

where

you

come first



We have always believed in staying ahead through technology & innovation, making us the most progressive bank with a strong footprint of over 1300 branches in the country.

For you, UBL stays ahead of the game providing exclusivity, transparency and convenience.

We strongly believe that you are valuable to us in shaping our illustrious past and determining our glorious future.

UBL – On every road to success, we say “you come first”



Annual Report 2013

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Company Information

Board of Directors

Sir Mohammed Anwar Pervez, OBE, HPk	Chairman / Non Executive Director
Mr. Zameer Mohammed Choudrey	Non Executive Director
Mr. Amin Uddin	Independent Director
Mr. Arshad Ahmad Mir	Independent Director
Mr. Seerat Asghar	GOP Nominee Director
Mr. Atif R. Bokhari	President & CEO

Committees of the Board

Board Audit Committee

Mr. Zameer Mohammed Choudrey	Chairman
Mr. Amin Uddin	Member
Mr. Aqeel Ahmed Nasir	Secretary

Board Human Resource & Compensation Committee

Mr. Seerat Asghar	Member
Mr. Atif R. Bokhari	Member
Mr. Jamal Nasir	Secretary

Board Risk Management Committee

Mr. Arshad Ahmad Mir	Chairman
Mr. Atif R. Bokhari	Member
Mr. Zulfiqar Alavi	Secretary

Chief Financial Officer

Mr. Rayomond Kotwal

Company Secretary & Chief Legal Counsel

Mr. Aqeel Ahmed Nasir

Registered Office:

13th Floor, UBL Building, Jinnah Avenue, Blue Area, Islamabad, Pakistan.

Head Office:

State Life Building No. 1, I.I. Chundrigar Road, Karachi - 74000, Pakistan.
UAN: 111-825-111
Contact Centre: 111-825-888
Website: www.ubldirect.com
Email: customer.services@ubl.com.pk

Share Registrar

M/s. THK Associates (Pvt.) Limited
2nd Floor, State Life Building No. 3,
Dr. Ziauddin Ahmed Road, Karachi, Pakistan.
UAN: 111-000-322

Auditors

M/s. KPMG Taseer Hadi & Co.,
Chartered Accountants
M/s. BDO Ebrahim & Co.,
Chartered Accountants

Legal Advisors

M/s. Mahmood Abdul Ghani & Co.
Advocates

bank of the year 2013



Sir Mohammed Anwar Pervez, OBE, HPk, Chairman of the Board of Directors, UBL (2nd left) and Mr. Zameer Choudrey, Director UBL (3rd left) receiving The Banker award for 'Bank of the Year 2013 - Pakistan'



vision

To be a world class bank dedicated to excellence, and to surpass the highest expectations of our customers and all other stakeholders.



mission

- Set the highest industry standard for quality, across all areas of operation, on a sustained basis
- Optimize people, processes and technology to deliver the best possible financial solutions to our customers
- Become the most sought after investment, and
- Be recognized as the employer of choice



values

- Honesty and integrity
- Commitment and dedication
- Fairness and meritocracy
- Teamwork and collaborative spirit
- Humility and mutual respect
- Caring and socially responsible



board of directors



Chairman's Profile

Sir Mohammed Anwar Pervez, OBE HPk, became the Chairman of the Board of Directors of United Bank Limited in December 2013; prior to that he had been the Deputy Chairman since October 2002. He is also the Chairman of Bestway Group UK & its subsidiaries, which include Batleys Limited and Bestway Cement Limited. He is also Chairman of Bestway Northern Limited in UK.

Sir Anwar began his career in food business in 1963, when he opened a convenience store in London. He ventured into the wholesale business in 1976 and has been responsible for growing Bestway Group into the seventh largest family business in the UK.

Today, Bestway group is the 2nd largest wholesaler in the UK, the 2nd largest cement producer in Pakistan and the 2nd largest private bank in Pakistan. The Group provides employment to over 25,700 globally.

Sir Anwar was awarded the "Order of the British Empire (OBE)" in 1992 and was conferred the title of "Knight's Bachelor" in 1999 by Her Majesty, the Queen, for his services to the food industry and various charitable causes in the UK. In 2000 he was awarded "Hilal-e-Pakistan".

In 2005, Sir Mohammad Anwar Pervez was voted winner of the prestigious "Grocer Cup for Outstanding Business Achievement" by the Institute of Grocery Distribution, UK.

In 2006 he received "Sitara-e-Essar" by the President of Pakistan. The same year he was chosen as the "Master Entrepreneur – UK" at the Ernst & Young Entrepreneur of the Year 2006 Awards.

In 2011, Sir Anwar was awarded with an honorary Doctor of Laws degree by FC College Lahore.

In 2012, in recognition of his philanthropic services to the community, the University of Bradford conferred on Sir Anwar Pervez an honorary Doctor of Laws degree.

He is the Chairman of Bestway Foundation, UK and Patron-in-Chief of Bestway Foundation, Pakistan and a charter member of the Duke of Edinburgh Awards Scheme.

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



Director's Profile

Zameer Mohammed Choudrey Director UBL

Mr. Zameer Mohammed Choudrey has been a Member of the Board of Directors of United Bank Limited since October 2002. He is also Chairman of the Board Audit Committee, as well as Director of UBL Insurers Limited.

He is the Chief Executive of Bestway Group, which is the seventh largest family business in UK with an annual turnover of £2.5 billion.

The Group today boasts a portfolio of 62 warehouses, covering over 6 million square feet of selling space, offering a range of over 25,000 products, serving over 125,000 independent retailers and foodservice customers nationally and providing employment to over 5,000 people in the UK.

Bestway Group's cement operations are the 2nd largest in Pakistan. Bestway Cement Limited has four state-of-the-art plants with a total capacity of 6 million tonnes per annum and employs over 3,000 people.

Zameer is a Chartered Accountant by profession. He joined



Bestway Group as a Financial Controller in 1984. In 1990, he was promoted as the Group Finance Director. In 1995, he was given additional responsibilities of business diversification both in the UK and Pakistan and was promoted as Chief Executive of Bestway Cement Limited. He was appointed as the Group CEO in 2004.

He is a fellow of the Institute of Chartered Accounts of England & Wales and a member of the Institute of Directors. He is also the Deputy Chairman of the Pakistan Britain Trade and Investment Forum (PBTIF) and the Co-Chairman of the Conservative Friends of Pakistan.

Zameer is a trustee of Bestway Foundation, UK and Chairman of Bestway Foundation, Pakistan. He is also a trustee of Grocery Aid and Crimestoppers. Zameer is a member of the British Asian Trust's UK Advisory Council.

Amin Uddin Director UBL

Mr. Amin Uddin was appointed Member, Board of Directors of United Bank Limited with effect from March 5, 2009. He is member of Board Audit Committee of UBL and a member of UBL Insurers' Limited.

Amin studied at Government College, Lahore for his BA, Economics, Degree. He attended Banking Management Courses during 1986-87 at McGill University Montreal and other professional courses at INSEAD University in France and Nyenrode Business University in Holland. He is currently enrolled as a mature student at GCU, Lahore, in his final semester of Executive MBA program.

He has over 40 years of banking experience in Pakistan, Middle East, Europe, Africa and Canada. He worked for Ecobank



Group, a leading Pan African Banking Institution, from January 1991 to July 2002. Prior to that, he worked for Bank of Credit and Commerce from September 1977 to October 1990. He began his career with Habib Bank Limited at Karachi, Pakistan.

He is a certified Director from Pakistan Institute of Corporate Governance, as per requirement of listing regulations.

Arshad Ahmad Mir Director UBL

Mr. Arshad Ahmad Mir was appointed as Member of Board of Directors in October 2009. He has decades of extensive corporate experience in financial services, oil industry, management consultancy, manufacturing and wholesale distribution businesses.

He has served with major corporate entities in areas of general management, corporate planning, project management, compliance and consultancy. Geographical coverage of his corporate roles and responsibilities encompass Pakistan, Middle East, Africa, UK and Europe.

Arshad Mir is a member of Institute of Chartered Accountants of



England & Wales and Institute of Bankers, UK. He has attended various management courses and conferences including Advanced Management Programme of London Business School.

He is the Chairman of the Board Risk Management Committee of UBL.

Director's Profile

Seerat Asghar Director UBL

Mr. Seerat Asghar has been appointed as Director of United Bank Limited by the Government of Pakistan with effect from 30th March, 2010. He is also a Member of the Board Human Resource and Compensation Committee of the Bank.

Mr. Seerat Asghar has a vast experience, gathered over 32 years of service, in the Provincial as well as Federal Governments. He brings with him a rich professional and academic experience. He holds an LLB and a Masters degree in Political Science from Punjab University, Lahore.

His last academic pursuit was at the prestigious Cornell University USA, where he attended an Executive Development Program in Food and Agriculture Business Management.

With a strong base in "Executive Leadership Development" from Harvard University, he has developed expertise in Management and macro-economic planning. He has



represented Pakistan in many international conferences across the globe.

During the last 3 years, he has held important assignments as special secretary and later on as principal secretary to the prime minister. Currently, he holds the position of the Federal Secretary of the Ministry of National Food Security and Research.

Atif Riaz Bokhari President & CEO UBL

Currently President & CEO, United Bank Limited (UBL) is a career banker with extensive experience in domestic and international banking. He started his banking career in 1985 with Bank of America, where he handled diverse assignments for over 15 years. Subsequent to leaving Bank of America in July 2000, Mr. Bokhari joined Habib Bank Limited wherein he was Head of Corporate and Investment Banking.

Mr. Bokhari was appointed as President & CEO of UBL in May 2004 (18 months after privatization). Since then UBL has ventured into new diversified business and revenue streams, namely consumer financing, E-commerce, asset management and general insurance.

Mr. Bokhari holds the office of Chairman or Director in several UBL Group companies. Mr. Bokhari is very actively involved with a private sector program for the development of education



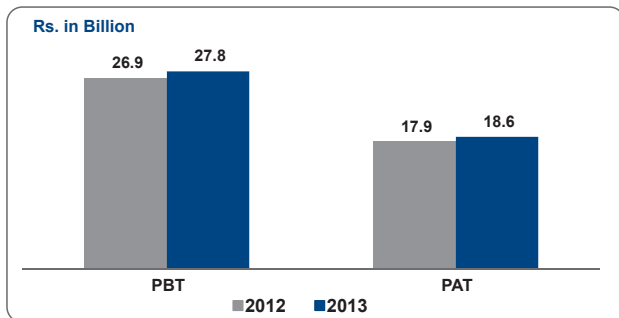
in Karachi. Specifically he is a Director for the Karachi School for Business & Leadership affiliated with the Judge Business School, Cambridge, UK. He is also an independent Director of Linde Pakistan Limited.

Directors' Report to the Members

On behalf of the Board of Directors, I am pleased to present to you the 55th Annual Report of United Bank Limited for the year ended December 31, 2013.

Financial Highlights

UBL achieved a profit after tax of Rs.18.6 billion which is 4% higher than last year and translates into earnings per share of Rs.15.21 (2012: Rs.14.61). On a consolidated basis, UBL achieved a profit after tax of Rs.19.7 billion, an increase of 3% over 2012.

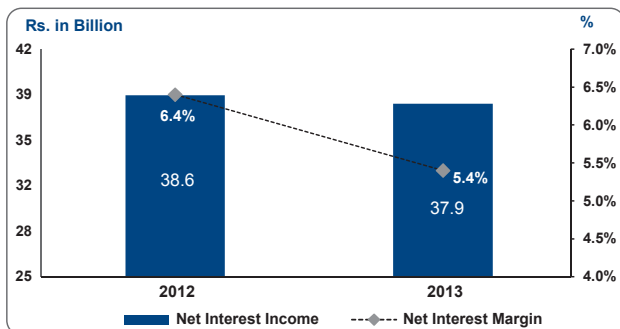


The Board of Directors is pleased to recommend a final cash dividend of Rs. 4 per share i.e. 40% and a bonus share issue of nil for the year ended December 31, 2013, bringing the total cash dividend for the year 2013 to 100%.

UBL has achieved a pre-tax profit of Rs. 27.8 billion, a growth of 4% over last year, despite a challenging year for the banking sector where severe spread compression has impacted core revenues. This has been mitigated by a consistent build up in the balance sheet over the year, improved performance by International branches, enhancement in non-mark up based income and significant reduction in provisions against non-performing loans.

Net Interest Income

In 2013 asset yields and earnings remained impacted by declining interest rates which have reduced by 500 bps over the last 2 years. Regulatory changes increasing the minimum rate payable on savings accounts have further compressed already declining margins which reduced by around 100 bps to 5.4% in 2013. While rates have begun to shift upwards in the last quarter, the linking of the minimum savings rate to the repo rate will keep margins restricted.



The impact on earnings from tightening was offset by a growth of over 13.4% in average assets, mainly funded through the acquisition of core deposits. This enabled the Bank to contain the decline in net interest income to 1.6% from Rs. 38.6 billion in 2012 to Rs. 37.9 billion in 2013.

Non-Interest Income

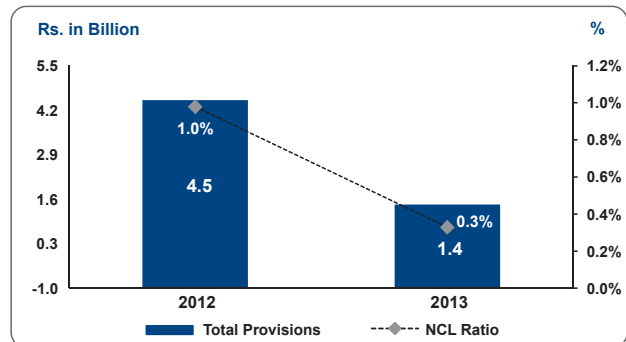
Non-interest income continued to grow steadily and increased by Rs.1 billion over 2012 levels to reach Rs.18.1 billion, maintaining its share as a core component of the Bank's revenues.

Fees and commissions posted strong growth of 23% over 2012 to cross the Rs.10 billion mark this year. Higher transaction volumes led the increase in general banking fees across the retail business segment along with growth in earnings from corporate customers. UBL Omni continued to make a major contribution, more than doubling fee income, along with significant growth in home remittances and cross sell activity including sale of Bancassurance.

Timely leveraging of opportunities in line with improved stock market performance resulted in a significant increase in capital gains to Rs. 2.8 billion. Foreign exchange income increased by 16% to reach Rs. 2.2 billion as a result of active trading and effective position management.

Provisions and loan losses

Total provisions declined significantly with a provision charge of Rs.1.4 billion, a reduction of 68% over the previous year. Active recovery efforts against non-performing loans and diligent portfolio management resulted in an 8% reduction in the level of NPLs this year. The Bank stands well reserved with a coverage ratio of 87%.



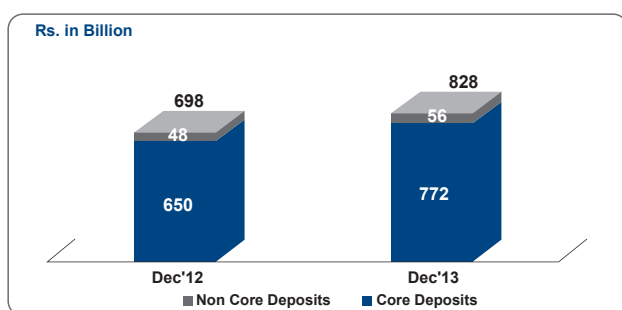
Cost management

In comparison to 2012, administrative expenses were 9.7% higher in 2013. The increase is mainly on account of variable costs which move in line with related transaction revenues. The current year also includes the full cost of the previous year's branch expansion while spiraling utilities costs and the steep rupee devaluation impacting the costs of overseas operations have also contributed to the increase. On a comparable basis, increase in administrative expenses was contained to below inflation levels as a result of continued cost consciousness.

Directors' Report to the Members

Growth in the Balance Sheet

UBL's balance sheet has crossed a landmark of Rs.1 trillion, growing by 13% over December 2012. This was primarily funded by strong growth in deposits which increased by 19% to Rs. 828 billion. The distribution network continues to focus on a steady increase in stable core deposits. Average core deposits increased by 17% over 2012. Furthermore, targeted mobilization of low cost deposits has resulted in the overall cost of deposits reducing by 47 bps, despite the multiple regulatory increases in the savings rate. The profitable portfolio mix was maintained in 2013 with 70% of total domestic deposits in the low cost tier, driven by a strong CASA ratio which was maintained at 83%.



Advances increased by 7% to Rs. 391 billion as at December 2013, mainly in the International business, which grew by 15%, reflecting the improved macroeconomic conditions in the GCC. Domestically, the Bank retains its conservative lending stance, with fresh disbursements targeted at quality assets across all segments. The balance sheet remains highly liquid and well positioned to capitalize on lending opportunities as they arise.

Strong Capital Ratios

The Tier 1 Capital Adequacy Ratio (CAR) of the Bank was 10.0% as at December 2013, calculated under the Basel III framework, lower than as at December 2012 under the Basel II framework, primarily as a result of new capital rules on mutual fund investments. The bank exercised the call option available on TFC IV which now stands fully repaid. During the year, the bank paid interim dividends totaling Rs 6 per share in addition to the Rs 3.5 per share final dividend for the previous year. Consequently, the total CAR stood at 13.3% as at December 2013. The Bank has carried out an assessment of its future capital requirements in accordance with Basel III regulations which are being phased in over subsequent periods, and the existing capital structure comfortably supports future growth.

Economy Review

Pakistan achieved a landmark during 2013 with the first ever transition from one democratically elected government to another. The election of the pro-business PML-N has brought with it a renewed confidence from both domestic and foreign investors, although the economic landscape remains challenging. The energy supply deficit was aggravated further with the persistent shortage of natural gas, resulting in idle capacity across various industries and a low real GDP growth of 3.6% for FY13. The partial resolution of circular debt

by the newly elected government has supported the industrial sector during the new fiscal year, as evidenced by a 5.2% growth in Large Scale Manufacturing during Jul-Nov 2013.

The trade deficit for H1'FY14 narrowed by 8.7% as compared to the same period last year, as exports increased by 5.1% while imports declined slightly by 1.1%. Workers' remittances remain a critical source in managing a fragile balance of payments position and exhibited a strong growth of 9.5% over H1'FY13. During H1'FY14, the current account deficit stood at USD 1.6 billion, significantly higher than the USD 83 million during the same period last year, mainly due to lower Coalition Support Fund proceeds this year. Despite a relatively better financial account performance during H1'FY14, sizeable debt repayments continued to keep the external account position under pressure.

Given a relatively weaker balance of payment position along with repayments to the IMF, foreign exchange reserves have declined to USD 8.3 billion by December 2013, with SBP's reserves touching a decade low level of around USD 2.9 billion before marginally improving to over USD 3.0 billion. This has created significant pressure on the Rupee which depreciated by 8.4% during 2013, with a sharp slide during the third quarter. Given the pressure on the external front and the foreign exchange reserves position, the government has entered into an Extended Fund Facility (EFF) agreement of US\$ 6.6 billion with the IMF. Despite receiving the first two EFF tranches, foreign exchange reserves continued to remain under stress as these inflows were offset by IMF repayments due under the previous Standby Arrangement. Subsequent disbursements under the EFF are also subject to meeting tough quarterly performance targets, which includes net retirement of Government borrowing from the SBP, significant increase in Net International Reserves (NIR), ceiling on Net Domestic Assets and a curtailed budget deficit through widening the tax net. A key IMF requirement is the privatization of around 30 entities, to generate foreign flows as well as curtail losses in public sector enterprises. These include listed and profitable entities, where initial or secondary public offerings should generate flows in the short term, as well as large public sector entities which will need to be restructured prior to a potential strategic sale. Given the difficulty in securing significant foreign flows in the short term, the IMF has also recently revised quarterly NIR targets, but still requires these to occur before the end of the fiscal year.

The fiscal position remains concerning, as revenue generation remains challenging whilst expenditures continue to escalate. Pakistan's budget deficit remained high at 8.0% of GDP in FY13 primarily due to lower tax collection (9.6% of GDP) and higher expenditures mainly on account of energy subsidies. The government has set an ambitious target of reducing the deficit to 5.8% of GDP for FY14 as committed to the IMF, which envisages significantly higher tax collection and contained expenditures. Provisional tax collection estimates for 1H'FY14 indicate 16% growth in collections over the comparable period last year, while non-tax revenue has increased substantially. This improvement, along with lower PSDP spending, has resulted in an improved budget deficit at 2.2% of GDP for 1H' FY14.

The stock market continued its uptrend during 2013 with the KSE-100 index setting new records and appreciating by 49% during the year, outperforming regional peers. Within a low interest rate environment and contained inflation for most part of the year, equity prices

Directors' Report to the Members

responded favorably. Gains were also driven by rising corporate profitability in key sectors. Daily volumes increased significantly as the re-entry of foreign investors led to a net inflow of US\$ 398 million in FPI during 2013, a three year high.

With inflation trending down during the last couple of fiscal years, the State Bank has lowered its policy discount rate by 500 bps with the expectation that it would spur much needed private sector growth. However, with inflation showing an uptick in 2H'CY13 and a deteriorating balance of payments position, the SBP has shown a tighter monetary stance by increasing the discount rate by 50 bps each in September 2013 and November 2013 to reach 10.0%. Moreover, the SBP has also increased the floor rate on PLS accounts from the earlier fixed level of 6.0%, setting it 50 bps lower than the repo rate. Hence, any upside from the increase in discount rate will now directly result in increased cost of deposits, restricting net margins and adding further pressure to banking sector spreads which have now reached to their lowest level since 2004.

Deposits for the banking sector grew by 12.7% during the year while advances grew by 5.6%. Despite the overall reduction in the discount rate, demand for private sector credit has remained largely subdued for most of the year, although the growth in the last quarter has been encouraging, resulting in a growth of 5.7% during 2013. Non-performing loans for the industry remained relatively stable, reducing marginally by 1.1% during the nine months ended September 2013. However, the absolute NPL stock for the sector remains high at Rs. 604 billion.

International

The International Business has delivered a strong performance on account of further improvement in the GCC economies, largely aided by firm oil prices. In particular UAE, the largest constituent in the International network, benefited from a perceptible improvement in sentiment. This was evident in diverse sectors of the economy like trade, tourism, hospitality, and a revitalised real estate sector. Further the Government helped reinvigorate the economy through infrastructure projects which will receive further impetus with the award of Expo 2020 to Dubai.

Based on the positive environment, Corporate Bank expanded its asset base by 19% through acquisition of quality new assets which were funded by stable deposits at adequate spreads. On the liability side, the International business continued with the strategy of building its sustainable core deposit base and maintaining strong liquidity across all markets. With single-minded emphasis on recoveries and risk management, the business has achieved significant recoveries and managed to reduce its level of non-performing loans this year. Increased cross-selling and leveraging synergies within the group, in particular with the Bank's subsidiaries remains a key strategy.

UBL UAE became the first geography in the Franchise, and one of only 3 Banks in the UAE to be awarded the prestigious ISO 9001:2008 Quality Management System certification for all areas of its business. The Bank's branches in the GCC were among a very select group of banks to offer "every evening, all week banking", opening 7 days a week with extended evening hours, thereby strengthening presence in the respective geographies.

In 2013 the Bank made its first foray into the African Continent with the commencement of the operations of its subsidiary UBL Bank (Tanzania) Limited in Dar es Salaam, formally inaugurated by the Vice President of Tanzania in September 2013. UBL's entry in Africa is expected to offer tangible opportunities to the Bank in the East African markets, and build on the Bank's strengths in trade finance and its linkages in the GCC.

Core banking system implementation

During the year, the remaining conventional branches and all Islamic Banking branches were converted to the new Core Banking System (CBS). However, the asset operations of the Islamic Banking branches will continue to run on the existing Imal system till an Islamic Banking module is available in CBS.

The implementation of CBS for the UAE branches is targeted to be completed by the second quarter of 2014 with the successful completion of Factory Acceptance Testing. Implementation of CBS for other international branches is also planned and will commence after CBS has been implemented in the UAE.

In order to streamline the loan booking process across all products, the existing Loan Origination System (LOS) has been upgraded to improve and simplify the user experience. This has now been launched countrywide for all consumer products. Upgradation and development of the Corporate LOS is under progress with roll out planned in 2014. A Fraud Risk Management system is also planned for development in 2014.

Key developments during 2013

Home Remittances

UBL continues to maintain its position as the market leader in the home remittances business with a share of 23%, facilitating much needed foreign exchange reserves for the country. UBL has managed to increase its remittance flows by 12% this year, ahead of the market growth of 4.4%. The performance was driven by greater focus on target markets that originate higher remittance volumes, through increased overseas sales representation. Brand building and joint marketing initiatives with overseas partners have extended the Bank's outreach and further strengthened partner relationships. Joint marketing activities were also conducted in co-ordination with potential partners in new corridors.

Signature Priority Banking

UBL's flagship channel continues to excel at providing value added services to High Net Worth customers through the exclusive "UBL Signature" Priority brand. With 14 dedicated lounges operating across the country, Priority Banking's prime focus in 2013 was on improved service delivery, enhancement of the product suite and talent cultivation. Signature introduced two new investment products, 'UBL Gold Fund' - Pakistan's first open end gold mutual fund managed by UBL Fund Managers, and 'UBL Better Life Signature Plan', a unit linked life insurance plan offered through Jubilee Life Insurance. A comprehensive training program was undertaken to develop UBL Signature talent. The program encompassed product knowledge, selling skills and client handling techniques tailored to the high net

Directors' Report to the Members

worth segment. Client acquisition continued to gain momentum, with a doubling of the customer base over the previous year.

Alternate Delivery Channels (ADC)

In April 2013, UBL became the only Bank in the market to launch an internet acquiring platform, offering a state of the art payment gateway with 3D security. In a short period of time, integration and service activation of 30 leading merchants has been completed. UBL's environmentally friendly "Go-Green" initiative has proved highly popular with customers as during the year, over 140,000 customers enrolled for Go-Green SMS Alerts, while 74,000 customers subscribed to Go-Green e-Statements. The success behind this enrollment drive is attributable to the cross-selling initiative undertaken through the Bank's Contact Center.

UBL pursued an aggressive expansion plan for its ATM network, where a total of 141 new ATMs were deployed in 2013, taking the total to over 700. During the year, over 69,000 prepaid debit cards were issued targeting the needs of a variety of customers. For customer convenience, IP phone booths have also been placed at ATM locations in 438 branches.

UBL's Contact Center is one of the largest banking call centers in Pakistan, comprising 350+ seats which help channelize traffic through different ADCs. Customer issues were efficiently handled resulting in a 30% reduction in the number of complaints. Through active monitoring and escalations for timely resolution, the Contact Center helped in increasing ATM uptime to 93% in 2013. During the current year a Contact Center was established in UAE by replicating the main centre's technology and expertise.

Social Media

UBL endeavors to lead the market in technology innovation. The Bank has successfully exploited the digital space, tapping into its unlimited possibilities. UBL has leveraged its Social Media presence since 2012 to increase interaction with customers, particularly for speedy complaint resolution. Initiatives taken to promote UBL's online presence have resulted in increased web traffic and digital market penetration. With over 25,000 active fans on UBL's official Facebook page, this platform has been effectively used to supplement various marketing campaigns and generate viable leads during the year.

Credit Ratings

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

Capital Intelligence (CI), an international credit rating agency, has re-affirmed UBL's long-term and short-term Foreign Currency ratings at B- and B respectively in line with CI's sovereign ratings. In addition, the Bank's Financial Strength rating has been re-affirmed at BB+, with the Outlook re-affirmed at Stable based on the Bank's strong performance.

Future Outlook

Achieving macroeconomic stability remains a key challenge for the country. The government is already confronted with serious economic and law & order issues which need to be addressed on a priority basis. The government has shown its commitment to undertake structural reforms and has begun rationalizing power and gas tariffs. However, the circular debt has started rising and a permanent resolution to this issue is required. Real GDP growth is expected to be suppressed, with IMF projections at 2.8% for FY14. Achieving fiscal stability and the targeted budget deficit of 5.8% is a key demand of the IMF, which will require difficult decisions on broadening of the tax net and better tax administration.

The external account will remain the most critical issue in 2014 given the pressure on foreign exchange reserves. EFF flows in 2014 are expected to only offset repayments under the earlier Standby Arrangement. Additional foreign flows are immediately needed to support the balance of payments position and keep the Rupee stable. Inflation for 2H'CY13 increased to 8.9% compared to 6.5% during 1H'CY13, although it has reduced somewhat recently. Inflation is expected to remain elevated going forward especially in the backdrop of higher taxes, removal of energy subsidies, currency depreciation and the low base effect of the previous fiscal year. While this may result in further gradual monetary tightening, linking of the minimum savings rate to the repo rate will continue to keep banking spreads under pressure.

For UBL, asset quality will remain a focus area while revitalizing its lending within the corporate and commercial segments. The considerable progress in the reduction of NPLs during 2013 is expected to be maintained, and settlements will be aggressively pursued. Optimizing the expanded network to accelerate low cost deposit growth remains a priority, as the distribution strategy is to deepen relationships in conjunction with maintaining front end momentum in new customer acquisition. The Bank is increasing its emphasis on service delivery through staff training and driving improvements that enhance the customer experience. While cost consciousness will always remain in focus, the Bank will continue its innovation leadership in the market, with investment and research & development on technology driven products, channels and services.

Awards and Recognitions

During the year UBL received the following awards, which reflect its strong performance, the strength of the franchise and the Bank's leadership in innovation:

- Bank of the Year 2013 Pakistan Award, awarded by the "The Banker", a prestigious publication owned by The Financial Times Ltd.
- Asiamoney Best Domestic Bank in Pakistan Award 2012.
- Top 25 Companies award by the Karachi Stock Exchange.
- Award at World Marketing Summit 2013 for contribution towards achievement of any one of the 8 Millennium Development Goals (MDGs).
- Best Investor Relations Award 2012, awarded by the CFA Society, Pakistan.



Directors' Report to the Members

Statement under Clause XVI of the Code of Corporate Governance

The Board of Directors is committed to ensuring that the requirements of corporate governance set by the Securities and Exchange Commission of Pakistan are fully met. The Bank has adopted good corporate governance practices and the Directors are pleased to report that:

- The financial statements present fairly the state of affairs of the Bank, the results of its operations, cash flows and changes in equity.
- Proper books of account of the Bank have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of the financial statements, except for the change in accounting policy as described in note 5.1. Accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable to Banks in Pakistan, have been followed in the preparation of the financial statements without any departure therefrom.
- The system of internal control in the Bank is sound in design, and is effectively implemented and monitored.
- There are no significant doubts regarding the Bank's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance.
- Performance highlights for the last six years are attached to these unconsolidated financial statements.
- The Board has appointed the following three Committees with defined terms of reference
 - Board Risk Management Committee (BRMC)
 - Board Human Resources & Compensation Committee (HRCC)
 - Board Audit Committee (BAC)

The number of Board Committee meetings attended during the year by each Director is shown below:

Name of Director	Designation & Name of Committee	BRMC	HRCC	BAC
Mr. Omar Z. Al Askari *	Director / Chairman HRCC / Member BRMC	3	4	-
Mr. Zameer Mohammed Choudrey	Director / Chairman BAC	-	-	4
Mr. Amin Uddin	Director / Member BAC	-	-	4
Mr. Arshad Ahmad Mir	Director / Chairman BRMC	4	-	-
Mr. Seerat Asghar	Director / Member HRCC	-	4	-
Mr. Rana Assad Amin **	Director / Member BAC	-	-	2
Mr. Atif R. Bokhari	President & CEO / Member HRCC & BRMC	4	4	-

* Mr. Omar Z. Al Askari has resigned on December 19, 2013 from all positions.
**Mr. Rana Assad Amin has resigned on September 9, 2013 from all positions.

The Bank operates five funded retirement Schemes which are the

Provident Fund, Gratuity Fund, Pension Fund, Benevolent Fund and General Provident Fund. The values of the investments of these funds based on their latest audited financial statements as at December 31, 2013 are as follows:

	Amounts in '000
Employees' Provident Fund	3,250,788
Employees' Gratuity Fund	446,775
Staff Pension Fund	3,271,828
Staff General Provident Fund	1,274,569
Officers / Non-Officers' Benevolent Fund	855,050

The Bank also operates two unfunded benefit schemes for Post Retirement Medical Benefits and Compensated Absences.

Meetings of the Board

During the year under review, the Board of Directors met six times. The number of meetings attended by each Director during the year is shown below:

Name of the Director	Designation	Meetings attended
His Highness Sheikh Nahayan Mabarak Al Nahayan*	Chairman	03
Sir Mohammed Anwar Pervez, OBE, HPk	Chairman	05
Mr. Omar Z. Al Askari*	Director	04
Mr. Zameer Mohammed Choudrey	Director	06
Mr. Rana Assad Amin**	Director	03
Mr. Amin Uddin	Director	06
Mr. Arshad Ahmad Mir	Director	06
Mr. Seerat Asghar	Director	05
Mr. Atif R. Bokhari	President & CEO	06

* His Highness Sheikh Nahayan Mabarak Al Nahayan and Mr. Omar Z. Al Askari have resigned from the Board on December 19, 2013.

** Mr. Rana Assad Amin has resigned from the Board on September 9, 2013.

Change in Directors

The Board of Directors would like to place on record its sincere appreciation to the outgoing Chairman, His Highness Sheikh Nahayan Mabarak Al Nahayan who tendered his resignation as Chairman / Director on 19th December 2013. The Board unanimously appointed Sir Mohammed Anwar Pervez, OBE, HPk, as Chairman with immediate effect. The Board acknowledges the astute leadership of His Highness, who was appointed as Chairman on 19th October 2002 and has held this position since the privatization of the Bank. His era as Chairman has seen unparalleled growth in terms of profitability, team building and enhancement in the value of the franchise, both in Pakistan and in other jurisdictions. His invaluable advice has always been considered by the Board and management as a guiding principle for achieving the organization's long term goals and has resulted in the Bank attaining a strong market position today.

Mr. Omar Z. Al Askari, Director has also tendered his resignation on December 19, 2013. The Board wishes to place on record its sincere appreciation for the valuable guidance and services rendered by Mr. Al Askari who has been a Director for over 11 years since the privatization of the Bank.

Directors' Report to the Members

Furthermore, Mr. Rana Assad Amin, Director, resigned on September 9, 2013. The Board records its appreciation for his valuable contribution and services.

To fill the casual vacancies arising from the resignations of His Highness Sheikh Nahayan Mabarok Al Nahayan and Mr. Omar Z. Al Askari, the Board has approved the appointment of Mr. Zaheer Sajjad and Mr. Haider Z. Choudrey as Directors with effect from February 10, 2014, subject to the receipt of the FPT clearance from the State Bank of Pakistan.

Pattern of Shareholding

The pattern of shareholding as required u/s 236 of the Companies Ordinance, 1984 and Clause (xvi) of the Code of Corporate Governance is given below:

Shareholders	No. of Shares	% of Ordinary Shares
Bestway Group (BG)	625,191,261	51.07
State Bank of Pakistan	238,567,381	19.49
Government of Pakistan	3,354,550	0.27
Privatization Commission of Pakistan	1,714	0.00
General Public & Others	185,414,138	15.14
NIT	492,199	0.04
Banks, DFIs & NBFIs	14,880,552	1.22
Insurance Companies	8,789,389	0.72
Modarabas & Mutual Funds	19,247,108	1.57
Securities & Exchange Commission of Pakistan	1	0.00
* International GDRs (non-voting shares)	128,241,394	10.48
TOTAL OUTSTANDING SHARES	1,224,179,687	100.00

* This includes 10.3% shares in the form of GDRs held by Bestway Group.

The aggregate shares / GDRs held by the following are:

	No. of shares/GDRs
a) Associated Companies, undertakings & related parties	
- Bestway (Holdings) Limited	467,611,120
- Bestway Cement Limited	93,649,744
- Bestway Group holding in the form of GDRs*	31,540,573
b) NIT	
-National Bank of Pakistan – Trustee Department NI(U)T Fund	492,199
c) Modarabas & Mutual Funds**	19,247,108
d) Public sector companies and corporations	93,997,760
e) Banks, DFIs, NBFIs, Insurance Companies	23,669,941
f) Directors & CEO ***	
-Sir Mohammed Anwar Pervez, OBE, HPk	62,433,163
-Zameer Mohammed Choudrey	1,497,234
-Amin Uddin	2,750
-Arshad Ahmad Mir	2,500
-Atif R. Bokhari, President & CEO	1,778,640
g) Executives	2,523,490

* Number of GDRs (one GDR represents four ordinary shares).

** Name wise detail of Modarabas & Mutual Funds is annexed with Categories of Shareholders.

*** There were no shares held by the spouses or minor children of the Directors and CEO of the Bank.

Shareholders holding 5% or more voting rights	No. of shares	%
Bestway (Holdings) Limited	467,611,120	38.20
State Bank of Pakistan	238,567,381	19.49
Bestway Cement Limited	93,649,744	7.65
Sir Mohammed Anwar Pervez, OBE, HPk	62,433,163	5.10

Trades in the shares of UBL carried out by Executives as defined in Clause xvi (l) of the Code of Corporate Governance are annexed along with the Pattern of Shareholding.

Risk Management Framework

Risk management structure of the bank entails a consolidated and holistic approach. Risk management process of the Bank is overseen by the Board Risk Management Committee (BRMC). Risk & Credit Policy Group has following divisions, headed by senior executives, reporting to the Group Head – Risk and Credit Policy:

- Credit Policy & Research
- Credit Risk Management
- Market and FI Risk Management
- Operational Risk & Basel II
- International Risk

Despite lower interest rates in 2013, the economic environment remained challenging for private sector credit growth amid energy shortages, governance and law & order issues. Considering the overall macroeconomic imbalances, the bank focused on containment of risk in its asset portfolio, with continued emphasis on proactive remedial management. Continuous effort for the updation of Risk Acceptance Criteria to lend to low-risk customers has served as a key support tool in the credit disbursement process. In order to keep key business groups aware of market and industry developments, the Credit Policy & Research Division provided regular updates on major macroeconomic issues and specific industry developments.

The Credit Policy and Credit Manuals for the bank were updated and modified based on the changing risk and regulatory environment and implemented during the year. Credit Policy redesigned the Obligor Risk Rating model to reflect more objective ratings, with separate models for Corporate, Commercial, SME and Individuals. A Facility Risk Rating model was also developed and introduced. Domestic and International industry concentration limits were reviewed and amended where necessary to direct business units towards a planned acquisition of assets.

Risks in the Consumer loan portfolio were managed by enhancing process controls, changing policy parameters to target better quality segments and improving product design. The continued usage of existing customer scoring models and strengthening documentation has improved the overall consumer risk management process.

During the year Basel III regulations were introduced for Capital Adequacy Ratio (CAR) calculations. The regulations come into effect from December 2013, with a phased-in approach, with full implementation by December 2019. The Bank has maintained its CAR well above prescribed regulatory thresholds throughout the year based on applicable Basel II and Basel III requirements. During the year the Internal Capital Adequacy Assessment Process framework has been revised in light of the new guidelines issued by SBP to make the process more robust and effective. The Bank continued

Directors' Report to the Members

its efforts to enhance the scope of its Operational Risk Management Framework in order to better understand the operational risk profile and improve the overall control environment. Business Continuity Planning and outsourcing policies are also in place to appropriately address the relevant risks. The Bank continued to test the impact of stringent and varied stress scenarios on its earnings, liquidity and capital adequacy. The results of the stress testing were presented to senior management committees and the BRMC.

The Market & Treasury Risk function continues to monitor market risk on both on and off Balance Sheet exposures. Sensitivity and scenario analyses are used to assess the potential risk of proposed as well as existing investments. Building on the initiatives taken during the last few years, greater reliance is placed on quantitative methods and the mechanism for limit setting and review of exposures has been strengthened. Steps are also being taken to establish a mechanism for liquidity risk monitoring in line with guidelines provided by the SBP under the Basel III regime.

Growth in the Financial Institutions (FI) portfolio is being handled effectively to avoid risk concentration through established limits by product, transaction type and geography. The FI Credit Application package has also been upgraded in order to enhance risk coverage. The bank aims at business growth across international markets using its relationship with other globally active Financial Institutions by assuming direct exposures or through risk participation. The market risk function proactively manages these exposures and provides monthly updates to senior management about aggregate exposures by country. The unit also conducts semiannual reviews of assigned country risk limits and takes appropriate measures to realign them with business strategies and the Bank's risk appetite.

Auditors

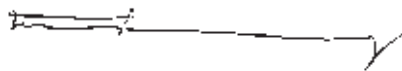
The present auditors M/S. KPMG Taseer Hadi Khalid & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment in the forthcoming Annual General Meeting. M/S. BDO Ebrahim & Co., Chartered Accountants, retire and in pursuance of the Code of Corporate Governance become ineligible for re-appointment having completed a term of five years.

The Board of Directors, on the recommendation of the Board Audit Committee, recommends M/S. KPMG Taseer Hadi & Co., Chartered Accountants for re-appointment and M/S. A. F. Ferguson & Co., Chartered Accountants, as auditors of the Bank in place of M/S. BDO Ebrahim & Co., Chartered Accountants.

Conclusion

In conclusion, I extend my thanks and appreciation to UBL shareholders and customers as well as to my fellow members of the Board of Directors for their trust and support. We would specifically like to acknowledge the contribution made by the Abu Dhabi Group to UBL over the last many years particularly the patronage of our outgoing Chairman, His Highness Nahayan Mabarak Al Nahayan.

We value the efforts and dedication demonstrated by our staff and would also like to express our earnest appreciation to the Government, the State Bank of Pakistan, the Securities & Exchange Commission and other regulatory bodies for their continued support. For and on behalf of the Board,



Sir Mohammed Anwar Pervez, OBE, HPK
Chairman

Karachi
February 19, 2014

Corporate Social Responsibility (CSR)

UBL considers it a responsibility to make a meaningful contribution to the welfare of society and strives to support deserving causes, particularly in education, health care and community welfare and development. Projects supported by the Bank are those which benefit the society at large and also where instant relief efforts are necessary. The Bank ensures that it gives back to the society it operates in and does so in the most transparent manner. In 2013, UBL more than doubled its CSR contribution to Rs. 77 million and remains committed to its role as an active and responsible Corporate Citizen.

As always UBL's commitment to the education sector remains strong. The Bank believes that affordable quality education should be available to all segments of the society, and in support of this conviction, made aggregate contributions and commitments of over Rs. 50 million towards this sector in 2013. Contributions this year included support to The Citizen Foundation's school adoption program where the Bank adopted a school in the rural area of Gharo in Sindh. UBL has provided initial funds to lay the foundation of the school and begin construction. Once complete, this school will provide free primary and secondary school education to the children of the village.

UBL also contributed to the Lahore University of Management Sciences as support for its National Outreach Program that provides scholarships to deserving underprivileged students. As part of a continuing arrangement, the Bank continues to support the Institute of Business Administration in Karachi for development of its infrastructure. Support was also given to Forman Christian College in Lahore for its scholarship program and to the Sir Syed Memorial Society for initial ground-work for the construction of the Sir Syed University in Islamabad.

The provision of quality health care for the underprivileged is an area where the Bank has continued to devote attention. In the current year, over Rs. 21 million was disbursed to various deserving hospitals and NGOs, such as the Gulab Devi Chest Hospital, Shalamar Hospital, Friends

of Burns Center, Al-Mehrab Tibbi Imdaad and to specialized health providers such as The Kidney Center, and the Shaukat Khanum Memorial Trust. UBL also reached out to the remote area of Bagh Bani Passari in Azad Kashmir, where the Bank donated to the Marie Adelaide Leprosy Center for their Triple Merger Center, which will render health related services to nearly 500,000 people.

UBL donated to several causes for community welfare and development, including providing food sustainability solutions via kitchen gardening through the Hisaar Foundation, lighting a village through solar power in Sahiwal in partnership with the Buksh Foundation and helping Bazm-e-Kiran in their work on rehabilitation of juvenile offenders.

UBL's CSR agenda is driven by its vision of a developed and thriving Pakistan. The Bank feels strongly that all segments of society should have equal opportunities to receive the best education, nutrition and healthcare, while being part of a progressive and benevolent community. UBL will continue to work towards making this goal a reality in the coming years.



where *you* come *first*

President & CEO Review 2013

Introduction

UBL has achieved a consolidated profit after tax of Rs. 19.7 billion in 2013, with a 22% Return on Equity, a strong and consistent performance from 2012. Margins have been impacted in the last two years by the consistent reduction in the level of interest rates, coupled with the increase in the minimum rate payable on savings accounts, as a result of which banking sector spreads are currently at their lowest level since 2004. Despite monetary easing, growth within the private sector has remained subdued. UBL's diversified non-fund income streams and overseas operations have helped to maintain the earnings profile.

The expansion in both the conventional and Islamic branch network in the last 3 years continues to pay off and has been part of a strategy to build on our strong nationwide distribution. At the same time, UBL continued its market leadership in the branchless banking space as our Omni network grew to over 13,000 'Dukaans', expanding the geographical footprint to more than 700 cities and towns.

The International business has delivered a strong growth across most markets. In addition, the Bank's subsidiaries in Switzerland and the UK both had record years. Our investment in microfinance through Khushhali Bank has seen a multifold improvement in its profitability and business volumes. The Bank's new subsidiary in Tanzania commenced its commercial operations during the year and is expected to offer significant opportunities in East African markets.

Key financials

UBL has achieved an unconsolidated profit before tax of Rs. 27.8 billion, which is 4% higher than last year.

UBL's Balance Sheet has now crossed the Rs. 1 trillion mark, driven by a 19% growth in deposits. In 2013, we have grown our profitable funding profile while maintaining overall market share. Deposit mobilization across the domestic branch network is focused on acquiring core deposit accounts that are stable and long term. The Domestic deposit base grew by 15% to reach Rs. 619 billion, while average Core deposits grew by 17%. Gross advances increased from Rs. 409 billion in December 2012 to reach Rs. 437 billion, largely due to growth in the International loan book.

Net Interest income declined only marginally, as spread compression was mitigated through active balance sheet management and deposit growth. Non fund income reached Rs. 18.1 billion during 2013 as fees and commissions increased by 23% and treasury and capital markets activities delivered another strong performance with substantial capital gains. The improvement in fees was mainly from Omni, with a doubling of earnings as its product suite, transactions flows, and agent network continue to set new highs. Home remittances flows have outperformed market growth in terms of volume, with a sizable increase in earnings. Higher transaction volumes resulting from growth in customer activation and flows through Alternate Distribution Channels continue to maximize the benefits of a large network. Cash management income has increased substantially with enhancement in volumes and further mandates acquired during the current year.

Administrative expenses grew to Rs. 26 billion in 2013 mostly driven from the Bank's investment in Omni branchless banking, the full impact of the branch expansion in 2012, and the impact of Rupee devaluation on international expenses. On a comparable basis,

expense growth was curtailed to 4.8%, as UBL remains committed to managing its costs prudently along with achieving operational efficiency.

