

United Bank Limited  
**CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE HALF YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**





**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2013**

	Note	(Un-audited) June 30, 2013	(Audited) December 31, 2012 (Restated)
----- (Rupees in '000) -----			
<b>ASSETS</b>			
Cash and balances with treasury banks		93,398,409	94,766,489
Balances with other banks		22,094,442	22,843,080
Lendings to financial institutions	6	18,552,041	21,953,458
Investments	7	459,202,289	381,245,903
Advances	8	383,202,597	385,834,261
Operating fixed assets	9	27,645,015	27,460,839
Deferred tax asset - net		-	-
Other assets		31,016,611	27,701,557
		<u>1,035,111,404</u>	<u>961,805,587</u>
<b>LIABILITIES</b>			
Bills payable		20,582,527	7,615,382
Borrowings	10	69,550,760	67,215,209
Deposits and other accounts	11	811,612,408	755,264,264
Sub-ordinated loans	12	6,985,996	9,319,264
Liabilities against assets subject to finance lease		1,731	2,109
Deferred tax liability - net		1,185,970	856,486
Other liabilities		20,445,582	19,605,175
		<u>930,364,974</u>	<u>859,877,889</u>
<b>NET ASSETS</b>		<u>104,746,430</u>	<u>101,927,698</u>
<b>REPRESENTED BY</b>			
Share capital		12,241,798	12,241,798
Reserves		33,868,503	32,298,690
Unappropriated profit		40,636,153	39,305,127
Total equity attributable to the equity holders of the Bank		<u>86,746,454</u>	<u>83,845,615</u>
Non-controlling interest		3,139,892	2,827,060
		<u>89,886,346</u>	<u>86,672,675</u>
Surplus on revaluation of assets - net of deferred tax	13	14,860,084	15,255,023
		<u>104,746,430</u>	<u>101,927,698</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	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

**Rana Assad Amin**  
Director

**Amin Uddin**  
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, 2013**

	Note	April-June 2013	April-June 2012 (Restated)	January-June 2013	January-June 2012 (Restated)
----- (Rupees in '000) -----					
Mark-up / return / interest earned	15	19,006,821	18,946,545	36,716,106	36,954,287
Mark-up / return / interest expensed	16	(9,649,457)	(9,089,417)	(18,216,578)	(17,303,968)
Net mark-up / interest income		9,357,364	9,857,128	18,499,528	19,650,319
Provision against loans and advances - net		(619,815)	(366,110)	(1,145,399)	(972,546)
Provision against lendings to financial institutions - net		(65,524)	(89,874)	(61,186)	(171,024)
(Provision) / reversal for diminution in value of investments - net		(15,853)	37,766	(29,073)	43,937
Bad debts written off directly		(63,992)	(115,182)	(108,683)	(194,460)
		(765,184)	(533,400)	(1,344,341)	(1,294,093)
Net mark-up / interest income after provisions		8,592,180	9,323,728	17,155,187	18,356,226
<b>Non mark-up / interest income</b>					
Fee, commission and brokerage income		2,647,151	2,412,351	5,300,744	4,572,420
Dividend income		70,754	123,643	613,605	296,632
Income from dealing in foreign currencies		408,040	497,016	824,069	1,084,748
Gain on sale of securities - net		1,136,979	53,292	2,137,096	470,496
Unrealized loss on revaluation of investments classified as held for trading		(13,880)	(6,565)	(7,593)	(10,904)
Other income		376,173	355,753	560,223	805,386
Total non mark-up / interest income		4,625,217	3,435,490	9,428,144	7,218,778
		13,217,397	12,759,218	26,583,331	25,575,004
<b>Non mark-up / interest expenses</b>					
Administrative expenses	17	(7,137,185)	(6,306,378)	(13,789,312)	(12,278,190)
Other provisions - net		(67,061)	(192,399)	(71,015)	(206,230)
Workers' welfare fund		(127,407)	(130,060)	(244,722)	(278,422)
Other charges		(12,575)	(25,998)	(25,374)	(52,391)
Total non mark-up / interest expenses		(7,344,228)	(6,654,835)	(14,130,423)	(12,815,233)
		5,873,169	6,104,383	12,452,908	12,759,771
Share of income of associates		532,222	502,872	826,581	1,090,832
<b>Profit before taxation</b>		<b>6,405,391</b>	<b>6,607,255</b>	<b>13,279,489</b>	<b>13,850,603</b>
<b>Taxation</b>					
- Current	18	(2,070,642)	(2,162,571)	(4,019,296)	(4,607,791)
- Prior		(10,544)	-	(10,544)	-
- Deferred		(28,151)	42,410	(4,867)	107,965
		(2,109,337)	(2,120,161)	(4,034,707)	(4,499,826)
<b>Profit after taxation</b>		<b>4,296,054</b>	<b>4,487,094</b>	<b>9,244,782</b>	<b>9,350,777</b>
<b>Attributable to:</b>					
Equity shareholders of the Bank		4,185,993	4,470,173	8,861,945	9,327,478
Non-controlling interest		110,061	16,921	382,837	23,299
		<b>4,296,054</b>	<b>4,487,094</b>	<b>9,244,782</b>	<b>9,350,777</b>
----- (Rupees) -----					
<b>Earnings per share - basic and diluted</b>		3.42	3.65	7.24	7.62

