

# **United Bank Limited**

**CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

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





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

	Note	(Un-audited) June 30, 2012	(Audited) December 31, 2011
----- (Rupees in '000) -----			
<b>ASSETS</b>			
Cash and balances with treasury banks		92,873,288	86,502,444
Balances with other banks		17,973,936	19,225,488
Lendings to financial institutions	6	18,529,701	9,536,211
Investments	7	334,193,086	301,106,877
Advances	8	374,571,427	341,139,519
Operating fixed assets	9	27,094,045	25,722,481
Deferred tax asset - net		1,616,834	1,991,667
Other assets		25,916,969	21,980,101
		892,769,286	807,204,788
<b>LIABILITIES</b>			
Bills payable		8,219,063	5,879,043
Borrowings	10	44,385,694	49,955,704
Deposits and other accounts	11	717,081,087	634,779,589
Sub-ordinated loans		10,318,172	11,317,080
Liabilities against assets subject to finance lease		2,454	-
Deferred tax liability - net		-	-
Other liabilities		23,165,151	19,352,726
		803,171,621	721,284,142
<b>NET ASSETS</b>		<u>89,597,665</u>	<u>85,920,646</u>
<b>REPRESENTED BY</b>			
Share capital		12,241,798	12,241,798
Reserves		30,247,568	27,495,959
Unappropriated profit		34,121,423	34,207,654
Total equity attributable to the equity holders of the Bank		76,610,789	73,945,411
Non-controlling interest		2,512,902	2,324,385
		79,123,691	76,269,796
Surplus on revaluation of assets - net of deferred tax	12	10,473,974	9,650,850
		<u>89,597,665</u>	<u>85,920,646</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	13		

The annexed notes from 1 to 22 form an integral part of these consolidated 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

**CONSOLIDATED 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	18,943,637	17,584,984	36,955,757	34,507,010
Mark-up / return / interest expensed	15	(9,084,163)	(7,249,108)	(17,293,305)	(14,849,425)
Net mark-up / interest income		9,859,474	10,335,876	19,662,452	19,657,585
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	(207,545)
Bad debts written off directly		(115,182)	(100,291)	(194,460)	(233,116)
		(538,536)	(2,602,178)	(1,304,190)	(4,943,946)
Net mark-up / interest income after provisions		9,320,938	7,733,698	18,358,262	14,713,639
<b>Non mark-up / interest income</b>					
Fee, commission and brokerage income		2,412,146	1,892,281	4,572,215	3,657,488
Dividend income		123,643	25,545	296,632	96,988
Income from dealing in foreign currencies		490,536	340,457	1,072,859	1,108,635
Gain on sale of securities - net		74,543	15,544	501,018	206,076
Unrealised loss on revaluation of investments classified as held for trading		(6,565)	(39,067)	(10,904)	(46,119)
Other income		372,975	698,190	829,533	1,107,023
Total non mark-up / interest income		3,467,278	2,932,950	7,261,353	6,130,091
		12,788,216	10,666,648	25,619,615	20,843,730
<b>Non mark-up / interest expenses</b>					
Administrative expenses	16	(6,248,812)	(5,446,540)	(12,241,815)	(10,512,047)
Other (provisions) / reversals - net		(168,966)	7,503	(167,948)	13,704
Workers' welfare fund		(130,060)	(116,486)	(278,422)	(219,604)
Other charges		(25,998)	(84,245)	(52,391)	(110,961)
Total non mark-up / interest expenses		(6,573,836)	(5,639,768)	(12,740,576)	(10,828,908)
		6,214,380	5,026,880	12,879,039	10,014,822
Share of income / (loss) of associates		481,621	(227,799)	1,060,310	(74,560)
<b>Profit before taxation</b>		<b>6,696,001</b>	<b>4,799,081</b>	<b>13,939,349</b>	<b>9,940,262</b>
<b>Taxation</b>	17				
- Current		(2,162,571)	(2,007,821)	(4,607,791)	(3,819,695)
- Prior		-	(9)	-	7,529
- Deferred		11,349	222,907	76,904	281,652
		(2,151,222)	(1,784,923)	(4,530,887)	(3,530,514)
<b>Profit after taxation</b>		<b>4,544,779</b>	<b>3,014,158</b>	<b>9,408,462</b>	<b>6,409,748</b>
<b>Attributable to:</b>					
Equity shareholders of the Bank		4,527,858	3,019,823	9,385,163	6,420,726
Non-controlling interest		16,921	(5,665)	23,299	(10,978)
		<b>4,544,779</b>	<b>3,014,158</b>	<b>9,408,462</b>	<b>6,409,748</b>
<b>Earnings per share - basic and diluted</b>		3.70	2.47	7.67	5.24
----- (Rupees) -----					