Reduction in the level of NPLs and recoveries against loan losses remained a focus area for the Corporate and Special Asset Management units. The sustained recovery efforts against non-performing loans have resulted in an 8% reduction of Rs. 4.7 billion in the level of NPLs in the last one year, as provisions reduced for a fourth consecutive year and were 68% lower than in 2012. The asset quality ratio as at December 2013 stood at 12.1%, a significant improvement from the 14.0% level in December 2012.

UBL's capital ratios remained strong as the unconsolidated Tier-1 CAR was 10.0% in December 2013 with the overall capital adequacy at 13.3%. The comfortable capital position enabled the Bank to exercise the call option on its subordinated debt, resulting in a decrease in Tier-2 capital. However this, along with changes in capital rules applicable on investments in mutual funds resulted in the CAR reducing from 14.8% in December 2012. Return on assets decreased marginally from 2.1% in 2012 to 2.0% in 2013 as a result of tightened interest margins. The advances to deposit ratio (ADR) reduced from 56% in December 2012 to 51% in December 2013, reflecting the improved liquidity position of the Bank. The strong capital and liquidity position of the Bank resulted in re-affirmation of our excellent credit ratings from local and international rating agencies.

Retail Bank

Retail Banking remains our cornerstone and continues to grow and deepen a loyal and well diversified deposit base offering customized solutions both for business and individual banking customers. We have segmented our client base to focus on a core deposits portfolio which fits our long term relationship based model. The Retail business continued to focus on maximizing value throughout the expanded branch network. The expansions undertaken in 2011 and 2012 have now begun to deliver strong results with a near doubling of current and core deposits within the new branches. Consequently, average core deposits grew by 17% over 2012, while the overall cost of deposits reduced by 47 bps despite the impact of the regulatory increase in the minimum rates payable on savings accounts.

In order to improve the ambience of our banking environment, 164 branches were renovated to UBL standards to provide a consistent "look and feel" in branches across Pakistan. In 2013, the Bank embarked on a renewed service quality initiative headed by a senior resource as it strongly feels that this remains a key differentiator for customers. This is expected to accelerate momentum and deliver visible change in 2014 with plans for countrywide training and championing by senior management.

UBL's "Signature" Priority Banking initiative, its flagship channel with 14 lounges in 10 cities continued to show excellent results with a doubling of the customer base. During the year, the Bank opened one new "Signature" lounge in Sukkur which provides an unrivalled customer experience to its high net worth clients in the area. The business also introduced two new investment products for its priority customers, in partnership with UBL Fund Managers and Jubilee Life Insurance. Talent development was emphasized to ensure that relationship managers have sufficient product and service knowledge to satisfy the unique needs of this demanding segment.

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UBL's presence in countries with significant overseas Pakistanis creates a captive channel for home remittances. In 2013, UBL maintained its market leadership within the domestic home remittances business with a 23% market share driven by its superior TezRaftar service and the distribution of "Pardes" cards, a unique product allowing remittances to flow directly to beneficiaries through their debit cards. UBL is now auto-processing its home remittance transactions on a 24x7 basis and the UBL Online Remittance Portal makes it convenient for remitting partners to execute and monitor their transactions.

UBL provides multiple channels for customers to access banking services to suit their needs and convenience. Our 370 seat Contact Centre is one of the largest banking call centers in Pakistan and serves as the most direct contact point for customer queries and complaints. Efficient resolution of customer issues resulted in a 30% decline in the number of complaints this year. A Contact Center was also established in UAE. The ATM network was significantly expanded to 718 ATMs in branch and non-branch locations to provide customers convenient 24x7 access to cash. Proactive monitoring succeeded in improving ATM uptime to over 90% and IP phones providing hotline access to the Contact Center were installed at 438 branches for speedy resolution of issues.

UBL also enhanced its digital presence with the launch of Pakistan's first internet acquiring platform with 3D security, enabling customers to conduct transactions at their convenience. The Bank's environment friendly "Go-Green" initiative has proved popular as over 74,000 customers subscribed to paperless e-statements. Usage of our best-in-class NetBanking platform has grown by 40% with new bill payment and vendor alliances for online payments. UBL retains the distinction of being the first and only bank to offer electronic IPO subscriptions. Our Facebook page has attracted over 25,000 fans and is an excellent interaction mechanism for fulfilling individual customer needs.

The Consumer Assets business continued to focus on quality acquisitions under the Relationship Model. Our unique Silah Mila campaign, which rewards customers with good credit history, remained the primary source of card customer acquisition, while spend and reward campaigns were launched for customer retention. Alliances were also formed with car manufacturers, dealers and insurance companies to provide quality leads for car financing. The Collections and Recovery function was restructured to proactively monitor early warning signals and reduce delinquencies, achieve efficiencies in auctions and focus on enforcement of collateral.

Islamic Banking

UBL Ameen in 2013 grew its branch network to 22 branches, while the deposits portfolio on average grew by 24%. Islamic Banking deposits were migrated from Unibank to Symbols this year, enhancing operational synergies within the Bank. The business model aims at evolving customized Shariah compliant products to suit the requirements of mid-tier clients within different industries.

Corporate Banking

The Corporate Banking Group (CBG) is a long term business partner for large corporates within Pakistan. The full product and service offering suited to the specific requirements of clients within varied industries is supported by a very experienced team of relationship managers. The business model of CBG is to synergize the expertise

within all the wholesale banking units in UBL in order to structure solutions tailored to meet the trade, working capital and long term financing requirements of customers, through a one-window operation offering ease and reliability.

In 2013, despite intense competition and declining margins, CBG grew its loan book by serving top tier clients and entering into structured trade financing transactions. Given the economic climate, the focus remained on maintaining the risk profile of the portfolio and proactively managing stressed credits through recoveries and restructuring. The renewed focus on trade volumes, supported by superior relationships and client servicing capabilities helped enhance non funded income streams. The mid-tier customer segment is serviced through commercial centers targeting wider outreach. The objective is to provide clients with specific business solutions and easy access through a team of fully dedicated relationship managers localized to adapt to the needs of smaller businesses.

In the current year the Cash Management business has evolved into a complete Transaction Banking model, aimed at serving the end to end financial needs of targeted clientele. This has created synergies with customers who seek a comprehensive financial architecture including procurement of inventory, managing work in progress and handling finished goods and receivables. The supply chain and distribution network of customers offers further opportunities for business generation. Transaction Banking now encompasses cash management for Corporate and Commercial Assets, Structured Trade, Liquidity Management and Custodial Services. This business realignment has already starting delivering incremental throughput and profitability.

In the product development area, UBL continues to stay ahead of the market with the launch of Smart Pay, a mobile-based application to facilitate collections, utility bills payments, funds transfer and other payments. Similarly, UBL has become the first bank to offer "Cash over The Counter Facility" for corporate clientele needing cash based disbursement solutions. To capture payment and disbursement business from corporate and institutional clients, specific products like the Corporate Bankers' Cheque and Corporate Customers Cheque were rolled out, augmenting business revenues and market share. Product development towards more innovative payment mechanisms is in progress where the Bank aims to revolutionize the payments process through technology solutions.

Investment Banking

The Investment Banking Group remained a prominent player in the domestic investment banking space and continued to build its Middle East business. The Group was recognized by the industry and received the CFA Award for "Best Corporate Finance House of the Year 2012-Runnerup."

Debt Capital Markets & Syndications closed sixteen transactions to further consolidate its leadership position in the domestic market. Internationally, the business closed eight deals during the year and made greater inroads by tapping the increasing opportunities on offer in regional markets. The most notable transaction was a USD 100 million syndicated term finance facility extended to the Government of Pakistan with UBL as the Agent Bank.

The Project & Structured Finance business concluded the first ever transaction for a road project under the recently unveiled provincial Public Private Partnership framework with similar smaller ticket

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transactions expected during 2014. Origination efforts initiated in 2013 are expected to lead to some major transactions in renewable energy.

The Equity & Advisory segment advised the Bank for the acquisition of a 7.2% stake in Kot Addu Power Company Limited, a deal size of Rs. 2.9 billion. This business also successfully closed the Tender Offer for IGI Insurance's strategic acquisition of American Life Insurance Company Limited (Pakistan).

International

The overall economic sentiment in the GCC markets continued to improve, driven by firm oil prices and increase in infrastructure projects, mainly in UAE & Qatar. The awarding of Expo 2020 to Dubai is a reflection of the country as a safe and stable destination for business. The market sentiment in Bahrain saw some improvement over the year, largely driven by resumption of oil production disrupted in 2012.

Capitalizing on these positive developments and in line with our growth strategy, International continued to register sustained growth in all lines of business. Corporate Banking delivered a strong performance by penetrating defined target markets and writing quality assets. The Financial Institutions Group had another successful year, diversifying its exposure in geographies and products. The Special Assets Unit registered an excellent performance through well-coordinated recovery efforts. Treasury was able to capitalize on market opportunities through timely realization of capital gains and deployment of available liquidity.

The Investment Banking business was revitalized and concluded some major deals including being awarded a joint mandate as Lead Arranger for a syndicated transaction for a Nigerian Bank, a private sector syndication out of UAE, a syndicated transaction for a National Airline and book runner for a sovereign syndicated financing facility.

International deposits closed at record levels, while maintaining the desired mix and cost. International branches in the GCC are now open 7 days a week with extended banking hours in the evening to provide customers with convenience and value added and innovative services.

International operations, particularly the United Arab Emirates, were positively rated by regulators, reflecting the results of efforts made in the areas of risk management, compliance and operations. The UAE business was also awarded the ISO 9001:2008 Quality Management System Certification in all spheres of its activities. UBL UAE is in the select category of only a few banks in the region to have obtained this certification.

In 2013, the Bank enhanced its footprint after 40 years, when it made its first foray into the African continent, with the commencement of operations of its subsidiary, UBL Bank (Tanzania) Limited. There has also been a renewed focus on leveraging UBL's subsidiaries and the International business successfully created synergies within the network, as a result of which, the subsidiaries in Switzerland and the United Kingdom both delivered a record performance.

Branchless Banking

In continuation of last year's success, UBL "Omni" branchless

banking continued to deliver improved bottom line profitability. During the year, UBL Omni increased its Dukaan network to over 13,000, expanding this geographical footprint to more than 700 cities and towns. The number of transactions has increased by over 30%, while volumes have increased by 50% over the previous year. The Agent Network distribution model was also diversified with the first Super Agency distribution partner adding 160 outlets across 80 cities.

UBL Omni continues to maintain its market dominance in the Government-to-Person (G2P) payments arena by working closely with the Government of Pakistan and multilateral agencies for countrywide cash transfer initiatives that support low income individuals, disaster affected families, and other global social initiatives such as polio eradication. In 2013, UBL Omni was recognized internationally as one of 14 'Sprinters' by the GSMA's Mobile Money for the Unbanked (MMU) program and also nominated for the GSMA 2013 award for "Best use of mobile for Women". UBL Omni was the only bank recognized out of 150 worldwide mobile and branchless implementations surveyed. More recently, a GSMA benchmarking survey of MMU programs has ranked UBL Omni at or near the top of most success indicators and well above global and regional averages.

On the Retail front, tremendous growth was witnessed in the Person-to-Person (P2P) domestic remittance business with a three-fold increase in the number of transactions and a five-fold growth in overall volumes compared to 2012. The number of Branchless banking accounts grew by 85% with 35% of new customers opting for ATM debit cards that are instantly issued at the time of account opening. An additional mobile application designed for Android smart phones has also been made available for UBL Omni customers and agents. UBL Omni has continued to grow its cash management business, providing customized solutions to microfinance institutions, FMCGs, online businesses and schools by leveraging its network and proprietary technology. Transactions and volumes for the cash management business have more than doubled as compared to 2012.

The Omni proprietary technology platform successfully achieved the internationally recognized PA-DSS "Payment Application Data Security Standards" certification after having undergone a rigorous validation of security safeguards and controls against global security standards created by the Payment Card Industry Security Standards Council (PCI SSC). The certification exercise was conducted with support from the Bill & Melinda Gates Foundation.

Treasury and Capital Markets

Treasury & Capital Markets has demonstrated excellent performance in a volatile macroeconomic environment. The fixed income portfolio has provided the base for improved accrual income with maturity and interest rate profiles designed to give stability to UBL's balance sheet. An in-depth understanding of market dynamics has enabled the business to identify and capitalize on market opportunities in a timely manner and contributed to significant growth in non fixed income from equities, foreign exchange and fixed income.

Human Resources (HR)

As a long-term strategy at UBL, a performance based culture is given top priority and inculcated across all front end and support functions. Manpower planning includes specific emphasis on the development, motivation and retention of key personnel who are viewed as

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integral to leading performance and growth for the Bank. The Talent Management process includes a specific program designed to develop high potential employees, Management Trainees and Retail Banking Officers. This provides tailored developmental and career advancement opportunities in order to guide and maximize the potential of high performers through fast tracking and counseling.

UBL believes that succession planning is critical for seamless continuity across functions. In addition to induction through external sourcing where required, the Bank promotes a culture where employees are encouraged to avail internal growth opportunities. The Performance Management Process is now fully embedded and while best performers were rewarded, efforts were also made on a regular basis for managing performance which does not meet our high standards.

Emphasis remained on developing a robust talent pipeline comprising experienced professionals as well as fresh hires, especially to cater to the significantly expanded branch network and the Omni branchless banking business. As part of a structured annual program, over 200 Retail Bank Officers were inducted across Pakistan. A similar number of cash officers were inducted into the permanent cadre after undergoing a rigorous selection and training process consisting of a mix of classroom and on-the-job training designed to fully equip them to excel in their respective roles. As part of cost management initiatives this year, various functions were restructured in order to create synergies and to identify opportunities for centralization and redeployment of existing headcount.

As part of the Bank's policy of investing in its human capital and providing continuous professional development for its employees, the Learning & Development team conducted the first two of the three Retail Bank Certification Programs which were developed in collaboration with the Institute of Bankers, Pakistan. These programs are aimed at increasing the effectiveness of Branch Managers and Customer Service Operation Managers. A tailored 4 day training was also arranged for senior executives in collaboration with the Pakistan Institute of Corporate Governance for their Bank Governance Program.

UBL encourages and initiates continuous training for staff engaged in the credit approval process through the in-house Credit Skills Development Program, including the internationally recognized Omega Certification. Apart from the regular and on-going e-learning programs, an AML / CFT module was developed and released successfully through the Learning Management System. This training was made mandatory for all staff to enhance compliance knowledge across the Bank.

A cordial relationship was maintained with the two Collective Bargaining Agents in 2013 and Labor Agreements were signed with both.

Risk and Credit Policy

2013 was a difficult year for Pakistan's economy with sluggish real GDP growth and below potential private sector performance. However, the manufacturing sector performance improved during the latter half of the year as a result of the partial resolution of circular debt by the newly elected government. The balance of payments remained a source of concern primarily due to debt repayments to the IMF. With the challenges around the economic environment the Bank's risk management framework was strengthened to better protect asset quality. The focus remained on close monitoring and a

proactive approach to ensure containment of risk and improvement in asset quality, while also selectively growing the loan book in targeted sectors. In the international business, the economic sentiment in most of UBL's markets remained positive. This was aided by firm oil prices and an increase in infrastructure investments. In particular, in the Bank's largest market of UAE, growth was evident in diverse sectors of the economy which led to increased demand for wholesale banking credit.

Mitigation of risk underpinned the Bank's lending process and stricter measures were adopted in vulnerable areas. Risk Acceptance Criteria were updated and continuous efforts were made to enhance industry coverage. Revised Credit Policy and Credit Manuals for the Bank were implemented in 2013 and the FI Credit Application package was upgraded to effectively handle the fast growing FI portfolio. The existing Obligor Risk Rating Model has been made more quantitative and a Facility Risk Rating Model has been introduced. Industry concentration limits have been reviewed and amended based on the Bank's appetite and industry dynamics. For its consumer business, UBL uses behavioral and application scoring techniques to contain risk within the portfolio by utilizing the models for front end decision making and curtailing delinquencies. The Bank's various groups and businesses were kept informed of economic and industrial developments by the Credit Policy & Research Division, which puts out regular updates on relevant developments.

Credit risk management continued to focus on containing impairment in the asset portfolio through assisting the business in restructuring and rescheduling of problem credits. Greater emphasis on recoveries from the non-performing portfolio resulted in non-performing loans reducing both in the Domestic and International businesses. The Consumer collections & recovery team has demonstrated excellent performance and is working with the business to maintain the overall health of the portfolio.

Market Risk management remains a dedicated function within the risk framework, with a well established process for exposure reviews, approval and monitoring. Market Risk tools in use include sensitivity / scenario analyses of portfolio positions in order to assess potential risks resulting from shifts in interest rates under the overall guidance of the Market Risk Committee. Monitoring of market risk exposures within the International business is performed by a dedicated team that also plays a key role in liquidity management across different countries. During the year, monitoring and supervision of market risk exposures, especially interest rate risk, for both the trading and banking books, was strengthened further.

The Bank also continued its efforts towards fully implementing the Operational Risk Management Framework across the organization. The Operational Risk Monitor is currently in use in various key departments. Loss data is captured and monitored against key performance indicators.

UBL has maintained its Capital Adequacy Ratio well above the prescribed regulatory thresholds throughout the year including under the Basel III requirements which became effective from December 2013. The Bank also performed an impact analysis based on the Basel III guidelines and UBL comfortably meets the prescribed current and future capital requirements. During the year the Internal Capital Adequacy Assessment Process framework has been revised in light of the new guidelines issued by SBP to make the process more robust and effective.

President & CEO Review 2013

Peak Exposure Limits are reviewed bi-annually, to safeguard the Bank's cross-border exposures. Country risk reviews are carried out on a semi-annual basis and a framework for reporting aggregate cross border exposures to senior management and the Board Risk Management Committee is in place. To estimate the earnings sensitivity, capital adequacy and liquidity under stressed conditions, UBL conducts comprehensive stress testing on a quarterly basis, and the results are presented to senior management and the BRMC.

As UBL grows its loan portfolio, maintaining asset quality remains a key objective along with a stringent focus on collateral enforcement. Concentration risk is also being monitored closely in order to take appropriate action where necessary.

Core Banking System (CBS) implementation

During the year, the remaining conventional and all Islamic branches were converted to CBS. Asset operations of the Islamic branches will continue to run on the existing Imal system till an Islamic Banking module is available in CBS. The UAE branches are expected to be migrated to CBS in 2014. Factory Acceptance Testing has been completed and customization is in progress. Implementation of CBS for other countries will commence once the UAE business has gone live.

In order to streamline the loan booking process across all products, the existing Loan Origination System (LOS) has been upgraded to improve and simplify the user experience. This has been launched countrywide for all consumer products and upgradation and development for a Corporate LOS is under progress with roll out planned in 2014. A Fraud Risk Management system is also planned to be developed in 2014.

Corporate Social Responsibility (CSR)

UBL strives to provide for deserving causes across the country, contributing funds to education, health care and community welfare and development in the most transparent manner. In 2013, UBL as a responsible Corporate Citizen donated around Rs 77 million to various institutions. The largest component of this contribution was towards the promotion and support of education in Pakistan, followed by substantial assistance to organizations providing health care for the disadvantaged. In the community welfare area, UBL's most significant initiative was relief to the earthquake devastated district of Awaran in Balochistan. UBL undertook efforts to set up a "UBL Village" in the affected area to provide much needed relief and shelter to the displaced. The Bank also dedicated its own staff to ensure that all essential assistance was provided to the affectees on a timely basis.

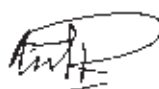
UBL's CSR initiatives are driven by its vision of a developed and thriving Pakistan. The Bank feels strongly that all segments of society should have equal opportunities to receive the best education, nutrition and healthcare, while being part of a progressive and benevolent community. UBL will continue to work towards making this goal a reality in the coming years.

Conclusion

UBL has delivered a record performance despite a domestic environment that remained challenging with the transition to a new government and continued structural problems in the macroeconomic

landscape. This is a reflection of the strength of our diversified business model, driven by technological innovation and unique customer-centric product development. The investments made in network expansion, branchless banking and technology are now beginning to produce the intended synergies and performance.

Looking ahead, in 2014 the Bank will strive to enhance market positioning, driven by low cost deposit acquisition, improving asset quality and a relentless focus on recoveries. While cost efficiencies remain a priority, we will continue to invest, as always, in people and technology. UBL remains well placed for growth as the core markets where we have invested expand and open up with further improvement in the economic climate.



Atif R. Bokhari

President & CEO

Karachi

February 19, 2014

Growth at a Glance

Six Years Financial Summary Standalone

December 31	2013	2012	2011	2010	2009	PKR 'million 2008
BALANCE SHEET						
Assets						
Cash and balances with treasury and other banks	114,388	109,396	100,602	86,104	66,878	57,567
Lending to financial institutions	28,835	21,953	11,890	11,935	23,162	22,805
Investments - gross	425,253	351,002	297,137	227,237	138,398	118,865
Advances - gross	436,749	409,090	366,307	368,692	382,478	390,903
Operating fixed assets	24,608	24,431	22,982	22,424	21,926	18,021
Other assets	27,317	26,800	23,976	21,044	17,851	19,677
Total assets - gross	1,057,150	942,673	822,893	737,436	650,693	627,839
Provisions against non-performing advances	(45,936)	(44,727)	(40,959)	(34,960)	(28,387)	(19,763)
Provisions against diminution in value of investment	(1,476)	(1,412)	(2,726)	(2,658)	(2,253)	(2,537)
Total assets - net of provision	1,009,739	896,535	779,207	699,818	620,053	605,539
Liabilities & Equity						
Deposits & other Accounts	827,848	698,430	612,980	550,646	492,036	483,560
Borrowing from financial institutions	40,574	68,720	49,953	45,105	35,145	44,196
Sub-ordinated loans	665	9,319	11,317	11,986	11,990	11,994
Bills payable	16,591	7,601	5,879	5,046	5,147	5,194
Other liabilities	23,147	20,226	18,650	18,621	14,799	16,732
Total Liabilities	908,825	804,296	698,779	631,403	559,117	561,677
Net Assets / Liabilities	100,914	92,238	80,428	68,415	60,937	43,863
Share capital	12,242	12,242	12,242	12,242	11,129	10,117
Reserves	33,681	29,044	24,847	21,689	18,960	15,502
Unappropriated profit	42,635	37,416	34,809	26,250	22,188	16,604
Equity - Tier 1	88,558	78,702	71,898	60,181	52,276	42,223
Surplus on revaluation of assets	12,356	8,530	8,530	8,234	8,660	1,640
Equity	100,914	92,238	80,428	68,415	60,937	43,863
Total liabilities & equity	1,009,739	896,535	779,207	699,818	620,053	605,539
PROFITABILITY						
Markup / return / interest earned	72,846	73,507	70,451	59,277	61,107	51,919
Markup / return / interest expensed	(34,910)	(34,948)	(31,026)	(24,997)	(28,164)	(24,062)
Net Markup / Interest income	37,936	38,560	39,425	34,280	32,943	27,857
Fee, commission, brokerage and exchange income	12,205	10,025	9,027	7,992	7,139	8,044
Capital gain & dividend income	4,845	3,131	1,261	712	1,233	769
Other income	1,064	3,975	2,429	1,387	3,048	1,866
Non interest income	18,114	17,131	12,718	10,090	11,420	10,680
Gross income	56,050	55,691	52,143	44,370	44,363	38,537
Administrative expenses and other charges	(26,718)	(24,306)	(20,349)	(18,476)	(17,015)	(16,103)
Profit before provisions	29,332	31,385	31,794	25,894	27,348	22,434
Donations	(77)	(35)	(54)	(84)	(56)	(12)
Provisions	(1,448)	(4,499)	(7,518)	(8,068)	(13,258)	(8,548)
Profit before taxation	27,807	26,851	24,223	17,742	14,035	13,874
Taxation	(9,193)	(8,960)	(8,723)	(6,582)	(4,842)	(5,541)
Profit after taxation	18,614	17,891	15,500	11,160	9,193	8,333
CASH FLOW STATEMENT - SUMMARY						
Cash flow from operating activities	95,754	64,812	106,218	100,520	23,099	388
Cash flow from investing activities	(73,236)	(42,910)	(85,859)	(77,703)	(14,323)	(10,440)
Cash flow from financing activities	(20,284)	(15,464)	(7,402)	(4,010)	(1,016)	2,051
Cash and cash equivalents at the beginning of the year	109,396	100,602	86,104	66,878	57,567	61,718
Effect of exchange rate changes on cash and cash equivalents	2,758	2,356	1,541	420	1,549	3,850
Cash and cash equivalents at the end of the year	114,388	109,396	100,602	86,104	66,878	57,567
FINANCIAL RATIOS						
Return on equity (RoE)	22.3%	23.8%	23.5%	19.8%	19.5%	21.9%
Return on assets (RoA)	2.0%	2.1%	2.1%	1.7%	1.5%	1.5%
Profit before tax ratio	49.6%	48.2%	46.5%	40.0%	31.6%	36.0%
Gross spread ratio	52.1%	52.5%	56.0%	57.8%	53.9%	53.7%
Return on capital employed (ROCE)	21.0%	20.9%	20.0%	16.4%	15.5%	17.7%
Advances to deposits ratio (ADR) - gross	50.7%	56.2%	56.9%	63.3%	73.8%	78.4%
Advances to deposits ratio (ADR) - net	45.1%	49.8%	50.2%	57.0%	68.0%	74.3%
Income to expense ratio	2.10	2.29	2.56	2.40	2.61	2.39
Cost to revenue ratio	46.5%	42.6%	37.9%	40.4%	37.4%	40.3%
Growth in gross income	0.6%	6.8%	17.5%	0.0%	15.1%	16.4%
Growth in net profit after tax	4.0%	15.4%	38.9%	21.4%	10.3%	-0.8%
Total assets to shareholders' funds	10.0	9.7	9.7	10.2	10.2	13.8
Intermediation cost ratio	3.5%	3.7%	3.5%	3.5%	3.5%	3.6%
NPL ratio	12.1%	14.0%	14.0%	13.2%	10.2%	7.1%
Net infection ratio	1.7%	3.5%	3.1%	4.1%	3.0%	2.2%
Weighted average cost of debt	5.6%	6.1%	6.2%	5.3%	5.6%	5.2%
Capital adequacy ratio (CAR)	13.3%	15.0%	14.3%	14.5%	13.2%	9.9%

Growth at a Glance

December 31 2013 2012 2011 2010 2009 2008

SHARE INFORMATION

Cash dividend per share	10.00	8.50	7.50	5.00	2.50	2.50
Proposed bonus issue per share	-	-	-	-	1.00	1.00
Dividend yield (based on cash dividend)	12.0%	16.2%	11.0%	8.6%	6.8%	1.4%
Dividend payout ratio (total payout)	65.8%	58.2%	59.2%	54.8%	42.4%	42.5%
Earning per share (EPS)	15.21	14.61	12.66	9.12	8.26	8.24
Price earnings ratio (PE x)	8.72	5.72	4.14	7.48	7.08	4.48
Market value per share - at the end of the year	132.55	83.67	52.39	68.23	58.45	36.91
Market value per share - highest during the year	154.21	91.99	70.39	70.65	66.50	223.20
Market value per share - lowest during the year	81.24	52.00	51.01	49.00	27.92	36.91
Breakup value per share - Without surplus on revaluation of assets	72.34	64.29	58.73	49.16	46.97	41.73
Breakup value per share - With surplus on revaluation of assets	82.43	75.35	65.70	55.89	54.76	43.35

OTHER INFORMATION

Non - performing advances (NPLs)	52,630	57,347	51,117	48,593	39,101	27,839
Import Business	641,866	515,638	462,929	447,743	335,764	422,958
Export Business	249,006	180,434	179,417	175,826	136,694	123,050
Number of employees	13,270	13,056	12,325	11,573	11,371	12,705
Number of branches - Domestic	1,283	1,278	1,218	1,124	1,120	1,119
Number of branches - International	18	18	17	17	17	17
Number of branches - Total	1,301	1,296	1,235	1,141	1,137	1,136

VERTICAL AND HORIZONTAL

BALANCE SHEET

December 31 2013 2012 2011 2010 2009 2008

Vertical Analysis

Assets						
Cash and balances with treasury and other banks	11.3%	12.2%	12.9%	12.3%	10.8%	9.5%
Lending to financial institutions	2.9%	2.4%	1.5%	1.7%	3.7%	3.8%
Investments - net	42.0%	39.0%	37.8%	32.1%	22.0%	19.2%
Advances - net	38.7%	40.6%	41.8%	47.7%	57.1%	61.3%
Operating fixed assets	2.4%	2.7%	2.9%	3.2%	3.5%	3.0%
Other assets	2.7%	3.0%	3.1%	3.0%	2.9%	3.2%
Total assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Liabilities & Equity						
Deposits & Other Accounts	82.0%	77.9%	78.7%	78.7%	79.4%	79.9%
Borrowing from financial institutions	4.0%	7.7%	6.4%	6.4%	5.7%	7.3%
Sub-ordinated loans	0.1%	1.0%	1.5%	1.7%	1.9%	2.0%
Bills payable	1.6%	0.8%	0.8%	0.7%	0.8%	0.9%
Other liabilities	2.3%	2.3%	2.4%	2.7%	2.4%	2.8%
Total Liabilities	90.0%	89.7%	89.7%	90.2%	90.2%	92.8%
Share capital	1.2%	1.4%	1.6%	1.7%	1.8%	1.7%
Reserves	3.3%	3.2%	3.2%	3.1%	3.1%	2.6%
Unappropriated profit	4.2%	4.2%	4.5%	3.8%	3.6%	2.7%
Equity - Tier 1	8.8%	8.8%	9.2%	8.6%	8.4%	7.0%
Surplus on revaluation of assets	1.2%	1.5%	1.1%	1.2%	1.4%	0.3%
Total equity	10.0%	10.3%	10.3%	9.8%	9.8%	7.2%

Growth at a Glance

December 31	2013	2012	2011	2010	2009	2008
HORIZONTAL ANALYSIS						
Assets						
Cash and balances with treasury and other banks	198.7%	190.0%	174.8%	149.6%	116.2%	100.0%
Lending to financial institutions	126.4%	96.3%	52.1%	52.3%	101.6%	100.0%
Investments - net	364.3%	300.5%	253.1%	193.1%	117.0%	100.0%
Advances - net	105.3%	98.2%	87.7%	89.9%	95.4%	100.0%
Operating fixed assets	136.5%	135.6%	127.5%	124.4%	121.7%	100.0%
Other assets	138.8%	136.2%	121.8%	106.9%	90.7%	100.0%
Total assets	166.8%	148.1%	128.7%	115.6%	102.4%	100.0%
Liabilities & Equity						
Deposits & Other Accounts	171.2%	144.4%	126.8%	113.9%	101.8%	100.0%
Borrowing from financial institutions	91.8%	155.5%	113.0%	102.1%	79.5%	100.0%
Sub-ordinated loans	5.5%	77.7%	94.4%	99.9%	100.0%	100.0%
Bills payable	319.4%	146.3%	113.2%	97.1%	99.1%	100.0%
Other liabilities	138.3%	120.9%	111.5%	111.3%	88.4%	100.0%
Total Liabilities	161.8%	143.2%	124.4%	112.4%	99.5%	100.0%
Share capital	121.0%	121.0%	121.0%	121.0%	110.0%	100.0%
Reserves	217.3%	187.4%	160.3%	139.9%	122.3%	100.0%
Unappropriated profit	256.8%	225.3%	209.6%	158.1%	133.6%	100.0%
Equity - Tier 1	209.7%	186.4%	170.3%	142.5%	123.8%	100.0%
Surplus on revaluation of assets	753.4%	825.4%	520.1%	502.1%	528.1%	100.0%
Total equity	230.1%	210.3%	183.4%	156.0%	138.9%	100.0%

PROFIT AND LOSS ACCOUNT

VERTICAL ANALYSIS

Interest / Return / Non Interest Income earned						
Markup / Return / Interest earned	80.1%	81.1%	84.7%	85.5%	84.3%	82.9%
Fee, Commission, Brokerage and Exchange income	13.4%	11.1%	10.9%	11.5%	9.8%	12.9%
Capital gain & Dividend income	5.3%	3.5%	1.5%	1.0%	1.7%	1.2%
Other income	1.2%	4.4%	2.9%	2.0%	4.2%	3.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Interest / Return / Non Interest Expense						
Markup / Return / Interest expensed	38.4%	38.6%	37.3%	36.0%	38.8%	38.4%
Operating expenses	29.5%	26.9%	24.5%	26.8%	23.5%	25.7%
Provisions	1.6%	5.0%	9.0%	11.6%	18.3%	13.7%
Taxation	10.1%	9.9%	10.5%	9.5%	6.7%	8.9%
Total expense - percentage of total income	79.5%	80.3%	81.4%	83.9%	87.3%	86.7%
Profit after taxation	20.5%	19.7%	18.6%	16.1%	12.7%	13.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

HORIZONTAL ANALYSIS

Interest / Return / Non Interest Income earned						
Markup / Return / Interest earned	140.3%	141.6%	135.7%	114.2%	117.7%	100.0%
Fee, Commission, Brokerage and Exchange income	151.7%	124.6%	112.2%	99.3%	88.7%	100.0%
Capital gain & Dividend income	629.8%	407.0%	164.0%	92.5%	160.3%	100.0%
Other income	57.0%	213.0%	130.2%	74.3%	163.3%	100.0%
Total	145.3%	144.8%	132.9%	110.8%	115.9%	100.0%
Interest / Return / Non Interest Expense						
Markup / Return / Interest expensed	145.1%	145.2%	128.9%	103.9%	117.0%	100.0%
Operating expenses	166.3%	151.0%	126.6%	115.2%	105.9%	100.0%
Provisions	16.9%	52.6%	87.9%	94.4%	155.1%	100.0%
Taxation	165.9%	161.7%	157.4%	118.8%	87.4%	100.0%
Total expense	133.3%	134.1%	124.7%	107.3%	116.7%	100.0%
Profit after taxation	223.4%	214.7%	186.0%	133.9%	110.3%	100.0%

Growth at a Glance

Statement of Value Added

	2013		2012	
	PKR 'million	%	PKR 'million	%
Mark-up / return / interest earned - net of provisions	71,398	97.4%	69,009	96.0%
Fee, commission, brokerage and exchange income	12,205	16.6%	10,025	14.0%
Capital gain & dividend income	4,845	6.6%	3,131	4.4%
Other income	1,064	1.5%	3,975	5.5%
	<u>89,512</u>	<u>122.1%</u>	<u>86,140</u>	<u>119.9%</u>
Administrative expenses	16,208	22.1%	14,283	19.9%
Value added	<u><u>73,304</u></u>	<u><u>100.0%</u></u>	<u><u>71,857</u></u>	<u><u>100.0%</u></u>
Distributed as follows:				
To employees as remuneration	10,510	14.3%	10,023	13.9%
To government as income tax	9,193	12.5%	8,960	12.5%
To Depositors as profit on investments	28,353	38.7%	27,658	38.5%
To Institutions & individuals as profit on borrowings	6,557	8.9%	7,289	10.1%
To Society as donations	77	0.1%	35	0.0%
To Shareholders as dividends / bonus	11,630	15.9%	13,466	18.7%
Retained in Business as reserves and retained profits	6,984	9.5%	4,425	6.2%
	<u><u>73,304</u></u>	<u><u>100.0%</u></u>	<u><u>71,857</u></u>	<u><u>100.0%</u></u>

UBL International Network

(Offices Addresses as of 30 Jan 2014)

INTERNATIONAL BRANCHES

UAE

Al Ain Branch

Mohammad Salem Owaida Jaber Al Khaily Building,
Ali ibn Ibi Talib Street, Oud Al Toba,
P.O. Box: 1141, Al-Ain - UAE
Tel: 00971-3-7083560
Fax: 00971-3-7666175

Al-Barsha Branch

Al Faraidooni Building, Shaikh Zayed Road,
Al Barsha, P.O. Box: 3846, Dubai - UAE
Tel: 00971-4-6085300 & 00971-4-6085301
Fax: 00971-4-3403645

Bur Dubai Branch

Bank Street Building, Khalid Bin Waleed Road,
P.O. Box: 1367, Dubai - UAE
Tel: 00971-4-6085200 & 00971-4-6085201
Fax: 00971-4-3510607

Deira Branch

Mohamed & Obaid Almulla Building,
Shop # 1, Plot # 115-0108, Murshid Bazar,
P.O. Box: 1000, Deira-Dubai - UAE
Tel: 00971-4-6085350 & 00971-4-6085351
Fax: 00971-4-2269209

Khalifa Main Branch

Hamad Suhail Al Khaily Building,
Khalifa Street, Abu Dhabi - UAE
Tel: 00971-2-5996555 & 00971-2-6719787
Fax: 00971-2-6719900

Musaffah Branch

M-14, Street 17
Musaffah, P.O. Box: 237
Abu Dhabi - U.A.E
Tel: 00971-2-5996400 & 00971-2-5548778
Fax: 00971-2-5548779

Sharjah Branch

Al-Majaz Building, King Faisal Street,
P.O. Box: 669, Sharjah - UAE
Tel: 00971-6-5979121 & 00971-6-5979122
Fax: 00971-6-5721200

Sheikh Hamdan Road Branch

Ghamran Buti Al Qubaisi Building,
Opp. Hamdan Centre,
Sheikh Hamdan Bin Mohamed Road,
P.O. Box: 2340, Abu Dhabi - UAE
Tel : 00971-2-5996450/458
Fax: 00971-2-6272134

BAHRAIN

Manama Branch

Delmon Tower,
Building No 117, Block No 304, Road No 385
Opp. National Bank of Bahrain, Next to Kuwait Finance House
Government Avenue
P.O. Box: 546, Kingdom of Bahrain
Tel : 00973-17-224032 & 00973-17-224101
Fax: 00973-17-224099

Seef Branch

BMMI Tower, Ground Floor
Road No. 2813,
Block No. 428, Seef District
P.O. Box: 546, Kingdom of Bahrain
Tel : 00973-17-560808
Fax: 00973-17-587552

Muharraq Branch

Building No. 1127, Block No. 215,
Road No.10
Muharraq Town,
P.O. Box: 546, Kingdom of Bahrain
Tel : 00973-17-343488
Fax: 00973-17-344793

QATAR

Corniche Main Branch

Sh. Jasim Bin Jaber Al-Thani Building,
Abdullah Bin Jassim Street,
P.O. Box: 242, Doha - Qatar
Tel : 00974-44254444
Fax: 00974-44416669

Salwa Road Branch

Qatar General Insurance Building
Beside New Tadamon Motors Showroom
P.O. Box: 242, Doha - Qatar
Tel : 00974-44254461
Fax: 00974-44506026

West Bay Branch

Al Jazira Tower West Bay
P.O. Box: 242, Doha - Qatar
Tel: 00974-44254470 & 00974-44254471
Fax: 00974-44110950

USA

New York Branch

80 Broad Street
New York, NY 10004-2209
USA
Tel: 001-212-943-1275
Fax: 001-212-9680557



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UBL International Network

(Offices Addresses as of 30 Jan 2014)

YEMEN

Sana'a Branch

Dr. Mohammad Ahmed Othman Al-Absi Building,
Al-Zubairi Street,
P.O. Box: 1295, Sana'a, Republic of Yemen
Tel: 00967-1-409947 (Dir.) 00967-1-407540 (PABX)
Fax: 00967-1-408211

Hodeidah Branch

Essam Al-Shami Building,
Shahrah-e-Meena,
P.O. Box: 3927, Hodeidah, Republic of Yemen
Tel: 00967-3-201494 (Dir.) 00967-3-225560 (Gen.)
Fax: 00967-3-201153

Aden Branch

Aden Mall, Crater,
P.O. Box: 104, Aden, Republic of Yemen
Tel: 00967-2-269191, 00967-2-269063
Fax: 00967-2-269065

OBU – EPZ

EPZ Branch (Karachi)

Export Processing Zone, Landhi Industrial Area,
Mehran Highway, Landhi, Karachi
Tel: 009221-35082301-3
Fax: 009221-35082305

REPRESENTATIVE OFFICES

CHINA

Beijing Rep. Office

Office # 2110, The Exchange Beijing,
No. 118, Jianguo Road,
Chaoyang District, Beijing,
100022, Peoples Republic of China
Tel : 0086-10-65675579
Fax: 0086-10-65675560

IRAN

Tehran Rep. Office

Unit # 26, 5th floor, Nahid Office Complex, No. 56,
West Nahid St. Valiasr Ave.,
Tehran 1967756685 Iran
Tel: 009821-22053977
Fax: 009821-26219963

SUBSIDIARIES

UNITED KINGDOM

United Bank UK
2 Brook Street,
London – W1S 1BQ,
United Kingdom
Tel : 0044-20-72908000
Fax: 0044-20-76293054

SWITZERLAND

UBL Switzerland AG

P.O. Box: 1176,
Feldeggstrasse 55, CH-8034 Zurich - Switzerland
Tel : 0041-43-4991920
Fax: 0041-43-4991933

TANZANIA

UBL Bank (Tanzania) Ltd.
Diplomat House
26 Mkwepu / Kaluta Street,
P.O. Box: 5887.
Dar Es Salaam, Tanzania.
Tel: 00255-22-5510200
Fax: 00255-22-2136293

ASSOCIATED COMPANY

OMAN

Oman United Exchange Co. LLC,

i) Ruwi Branch

P.O. Box: 889, Near Ruwi Police Station,
Postal Code 100, Ruwi, Muscat,
Sultanate of Oman
Tel : 00968-24794305, 00968-24782048
Fax: 00968-24794344

ii) Salalah Branch

P.O. Box: 2052, Postal Code 211,
Salalah, Sultanate of Oman
Tel : 00968-23290323
Fax: 00968-23290323

iii) Sohar Branch

P.O. Box: 889, Postal Code 100,
Muscat, Sultanate of Oman
Tel : 00968-26847021
Fax: 00968-26847020

iv) Ghoubra Branch

P.O. Box: 889, Postal Code 100,
Muscat, Sultanate of Oman
Tel : 00968-24495645
Fax: 00968-24495642

v) Industrial Area Salalah Branch

P.O. Box: 2052,
Postal Code 211, Salalah,
Sultanate of Oman
Tel : 00968-23213264
Fax: 00968-23211260

vi) Barka Branch

P.O. Box: 889, Postal Code 100
Muscat, Sultanate of Oman
Tel : 00968-26884864
Fax: 00968-26884891

vii) Duqm Branch

P.O. Box: 889, Postal Code 100
Duqm, Sultanate of Oman
Tel : 00968-25215105 / 00968-25215103
Fax: 00968-25215104

Shariah Advisor's Report

The year under review is the seventh financial year of Islamic Banking Operations of UBL Ameen. Maintaining Shariah compliance of highest possible standards and providing quality services to customers have remained focal points.

Following are the brief highlights of the period under review:

1. Review of Products and Policies:

UBL Ameen product and policies, during the year, were evaluated in detail and their concept, product framework, process flows and features were discussed with me prior to the approval.

- Product Manuals of Murabaha, Ijarah & Diminishing Musharakah were reviewed and were elaborated and updated to comply with SBP instructions issued from time to time and to serve the industry in the best possible, convenient and Shariah-compliant manner.
- All liability products were reviewed and Ameen Premium Account, Ameen Premium Certificate & Ameen Minor Saving Account were launched to cater to different segments.
- Charity Policy & Profit Distribution Policy were also reviewed and approved.

2. Training & Development:

Training, Learning and Application are only means of professional and institutional development especially in Islamic Banking where wrong application may jeopardize the sanctity and validity. Hence, UBL Ameen has laid great emphasis on training of staff. Following are the main features:

- 40 sessions were held for General Islamic Banking Training throughout the year. 130 members from staff were trained during 2013.
- One to one training sessions with staff were also conducted on Branch visits.
- Training Material and books were distributed in staff for effective learning and understanding.
- Conceptual Tests were taken to assess the level of understanding of each staff.
- Staff queries were resolved via emails and teleconferencing sessions.
- Trainings on 'Ethics and Moral development' were

conducted with a vision to edify skills of staff in light of teachings and character of Model of Excellence – 'The Holy Prophet'.

3. Growth of Assets & Deposits:

On the assets side, Bank primarily offered Murabaha, Ijarah & Diminishing Musharaka. It is encouraging to note that financing portfolio enhanced by 71% and closing balance was Rs. 5 Bn in which Murabaha remained the main mode of financing and comprised of 64% of total assets. While Ijarah, Diminishing Musharaka & Salam accounted for 17%, 14% & 5% respectively of total financing.

On the liability side, UBL Ameen offered different products and services under Qard & Mudaraba modes. Deposits of the Bank showed an increase of 34% and closed at Rs. 16.8 Bn.

4. Advancement of IT System:

A sophisticated IT system which caters to all requirements of Islamic Banking operations is necessary to streamline daily affairs as advised by SBP: "The IBIs shall have in place an adequate IT based system which interalia suitably caters to the requirements of allocation of (a) deposits, (b) financing, investments and placements, (c) income and expenses and (d) movement of assets to/from different pools."(SBP-Instructions for P & L Distribution & Pool Management, Clause 1.4)

In line with the above, efforts are in process for modernizing the system along with application of Shariah standards where required. All 23 Branches (including 1 sub branch) have been successfully converted from UniBank to Symbols which has brought IBI branches on the same network with 1,283 branches of UBL countrywide and has improved Islamic Banking customer services.

5. Profit Distribution Mechanism :

Profit and Loss Distribution and Pool Management is one of the key functions of Islamic Banking. Continuous research is being done in industry to further improve it, in order to serve account holders in the best possible manner. In general, State Bank of Pakistan detailed instructions and guidelines for Profit and Loss Distribution and Pool Management via Circular 03 of 2012, dated November 19th, 2012 have been adopted especially Clause 4.1.2 which states that "Mudarib (Bank's) share shall not exceed 50% of the distributable profit".

Shariah Advisor's Report

UBL Ameen P & L Distribution system has been in conformity with Shariah rulings. Further improvements will be done, in near future, with upgradation of IT systems.

6. Effective Shariah Compliance:

Shariah Compliance is the most vital part of Islamic Banking to ensure that all activities are transparent and are in accordance with Shariah principles. Following are distinctive features of UBL Ameen's Shariah Compliance process:

- Each corporate and consumer transaction is checked before disbursement.
- Financing agreements are reviewed prior and post execution to ensure effective Shariah compliance and application of Shariah guidelines.
- Meetings and discussions are held with customers for awareness on documentation and execution of corporate transactions in Shariah compliant manner.
- Transactional process flows are discussed before approval of financing facilities.
- Profit-sharing ratios, profit weightages, pool working, asset & deposit allocation for deposit products are being monitored periodically.
- Treasury deals and investments are being closely monitored from Shariah perspective and cross checked time to time for meticulous adherence to Shariah standards.
- In accordance with SBP guidelines that "IBIs should prefer Takaful wherever feasible...", majority of Bank assets have been insured through Takaful companies.