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

**Rana Assad Amin**  
Director

**Amin Uddin**  
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, 2013**

	April-June 2013	April-June 2012 (Restated)	January-June 2013	January-June 2012 (Restated)
----- (Rupees in '000) -----				
<b>Profit after taxation for the period attributable to:</b>				
Equity shareholders of the Bank	4,185,993	4,470,173	8,861,945	9,327,478
Non-controlling interest	110,061	16,921	382,837	23,299
	<u>4,296,054</u>	<u>4,487,094</u>	<u>9,244,782</u>	<u>9,350,777</u>
<b>Other comprehensive income:</b>				
Exchange differences on translation of net investment in foreign branches and subsidiaries				
- Equity shareholders of the Bank	472,234	1,282,551	725,173	1,791,225
- Non-controlling interest	68,650	52,822	(70,528)	165,218
	<u>540,884</u>	<u>1,335,373</u>	<u>654,645</u>	<u>1,956,443</u>
Gain on cash flow hedges	5,596	14,087	16,382	36,386
Related deferred tax liability on cash flow hedges	(1,959)	(4,930)	(5,734)	(12,735)
	<u>3,637</u>	<u>9,157</u>	<u>10,648</u>	<u>23,651</u>
	<u>544,521</u>	<u>1,344,530</u>	<u>665,293</u>	<u>1,980,094</u>
<b>Comprehensive income transferred to equity - net of tax</b>	<u>4,840,575</u>	<u>5,831,624</u>	<u>9,910,075</u>	<u>11,330,871</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.

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Deputy Chairman

**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2013**

	June 30, 2013	June 30, 2012 (Restated)
	----- (Rupees in '000) -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	13,279,489	13,850,603
Less: Dividend income	(613,605)	(296,632)
Share of income of associates	(826,581)	(1,090,832)
	<u>11,839,303</u>	<u>12,463,139</u>
<b>Adjustments:</b>		
Depreciation	888,151	731,625
Amortization	240,033	223,365
Workers' welfare fund	244,722	278,422
Provision for retirement benefits	491,436	433,571
Provision against loans and advances - net	1,145,399	972,546
Provision against lendings to financial institutions - net	61,186	171,024
Provision / (reversal) for diminution in value of investments - net	29,073	(43,937)
Gain on sale of fixed assets	(4,648)	(17,304)
Gain on cash flow hedges	16,382	36,386
Unrealized loss on revaluation of investments classified as held for trading	7,593	10,904
Bad debts written off directly	108,683	194,460
Other provisions - net	71,015	206,230
	<u>3,299,025</u>	<u>3,197,292</u>
	<u>15,138,328</u>	<u>15,660,431</u>
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	3,401,417	(9,164,514)
Held for trading securities	(6,914,604)	(862,791)
Advances	1,377,582	(34,609,011)
Other assets - (excluding advance taxation)	(617,314)	(3,743,897)
	<u>(2,752,919)</u>	<u>(48,380,213)</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	12,967,145	2,340,020
Borrowings	2,335,551	(5,570,010)
Deposits and other accounts	56,348,144	82,301,498
Other liabilities - (excluding current taxation)	497,628	3,235,860
	<u>72,148,468</u>	<u>82,307,368</u>
	<u>84,533,877</u>	<u>49,587,586</u>
Staff retirement benefits paid	(646,750)	(132,040)
Income tax paid	(6,626,110)	(5,037,286)
Net cash inflow from operating activities	<u><b>77,261,017</b></u>	<u><b>44,418,260</b></u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investment in securities	(70,277,838)	(29,821,768)
Dividend income received	602,051	317,414
Investment in operating fixed assets	(1,326,245)	(2,276,070)
Sale proceeds from disposal of operating fixed assets	35,909	93,179
Net cash outflow from investing activities	<u><b>(70,966,123)</b></u>	<u><b>(31,687,245)</b></u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayments of subordinated loans	(2,333,268)	(998,908)
Dividend paid	(6,732,989)	(8,569,258)
Net cash outflow from financing activities	<u><b>(9,066,257)</b></u>	<u><b>(9,568,166)</b></u>
	<u><b>(2,771,363)</b></u>	<u><b>3,162,849</b></u>
Exchange differences on translation of net investment in foreign branches and subsidiaries		
- Equity shareholders of the Bank	725,173	1,791,225
- Non-controlling interest	(70,528)	165,218
Decrease in cash and cash equivalents during the period	<u>(2,116,718)</u>	<u>5,119,292</u>
Cash and cash equivalents at the beginning of the period	117,609,569	105,727,932
Cash and cash equivalents at the end of the period	<u><b>115,492,851</b></u>	<u><b>110,847,224</b></u>

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**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED JUNE 30, 2013**