The annexed notes from 1 to 22 form an integral part of these consolidated 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

**CONSOLIDATED 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) -----			
<b>Profit after taxation for the period attributable to:</b>				
Equity shareholders of the Bank	4,527,858	3,019,823	9,385,163	6,420,726
Non-controlling interest	16,921	(5,665)	23,299	(10,978)
	<u>4,544,779</u>	<u>3,014,158</u>	<u>9,408,462</u>	<u>6,409,748</u>
<b>Other comprehensive income:</b>				
Exchange differences on translation of net investment in foreign branches and subsidiaries				
- Equity shareholders of the Bank	1,282,551	509,782	1,791,225	568,212
- Non-controlling interest	52,822	7,260	165,218	96,499
	<u>1,335,373</u>	<u>517,042</u>	<u>1,956,443</u>	<u>664,711</u>
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)
	<u>9,157</u>	<u>15,671</u>	<u>23,651</u>	<u>35,840</u>
	<u>1,344,530</u>	<u>532,713</u>	<u>1,980,094</u>	<u>700,551</u>
<b>Comprehensive income transferred to equity - net of tax</b>	<u><u>5,889,309</u></u>	<u><u>3,546,871</u></u>	<u><u>11,388,556</u></u>	<u><u>7,110,299</u></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 consolidated condensed interim financial statements.

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Deputy Chairman

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

	June 30, 2012 ----- (Rupees in '000) -----	June 30, 2011 -----
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	13,939,349	9,940,262
Less: Dividend income	(296,632)	(96,988)
Share of (income) / loss of associates	<u>(1,060,310)</u>	<u>74,560</u>
	12,582,407	9,917,834
<b>Adjustments:</b>		
Depreciation	750,265	793,468
Amortization	204,726	151,347
Workers' welfare fund	278,422	219,604
Provision for retirement benefits	338,360	159,720
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 the value of investments	(20,898)	207,545
Gain on sale of fixed assets	(17,304)	(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	10,904	46,119
Bad debts written off directly	194,460	233,116
	<u>3,073,897</u>	<u>6,344,334</u>
	15,656,304	16,262,168
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(9,164,514)	(1,926,031)
Held for trading securities	(862,791)	(3,766,597)
Advances	(34,585,972)	(8,747,551)
Other assets - (excluding advance taxation)	<u>(3,715,713)</u>	<u>(1,247,940)</u>
	(48,328,990)	(15,688,119)
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	2,340,020	2,391,002
Borrowings	(5,570,010)	(726,423)
Deposits and other accounts	82,301,498	43,169,405
Other liabilities - (excluding current taxation)	<u>3,235,860</u>	<u>(629,193)</u>
	<u>82,307,368</u>	<u>44,204,791</u>
	49,634,682	44,778,840
Staff retirement benefits paid	(125,575)	(53,748)
Income tax paid	(5,037,286)	(10,150,050)
Net cash inflow from operating activities	<b>44,471,821</b>	<b>34,575,042</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investment in securities	(29,875,329)	(36,999,131)
Dividend income received	317,414	68,780
Investment in operating fixed assets	(2,276,070)	(1,311,160)
Sale proceeds from disposal of operating fixed assets	93,179	71,680
Net cash used in investing activities	<b>(31,740,806)</b>	<b>(38,169,831)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
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>
	3,162,849	(8,493,536)
Exchange differences on translation of net investment in foreign branches and subsidiaries		
- Equity shareholders of the Bank	1,791,225	568,212
- Non-controlling interest	<u>165,218</u>	<u>96,499</u>
Increase / (decrease) in cash and cash equivalents during the period	5,119,292	(7,828,825)
Cash and cash equivalents at the beginning of the period	105,727,932	93,648,154
Cash and cash equivalents at the end of the period	<b>110,847,224</b>	<b>85,819,329</b>

