

United Bank Limited

UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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



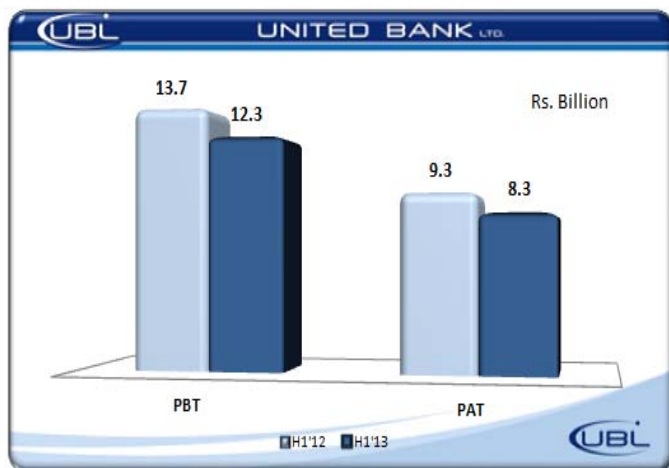
DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors, I am pleased to present to you the financial statements of UBL for the half year ended June 30, 2013.

Performance Highlights

- Unconsolidated PAT for the half year ended June 30, 2013 stands at Rs 8.3 billion.
- Net Interest Margin reduced by 137 bps to 5.3% (June 2012: 6.6%) subsequent to the 300 bps reduction in the discount rate in FY13 and regulatory changes in the minimum deposit rate on PLS savings accounts.
- Strong recovery efforts resulted in a 3% reduction in gross NPLs and a 16% reduction in provision charge over the same period last year.
- Quarterly performance improved with 9% revenue growth, and better operating efficiency and returns.

Financial Highlights



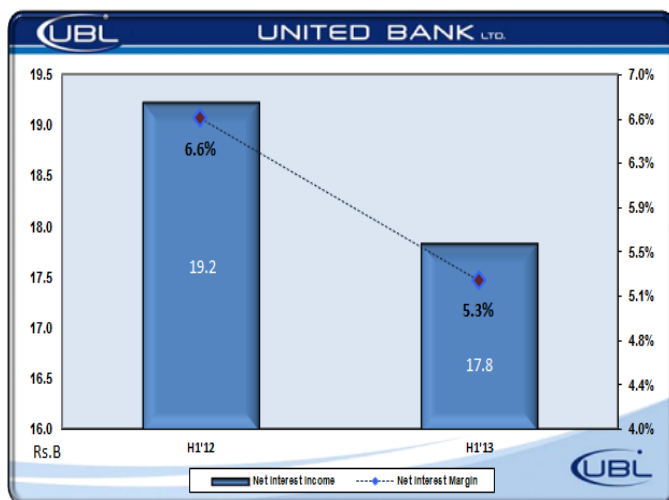
Overall performance

For the half year ended June 30, 2013, UBL has achieved a profit after tax of Rs 8.3 billion. This is 10.7% lower than the corresponding period last year and translates into earnings per share of Rs. 6.75 (June 2012: Rs. 7.56).

For the same period, UBL's profit before tax is Rs 12.3 billion, 10.6% lower than the same period last year. On a consolidated basis, UBL achieved a profit after tax of Rs 9.2 billion, 1% lower than the first half of 2012.

Net Interest Income

The interest rate environment has been challenging, with a 300 bps reduction in the discount rate in the last 12 months, resulting in a direct impact on interest rate margins with repricing across the asset base. The continually declining rate environment, the 1% higher rate on PLS savings deposits since May 2012 and the impact of paying return on an average balance basis has resulted in a 137 bps reduction in net interest margin to 5.3% in H1 2013. While the spread compression was partially offset by a 15% growth in the Balance Sheet, net interest income reduced by 7% over the first half of 2012 to Rs 17.8 billion.



Non Interest Income

Non-interest income continued to show steady growth and reached Rs 8.6 billion in H1 2013, a 12% growth over the corresponding period last year. Core banking fees and commissions maintained depth across all businesses of the Bank with a growth of 16% over H1 2012, driven by diversification in revenue streams through value added services. Commission on

home remittances recorded a strong growth of 55% over the comparable period last year as UBL maintains its dominant position in the market. Higher transactional flows and improved cross sell activity resulted in further enhancement in the fee based revenue streams of the Bank, while Omni achieved a nearly threefold increase in commission income earnings.

Timely leveraging of opportunities in line with the improved stock market performance resulted in substantial capital gains of Rs 2.0 billion in H1 2013. However, dividend income reflected a decline as the Bank reduced its investments in mutual funds.

Provisions and loan losses

The provision charge for the first half of 2013 reduced by 16% over the same period last year to Rs 1.2 billion. Active recovery efforts against the non-performing loan portfolio resulted in substantial cash recoveries and a 3% reduction in NPLs. Maintaining portfolio quality remained a key focus across all lending businesses as the NPLs to gross advances ratio improved over December 2012. The coverage ratio, excluding sovereign guaranteed names against which no provision is required, improved significantly from 82% in Dec 2012 to 88% in June 2013.

Cost management

Administrative expenses are 11.7% higher as compared to the first half of 2012, partially as a result of higher revenue driven variable costs, the full impact of the 2012 branch expansion and rupee devaluation on overseas expenses. On a comparable basis, despite significant escalation in utilities costs, increase in administrative expenses was contained to single digits in line with inflation.

Balance Sheet

UBL grew its balance sheet by 8% in the first half of the year, with total deposits increasing to Rs 755 billion. The Bank continues its strategy of shedding unprofitable opportunistic deposits and focusing on core customers. Average core deposits for the first half of 2013 grew by 17% over H1 2012, while the cost of domestic deposits reduced by 71 bps despite the full impact of the 1% increase in the savings rate and new regulatory requirements. The specific focus on generating low cost deposit accounts resulted in an improvement in the low cost deposit ratio over December 2012 and the prior year, while the domestic CASA ratio increased to over 84% at end June 2013. Advances reduced marginally as a result of repayments and conservative asset acquisition, resulting in the ADR ratio improving further to 52%.

