

# **United Bank Limited**

## **UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2014  
(UNAUDITED)**



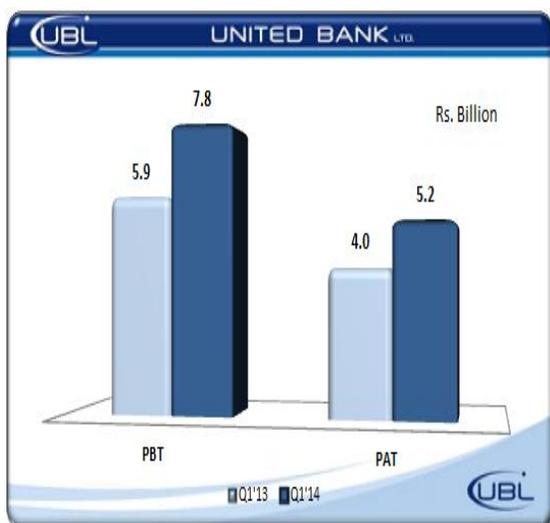
## DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors, I am pleased to present to you the financial statements of UBL for the quarter ended March 31, 2014.

### Performance Highlights

- Unconsolidated Profit after Tax for the quarter ended March 31, 2014 stands at Rs 5.2 billion, a growth of 32% over the quarter ended March 31, 2013.
- Net interest margin at 5.1% remains under pressure due to the increase in the minimum rate payable on savings accounts.
- Active recovery efforts and diligent portfolio management have resulted in a further 3% reduction in gross NPLs and a 58% reduction in the provision charge compared to Q1'13.

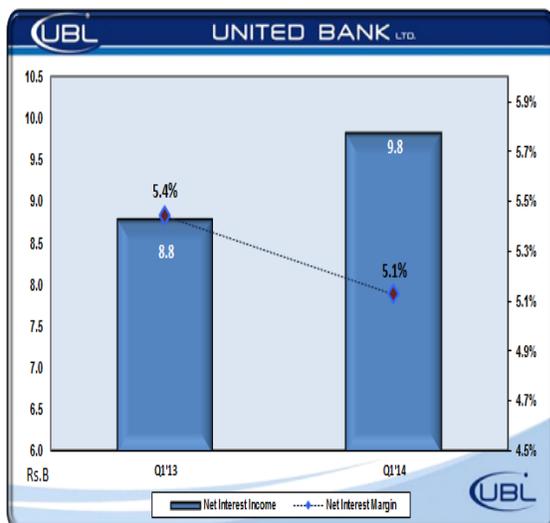
### Financial Highlights



### Overall performance

For the quarter ended March 31, 2014, UBL has achieved a profit after tax of Rs 5.2 billion. This is 32% higher than the corresponding period last year and translates into earnings per share of Rs. 4.26 (March 2013: Rs. 3.23).

For the same period, UBL's profit before tax is Rs 7.8 billion, which is 33% higher than the corresponding period last year. This has been achieved through consistent growth in the balance sheet, enhancement in non-markup based income and contained provisions. On a consolidated basis, UBL achieved a profit after tax of Rs 5.5 billion, an increase of 12% over the first quarter of 2013.



### Net Interest Income

Net Interest Income has grown by 12% from Rs 8.8 billion in Q1'13 to Rs 9.8 billion in Q1'14 as the average balance sheet grew by 15% and interest rates increased by 100 bps during the last quarter of 2013. Margins however, remain impacted by the linking of the minimum savings rate to repo rates. Despite the higher rate environment and a 170 bps increase in the savings rate as a result of various regulatory changes over the last year, growth in the cost of domestic deposits was contained to 59 bps in comparison to Q1'13, through a consistent and stable growth in core deposits.

## Non-Interest Income

Non-interest income maintains its contribution as a core revenue component and has posted strong YoY growth of 32% in Q1'14 to reach Rs 5.1 billion. Fees and Commissions remained the dominant revenue source and increased by 15% to Rs 2.7 billion. These continued to be driven by growth in revenues from market leading positions in Home remittances and Omni, along with enhanced earnings on trade flows. Treasury and Capital Markets activity continued to post strong results with double digit growth across all business lines. Timely leveraging of opportunities in a volatile market resulted in a 66% increase in foreign exchange income over the previous year, while income from investments in the growing equity markets resulted in a 66% increase, through capital gains and dividends.

## Provisions and loan losses

The focus towards improving asset quality through active restructuring and recovery efforts continues to provide good results as non-performing loans have further decreased by 3% in 2014, following the 8% reduction in 2013. The aggregate provisions for the first quarter of 2014 are 58% lower than the corresponding period last year driven by recoveries in both the domestic and international businesses. The Bank remains well reserved with the coverage ratio improving from 84% in December 2013 to 86% in March 2014.

## Cost management

Administrative expenses of Rs 6.7 billion are 8% higher than the corresponding period last year, but have reduced by 2% over the prior quarter. Despite business and volume growth, the increase in administrative expenses has been contained to below inflation levels. The overall cost to income ratio has improved to 45% in Q1'14 in comparison to 49% in Q1'13.

## Balance Sheet

The overall balance sheet grew by 2% in the first quarter of 2014. The Bank's focus on building the stable core deposit base of the Bank is yielding good results as these increased by 4%, well ahead of market growth. The mobilization of low cost deposits has gathered momentum with average low cost deposits increasing by 18% over the corresponding quarter of last year. Advances reduced from Rs 391 billion in December 2013 to Rs 377 billion as a result of repayments of seasonal financing, and the ADR improved further to 48%.

## Capital Ratios

The Tier 1 Capital Adequacy Ratio (CAR) of the Bank was 9.8 % as at March 31, 2014, marginally lower than 10.0% as at December 31, 2013, primarily as a result of the 2013 Final dividend payout in the current quarter. The overall CAR of the Bank remains strong at 12.8%, comfortably above minimum required levels.

