

# **United Bank Limited**

**UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED JUNE 30, 2014  
(UNAUDITED)**



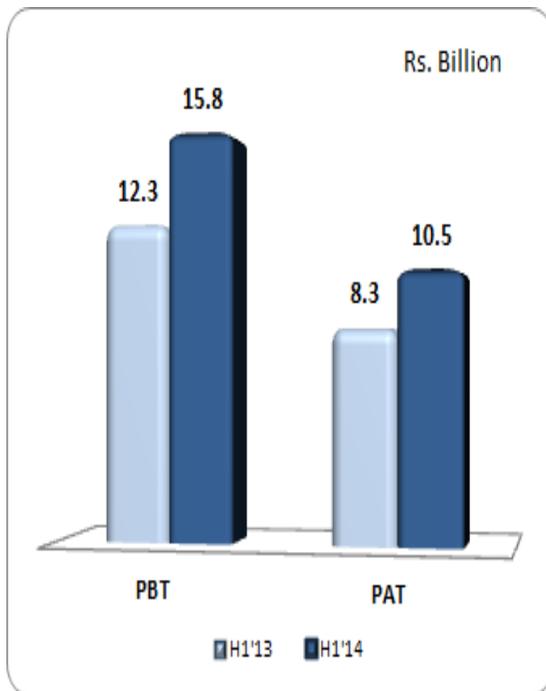
## DIRECTORS' REPORT TO THE MEMBERS

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, 2014.

### Performance Highlights

- Unconsolidated Profit after Tax for the half year ended June 30, 2014 stands at Rs 10.5 billion, with strong growth of 27% over the corresponding period last year.
- Revenues have grown by 18% over H1 '13 mainly arising from higher net interest income driven by consistent balance sheet expansion and enhanced non funded income streams.
- Focus on recoveries has resulted in a 3% reduction in NPLs. Provisions have reduced by 10% while the coverage has increased to 86.2%.

### Financial Highlights



### Overall performance

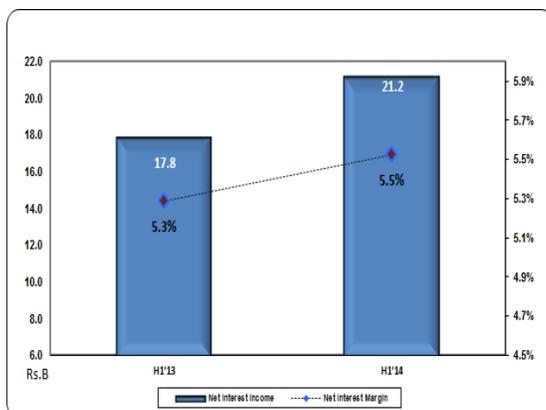
For the half year ended June 30, 2014, UBL has achieved a profit after tax of Rs 10.5 billion. This is 27% higher than the corresponding period last year and translates into earnings per share of Rs. 8.60 (H1 '13: Rs. 6.75).

For the same period, UBL's profit before tax is Rs 15.8 billion, which is 29% higher than the corresponding period last year. On a consolidated basis, UBL achieved a profit after tax of Rs 11.3 billion, an increase of 22% over the first half of 2013.

Earnings are significantly higher due to revenue growth of 18% through a deposit driven increase in the balance sheet, consistently improving fee based income and strong trading performance. Active portfolio management resulting in reduced loan loss provisions along with controlled costs have contributed to a 24% return on equity for H1 '14.

### Net Interest Income

Net interest income has grown by 19% in comparison to H1 '13 to reach Rs 21.2 billion. The increase in net interest income is due to re-pricing and growth in the loan book, along with higher yields on the large government securities portfolio which has been repositioned towards longer tenors. A 21% growth in average current accounts has enabled the Bank to contain the increase in the domestic cost of funds to 44 bps despite a sharp increase in the rate paid on savings accounts as a result of various regulatory changes during 2013.



## Non-Interest Income

Fee based and trading flows continue to build and diversify revenues, contributing 32% to the overall earnings base. Non-interest income has grown by 16% in H1'14 over the corresponding period last year to cross Rs 10 billion.

Enhanced transaction volumes across all business segments have led to a 20% growth in income from fees and commissions. UBL Omni's diversified business model generates significant growth in revenues each quarter. Home remittance income increased by 32% while the focus on cross-sell resulted in an improved performance across product segments. Treasury activities showed another strong performance with an 80% increase in FX income, while dividends grew by 44% to cross Rs 1 billion, reflecting the strong returns from the equity book built in 2013. Capital gains in the current half year were comparatively lower than in H1 '13 which included gains from the one-off sale of a long term investment.

## Provisions and loan losses

Provisions for H1 '14 were Rs 1.1 billion, a 10% reduction over H1 '13. The current year charge is mainly driven by a more conservative qualitative view taken by the Bank on some weaker borrowers. However, continued focus on recoveries and diligent portfolio management to control new NPL formation have resulted in a 3% reduction in the level of NPLs compared to December '13. Lower NPLs, along with growth in the loan book have combined to improve the asset quality ratio to 11% from 12% in December '13, while the already strong coverage ratio of 83.8% has increased to 86.2% as at June 14.

## Cost management

The cost to income ratio continued to improve on a quarter on quarter basis resulting in a 3.5% reduction to 44.6% from 48.1% in H1'13. On a commercial basis, administrative expenses for H1 '14 have increased by 8% over H1 '13 in line with inflation as a result of normal salary increases, higher business development expenditure and the rising cost of utilities.

## Balance Sheet

The overall domestic deposit base has grown by a healthy 8% in the current half year, ahead of market growth of 7.3%, driven by a 16% increase in the current account portfolio. The focus on growing the core deposit base through acquiring new customers in addition to retention and deepening across existing relationships has resulted in an 18% growth in average low cost deposits over the corresponding period last year. The domestic CASA ratio continues to improve and has grown to 86.2% as at June '14. Liquidity generated through domestic deposits was mainly diverted to higher lending in this half year as the advances portfolio increased by 11% with growth in the corporate loan book along with higher

commodity financing.

## Capital Ratios

The Tier 1 Capital Adequacy Ratio (CAR) of the Bank increased to 10.2% as at June 30, 2014 (December '13: 10.0%) with the total CAR rising to 13.1%. During the quarter the Bank paid an enhanced interim dividend of Rs 2.50 per share. Despite the growth in risk weighted assets and dividend payouts during the period, strong earnings in H1'14 have supported and maintained comfortable capital levels.

The Board of Directors of UBL declared an interim dividend of 25% (Rs 2.5 per share) in their meeting in Islamabad on August 6th 2014, along with the results for the half year ended June 30, 2014.

## Key Developments

### Macroeconomic performance

Most of the key macro indicators have started showing signs of improvement in the first half of 2014. The economic policies of the PML-N government in its first year have been directed towards rebuilding the climate for investment and growth. Consequently, the outgoing fiscal year reflects an improving macro picture along internal and external measures. While this has renewed domestic and foreign investor confidence, it is imperative that key reforms are undertaken to sustain the recovery momentum.

Resolution of the energy crisis has been a key priority for the government through an evolving reform program that targets robust policy, capacity development and institutional strengthening to reduce power shortages. Although sustained improvements will only materialize in the longer term, power supply has improved somewhat over the last one year, resulting in a 4.2% growth in Large Scale Manufacturing during 11M FY14. Despite a relatively weaker agriculture output, the government estimates real GDP growth of 4.1% for FY14. The improved economic activity, especially on the manufacturing front, has resulted in a 10.5% growth in private sector credit during 11M FY14 with disbursements to all major sectors. Inflation has remained relatively controlled, averaging 8.6% due to stable commodity prices and moderate aggregate demand. In FY15, the government has targeted real GDP growth of 5.1% with major contributions from agriculture, industry and services. However, this will necessitate another round of circular debt resolution which continues to impact the energy chain.