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

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

	Attributable to equity shareholders of the Bank								Non-controlling Interest	Total
	Share Capital	General reserve	Statutory reserve	Capital reserves		Employee stock option reserve	Unappropriated profit	Sub total		
				Exchange translation reserve	Cash flow hedge reserve					
(Rupees in '000)										
<b>Balance as at January 1, 2011 (Audited)</b>	12,241,798	3,000	14,462,696	9,765,294	(129,152)	-	27,576,333	63,919,969	2,207,241	66,127,210
<b>Transactions with owners recorded directly in equity for the half year ended June 30, 2011</b>										
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)	-	(4,896,719)
<b>Total comprehensive income for the half year ended June 30, 2011</b>										
Profit after taxation for the half year ended June 30, 2011	-	-	-	-	-	-	6,420,726	6,420,726	(10,978)	6,409,748
Other comprehensive income - net of tax	-	-	-	568,212	35,840	-	-	604,052	96,499	700,551
Total comprehensive income for the half year ended June 30, 2011	-	-	-	568,212	35,840	-	6,420,726	7,024,778	85,521	7,110,299
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	127,053	127,053	-	127,053
Transfer to statutory reserves	-	-	670,454	-	-	-	(670,454)	-	-	-
<b>Balance as at June 30, 2011 (Un-audited)</b>	12,241,798	3,000	15,133,150	10,333,506	(93,312)	-	28,556,939	66,175,081	2,292,762	68,467,843
<b>Transactions with owners recorded directly in equity for the half year ended December 31, 2011</b>										
Interim cash dividend for the half year ended June 30, 2011 at Rs.1.5 per share	-	-	-	-	-	-	(1,836,270)	(1,836,270)	-	(1,836,270)
<b>Total comprehensive income for the half year ended December 31, 2011</b>										
Profit after taxation for the half year ended December 31, 2011	-	-	-	-	-	-	8,434,059	8,434,059	43,306	8,477,365
Other comprehensive income - net of tax	-	-	-	1,198,035	31,317	-	-	1,229,352	(11,683)	1,217,669
Total comprehensive income for the half year ended December 31, 2011	-	-	-	1,198,035	31,317	-	8,434,059	9,663,411	31,623	9,695,034
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	(58,010)	(58,010)	-	(58,010)
Employee stock option reserve	-	-	-	-	-	1,199	-	1,199	-	1,199
Transfer to statutory reserve	-	-	889,064	-	-	-	(889,064)	-	-	-
<b>Balance as at December 31, 2011 (Audited)</b>	12,241,798	3,000	16,022,214	11,531,541	(61,995)	1,199	34,207,654	73,945,411	2,324,385	76,269,796
<b>Transactions with owners recorded directly in equity for the half year ended June 30, 2012</b>										
Final cash dividend for the year ended December 31, 2011 declared subsequent to year end at Rs.6.0 per share	-	-	-	-	-	-	(7,345,078)	(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)	-	(1,224,180)
<b>Total comprehensive income for the half year ended June 30, 2012</b>										
Profit after taxation for the half year ended June 30, 2012	-	-	-	-	-	-	9,385,163	9,385,163	23,299	9,408,462
Other comprehensive income - net of tax	-	-	-	1,791,225	23,651	-	-	1,814,876	165,218	1,980,094
Total comprehensive income for the half year ended June 30, 2012	-	-	-	1,791,225	23,651	-	9,385,163	11,200,039	188,517	11,388,556
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	34,597	34,597	-	34,597
Transfer to statutory reserves	-	-	936,733	-	-	-	(936,733)	-	-	-
<b>Balance as at June 30, 2012 (Un-audited)</b>	12,241,798	3,000	16,958,947	13,322,766	(38,344)	1,199	34,121,423	76,610,789	2,512,902	79,123,691

The annexed notes from 1 to 22 form an integral part of these consolidated 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

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2012**
**1. STATUS AND NATURE OF BUSINESS**

The Group consists of:

**Holding Company**

United Bank Limited (the Bank)

**Subsidiary Companies**

United National Bank Limited (UNBL), United Kingdom

United Bank AG (Zurich) (UBAG), Switzerland

UBL Bank (Tanzania) Limited, Tanzania

United Executors and Trustees Company Limited (UET), Pakistan

UBL Fund Managers Limited (UBLFM), Pakistan

The Group is engaged in commercial banking, asset management, investment advisory and investments business. 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.

Non-controlling interest represents National Bank of Pakistan's 45% share in the net asset value of UNBL.

**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 consolidated 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 Group 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 Group have been included in these consolidated 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 consolidated condensed interim financial statements.

**3. STATEMENT OF COMPLIANCE**

- 3.1** These consolidated condensed interim financial statements of the Group 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 consolidated 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 consolidated 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 consolidated condensed interim financial statements should be read in conjunction with the consolidated annual financial statements of the Group for the year ended December 31, 2011.

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

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

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

Had the exemption not been granted, the staff costs of the Bank for the period would have been higher by Rs.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).

**4. SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT**

- 4.1** The accounting policies adopted in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the Group 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 Group for the year ended December 31, 2011.
- 4.3 New standards, interpretations and amendments thereof, adopted by the Group**

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

<b>Standard or Interpretation</b>	<b>Effective date (annual periods beginning on or after)</b>
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 consolidated 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 consolidated 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 Group for the year ended December 31, 2011.