The Board of Directors of UBL declared an interim dividend of 25% (Rs 2.5 per share) in their meeting in Islamabad on 18 April 2014, along with the results for the quarter ended March 31, 2014.

## Key Developments

### Macroeconomic performance

Pakistan's macroeconomic indicators have shown improvement across all fronts. Inflation has remained under control in the 9M FY 14 averaging 8.6% and Large Scale Manufacturing has grown by 6.1% during 7M FY14. The World Bank has recently revised their forecast for GDP growth upwards to 4%. The fiscal deficit has been contained with provisional estimates of 3.1% of GDP during the first nine months of the fiscal year. Most importantly, this year has seen a significant improvement in the foreign exchange reserves position and a consequent appreciation of the Rupee. While these are all encouraging developments, the recovery is still nascent and sustained policy efforts are critical to build on the positive economic climate.

The country's balance of payment position, which had remained precarious during most of 2013, has seen a significant turnaround. The receipt of foreign assistance of US\$ 1.5 billion during the quarter, along with the release of Coalition Support Fund (CSF) proceeds have provided a significant boost to the previously fast depleting reserves position which strengthened to above US\$ 5 billion by the end of March 2014. This sizeable inflow and the restored market confidence have led to a 6.5% appreciation in the Rupee during the first quarter of 2014.

The trade deficit for 9M FY14 has narrowed by 5.5% in comparison to 9M FY13, as exports have increased by 6.1%, while import growth has been contained to 0.9%. However, due to relatively lower proceeds from the CSF this year, the current account witnessed a higher deficit of US\$ 2 billion as against US\$ 831 million during the same period last year. Workers' remittances continued to grow and provide strong support to the external account, increasing by 11.9% during 9M FY14 to reach US\$ 11.6 billion.

Although fiscal imbalances remain structural and concerning, the newly elected government is targeting a reduced budget deficit of 5.8% for FY'14 in comparison to the 8.0% in FY'13. This is being addressed with measures to lower PSDP spending along with higher tax and non-tax revenue collection. FBR's tax collection has improved with a 16% growth during the first nine months of FY14, though this may still not be sufficient to meet even the revised revenue collection target of PKR 2,345 billion. In line with performance targets required under the Extended Fund Facility with the IMF, the government has recently shifted a large component of its borrowing from the SBP to banks through a record PIB auction in Q1, 2014. While this will result in an increase in debt servicing cost going forward, the size of the auction is reflective of the greatly improved market sentiment.

After exhibiting a record performance in 2013 with a 49% return, the local stock market continued to perform strongly during Q1 '14, with the KSE-100 index appreciating by 7.5%. Foreigners remained net

investors in the market during the quarter while average daily traded value increased significantly over the previous quarter.

The level of inflation has remained well controlled during the 9M of FY14 averaging 8.6%, along with a gradually improving external account position and appreciation of the rupee during the first quarter of 2014. Despite improved indicators, the State Bank of Pakistan has kept the discount rate unchanged at 10.0% in 2014. It is envisaged that the key determinants for monetary policy during the year would be the sustainability of the positive developments around the external account and the continued containment of inflation.

Deposits for the banking sector grew marginally by 0.6% during the first quarter of 2014, while lending growth has slowed to 0.7% after a strong performance during the previous quarter. Non-performing loans for the industry continued to decline and stood at Rs 585 billion as at December 2013 reflecting an improvement of 3.1% over the previous quarter.

### **UBL International**

The positive sentiments developed in the GCC region since 2013 are gaining momentum. UAE continues to spearhead growth with upswing in the trade, services and real estate sectors and as Dubai gears up for Expo 2020. In Qatar, strong performance from sectors in addition to oil and gas has helped diversify the economy and post above expected GDP growth.

UBL International plans to benefit from the improving conditions with increased emphasis on wholesale banking, and a healthy pipeline has been developed which will lead to the acquisition of quality corporate assets in the coming quarters. Cross-sell focus continued to drive higher fee income through substantial increase in trade volumes. While attaining an optimal funding profile, liquidity ratios remained strong across all territories. Going forward, the business will further strengthen its underwriting scale and quality while maintaining the focus on recoveries.

### **UBL Omni**

As mobile / branchless banking continues to gain acceptance, UBL Omni remains in the forefront and, during the quarter, expanded its agent network to over 14,500 Dukaans, covering over 800 towns and cities. The instantaneous ATM / Debit cards remain popular with customers and 45,000 new accounts were opened during the quarter while transaction volumes and value increased by 12% and 11% respectively over the previous quarter.

As a result of its continued leadership in G2P payments, UBL Omni is privileged to have been selected to provide aid disbursement services to over 50,000 drought and famine affected families of Thar, Sindh. In line with the objective of diversifying business lines and increasing usage of the Omni platform across industries, the business added new Cash Management clients for microfinance loan disbursements /

collections, school fee collections, and salary disbursement services.

Internationally, the UBL Omni technology platform has been launched for UBL UK to introduce merchant based remittance services to Pakistan. This service, the first of its kind being offered by a UK regulated bank, enables walk-in customers in the UK to efficiently transfer money from an authorized retail agent to recipients in Pakistan on a real time basis.

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

In 2013, all conventional branches and the liability operations of Islamic Banking Branches were successfully migrated to CBS. To enhance coverage of the Islamic Banking product suite, certain Islamic asset products have also been migrated to CBS in the first quarter of 2014. The roll out of CBS within the UAE operations is currently underway and is targeted for completion in 2014. This will be followed by the implementation of CBS at other international branches.