Capital Ratios

The Tier 1 Capital Adequacy Ratio (CAR) of the Bank was 10.1% as at June 2013, a slight reduction from 10.5% as at December 2012 primarily as a result of new capital rules on mutual fund investments. The bank decided to exercise the call option available on TFC IV, as a result of which the subordinated debt is no longer eligible for Tier 2 capital. Consequently, the total CAR was 13.5% compared to 14.8% as at December 2012. The CAR remains comfortably above the minimum required level with ability to absorb growth in risk weighted assets.

The Board of Directors of UBL declared an interim dividend of 20% in their meeting in Islamabad dated 23 August 2013 along with the results for the half year ended 30 June 2013. This is in addition to the 20% dividend for the first quarter of 2013 which was subsequently paid in May 2013.

Key Developments

Macroeconomic performance

Pakistan achieved a landmark in May 2013 with the first ever transition from one democratically elected government to another. The election, and strong mandate, of the pro-business PML(N) has brought with it a renewed confidence from both domestic and foreign investors. However, Pakistan's economic

landscape continues to be beset by challenges, with the energy deficit, circular debt, low revenue generation, and inconsistent industrial growth keeping real GDP growth low at 3.6%. Large scale manufacturing has started to show some signs of improvement with a growth of over 4% and will need focus to drive up GDP growth. Inflation has been a key positive for the economy, remaining in single digits and averaging 7.4% in FY13, its lowest level in nine years.

The trade deficit for FY13 narrowed by 4% in comparison to FY12, as exports increased by 3.8%, while imports remained flat. Growth in workers' remittances slowed to 6% over FY12 but still reached US\$ 13.9 billion during FY13 to lend continued support to the external account. Along with inflows received on account of the Coalition Support Fund, this resulted in the Current Account deficit reducing by more than 50% over the previous fiscal year. The country's external account position remains concerning, mainly due to weaker financial account inflows and sizeable debt repayments. Foreign Exchange Reserves declined to US\$ 11.0 billion by June 2013, creating pressure on the Rupee which has depreciated by 4.8% to date, and recently crossed the key barrier of Rs 100/USD.

The fiscal deficit continues to be a major issue for the economy. Tax collection remained challenging, reaching Rs 1.93 trillion during FY13, 4% lower than even the revised targets. Expenditures, exacerbated by energy subsidies, continued to rise and it appears likely that the fiscal deficit for FY13 will exceed 8.0% of GDP, well above the 4.7% target.

The stock market continued its uptrend during 2013 with the KSE-100 index setting new records and appreciating by 24.3% during the first half of 2013. Daily volumes increased significantly as the re-entry of foreign investors led to a net inflow of \$411 million in FPI.

Taking comfort from widened real positive interest rates, the State Bank of Pakistan lowered its policy discount rate further by 50bps to 9.0% in its June Monetary Policy Statement, a cumulative 300bps reduction during FY13. However, the minimum return on PLS savings deposits remains elevated at 6%, with new averaging rules further increasing cost of deposits and squeezing banking sector spreads.

Deposits for the banking sector grew by 9.5% during the first half of 2013. Advances remained at December 2012 levels as lending continued to be mainly directed towards government and public sector enterprises. Despite the reduction in the discount rate, demand for private sector credit has been highly subdued with lending to the private sector reducing by 4.2% during the first half of 2013. Non-performing loans for the industry have been relatively stable, inching up marginally by 0.4% during Q1'13. However, the absolute NPL stock for the sector remains high at Rs 613 billion.

UBL International

Continuing improvement in the economies of Qatar and UAE and relative stabilization in Bahrain has resulted in further improving the risk profile of the region. Expansion of the non-hydrocarbon sector has continued to support Qatar's growth where services, manufacturing and construction played a key role, while in the UAE, trade, tourism and real estate have remained in the forefront of the economic turnaround during the first half of 2013.

UBL International was able to capitalize on the above macroeconomic developments and consequently, Corporate advances registered a modest growth from December 2012 levels. In line with the strategy to diversify the portfolio, the Bank continued to take selected exposures to Financial Institutions and build on its investment portfolio which recorded a net rise of 12%. Despite tough competition, the overseas branches achieved a 7 % rise in total deposits.

The proactive focus on recovering non-performing loans continues to be maintained in 2013 with a steady recovery stream during the first six months. Going forward, the business will continue its strategy of strengthening the risk management structure, managing operating costs and maintaining strong liquidity.

With the opening of a wholly owned subsidiary, the Bank marked its entrance in Africa. UBL Bank (Tanzania) Limited received a banking license from the Bank of Tanzania on May 30, 2013. Natural resource rich Tanzania is the gateway to East Africa and offers a number of opportunities to the Bank, including leveraging the growing trade with the GCC, as well as tapping the local business community in Tanzania.

Omni

UBL Omni maintains its market leadership in G2P, cash disbursement and collection services with over 11,700 Dukaan outlets in over 680 cities and towns. In May 2013, UBL Omni was selected for the third consecutive year by the United Nations World Food Program to provide cash transfer services across Pakistan. Additionally, ORIX Microfinance selected UBL Omni for loan repayment and disbursement services via Omni Dukaans to provide greater convenience and additional payment options to its customers.

On the retail front the Domestic Remittance business has grown rapidly with a 23% increase in transaction volumes and 28% increase in value as compared to the previous quarter. Omni accounts continue to grow, with over 46,000 new accounts opened during the quarter. UBL's instantaneous ATM card issuance remains a key selling point for account opening.

In Q2 2013, UBL Omni's technology platform successfully achieved the internationally recognized and prestigious PA-DSS security certification after having undergone a rigorous validation of security safeguards and controls against global security standards created by the Payment Card Industry Security Standards Council. The certification exercise was conducted by an international consulting company with support from the Bill & Melinda Gates Foundation.

Project Genesis (core banking software implementation)

A significant milestone was achieved in 2013 with the completion of the migration of the entire conventional domestic branch network to the new Core Banking System (CBS). The existing Loan Origination System is being upgraded to improve and simplify user experience. This has been launched in Karachi for certain consumer products, with country wide roll out planned by the end of the year. The implementation of CBS at UBL's international businesses has commenced and customization for the UAE is under progress. The first phase includes migration of the 8 UAE Branches which is expected to be completed in 2013.

