

# United Bank Limited

## CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013  
(UNAUDITED)




**UNITED BANK LTD**
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT SEPTEMBER 30, 2013**

	Note	(Un-audited) September 30, 2013	(Audited) December 31, 2012 (Revised) ----- (Rupees in '000) -----
<b>ASSETS</b>			
Cash and balances with treasury banks		84,323,925	94,766,489
Balances with other banks		22,550,930	22,843,080
Lendings to financial institutions	6	17,355,433	21,953,458
Investments	7	436,802,230	381,245,903
Advances	8	392,227,348	386,834,261
Operating fixed assets	9	27,962,334	27,30,839
Deferred tax asset - net		556,851	-
Other assets		31,632,950	28,493,851
		<u>1,013,412,001</u>	<u>962,697,881</u>
<b>LIABILITIES</b>			
Bills payable		9,240,054	7,15,382
Borrowings	10	41,828,096	68,721,030
Deposits and other accounts	11	833,004,083	753,58,443
Subordinated loans	12	665,328	9,319,264
Liabilities against assets subject to finance lease		1,531	2,109
Deferred tax liability - net		-	836,488
Other liabilities		20,623,980	20,397,469
		<u>905,361,072</u>	<u>860,670,183</u>
<b>NET ASSETS</b>		<u>108,050,929</u>	<u>101,027,698</u>
<b>REPRESENTED BY</b>			
Share capital		12,241,798	12,241,798
Reserves		37,431,324	32,238,690
Unappropriated profit		42,527,617	39,315,127
Total equity attributable to the equity holders of the Bank		92,200,739	83,845,615
Non-controlling interest		3,567,821	2,327,060
		<u>95,758,560</u>	<u>86,172,675</u>
Surplus on revaluation of assets - net of deferred tax	13	12,292,369	15,265,023
		<u>108,050,929</u>	<u>101,027,698</u>

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**CONTINGENCIES AND COMMITMENTS**

14

The annexed notes from 1 to 23 form an integral part of these consolidated condensed interim financial statements.

Atif R. Bokhari  
President &  
Chief Executive Officer

Amin Uddin  
Director

Zameer Mohammed Choudrey  
Director

Nahayan Mubarak Al Nahayan  
Chairman

**U.B.L. UNITED BANK LTD.**

**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

	Note	Jul-Sep 2013	Jul-Sep 2012 (Restated)	Jan-Sep 2013	Jan-Sep 2012 (Restated)
(Rupees in '000)					
Mark-up / return / interest earned	16	18,789,847	19,732,587	55,485,853	56,685,874
Mark-up / return / interest expensed	16	(8,849,595)	(9,517,578)	(27,066,163)	(26,821,548)
Net mark-up / interest income		9,920,262	10,215,009	28,419,790	29,865,328
Provision against loans and advances - net (Provision) / reversal against lendings to financial institutions - net (Provision) / reversal for diminution in value of investments - net Bad debts written off directly		(384,349) 338 8,857 (57,526)	(1,722,111) (15) (86,233) (88,333)	(1,529,748) (60,848) (19,218) (166,209)	(2,694,657) (171,039) (42,238) (263,793)
Net mark-up / interest income after provisions		9,488,582	8,337,317	26,643,769	26,693,543
Non mark-up / interest income					
Fee, commission and brokerage income		2,856,030	2,260,564	8,258,774	6,832,884
Dividend income		336,182	77,704	948,797	374,336
Income from dealing in foreign currencies		772,242	508,117	1,598,311	1,592,865
Gain on sale of securities - net		636,737	217,058	2,778,833	887,554
Unrealized (loss) / gain on revaluation of investments classified as held for trading		(88,552)	11,795	(74,145)	891
Other income		286,790	2,809,352	827,013	3,814,738
Total non mark-up / interest income		4,800,439	5,884,590	14,328,583	13,103,368
		14,389,021	14,221,907	40,972,352	39,796,911
Non mark-up / interest expenses					
Administrative expenses	17	(7,088,452)	(6,485,647)	(20,887,764)	(18,773,837)
Other provisions - net		(20,840)	(65,851)	(81,855)	(302,081)
Workers' Welfare Fund		(132,452)	(146,876)	(377,174)	(425,388)
Other charges		(112,827)	(28,231)	(138,201)	(77,822)
Total non mark-up / interest expenses		(7,364,571)	(6,763,705)	(21,494,994)	(19,578,938)
		7,024,450	7,468,202	19,477,358	20,217,973
Share of income of associates		205,987	653,143	1,032,548	1,743,975
Profit before taxation		7,230,417	8,111,345	20,509,908	21,361,948
Taxation	18				
- Current		(2,335,583)	(2,624,991)	(6,354,879)	(7,232,762)
- Prior		(345,788)	(481,853)	(356,332)	(481,853)
- Deferred		241,104	592,131	236,237	700,096
		(2,440,267)	(2,524,713)	(6,474,974)	(7,024,599)
Profit after taxation		4,790,150	5,586,632	14,034,932	14,337,409
Attributable to:					
Equity shareholders of the Bank		4,780,234	5,524,812	13,852,179	14,052,390
Non-controlling interest		(94)	61,720	382,753	85,019
		4,780,150	5,586,632	14,034,932	14,337,409
Earnings per share - basic and diluted		3.91	4.51	11.15	12.13

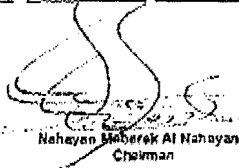
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The annexed notes from 1 to 23 form an integral part of these consolidated condensed interim financial statements.

  
Atif R. Shahid  
President &  
Chief Executive Officer

  
Amin Uddin  
Director

  
Zamarr Mohammed Choudhry  
Director


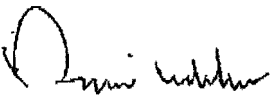
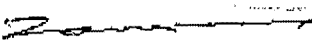
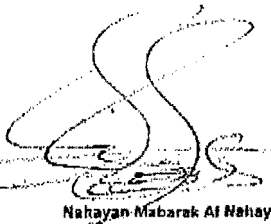
  