7. Charity Distributions:

Charity of PKR 6,400,000/-, accumulated in form of delayed payments, was distributed to reputable and worthy charitable institutions in 2013, after detailed screening and due diligence. Visits were made to institutions prior and post disbursement to ensure the need and proper utilization of funds.

Al hamdu lillah! During the year, all transactions and earnings were reported to be Shariah compliant hence no part was credited to charity account on the basis of non compliance.

8. Islamic Banking Promotion:

Islamic Banking has been growing at an annual rate of 30% and may double its share by 2020. UBL Ameen efforts have been commendable in mass awareness and promotion of Islamic Banking. Various Islamic Finance Conferences and Exhibitions were attended and sponsored throughout the year to boost Islamic Banking along with effective marketing of UBL Ameen products and services.

OPINION:

Based on the above facts and observations during the year 2013, I hereby report that overall Shariah Compliance of UBL Ameen has been satisfactory and all activities have been in accordance with rulings of Shariah.

Recommendations:

- Growth and Profitability is directly related to effective escalation of business and this requires team building, expansion of business units and branch network countrywide.
- Shariah Compliant Staff Financing facilities like Home Financing & Car Financing should be introduced immediately as per the staff financing policy of the Bank. It is recommended to immediately implement Islamic financing products for the staff.

I pray to Almighty, that He - The Merciful may bless us persistence on The Right Path (صراط مستقيم) by means of which we can be prosperous in both worlds.

Sincere Regards,



Mufti Abdul Rehman
Shariah Advisor

Statement of Compliance with the Code of Corporate Governance for the year ended December 31, 2013

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the Listing Regulation No. 35 of the Karachi, Lahore & Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

United Bank Limited (the Bank) has applied the principles contained in the Code in the following manner:

- The Bank encourages representation of independent Directors, non-executive Directors and Directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Directors	Mr. Amin Uddin Mr. Arshad Ahmad Mir
Executive Director	Mr. Atif R. Bokhari, President & CEO
Non-Executive Directors	Sir Mohammed Anwar Pervez, OBE, HPK Mr. Zameer Mohammed Choudrey Mr. Seerat Asghar

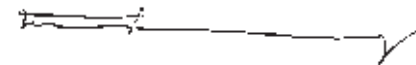
The independent directors meet the criteria of independence under clause I (b) of the Code.

- The Directors have confirmed that none of them is serving as a Director in more than seven listed companies, including the Bank.
- All the resident Directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- Two casual vacancies occurred on the Board on December 19, 2013. These vacancies shall be filled within the prescribed timelines.
- The Bank has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
- The Board has approved a vision / mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- All the powers of the Board have been duly exercised and decisions on material transactions, including the appointment and the determination of remuneration and terms and conditions of employment of the Chief Executive Officer and non-executive Directors have been taken by the Board.
- The meetings of the Board were presided over by the Chairman and, in his absence, by the Deputy Chairman.

The Board met at least once in every quarter. Written notices of the Board meeting, along with the agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- The appointments of the Chief Financial Officer, the Company Secretary and the Head of Internal Audit including their remuneration and terms of employment have been approved by the Board.
- In compliance with Clause (xi) of the Code, two Directors have completed the Corporate Governance Leadership Skills program conducted by the Pakistan Institute of Corporate Governance.

- The Directors' Report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- The financial statements of the Bank were duly endorsed by the Chief Executive Officer and the Chief Financial Officer before approval of the Board.
- The Directors, Chief Executive Officer and Executives do not hold any interest in the shares of the Bank other than as disclosed in the pattern of shareholding.
- The Bank has complied with all corporate and financial reporting requirements of the Code.
- The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive Directors.
- The meetings of the Audit Committee were held at least once every quarter prior to the approval of interim and final results of the Bank as required by the Code. The terms of reference of the committee have been formulated and advised to the committee for compliance.
- The Board has also constituted a Human Resource and Compensation Committee comprising of two non-executive Directors and one executive Director. The Chairman of the committee is a non-executive Director.
- The Board has set up an effective internal audit function. Personnel of the Internal Audit department are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Bank.
- The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
- The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- The "Closed Period", prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of the Bank's securities, was determined and intimated to Directors, employees and the stock exchanges.
- Material / price sensitive information has been disseminated among all market participants at once through the stock exchanges.
- We confirm that all other material principles enshrined in the Code have been complied with.

For and on behalf of the Board of Directors



Sir Mohammed Anwar Pervez, OBE, HPK
Chairman

Date: February 19, 2014

BDO Ebrahim & Co.
Chartered Accountants
2nd Floor, Block C
Lakson Square Building No. 1
Sarwar Shaheed Road
Karachi 74200

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi 75330

Review Report to the Members on the Statement of Compliance with the best practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended December 31, 2013 prepared by the Board of Directors of **UNITED BANK LIMITED** (the Bank) to comply with the Listing Regulations of the Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited, where the Bank is listed.


The responsibility for compliance with the Code is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Bank's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

Further, the Listing Regulations require the Bank to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper

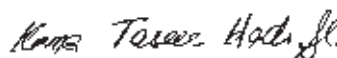
justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended December 31, 2013.



BDO Ebrahim & Co.
Chartered Accountants
Audit Engagement Partner
Zulfikar Ali Causer

Date: February 19, 2014
Karachi



KPMG Taseer Hadi & Co.
Chartered Accountants
Audit Engagement Partner
Mazhar Saleem

Annual Statement on Internal Controls - 2013

The Internal Control System comprises of various inter-related components including the Control Environment, Risk Assessment, Control Activities, Information & Communication and Monitoring.

It is the responsibility of the Bank's management to establish an Internal Control System to maintain an adequate and effective Internal Control Environment. An Internal Control System is a process designed to identify and mitigate the risk of failure to achieve overall business objectives of the Bank. Internal controls and policies are designed to provide reasonable assurance regarding the effectiveness and efficiency of the Bank's operations, reliability of financial information and compliance with applicable laws and regulations.

Management ensures an efficient and effective Internal Control System by carrying out risk assessment, indentifying controls, reviewing pertinent policies / procedures and establishing relevant control procedures and monitoring systems.

Evaluation

The Bank's Internal Control System has been designed to provide reasonable assurance to the shareholders and Board of Directors; however these systems may not entirely eliminate the risk of misreporting and failure of certain controls under a changing environment. The Bank endeavours to follow the State Bank of Pakistan's guidelines on Internal Controls.

Evaluation of the Bank's Internal Control System comprises of different levels of monitoring activities i.e. Line Management, Internal Control and Internal Audit. During the year, Line Management has further strengthened their internal system of day to day monitoring of control breaches for prompt corrective actions. Compliance and Internal Control Group conducted reviews of processes in branches to identify gaps in execution with special emphasis on the implementation of regulatory instructions. Internal Audit also performed audit and review activities to evaluate the implementation of controls and ensure the existence of a healthy control environment throughout the Bank.

All significant and material findings of the internal & external auditors and regulators were addressed on a priority basis by the management and their status was reported periodically to the Board Audit Committee, who ensured that management has taken appropriate corrective actions and has put in place a system to minimize repetition to ensure strengthening of the control environment.

As required by the SBP, the External Auditors were engaged to prepare a Long Form Report on Internal Controls over Financial Reporting (ICFR) as of December 31, 2012. No material deficiency was observed in the report submitted to the SBP. Internal Audit carried out testing of the effectiveness of ICFR prevalent throughout the Bank for the year 2013. None of the deficiencies identified are expected to have a material impact on Financial Reporting.

The Bank is continuously making efforts to ensure that an effective and efficient Internal Control System remains active & implemented through consistent & continuous monitoring that would help in further improving the overall control environment.

Based upon the results achieved from reviews and audits conducted during the year, management considers that the existing Internal Control System is adequate and has been effectively implemented and monitored, though room for improvement always exists.



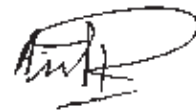
Rayomond Kotwal
Chief Financial Officer



Atif Rasheed
Head Compliance &
Control Assurance



M. Ejazuddin
Group Executive –
Audit & Risk Review



Atif R. Bokhari
President



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Financial Statements


Auditors' Report to the Members

We have audited the annexed unconsolidated statement of financial position of UNITED BANK LIMITED (the Bank) as at December 31, 2013 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement, and unconsolidated statement of changes in equity, together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for forty branches which have been audited by us and twelve branches audited by auditors abroad and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in case of loans and advances covered more than sixty percent of the total loans and advances of the Bank, we report that:

- (a) in our opinion proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- (b) in our opinion:
 - (i) the unconsolidated statement of financial position and unconsolidated profit and loss account together with



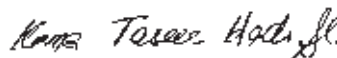
BDO Ebrahim & Co.
Chartered Accountants
Audit Engagement Partner
Zulfikar Ali Causer

Date: February 19, 2014
Karachi

the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change in accounting policy as stated in note 5.1 to the accompanying financial statements, with which we concur;

- (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
- (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- (c) in our opinion and to the best of our information and according to the explanations given to us the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity, together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2013 and its true balance of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

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



KPMG Taseer Hadi & Co.
Chartered Accountants
Audit Engagement Partner
Mazhar Saleem

Unconsolidated Statement of Financial Position

As at December 31, 2013

	Note	2013	2012	2011
			(Rupees in '000)	
			Restated	Restated
ASSETS				
Cash and balances with treasury banks	6	88,520,725	94,161,446	86,216,168
Balances with other banks	7	25,867,497	15,234,326	14,385,823
Lendings to financial institutions	8	28,835,115	21,953,458	11,890,082
Investments	9	423,777,250	349,590,182	294,410,661
Advances				
Performing	10	382,280,142	350,500,822	314,187,793
Non-performing - net of provision	10	8,533,320	13,862,980	11,159,415
		390,813,462	364,363,802	325,347,208
Operating fixed assets	11	24,607,937	24,431,069	22,981,878
Deferred tax asset - net		-	-	1,304,512
Other assets	12	27,316,665	26,800,312	22,671,107
		<u>1,009,738,651</u>	<u>896,534,595</u>	<u>779,207,439</u>
LIABILITIES				
Bills payable	14	16,590,884	7,600,633	5,879,043
Borrowings	15	40,573,874	68,720,266	49,953,251
Deposits and other accounts	16	827,847,738	698,429,697	612,980,139
Subordinated loans	17	665,328	9,319,264	11,317,080
Liabilities against assets subject to finance lease		-	-	-
Deferred tax liability - net	18	1,087,240	856,528	-
Other liabilities	19	22,059,590	19,369,917	18,649,770
		<u>908,824,654</u>	<u>804,296,305</u>	<u>698,779,283</u>
NET ASSETS		<u>100,913,997</u>	<u>92,238,290</u>	<u>80,428,156</u>
REPRESENTED BY:				
Share capital	20	12,241,798	12,241,798	12,241,798
Reserves		33,681,210	29,044,219	24,847,019
Unappropriated profit		42,634,545	37,415,599	34,809,364
		<u>88,557,553</u>	<u>78,701,616</u>	<u>71,898,181</u>
Surplus on revaluation of assets - net of deferred tax	21	12,356,444	13,536,674	8,529,975
		<u>100,913,997</u>	<u>92,238,290</u>	<u>80,428,156</u>
CONTINGENCIES AND COMMITMENTS				
	22			

The annexed notes from 1 to 48 and annexures form an integral part of these unconsolidated financial statements.



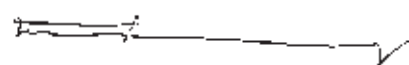
Atif R. Bokhari
President &
Chief Executive Officer



Amin Uddin
Director



Seerat Asghar
Director



Sir Mohammed Anwar Pervez, OBE, HPk
Chairman


Unconsolidated Profit and Loss Account

For the year ended December 31, 2013

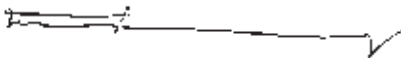
	Note	2013 ----- (Rupees in '000) -----	2012 Restated
Mark-up / return / interest earned	24	72,846,281	73,507,415
Mark-up / return / interest expensed	25	<u>34,910,356</u>	<u>34,947,698</u>
Net mark-up / interest income		37,935,925	38,559,717
Provision against loans and advances - net	10.4	<u>1,055,067</u>	<u>3,282,893</u>
Provision against lendings to financial institutions - net	8.6	60,509	168,492
Provision for diminution in value of investments - net	9.3	5,871	400,524
Bad debts written off directly	10.5	<u>181,724</u>	<u>284,991</u>
		<u>1,303,171</u>	<u>4,136,900</u>
Net mark-up / return / interest income after provisions		36,632,754	34,422,817
Non Mark-up / Interest Income			
Fee, commission and brokerage income		<u>10,049,350</u>	<u>8,162,535</u>
Dividend income		2,074,118	2,664,242
Income from dealing in foreign currencies		2,155,628	1,862,585
Gain on sale of securities - net	26	2,777,035	464,386
Unrealized (loss) / gain on revaluation of investments classified as held for trading	9.4	(6,390)	2,236
Other income	27	<u>1,064,054</u>	<u>3,975,234</u>
Total non mark-up / interest income		<u>18,113,795</u>	<u>17,131,218</u>
		54,746,549	51,554,035
Non Mark-up / Interest Expenses			
Administrative expenses	28	<u>26,045,441</u>	<u>23,744,582</u>
Other provisions - net	29	145,073	361,928
Workers' Welfare Fund	30	499,746	531,106
Other charges	31	<u>249,377</u>	<u>64,984</u>
Total non mark-up / interest expenses		<u>26,939,637</u>	<u>24,702,600</u>
Profit before taxation		<u>27,806,912</u>	<u>26,851,435</u>
Taxation - Current	32	<u>8,242,269</u>	<u>8,947,398</u>
- Prior	32	54,398	497,000
- Deferred	32	<u>896,290</u>	<u>(484,321)</u>
		<u>9,192,957</u>	<u>8,960,077</u>
Profit after taxation		<u>18,613,955</u>	<u>17,891,358</u>
		----- (Rupees) -----	
		Restated	
Earnings per share - basic and diluted	33	<u>15.21</u>	<u>14.61</u>

The annexed notes from 1 to 48 and annexures form an integral part of these unconsolidated financial statements.


 Atif R. Bokhari
 President &
 Chief Executive Officer


 Amin Uddin
 Director


 Seerat Asghar
 Director


 Sir Mohammed Anwar Pervez, OBE, HPK
 Chairman

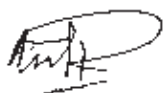
Unconsolidated Statement of Comprehensive Income

For the year ended December 31, 2013

	2013	2012
	----- (Rupees in '000) -----	
		Restated
Profit after taxation	18,613,955	17,891,358
Other comprehensive income:		
<i>Items that will never be reclassified to profit or loss</i>		
Actuarial gain / (loss) on defined benefit obligations	44,613	(131,407)
Related deferred tax (charge) / reversal	(15,615)	45,993
	28,998	(85,414)
<i>Items that are or may be reclassified to profit or loss</i>		
Exchange differences on translation of net investment in foreign branches	2,757,826	2,355,526
Gain on cash flow hedges	27,337	63,078
Related deferred tax charge on cash flow hedges	(9,568)	(22,077)
	17,769	41,001
	2,804,593	2,311,113
Comprehensive income transferred to equity - net of tax	21,418,548	20,202,471

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

The annexed notes from 1 to 48 and annexures form an integral part of these unconsolidated financial statements.



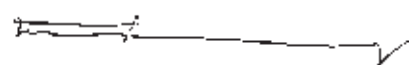
Atif R. Bokhari
President &
Chief Executive Officer



Amin Uddin
Director



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Director



Sir Mohammed Anwar Pervez, OBE, HPk
Chairman


Unconsolidated Cash Flow Statement

For the year ended December 31, 2013

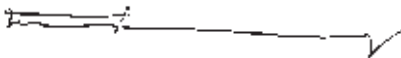
Note	2013	2012
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	27,806,912	26,851,435
Less: Dividend income	2,074,118	2,664,242
	<u>25,732,794</u>	<u>24,187,193</u>
Adjustments:		
Depreciation	1,698,684	1,506,194
Amortization	420,243	405,878
Workers' Welfare Fund	499,746	531,106
Provision for retirement benefits	871,549	806,923
Provision against loans and advances - net	1,055,067	3,282,893
Provision against lendings to financial institutions - net	60,509	168,492
Provision for diminution in value of investments - net	5,871	400,524
Reversal of provision in respect of investments disposed off during the year	-	(1,753,199)
Provision against off balance sheet items	-	249
Gain on sale of operating fixed assets - net	(24,893)	(24,879)
Bad debts written-off directly	181,724	284,991
Amortization of cash flow hedges	27,337	63,078
Unrealized loss / (gain) on revaluation of investments classified as held for trading	6,390	(2,236)
Provision against other assets	26,210	190,619
	<u>4,828,437</u>	<u>5,860,633</u>
	30,561,231	30,047,826
Decrease / (increase) in operating assets		
Lendings to financial institutions	(6,942,166)	(10,231,868)
Held for trading securities	(2,907,591)	(3,774,334)
Advances	(27,686,451)	(42,546,853)
Other assets (excluding advance taxation)	(1,635,680)	(1,393,102)
	<u>(39,171,888)</u>	<u>(57,946,157)</u>
(Decrease) / increase in operating liabilities		
Bills payable	8,990,251	1,721,590
Borrowings	(28,146,392)	18,767,015
Deposits and other accounts	129,418,041	85,449,558
Other liabilities (excluding current taxation)	1,928,057	(645,914)
	<u>112,189,957</u>	<u>105,292,249</u>
	103,579,300	77,393,918
Receipts / (payments) on account of staff retirement benefits	995,809	(233,436)
Income taxes paid	(8,821,029)	(12,348,308)
Net cash inflow from operating activities	<u>95,754,080</u>	<u>64,812,174</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in securities	(73,005,161)	(42,282,964)
Dividend income received	2,039,340	2,708,558
Investment in operating fixed assets	(2,443,349)	(3,433,626)
Sale proceeds from disposal of operating fixed assets	173,359	97,907
Net cash outflow from investing activities	<u>(73,235,811)</u>	<u>(42,910,125)</u>
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		
Repayments of subordinated loans	(8,653,936)	(1,997,816)
Dividends paid	(11,629,709)	(13,465,978)
Net cash outflow from financing activities	<u>(20,283,645)</u>	<u>(15,463,794)</u>
Exchange differences on translation of net investment in foreign branches	2,757,826	2,355,526
Increase in cash and cash equivalents	<u>4,992,450</u>	<u>8,793,781</u>
Cash and cash equivalents at the beginning of the year	109,395,772	100,601,991
Cash and cash equivalents at the end of the year	<u>34</u> <u>114,388,222</u>	<u>109,395,772</u>

The annexed notes from 1 to 48 and annexures form an integral part of these unconsolidated financial statements.


 Atif R. Bokhari
 President &
 Chief Executive Officer


 Amin Uddin
 Director


 Seerat Asghar
 Director


 Sir Mohammed Anwar Pervez, OBE, HPK
 Chairman

Unconsolidated Statement of Changes in Equity


For the year ended December 31, 2013

	Share capital	Statutory reserve	Capital reserves		Unappropriated profit	Total
			Exchange translation reserve	Cash flow hedge reserve		
(Rupees in '000)						
Balance as at December 31, 2011 - as reported	12,241,798	15,996,864	8,912,150	(61,995)	33,534,116	70,622,933
Restatement due to change in accounting policy (Refer note 5.1)	-	-	-	-	1,275,248	1,275,248
Balance as at December 31, 2011 - (Restated)	12,241,798	15,996,864	8,912,150	(61,995)	34,809,364	71,898,181
Transactions with owners for the year ended December 31, 2012						
Final cash dividend - December 31, 2011 declared subsequent to the year end at Rs.6.0 per share	-	-	-	-	(7,345,078)	(7,345,078)
Interim cash dividend - March 31, 2012 declared at Re.1.0 per share	-	-	-	-	(1,224,180)	(1,224,180)
Interim cash dividend - June 30, 2012 declared at Rs.2.0 per share	-	-	-	-	(2,448,360)	(2,448,360)
Interim cash dividend - September 30, 2012 declared at Rs.2.0 per share	-	-	-	-	(2,448,360)	(2,448,360)
	-	-	-	-	(13,465,978)	(13,465,978)
Total comprehensive income for the year ended December 31, 2012						
Profit after taxation for the year ended December 31, 2012 - (Restated)	-	-	-	-	17,891,358	17,891,358
Other comprehensive income - net of tax (Restated)	-	-	2,355,526	41,001	(85,414)	2,311,113
Total comprehensive income for the year ended December 31, 2012 - (Restated)	-	-	2,355,526	41,001	17,805,944	20,202,471
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	66,942	66,942
Transfer to statutory reserve	-	1,800,673	-	-	(1,800,673)	-
Balance as at December 31, 2012 - (Restated)	12,241,798	17,797,537	11,267,676	(20,994)	37,415,599	78,701,616
Transactions with owners for the year ended December 31, 2013						
Final cash dividend - December 31, 2012 declared subsequent to the year end at Rs.3.5 per share	-	-	-	-	(4,284,629)	(4,284,629)
Interim cash dividend - March 31, 2013 declared at Rs.2.0 per share	-	-	-	-	(2,448,360)	(2,448,360)
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)
	-	-	-	-	(11,629,709)	(11,629,709)
Total comprehensive income for the year ended December 31, 2013						
Profit after taxation for the year ended December 31, 2013	-	-	-	-	18,613,955	18,613,955
Other comprehensive income - net of tax	-	-	2,757,826	17,769	28,998	2,804,593
Total comprehensive income for the year ended December 31, 2013	-	-	2,757,826	17,769	18,642,953	21,418,548
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	67,098	67,098
Transfer to statutory reserve	-	1,861,396	-	-	(1,861,396)	-
Balance as at December 31, 2013	12,241,798	19,658,933	14,025,502	(3,225)	42,634,545	88,557,553

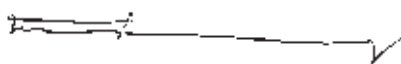
Appropriations recommended by the Board of Directors subsequent to the year ended December 31, 2013 are disclosed in note 46 to these unconsolidated financial statements.

The annexed notes from 1 to 48 and annexures form an integral part of these unconsolidated financial statements.


Atif R. Bokhari
President &
Chief Executive Officer


Amin Uddin
Director


Seerat Asghar
Director


Sir Mohammed Anwar Pervez, OBE, HPK
Chairman

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

1. STATUS AND NATURE OF BUSINESS

United Bank Limited (the Bank) is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's registered office and principal office are situated at UBL Building, Jinnah Avenue, Blue Area, Islamabad and at State Life Building No. 1, I. I. Chundrigar Road, Karachi, respectively. The Bank operates 1,283 (2012: 1,278) branches inside Pakistan including 22 (2012: 19) Islamic Banking branches and 1 (2012: 1) branch in Karachi Export Processing Zone. The Bank also operates 18 (2012: 18) branches outside Pakistan as at December 31, 2013. 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

2.1 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 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.

2.2 The financial results of the Islamic Banking branches of the Bank have been included in these unconsolidated financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in note 45 to these unconsolidated financial statements.

3. STATEMENT OF COMPLIANCE

3.1 These unconsolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. Approved accounting standards comprise of International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the directives issued by the SECP and the SBP differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the said directives prevail.

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, 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 financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

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

3.4 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned below against the respective standard or interpretation:

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
IFRIC 21 - An interpretation on the accounting for levies imposed by governments	January 01, 2014
IAS 32 - Offsetting Financial Assets and Financial Liabilities - (Amendment)	January 01, 2014
IAS 36 - Impairment of Assets - (Amendment)	January 01, 2014
IAS 39 - Financial Instruments: Recognition and Measurement (Amendment)	January 01, 2014
IAS 19 - Employee Benefits (Amendment)	July 01, 2014

The Bank expects that the adoption of the above amendments and interpretations will not affect its financial statements in the period of initial application.

In addition to the above amendments and interpretations, improvements to the following accounting standards have also been issued by IASB. Such improvements are generally effective for accounting periods beginning on or after July 01, 2014. The Bank expects the adoption of such improvements to the standards will not affect its financial statements in the period of initial application.

- IFRS 2 - Share-based Payment
- IFRS 3 - Business Combinations
- IFRS 8 - Operating Segments
- IAS 16 - Property, plant and equipment - (Amendment)
- IAS 38 - Intangible Assets - (Amendment)
- IAS 24 - Related Party Disclosures
- IAS 40 - Investment Property

The Bank expects that such improvements to the standards will not have any material impact on the Bank's financial statements in the period of initial application.

The following new standards have been issued by the IASB, but have not yet been notified by the SECP for application in Pakistan.

Standard or Interpretation	IASB Effective date (annual periods beginning on or after)
IFRS 9 - Financial Instruments: Classification and Measurement	Not yet notified by IASB
IFRS 10 - Consolidated Financial Statements	January 01, 2013
IFRS 11 - Joint Arrangements	January 01, 2013
IFRS 12 - Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 - Fair Value Measurement	January 01, 2013

4. BASIS OF MEASUREMENT

4.1 Accounting convention

These unconsolidated 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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

4.2 Critical accounting estimates and judgments

The preparation of these unconsolidated 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.

Significant accounting estimates and areas where judgments were made by management in the application of accounting policies are as follows:

- i) classification of investments (notes 5.4 and 9)
- ii) provision against investments (notes 5.4 and 9.3), lendings to financial institutions (note 8.6) and advances (notes 5.5 and 10.4)
- iii) income taxes (notes 5.8 and 32)
- iv) staff retirement benefits (notes 5.10 and 36)
- v) fair value of derivatives (notes 5.15.2 and 19.3)
- vi) operating fixed assets, depreciation and amortization (notes 5.6 and 11)
- vii) impairment (note 5.7)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Change in accounting policy

The Bank has adopted the following amended accounting standard which became effective during the year. Other than this, the accounting policies adopted in the preparation of these unconsolidated financial statements are consistent with those of the previous financial year.

IAS 19 - Employee Benefits (Revised)

During the year the Bank has adopted IAS-19 (Revised) effective from January 1, 2013. The revised standard has removed the option to defer recognition of actuarial gains and losses (i.e., the corridor approach) for defined benefit plans. As revised, actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in the profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income / expense. All other changes in net defined benefit obligations are recognized directly in other comprehensive income with no subsequent recycling through the profit and loss account.

The adoption of the revised standard has resulted in a change in the Bank's accounting policy related to recognition of actuarial gains and losses (note 5.10.3). Consequently, the Bank now recognizes all actuarial gains and losses directly in other comprehensive income with no subsequent recycling through the profit and loss account.

The change in accounting policy has been applied retrospectively. The effect of the change in accounting policy on the current and prior period financial statements have been summarized below:

	2013	2012	2011
	------(Rupees in '000)-----		
Impact on Statement of Financial Position			
Increase in other assets	<u>58,964</u>	<u>1,595,173</u>	<u>1,744,154</u>
(Decrease) in deferred tax assets - net	<u>-</u>	<u>-</u>	<u>(686,673)</u>
Increase in deferred tax liabilities - net	<u>542,092</u>	<u>578,558</u>	<u>-</u>
(Decrease) in other liabilities	<u>(1,489,869)</u>	<u>(57,849)</u>	<u>(217,767)</u>
Increase in unappropriated profit	<u>1,006,741</u>	<u>1,074,464</u>	<u>1,275,248</u>
Impact on Profit and Loss Account			
Increase in administrative expenses	<u>161,391</u>	<u>177,492</u>	
(Decrease) in tax expense	<u>(56,487)</u>	<u>(62,122)</u>	
Impact on Other Comprehensive Income			
Recognition of actuarial gain / (loss) - net of deferred tax	<u>28,998</u>	<u>(85,414)</u>	
(Decrease) in earnings per share (Re. / share)	<u>(0.09)</u>	<u>(0.10)</u>	

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

5.2 Cash and cash equivalents

Cash and cash equivalents for the purpose of the cash flow statement consist of cash and balances with treasury banks and balances with other banks.

5.3 Lendings to / borrowings from financial institutions

The Bank enters into transactions of reverse repos and repos at contracted rates for a specified period of time. These are recorded as under:

5.3.1 Purchase under resale agreements

Securities purchased under agreement to resell (reverse repo) are included in lendings to financial institutions. The differential between the purchase price and the resale price is amortized over the period of the agreement and recorded as income.

Securities held as collateral are not recognized in the unconsolidated financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability under borrowings from financial institutions.

5.3.2 Sale under repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in the unconsolidated financial statements as investments and the counterparty liability is included in borrowings from financial institutions. The differential between the sale price and the repurchase price is amortized over the period of the agreement and recorded as an expense.

5.4 Investments

Investments of the Bank, other than investments in subsidiaries and associates, are classified as held for trading, held to maturity and available for sale.

Held for trading

These are securities which are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements and dealer's margin, or are securities included in a portfolio in which a pattern of short term profit taking exists.

Held to maturity

These are securities with fixed or determinable payments and fixed maturities, in respect of which the Bank has the positive intent and ability to hold to maturity.

Available for sale

These are investments, other than those in subsidiaries and associates, that do not fall under the held for trading or held to maturity categories.

Initial measurement

All "regular way" purchases and sales of investments are recognized on the trade date, i.e., the date that the Bank commits to purchase or sell the investment. Regular way purchases or sales are purchases or sales of investments that require delivery of investments within the time frame generally established by regulation or convention in the market place.

Investments are initially recognized at fair value which, in the case of investments other than held for trading, includes transaction costs associated with the investments. Transaction costs on investments held for trading are expensed as incurred.

Subsequent measurement

Held for trading

These are measured at subsequent reporting dates at fair value. Gains and losses on re-measurement are included in the profit and loss account.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

Held to maturity

These are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.

Available for sale

Quoted securities classified as available for sale investments are measured at subsequent reporting dates at fair value. Any surplus / deficit arising thereon is kept in a separate account shown in the statement of financial position below equity and is taken to the profit and loss account when realized upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. The break-up value of these securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. A decline in the carrying value is charged to the profit and loss account. A subsequent increase in the carrying value, upto the cost of the investment, is credited to the profit and loss account. Investments in other unquoted securities are valued at cost less impairment, if any.

Provisions for diminution in the value of term finance certificates and Sukuks are made as per the ageing criteria prescribed by the Prudential Regulations issued by the SBP. Provisions for diminution in the value of other securities are made for impairment, if any.

Investments in Subsidiaries and Associates

Investments in subsidiaries and associates are valued at cost less impairment, if any. A reversal of an impairment loss on subsidiaries and associates is recognized as it arises provided the increased carrying value does not exceed cost.

Gains and losses on disposal of investments in subsidiaries and associates are included in the profit and loss account.

5.5 Advances

Advances are stated net of specific and general provisions which are charged to the profit and loss account. Specific provisions against domestic advances and general provision against domestic consumer loans are determined on the basis of the Prudential Regulations and other directives issued by the SBP. General and specific provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries. If circumstances warrant, the Bank, from time to time, makes general provisions against weaknesses in its portfolio on the basis of management's estimation.

Advances are written off when there is no realistic prospect of recovery. The amount so written off is a book entry and does not necessarily prejudice to the Bank's right of recovery against the customer.

The Bank determines write-offs in accordance with the criteria prescribed by the SBP vide BPRD Circular No. 06 dated June 05, 2007.

5.6 Operating fixed assets and depreciation

5.6.1 Owned

Property and equipment, other than land (which is not depreciated) and capital work-in-progress, are stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses (if any). Land is carried at revalued amount less impairment losses while capital work-in-progress is stated at cost less impairment losses. The cost and the accumulated depreciation of property and equipment of foreign branches include exchange differences arising on currency translation at the year-end rates of exchange.

Depreciation is calculated so as to write off the depreciable amount of the assets over their expected useful lives at the rates specified in note 11.2 to these unconsolidated financial statements. The depreciation charge for the year is calculated on a straight line basis after taking into account the residual value, if any. The residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date.

Depreciation on additions is charged from the month the asset is available for use. No depreciation is charged in the month of disposal.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

Land and buildings are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation is credited to the surplus on revaluation of fixed assets account. Any deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above-mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of fixed assets, to the extent of incremental depreciation, is transferred to unappropriated profit.

Gains and losses on sale of fixed assets are included in the profit and loss account, except that the related surplus on revaluation of fixed assets (net of deferred tax) is transferred directly to unappropriated profit.

Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Normal repairs and maintenance are charged to the profit and loss account as and when incurred.

5.6.2 Leased (Ijarah)

Assets leased out under Ijarah are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Assets under Ijarah are depreciated over the term of the lease.

Ijarah income is recognized on an accrual basis.

5.6.3 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. The cost and the accumulated amortization of intangible assets of foreign branches include exchange differences arising on currency translation at the year-end rates of exchange. Amortization is calculated so as to write off the amortizable amount of the assets over their expected useful lives at the rates specified in note 11.3 to these unconsolidated financial statements. The amortization charge for the year is calculated on a straight line basis after taking into account the residual value, if any. The residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date. Amortization on additions is charged from the month the asset is available for use. No amortization is charged in the month of disposal.

Gains and losses on sale of intangible assets are included in the profit and loss account.

5.7 Impairment

Impairment of available for sale equity investments

Available for sale equity investments are impaired when there has been a significant or prolonged decline in their fair value below their cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates, among other factors, the normal volatility in share price.

Impairment of investments in subsidiaries and associates

The Bank considers that a decline in the recoverable value of the investment in a subsidiary or an associate below its cost may be evidence of impairment. Recoverable value is calculated as the higher of fair value less costs to sell and value in use. An impairment loss is recognized when the recoverable value falls below the carrying value and is charged to the profit and loss account. A subsequent reversal of an impairment loss, upto the cost of the investment in the subsidiary or the associate, is credited to the profit and loss account.

Impairment in non-financial assets (excluding deferred tax)

The carrying amounts of non-financial assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is charged to the profit and loss account except for an impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the revaluation surplus.

5.8 Taxation

5.8.1 Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws and at the prevailing rates for taxation on income earned from local as well as foreign operations.

5.8.2 Prior years

The taxation charge for prior years represents adjustments to the tax charge relating to prior years, arising from assessments and changes in estimates made during the current year.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

5.8.3 Deferred

Deferred tax is recognized using the liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is calculated at the rates that are expected to apply to the period when the differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

The Bank also recognizes a deferred tax asset / liability on the cash flow hedge reserve and on the deficit / surplus on revaluation of fixed assets and securities which is adjusted against the cash flow hedge reserve or against the related deficit / surplus in accordance with the requirements of IAS 12, Income Taxes.

5.9 Provisions

Provisions are recognized when the Bank has a legal or constructive obligation as a result of past events which makes it probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Provision against identified non-funded losses is recognized when intimated and reasonable certainty exists that the Bank will be required to settle the obligation. The provision is charged to the profit and loss account net of expected recovery and the obligation is classified under other liabilities.

Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimate.

5.10 Staff retirement and other benefits

5.10.1 Staff retirement benefit schemes

The Bank operates the following staff retirement schemes for its employees

- a) For new employees and for those who opted for the below mentioned conversion option introduced in 2001, the Bank operates
 - an approved contributory provident fund (defined contribution scheme); and
 - an approved gratuity scheme (defined benefit scheme).
- b) For employees who have not opted for the conversion option introduced in 2001, the Bank operates
 - an approved non-contributory provident fund in lieu of the contributory provident fund; and
 - an approved funded pension scheme, introduced in 1986 (defined benefit scheme).

In 2001, the Bank modified the pension scheme and introduced a conversion option for employees covered under option (b) above to move to option (a). This conversion option ceased on December 31, 2003.

The Bank also operates a contributory benevolent fund for all its eligible employees (defined benefit scheme).

Annual contributions towards defined benefit schemes are made on the basis of actuarial advice using the Projected Unit Credit Method.

For the defined contribution scheme, the Bank pays contributions to the fund on a periodic basis. The Bank has no further payment obligation once the contributions have been paid. The contributions are recognized as an expense when the obligation to make payments to the fund has been established. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Notes to and forming part of the Unconsolidated Financial Statements

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5.10.2 Other benefits

a) Employees' compensated absences

The Bank makes provisions for compensated vested and non-vested absences accumulated by its eligible employees on the basis of actuarial advice under the Projected Unit Credit Method.

b) Post retirement medical benefits (defined benefit scheme)

The Bank provides post retirement medical benefits to eligible retired employees. Provision is made on the basis of actuarial advice under the Projected Unit Credit Method.

c) Employee motivation and retention scheme

The Bank has a long term motivation and retention scheme for its employees. The liability of the Bank in respect of the scheme for each year, if any, is fixed, and is accounted for in the year to which the scheme relates.

5.10.3 Actuarial gains and losses

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income when they occur with no subsequent recycling through the profit and loss account.

Actuarial gains and losses pertaining to long term compensated absences are recognized in the profit and loss account immediately.

5.11 Subordinated loans

Subordinated loans are initially recorded at the amount of proceeds received. Mark-up accrued on subordinated loans is recognised separately as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

5.12 Borrowings / deposits

a) Borrowings / deposits are recorded at the amount of proceeds received.

b) The cost of borrowings / deposits is recognized on an accrual basis as an expense in the period in which it is incurred.

5.13 Revenue recognition

Revenue is recognized to the extent that the economic benefits associated with a transaction will flow to the Bank and the revenue can be reliably measured. The following recognition criteria must be met before revenue is recognized.

5.13.1 Advances and investments

Mark-up / return / interest on performing advances and investments is recognized on a time proportionate basis over the term of the advances and investments. Where debt securities are purchased at a premium or discount, such premium / discount is amortized through the profit and loss account over the remaining period of maturity of the debt securities.

Interest or mark-up recoverable on non-performing or classified advances and investments is recognized on a receipt basis.

5.13.2 Dividend income

Dividend income is recognised when the right to receive the dividend is established.

5.13.3 Fee, brokerage and commission income

Fee, brokerage and commission income is recognized on an accrual basis.

5.13.4 Grants

Grants received are recorded as income when the right to receive the grant, based on the related expenditure having been incurred, has been established.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

5.14 Foreign currencies

5.14.1 Functional and presentation currency

Items included in these unconsolidated financial statements are measured using the currency of the primary economic environment in which the Bank operates. These unconsolidated financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

5.14.2 Foreign currency transactions

Transactions in foreign currencies are translated to rupees at the foreign exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the statement of financial position date. Forward foreign exchange contracts and foreign bills purchased are valued in rupees at the forward foreign exchange rates applicable to their respective maturities.

Non-monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the date of initial recognition of the non-monetary assets / liabilities.

5.14.3 Foreign operations

The assets and liabilities of foreign operations are translated to rupees at exchange rates prevailing at the statement of financial position date. The results of foreign operations are translated at the average rates of exchange for the year.

5.14.4 Translation gains and losses

Translation gains and losses are taken to the profit and loss account, except those arising on translation of the net investment in foreign branches which are taken to capital reserves (Exchange Translation Reserve) until the disposal of the net investment, at which time these are recognised in the profit and loss account.

5.14.5 Contingencies and commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in these unconsolidated financial statements at contracted rates. Contingent liabilities / commitments denominated in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the statement of financial position date.

5.15 Financial instruments

5.15.1 Financial assets and liabilities

Financial assets and liabilities carried on the statement of financial position include cash and bank balances, lendings to financial institutions, investments, advances, certain receivables, bills payable, borrowings from financial institutions, deposits, subordinated loans and certain payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy notes associated with them.

5.15.2 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when their fair value is positive and liabilities when their fair value is negative. Any change in the fair value of derivative financial instruments during the period is taken to the profit and loss account.

5.15.3 Hedge accounting

The Bank makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks. In order to manage particular risks, the Bank may undertake a hedge. The Bank applies hedge accounting for transactions which meet the specified criteria.

At the inception of the hedging relationship, the Bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship. A formal assessment is also undertaken to ascertain whether the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is regarded as highly effective if, during the period for which the hedge is designated, changes in the fair value or cash flows attributable to the hedged item are expected to be offset by between 80% to 125% by corresponding changes in the fair value or cash flows attributable to the hedging instrument.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

Cash flow hedges

For qualifying cash flow hedges, the fair value gain or loss associated with the effective portion of the cash flow hedge is recognised initially in the statement of changes in equity, and recycled through the profit and loss account in the periods when the hedged item will affect profit or loss. Any gain or loss on the ineffective portion of the hedging instrument is recognised in the profit and loss account immediately.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in the profit and loss account.

5.15.4 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the unconsolidated financial statements when there is a legally enforceable right to set off and the Bank intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

5.16 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing particular products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), and is subject to risks and rewards that are different from those of other segments.

5.16.1 Business segments

(a) Corporate finance

Corporate finance includes services provided in connection with mergers and acquisitions, project finance and the underwriting / arrangement of debt and equity instruments through syndications, Initial Public Offerings and private placements.

(b) Trading and sales

Trading and sales includes fixed income, equity, foreign exchange, credit, funding, own position securities, lendings and borrowings and derivatives for hedging and market making.

(c) Retail banking

Retail banking includes retail and consumer lending and deposits, banking services, cards and branchless banking.

(d) Commercial banking

Commercial banking includes project finance, working capital finance, trade finance, import and export, factoring, leasing, lending, deposits and guarantees.

(e) Others

Others includes functions which cannot be classified in any of the above segments.

5.16.2 Geographical segments

The Bank operates in four geographical regions being:

- Pakistan
- Middle East
- United States of America
- Karachi Export Processing Zone

5.17 Dividends and appropriations to reserves

Dividends and appropriations to reserves are recorded in the year in which these are approved, except appropriations required by law which are recorded in the period to which they pertain.

5.18 Earnings per share

The Bank presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

	Note	2013	2012
----- (Rupees in '000) -----			
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		10,205,233	19,179,233
Foreign currency		4,411,775	4,595,050
		14,617,008	23,774,283
With State Bank of Pakistan in			
Local currency current accounts	6.1	22,944,148	22,998,175
Foreign currency current accounts	6.2	2,022,787	1,646,896
Foreign currency deposit account	6.3	5,938,134	4,732,230
		30,905,069	29,377,301
With other central banks in			
Foreign currency current accounts	6.4	17,590,646	16,588,955
Foreign currency deposit accounts	6.5	1,207,384	2,946,037
		18,798,030	19,534,992
With National Bank of Pakistan in local currency current accounts		24,109,512	21,377,121
National Prize Bonds		91,106	97,749
		<u>88,520,725</u>	<u>94,161,446</u>

6.1 This represents current accounts maintained with the SBP under the Cash Reserve Requirement of section 22 of the Banking Companies Ordinance, 1962.

6.2 This represents a US Dollar settlement account maintained with the SBP and current accounts maintained with the SBP to comply with statutory requirements.

6.3 This represents accounts maintained with the SBP to comply with the Special Cash Reserve requirement. The return on this account is declared by the SBP on a monthly basis and, as at December 31, 2013, carries mark-up at the rate of 0.00% (2012: 0.00%) per annum.

6.4 Deposits with other central banks are maintained to meet the minimum cash reserves and capital requirements pertaining to the foreign branches of the Bank.

6.5 This represents placements with overseas central banks and carries mark-up at the rate of 0.00% to 0.25% (2012: 0.00% to 0.25%) per annum.

	Note	2013	2012
----- (Rupees in '000) -----			
7. BALANCES WITH OTHER BANKS			
Inside Pakistan			
In current accounts		155,606	29,517
In deposit accounts	7.1	1,600,007	900,007
		1,755,613	929,524
Outside Pakistan			
In current accounts		12,430,237	5,872,030
In deposit accounts	7.2	11,681,647	8,432,772
		24,111,884	14,304,802
		<u>25,867,497</u>	<u>15,234,326</u>

7.1 These carry mark-up at rates ranging from 7.50% to 9.50% (2012: 8.97% to 9.75%) per annum.

7.2 These carry mark-up at rates ranging from 0.06% to 2.85% (2012: 0.01% to 2.85%) per annum and include balances amounting to Rs. 226.448 million (2012: Rs. 208.872 million), maintained with an overseas bank against the statutory reserves requirement of a foreign branch.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

	Note	2013	2012
----- (Rupees in '000) -----			
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lending	8.2	100,000	-
Repurchase agreement lendings	8.3	13,791,125	6,470,898
Other lendings to financial institutions	8.4 & 8.5	<u>15,597,908</u>	<u>16,036,288</u>
		<u>29,489,033</u>	<u>22,507,186</u>
Provision against lendings to financial institutions	8.6	<u>(653,918)</u>	<u>(553,728)</u>
		<u><u>28,835,115</u></u>	<u><u>21,953,458</u></u>
8.1 Particulars of lendings to financial institutions - gross			
In local currency		15,061,947	8,246,736
In foreign currencies		<u>14,427,086</u>	<u>14,260,450</u>
		<u><u>29,489,033</u></u>	<u><u>22,507,186</u></u>

8.2 This represents unsecured lending carrying mark-up at a rate of 9.70% per annum (2012: nil) and is due to mature by May 2014.

8.3 Securities held as collateral against repurchase agreement lendings

	2013			2012		
	Held by Bank	Further given as collateral / sold	Total	Held by Bank	Further given as collateral / sold	Total
----- (Rupees in '000) -----						
Market Treasury Bills	8,723,925	-	8,723,925	6,470,898	-	6,470,898
Pakistan Investment Bonds	5,067,200	-	5,067,200	-	-	-
	<u>13,791,25</u>	-	<u>13,791,125</u>	<u>6,470,898</u>	-	<u>6,470,898</u>

Repurchase agreement lendings carry mark-up at rates ranging from 9.40% to 10.00% (2012: 7.50% to 8.50%) per annum and are due to mature latest by January 2014. The market value of the securities held as collateral against these lendings amounted to Rs 14,004.415 million (2012: Rs. 6,474.321 million).

8.4 Lendings pertaining to domestic operations carry mark-up at rates ranging from 0.00% to 11.87% per annum (2012: 0.00% to 12.51% per annum) and are due to mature latest by February 2022. Lendings pertaining to overseas operations carry mark-up at rates ranging from 0.10% to 5.00% per annum (2012: 0.20% to 4.00% per annum) and are due to mature latest by July 2021.

8.5 This includes an unsecured subordinated loan to United Bank UK, a subsidiary, and is due to mature by October 2018. The loan carries mark-up at a rate of six months LIBOR + 2% per annum payable semi-annually, with principal to be paid at maturity. The right of the Bank is subordinated as to the receipt of principal and mark-up to all other indebtedness of United Bank UK (including deposits).

