

United Bank Limited

UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

**FOR THE HALF YEAR ENDED JUNE 30, 2012
(UNAUDITED)**



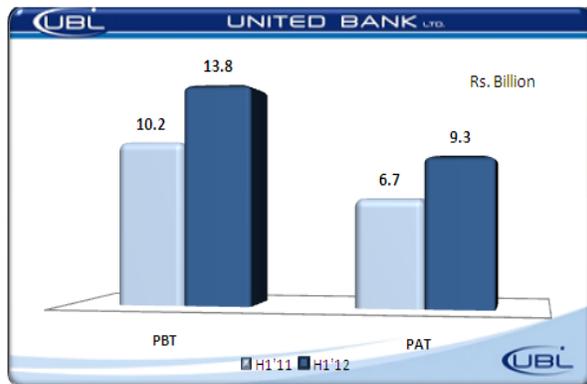
DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors, I am pleased to present to you the financial statements of UBL for the half year ended June 30, 2012.

Performance Highlights

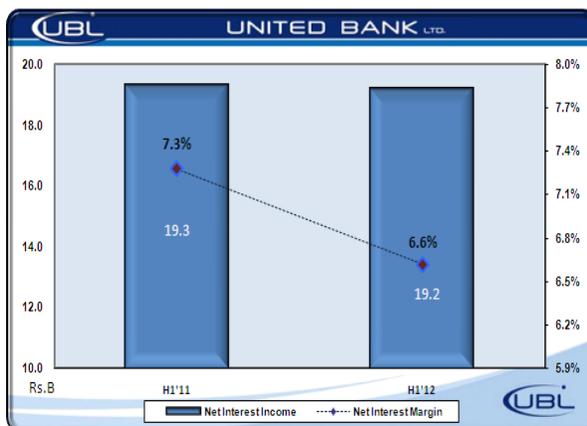
- Unconsolidated PAT for the half year ended June 30, 2012 was Rs 9.3 billion, reflecting a growth of 39% over the same period last year.
- Net Interest Margin reduced by 66 bps to 6.62% (June 2011: 7.28%) due to a lower rate environment and an increase in the minimum rate paid on PLS savings accounts.
- Lower NPL accretion and improved coverage led to a 70% reduction in provisions over the same period last year.

Strong and consistent financial performance



For the half year ended June 30, 2012, UBL has achieved a profit after tax of Rs 9.3 billion. This is 39% higher than the corresponding period last year and translates into earnings per share of Rs. 7.61 (June 2011: Rs. 5.48).

For the same period, UBL's profit before tax is Rs 13.8 billion, 35% higher than the same period last year. This has been achieved through balance sheet growth, improved non-fund income and lower provisions. On a consolidated basis, UBL achieved a profit after tax of Rs 9.4 billion, an increase of 47% over the first half of 2011.



Revenue growth

Spreads compressed for the industry with the impact of the 200 bps reduction in the discount rate in the latter half of 2011 along with the increase in minimum PLS savings rate from 5% to 6% since May 2012. Net interest margin declined from 7.28% for H1'11 to 6.62% in H1'12 as a result of lower asset yields. However, this was almost entirely offset by a growth of 15.5% in average assets over the first half of last year. Consequently, net interest income only reduced marginally from Rs 19.3 billion in H1'11 to Rs 19.2 billion in H1'12.

Non-interest income increased by 30% during the first half of 2012, from Rs. 5.9 billion in H1'11 to Rs

7.7 billion in H1'12. Core banking fees and commissions increased to Rs. 4.0 billion, a growth of 21% over H1'11. This was mainly attributable to increase in domestic and home remittances, improved cross-sell activity and higher general banking fees. Dividend income grew from Rs 0.3 billion in H1'11 to Rs. 1.4 billion in H1'12 largely due to increased investment in mutual funds, whilst capital gains, mainly from equities, grew by Rs 0.3 billion in the same period as the Bank was able to time its market activities in line with the improved stock market performance.

Cost management

Total expenses grew by 4% QoQ and were 15% higher compared to H1'11. Nearly half of this increase was a result of the Bank's investments in its new core banking system and Omni branchless banking, the full impact of branch expansion during the latter half of 2011 and the impact of the 7% Rupee devaluation on international business expenses. On a comparable basis, YoY expense growth was contained to single digits, despite the significant inflationary pressures and escalating utilities costs. The cost to income ratio increased from 38.6% in H1'11 to 42.0% in H1'12.

Balance Sheet

The Bank has been able to grow its balance sheet by 10% over December 2011 mainly due to growth in deposits. Deposits increased from Rs. 613 billion in December 2011 to Rs 685 billion in June 2012, reflecting an increase of 12%, while the Domestic CASA ratio improved over December 2011 levels. Net advances increased by 10% over December 2011 to reach Rs 358 billion in June 2012.

The return on average assets improved from 2.1% for 2011 to 2.3% for the first half of 2012 whilst return on equity increased from 23.7% in 2011 to 26.1% for the first half of 2012.

Improved Capital Ratios

UBL's capital adequacy ratio (CAR) improved from March 2012 to 14.0% in June 2012, while the Tier-1 CAR improved to 10.1% over the same period. While the CAR levels are slightly lower than in December 2011 (CAR 14.3%, Tier-1 CAR 10.5%) as a result of dividend payments, they remain comfortable.

The Board of Directors of UBL has declared an interim dividend of 20% in their meeting in Paris dated 18 July 2012 along with the results for the half year ended 30 June 2012. This is in addition to the 10% dividend for the first quarter of 2012 which was subsequently paid in May 2012.

Key Developments**Macroeconomic performance**

The economic landscape in Pakistan continues to be beset by challenges. Inflation has consistently remained in double digits, with consumer prices showing a monthly upward trend and growing by 11.0% on average for FY12. The Rupee has depreciated sharply in the last two months and the pressure points have not yet subsided. Initial estimates for FY12 GDP growth of 3.7% are below the initial target of 4.2%, owing mainly to poor industrial sector performance as the continuing energy shortages in the country show no signs of resolution.

International crude oil prices have begun to recede as the Eurozone debt crisis deepens, the Chinese and Indian economies slow down and the US presidential elections approach. This reduction will help improve Pakistan's external account position, which remains of concern as the current account deficit for the first 11 months of FY12 stood at US\$ 3.8 billion compared to a surplus in FY11. The trade deficit for the full FY12 has increased by 36%, as imports have grown by 11%, while exports have declined by 5% due to lower cotton and yarn prices. There has been considerable support in terms of workers' remittances, which have grown nearly 18%, and have helped to somewhat mitigate the impact on the current account.

With one of the lowest tax/GDP ratios in the region, revenue collection remains problematic. With inflationary pressures and increased Government spending in an election year, Pakistan's budget deficit for FY12 has been estimated at around 6% of GDP, compared to a budgeted 4.2%. Including the impact of energy subsidies, the deficit is closer to 8% of GDP.

The stock market started the calendar year on a positive note, gaining 21.3% during the first quarter of 2012. Since then, there has been steady profit-taking, with the stock market remaining relatively flat in the second quarter.

In its latest monetary policy statement, the SBP highlighted the country's enlarged balance of payments deficit and steady double-digit inflation level as key reasons for leaving its discount rate unchanged. SBP also highlighted its concern that the private sector continues to be crowded out by the government's own heavy borrowing requirements.