Nahayan Maharek Al Nahayan  
Chairman


**UNITED BANK LTD**
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

	Jul-Sep 2013	Jul-Sep 2012 (Restated)	Jan-Sep 2013	Jan-Sep 2012 (Restated)
	(Rupees in '000)			
<b>Profit after taxation for the period attributable to:</b>				
Equity shareholders of the Bank	4,780,234	5,524,912	13,652,179	14,862,390
Non-controlling interest	(84)	61,720	382,753	85,018
	<u>4,780,150</u>	<u>5,586,632</u>	<u>14,034,932</u>	<u>14,937,409</u>
<b>Other comprehensive income:</b>				
Exchange differences on translation of net investment in foreign branches and subsidiaries				
- Equity shareholders of the Bank	3,091,809	325,431	3,816,983	2,116,656
- Non-controlling interest	417,846	137,798	347,418	302,826
	<u>3,509,755</u>	<u>463,139</u>	<u>4,164,400</u>	<u>2,419,582</u>
Gain on cash flow hedges	5,645	14,321	22,027	50,707
Related deferred tax liability on cash flow hedges	(1,975)	(5,012)	(7,709)	(17,747)
	<u>3,670</u>	<u>9,309</u>	<u>14,318</u>	<u>32,960</u>
	<u>3,513,425</u>	<u>472,448</u>	<u>4,178,718</u>	<u>2,452,542</u>
<b>Comprehensive income transferred to equity - net of tax</b>	<u><b>6,303,575</b></u>	<u><b>6,059,080</b></u>	<u><b>18,213,650</b></u>	<u><b>17,389,951</b></u>

Surplus 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 23 form an integral part of these consolidated condensed interim financial statements.

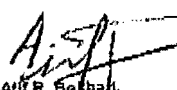
 <b>Atif R. Bokhari</b> President Chief Executive Officer	 <b>Amin Uddin</b> Director	 <b>Zamzar Mohammed Choudry</b> Director	 <b>Mahayan Mabarak Al Mahayan</b> Chairman
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**UNITED BANK LTD**
**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**


	September 30, 2013	September 30, 2012 (Restated)
	----- (Rupees in '000) -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	20,609,806	21,981,948
Less: Dividend income	(948,797)	(374,336)
Share of income of associates	(1,032,548)	(1,743,975)
	<u>18,528,561</u>	<u>19,843,637</u>
<b>Adjustments:</b>		
Depreciation	1,338,186	1,145,280
Amortization	362,644	337,582
Workers' Welfare Fund	377,174	426,398
Provision for retirement benefits	763,198	675,069
Provision against loans and advances - net	1,529,748	2,694,657
Provision against lendings to financial institutions - net	60,848	171,039
Provision for diminution in value of investments - net	19,216	42,296
Gain on sale of fixed assets	(20,849)	(23,192)
Amortization of cash flow hedges	22,027	50,707
Unrealized loss / (gain) on revaluation of investments classified as held for trading	74,145	(891)
Bad debts written-off directly	166,209	263,793
Other provisions - net	81,855	302,081
	<u>4,784,401</u>	<u>6,083,819</u>
	<u>23,312,962</u>	<u>25,927,456</u>
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	4,598,025	(14,612,952)
Held for trading securities	1,334,464	(12,768,455)
Advances	(8,089,044)	(40,558,185)
Other assets - (excluding advance taxation)	(2,443,895)	(214,964)
	<u>(4,600,450)</u>	<u>(68,154,536)</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	1,824,672	2,474,427
Borrowings	(26,894,934)	28,818,261
Deposits and other accounts	79,245,640	62,608,759
Other liabilities - (excluding current taxation)	(471,353)	(913,979)
	<u>53,504,025</u>	<u>92,787,468</u>
	<u>72,216,538</u>	<u>50,560,388</u>
Staff retirement benefits paid	(267,354)	(221,878)
Income tax paid	(7,684,463)	(8,462,864)
Net cash inflow from operating activities	<u>64,264,721</u>	<u>41,875,648</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investment in securities	(60,098,867)	(45,172,874)
Dividend income received	771,298	376,427
Investment in operating fixed assets	(2,187,142)	(3,020,878)
Sale proceeds from disposal of operating fixed assets	166,162	98,659
Net cash outflow from investing activities	<u>(61,328,550)</u>	<u>(47,720,666)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayments of subordinated loans	(8,653,936)	(1,997,816)
Dividend paid	(9,181,349)	(11,017,618)
Net cash outflow from financing activities	<u>(17,835,285)</u>	<u>(13,015,434)</u>
	<u>(14,899,114)</u>	<u>(18,880,454)</u>
<b>Exchange differences on translation of net investment in foreign branches and subsidiaries</b>		
- Equity shareholders of the Bank	3,816,883	2,116,656
- Non-controlling interest	347,418	302,926
Decrease in cash and cash equivalents during the period	<u>(10,734,714)</u>	<u>(16,440,872)</u>
Cash and cash equivalents at the beginning of the period	<u>117,609,569</u>	<u>105,242,753</u>
Cash and cash equivalents at the end of the period	<u>106,874,855</u>	<u>88,801,881</u>

The annexed notes from 1 to 23 form an integral part of these consolidated condensed interim financial statements.

  
**Aatif R. Bhatti**  
 President &  
 Chief Executive Officer

  
**Amth Uddin**  
 Director

  
**Zameer Mohammed Choudhry**  
 Director

  
**Nahayan Mubarak Al Nahayan**  
 Chairman

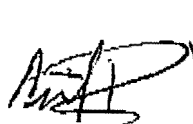
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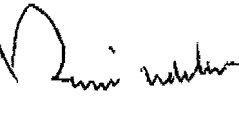
**U.B.L. UNITED BANK LTD.**