8.6 This represents provision made against lendings to financial institutions with movement as follows:

	2013	2012
----- (Rupees in '000) -----		
Opening balance	553,728	356,637
Exchange adjustments	39,681	28,599
Charge / (reversals)		
Charge for the year	65,750	179,667
Reversals	(5,241)	(11,175)
	<u>60,509</u>	<u>168,492</u>
Closing balance	<u><u>653,918</u></u>	<u><u>553,728</u></u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

9.	INVESTMENTS	Note	2013			2012		
			Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
9.1	Investments by type		(Rupees in '000)					
	Held for trading securities							
	Market Treasury Bills		7,401,965	-	7,401,965	3,797,712	-	3,797,712
	Pakistan Investment Bonds		-	-	-	514,070	-	514,070
	Ordinary shares of listed companies		317,933	-	317,933	498,289	-	498,289
			7,719,898	-	7,719,898	4,810,071	-	4,810,071
	Available for sale securities							
	Market Treasury Bills		176,092,538	12,054,264	188,146,802	78,285,856	44,734,778	123,020,634
	Pakistan Investment Bonds		65,136,963	-	65,136,963	63,327,795	-	63,327,795
	Government of Pakistan Sukuk		6,186,752	-	6,186,752	9,043,880	-	9,043,880
	Government of Pakistan Eurobonds		10,934,926	-	10,934,926	9,466,364	-	9,466,364
	Ordinary shares of listed companies		14,157,209	-	14,157,209	6,537,756	-	6,537,756
	Preference shares		436,645	-	436,645	422,057	-	422,057
	Ordinary shares of unlisted companies		243,100	-	243,100	242,926	-	242,926
	Term Finance Certificates		1,921,367	-	1,921,367	2,021,199	-	2,021,199
	Units of mutual funds		-	-	-	114,075	-	114,075
	Foreign bonds - sovereign		13,388,237	-	13,388,237	6,058,958	-	6,058,958
	Foreign bonds - others		11,557,116	-	11,557,116	12,907,656	-	12,907,656
			300,054,853	12,054,264	312,109,117	188,428,522	44,734,778	233,163,300
	Held to maturity securities							
	Market Treasury Bills		40,607,486	-	40,607,486	54,799,452	-	54,799,452
	Pakistan Investment Bonds		38,333,967	-	38,333,967	31,273,156	-	31,273,156
	Government of Pakistan Eurobonds		5,281,493	-	5,281,493	-	-	-
	Government of Pakistan Sukuk		300,000	-	300,000	300,000	-	300,000
	Term Finance Certificates		5,045,801	-	5,045,801	3,971,848	-	3,971,848
	Sukuks		1,774,197	-	1,774,197	1,541,205	-	1,541,205
	Participation Term Certificates		4,939	-	4,939	4,939	-	4,939
	Debentures		2,266	-	2,266	4,392	-	4,392
	Foreign bonds		228,454	-	228,454	210,727	-	210,727
	Recovery note		324,639	-	324,639	307,517	-	307,517
	CDC SAARC Fund		229	-	229	211	-	211
			91,903,471	-	91,903,471	92,413,447	-	92,413,447
	Associates							
	United Growth and Income Fund		3,030,136	-	3,030,136	3,030,136	-	3,030,136
	UBL Liquidity Plus Fund		335,378	-	335,378	6,307,994	-	6,307,994
	UBL Shariah Stock Fund		-	-	-	250,000	-	250,000
	United Islamic Income Fund		200,000	-	200,000	200,000	-	200,000
	UBL Stock Advantage Fund		-	-	-	250,000	-	250,000
	UBL Savings Income Fund		100,000	-	100,000	100,000	-	100,000
	UBL Islamic Sovereign Fund		350,000	-	350,000	350,000	-	350,000
	UBL Islamic Retirement Savings Fund		90,000	-	90,000	90,000	-	90,000
	UBL Retirement Savings Fund		90,000	-	90,000	90,000	-	90,000
	UBL Principal Protected Fund - I		100,000	-	100,000	100,000	-	100,000
	UBL Principal Protected Fund - II		100,000	-	100,000	-	-	-
	UBL Government Securities Fund		100,000	-	100,000	100,000	-	100,000
	UBL Islamic Cash Fund		100,000	-	100,000	100,000	-	100,000
	UBL Gold Fund		100,000	-	100,000	-	-	-
	UBL Islamic Principal Preservation Fund - I		100,000	-	100,000	-	-	-
	UBL Islamic Principal Preservation Fund - II		100,000	-	100,000	-	-	-
	UBL Asset Allocation Fund		600,000	-	600,000	-	-	-
	UBL Islamic Asset Allocation Fund		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
			6,674,980	-	6,674,980	12,047,596	-	12,047,596
	Subsidiaries							
	United National Bank Limited	9.7	1,482,011	-	1,482,011	1,482,011	-	1,482,011
	UBL (Switzerland) AG	9.8	589,837	-	589,837	589,837	-	589,837
	UBL Fund Managers Limited		100,000	-	100,000	100,000	-	100,000
	UBL Bank (Tanzania) Limited	9.9	1,322,014	-	1,322,014	1,322,014	-	1,322,014
	United Executors and Trustees Company Limited		30,100	-	30,100	30,100	-	30,100
			3,523,962	-	3,523,962	3,523,962	-	3,523,962
			409,877,164	12,054,264	421,931,428	301,223,598	44,734,778	345,958,376
	Provision for diminution in value of investments	9.3	(1,476,109)	-	(1,476,109)	(1,412,174)	-	(1,412,174)
	Investments (net of provisions)		408,401,055	12,054,264	420,455,319	299,811,424	44,734,778	344,546,202
	Surplus / (deficit) on revaluation of available for sale securities	21.2	3,333,337	(5,016)	3,328,321	4,648,328	393,416	5,041,744
	(Deficit) / surplus on revaluation of held for trading securities	9.4	(6,390)	-	(6,390)	2,236	-	2,236
	Total investments		411,728,002	12,049,248	423,777,250	304,461,988	45,128,194	349,590,182

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

	Note	2013	2012
		----- (Rupees in '000) -----	
9.2	Investments by segment		
	Federal Government Securities		
	Market Treasury Bills	209,957,884	159,837,863
	Pakistan Investment Bonds	103,470,930	95,115,021
	Government of Pakistan Sukuk	6,486,752	9,343,880
	Government of Pakistan Eurobonds	16,216,419	9,466,364
		<u>336,131,985</u>	<u>273,763,128</u>
	Foreign Securities		
	Market Treasury Bills	26,198,369	21,779,935
	Sovereign bonds	13,388,237	6,058,958
	CDC SAARC Fund	229	211
	Recovery note	324,639	307,517
	Other bonds	11,785,570	13,118,383
		<u>51,697,044</u>	<u>41,265,004</u>
	Ordinary shares		
	Listed companies	14,475,142	7,036,045
	Unlisted companies	243,100	242,926
		<u>14,718,242</u>	<u>7,278,971</u>
	Preference shares	436,645	422,057
	Units of Mutual Funds	-	114,075
	Term Finance Certificates		
	Listed	2,389,091	2,777,101
	Unlisted	4,578,077	3,215,946
		<u>6,967,168</u>	<u>5,993,047</u>
	Sukuks	1,774,197	1,541,205
	Debentures	2,266	4,392
	Participation Term Certificates	4,939	4,939
	Investments in subsidiaries and associates	10,198,942	15,571,558
	Total investments at cost	<u>421,931,428</u>	<u>345,958,376</u>
	Provision for diminution in value of investments	9.3 (1,476,109)	(1,412,174)
	Investments (net of provisions)	<u>420,455,319</u>	<u>344,546,202</u>
	Surplus on revaluation of available for sale securities	21.2 3,328,321	5,041,744
	(Deficit) / surplus on revaluation of held for trading securities	9.4 (6,390)	2,236
	Total investments	<u><u>423,777,250</u></u>	<u><u>349,590,182</u></u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

	2013	2012
	----- (Rupees in '000) -----	
9.3	Provision for diminution in value of investments	
9.3.1	1,412,174	2,726,226
	58,064	51,617
	Charge / (reversals)	
	63,589	496,390
	(57,718)	(95,866)
	5,871	400,524
	-	(1,753,199)
	-	(12,411)
	-	(583)
	<u>1,476,109</u>	<u>1,412,174</u>
9.3.2	Provision for diminution in value of investments by type	
	Available for sale securities	
	373,026	362,722
	122,437	135,366
	97,616	48,808
	43,572	40,194
	343,871	312,060
	980,522	899,150
	Held to maturity securities	
	57,337	66,831
	106,406	129,345
	324,639	307,517
	4,939	4,939
	2,266	4,392
	495,587	513,024
	<u>1,476,109</u>	<u>1,412,174</u>
9.3.3	Provision for diminution in value of investments by segment	
	Equity securities	
	373,026	362,722
	122,437	135,366
	343,871	312,060
	839,334	810,148
	Debt securities	
	154,953	115,639
	106,406	129,345
	324,639	307,517
	43,572	40,194
	4,939	4,939
	2,266	4,392
	636,775	602,026
	<u>1,476,109</u>	<u>1,412,174</u>
9.4	Unrealized (loss) / gain on revaluation of held for trading securities	
	(1,110)	575
	-	(1,105)
	(5,280)	2,766
	<u>(6,390)</u>	<u>2,236</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

- 9.5 Investments include securities which are held by the Bank to comply with the statutory liquidity requirements as set out under Section 29 of the Banking Companies Ordinance, 1962.
- 9.6 Investments include Rs. 282.000 million (2012: Rs. 282.000 million) held by the SBP and National Bank of Pakistan as pledge against demand loan, TT / DD discounting facilities and foreign exchange exposure limit sanctioned to the Bank and Rs. 5 million (2012: Rs. 5 million) held by the Controller of Military Accounts (CMA) under Regimental Fund Arrangements.
- 9.7 United National Bank Limited operates under the trade name United Bank UK.
- 9.8 During the year, United Bank AG Zurich, Switzerland, changed its name to UBL (Switzerland) AG.
- 9.9 UBL Bank (Tanzania) Limited, which was incorporated on March 13, 2012, has commenced operations in May 2013.
- 9.10 During the year, the Bank has exercised its pledge on shares of DHA Cogen Limited. As a result, the Bank now holds 20.99% of the issued and paid up shares of DHA Cogen Limited without any consideration having been paid. Consequently, DHA Cogen Limited is considered as an associated company of the Bank from October 9, 2013.
- 9.11 Information relating to investments required to be disclosed as part of the financial statements under the SBP's BSD Circular No. 4 dated February 17, 2006, and details in respect of the quality of available for sale securities are disclosed in Annexure 'A' to these unconsolidated financial statements.

10. ADVANCES	Note	Performing		Non-performing		Total	
		2013	2012	2013	2012	2013	2012
----- (Rupees in '000) -----							
Loans, cash credits, running finances, etc.							
In Pakistan	10.2	229,406,045	230,815,522	40,121,889	42,504,171	269,527,934	273,319,693
Outside Pakistan		109,460,137	90,430,230	9,752,108	9,437,856	119,212,245	99,868,086
		338,866,182	321,245,752	49,873,997	51,942,027	388,740,179	373,187,779
Bills discounted and purchased							
Payable in Pakistan		27,101,200	19,991,220	2,756,062	5,404,969	29,857,262	25,396,189
Payable outside Pakistan		18,151,641	10,506,476	-	-	18,151,641	10,506,476
		45,252,841	30,497,696	2,756,062	5,404,969	48,008,903	35,902,665
Advances - gross		384,119,023	351,743,448	52,630,059	57,346,996	436,749,082	409,090,444
Provision against advances	10.4						
- Specific		-	-	(44,096,739)	(43,463,810)	(44,096,739)	(43,463,810)
- General		(1,838,881)	(1,242,626)	-	(20,206)	(1,838,881)	(1,262,832)
		(1,838,881)	(1,242,626)	(44,096,739)	(43,484,016)	(45,935,620)	(44,726,642)
Advances - net of provision		382,280,142	350,500,822	8,533,320	13,862,980	390,813,462	364,363,802
----- (Rupees in '000) -----							
		Performing		Non-performing		Total	
		2013	2012	2013	2012	2013	2012
----- (Rupees in '000) -----							
10.1	Particulars of advances - gross						
10.1.1	In local currency	248,907,872	249,048,415	42,516,403	47,607,666	291,424,275	296,656,081
	In foreign currencies	135,211,151	102,695,033	10,113,656	9,739,330	145,324,807	112,434,363
		384,119,023	351,743,448	52,630,059	57,346,996	436,749,082	409,090,444
10.1.2	Short term	237,327,089	218,613,468	-	-	237,327,089	218,613,468
	Long term	146,791,934	133,129,980	52,630,059	57,346,996	199,421,993	190,476,976
		384,119,023	351,743,448	52,630,059	57,346,996	436,749,082	409,090,444

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

10.2 Non-performing advances include gross advances of Rs.12,541.082 million (2012: Rs.14,554.414 million) and advances net of provision of Rs.1,697.164 million (2012: Rs. 3,124.456 million) which, though restructured and performing, have been placed under non-performing status as required by the Prudential Regulations issued by the SBP, which require monitoring for at least one year before any upgradation is considered.

10.3 Advances include Rs. 52,630 million (2012: Rs. 57,347 million) which have been placed under non-performing status as detailed below:

Category of classification	2013								
	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>
	2012								
Category of classification	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other Assets Especially									
Mentioned *	248,010	-	248,010	-	-	-	-	-	-
Substandard	2,138,136	1,346,874	3,485,010	425,466	306,622	732,088	425,466	306,622	732,088
Doubtful	2,540,057	2,095,227	4,635,284	1,148,763	1,093,678	2,242,441	1,148,763	1,093,678	2,242,441
Loss	42,982,937	5,995,755	48,978,692	36,264,639	4,224,642	40,489,281	36,264,639	4,224,642	40,489,281
	<u>47,909,140</u>	<u>9,437,856</u>	<u>57,346,996</u>	<u>37,838,868</u>	<u>5,624,942</u>	<u>43,463,810</u>	<u>37,838,868</u>	<u>5,624,942</u>	<u>43,463,810</u>

* The Other Assets Especially Mentioned category pertains to agricultural finance and advances to small enterprises.

10.4 Particulars of provision against advances

	Note	2013			2012		
		Specific	General	Total	Specific	General	Total
		(Rupees in '000)					
Opening balance		43,463,810	1,262,832	44,726,642	39,950,726	1,008,694	40,959,420
Exchange adjustments		430,425	94,114	524,539	391,565	58,824	450,389
Charge / (reversals)							
Charge for the year		4,934,316	526,281	5,460,597	5,825,305	290,497	6,115,802
Reversals		(4,393,152)	(12,378)	(4,405,530)	(2,737,726)	(95,183)	(2,832,909)
		541,164	513,903	1,055,067	3,087,579	195,314	3,282,893
Transfers in - net		754,617	(31,968)	722,649	366,647	-	366,647
Amounts written off	10.5	(1,093,277)	-	(1,093,277)	(332,707)	-	(332,707)
Closing balance		<u>44,096,739</u>	<u>1,838,881</u>	<u>45,935,620</u>	<u>43,463,810</u>	<u>1,262,832</u>	<u>44,726,642</u>

10.4.1 General provision represents provision amounting to Rs. 252.592 million (2012: Rs. 264.970 million) against consumer finance portfolio and Rs. 32.942 million (2012: Nil) against advances to small enterprises as required by the Prudential Regulations issued by the SBP and Rs.1,505.347 million (2012: Rs. 949.862 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 (2012: Rs. 48.000 million) which the Bank carries as a matter of prudence given the current economic environment, and is based on management estimates.

10.4.2 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.1,354.730 million (2012: Rs. 3,169.414 million). The FSV benefit availed is not available for the distribution of cash or stock dividend to shareholders.

10.4.3 Particulars of provision against advances

	2013			2012		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	37,408,028	333,534	37,741,562	37,594,095	312,970	37,907,065
In foreign currencies	6,688,711	1,505,347	8,194,058	5,869,715	949,862	6,819,577
	<u>44,096,739</u>	<u>1,838,881</u>	<u>45,935,620</u>	<u>43,463,810</u>	<u>1,262,832</u>	<u>44,726,642</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

	Note	2013	2012
		----- (Rupees in '000) -----	
10.5	Particulars of write-offs		
10.5.1	10.4	1,093,277	332,707
		181,724	284,991
		<u>1,275,001</u>	<u>617,698</u>
10.5.2	10.6	1,124,571	413,592
		150,430	204,106
		<u>1,275,001</u>	<u>617,698</u>

10.6 Details of loan write-offs of Rs.500,000 and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written off loans or any other financial relief of five hundred thousand rupees or above allowed to a person during the year ended December 31, 2013 is given in Annexure 'B' to the unconsolidated financial statements.

	Note	2013	2012
		----- (Rupees in '000) -----	
10.7	Particulars of loans and advances to executives, Directors, associated companies etc.		
		2,168,818	1,727,199
		980,125	767,633
		(620,749)	(326,014)
		359,376	441,619
		2,155,149	-
		<u>4,683,343</u>	<u>2,168,818</u>

11. OPERATING FIXED ASSETS

Capital work-in-progress	11.1	1,916,346	1,681,230
Property and equipment	11.2	21,370,720	21,317,645
Intangible assets	11.3	1,320,871	1,432,194
		<u>24,607,937</u>	<u>24,431,069</u>

11.1 Capital work-in-progress

Civil works	11.1.1	1,298,110	947,695
Equipment		354,703	529,907
Software		236,528	193,824
Advances to suppliers and contractors		27,005	9,804
		<u>1,916,346</u>	<u>1,681,230</u>

11.1.1 This includes Rs.1,223.088 million (2012: Rs.820.360 million) in respect of construction of the Head Office building.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

11.2 Property and equipment

		2013									
		Cost / Revaluation				Accumulated Depreciation				Net book value at December 31, 2013	Annual rate of depreciation %
Note		At January 1, 2013	Additions / (deletions)	Exchange / Other adjustments	At December 31, 2013	At January 1, 2013	Charge for the year / (depreciation on deletions)	Exchange / Other adjustments	At December 31, 2013		
(Rupees in '000)											
Owned											
	Freehold land	3,041,776	-	-	3,041,776	-	-	-	-	3,041,776	-
	Leasehold land	11,808,012	-	121	11,808,133	292,914	-	105	293,019	11,515,114	-
	Buildings on freehold land	435,089	12,902	-	447,991	52,923	22,131	-	75,054	372,937	5
	Buildings on leasehold land	2,121,536	-	944	2,122,480	327,484	104,966	199	432,649	1,689,831	5
	Leasehold Improvements	2,244,484	309,790	39,709	2,593,983	977,897	231,610	26,729	1,236,236	1,357,747	10 - 20
	Furniture and fixtures	1,096,450	100,031 (3,011)	16,853	1,210,323	668,001	87,463 (2,766)	14,278	766,976	443,347	10 - 25
	Electrical, office and computer equipment	6,124,831	1,041,446 (43,971)	87,902	7,210,208	4,416,537	856,599 (42,933)	80,876	5,311,079	1,899,129	20 - 33.33
	Vehicles	393,961	47,044 (33,481)	4,610	412,134	195,201	60,971 (31,018)	3,398	228,552	183,582	20 - 25
	Assets under operating lease										
	Ijarah assets	11.8 1,399,397	360,857 (394,956)	3,602	1,368,900	416,934	334,944 (250,235)	-	501,643	867,257	20 - 33.33
	2013	28,665,536	1,872,070 (475,419)	153,741	30,215,928	7,347,891	1,698,684 (326,952)	125,585	8,845,208	21,370,720	
		2012									
		Cost / Revaluation				Accumulated Depreciation				Net book value at December 31, 2012	Annual rate of depreciation %
Note		At January 1, 2012	Additions / (deletions)	Exchange / Other adjustments	At December 31, 2012	At January 1, 2012	Charge for the year / (depreciation on deletions)	Exchange / Other adjustments	At December 31, 2012		
(Rupees in '000)											
Owned											
	Freehold land	3,041,776	-	-	3,041,776	-	-	-	-	3,041,776	-
	Leasehold land	11,782,784	25,121	107	11,808,012	292,822	-	92	292,914	11,515,098	-
	Buildings on freehold land	374,216	60,873	-	435,089	32,410	20,513	-	52,923	382,166	5
	Buildings on leasehold land	2,096,283	24,421	832	2,121,536	223,542	104,180	(238)	327,484	1,794,052	5
	Leasehold Improvements	1,936,497	259,141	48,846	2,244,484	748,436	205,264	24,197	977,897	1,266,587	10 - 20
	Furniture and fixtures	1,009,999	97,073 (20,332)	9,710	1,096,450	592,971	85,284 (19,043)	8,789	668,001	428,449	10 - 25
	Electrical, office and computer equipment	5,235,442	933,061 (97,679)	54,007	6,124,831	3,698,924	767,243 (96,010)	46,380	4,416,537	1,708,294	20 - 33.33
	Vehicles	376,906	47,548 (34,644)	4,151	393,961	164,930	55,062 (27,919)	3,128	195,201	198,760	20 - 25
	Assets under operating lease										
	Ijarah assets	11.8 732,087	892,403 (205,926)	(19,167)	1,399,397	290,867	268,648 (142,581)	-	416,934	982,463	20 - 33.33
	2012	26,585,990	2,339,641 (358,581)	98,486	28,665,536	6,044,902	1,506,194 (285,553)	82,348	7,347,891	21,317,645	

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

11.3 Intangible assets

	2013									
	Cost				Accumulated Amortization				Net book value at December 31, 2013	Annual rate of amortisation %
	At January 1, 2013	Additions / (deletions)	Exchange / other adjustments	At December 31, 2013	At January 1, 2013	Charge for the year / (reversal on deletion)	Exchange / other adjustments	At December 31, 2013		
Software	2,942,210	306,679	(52)	3,248,829	1,510,016	420,243	(2,293)	1,927,958	1,320,871	10 - 33.33
		(8)				(8)				

	2012									
	Cost				Accumulated Amortization				Net book value at December 31, 2012	Annual rate of amortisation %
	At January 1, 2012	Additions / (deletions)	Exchange / other adjustments	At December 31, 2012	At January 1, 2012	Charge for the year / (reversal on deletion)	Exchange / other adjustments	At December 31, 2012		
Software	2,593,844	340,514	13,196	2,942,210	1,097,804	405,878	11,470	1,510,016	1,432,194	10 - 33.33
		(5,344)				(5,136)				

11.4 Revaluation of properties

The properties of the Bank were last revalued by independent professional valuers as at December 31, 2009. The revaluation was carried out by M/s. Pirsons Chemicals Engineering (Private) Limited, M/s. Sadruddin Associates, M/s. Maricon Consultants (Private) Limited and M/s. Engineering Pakistan International (Private) Limited on the basis of professional assessment of present market values and resulted in an increase in surplus by Rs. 4,139.592 million. Had there been no revaluation, the carrying amount of the revalued assets at December 31, 2013 would have been as follows:

	2013	2012
	----- (Rupees in '000) -----	
Freehold land	782,581	782,581
Leasehold land	196,217	196,201
Buildings on freehold land	208,414	207,361
Buildings on leasehold land	204,724	216,912
11.5 Carrying amount of temporarily idle property of the Bank	<u>73,331</u>	<u>73,331</u>
11.6 The cost of fully depreciated assets still in use		
Furniture and fixtures	233,351	295,781
Electrical, office and computer equipment	2,938,165	2,504,479
Vehicles	72,448	72,408
	<u>3,243,964</u>	<u>2,872,668</u>

11.7 Details of disposal of operating fixed assets

The information relating to operating fixed assets disposed off during the year is given in Annexure 'C' and is an integral part of these unconsolidated financial statements.

11.8 The Islamic Banking branches of the Bank enter into Ijarah transactions with customers, mainly in respect of property, plant and equipment and vehicles.

The Ijarah payments receivable from customers for each of the following periods under the terms of the respective arrangements are given below:

	2013	2012
	----- (Rupees in '000) -----	
Not later than one year	440,815	459,667
Later than one year but not later than five years	617,905	694,712
Later than five years	-	-
	<u>1,058,720</u>	<u>1,154,379</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

	Note	2013	2012
----- (Rupees in '000) -----			
12. OTHER ASSETS			
Income / mark-up accrued in local currency		11,305,250	11,554,488
Income / mark-up accrued in foreign currency		3,414,127	2,611,335
		14,719,377	14,165,823
Advance taxation - net of provision for taxation	12.1	6,331,390	5,917,699
Receivable from staff retirement fund		58,964	1,600,550
Receivable on account of encashment of savings certificates		6,862	14,586
Receivable in respect of derivative transactions		18,033	18,033
Receivable from other banks against telegraphic transfers and demand drafts		2,300,968	881,653
Unrealized gain on forward foreign exchange contracts		1,940,981	779,924
Rebate receivable - net		1,070,602	792,293
Unrealized gain on derivative financial instruments	19.3.1 & 23.2	344,712	489,130
Advance against Murabaha		17,498	17,531
Advance against Ijarah assets		27,110	110,382
Suspense accounts		280,614	392,516
Stationery and stamps on hand		177,636	211,031
Receivable against redemption of units of mutual funds		-	1,004,226
Non banking assets acquired in satisfaction of claims	12.3	1,236,996	1,094,305
Advances, deposits, advance rent and other prepayments		902,585	943,315
Advance against Pre-IPO investment		-	364,000
Others		1,911,469	1,649,245
		<u>31,345,797</u>	<u>30,446,242</u>
Provision held against other assets	12.2	<u>(4,029,132)</u>	<u>(3,645,930)</u>
Other assets (net of provisions)		<u>27,316,665</u>	<u>26,800,312</u>

12.1 The Income Tax returns of the Bank have been filed up to the tax year 2013 (accounting year ended 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 (2012: Rs. 3,229 million) in respect of provisions in excess of the above mentioned limits.

The Bank also carries a tax asset amounting to Rs. 4,114 million (2012: Rs. 4,114 million), representing disallowance of provisions against advances and off balance sheet obligations, for the periods prior to the applicability of the Seventh Schedule. The management, in consultation with its tax advisor, is confident that these would be allowed to the Bank at appellate levels.

The tax returns for Azad Kashmir (AK) Branches have been filed upto the tax year 2013 (financial year 2012) under the provisions of section 120(1) read with section 114 of the Ordinance and in compliance with the terms of the agreement between banks and the Azad Kashmir Council in May 2005. The returns filed are considered as deemed assessment orders under the law.

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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

	Note	2013 ----- (Rupees in '000) -----	2012 ----- (Rupees in '000) -----
12.2	Provision against other assets		
	Opening balance	3,645,930	2,847,765
	Exchange adjustments	157,437	99,960
	Charge / (reversals)		
	Charge for the year	49,947	213,940
	Reversals	(23,737)	(23,321)
		29	190,619
	Transfers in - net	975,001	739,139
	Amounts written off	(775,446)	(231,553)
	Closing balance	<u>4,029,132</u>	<u>3,645,930</u>
12.3	The market value of non banking assets acquired in satisfaction of claims is Rs. 1,238.049 million (2012: Rs.1,072.318 million).		
13.	CONTINGENT ASSETS		
	There were no contingent assets as at the statement of financial position date.		
		Note	2013 ----- (Rupees in '000) -----
14.	BILLS PAYABLE		
	In Pakistan	16,167,273	7,345,784
	Outside Pakistan	<u>423,611</u>	<u>254,849</u>
		<u>16,590,884</u>	<u>7,600,633</u>
15.	BORROWINGS		
	In Pakistan	33,589,496	62,705,626
	Outside Pakistan	<u>6,984,378</u>	<u>6,014,640</u>
		<u>40,573,874</u>	<u>68,720,266</u>
15.1	Particulars of borrowings		
	In local currency	29,903,135	61,914,550
	In foreign currencies	<u>10,670,739</u>	<u>6,805,716</u>
		<u>40,573,874</u>	<u>68,720,266</u>
15.2	Details of borrowings		
	Secured		
	Borrowings from the State Bank of Pakistan under:		
	Export refinance scheme	15.3 <u>10,835,330</u>	12,460,384
	Refinance facility for modernization of SME	15.4 40,795	32,050
	Long term financing facility	15.5 5,950,207	3,535,341
	Long term financing under export oriented projects	15.6 <u>423,958</u>	<u>822,015</u>
		17,250,290	16,849,790
	Repurchase agreement borrowings	15.7 <u>12,042,846</u>	<u>45,064,760</u>
		29,293,136	61,914,550
	Unsecured		
	Call borrowings	15.8 <u>5,033,830</u>	4,508,819
	Overdrawn nostro accounts	456,008	-
	Other borrowings	15.9 <u>5,790,900</u>	<u>2,296,897</u>
		<u>11,280,738</u>	<u>6,805,716</u>
		<u>40,573,874</u>	<u>68,720,266</u>
15.3	The Bank has entered into an agreement with the SBP for extending export finance to customers. As per the terms of the agreement, the Bank has granted the SBP the right to recover the outstanding amounts from the Bank at the date of maturity of the finances by directly debiting the Bank's current account maintained with the SBP. These borrowings are repayable within six months, latest by June 2014. These carry mark-up at a rate of 8.40% per annum (2012: 8.50% per annum).		
15.4	These borrowings have been obtained from the SBP under a scheme to finance modernization of Small and Medium Enterprises by providing financing facilities for setting up of new units, purchase of new plant and machinery for Balancing, Modernization and Replacement (BMR) of existing units and financing for import / local purchase of new generators upto a maximum capacity of 500 KVA. These borrowings are repayable within a period ranging from 3 years to 10 years, latest by December 2018 and carry mark-up at a rate of 6.25% per annum (2012: 8.00% per annum).		

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

- 15.5 These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings are repayable within a period ranging from 3 years to 10 years, latest by December 2023. These carry mark-up at rates ranging from 6.50% to 10.10% per annum (2012: 6.50% to 10.10% per annum).
- 15.6 These borrowings have been obtained from the SBP for providing financing facilities for import of machinery, plant, equipment and accessories thereof by export oriented units. These carry mark-up at a rate of 5.00% per annum (2012: 5.00% per annum) and are repayable latest by July 2016.
- 15.7 These repurchase agreement borrowings are secured against Market Treasury Bills and carry mark-up at rates ranging from 9.95% to 10.00% per annum (2012: 8.77% to 8.83% per annum). These borrowings are repayable latest by January 2014. The carrying value of securities given as collateral against these borrowings is given in note 9.1.
- 15.8 These represents unsecured borrowings relating to domestic and overseas operations. Borrowings pertaining to domestic operations carry mark-up at rates ranging from 9.65% to 10.00% per annum (2012: Nil) and are repayable latest by May 2014. Borrowings pertaining to overseas operations carry mark-up at rates ranging from 0.19% to 4.00% per annum (2012: 0.53% to 4.00% per annum) and are repayable latest by June 2014.
- 15.9 These borrowings carry mark-up at rates ranging from 2.28% to 4.58% per annum (2012: 1.00% to 4.61% per annum), and are repayable latest by May 2016.

16. DEPOSITS AND OTHER ACCOUNTS	2013	2012
	----- (Rupees in '000) -----	
Customers		
Fixed deposits	231,663,187	193,621,057
Savings deposits	278,705,006	240,777,697
Sundry deposits	7,083,484	7,662,302
Margin deposits	5,448,770	3,846,759
Current accounts - remunerative	10,493,768	7,228,020
Current accounts - non-remunerative	<u>278,364,577</u>	<u>233,724,104</u>
	<u>811,758,792</u>	<u>686,859,939</u>
Financial Institutions		
Remunerative deposits	<u>11,692,591</u>	<u>6,685,275</u>
Non-remunerative deposits	<u>4,396,355</u>	<u>4,884,483</u>
	<u>16,088,946</u>	<u>11,569,758</u>
	<u>827,847,738</u>	<u>698,429,697</u>

16.1 Particulars of deposits and other accounts

In local currency	578,773,906	505,593,414
In foreign currencies	<u>249,073,832</u>	<u>192,836,283</u>
	<u>827,847,738</u>	<u>698,429,697</u>

17. SUBORDINATED LOANS - UNSECURED

	Note	Issue date	Tenor	Rate % per annum	Maturity	Frequency of principal redemption	2013	2012
							----- (Rupees in '000) -----	
Term Finance Certificates - II		March 2005	8 years	9.49%	March 2013	Semi Annual	-	1,999,400
Term Finance Certificates - III	17.1	September 2006	8 years	6 months KIBOR+1.70%	September 2014	Semi Annual	665,328	1,330,664
Term Finance Certificates - IV	17.2	February 2008	10 years	For the first five years, 6 months KIBOR+0.85% and for the remaining term, 6 months KIBOR+1.35%	February 2018	Semi Annual	-	5,989,200
							<u>665,328</u>	<u>9,319,264</u>

- 17.1 These represent listed Term Finance Certificates (TFCs) issued by the Bank. The liability of the Bank is subordinated as to the payment of principal and profit to all other indebtedness of the Bank (including deposits) and is not redeemable before maturity without approval of the SBP.

- 17.2 During the year, the Bank has exercised the call option available under the terms of issuance of the Term Finance Certificates IV after completing required regulatory requirements. Accordingly the outstanding balance of the said TFC has been redeemed on August 13, 2013, being the option exercise date.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

	Note	2013	2012
		----- (Rupees in '000) -----	
18.	DEFERRED TAX LIABILITY - NET		
	Deferred tax liability - net	18.1	<u>1,087,240</u> <u>856,528</u>

18.1 Movement in temporary differences during the year

	2013			
	At January 1, 2013	Recognised in profit and loss account	Others	At December 31, 2013
	----- (Rupees in '000) -----			
Deductible temporary differences on				
- Workers' Welfare Fund	185,888	(10,976)	-	174,912
- Cash flow hedge reserve	11,306	-	(9,568)	1,738
- Provision against off balance sheet items, post retirement employee benefits and advances	6,345,895	(886,769)	75,767	5,534,893
	6,543,089	(897,745)	66,199	5,711,543
Taxable temporary differences on				
- Surplus on revaluation of fixed assets	(5,070,497)	36,130	(319)	(5,034,686)
- Surplus on revaluation of investments	(1,764,610)	-	599,698	(1,164,912)
- Ijarah financing	(14,371)	-	-	(14,371)
- Accelerated tax depreciation	(550,139)	(34,675)	-	(584,814)
	(7,399,617)	1,455	599,379	(6,798,783)
	<u>(856,528)</u>	<u>(896,290)</u>	<u>665,578</u>	<u>(1,087,240)</u>
	2012			
	At January 1, 2012	Recognised in profit and loss account	Others	At December 31, 2012
	----- (Rupees in '000) -----			
Deductible temporary differences on				
- Workers' Welfare Fund	179,593	6,295	-	185,888
- Cash flow hedge reserve	33,383	-	(22,077)	11,306
- Provision against off balance sheet items, post retirement employee benefits and advances - (restated)	5,697,797	539,421	108,677	6,345,895
	5,910,773	545,716	86,600	6,543,089
Taxable temporary differences on				
- Surplus on revaluation of fixed assets	(5,106,310)	36,046	(233)	(5,070,497)
- Surplus on revaluation of investments	967,118	-	(2,731,728)	(1,764,610)
- Ijarah financing	(14,371)	-	-	(14,371)
- Accelerated tax depreciation	(452,698)	(97,441)	-	(550,139)
	(4,606,261)	(61,395)	(2,731,961)	(7,399,617)
	<u>1,304,512</u>	<u>484,321</u>	<u>(2,645,361)</u>	<u>(856,528)</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

	Note	2013	2012
		----- (Rupees in '000) -----	
19. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		10,377,575	9,454,214
Mark-up / return / interest payable in foreign currency		903,738	795,577
Accrued expenses		2,921,156	2,827,121
Branch adjustment account		629,933	895,927
Payable against purchase of securities		119,827	51,031
Payable under severance scheme		32,563	32,563
Deferred income		625,532	578,539
Unearned commission		153,886	145,833
Provision against off - balance sheet obligations	19.1	619,397	621,134
Unrealized loss on forward foreign exchange contracts		1,869,735	329,007
Deferred liabilities	19.2	2,869,828	2,588,669
Unrealized loss on derivative financial instruments	19.3.1 & 23.2	150,602	269,034
Workers' Welfare Fund payable		499,746	531,106
Insurance payable against consumer assets		103,700	82,134
Others		182,372	168,028
		<u>22,059,590</u>	<u>19,369,917</u>
19.1 Provision against off - balance sheet obligations			
Opening balance		621,134	621,278
Exchange adjustments		342	356
Charge during the year	29	-	249
Transfers during the year		(2,079)	(749)
		<u>619,397</u>	<u>621,134</u>
19.2 Deferred liabilities			
Provision for gratuity	36.4	152,441	113,079
Provision for post retirement medical benefits	36.4	930,955	943,927
Provision for compensated absences		1,275,654	1,067,421
Deferred liability for outsourced services		110,690	101,373
Deferred liability - overseas		400,088	362,869
		<u>2,869,828</u>	<u>2,588,669</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

19.3 Unrealized gain on derivative financial instruments

Note	Contract / notional amount		Unrealised gain - net	
	2013	2012	2013	2012
	----- (Rupees in '000) -----			
- Interest rate swaps	5,723,576	8,059,417	88,555	135,799
- Cross currency swaps	10,550,240	12,490,616	105,555	83,494
- FX options	-	74,468	-	-
- Forward sale contracts of government securities	-	308,867	-	803
19.3.1	<u>16,273,816</u>	<u>20,933,368</u>	<u>194,110</u>	<u>220,096</u>

19.3.1	Unrealized gain / (loss) on derivative financial instruments - net	Note	2013	2012
			----- (Rupees in '000) -----	
	Unrealized gain on derivative financial instruments	12	344,712	489,130
	Unrealized loss on derivative financial instruments	19	<u>(150,602)</u>	<u>(269,034)</u>
	Unrealized gain - net	23.2	<u>194,110</u>	<u>220,096</u>

20. SHARE CAPITAL

20.1 Authorized Capital

2013	2012		2013	2012
----- (Number of shares) -----			----- (Rupees in '000) -----	
<u>2,000,000,000</u>	<u>2,000,000,000</u>	Ordinary shares of Rs.10 each	<u>20,000,000</u>	<u>20,000,000</u>

20.2 Issued, subscribed and paid-up capital

2013	2012		2013	2012
----- (Number of shares) -----				
		Fully paid-up ordinary shares of Rs.10 each		
518,000,000	518,000,000	Issued for cash	5,180,000	5,180,000
<u>706,179,687</u>	<u>706,179,687</u>	Issued as bonus shares	<u>7,061,798</u>	<u>7,061,798</u>
<u>1,224,179,687</u>	<u>1,224,179,687</u>		<u>12,241,798</u>	<u>12,241,798</u>

20.3 In 2007, the Bank was admitted to the official list of the UK Listing Authority and to the London Stock Exchange Professional Securities Market for trading of Global Depository Receipts (GDRs), each representing four ordinary shares issued by the Bank. The GDRs constitute an offering in the United States only to qualified institutional buyers in reliance on Rule 144A under the U.S Securities Act of 1933 and an offering outside the United States in reliance on Regulation S.

Holders of GDRs are entitled, subject to the provisions of the depository agreement, to receive dividends, if any, and rank pari passu with other equity shareholders in respect of such entitlement. However, the holders of GDRs have no voting rights or other direct rights of shareholders with respect to the ordinary shares underlying such GDRs. Subject to the terms and restrictions set out in the offering circular dated June 25, 2007, the deposited ordinary shares in respect of which the GDRs were issued may be withdrawn by the GDR holders from the depository facility. Upon withdrawal, the holders will rank pari passu with other ordinary shareholders in respect of voting powers. As at December 31, 2013, 32,060,348 (2012: 15,286,868) GDRs, representing 128,241,394 (2012: 61,147,474) shares were in issue.

20.4 Major shareholders (holding more than 5% of total paid-up capital)

Name of shareholder	2013		2012	
	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
Bestway (Holdings) Limited	467,611,120	38.20%	467,611,120	38.20%
State Bank of Pakistan	238,567,381	19.49%	238,567,381	19.49%
Bestway Cement Limited	93,649,744	7.65%	93,649,744	7.65%
Sir Muhammed Anwar Pervez, OBE, HPk	62,433,163	5.10%	62,433,163	5.10%
His Highness Shaikh Nahayan Mabararak Al Nahayan	-	-	67,329,867	5.50%

As at December 31, 2013, ADG held Nil % (2012: 10.30%) shareholding (including GDRs) and the Bestway Group (Bestway) held 61.38% (2012: 51.07%) shareholding (including GDRs) of the Bank.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

	Note	2013 ----- (Rupees in '000) -----	2012 -----
21. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX			
Surplus arising on revaluation of assets - net of tax			
Fixed assets	21.1	10,193,035	10,259,540
Securities	21.2	2,163,409	3,277,134
		<u>12,356,444</u>	<u>13,536,674</u>
21.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		15,330,037	15,432,360
Exchange adjustments		912	665
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(67,098)	(66,942)
Related deferred tax liability on incremental depreciation charged during the year	18.1	(36,130)	(36,046)
		<u>(102,316)</u>	<u>(102,323)</u>
		15,227,721	15,330,037
Less: Related deferred tax liability on			
Revaluation as at January 1		5,070,497	5,106,310
Exchange adjustments		319	233
Incremental depreciation charged on related assets	18.1	(36,130)	(36,046)
		<u>5,034,686</u>	<u>5,070,497</u>
		<u>10,193,035</u>	<u>10,259,540</u>
21.2 Surplus / (deficit) on revaluation of available for sale securities			
Market Treasury Bills		(147,850)	626,591
Pakistan Investment Bonds		(402,073)	2,692,613
Listed shares		2,767,273	368,507
Mutual fund units		-	(1,879)
Term Finance Certificates, Sukuks, other bonds etc.		75,680	109,937
Foreign bonds		1,035,291	1,245,975
		3,328,321	5,041,744
Related deferred tax liability	18.1	(1,164,912)	(1,764,610)
		<u>2,163,409</u>	<u>3,277,134</u>
22. CONTINGENCIES AND COMMITMENTS			
22.1 Direct credit substitutes			
Contingent liabilities in respect of guarantees given favouring			
Government		3,796,673	2,631,890
Banking companies and other financial institutions		2,540,111	4,353,102
Others		3,872,302	3,002,658
		<u>10,209,086</u>	<u>9,987,650</u>
22.2 Transaction-related contingent liabilities			
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring			
Government		81,454,308	72,141,081
Banking companies and other financial institutions		5,364,806	4,559,713
Others		32,724,186	23,303,053
		<u>119,543,300</u>	<u>100,003,847</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

	2013	2012
	----- (Rupees in '000) -----	
22.3	Trade-related contingent liabilities	
	Contingent liabilities in respect of letters of credit opened favouring	
		Government
	38,251,175	39,611,137
		Others
	<u>129,710,865</u>	<u>106,843,257</u>
	<u>167,962,040</u>	<u>146,454,394</u>

22.4	Other contingencies	
	<u>12,464,289</u>	<u>23,818,821</u>

22.5 Commitments to extend credit

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

	2013	2012
	----- (Rupees in '000) -----	
22.6	Commitments in respect of forward foreign exchange contracts	
		Purchase
	<u>207,539,873</u>	<u>119,658,061</u>
		Sale
	<u>172,499,461</u>	<u>90,502,058</u>

22.7 Commitments in respect of derivatives

	<u>5,723,576</u>	<u>8,059,417</u>
	<u>10,550,240</u>	<u>12,490,616</u>
	<u>-</u>	<u>37,234</u>
	<u>-</u>	<u>37,234</u>
	<u>-</u>	<u>308,867</u>

22.8	<u>1,699,696</u>	<u>2,150,282</u>
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22.9 For contingencies relating to taxation refer note 12.1

23. DERIVATIVE INSTRUMENTS

Derivatives are a type of financial contract, the value of which is determined by reference to one or more underlying assets or indices. The major categories of such contracts include forwards, futures, swaps and options. Derivatives also include structured financial products that have one or more of the characteristics of forwards, futures, swaps and options.

The Bank, as an Authorized Derivative Dealer (ADD), is an active participant in the Pakistan derivatives market and offers a wide variety of derivatives products covering both hedging and market making to satisfy customers' needs. Where required, specific approval is sought from the SBP for each transaction.

The authority for approving policies lies with the Board of Directors (BoD) and the Board Risk Management Committee (BRMC). The Market Risk Committee (MRC) is responsible for ensuring compliance with these policies.

With regard to derivatives, the MRC is authorized to:

- Review the derivatives business with reference to market risk exposure and assign various limits in accordance with the risk appetite of the Bank

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

- Review the Derivatives Business Policy and recommend approval to the BRMC / BoD
- Review and approve derivatives product programs
- Authorize changes in procedures and processes regarding derivatives and structured products

Overall responsibility for derivatives trading activity lies with the Treasury and Capital Markets Group. Measurement and monitoring of market and credit risk exposure and limits and its reporting to senior management and the BoD is done by Treasury Middle Office (TMO), which also coordinates with the business regarding approvals for derivatives risk limits. Treasury Operations records derivatives activity in the Bank's books, and handles its reporting to the SBP.

Derivatives risk management

There are a number of risks undertaken by the Bank, which need to be monitored and assessed.

Credit risk

Credit risk refers to the risk of non-performance or default by a party to a derivatives transaction, resulting in an adverse impact on the Bank's profitability. Credit risk associated with derivatives transactions is categorized into settlement risk and pre-settlement risk. Credit proposals for derivatives transactions are approved by the Credit Committee. The credit exposure of each counterparty is estimated and monitored against approved counterparty limits by TMO on a daily basis.

Market risk

The Bank, as a policy, hedges back-to-back all Options transactions. In addition, the Bank does not carry any exchange risk on its Cross Currency Swaps portfolio as it hedges the exposure in the interbank market. To manage the interest rate risk of Interest Rate Derivatives, the Bank has implemented various limits which are monitored and reported by TMO on a daily basis.

Liquidity risk

Derivatives transactions, usually being non-funded in nature, do not carry a specific funding liquidity risk.

The liquidity risk arises from the fact that in Pakistan, interest rate derivatives generally have a uni-directional demand, and no perfect hedge is available. The Bank mitigates its risk by limiting the portfolio in terms of tenor, notional and sensitivity limits, and can also hedge its risk by taking on and off balance sheet positions in the interbank market, where available.

Operational risk

The staff involved in the trading, settlement and risk management of derivatives are carefully trained to deal with the complexities involved in the process. Adequate systems and controls are in place to carry out derivatives transactions smoothly. Each transaction is processed in accordance with the product program or a transaction memo, which contains detailed guidance on the accounting and operational aspects of the transaction to further mitigate operational risk. In addition, TMO and the Compliance and Control Department are assigned the responsibility of monitoring any deviation from policies and procedures. The Bank's Audit and Inspection Group also reviews this function, with a regular review of systems, transactional processes, accounting practices and end-user roles and responsibilities.

The Bank uses a derivatives system which provides an end-to-end valuation solution, supports the routine transactional process and provides analytical tools to measure various risk exposures, carry out stress tests and sensitivity analysis.