In order to streamline the loan booking process for corporate loans the roll out of an upgraded Loan Origination System (LOS) is under progress and is planned for completion in 2014. One component of this functionality has already been released to users during the first quarter of this year. In order to strengthen the operating and control environment, the development of a Fraud Risk Management system is also planned for 2014. New modules aimed at improving service quality are also under development and are expected to be launched starting from the next quarter.

### **Corporate Social Responsibility**

Building on the initiatives taken in the preceding year, UBL continued to invest over Rs 21 million in the community under its CSR mandate, by providing charitable assistance to new organizations along with contributions towards long-standing partnerships. While the majority of donations during the quarter were targeted at education, contributions were also made to organizations in the healthcare sector and to those that assist disadvantaged members of society in becoming economically self-sufficient.

### **Looking ahead**

While many of the key indicators have improved, the platform provided by recent positive developments needs to be built on through structural improvements to continue strengthening the country's macroeconomic position. The external account has shown some respite during the quarter and this will be further boosted by the recent success of Pakistan's Eurobond issue which, despite a gap of several years, was heavily oversubscribed. The privatization process has now gathered momentum as three capital markets transactions have been announced for closure during the current fiscal year. Material flows are also expected in the near future from the auction of 3G licenses, further flows from multilateral donor agencies, and continued privatization of state owned entities. These will provide the needed space to undertake several reforms, most notably on the fiscal front where achieving revenue

targets remains a persistent challenge.

Banking sector spreads are expected to remain under pressure in 2014. However, the positive macroeconomic developments are expected to lead to a revival of private sector credit which should improve the overall earnings profile.

UBL will continue to invest in its core businesses to maintain its competitive advantage in technology driven innovation. Growth within the corporate and commercial segments is expected, but will be driven by asset quality considerations in order to strengthen portfolio performance. The restructuring and recovery of non-performing loans remains a priority along with aggressively pursuing settlements. The expanded branch network has started delivering to its potential and focus will now be on deepening the core deposit base along with a renewed emphasis on service quality to strengthen customer relationships.

### **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

Islamabad  
April 18, 2014



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT MARCH 31, 2014**

	Note	(Un-audited) March 31, 2014	(Audited) December 31, 2013
------(Rupees in '000)-----			
<b>ASSETS</b>			
Cash and balances with treasury banks		84,774,704	88,520,725
Balances with other banks		14,223,260	25,867,497
Lendings to financial institutions	6	17,154,879	28,835,115
Investments	7	483,820,409	423,777,250
Advances	8	377,057,444	390,813,462
Operating fixed assets	9	24,217,590	24,607,937
Deferred tax asset - net		-	-
Other assets		29,529,731	27,338,719
		1,030,778,017	1,009,760,705
<b>LIABILITIES</b>			
Bills payable		9,552,252	16,590,884
Borrowings	10	43,593,588	40,573,874
Deposits and other accounts	11	846,680,006	827,847,738
Subordinated loans		332,660	665,328
Liabilities against assets subject to finance lease		-	-
Deferred tax liability - net		1,802,274	1,087,240
Other liabilities		28,785,831	22,081,644
		930,746,611	908,846,708
<b>NET ASSETS</b>		<u>100,031,406</u>	<u>100,913,997</u>
<b>REPRESENTED BY:</b>			
Share capital		12,241,798	12,241,798
Reserves		31,738,875	33,681,210
Unappropriated profit		42,442,965	42,634,545
		86,423,638	88,557,553
Surplus on revaluation of assets - net of deferred tax	12	13,607,768	12,356,444
		<u>100,031,406</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.

Atif R. Bokhari  
President &  
Chief Executive Officer

Amin Uddin  
Director

Seerat Asghar  
Director

Sir Mohammed Anwar Pervez, OBE, HPk  
Chairman

**UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2014**

	Note	March 31, 2014	March 31, 2013
----- (Rupees in '000) -----			
Mark-up / return / interest earned	14	19,394,031	17,005,878
Mark-up / return / interest expensed	15	<u>(9,580,200)</u>	<u>(8,218,114)</u>
Net mark-up / return / interest income		9,813,831	8,787,764
Provision against loans and advances - net		<u>(146,947)</u>	<u>(419,155)</u>
Reversal of provision against lendings to financial institutions - net		338	4,338
Reversal / (provision) for diminution in value of investments - net		5,578	(13,220)
Bad debts written off directly		<u>(43,730)</u>	<u>(44,691)</u>
		<u>(184,761)</u>	<u>(472,728)</u>
Net mark-up / return / interest income after provisions		9,629,070	8,315,036
<b>Non mark-up / interest income</b>			
Fee, commission and brokerage income		<u>2,703,171</u>	<u>2,344,275</u>
Dividend income		674,592	548,856
Income from dealing in foreign currencies		654,435	394,018
Gain on sale of securities - net		783,002	393,011
Unrealized (loss) / gain on revaluation of investments classified as held for trading		(46,728)	6,222
Other income		<u>305,315</u>	<u>168,191</u>
Total non mark-up / interest income		<u>5,073,787</u>	<u>3,854,573</u>
		14,702,857	12,169,609
<b>Non mark-up / interest expenses</b>			
Administrative expenses	16	<u>(6,720,293)</u>	<u>(6,194,632)</u>
Other provisions - net		(13,522)	(3,954)
Workers' Welfare Fund		(156,876)	(116,523)
Other charges		(151)	(299)
Total non mark-up / interest expenses		<u>(6,890,842)</u>	<u>(6,315,408)</u>
<b>Profit before taxation</b>		7,812,015	5,854,201
Taxation - Current		<u>(2,670,060)</u>	<u>(1,924,554)</u>
- Deferred		67,520	24,188
		<u>(2,602,540)</u>	<u>(1,900,366)</u>
<b>Profit after taxation</b>		<u><u>5,209,475</u></u>	<u><u>3,953,835</u></u>
----- (Rupees) -----			
<b>Earnings per share - basic and diluted</b>		<u>4.26</u>	<u>3.23</u>

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

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2014**

	<b>March 31, 2014</b>	<b>March 31, 2013</b>
	----- (Rupees in '000) -----	
<b>Profit after taxation</b>	5,209,475	3,953,835
<b>Other comprehensive income:</b>		
<i>Items that will never be reclassified to profit and loss account</i>	-	-
<i>Items that are or may be reclassified to profit and loss account</i>		
Exchange differences on translation of net investment in foreign branches	(2,466,508)	426,551
Amortization of cash flow hedges	4,962	10,786
Related deferred tax charge	(1,737)	(3,775)
	3,225	7,011
	(2,463,283)	433,562
<b>Comprehensive income transferred to equity - net of tax</b>	<b>2,746,192</b>	<b>4,387,397</b>

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.