The Foreign Exchange and Derivatives modules of the Sierra Treasury Management System were successfully implemented in 2012 and work has commenced on the implementation of the remaining modules.

Corporate Social Responsibility

During the second quarter of 2013 a total of Rs 23 million was given out in donations by UBL as part of its CSR initiatives. Donations were made to various NGOs working towards betterment in the areas of health, education and community development. Education remained a priority with donations for scholarship programs given to Forman Christian College and to the Lahore University of Management Sciences for their National Outreach Program. One of UBL's signature CSR initiatives during the quarter was in collaboration with the Buksh Foundation to help light up a village with solar lamps in line with the Foundation's initiative to provide sustainable alternative energy to underserved communities across Pakistan.

Credit Rating Re-affirmed

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

Looking ahead

The clarity on the political front through the completion of the election process and the formation of the new government has restored some confidence across different sectors within the economy. However, the government is confronted with imminent fundamental structural issues such as deteriorating law & order, low tax collection, problems throughout the energy chain and a stressed external account. As a priority, steps are being taken to improve the energy chain with the circular debt partially settled through two tranches, formulation of a national energy policy aimed at increasing investment in power generation, and planned reforms in the existing power tariffs.

In order to address the reserves position, the government has concluded initial discussions for a fresh IMF program of around US\$ 6 - 7 billion which should arrest external account pressures and stabilize the Rupee. This will require the Government to take steps to improve fiscal stability by broadening the tax net, and control expenditure by phasing out subsidies and curtailing losses of public sector enterprises. Inflation will show an upward trend going forward, especially in the backdrop of higher taxes, changes expected in the power tariff and the low base effect of the previous fiscal year. In the current macroeconomic scenario, the banking sector will be significantly challenged to mitigate the impact of spread compression and maintain profitability.

As the economy begins a period of redevelopment across the major sectors, the Bank is well capitalized to build its loan book, although focusing on high quality customers. Asset quality improvement will remain a priority along with proactive risk management, while low cost deposit growth across a well-diversified business model will drive core revenue. Prudent cost management and optimization of business processes remains a key strategic initiative. UBL's branch expansions, along with the significant investment in the technology platform over the last two years, have positioned the Bank to leverage future opportunities.

Acknowledgements

We would like to express our sincere thanks and gratitude to our customers for their patronage and to the State Bank of Pakistan and the Government of Pakistan for their continued support. We also take this opportunity to thank the shareholders for their continued trust and the staff for their dedication and commitment.

For and on behalf of the Board,

Sir Mohammed Anwar Pervez, OBE, HPk
Deputy Chairman

Islamabad
August 23, 2013

BDO Ebrahim & Co.
Chartered Accountants

KPMG Taseer Hadi & Co.
Chartered Accountants

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

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of United Bank Limited ("the Bank") as at June 30, 2013 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement, unconsolidated condensed interim statement of changes in equity and notes to the accounts for the six-month period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

The figures for the quarters ended June 30, 2013 and June 30, 2012 in the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

The financial statements of the Bank for the half year ended June 30, 2012 and for the year ended December 31, 2012 were reviewed and audited respectively by BDO Ebrahim & Co., Chartered Accountants and Ernst & Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants who had expressed an unqualified conclusion and opinion thereon dated July 18, 2012 and February 24, 2013, respectively.

BDO EBRAHIM & Co.
CHARTERED ACCOUNTANTS

Engagement Partner:
Zulfikar Ali Causer

Date: August 23, 2013
Place: Karachi

KPMG TASEER HADI & Co.
CHARTERED ACCOUNTANTS

Engagement Partner:
Mazhar Saleem

**UNCONSOLIDATED 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)-----			
ASSETS			
Cash and balances with treasury banks		92,564,583	94,081,133
Balances with other banks		13,449,531	15,234,326
Lendings to financial institutions	6	19,449,000	21,953,458
Investments	7	424,522,210	349,590,182
Advances	8	363,118,690	364,363,802
Operating fixed assets	9	24,623,660	24,431,069
Deferred tax asset - net		-	-
Other assets		29,549,574	26,339,854
		967,277,248	895,993,824
LIABILITIES			
Bills payable		20,577,133	7,600,633
Borrowings	10	69,550,760	67,214,445
Deposits and other accounts	11	754,643,749	699,935,518
Subordinated loans	12	6,985,996	9,319,264
Liabilities against assets subject to finance lease		-	-
Deferred tax liability - net		1,185,743	856,528
Other liabilities		19,074,189	18,829,146
		872,017,570	803,755,534
NET ASSETS		<u>95,259,678</u>	<u>92,238,290</u>
REPRESENTED BY:			
Share capital		12,241,798	12,241,798
Reserves		30,713,509	29,044,219
Unappropriated profit		38,157,490	37,415,599
		81,112,797	78,701,616
Surplus on revaluation of assets - net of deferred tax	13	14,146,881	13,536,674
		<u>95,259,678</u>	<u>92,238,290</u>
CONTINGENCIES AND COMMITMENTS			
	14		

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

**UNCONSOLIDATED 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	18,351,967	18,559,813	35,357,845	36,255,638
Mark-up / return / interest expensed	16	(9,302,146)	(8,949,649)	(17,520,260)	(17,045,043)
Net mark-up / interest income		9,049,821	9,610,164	17,837,585	19,210,595
Provision against loans and advances - net		(560,111)	(371,246)	(979,266)	(982,643)
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)	(113,757)	(108,683)	(193,035)
		(705,480)	(537,111)	(1,178,208)	(1,302,765)
Net mark-up / interest income after provisions		8,344,341	9,073,053	16,659,377	17,907,830
Non mark-up / interest income					
Fee, commission and brokerage income		2,271,974	2,098,145	4,616,249	3,964,629
Dividend income		173,624	632,573	722,480	1,442,774
Income from dealing in foreign currencies		396,194	478,824	790,212	1,047,082
Gain on sale of securities - net		1,588,142	45,327	1,981,153	462,286
Unrealized loss on revaluation of investments classified as held for trading		(15,073)	(5,723)	(8,851)	(7,731)
Other income		360,298	339,303	528,489	773,544
Total non mark-up / interest income		4,775,159	3,588,449	8,629,732	7,682,584
		13,119,500	12,661,502	25,289,109	25,590,414
Non mark-up / interest expenses					
Administrative expenses	17	(6,517,572)	(5,848,337)	(12,699,704)	(11,374,362)
Other provisions - net		(51,181)	(168,966)	(55,135)	(167,948)
Workers' Welfare Fund		(126,210)	(129,085)	(242,733)	(276,417)
Other charges		(12,575)	(25,998)	(25,374)	(52,391)
Total non mark-up / interest expenses		(6,707,538)	(6,172,386)	(13,022,946)	(11,871,118)
Profit before taxation		6,411,962	6,489,116	12,266,163	13,719,296
Taxation	18				
- Current		(2,066,070)	(2,136,897)	(3,990,624)	(4,568,966)
- Prior		(2,760)	-	(2,760)	-
- Deferred		(28,786)	42,657	(4,598)	109,804
		(2,097,616)	(2,094,240)	(3,997,982)	(4,459,162)
Profit after taxation		4,314,346	4,394,876	8,268,181	9,260,134
----- (Rupees) -----					
Earnings per share - basic and diluted		3.52	3.59	6.75	7.56