TMO produces various reports on a periodic basis which are reviewed by senior management. These reports provide details of the derivatives business profile such as outstanding positions, profitability, risk exposures and the status of compliance with limits.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

23.1 Product analysis

	2013												
	Interest rate swaps			Cross currency swaps			FX options			Forward sale contracts of government securities			Total
	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Notional principal (Rupees in '000)
With banks for													
Hedging	3	2,331,163	-	-	-	-	-	-	-	-	-	-	2,331,163
Market making	1	245,757	3	10,447,400	-	-	-	-	-	-	-	-	10,693,157
	4	2,576,920	3	10,447,400	-	-	-	-	-	-	-	-	13,024,320
With other entities													
Market making	4	3,146,655	1	102,840	-	-	-	-	-	-	-	-	3,249,495
Total													
Hedging	3	2,331,163	-	-	-	-	-	-	-	-	-	-	2,331,163
Market making	5	3,392,413	4	10,550,240	-	-	-	-	-	-	-	-	13,942,653
	8	5,723,576	4	10,550,240	-	-	-	-	-	-	-	-	16,273,816
2012													
With banks for													
Hedging	4	3,444,084	-	-	4	37,234	-	-	-	-	-	-	3,481,318
Market making	2	1,291,449	4	11,912,100	-	-	-	-	-	-	-	-	13,203,549
	6	4,735,533	4	11,912,100	4	37,234	-	-	-	-	-	-	16,684,867
With other entities													
Market making	4	3,323,884	6	578,516	4	37,234	1	308,867	1	308,867	1	308,867	4,248,501
Total													
Hedging	4	3,444,084	-	-	4	37,234	-	-	-	-	-	-	3,481,318
Market making	6	4,615,333	10	12,490,616	4	37,234	1	308,867	1	308,867	1	308,867	17,452,050
	10	8,059,417	10	12,490,616	8	74,468	1	308,867	1	308,867	1	308,867	20,933,368

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23.2 Maturity analysis of derivatives

Remaining maturity	2013				
	No. of contracts	Notional principal	Unrealized		Net
			(Loss)	Gain	
			(Rupees in '000)		
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 months to 1 year	2	4,333,400	-	143,304	143,304
1 to 2 years	2	6,216,840	(37,749)	-	(37,749)
2 to 3 Years	-	-	-	-	-
3 to 5 years	6	3,250,765	(64,419)	145,743	81,324
5 to 10 years	2	2,472,811	(48,434)	55,665	7,231
Above 10 years	-	-	-	-	-
	<u>12</u>	<u>16,273,816</u>	<u>(150,602)</u>	<u>344,712</u>	<u>194,110</u>

Remaining maturity	2012				
	No. of contracts	Notional principal	Unrealized		Net
			(Loss)	Gain	
			(Rupees in '000)		
Upto 1 month	1	308,867	-	803	803
1 to 3 months	1	22,000	-	11,762	11,762
3 to 6 months	12	459,584	(343)	-	(343)
6 months to 1 year	3	4,365,750	(72,511)	45,841	(26,670)
1 to 2 years	2	3,861,950	(4,675)	41	(4,634)
2 to 3 years	2	5,855,800	(1,388)	93,967	92,579
3 to 5 years	2	582,898	(14,754)	15,265	511
5 to 10 years	6	5,476,519	(175,363)	321,451	146,088
Above 10 years	-	-	-	-	-
	<u>29</u>	<u>20,933,368</u>	<u>(269,034)</u>	<u>489,130</u>	<u>220,096</u>

24. MARK-UP / RETURN / INTEREST EARNED

	2013	2012
	(Rupees in '000)	
On loans and advances to customers	33,411,614	37,996,341
On lendings to financial institutions		
Call money lending	8,087	11,599
Securities purchased under resale agreements	416,220	330,322
Other lendings to financial institutions	474,329	465,686
	<u>898,636</u>	<u>807,607</u>
On investments in		
Held for trading securities	536,164	804,860
Available for sale securities	25,657,917	22,316,810
Held to maturity securities	12,246,485	11,438,496
	<u>38,440,566</u>	<u>34,560,166</u>
On deposits with financial institutions	95,465	143,301
	<u>72,846,281</u>	<u>73,507,415</u>

25. MARK-UP / RETURN / INTEREST EXPENSED

On deposits	28,352,987	27,658,457
On securities sold under repurchase agreements	3,357,395	3,836,423
On other short term borrowings	2,208,147	1,894,663
On long term borrowings	991,827	1,558,155
	<u>34,910,356</u>	<u>34,947,698</u>

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	Note	2013	2012
		----- (Rupees in '000) -----	
26. GAIN ON SALE OF SECURITIES - NET			
Federal government securities			
Market Treasury Bills		151,918	176,751
Pakistan Investment Bonds		<u>561,549</u>	<u>40,845</u>
		713,467	217,596
Ordinary shares of			
Listed companies		<u>976,700</u>	<u>435,093</u>
Unlisted companies		-	17,078
		976,700	452,171
Other securities		<u>1,086,868</u>	<u>(205,381)</u>
		<u>2,777,035</u>	<u>464,386</u>
27. OTHER INCOME			
Charges recovered		528,259	578,799
Grant income		123,109	284,294
Rent on properties		135,299	124,002
Income from dealing in derivatives		211,123	2,965,657
Gain on sale of operating fixed assets - net		24,893	24,879
Gain / (loss) on trading liabilities - net		41,371	(2,397)
		<u>1,064,054</u>	<u>3,975,234</u>
28. ADMINISTRATIVE EXPENSES			
Salaries, allowances etc.	28.1	9,158,448	8,773,262
Charge for compensated absences		547,017	548,507
Medical expenses		479,832	442,961
Contribution to defined contribution plan		175,794	163,849
Charge in respect of defined benefit obligations		148,738	94,567
Rent, taxes, insurance, electricity etc.		3,581,455	3,068,514
Depreciation	11.2	1,698,684	1,506,194
Amortization	11.3	420,243	405,878
Outsourced service charges including sales commission		3,040,443	2,203,159
Communications		1,049,490	982,341
Banking service charges		855,650	829,830
Cash transportation charges		441,437	398,467
Stationery and printing		546,431	504,430
Legal and professional charges		292,366	344,957
Advertisement and publicity		645,169	626,391
Repairs and maintenance		1,130,986	1,047,993
Travelling		212,835	266,819
Office running expense		495,455	451,327
Vehicle expense		189,389	181,534
Entertainment		172,808	154,791
Cartage, freight and conveyance		85,699	87,952
Insurance expense		142,846	125,545
Auditors' remuneration	28.2	51,902	53,655
Training and seminars		80,447	103,483
Brokerage expenses		44,557	27,949
Subscriptions		69,726	52,898
Donations	28.3	76,990	34,937
Non-executive Directors' fees		33,915	34,133
Zakat paid by overseas branch		98,257	84,803
Miscellaneous expenses		78,432	143,456
		<u>26,045,441</u>	<u>23,744,582</u>
28.1			
		This includes employee benefits in the form of awards / bonus to all permanent staff including the Chief Executive Officer and is determined on the basis of employees' evaluation and the Bank's performance during the year. The aggregate benefit determined in respect of all permanent staff amounted to Rs. 929.238 million (2012: Rs. 954.428 million).	

Notes to and forming part of the Unconsolidated Financial Statements

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28.2 Auditors' remuneration

	2013			Total
	KPMG Taseer Hadi & Co.	BDO Ebrahim & Co.	Overseas Auditors	
	(Rupees in '000)			
Audit fee	6,455	6,455	34,011	46,921
Fee for audit of EPZ branch	250	-	-	250
Fee for other certifications	-	2,783	-	2,783
Out of pocket expenses	408	1,518	22	1,948
	<u>7,113</u>	<u>10,756</u>	<u>34,033</u>	<u>51,902</u>
	2012			
	Ernst & Young Ford Rhodes Sidat Hyder	BDO Ebrahim & Co.	Overseas Auditors	Total
	(Rupees in '000)			
Audit fee	6,455	6,455	30,522	43,432
Fee for audit of EPZ branch	250	-	-	250
Fee for other certifications	2,105	2,075	-	4,180
Out of pocket expenses	3,143	2,633	17	5,793
	<u>11,953</u>	<u>11,163</u>	<u>30,539</u>	<u>53,655</u>

28.3 Details of donations

	2013	2012
	(Rupees in '000)	
Donations individually exceeding Rs. 0.1 million		
Lahore University of Management Sciences	20,000	500
The Citizens Foundation	12,545	1,000
Forman Christian College	10,000	-
Gulab Devi Chest Hospital	10,000	-
Shalamar Hospital	5,000	-
The Sir Syed Memorial Society	5,000	-
Friends of Burns Centre	2,600	1,296
Hisaar Foundation	2,290	3,060
Sukkur Institute of Business Administration	1,560	-
Developments in Literacy	1,000	-
Al-Mehrab Tibbi Imdad	1,000	1,000
Government College University, Lahore	1,000	-
Marie Adelaide Leprosy Centre	850	850
Abdul Sattar Edhi Foundation	700	-
Bazm-e-Kiran	600	-
Buksh Foundation	540	-
Burhani Medical Welfare Association	540	-
SOS Children's Villages of Pakistan	450	450
Shaukat Khanum Memorial Trust	200	-
The Kidney Center Post Graduate Training Institute	200	2,700
Karwan-e-Hayat	150	150
Rotary Club of Karachi Continental, Pakistan	120	-
Institute of Business Administration	100	20,000
Sindh Welfare Association of the Deaf	25	324
Children Welfare Society	-	200
Kaghan Memorial Trust	-	500
Mukhtar Mai Women's Organization	-	500
Naseer Construction Co. (Renovation of courts)	-	277
Subh-e-Nau	-	500
Sargodhian Spirit Trust	-	200
Sindh Institute of Urology and Transplantation	-	200
Pakistan Foundation Fighting Blindness	-	500
Drug Free Pakistan Foundation	-	200
The Oxford and Cambridge Society Karachi	-	165
	<u>520</u>	<u>365</u>
Donations individually not exceeding Rs. 0.1 million	<u>76,990</u>	<u>34,937</u>

28.3.1 Donations were not made to any donee in which a Director or his spouse had any interest.



Notes to and forming part of the Unconsolidated Financial Statements

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	Note	2013	2012
----- (Rupees in '000) -----			
29.	OTHER PROVISIONS - NET		
	Provision against other assets - net	12.2 26,210	190,619
	Provision against off - balance sheet obligations	19.1 -	249
	Other provisions	122,465	158,434
	(Reversal) / provision against Ijarah Assets - Specific	(4,184)	12,485
	Provision against Ijarah Assets - General	582	141
		<u>145,073</u>	<u>361,928</u>

30. WORKERS' WELFARE FUND

Under the Workers' Welfare Ordinance, 1971, the Bank is liable to pay Workers' Welfare Fund @ 2% of profit before tax as per the financial statements or declared income as per the income tax return, whichever is higher.

		2013	2012
----- (Rupees in '000) -----			
31.	OTHER CHARGES		
	Penalties imposed by the SBP	247,411	63,986
	Other penalties	1,966	998
		<u>249,377</u>	<u>64,984</u>

	2013				
	Overseas	Azad Kashmir	Domestic	Total	
----- (Rupees in '000) -----					
32.	TAXATION				
	Current	1,714,885	91,301	6,436,083	8,242,269
	Prior years	54,398	-	-	54,398
	Deferred	(26,046)	672	921,664	896,290
		<u>1,743,237</u>	<u>91,973</u>	<u>7,357,747</u>	<u>9,192,957</u>

	2012				
	Overseas	Azad Kashmir	Domestic	Total	
----- (Rupees in '000) -----					
	Current	1,261,582	158,000	7,527,816	8,947,398
	Prior years	497,000	-	-	497,000
	Deferred	(448,015)	1,442	(37,748)	(484,321)
		<u>1,310,567</u>	<u>159,442</u>	<u>7,490,068</u>	<u>8,960,077</u>

		2013	2012
----- (Rupees in '000) -----			
32.1	Relationship between tax expense and accounting profit		
	Accounting profit for the year	27,806,912	26,851,435
	Tax on income @ 35% (2012: 35%)	9,732,419	9,398,002
	Tax effect of items that are either not included in determining taxable profit or taxed at reduced rates (permanent differences)	(622,324)	(482,832)
	Tax - prior years	54,398	497,000
	Others	28,464	(452,093)
	Tax charge	<u>9,192,957</u>	<u>8,960,077</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

	2013	2012
33. EARNINGS PER SHARE	----- (Rupees in '000) -----	
Profit after taxation for the year	<u>18,613,955</u>	<u>17,891,358</u>
	----- (Number of shares) -----	
Weighted average number of ordinary shares	<u>1,224,179,687</u>	<u>1,224,179,687</u>
	----- (Rupees) -----	
Earnings per share - basic and diluted	<u>15.21</u>	<u>14.61</u>

33.1 Diluted earnings per share has not been presented separately as the Bank does not have any convertible instruments in issue at December 31, 2013 or 2012.

	Note	2013	2012
34. CASH AND CASH EQUIVALENTS		----- (Rupees in '000) -----	
Cash and balances with treasury banks	6	<u>88,520,725</u>	94,161,446
Balances with other banks	7	<u>25,867,497</u>	<u>15,234,326</u>
		<u>114,388,222</u>	<u>109,395,772</u>
35. STAFF STRENGTH		----- (Number) -----	
Permanent		8,986	9,056
On contract		<u>23</u>	<u>29</u>
Bank's own staff strength		<u>9,009</u>	9,085
Outsourced		<u>4,261</u>	3,971
Total		<u>13,270</u>	<u>13,056</u>

36. DEFINED BENEFIT PLANS

36.1 General description

The Bank operates a funded pension scheme established in 1986. The Bank also operates a funded gratuity scheme for new employees and for those employees who have not opted for the pension scheme. The Bank also operates a contributory benevolent fund scheme and provides post retirement medical benefits to eligible retired employees. The benevolent fund scheme and the post-retirement medical scheme cover all regular employees of the Bank who joined the Bank pre-privatization. The Bank also maintains an employee compensated absences scheme. The liabilities of the Bank in respect of these schemes are determined based on actuarial valuations carried out using the Projected Unit Credit Method. Actuarial valuations of the defined benefit schemes are carried out every year and the latest valuation was carried out as at December 31, 2013.

36.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2013	2012
	----- (Number) -----	
- Pension fund	6,326	7,348
- Gratuity fund	6,733	6,645
- Benevolent fund	5,709	6,386
- Post retirement medical benefit scheme	7,729	8,003

The pension fund, benevolent fund and post retirement medical benefit schemes include 4,484 (2012: 5,349), 2,446 (2012: 2,745) and 4,766 (2012: 4,695) members respectively who have retired or whose widows are receiving the benefits.

36.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2013 using the following significant assumptions:

	2013	2012
	----- Per annum -----	
Discount rate / expected rate of return on plan assets	12.75%	12.00%
Expected rate of salary increase	10.75%	10.00%
Expected rate of increase in pension / medical benefit	5.00%	4.25%

Notes to and forming part of the Unconsolidated Financial Statements

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36.4 Reconciliation of (receivable from) / payable to defined benefit plans

Note	2013				2012			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit
	(Rupees in '000)							
Present value of obligations	3,245,250	588,580	375,149	930,955	3,537,429	523,053	409,721	943,927
Fair value of plan assets	(3,304,214)	(436,139)	(856,535)	-	(5,137,979)	(409,974)	(836,962)	-
(Receivable) / payable	(58,964)	152,441	(481,386)	930,955	(1,600,550)	113,079	(427,241)	943,927

36.5 Movement in defined benefit obligations

Obligations at the beginning of the year	3,537,429	523,053	409,721	943,927	3,671,958	472,157	424,851	831,508
Current service cost	10,223	67,263	5,903	5,155	10,431	58,356	5,779	5,008
Interest cost	145,402	62,159	43,743	113,581	155,593	61,107	49,198	108,422
Benefits paid by the Bank	(604,437)	(118,176)	(82,787)	(102,704)	(610,815)	(93,440)	(84,794)	(106,033)
Return allocated to other funds	231,326	-	-	-	284,869	-	-	-
Actuarial (gain) / loss on obligations	(74,693)	54,281	(1,431)	(29,004)	25,393	24,873	14,687	105,022
Obligations at the end of the year	3,245,250	588,580	375,149	930,955	3,537,429	523,053	409,721	943,927

36.6 Movement in fair value of plan assets

Fair value at the beginning of the year	5,137,979	409,974	836,962	-	5,477,630	381,841	827,840	-
Interest income on plan assets	557,344	52,901	91,856	-	651,709	50,375	97,571	-
Contribution by the Bank	-	82,400	4,149	-	-	79,253	4,618	-
Contribution by the employees	-	-	4,149	-	-	-	4,618	-
Amount paid by the fund to the Bank	(2,416,372)	(123,041)	(82,958)	-	(1,020,452)	(98,284)	(94,751)	-
Actuarial (gain) / (loss) on plan assets	25,263	13,905	2,377	-	29,092	(3,211)	(2,934)	-
Fair value at the end of the year	3,304,214	436,139	856,535	-	5,137,979	409,974	836,962	-

36.7 Movement in (receivable) / payable under defined benefit schemes

Opening balance	(1,600,550)	113,079	(427,241)	943,927	(1,805,672)	90,316	(402,989)	831,508
Mark-up receivable on Bank's balance with the fund	(43,851)	(120)	(171)	-	(1,939)	(61)	(168)	-
(Reversal) / charge for the year	(170,393)	76,521	(46,359)	118,736	(200,816)	69,088	(47,212)	113,430
Contribution by the Bank	-	(82,400)	(4,149)	-	-	(79,253)	(4,618)	-
Amount paid by the Fund to the Bank	2,416,372	123,041	82,958	-	1,020,452	98,284	94,751	-
Actuarial (gain) / loss recognised in OCI	(56,105)	40,496	(3,637)	(29,004)	(1,760)	28,145	17,789	105,022
Benefits paid by the Bank	(604,437)	(118,176)	(82,787)	(102,704)	(610,815)	(93,440)	(84,794)	(106,033)
Closing balance	(58,964)	152,441	(481,386)	930,955	(1,600,550)	113,079	(427,241)	943,927

36.8 Charge for defined benefit plans

36.8.1 Cost recognised in profit and loss

Current service cost	10,223	67,263	5,903	5,155	10,431	58,356	5,779	5,008
Net interest on defined benefit asset / liability	(411,942)	9,258	(48,113)	113,581	(496,116)	10,732	(48,373)	108,422
Return allocated to other funds	231,326	-	-	-	284,869	-	-	-
Employees' contribution	-	-	(4,149)	-	-	-	(4,618)	-
	(170,393)	76,521	(46,359)	118,736	(200,816)	69,088	(47,212)	113,430

36.8.1.1 This represents return allocated to those employees who exercised the conversion option offered in the year 2001, as referred to in note 5.10.1.

36.8.2 Re-measurements recognised in OCI during the year

	2013				2012			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit
	(Rupees in '000)							
Actuarial gain / loss on obligation								
- Demographic assumptions	6,368	(2,544)	17,073	713	(14,122)	3,224	(18,721)	(5,370)
- Financial assumptions	(29,619)	(32,512)	(17,697)	(9,102)	-	-	-	-
- Experience adjustment	97,944	(19,225)	2,055	37,393	(11,271)	(28,098)	4,034	(99,652)
Return on plan assets over interest income	25,263	13,905	2,377	-	29,092	(3,211)	(2,934)	-
Adjustment for markup	(43,851)	(120)	(171)	-	(1,939)	(61)	(168)	-
Total re-measurements recognised in OCI	56,105	(40,496)	3,637	29,004	1,760	(28,146)	(17,789)	(105,022)

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36.9	Components of plan assets	2013			2012		
		Pension fund	Gratuity fund	Benevolent fund	Pension fund	Gratuity fund	Benevolent fund
		(Rupees in '000)					
	Cash and cash equivalents - net of current liabilities	14,909	307	340	2,393	3,067	628
	Quoted securities						
	Ordinary shares	93,436	5,750	13,097	59,226	3,645	8,302
	Preference shares	-	-	-	-	-	2,100
	Term finance certificates	472,327	11,407	15,768	550,653	13,795	15,425
	Unquoted securities						
	Certificates of Investment	77,477	-	23,328	71,477	-	21,528
	Pakistan Investment Bonds	1,964,777	123,422	344,283	2,504,018	154,306	582,025
	Treasury Bills	-	228,253	412,713	163,754	7,851	12,869
	Special Savings Certificates	666,686	81,294	47,006	1,786,458	227,310	194,085
	Reverse Repo	-	308	-	-	-	-
	Other	14,602	(14,602)	-	-	-	-
		<u>3,304,214</u>	<u>436,139</u>	<u>856,535</u>	<u>5,137,979</u>	<u>409,974</u>	<u>836,962</u>

36.10 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:

	2013			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit
(Rupees in '000)				
Increase in Discount Rate by 1%	(73,361)	(37,605)	(20,650)	(69,820)
Decrease in Discount Rate by 1%	83,585	43,343	23,099	80,465
Increase in expected future increment in salary by 1%	-	46,609	-	-
Decrease in expected future increment in salary by 1%	-	(41,051)	-	-
Increase in expected future increment in pension by 1%	74,381	-	-	-
Decrease in expected future increment in pension by 1%	(66,015)	-	-	-
Increase in expected future increment in medical benefit by 1%	-	-	-	78,858
Decrease in expected future increment in medical benefit by 1%	-	-	-	(69,561)
If the withdrawal rate is light	(24,306)	(22,073)	(14,904)	(7,644)
If the withdrawal rate is heavy	21,215	18,019	12,949	6,674

Although the analysis does not take account of the full distribution of expected cash flows, it does provide an approximation of the sensitivity of the assumptions shown.

36.11 Expected contributions to be paid to the funds in the next financial year

The Bank contributes to the pension and gratuity funds according to the actuary's advice. Contribution to the benevolent fund is made by the Bank as per the rates set out in the benevolent fund scheme. Based on actuarial advice, management estimates that the expected contribution and charge / (reversal) for the year ended December 31, 2014, would be as follows:

	2014			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit
(Rupees in '000)				
Expected contribution	2,833	99,392	3,879	-
Expected charge / (reversal) for the year	2,833	99,392	(60,106)	123,769

36.12 Maturity profile

	2013			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit
The weighted average duration of the obligation (in years)	7.44	7.71	6.55	9.04

36.13 Funding Policy

The Bank endeavours to ensure that liabilities under the various employee benefit schemes are covered by the Fund on any valuation date having regards to the various actuarial assumptions such as projected future salary increase, expected future contributions to the fund, projected increase in liability associated with future service and the projected investment income of the Fund.

37. OTHER EMPLOYEE BENEFITS

37.1 Defined contribution plan

The Bank operates a contributory provident fund scheme for 6,733 (2012: 6,645) employees who are not in the pension scheme. The employer and employee each contribute 8.33% of the basic salary to the funded scheme every month.

37.2 Employee Motivation and Retention Scheme

The Bank has a long term motivation and retention scheme for its employees. The liability of the Bank in respect of the scheme for each year, if any, is fixed, and is accounted for in the year to which the scheme relates. The scheme is managed by separate Trusts formed in respect of each year. During the year, Rs. 280.668 million (2012: Rs. 242.366 million) and Rs. 41.716 million (2012: Rs. 30.796 million) were received by the Executives and the Chief Executive respectively from the scheme. No new Trust was set up during the current year.

37.3 Benazir Employees' Stock Option Scheme

Based on a decision by the Cabinet Committee on Privatization, the banking sector has been excluded from the purview of Benazir Employees' Stock Option Scheme.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

38. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2013	2012	2013	2012	2013	2012
	----- (Rupees in '000) -----					
Fees	-	-	33,915	34,133	-	-
Managerial remuneration	120,707	83,526	-	-	4,028,135	3,384,117
Charge for defined benefit plans	1,442	1,457	-	-	363,550	301,221
Charge for defined contribution plan	2,476	2,263	-	-	79,098	71,479
Rent and house maintenance	4,346	3,607	-	-	533,190	454,066
Utilities	704	847	-	-	249,286	222,226
Medical	61	21	-	-	113,030	101,009
Conveyance	-	-	-	-	347,619	324,243
Others	8,632	6,203	-	-	221,063	169,342
	<u>138,368</u>	<u>97,924</u>	<u>33,915</u>	<u>34,133</u>	<u>5,934,971</u>	<u>5,027,703</u>
Number of persons	<u>1</u>	<u>1</u>	<u>8</u>	<u>8</u>	<u>1,565</u>	<u>1,456</u>

The Bank's President / Chief Executive Officer and certain Executives are provided with use of Bank maintained cars and household equipment.

In addition to the above, all Executives including the Chief Executive Officer of the Bank, are also entitled to certain short and long term employee benefits which are disclosed in notes 36 and 37 to these financial statements.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short-term in nature or, in the case of customer loans and deposits, are frequently repriced.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the year ended December 31, 2013					
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
	(Rupees in '000)					
Total income	282,494	14,302,081	29,365,064	9,528,220	2,571,861	-
Total expenses	(84,684)	(1,069,574)	(22,462,568)	(3,736,564)	(889,418)	-
Profit before tax	197,810	13,232,507	6,902,496	5,791,656	1,682,443	-
Segment return on assets (ROA)	35.1%	1.8%	0.7%	1.0%	-	-
Segment cost of funds	1.4%	6.1%	3.7%	6.4%	-	-

	For the year ended December 31, 2012					
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
	(Rupees in '000)					
Total income	246,954	11,244,138	33,870,607	8,651,585	1,677,651	-
Total expenses	(371,448)	(673,840)	(20,241,290)	(6,392,696)	(1,160,226)	-
(Loss) / profit before tax	(124,494)	10,570,298	13,629,317	2,258,889	517,425	-
Segment return on assets (ROA)	-7.7%	1.8%	1.5%	0.4%	-	-
Segment cost of funds	0.8%	7.7%	4.1%	8.4%	-	-

	As at December 31, 2013					
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
	(Rupees in '000)					
Segment assets (gross of NPLs 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)

	As at December 31, 2012					
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
	(Rupees in '000)					
Segment assets (gross of NPLs provisions)	1,433,174	414,116,266	669,774,770	374,148,056	88,943,472	(608,417,333)
Segment non performing loans (NPLs)	1,016,151	2,122,695	25,272,491	28,735,549	200,110	-
Segment provision held against NPLs	441,892	1,520,078	20,660,063	20,781,624	60,153	-
Segment liabilities	1,069,695	401,751,874	640,391,016	351,919,970	17,581,083	(608,417,333)

Segment assets and liabilities include inter segment balances.

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

41. TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities. However, it acts as custodian for some of the Term Finance Certificates it arranges and distributes on behalf of its customers.

42. 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 year, other than those which have been disclosed elsewhere in these unconsolidated financial statements, are as follows:

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

42.1 RELATED PARTY TRANSACTIONS

	2013					2012				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)									
Balances with other banks										
In current accounts	-	-	1,130,454	-	-	-	-	1,400,068	-	-
In deposit accounts	-	-	979,576	-	-	-	-	1,291,442	-	773,770
	-	-	2,110,030	-	-	-	-	2,691,510	-	773,770
Lendings to financial institutions										
Other lendings to financial institutions	-	-	349,374	-	-	-	-	-	-	810,000
Investments										
Opening balance	-	-	3,523,962	12,047,596	410,169	-	-	2,201,948	16,657,117	271,680
Investment made during the year	-	-	-	1,100,000	971,319	-	-	1,322,014	2,040,479	193,225
Investment redeemed / disposed off during the year	-	-	-	(6,472,616)	(491,881)	-	-	-	(6,850,000)	(54,736)
Transfer in / (out) - net	-	-	-	-	3,108,478	-	-	-	200,000	-
Closing balance	-	-	3,523,962	6,674,980	3,998,085	-	-	3,523,962	12,047,596	410,169
Provision for diminution in value of investments	-	-	-	-	38,942	-	-	-	-	53,658
Advances										
Opening balance	-	124,163	-	-	11,913,710	871	122,016	-	-	11,873,489
Addition during the year	-	72,108	-	-	9,707,517	-	118,883	-	-	12,490,542
Repaid during the year	-	(90,943)	-	-	(21,208,273)	(871)	(116,736)	-	-	(12,450,321)
Transfer in / (out) - net	-	-	-	2,155,149	-	-	-	-	-	-
Closing balance	-	105,328	-	2,155,149	412,954	-	124,163	-	-	11,913,710
Provision held against advances	-	-	-	2,155,149	-	-	-	-	-	-
Other Assets										
Interest mark-up accrued	-	30	4,695	-	145,551	-	65	107	-	438,828
Receivable from staff retirement fund	-	-	-	-	58,964	-	-	-	-	1,600,550
Prepaid insurance	-	-	-	-	-	-	-	-	-	-
Advance for Pre-IPO investment	-	-	-	-	-	-	-	-	-	364,000
Receivable against redemption of units of mutual funds	-	-	-	-	-	-	-	-	1,004,226	-
Dividend Receivable	-	-	-	1,201	-	-	-	-	-	-
Other receivable	-	-	4,240	-	-	-	-	17,319	-	-
Borrowings										
Opening balance	-	-	-	-	306,215	-	-	-	-	449,740
Borrowings during the year	-	-	-	2,155,493	16,356,760	-	-	1,282,323	4,548,669	86,365,214
Settled during the year	-	-	-	(2,155,493)	(16,662,975)	-	-	(1,282,323)	(4,548,669)	(86,508,739)
Closing balance	-	-	-	-	-	-	-	-	-	306,215
Overdrawn nostros	-	-	56,424	-	-	-	-	-	-	-
Deposits and other accounts										
Opening balance	6,173,963	98,008	142,656	819,332	1,913,538	2,898,779	73,495	131,902	1,217,179	1,486,313
Received during the year	22,861,734	980,912	173,215,130	67,507,686	201,691,134	6,948,406	925,508	162,987,974	55,089,236	82,505,997
Withdrawn during the year	(21,522,949)	(954,465)	(172,072,335)	(67,661,062)	(202,918,770)	(3,673,222)	(900,995)	(162,977,220)	(55,487,083)	(82,078,772)
Transfer in / (out) - net	(6,275)	-	-	-	(604,043)	-	-	-	-	-
Closing balance	7,506,473	124,455	1,285,451	665,956	81,859	6,173,963	98,008	142,656	819,332	1,913,538
Subordinated loans	-	-	-	-	-	-	5	-	5,998	-
Other Liabilities										
Interest / mark-up payable on deposits	32,260	1,097	4,652	-	709	75,061	1,519	-	-	9,328
Interest / mark-up payable on borrowings	-	-	-	-	-	-	-	-	-	837
Interest / mark-up payable on subordinated loans	-	-	-	-	-	-	0	-	167	-
Payable to staff retirement fund	-	-	-	-	152,441	-	-	-	-	113,079
Unearned income	-	-	187	-	-	-	-	170	-	-
Contingencies and Commitments										
Letter of guarantee	-	-	-	78,051	-	-	-	-	71,993	-
Forward foreign exchange contracts purchase	-	-	3,633,699	-	-	-	-	6,285,868	-	2,914,491
Forward foreign exchange contracts sale	-	-	3,710,543	-	-	-	-	6,378,146	-	2,817,341
	2013					2012				
	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	-	6,402	30,278	-	930,005	77	7,957	57,260	-	1,828,083
Commission / charges recovered	14	84	535	18,178	27,459	30	24	278	987	36,929
Dividend income	-	-	425,523	36,680	459,451	-	-	66,211	2,058,392	1,136
Net gain/ (loss) on sale of securities	-	-	-	859,300	8,719	-	-	-	(289,190)	8,006
Realised gain on derivative transactions	-	-	-	-	-	-	-	-	-	1,123,975
Other income	-	153	1,103	4,266	-	-	685	38,500	4,682	-
Mark-up / return / interest paid	260,037	3,127	41,477	56,922	88,148	194,070	3,078	911	13,662	100,169
Remuneration paid	-	605,626	-	-	-	-	466,004	-	-	-
Post employment benefits	-	15,476	-	-	-	-	16,036	-	-	-
Non-executive directors' fee	33,915	-	-	-	-	34,133	-	-	-	-
Net charge for defined contribution plans	-	-	-	-	175,794	-	-	-	-	163,849
Net reversal for defined benefit plans	-	-	-	-	(89,722)	-	-	-	-	(127,219)
Payment for employee motivation and retention scheme	-	-	-	-	-	-	-	-	-	250,000
Donation	-	-	-	-	-	-	-	-	-	75
Insurance premium paid	-	-	-	268,499	-	-	-	-	257,745	-
Insurance claims settled	-	-	-	174,944	-	-	-	-	151,292	-
Other Expenses	-	-	-	20,605	87,192	-	-	-	-	79,446

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

43. CAPITAL ADEQUACY

43.1 The State Bank of Pakistan (SBP) through its BPRD Circular No 6 dated August 15, 2013 has issued Basel III Capital instructions for Banks / DFIs. The revision to the previously applicable Capital Adequacy regulations pertain to components of eligible capital and related deductions. The amendments have been introduced with an aim to further strengthen the existing capital related rules. Basel III instructions have become effective from December 31, 2013; however, there is a transitional phase during which the complete requirements would become applicable with full implementation by December 31, 2019.

The Bank's capital adequacy is reported using the rules and ratios provided by the State Bank of Pakistan. The capital adequacy ratio is a measure of the amount of a Bank's capital expressed as a percentage of its risk weighted assets (RWAs). Banking operations are categorized as either Trading Book or Banking Book and RWAs are determined according to specific treatments as per the requirements of SBP that measure the varying levels of risk attached to on balance sheet and off-balance sheet exposures. Under the current capital adequacy regulations, credit risk and market risk exposures are measured using the Standardized Approach and operational risk is measured using the Basic Indicator Approach. Credit risk mitigants are also applied against the Bank's exposures based on eligible collateral.

The Bank has revised its Internal Capital Adequacy Assessment Process (ICAAP) as per the new guidelines provided by the SBP. The ICAAP has been approved by the Bank's Board of Directors and submitted to the SBP. The Bank additionally covers risks not yet included under Pillar I, so as to carry adequate capital to cater for any future business requirements. The Bank reviews the ICAAP on an annual basis and changes/updates are recommended to the Board Risk Management Committee for onward approval of the Board of Directors.

The Bank plans to move towards the Advanced Approaches as prescribed under Basel Framework, including the Foundation Internal Ratings Based Approach for credit risk, Internal Models Approach for market risk and the Alternate Standardized Approach for operational risk.

43.2 Capital Management

The objective of managing capital is to safeguard the Bank's ability to continue as a going concern. It is the policy of the Bank to maintain a strong capital base so as to maintain investor, depositor and market confidence and to sustain future development of the business. The Bank aims to maintain an optimum level of capital along with maximizing shareholders' return as we consider a sound capital position as more appropriate as opposed to leverage supporting business growth.

Statutory minimum capital and capital adequacy requirements

The SBP through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid-up capital (net of accumulated losses) for Banks to be raised to Rs.10 billion by the year ending December 31, 2013. The paid-up capital of the Bank for the year ended December 31, 2013 stood at Rs.12,241.798 million (2012: Rs.12,241.798 million) and is in compliance with SBP requirements.

Banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10% of the risk weighted exposures of the Bank. Further, under Basel III instructions, Banks are also required to maintain a Common Equity Tier 1 (CET 1) ratio and Tier 1 ratio of 5.0% and 6.5%, respectively, as at December 31, 2013. As at December 31, 2013 the Bank was fully compliant with prescribed ratios as the Bank's CAR was 13.3% whereas CET 1 and Tier 1 ratios both stood at 10.0%. The Bank and its individually regulated operations have complied with all capital requirements throughout the year.

Tier 1 capital comprises of Common Equity Tier 1 (CET 1) and Additional Tier 1 (AT 1) capital.

CET 1 capital includes fully paid-up capital, balance in share premium account, general reserves as per the financial statements and net unappropriated profits.

AT 1 capital includes instruments meeting the prescribed SBP criteria e.g. perpetual non-cumulative preference shares.

The deductions from Tier 1 capital include mainly:

- i) Book value of goodwill / intangibles;
- ii) Deficit on revaluation of available for sale investments;
- iii) Reciprocal cross holdings in equity capital instruments of other banks, financial institutions and insurance companies;
- iv) Investment in mutual funds above a prescribed ceiling;
- v) Threshold deductions applicable from 2014 on deferred tax assets and certain investments;
- vi) 50% of investments in majority owned securities or other financial subsidiaries not consolidated in the statement of financial position, during transition phase.

Tier 2 capital includes general provisions for loan losses, surplus on the revaluation of fixed assets and equity investments, foreign exchange translation reserves and subordinated debts (meeting the revised eligibility criteria). The deductions from Tier 2 include mainly:

- i) Reciprocal cross holdings in other capital instruments of other banks, financial institution and insurance companies;
- ii) 50% of investments in majority owned securities or other financial subsidiaries not consolidated in the statement of financial position, during transition phase.

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For the year ended December 31, 2013

43.3 Capital Structure

		2013	2012
		Amount	Amounts subject to Pre - Basel III treatment
----- Rupees in '000 -----			
Common Equity Tier 1 capital (CET1): Instruments and reserves			
1	Fully Paid-up Capital / Capital deposited with SBP	12,241,798	12,241,798
2	Balance in Share Premium Account	-	-
3	Reserve for issue of Bonus Shares	-	-
4	General/ Statutory Reserves	19,658,933	17,797,537
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
6	Unappropriated/unremitted profits/ (losses)	42,634,545	37,415,599
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
8	CET 1 before Regulatory Adjustments	74,535,276	67,454,934
Common Equity Tier 1 capital: Regulatory adjustments			
9	Goodwill (net of related deferred tax liability)	-	-
10	All other intangibles (net of any associated deferred tax liability)	1,557,399	1,626,018
11	Shortfall of provisions against classified assets	718,500	738,125
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
13	Defined-benefit pension fund net assets	-	58,964
14	Reciprocal cross holdings in CET1 capital instruments	734,938	19,498
15	Cash flow hedge reserve	4,962	32,298
16	Investment in own shares/ CET1 instruments	-	-
17	Securitization gain on sale	-	-
18	Capital shortfall of regulated subsidiaries	-	-
19	Deficit on account of revaluation from bank's holdings of property/ AFS	-	-
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
23	Amount exceeding 15% threshold	-	-
24	of which: significant investments in the common stocks of financial entities	-	-
25	of which: deferred tax assets arising from temporary differences	-	-
26	National specific regulatory adjustments applied to CET1 capital	-	-
27	Investment in TFCs of other banks exceeding the prescribed limit	-	-
28	Any other deduction specified by SBP	-	-
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	4,705,345	2,301,714
30	Total regulatory adjustments applied to CET1 (sum of 9 to 29)	7,721,144	4,717,653
	Common Equity Tier 1	(a) 66,814,132	62,737,281
Additional Tier 1 (AT 1) Capital			
31	Qualifying Additional Tier-1 instruments plus any related share premium	-	-
32	of which: Classified as equity	-	-
33	of which: Classified as liabilities	-	-
34	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	-
35	of which: instrument issued by subsidiaries subject to phase out	-	-
36	AT1 before regulatory adjustments	-	-
Additional Tier 1 Capital: regulatory adjustments			
37	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	2,403,631	-
38	Investment in own AT1 capital instruments	-	-
39	Reciprocal cross holdings in Additional Tier 1 capital instruments	-	-
40	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
41	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
42	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-BaseI III treatment which, during transitional period, remain subject to deduction from tier-1 capital	2,301,714	2,301,714
43	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
44	Total of Regulatory Adjustment applied to AT1 capital	4,705,345	2,301,714
45	Additional Tier 1 capital	-	-
46	Additional Tier 1 capital recognized for capital adequacy	(b) -	-
	Tier 1 Capital (CET1 + admissible AT1)	(c=a+b) 66,814,132	62,737,281

Notes to and forming part of the Unconsolidated Financial Statements

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43.3 Capital Structure (Contd.)

	2013		2012
	Amount	Amounts subject to Pre - Basel III treatment	
----- Rupees in '000 -----			
Tier 2 Capital			
47 Qualifying Tier 2 capital instruments under Basel III	-	-	-
48 Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	-	6,115,067
49 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	-	-
50 of which: instruments issued by subsidiaries subject to phase out	-	-	-
51 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	1,838,881	-	1,262,832
52 Revaluation Reserves	8,350,219	-	9,167,301
53 of which: Revaluation reserves on Property	6,852,475	-	6,898,516
54 of which: Unrealized Gains/Losses on AFS	1,497,744	-	2,268,785
55 Foreign Exchange Translation Reserves	14,025,502	-	11,267,676
56 Undisclosed/Other Reserves (if any)	-	-	-
57 T2 before regulatory adjustments	24,214,602	-	27,812,876
Tier 2 Capital: regulatory adjustments			
58 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	2,301,714	-	2,301,714
59 Reciprocal cross holdings in Tier 2 instruments	-	-	-
60 Investment in own Tier 2 capital instrument	-	-	-
61 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
62 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
63 Amount of Regulatory Adjustment applied to T2 capital	2,301,714	-	2,301,714
64 Tier 2 capital (T2)	21,912,888	-	25,511,162
65 Tier 2 capital recognized for capital adequacy	21,912,888	-	25,511,162
66 Excess Additional Tier 1 capital recognized in Tier 2 capital	-	-	-
67 Total Tier 2 capital admissible for capital adequacy	(d) 21,912,888	-	25,511,162
TOTAL CAPITAL (T1 + admissible T2)	(e=c+d) 88,727,020	-	88,248,443
Total Risk Weighted Assets	(i=f+g+h) 668,610,740	-	588,679,665
68 Total Credit Risk Weighted Assets	(f) 461,310,511	-	420,686,279
69 Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment	-	-	-
70 of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-	-
71 of which: deferred tax assets	-	-	-
72 of which: Defined-benefit pension fund net assets	58,964	-	-
73 of which: [insert name of adjustment]	-	-	-
74 Total Market Risk Weighted Assets	(g) 106,860,498	-	72,719,608
75 Total Operational Risk Weighted Assets	(h) 100,439,731	-	95,273,778
Capital Ratios and buffers (in percentage of risk weighted assets)			
76 CET1 to total RWA	(a/f) 10.0%	-	10.7%
77 Tier-1 capital to total RWA	(c/f) 10.0%	-	10.7%
78 Total capital to RWA	(e/f) 13.3%	-	15.0%
79 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	-	-	-
80 of which: capital conservation buffer requirement	-	-	-
81 of which: countercyclical buffer requirement	-	-	-
82 of which: D-SIB or G-SIB buffer requirement	-	-	-
83 CET1 available to meet buffers (as a percentage of risk weighted assets)	-	-	-
National minimum capital requirements prescribed by SBP			
84 CET1 minimum ratio	5.0%	-	-
85 Tier 1 minimum ratio	6.5%	-	-
86 Total capital minimum ratio	10.0%	-	10.0%
Amounts below the thresholds for deduction (before risk weighting)			
87 Non-significant investments in the capital of other financial entities	-	-	-
88 Significant investments in the common stock of financial entities	-	-	-
89 Deferred tax assets arising from temporary differences (net of related tax liability)	-	-	-
Applicable caps on the inclusion of provisions in Tier 2			
90 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	1,838,881	-	1,262,832
91 Cap on inclusion of provisions in Tier 2 under standardized approach	5,766,381	-	5,258,578
92 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-	-
93 Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-	-

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

43.4 Capital Structure Reconciliation

Step 1	Balance Sheet as per published financial statements As at Dec 31, 2013	Under regulatory scope of consolidation As at Dec 31, 2013
	----- (Rupees in '000) -----	
Assets		
Cash and balances with treasury banks	88,520,725	88,520,725
Balances with other banks	25,867,497	25,867,497
Lending to financial institutions	28,835,115	28,835,115
Investments	423,777,250	423,777,250
Advances	390,813,462	390,813,462
Operating fixed assets	24,607,937	24,607,937
Deferred tax assets - net	-	-
Other assets	27,316,665	27,316,665
Total assets	1,009,738,651	1,009,738,651
Liabilities & Equity		
Bills payable	16,590,884	16,590,884
Borrowings	40,573,874	40,573,874
Deposits and other accounts	827,847,738	827,847,738
Sub-ordinated loans	665,328	665,328
Liabilities against assets subject to finance lease	-	-
Deferred tax liability - net	1,087,240	1,087,240
Other liabilities	22,059,590	22,059,590
Total liabilities	908,824,654	908,824,654
Share capital	12,241,798	12,241,798
Reserves	33,681,210	33,681,210
Unappropriated profit	42,634,545	42,634,545
Total equity	88,557,553	88,557,553
Surplus on revaluation of assets - net of deferred tax	12,356,444	12,356,444
Total liabilities and equity	1,009,738,651	1,009,738,651

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

43.4 Capital Structure (Contd.)

	Step 2		Reference
	Balance Sheet as per published financial statements	Under regulatory scope of consolidation	
	As at Dec 31, 2013	As at Dec 31, 2013	
	----- (Rupees in '000) -----		
Assets			
Cash and balances with treasury banks	88,520,725	88,520,725	
Balances with other banks	25,867,497	25,867,497	
Lendings to financial institutions	28,835,115	28,835,115	
Investments	423,777,250	423,777,250	
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	-	-	a
of which: significant capital investments in financial sector entities exceeding regulatory threshold	-	-	b
of which: Mutual Funds exceeding regulatory threshold	2,403,631	2,403,631	c
of which: reciprocal crossholding of capital instrument	734,938	734,938	d
of which: others (mention details)	-	-	e
Advances	390,813,462	390,813,462	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	718,500	718,500	f
general provisions reflected in Tier 2 capital	1,838,881	1,838,881	g
Fixed Assets	24,607,937	24,607,937	
of which: Goodwill	-	-	j
of which: Intangibles	1,557,399	1,557,399	k
Deferred Tax Assets	-	-	
of which: DTAs excluding those arising from temporary differences	-	-	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	27,316,665	27,316,665	
of which: Defined-benefit pension fund net assets	58,964	58,964	l
Total assets	1,009,738,651	1,009,738,651	
Liabilities & Equity			
Bills payable	16,590,884	16,590,884	
Borrowings	40,573,874	40,573,874	
Deposits and other accounts	827,847,738	827,847,738	
Sub-ordinated loans	665,328	665,328	
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	1,087,240	1,087,240	
of which: DTLs related to goodwill	-	-	o
of which: DTLs related to intangible assets	-	-	p
of which: DTLs related to defined pension fund net assets	-	-	q
of which: other deferred tax liabilities	1,087,240	1,087,240	r
Other liabilities	22,059,590	22,059,590	
Total liabilities	908,824,654	908,824,654	
Share capital	12,241,798	12,241,798	
of which: amount eligible for CET1	12,241,798	12,241,798	s
of which: amount eligible for AT1	-	-	t
Reserves	33,681,210	33,681,210	
of which: portion eligible for inclusion in CET1 (provide breakup)	19,658,933	19,658,933	u
of which: portion eligible for inclusion in Tier 2	14,025,502	14,025,502	v
Unappropriated profit/ (losses)	42,634,545	42,634,545	w
Minority Interest	-	-	
of which: portion eligible for inclusion in CET1	-	-	x
of which: portion eligible for inclusion in AT1	-	-	y
of which: portion eligible for inclusion in Tier 2	-	-	z
Surplus on revaluation of assets	12,356,444	12,356,444	
of which: Revaluation reserves on Property	10,193,035	10,193,035	aa
of which: Unrealized Gains/Losses on AFS	2,163,409	2,163,409	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total liabilities and equity	1,009,738,651	1,009,738,651	