Deposits for the banking sector grew by 9.0% during the first half of 2012. With the reduction in the discount rate in the latter half of 2011 and the increase in the minimum PLS savings rate, the banking sector started to see growth in advances as banks looked to maintain spreads. This resulted in advances growing by 7.1% as compared to December 2011. Growth in non-performing loans has slowed with NPLs for the first quarter of 2012 showing a marginal decline over December 2011 levels. However, the absolute NPL stock for the sector remains high at Rs 609 billion.

International Business

The GCC economies sustained their consolidation phase during the first half of 2012. The impact of the reduction in oil prices has been offset by increased activity in the trade, tourism and transportation sectors. Sentiment regarding the real estate sector continues to improve, particularly in the UAE.

These positive developments have led to increased risk appetite within the banking sector. UBL has also aligned its strategy accordingly, adding a number of new Corporate relationships to the portfolio and re-launching the residential mortgage product after a hiatus of almost 4 years. Unsecured retail assets are growing, but linked to the overall retail strategy of increasing the customer base through soliciting payroll accounts of companies. Recently, the Central Bank of UAE has allowed UBL to launch Evening Banking, one of the few banks to be given this permission. In addition to customer convenience, this should result in attracting new depository clients and increased home remittances.

A significant achievement during the first 6 months of the year has been the relative improvement in the asset quality of the retail portfolio. With the improvement in UAE real estate prices, delinquencies in the mortgage portfolio have been curtailed considerably. The same trend is also evident in unsecured retail assets as a result of robust collection efforts which have arrested delinquencies and also achieved write-backs through settlements.

In spite of the competitive environment the International business has managed to increase its deposit base by 11% compared to December 2011. The Bank also led a high profile USD 175 million syndicated facility for Sri Lankan Airlines, which marks the debut of Sri Lankan Airlines in the international syndicated loan market. This transaction provides enhanced visibility to UBL in the international community and should pave the way for future business opportunities in Sri Lanka, a key target market.

With improved macroeconomic fundamentals and building upon the initiatives taken in the first half of the year, business growth is expected to see further improvement over the rest of the year. In the second half of the year, the Bank's newly formed subsidiary in Tanzania will also commence operations. UBL continues to look for opportunities to enter new territories which provide a natural fit to the overall franchise.

Omni

UBL Omni's multi-pronged approach of G2P initiatives, business payment solutions and retail consumer services has resulted in a sustained increase in overall customer usage and uptake. The Omni platform witnessed an increase in transaction volumes and value of 18% and 22% respectively compared to the previous quarter. The domestic remittance business has continued to show an upward trajectory in volumes primarily driven by UBL's aggressive marketing campaigns and technology upgrades that have provided a more customer-friendly user experience.

On the business payment solutions front, UBL Omni has been successful in signing up and providing customized solutions to microfinance banks, schools and internet businesses that leverage the Dukaan (i.e. retail agents) network. The Omni Dukaan network continues to expand and stands at over 8,000 agents across 680 cities and towns across Pakistan.

Acquisition of majority shares in Khushhali Bank Limited

A UBL led consortium has successfully acquired a 67.45% stake for Rs 2.35 billion in Khushhali Bank Limited (KBL), a leading player in the microfinance banking space in Pakistan with a market share of 16% of advances as at March 2012. In addition to UBL, the consortium comprises of US and European investors with considerable expertise and experience in the global microfinance arena and who are expected to bring value towards optimizing the significant potential of KBL. In addition, the synergies between KBL's business and UBL's Omni proposition will enable KBL to realize cost efficiencies and economies of scale.

UBL already held a 11.73% stake in KBL, which has now increased to 29.69%. Consequently, the consortium will now hold 79.18% of KBL's share capital.

Project Genesis (new core banking software implementation)

Another 208 branches were converted to the new core banking system (CBS) during the quarter, bringing the total number of branches on CBS to 551. As a result, 61% of total deposits and 96% of the loan portfolio are now on CBS, along with a significant portion of the trade portfolio. The Bank expects that 900 branches will be live on CBS by year end.

The Loan Origination System (LOS) for Corporate & Commercial customers has now been rolled out across the country. The implementation of LOS for SME Customers has extended beyond Karachi to two additional regions, whilst rollout to the rest of the country is also underway.

The User Acceptance Test for Phase I of the Treasury System (Sierra) implementation covering the Foreign Exchange and Derivatives modules has been completed successfully and these modules are expected to go live in the next quarter.

Corporate Social Responsibility

In Q2 2012, UBL has continued to provide support to local communities in education, health and community services in partnership with organizations like SOS Children's Village, Sind Welfare Association for the Deaf, Mukhtar Mai Women's Organization, Kaghan Memorial Trust and Friends of Burns Center. The Bank will continue to support social welfare projects to help improve the society that we live in.

Credit Rating Re-affirmed

The credit rating company JCR-VIS re-affirmed UBL's long-term entity rating at AA+ and the ratings of its four subordinated debt instruments at AA. The short term ratings remain at A-1+ which is the highest rating denoting the greatest certainty of timely payments by a financial institution. All ratings for UBL have been assigned a Stable outlook.

Looking ahead

The country's macroeconomic outlook is largely dependent on the government's ability to control its fiscal

deficit and revitalize manufacturing and GDP growth. The energy shortfall remains a pervasive issue that continues to worsen and needs to be urgently addressed, with deficit levels of as high as 8,000MW being experienced in the peak summer season.

UBL will remain focused on expanding its network and growing its balance sheet through acquisition of low cost deposits. As market conditions become more conducive, the Bank is selectively enhancing its lending to high quality customers while closely monitoring asset quality. The Bank will continue to invest in technology and in non-traditional banking channels, in order to provide convenience and a superior service level to our customers.

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
Deputy Chairman

Paris
July 18, 2012

BDO Ebrahim & Co.
Chartered Accountants

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of United Bank Limited ("the Bank") as at 30 June 2012 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement, unconsolidated condensed interim statement of changes in equity and notes to the accounts for the six-month period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other Matter

The figures for the quarters ended 30 June 2012 and 30 June 2011 in the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

ERNST & YOUNG FORD RHODES SIDAT HYDER
CHARTERED ACCOUNTANTS

Date: 18 July 2012
Place: Karachi

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2012**

	Note	(Un-audited) June 30, 2012	(Audited) December 31, 2011
------(Rupees in '000)-----			
ASSETS			
Cash and balances with treasury banks		92,467,282	86,409,551
Balances with other banks		10,863,493	16,546,311
Lendings to financial institutions	6	18,529,701	9,536,211
Investments	7	322,809,077	294,410,661
Advances	8	357,659,822	325,347,208
Operating fixed assets	9	24,258,267	22,981,878
Deferred tax asset - net		1,618,191	1,991,185
Other assets		24,442,205	20,836,736
		852,648,038	778,059,741
LIABILITIES			
Bills payable		8,219,063	5,879,043
Borrowings	10	44,798,303	49,953,251
Deposits and other accounts	11	685,449,022	612,980,139
Subordinated loans		10,318,172	11,317,080
Deferred tax liability - net		-	-
Other liabilities		21,587,960	18,777,320
		770,372,520	698,906,833
NET ASSETS		<u>82,275,518</u>	<u>79,152,908</u>
REPRESENTED BY:			
Share capital		12,241,798	12,241,798
Reserves		27,284,922	24,847,019
Unappropriated profit		33,384,363	33,534,116
		72,911,083	70,622,933
Surplus on revaluation of assets - net of deferred tax	12	9,364,435	8,529,975
		<u>82,275,518</u>	<u>79,152,908</u>
CONTINGENCIES AND COMMITMENTS	13		