The budget deficit for FY14 is estimated at 5.8% of GDP, a much improved performance in comparison to 8.0% in FY13. The lower deficit has resulted from a 17% growth in tax collection during the year, strong non-tax revenues and reduced development spending. The government has set an ambitious deficit target of 4.9% of GDP for FY15 driven by a budgeted increase of 23% in tax revenue and a lower level of power subsidies. The targeted avenues for revenue enhancement include widening the ambit of

withholding tax, broadening the scope of federal excise duty and sales tax and the elimination of concessionary SROs.

The trade deficit for FY14 has narrowed by 2.5%, as exports have increased by 2.8% while imports increased marginally. However, due to relatively lower proceeds from the coalition Support Fund (CSF) this year, the current account deficit for FY14 increased to US\$ 2.9 billion as against US\$ 2.5 billion for FY13. Record workers' remittances of US\$ 15.8 billion continued to support the external account, with strong growth of 13.7%.

The country's balance of payments position had remained precarious during most of FY14, with SBP's reserves falling to a decade low level of under US\$ 3.0 billion in February 2014. However significant foreign flows during the latter part of the fiscal year have rapidly increased reserves to more than US\$ 9 billion by June 2014. During the quarter, the GoP successfully launched its largest ever Euro Bond issue of US\$ 2 billion in April, which was widely distributed and received huge investor interest. This was followed by the auction of 3G/4G licenses within the domestic telecom sector. The two capital market transactions planned for FY14 under the Government's new privatization program were concluded successfully with the sale of the GOP's residual holding in UBL and a 5% stake in PPL. Both offerings were heavily oversubscribed, with the UBL sale generating over US\$ 300 million from foreign investors. In addition, proceeds from the Coalition Support Fund (CSF) were also disbursed during 4Q FY14. The sizeable inflows during 2H FY14 have resulted in a much improved balance of payments for FY14 with a surplus of US\$ 3.8 billion as against a deficit of US\$ 2.0 billion during FY13.

The stock market has continued to show strong growth with the KSE 100 index appreciating by 17% during the first half of 2014. Improving macroeconomic indicators along with a near doubling of Pakistan's weightage in the MSCI Frontier Market Index has significantly enhanced interest and foreign participation. There was consistent growth in average daily traded volumes during the period with sizeable net foreign investment of US\$ 269 million.

Despite controlled inflation along with a significantly improved external account position, the State Bank of Pakistan maintained a cautious stance and has kept its policy discount rate unchanged at 10.0%. Deposits for the banking sector grew by 7.3% during the first half of 2014, while loans grew by 5.3%. After briefly reducing in December '13, non-performing loans for the industry climbed back to reach Rs 602 billion as at March 31, 2014.

## **UBL International**

The overall economic outlook for the GCC remains positive supported by the resilient oil sector, large infrastructure projects, the Expo 2020 in UAE and further improvement in the non-oil sectors driven by a boost in public spending levels as well as private sector investment. In particular, UAE continues to have

robust growth led by services, trade and infrastructure development.

The international business has maintained a consistent operating performance in the current half year. Besides the growth recorded in the corporate banking business, the Financial Institutions Group continued to enhance client and territorial coverage while the treasury function played a key role in capitalizing on market opportunities. UBL International was a major participant in the PakistanEurobond issued during the quarter.

UBL International plans to grow its asset base through focused efforts on booking quality assets. Going forward there will be a continued emphasis on cross-sell activities to increase non-fund based income and enhance overall portfolio yields. The performance of the subsidiaries in Europe and Africa has been strong, bolstered by the growing synergies in the network. This has enabled the Bank to provide a wider spectrum of products and services to its International client base.

### **UBL Omni**

UBL Omni remains committed to its financial inclusion agenda with expansion and penetration across a targeted client base. The business continues to dominate the G2P space and has recently initiated cash disbursement services to the WHO's polio eradication field officers working across Pakistan. In recognition of its leadership in G2P initiatives, UBL Omni has been selected by the KPK Disaster Management Authority to provide aid disbursements to the Internally Displaced Persons from North Waziristan.

UBL Omni has also diversified its cash management client base in this quarter with the successful signing up of multiple loan disbursement, school fee collection and other cash collection customers. Customized solutions that address specific customer business needs have been developed using Omni's proprietary technology platform.

In the second quarter, Omni increased its customer base by 7% over the previous quarter, with an 11% growth in the value of transactions. Nearly half of new account holders opted for the popular feature of the ATM card being provided instantaneously at Omni Dukaans at the time of account opening. The Dukaan network has grown by more than 18% to 17,000 agents in over 800 cities and towns.

### **Core banking system implementation (CBS)**

The migration of the UAE branches to CBS is progressing satisfactorily and a functional UAT for the system has been completed. Integration testing for other systems and alternate delivery channels is currently underway after which the business is expected to go live on CBS during Q3 '14. A Customer Risk Profiling module (CRP) to support compliance and monitoring has also been developed within CBS during the quarter.

## Corporate Social Responsibility

UBL's commitment towards its CSR agenda continues in an effort to take up worthy causes with Rs 24 million donated to various institutions during the first half of 2014, mainly in the education sector. In addition to established institutions of higher learning, contributions were also made to projects aimed at providing free, quality education at the elementary school level through reconstruction and refurbishment of 28,000 schools in the KPK province. Support was also given in the area of community development and welfare and to organizations that provide health-care and medical services for the underprivileged in various areas of the country.

## Looking ahead

While there is perceptible improvement in many key indicators and in investor confidence, it is imperative that the reforms initiated in FY14 are strengthened to lead to a sustainable economic revival. In particular, structural reforms that resolve the energy crisis and circular debt are the most critical – for economic growth, easing the subsidies burden and reducing the import bill. Although tax collection has improved, key issues such as widening the tax base, increasing documentation and phasing out exemptions now need to be addressed. The ambitious plans announced for strategic infrastructure investments by China must be capitalized upon as a priority and will have to be underpinned by an improvement in the law and order situation which is of utmost importance for Pakistan to attract capital investment.

Measures taken by the government to improve structural benchmarks and stabilize the external account are being viewed positively by international lenders and credit rating agencies. Moody's has recently revised Pakistan's foreign currency bond Outlook from 'Negative' to 'Stable'. This will further support the Government's privatization agenda for the year which aims to build on the early successes and includes capital market transactions as well as strategic sales of loss making entities. Satisfactory conclusion of these transactions should relieve pressure on both the fiscal balance and the external account.

Inflation is expected to remain contained in the next few months and, along with positive external account developments, could pave the way for monetary easing later in the year. While this will keep banking sector spreads under pressure, growth in private sector credit is expected to maintain its momentum alleviating some of the margin compression and improving sector profitability.

The current year has seen a strong and sustained momentum in deposit acquisition across UBL's branch network. There has been a renewed energy and focus on service quality and efficiency with involvement at all levels across the organization. With improving macroeconomic conditions, UBL is revitalizing its lending business and has expanded the outreach of its commercial and SME segments through the setup of dedicated customer centers with a renewed focus towards specific growth sectors. At the same time,

efforts to actively manage the restructured loan portfolio and targeting further reduction in non-performing loans through recoveries remains a key priority.