**6. LENDINGS TO FINANCIAL INSTITUTIONS**

	<b>(Un-audited) June 30, 2012</b>	<b>(Audited) December 31, 2011</b>
	----- (Rupees in '000) -----	
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>
Provisions against lendings to financial institutions	(547,405)	(356,637)
	<u>18,529,701</u>	<u>9,536,211</u>



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

7.1 Investments by types	Note	(Un-audited)			(Audited)		
		June 30, 2012			December 31, 2011		
		Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
----- (Rupees in '000) -----							
<b>7.1.1 Held for trading securities</b>							
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
Term Finance Certificates		120,581	-	120,581	101,174	-	101,174
Units of mutual funds		48,595	-	48,595	44,252	-	44,252
Sukus		28,485	-	28,485	28,504	-	28,504
		2,116,208	-	2,116,208	1,253,417	-	1,253,417
<b>7.1.2 Available for sale securities</b>							
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		10,012,438	-	10,012,438	7,373,609	-	7,373,609
Ordinary shares of listed companies		3,558,948	-	3,558,948	5,806,330	-	5,806,330
Preference shares		500,718	-	500,718	485,936	-	485,936
Ordinary shares of unlisted companies		243,121	-	243,121	445,724	-	445,724
Term Finance Certificates		2,136,825	-	2,136,825	2,146,276	-	2,146,276
Units of mutual funds		4,614,074	-	4,614,074	2,179,075	-	2,179,075
Foreign bonds		31,183,088	-	31,183,088	18,181,364	-	18,181,364
		202,510,282	25,071,739	227,582,021	173,082,884	28,236,295	201,319,179
<b>7.1.3 Held to maturity securities</b>							
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		2,510,584	-	2,510,584	5,441,878	-	5,441,878
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
Government of Pakistan Eurobonds		169,570	-	169,570	1,986,830	-	1,986,830
		83,686,976	-	83,686,976	87,845,274	-	87,845,274
<b>7.1.4 Associates</b>							
United Growth and Income Fund		2,451,076	-	2,451,076	2,332,486	-	2,332,486
UBL Liquidity Plus Fund		11,295,947	-	11,295,947	5,049,099	-	5,049,099
United Composite Islamic Fund		408,206	-	408,206	346,862	-	346,862
United Islamic Income Fund		188,264	-	188,264	163,959	-	163,959
United Stock Advantage Fund		436,108	-	436,108	388,046	-	388,046
UBL Capital Protected Fund - II		-	-	-	113,092	-	113,092
UBL Savings Income Fund		2,560,622	-	2,560,622	2,734,011	-	2,734,011
UBL Islamic Savings Fund		1,522,100	-	1,522,100	1,630,032	-	1,630,032
UBL Islamic Retirement Savings Fund		115,765	-	115,765	105,062	-	105,062
UBL Retirement Savings Fund		116,235	-	116,235	106,146	-	106,146
UBL Principal Protected Fund - I		142,364	-	142,364	-	-	-
UBL Government Securities Fund		3,157,195	-	3,157,195	3,058,294	-	3,058,294
UBL Insurers Limited		194,718	-	194,718	188,637	-	188,637
Khushali Bank Limited	7.2	832,636	-	832,636	-	-	-
Oman United Exchange Company, Muscat		59,629	-	59,629	66,954	-	66,954
		23,480,865	-	23,480,865	16,282,680	-	16,282,680
		311,794,331	25,071,739	336,866,070	278,464,255	28,236,295	306,700,550
Provision for diminution in value of investments		(1,036,473)	-	(1,036,473)	(2,734,622)	-	(2,734,622)
<b>Investments (net of provisions)</b>		310,757,858	25,071,739	335,829,597	275,729,633	28,236,295	303,965,928
(Deficit) / surplus on revaluation of available for sale securities		(1,621,441)	(4,167)	(1,625,608)	(2,859,684)	32,921	(2,826,763)
Deficit on revaluation of held for trading securities		(10,903)	-	(10,903)	(32,288)	-	(32,288)
<b>Total Investments</b>		309,125,514	25,067,572	334,193,086	272,837,661	28,269,216	301,106,877

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

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.