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

Atif R. Bokhari
President &
Chief Executive Officer

Rana Assad Amin
Director

Omar Z. Al Askari
Director

Sir Mohammed Anwar Pervez, OBE, HPI
Deputy Chairman

**UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2012**

	Note	April-June 2012	April-June 2011	January-June 2012	January-June 2011
------(Rupees in '000)-----					
Mark-up / return / interest earned	14	18,562,456	17,368,083	36,258,281	34,077,496
Mark-up / return / interest expensed	15	(8,949,649)	(7,194,000)	(17,045,043)	(14,746,784)
Net mark-up / interest income		9,612,807	10,174,083	19,213,238	19,330,712
Provision against loans and advances - net		(353,047)	(2,206,650)	(959,604)	(4,411,931)
Provision against lendings to financial institutions		(89,874)	(91,354)	(171,024)	(91,354)
Reversal / (provision) for diminution in value of investments - net		19,567	(203,883)	20,898	(205,515)
Bad debts written off directly		(113,757)	(100,291)	(193,035)	(233,116)
		(537,111)	(2,602,178)	(1,302,765)	(4,941,916)
Net mark-up / interest income after provisions		9,075,696	7,571,905	17,910,473	14,388,796
Non mark-up / interest income					
Fee, commission and brokerage income		2,098,145	1,680,691	3,964,629	3,279,993
Dividend income		632,573	220,816	1,442,774	321,993
Income from dealing in foreign currencies		476,181	326,246	1,044,439	1,075,569
Gain on sale of securities - net		45,327	7,916	462,286	195,906
Unrealized loss on revaluation of investments classified as held for trading		(5,723)	(43,402)	(7,731)	(51,369)
Other income		339,303	679,954	773,544	1,076,498
Total non mark-up / interest income		3,585,806	2,872,221	7,679,941	5,898,590
		12,661,502	10,444,126	25,590,414	20,287,386
Non mark-up / interest expenses					
Administrative expenses	16	(5,759,591)	(5,034,043)	(11,285,616)	(9,742,078)
Other (provisions) / reversals - net		(168,966)	7,503	(167,948)	13,704
Workers' Welfare Fund		(129,085)	(116,036)	(276,417)	(218,709)
Other charges		(25,998)	(84,245)	(52,391)	(110,961)
Total non mark-up / interest expenses		(6,083,640)	(5,226,821)	(11,782,372)	(10,058,044)
Profit before taxation		6,577,862	5,217,305	13,808,042	10,229,342
Taxation	17				
- Current		(2,136,897)	(2,007,630)	(4,568,966)	(3,815,047)
- Prior		-	(9)	-	7,529
- Deferred		11,596	222,243	78,743	282,717
		(2,125,301)	(1,785,396)	(4,490,223)	(3,524,801)
Profit after taxation		4,452,561	3,431,909	9,317,819	6,704,541
------(Rupees)-----					
Earnings per share - basic and diluted		3.64	2.80	7.61	5.48

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

Atif R. Bokhari
President &
Chief Executive Officer

Rana Assad Amin
Director

Omar Z. Al Askari
Director

Sir Mohammed Anwar Pervez, OBE, HPI
Deputy Chairman



UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2012

	April-June 2012	April-June 2011	January-June 2012	January-June 2011
	------(Rupees in '000)-----			
Profit after taxation	4,452,561	3,431,909	9,317,819	6,704,541
Other comprehensive income:				
Exchange differences on translation of net investment in foreign branches	1,253,378	215,140	1,482,470	118,681
Gain on cash flow hedges	14,087	24,109	36,386	55,138
Related deferred tax liability on cash flow hedges	(4,930)	(8,438)	(12,735)	(19,298)
	9,157	15,671	23,651	35,840
Comprehensive income transferred to equity - net of tax	<u>1,262,535</u>	<u>230,811</u>	<u>1,506,121</u>	<u>154,521</u>
	<u>5,715,096</u>	<u>3,662,720</u>	<u>10,823,940</u>	<u>6,859,062</u>

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

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

Atif R. Bokhari
President &
Chief Executive Officer

Rana Assad Amin
Director

Omar Z. Al Askari
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Deputy Chairman

**UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2012**

	June 30, 2012	June 30, 2011
	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	13,808,042	10,229,342
Less: Dividend income	(1,442,774)	(321,993)
	<u>12,365,268</u>	<u>9,907,349</u>
Adjustments:		
Depreciation	695,267	748,745
Amortization	202,991	149,365
Workers' Welfare Fund	276,417	218,709
Provision for retirement benefits	306,063	135,617
Provision against loans and advances	959,604	4,411,931
Provision against lendings to financial institutions	171,024	91,354
(Reversal) / provision for diminution in value of investments	(20,898)	205,515
Gain on sale of fixed assets	(15,813)	(11,304)
Other provisions / (reversals) - net	167,948	(13,704)
Gain on cash flow hedges	36,386	55,138
Unrealized loss on revaluation of investments classified as held for trading	7,731	51,369
Bad debts written off directly	193,035	233,116
	<u>2,979,755</u>	<u>6,275,851</u>
	<u>15,345,023</u>	<u>16,183,200</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(9,164,514)	(1,287,701)
Held for trading securities	(839,060)	(3,983,148)
Advances	(33,465,253)	(4,518,068)
Other assets - (excluding advance taxation)	(3,453,526)	(1,021,396)
	<u>(46,922,353)</u>	<u>(10,810,313)</u>
Increase / (decrease) in operating liabilities		
Bills payable	2,340,020	2,321,348
Borrowings	(5,154,948)	972,161
Deposits and other accounts	72,468,883	42,897,623
Other liabilities - (excluding current taxation)	2,373,313	(552,799)
	<u>72,027,268</u>	<u>45,638,333</u>
	<u>40,449,938</u>	<u>51,011,220</u>
Staff retirement benefits paid	(74,316)	(29,644)
Income tax paid	(5,008,821)	(10,151,615)
Net cash inflow from operating activities	<u>35,366,801</u>	<u>40,829,961</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in securities	(26,211,343)	(40,507,498)
Dividend income received	1,463,556	225,223
Investment in operating fixed assets	(2,248,064)	(1,225,080)
Sale proceeds from disposal of operating fixed assets	89,659	71,680
Net cash used in investing activities	<u>(26,906,192)</u>	<u>(41,435,675)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Repayments of subordinated loans	(998,908)	(2,028)
Dividend paid	(8,569,258)	(4,896,719)
Net cash used in financing activities	<u>(9,568,166)</u>	<u>(4,898,747)</u>
	<u>(1,107,557)</u>	<u>(5,504,461)</u>
Exchange difference on translation of net investment in foreign branches	1,482,470	118,681
Increase / (decrease) in cash and cash equivalents during the period	<u>374,913</u>	<u>(5,385,780)</u>
Cash and cash equivalents at the beginning of the period	<u>102,955,862</u>	<u>85,653,810</u>
Cash and cash equivalents at the end of the period	<u>103,330,775</u>	<u>80,268,030</u>