The annexed notes from 1 to 23 form an integral part of these unconsolidated 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

**UNCONSOLIDATED 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) -----				
Profit after taxation	4,314,346	4,394,876	8,268,181	9,260,134
Other comprehensive income:				
Exchange differences on translation of net investment in foreign branches	405,273	1,253,378	831,824	1,482,470
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)
	3,637	9,157	10,648	23,651
	408,910	1,262,535	842,472	1,506,121
Comprehensive income transferred to equity - net of tax	4,723,256	5,657,411	9,110,653	10,766,255

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 unconsolidated 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

**UNCONSOLIDATED 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)-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	12,266,163	13,719,296
Less: Dividend income	(722,480)	(1,442,774)
	<u>11,543,683</u>	<u>12,276,522</u>
Adjustments:		
Depreciation	844,466	695,267
Amortization	210,103	202,991
Workers' Welfare Fund	242,733	276,417
Provision for retirement benefits	438,497	394,449
Provision against loans and advances - net	979,266	982,643
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	(4,546)	(15,813)
Gain on cash flow hedges	16,382	36,386
Unrealized loss on revaluation of investments classified as held for trading	8,851	7,731
Bad debts written-off directly	108,683	193,035
Other provisions - net	55,135	167,948
	<u>2,989,829</u>	<u>3,068,141</u>
	<u>14,533,512</u>	<u>15,344,663</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	2,443,272	(9,164,514)
Held for trading securities	(6,970,626)	(839,060)
Advances	157,163	(33,488,292)
Other assets - (excluding advance taxation)	(458,102)	(3,453,526)
	<u>(4,828,293)</u>	<u>(46,945,392)</u>
Increase / (decrease) in operating liabilities		
Bills payable	12,976,500	2,340,020
Borrowings	2,336,315	(5,154,948)
Deposits and other accounts	54,708,231	72,468,883
Other liabilities (excluding current taxation)	(97,797)	2,373,313
	<u>69,923,249</u>	<u>72,027,268</u>
	<u>79,628,468</u>	<u>40,426,539</u>
Staff retirement benefits paid	(591,762)	(73,956)
Income taxes paid	(6,562,950)	(5,008,821)
Net cash inflow from operating activities	<u>72,473,756</u>	<u>35,343,762</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in securities	(67,009,260)	(26,188,304)
Dividend income received	710,926	1,463,556
Investment in operating fixed assets	(1,278,069)	(2,248,064)
Sale proceeds from disposal of operating fixed assets	35,735	89,659
Net cash outflow from investing activities	<u>(67,540,668)</u>	<u>(26,883,153)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Repayments of subordinated loans	(2,333,268)	(998,908)
Dividend paid	(6,732,989)	(8,569,258)
Net cash outflow from financing activities	<u>(9,066,257)</u>	<u>(9,568,166)</u>
	<u>(4,133,169)</u>	<u>(1,107,557)</u>
Exchange differences on translation of net investment in foreign branches	831,824	1,482,470
(Decrease) / increase in cash and cash equivalents during the period	<u>(3,301,345)</u>	<u>374,913</u>
Cash and cash equivalents at beginning of the period	<u>109,315,459</u>	<u>102,955,862</u>
Cash and cash equivalents at end of the period	<u>106,014,114</u>	<u>103,330,775</u>

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

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

	Share capital	Statutory reserve	Capital reserves		Unappropriated profit	Total
			Exchange translation reserve	Cash flow hedge reserve		
(Rupees in '000)						
Balance as at January 01, 2012 (Audited) - as reported	12,241,798	15,996,864	8,912,150	(61,995)	33,534,116	70,622,933
Restatement due to change in accounting policy on recognition of actuarial gains / (losses) on defined benefit obligations - net of tax	-	-	-	-	1,275,249	1,275,249
Balance as at January 01, 2012 (Audited) - restated	12,241,798	15,996,864	8,912,150	(61,995)	34,809,365	71,898,182
Transactions with owners recorded directly in equity for the half year ended June 30, 2012						
Final cash dividend - December 31, 2011 declared subsequent to the year end at Rs.6.0 per share	-	-	-	-	(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)
	-	-	-	-	(8,569,258)	(8,569,258)
Total comprehensive income for the half year ended June 30, 2012						
Profit after taxation for the half year ended June 30, 2012 - restated	-	-	-	-	9,260,134	9,260,134
Other comprehensive income - net of tax	-	-	1,482,470	23,651	-	1,506,121
Total comprehensive income for the half year ended June 30, 2012	-	-	1,482,470	23,651	9,260,134	10,766,255
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	33,468	33,468
Transfer to statutory reserve	-	931,782	-	-	(931,782)	-
Balance as at June 30, 2012 (Un-audited) - restated	12,241,798	16,928,646	10,394,620	(38,344)	34,601,927	74,128,647
Transactions with owners recorded directly in equity for the half year ended December 31, 2012						
Interim cash dividend - June 30, 2012 declared at Rs.2.0 per share	-	-	-	-	(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)
	-	-	-	-	(4,896,720)	(4,896,720)
Total comprehensive income for the half year ended December 31, 2012						
Profit after taxation for the half year ended December 31, 2012 - restated	-	-	-	-	8,631,224	8,631,224
Other comprehensive income - net of tax	-	-	873,056	17,350	(85,415)	804,991
Total comprehensive income for the half year ended December 31, 2012	-	-	873,056	17,350	8,545,809	9,436,215
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	33,474	33,474
Transfer to statutory reserve	-	868,891	-	-	(868,891)	-
Balance as at December 31, 2012 (Audited) - restated	12,241,798	17,797,537	11,267,676	(20,994)	37,415,599	78,701,616
Transactions with owners recorded directly in equity for the half year ended June 30, 2013						
Final cash dividend - December 31, 2012 declared subsequent to the year end at Rs.3.5 per share	-	-	-	-	(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)
	-	-	-	-	(6,732,989)	(6,732,989)
Total comprehensive income for the half year ended June 30, 2013						
Profit after taxation for the half year ended June 30, 2013	-	-	-	-	8,268,181	8,268,181
Other comprehensive income - net of tax	-	-	831,824	10,648	-	842,472
Total comprehensive income for the half year ended June 30, 2013	-	-	831,824	10,648	8,268,181	9,110,653
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	33,517	33,517
Transfer to statutory reserve	-	826,818	-	-	(826,818)	-
Balance as at June 30, 2013 (Un-audited)	12,241,798	18,624,355	12,099,500	(10,346)	38,157,490	81,112,797