	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, 2012 (Audited) - as reported</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
Restatement due to change in accounting policy on recognition of actuarial gains / (losses) on defined benefit obligations - net of tax	-	-	-	-	-	-	1,274,314	1,274,314	-	1,274,314
<b>Balance as at January 01, 2012 (Audited) - restated</b>	12,241,798	3,000	16,022,214	11,531,541	(61,995)	1,199	35,481,968	75,219,725	2,324,385	77,544,110
<b>Transactions with owners recorded directly in equity for the half year ended June 30, 2012</b>										
Final cash dividend - December 31, 2011 declared subsequent to the year end at Rs.6.0 per share	-	-	-	-	-	-	(7,345,078)	(7,345,078)	-	(7,345,078)
Interim cash dividend - March 31, 2012 declared at Re.1.0 per share	-	-	-	-	-	-	(1,224,180)	(1,224,180)	-	(1,224,180)
	-	-	-	-	-	-	(8,569,258)	(8,569,258)	-	(8,569,258)
<b>Total comprehensive income for the half year ended June 30, 2012</b>										
Profit after taxation for the half year ended June 30, 2012 - restated	-	-	-	-	-	-	9,327,478	9,327,478	23,299	9,350,777
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	-	9,327,478	11,142,354	188,517	11,330,871
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) - restated</b>	12,241,798	3,000	16,958,947	13,322,766	(38,344)	1,199	35,338,052	77,827,418	2,512,902	80,340,320
<b>Transactions with owners recorded directly in equity for the half year ended December 31, 2012</b>										
Interim cash dividend - June 30, 2012 declared at Rs.2.0 per share	-	-	-	-	-	-	(2,448,360)	(2,448,360)	-	(2,448,360)
Interim cash dividend - September 30, 2012 declared at Rs.2.0 per share	-	-	-	-	-	-	(2,448,360)	(2,448,360)	-	(2,448,360)
Employee stock option reserve	-	-	-	-	-	(117)	-	(117)	-	(117)
	-	-	-	-	-	(117)	(4,896,720)	(4,896,837)	-	(4,896,837)
<b>Total comprehensive income for the half year ended December 31, 2012</b>										
Profit after taxation for the half year ended December 31, 2012 - restated	-	-	-	-	-	-	9,785,000	9,785,000	28,637	9,813,637
Other comprehensive income - net of tax	-	-	-	1,164,639	17,350	-	(85,630)	1,096,359	284,434	1,380,793
Total comprehensive income for the half year ended December 31, 2012	-	-	-	1,164,639	17,350	-	9,699,370	10,881,359	313,071	11,194,430
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	33,675	33,675	1,087	34,762
Transfer to statutory reserve	-	-	869,250	-	-	-	(869,250)	-	-	-
<b>Balance as at December 31, 2012 (Audited) - restated</b>	12,241,798	3,000	17,828,197	14,487,405	(20,994)	1,082	39,305,127	83,845,615	2,827,060	86,672,675
<b>Transactions with owners recorded directly in equity for the half year ended June 30, 2013</b>										
Final cash dividend - December 31, 2012 declared subsequent to the year end at Rs.3.5 per share	-	-	-	-	-	-	(4,284,629)	(4,284,629)	-	(4,284,629)
Interim cash dividend - March 31, 2013 declared at Rs.2.0 per share	-	-	-	-	-	-	(2,448,360)	(2,448,360)	-	(2,448,360)
Employee stock option reserve	-	-	-	-	-	1,905	-	1,905	-	1,905
	-	-	-	-	-	1,905	(6,732,989)	(6,731,084)	-	(6,731,084)
<b>Total comprehensive income for the half year ended June 30, 2013</b>										
Profit after taxation for the half year ended June 30, 2013	-	-	-	-	-	-	8,861,945	8,861,945	382,837	9,244,782
Other comprehensive income - net of tax	-	-	-	725,173	10,648	-	-	735,821	(70,528)	665,293
Total comprehensive income for the half year ended June 30, 2013	-	-	-	725,173	10,648	-	8,861,945	9,597,766	312,309	9,910,075
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	34,157	34,157	523	34,680
Transfer to statutory reserves	-	-	832,087	-	-	-	(832,087)	-	-	-
<b>Balance as at June 30, 2013 (Un-audited)</b>	12,241,798	3,000	18,660,284	15,212,578	(10,346)	2,987	40,636,153	86,746,454	3,139,892	89,886,346

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

**Atif R. Bokhari**  
President &  
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Director

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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, 2013**
**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

UBL (Switzerland) AG, Switzerland

UBL Bank (Tanzania) Limited, Tanzania

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 June 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 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 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.
- 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.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2013**

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 Group for the period would have been higher by Rs.149.589 million (June 30, 2012: Rs.108.148 million), profit before taxation would have been lower by Rs.149.589 million (June 30, 2012: Rs.108.148 million), unappropriated profit would have been lower by Rs.1,428.280 million (December 31, 2012: Rs.1,278.691 million) and reserves would have been higher by Rs.1,428.280 million (December 31, 2012: Rs.1,278.691 million), hence, there would have been no impact on net equity. Further, earnings per share would have been lower by Rs.0.12 per share (June 30, 2012: Rs.0.09 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 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 June 30, 2013 would have been lower by Rs.1,023.597 million (December 31, 2012: Rs.1,073.315 million), profit after tax for the half year ended June 30, 2013 would have been higher by Rs. 49.718 million and earnings per share would have been higher by Rs. 0.04.