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Director

Seerat Asghar  
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Sir Mohammed Anwar Pervez, OBE, HPK  
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**UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2014**

	March 31, 2014	March 31, 2013
	----- (Rupees in '000) -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	7,812,015	5,854,201
Less: Dividend income	(674,592)	(548,856)
	<u>7,137,423</u>	<u>5,305,345</u>
<b>Adjustments:</b>		
Depreciation	400,544	399,230
Amortization	99,562	102,983
Workers' Welfare Fund	156,876	116,523
Provision for retirement benefits	239,251	159,730
Provision against loans and advances - net	146,947	419,155
Reversal of provision against lendings to financial institutions - net	(338)	(4,338)
(Reversal) / provision for diminution in value of investments - net	(5,578)	13,220
Gain on sale of operating fixed assets	(30,330)	(3,469)
Amortization of cash flow hedges	4,962	10,786
Unrealized loss / (gain) on revaluation of investments classified as held for trading	46,728	(6,222)
Bad debts written-off directly	43,730	44,691
Provision against other assets	13,522	3,954
	<u>1,115,876</u>	<u>1,256,243</u>
	<u>8,253,299</u>	<u>6,561,588</u>
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	11,680,574	(1,169,585)
Held for trading securities	(46,324,636)	(1,914,165)
Advances	13,565,341	11,845,540
Other assets - (excluding advance taxation)	(2,165,667)	4,574,582
	<u>(23,244,388)</u>	<u>13,336,372</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	(7,038,632)	6,801,050
Borrowings	3,019,714	30,608,951
Deposits and other accounts	18,832,268	4,559,182
Other liabilities (excluding current taxation)	1,810,341	(1,601,759)
	<u>16,623,691</u>	<u>40,367,424</u>
	<u>1,632,602</u>	<u>60,265,384</u>
Payments on account of staff retirement benefits	(514,301)	(203,349)
Income taxes paid	(2,059,023)	(2,662,189)
Net cash (outflow) / inflow from operating activities	<u>(940,722)</u>	<u>57,399,846</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investment in securities	(11,808,229)	(61,976,352)
Dividend income received	277,017	162,913
Investment in operating fixed assets	(436,450)	(693,730)
Sale proceeds from disposal of operating fixed assets	329,193	32,535
Net cash outflow from investing activities	<u>(11,638,469)</u>	<u>(62,474,634)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayments of subordinated loans	(332,668)	(2,333,268)
Dividends paid	(11,891)	-
Net cash outflow from financing activities	<u>(344,559)</u>	<u>(2,333,268)</u>
	<u>(12,923,750)</u>	<u>(7,408,056)</u>
Exchange differences on translation of net investment in foreign branches	(2,466,508)	426,551
Decrease in cash and cash equivalents during the period	<u>(15,390,258)</u>	<u>(6,981,505)</u>
Cash and cash equivalents at beginning of the period	<u>114,388,222</u>	<u>109,395,772</u>
Cash and cash equivalents at end of the period	<u>98,997,964</u>	<u>102,414,267</u>

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**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE THREE MONTHS ENDED MARCH 31, 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 quarter ended March 31, 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)
<b>Total comprehensive income for the quarter ended March 31, 2013</b>						
Profit after taxation for the quarter ended March 31, 2013	-	-	-	-	3,953,835	3,953,835
Other comprehensive income - net of tax	-	-	426,551	7,011	-	433,562
Total comprehensive income for the quarter ended March 31, 2013	-	-	426,551	7,011	3,953,835	4,387,397
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	16,758	16,758
Transfer to statutory reserve	-	395,384	-	-	(395,384)	-
<b>Balance as at March 31, 2013 (Un-audited)</b>	<u>12,241,798</u>	<u>18,192,921</u>	<u>11,694,227</u>	<u>(13,983)</u>	<u>36,706,179</u>	<u>78,821,142</u>
<b>Transactions with owners for the nine months ended December 31, 2013</b>						
Interim cash dividend - March 31, 2013 declared at Rs.2.0 per share	-	-	-	-	(2,448,360)	(2,448,360)
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)
<b>Total comprehensive income for the nine months ended December 31, 2013</b>						
Profit after taxation for the nine months ended December 31, 2013	-	-	-	-	14,660,120	14,660,120
Other comprehensive income - net of tax	-	-	2,331,275	10,758	28,998	2,371,031
Total comprehensive income for the nine months ended December 31, 2013	-	-	2,331,275	10,758	14,689,118	17,031,151
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	50,340	50,340
Transfer to statutory reserve	-	1,466,012	-	-	(1,466,012)	-
<b>Balance as at December 31, 2013 (Audited)</b>	<u>12,241,798</u>	<u>19,658,933</u>	<u>14,025,502</u>	<u>(3,225)</u>	<u>42,634,545</u>	<u>88,557,553</u>
<b>Transactions with owners for the quarter ended March 31, 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)
<b>Total comprehensive income for the quarter ended March 31, 2014</b>						
Profit after taxation for the quarter ended March 31, 2014	-	-	-	-	5,209,475	5,209,475
Other comprehensive income - net of tax	-	-	(2,466,508)	3,225	-	(2,463,283)
Total comprehensive income for the quarter ended March 31, 2014	-	-	(2,466,508)	3,225	5,209,475	2,746,192
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	16,612	16,612
Transfer to statutory reserve	-	520,948	-	-	(520,948)	-
<b>Balance as at March 31, 2014 (Un-audited)</b>	<u>12,241,798</u>	<u>20,179,881</u>	<u>11,558,994</u>	<u>-</u>	<u>42,442,965</u>	<u>86,423,638</u>

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**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 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 1,281 (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 March 31, 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 of the Bank 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.
- 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.