**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**


	Attributable to equity shareholders of the bank									
	Share Capital	General Reserve	Statutory Reserve	Capital Reserves - Exchange Translation Reserve	Equity Reserves - Employee Stock Option Reserve	Unappropriated Profit	Subsidiary	Non-controlling Interest	Total	
Balance as at January 01, 2013 (Audited) - as reported	12,241,768	3,000	16,022,214	11,831,541	(81,465)	1,169	34,877,654	23,249,411	2,217,345	74,269,798
Restatement due to change in accounting policy on recognition of statutory gains / losses on defined benefit obligations - restated as at January 01, 2013 (Audited) - restated							1,214,214	1,274,314		1,274,314
Transactions with owners recorded directly in equity for the nine months ended September 30, 2013										
Final cash dividend - December 31, 2012 declared and approved for the year ended 2012 at Rs 2.0 per share							(7,345,074)	(7,345,074)		(7,345,074)
Interim cash dividend - March 31, 2013 declared at Rs 1.0 per share							(1,224,183)	(1,224,183)		(1,224,183)
Interim cash dividend - June 30, 2013 declared at Rs 2.0 per share							(2,448,367)	(2,448,367)		(2,448,367)
Total comprehensive income for the nine months ended September 30, 2013							(11,017,628)	(11,017,628)		(11,017,628)
Profit after taxation for the nine months ended September 30, 2013 - restated							14,832,290	14,832,290	68,019	14,900,309
Other comprehensive income - net of tax				2,118,656	33,960		8,149,819	532,816		2,432,435
Total comprehensive income for the nine months ended September 30, 2013				2,118,656	33,960		22,982,109	17,023,096	68,019	17,332,744
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax							61,872	61,872		61,872
Transfer to statutory reserve			1,430,687				(1,410,677)			
Balance as at September 30, 2013 (Un-audited) - restated	12,241,768	3,000	17,452,901	13,646,187	(89,095)	1,169	37,867,843	21,358,625	2,717,330	84,948,119
Transactions with owners recorded directly in equity for the three months ended October 31, 2013										
Interim cash dividend - September 30, 2013 declared at Rs 2.0 per share							(2,448,367)	(2,448,367)		(2,448,367)
Employee stock option reserve							(117)	(117)		(117)
Total comprehensive income for the three months ended October 31, 2013							(117)	(2,448,484)		(2,448,601)
Profit after taxation for the three months ended October 31, 2013 - restated							4,280,664	4,280,664	(43,003)	4,237,661
Other comprehensive income - net of tax				839,308	8,041		(29,620)	781,819	148,738	2,058,846
Total comprehensive income for the three months ended October 31, 2013				839,308	8,041		4,251,044	5,062,483	105,735	6,293,869
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax							18,300	18,300	1,047	17,347
Transfer to statutory reserve			385,114				(698,118)			
Balance as at December 31, 2013 (Un-audited) - restated	12,241,768	3,000	17,838,015	14,485,228	(80,994)	1,069	39,359,127	23,849,813	2,827,060	88,072,976
Transactions with owners recorded directly in equity for the nine months ended September 30, 2013										
Final cash dividend - December 31, 2013 declared and approved for the year ended at Rs 3.0 per share							(4,324,823)	(4,324,823)		(4,324,823)
Interim cash dividend - March 31, 2013 declared at Rs 1.0 per share							(2,448,367)	(2,448,367)		(2,448,367)
Interim cash dividend - June 30, 2013 declared at Rs 2.0 per share							(2,448,367)	(2,448,367)		(2,448,367)
Employee stock option reserve							1,805	1,805		1,805
Total comprehensive income for the nine months ended September 30, 2013							(9,219,752)	(9,219,752)		(9,219,752)
Profit after taxation for the nine months ended September 30, 2013							17,861,172	17,861,172	(32,775)	17,828,397
Other comprehensive income - net of tax				3,019,855	14,218		5,833,261	547,418		8,874,351
Total comprehensive income for the nine months ended September 30, 2013				3,019,855	14,218		23,694,433	18,408,590	(32,775)	32,706,926
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax							51,669	51,669	690	52,359
Transfer to statutory reserve			1,299,429				(1,289,424)			
Balance as at September 30, 2013 (Un-audited)	12,241,768	3,000	19,137,444	17,504,307	(66,776)	2,887	42,377,817	24,309,332	3,057,621	94,748,680

The annexed notes from 1 to 23 form an integral part of these consolidated condensed interim financial statements.

  
**Amir R. Bokhari**  
 President & Chief Executive Officer

  
**Amin Uddin**  
 Director

  
**Zameer Mohammed Choudrey**  
 Director

  
**Nehayan Mebarek Al Nahayan**  
 Chairman

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**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**
**1. STATUS AND NATURE OF BUSINESS**

The Group consists of:

**Holding Company**

United Bank Limited (the Bank)

**Subsidiary Companies**

United National Bank Limited (UBL UK), United Kingdom

UBL (Switzerland) AG

UBL Bank (Tanzania) Limited

United Executors and Trustees Company Limited (JET), 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 1,282 (December 31, 2012: 1,278) branches inside Pakistan including 22 (December 31, 2012: 19) Islamic Banking branches and 1 (December 31, 2012: 1) branch in Karachi Export Processing Zone. The Bank also operates 18 (December 31, 2012: 18) branches outside Pakistan as at September 30, 2013.

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 UBL UK.

**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 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 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 21 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 (IAS) 34, Interim Financial Reporting, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. In case requirements differ, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.
- 3.2** The SBP, vide BSD Circular letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, International Financial Reporting Standard (IFRS) 7, Financial Instruments: Disclosures, has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these 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 IAS 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 financial statements of the Group for the year ended December 31, 2012.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**
**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 consolidated financial statements of the Group for the year ended December 31, 2012 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 financial statements of the Group for the year ended December 31, 2012.
- 4.3 During the period the Group has adopted IAS-19 (Revised) effective from January 1, 2013. The significant changes to IAS 19 are as follows:
- For defined benefit plans, the option to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in the profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income / (expense). All other changes in the net defined benefit obligation are recognized directly in other comprehensive income with no subsequent recycling through the profit and loss account.
  - The distinction between short-term and long-term employee benefits is based on the expected timing of settlement rather than the employee's entitlement to the benefits.
  - The revised standard has new or revised disclosure requirements. The disclosures now include quantitative information regarding the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

The adoption of the said amendments has resulted in a change in the Group's accounting policy related to recognition of actuarial gains and losses (note 5.11.1 to the consolidated financial statements for the year ended December 31, 2012). Consequently, the Group now recognizes all actuarial gains and losses directly in other comprehensive income with no subsequent recycling through the profit and loss account.

Had the said change not been made, the Group's equity as at September 30, 2013 would have been lower by Rs.998.739 million (December 31, 2012: Rs.1,073.315 million), profit after tax for the nine months ended September 30, 2013 would have been higher by Rs. 74.576 million and earnings per share would have been higher by Rs. 0.06.

**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 judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements of the Group for the year ended December 31, 2012.