### **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  
Chairman

August 06, 2014  
Islamabad

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2014**

	Note	(Un-audited) June 30, 2014	(Audited) December 31, 2013
------(Rupees in '000)-----			
<b>ASSETS</b>			
Cash and balances with treasury banks		94,932,078	88,520,725
Balances with other banks		18,635,241	25,867,497
Lendings to financial institutions	6	17,598,257	28,835,115
Investments	7	430,564,148	423,777,250
Advances	8	408,487,151	390,813,462
Operating fixed assets	9	24,197,622	24,607,937
Deferred tax asset - net		-	-
Other assets		34,861,560	27,316,665
		1,029,276,057	1,009,738,651
<b>LIABILITIES</b>			
Bills payable		12,505,528	16,590,884
Borrowings	10	34,246,470	40,573,874
Deposits and other accounts	11	857,504,838	827,847,738
Subordinated loans		332,660	665,328
Liabilities against assets subject to finance lease		-	-
Deferred tax liability - net		818,969	1,087,240
Other liabilities		22,681,081	22,059,590
		928,089,546	908,824,654
<b>NET ASSETS</b>		<u>101,186,511</u>	<u>100,913,997</u>
<b>REPRESENTED BY:</b>			
Share capital		12,241,798	12,241,798
Reserves		32,386,291	33,681,210
Unappropriated profit		44,189,813	42,634,545
		88,817,902	88,557,553
Surplus on revaluation of assets - net of deferred tax	12	12,368,609	12,356,444
		<u>101,186,511</u>	<u>100,913,997</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	13		

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

Wajahat Husain  
President &  
Chief Executive Officer

Amin Uddin  
Director

Zameer Mohammed Choudrey  
Director

Sir Mohammed Anwar Pervez, OBE, HPK  
Chairman

**UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2014**

	Note	April-June 2014	April-June 2013	January-June 2014	January-June 2013
----- (Rupees in '000) -----					
Mark-up / return / interest earned	14	20,900,627	18,351,967	40,294,658	35,357,845
Mark-up / return / interest expensed	15	(9,552,857)	(9,302,146)	(19,133,057)	(17,520,260)
Net mark-up / return / interest income		<u>11,347,770</u>	<u>9,049,821</u>	<u>21,161,601</u>	<u>17,837,585</u>
Provision against loans and advances - net		(522,322)	(560,111)	(669,269)	(979,266)
Provision against lendings to financial institutions - net		(10,043)	(65,524)	(9,705)	(61,186)
Provision for diminution in value of investments - net		(246,855)	(15,853)	(241,277)	(29,073)
Bad debts written off directly		(32,670)	(63,992)	(76,400)	(108,683)
		<u>(811,890)</u>	<u>(705,480)</u>	<u>(996,651)</u>	<u>(1,178,208)</u>
Net mark-up / return / interest income after provisions		<u>10,535,880</u>	<u>8,344,341</u>	<u>20,164,950</u>	<u>16,659,377</u>
<b>Non mark-up / interest income</b>					
Fee, commission and brokerage income		2,844,386	2,271,974	5,547,557	4,616,249
Dividend income		364,631	173,624	1,039,223	722,480
Income from dealing in foreign currencies		771,277	396,194	1,425,712	790,212
Gain on sale of securities - net		628,298	1,588,142	1,411,300	1,981,153
Unrealized loss on revaluation of investments classified as held for trading		(9,892)	(15,073)	(56,620)	(8,851)
Other income		367,967	360,298	673,282	528,489
Total non mark-up / interest income		<u>4,966,667</u>	<u>4,775,159</u>	<u>10,040,454</u>	<u>8,629,732</u>
		<u>15,502,547</u>	<u>13,119,500</u>	<u>30,205,404</u>	<u>25,289,109</u>
<b>Non mark-up / interest expenses</b>					
Administrative expenses	16	(7,185,050)	(6,530,072)	(13,905,343)	(12,724,704)
Other provisions - net		(101,255)	(51,181)	(114,777)	(55,135)
Workers' Welfare Fund		(172,569)	(126,210)	(329,445)	(242,733)
Other charges		(7,676)	(75)	(7,827)	(374)
Total non mark-up / interest expenses		<u>(7,466,550)</u>	<u>(6,707,538)</u>	<u>(14,357,392)</u>	<u>(13,022,946)</u>
<b>Profit before taxation</b>		<u>8,035,997</u>	<u>6,411,962</u>	<u>15,848,012</u>	<u>12,266,163</u>
Taxation - Current		(2,978,178)	(2,066,070)	(5,648,238)	(3,990,624)
- Prior		(315)	(2,760)	(315)	(2,760)
- Deferred		265,331	(28,786)	332,851	(4,598)
		<u>(2,713,162)</u>	<u>(2,097,616)</u>	<u>(5,315,702)</u>	<u>(3,997,982)</u>
<b>Profit after taxation</b>		<u><b>5,322,835</b></u>	<u><b>4,314,346</b></u>	<u><b>10,532,310</b></u>	<u><b>8,268,181</b></u>
----- (Rupees) -----					
<b>Earnings per share - basic and diluted</b>		<u>4.35</u>	<u>3.52</u>	<u>8.60</u>	<u>6.75</u>

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

Wajahat Husain  
President &  
Chief Executive Officer

Amin Uddin  
Director

Zameer Mohammed Choudrey  
Director

Sir Mohammed Anwar Pervez, OBE, HPk  
Chairman

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2014**

	April-June 2014	April-June 2013	January- June 2014	January- June 2013
	----- (Rupees in '000) -----			
<b>Profit after taxation</b>	5,322,835	4,314,346	10,532,310	8,268,181
<b>Other comprehensive income:</b>				
<i>Items that are or may be reclassified to profit and loss account</i>				
Exchange differences on translation of net investment in foreign branches	115,133	405,273	(2,351,375)	831,824
Amortization of cash flow hedges	-	5,596	4,962	16,382
Related deferred tax charge	-	(1,959)	(1,737)	(5,734)
	-	3,637	3,225	10,648
	<u>115,133</u>	<u>408,910</u>	<u>(2,348,150)</u>	<u>842,472</u>
<b>Total comprehensive income transferred to equity - net of tax</b>	<u><u>5,437,968</u></u>	<u><u>4,723,256</u></u>	<u><u>8,184,160</u></u>	<u><u>9,110,653</u></u>

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

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**UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2014**