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

43.4 Capital Structure (Contd.)

	Step 3	Component of regulatory capital reported by bank (Rupees in '000)	Source based on reference number from step 2
Common Equity Tier 1 capital (CET1): Instruments and reserves			
1	Fully Paid-up Capital/ Capital deposited with SBP	12,241,798	(s)
2	Balance in Share Premium Account	-	
3	Reserve for issue of Bonus Shares	-	
4	General/ Statutory Reserves	19,658,933	(u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated/unremitted profits/(losses)	42,634,545	(w)
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
8	CET 1 before Regulatory Adjustments	74,535,276	
Common Equity Tier 1 capital: Regulatory adjustments			
9	Goodwill (net of related deferred tax liability)	-	(j) - (o)
10	All other intangibles (net of any associated deferred tax liability)	1,557,399	(k) - (p)
11	Shortfall of provisions against classified assets	718,500	(f)
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{(h) - (r)} * x%
13	Defined-benefit pension fund net assets	-	{(l) - (q)} * x%
14	Reciprocal cross holdings in CET1 capital instruments	734,938	(d)
15	Cash flow hedge reserve	4,962	
16	Investment in own shares/ CET1 instruments	-	
17	Securitization gain on sale	-	
18	Capital shortfall of regulated subsidiaries	-	
19	Deficit on account of revaluation from bank's holdings of property/ AFS	-	(ab)
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23	Amount exceeding 15% threshold	-	
24	of which: significant investments in the common stocks of financial entities	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments applied to CET1 capital	-	
27	Investment in TFCs of other banks exceeding the prescribed limit	-	
28	Any other deduction specified by SBP (mention details)	-	
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	4,705,345	
30	Total regulatory adjustments applied to CET1 (sum of 9 to 29)	7,721,144	
	Common Equity Tier 1	66,814,132	
Additional Tier 1 (AT 1) Capital			
31	Qualifying Additional Tier-1 instruments plus any related share premium	-	
32	of which: Classified as equity	-	(t)
33	of which: Classified as liabilities	-	(m)
34	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
35	of which: instrument issued by subsidiaries subject to phase out	-	
36	AT1 before regulatory adjustments	-	

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

43.4 Capital Structure (Contd.)	Component of regulatory capital reported by bank (Rupees in '000)	Source based on reference number from step 2
Additional Tier 1 Capital: regulatory adjustments		
37 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	2,403,631	
38 Investment in own AT1 capital instruments	-	
39 Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
40 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
41 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
42 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	2,301,714	
43 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
44 Total of Regulatory Adjustment applied to AT1 capital	4,705,345	
45 Additional Tier 1 capital	-	
46 Additional Tier 1 capital recognized for capital adequacy	-	
Tier 1 Capital (CET1 + admissible AT1)	66,814,132	
Tier 2 Capital		
47 Qualifying Tier 2 capital instruments under Basel III	-	(n)
48 Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	
49 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(z)
50 of which: instruments issued by subsidiaries subject to phase out	-	
51 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	1,838,881	(g)
52 Revaluation Reserves eligible for Tier 2	6,852,475	
53 of which: portion pertaining to Property	1,497,744	portion of (aa)
54 of which: portion pertaining to AFS securities	14,025,502	(v)
55 Foreign Exchange Translation Reserves	-	
56 Undisclosed/Other Reserves (if any)	24,214,602	
57 T2 before regulatory adjustments	24,214,602	
Tier 2 Capital: regulatory adjustments		
58 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	2,301,714	
59 Reciprocal cross holdings in Tier 2 instruments	-	
60 Investment in own Tier 2 capital instrument	-	
61 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
62 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
63 Amount of Regulatory Adjustment applied to T2 capital	2,301,714	
64 Tier 2 capital (T2)	21,912,888	
65 Tier 2 capital recognized for capital adequacy	21,912,888	
66 Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
67 Total Tier 2 capital admissible for capital adequacy	21,912,888	
TOTAL CAPITAL (T1 + admissible T2)	88,727,020	

Notes to and forming part of the Unconsolidated Financial Statements

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43.5 Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments		
	Main Features	Common Shares
1	Issuer	United Bank Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	On KSE "UBL" and on Bloomberg "UBL PA".
3	Governing law(s) of the instrument	Relevant Capital Market Laws
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/ group/ group&solo	Group & Standalone
7	Instrument type	Ordinary Shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	12,241,798
9	Par value of instrument	Rs. 10 each
10	Accounting classification	Shareholders' equity
11	Original date of issuance	1959
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Not applicable
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	Not applicable
18	Coupon rate and any related index/ benchmark	Not applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Not applicable
23	Convertible or non-convertible	Non Convertible
24	If convertible, conversion trigger(s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	Not applicable
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Common equity (ranks after all creditors including depositors)
36	Non-compliant transitioned features	Not applicable
37	If yes, specify non-compliant features	Not applicable

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

43.6 Capital Adequacy Ratio

Risk weighted exposures	Capital requirements		Risk weighted assets	
	2013	2012	2013	2012
	----- (Rupees in '000) -----			
Credit risk				
Claims on:				
Federal and Provincial Governments, SBP and other sovereigns – in foreign currency	6,542,141	4,974,474	65,421,406	49,744,740
Public Sector Enterprises	960,626	1,088,721	9,606,261	10,887,206
Banks	5,004,235	4,019,364	50,042,345	40,193,636
Corporates	25,960,713	22,434,817	259,607,130	224,348,168
Retail portfolio	1,989,795	2,355,548	19,897,945	23,555,479
Secured by residential property	143,327	155,967	1,433,267	1,559,671
Past due loans	1,821,508	1,856,233	18,215,078	18,562,333
Listed equity investments	196,915	182,635	1,969,145	1,826,351
Unlisted equity investments	22,972	1,677,854	229,724	16,778,535
Commercial Entity	67,623	-	676,228	-
Investments in fixed assets	2,305,054	2,280,505	23,050,538	22,805,050
Significant investment & DTA	-	-	-	-
Other assets	1,116,144	1,042,511	11,161,443	10,425,110
	46,131,051	42,068,628	461,310,511	420,686,279
Market risk				
Interest rate risk	5,713,576	4,555,843	71,419,698	56,948,038
Equity exposure risk	2,675,060	1,117,071	33,438,255	13,963,390
Foreign exchange risk	160,204	144,654	2,002,545	1,808,180
	8,548,840	5,817,568	106,860,498	72,719,608
Operational risk	8,035,179	7,621,902	100,439,731	95,273,778
	62,715,069	55,508,098	668,610,740	588,679,665
Capital adequacy ratio				
Total eligible regulatory capital held	88,727,020	88,248,443		
Total risk weighted assets	668,610,740	588,679,665		
Capital adequacy ratio	13.3%	15.0%		

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

43.7 Credit risk - General disclosures

The Bank follows the Standardized Approach for its credit risk exposures, which sets out fixed risk weights corresponding to external credit ratings or type of exposure, whichever is applicable.

Under the Standardized Approach, the capital requirement is based on the credit rating assigned to counterparties by External Credit Assessment Institutions (ECAIs) duly recognized by the SBP. The Bank selects particular ECAIs for each type of exposure. The Bank utilizes the credit ratings assigned by Pakistan Credit Rating Agency (PACRA), Japan Credit Rating Company Limited – Vital Information Systems (JCR-VIS), Fitch, Moody's and Standard & Poors (S & P). The Bank also utilizes rating scores of Export Credit Agencies (ECAs) participating in the "Arrangement on Officially Supported Export Credits".

Types of exposure and ECAIs used

	FITCH	Moody's	S & P	PACRA	JCR-VIS	ECA scores
Corporates	-	✓	-	✓	✓	-
Banks	✓	✓	✓	✓	✓	-
Sovereigns	-	-	-	-	-	✓
Public sector enterprises	-	-	-	✓	✓	-

Mapping to SBP Rating Grades

For all exposures, the selected ratings are translated to the standard rating grades given by the SBP. The mapping tables used for converting ECAI ratings to SBP rating grades are given below:

Long Term Rating Grades mapping

SBP Rating grade	Fitch	Moody's	S & P	PACRA	JCR-VIS	ECA Scores
1	AAA	Aaa	AAA	AAA	AAA	0
	AA+	Aa1	AA+	AA+	AA+	1
	AA	Aa2	AA	AA	AA	
2	AA-	Aa3	AA-	AA-	AA-	
	A+	A1	A+	A+	A+	2
	A	A2	A	A	A	
3	A-	A3	A-	A-	A-	
	BBB+	Baa1	BBB+	BBB+	BBB+	3
	BBB	Baa2	BBB	BBB	BBB	
4	BBB-	Baa3	BBB-	BBB-	BBB-	
	BB+	Ba1	BB+	BB+	BB+	4
	BB	Ba2	BB	BB	BB	
5	BB-	Ba3	BB-	BB-	BB-	
	B+	B1	B+	B+	B+	5
	B	B2	B	B	B	6
6	B-	B3	B-	B-	B-	
	CCC+ and below	Caa1 and below	CCC+ and below	CCC+ and below	CCC+ and below	7

Short Term Rating Grades mapping

SBP Rating Grade	Fitch	Moody's	S & P	PACRA	JCR-VIS
S1	F1	P-1	A-1+	A-1+	A-1+
S1	F1	P-1	A-1	A-1	A-1
S2	F2	P-2	A-2	A-2	A-2
S3	F3	P-3	A-3	A-3	A-3
S4	Others	Others	Others	Others	Others

Notes to and forming part of the Unconsolidated Financial Statements

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43.8 Credit exposures subject to Standardized Approach

Exposures	Rating category / risk weights	2013 (Rupees in '000)			2012 (Rupees in '000)		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
Cash and cash equivalents	-	14,708,114	-	14,708,114	23,791,720	-	23,791,720
Claims on Federal and Provincial Governments and SBP, denominated in PKR	-	123,596,908	24,042,563	99,554,345	167,163,379	51,224,862	115,938,517
Foreign currency claims on SBP arising out of statutory obligations in Pakistan	-	7,941,106	-	7,941,106	6,323,688	-	6,323,688
Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	1 2 3 4,5 6 Unrated	406,079 12,405,042 2,041,352 5,881,085 37,359,091 -	- - - - - -	406,079 12,405,042 2,041,352 5,881,085 37,359,091 -	1,665,551 2,603,426 10,730,934 2,220,842 27,758,497 -	- - - - - -	1,665,551 2,603,426 10,730,934 2,220,842 27,758,497 -
		58,092,649	-	58,092,649	44,979,250	-	44,979,250
Corporates	0 1 2 3,4 5,6 Unrated	- 23,164,799 33,394,224 725,852 61,144 258,479,118 315,825,137	- - 29,279 27,404 - 20,977,585 21,034,268	- 23,164,799 33,364,945 698,449 61,144 237,501,533 294,790,869	- 26,422,834 39,039,389 150,868 662,516 216,560,541 282,836,148	- - 4,247 - - 18,159,153 18,163,400	- 26,422,834 39,035,142 150,868 662,516 198,401,388 264,672,748
Claims on banks with maturity less than 3 months and denominated in foreign currency	1,2,3 4,5 6 Unrated	603,360 - - 2,686,759 3,290,119	- - - - -	603,360 - - 2,686,759 3,290,119	612,611 - - 3,381,066 3,993,677	- - - - -	612,611 - - 3,381,066 3,993,677
Banks - others	0 1 2,3 4,5 6 Unrated	- 75,492,754 38,576,693 3,352,721 6,508,366 14,132,765 138,063,298	- 25,822,976 - - 39,264 25,862,241 25,862,241	- 49,669,777 38,576,693 3,352,721 6,508,366 14,093,501 112,201,058	- 41,874,325 34,576,645 3,027,661 5,873,036 6,369,567 91,721,234	- 6,451,430 - - - - 6,451,430	- 35,422,895 34,576,645 3,027,661 5,873,036 6,369,567 85,269,804
Public sector enterprises	0 1 2,3 4,5 6 Unrated	- 12,176,901 - - - 54,497,938 66,674,839	- 1,501,690 - - - 39,555,501 41,057,191	- 10,675,211 - - - 14,942,437 25,617,648	- 7,556,089 - - - 70,046,865 77,602,954	- 1,072 - - - 51,294,459 51,295,531	- 7,555,017 - - - 18,752,406 26,307,423
Retail portfolio	75% 35%	29,300,295 4,095,047 33,395,342	2,769,701 - 2,769,701	26,530,594 4,095,047 30,625,641	34,157,061 4,456,204 38,613,265	2,749,755 - 2,749,755	31,407,306 4,456,204 35,863,510
Equity investments	- Listed - Unlisted - Commercial Entity (Holding greater than 10%)	1,969,145 153,150 67,623 2,189,918	- - - -	1,969,145 153,150 67,623 2,189,918	1,826,351 11,185,690 - 13,012,041	- - - -	1,826,351 11,185,690 - 13,012,041
Past due loans secured against mortgage of residential property:	- less than 20% provided - greater than 20% provided	68,351 241,163 309,514	- - -	68,351 241,163 309,514	173,111 353,437 526,548	- - -	173,111 353,437 526,548
Past due loans - others	- Less than 20% provided - Between 20% to 50% provided - More than 50% provided	6,504,425 6,783,712 2,971,651 16,259,787	20 - - 20	6,504,405 6,783,712 2,971,651 16,259,768	8,464,060 8,171,304 3,488,318 20,123,682	2,932,700 - - 2,932,700	5,531,360 8,171,304 3,488,318 17,190,982
Significant investment & DTA (greater than 15 % threshold)	250%	-	-	-	-	-	-
Fixed assets	100%	23,050,538	-	23,050,538	22,805,050	-	22,805,050
Others		11,161,443	-	11,161,443	10,425,110	-	10,425,110
		814,558,715	114,765,984	699,792,731	803,917,746	132,817,678	671,100,068

Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardized Approach

The Bank has adopted the Comprehensive Approach of Credit Risk Mitigation for the Banking Book. Under this approach, cash, lien on deposits, government securities and eligible guarantees etc. are considered as eligible collateral. The Bank has in place detailed guidelines with respect to the valuation and management of each of these types of collateral. Where the Bank's exposure to an obligor is secured by eligible collateral, the Bank reduces its exposure for the calculation of capital requirement by the realizable amount of the collateral, adjusted for any applicable haircuts.

No credit risk mitigation benefit is taken in the Trading Book.

For each asset class, the risk weights as specified by the SBP or corresponding to the SBP rating grades are applied to the net amount for the calculation of Risk Weighted Assets.

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44. RISK MANAGEMENT

This section presents information about the Bank's exposure to and its management and control of risks, in particular, the primary risks associated with its use of financial instruments such as credit, market, liquidity, and operational risks.

The Bank has an integrated risk management structure in place. The Board Risk Management Committee (BRMC) oversees the entire risk management process of the Bank. The Risk and Credit Policy Group is responsible for the development and implementation of all risk policies as approved by the BRMC / BoD. The group is organized into the functions of Market & Financial Institutions Risk, Credit Policy & Research, Credit Risk Management and Operational Risk & Basel II. Each risk function is headed by a senior manager who reports directly to the Group Head, Risk and Credit Policy. The role of the Risk and Credit Policy Group includes:

- Determining guidelines relating to the Bank's risk appetite.
- Recommending risk management policies in accordance with the Prudential Regulations, Basel II framework and international best practices.
- Reviewing policies/ manuals and ensuring that these are in accordance with BRMC / BoD approved risk management policies.
- Developing systems and resources to review the key risk exposures of the Bank.
- Approving credits and granting approval authority to qualified and experienced individuals.
- Reviewing the adequacy of credit training across the Bank.
- Organizing portfolio reviews focusing on quality assessment, risk profiles, industry concentrations, etc.
- Setting systems to identify significant portfolio indicators, problem credits and level of provisioning required.

44.1 Credit risk

Credit risk is the risk that a customer or counterparty may not settle an obligation for full value, either when due or at any time thereafter. This risk arises from the potential that a customer's or counterparty's willingness or ability to meet such an obligation is impaired, resulting in an economic loss to the Bank.

The credit risk management process is driven by the Bank's Credit Policy, which provides policies and procedures in relation to credit initiation, approval, documentation and disbursement, credit maintenance and remedial management.

Individual credit authorities are delegated to credit officers by the Board according to their seasoning / maturity. Approvals for Corporate and Consumer loans are centralized, while approval authorities for Commercial and SME exposures are delegated to a Regional level. All credit policy functions are centrally organized.

Concentrations of credit risk exist if clients are engaged in similar activities, or are located in the same geographical region, or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. The Bank manages, limits and controls concentrations of credit risk to individual counterparties and groups, and to industries, where appropriate. Limits are also applied to portfolios or sectors where the Bank considers it appropriate to restrict credit risk concentrations, or to areas of higher risk, or to control the rate of portfolio growth.

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44.2 Segmental information

44.2.1 Segments by class of business

	2013					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	5,979,475	1.37%	5,919,523	0.72%	5,804,329	0.82%
Agri business	58,684,521	13.44%	27,176,727	3.28%	9,415	0.00%
Textile spinning	21,677,722	4.96%	1,498,771	0.18%	839,676	0.12%
Textile weaving	4,207,145	0.96%	2,201,841	0.27%	3,573,715	0.50%
Textile composite	23,561,718	5.39%	2,587,416	0.31%	-	0.00%
Textile others	13,587,327	3.11%	2,970,919	0.36%	3,537,268	0.50%
Cement	3,790,075	0.87%	13,510,737	1.63%	1,577,246	0.22%
Sugar	4,380,318	1.00%	3,518,261	0.42%	456,776	0.06%
Shoes and leather garments	2,084,008	0.48%	3,590,046	0.43%	323,007	0.05%
Automobile and transportation equipment	4,796,131	1.10%	5,642,678	0.68%	3,399,734	0.48%
Financial	15,038,641	3.44%	16,088,946	1.94%	454,858,475	64.23%
Insurance	-	0.00%	10,420,804	1.26%	539	0.00%
Electronics and electrical appliances	3,944,310	0.90%	4,065,121	0.49%	1,070,613	0.15%
Production and transmission of energy	57,169,281	13.09%	35,923,933	4.34%	80,787,473	11.41%
Paper and allied	1,699,829	0.39%	571,718	0.07%	673,752	0.10%
Surgical and metal	140,838	0.03%	2,719,365	0.33%	241,257	0.03%
Contractors	9,793,869	2.24%	23,435,295	2.83%	32,455,017	4.58%
Wholesale traders	21,376,513	4.89%	36,698,924	4.43%	4,600,213	0.65%
Fertilizer dealers	5,253,653	1.20%	6,534,660	0.79%	3,134,964	0.44%
Sports goods	272,606	0.06%	1,416,193	0.17%	-	0.00%
Food industries	21,588,603	4.94%	4,903,996	0.59%	5,271,293	0.74%
Airlines	9,105,607	2.08%	1,154,084	0.14%	49,250	0.01%
Cables	234,513	0.05%	495,859	0.06%	518,822	0.07%
Construction	20,415,953	4.67%	11,254,221	1.36%	7,336,285	1.04%
Containers and ports	-	0.00%	323,000	0.04%	3,146,971	0.44%
Engineering	3,144,086	0.72%	2,153,155	0.26%	3,374,569	0.48%
Glass and allied	249,106	0.06%	397,203	0.05%	217,179	0.03%
Hotels	2,458,432	0.56%	3,626,013	0.44%	66,428	0.01%
Infrastructure	-	0.00%	21,610,136	2.61%	73,181	0.01%
Media	687,729	0.16%	669,688	0.08%	100	0.00%
Polyester and fiber	4,128,139	0.95%	272,942	0.03%	45,712	0.01%
Telecommunication	6,275,345	1.44%	13,678,172	1.65%	251,885	0.04%
Individuals	46,632,289	10.68%	441,887,220	53.38%	5,104,595	0.72%
Others	64,391,300	14.74%	118,930,171	14.37%	85,391,822	12.08%
	<u>436,749,082</u>	<u>100.00%</u>	<u>827,847,738</u>	<u>100.00%</u>	<u>708,191,561</u>	<u>100.00%</u>

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	2012					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	6,436,929	1.57%	15,784,908	2.25%	4,054,798	0.79%
Agri business	63,412,533	13.40%	37,837,882	5.41%	75,359	0.01%
Textile spinning	16,023,464	3.92%	1,754,995	0.25%	13,478,641	2.62%
Textile weaving	6,264,208	1.53%	2,632,554	0.38%	5,505,733	1.07%
Textile composite	21,485,938	5.25%	2,923,552	0.42%	98,404	0.02%
Textile others	15,983,229	3.91%	2,048,785	0.29%	2,342,064	0.46%
Cement	2,393,256	0.59%	2,916,842	0.42%	571,719	0.11%
Sugar	3,427,465	2.94%	5,347,923	0.76%	536,224	0.10%
Shoes and leather garments	2,141,611	0.52%	3,903,157	0.56%	388,343	0.08%
Automobile and transportation equipment	6,134,194	1.50%	6,265,499	0.90%	2,629,068	0.51%
Financial	9,310,324	2.28%	11,569,758	1.87%	270,879,543	52.75%
Insurance	-	0.00%	14,416,808	2.06%	24,413	0.00%
Electronics and electrical appliances	2,892,224	0.71%	2,644,787	0.38%	7,848,109	1.53%
Production and transmission of energy	56,734,730	13.87%	20,191,121	2.88%	38,220,380	7.44%
Paper and allied	815,020	0.20%	990,948	0.14%	711,440	0.14%
Surgical and metal	371,234	0.09%	2,052,536	0.29%	131,086	0.03%
Contractors	8,943,375	2.19%	28,960,618	4.14%	24,567,559	4.78%
Wholesale traders	17,509,375	4.28%	41,656,054	5.95%	2,745,136	0.53%
Fertilizer dealers	4,437,555	1.08%	7,160,535	1.02%	1,755,309	0.34%
Sports goods	286,356	0.07%	1,926,353	0.28%	22,535	0.00%
Food industries	12,739,862	3.11%	11,108,262	1.59%	4,589,076	0.89%
Airlines	7,557,066	1.85%	5,413,479	0.77%	186,170	0.04%
Cables	832,925	0.20%	79,424	0.01%	186,093	0.04%
Construction	16,563,478	4.05%	10,765,408	1.54%	7,401,252	1.44%
Containers and ports	1,883,000	0.46%	762,599	0.11%	3,323,884	0.65%
Engineering	1,127,890	0.28%	2,093,081	0.30%	2,627,272	0.51%
Glass and allied	131,094	0.03%	648,509	0.09%	21,028	0.00%
Hotels	3,960,279	0.97%	3,610,021	0.52%	66,063	0.01%
Infrastructure	638,644	0.16%	5,652,867	0.81%	-	0.00%
Media	486,273	0.12%	594,501	0.08%	51,535	0.01%
Polyester and fiber	4,514,939	1.10%	195,858	0.03%	364	0.00%
Telecommunication	9,959,155	2.43%	10,557,710	1.51%	3,751,277	0.73%
Individuals	47,552,654	11.62%	351,027,689	50.15%	4,793,544	0.93%
Others	56,140,165	13.72%	82,934,674	11.84%	109,925,060	21.41%
	<u>409,090,444</u>	<u>100.00%</u>	<u>698,429,697</u>	<u>100.00%</u>	<u>513,508,481</u>	<u>100.00%</u>

44.2.2 Segment by Sector

	2013					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	99,360,765	22.75%	54,085,422	6.53%	86,682,221	12.24%
Private	337,388,317	77.25%	773,762,316	93.47%	621,509,340	87.76%
	<u>436,749,082</u>	<u>100.00%</u>	<u>827,847,738</u>	<u>100.00%</u>	<u>708,191,561</u>	<u>100.00%</u>

	2012					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	105,576,001	25.81%	54,372,750	7.77%	117,283,647	22.84%
Private	303,514,443	74.19%	644,056,947	92.23%	396,224,834	77.16%
	<u>409,090,444</u>	<u>100.00%</u>	<u>698,429,697</u>	<u>100.00%</u>	<u>513,508,481</u>	<u>100.00%</u>

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44.2.3 Details of non performing advances and specific provisions by class of business segment

	2013		2012	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	----- (Rupees in '000) -----			
Chemical and pharmaceuticals	259,484	259,484	312,746	256,259
Agri business	1,098,563	879,874	1,313,254	954,821
Textile spinning	4,139,842	4,079,091	5,499,634	4,961,322
Textile weaving	854,368	788,253	1,126,543	877,388
Textile composite	5,891,133	4,692,948	5,710,107	4,409,573
Textile others	3,047,785	2,926,837	3,640,690	3,072,455
Sugar	157,837	52,067	160,424	41,956
Shoes and leather garments	228,623	221,434	242,670	242,670
Automobile and transportation equipment	226,896	180,736	264,702	191,313
Financial	2,083,465	1,725,930	2,231,888	1,629,271
Electronics and electrical appliances	183,833	183,833	201,492	201,492
Production and transmission of energy	3,955,581	3,570,269	6,480,916	3,079,402
Paper and allied	418,260	395,321	397,813	305,470
Wholesale traders	1,834,356	1,660,644	1,667,571	1,483,440
Fertilizer dealers	75,324	68,567	72,148	67,811
Sports goods	63,960	63,960	126,960	126,960
Food industries	862,616	805,516	989,530	884,938
Construction	3,964,091	3,623,960	4,085,882	3,323,093
Engineering	3,124,714	974,242	550,061	524,271
Glass and allied	367	367	4,205	4,205
Hotels	485,993	485,993	485,993	145,826
Polyester and fiber	2,355,095	2,284,036	2,362,823	2,106,295
Individuals	13,668,112	11,373,889	14,698,530	11,548,661
Others	3,649,761	2,799,488	4,720,414	3,024,918
	<u>52,630,059</u>	<u>44,096,739</u>	<u>57,346,996</u>	<u>43,463,810</u>

44.2.4 Details of non performing advances and specific provision by sector

	2013		2012	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	----- (Rupees in '000) -----			
Public / Government	1,400,653	-	2,677,481	-
Private	<u>51,229,406</u>	<u>44,096,739</u>	<u>54,669,515</u>	<u>43,463,810</u>
	<u>52,630,059</u>	<u>44,096,739</u>	<u>57,346,996</u>	<u>43,463,810</u>

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44.2.5 Geographical segment analysis

	2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
----- (Rupees in '000) -----				
Pakistan operations	22,907,240	776,332,633	66,646,369	475,839,112
Middle East	4,682,467	262,036,474	31,735,784	232,101,989
United States of America	195,215	3,283,908	2,137,392	1,694
Karachi Export Processing Zone	21,990	1,500,847	394,452	248,766
	<u>4,899,672</u>	<u>266,821,229</u>	<u>34,267,628</u>	<u>232,352,449</u>
	<u>27,806,912</u>	<u>1,043,153,862</u>	<u>100,913,997</u>	<u>708,191,561</u>
	2012			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
----- (Rupees in '000) -----				
Pakistan operations	23,246,916	708,870,778	61,565,294	373,701,299
Middle East	3,401,778	213,543,526	28,462,953	139,676,024
United States of America	184,364	3,782,679	1,850,136	3,832
Karachi Export Processing Zone	18,377	696,218	359,907	127,326
	<u>3,604,519</u>	<u>218,022,423</u>	<u>30,672,996</u>	<u>139,807,182</u>
	<u>26,851,435</u>	<u>926,893,201</u>	<u>92,238,290</u>	<u>513,508,481</u>

Total assets employed include intra group items of Rs.33,415.211 million (2012: Rs.30,358.606 million).

44.3 Market Risk

Market risk is the risk that the fair value of a financial instrument will fluctuate due to movements in market prices. It results from changes in interest rates, exchange rates and equity prices as well as from changes in the correlations between them. Each of these components of market risk consists of a general market risk and a specific market risk that is driven by the nature and composition of the portfolio.

Measuring and controlling market risk is usually carried out at a portfolio level. However, certain controls are applied, where necessary, to individual risk types, to particular books and to specific exposures. Controls are also applied to prevent any undue risk concentrations in trading books, taking into account variations in price, volatility, market depth and liquidity. These controls include limits on exposure to individual market risk variables as well as limits on concentrations of tenors and issuers.

Trading activities are centered in the Treasury and Capital Markets Group which facilitates clients and also runs proprietary positions. The Bank is active in the cash and derivative markets for equity, interest rate and foreign exchange.

The Market and Treasury Risk division performs market risk management activities. Within this division, the Market Risk Management unit is responsible for the development and review of market risk policies and processes, and is involved in research, financial modeling and testing / implementation of risk management systems, while Treasury Middle Office is responsible for implementation and monitoring of market risk and other policies, escalation of deviations to senior management, and MIS reporting.

The functions of the Market Risk Management unit are as follows:

- To keep the market risk exposure within the Bank's risk appetite as assigned by the BoD and the BRMC.
- To develop, review and upgrade procedures for the effective implementation of market risk management policies approved by the BoD and BRMC.

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- To review new product proposals and propose / recommend / approve procedures for the management of their market risk. Various limits are assigned to different businesses on a product/portfolio basis. The products are approved through product programs, where risks are identified and limits and parameters are set. Any transactions / products falling outside these product programs are approved through separate transaction / product memos.
- To maintain a comprehensive database for performing risk analysis, stress testing and scenario analysis. Stress testing activities are performed on a quarterly basis on both the Banking and Trading books.

44.3.1 Foreign Exchange Risk

	2013			
	Assets	Liabilities	Off - balance sheet items	Net currency exposure
	----- (Rupees in '000) -----			
Pakistan Rupee	731,786,850	607,709,956	(24,350,954)	99,725,940
US Dollar	132,156,718	83,416,585	(49,219,121)	(478,988)
Pound Sterling	1,331,587	12,610,648	11,653,201	374,140
Japanese Yen	92,420	7,681	(73,527)	11,212
Euro	1,985,245	7,716,610	5,757,308	25,943
UAE Dirham	82,894,185	125,322,133	42,858,583	430,635
Bahraini Dinar	13,173,637	19,452,215	6,004,329	(274,249)
Qatari Riyal	17,887,202	24,690,385	6,741,932	(61,251)
Other Currencies	28,430,807	27,898,441	628,249	1,160,615
	<u>1,009,738,651</u>	<u>908,824,654</u>	<u>-</u>	<u>100,913,997</u>

	2012			
	Assets	Liabilities	Off - balance sheet items	Net currency exposure
	----- (Rupees in '000) -----			
Pakistan Rupee	709,789,544	601,898,252	(16,752,154)	91,139,138
US Dollar	74,957,934	58,019,573	(16,581,683)	356,678
Pound Sterling	2,784,651	10,582,621	7,745,156	(52,814)
Japanese Yen	28,985	8,641	(55,545)	(35,201)
Euro	2,370,763	5,803,173	3,414,984	(17,426)
UAE Dirham	65,799,339	80,477,565	14,074,639	(603,587)
Bahraini Dinar	10,596,389	16,424,191	5,828,363	561
Qatari Riyal	10,103,904	11,665,772	2,622,384	1,060,516
Other Currencies	20,103,086	19,416,517	(296,144)	390,425
	<u>896,534,595</u>	<u>804,296,305</u>	<u>-</u>	<u>92,238,290</u>

Foreign Exchange Risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates. Exposures are monitored by currency to ensure that they remain within the established limits for each currency. Exposures are also monitored on an overall basis to ensure compliance with the Bank's SBP approved Foreign Exchange Exposure Limit.

The Bank is an active participant in the cash and derivatives markets for currencies and carries currency risk from these trading activities, conducted primarily by the Treasury and Capital Markets Group (TCM). These trading exposures are monitored through prescribed stress tests and sensitivity analyses.

The Bank's reporting currency is the Pakistan Rupee, but its assets, liabilities, income and expenses are denominated in multiple currencies. From time to time, TCM proactively hedges foreign currency exposures resulting from its market making activities, subject to pre-defined limits.

44.3.2 Equity position risk

Equity position risk is the risk that the fair value of a financial instrument will fluctuate due to changes in the prices of individual stocks or the levels of equity indices. The Bank's equity book comprises of held for trading (HFT) and available for sale (AFS) portfolios. The objective of the HFT portfolio is to make short-term capital gains, whilst the AFS portfolio is maintained with a medium term view of earning both capital gains and dividend income. Product program manuals have been developed to provide guidelines on the objectives and policies, risks and mitigants, limits and controls for the equity portfolios of the Bank.

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44.3.3 Yield / interest rate risk

Interest rate risk is the risk that fair value of a financial instrument will fluctuate as a result of changes in interest rates, including changes in the shape of yield curves. Interest rate risk is inherent in many of the Bank's businesses and arises from mismatches between the contractual maturities or the re-pricing of on and off balance sheet assets and liabilities. The interest rate sensitivity profile is prepared on a quarterly basis based on the re-pricing or contractual maturities of assets and liabilities.

Interest rate risk is monitored and managed by performing periodic gap analysis, sensitivity analysis and stress testing and taking appropriate actions where required.

44.3.4 Mismatch of interest rate sensitive assets and liabilities

	Effective yield / interest rate %	Total	Exposed to yield / interest rate risk							Non-interest bearing financial instruments		
			Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years		Over 5 years to 10 years	
2013 (Rupees in '000)												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.01%	88,520,725	7,145,518	-	-	-	-	-	-	-	-	81,375,207
Balances with other banks	0.58%	25,867,497	13,281,654	-	-	-	-	-	-	-	-	12,585,843
Lendings to financial institutions	4.28%	28,835,115	14,940,512	2,410,963	5,444,549	4,443,007	1,585,137	-	-	-	-	10,947
Investments	9.67%	423,777,250	44,624,629	15,179,060	51,884,247	8,460,894	23,546,022	41,575,389	32,699,400	39,282,527	2,767,164	27,756,118
Advances	9.27%	-	-	-	-	-	-	-	-	-	-	-
Performing	-	382,280,142	25,707,305	2,097,959,939	70,452,004	23,535,290	6,369,885	17,923,445	11,758,231	6,590,875	10,147,168	-
Non-performing	-	8,533,320	-	-	-	-	-	-	-	-	-	8,533,320
Other assets	0%	17,700,898	-	-	-	-	-	-	-	-	-	17,700,898
		975,514,947	105,699,618	363,385,962	127,780,800	36,438,991	31,501,044	59,498,834	44,457,631	45,873,402	12,914,332	147,964,333
Liabilities												
Bills payable	0%	16,590,884	-	-	-	-	-	-	-	-	-	16,590,884
Borrowings	7.85%	40,573,874	15,676,692	14,414,099	4,809,219	1,642,946	720,836	986,492	1,012,065	855,497	-	456,008
Deposits and other accounts	3.86%	827,847,738	358,919,249	60,931,476	30,454,810	27,477,483	8,490,581	7,067,316	11,969,162	24,284,870	2,959,605	295,293,186
Subordinated loans	10.85%	665,328	-	665,328	-	-	-	-	-	-	-	-
Other liabilities	0%	19,348,724	-	-	-	-	-	-	-	-	-	19,348,724
		905,026,548	374,595,941	76,010,903	35,264,029	29,120,429	9,211,417	8,053,808	12,981,247	25,140,367	2,959,605	331,668,802
On-balance sheet gap		70,488,399	(268,896,323)	287,375,059	92,516,771	7,318,562	22,289,627	51,445,026	31,476,384	20,733,035	9,954,727	(183,724,469)
Net non financial assets		30,425,588	-	-	-	-	-	-	-	-	-	-
Total net assets		100,913,987	-	-	-	-	-	-	-	-	-	-
Off-balance sheet financial instruments												
Interest Rate Derivatives - Long position		5,723,576	-	2,085,405	245,757	-	-	-	2,156,008	1,236,406	-	-
Interest Rate Derivatives - Short position		(5,723,576)	-	(3,146,655)	(245,757)	-	-	-	(1,094,758)	(1,236,406)	-	-
Cross Currency Swap - Long position		10,550,240	-	6,114,000	4,436,240	-	-	-	-	-	-	-
Cross Currency Swap - Short Position		(10,550,240)	-	(6,114,000)	(4,436,240)	-	-	-	-	-	-	-
FX Options - Long position		-	-	-	-	-	-	-	-	-	-	-
FX Options - Short position		-	-	-	-	-	-	-	-	-	-	-
Forward Sale of Government Securities		207,539,873	87,718,457	78,395,959	41,051,688	373,759	-	-	-	-	-	-
Foreign currency forward purchases		(172,499,461)	(83,948,463)	(48,937,465)	(39,537,185)	(46,348)	-	-	-	-	-	-
Foreign currency forward sales		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		35,040,412	3,769,994	28,397,244	1,484,513	327,411	-	-	1,061,250	-	-	-
Total Yield / Interest Rate Risk Sensitivity Gap		105,528,811	(265,126,329)	315,772,303	94,001,284	7,645,973	22,289,627	51,445,026	32,537,634	20,733,035	9,954,727	(183,724,469)
Cumulative Yield / Interest Rate Risk Sensitivity Gap		(265,126,329)	50,645,974	144,647,258	152,293,231	174,582,858	226,027,884	258,565,518	279,298,553	289,253,280	105,528,811	

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

	Effective yield / interest rate %	2012										Non-interest bearing financial instruments	
		Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years		
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	0.01%	94,161,446	7,678,267	-	-	-	-	-	-	-	-	-	86,483,179
Balances with other banks	1.15%	15,234,326	9,332,760	-	-	-	-	-	-	-	-	-	5,901,546
Lendings to financial institutions	4.47%	21,953,458	9,590,360	3,965,289	4,610,064	2,658,245	291,449	-	-	-	-	-	868,051
Investments	10.64%	349,590,182	13,254,989	24,406,682	66,670,000	110,866,917	10,518,705	15,436,261	48,795,884	29,125,351	-	-	27,898,633
Advances	11.28%	-	-	-	-	-	-	-	-	-	-	-	-
Performing		350,500,822	68,896,796	170,356,400	44,906,427	17,404,996	9,647,954	10,997,012	13,734,893	7,159,346	-	-	7,396,998
Non-performing		13,862,980	-	-	-	-	-	-	-	-	-	-	13,862,980
Other assets	0%	16,592,201	-	-	-	-	-	-	-	-	-	-	16,592,201
		861,895,415	108,723,192	198,728,371	116,186,491	130,930,158	20,458,108	28,433,273	62,530,777	36,284,697	-	-	151,606,590
Liabilities													
Bills payable	0%	7,600,633	-	-	-	-	-	-	-	-	-	-	7,600,633
Borrowings	10.46%	68,720,266	15,672,056	1,373,975	1,202,386	1,202,386	3,665,820	3,735,711	1,371,554	3,549,786	-	-	250,117,648
Deposits and other accounts	4.33%	698,429,697	276,549,802	47,316,944	66,793,711	29,676,498	-	-	4,515,098	16,056,911	-	-	1,556
Subordinated loans	11.91%	9,319,264	9,319,264	-	-	-	-	-	-	-	-	-	-
Other liabilities	0%	17,536,995	-	-	-	-	-	-	-	-	-	-	17,536,995
		801,609,855	322,100,311	72,306,264	68,187,686	30,878,884	3,665,820	3,735,711	5,886,650	19,606,697	-	-	275,257,276
On-balance sheet gap		60,286,560	(213,377,119)	126,420,107	48,018,805	100,051,274	16,792,288	22,697,562	56,644,127	16,678,000	10,012,202	-	(123,650,686)
Net non financial assets													
		31,951,730	-	-	-	-	-	-	-	-	-	-	-
Total net assets		92,238,290	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet financial instruments													
Interest Rate Derivatives - Long position		8,059,417	1,000,000	-	2,444,083	1,000,000	-	-	291,449	3,323,885	-	-	-
Interest Rate Derivatives - Short position		(8,059,417)	-	-	(4,615,333)	(1,000,000)	-	-	(291,449)	(2,152,635)	-	-	-
Cross Currency Swap - Long position		12,490,616	-	8,072,150	4,418,466	-	-	-	-	-	-	-	-
Cross Currency Swap - Short Position		(12,490,616)	-	(8,072,150)	(4,418,466)	-	-	-	-	-	-	-	-
FX Options - Long position		37,234	-	-	37,234	-	-	-	-	-	-	-	-
FX Options - Short position		(37,234)	-	-	(37,234)	-	-	-	-	-	-	-	-
Forward Sale of Government Securities		(308,867)	-	-	-	-	-	-	-	(308,867)	-	-	-
Foreign currency forward purchases		119,658,061	66,822,438	38,986,790	12,599,533	1,249,300	-	-	-	-	-	-	-
Foreign currency forward sales		(90,502,058)	(53,135,319)	(27,123,588)	(10,165,219)	(77,932)	-	-	-	-	-	-	-
		28,847,136	14,687,119	11,863,202	263,064	1,171,368	-	-	-	862,383	-	-	-
Off-balance sheet Gap		87,828,267	(198,685,303)	138,295,049	48,295,072	101,258,275	17,032,768	22,897,338	57,121,061	17,540,383	11,254,828	(127,181,204)	87,828,267
Total Yield / Interest Rate Risk Sensitivity Gap		(198,685,303)	(60,390,254)	(12,095,182)	89,163,093	106,195,861	129,083,199	203,754,643	215,009,471	87,828,267	87,828,267	87,828,267	87,828,267

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

	2012									
	Total	Upto 1 month to 3 months	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
Assets										
Cash and balances with treasury banks	94,161,446	44,588,450	1,839,196	1,787,171	2,597,694	3,584,393	2,763,819	4,394,916	8,053,205	24,552,602
Balances with other banks	15,234,326	15,234,326	-	-	-	-	-	-	-	-
Lendings to financial institutions	21,953,458	10,457,978	4,072,539	1,876,956	2,362,578	2,015,356	300,000	-	-	868,051
Investments	349,590,182	9,108,767	19,992,107	52,591,389	127,880,627	21,787,647	20,105,452	50,940,751	30,970,097	16,713,345
Advances - Performing	350,500,822	66,836,808	94,200,314	33,888,199	23,888,147	15,109,357	11,056,364	56,526,025	46,232,261	2,963,347
- Non-performing	13,862,980	-	-	-	-	-	-	-	-	13,862,980
Operating fixed assets	24,431,069	115,690	261,742	410,286	201,613	776,065	762,779	3,029,062	2,123,639	16,750,193
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	26,800,312	5,185,395	5,224,331	5,215,744	6,835,455	584,090	342,734	1,272,242	925,044	1,215,277
	896,534,595	151,527,414	125,590,229	95,769,745	163,066,114	43,856,908	35,331,148	116,162,996	88,304,246	76,925,795
Liabilities										
Bills payable	7,600,633	2,686,303	1,777,680	1,733,605	1,403,045	-	-	-	-	-
Borrowings	68,720,266	45,724,548	10,307,277	6,764,183	1,453,885	344,291	483,639	1,350,243	2,282,200	-
Deposits and other accounts	698,429,697	104,964,536	78,402,134	51,243,330	47,507,635	40,912,786	31,639,622	47,031,485	94,966,619	201,761,550
Subordinated loan	9,319,264	-	2,333,268	-	333,868	667,728	2,400	4,800	5,977,200	-
Deferred tax liability	856,528	-	-	-	453,222	(222,750)	313,028	313,028	-	-
Other liabilities	19,369,917	5,248,530	1,730,498	85,145	1,285,168	638,154	453,414	907,610	2,589,397	5,665,695
	804,296,305	158,623,917	94,550,857	60,592,569	52,436,823	42,340,209	32,902,103	49,607,166	105,815,416	207,427,245
Net assets	92,238,290	(8,691,676)	31,039,372	35,177,176	111,180,570	1,516,699	2,429,045	66,555,830	(17,483,891)	(130,559,299)
Represented by:										
Share capital	12,241,798	-	-	-	-	-	-	-	-	-
Reserves	29,044,219	-	-	-	-	-	-	-	-	-
Unappropriated profit	37,415,599	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	13,536,674	-	-	-	-	-	-	-	-	-
	92,238,290	-	-	-	-	-	-	-	-	-

(Rupees in '000)

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

	2012									
	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
----- (Rupees in '000) -----										
Assets										
Cash and balances with treasury banks	94,161,446	-	-	-	-	-	-	-	-	-
Balances with other banks	15,234,326	-	-	-	2,362,578	-	300,000	-	-	-
Lendings to financial institutions	21,953,458	10,457,978	4,072,539	1,876,956	2,015,356	2,015,356	300,000	-	-	868,051
Investments	349,590,182	16,101,184	19,493,818	52,591,389	120,886,498	21,787,647	20,105,453	50,940,751	30,970,097	16,713,345
Advances	364,363,802	94,305,072	66,732,050	33,888,199	23,688,147	15,109,357	11,056,364	56,526,025	46,232,261	16,826,327
Operating fixed assets	24,431,069	115,690	261,742	410,286	201,613	776,065	762,779	3,029,062	2,123,639	16,750,193
Other assets	26,800,312	24,542,129	579,382	186,821	701,592	427,216	216,787	146,385	-	-
	896,534,595	254,917,825	91,139,531	88,953,651	147,840,428	40,115,641	32,441,383	110,642,223	79,325,997	51,157,916
Liabilities										
Bills payable	7,600,633	7,600,633	-	-	-	-	-	-	-	-
Borrowings	68,720,266	45,724,548	10,307,277	7,055,632	1,162,436	344,291	493,639	1,350,243	2,282,200	-
Deposits and other accounts	698,429,697	532,492,406	61,902,473	34,688,260	24,433,228	8,384,954	6,664,369	7,402,008	22,461,999	-
Subordinated loans	9,319,264	-	2,333,268	-	333,868	667,728	2,400	4,800	5,977,200	-
Deferred tax liability - net	856,528	856,528	-	-	-	-	-	-	-	-
Other liabilities	19,369,917	13,925,345	924,314	58,787	645,484	24,838	-	209,230	1,323,554	2,258,365
	804,296,305	600,599,460	75,467,332	41,802,679	26,575,016	9,421,811	7,160,408	8,966,281	32,044,953	2,258,365
Net assets	92,238,290	(345,681,635)	15,672,199	47,150,972	121,265,412	30,693,830	25,280,975	101,675,942	47,281,044	48,899,551
Represented by:										
Share capital	12,241,798	-	-	-	-	-	-	-	-	-
Reserves	29,044,219	-	-	-	-	-	-	-	-	-
Unappropriated profit	37,415,599	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	13,536,674	-	-	-	-	-	-	-	-	-
	92,238,290	-	-	-	-	-	-	-	-	-

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

44.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Operational Risk & Basel II Division is primarily responsible for the oversight of operational risk management across the Bank. The operational risk management framework of the Bank is governed by the Operational Risk Management Policy and Procedures, while the implementation is supported by an operational risk management system and designated operational risk coordinators within different units across the bank. The framework is in line with international best practices, flexible enough to implement in stages and permits the overall approach to evolve in response to organizational learning and future requirements.