(Un-audited) September 30, 2013	(Audited) December 31, 2012
----- (Rupees in '000) -----	

**6. LENDINGS TO FINANCIAL INSTITUTIONS**

Call money lendings	100,000	-
Repurchase agreement lendings	397,996	6,470,898
Other lendings to financial institutions	17,515,285	16,036,288
	18,013,281	22,507,186
Provision against lendings to financial institutions	(657,848)	(553,728)
	17,355,433	21,953,458



**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**
**7. INVESTMENTS**
**7.1 Investments by type**

	(Un-audited)			(Audited)		
	September 30, 2013			December 31, 2012		
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
----- (Rupees in '000) -----						
<b>Held for trading securities</b>						
Market Treasury Bills	2,988,095	-	2,988,095	3,797,712	-	3,797,712
Pakistan Investment Bonds	32,695	-	32,695	514,070	-	514,070
Ordinary shares of listed companies	511,978	-	511,978	498,289	-	498,289
Term Finance Certificates	99,793	-	99,793	102,445	-	102,445
Units of mutual funds	-	-	-	50,866	-	50,866
Sukuk Bonds	22,565	-	22,565	26,208	-	26,208
	3,655,126	-	3,655,126	4,989,590	-	4,989,590
<b>Available for sale securities</b>						
Market Treasury Bills	145,720,083	13,930,237	159,650,320	78,285,856	44,734,778	123,020,634
Pakistan Investment Bonds	66,911,660	441,644	67,353,304	63,327,795	-	63,327,795
Government of Pakistan Sukuk	7,935,012	-	7,935,012	9,043,880	-	9,043,880
Government of Pakistan Eurobonds	12,806,171	-	12,806,171	9,466,364	-	9,466,364
Ordinary shares of listed companies	12,343,529	-	12,343,529	6,537,792	-	6,537,792
Preference shares	447,145	-	447,145	430,177	-	430,177
Ordinary shares of unlisted companies	243,366	-	243,366	243,176	-	243,176
Term Finance Certificates	2,032,456	-	2,032,456	2,021,204	-	2,021,204
Units of mutual funds	-	-	-	114,075	-	114,075
Foreign bonds	55,841,405	-	55,841,405	50,830,519	-	50,830,519
	304,280,827	14,371,881	318,652,708	220,300,838	44,734,778	265,035,616
<b>Held to maturity securities</b>						
Market Treasury Bills	56,328,073	-	56,328,073	54,799,452	-	54,799,452
Pakistan Investment Bonds	38,629,521	-	38,629,521	31,273,156	-	31,273,156
Government of Pakistan Eurobonds	6,116,444	-	6,116,444	1,626,312	-	1,626,312
Government of Pakistan Sukuk	300,000	-	300,000	300,000	-	300,000
Government of Pakistan Guaranteed Bonds	34,143	-	34,143	42,654	-	42,654
Term Finance Certificates	3,852,240	-	3,852,240	3,971,848	-	3,971,848
Sukuk Bonds	1,365,485	-	1,365,485	1,498,551	-	1,498,551
Participation Term Certificates	4,939	-	4,939	4,939	-	4,939
Debentures	4,392	-	4,392	4,392	-	4,392
Foreign bonds	1,069,263	-	1,069,263	653,947	-	653,947
Recovery note	326,922	-	326,922	307,517	-	307,517
CDC SAARC Fund	230	-	230	211	-	211
	108,031,652	-	108,031,652	94,482,979	-	94,482,979
<b>Associates</b>						
United Growth and Income Fund	2,801,033	-	2,801,033	2,557,423	-	2,557,423
UBL Liquidity Plus Fund	436,427	-	436,427	6,373,263	-	6,373,263
UBL Shariah Stock Fund	-	-	-	524,191	-	524,191
United Islamic Income Fund	205,193	-	205,193	192,062	-	192,062
United Stock Advantage Fund	-	-	-	523,026	-	523,026
UBL Savings Income Fund	200,660	-	200,660	190,189	-	190,189
UBL Islamic Sovereign Fund	340,236	-	340,236	337,613	-	337,613
UBL Islamic Retirement Savings Fund	148,722	-	148,722	128,771	-	128,771
UBL Retirement Savings Fund	153,105	-	153,105	132,088	-	132,088
UBL Principal Protected Fund - I	205,278	-	205,278	166,951	-	166,951
UBL Principal Protected Fund - II	97,300	-	97,300	-	-	-
UBL Government Securities Fund	147,305	-	147,305	266,799	-	266,799
UBL Islamic Cash Fund	106,939	-	106,939	102,074	-	102,074
UBL Gold Fund	88,971	-	88,971	-	-	-
UBL Islamic Principal Preservation Fund - I	112,211	-	112,211	-	-	-
UBL Asset Allocation Fund	313,021	-	313,021	-	-	-
UBL Financial Sector Bond Fund	103,539	-	103,539	-	-	-
UBL Insurers Limited	204,838	-	204,838	196,855	-	196,855
Khushhali Bank Limited	931,993	-	931,993	876,358	-	876,358
Oman United Exchange Company, Muscat	67,280	-	67,280	68,126	-	68,126
	6,664,051	-	6,664,051	12,635,789	-	12,635,789
	422,631,656	14,371,881	437,003,537	332,409,196	44,734,778	377,143,974
Provision for diminution in value of investments	(1,502,932)	-	(1,502,932)	(1,420,570)	-	(1,420,570)
<b>Investments (net of provisions)</b>	421,128,724	14,371,881	435,500,605	330,988,626	44,734,778	375,723,404
Surplus / (deficit) on revaluation of available for sale securities	1,393,075	(17,305)	1,375,770	5,129,617	393,416	5,523,033
Deficit on revaluation of held for trading securities	(74,145)	-	(74,145)	(534)	-	(534)
<b>Total Investments</b>	422,447,654	14,354,576	436,802,230	336,117,709	45,128,194	381,245,903

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
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	Note	(Un-audited) September 30, 2013	(Audited) December 31, 2012
----- (Rupees in '000) -----			
<b>8. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		257,345,519	273,319,693
Outside Pakistan		129,492,563	113,739,351
		<u>386,838,082</u>	<u>387,059,044</u>
Bills discounted and purchased			
Payable in Pakistan		29,652,191	25,396,189
Payable outside Pakistan		22,748,473	18,239,209
		<u>52,400,664</u>	<u>43,635,398</u>
Advances - gross		439,238,746	430,694,442
Provision against advances			
Specific		(44,614,160)	(43,597,349)
General	8.2	(2,397,238)	(1,262,832)
Advances - net of provision		<u>392,227,348</u>	<u>385,834,261</u>

8.1 Advances include Rs. 54,771 million (December 31, 2012: Rs.58,450 million) which have been placed under non-performing status as detailed below:

Category of Classification	September 30, 2013 (Un-audited)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
----- (Rupees in '000) -----									
Other assets especially mentioned *	230,440	-	230,440	1,531	-	1,531	1,531	-	1,531
Substandard	2,134,124	497,259	2,631,383	182,509	114,357	296,866	182,509	114,357	296,866
Doubtful	808,471	3,017,251	3,825,722	371,570	1,361,921	1,733,491	371,570	1,361,921	1,733,491
Loss	40,707,833	7,376,038	48,083,871	37,691,010	4,891,262	42,582,272	37,691,010	4,891,262	42,582,272
	<u>43,880,868</u>	<u>10,890,548</u>	<u>54,771,416</u>	<u>38,246,620</u>	<u>6,367,540</u>	<u>44,614,160</u>	<u>38,246,620</u>	<u>6,367,540</u>	<u>44,614,160</u>
Category of Classification	December 31, 2012 (Audited)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
----- (Rupees in '000) -----									
Other assets especially mentioned *	248,010	-	248,010	-	-	-	-	-	-
Substandard	2,138,136	1,693,617	3,831,753	425,466	338,035	763,501	425,466	338,035	763,501
Doubtful	2,540,057	2,847,071	5,387,128	1,148,763	1,191,246	2,340,009	1,148,763	1,191,246	2,340,009
Loss	42,982,937	6,000,329	48,983,266	36,264,639	4,229,200	40,493,839	36,264,639	4,229,200	40,493,839
	<u>47,909,140</u>	<u>10,541,017</u>	<u>58,450,157</u>	<u>37,838,868</u>	<u>5,758,481</u>	<u>43,597,349</u>	<u>37,838,868</u>	<u>5,758,481</u>	<u>43,597,349</u>

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

- 8.2 General provision represents provision amounting to Rs.256.494 million (December 31, 2012: Rs.264.970 million) against consumer finance portfolio and Rs.44.700 million (December 31, 2012: Nil) against advances to small enterprises as required by the Prudential Regulations issued by the SBP and Rs.2,048.044 million (December 31, 2012: Rs.949.862 million) pertaining to overseas advances to meet the requirements of the monetary agencies and regulatory authorities of the respective countries in which the Group operates. General provisions also include an amount of Rs. 48.000 million (December 31, 2012: Rs.48.000 million) which the Bank carries as a matter of prudence given the current economic environment, and is based on management estimates.
- 8.3 The Bank has availed the benefit of Forced Sale Value (FSV) of 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.2,152 million (December 31, 2012: Rs.3,169 million). The FSV benefit recognized will not be available for the distribution of cash or stock dividend to shareholders.

	Note	(Un-audited) September 30, 2013	(Audited) December 31, 2012
----- (Rupees in '000) -----			
<b>9. OPERATING FIXED ASSETS</b>			
Capital work-in-progress		1,902,502	1,840,902
Property and equipment		24,547,303	24,115,928
Intangible assets		1,512,529	1,504,009
	9.1	<u>27,962,334</u>	<u>27,460,839</u>

9.1 Additions and disposals during the period amounted to Rs. 2,029.110 million (September 30, 2012: Rs.2,729.018 million) and Rs. 427.988 million (September 30, 2012: Rs.275.924 million), respectively.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
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	(Un-audited) September 30, 2013	(Audited) December 31, 2012
	----- (Rupees in '000) -----	
<b>10. BORROWINGS</b>		
<b>Secured</b>		
Borrowings from the State Bank of Pakistan		
Export refinance scheme	10,288,323	12,460,384
Refinance facility for modernization of SME	28,821	32,050
Long term financing facility	5,583,804	3,535,341
Long term financing under export oriented projects	529,478	822,015
	16,430,426	16,849,790
Repurchase agreement borrowings	14,348,483	45,064,760
	<u>30,778,909</u>	<u>61,914,550</u>
<b>Unsecured</b>		
Call borrowings	8,554,678	4,508,819
Overdrawn nostro accounts	631	764
Other borrowings	2,491,878	2,296,897
	11,047,187	6,806,480
	<u>41,826,096</u>	<u>68,721,030</u>
<b>11. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	269,446,884	237,103,473
Savings deposits	273,116,779	242,577,264
Sundry deposits	7,449,318	7,662,302
Margin deposits	5,668,407	4,066,910
Current accounts - remunerative	7,194,127	7,371,644
Current accounts - non-remunerative	257,444,497	238,283,495
	<u>820,320,012</u>	<u>737,065,088</u>
<b>Financial Institutions</b>		
Remunerative deposits	6,094,959	9,467,652
Non-remunerative deposits	6,589,112	7,225,703
	12,684,071	16,693,355
	<u>833,004,083</u>	<u>753,758,443</u>
<b>12. SUBORDINATED LOANS</b>		

The Bank has exercised the call option available under the terms of issuance of the Term Finance Certificate - IV (Issue date February 2008), as explained in note 18.2 to the consolidated financial statements for the year ended December 31, 2012, after completing required regulatory requirements. Accordingly the entire issue of the said TFC of Rs.5,988 million has been redeemed on August 13, 2013, being the option redemption date.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

	Note	(Un-audited) September 30, 2013 ----- (Rupees in '000) -----	(Audited) December 31, 2012
<b>13. 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		10,995,997	10,947,713
- Non-controlling interest		643,234	563,051
	13.1	11,639,231	11,510,764
Securities			
- Group's share		956,512	3,541,845
- Non-controlling interest		(280,175)	216,578
	13.2	676,337	3,758,423
Deficit arising on revaluation of assets of associates		(23,199)	(14,164)
		<u>12,292,369</u>	<u>15,255,023</u>
<b>13.1 Surplus on revaluation of fixed assets</b>			
Surplus on revaluation of fixed assets at January 01		16,581,261	16,687,720
Revaluation of fixed assets during the period / year		-	(168,777)
Exchange adjustments		180,496	167,723
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year		(51,679)	(69,359)
Related deferred tax liability on incremental depreciation charged during the period / year		(27,121)	(36,046)
		<u>101,696</u>	<u>(106,459)</u>
		16,682,957	16,581,261
Less: Related deferred tax liability on:			
Revaluation as on January 01		5,070,497	5,106,310
Exchange adjustments		350	233
Incremental depreciation charged on related assets		(27,121)	(36,046)
		<u>5,043,726</u>	<u>5,070,497</u>
		<u>11,639,231</u>	<u>11,510,764</u>
<b>13.2 Surplus / (deficit) on revaluation of available for sale securities</b>			
Market Treasury Bills		(10,478)	626,591
Pakistan Investment Bonds		(952,327)	2,692,613
Listed shares		2,199,917	368,507
Mutual fund units		4	(1,875)
Term Finance Certificates, Sukuks, other Bonds etc.		39,242	109,937
Foreign bonds		99,412	1,727,260
		1,375,770	5,523,033
Related deferred tax liability		(699,433)	(1,764,610)
		<u>676,337</u>	<u>3,758,423</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