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2014**

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 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, 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.

**6. LENDINGS TO FINANCIAL INSTITUTIONS**

	(Un-audited) March 31, 2014	(Audited) December 31, 2013
	------(Rupees in '000)-----	
Call money lendings	200,000	100,000
Repurchase agreement lendings	1,200,000	13,791,125
Other lendings to financial institutions	<u>16,375,476</u>	<u>15,597,908</u>
	17,775,476	29,489,033
Provision against lendings to financial institutions	<u>(620,597)</u>	<u>(653,918)</u>
	<u><u>17,154,879</u></u>	<u><u>28,835,115</u></u>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2014**

7. INVESTMENTS	(Un-audited) March 31, 2014			(Audited) December 31, 2013		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
<b>7.1 Investments by type</b>	(Rupees in '000)					
<b>Held for trading securities</b>						
Market Treasury Bills	51,508,889	-	51,508,889	7,401,965	-	7,401,965
Pakistan Investment Bonds	1,066,483	-	1,066,483	-	-	-
Ordinary shares of listed companies	1,462,772	-	1,462,772	317,933	-	317,933
	54,038,144	-	54,038,144	7,719,898	-	7,719,898
<b>Available for sale securities</b>						
Market Treasury Bills	103,430,001	212,564	103,642,565	176,092,538	12,054,264	188,146,802
Pakistan Investment Bonds	119,946,454	17,205,580	137,152,034	65,136,963	-	65,136,963
Government of Pakistan Sukuk	5,185,000	-	5,185,000	6,186,752	-	6,186,752
Government of Pakistan Eurobonds	10,293,098	-	10,293,098	10,934,926	-	10,934,926
Ordinary shares of listed companies	14,850,460	-	14,850,460	14,157,209	-	14,157,209
Preference shares	414,821	-	414,821	436,645	-	436,645
Ordinary shares of unlisted companies	242,956	-	242,956	243,100	-	243,100
Term Finance Certificates	1,920,637	-	1,920,637	1,921,367	-	1,921,367
Foreign bonds - sovereign	12,311,349	-	12,311,349	13,388,237	-	13,388,237
Foreign bonds - others	10,773,280	-	10,773,280	11,557,116	-	11,557,116
	279,368,056	17,418,144	296,786,200	300,054,853	12,054,264	312,109,117
<b>Held to maturity securities</b>						
Market Treasury Bills	47,608,793	-	47,608,793	40,607,486	-	40,607,486
Pakistan Investment Bonds	57,068,557	-	57,068,557	38,333,967	-	38,333,967
Government of Pakistan Eurobonds	4,956,154	-	4,956,154	5,281,493	-	5,281,493
Government of Pakistan Sukuk	-	-	-	300,000	-	300,000
Term Finance Certificates	5,007,817	-	5,007,817	5,045,801	-	5,045,801
Sukuks	1,720,506	-	1,720,506	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	213,717	-	213,717	228,454	-	228,454
Recovery note	303,697	-	303,697	324,639	-	324,639
CDC SAARC Fund	214	-	214	229	-	229
	116,886,660	-	116,886,660	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	1,335,378	-	1,335,378	335,378	-	335,378
Al-Ameen Islamic Income Fund	200,000	-	200,000	200,000	-	200,000
UBL Savings Income Fund	100,000	-	100,000	100,000	-	100,000
Al-Ameen Islamic Sovereign Fund	350,000	-	350,000	350,000	-	350,000
Al-Ameen 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
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	1,100,000	-	1,100,000	100,000	-	100,000
Al-Ameen Islamic Cash Fund	100,000	-	100,000	100,000	-	100,000
UBL Gold Fund	100,000	-	100,000	100,000	-	100,000
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
UBL Asset Allocation Fund	600,000	-	600,000	600,000	-	600,000
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	-	-	-	-	-	-
	8,774,980	-	8,774,980	6,674,980	-	6,674,980
<b>Subsidiaries</b>						
United National Bank Limited	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	(1,422,574)	-	(1,422,574)	(1,476,109)	-	(1,476,109)
<b>Investments (net of provisions)</b>	461,169,228	17,418,144	478,587,372	408,401,055	12,054,264	420,455,319
Surplus / (deficit) on revaluation of available for sale securities	4,898,339	381,426	5,279,765	3,333,337	(5,016)	3,328,321
Deficit on revaluation of held for trading securities	(46,728)	-	(46,728)	(6,390)	-	(6,390)
<b>Total investments</b>	466,020,839	17,799,570	483,820,409	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.