Loss data, collected through a well defined program, is evaluated and processes are reviewed for improvements in mitigation techniques. Periodic workshops are conducted for Risk & Control Self Assessment and key risk exposures are identified and assessed against existing controls to evaluate improvement opportunities. Key Risk Indicators are also defined for monitoring of risk exposures.

Business Continuity Plans have been implemented across the bank, clearly defining the roles and responsibilities of respective stakeholders, and covering recovery strategy, IT and structural backups, scenario and impact analyses and testing directives. The outsourcing policy has also been augmented to address risks associated with such arrangements.

45. ISLAMIC BANKING BUSINESS

The Bank operates 22 (2012: 19) Islamic Banking Branches and 15 (2012: 15) Islamic Banking windows.

The statement of financial position of the Bank's Islamic Banking Branches as at December 31, 2013 is as follows:

	Note	2013	2012
		----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks		951,157	748,333
Balances with other banks		1,701,743	1,293,290
Investments		7,363,524	8,036,026
Islamic financing and related assets	45.1	5,183,080	3,118,266
Operating fixed assets		117,974	100,250
Due from Head Office		2,144,911	-
Other assets		153,963	173,481
Total Assets		17,616,352	13,469,646
LIABILITIES			
Bills payable		54,532	960
Due to financial institutions		-	-
Deposits and other accounts			
Current accounts		2,328,416	1,863,420
Saving accounts		2,490,262	2,533,628
Term deposits		1,994,823	3,141,108
Deposits from financial institutions - remunerative		9,980,829	4,956,027
		16,794,330	12,494,183
Due to Head Office		-	272,971
Other liabilities		191,564	162,915
		17,040,426	12,931,029
NET ASSETS		575,926	538,617
REPRESENTED BY			
Islamic Banking Fund		681,000	681,000
Accumulated losses		(156,679)	(194,579)
		524,321	486,421
Surplus on revaluation of assets		51,605	52,196
		575,926	538,617

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

The profit and loss account of the Bank's Islamic Banking branches for the year ended December 31, 2013 is as follows:

	2013	2012
	----- (Rupees in '000) -----	
Return earned	1,511,101	1,266,785
Return expensed	<u>895,282</u>	<u>865,577</u>
	615,819	401,208
Provision against loans and advances - net	<u>1,525</u>	<u>7,880</u>
Reversal for diminution in value of investments - net	<u>(1,438)</u>	<u>(37,216)</u>
(Reversal) / Charge against assets given on Ijarah	<u>(3,602)</u>	<u>12,626</u>
	<u>(3,515)</u>	<u>(16,710)</u>
Net return after provisions	619,334	417,918
Other Income		
Fee, commission and brokerage income	<u>14,913</u>	<u>12,124</u>
Dividend income	<u>20,187</u>	<u>60,432</u>
Income from dealing in foreign currencies	<u>7,291</u>	<u>34,504</u>
Gain on sale of securities - net	<u>9,021</u>	<u>860</u>
Other income	<u>8,584</u>	<u>14,906</u>
Total other income	<u>59,996</u>	<u>122,826</u>
	679,330	540,744
Other Expenses		
Administrative expenses	<u>638,933</u>	<u>516,659</u>
Other provisions - net	<u>2,497</u>	<u>19,006</u>
Total other expenses	<u>641,430</u>	<u>535,665</u>
Net profit for the year	37,900	5,079
Accumulated losses brought forward	<u>(194,579)</u>	<u>(199,658)</u>
Accumulated losses carried forward	<u>(156,679)</u>	<u>(194,579)</u>
Remuneration to Shariah Advisor	<u>1,045</u>	<u>2,329</u>
45.1 Islamic financing and related assets		
Financings		
Murabaha	<u>3,232,150</u>	<u>1,394,021</u>
Ijarah	<u>867,257</u>	<u>982,463</u>
Musharaka	<u>-</u>	<u>55,556</u>
Diminishing Musharaka	<u>687,448</u>	<u>192,924</u>
Salam	<u>281,040</u>	<u>347,171</u>
Provision against financings	<u>(31,389)</u>	<u>(29,864)</u>
	5,036,506	2,942,271
Advances		
Advances and receivables against Ijarah	<u>143,753</u>	<u>171,780</u>
Advances for Murabaha	<u>17,498</u>	<u>17,531</u>
Provision against advances for Murabaha	<u>(17,498)</u>	<u>(17,498)</u>
	143,753	171,813
Profit receivable against financings	<u>2,821</u>	<u>4,182</u>
	<u>5,183,080</u>	<u>3,118,266</u>
45.2 Charity Fund		
Opening balance	6,476	8,967
Addition during the year	262	959
Payments during the year	<u>(6,400)</u>	<u>(3,450)</u>
Closing balance	<u>338</u>	<u>6,476</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

45.3 Disclosures for profit and loss distribution and pool management

During 2013, UBL Ameen (the Mudarib) maintained two pools which accept deposits on the basis of Mudaraba from depositors (Rabbulmaal). Pool funds are invested in Islamic modes of financing and investments. The profit earned on the pool is therefore susceptible to the same market and credit risks as discussed in note 44 to the financial statements.

Ameen Daily Munafa Account (ADMA) Pool

The ADMA pool consists of deposits for the ADMA product. The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. From the net return, profit is paid to the Mudarib in the ratio of the Mudarib's equity in the pool to the total pool. The balance represents the distributable profit.

General Pool

The General pool consists of all other remunerative deposits. The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. Currently, the entire net return is considered as distributable profit without paying any profit to the Mudarib on its equity.

For both pools, the Mudarib's share is deducted from the distributable profit to calculate the profit to be allocated to depositors. The allocation of the profit to various deposit categories is determined by the amount invested in that category relative to the total pool, as well as by the weightage assigned to the various deposit categories.

The Mudarib's share for the year ended December 31, 2013 is Rs. 602 million (50% of distributable profit). Of this, an amount of Rs. 293 million (49% of Mudarib share) was distributed back to depositors as Hiba. The rate of profit earned on average earning assets was 9.7% per annum and the rate of profit paid on average deposits was 6.9% per annum.

45.4 Deployment of Mudaraba based deposits by class of business	2013	2012
	----- (Rupees in '000) -----	
Chemical and pharmaceuticals	83,936	349,539
Agri business	3,018,759	963,200
Textile	300,663	366,141
Sugar	96,110	124,311
Automobile	9,390	3,641
Financial	311,632	425,264
Food industries	192,305	359,480
Engineering	434,348	379,302
Glass and allied	522,134	274,667
Hotel	21,714	24,802
Plastic	84,665	67,560
Individuals	198,651	173,323
Production and Transmission of energy	459,089	41,667
Government of Pakistan Sukuks	6,538,358	7,398,943
Others	274,850	202,452
	<u>12,546,604</u>	<u>11,154,292</u>

46. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on February 19, 2014 has proposed a cash dividend in respect of 2013 of Rs. 4.00 per share (2012: Rs. 3.50 per share). In addition, the Directors have also announced a bonus issue of nil (2012: nil). These appropriations will be approved in the forthcoming Annual General Meeting. The unconsolidated financial statements for the year ended December 31, 2013 do not include the effect of these appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2014.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2013

47. DATE OF AUTHORIZATION

These financial statements were authorized for issue on February 19, 2014 by the Board of Directors of the Bank.

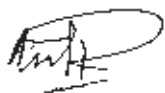
48. GENERAL

48.1 Comparatives

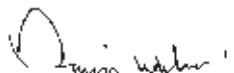
Comparative information has been reclassified, rearranged or additionally incorporated in these unconsolidated financial statements for the purposes of better presentation. Major reclassifications made are as follows:

- Rs. 1,505 million has been reclassified from deposits and other accounts to borrowings.
- Rs. 583 million has been reclassified from other assets to other liabilities.

48.2 Figures have been rounded off to the nearest thousand rupees unless otherwise stated.



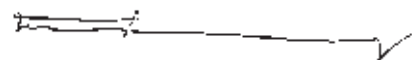
Atif R. Bokhari
President &
Chief Executive Officer



Amin Uddin
Director



Seerat Asghar
Director



Sir Mohammed Anwar Pervez, OBE, HPk
Chairman

Annexure 'A' as referred to in note 9.11 of the Bank's Unconsolidated Financial Statements

1) Particulars of investments held in listed companies and Modarbas

Investee	Number of shares / certificates held	Paid up value per share / certificate	Total paid up value	Cost
		(Rupees)	------(Rupees in '000)-----	
<u>Held for trading securities</u>				
<u>Investments in ordinary shares</u>				
Attock Refinery Limited	350,400	10.00	3,504	72,989
Bank Al Falah Limited	200,000	10.00	2,000	5,486
D.G. Khan Cement	500,000	10.00	5,000	43,192
FFC Jordan-Bin Qasim	100,000	10.00	1,000	4,510
MCB Bank Limited	665,900	10.00	6,659	191,756
				<u>317,933</u>
<u>Available for sale securities</u>				
<u>Investments in ordinary shares</u>				
Agritech Limited	14,087,108	10.00	140,871	493,049
Aisha Steel Mills Limited	5,104,000	10.00	51,040	55,362
Bank Al Falah Limited	21,000,000	10.00	210,000	481,790
DP World	6,926	2,106.49	14,590	18,968
Engro Foods Limited	3,500,000	10.00	35,000	359,776
Engro Corporation Limited	4,250,000	10.00	42,500	568,267
Fatima Fertilizer Company Limited	22,400,000	10.00	224,000	569,358
Fauji Fertilizer Bin Qasim Limited	45,400,000	10.00	454,000	1,803,141
Fauji Fertilizer Company Limited	17,500,000	10.00	175,000	1,981,068
Hub Power Company Limited	33,228,500	10.00	332,285	1,547,277
Kot Addu Power Company Limited	83,300,500	10.00	833,005	3,868,783
MCB Bank Limited	982,100	10.00	9,821	280,441
Maple Leaf Cement	18,369,500	10.00	183,695	439,560
National Refinery Limited	200,000	10.00	2,000	43,735
Nishat Chunian Power Limited	26,798,500	10.00	267,985	460,629
Pakgen Power Limited	6,428,000	10.00	64,280	157,910
Pak Oilfields Limited	580,100	10.00	5,801	279,771
Pakistan Telecommunication Company Limited	22,450,000	10.00	224,500	617,037
Shell Pakistan Limited	705,000	10.00	7,050	131,287
				<u>14,157,209</u>
<u>Investments in preference shares</u>				
Masood Textile Mills Limited	7,333,334	10.00	73,333	73,333
Silk Bank Limited	10,000,000	10.00	100,000	25,000
JSC Alliance Bank	95,720	4,786.53	338,312	338,312
				<u>436,645</u>

Annexure 'A' as referred to in note 9.11 of the Bank's Unconsolidated Financial Statements

2) Particulars of investments held in unlisted companies

Investee	Percentage of holding (%)	Number of shares / certificates held	Breakup-up value per share	Paid up value per share	Cost	Based on audited accounts as at	Name of Chief Executive
			Rupees	Rupees	(Rupees in '000)		
Shareholding more than 10%							
Pakistan Agricultural Storage & Services Corporation Limited	18.3%	5,500	(127,104)	1,000	5,500	31-Mar-13	Maj. Gen. M. Tauqeer Ahmad Khan
World Bridge Connect Inc.	18.1%	1,979,295	-	-	77,606	-	Not available
Cinepax Limited	14.6%	5,037,200	9	10	50,372	30-Jun-12	Arif Baigmohamed
Shareholding upto 10%							
First Women Bank Limited	5.2%	7,698,441	13	10	21,100	31-Dec-12	Shafqat Sultana
National Institutional Facilitation Technologies (Pvt.) Limited	8.6%	1,406,835	62	10	1,527	30-Jun-13	M. M. Khan
National Investment Trust Limited	8.3%	79,200	22,519	100	100	30-Jun-13	Manzoor Ahmed
News-VIS Credit Information Services (Pvt.) Limited	4.7%	32,500	(2)	10	325	30-Jun-13	Faheem Ahmad
Techlogix International Limited	4.4%	4,455,829	5	0	50,702	31-Dec-11	Salman Akhtar & Kewan Khawaja (Co-Chief Executive)
Kay Textile Mills Limited	Not available	377,800	-	-	3,778	Not available	Not available
SME Bank Limited	1.7%	3,975,003	6	10	26,950	31-Dec-12	Naseer Durrani
SWIFT	0.0%	25	330,036	18,134	2,905	31-Dec-12	Gottfried Leibbrandt
MasterCard Incorporated	0.0%	461	5,911	0	0	31-Dec-12	Ajay Banga
The Benefit Company B.S.C ©	0.4%	216	146,848	27,938	2,235	31-Dec-12	Abdul Wahid Janahi
					<u>243,100</u>		

Annexure 'A' as referred to in note 9.11 of the Bank's Unconsolidated Financial Statements

3) Particulars of bonds

Investee	Terms of Redemption		Rate of Interest / Profit	Outstanding Amount
	Principal	Interest / Profit		
(Rupees in '000)				
<u>Available for sale securities</u>				
<u>Government of Pakistan Sukuk</u>				
Government of Pakistan Ijarah Sukuk - VII	At Maturity	Bi-annually	Cut off yield of 6M T-Bills plus 0 bps	1,001,752
Government of Pakistan Ijarah Sukuk - IX	At Maturity	Bi-annually	Cut off yield of 6M T-Bills plus 0 bps	2,785,000
Government of Pakistan Ijarah Sukuk - XI	At Maturity	Bi-annually	Cut off yield of 6M T-Bills plus 0 bps	500,000
Government of Pakistan Ijarah Sukuk - XIV	At Maturity	Bi-annually	Cut off yield of 6M T-Bills minus 30 bps	1,900,000
				6,186,752
<u>Government of Pakistan - Eurobonds</u>				
Islamic Republic of Pakistan - 2016 - Eurobond	At Maturity	Bi-annually	7.125%	2,113,833
Islamic Republic of Pakistan - 2017 - Eurobond	At Maturity	Bi-annually	6.875%	8,821,093
				10,934,926
<u>Foreign bonds - sovereign</u>				
Angol 2019 USD	At Maturity	Bi-annually	7.000%	416,349
Government of Dubai 2020	At Maturity	Bi-annually	7.750%	2,513,861
Government of Dubai 2015	At Maturity	Bi-annually	6.700%	437,694
Government of Dubai 2022	At Maturity	Bi-annually	6.450%	1,566,922
EGYPT 2020	At Maturity	Bi-annually	5.750%	633,604
Kingdom of Bahrain 2020	At Maturity	Bi-annually	5.500%	1,135,104
Kingdom of Jordan	At Maturity	Bi-annually	6.392%	735,863
Republic of Ghana 2017	At Maturity	Bi-annually	8.500%	309,815
Republic of SRILANKA 2020	At Maturity	Bi-annually	6.250%	790,774
Republic of SRILANKA 2022	At Maturity	Bi-annually	5.875%	624,469
State of Qatar 2030	At Maturity	Bi-annually	9.750%	2,766,876
United Republic of Tanzania	At Maturity	Bi-annually	6.392%	1,144,942
Venezuela 2016	At Maturity	Bi-annually	5.750%	311,964
				13,388,237
<u>Foreign bonds - others</u>				
Bank of Bahrain and Kuwait 2015	At Maturity	Bi-annually	4.500%	211,567
Bank of Ceylon 2017	At Maturity	Bi-annually	6.875%	519,521
CBQ Finance 2019	At Maturity	Bi-annually	7.500%	517,550
Dar Al Arkaan 2015	At Maturity	Bi-annually	10.750%	411,988
DEWA - 2016	At Maturity	Bi-annually	6.375%	10,721
DEWA - 2018	At Maturity	Bi-annually	3.000%	3,367,368
DEWA - 2020	At Maturity	Bi-annually	7.375%	2,796,625
EMAAR 2019	At Maturity	Bi-annually	6.400%	1,046,701
EMIRAT	At Maturity	Bi-annually	3.875%	628,871
IPIC GMTN 2022	At Maturity	Bi-annually	5.500%	217,748
JAFZA 2019	At Maturity	Bi-annually	7.000%	1,042,447
MAF Global 2019	At Maturity	Bi-annually	5.250%	521,733
Qatari Diar QSC 2020	At Maturity	Bi-annually	5.000%	264,276
				11,557,116

Annexure 'A' as referred to in note 9.11 of the Bank's Unconsolidated Financial Statements

3) Particulars of bonds (Contd.)

Investee	Terms of Redemption		Rate of Interest / Profit	Outstanding Amount
	Principal	Interest / Profit		
(Rupees in '000)				
Held to maturity securities				
Government of Pakistan Sukuk				
Government of Pakistan Sukuk - VII	At Maturity	Bi-annually	Cut off yield of 6M T-Bills plus 0 bps	300,000
				300,000
Government of Pakistan - Eurobonds				
Islamic Republic of Pakistan - 2016 - Eurobond	At Maturity	Bi-annually	7.125%	821,172
Islamic Republic of Pakistan - 2017 - Eurobond	At Maturity	Bi-annually	6.875%	4,460,321
				5,281,493
Sukuks				
Security Leasing Corporation	Monthly	Nil	Nil	23,261
B.R.R Guardian Modaraba	Monthly	Monthly	Deferred interest instalment @ 1 month KIBOR	80,937
K.S. Sulemanji - Diminishing Musharika	Quarterly	Quarterly	Avg. of 3 months KIBOR plus 140 bps	54,447
Sitara Energy Limited	Bi-annually	Bi-annually	6 months KIBOR plus 1.15%	31,704
Sitara Peroxide Limited	Monthly	Monthly	1 month KIBOR plus 1%	234,759
Pakistan International Airlines Limited	Bi-annually	Bi-annually	6 months KIBOR plus 1.75%	890,000
WAPDA Bonds - Sukuk II	At Maturity	Bi-annually	6 months KIBOR minus 25bps	34,089
WAPDA Bonds - Sukuk III	At Maturity	Bi-annually	6 months KIBOR plus 100bps	425,000
				1,774,197
Foreign securities				
JSC Alliance Bank - US \$ Discount Bonds	At Maturity	Bi-annually	10.500%	228,454
JSC Alliance Bank - US \$ Recovery Notes	At Maturity	N/A	N/A	324,639
				553,093

4) Particulars of Debentures

Investee	Terms of Redemption		Rate of Interest	Outstanding Amount
	Principal	Interest / Profit		
(Rupees in '000)				
Private Sector				
Effef Industries Limited	Overdue	Overdue	11.00%	1,017
Effef Industries Limited	Overdue	Overdue	14.00%	379
Khyber Textile Mills Limited	Overdue	Overdue	14.00%	395
Morgah Valley Limited	Overdue	Overdue	11.00%	315
Morgah Valley Limited	Overdue	Overdue	14.00%	160
				2,266

Annexure 'A' as referred to in note 9.11 of the Bank's Unconsolidated Financial Statements

5) Particulars of investments in term finance certificates

Investee	No. of Certificates held	Paid up value per certificate	Total Paid up value	Outstanding Amount	Name of Chief Executive
		(Rupees)	------(Rupees in '000)-----		
<u>Unlisted - available for sale</u>					
Azgard Nine Limited	12,944	5,000	64,720	64,720	Ahmed H. Shaikh
Bank Al Habib Limited TFC III	46,000	5,000	230,000	229,172	Abbas D. Habib
Engro Fertilizers Limited	140,000	5,000	700,000	700,000	Muhammad Rohail
Faysal Bank Limited	46,000	5,000	230,000	229,724	Naved A. Khan
Pakistan International Airlines Corporation TFC II	1,700	5,000	8,500	8,498	Muhammad Junaid Yunus
				<u>1,232,114</u>	
<u>Listed - available for sale</u>					
Allied Bank Limited TFC-II	53,000	5,000	265,000	133,200	Tariq Mahmood
Azgard Nine Limited	19,523	5,000	97,615	97,615	Ahmed H. Shaikh
Bank Al Falah Limited TFC III	24,200	5,000	121,000	120,976	Atif Bajwa
Bank Al Habib Limited TFC II	44,766	5,000	223,830	224,680	Abbas D. Habib
Engro Fertilizers Limited	22,562	5,000	112,810	112,782	Muhammad Rohail
				<u>689,253</u>	
<u>Unlisted - held to maturity</u>					
Pakistan International Airlines Corporation	408,867	5,000	2,044,335	2,042,700	Muhammad Junaid Yunus
Orix Leasing Pakistan Limited	1,500	100,000	150,000	45,000	Teizoon Kisat
Security Leasing Corporation Limited	40,000	5,000	200,000	32,839	Mohammed Khalid Ali
Al-Azhar Textile Mills Limited	14	774,670	10,845	5,418	Mirza Aurangzeb Baig
Bachani Sugar Mills Limited	-	-	-	18,516	Noorul Amin Bachani
Bentonite (Pakistan) Limited	14	268,894	3,765	3,417	Khalid Shakeel
Blue Star Spinning Mills Limited	17	497,020	8,449	3,392	Ch. Ijaz Safdar
Cast-N-Link Products Limited	16	1,064,039	17,025	2,549	Nisar Ahmed
Regency Textile Limited	40	287,715	11,509	6,113	M. Iqtidar Pervaiz
Tharparkar Sugar Mills	1	8,770,219	8,770	1,853	Sajid H. Naqvi
Independent Media Corporation	20,000	5,000	100,000	95,000	Mir Ibrahim Rahman
Faysal Bank Limited	24,000	5,000	120,000	119,856	Naved A. Khan
WAPDA	300,000	5,000	1,500,000	1,500,000	Syed Raghیب Abbas
				<u>3,876,653</u>	
<u>Listed - held to maturity</u>					
Allied Bank Limited TFC II	129,397	5,000	646,985	490,082	Tariq Mahmood
Azgard Nine	12,297	5,000	61,485	61,115	Ahmed H. Shaikh
Bank Alfalah Limited	48,600	5,000	243,000	242,951	Atif Bajwa
Standard Chartered Bank	75,000	5,000	375,000	375,000	Mohsin Ali Nathani
				<u>1,169,148</u>	

6) Particulars of participation term certificates

Investee	No. of Certificates held	Paid up value per certificate	Total Paid up value	Outstanding Amount	Name of Chief Executive
		(Rupees)	------(Rupees in '000)-----		
Brother Steel Industries Limited	17	362,000	6,154,000	2,144	Mian Yousuf Aziz
Morgah Valley Limited	16	29,250	468,000	437	Air Marshal (Retd.) A. Rahim Khan
Zamrock Fibers Glass Limited	12	32,833	394,000	2,358	S. Zamir Syed
				<u>4,939</u>	

Annexure ‘A’ as referred to in note 9.11 of the Bank’s Unconsolidated Financial Statements

7) Quality of investments classified as available for sale (AFS)

Investee	Market Value	Credit Rating
	(Rupees in '000)	
Investment in ordinary shares		
Agritech Limited	178,484	D
Aisha Steel Mills	47,927	Not available
Bank Al-Falah Limited	567,840	AA-
Engro Foods Limited	365,540	Not available
Engro Corporation Limited	673,115	A
Fatima Fertilizer Company Limited	639,744	A+
Fauji Fertilizer Bin Qasim Limited	1,988,974	Not available
Fauji Fertilizer Company Limited	1,959,300	Not available
Hub Power Company Limited	2,017,635	AA+
Kot Addu Power Company Limited	5,143,806	AA+
MCB Bank Limited	276,137	AAA
Maple Leaf Cement Limited	503,875	BB
National Refinery Limited	43,104	AA+
Nishat Chunian Power Limited	932,052	A+
Pak Oilfields Limited	288,722	Not available
Pakgen Power Limited	139,552	AA
Pakistan Telecommunication Company Limited	638,478	Not available
Shell Pakistan Limited	134,253	Not available
DP World	12,918	Baa3
	16,551,456	
Investments in preference shares		
Masood Textile Mills Limited	73,333	Not available
Silk Bank Limited	25,000	A-
JSC Alliance Bank	338,312	Caa2
	436,645	
Investee	Cost	Credit Rating
	(Rupees in '000)	
Investment in unlisted shares		
Shareholding more than 10%		
Pakistan Agricultural Storage & Services Corporation Limited	5,500	Not available
Cinepax Limited	50,372	Not available
World Bridge Connect Inc.	77,606	Not available
Shareholding upto 10%		
First Women Bank Limited	21,100	A-
National Institutional Facilitation Technologies (Pvt.) Limited	1,527	Not available
SME Bank Limited	26,950	BBB
Kay Textile Mills Limited	3,778	Not available
Techlogix International Limited	50,702	Not available
SWIFT	2,905	Not available
National Investment Trust Limited	100	AM2-
News-VIS Credit Information Services (Pvt.) Limited	325	Not available
MasterCard Incorporated	0	Not available
The Benefit Company B.S.C ©	2,235	Not available
	243,100	



where you come first

Annexure 'A' as referred to in note 9.11 of the Bank's Unconsolidated Financial Statements

7) Quality of investments classified as available for sale (AFS)

Investee	Market Value (Rupees in '000)	Credit Rating
Federal Government Securities		
Market Treasury Bills	187,998,952	Unrated - Govt Securities
Pakistan Investment Bonds	64,734,891	Unrated - Govt Securities
	<u>252,733,843</u>	
Government of Pakistan Islamic Bonds		
Government of Pakistan Ijarah Sukuk	6,238,358	Score7
	<u>6,238,358</u>	
Government of Pakistan - Euro bond		
Islamic Republic of Pakistan - 2016 - Euro Bond	2,197,099	Score7
Islamic Republic of Pakistan - 2017 - Euro Bond	9,651,571	Score7
	<u>11,848,670</u>	
Foreign bonds - sovereign		
Angol 2019 USD	422,045	Score5
EGYPT 2020	681,200	Score6
Government of Dubai 2020	2,589,191	Score2
Government of Dubai 2015	472,449	Score2
Government of Dubai 2022	1,582,108	Score2
Kingdom of Bahrain 2020	1,110,714	Score4
Kingdom of Jordan	752,139	Score5
Republic of Ghana 2017	294,102	Score5
Republic of Srilanka 2020	754,266	Score6
Republic of Srilanka 2022	580,910	Score6
State of Qatar 2030	2,710,059	Score3
United Republic of Tanzania	1,144,426	Score6
Venezuela 2016	287,326	Score7
	<u>13,380,935</u>	
Foreign bonds - others		
Bank of Ceylon 2017	501,553	Not available
Bank of Bahrain and Kuwait 2015	219,397	BBB
Bank of Bahrain and Kuwait 2015	520,960	A1
CBQ Finance 2019	397,655	Not available
Dar Al Arkaan 2015	11,713	Baa3
DEWA 2016	3,367,780	Baa3
DEWA 2018	1,071,084	B1
EMAAR 2019	628,918	BBB
EMIRAT	202,646	Aa3
IPIC GMTN 2022	1,065,537	B+
JAFZA 2019	524,217	Not available
MAF Global 2019	2,885,750	Baa3
DEWA 2020	288,754	Aa2
Qatari Diar QSC 2020	<u>11,685,964</u>	

Annexure ‘A’ as referred to in note 9.11 of the Bank’s Unconsolidated Financial Statements

7) Quality of investments classified as available for sale (AFS) (Contd.)

Investee	Market Value (Rupees in '000)	Credit Rating
Term finance certificates		
Listed		
Allied Bank Limited TFC-II	132,792	AA
Azgard Nine Limited	97,615	D
Bank Al Falah Limited TFC	123,607	AA-
Bank Al Habib Limited TFC II	224,405	AA
Engro Fertilizers Limited	112,579	A-
	<u>690,998</u>	
Unlisted		
Azgard Nine Limited	64,720	D
Bank Al Habib Limited TFC III	240,631	AA
Engro Fertilizers Limited	700,000	A-
Faysal Bank Limited	240,595	AA
Pakistan International Airlines Corporation TFC II	8,498	Not available
	<u>1,254,444</u>	

Annexure 'B' as referred to in Note 10.6 of the Bank's Unconsolidated and Consolidated Financial Statements

Details of loan write-offs of Rs. 500,000 and above

S.No.	Name and address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the beginning			Written off				
					Principal	Interest/ Markup	Others	Principal	Interest/ Markup	Others	Total	
1	Spinghar Textile Mills Ltd. Plot # 33,54,57,58 & 59 Ind. Estate, Hattar, Haripur, KP.	Malik Abdul Waheed Malik Abdul Ghani Riaz Begum Yasmeen Begum Tariq Mahmud Khan Nooruddin Khan Malik Rizwan Ghani	121-62-200648 13101-34322751-9 121-41-200645 121-86-200646 17301-4188261-5 13101-6729043-9 13101-2247562-3	Malik Abdul Ghani Malik Said Ali W/o Malik Abdul Ghani Ghulam Muhammad Feroze Din Malik Abdul Ghani	257,102	138,212	-	395,314	164,692	1,065	263,335	429,092
2	N. Khokhar Textile Industries (Pvt) Ltd. 117-Industrial Area, Street No. 9, I/10-3 Islamabad.	Muhammad Aizal Khokhar Haji Muhammad Nawaz Khokhar Najma Nawaz Khokhar Imtiaz Ali Khokhar Zafar Mahmood Khokhar Muhammad Raza Khokhar Haji Allah Ditta Khokhar [Late] Haji Fazal Hussain Khokhar[Late]	61101-4975939-5 61101-5184374-5 61101-2543732-2 61101-7339247-7 37405-6921606-7 37405-7616545-7	Allan Ditta Khokhar Allah Ditta Khokhar M.Nawaz Khokhar Allah Ditta Khokhar Allah Ditta Khokhar Allah Ditta Khokhar	215,088	24,942	-	240,030	65,088	13,417	327,774	406,279
3	Amir Lajvardi P.O. Box # 181843, Dubai, UAE				414,956	193,297	-	608,253	100,993	188,318	-	289,311
4	Quality Dyeing & Finishing Pvt. Ltd. Plot # 42, Sector-24, Korangi Industrial Area, Karachi	Perwaiz Iqbal Mansoori Danish Mansoori Faisal Atique Attiq Ahmed	42000-0503530-5 42000-0503527-5 42301-8772647-7 42301-1086266-5	Abdul Ghani Mansoori Perwaiz Iqbal Mansoori Attiq Ahmed Shaikh Mohammad Yaseen	312,889	-	-	312,889	122,889	-	119,310	242,199
5	Union Industries Pvt. Ltd. B-46, Estate Avenue, Site, Karachi	Muhammad Javed Habib Mirza Kamran Ali Khan	42301-1176752-3 42301-1791682-5	Abdul Habib Ahmed Zulfiqar Ali Khan	105,847	-	-	105,847	105,847	-	73,961	179,808
6	Bilal Textiles Pvt. Ltd. 3rd Floor, Bilal Plaza, Liaquat Road, Faisalabad & Chak # 120 RB Sargodha Road, Faisalabad	Mian M. Saleem Omer Mian Habibullah Mian Naeem Omer Mian Bilal Omer Farah Naeem Rifat Habib	33100-0902344-5 37405-6085591-5 33100-0571105-5 33100-5120610-3 33100-5329228-4 37405-4098929-8	Mian M. Umer Mian M. Umer Mian M. Umer Mian M. Saleem Umer Mian Naeem Omer Mian Habibullah	287,543	-	-	287,543	140,360	-	6,210	146,570
7	Al Doha Jewellery P.O. Box # 1152 Gold Souk, Dubai, UAE	Eissa E H Baramki			68,603	59,782	-	128,385	68,603	63,644	-	132,247
8	Manjit Singh Kanwar No. 156, Babadeep Singh Colony, Amrisar, Punjab, India.				159,726	77,452	-	237,178	23,083	91,305	-	114,388
9	Abdulla & Ali Building 138, Flat 1721/5, Block No. 314, Lulu Avenue, Manama, Bahrain	Abdullah Ahmed Al-Hayki Ali Ahmed Al-Hayki		Ahmed Al Hayki	315	106,961	-	107,276	315	106,961	-	107,276
10	D.S Textiles Ltd 20-K, Gulberg-II, Lahore.	Pervez Ahmed Hassan Ibrahim Ahmed Ali Pervez Ahmed	35202-5637832-7 35202-0104136-7 35202-8633784-5	S. K. Ahmad Pervez Ahmed Pervez Ahmed	50,040	3,228	-	53,268	50,040	53,730	-	103,770
11	Sayed Mohammad Seyed Rahim Taghva P.O. Box # 1761, Dubai				121,120	59,756	-	180,876	-	64,913	-	64,913
12	Pervez Ahmed 20-K, Gulberg-II, Lahore.	Pervez Ahmed	35202-5637832-7	S. K. Ahmad	12,000	41,791	-	53,791	12,000	44,667	-	56,667

Rs. in '000

Annexure 'B' as referred to in Note 10.6 of the Bank's Unconsolidated and Consolidated Financial Statements

Details of loan write-offs of Rs. 500,000 and above

S.No.	Name and address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the beginning			Written off			Rs. in '000	
					Principal	Interest / Markup	Others	Principal	Interest / Markup	Others		Total
13	Paradise Spinning Mills Pvt. Ltd. 49-KM Off Multan Road Mouza Dull Dist. Kasur, Lahore	Munir Malik Surrayya Begum Hemid Munir	35201-4383429-3 35202-4852351-2 35201-9848441-5	Abdul Majeed Munir Ahmad Malik Munir Ahmad Malik	83,230	-	-	83,230	13,230	-	25,869	39,099
14	Bhagwandas Trading Company P.O. Box # 1255, Dubai, UAE	Rajan B. Sujamani			59,418	-	-	59,418	33,329	2,275	-	35,604
15	Apple Transport LLC P.Box # 30532, Ras Al Khaimah, UAE	Mohaed Ali Ahmed Ali / Al Shehhi Islam Yusupov			22,865	5,197	-	28,062	22,865	5,197	-	28,062
16	Nasim Noor H. No. 322, Street No 5, PAF Shaheen Housing, Near, PAF City School, Shaheed-e-Millat Road		42201-0613402-1	Noor Ahmed	21,163	18,837	469	40,469	-	18,837	469	19,306
17	Kashis Embroidery 191-A Upper Mall, Lahore	Khalid Hussain	35202-4424118-1	Sh. Muhammad Amin	30,386	17,830	-	48,216	-	17,830	-	17,830
18	Muhammad Asif Saigal H. No. 100/1, 31st Street, Phase-VI, Delence		42301-3470401-9	Mian Anam Ilahti Saigal	18,606	16,297	763	35,666	-	16,297	763	17,060
19	Sh. Saliman Bin Khalifa Bin Hamaad Al Khalifa P.O. Box # 27, Bahrain				6,525	8,986	-	15,511	6,524	8,986	-	15,510
20	Ishaq Textile Corporation Plot # DP-54, Sector 12-C, North Karachi Ind. Area, Karachi	Muhammad Ishtiaque Ahmed Muhammad Ashtaq Ahmed	42101-4571332-3 42101-5466411-9	M. Ishaq M. Ishaq	26,132	-	-	26,132	-	-	14,623	14,623
21	Fany Barcham P.O. Box # 22550, Doha, Qatar				4,426	12,663	-	17,089	4,426	8,600	-	13,026
22	Riaz Ul Haasan Sabir Sixty One Briar Avenue Surrey		31303-7827514-3	Rana Abdul Hafeez	20,580	11,889	413	32,882	-	11,889	413	12,302
23	Munawar Hussain H. No. 7/1, Khayaban-e-Sehar, Phase-VI, DHA		42301-0127335-5	Tasawwar Hussain	36,357	10,518	1,001	47,876	-	10,518	1,001	11,519
24	Aynura Rafiyeve 26th Shevinsky Street, Baku, Azerbaijan				17,510	8,985	-	26,495	1,739	9,744	-	11,483
25	Mehboob Amin Pvt. Ltd. Office # P-70, Usman Plaza, Katchery Bazar, Faisalabad	Mehboob Elahi Jawaid Ahmed Ali Mehboob Muhammad Salman Inam	33100-0697323-9 33100-0661710-0 33100-4892769-3 33100-0806921-1	Haji Qamar Uddin Haji Qamar Uddin Mehboob Elahi Sh. Inam Elahi	43,560	-	-	43,560	-	-	11,432	11,432
26	Zephyr Textiles Ltd. 3rd Floor, Lep Building, 97-B/D-1, Gulberg III, Lahore.	Burhan Muhammad Khan Arab Muhammad Khan Gauhar Abdul Syed Manzoor uli Slam Saba Burhan Tahniat Mussaid Mussaid Hanif	35200-1555645-1 35202-9104860-5 35202-6133136-5 35202-2190671-7 35202-4320027-2 35201-1234127-4 35201-1282509-1	Atta Muhammad Khan Burhan Muhammad Khan Muhammad Abdul Hai Abdul Ghafoor Shah Mussaid Hanif Burhan Muhammad Khan Muhammad Hanif	63,330	3,955	-	67,285	-	10,820	-	10,820
27	Al Samana Cont. & Transport Co. P.O. Box # 55674, Doha, Qatar	Khial Mir Khan			12,666	1,828	-	14,494	8,617	1,828	-	10,445
28	Ahsan Raza Akhtar 411 B, Saba Avenue Phase-V, DHA, Karachi				16,654	6,247	-	22,901	4,221	5,956	-	10,177

Annexure 'B' as referred to in Note 10.6 of the Bank's Unconsolidated and Consolidated Financial Statements

Details of loan write-offs of Rs. 500,000 and above

S.No.	Name and address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the beginning			Written off				
					Principal	Interest / Markup	Others	Principal	Interest / Markup	Others	Total	
29	Syed Fahim Gilani Flat No. C-319, 3rd Floor, Lakhani Pride, Block 13, Gulistan-e-Johar Karachi		42201-3234682-3	S. Aziz Ahmed	12,587	9,788	4	22,379	-	9,788	4	9,792
30	Tuba International B-297/1,2 & 3, Sector 11-E, Fatima Jinnah Colony, North Karachi	Muhammad Ajaz Khan Ghori	42101-1571410-5	Muhammad Yar Khan Ghori	12,675	-	-	12,675	5,675	-	3,914	9,589
31	Ahmed Mohammed Salah Flat 42, Building 188, Road 1703, Diplomatic Area 317			Mohammed	2,632	16	-	2,648	2,632	16	-	2,648
32	Gulzar Hussain Group House # 1, Siddique Colony, G.T. Road, Peshawar	Gulzar Hussain Qureshi Mushtaq Hussain Munawar Shah	135-92-485996 136-93-009573 17301-1335559-7	Mola Buksh Mola Buksh Saddiq Shah	2,932	853	-	3,785	-	-	9,035	9,035
33	Waseem Ahmed Khan P.O. Box # 117917, Dubai				21,378	11,883	-	33,261	-	8,688	-	8,688
34	Muhammad Imran H. No. 24/1 Khayaban-e-Shimsheer, Phase-V, 27th Street, DHA		42301-1121425-9	Muhammad Arif	9,742	8,413	250	18,405	-	8,405	250	8,655
35	Osama Alraey Shebel P.O. Box # 54345, Adliya - Bahrain			Alraey	965	1,432	-	2,397	873	1,432	-	2,305
36	Textile World FZC P.O. Box # 8404, Sharjah, UAE.	Ikram ul Haq			6,431	1,883	-	8,314	6,431	2,053	-	8,484
37	Mohammed Yousef Syed Mehdi Building No. 661, Road No. 2018, Block 320, Al Hoorah, Bahrain				8,483	-	-	8,483	8,483	-	-	8,483
38	Abdulghani Mirza Jaffar Jahrami Villa 1, Gate 1405, Road 3360, Almarkh 533			Mirza	-	2,252	-	2,252	-	2,247	6	2,253
39	Hamed Sultan Saleem Alghellani P.O. Box # 5210, Doha, Qatar				7,033	594	-	7,627	7,032	827	-	7,859
40	George Geha & Jelena Brajovic Villa # 17, Street # 34-A, Urmie-Suqeim # 1, Dubai				7,309	-	-	7,309	-	7,309	-	7,309
41	Mian Habib Ahsan H. No. 40, Block A, Peoples Colony No. 1, Faisalabad		33100-2350057-7	Mian M. Ihsan	8,874	6,909	242	16,025	-	6,909	242	7,151
42	Didi Iswandy P.O. Box # 22550, Doha, Qatar				3,406	5,672	-	9,078	1,109	5,740	-	6,849
43	Kumar Arunugam P.O. Box # 1944, Doha, Qatar				5,417	530	-	5,947	5,416	715	-	6,131
44	Rai Amir Saeed Khan H. No. 339, Block G-III, Johar Town, Lahore		35202-4318857-5	Saeed Ahmad Khan	11,638	5,698	110	17,446	-	5,698	110	5,808
45	Bushra Haider H. No. 755-F-2, Wapda Town, Lahore			All Haider	5,795	4,986	176	10,957	-	4,986	176	5,162
46	Shameel Mohammed Maher Flat 21, Building No. 1901, Road 2370, Block 523			Mohammed	1,379	53	-	1,432	1,379	53	-	1,432

Rs. in '000

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S.No.	Name and address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the beginning			Written off			Rs. in '000	
					Principal	Interest / Markup	Others	Total	Principal	Interest / Markup		Others
47	Al-Saqia Trading & Int. Services P.O. Box # 30969, Doha, Qatar	Yasir Yaqoob Al Ishaq			3,105	1,985	-	5,090	3,100	1,985	-	5,085
48	Mohammad Ismail Dossa D-96, Block -5, Kehkashan, Clifton, Karachi				28,034	11,101	-	39,135	-	5,018	-	5,018
49	Salim Mohammed A. Albalushi P.O. Box # 42, Doha, Qatar				4,329	443	-	4,772	4,329	589	-	4,918
50	Jonas Joseph Konikara P.O. Box # 548, Manama, Bahrain			Joseph	320	965	-	1,285	318	965	1	1,284
51	Mushtaq Ahmad H. No. 7, St. No. 3, Farooq Gunj, Lahore		35202-4738485-7	Sultan Ahmed	9,716	4,254	225	14,195	-	4,254	225	4,479
52	Ghazi Muhammad Faruque P.O. Box # 22275, Doha, Qatar				4,315	269	-	4,584	4,057	269	-	4,326
53	A. T. Industries Pvt. Ltd. Chak # 129/10-R, Tehsil Jehanian, Distt. Khanewal		35202-5893538-1	M. Hayat Khan Azmat Hayat	2,570	666	-	3,236	-	-	4,159	4,159
54	M. Esmail & Co. Pvt. Ltd. Dada Manzil, Khori Garden, Karachi				3,367	685	-	4,052	3,367	685	-	4,052
55	Kashif Munir United Traders International, Ground Floor, Khattack Plaza, St. No 1713, Hall Road, Lahore		35202-2909913-3	Muhammad Munir	5,343	3,809	155	9,307	-	3,809	155	3,964
56	Aly Nidiaye Moukhtary P.O. Box # 253				2,037	1,871	-	3,908	2,037	1,871	-	3,908
57	Khawaja Akbar Butt 793/A, Block - C, Faisal Tower, Lahore				11,985	6,602	-	18,587	-	3,880	-	3,880
58	M. Ahmed Sheikh Data Ali Traders, Suit No. 7, 1st Floor, Nigar Center, Pattiala Ground, Link Macleod Rd., Lahore		35202-4693946-9	Hafiz M. Yamin	6,209	3,718	124	10,051	-	3,718	124	3,842
59	Khaled Omar Abdullah P.O. Box # 76444				2,120	1,630	-	3,750	2,120	1,630	-	3,750
60	Rashid Tanveer Fine Frames, Sh. No. 32, Siraj Covered Bazar, G-6/3, Islamabad		37405-2428592-1	Abdul Rashid Sheikh	5,348	3,545	147	9,040	-	3,545	147	3,692
61	Waqar Javid Khan H. No. 425, Main Samanabad, Sirhindi Road, Lahore		35200-1507979-7	Mohammad Javid	6,283	3,432	77	9,792	-	3,432	77	3,509
62	Naeem Yaqoob Natasha Textiles, 217-B-1, Johar Town, Lahore		35202-0776125-7	Mohammad Yqub	4,407	3,280	129	7,816	-	3,280	129	3,409
63	Muhammad Ishaq H. No. 49-A, Punj Housing Society, Near Delence, Lahore		35201-4301772-9	Mian Muhammad	3,649	3,177	138	6,964	-	3,177	138	3,315

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S.No.	Name and address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the beginning			Written off			Rs. in '000	
					Principal	Interest/ Markup	Others	Total	Principal	Interest/ Markup		Others
64	Sudhi Sunny Flat 13, Building No. 958, Road 319, Al-Rifaa 903			Sudhi	125	783	-	908	115	782	11	908
65	Mansoor ul Haq Sheri H. No. 507-C, DHA, Lahore		35202-0698666-3	Ayyaz ul Haq	3,649	3,077	138	6,864	-	3,077	138	3,215
66	Khan Muhammad Khan H. No. 94/II, 25th Street, Khayaban-e- Mohafiz, Phase-VI DHA, Near Callix Pump		42301-8008866-7	Shair Muhammad	5,404	3,178	107	8,689	-	3,083	107	3,190
67	Sunil Gopinathan Pillai Flat 31, Building No. 167, Road 303, Manama			Pillai	343	717	-	1,060	343	717	-	1,060
68	Trade Developer International B-5/165, Kabi Gate, Gujrat.	Malik Anjum Ashraf	34201-3449866-3	Muhammad Ashraf	2,542	713	-	3,255	-	-	2,978	2,978
69	Sadaqat Manzoor Khan House # 627 Block-3, Sector C-II, Township, Lahore	Sadaqat Manzoor Khan	35202-2938842-7	Manzoor Ahmed Khan	9,429	-	-	9,429	-	-	2,932	2,932
70	Kanan Kamil Douba P.O. Box # 5455, Manama, Bahrain			Kamil	547	795	-	1,342	538	795	9	1,342
71	Vernon Joseph Thomas Flat # 14, Building No. 126, Road 2905, Almarkh 529			Thomas	81	610	-	691	79	610	1	690
72	Javed Iqbal 148-C, Marghazar Colony, Multan Road, Lahore	Javed Iqbal	35202-4314441-5	Muhammad Iqbal Akhtar	3,564	-	-	3,564	-	-	2,563	2,563
73	Mohamed Salem Ouid Mohamed P.O. Box # 253	Mohamed Salem Ouid Mohamed			626	1,852	-	2,478	626	1,852	-	2,478
74	Haripur Food Industries (Pvt) Ltd. (Formerly SDA Cold Storage, Haripur)				2,125	2,409	-	4,534	-	2,408	-	2,408
75	George Anthony P.O. Box # 491, Doha, Qatar				2,144	169	-	2,313	2,144	240	-	2,384
76	Chaudhry Poultry Farm	Muhammad Saleem	35102-2111572-1	Shah Muhammad	13,417	1,266	-	14,683	1,058	1,266	-	2,324
77	Peard Textile Mills Ltd. 9th Floor, Adamjee House, I.I.Chundrigar Road, Karachi	Mian Muhammad Rafiq Mian A. Rauf Ayub Mian Nishat Rafiq		Moolia Buksh Muhammad Ayub Mian Muhammad Rafiq	2,000	300	-	2,300	2,000	-	300	2,300
78	Mohammadou Ouid Mohamed P.O. Box # 253	Mohammadou Ouid Mohamed			428	1,845	-	2,273	428	1,845	-	2,273
79	Seikh Muhammad Idrees Zahid Arooj Garments, S. No. 4, Basement, Alfzal Plaza, 10-C, Shahalam, Lahore		35202-7612445-7	Sh. Muhammad Amin	2,929	2,142	215	5,286	-	2,142	116	2,258
80	Alejandro Catapang Abdon P.O. Box # 1321, Doha, Qatar				1,996	207	-	2,203	1,983	275	-	2,258
81	Binu Kunjappu P.O. Box # 491, Doha, Qatar				1,981	160	-	2,141	1,981	227	-	2,208
82	Suhaib Ahmed P.O. Box # 290	Suhaib Ahmed			-	2,201	-	2,201	-	2,201	-	2,201