	Note	(Un-audited) June 30, 2012	(Audited) December 31, 2011
----- (Rupees in '000) -----			
<b>8. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		278,041,553	258,874,253
Outside Pakistan		95,514,628	88,932,219
		<u>373,556,181</u>	<u>347,806,472</u>
Bills discounted and purchased			
Payable in Pakistan		27,422,680	18,552,309
Payable outside Pakistan		15,864,175	15,756,994
		<u>43,286,855</u>	<u>34,309,303</u>
Advances - gross		416,843,036	382,115,775
Provision against advances			
- Specific		(41,045,267)	(39,967,562)
- General	8.2	(1,226,342)	(1,008,694)
		<u>374,571,427</u>	<u>341,139,519</u>

8.1 Advances include Rs. 55,016 million (December 31, 2011: Rs.51,144 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	4,999,124	46,814,054	34,247,377	3,463,290	37,710,667	34,247,377	3,463,290	37,710,667
	<u>46,609,074</u>	<u>8,407,021</u>	<u>55,016,095</u>	<u>36,017,139</u>	<u>5,028,128</u>	<u>41,045,267</u>	<u>36,017,139</u>	<u>5,028,128</u>	<u>41,045,267</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	4,804,983	42,444,728	32,996,932	3,413,479	36,410,411	32,996,932	3,413,479	36,410,411
	<u>44,510,490</u>	<u>6,633,680</u>	<u>51,144,170</u>	<u>35,584,583</u>	<u>4,382,979</u>	<u>39,967,562</u>	<u>35,584,583</u>	<u>4,382,979</u>	<u>39,967,562</u>

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

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.

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

	Note	(Un-audited) June 30, 2012 ----- (Rupees in '000) -----	(Audited) December 31, 2011 ----- (Rupees in '000) -----
<b>9. OPERATING FIXED ASSETS</b>			
Capital work-in-progress		1,306,105	991,841
Property and equipment		24,172,607	23,218,456
Intangible assets		1,615,333	1,512,184
	9.1	27,094,045	25,722,481

9.1 Additions and disposals during the period amounted to Rs. 2,265.892 million (June 30, 2011:Rs. 1,268.631 million) and Rs. 207.474 million (June 30, 2011:Rs. 313.142 million), respectively.

	(Un-audited) June 30, 2012 ----- (Rupees in '000) -----	(Audited) December 31, 2011 ----- (Rupees in '000) -----
<b>10. BORROWINGS</b>		
<b>Secured</b>		
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
<b>Unsecured</b>		
Call borrowings	3,589,230	3,772,258
Overdrawn nostro accounts	399,528	7,497
Trading liabilities	213,376	-
Other borrowings	405,209	578,222
	4,607,343	4,357,977
	44,385,694	49,955,704

**11. DEPOSITS AND OTHER ACCOUNTS**
**Customers**

Fixed deposits	220,120,931	185,703,454
Savings deposits	230,881,221	207,827,764
Sundry deposits	13,921,776	7,061,853
Margin deposits	4,395,623	4,052,656
Current accounts - remunerative	5,560,566	6,464,468
Current accounts - non-remunerative	222,784,849	208,228,448
	697,664,966	619,338,643

**Financial Institutions**

Remunerative deposits	9,229,433	7,293,860
Non-remunerative deposits	10,186,688	8,147,086
	19,416,121	15,440,946
	717,081,087	634,779,589



NOTES TO THE CONSOLIDATED 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) -----	
<b>12. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX</b>		
Surplus / (deficit) arising on revaluation of assets - net of tax:		
Fixed assets		
- Group's share	11,026,217	11,016,498
- Non-controlling interest	600,018	564,912
	12.1	11,581,410
Securities		
- Group's share	(1,036,920)	(1,829,181)
- Non-controlling interest	(88,767)	(30,464)
	12.2	(1,859,645)
Deficit arising on revaluation of assets of associates	(26,574)	(70,915)
	<u>10,473,974</u>	<u>9,650,850</u>
<b>12.1 Surplus on revaluation of fixed assets</b>		
Surplus on revaluation of fixed assets at January 01	16,687,720	16,394,246
Revaluation of fixed assets during the period / year	-	329,495
Exchange adjustments	79,572	69,055
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year	(34,597)	(69,043)
Related deferred tax liability on incremental depreciation charged during the period / year	(18,021)	(36,033)
	<u>26,954</u>	<u>293,474</u>
	16,714,674	16,687,720
Less: Related deferred tax liability on:		
Revaluation as on January 01	5,106,310	5,142,198
Exchange adjustments	150	145
Incremental depreciation charged on related assets	(18,021)	(36,033)
	<u>5,088,439</u>	<u>5,106,310</u>
	<u>11,626,235</u>	<u>11,581,410</u>
<b>12.2 (Deficit) / surplus on revaluation on available for sale securities</b>		
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)	(34,323)
Term Finance Certificates, Sukuk, other Bonds etc.	8,163	36,224
Foreign bonds	(810,153)	(1,692,030)
	(1,625,608)	(2,826,763)
Related deferred tax asset	499,921	967,118
	<u>(1,125,687)</u>	<u>(1,859,645)</u>