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FOR THE THREE MONTHS ENDED MARCH 31, 2014**

	Note	(Un-audited) March 31, 2014	(Audited) December 31, 2013
		------(Rupees in '000)-----	
<b>8. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		265,043,504	269,527,934
Outside Pakistan		113,554,013	119,212,245
		<u>378,597,517</u>	<u>388,740,179</u>
Bills discounted and purchased			
Payable in Pakistan		28,961,850	29,857,262
Payable outside Pakistan		15,079,068	18,151,641
		<u>44,040,918</u>	<u>48,008,903</u>
Advances - gross		422,638,435	436,749,082
Provision against advances			
Specific		(43,712,703)	(44,096,739)
General	8.2	(1,868,288)	(1,838,881)
Advances - net of provision		<u>377,057,444</u>	<u>390,813,462</u>

8.1 Advances include Rs. 50,962 million (December 31, 2013: Rs.52,630 million) which have been placed under non-performing status as detailed below:

Category of Classification	March 31, 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*	120,643	-	120,643	2,499	-	2,499	2,499	-	2,499
Substandard	997,215	136,929	1,134,144	197,117	8,477	205,594	197,117	8,477	205,594
Doubtful	1,844,356	1,782,525	3,626,881	371,365	884,272	1,255,637	371,365	884,272	1,255,637
Loss	39,022,941	7,057,399	46,080,340	36,945,770	5,303,203	42,248,973	36,945,770	5,303,203	42,248,973
	<u>41,985,155</u>	<u>8,976,853</u>	<u>50,962,008</u>	<u>37,516,751</u>	<u>6,195,952</u>	<u>43,712,703</u>	<u>37,516,751</u>	<u>6,195,952</u>	<u>43,712,703</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. 251.869 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.1,525.477 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.1,324.370 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.

	Note	(Un-audited) March 31, 2014	(Audited) December 31, 2013
		------(Rupees in '000)-----	
<b>9. OPERATING FIXED ASSETS</b>			
Capital work-in-progress		2,135,105	1,916,346
Property and equipment		20,857,130	21,370,720
Intangible assets		1,225,355	1,320,871
	9.1	<u>24,217,590</u>	<u>24,607,937</u>

9.1 Additions and disposals during the period amounted to Rs. 436.450 million (March 31, 2013: Rs. 693.730 million) and Rs. 441.664 million (March 31, 2013: Rs. 81.709 million), respectively.



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	(Un-audited) March 31, 2014	(Audited) December 31, 2013
	------(Rupees in '000)-----	
<b>12.2 Surplus / (deficit) on revaluation of available for sale securities</b>		
Market Treasury Bills	(34,286)	(147,850)
Pakistan Investment Bonds	1,089,629	(402,073)
Listed shares	2,131,503	2,767,273
Term Finance Certificates, Sukuks, other bonds, etc.	150,201	75,680
Foreign bonds	1,942,718	1,035,291
	5,279,765	3,328,321
Related deferred tax liability	(1,847,918)	(1,164,912)
	<u>3,431,847</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	3,846,315	3,796,673
Banking companies and other financial institutions	2,182,803	2,540,111
Others	4,349,484	3,872,302
	<u>10,378,602</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	75,822,324	79,772,016
Banking companies and other financial institutions	8,625,445	5,364,806
Others	33,471,150	34,406,478
	<u>117,918,919</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	55,676,156	59,515,538
Others	96,309,072	108,446,502
	<u>151,985,228</u>	<u>167,962,040</u>
<b>13.4 Other contingencies</b>		
Claims against the Bank not acknowledged as debts	<u>12,390,928</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.		
	<b>Note</b>	
	(Un-audited) March 31, 2014	(Audited) December 31, 2013
	------(Rupees in '000)-----	
<b>13.6 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	179,036,665	207,539,873
Sale	<u>156,682,958</u>	<u>172,499,461</u>
<b>13.7 Commitments in respect of derivatives</b>		
Forward purchase of Government securities	65,461	-
Interest rate swaps	<u>5,298,593</u>	<u>5,723,576</u>
Cross currency swaps	<u>10,769,240</u>	<u>10,550,240</u>
<b>13.8 Commitments in respect of capital expenditure</b>	<u>1,440,265</u>	<u>1,699,696</u>
<b>13.9 For contingencies relating to taxation refer note 17</b>		

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2014**

	March 31, 2014	March 31, 2013
	------(Rupees in '000)-----	
<b>14. MARK-UP / RETURN / INTEREST EARNED</b>		
On loans and advances to customers	8,093,263	7,875,150
On lendings to financial institutions		
Call money lendings	4,369	511
Repurchase agreement lendings	465,521	52,457
Other lendings to financial institutions	99,277	88,721
	569,167	141,689
On investments in		
Held for trading securities	534,761	137,205
Available for sale securities	7,022,108	5,786,610
Held to maturity securities	3,139,699	3,035,094
	10,696,568	8,958,909
On deposits with financial institutions	35,033	30,130
	19,394,031	17,005,878
<b>15. MARK-UP / RETURN / INTEREST EXPENSED</b>		
On deposits	8,235,679	6,474,977
On securities sold under repurchase agreements	653,925	859,425
On other short term borrowings	541,575	557,678
On long term borrowings	149,021	326,034
	9,580,200	8,218,114
<b>16. ADMINISTRATIVE EXPENSES</b>		
Salaries, allowances etc.	2,458,068	2,325,199
Charge for compensated absences	100,950	81,516
Medical expenses	125,204	116,987
Contribution to defined contribution plan	48,322	44,191
Charge in respect of defined benefit obligations	89,979	34,023
Rent, taxes, insurance, electricity etc.	874,716	830,797
Depreciation	400,544	399,230
Amortization	99,562	102,983
Outsourced service charges including sales commission	856,498	669,013
Communications	262,013	257,770
Banking service charges	207,539	189,879
Cash transportation charges	122,668	108,204
Stationery and printing	130,281	121,500
Legal and professional charges	52,474	59,598
Advertisement and publicity	120,244	103,518
Repairs and maintenance	286,911	274,049
Travelling	53,644	52,494
Office running expenses	120,192	115,286
Vehicle expenses	48,667	45,766
Entertainment	43,349	41,213
Cartage, freight and conveyance	19,938	20,720
Insurance expense	25,422	29,679
Auditors' remuneration	22,693	15,850
Training and seminars	15,434	27,344
Brokerage expenses	12,293	13,515
Subscriptions	14,782	17,005
Donations	21,100	15,980
Non-executive Directors' fees	5,066	5,513
Zakat paid by overseas branch	25,473	23,671
Miscellaneous expenses	56,267	52,139
	6,720,293	6,194,632

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2014**
**17. TAXATION**

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.