	(Un-audited) September 30, 2013 ----- (Rupees in '000) -----	(Audited) December 31, 2012
<b>14. CONTINGENCIES AND COMMITMENTS</b>		
<b>14.1 Direct credit substitutes</b>		
Contingent liabilities in respect of guarantees given favouring:		
Government	3,836,917	2,631,890
Banking companies and other financial institutions	3,321,050	4,921,308
Others	3,543,006	3,063,407
	<u>10,700,973</u>	<u>10,616,605</u>
<b>14.2 Transaction-related contingent liabilities</b>		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring:		
Government	90,734,015	75,352,238
Banking companies and other financial institutions	3,372,655	4,559,713
Others	29,875,657	20,091,896
	<u>123,982,327</u>	<u>100,003,847</u>
<b>14.3 Trade-related contingent liabilities</b>		
Contingent liabilities in respect of letters of credit opened favouring:		
Government	48,816,053	54,620,793
Banking companies and other financial institutions	4,246,975	4,455,647
Others	112,456,607	91,944,043
	<u>165,519,635</u>	<u>151,020,483</u>
<b>14.4 Other contingencies</b>		
Claims against the Group not acknowledged as debts	<u>24,126,515</u>	<u>23,823,493</u>
Contingency in respect of Workers' Welfare Fund	<u>305,997</u>	<u>-</u>
<b>14.5 Commitments to extent 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) September 30, 2013 ----- (Rupees in '000) -----	(Audited) December 31, 2012
<b>14.6 Commitments in respect of forward exchange contracts</b>		
Purchase	<u>234,587,723</u>	<u>141,981,927</u>
Sale	<u>199,581,760</u>	<u>112,686,309</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

	Note	(Un-audited) September 30, 2013 ----- (Rupees in '000) -----	(Audited) December 31, 2012
<b>14.7 Commitments in respect of derivatives</b>			
Forward purchase of Government securities		4,997	-
Forward sale of Government securities		51,137	308,867
Interest rate swaps		6,927,610	8,059,417
Cross currency swaps		10,195,070	12,490,616
FX Options - purchased		129,960	37,234
FX Options - sold		129,960	37,234
Commodity futures		-	489
<b>14.8 Commitments in respect of capital expenditure</b>		<b>1,796,185</b>	<b>2,150,282</b>
<b>14.9 For contingencies relating to taxation refer note</b>	18		
		September 30, 2013 ----- (Rupees in '000) -----	September 30, 2012
<b>15. MARK-UP / RETURN / INTEREST EARNED</b>			
On loans and advances to customers		24,732,882	29,288,512
On lendings to financial institutions			
Call money lendings		4,396	10,156
Repurchase agreement lendings		181,217	238,847
Other lendings to financial institutions		289,862	337,602
		475,475	586,605
On investments in			
Held for trading securities		437,109	622,673
Available for sale securities		20,230,900	17,333,152
Held to maturity securities		9,433,375	8,641,206
		30,101,384	26,597,031
On deposits with financial institutions		176,212	214,726
		<b>55,485,953</b>	<b>56,686,874</b>
<b>16. MARK-UP / RETURN / INTEREST EXPENSED</b>			
On deposits		21,490,550	21,230,147
On securities sold under repurchase agreements		3,010,841	2,865,544
On other short term borrowings		1,711,594	1,511,738
On long term borrowings		853,178	1,214,117
		<b>27,066,163</b>	<b>26,821,546</b>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

	<b>September 30, 2013</b>	<b>September 30, 2012</b>
	----- (Rupees in '000) -----	
<b>17. ADMINISTRATIVE EXPENSES</b>		
Salaries, allowances etc.	7,724,717	7,194,792
Charge for compensated absences	434,407	439,821
Medical expenses	351,637	323,626
Contribution to defined contribution plan	200,319	172,916
Charge in respect of defined benefit obligations	128,472	62,332
Rent, taxes, insurance, electricity etc.	2,732,010	2,313,105
Depreciation	1,338,186	1,145,280
Amortization	362,644	337,582
Outsourced service charges including sales commission	2,263,678	1,644,759
Communications	819,156	728,209
Banking service charges	683,764	636,749
Cash transportation charges	317,152	283,798
Stationery and printing	437,766	383,899
Legal and professional charges	208,083	242,142
Advertisement and publicity	413,538	601,197
Repairs and maintenance	947,152	886,866
Travelling	179,044	205,867
Office running expenses	325,135	297,447
Vehicle expenses	140,660	127,600
Entertainment	132,047	118,583
Cartage, freight and conveyance	70,893	69,105
Insurance expense	92,861	108,234
Auditors' remuneration	76,387	64,170
Training and seminars	69,318	85,160
Brokerage expenses	37,548	21,874
Subscriptions	64,004	68,611
Donations	41,321	6,354
Non-executive Directors' fees	23,966	24,010
Zakat paid by overseas branch	72,278	71,334
Miscellaneous expenses	199,621	108,415
	<u>20,887,764</u>	<u>18,773,837</u>

**18. TAXATION**

The Income Tax returns of the Bank have been filed up to the tax year 2012 (accounting year ended December 31, 2011) and were deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (Ordinance) unless amended by the Commissioner of Inland Revenue.

The income tax authorities have issued amended assessment orders for the tax years 2003 to 2012, and created additional tax demands of Rs.9,589 million, which have been fully paid as required under the law. The Bank has filed appeals before the various appellate forums against these amendments. Where the appellate authorities have allowed relief on certain issues, the assessing authorities have filed appeals before higher appellate forums. Where the appellate authorities have not allowed relief the Bank has filed appeals before higher appellate forums. The management of the Bank is confident that the appeals will be decided in favor of the Bank.

Under the Seventh Schedule to the Ordinance, banks are allowed to claim provisions against advances up to 5% of total advances for consumer and small and medium enterprises and up to 1% of total advances for remaining advances. Amounts above these limits are allowed to be claimed in future years. The Bank has booked a deferred tax asset of Rs.3,229 million (December 31, 2012: Rs.3,229 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, 2012: 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)  
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The tax returns for Azad Kashmir (AK) Branches have been filed upto the tax year 2012 (financial year 2011) 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 upto the year ended December 31, 2012 under the provisions of the laws prevailing in the respective countries, and are deemed as assessed unless opened for reassessment.

Income tax returns have been filed up to the accounting year ended December 31, 2012 for UBL (Switzerland) AG and UBL Bank (Tanzania) Limited and for other subsidiaries, upto 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 by the tax authorities. Additionally, for UBL UK and UBL (Switzerland) AG, tax clearance has been issued till the accounting years 2010 and 2012 respectively. There are no material tax contingencies in any of the subsidiaries.