**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)	(Audited)
June 30, 2013	December 31, 2012
----- (Rupees in '000) -----	

**6. LENDINGS TO FINANCIAL INSTITUTIONS**

Call money lendings	100,000	-
Repurchase agreement lendings	-	6,470,898
Other lendings to financial institutions	19,079,150	16,036,288
	19,179,150	22,507,186
Provision against lendings to financial institutions	(627,109)	(553,728)
	18,552,041	21,953,458



**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
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**7. INVESTMENTS**
**7.1 Investments by types**

	(Un-audited)			(Audited)		
	June 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	10,822,502	-	10,822,502	3,797,712	-	3,797,712
Pakistan Investment Bonds	743,870	-	743,870	514,070	-	514,070
Ordinary shares of listed companies	214,325	-	214,325	498,289	-	498,289
Term Finance Certificates	99,723	-	99,723	102,445	-	102,445
Units of mutual funds	-	-	-	50,866	-	50,866
Sukuk Bonds	23,774	-	23,774	26,208	-	26,208
	11,904,194	-	11,904,194	4,989,590	-	4,989,590
<b>Available for sale securities</b>						
Market Treasury Bills	102,780,936	45,072,290	147,853,226	78,285,856	44,734,778	123,020,634
Pakistan Investment Bonds	87,740,754	51,689	87,792,443	63,327,795	-	63,327,795
Government of Pakistan Sukuk	8,540,275	-	8,540,275	9,043,880	-	9,043,880
Government of Pakistan Eurobonds	10,271,487	-	10,271,487	9,466,364	-	9,466,364
Ordinary shares of listed companies	8,402,619	-	8,402,619	6,537,792	-	6,537,792
Preference shares	463,244	-	463,244	430,177	-	430,177
Ordinary shares of unlisted companies	243,229	-	243,229	243,176	-	243,176
Term Finance Certificates	2,027,763	-	2,027,763	2,021,204	-	2,021,204
Units of mutual funds	50,000	-	50,000	114,075	-	114,075
Foreign bonds	55,949,150	-	55,949,150	50,830,519	-	50,830,519
	276,469,457	45,123,979	321,593,436	220,300,838	44,734,778	265,035,616
<b>Held to maturity securities</b>						
Market Treasury Bills	60,289,876	-	60,289,876	54,799,452	-	54,799,452
Pakistan Investment Bonds	39,138,990	-	39,138,990	31,273,156	-	31,273,156
Government of Pakistan Sukuk	4,514,164	-	4,514,164	300,000	-	300,000
Government of Pakistan Guaranteed Bonds	38,364	-	38,364	42,654	-	42,654
Term Finance Certificates	3,754,940	-	3,754,940	3,971,848	-	3,971,848
Sukuk Bonds	1,408,181	-	1,408,181	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	996,530	-	996,530	653,947	-	653,947
Recovery note	310,667	-	310,667	307,517	-	307,517
CDC SAARC Fund	216	-	216	211	-	211
Government of Pakistan Eurobonds	769,055	-	769,055	1,626,312	-	1,626,312
	111,230,314	-	111,230,314	94,482,979	-	94,482,979
<b>Associates</b>						
United Growth and Income Fund	2,713,548	-	2,713,548	2,557,423	-	2,557,423
UBL Liquidity Plus Fund	4,650,729	-	4,650,729	6,373,263	-	6,373,263
UBL Shariah Stock Fund	56,845	-	56,845	524,191	-	524,191
United Islamic Income Fund	201,271	-	201,271	192,062	-	192,062
United Stock Advantage Fund	47,981	-	47,981	523,026	-	523,026
UBL Savings Income Fund	197,329	-	197,329	190,189	-	190,189
UBL Islamic Sovereign Fund	338,767	-	338,767	337,613	-	337,613
UBL Islamic Retirement Savings Fund	146,148	-	146,148	128,771	-	128,771
UBL Retirement Savings Fund	150,978	-	150,978	132,088	-	132,088
UBL Principal Protected Fund - I	196,728	-	196,728	166,951	-	166,951
UBL Government Securities Fund	180,836	-	180,836	266,799	-	266,799
UBL Islamic Cash Fund	105,240	-	105,240	102,074	-	102,074
UBL Gold Fund	83,616	-	83,616	-	-	-
UBL Islamic Principal Preservation Fund - I	107,451	-	107,451	-	-	-
UBL Financial Sector Bond Fund	102,377	-	102,377	-	-	-
UBL Insurers Limited	202,099	-	202,099	196,855	-	196,855
Khushhali Bank Limited	911,979	-	911,979	876,358	-	876,358
Oman United Exchange Company, Muscat	58,463	-	58,463	68,126	-	68,126
	10,452,385	-	10,452,385	12,635,789	-	12,635,789
	410,056,350	45,123,979	455,180,329	332,409,196	44,734,778	377,143,974
Provision for diminution in value of investments	(1,467,507)	-	(1,467,507)	(1,420,570)	-	(1,420,570)
<b>Investments (net of provisions)</b>	408,588,843	45,123,979	453,712,822	330,988,626	44,734,778	375,723,404
Surplus on revaluation of available for sale securities	5,441,475	55,585	5,497,060	5,129,617	393,416	5,523,033
Deficit on revaluation of held for trading securities	(7,593)	-	(7,593)	(534)	-	(534)
<b>Total Investments</b>	414,022,725	45,179,564	459,202,289	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) June 30, 2013 ----- (Rupees in '000) -----	(Audited) December 31, 2012 ----- (Rupees in '000) -----
<b>8. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		259,155,239	273,319,693
Outside Pakistan		114,881,825	113,739,351
		<u>374,037,064</u>	<u>387,059,044</u>
Bills discounted and purchased			
Payable in Pakistan		32,236,206	25,396,189
Payable outside Pakistan		23,197,713	18,239,209
		<u>55,433,919</u>	<u>43,635,398</u>
Advances - gross		429,470,983	430,694,442
Provision against advances			
Specific		(44,346,648)	(43,597,349)
General	8.2	(1,921,738)	(1,262,832)
Advances - net of provision		<u>383,202,597</u>	<u>385,834,261</u>