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 UAE have been filed upto the year ended December 31, 2013 and for other overseas branches upto the year ended December 31, 2012 under the provisions of the laws prevailing in the respective countries, and are deemed as assessed unless opened for reassessment.

**18. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES**
**For the three months ended March 31, 2014 (Un-audited)**

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
(Rupees in '000)						
Total income	44,733	3,910,028	7,960,705	2,177,694	794,458	-
Total expenses	(20,027)	(214,504)	(4,894,062)	(1,565,526)	(381,484)	-
Profit before tax	24,706	3,695,524	3,066,643	612,168	412,974	-
Segment return on assets (ROA)	18.0%	1.8%	1.1%	0.4%	-	-
Segment cost of funds	2.1%	6.3%	4.1%	6.1%	-	-

**For the three months ended March 31, 2013 (Un-audited)**

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
(Rupees in '000)						
Total income	33,000	3,226,826	7,130,011	1,792,197	460,303	-
Total expenses	(46,478)	(231,848)	(5,408,638)	(661,639)	(439,533)	-
Profit before tax	(13,478)	2,994,978	1,721,373	1,130,558	20,770	-
Segment return on assets (ROA)	-4.5%	1.9%	0.7%	0.8%	-	-
Segment cost of funds	1.0%	6.4%	3.6%	6.8%	-	-

**As at March 31, 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)	734,686	559,753,737	776,059,462	382,022,437	105,471,701	(749,551,301)
Segment non performing loans (NPLs)	642,582	2,048,342	22,074,061	25,996,913	200,110	-
Segment provision held against NPLs	457,507	1,701,978	19,121,409	22,371,311	60,500	-
Segment liabilities	261,120	551,783,398	754,975,446	359,253,216	14,024,732	(749,551,301)

**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	(709,267,452)
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	(709,267,452)

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 THREE MONTHS ENDED MARCH 31, 2014**
**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.

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 March 31, 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	-	-	1,507,556	-	-	-	-	1,130,454	-	-
In deposit accounts	-	-	1,458,608	-	-	-	-	979,576	-	-
	-	-	<b>2,966,164</b>	-	-	-	-	<b>2,110,030</b>	-	-
<b>Lendings to financial institutions</b>										
Other lendings to financial institution	-	-	732,409	-	-	-	-	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	-	-	2,200,000	-	-	-	-	-	1,100,000	971,319
Investment redeemed / disposed off during the period / year	-	-	-	(100,000)	(61,896)	-	-	-	(6,472,616)	(491,881)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	3,108,478
Closing balance	-	-	<b>3,523,962</b>	<b>8,774,980</b>	<b>4,013,795</b>	-	-	<b>3,523,962</b>	<b>6,674,980</b>	<b>4,075,691</b>
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	-	23,842	-	-	4,660	-	72,108	-	-	9,707,517
Repaid during the period / year	-	(14,795)	-	-	(133,529)	-	(90,943)	-	-	(21,208,273)
Transfer in / (out) - net	-	(103)	-	-	-	-	-	-	2,155,149	-
Closing balance	-	<b>114,272</b>	-	<b>2,155,149</b>	<b>284,085</b>	-	<b>105,328</b>	-	<b>2,155,149</b>	<b>412,954</b>
Provision held against advances	-	-	-	2,155,149	-	-	-	-	2,155,149	-
<b>Other Assets</b>										
Interest mark-up accrued	-	301	8,004	-	8,922	-	30	4,695	-	145,551
Receivable from staff retirement funds	-	-	-	-	241,593	-	-	-	-	58,964
Prepaid insurance	-	-	-	241,122	-	-	-	-	-	-
Dividend Receivable	-	-	-	1,438	229,076	-	-	-	1,201	-
Other receivable	-	-	4,320	-	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	-	-	1,327,160	-	-	-	-	1,737,858	2,155,493	16,356,760
Settled during the period / year	-	-	(1,055,378)	-	-	-	-	(729,750)	(2,155,493)	(16,662,975)
Closing balance	-	-	<b>1,279,890</b>	-	-	-	-	<b>1,008,108</b>	-	-
Overdrawn nostros	-	-	-	-	-	-	-	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	2,537,857	303,034	38,926,810	18,851,379	26,463,369	22,861,734	980,912	171,477,272	67,507,686	201,691,134
Withdrawn during the period / year	(4,000,583)	(239,849)	(38,744,111)	(19,012,037)	(26,460,489)	(21,522,949)	(954,465)	(171,342,585)	(67,661,062)	(202,918,770)
Transfer in / (out) - net	8,115	(2,136)	-	-	-	(6,275)	-	-	-	(604,043)
Closing balance	<b>6,051,862</b>	<b>185,504</b>	<b>460,042</b>	<b>505,298</b>	<b>84,739</b>	<b>7,506,473</b>	<b>124,455</b>	<b>277,343</b>	<b>665,956</b>	<b>81,859</b>
<b>Other Liabilities</b>										
Interest / return / mark-up payable on deposits	63,963	169	55	-	106	32,260	1,097	78	-	709
Interest / return / mark-up payable on borrowings	-	-	17	-	-	-	-	4,574	-	-
Payable to staff retirement fund	-	-	-	-	16,179	-	-	-	-	152,441
Unearned income	-	-	-	-	-	-	-	187	-	-
<b>Contingencies and Commitments</b>										
Letter of guarantee	-	-	-	73,015	-	-	-	-	78,051	-
Forward foreign exchange contracts purchase	-	-	3,300,745	-	-	-	-	3,633,699	-	-
Forward foreign exchange contracts sale	-	-	3,345,311	-	-	-	-	3,710,543	-	-
	For the three months ended March 31, 2014 (Un-audited)					For the three months ended March 31, 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	-	1,448	7,378	-	8,939	-	1,743	8,084	-	13,395
Commission / charges recovered	7	7	155	546	17	5	9	67	3,383	198
Dividend income	-	-	-	19,195	250,856	-	-	-	6,005	-
Net gain / (loss) on sale of securities	-	-	-	66,931	5	-	-	-	-	(197)
Other income	-	166	187	88	-	-	-	263	-	-
Mark-up / return / interest paid	46,513	1,594	7,196	9,575	5,626	28,492	515	12,618	6,244	7,372
Remuneration paid	-	338,776	-	-	-	-	309,026	-	-	-
Post employment benefits	-	3,731	-	-	-	-	3,970	-	-	-
Non-executive directors' fee	5,066	-	-	-	-	5,513	-	-	-	-
Net charge for defined contribution plans	-	-	-	-	48,322	-	-	-	-	44,191
Net charge / (reversal) for defined benefit plans	-	-	-	-	26,794	-	-	-	-	(19,499)
Insurance premium paid	-	-	-	261,758	-	-	-	-	258,277	-
Insurance claims settled	-	-	-	31,786	-	-	-	-	32,909	-
Other expenses	-	-	-	15,319	24,432	-	-	-	-	18,589