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

Atif R. Bokhari
President &
Chief Executive Officer

Rana Assad Amin
Director

Omar Z. Al Askari
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Deputy Chairman

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED JUNE 30, 2012**

	Share capital	Statutory reserve	Capital reserves		Unappropriated profit	Total
			Exchange translation reserve	Cash flow hedge reserve		
(Rupees in '000)						
Balance as at January 01, 2011 (Audited)	12,241,798	14,446,898	7,370,891	(129,152)	26,250,489	60,180,924
Transactions with owners recorded directly in equity for the half year ended June 30, 2011						
Final cash dividend for the year ended December 31, 2010 declared subsequent to the year end at Rs.4.0 per share	-	-	-	-	(4,896,719)	(4,896,719)
Total comprehensive income for the half year ended June 30, 2011						
Profit after taxation for the half year ended June 30, 2011	-	-	-	-	6,704,541	6,704,541
Other comprehensive income - net of tax	-	-	118,681	35,840	-	154,521
Total comprehensive income for the half year ended June 30, 2011	-	-	118,681	35,840	6,704,541	6,859,062
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	127,053	127,053
Transfer to statutory reserve	-	670,454	-	-	(670,454)	-
Balance as at June 30, 2011 (Un-audited)	12,241,798	15,117,352	7,489,572	(93,312)	27,514,910	62,270,320
Transactions with owners recorded directly in equity for the half year ended December 31, 2011						
Interim cash dividend for the half year ended June 30, 2011 at Rs.1.5 per share	-	-	-	-	(1,836,270)	(1,836,270)
Total comprehensive income for the half year ended December 31, 2011						
Profit after taxation for the half year ended December 31, 2011	-	-	-	-	8,795,122	8,795,122
Other comprehensive income - net of tax	-	-	1,422,578	31,317	-	1,453,895
Total comprehensive income for the half year ended December 31, 2011	-	-	1,422,578	31,317	8,795,122	10,249,017
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	(60,134)	(60,134)
Transfer to statutory reserve	-	879,512	-	-	(879,512)	-
Balance as at December 31, 2011 (Audited)	12,241,798	15,996,864	8,912,150	(61,995)	33,534,116	70,622,933
Transactions with owners recorded directly in equity for the half year ended June 30, 2012						
Final cash dividend for the year ended December 31, 2011 declared subsequent to the year end at Rs.6.0 per share	-	-	-	-	(7,345,078)	(7,345,078)
Interim cash dividend for the quarter ended March 31, 2012 at Re.1.0 per share	-	-	-	-	(1,224,180)	(1,224,180)
Total comprehensive income for the half year ended June 30, 2012						
Profit after taxation for the half year ended June 30, 2012	-	-	-	-	9,317,819	9,317,819
Other comprehensive income - net of tax	-	-	1,482,470	23,651	-	1,506,121
Total comprehensive income for the half year ended June 30, 2012	-	-	1,482,470	23,651	9,317,819	10,823,940
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	33,468	33,468
Transfer to statutory reserve	-	931,782	-	-	(931,782)	-
Balance as at June 30, 2012 (Un-audited)	12,241,798	16,928,646	10,394,620	(38,344)	33,384,363	72,911,083

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

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2012****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 1,218 (December 31, 2011: 1,218) branches inside Pakistan including 14 (December 31, 2011: 14) Islamic Banking branches and 1 (December 31, 2011: 1) branch in Karachi Export Processing Zone. The Bank also operates 18 (December 31, 2011: 17) branches outside Pakistan as at June 30, 2012.

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 34, Interim Financial Reporting, the provisions 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 provisions 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 International Accounting Standard 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 annual financial statements of the Bank for the year ended December 31, 2011.
- 3.4** On August 14, 2009, the Government of Pakistan (GoP) launched the Benazir Employees' Stock Option Scheme (the Scheme) for employees of certain State Owned Enterprises (SOEs) and non-SOEs.

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

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2012**

Had the exemption not been granted, the staff costs of the Bank for the period would have been higher by Rs.108 million (June 30, 2011: Rs.83 million), profit before taxation would have been lower by Rs.108 million (June 30, 2011: Rs.83 million), unappropriated profit would have been lower by Rs.805 million (December 31, 2011: Rs.696 million) and reserves would have been higher by Rs.805 million (December 31, 2011: Rs.696 million), hence, there would have been no impact on net equity. Further, earnings per share would have been lower by Rs.0.09 per share (June 30, 2011: Rs.0.07 per share).

3.5 These unconsolidated condensed interim financial statements represent the separate condensed interim financial statements of the Bank. The consolidated condensed interim financial statements of the Bank and its subsidiary companies are presented separately.

4. SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT

4.1 The accounting policies adopted in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2011 other than as disclosed in note 4.3 below.

4.2 The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Bank for the year ended December 31, 2011.

4.3 New standards, interpretations and amendments thereof, adopted by the Bank

During the period, the following amended accounting standard has been adopted by the Bank:

Standard or Interpretation	Effective date (annual periods beginning on or after)
IAS 12 Income Taxes (Amendment) - Recovery of underlying assets	January 01, 2012

Adoption of the above standard did not have any material effect on the financial statements.

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 judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual financial statements of the Bank for the year ended December 31, 2011.

(Un-audited)	(Audited)
June 30, 2012	December 31, 2011
----- (Rupees in '000) -----	

6. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	50,000	130,000
Repurchase agreement lendings	1,456,473	-
Other lendings to financial institutions	17,570,633	9,762,848
	<u>19,077,106</u>	<u>9,892,848</u>
Provision against lendings to financial institutions	(547,405)	(356,637)
	<u>18,529,701</u>	<u>9,536,211</u>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2012**