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

	(Un-audited) June 30, 2012 ----- (Rupees in '000) -----	(Audited) December 31, 2011 ----- (Rupees in '000) -----
<b>13. CONTINGENCIES AND COMMITMENTS</b>		
<b>13.1 Direct credit substitutes</b>		
Contingent liabilities in respect of guarantees given favouring:		
Government	2,998,375	2,436,053
Banking companies and other financial institutions	5,455,307	4,786,121
Others	3,117,215	2,537,724
	<u>11,570,897</u>	<u>9,759,898</u>
<b>13.2 Transaction-related contingent liabilities</b>		
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>
<b>13.3 Trade-related contingent liabilities</b>		
Contingent liabilities in respect of letters of credit opened favouring:		
Government	39,332,853	37,415,189
Banking companies and other financial institutions	3,972,475	2,620,900
Others	98,796,328	88,267,837
	<u>142,101,656</u>	<u>128,303,926</u>
<b>13.4 Other contingencies</b>		
Claims against the Group not acknowledged as debts	<u>22,333,642</u>	<u>22,218,847</u>
<b>13.5 Commitments to extend credit</b>		
The Group 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) June 30, 2012 ----- (Rupees in '000) -----	(Audited) December 31, 2011 ----- (Rupees in '000) -----
<b>13.6 Commitments in respect of forward exchange contracts</b>		
Sale	<u>96,750,439</u>	<u>100,302,537</u>
Purchase	<u>148,356,587</u>	<u>142,678,300</u>



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

	Note	(Un-audited) June 30, 2012 ----- (Rupees in '000) -----	(Audited) December 31, 2011 ----- (Rupees in '000) -----
<b>13.7 Commitments in respect of derivatives</b>			
Forward Sales of Government securities		31,707	-
Interest rate swaps		8,324,434	8,444,451
Cross Currency swaps		35,385,647	35,041,839
<b>13.8 Commitments in respect of capital expenditure</b>			
		1,777,150	1,082,145
<b>13.9 For contingencies relating to taxation refer note</b>			
	17		
		----- (Un-audited) -----	----- (Un-audited) -----
		January - June 2012	January - June 2011
		----- (Rupees in '000) -----	----- (Rupees in '000) -----
<b>14. MARK-UP / RETURN / INTEREST EARNED</b>			
On loans and advances to customers		19,186,308	19,816,790
On lendings to financial institutions			
Call money lending		7,566	20,275
Securities purchased under resale agreements		124,193	254,909
Advances to financial institutions		196,114	161,329
		327,873	436,513
On investments in			
Held for trading securities		228,754	718,485
Available for sale securities		11,138,640	6,607,078
Held to maturity securities		5,869,952	6,776,048
		17,237,346	14,101,611
On deposits with financial institutions		139,624	128,450
Discount income		64,606	23,646
		36,955,757	34,507,010
<b>15. MARK-UP / RETURN / INTEREST EXPENSED</b>			
On deposits		13,794,710	11,641,384
On securities sold under repurchase agreements		1,635,326	1,155,946
On other short term borrowings		1,214,819	1,297,609
On long term borrowings		648,450	754,486
		17,293,305	14,849,425

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

	----- (Un-audited) -----	
	January - June 2012	January - June 2011
	----- (Rupees in '000) -----	
<b>16. ADMINISTRATIVE EXPENSES</b>		
Salaries, allowances etc.	4,784,798	4,212,956
Charge for compensated absences	273,016	132,767
Medical expenses	216,035	199,277
Contribution to defined contribution plan	114,284	97,582
Reversal in respect of defined benefit obligations	(48,940)	(70,629)
Rent, taxes, insurance, electricity etc.	1,491,091	1,252,177
Depreciation	750,265	793,468
Amortization	204,726	151,347
Outsourced service charges including sales commission	1,071,665	736,824
Communications	489,709	406,245
Banking service charges	401,142	388,735
Cash transportation charges	184,927	158,057
Stationery and printing	250,150	217,192
Legal and professional charges	164,198	113,071
Advertisement and publicity	292,954	318,135
Repairs and maintenance	548,283	481,765
Travelling	143,726	136,891
Office running expenses	198,014	182,660
Vehicle expenses	88,406	71,628
Entertainment	78,175	67,892
Cartage, freight and conveyance	46,123	40,541
Insurance expense	76,667	82,385
Auditors' remuneration	41,836	38,800
Training and seminars	50,812	24,946
Brokerage expenses	11,021	17,236
Subscriptions	45,076	26,545
Donations	4,282	24,530
Non-executive Directors' fees	14,989	15,711
Miscellaneous expenses	254,385	193,313
	<u>12,241,815</u>	<u>10,512,047</u>

**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 filling 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 (2011: 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 (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.