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

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2013**
1. STATUS AND NATURE OF BUSINESS

United Bank Limited (the Bank) is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's registered office and principal office are situated at UBL Building, Jinnah Avenue, Blue Area, Islamabad and at State Life Building No. 1, I. I. Chundrigar Road, Karachi respectively. The Bank operates 1,282 (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.

2. BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated condensed interim financial statements as such, but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon. The Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan and notified under the provisions of the Companies Ordinance, 1984.

The financial results of the Islamic Banking branches of the Bank have been included in these unconsolidated condensed interim financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in note 21 to these unconsolidated condensed interim financial statements.

3. STATEMENT OF COMPLIANCE

- 3.1 These unconsolidated condensed interim financial statements of the Bank have been prepared in accordance with the requirements of International Accounting Standard (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 unconsolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.
- 3.3 The disclosures made in these unconsolidated condensed interim financial statements have been limited based on a format prescribed by the SBP vide BSD Circular Letter No. 2 dated May 12, 2004 and IAS 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the unconsolidated financial statements of the Bank 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.

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT

4.1 The accounting policies adopted in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the unconsolidated financial statements of the Bank 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 Bank for the year ended December 31, 2012.

4.3 During the period the Bank 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 Bank's accounting policy related to recognition of actuarial gains and losses (note 5.10.3 to the unconsolidated financial statements for the year ended December 31, 2012). Consequently the Bank 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 Bank's equity as at June 30, 2013 would have been lower by Rs.1,024.746 million (December 31, 2012: Rs.1,074.464 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 unconsolidated condensed interim financial statements have been prepared under the historical cost convention except that certain operating fixed assets have been stated at revalued amounts and certain investments and derivative financial instruments have been stated at fair value.

5.2 The preparation of these unconsolidated condensed interim financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in the application of its accounting policies. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

	(Un-audited) June 30, 2013	(Audited) 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	19,976,109	16,036,288
	<u>20,076,109</u>	<u>22,507,186</u>
Provision against lendings to financial institutions	(627,109)	(553,728)
	<u>19,449,000</u>	<u>21,953,458</u>

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

7. INVESTMENTS	(Un-audited) June 30, 2013			(Audited) December 31, 2012		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
7.1 Investments by type	(Rupees in '000)					
Held for trading securities						
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
	11,780,697	-	11,780,697	4,810,071	-	4,810,071
Available for sale securities						
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	8,402,583	-	8,402,583	6,537,756	-	6,537,756
Preference shares	455,124	-	455,124	422,057	-	422,057
Ordinary shares of unlisted companies	242,979	-	242,979	242,926	-	242,926
Term Finance Certificates	2,027,759	-	2,027,759	2,021,199	-	2,021,199
Units of mutual funds	50,000	-	50,000	114,075	-	114,075
Foreign bonds	19,521,343	-	19,521,343	18,966,614	-	18,966,614
	240,033,240	45,123,979	285,157,219	188,428,522	44,734,778	233,163,300
Held to maturity securities						
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	216,172	-	216,172	210,727	-	210,727
Recovery note	310,667	-	310,667	307,517	-	307,517
CDC SAARC Fund	216	-	216	211	-	211
	109,680,901	-	109,680,901	92,413,447	-	92,413,447
Associates						
United Growth and Income Fund	3,030,136	-	3,030,136	3,030,136	-	3,030,136
UBL Liquidity Plus Fund	4,375,982	-	4,375,982	6,307,994	-	6,307,994
UBL Shariah Stock Fund	-	-	-	250,000	-	250,000
United Islamic Income Fund	200,000	-	200,000	200,000	-	200,000
United Stock Advantage Fund	-	-	-	250,000	-	250,000
UBL Savings Income Fund	100,000	-	100,000	100,000	-	100,000
UBL Islamic Sovereign Fund	350,000	-	350,000	350,000	-	350,000
UBL Islamic Retirement Savings Fund	90,000	-	90,000	90,000	-	90,000
UBL Retirement Savings Fund	90,000	-	90,000	90,000	-	90,000
UBL Principal Protected Fund - I	100,000	-	100,000	100,000	-	100,000
UBL Government Securities Fund	100,000	-	100,000	100,000	-	100,000
UBL Islamic Cash Fund	100,000	-	100,000	100,000	-	100,000
UBL Gold Fund	100,000	-	100,000	-	-	-
UBL Islamic Principal Preservation Fund - I	100,000	-	100,000	-	-	-
UBL Insurers Limited	240,000	-	240,000	240,000	-	240,000
Khushhali Bank Limited	832,485	-	832,485	832,485	-	832,485
Oman United Exchange Company, Muscat	6,981	-	6,981	6,981	-	6,981
	9,815,584	-	9,815,584	12,047,596	-	12,047,596
Subsidiaries						
United National Bank Limited, UK	1,482,011	-	1,482,011	1,482,011	-	1,482,011
UBL (Switzerland) AG	589,837	-	589,837	589,837	-	589,837
UBL Fund Managers Limited	100,000	-	100,000	100,000	-	100,000
UBL Bank (Tanzania) Limited, Tanzania	1,322,014	-	1,322,014	1,322,014	-	1,322,014
United Executors and Trustees Company Ltd.	30,100	-	30,100	30,100	-	30,100
	3,523,962	-	3,523,962	3,523,962	-	3,523,962
	374,834,384	45,123,979	419,958,363	301,223,598	44,734,778	345,958,376
Provision for diminution in value of investments	(1,459,111)	-	(1,459,111)	(1,412,174)	-	(1,412,174)
Investments (net of provisions)	373,375,273	45,123,979	418,499,252	299,811,424	44,734,778	344,546,202
Surplus on revaluation of available for sale securities	5,976,224	55,585	6,031,809	4,648,328	393,416	5,041,744
(Deficit) / surplus on revaluation of held for trading securities	(8,851)	-	(8,851)	2,236	-	2,236
Total investments	379,342,646	45,179,564	424,522,210	304,461,988	45,128,194	349,590,182