7. INVESTMENTS	Note	(Un-audited) June 30, 2012			(Audited) December 31, 2011		
		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
(Rupees in '000)							
7.1 Investments by types							
7.1.1 Held for trading securities							
Market Treasury Bills		1,221,782	-	1,221,782	692,705	-	692,705
Pakistan Investment Bonds		311,191	-	311,191	-	-	-
Ordinary shares of listed companies		385,574	-	385,574	386,782	-	386,782
		1,918,547	-	1,918,547	1,079,487	-	1,079,487
7.1.2 Available for sale securities							
Market Treasury Bills		97,856,743	24,521,457	122,378,200	100,056,116	28,236,295	128,292,411
Pakistan Investment Bonds		42,856,921	550,282	43,407,203	28,741,922	-	28,741,922
Government of Pakistan Sukuk		9,547,406	-	9,547,406	7,666,532	-	7,666,532
Government of Pakistan Eurobonds		8,648,556	-	8,648,556	7,373,609	-	7,373,609
Ordinary shares of listed companies		3,558,912	-	3,558,912	5,806,294	-	5,806,294
Preference shares		492,598	-	492,598	477,816	-	477,816
Ordinary shares of unlisted companies		242,871	-	242,871	445,474	-	445,474
Term Finance Certificates		2,136,820	-	2,136,820	2,146,271	-	2,146,271
Units of mutual funds		4,614,074	-	4,614,074	2,114,075	-	2,114,075
Foreign bonds		18,011,201	-	18,011,201	14,529,330	-	14,529,330
		187,966,102	25,071,739	213,037,841	169,357,439	28,236,295	197,593,734
7.1.3 Held to maturity securities							
Market Treasury Bills		42,829,563	-	42,829,563	50,545,793	-	50,545,793
Pakistan Investment Bonds		31,500,753	-	31,500,753	23,468,779	-	23,468,779
Government of Pakistan Sukuk		300,000	-	300,000	300,000	-	300,000
Government of Pakistan Guaranteed Bonds		46,929	-	46,929	51,202	-	51,202
Term Finance Certificates		4,037,768	-	4,037,768	3,832,169	-	3,832,169
Sukuk Bonds		1,860,232	-	1,860,232	1,863,468	-	1,863,468
Participation Term Certificates		8,836	-	8,836	10,661	-	10,661
Debentures		4,392	-	4,392	4,392	-	4,392
Foreign bonds		2,096,458	-	2,096,458	1,994,978	-	1,994,978
Recovery note		301,276	-	301,276	289,214	-	289,214
Commercial paper		116,600	-	116,600	50,438	-	50,438
CDC SAARC Fund		473	-	473	450	-	450
		83,103,280	-	83,103,280	82,411,544	-	82,411,544
7.1.4 Associates							
United Growth and Income Fund		3,030,136	-	3,030,136	3,030,136	-	3,030,136
UBL Liquidity Plus Fund		11,300,000	-	11,300,000	5,100,000	-	5,100,000
United Composite Islamic Fund		250,000	-	250,000	250,000	-	250,000
United Islamic Income Fund		200,000	-	200,000	200,000	-	200,000
United Stock Advantage Fund		250,000	-	250,000	250,000	-	250,000
UBL Capital Protected Fund - II		-	-	-	100,000	-	100,000
UBL Savings Income Fund		2,600,000	-	2,600,000	2,600,000	-	2,600,000
UBL Islamic Savings Fund		1,600,000	-	1,600,000	1,600,000	-	1,600,000
UBL Islamic Retirement Savings Fund		90,000	-	90,000	90,000	-	90,000
UBL Retirement Savings Fund		90,000	-	90,000	90,000	-	90,000
UBL Principal Protected Fund - I		100,000	-	100,000	-	-	-
UBL Government Securities Fund		3,100,000	-	3,100,000	3,100,000	-	3,100,000
UBL Insurers Limited		240,000	-	240,000	240,000	-	240,000
Khushhali Bank Limited	7.2	832,485	-	832,485	-	-	-
Oman United Exchange Company, Muscat		6,981	-	6,981	6,981	-	6,981
		23,689,602	-	23,689,602	16,657,117	-	16,657,117
7.1.5 Subsidiaries							
United National Bank Limited, UK		1,482,011	-	1,482,011	1,482,011	-	1,482,011
United Bank AG Zurich, Switzerland		589,837	-	589,837	589,837	-	589,837
UBL Fund Managers Limited		100,000	-	100,000	100,000	-	100,000
UBL Bank (Tanzania) Limited	7.3	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	2,201,948	-	2,201,948
		300,201,493	25,071,739	325,273,232	271,707,535	28,236,295	299,943,830
Provision for diminution in value of investments		(1,028,077)	-	(1,028,077)	(2,726,226)	-	(2,726,226)
Investments (net of provisions)		299,173,416	25,071,739	324,245,155	268,981,309	28,236,295	297,217,604
(Deficit) / surplus on revaluation of available for sale securities		(1,424,180)	(4,167)	(1,428,347)	(2,796,114)	32,921	(2,763,193)
Deficit on revaluation of held for trading securities		(7,731)	-	(7,731)	(43,750)	-	(43,750)
Total Investments		<u>297,741,505</u>	<u>25,067,572</u>	<u>322,809,077</u>	<u>266,141,445</u>	<u>28,269,216</u>	<u>294,410,661</u>

7.2 As explained in note 9.7 to the annual financial statements for the year ended December 31, 2011, a consortium led by UBL had submitted a bid for acquiring majority control of Khushhali Bank Limited (KBL). The consortium's bid was selected as the highest bid by the selling shareholders of KBL and, after completion of regulatory consents and approvals from the SBP and the Competition Commission of Pakistan, a Share Purchase Agreement was successfully executed between the Bank's consortium and the selling shareholders of KBL on June 04, 2012.

Post acquisition, UBL's direct shareholding in KBL is 29.69%. The investment in KBL is classified as an associate due to UBL's significant influence on KBL by virtue of its shareholding.

7.3 This represents the Bank's investment in UBL Bank (Tanzania) Limited, which was incorporated on March 13, 2012 and is in the process of completing formalities for commencement of business. The Bank owns 99.99% of the paid up capital of UBL Bank (Tanzania) Limited.

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2012**

	Note	(Un-audited) June 30, 2012	(Audited) December 31, 2011
		----- (Rupees in '000) -----	
8. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		278,041,553	258,874,253
Outside Pakistan		84,068,033	78,557,426
		<u>362,109,586</u>	<u>337,431,679</u>
Bills discounted and purchased			
Payable in Pakistan		27,422,680	18,552,309
Payable outside Pakistan		10,382,222	10,322,640
		<u>37,804,902</u>	<u>28,874,949</u>
Advances - gross		399,914,488	366,306,628
Provision against advances			
- Specific		(41,028,324)	(39,950,726)
- General	8.2	(1,226,342)	(1,008,694)
		<u>357,659,822</u>	<u>325,347,208</u>

8.1 Advances include Rs.54,988 million (December 31, 2011: Rs.51,117 million) which have been placed under non-performing status as detailed below:

Category of Classification	June 30, 2012 (Un-audited)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- (Rupees in '000) -----								
Other assets especially mentioned*	142,488	-	142,488	-	-	-	-	-	-
Substandard	2,267,156	2,131,383	4,398,539	529,036	520,003	1,049,039	529,036	520,003	1,049,039
Doubtful	2,384,500	1,276,514	3,661,014	1,240,726	1,044,835	2,285,561	1,240,726	1,044,835	2,285,561
Loss	41,814,930	4,970,974	46,785,904	34,247,377	3,446,347	37,693,724	34,247,377	3,446,347	37,693,724
	<u>46,609,074</u>	<u>8,378,871</u>	<u>54,987,945</u>	<u>36,017,139</u>	<u>5,011,185</u>	<u>41,028,324</u>	<u>36,017,139</u>	<u>5,011,185</u>	<u>41,028,324</u>

Category of Classification	December 31, 2011 (Audited)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- (Rupees in '000) -----								
Other assets especially mentioned*	319,428	-	319,428	-	-	-	-	-	-
Substandard	2,274,422	747,378	3,021,800	431,607	174,625	606,232	431,607	174,625	606,232
Doubtful	4,276,895	1,081,319	5,358,214	2,156,044	794,875	2,950,919	2,156,044	794,875	2,950,919
Loss	37,639,745	4,777,637	42,417,382	32,996,932	3,396,643	36,393,575	32,996,932	3,396,643	36,393,575
	<u>44,510,490</u>	<u>6,606,334</u>	<u>51,116,824</u>	<u>35,584,583</u>	<u>4,366,143</u>	<u>39,950,726</u>	<u>35,584,583</u>	<u>4,366,143</u>	<u>39,950,726</u>

* The other assets especially mentioned category pertains to agricultural finance only.