8.1 Advances include Rs. 57,579 million (December 31, 2012: Rs.58,450 million) which have been placed under non-performing status as detailed below:

Category of Classification	June 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 *	202,939	-	202,939	-	-	-	-	-	-
Substandard	2,039,579	588,480	2,628,059	250,952	134,771	385,723	250,952	134,771	385,723
Doubtful	1,247,427	2,817,473	4,064,900	538,334	1,237,101	1,775,435	538,334	1,237,101	1,775,435
Loss	43,470,670	7,212,583	50,683,253	37,422,491	4,762,999	42,185,490	37,422,491	4,762,999	42,185,490
	<u>46,960,615</u>	<u>10,618,536</u>	<u>57,579,151</u>	<u>38,211,777</u>	<u>6,134,871</u>	<u>44,346,648</u>	<u>38,211,777</u>	<u>6,134,871</u>	<u>44,346,648</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.

8.2 General provision represents provision amounting to Rs. 254,346 million (December 31, 2012: Rs.264,970 million) against consumer finance portfolio as required by the Prudential Regulations issued by the SBP and Rs. 1,619,392 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.2,335 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) June 30, 2013 ----- (Rupees in '000) -----	(Audited) December 2012 ----- (Rupees in '000) -----
<b>9. OPERATING FIXED ASSETS</b>			
Capital work-in-progress		1,744,242	1,840,902
Property and equipment		24,355,448	24,115,928
Intangible assets		1,545,325	1,504,009
	9.1	<u>27,645,015</u>	<u>27,460,839</u>

9.1 Additions and disposals during the period amounted to Rs. 1,407,987 million (June 30, 2012: Rs.2,265,892 million) and Rs. 131,416 million (June 30, 2012: Rs.207,474 million), respectively.

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	(Un-audited) June 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	9,040,244	12,460,384
Refinance facility for modernization of SME	31,397	32,050
Long term financing facility	5,299,142	3,535,341
Long term financing under export oriented projects	596,249	822,015
	14,967,032	16,849,790
Repurchase agreement borrowings	45,149,005	45,064,760
	<u>60,116,037</u>	<u>61,914,550</u>
<b>Unsecured</b>		
Call borrowings	9,434,723	4,508,819
Overdrawn nostro accounts	-	764
Other borrowings	-	791,076
	<u>9,434,723</u>	<u>5,300,659</u>
	<u>69,550,760</u>	<u>67,215,209</u>
<b>11. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	247,621,081	237,103,473
Savings deposits	262,493,204	242,577,264
Sundry deposits	8,208,910	7,662,302
Margin deposits	5,438,053	4,066,910
Current accounts - remunerative	5,034,663	7,371,644
Current accounts - non-remunerative	262,363,098	238,283,495
	<u>791,159,009</u>	<u>737,065,088</u>
<b>Financial Institutions</b>		
Remunerative deposits	11,955,499	10,973,473
Non-remunerative deposits	8,497,900	7,225,703
	<u>20,453,399</u>	<u>18,199,176</u>
	<u>811,612,408</u>	<u>755,264,264</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 outstanding balance of the said TFC of Rs.5,988 million will be redeemed on August 13, 2013.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2013**

	Note	(Un-audited) June 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		10,923,142	10,947,713
- Non-controlling interest		570,220	563,051
	13.1	11,493,362	11,510,764
Securities			
- Group's share		3,626,568	3,541,845
- Non-controlling interest		(240,639)	216,578
	13.2	3,385,929	3,758,423
Deficit arising on revaluation of assets of associates		(19,207)	(14,164)
		<u>14,860,084</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		17,376	167,723
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year		(34,680)	(69,359)
Related deferred tax liability on incremental depreciation charged during the period / year		(18,048)	(36,046)
		<u>(35,352)</u>	<u>(106,459)</u>
		16,545,909	16,581,261
Less: Related deferred tax liability on:			
Revaluation as on January 01		5,070,497	5,106,310
Exchange adjustments		98	233
Incremental depreciation charged on related assets		(18,048)	(36,046)
		<u>5,052,547</u>	<u>5,070,497</u>
		<u>11,493,362</u>	<u>11,510,764</u>
<b>13.2 Surplus / (deficit) on revaluation of available for sale securities</b>			
Market Treasury Bills		223,723	626,591
Pakistan Investment Bonds		4,482,635	2,692,613
Listed shares		1,213,128	368,507
Mutual fund units		(1,605)	(1,875)
Term Finance Certificates, Sukuks, other Bonds etc.		35,887	109,937
Foreign bonds		(456,706)	1,727,260
		5,497,062	5,523,033
Related deferred tax liability		(2,111,133)	(1,764,610)
		<u>3,385,929</u>	<u>3,758,423</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2013**

