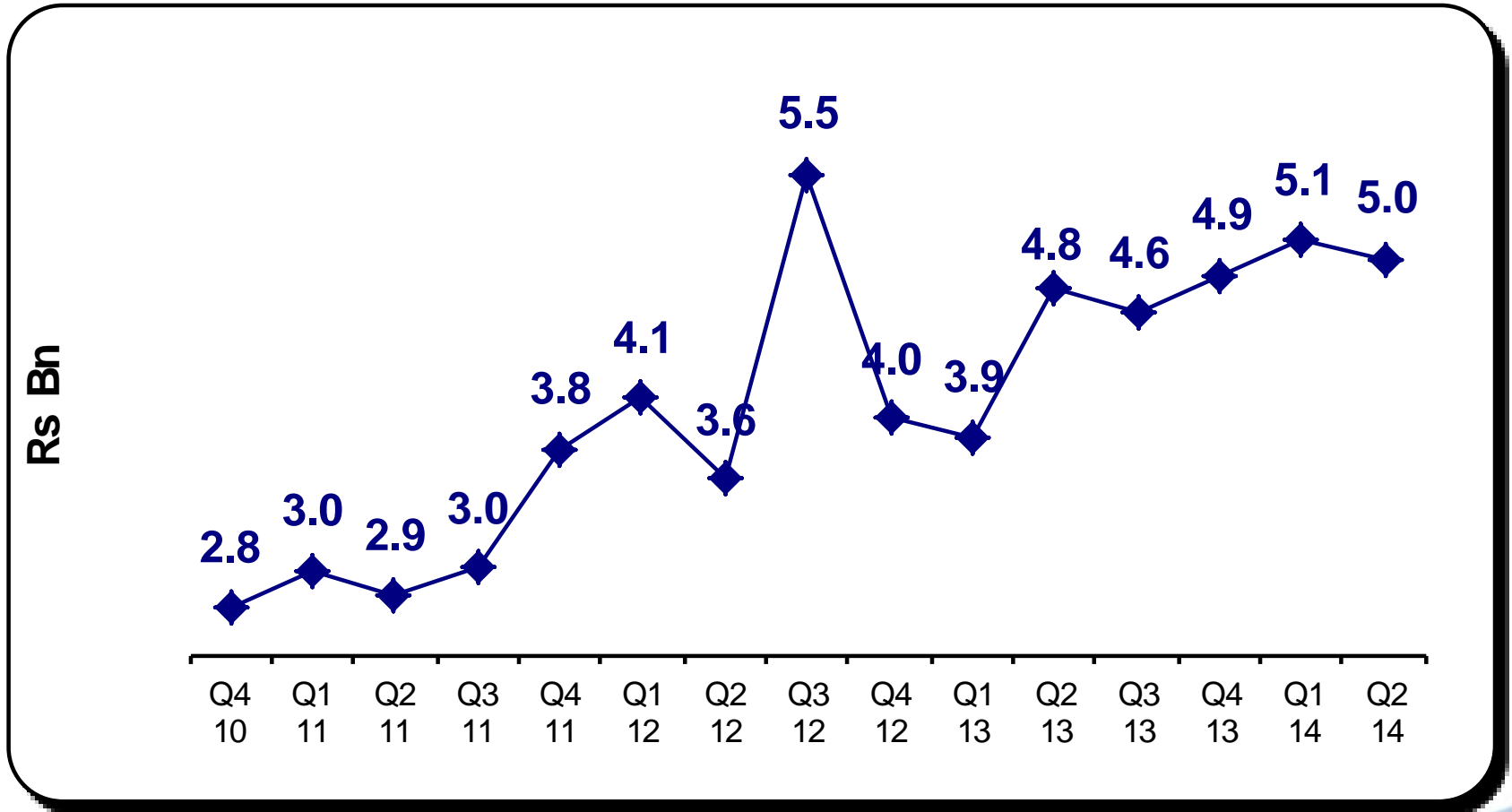
Net Interest Income



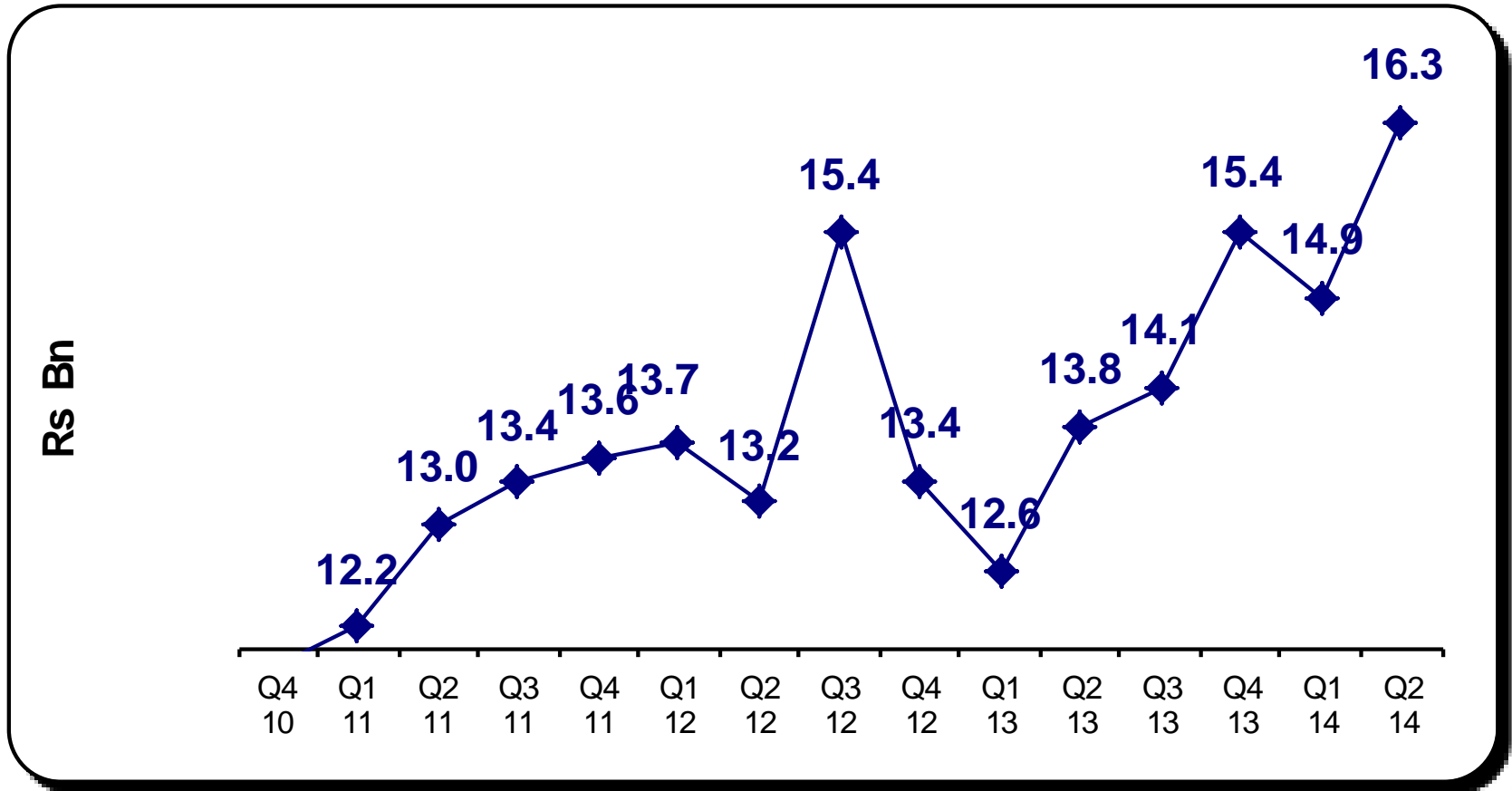
Total Provision



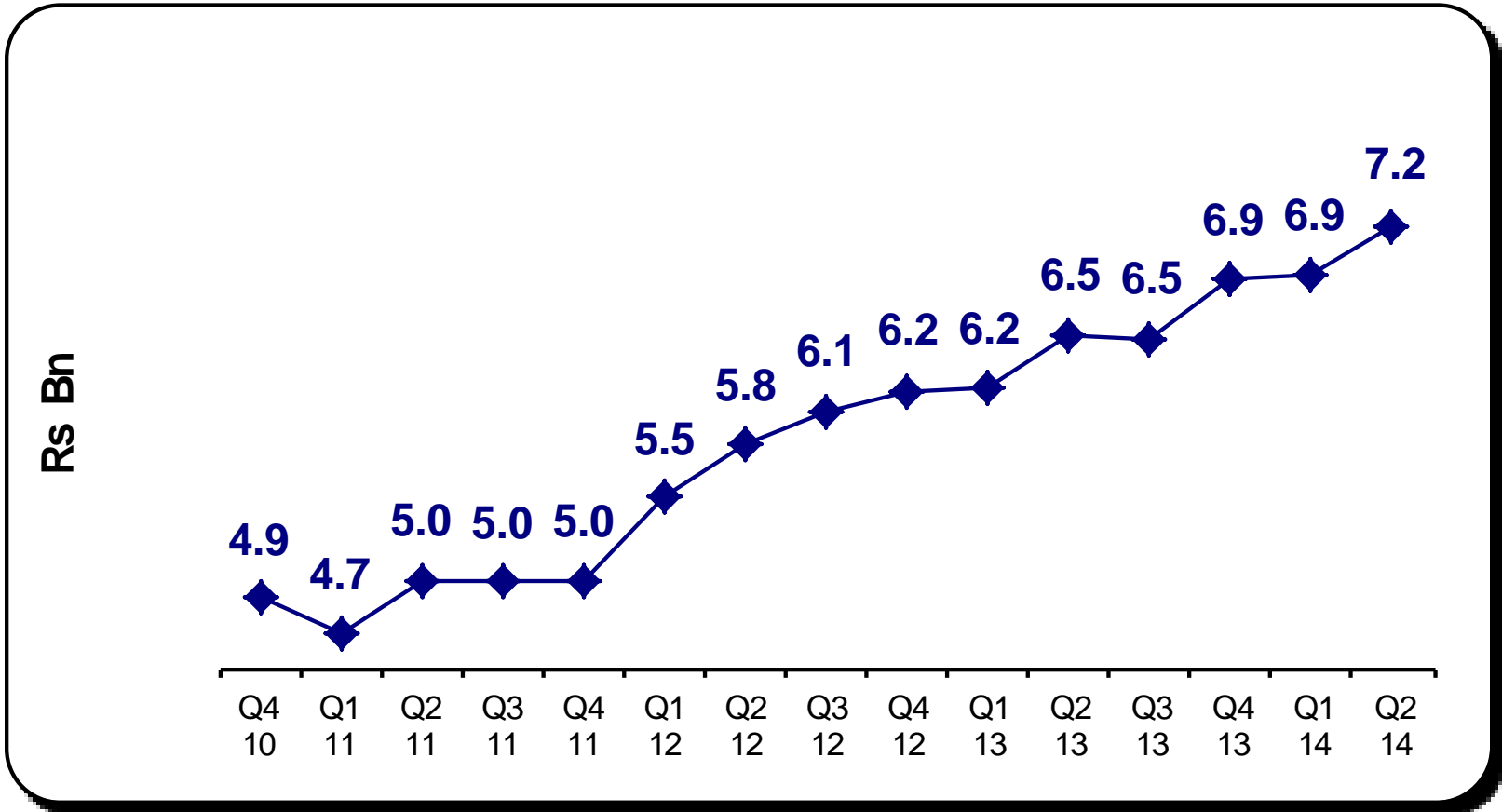
Non Fund Income



Gross Revenue



Administrative Expenses



The information contained herein reflects our latest business statement as at Jun 30, 2014.

Except the historical information contained herein, statements in this Release which contain words or phrases such as ‘will’, ‘would’, ‘indicating’ expected to’ etc., and similar expressions or variations of such expressions may constitute ‘forward-looking statements’. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to our ability to successfully implement our strategy, future levels of non-performing loans, our growth and expansion in business, the impact of any acquisitions, the adequacy of our allowance for credit losses, technological, implementation and changes, the actual growth in demand for banking products and services, investment income, cash flow projections, our exposure to market risks as well as other risks detailed in the reports filed by us with various regulatory authorities as per applicable laws and regulations. UBL undertakes no obligations to update forward-looking statements to reflect event or circumstances after the date thereof.

Thank You