	June 30, 2014	June 30, 2013
	------(Rupees in '000)-----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	15,848,012	12,266,163
Less: Dividend income	(1,039,223)	(722,480)
	<u>14,808,789</u>	<u>11,543,683</u>
<b>Adjustments:</b>		
Depreciation	800,636	844,466
Amortization	211,515	210,103
Workers' Welfare Fund	329,445	242,733
Provision for retirement benefits	502,909	438,497
Provision against loans and advances - net	669,269	979,266
Provision against lendings to financial institutions - net	9,705	61,186
Provision for diminution in value of investments - net	241,277	29,073
Gain on sale of operating fixed assets	(31,620)	(4,546)
Amortization of cash flow hedges	4,962	16,382
Unrealized loss on revaluation of investments classified as held for trading	56,620	8,851
Bad debts written-off directly	76,400	108,683
Provision against other assets	114,777	55,135
	<u>2,985,895</u>	<u>2,989,829</u>
	<u>17,794,684</u>	<u>14,533,512</u>
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	11,227,153	2,443,272
Held for trading securities	(827,365)	(6,970,626)
Advances	(18,419,358)	157,163
Other assets - (excluding advance taxation)	(7,570,731)	(538,415)
	<u>(15,590,301)</u>	<u>(4,908,606)</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	(4,085,356)	12,976,500
Borrowings	(6,327,404)	2,336,315
Deposits and other accounts	29,657,100	54,708,231
Other liabilities (excluding current taxation)	397,321	(32,182)
	<u>19,641,661</u>	<u>69,988,864</u>
	<u>21,846,044</u>	<u>79,613,770</u>
Payments on account of staff retirement benefits	(838,061)	(591,762)
Income taxes paid	(5,430,803)	(6,628,565)
<b>Net cash inflow from operating activities</b>	<u>15,577,180</u>	<u>72,393,443</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investment in securities	(6,186,654)	(67,009,260)
Dividend income received	1,008,281	710,926
Investment in operating fixed assets	(959,600)	(1,278,069)
Sale proceeds from disposal of operating fixed assets	352,875	35,735
<b>Net cash outflow from investing activities</b>	<u>(5,785,098)</u>	<u>(67,540,668)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayments of subordinated loans	(332,668)	(2,333,268)
Dividends paid	(7,928,942)	(6,732,989)
<b>Net cash outflow from financing activities</b>	<u>(8,261,610)</u>	<u>(9,066,257)</u>
	<u>1,530,472</u>	<u>(4,213,482)</u>
Exchange differences on translation of net investment in foreign branches	(2,351,375)	831,824
<b>Decrease in cash and cash equivalents during the period</b>	<u>(820,903)</u>	<u>(3,381,658)</u>
Cash and cash equivalents at the beginning of the period	114,388,222	109,395,772
<b>Cash and cash equivalents at the end of the period</b>	<u>113,567,319</u>	<u>106,014,114</u>

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Chairman

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED JUNE 30, 2014**

	Share capital	Statutory reserve	Capital reserves		Unappropriated profit	Total
			Exchange translation reserve	Cash flow hedge reserve		
(Rupees in '000)						
<b>Balance as at January 01, 2013 (Audited) - Restated</b>	12,241,798	17,797,537	11,267,676	(20,994)	37,415,599	78,701,616
<b>Transactions with owners for the six months 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)
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)
<b>Total comprehensive income for the six months ended June 30, 2013</b>						
Profit after taxation for the six months 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 six months 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)	-
<b>Balance as at June 30, 2013 (Un-audited)</b>	12,241,798	18,624,355	12,099,500	(10,346)	38,157,490	81,112,797
<b>Transactions with owners for the six months ended December 31, 2013</b>						
Interim cash dividend - June 30, 2013 declared at Rs.2.0 per share	-	-	-	-	(2,448,360)	(2,448,360)
Interim cash dividend - September 30, 2013 declared at Rs.2.0 per share	-	-	-	-	(2,448,360)	(2,448,360)
	-	-	-	-	(4,896,720)	(4,896,720)
<b>Total comprehensive income for the six months ended December 31, 2013</b>						
Profit after taxation for the six months ended December 31, 2013	-	-	-	-	10,345,774	10,345,774
Other comprehensive income - net of tax	-	-	1,926,002	7,121	28,998	1,962,121
Total comprehensive income for the six months ended December 31, 2013	-	-	1,926,002	7,121	10,374,772	12,307,895
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	33,581	33,581
Transfer to statutory reserve	-	1,034,578	-	-	(1,034,578)	-
<b>Balance as at December 31, 2013 (Audited)</b>	12,241,798	19,658,933	14,025,502	(3,225)	42,634,545	88,557,553
<b>Transactions with owners for the six months ended June 30, 2014</b>						
Final cash dividend - December 31, 2013 declared subsequent to the year end at Rs. 4.0 per share	-	-	-	-	(4,896,719)	(4,896,719)
Interim cash dividend - March 31, 2014 declared at Rs.2.5 per share	-	-	-	-	(3,060,450)	(3,060,450)
	-	-	-	-	(7,957,169)	(7,957,169)
<b>Total comprehensive income for the six months ended June 30, 2014</b>						
Profit after taxation for the six months ended June 30, 2014	-	-	-	-	10,532,310	10,532,310
Other comprehensive income - net of tax	-	-	(2,351,375)	3,225	-	(2,348,150)
Total comprehensive income for the six months ended June 30, 2014	-	-	(2,351,375)	3,225	10,532,310	8,184,160
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	33,358	33,358
Transfer to statutory reserve	-	1,053,231	-	-	(1,053,231)	-
<b>Balance as at June 30, 2014 (Un-audited)</b>	<b>12,241,798</b>	<b>20,712,164</b>	<b>11,674,127</b>	<b>-</b>	<b>44,189,813</b>	<b>88,817,902</b>

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

Wajahat Husain  
President &  
Chief Executive Officer

Amin Uddin  
Director

Zameer Mohammed Choudrey  
Director

Sir Mohammed Anwar Pervez, OBE, HPK  
Chairman

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2014**

**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, 2013: 1,283) branches inside Pakistan including 22 (December 31, 2013: 22) Islamic Banking branches and 1 (December 31, 2013: 1) branch in Karachi Export Processing Zone. The Bank also operates 18 (December 31, 2013:18) branches outside Pakistan as at June 30, 2014. The Bank is a subsidiary of Bestway (Holdings) Limited which is incorporated in the United Kingdom.

The Bank's ordinary shares are listed on all three stock exchanges in Pakistan. Its Global Depository Receipts (GDRs) are on the list of the UK Listing Authority and the London Stock Exchange Professional Securities Market. These GDRs are also eligible for trading on the International Order Book System of the London Stock Exchange. Further, the GDRs constitute an offering in the United States only to qualified institutional buyers in reliance on Rule 144A under the US Securities Act of 1933 and an offering outside the United States in reliance on Regulation S.

**2. BASIS OF PRESENTATION**

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

The financial results of the Islamic Banking branches of the Bank have been included in these unconsolidated condensed interim financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in note 20 to these unconsolidated condensed interim financial statements.

**3. STATEMENT OF COMPLIANCE**

**3.1** These unconsolidated condensed interim financial statements have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, 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.

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2014**

**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, 2013.

**3.4** 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 subsidiaries 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, 2013.

**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, 2013.

**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 its 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, 2013.

	(Un-audited) June 30, 2014	(Audited) December 31, 2013
	------(Rupees in '000)-----	
<b>6. LENDINGS TO FINANCIAL INSTITUTIONS</b>		
Call money lendings	-	100,000
Repurchase agreement lendings	982,368	13,791,125
Other lendings to financial institutions	17,247,889	15,597,908
	<u>18,230,257</u>	<u>29,489,033</u>
Provision against lendings to financial institutions	(632,000)	(653,918)
	<u><u>17,598,257</u></u>	<u><u>28,835,115</u></u>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2014**
**7. INVESTMENTS**
**7.1 Investments by type**