8.2 General provision represents provision amounting to Rs.284.469 million (December 31, 2011: Rs.308.153 million) against consumer finance portfolio as required by the Prudential Regulations issued by the SBP and Rs.841.873 million (December 31, 2011: Rs.600.541 million) pertaining to overseas advances to meet the requirements of monetary agencies and regulatory authorities of the respective countries in which the overseas branches operate. General provisions also include an amount of Rs.100.000 million (December 31, 2011: Rs.100.000 million) which the Bank carries as matter of prudence given the current economic environment and is based on management estimates.

8.3 The Bank has availed the benefit of Forced Sale Value (FSV) of pledged stocks and mortgaged properties held as collateral against non-performing advances as allowed under BSD Circular 1 of 2011. Had the benefit under the said circular not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 3,476 million (December 31, 2011: Rs.3,811 million). The FSV benefit recognized is not available for the distribution of cash or stock dividend to shareholders.

	Note	(Un-audited) June 30, 2012	(Audited) December 31, 2011
		----- (Rupees in '000) -----	
9. OPERATING FIXED ASSETS			
Capital work-in-progress		1,306,050	944,750
Property and equipment		21,358,577	20,541,088
Intangible assets		1,593,640	1,496,040
	9.1	<u>24,258,267</u>	<u>22,981,878</u>

9.1 Additions and disposals during the period amounted to Rs.2,237.885 million (June 30, 2011: Rs.1,225.080 million) and Rs.205.445 million (June 30, 2011: Rs.312.615 million), respectively.

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2012**

	Note	(Un-audited) June 30, 2012	(Audited) December 31, 2011
------(Rupees in '000)-----			
10. BORROWINGS			
Secured			
Borrowings from the State Bank of Pakistan			
- Export refinance scheme		9,901,432	12,386,674
- Refinance facility for modernization of SME		37,202	42,264
- Long term financing facility		3,751,766	3,516,846
- Long term financing under export oriented projects		1,084,329	1,410,276
		14,774,729	17,356,060
Repurchase agreement borrowings		25,003,622	28,241,667
		39,778,351	45,597,727
Unsecured			
Call borrowings		4,061,962	3,772,258
Overdrawn nostro accounts		339,405	5,044
Trading liabilities		213,376	-
Other borrowings		405,209	578,222
		5,019,952	4,355,524
		44,798,303	49,953,251
11. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		198,484,123	172,496,615
Savings deposits		229,343,986	206,364,946
Sundry deposits		13,921,776	7,061,853
Margin deposits		4,228,004	4,047,310
Current accounts - remunerative		4,575,961	6,047,055
Current accounts - non-remunerative		218,872,425	204,004,415
		669,426,275	600,022,194
Financial Institutions			
Remunerative deposits		8,765,198	6,824,281
Non-remunerative deposits		7,257,549	6,133,664
		16,022,747	12,957,945
		685,449,022	612,980,139
12. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX			
Surplus / (deficit) arising on revaluation of assets - net of tax:			
Fixed assets	12.1	10,292,861	10,326,050
Securities	12.2	(928,426)	(1,796,075)
		9,364,435	8,529,975
12.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 01		15,432,360	15,534,899
Exchange adjustments		429	413
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year		(33,468)	(66,919)
Related deferred tax liability on incremental depreciation charged during the period / year		(18,021)	(36,033)
		(51,060)	(102,539)
		15,381,300	15,432,360
Less: Related deferred tax liability on:			
Revaluation as at January 01		5,106,310	5,142,198
Exchange adjustments		150	145
Incremental depreciation charged on related assets		(18,021)	(36,033)
		5,088,439	5,106,310
		10,292,861	10,326,050

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2012**

	(Un-audited) June 30, 2012	(Audited) December 31, 2011
	------(Rupees in '000)-----	
12.2 (Deficit) / surplus on revaluation of available for sale securities		
Market Treasury Bills	7,346	129,358
Pakistan Investment Bonds	(740,420)	(714,954)
Listed shares	(53,997)	(551,038)
Mutual fund units	(36,547)	(38,452)
Term Finance Certificates, Sukuks, other Bonds, etc.	8,163	36,224
Foreign bonds	(612,892)	(1,624,331)
	(1,428,347)	(2,763,193)
Related deferred tax asset	499,921	967,118
	<u>(928,426)</u>	<u>(1,796,075)</u>
13. CONTINGENCIES AND COMMITMENTS		
13.1 Direct credit substitutes		
Contingent liabilities in respect of guarantees given favouring:		
Government	2,998,375	2,436,053
Banking companies and other financial institutions	5,357,701	4,589,359
Others	3,084,917	2,503,563
	<u>11,440,993</u>	<u>9,528,975</u>
13.2 Transaction-related contingent liabilities		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring:		
Government	80,435,973	78,652,267
Banking companies and other financial institutions	3,955,373	2,788,949
Others	21,307,095	19,930,066
	<u>105,698,441</u>	<u>101,371,282</u>
13.3 Trade-related contingent liabilities		
Contingent liabilities in respect of letters of credit opened favouring:		
Government	39,253,386	37,368,414
Others	98,413,009	88,217,532
	<u>137,666,395</u>	<u>125,585,946</u>
13.4 Other contingencies		
Claims against the Bank not acknowledged as debts	<u>22,329,087</u>	<u>22,214,453</u>
13.5 Commitments to extend credit		
The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		
	Note	
	(Un-audited) June 30, 2012	(Audited) December 31, 2011
	------(Rupees in '000)-----	
13.6 Commitments in respect of forward foreign exchange contracts		
Sale	91,191,944	94,144,141
Purchase	<u>142,735,565</u>	<u>136,641,383</u>
13.7 Commitments in respect of derivatives		
Forward sale of Government securities	31,707	-
Interest rate swaps	<u>8,324,434</u>	<u>8,444,451</u>
Cross currency swaps	<u>35,385,647</u>	<u>35,041,839</u>
13.8 Commitments in respect of capital expenditure	<u>1,777,150</u>	<u>1,082,145</u>
13.9 For contingencies relating to taxation refer note		