	(Un-audited) June 30, 2013	(Audited) December 31, 2012
	----- (Rupees in '000) -----	
<b>14. CONTINGENCIES AND COMMITMENTS</b>		
<b>14.1 Direct credit substitutes</b>		
Contingent liabilities in respect of guarantees given favouring:		
Government	3,846,859	2,631,890
Banking companies and other financial institutions	3,671,534	4,921,308
Others	3,425,238	3,063,407
	<u>10,943,631</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	82,608,155	75,352,238
Banking companies and other financial institutions	4,896,107	4,559,713
Others	24,968,501	20,091,896
	<u>112,472,763</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	55,564,322	54,620,793
Banking companies and other financial institutions	4,554,795	4,455,647
Others	101,548,708	91,944,043
	<u>161,667,825</u>	<u>151,020,483</u>
<b>14.4 Other contingencies</b>		
Claims against the Group not acknowledged as debts	<u>23,622,764</u>	<u>23,823,493</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) June 30, 2013	(Audited) December 31, 2012
	----- (Rupees in '000) -----	
<b>14.6 Commitments in respect of forward exchange contracts</b>		
Purchase	<u>166,734,557</u>	<u>141,981,927</u>
Sale	<u>134,668,431</u>	<u>112,686,309</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2013**

	Note	(Un-audited) June 30, 2013 ----- (Rupees in '000) -----	(Audited) December 31, 2012
<b>14.7 Commitments in respect of derivatives</b>			
Forward purchase of Government securities		313,810	-
Forward sale of Government securities		-	308,867
Interest rate swaps		7,850,710	8,059,417
Cross currency swaps		12,407,820	12,490,616
FX Options - purchased		120,780	37,234
FX Options - sold		120,780	37,234
Commodity futures		-	489
<b>14.8 Commitments in respect of capital expenditure</b>		<b>1,947,719</b>	<b>2,150,282</b>
<b>14.9 For contingencies relating to taxation refer note</b>	18		
		June 30, 2013	June 30, 2012
		----- (Rupees in '000) -----	
<b>15. MARK-UP / RETURN / INTEREST EARNED</b>			
On loans and advances to customers		16,383,004	19,248,271
On lendings to financial institutions			
Call money lending		1,714	7,566
Repurchase agreement lendings		101,472	124,193
Other lendings to financial institutions		179,731	196,114
		282,917	327,873
On investments in			
Held for trading securities		282,034	228,754
Available for sale securities		13,408,632	11,138,640
Held to maturity securities		6,231,558	5,871,125
		19,922,224	17,238,519
On deposits with financial institutions		127,961	139,624
		<b>36,716,106</b>	<b>36,954,287</b>
<b>16. MARK-UP / RETURN / INTEREST EXPENSED</b>			
On deposits		13,937,122	13,794,710
On securities sold under repurchase agreements		2,522,218	1,635,326
On other short term borrowings		1,129,101	1,042,382
On long term borrowings		628,137	831,550
		<b>18,216,578</b>	<b>17,303,968</b>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2013**

	June 30, 2013	June 30, 2012
	----- (Rupees in '000) -----	
<b>17. ADMINISTRATIVE EXPENSES</b>		
Salaries, allowances etc.	5,128,343	4,778,361
Charge for compensated absences	274,744	272,656
Medical expenses	237,930	216,035
Contribution to defined contribution plan	134,729	117,810
Charge in respect of defined benefit obligations	81,963	43,105
Rent, taxes, insurance, electricity etc.	1,776,369	1,496,566
Depreciation	888,151	731,625
Amortization	240,033	223,365
Outsourced service charges including sales commission	1,410,575	1,105,595
Communications	548,458	489,709
Banking service charges	433,836	415,180
Cash transportation charges	206,575	184,927
Stationery and printing	286,833	250,150
Legal and professional charges	145,350	168,431
Advertisement and publicity	285,579	292,954
Repairs and maintenance	628,787	588,923
Travelling	130,446	143,038
Office running expenses	216,280	198,014
Vehicle expenses	93,493	88,315
Entertainment	87,531	78,416
Cartage, freight and conveyance	47,852	46,123
Insurance expense	64,142	78,459
Auditors' remuneration	46,278	41,836
Training and seminars	54,924	50,571
Brokerage expenses	24,581	11,021
Subscriptions	41,266	34,591
Donations	38,815	4,282
Non-executive Directors' fees	19,775	16,660
Zakat paid by overseas branch	47,539	48,650
Miscellaneous expenses	168,135	62,822
	<u>13,789,312</u>	<u>12,278,190</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 UAE, Yemen and Qatar branches have been filed upto the year ended December 31, 2012, and for the USA branch, 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.