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

	Note	(Un-audited) June 30, 2013	(Audited) December 31, 2012
------(Rupees in '000)-----			
8. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		259,155,239	273,319,693
Outside Pakistan		100,421,916	99,868,086
		359,577,155	373,187,779
Bills discounted and purchased			
Payable in Pakistan		32,236,206	25,396,189
Payable outside Pakistan		17,278,194	10,506,476
		49,514,400	35,902,665
Advances - gross		409,091,555	409,090,444
Provision against advances			
Specific		(44,196,441)	(43,463,810)
General	8.2	(1,776,424)	(1,262,832)
Advances - net of provision		363,118,690	364,363,802

8.1 Advances include Rs.55,451 million (December 31, 2012: Rs.57,347 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	253,311	2,292,890	250,952	104,411	355,363	250,952	104,411	355,363
Doubtful	1,247,427	1,750,596	2,998,023	538,334	1,217,119	1,755,453	538,334	1,217,119	1,755,453
Loss	43,470,670	6,486,759	49,957,429	37,422,491	4,663,134	42,085,625	37,422,491	4,663,134	42,085,625
	46,960,615	8,490,666	55,451,281	38,211,777	5,984,664	44,196,441	38,211,777	5,984,664	44,196,441

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	1,346,874	3,485,010	425,466	306,622	732,088	425,466	306,622	732,088
Doubtful	2,540,057	2,095,227	4,635,284	1,148,763	1,093,678	2,242,441	1,148,763	1,093,678	2,242,441
Loss	42,982,937	5,995,755	48,978,692	36,264,639	4,224,642	40,489,281	36,264,639	4,224,642	40,489,281
	47,909,140	9,437,856	57,346,996	37,838,868	5,624,942	43,463,810	37,838,868	5,624,942	43,463,810

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

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.1,474.078 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 overseas branches operate. 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	(Audited) December 31, 2012
------(Rupees in '000)-----			
9. OPERATING FIXED ASSETS			
Capital work-in-progress		1,648,117	1,681,230
Property and equipment		21,582,120	21,317,645
Intangible assets		1,393,423	1,432,194
	9.1	24,623,660	24,431,069

9.1 Additions and disposals during the period amounted to Rs. 1,265.798 million (June 30, 2012: Rs.2,237.885 million) and Rs. 131.344 million (June 30, 2012: Rs.205.445 million), respectively.

**NOTES TO THE UNCONSOLIDATED 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)-----			
10. BORROWINGS			
Secured			
Borrowings from the State Bank of Pakistan under:			
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>
Unsecured			
Call borrowings		9,434,723	4,508,819
Other borrowings		-	791,076
		<u>9,434,723</u>	<u>5,299,895</u>
		<u>69,550,760</u>	<u>67,214,445</u>
11. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		202,288,719	193,621,057
Savings deposits		260,851,444	240,777,697
Sundry deposits		8,208,910	7,662,302
Margin deposits		5,099,542	3,846,759
Current accounts - remunerative		4,934,867	7,228,020
Current accounts - non-remunerative		257,188,574	233,724,104
		<u>738,572,056</u>	<u>686,859,939</u>
Financial Institutions			
Remunerative deposits		11,031,506	8,191,096
Non-remunerative deposits		5,040,187	4,884,483
		<u>16,071,693</u>	<u>13,075,579</u>
		<u>754,643,749</u>	<u>699,935,518</u>
12. SUBORDINATED LOANS			
<p>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 unconsolidated 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 would be redeemed on August 13, 2013, being the option redemption date.</p>			
		(Un-audited)	(Audited)
	Note	June 30, 2013	December 31, 2012
------(Rupees in '000)-----			
13. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX			
Surplus arising on revaluation of assets - net of tax:			
Fixed assets	13.1	10,226,205	10,259,540
Securities	13.2	3,920,676	3,277,134
		<u>14,146,881</u>	<u>13,536,674</u>
13.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 01		15,330,037	15,432,360
Exchange adjustments		280	665
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year		(33,517)	(66,942)
Related deferred tax liability on incremental depreciation charged during the period / year		(18,048)	(36,046)
		<u>(51,285)</u>	<u>(102,323)</u>
		15,278,752	15,330,037
Less: Related deferred tax liability on:			
Revaluation as at 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>10,226,205</u>	<u>10,259,540</u>

**NOTES TO THE UNCONSOLIDATED 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)-----	
13.2 Surplus / (deficit) on revaluation of available for sale securities		
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	(1,609)	(1,879)
Term Finance Certificates, Sukuks, other Bonds, etc.	35,887	109,937
Foreign bonds	78,046	1,245,975
	6,031,810	5,041,744
Related deferred tax liability	(2,111,134)	(1,764,610)
	<u>3,920,676</u>	<u>3,277,134</u>

14. CONTINGENCIES AND COMMITMENTS
14.1 Direct credit substitutes

Contingent liabilities in respect of guarantees given favouring:

Government	3,846,859	2,631,890
Banking companies and other financial institutions	3,610,098	4,353,102
Others	3,383,126	3,002,658
	<u>10,840,083</u>	<u>9,987,650</u>