Note	(Un-audited) June 30, 2014			(Audited) December 31, 2013		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
(Rupees in '000)						
<b>Held for trading securities</b>						
Market Treasury Bills	2,802,036	-	2,802,036	7,401,965	-	7,401,965
Pakistan Investment Bonds	4,244,057	-	4,244,057	-	-	-
Ordinary shares of listed companies	1,494,780	-	1,494,780	317,933	-	317,933
	8,540,873	-	8,540,873	7,719,898	-	7,719,898
<b>Available for sale securities</b>						
Market Treasury Bills	50,622,483	8,665,507	59,287,990	176,092,538	12,054,264	188,146,802
Pakistan Investment Bonds	153,449,698	985,894	154,435,592	65,136,963	-	65,136,963
Government of Pakistan Sukuk	9,892,013	-	9,892,013	6,186,752	-	6,186,752
Government of Pakistan Eurobonds	11,286,583	-	11,286,583	10,934,926	-	10,934,926
Ordinary shares of listed companies	15,493,671	-	15,493,671	14,157,209	-	14,157,209
Preference shares	415,722	-	415,722	436,645	-	436,645
Ordinary shares of unlisted companies	242,961	-	242,961	243,100	-	243,100
Term Finance Certificates	2,003,571	-	2,003,571	1,921,367	-	1,921,367
Foreign bonds - sovereign	12,723,619	-	12,723,619	13,388,237	-	13,388,237
Foreign bonds - others	10,790,501	-	10,790,501	11,557,116	-	11,557,116
	266,920,822	9,651,401	276,572,223	300,054,853	12,054,264	312,109,117
<b>Held to maturity securities</b>						
Market Treasury Bills	32,097,685	-	32,097,685	40,607,486	-	40,607,486
Pakistan Investment Bonds	86,231,614	-	86,231,614	38,333,967	-	38,333,967
Government of Pakistan Eurobonds	4,984,375	-	4,984,375	5,281,493	-	5,281,493
Government of Pakistan Sukuk	-	-	-	300,000	-	300,000
Term Finance Certificates	5,059,307	-	5,059,307	5,045,801	-	5,045,801
Sukuks	1,671,596	-	1,671,596	1,774,197	-	1,774,197
Participation Term Certificates	4,939	-	4,939	4,939	-	4,939
Debentures	2,266	-	2,266	2,266	-	2,266
Foreign bonds - others	214,326	-	214,326	228,454	-	228,454
Recovery note	304,562	-	304,562	324,639	-	324,639
CDC SAARC Fund	215	-	215	229	-	229
	130,570,885	-	130,570,885	91,903,471	-	91,903,471
<b>Associates</b>						
United Growth and Income Fund	3,030,136	-	3,030,136	3,030,136	-	3,030,136
UBL Liquidity Plus Fund	1,110,957	-	1,110,957	335,378	-	335,378
UBL Money Market Fund	100,000	-	100,000	100,000	-	100,000
UBL Retirement Savings Fund	120,000	-	120,000	90,000	-	90,000
UBL Principal Protected Fund - I	-	-	-	100,000	-	100,000
UBL Principal Protected Fund - II	100,000	-	100,000	100,000	-	100,000
UBL Principal Protected Fund - III	200,000	-	200,000	-	-	-
UBL Government Securities Fund	2,100,000	-	2,100,000	100,000	-	100,000
UBL Gold Fund	100,000	-	100,000	100,000	-	100,000
UBL Asset Allocation Fund	600,000	-	600,000	600,000	-	600,000
Al-Ameen Islamic Income Fund	200,000	-	200,000	200,000	-	200,000
Al-Ameen Islamic Sovereign Fund	350,000	-	350,000	350,000	-	350,000
Al-Ameen Islamic Cash Fund	100,000	-	100,000	100,000	-	100,000
Al-Ameen Islamic Retirement Savings Fund	90,000	-	90,000	90,000	-	90,000
Al-Ameen Islamic Principal Preservation Fund - I	100,000	-	100,000	100,000	-	100,000
Al-Ameen Islamic Principal Preservation Fund - II	100,000	-	100,000	100,000	-	100,000
Al-Ameen Islamic Principal Preservation Fund - III	100,000	-	100,000	-	-	-
Al-Ameen Islamic Asset Allocation Fund	100,000	-	100,000	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
DHA Cogen Limited	-	-	-	-	-	-
	9,680,559	-	9,680,559	6,674,980	-	6,674,980
<b>Subsidiaries</b>						
United National Bank Limited (UBL 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	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
Provision for diminution in value of investments	419,237,101	9,651,401	428,888,502	409,877,164	12,054,264	421,931,428
	(1,666,831)	-	(1,666,831)	(1,476,109)	-	(1,476,109)
<b>Investments (net of provisions)</b>	417,570,270	9,651,401	427,221,671	408,401,055	12,054,264	420,455,319
Surplus / (deficit) on revaluation of available for sale securities	3,397,548	1,549	3,399,097	3,333,337	(5,016)	3,328,321
Deficit on revaluation of held for trading securities	(56,620)	-	(56,620)	(6,390)	-	(6,390)
<b>Total investments</b>	420,911,198	9,652,950	430,564,148	411,728,002	12,049,248	423,777,250

**7.2** The Bank holds 20.99% of the issued and paid up shares of DHA Cogen Limited which were acquired without any consideration having been paid.

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2014**

	Note	(Un-audited) June 30, 2014	(Audited) December 31, 2013
------(Rupees in '000)-----			
<b>8. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		301,910,708	269,527,934
Outside Pakistan		109,195,687	119,212,245
		<u>411,106,395</u>	<u>388,740,179</u>
Bills discounted and purchased			
Payable in Pakistan		25,329,053	29,857,262
Payable outside Pakistan		18,170,918	18,151,641
		<u>43,499,971</u>	<u>48,008,903</u>
Advances - gross		454,606,366	436,749,082
Provision against advances			
Specific		(44,137,334)	(44,096,739)
General	8.2	(1,981,881)	(1,838,881)
Advances - net of provision		<u>408,487,151</u>	<u>390,813,462</u>

**8.1** Advances include Rs. 51,189 million (December 31, 2013: Rs. 52,630 million) which have been placed under non-performing status as detailed below:

Category of Classification	June 30, 2014 (Un-audited)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other assets especially mentioned*	108,020	-	108,020	1,299	-	1,299	1,299	-	1,299
Substandard	1,878,227	534,043	2,412,270	336,395	54,886	391,281	336,395	54,886	391,281
Doubtful	1,532,585	1,681,881	3,214,466	227,464	796,151	1,023,615	227,464	796,151	1,023,615
Loss	38,670,742	6,783,847	45,454,589	37,566,500	5,154,639	42,721,139	37,566,500	5,154,639	42,721,139
	<u>42,189,574</u>	<u>8,999,771</u>	<u>51,189,345</u>	<u>38,131,658</u>	<u>6,005,676</u>	<u>44,137,334</u>	<u>38,131,658</u>	<u>6,005,676</u>	<u>44,137,334</u>

Category of Classification	December 31, 2013 (Audited)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other assets especially mentioned*	100,063	-	100,063	640	-	640	640	-	640
Substandard	1,876,334	1,622,940	3,499,274	310,902	406,299	717,201	310,902	406,299	717,201
Doubtful	1,526,948	1,860,661	3,387,609	206,431	1,345,232	1,551,663	206,431	1,345,232	1,551,663
Loss	39,374,606	6,268,507	45,643,113	37,250,604	4,576,631	41,827,235	37,250,604	4,576,631	41,827,235
	<u>42,877,951</u>	<u>9,752,108</u>	<u>52,630,059</u>	<u>37,768,577</u>	<u>6,328,162</u>	<u>44,096,739</u>	<u>37,768,577</u>	<u>6,328,162</u>	<u>44,096,739</u>

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

**8.2** General provision represents provision amounting to Rs. 255.004 million (December 31, 2013: Rs.252.592 million) against consumer finance portfolio and Rs. 42.942 million (December 31, 2013: Rs. 32.942 million) against advances to small enterprises as required by the Prudential Regulations issued by the SBP and Rs.1,635.934 million (December 31, 2013: Rs.1,505.347 million) pertaining to overseas advances to meet the requirements of the 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, 2013: 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 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. 1,027.033 million (December 31, 2013: Rs.1,354.730 million). The FSV benefit availed is not available for the distribution of cash or stock dividend to shareholders.