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 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 UNBL 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 half year ended June 30, 2013 (Un-audited)**

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment elimination
----- (Rupees in '000) -----							
Total income	70,376	8,755,587	14,359,624	3,973,350	340,082	1,255,234	-
Total expenses	(95,720)	(747,665)	(11,670,983)	(2,012,247)	(239,912)	(708,237)	-
Profit before tax	(25,344)	8,007,922	2,688,641	1,961,103	100,170	546,997	-
Segment return on assets (ROA)	-6.8%	2.2%	0.5%	0.7%	24.4%	-	-
Segment cost of funds	1.6%	6.1%	3.7%	6.7%	-	-	-

**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	151,985	4,568,471	17,022,359	4,507,570	372,020	1,337,524	-
Total expenses	(76,828)	(309,206)	(10,312,195)	(2,476,379)	(271,548)	(663,170)	-
Net income before tax	75,157	4,259,265	6,710,164	2,031,191	100,472	674,354	-
Segment return on assets (ROA)	9.3%	1.6%	1.4%	0.8%	24.4%	-	-
Segment cost of funds	0.9%	7.9%	4.2%	8.4%	-	-	-

**As at June 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)	827,032	526,699,471	737,905,407	386,865,922	805,480	91,631,346	(665,276,606)
Segment non performing loans (NPLs)	665,933	2,069,405	26,490,685	28,153,018	-	200,110	-
Segment provision held against NPLs	521,805	1,634,897	20,769,779	21,360,013	-	60,154	-
Segment liabilities	321,701	478,614,782	749,169,989	356,151,226	109,962	11,273,920	(665,276,606)

**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	685,624,255	390,266,030	737,335	82,297,527	(605,655,014)
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	(605,655,014)

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)  
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**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 June 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	-	-	-	398,650	-	-	-	773,770
	-	-	-	<u>398,650</u>	-	-	-	<u>773,770</u>
<b>Landings to financial institutions</b>								
Other landings to financial institution	-	-	-	286,874	-	-	-	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	-	-	368,740	618,498	-	-	2,927,737	193,224
Investment redeemed / disposed off during the period / year	-	-	(3,346,017)	(491,808)	-	-	(7,170,646)	(76,569)
Equity method adjustments	-	-	793,873	-	-	-	396,018	-
Closing balance	-	-	<u>10,452,385</u>	<u>553,775</u>	-	-	<u>12,635,789</u>	<u>427,085</u>
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	-	52,487	-	-	-	147,808	-	-
Repaid during the period / year	-	(68,633)	-	-	(871)	(129,914)	-	-
Closing balance	-	<u>238,351</u>	-	-	-	<u>254,497</u>	-	-
<b>Other Assets</b>								
Interest mark-up accrued	-	150	-	20,746	-	249	-	7,756
Receivable from staff retirement funds	-	-	-	1,826,182	-	-	-	1,600,549
Prepaid insurance	-	-	133,743	-	-	-	16	-
Remuneration receivable from management of funds	-	-	46,411	428	-	-	12,908	145
Sales load receivable	-	-	22,942	-	-	-	2,102	-
Formation cost receivable	-	-	6,340	-	-	-	2,771	-
Advance for Pre-IPO investment	-	-	-	-	-	-	-	364,000
Receivable against redemption of units of mutual funds	-	-	-	-	-	-	1,004,226	-
Other receivable	-	-	78	-	-	-	1,438	-
<b>Borrowings</b>								
Opening balance	-	-	-	306,215	-	-	-	449,740
Borrowings during the period / year	-	-	2,155,493	7,258,520	-	-	4,548,669	88,156,884
Settled during the period / year	-	-	(1,895,428)	(4,934,262)	-	-	(4,548,669)	(88,300,409)
Closing balance	-	-	<u>260,065</u>	<u>2,630,473</u>	-	-	-	<u>306,215</u>
<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	8,426,255	634,720	30,603,090	136,397,417	6,948,406	922,237	55,101,601	87,261,576
Withdrawn during the period / year	(7,561,076)	(605,231)	(30,901,460)	(135,874,519)	(3,673,222)	(913,055)	(55,587,146)	(86,727,133)
Closing balance	<u>7,039,142</u>	<u>129,761</u>	<u>526,178</u>	<u>3,102,292</u>	<u>6,173,963</u>	<u>100,272</u>	<u>824,548</u>	<u>2,579,394</u>
<b>Subordinated loans</b>	-	-	239,520	-	-	5	5,998	-
<b>Other Liabilities</b>								
Interest / mark-up payable on deposits	56,209	785	77	12,078	75,061	56	-	9,328
Interest / mark-up payable on borrowings	-	-	242	1,847	-	-	-	837
Interest / mark-up payable on subordinated loans	-	-	9,639	-	-	0	167	-
<b>Contingencies and Commitments</b>								
Letter of guarantee	-	-	73,855	-	-	-	71,993	-
Forward foreign exchange contracts purchase	-	-	-	1,494,893	-	-	-	2,914,491
Forward foreign exchange contracts sale	-	-	-	1,502,300	-	-	-	2,817,341