**19. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES**
**For the nine months ended September 30, 2013 (Un-audited)**

	Corporate finance	Trading & sales	Retail banking	Commercial banking	Asset management	Others	Inter segment elimination
----- (Rupees in '000) -----							
Total income	171,123	12,560,312	22,465,468	6,442,652	481,248	1,660,118	-
Total expenses	(61,120)	(1,127,812)	(17,288,281)	(3,293,898)	(354,533)	(1,145,371)	-
Profit before tax	110,003	11,432,500	5,177,187	3,148,754	126,715	514,747	-
Segment return on assets (ROA)	26.8%	2.1%	0.7%	0.7%	19.7%	-	-
Segment cost of funds	1.9%	6.3%	3.7%	6.6%	-	-	-

**For the nine months ended September 30, 2012 (Un-audited)**

	Corporate finance	Trading & sales	Retail banking	Commercial banking	Asset management	Others	Inter segment elimination
----- (Rupees in '000) -----							
Total income	189,652	9,380,352	26,376,738	6,418,504	546,377	1,801,048	-
Total expenses	(204,345)	(524,403)	(15,961,037)	(4,709,060)	(335,260)	(1,016,618)	-
Profit before tax	(14,693)	8,855,949	10,415,701	1,709,444	211,117	784,430	-
Segment return on assets (ROA)	-1.4%	2.1%	1.5%	0.4%	34.8%	-	-
Segment cost of funds	0.8%	8.0%	4.2%	8.7%	-	-	-

**As at September 30, 2013 (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)	862,193	508,370,476	733,039,954	389,020,222	867,441	90,331,279	(664,465,404)
Segment non performing loans (NPLs)	691,744	2,068,296	25,939,947	25,871,319	-	200,110	-
Segment provision held against NPLs	(492,494)	(1,666,792)	(20,473,403)	(21,921,318)	-	(60,153)	-
Segment liabilities	298,550	460,931,351	743,750,081	354,015,251	149,708	10,681,535	(664,465,404)

**As at December 31, 2012 (Audited)**

	Corporate finance	Trading & sales	Retail banking	Commercial banking	Asset management	Others	Inter segment elimination
----- (Rupees in '000) -----							
Segment assets (gross of NPL provisions)	1,433,174	450,699,629	685,611,394	390,266,030	737,335	82,310,388	(604,862,720)
Segment non performing loans (NPLs)	1,016,151	2,122,695	26,368,364	28,742,837	-	200,110	-
Segment provision held against NPLs	(441,892)	(1,520,078)	(20,786,315)	(20,788,911)	-	(60,153)	-
Segment liabilities	1,069,695	404,871,830	688,501,759	356,701,543	110,087	14,277,989	(604,862,720)

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 NINE MONTHS ENDED SEPTEMBER 30, 2013**
**20. 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 appointment.

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

	As at September 30, 2013 (Un-audited)				As at December 31, 2012 (Audited)			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
(Rupees in '000)								
<b>Balances with banks</b>								
In current accounts	-	-	-	-	-	-	-	-
In deposit accounts	-	-	-	686,239	-	-	-	773,770
	<u>-</u>	<u>-</u>	<u>-</u>	<u>686,239</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>773,770</u>
<b>Landings to financial institutions</b>								
Other landings to financial institution	-	-	-	118,479	-	-	-	810,000
<b>Investments</b>								
Opening balance	-	-	12,635,789	427,085	-	-	16,282,680	310,430
Transfer in	-	-	-	-	-	-	200,000	-
Investment made during the period / year	-	-	1,040,497	816,498	-	-	2,927,737	193,224
Investment redeemed / disposed off during the period / year	-	-	(8,003,735)	(491,881)	-	-	(7,170,646)	(76,569)
Equity method adjustments	-	-	991,500	-	-	-	396,018	-
Closing balance	-	-	6,664,051	751,702	-	-	12,635,789	427,085
Provision for diminution in value of investments	-	-	-	48,158	-	-	-	48,158
<b>Advances</b>								
Opening balance	-	254,497	-	-	871	236,603	-	-
Addition during the period / year	-	83,197	-	-	-	147,808	-	-
Repaid during the period / year	-	(89,299)	-	-	(871)	(129,914)	-	-
Closing balance	-	248,395	-	-	-	254,497	-	-
<b>Other Assets</b>								
Interest mark-up accrued	-	126	-	11,651	-	249	-	7,756
Receivable from staff retirement funds	-	-	-	1,305,414	-	-	-	1,600,549
Prepaid insurance	-	-	73,758	-	-	-	16	-
Remuneration receivable from management of funds	-	-	40,233	1,002	-	-	12,908	145
Sales load receivable	-	-	2,173	-	-	-	2,102	-
Formation cost receivable	-	-	10,068	-	-	-	2,771	-
Advance for Pre-IPO investment	-	-	-	-	-	-	-	364,000
Receivable against redemption of units of mutual funds	-	-	-	-	-	-	1,004,226	-
Dividend receivable	-	-	1,287	-	-	-	-	-
Other receivable	-	-	461	-	-	-	1,438	-
<b>Borrowings</b>								
Opening balance	-	-	-	306,215	-	-	-	449,740
Borrowings during the period / year	-	-	2,155,493	7,243,620	-	-	4,548,669	88,156,884
Settled during the period / year	-	-	(2,155,493)	(7,511,336)	-	-	(4,548,669)	(88,300,409)
Closing balance	-	-	-	38,499	-	-	-	306,215
<b>Deposits and other accounts</b>								
Opening balance	6,173,963	100,272	824,548	2,579,394	2,898,779	91,090	1,310,093	2,044,951
Received during the period / year	15,465,319	906,282	50,557,046	181,401,060	6,948,406	922,237	55,101,601	87,261,576
Withdrawn during the period / year	(12,488,506)	(889,055)	(50,801,138)	(181,701,101)	(3,673,222)	(913,055)	(55,587,146)	(86,727,133)
Closing balance	9,150,776	117,499	580,456	2,279,353	6,173,963	100,272	824,548	2,579,394
<b>Subordinated loans</b>	-	-	-	-	-	5	5,998	-
<b>Other Liabilities</b>								
Interest / mark-up payable on deposits	42,338	184	2,000	25,001	75,061	648	-	13,370
Interest / mark-up payable on borrowings	-	-	-	42	-	-	-	837
Interest / mark-up payable on subordinated loans	-	-	-	-	-	0	167	-
Payable to staff retirement fund	-	-	-	235,356	-	-	-	225,887
<b>Contingencies and Commitments</b>								
Letter of guarantee	-	-	78,599	-	-	-	71,993	-
Forward foreign exchange contracts purchase	-	-	-	2,662,179	-	-	-	2,914,491
Forward foreign exchange contracts sale	-	-	-	2,184,869	-	-	-	2,817,341