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2014**

	Note	(Un-audited) June 30, 2014	(Audited) December 31, 2013
------(Rupees in '000)-----			
<b>9. OPERATING FIXED ASSETS</b>			
Capital work-in-progress		2,128,080	1,916,346
Property and equipment		20,839,655	21,370,720
Intangible assets		1,229,887	1,320,871
	9.1	<u>24,197,622</u>	<u>24,607,937</u>
<b>9.1</b>	Additions and disposals during the period amounted to Rs.959.600 million (June 30, 2013: Rs. 1,265.798 million) and Rs. 672.056 million (June 30, 2013: Rs. 131.344 million), respectively.		
	Note	(Un-audited) June 30, 2014	(Audited) December 31, 2013
------(Rupees in '000)-----			
<b>10. BORROWINGS</b>			
<b>Secured</b>			
Borrowings from the State Bank of Pakistan under:			
Export refinance scheme		9,970,593	10,835,330
Refinance facility for modernization of SME		33,693	40,795
Long term financing facility		5,984,564	5,950,207
Long term financing under export oriented projects		271,584	423,958
		16,260,434	17,250,290
Repurchase agreement borrowings		9,623,523	12,042,846
		<u>25,883,957</u>	<u>29,293,136</u>
<b>Unsecured</b>			
Call borrowings		3,353,782	5,033,830
Overdrawn nostro accounts		62,101	456,008
Other borrowings		4,946,630	5,790,900
		8,362,513	11,280,738
		<u>34,246,470</u>	<u>40,573,874</u>
<b>11. DEPOSITS AND OTHER ACCOUNTS</b>			
<b>Customers</b>			
Fixed deposits		215,556,407	231,663,187
Savings deposits		281,206,830	278,705,006
Sundry deposits		17,497,558	7,083,484
Margin deposits		4,771,476	5,448,770
Current accounts - remunerative		7,071,058	10,493,768
Current accounts - non-remunerative		313,972,900	278,364,577
		<u>840,076,229</u>	<u>811,758,792</u>
<b>Financial Institutions</b>			
Remunerative deposits		12,621,730	11,692,591
Non-remunerative deposits		4,806,879	4,396,355
		17,428,609	16,088,946
		<u>857,504,838</u>	<u>827,847,738</u>
<b>12. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX</b>			
Surplus arising on revaluation of assets - net of tax:			
Fixed assets	12.1	10,159,196	10,193,035
Securities	12.2	2,209,413	2,163,409
		<u>12,368,609</u>	<u>12,356,444</u>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2014**

	(Un-audited) June 30, 2014	(Audited) December 31, 2013
	------(Rupees in '000)-----	
<b>12.1 Surplus on revaluation of fixed assets</b>		
Surplus on revaluation of fixed assets as at January 1	15,227,721	15,330,037
Exchange adjustments	(740)	912
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(33,358)	(67,098)
Related deferred tax liability on incremental depreciation charged during the period / year	(17,962)	(36,130)
	<u>(52,060)</u>	<u>(102,316)</u>
	15,175,661	15,227,721
Less: Related deferred tax liability on:		
Revaluation as at January 1	5,034,686	5,070,497
Exchange adjustments	(259)	319
Incremental depreciation charged during the period / year	(17,962)	(36,130)
	<u>5,016,465</u>	<u>5,034,686</u>
	<u>10,159,196</u>	<u>10,193,035</u>
<b>12.2 Surplus / (deficit) on revaluation of available for sale securities</b>		
Market Treasury Bills	6,130	(147,850)
Pakistan Investment Bonds	(788,591)	(402,073)
Listed shares	1,998,077	2,767,273
Term Finance Certificates, Sukuks, other bonds, etc.	127,368	75,680
Foreign bonds	2,056,113	1,035,291
	3,399,097	3,328,321
Related deferred tax liability	(1,189,684)	(1,164,912)
	<u>2,209,413</u>	<u>2,163,409</u>
<b>13. CONTINGENCIES AND COMMITMENTS</b>		
<b>13.1 Direct credit substitutes</b>		
Contingent liabilities in respect of guarantees given favouring:		
Government	4,376,153	3,796,673
Banking companies and other financial institutions	2,093,991	2,540,111
Others	5,128,560	3,872,302
	<u>11,598,704</u>	<u>10,209,086</u>
<b>13.2 Transaction-related contingent liabilities</b>		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring:		
Government	82,453,375	79,772,016
Banking companies and other financial institutions	5,773,507	5,364,806
Others	34,950,415	34,406,478
	<u>123,177,297</u>	<u>119,543,300</u>
<b>13.3 Trade-related contingent liabilities</b>		
Contingent liabilities in respect of letters of credit opened favouring:		
Government	53,645,815	59,515,538
Others	112,896,235	108,446,502
	<u>166,542,050</u>	<u>167,962,040</u>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
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	(Un-audited) June 30, 2014	(Audited) December 31, 2013
	----- (Rupees in '000) -----	
<b>13.4 Other contingencies</b>		
Claims against the Bank not acknowledged as debts	<u>12,263,944</u>	<u>12,464,289</u>
<b>13.5 Commitments to extent credit</b>		
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.		
	(Un-audited) June 30, 2014	(Audited) December 31, 2013
	----- (Rupees in '000) -----	
<b>13.6 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	<u>177,203,549</u>	<u>207,539,873</u>
Sale	<u>145,497,097</u>	<u>172,499,461</u>
<b>13.7 Commitments in respect of derivatives</b>		
Interest rate swaps	<u>5,006,257</u>	<u>5,723,576</u>
Cross currency swaps	<u>10,285,800</u>	<u>10,550,240</u>
<b>13.8 Commitments in respect of capital expenditure</b>	<u>1,687,213</u>	<u>1,699,696</u>
<b>13.9 For contingencies relating to taxation refer note 17</b>		
	(Un-audited) January- June 2014	(Un-audited) January- June 2013
	----- (Rupees in '000) -----	
<b>14. MARK-UP / RETURN / INTEREST EARNED</b>		
On loans and advances to customers	17,201,698	15,926,993
On lendings to financial institutions		
Call money lendings	9,378	1,714
Repurchase agreement lendings	591,676	101,472
Other lendings to financial institutions	207,006	186,888
	808,060	290,074
On investments in		
Held for trading securities	1,171,857	273,353
Available for sale securities	13,909,866	12,645,391
Held to maturity securities	7,134,662	6,163,537
	22,216,385	19,082,281
On deposits with financial institutions	68,515	58,497
	<u>40,294,658</u>	<u>35,357,845</u>
<b>15. MARK-UP / RETURN / INTEREST EXPENSED</b>		
On deposits	16,384,147	13,252,228
On securities sold under repurchase agreements	1,387,258	2,522,218
On other short term borrowings	1,071,402	1,117,800
On long term borrowings	290,250	628,014
	<u>19,133,057</u>	<u>17,520,260</u>