	For the half year ended June 30, 2013 (Un-audited)				For the half year ended June 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	-	5,482	-	60,611	64	6,289	-	91,305
Commission / charges recovered	5	15	406	559	26	10	314	264
Dividend received	-	-	27,667	-	-	-	1,126,142	12,847
Net gain on sale of securities	-	-	752,629	780	-	-	16,766	-
Realised gain on derivative transactions	-	-	-	-	-	-	-	1,008,376
Remuneration from management of fund	-	-	222,253	5,814	-	-	305,632	5,511
Sales Load	-	-	46,909	-	-	-	18,667	-
Other income	-	153	163	-	-	685	-	-
Mark-up / return / interest paid	116,224	1,418	22,463	60,674	74,777	779	5,708	64,007
Remuneration paid	-	616,306	-	-	-	452,680	-	-
Post employment benefits	-	8,948	-	-	-	8,090	-	-
Non-executive directors' fee	19,775	-	-	-	16,660	-	-	-
Net charge for defined contribution plans	-	-	-	134,729	-	-	-	117,810
Net reversal for defined benefit plans	-	-	-	(31,713)	-	-	-	(66,390)
Payment for employee motivation and retention scheme	-	-	-	-	-	-	-	250,000
Insurance premium paid	-	-	265,686	-	-	-	254,457	-
Insurance claims settled	-	-	91,153	-	-	-	99,551	-

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

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

	Note	(Un-audited) June 30, 2013	(Audited) December 31, 2012
----- (Rupees in '000) -----			
<b>ASSETS</b>			
Cash and balances with treasury banks		1,142,565	748,333
Balances with other banks		379,743	1,293,290
Investments		9,307,859	8,036,026
Islamic financing and related assets	21.3	5,194,638	3,118,266
Operating fixed assets		111,850	100,250
Other assets		190,847	173,481
<b>Total Assets</b>		<b>16,327,502</b>	<b>13,469,646</b>
<b>LIABILITIES</b>			
Bills payable		960	960
Deposits and other accounts			
Current accounts		2,155,948	1,863,420
Saving accounts		2,385,447	2,533,628
Term deposits		3,395,245	3,141,108
Deposits from financial institutions - remunerative		6,574,392	4,956,027
		14,511,032	12,494,183
Due to Head Office		973,407	272,971
Other liabilities		328,935	162,915
		15,814,334	12,931,029
<b>NET ASSETS</b>		<b>513,168</b>	<b>538,617</b>
<b>REPRESENTED BY</b>			
Islamic Banking Fund		681,000	681,000
Accumulated losses		(175,806)	(194,579)
		505,194	486,421
Surplus on revaluation of assets		7,974	52,196
		<b>513,168</b>	<b>538,617</b>

21.2 The profit and loss account of the Group's Islamic Banking branches for the half year ended June 30, 2013 is as follows:

	(Un-audited)----- June 30, 2013	June 30, 2012
----- (Rupees in '000) -----		
Return earned	713,424	650,992
Return expensed	(399,559)	(367,234)
	313,865	283,758
Provision against loans and advances - net	-	(13,397)
Reversal for diminution in value of investments - net	720	36,496
Reversal / (provision) against assets given on Ijarah	2,335	(7,255)
	3,055	15,844
Net return after provisions	316,920	299,602
<b>Other Income</b>		
Fee, commission and brokerage income	6,773	5,956
Dividend income	11,723	35,442
Income from dealing in foreign currencies	4,345	18,340
Gain on sale of securities - net	3,621	860
Other income	2,348	7,192
Total other income	28,810	67,790
	345,730	367,392
<b>Other Expenses</b>		
Administrative expenses	(326,957)	(194,872)
Other provisions - net	-	(3,385)
Total other expenses	(326,957)	(198,257)
Net profit for the year	18,773	169,135
Accumulated losses brought forward	(194,579)	(199,658)
Accumulated losses carried forward	(175,806)	(30,523)
<b>Remuneration to Shariah Advisor</b>	<b>665</b>	<b>1,380</b>
	<b>(Un-audited) June 30, 2013</b>	<b>(Audited) December 31, 2012</b>
----- (Rupees in '000) -----		

**21.3 Islamic financing and related assets**

<b>Financings</b>			
Murabaha		3,534,530	1,394,021
Ijarah		991,401	982,463
Musharaka		27,778	55,556
Diminishing Musharaka		184,177	192,924
Salam		356,546	347,171
Provision against financings		(29,864)	(29,864)
		5,064,568	2,942,271
<b>Advances</b>			
Advances and receivables against Ijarah		107,364	171,780
Advances for Murabaha		37,974	17,531
Provision against advances for Murabaha		(17,498)	(17,498)
		127,840	171,813
Profit receivable against financings		2,230	4,182
		<b>5,194,638</b>	<b>3,118,266</b>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2013**

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

The Board of Directors in its meeting held on August 23, 2013 has declared a cash dividend in respect of the half year ended June 30, 2013 of Rs.2.0 per share (June 30, 2012: Rs.2.0). The consolidated condensed interim financial statements for the half year ended June 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 August 23, 2013 by the Board of Directors of the Group.

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

**Rana Assad Amin**  
Director

**Amin Uddin**  
Director

**Sir Mohammed Anwar Pervez, OBE, HPk**  
Deputy Chairman