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2012**

	January-June 2012	January-June 2011
	------(Rupees in '000)-----	
14. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to customers	18,893,180	19,597,060
On lendings to financial institutions		
Call money lendings	7,566	20,275
Repurchase agreement lendings	124,193	254,909
Other lendings to financial institutions	196,114	158,348
	327,873	433,532
On investments in		
Held for trading securities	215,301	706,924
Available for sale securities	10,946,058	6,607,078
Held to maturity securities	5,772,818	6,680,823
	16,934,177	13,994,825
On deposits with financial institutions	95,202	42,799
Discount income	7,849	9,280
	<u>36,258,281</u>	<u>34,077,496</u>
15. MARK-UP / RETURN / INTEREST EXPENSED		
On deposits	13,569,679	11,540,451
On securities sold under repurchase agreements	1,635,326	1,155,946
On other short term borrowings	1,191,588	1,297,631
On long term borrowings	648,450	752,756
	<u>17,045,043</u>	<u>14,746,784</u>
16. ADMINISTRATIVE EXPENSES		
Salaries, allowances etc.	4,325,172	3,822,162
Charge for compensated absences	273,016	132,767
Medical expenses	216,035	199,277
Contribution to defined contribution plan	81,987	73,479
Reversal in respect of defined benefit obligations	(48,940)	(70,629)
Rent, taxes, insurance, electricity etc.	1,447,662	1,208,164
Depreciation	695,267	748,745
Amortization	202,991	149,365
Outsourced service charges including sales commission	977,858	706,617
Communications	469,704	384,706
Banking service charges	392,790	376,985
Cash transportation charges	183,133	155,736
Stationery and printing	239,989	203,309
Legal and professional charges	143,554	106,662
Advertisement and publicity	270,063	304,846
Repairs and maintenance	527,297	448,932
Travelling	135,833	129,110
Office running expenses	197,978	182,660
Vehicle expenses	88,124	71,533
Entertainment	76,442	65,578
Cartage, freight and conveyance	42,437	37,873
Insurance expense	71,578	73,818
Auditors' remuneration	30,036	27,303
Training and seminars	41,746	19,703
Brokerage expenses	11,021	17,235
Subscriptions	26,836	21,096
Donations	4,282	24,530
Non-executive Directors' fees	14,989	15,711
Miscellaneous expenses	146,736	104,805
	<u>11,285,616</u>	<u>9,742,078</u>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2012**
17. TAXATION

The Income Tax return of the Bank for the tax year 2011 (accounting year ended December 31, 2010) was filed and was deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (the Ordinance).

The Tax authorities have issued amended assessment orders for the tax years 2003 to 2011 (accounting years ended December 31, 2002 to 2010) determining an additional tax liability of Rs.7,506 million, which has been fully paid / adjusted as required under the law. For the tax years 2003 to 2010, appeals have been decided by the Commissioner of Inland Revenue [CIR(A)] by allowing relief on certain issues, while the tax year 2011 remains pending before the CIR(A). For the tax years 2004 - 2007, the Appellate Tribunal Inland Revenue (ATIR) had provided relief to the Bank on certain issues, and for the remaining matters the Bank has filed reference applications before the High Court of Sindh. For the tax years 2008 to 2010 appeals are pending before the ATIR. For all the above tax years, certain additional amendments have been made by the Tax authorities in the current quarter and the Bank is in the process of filing appeals with the CIR(A). The management is confident that the appeals will be decided in favor of the Bank.

Under the Seventh Schedule to the Ordinance, banks are allowed to claim provisions against advances up to 5% of total advances for consumer and small and medium enterprises and up to 1% of total advances for remaining advances. Amounts above these limits are allowed to be claimed in future years. The Bank has booked a deferred tax asset of Rs.3,200 million (December 31, 2011: Rs.3,200 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, 2011: 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 for the tax years 2005 to 2011 (accounting years ended December 31, 2004 to 2010) under the provisions of section 120(1) read with section 114 of the Ordinance, and in compliance with the terms of the agreement between banks and the Azad Kashmir Council in May 2005. The returns filed are considered as deemed assessment orders under the law.

The tax returns for overseas branches have been filed up to the accounting year ended December 31, 2011 under the provisions of the laws prevailing in the respective countries, and are deemed as assessed unless opened for reassessment.

18. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES
For the half year ended June 30, 2012 (Un-audited)

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
----- (Rupees in '000) -----						
Total income	152,019	4,438,322	17,053,126	4,037,431	1,212,281	-
Total expenses	(50,779)	(226,830)	(9,957,250)	(2,236,200)	(614,078)	-
Profit before tax	101,240	4,211,492	7,095,876	1,801,231	598,203	-
Segment return on assets (ROA)	12.5%	1.6%	1.6%	0.8%	-	-
Segment cost of funds	0.9%	7.9%	4.2%	7.8%	-	-

For the half year ended June 30, 2011 (Un-audited)

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
----- (Rupees in '000) -----						
Total income	222,529	3,288,462	16,863,875	4,194,631	659,805	-
Total expenses	(61,957)	(1,780,309)	(10,015,565)	(2,707,840)	(434,289)	-
Profit before tax	160,572	1,508,153	6,848,310	1,486,791	225,516	-
Segment return on assets (ROA)	4.3%	0.7%	1.8%	0.6%	-	-
Segment cost of funds	0.4%	7.5%	4.1%	7.4%	-	-

As at June 30, 2012 (Un-audited)

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
----- (Rupees in '000) -----						
Segment assets (gross of NPL provisions)	1,235,229	365,807,797	635,348,595	312,710,325	88,663,074	(510,088,658)
Segment non performing loans (NPLs)	594,702	2,133,973	25,663,058	26,583,059	13,153	-
Segment provision held against NPLs	184,595	1,579,214	21,111,741	18,139,621	13,153	-
Segment liabilities	984,991	362,221,426	609,816,621	293,406,786	14,031,354	(510,088,658)

As at December 31, 2011 (Audited)

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
----- (Rupees in '000) -----						
Segment assets (gross of NPL provisions)	1,890,059	363,562,165	640,421,933	284,633,562	81,079,379	(553,576,631)
Segment non performing loans (NPLs)	616,212	2,151,690	25,348,743	22,987,025	13,153	-
Segment provision held against NPLs	149,404	1,667,117	20,730,643	17,390,410	13,153	-
Segment liabilities	1,505,667	361,104,145	610,752,941	264,185,124	14,935,587	(553,576,631)

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)
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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 condensed interim financial statements, are as follows:

	As at June 30, 2012 (Un-audited)					As at December 31, 2011 (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	-	-	532,366	-	-	-	-	882,673	-	-
In deposit accounts	-	-	2,863,182	-	955	-	-	1,708,188	-	500,006
	-	-	3,395,548	-	955	-	-	2,590,861	-	500,006
Investments										
Opening balance	-	-	2,201,948	16,657,117	264,553	-	-	2,201,948	7,382,192	317,176
Transfer in	-	-	-	200,000	-	-	-	-	-	-
Investment made during the period / year	-	-	1,322,014	6,932,485	-	-	-	-	13,550,000	-
Investment redeemed / disposed off during the period / year	-	-	-	(100,000)	(5,473)	-	-	-	(4,275,075)	(52,623)
Closing balance	-	-	3,523,962	23,689,602	259,080	-	-	2,201,948	16,657,117	264,553
Provision for diminution in value of investments	-	-	-	-	58,259	-	-	-	-	58,259
Purchase of investment	-	-	-	-	-	-	-	101,170	-	-
Advances										
Opening balance	871	122,016	-	-	-	969	141,762	-	-	-
Added during the period / year	-	40,375	-	-	-	-	33,717	-	-	-
Repaid during the period / year	(60)	(29,982)	-	-	-	(98)	(53,463)	-	-	-
Closing balance	811	132,409	-	-	-	871	122,016	-	-	-
Other Assets										
Interest mark-up accrued	10	145	1,354	-	1,862	11	139	821	-	4,549
Receivable from staff retirement funds	-	-	-	-	-	-	-	-	-	99,182
Prepaid insurance	-	-	-	125,391	-	-	-	-	805	-
Advance for Pre-IPO investment	-	-	-	-	-	-	-	-	100,000	-
Other receivable	-	-	735	-	18,026	-	-	2,403	-	-
Borrowings										
Opening balance	-	-	-	-	449,740	-	-	-	-	428,195
Borrowings during the period / year	-	-	945,476	1,622,974	60,480,143	-	-	1,628,297	-	899,480
Settled during the period / year	-	-	(472,744)	(1,622,974)	(60,864,883)	-	-	(1,628,297)	-	(877,935)
Closing balance	-	-	472,732	-	65,000	-	-	-	-	449,740
Deposits and other accounts										
Opening balance	2,898,779	63,495	131,902	1,217,179	1,485,930	2,796,798	24,857	146,247	3,824,208	957,640
Received during the period / year	5,497,114	503,684	38,005,592	17,318,109	38,780,278	15,000,221	1,817,159	112,822,806	36,730,601	82,625,198
Withdrawn during the period / year	(3,205,465)	(487,128)	(37,913,784)	(18,015,443)	(39,079,749)	(14,898,240)	(1,778,521)	(112,837,151)	(39,337,630)	(82,096,908)
Closing balance	5,190,428	80,051	223,710	519,845	1,186,459	2,898,779	63,495	131,902	1,217,179	1,485,930
Subordinated loans										
	-	5	-	5,998	-	-	5	-	5,998	-
Other Liabilities										
Interest / mark-up payable on deposits	45,039	43	-	-	8,920	35,518	222	158	64	2,844
Interest / mark-up payable on borrowings	-	-	39	-	41	-	-	-	-	761
Interest / mark-up payable on subordinated loans	-	0	-	167	-	-	0	-	167	-
Unrealised loss on derivative transactions	-	-	-	-	2,567,031	-	-	-	-	1,623,223
Unearned income	-	-	679	-	-	-	-	154	-	-
Others	-	-	-	-	-	-	-	10,000	-	-
Contingencies and Commitments										
Letter of guarantee	1,873,716	-	-	70,065	-	1,782,540	-	-	75,668	-
Forward foreign exchange contracts purchase	-	-	4,422,498	-	3,468,234	-	-	696,955	-	1,451,040
Forward foreign exchange contracts sale	-	-	4,422,498	-	1,618,560	-	-	696,955	-	1,448,555
	For the half year ended June 30, 2012 (Un-audited)					For the half year ended June 30, 2011 (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	64	4,007	20,554	-	23,580	60	4,444	578	-	16,844
Commission / charges recovered	26	10	40	314	264	4	8	106	505	3,257
Dividend income	-	-	20,000	1,126,142	-	-	-	16,600	208,406	-
Net gain on sale of securities	-	-	-	-	-	-	-	-	20,724	-
Realised gain on derivative transactions	-	-	-	-	1,008,376	-	-	-	-	1,153,982
Other income	-	685	494	-	-	-	2,398	665	90	-
Mark-up / return / interest paid	74,777	601	648	5,708	53,889	42,977	1,285	388	135,837	17,489
Remuneration paid	-	322,970	-	-	-	-	239,768	-	-	-
Post employment benefits	-	6,584	-	-	-	-	7,036	-	-	-
Non-executive directors' fee	14,989	-	-	-	-	15,711	-	-	-	-
Net charge for defined contribution plans	-	-	-	-	81,987	-	-	-	-	73,479
Net reversal for defined benefit plans	-	-	-	-	(142,368)	-	-	-	-	(165,786)
Payment for employee motivation and retention scheme	-	-	-	-	250,000	-	-	-	-	230,000
Donation	-	-	-	-	-	-	-	-	-	20,000
Insurance premium paid	-	-	-	253,872	-	-	-	-	243,745	-
Insurance claims settled	-	-	-	99,551	-	-	-	-	79,089	-

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2012**
20. ISLAMIC BANKING BUSINESS

20.1 The statement of financial position of the Bank's Islamic Banking branches as at June 30, 2012 is as follows:

	(Un-audited) June 30, 2012	(Audited) December 31, 2011
	----- (Rupees in '000) -----	
ASSETS		
Cash and balances with treasury banks	657,417	520,737
Balances with other banks	237,840	2,185,282
Investments	7,982,404	5,006,664
Financing and receivables		
- Murabaha	1,419,685	355,909
- Musharaka	83,333	111,111
- Diminishing Musharaka	58,408	67,051
- Salam	368,064	-
Provision against advances	(35,380)	(21,982)
	1,894,110	512,089
Operating fixed assets including assets given under Ijarah	1,103,236	503,512
Due from head office	482,520	-
Other assets	510,755	384,977
Total Assets	12,868,282	9,113,261
LIABILITIES		
Bills payable	960	960
Deposits and other accounts		
- Current accounts	1,556,434	1,453,763
- Saving accounts	1,493,248	1,233,772
- Term deposits	3,552,263	1,652,628
- Deposits from financial institutions - remunerative	5,411,548	2,841,225
	12,013,493	7,181,388
Due to Head Office	-	1,339,874
Other liabilities	213,298	105,099
	12,227,751	8,627,321
NET ASSETS	640,531	485,940
REPRESENTED BY		
Islamic Banking Fund	681,000	681,000
Accumulated losses	(30,523)	(199,658)
	650,477	481,342
(Deficit) / surplus on revaluation of assets	(9,946)	4,598
	640,531	485,940

20.2 The profit and loss account of the Bank's Islamic Banking branches for the half year ended June 30, 2012 is as follows:

	(Un-audited) June 30, 2012	June 30, 2011
	----- (Rupees in '000) -----	
Return earned	650,992	369,801
Return expensed	(367,234)	(240,307)
	283,758	129,494
(Provision) against loans and advances - net	(13,397)	-
Reversal for diminution in value of investments	36,496	35,130
(Provision) / reversal against assets given under Ijarah	(7,255)	3,937
	15,844	39,067
Net return after provisions	299,602	168,561
OTHER INCOME		
Fee, commission and brokerage income	5,956	3,455
Dividend income	35,442	27,357
Income from dealing in foreign currencies	18,340	790
Gain on sale of securities	860	-
Other income	7,192	2,410
Total other income	67,790	34,012
	367,392	202,573
OTHER EXPENSES		
Administrative expenses	(194,872)	(142,960)
Other provisions / write offs	(3,385)	-
Total other expenses	(198,257)	(142,960)
Net profit for the period	169,135	59,613
Accumulated losses brought forward	(199,658)	(203,000)
Accumulated losses carried forward	(30,523)	(143,387)
Remuneration to Sharia Advisor	1,380	1,209

21. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on July 18, 2012 has declared a cash dividend in respect of the half year ended June 30, 2012 of Rs. 2.0 per share (June 30, 2011: Rs.1.5 per share). In addition, the Directors have also announced a bonus issue of Nil (June 30, 2011: Nil). The unconsolidated condensed interim financial statements for the half year ended June 30, 2012 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

22. DATE OF AUTHORIZATION

These condensed interim financial statements were authorised for issue on July 18, 2012 by the Board of Directors of the Bank.