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

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.

For all subsidiaries, income tax returns have been filed up to the accounting year ended December 31, 2010 under the provisions of the laws prevailing in the respective countries. In the case of UET, UBLFM and UNBL, the returns are considered as deemed assessed unless opened for reassessment by the tax authorities. Additionally, for UBAG, full tax clearance has been issued till the accounting year 2009. There are no material tax contingencies in any of the subsidiaries.

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment elimination
----- (Rupees in '000) -----							
Total income	152,019	4,596,185	17,198,030	4,355,313	372,924	1,309,644	-
Total expenses	(50,779)	(304,254)	(10,411,871)	(2,390,769)	(272,966)	(614,127)	-
Net income before tax	101,240	4,291,931	6,786,159	1,964,544	99,958	695,517	-
Segment return on assets (ROA)	12.5%	1.6%	1.5%	0.9%	24.8%	-	-
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 & Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment elimination
----- (Rupees in '000) -----							
Total income	222,529	3,207,387	17,085,602	4,364,959	203,818	628,821	-
Total expenses	(61,957)	(1,839,006)	(10,418,412)	(2,841,195)	(176,557)	(435,727)	-
Net income before tax	160,572	1,368,381	6,667,190	1,523,764	27,261	193,094	-
Segment return on assets (ROA)	4.3%	0.6%	1.6%	0.6%	9.5%	-	-
Segment cost of funds	0.4%	7.5%	4.1%	7.4%	-	-	-

**As at June 30, 2012 (Un-audited)**

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment elimination
----- (Rupees in '000) -----							
Segment assets (gross of NPL provisions)	1,235,229	381,455,131	649,866,949	325,483,659	634,223	85,228,019	(510,088,658)
Segment non performing loans (NPLs)	594,702	2,133,973	25,684,414	26,589,853	-	13,153	-
Segment provision held against NPLs	184,595	1,579,214	21,121,890	18,146,415	-	13,153	-
Segment liabilities	984,991	362,366,924	638,537,375	297,247,206	92,367	14,031,415	(510,088,658)

**As at December 31, 2011 (Audited)**

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment elimination
----- (Rupees in '000) -----							
Segment assets (gross of NPL provisions)	1,890,059	369,702,723	654,685,857	295,415,102	562,761	78,492,479	(553,576,631)
Segment non performing loans (NPLs)	616,212	2,151,690	25,369,534	22,993,581	-	13,153	-
Segment provision held against NPLs	149,404	1,667,117	20,740,922	17,396,966	-	13,153	-
Segment liabilities	1,505,667	367,811,266	618,655,667	271,887,493	64,977	14,935,703	(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 CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2012**
**19. RELATED PARTY TRANSACTIONS**