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	January- June 2014	January- June 2013
	------(Rupees in '000)-----	
<b>16. ADMINISTRATIVE EXPENSES</b>		
Salaries, allowances etc.	4,884,051	4,536,132
Charge for compensated absences	231,783	274,744
Medical expenses	255,704	237,930
Contribution to defined contribution plan	95,758	88,273
Charge in respect of defined benefit obligations	175,368	75,480
Rent, taxes, insurance, electricity etc.	1,856,786	1,707,930
Depreciation	800,636	844,466
Amortization	211,515	210,103
Outsourced service charges including sales commission	1,776,295	1,373,062
Communications	548,243	525,326
Banking service charges	466,997	403,562
Cash transportation charges	251,765	204,171
Stationery and printing	280,009	276,982
Legal and professional charges	79,442	121,285
Advertisement and publicity	385,064	260,744
Repairs and maintenance	595,943	567,935
Travelling	121,239	114,092
Office running expenses	263,876	237,045
Vehicle expenses	103,509	93,210
Entertainment	92,506	83,845
Cartage, freight and conveyance	42,029	43,163
Insurance expense	40,907	56,072
Auditors' remuneration	43,263	33,640
Training and seminars	43,579	46,004
Brokerage expenses	22,668	24,581
Subscriptions	32,027	34,056
Donations	24,130	38,815
Non-executive Directors' fees	16,617	19,775
Zakat paid by overseas branch	49,348	47,539
Miscellaneous expenses	114,286	144,742
	<u>13,905,343</u>	<u>12,724,704</u>
<b>17. TAXATION</b>		

The Income Tax returns of the Bank have been filed up to the tax year 2013 (accounting year ended December 31, 2012) 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 2013, 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. 2,365 million (December 31, 2013: Rs. 2,365 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, 2013: 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.

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The tax returns for Azad Kashmir (AK) Branches have been filed upto the tax year 2013 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 the UAE, Yemen and Qatar branches have been filed upto the year ended December 31, 2013, and for the USA branch up to the accounting year ended December 31, 2012 under the provisions of the laws prevailing in the respective countries, and are deemed as assessed unless opened for reassessment.

**18. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES**

	For the six months ended June 30, 2014 (Un-audited)					
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
	(Rupees in '000)					
Total income	163,738	7,830,999	17,012,687	4,684,809	1,509,822	-
Total expenses	(44,483)	(431,760)	(10,716,274)	(3,309,369)	(852,157)	-
Profit before tax	119,255	7,399,239	6,296,413	1,375,440	657,665	-
Segment return on assets (ROA)	55.3%	1.8%	1.2%	0.4%	-	-
Segment cost of funds	2.3%	6.5%	4.1%	6.1%	-	-

	For the six months ended June 30, 2013 (Un-audited)					
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
	(Rupees in '000)					
Total income	80,197	6,858,173	14,342,863	3,526,855	1,659,229	-
Total expenses	(95,959)	(576,485)	(10,969,132)	(1,851,366)	(708,212)	-
Profit before tax	(15,762)	6,281,688	3,373,731	1,675,489	951,017	-
Segment return on assets (ROA)	-4.2%	1.8%	0.7%	0.6%	-	-
Segment cost of funds	1.6%	7.4%	3.7%	6.7%	-	-

	As at June 30, 2014 (Un-audited)					
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
	(Rupees in '000)					
Segment assets (gross of NPL provisions)	722,572	520,969,158	804,541,539	420,675,273	98,048,422	(771,543,573)
Segment non performing loans (NPLs)	644,376	1,993,860	21,430,109	26,920,890	200,110	-
Segment provision held against NPLs	458,808	1,683,375	18,701,247	23,233,404	60,500	-
Segment liabilities	186,298	511,797,559	781,772,737	396,548,266	9,328,259	(771,543,573)

	As at December 31, 2013 (Audited)					
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
	(Rupees in '000)					
Segment assets (gross of NPL provisions)	871,272	505,618,254	778,669,287	386,731,271	91,234,812	(709,289,506)
Segment non performing loans (NPLs)	686,875	2,065,568	22,850,714	26,826,792	200,110	-
Segment provision held against NPLs	489,059	1,708,033	19,996,508	21,842,639	60,500	-
Segment liabilities	254,094	492,653,835	754,299,614	361,127,444	9,779,173	(709,289,506)

Segment assets and liabilities include inter segment balances.

Transactions between reportable segments are based on an appropriate transfer pricing mechanism using agreed rates.

**19. RELATED PARTY TRANSACTIONS**

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

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

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
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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, 2014 (Un-audited)					As at December 31, 2013 (Audited)				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)									
<b>Balances with banks</b>										
In current accounts	-	-	858,488	-	-	-	-	1,130,454	-	-
In deposit accounts	-	-	1,265,803	-	-	-	-	979,576	-	-
	-	-	2,124,291	-	-	-	-	2,110,030	-	-
<b>Lendings to financial institutions</b>										
Other lendings to financial institution	-	-	638,979	-	750,000	-	-	349,374	-	-
<b>Investments</b>										
Opening balance	-	-	3,523,962	6,674,980	4,075,691	-	-	3,523,962	12,047,596	487,775
Investment made during the period / year	-	-	-	3,105,579	-	-	-	-	1,100,000	971,319
Investment redeemed / disposed off during the period / year	-	-	-	(100,000)	(180,363)	-	-	-	(6,472,616)	(491,881)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	3,108,478
Closing balance	-	-	3,523,962	9,680,559	3,895,328	-	-	3,523,962	6,674,980	4,075,691
Provision for diminution in value of investments	-	-	-	-	116,548	-	-	-	-	116,548
<b>Advances</b>										
Opening balance	-	105,328	-	2,155,149	412,954	-	124,163	-	-	11,913,710
Addition during the period / year	-	36,483	-	-	13,095,550	-	72,108	-	-	9,707,517
Repaid during the period / year	-	(37,877)	-	-	(855,465)	-	(90,943)	-	-	(21,208,273)
Transfer in / (out) - net	-	(8,959)	-	-	-	-	-	-	2,155,149	-
Closing balance	-	94,975	-	2,155,149	12,653,039	-	105,328	-	2,155,149	412,954
Provision held against advances	-	-	-	2,155,149	-	-	-	-	2,155,149	-
<b>Other Assets</b>										
Interest mark-up accrued	-	32	6,407	-	197,275	-	30	4,695	-	145,551
Receivable from staff retirement funds	-	-	-	-	302,406	-	-	-	-	58,964
Prepaid insurance	-	-	-	132,345	-	-	-	-	-	-
Dividend Receivable	-	-	27,211	-	-	-	-	-	1,201	-
Other receivable	-	-	4,330	-	30,164	-	-	4,240	-	30,164
Provision against other assets	-	-	-	-	30,164	-	-	-	-	30,164
<b>Borrowings</b>										
Opening balance	-	-	1,008,108	-	-	-	-	-	-	306,215
Borrowings during the period / year	-	-	1,328,561	-	-	-	-	1,737,858	2,155,493	16,356,760
Settled during the period / year	-	-	(1,573,637)	-	-	-	-	(729,750)	(2,155,493)	(16,662,975)
Closing balance	-	-	763,032	-	-	-	-	1,008,108	-	-
Overdrawn nostros	-	-	11,697	-	-	-	-	56,424	-	-
<b>Deposits and other accounts</b>										
Opening balance	7,506,473	124,455	277,343	665,956	81,859	6,173,963	98,008	142,656	819,332	1,913,538
Received during the period / year	17,834,634	560,028	66,185,142	44,867,791	49,960,111	22,861,734	980,912	171,477,272	67,507,686	201,691,134
Withdrawn during the period / year	(19,169,367)	(538,272)	(66,246,375)	(43,144,509)	(49,945,686)	(21,522,949)	(954,465)	(171,342,585)	(67,661,062)	(202,918,770)
Transfer in / (out) - net	713,095	(27,687)	-	-	-	(6,275)	-	-	-	(604,043)
Closing balance	6,884,835	118,524	216,110	2,389,238	96,284	7,506,473	124,455	277,343	665,956	81,859
<b>Other Liabilities</b>										
Interest / return / mark-up payable on deposits	19,635	585	55	-	106	32,260	1,097	78	-	709
Interest / return / mark-up payable on borrowings	-	-	3,229	-	-	-	-	4,574	-	-
Payable to staff retirement fund	-	-	-	-	2,850	-	-	-	-	152,441
Unearned income	-	-	746	-	-	-	-	187	-	-
<b>Contingencies and Commitments</b>										
Letter of guarantee	-	-	-	73,223	-	-	-	-	78,051	-
Forward foreign exchange contracts purchase	-	-	3,062,943	-	-	-	-	3,633,699	-	-
Forward foreign exchange contracts sale	-	-	3,031,977	-	-	-	-	3,710,543	-	-