	For the nine months ended September 30, 2013 (Un-audited)				For the nine months ended September 30, 2012 (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	-	8,510	-	75,906	77	9,837	-	123,725
Commission / charges recovered	6	25	586	646	29	22	824	419
Dividend received	-	-	31,905	84,599	-	-	1,126,350	12,847
Net gain on sale of securities	-	-	921,712	9,841	-	-	31,362	-
Realised gain on derivative transactions	-	-	-	-	-	-	-	1,123,975
Remuneration from management of fund	-	-	318,896	8,620	-	-	446,827	8,021
Sales Load	-	-	66,309	-	-	-	23,634	-
Other income	-	153	244	-	-	685	4,562	-
Mark-up / return / interest paid	182,477	2,231	43,562	75,285	119,044	1,341	8,547	106,586
Remuneration paid	-	776,947	-	-	-	590,239	-	-
Post employment benefits	-	20,032	-	-	-	18,686	-	-
Non-executive directors' fee	23,966	-	-	-	24,010	-	-	-
Net charge for defined contribution plans	-	-	-	200,319	-	-	-	172,916
Net reversal for defined benefit plans	-	-	-	(45,082)	-	-	-	(76,921)
Payment for employee motivation and retention scheme	-	-	-	-	-	-	-	250,000
Donation	-	-	-	-	-	-	-	25
Other expenses	-	-	-	55,099	-	-	-	53,781
Insurance premium paid	-	-	267,310	-	-	-	254,977	-
Insurance claims settled	-	-	138,935	-	-	-	116,669	-

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**
**21. ISLAMIC BANKING BUSINESS**

21.1 The statement of financial position of the Bank's Islamic Banking branches as at September 30, 2013 is as follows:

	Note	(Un-audited) September 30, 2013	(Audited) December 31, 2012
----- (Rupees in '000) -----			
<b>ASSETS</b>			
Cash and balances with treasury banks		750,284	748,333
Balances with other banks		115,184	1,293,290
Investments		8,678,454	8,036,026
Islamic financing and related assets	21.3	5,413,392	3,118,266
Operating fixed assets		111,676	100,250
Other assets		183,369	173,481
<b>Total Assets</b>		<b>15,252,359</b>	<b>13,469,646</b>
<b>LIABILITIES</b>			
Bills payable		4,682	960
Deposits and other accounts			
Current accounts		2,124,196	1,863,420
Saving accounts		2,765,434	2,533,628
Term deposits		2,445,295	3,141,108
Deposits from financial institutions - remunerative		4,169,404	4,956,027
		11,504,329	12,494,183
Due to Head Office		2,969,163	272,971
Other liabilities		246,899	162,915
		14,725,073	12,931,029
<b>NET ASSETS</b>		<b>527,286</b>	<b>538,617</b>
<b>REPRESENTED BY</b>			
Islamic Banking Fund		681,000	681,000
Accumulated losses		(169,349)	(194,579)
		511,651	486,421
Surplus on revaluation of assets		15,635	52,196
		<b>527,286</b>	<b>538,617</b>

21.2 The profit and loss account of the Bank's Islamic Banking branches for the nine months ended September 30, 2013 is as follows:

	(Un-audited)----- September 30, 2013	September 30, 2012
----- (Rupees in '000) -----		
Return earned	1,118,308	1,013,036
Return expensed	(664,832)	(588,855)
	453,476	424,181
Provision against loans and advances - net	-	(4,401)
Reversal of diminution in value of investments - net	1,080	36,508
Reversal / (provision) against assets given on Ijarah	2,048	(14,574)
	3,128	17,533
Net return after provisions	456,604	441,714
<b>Other Income</b>		
Fee, commission and brokerage income	11,415	9,003
Dividend income	15,812	39,794
Income from dealing in foreign currencies	8,829	26,697
Gain on sale of securities - net	5,906	860
Other income	7,438	6,696
Total other income	49,400	83,050
	506,004	524,764
<b>Other Expenses</b>		
Administrative expenses	(480,774)	(340,641)
Other provisions - net	-	(2,279)
Total other expenses	(480,774)	(342,920)
Net profit for the period	25,230	181,844
Accumulated losses brought forward	(194,579)	(199,658)
Accumulated losses carried forward	(169,349)	(17,814)
<b>Remuneration to Shariah Advisor</b>	<b>950</b>	<b>1,877</b>

**21.3 Islamic financing and related assets**

	(Un-audited) September 30, 2013	(Audited) December 31, 2012
----- (Rupees in '000) -----		
<b>Financings</b>		
Murabaha	3,547,032	1,394,021
Ijarah	879,947	982,463
Musharaka	-	55,556
Diminishing Musharaka	523,536	192,924
Salam	378,674	347,171
Provision against financings	(29,864)	(29,864)
	5,299,325	2,942,271
<b>Advances</b>		
Advances and receivables against Ijarah	112,344	171,780
Advances for Murabaha	17,498	17,531
Provision against advances for Murabaha	(17,498)	(17,498)
	112,344	171,813
Profit receivable against financings	1,723	4,182
	<b>5,413,392</b>	<b>3,118,266</b>



**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

**22 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

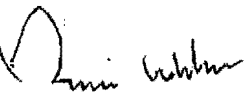
The Board of Directors in its meeting held on October 24, 2013 has declared a cash dividend in respect of the nine months ended September 30, 2013 of Rs 2.0 per share (September 30, 2012: Rs 2.0). The consolidated condensed interim financial statements for the nine months ended September 30, 2013 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

**23. DATE OF AUTHORIZATION**

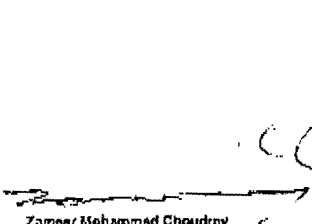
These consolidated condensed interim financial statements were authorised for issue on October 24, 2013 by the Board of Directors.



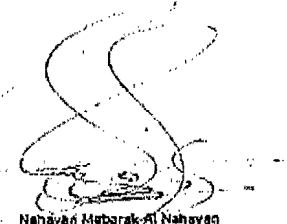
Atif R. Bokhari  
President  
Chief Executive Officer



Amin Uddin  
Director



Zameer Mohammed Choudry  
Director



Nahayan Mubarak Al Nahayan  
Chairman

**SIGN HERE**