14.2 Transaction-related contingent liabilities

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>

14.3 Trade-related contingent liabilities

Contingent liabilities in respect of letters of credit opened favouring:

Government	55,564,322	54,515,574
Others	101,541,268	91,938,820
	<u>157,105,590</u>	<u>146,454,394</u>

14.4 Other contingencies

Claims against the Bank not acknowledged as debts

	<u>23,618,127</u>	<u>23,818,821</u>
--	-------------------	-------------------

14.5 Commitments to extend credit

The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	Note	(Un-audited) June 30, 2013	(Audited) December 31, 2012
		------(Rupees in '000)-----	
14.6 Commitments in respect of forward foreign exchange contracts			
Purchase		141,096,500	119,658,061
Sale		<u>108,919,216</u>	<u>90,502,058</u>
14.7 Commitments in respect of derivatives			
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
14.8 Commitments in respect of capital expenditure		<u>1,947,719</u>	<u>2,150,282</u>
14.9 For contingencies relating to taxation refer note			

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

	June 30, 2013	June 30, 2012
	------(Rupees in '000)-----	
15. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to customers	15,926,993	18,898,386
On lendings to financial institutions		
Call money lendings	1,714	7,566
Repurchase agreement lendings	101,472	124,193
Other lendings to financial institutions	186,888	196,114
	290,074	327,873
On investments in		
Held for trading securities	273,353	215,301
Available for sale securities	12,645,391	10,946,058
Held to maturity securities	6,163,537	5,772,818
	19,082,281	16,934,177
On deposits with financial institutions	58,497	95,202
	35,357,845	36,255,638
16. MARK-UP / RETURN / INTEREST EXPENSED		
On deposits	13,252,228	13,569,679
On securities sold under repurchase agreements	2,522,218	1,635,326
On other short term borrowings	1,117,800	1,008,578
On long term borrowings	628,014	831,460
	17,520,260	17,045,043
17. ADMINISTRATIVE EXPENSES		
Salaries, allowances etc.	4,536,132	4,325,532
Charge for compensated absences	274,744	272,656
Medical expenses	237,930	216,035
Contribution to defined contribution plan	88,273	81,987
Charge in respect of defined benefit obligations	75,480	39,806
Rent, taxes, insurance, electricity etc.	1,707,930	1,447,662
Depreciation	844,466	695,267
Amortization	210,103	202,991
Outsourced service charges including sales commission	1,373,062	1,005,975
Communications	525,326	469,704
Banking service charges	403,562	392,790
Cash transportation charges	204,171	183,133
Stationery and printing	276,982	239,989
Legal and professional charges	121,285	143,554
Advertisement and publicity	260,744	270,063
Repairs and maintenance	567,935	527,297
Travelling	114,092	135,833
Office running expenses	216,229	197,978
Vehicle expenses	93,210	88,124
Entertainment	83,845	76,442
Cartage, freight and conveyance	43,163	42,437
Insurance expense	56,072	71,578
Auditors' remuneration	33,640	30,036
Training and seminars	46,004	41,746
Brokerage expenses	24,581	11,021
Subscriptions	34,056	26,836
Donations	38,815	4,282
Non-executive Directors' fees	19,775	16,660
Zakat paid by overseas branch	47,539	48,650
Miscellaneous expenses	140,558	68,298
	12,699,704	11,374,362

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

The tax returns for Azad Kashmir (AK) Branches have been filed up to 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 up to 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.

19. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES
For the half year ended June 30, 2013 (Un-audited)

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
----- (Rupees in '000) -----						
Total income	70,376	6,844,063	14,334,379	3,558,480	1,660,019	-
Total expenses	(95,720)	(576,206)	(10,984,327)	(1,836,689)	(708,212)	-
Profit before tax	(25,344)	6,267,857	3,350,052	1,721,791	951,807	-
Segment return on assets (ROA)	-6.8%	1.6%	0.7%	0.6%	-	-
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 and sales	Retail banking	Commercial banking	Others	Inter segment elimination
----- (Rupees in '000) -----						
Total income	152,019	4,421,385	16,899,157	4,190,543	1,230,075	-
Total expenses	(76,828)	(231,781)	(9,879,310)	(2,322,843)	(663,121)	-
Profit before tax	75,191	4,189,604	7,019,847	1,867,700	566,954	-
Segment return on assets (ROA)	9.3%	1.6%	1.6%	0.7%	-	-
Segment cost of funds	0.9%	7.9%	4.2%	8.4%	-	-

As at June 30, 2013 (Un-audited)

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
----- (Rupees in '000) -----						
Segment assets (gross of NPL provisions)	827,032	486,686,890	721,485,450	372,403,278	95,347,645	(665,276,606)
Segment non performing loans (NPLs)	665,933	2,069,405	24,370,110	28,145,722	200,110	-
Segment provision held against NPLs	521,805	1,634,897	20,626,804	21,352,781	60,154	-
Segment liabilities	321,701	476,915,607	698,844,508	349,937,805	11,274,555	(665,276,606)

As at December 31, 2012 (Audited)

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
----- (Rupees in '000) -----						
Segment assets (gross of NPL provisions)	1,433,174	414,116,266	669,774,770	374,148,056	85,640,382	(605,655,014)
Segment non performing loans (NPLs)	1,016,151	2,122,695	25,272,491	28,735,549	200,110	-
Segment provision held against NPLs	441,892	1,520,078	20,660,063	20,781,624	60,153	-
Segment liabilities	1,069,695	401,751,874	640,391,016	351,919,970	14,277,993	(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 UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2013**
20. RELATED PARTY TRANSACTIONS

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

The Bank enters into transactions with related parties in the normal course of business. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