	For the six months ended June 30, 2014 (Un-audited)					For the six months ended June 30, 2013 (Un-audited)				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)									
Mark-up / return / interest earned	-	2,359	9,175	-	206,214	-	3,076	26,517	-	578,778
Commission / charges recovered	8	11	315	806	42	5	15	129	406	559
Dividend income	-	-	129,691	44,156	258,247	-	-	81,210	27,667	64,799
Net gain on sale of securities	-	-	-	75,259	50,424	-	-	-	737,251	780
Other income	-	455	560	175	-	-	153	543	163	-
Mark-up / return / interest paid	89,967	1,403	14,036	25,959	6,113	116,224	1,211	20,295	22,463	44,839
Remuneration paid	-	503,360	-	-	-	-	451,160	-	-	-
Post employment benefits	-	8,891	-	-	-	-	7,510	-	-	-
Non-executive directors' fee	16,617	-	-	-	-	19,775	-	-	-	-
Net charge for defined contribution plans	-	-	-	-	95,758	-	-	-	-	88,273
Net charge / (reversal) for defined benefit plans	-	-	-	-	53,622	-	-	-	-	(38,300)
Insurance premium paid	-	-	-	269,177	-	-	-	-	265,022	-
Insurance claims settled	-	-	-	57,031	-	-	-	-	91,069	-
Other expenses	-	-	-	27,696	52,121	-	-	-	-	41,678

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2014**
**20. ISLAMIC BANKING BUSINESS**

20.1 The statement of financial position of the Bank's Islamic Banking branches as at June 30, 2014 is as follows:

	Note	(Un-audited) June 30, 2014	(Audited) December 31, 2013
----- (Rupees in '000) -----			
<b>ASSETS</b>			
Cash and balances with treasury banks		1,208,862	951,157
Balances with other banks		1,633,993	1,701,743
Investments		10,788,735	7,363,524
Islamic financing and related assets	20.3	2,259,951	5,183,080
Operating fixed assets		104,767	117,974
Due from Head Office		2,686,658	2,144,911
Other assets		165,260	153,963
<b>Total Assets</b>		<b>18,848,226</b>	<b>17,616,352</b>
<b>LIABILITIES</b>			
Bills payable		222,674	54,532
Deposits and other accounts			
Current accounts		2,628,339	2,328,416
Saving accounts		2,289,493	2,490,262
Term deposits		1,777,298	1,994,823
Deposits from financial institutions - remunerative		11,267,158	9,980,829
Deposits from financial institutions - non remunerative		20,000	-
	20.4	17,982,288	16,794,330
Other liabilities		120,302	191,564
		18,325,264	17,040,426
<b>NET ASSETS</b>		<b>522,962</b>	<b>575,926</b>
<b>REPRESENTED BY</b>			
Islamic Banking Fund		681,000	681,000
Accumulated losses		(289,033)	(156,679)
		391,967	524,321
Surplus on revaluation of assets		130,995	51,605
		<b>522,962</b>	<b>575,926</b>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2014**

**20.2** The profit and loss account of the Bank's Islamic Banking branches for the six months ended June 30, 2014 is as follows:

	----- <b>(Un-audited)</b> -----	
	<b>January- June 2014</b>	<b>January- June 2013</b>
	----- <b>(Rupees in '000)</b> -----	
Return earned	541,361	713,424
Return expensed	(448,365)	(399,559)
	<u>92,996</u>	<u>313,865</u>
Provision against loans and advances - net	(4,663)	-
Reversal for diminution in value of investments - net	719	720
(Provision) / reversal against assets given on Ijarah	(10,120)	2,335
	<u>(14,064)</u>	<u>3,055</u>
Net return after provisions	78,932	316,920
<b>Other Income</b>		
Fee, commission and brokerage income	16,855	6,773
Dividend income	9,062	11,723
Income from dealing in foreign currencies	(6,730)	4,345
Gain on sale of securities - net	-	3,621
Other income	29,783	2,348
Total other income	<u>48,970</u>	<u>28,810</u>
	127,902	345,730
<b>Other Expenses</b>		
Administrative expenses	(260,629)	(326,957)
Other reversals - net	373	-
Total other expenses	<u>(260,256)</u>	<u>(326,957)</u>
Net (loss) / profit for the period	(132,354)	18,773
Accumulated losses brought forward	(156,679)	(194,579)
Accumulated losses carried forward	<u>(289,033)</u>	<u>(175,806)</u>
<b>Remuneration to Shariah Advisor</b>	616	665
	<u>616</u>	<u>665</u>

**20.3 Islamic financing and related assets**

	<b>(Un-audited) June 30, 2014</b>	<b>(Audited) December 31, 2013</b>
	----- <b>(Rupees in '000)</b> -----	
Financing		
Murabaha	195,787	3,232,150
Ijarah	573,139	867,257
Diminishing Musharaka	1,479,602	687,448
Salam	-	281,040
Provision against financing	(36,052)	(31,389)
	<u>2,212,476</u>	<u>5,036,506</u>
Advances		
Advances and receivables against Ijarah	44,035	143,753
Advances for Murabaha	17,498	17,498
Provision against advances for Murabaha	(17,498)	(17,498)
	<u>44,035</u>	<u>143,753</u>
Profit receivable against financing	3,440	2,821
	<u>2,259,951</u>	<u>5,183,080</u>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2014**

**20.4** Deposit and other accounts include redeemable capital of Rs. 15,333.949 million (December 31, 2013: Rs. 14,465.914 million) and deposits on Qard basis of Rs. 2,648.339 million (December 31, 2013: Rs. 2,328.416 million). Remunerative deposits which are on Modaraba basis are considered as Redeemable Capital and non-remunerative deposits are classified as being on Qard basis.

**21. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors in its meeting held on August 06, 2014 has declared a cash dividend in respect of the six months ended June 30, 2014 of Rs. 2.5 per share (June 30, 2013: Rs. 2.0 per share). The unconsolidated condensed interim financial statements for the six months ended June 30, 2014 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

**22. DATE OF AUTHORIZATION**

These unconsolidated condensed interim financial statements were authorised for issue on August 06, 2014 by the Board of Directors of the Bank.

Wajahat Husain  
President &  
Chief Executive Officer

Amin Uddin  
Director

Zameer Mohammed Choudrey  
Director

Sir Mohammed Anwar Pervez, OBE, HPk  
Chairman