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

The Group 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

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	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
(Rupees in '000)								
Balances with Groups								
In current accounts	-	-	-	-	-	-	-	-
In deposit accounts	-	-	-	955	-	-	-	500,006
	-	-	-	955	-	-	-	500,006
<b>Investments</b>								
Opening balance	-	-	16,282,680	308,818	-	-	7,666,215	361,441
Transfer in	-	-	200,000	-	-	-	-	-
Investment made during the period / year	-	-	7,181,133	-	-	-	13,630,136	-
Investment redeemed / disposed off during the period / year	-	-	(161,455)	(5,473)	-	-	(4,313,091)	(52,623)
Equity method adjustments	-	-	(21,493)	-	-	-	(700,580)	-
Closing balance	-	-	23,480,865	303,345	-	-	16,282,680	308,818
Provision for diminution in value of investments	-	-	-	58,259	-	-	-	58,259
<b>Advances</b>								
Opening balance	871	233,728	-	-	969	141,762	-	-
Addition during the period / year	-	47,399	-	-	-	150,264	-	-
Repaid during the period / year	(60)	(35,489)	-	-	(98)	(58,298)	-	-
Closing balance	811	245,638	-	-	871	233,728	-	-
<b>Other Assets</b>								
Interest mark-up accrued	10	145	-	3,863	11	139	-	6,722
Receivable from staff retirement funds	-	-	-	-	-	-	-	99,182
Prepaid insurance	-	-	125,391	-	-	-	805	-
Remuneration receivable from management of fund	-	-	9,614	5,973	-	-	49,583	3,412
Sales load receivable	-	-	3,048	-	-	-	10,472	-
Formation cost receivable	-	-	1,000	-	-	-	6,055	-
Advance for pre-IPO investment	-	-	-	-	-	-	100,000	-
Other receivable	-	-	58	18,026	-	-	68	-
<b>Borrowings</b>								
Opening balance	-	-	-	449,740	-	-	-	428,195
Borrowings during the period / year	-	-	1,622,974	60,480,143	-	-	-	899,480
Settled during the period / year	-	-	(1,622,974)	(60,864,883)	-	-	-	(877,935)
Closing balance	-	-	-	65,000	-	-	-	449,740
<b>Deposits and other accounts</b>								
Opening balance	2,898,779	81,369	1,217,179	2,040,938	2,796,798	66,269	3,824,208	1,023,817
Received during the period / year	5,497,114	504,912	17,318,109	38,815,268	15,000,221	1,821,170	36,730,601	83,114,029
Withdrawn during the period / year	(3,205,465)	(487,602)	(18,015,443)	(39,507,013)	(14,898,240)	(1,806,070)	(39,337,630)	(82,096,908)
Closing balance	5,190,428	98,679	519,845	1,349,193	2,898,779	81,369	1,217,179	2,040,938
<b>Subordinated loans</b>	-	5	5,998	-	-	5	5,998	-
<b>Other Liabilities</b>								
Interest / mark-up payable on deposits	45,039	43	-	8,920	35,518	222	64	2,844
Interest / mark-up payable on borrowings	-	-	-	41	-	-	-	761
Interest / mark-up payable on subordinated loans	-	0	167	-	-	0	167	-
Unrealised loss on derivative transactions	-	-	-	2,567,031	-	-	-	1,623,223
<b>Contingencies and Commitments</b>								
Letter of guarantee	1,873,716	-	70,065	-	1,782,540	-	75,668	-
Forward foreign exchange contracts purchase	-	-	-	3,468,234	-	-	-	1,451,040
Forward foreign exchange contracts sale	-	-	-	1,618,560	-	-	-	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	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
(Rupees in '000)								
Mark-up / return / interest earned	64	6,236	-	27,172	60	4,944	-	20,541
Commission / charges recovered	26	10	314	264	4	8	505	3,379
Dividend received	-	-	1,126,142	-	-	-	208,406	-
Net gain on sale of securities	-	-	-	-	-	-	20,724	-
Realised gain on derivative transactions	-	-	-	1,008,376	-	-	-	1,153,982
Remuneration received from management of fund	-	-	306,392	4,751	-	-	170,422	341
Sales Load received	-	-	18,667	-	-	-	7,207	1,669
Other income	-	685	-	-	-	2,398	90	-
Mark-up / return / interest paid	74,777	779	5,708	63,840	42,977	1,314	135,837	17,489
Remuneration paid	-	486,168	-	-	-	375,683	-	-
Post employment benefits	-	9,463	-	-	-	9,151	-	-
Non-executive directors' fee	14,989	-	-	-	15,711	-	-	-
Net charge for defined contribution plans	-	-	-	88,779	-	-	-	77,740
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	-	-	254,457	-	-	-	243,745	-
Insurance claims settled	-	-	99,551	-	-	-	79,089	-

**NOTES TO THE CONSOLIDATED 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 Group's Islamic Banking branches as at June 30, 2012 is as follows:

	(Un-audited) June 30, 2012	(Audited) December 31, 2011
	----- (Rupees in '000) -----	
<b>ASSETS</b>		
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
<b>Total Assets</b>	<b>12,868,282</b>	<b>9,113,261</b>
<b>LIABILITIES</b>		
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
<b>NET ASSETS</b>	<b>640,531</b>	<b>485,940</b>
<b>REPRESENTED BY</b>		
Islamic Banking Fund	681,000	681,000
Accumulated loss	(30,523)	(199,658)
	650,477	481,342
(Deficit) / Surplus on revaluation of assets	(9,946)	4,598
	<b>640,531</b>	<b>485,940</b>

20.2 The profit and loss account of the Group's Islamic Banking branches for the quarter 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 investment	36,496	35,130
(Provision) / reversal against assets given under Ijarah	(7,255)	3,937
	15,844	39,067
Net return after provision	299,602	168,561
<b>OTHER INCOME</b>		
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
<b>OTHER EXPENSES</b>		
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 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 consolidated 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 consolidated condensed interim financial statements were authorised for issue on July 18, 2012 by the Board of Directors of the Group.