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

	As at June 30, 2013 (Un-audited)					As at December 31, 2012 (Audited)				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
----- (Rupees in '000) -----										
Balances with banks										
In current accounts	-	-	1,333,920	-	-	-	-	1,400,068	-	-
In deposit accounts	-	-	426,226	-	398,650	-	-	1,291,442	-	773,770
	-	-	1,760,146	-	398,650	-	-	2,691,510	-	773,770
Landings to financial institutions										
Repurchase agreement landings	-	-	-	-	-	-	-	-	-	-
Other landings to financial institution	-	-	896,959	-	286,874	-	-	-	-	810,000
Investments										
Opening balance	-	-	3,523,962	12,047,596	404,668	-	-	2,201,948	16,657,117	266,180
Transfer in	-	-	-	-	-	-	-	-	200,000	-
Investment made during the period / year	-	-	-	200,000	618,498	-	-	1,322,014	2,040,479	193,224
Investment redeemed / disposed off during the period / year	-	-	-	(2,432,012)	(491,808)	-	-	-	(6,850,000)	(54,736)
Closing balance	-	-	3,523,962	9,815,584	531,358	-	-	3,523,962	12,047,596	404,668
Provision for diminution in value of investments	-	-	-	-	48,158	-	-	-	-	48,158
Advances										
Opening balance	-	124,163	-	-	-	871	122,016	-	-	-
Addition during the period / year	-	44,946	-	-	-	-	118,883	-	-	-
Repaid during the period / year	-	(56,991)	-	-	-	(871)	(116,736)	-	-	-
Closing balance	-	112,118	-	-	-	-	124,163	-	-	-
Other Assets										
Interest mark-up accrued	-	61	7,872	-	19,937	-	198	107	-	6,784
Receivable from staff retirement funds	-	-	-	-	1,826,182	-	-	-	-	1,600,549
Prepaid insurance	-	-	-	133,409	-	-	-	-	-	-
Advance for Pre-IPO investment	-	-	-	-	-	-	-	-	-	364,000
Receivable against redemption of units of mutual funds	-	-	-	-	-	-	-	-	1,004,226	-
Other receivable	-	-	59,165	-	-	-	-	17,319	-	-
Borrowings										
Opening balance	-	-	-	-	306,215	-	-	-	-	449,740
Borrowings during the period / year	-	-	-	2,155,493	7,258,520	-	-	1,282,323	4,548,669	86,365,214
Settled during the period / year	-	-	-	(1,895,428)	(4,934,262)	-	-	(1,282,323)	(4,548,669)	(86,508,739)
Closing balance	-	-	-	260,065	2,630,473	-	-	-	-	306,215
Deposits and other accounts										
Opening balance	6,173,963	82,808	142,656	819,332	1,909,324	2,898,779	63,495	131,902	1,217,179	1,485,930
Received during the period / year	8,426,255	603,201	93,798,488	30,603,090	134,392,309	6,948,406	910,308	162,987,974	55,089,236	85,697,265
Withdrawn during the period / year	(7,561,076)	(576,602)	(92,776,098)	(30,896,535)	(134,353,287)	(3,673,222)	(890,995)	(162,977,220)	(55,487,083)	(85,273,871)
Closing balance	7,039,142	109,407	1,165,046	525,887	1,948,346	6,173,963	82,808	142,656	819,332	1,909,324
Subordinated loans	-	-	-	239,520	-	-	5	-	5,998	-
Other Liabilities										
Interest / mark-up payable on deposits	56,209	785	10,509	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	-
Unearned income	-	-	746	-	-	-	-	170	-	-
Contingencies and Commitments										
Letter of guarantee	-	-	-	73,855	-	-	-	-	71,993	-
Forward foreign exchange contracts purchase	-	-	1,993,190	-	1,494,893	-	-	6,285,868	-	2,914,491
Forward foreign exchange contracts sale	-	-	1,994,759	-	1,502,300	-	-	6,378,146	-	2,817,341
----- (Rupees in '000) -----										
	For the half year ended June 30, 2013 (Un-audited)					For the half year ended June 30, 2012 (Un-audited)				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
Mark-up / return / interest earned	-	3,076	26,517	-	59,269	64	4,007	20,554	-	87,713
Commission / charges recovered	5	15	129	406	559	26	10	40	314	264
Dividend income	-	-	81,210	27,667	-	-	-	20,000	1,126,142	12,847
Net gain on sale of securities	-	-	-	737,251	780	-	-	-	-	-
Realised gain on derivative transactions	-	-	-	-	-	-	-	-	-	1,008,376
Other income	-	153	543	163	-	-	685	494	-	-
Mark-up / return / interest paid	116,224	1,211	20,295	22,463	44,839	74,777	601	648	5,708	54,056
Remuneration paid	-	451,160	-	-	-	-	322,970	-	-	-
Post employment benefits	-	7,510	-	-	-	-	6,584	-	-	-
Non-executive directors' fee	19,775	-	-	-	-	16,660	-	-	-	-
Net charge for defined contribution plans	-	-	-	-	88,273	-	-	-	-	81,987
Net reversal for defined benefit plans	-	-	-	-	(38,196)	-	-	-	-	(69,689)
Payment for employee motivation and retention scheme	-	-	-	-	-	-	-	-	-	250,000
Insurance premium paid	-	-	-	265,022	-	-	-	-	253,872	-
Insurance claims settled	-	-	-	91,069	-	-	-	-	99,551	-

**NOTES TO THE UNCONSOLIDATED 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 Bank'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) -----			
ASSETS			
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
Total Assets		16,327,502	13,469,646
LIABILITIES			
Bills payable		960	960
Deposits and other accounts			
Current accounts		2,155,948	1,863,420
Savings 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
NET ASSETS		513,168	538,617
REPRESENTED BY			
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
		513,168	538,617

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

	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
Other Income		
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
Other Expenses		
Administrative expenses	(326,957)	(194,872)
Other provisions - net	-	(3,385)
Total other expenses	(326,957)	(198,257)
Net profit for the period	18,773	169,135
Accumulated losses brought forward	(194,579)	(199,658)
Accumulated losses carried forward	(175,806)	(30,523)
Remuneration to Shariah Advisor	665	1,380

	(Un-audited) June 30, 2013	(Audited) December 31, 2012
----- (Rupees in '000) -----		
21.3 Islamic financing and related assets		
Financings		
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
Advances		
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
	5,194,638	3,118,266

**NOTES TO THE UNCONSOLIDATED 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 unconsolidated 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 unconsolidated condensed interim financial statements were authorised for issue on August 23, 2013 by the Board of Directors of the Bank.

Atif R. Bokhari
President &
Chief Executive Officer

Rana Assad Amin
Director

Amin Uddin
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Deputy Chairman