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2014**
**20. ISLAMIC BANKING BUSINESS**

20.1 The statement of financial position of the Bank's Islamic Banking branches as at March 31, 2014 is as follows:

	Note	(Un-audited) March 31, 2014	(Audited) December 31, 2013
----- (Rupees in '000) -----			
<b>ASSETS</b>			
Cash and balances with treasury banks		818,136	951,157
Balances with other banks		1,061,848	1,701,743
Investments		6,092,803	7,363,524
Islamic financing and related assets	20.3	2,754,917	5,183,080
Operating fixed assets		113,115	117,974
Due from Head Office		3,429,979	2,144,911
Other assets		160,347	153,963
<b>Total Assets</b>		<b>14,431,145</b>	<b>17,616,352</b>
<b>LIABILITIES</b>			
Bills payable		124,970	54,532
Deposits and other accounts		2,081,595	2,328,416
Current accounts		2,344,343	2,490,262
Savings accounts		1,591,891	1,994,823
Term deposits		7,549,169	9,980,829
Deposits from financial institutions - remunerative		13,566,998	16,794,330
Other liabilities		125,787	191,564
		<b>13,817,755</b>	<b>17,040,426</b>
		<b>613,390</b>	<b>575,926</b>
<b>NET ASSETS</b>			
<b>REPRESENTED BY</b>			
Islamic Banking Fund		681,000	681,000
Accumulated losses		(182,051)	(156,679)
		498,949	524,321
Surplus on revaluation of assets		114,441	51,605
		<b>613,390</b>	<b>575,926</b>

20.2 The profit and loss account of the Bank's Islamic Banking branches for the three months ended March 31, 2014 is as follows:

	----- (Un-audited) -----	
	March 31, 2014	March 31, 2013
----- (Rupees in '000) -----		
Return earned	330,138	331,472
Return expensed	(244,307)	(206,885)
	85,831	124,587
Provision against loans and advances - net	(1,613)	-
Reversal for diminution in value of investments - net	360	240
(Provision) / reversal against assets given on Ijarah	(482)	2,826
	(1,735)	3,066
Net return after provisions	84,096	127,653
<b>Other Income</b>		
Fee, commission and brokerage income	4,565	3,288
Dividend income	3,164	6,005
Income from dealing in foreign currencies	(7,303)	307
Other income	28,578	1,820
Total other income	29,004	11,420
	113,100	139,073
<b>Other Expenses</b>		
Administrative expenses	(138,845)	(155,319)
Other reversals / (provisions) - net	373	-
Total other expenses	(138,472)	(155,319)
Net loss for the period	(25,372)	(16,246)
Accumulated losses brought forward	(156,679)	(194,579)
Accumulated losses carried forward	(182,051)	(210,825)
<b>Remuneration to Shariah Advisor</b>	<b>308</b>	<b>285</b>
	<b>(Un-audited)</b>	<b>(Audited)</b>
	<b>March 31,</b>	<b>December 31,</b>
	<b>2014</b>	<b>2013</b>
----- (Rupees in '000) -----		

**20.3 Islamic financing and related assets**

<b>Financing</b>			
Murabaha		1,265,117	3,232,150
Ijarah		592,875	867,257
Diminishing Musharaka		728,424	687,448
Salam		72,402	281,040
Provision against financing		(33,002)	(31,389)
		2,625,816	5,036,506
<b>Advances</b>			
Advances and receivables against Ijarah		124,451	143,753
Advances for Murabaha		18,810	17,498
Provision against advances for Murabaha		(17,498)	(17,498)
		125,763	143,753
Profit receivable against financing		3,338	2,821
		<b>2,754,917</b>	<b>5,183,080</b>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2014****21 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors in its meeting held on April 18, 2014 has declared a cash dividend in respect of the three months ended March 31, 2014 of Rs.2.5 per share (March 31, 2013: Rs.2.0 per share). The unconsolidated condensed interim financial statements for the three months ended March 31, 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 April 18, 2014 by the Board of Directors of the Bank.

Atif R. Bokhari  
President &  
Chief Executive Officer

Amin Uddin  
Director

Seerat Asghar  
Director

Sir Mohammed Anwar Pervez, OBE, HPK  
Chairman