Annexure 'B' as referred to in Note 10.6 of the Bank's Unconsolidated and Consolidated Financial Statements

Details of loan write-offs of Rs. 500,000 and above

S.No.	Name and address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the beginning			Written off			Rs. in '000	
					Principal	Interest / Markup	Others	Principal	Interest / Markup	Others		Total
					Total							
83	Imran Iqbal Janjua Flat No. A-1102, Bonvista Apartment, Block 2, Clifton, Karachi		42301-5081997-3	Muhammad Iqbal	7,827	1,560	197	9,584	400	1,560	197	2,157
84	Qasir Iqbal Top Kids Shoes, Shop No 5 B, Ali Centre, Shoe Market, Shahaliam, Opp. Haji Hanif Mosque, Lahore		35202-3031483-5	Sh. Iqbal Hussain	2,241	1,984	105	4,330	-	1,984	105	2,089
85	Saif Ullah H. No. 35, St. No. 2, Chowk Patwarian, Pir Ghazi Road, Ichra, Lahore		35202-9373071-9	Aman Ullah	3,798	1,968	109	5,875	-	1,968	109	2,077
86	Manzoor Ahmed H. No. P-248-B, Muslim Park Road, Peoples Colony No. 2, Faisalabad		33100-0873160-9	Abdul Majeed	2,398	1,976	108	4,482	-	1,930	108	2,038
87	Mohammad Jabir P.O. Box # 15197, Doha, Qatar				1,619	328	-	1,947	1,618	388	-	2,006
88	Muhammad Iqbal Moza Mohal, P/O Kot Khaira, Tehsil & Distt. Jhang		33202-6119079-3	Anwar Baig	1,863	1,628	64	3,555	358	1,628	-	1,986
89	Al Shams Honda 2-A Muhammad Road, Arif Wala		36401-0860966-3	Ch. Shamus Udin	-	3,272	126	3,398	-	2,046	-	2,046
90	Muhammad Rehan Qaiser House # L-39 Phase-III, Defence View, Karachi		42201-4402964-3	Qaiser Hussain	4,327	-	-	4,327	-	-	1,964	1,964
91	New Bilal Petroleum Services P.O. Box # 27683		31303-9029704-3	Mian Ghulam Muhammad	3,000	1,906	-	4,906	-	1,967	-	1,967
92	Mohammad Kamel Yaseen P.O. Box # 27683				656	1,242	-	1,898	656	1,242	-	1,898
93	Viswanathan Sivraman P.O. Box # 31700, Manama, Bahrain			Viswanathan	-	517	-	517	-	517	-	517
94	Michael Rocamora Santiago P.O. Box # 50110, Hidd - Bahrain			Santiago	64	451	-	515	52	451	12	515
95	Murtaz Hussain P.O. Box # 4911			Murtaz Hussain	704	1,122	-	1,826	704	1,122	-	1,826
96	Mohamed Lamine Ould M.D.OT P.O. Box # 253			Mohamed Lamine Ould M.D.OT	-	1,752	-	1,752	-	1,752	-	1,752
97	Naeem Kibria Bhatti House# 7/5, Tahir Street, Tariq Colony, Sodhwal, Multan Road, Lahore		35202-296155-3	Ghulam Kibria Bhatti	5,122	-	-	5,122	-	-	1,708	1,708
98	Sheikh Asif Mehmood Pak Army Tarpai House, Shop No. 27, Landa Bazar, Lahore		35202-0574645-1	Sheikh Inaat	3,163	1,590	108	4,861	-	1,590	108	1,698
99	Mahmood Anwar Lal Khan P.O. Box # 3649			Mahmood Anwar Lal Khan	-	1,685	-	1,685	-	1,685	-	1,685
100	Fatima Ali Mirza P.O. Box # 1367, Dubai, UAE				1,641	-	-	1,641	1,641	-	-	1,641
101	Vincent John Mendonsa P.O. Box # 487836			Vincent John Mendonsa	1,434	121	72	1,627	1,434	121	72	1,627

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					Principal	Interest/ Markup	Others	Principal	Interest/ Markup	Others	Total	
102	Ehtisham ul Haq Gosthe Shop No. 27, Ground Floor, Hafeez Centre, Gulberg III, Lahore		34101-2341866-5	Zahoor ul Haq	2,143	1,533	93	3,769	-	1,533	93	1,626
103	Abd El Mejid Ibrahim Abdalla P.O. Box # 4017	Abd El Mejid Ibrahim Abdalla			539	1,058	-	1,597	539	1,058	-	1,597
104	Desert Farm Services 7-Anwarabad Colony, Bahawalpur	Muhammad Zafar-ul-Hasan Muhammad Nasir Sarwar	31202-4989708-1 31202-0214325-5	Hasan Sarwar	2,550	-	-	2,550	-	-	1,588	1,588
105	Salwa Tarish M. Ibrahim P.O. Box # 1367, Dubai, UAE				1,569	-	-	1,569	1,568	-	-	1,568
106	Atique ur Rehman Amratsar Siri Payje, 3-Abbot Road, Lakshmi Chowk, Lahore		35202-2555051-3	Muhammad Shafique	2,046	1,433	87	3,566	-	1,433	87	1,520
107	AIQ Forging 17-C, Sahowari, Shalimar Link Road, Opp. Shalimar Hospital, Lahore	Awais Iqbal	35201-1333943-1	Muhammad Iqbal	11,000	1,517	-	12,517	-	1,517	-	1,517
108	Aslam Rafi & Co. New Grain Market, Vehari Road, Multan.	Ch. Muhammad Aslam	36302-0679440-7	Ch. Muhammad Aslam	3,505	-	-	3,505	1,455	-	-	1,455
109	Shahzeb & Company Ahmed Nagar Road, Near Masjid Jamal Mustafa, Kalaske Mandi	Arif Hussain	34101-9786692-3	Muhammad Saleem	4,000	-	-	4,000	-	-	1,432	1,432
110	Mubarak Esmail P.O. Box # 1367, Dubai, UAE				1,425	-	-	1,425	1,425	-	-	1,425
111	Muhammad Aslam Chak No. 86 NB, Sargodha	Muhammad Aslam	38403-2211549-9	Safdar Ali	682	2,038	-	2,720	-	1,412	-	1,412
112	Noor Mohammad P.O. Box # 17691	Noor Mohammad			-	1,399	-	1,399	-	1,399	-	1,399
113	Akram Metal Work Gala Bakar Mandi, Sheikhpura Road, Gujranwala				1,000	350	33	1,383	1,000	388	-	1,388
114	Salim Marhoun Khamis Al Naimi P.O. Box # 253	Salim Marhoun Khamis Al Naimi			-	1,343	-	1,343	-	1,343	-	1,343
115	Awami Corporation Ghall Mandi, Bahawalpur	Ch. Muhammad Arshad Tabbasum	31202-1888618-7	Faqir Muhammad	303	1,031	-	1,334	303	1,031	-	1,334
116	Mohammed Hossain P.O. Box # 47523	Mohammed Hossain			210	1,111	-	1,321	210	1,111	-	1,321
117	Abdulla Salem Ahmed Al Thumairi P.O. Box # 54639	Abdulla Salem Ahmed Al Thumairi			1,022	204	72	1,298	1,022	204	72	1,298
118	U. I. Shoes 17-A, Asad Centre, Moon Mkt. Allama Iqbal Town, Lahore	Kh. Khalid Mehmood	35202-6169492-3	Kh. Ghulam Hussain	2,000	-	-	2,000	-	-	1,286	1,286
119	Azhar Ali Khan Laghari P.O. Box # 1367, Dubai, UAE				1,283	-	-	1,283	1,283	-	-	1,283
120	Metro Enterprises G.T. Road, Nasipur, Peshawar	Arbab Mohammad Usman Arbab Mohammad Omar	17301-4441883-3 17301-3418630-9	Arbab Ayub Jan	-	1,264	-	1,264	-	1,264	-	1,264
121	Obaid Ullah H. No. C-76, Block 4, Gulshan-e-Iqbal, Karachi		42201-1394078-7	M. Ibrahim	2,304	1,137	86	3,527	-	1,137	86	1,223

Rs. in '000

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					Principal	Interest/ Markup	Others	Principal	Interest/ Markup	Others	
122	Vickylyn Derufino Castilcon P.O. Box # 30439	Vickylyn Derufino Castilcon			479	739	-	479	739	-	1,218
123	Syed Raza Kazim Office Number 2, 1st Floor, GD Arcade, Fazal ul Haq Road, Blue Area, Islamabad	Syed Ashoor Hassan	61101-9498118-9		2,742	1,311	83	4,136	-	1,118	83
124	Ehab B Sawiris P.O. Box # 6865	Ehab B Sawiris			1,004	141	43	1,188	1,004	141	43
125	Muhammad Amir P.O. Box # 2951	Muhammad Amir			488	684	-	1,172	488	684	-
126	Fatima B.R. Stephen Ahmed Julian P.O. Box # 1367, Dubai, UAE				1,158	-	-	1,158	1,158	-	-
127	Joena Ramos Fajardo P.O. Box # 2144	Joena Ramos Fajardo			-	1,152	-	1,152	-	1,152	-
128	Chadi Kiwan P.O. Box # 28013	Chadi Kiwan			-	1,117	-	1,117	-	1,117	-
129	Malik Sultan Sons Agro Service Chah Bulbuli Wala, Shujabad	Muhammad Sharif	36303-4073042-3	Malik Sultan Ahmed	1,500	1,113	-	2,613	-	-	1,073
130	Sheikha Juma Al Saadi P.O. Box # 1367, Dubai, UAE				1,032	-	-	1,032	1,033	-	-
131	Faqir Ghulam Mohammad Village Lala Killay, P.O. Tarnab Farm, Tehsil & Dist Peshawar	Faqir Ghulam Mohammad	17301-1489770-7	Abdul Ghyoor Khan	754	263	-	1,017	754	263	-
132	Ossama Mohamed Abdel Wahab Abda P.O. Box # 27683	Ossama Mohamed Abdel Wahab Abda			421	589	-	1,010	421	589	-
133	Muhammad Javaid Bhatti Tufail Brothers, 12 Nila Gumbat, Near Masjid Abubakar, New Cycle Market, Lahore		35202-1635874-1	Mohammad Sadiq Bahtti	2,331	928	80	3,339	-	928	80
134	Kissan Dost Agro Line Ayyazbad, Marrai Lar, Shujabad Road, Multan	Malik Fazal Bux	36304-3464783-1	Faiz Bux	100	996	-	1,096	-	-	996
135	Malik Hamid Raza Mouza Tatepur, P.O Khas, Multan	Malik Hamid Raza	36302-1669656-9	Haji Muhammad Khan	1,995	1,137	-	3,132	-	-	995
136	Shibu Thomas Cheruvathoor P.O. Box # 1203	Shibu Thomas Cheruvathoor			142	840	-	982	142	840	-
137	Mohamed Hamrouni P.O. Box # 253	Mohamed Hamrouni			-	978	-	978	-	978	-
138	Hamza Poultry Farm Village Adil Garh, Tehsil Wazirabad, District	Hamza	34104-4409778-1		-	1,887	-	1,887	-	1,787	-
139	Ana Marie Chico Mangahas P.O. Box # 1367	Ana Marie Chico Mangahas			-	946	-	946	-	946	-
140	Muhammad Tariq Mulazam Hussain P.O. Box # 60578	Muhammad Tariq Mulazam Hussain			-	938	-	938	-	938	-
141	Mohamed Lamine Ould Abdatt P.O. Box # 253	Mohamed Lamine Ould Abdatt			-	898	-	898	-	898	-

Annexure 'B' as referred to in Note 10.6 of the Bank's Unconsolidated and Consolidated Financial Statements

Details of loan write-offs of Rs. 500,000 and above

S.No.	Name and address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the beginning			Written off			Rs. in '000	
					Principal	Interest/ Markup	Others	Principal	Interest/ Markup	Others		Total
142	Shabbir Ahmed The Light Studio, P-321/B, Block-B, Ghulam M. Abad Sadaar Bazar, Faisalabad		33100-3788694-7	Bashir Ahmad Siddiqi	1,319	811	70	2,200	-	810	70	880
143	Pak Sweet House Chowk Laal Pui, Mughal Pura, Lahore	Muhammad Younas	35201-1236118-7	Muhammad Rasheed	2,000	834	-	2,834	-	834	45	879
144	Capt. S.M. Aslam H. No. C-3/2-1, Sector Z-1, Gulshan-e- Maymar		42201-0623030-5	Syed Aziz Hussain	2,977	722	114	3,813	-	722	114	836
145	Zocimo Borromeo Lelina P.O. Box # 2144	Zocimo Borromeo Lelina			-	827	-	827	-	827	-	827
146	Abdul Lateef B. M. Al Jabri P.O. Box # 9331, Doha, Qatar				731	81	-	812	717	106	-	823
147	Madina Traders 6- Urdu Bazar, Lahore	Ch. Sajid Waseem Sajjad Khan	35202-3127636-7	Ch. Lal Muhammad	700	821	-	1,521	-	820	-	820
148	Syed Jaffar Hussain P.O. Box # 3668	Syed Jaffar Hussain			-	812	-	812	-	812	-	812
149	Malik Riaz Haider Plot No. 626, Block 3, Flat No. 9, Sect. C-1, Riaz Chawk, Township, Lahore		35202-9405344-3	Malik Ghulam Haider	4,563	4,014	180	8,757	-	617	180	797
150	Fatima B R Stephen Julian P.O. Box # 5476	Fatima B R Stephen Julian			662	16	115	793	662	16	115	793
151	Majid Ahmed Essa P.O. Box # 1367, Dubai, UAE				781	-	-	781	781	-	-	781
152	Yasmin Sami Shamali P.O. Box # 84284	Yasmin Sami Shamali			-	779	-	779	-	779	-	779
153	Bernad Tony Kadam P.O. Box # 53023	Bernad Tony Kadam			52	725	-	777	52	725	-	777
154	Faisal Mehmood Mehmood Bhai Saree Waley, 2015, F. Chowk Bazar, Hattia Rang Mahal, Lahore		35202-7045923-9	Shiekh Farukh	3,135	688	88	3,911	-	688	88	776
155	Naeem Akhtar P.O. Box # 78719	Naeem Akhtar			582	155	39	776	582	155	40	777
156	Mohamed Ould Tchib P.O. Box # 253	Mohamed Ould Tchib			-	771	-	771	-	771	-	771
157	Nazar Ahmed Village Chah Kotly Wala, Tehsil Nowshetra Virkan, District Gujranwala	Nazar Ahmed	34101-2403238-5	Inayat Ali	1,300	1,103	-	2,403	-	766	-	766
158	Raja Enterprises 4-T, Defense Housing Authority, Lahore.	Hamza Riaz	35201-1530059-7	Humayun Riaz	5,329	-	-	5,329	-	-	765	765
159	Zahid Medicoose Quaid-e-Azam Road, Ali Pur	Zahid Hussain Bukhari	32301-0914136-3	Akhter Hussain	600	743	-	1,343	-	-	743	743
160	Muhammad Ishfaq P.O. Box # 372	Muhammad Ishfaq			-	731	-	731	-	731	-	731
161	Muhammad Usman Moza Tajwana, Vehari	Muhammad Usman	36603-4968499-7	Ahmed Khan	900	755	-	1,655	-	725	-	725

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					Principal	Interest/ Markup	Others	Principal	Interest/ Markup	Others		
162	Abid Nadeem H. No. 133, Ch Park, Shadbagh Lahore		35202-2875098-5	Mian Saraj Din	1,183	654	74	1,911	-	654	74	728
163	Rozaya Mohamed Dawood P.O. Box # 1367, Dubai, UAE				727	-	-	727	727	-	-	727
164	Muhammad Amin H. No. P-1, St. No. 1, Rabbani Colony, Hilal Road, Faisalabad		33100-2402024-5	Allah Ditta	1,278	630	71	1,979	-	629	71	700
165	Muhammad Zulfiqar Chak No.111 NB, P/o Shaheenabad, Tehsil Sillanwali, District Sargodha	Muhammad Zulfiqar	38405-9041572-5	Muhammad Lateef	1,900	679	31	2,610	-	679	-	679
166	Maher Saif Ullah Dera Road Jampur	Maher Saif Ullah	32402-5867336-3	Allah Wasaya	600	726	-	1,326	-	-	678	678
167	Soma Lab 692-N, Samanabad, Lahore	Mian Ghulam Jillani	35202-2343495-1	Mian Fazal Din	3,000	669	-	3,669	-	669	-	669
168	Hassan Alnairni P.O. Box # 4173, Doha, Qatar	Mohammad Asadullah Usmani			-	663	-	663	-	663	-	663
169	Mohammad Asadullah Usmani P.O. Box # 17666				574	34	43	651	574	34	43	651
170	Saeed Ahmed Khan House # 1/E, Al Saeed House, Block Y, New Multan, Multan	Saeed Ahmed Khan	36302-1724552-5	Abdur Rehman	800	649	-	1,449	-	-	649	649
171	Rameez ul Haq 2nd Floor, Plot 12-C, St. No. 1, Badar Commercial, DHA, Phase-V	Mohammed Rahamatullah	41405-7180614-1	Muhammad Siddique	758	309	337	1,404	-	309	337	646
172	Mohammed Rahamatullah P.O. Box # 12751				-	641	-	641	-	641	-	641
173	Bajwa Industries Pvt. Ltd. G. T. Road, Gujranwala	Riaz Mehmood Bajwa Manzoor un Nisa Mudassar Riaz Bajwa Sohail Riaz Bajwa	34101-2475803-5 34101-2373193-8 285-72-071647 285-85-071645	Zulfiqar Ali Bajwa Riaz Mehmood Bajwa Riaz Mehmood Bajwa Riaz Mehmood Bajwa	2,350	-	-	2,350	-	-	634	634
174	Alfredo Rustia Ortiz P.O. Box # 1290, Doha, Qatar	Riyadhy Gabbara			520	122	-	642	503	122	-	625
175	Riyadhy Gabbara P.O. Box # 118685	Muhammad Yousaf	34104-1467861-7	Jalal Din	507	80	34	621	507	80	35	622
176	Abdullah Sons Veroky Bypass, Wazirabad				-	1,149	-	1,149	-	621	-	621
177	Syed Azhar Ali Rizvi Banglow No. A/13, Muneer Garden, Block 18, Gulistan-e-Johar, Behind Rufi Lake Drive	Syed Akhter Reza	42201-6887163-1		6,341	455	165	6,961	-	455	165	620
178	Baghdad Trading Co. Grain Market, Chichawatni	Ch. Dilawar Khan	35303-0199236-7	Ch. Beer Din	800	776	-	1,576	-	617	-	617
179	Bakht Zamin Khan P.O. Box # 40837	Bakht Zamin Khan			551	10	43	604	551	10	45	606
180	Angelito Aguenza Ancaya P.O. Box # 8988	Angelito Aguenza Ancaya			-	602	-	602	-	602	-	602

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S.No.	Name and address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the beginning			Written off			Rs. in '000	
					Principal	Interest/ Markup	Others	Principal	Interest/ Markup	Others		Total
181	Naseem Akhtar Lasani Medical Store, Rathor Hospital, Sargodha Road, Faisalabad		33100-2300119-9	Amam Ali	753	538	65	1,356	-	531	65	596
182	Muhammad Arshad Klanwala Purana, Gajar Gols, Halfzabab	Muhammad Arshad	34301-1773939-1	M. Inyat	350	675	-	1,025	-	590	-	590
183	Maqsood Ahmad Mohallah Chah Jeda Bucheki	Maqsood Ahmad	35402-1966778-5	Hassan M.	475	632	-	1,107	-	587	-	587
184	Farooq Ijaz Oureshi Jasarat Printers, Office No. 24, Circular Road, Opposite Muslim Mosque, Lahore		35202-8404885-5	Ejaz Hassan	2,635	520	63	3,218	-	520	63	583
185	Muhammad Saeed Abdullah Textile, Shop No. 3, Gole Chinot Bazar, Fazal Din Market, Faisalabad		33100-0507728-3	Mukhtar Ahmed	717	508	69	1,294	-	507	69	576
186	Mustafa Hussain H # 669 (First Floor), St # 75, Sector G-10/4, Islamabad		21303-1708340-9	Mehboob Ali	1,359	354	219	1,932	-	354	219	573
187	Dr. Sethi Pharma Industries 3 KM, Burewala Road, Chichawatni	Nazir Ahmed Ishad Akhtar	36502-3284546-9 36501-5564946-0	Allah Bux Noor Muhammad Sethi	-	572	-	572	-	572	-	572
188	Syed Ali Khawar Shah H # 103 C, New Muslim Town, Lahore	Syed Ali Khawar Shah	35202-2993751-9	Syed Israr Hussain Shah	456	617	-	1,073	-	568	-	568
189	Al-Hafiz Traders Mian Road Garjakh, Near Police Station, Gujranwala	Ijaz Ahmed	34101-8182285-9		500	560	219	1,279	-	560	-	560
190	Ghous Bux Mouza & P/o Khan Bela, Tehsil Liaquatpur, Distt R. Y. Khan	Ghous Bux	31302-4083716-5	Wahid Bux	475	631	27	1,133	-	558	-	558
191	Ali Shafiq P.O. Box # 1588	Ali Shafiq			98	456	-	554	98	456	-	554
192	Arif Mehmood Butt Shop 3, Main Wandiala Road, Shahdria, Lahore.		35202-6200835-3	Muhammad Hussain	1,160	457	209	1,826	-	343	209	552
193	Rafiq-Uddin House # 301, Circular Road, Jatoi District, Muzaffar Garh	Rafiq-Uddin	32302-1727348-5	Walliuddin	250	599	-	849	-	-	549	549
194	Syed Mujeeb ur Rehman House# B-291, Gulshan-e-Iqbal, Block # 6, Karachi		42201-1873096-3	Syed Fiaz ur Rehman	462	116	432	1,010	-	116	432	548
195	Akbar Khan Basil Ranjeh Khan, Tehsil Sadiqabad, Distt R. Y. Khan	Muhammad Akbar Khan		Rahim Bux Khan	450	547	-	997	-	547	-	547
196	Fancy Leather House 5-E, Shahalam Market, Lahore	Sh. Laal Din	35202-8637124-7	Sh. Ghulam Muhammad	1,335	540	-	1,875	-	540	-	540
197	Tariq Mehmood & Brothers Kot Pindi, Daas Road, 25 Number Stop, Mouza Shandarah, Lahore	Tariq Mehmood Areslan	35202-3090703-9	Taaq Din Chishti	2,000	-	-	2,000	-	-	539	539

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S.No.	Name and address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the beginning			Written off			Rs. in '000	
					Principal	Interest/ Markup	Others	Total	Principal	Interest / Markup		Others
198	Jose Raymond Pasco Guerrero P.O. Box # 153, Doha, Qatar				488	53	-	541	468	70	-	538
199	Samir Juma Amar P.O. Box # 18184	Samir Juma Amar			195	268	70	533	195	267	71	533
200	Jaffer Poultry Farm Village Botala Sharam Singh, Tehsil & District Gujranwala	Jaffer	34101-0535457-5		1,000	632	214	1,846	-	532	-	532
201	Pace Garements House # 1, Block #7, Dera Ghazi Khan	Farhan Ahmed	32102-0273933-1	Safdar Hussain	1,045	866	-	1,911	-	-	529	529
202	Azhar Ali Khan Laghari P.O. Box # 3846	Azhar Ali Khan Laghari			528	-	-	528	528	-	-	528
203	Manchester Woollen Mills Babu Ashraf Colony, Ferozwala Road, Near Canal Bridge, Gujranwala	Naeem Ashraf Nadeem Ashraf	34101-9899495-7 34101-4669910-7	Muhammad Ashraf Muhammad Ashraf	3,000	-	-	3,000	-	-	520	520
204	Rana Muhammad Akram Khan NFC Institute Fertilizer, P.O. Box # 1012, Jaranwala Road, Faisalabad		33100-8918754-5	Rana Inayat Khan	1,065	429	81	1,575	-	429	81	510
205	Venugopal Raghu Nathan Nair P.O. Box # 46550	Venugopal Raghu Nathan Nair			385	100	17	502	385	99	18	502
206	Bashir Ahmed H. No. D-36, Gulshan-e-Villas Site, Hyderabad		41304-9460840-1	Abdul Malik Khan	725	311	192	1,228	-	311	192	503
207	Ghazi Sher & Manzoor Hussain Chak # 140/EB, Burewala	Ghazi Sher Manzoor Hussain	36601-9107593-5	Mahamand Sarwer	453	598	-	1,051	-	502	-	502
208	Rahim Motors Block X, D.G.Khan, H. No. 60, Block 48, D.G.Khan	Abdul Reheem	32102-0798565-3	Imam Bukhsh	1,500	-	-	1,500	-	-	501	501
209	New Azad Industry Chowk Urdu Bazar	Zahid Siddique	35202-8915323-9	Mohd. Siddique	5,500	946	-	6,446	-	944	-	944
210	Hajveri Cars 555-A, Mouliana Shoukat Ali Road, Lahore	Kamran Lodhi	35202-5256364-5	Akhtar Qadeer Khan	7,200	560	-	7,760	-	542	-	542
211	M Saqib Hussain H. No. P-463, St. No. 06, A Block, Nazimabad, Near Babar Flour Mill		33100-5149207-9		443	40	16	499	443	40	17	499
212	Danial Mahmood H. No. 49 H, Block 6, PECHS		42201-5214266-5		424	53	36	513	424	53	35	513
213	Muhammad Imran Plot No. 89, Ground Floor, Block-A, SMCHS		42201-8313448-9		471	45	53	569	471	45	53	569
214	Tahir Saleem Vohra H. No. 461, Kamran Block, Iqbal Town		35202-3013225-3		503	42	33	578	503	42	33	578
215	Ansa Raja H. No. 17 Blk-B, Valencia Town		35202-8793431-4		545	73	22	640	545	73	22	640
216	Mohsin Ali H. No. 48, St. No. 6, Muhammad Pura, Near Abdalian High School		33100-4391115-7		440	43	34	517	440	43	34	517

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					Principal	Interest/ Markup	Others	Principal	Interest/ Markup	Others		Total
217	Rehmat Ullah Okara, Depalpur Road, Chak 32/2-L, Near AI Rehmat Public School		35302-5878022-1		548	55	42	645	548	55	42	645
218	Zulfiqar Ali Mohalla Magsi, Jacobabad		43102-2279028-9		490	-	35	525	490	-	35	525
219	Muhammad Jamil H. No. 3, St. No. 160, Mohallah Shah Abdul Ghani, Bahgban Pura		35202-2746609-9		312	27	198	537	312	27	198	537
220	Mazhar Ahmed F/3/4 KE-3594, H. No.8, Sobia Terris, New Dehli Colony		42301-3550391-1		497	42	22	561	497	42	22	561
221	Muhammad Azam House No. 629 C, Block 3C-1, Township, Lahore		35202-2709453-9		468	61	28	557	468	61	28	557
222	M Shahzad Siddique H. No. 74, St. No. 2, New Haseeb Shaheed Colony, Near Mian Chowk		33100-1027739-1		499	61	20	580	499	61	20	580
223	Hanif Akbar Marwat 22-B/2, Main National Highway, Phase-II, DHA		42301-1049078-3		506	63	20	589	506	63	20	589
224	Sheikh Irfan Munir H. No. 272, Block D, Peoples Colony, No. 1, Near Khizra Mosque		33100-9045706-1		624	110	99	833	624	110	99	833
225	Salahuddin Ahmed H. No. 10 B, Phase-II, South Park Street, DHA		42301-8009574-5		128	63	367	558	128	63	367	558
226	Pardeep Flat No. 413, Haimain Tower, Block-3, Gulistan-e-Johar, Karachi		43205-1525675-7		481	34	72	587	481	34	72	587
227	Wajiha Naz House No. B-189, Block D, North Nazimabad, Karachi		42101-9788302-4		500	45	28	573	500	45	28	573
228	Imtiyaz Hussain Shah H. No. 58, Sikandar Block, Allama Iqbal Town		35202-2198207-5		434	57	16	507	434	57	16	507
229	Junaid Ahmed H. No. 266, Block W, DHA		35201-6587367-9		482	31	17	530	482	31	17	530
230	Syed Alley Muhammad Flat # C-4, Ali Apartment, Block 3, Guishan e Iqbal		44103-5328622-7		494	29	27	550	494	29	27	550
231	Asif Haji Flat No.3, Plot 162/N, Block 3, PECHS		42201-0502695-3		156	16	414	586	156	16	414	586
232	Mohammad Ali Qureshi H. No. 166-A, Block 3, Gulshan-e-Iqbal		42201-3658673-9		409	68	37	514	409	68	37	514
233	Mohsin Abbas Cheema P-274, Sarfraz Colony, Fawara Chowk		33100-5238230-7		493	63	17	573	493	63	17	573

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					Principal	Interest / Markup	Others	Principal	Interest / Markup	Others		Total
234	Ali Anser H. No. B-189, Block-D, North Nazimabad, Karachi		42101-0817354-3		484	32	43	559	484	32	43	559
235	Iqbal Faruqi H. No. 24, Malik Tajdin Street, Millat Road, Islampura		35202-2954108-1		484	62	17	563	484	62	17	563
236	Syed Manzoor House F-8, Rizwiya Society, Nazimabad, Karachi		42101-0254842-5		483	64	19	566	483	64	19	566
237	Israr Ur Rasheed I/R International Shop No. 1 Auto Accessories, AD Gul Nawaz Road, Shadman Market, Faisalabad		33100-5839436-9		458	341	29	828	134	341	29	504
238	Nadeem Ahmad Al-Karam Woodworking, 19 Hassan Parwana Colony, Multan		33100-0601616-5		271	439	37	747	30	439	37	506
239	Syed Raheel Jamil Paramount Mineral Traders, R-720-721, Sector 15-A-5, Buffer Zone, North Khi, Karachi		42201-7974476-9		318	384	27	729	95	384	27	506
240	Manzoor Hussain Bughio Al Madina Tailoring Shop, Main Road, Mohini Bazar, Nawabshah		45402-0917543-3		331	391	36	758	81	391	36	508
241	Sabir Ali H. No. C-18, Block 1, Clifton, Karachi		42401-1769665-5		196	414	35	645	59	414	35	508
242	Muhammad Ramzan Sabqi Classic Channel Enterprises, F-26-27, First Floor, Rainbow Centre Saddar , Karachi		42202-2808512-5		225	412	32	669	67	412	32	511
243	Muhammad Akram Abbas Al Ghias House, No. 20, Street No. 1, CMA Colony, Shami Road, Lahore Canmt. Lahore		35201-8405723-3		83	451	43	577	21	451	43	515
244	M. Sheraz H. No. 29-B, Block-B, Gulberg Colony, Faisalabad		33100-6494863-5		378	410	37	825	78	410	37	525
245	Nadeem Ahmed Barfias H # 37-B, Karim Block, Allama Iqbal Town, Lahore		35202-1526013-5		335	391	34	760	100	391	34	525
246	M Naveed Akhtar Off. No. 03/04, 3rd Floor, Waqar Center, Opp. Poonch House, 62-63, Canning Road, Saddar Comm. Debt. Collection Agency, Rawalpindi		34202-1523565-7		306	398	38	742	89	398	38	525
247	Ahmed Servay No. 248, Village Haji Hashim Soomro, Qasimabad, Near Naseem Nagar Chowk, Hyderabad		41306-6995758-3		238	422	38	698	68	422	38	528

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					Principal	Interest / Markup	Others	Total	Principal	Interest / Markup		Others
248	Muhammad Rizwan H. No. B-84, Sector 11/A, North Khi, Karachi		42101-6155620-3		291	409	33	733	87	409	33	529
249	Abdul Majeed 2 Brothers New Pui, Muslimabad, Mughalpura Lahore		35201-8614440-5		206	438	42	686	60	438	42	540
250	Khalid Pervaiz Sheikh Leo Communications Pvt. Ltd., C-68, Model Town, Lahore		35202-8643210-5		368	508	50	926	-	508	50	558
251	Zia Ur Rehman Hasmi 8th, Second Floor, Unik Apartments, Development Enclave, G-5, Islamabad		61101-3340514-3		423	406	33	862	123	406	33	562
252	Shahmeer Ali Fahad Poultry Traders, Shop 3, Khichi Imam Bargah Road, New Machi Market, Larkana		43203-1930551-7		395	521	42	958	-	521	42	563
253	Muhammad Khalid Dar C-225, Bl-2, PECHS, Karachi		42201-0417614-9		381	421	33	835	111	421	33	565
254	Azra Saleem Pixels Private Limited, Plot No. 178-C, St. No. 2, Industrial Area, I-9/2, Islamabad		61101-6940032-0		226	467	43	736	65	467	43	575
255	Jaffar Faisal Brine Logistics, Opp. Sui Gas Street, UK Road, Shahab Pura, Sialkot		34603-5109795-7		285	528	57	870	-	528	57	585
256	Syed Hassan Talib H. No. H-5, Jason Paradise, Block 7, Boat Basin, Clifton, Karachi		42301-3357140-3		395	432	34	861	118	432	34	584
257	Haji Abdul Karim Abdul Karim Brothers Mr-1/79, Kutchi Gali No-2, Paraline South, Karachi		42301-1021732-3		391	443	32	866	117	443	32	592
258	Mehar Asghar Ali H. No. 1, St. No. 4, Shadab Road, 18- KM, Ferozpur Road, Lahore		35102-3870409-9		306	466	42	814	88	466	42	596
259	Ghazala Fakhar H. No. 3, Noor Park, Islampura, Lahore		35202-2511256-8		247	485	47	779	74	485	47	606
260	Imtiaz Hussain Baloch H. No. E-5/30, D-1, St. 6-A, Lane No. 5, Officers Colony, Cavalry Ground, Lahore		35201-7553430-3		326	486	45	857	94	486	45	625
261	Imtiaz Ali Imtiaz Optical, Shop No. 4, Madina Market, Tufail Road, Cantt., Lahore		35201-6123951-9		70	558	55	683	12	558	55	625
262	Liaquat Ali Khan Khan Rack Centre, Shop No. K4-18, Zafar-ur-Haq Road, Rawalpindi		37405-7138312-5		282	503	51	836	73	503	51	627
263	Adnan Amjad Crescent Sugar Mill and Distill, Suit No. 408, Business Avenue, Shahrath-e- Faisal, Karachi		42201-0808865-3		473	454	37	964	139	454	37	630

Annexure 'B' as referred to in Note 10.6 of the Bank's Unconsolidated and Consolidated Financial Statements

Details of loan write-offs of Rs. 500,000 and above

S.No.	Name and address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the beginning			Written off			Rs. in '000	
					Principal	Interest / Markup	Others	Principal	Interest / Markup	Others		Total
264	Zarif Ahmed International Systems, Suit No. 505-506-509, Fortune Centre, PECHS, Shahrah-e-Faisal, Karachi		42201-7809036-7		291	506	39	836	87	506	38	631
265	Muhammad Javed Iqbal Tarhane H. No. 805, Sector Z, Defence Housing Society, Lahore		35201-8785829-3		434	468	42	944	130	468	42	640
266	Muhammad Khalil Butt H. No. 57, Qadir Park, Raj Garh, Lahore		35202-9983875-1		451	479	44	974	131	479	44	654
267	Umer Idrees Mian Traders, P-101, Karkhana Bazar, Near Naeem Oil Traders, Faisalabad		33100-5598095-7		306	527	49	882	82	527	49	658
268	Nadeem Jahangir Nadeem Chori Maker and Gold Te, 1st Floor of Jahangir Jewellers, Nagina Chowk, Baghban Pura, Lahore		35201-8411191-9		331	539	50	920	93	539	50	682
269	Akhlaq Ahmed Siddique H.No 4, Block-C, Tando Mir Ghulam Hussain, Unit No. 9, Laitifabad, Hyderabad		41304-2321972-7		443	545	48	1,036	93	545	48	686
270	Sohail Qamar New Vision Advertisers, 1st Floor, e-Commercial Zone, Liberty, Gulberg, Lahore		35202-2986473-9		504	556	51	1,111	94	556	51	701
271	Ramish Lal FI No. B-39, 5th Floor, Noman Avenue, Main Rashid Minhas Road, Johar More, Karachi		43104-0566107-5		467	561	46	1,074	93	561	46	700
272	Shabbir Ahmed Daud Pota Mehran Broker, Off. No. 5, 2nd Floor, Green Center, Market Road, Hyderabad		43103-1719887-9		424	534	49	1,007	124	534	49	707
273	Gulam Rasool FI No. A/34, 4th Floor, Indus Heights, Hussainabad, Laitifabad, Hyderabad		41303-5685807-5		469	527	48	1,044	139	527	48	714
274	Aamir Ikram Malhi Sports Pvt Ltd., Daska Road, Malhiyan, Sialkot		34603-6013096-7		487	665	62	1,214	-	665	62	727
275	Sheikh Shahid Waheed Alamgir 23, G Link Arcade, Model Town, Link Road, Lahore		35202-3187277-7		301	606	63	970	66	606	63	735
276	Moazzam Ali Khan 320, Neelam Block, Allama Iqbal Town, Lahore		35202-2881285-1		373	621	60	1,054	73	621	60	754
277	Abdul Razzak Fine Powder Coating, 399 Rexer Lane, Manghopir Road, Old Golimar, Karachi		42401-0872295-7		408	593	48	1,049	119	593	48	760

Annexure 'B' as referred to in Note 10.6 of the Bank's Unconsolidated and Consolidated Financial Statements

Details of loan write-offs of Rs. 500,000 and above

S.No.	Name and address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the beginning			Written off			Rs. in '000	
					Principal	Interest / Markup	Others	Principal	Interest / Markup	Others		Total
278	Nadeem Khan Rajput H. No. 21/2A, 3rd Floor, Al Falah Housing Society, Shah Faisal Colony, Near Colony Gate, Karachi		43202-1072631-3		476	579	49	1,104	142	579	49	770
279	Muhammad Rizwan Akbar H. No. 36, Block No. 10, Chishtee Nagar, Near Yasir Tarris, Gullistan-e-Jouhar, Karachi		42201-7218558-7		427	603	47	1,077	127	603	46	776
280	Muhammad Zeeshan Warriach 134-B, Upper Mall, Lahore		36603-8890971-9		455	591	55	1,101	130	591	55	776
281	Muhammad Saeed Anwar Bhatti Brothers, General Supply 2-LA, Akber Mkt. Shop # 6, Gulberg-III, Kalma Chowk, Pharospur Road, Lahore		35202-5379025-1		479	610	55	1,144	119	610	55	784
282	Tariq Saqheer House No. C-10, Block-A, Unit No.6, Latifabad, Hyderabad		41304-9918004-7		475	591	54	1,120	140	591	54	785
283	Shabbir Ahmad Rehman Paper House, G-3, Sher Mohammed Plaza, Palsa Akhbar, Urdu Bazar, Lahore		35202-2930735-5		454	617	56	1,127	114	617	56	787
284	Badar Mustafa Bhatti Body World Fitness Studio, 1st Floor, Bhatti Arcade, Link Road, Model Town, Lahore		35202-0108005-7		504	584	53	1,141	151	584	53	788
285	Naveed Ahmad Gill H. No. 77/B, Block B, Muslim Town, Sargodha Road, Faisalabad		33100-4420680-9		466	655	60	1,181	114	655	60	829
286	Muhammad Kashif House # A-146, Sindh Babouch Housing Society, Block # 12, Near Amir Pride, Karachi		42201-9371125-7		454	652	56	1,162	136	652	55	843
287	Abdul Razzaq Jawa Washing, C-1 D-24, Sector 16, Korangi Ind. Area, Karachi		42101-1356977-7		505	689	56	1,250	151	689	56	896
288	Abdul Ghafoor Pathan 653 C, Flat-2, 2nd Floor, PECHS, Tariq Road, Karachi		42000-0442622-1		441	720	62	1,223	132	720	62	914
289	Muhammad Qaiser Bilal Qaiser Bilal Ara Machine, 60-Bhalwal Road, Gulshan e Sadq, Sargodha		38403-8748252-3		182	788	85	1,055	53	788	85	926
290	Irfan Sajid Decorra Furniture, Katchery Road, Opp. Muslim High School, Nawabshah		45402-4698265-5		507	730	71	1,308	147	730	71	948
291	Khurram Tariq H. No. 310, Block C, Faisal Town, Lahore		35202-2925609-3		505	736	69	1,310	145	736	69	950

Annexure 'B' as referred to in Note 10.6 of the Bank's Unconsolidated and Consolidated Financial Statements

Details of loan write-offs of Rs. 500,000 and above

S.No.	Name and address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the beginning			Written off			Total	
					Principal	Interest/ Markup	Others	Principal	Interest / Markup	Others		
292	Junaid Khan H. No. 96, Pathan Laj Gali, Mohala Qasim Bela, Yousaf Wala, Near Grammar School, Multan		36303-0930426-1		477	764	58	1,299	137	764	58	959
293	Shahid Sharif Ansari (Shoaib Sharif) Plot No. 8, Block No. 1, Sarvo Eng., Sector 5-E, North Karachi, Township, Karachi		42101-8934675-1		504	777	60	1,341	150	777	60	987
294	Kamran Ahmed H. No. R-365, Gulshan-e-Sir Syed, Sector 11-C-3, North KHI, Karachi		42101-5058722-3		470	814	65	1,349	141	814	65	1,020
295	Ali Raqib Logistic Solution, 42-B, SMCHS, Karachi		35202-2482442-5		426	857	65	1,348	127	857	65	1,049
296	Atif Ali Khoso Muhalla Shah Faisal Colony, Golimar Road, Sukkur		45504-1952430-9		507	855	81	1,443	152	855	81	1,088
297	Adnan Hameed Khan K & N Enterprises, Suit-1403, 14th Floor, Green Trust Tower, Jinnah Avenue, Blue Area, Islamabad		42301-5393471-3		492	358	28	878	123	362	28	513
298	Ahmed Khan H. # 366, St. # 84, G-11/3 Islamabad		61101-2025012-9		502	372	30	904	115	375	30	520
299	Muhammad Arif Ali Chenab Fabrics, Sh. No. 17, Al Mumtaz Plaza, G-9, Islamabad		61101-8948058-9		457	475	40	972	107	478	40	625
300	Kamran Younas Rehmat Industry, Urooj Impex, Jinnah Road, Mesulim Town, Masjid Mustafai, Gujranwala		34101-3136151-7		270	493	53	816	68	485	53	606
301	Muhammad Rafique H. No. 375, St. No. 3 Block 14, Bar e Umar, Sargodha		38403-1263664-3		-	508	-	508	-	508	-	508
302	Tarannum Sabih 163, 32nd Street, Phase-VI, DHA, Karachi		42301-2774872-4		408	505	36	949	-	505	36	541
303	Duty Free Shop Limited				59,419	-	5	59,424	59,419	-	5	59,424
304	Khalid Trading Co.	Shamshad Ahmed		Muhammad Rafi	975	830	25	1,830	-	830	25	855
305	Ahisham Ahmed Cheema				7,020	4,888	-	11,908	-	4,888	-	4,888
306	Muhammad Tanveer Khan				6,499	2,730	-	9,229	-	2,730	-	2,730
307	Sheikh Muhammad Akmal				1,694	1,204	-	2,898	-	1,204	-	1,204
308	Muhammad Haroon Ghazi				7,553	3,812	-	11,365	-	3,812	-	3,812
309	Khalid Mehmood				911	618	-	1,529	-	618	-	618

Annexure 'B' as referred to in Note 10.6 of the Bank's Unconsolidated and Consolidated Financial Statements

Details of loan write-offs of Rs. 500,000 and above

S.No.	Name and address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the beginning			Written off			Total	
					Principal	Interest / Markup	Others	Principal	Interest / Markup	Others		
310	Rashid Mehmood				5,649	3,408	-	9,057	-	3,058	-	3,058
311	Shafiq Ahmed Shad				2,730	880	-	3,610	-	575	-	575
312	Zahid Mehmood				8,104	5,188	-	13,292	-	5,188	-	5,188
313	Techno Pac				1,800	1,140	-	2,940	-	1,140	-	1,140
314	Naseem & Co.				1,821	562	-	2,383	-	562	-	562
315	Meena Umer				6,910	6,915	41	13,866	-	5,539	-	5,539
316	Amar Idrees				14,300	13,446	176	27,922	-	13,446	-	13,446
317	Saira				9,550	7,452	56	17,058	-	7,452	22	7,474
318	Mumtaz Ali Khan				7,692	1,392	45	9,129	-	931	45	976
319	Qazi Cold Storage				303	-	1,034	1,337	135	-	1,034	1,169
					3,108,907	1,147,341	15,849	4,272,097	1,124,571	1,052,805	900,417	3,077,793

Rs. in '000

Annexure 'C' As Referred to in Note 11.7 of the Bank's Unconsolidated Financial Statements

Disposals of operating fixed assets during the year 2013

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	------(Rupees in '000)-----					
Furniture and fixtures						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	3,011	2,766	245	181	Auction	Various
Electrical, office and computer equipment						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	43,971	42,933	1,038	3,189	Auction	Various
Vehicles						
Items having book value of more than Rs. 250,000 and cost of more than Rs. 1,000,000						
Toyota Corolla	1,565	516	1,049	1,200	Insurance Claim	UBL Insurers Limited
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000						
Honda Civic	1,526	1,373	153	305	Buy Back	Saeed Iqbal
Toyota Landcruiser	5,420	5,420	0	2,581	Auction	Saud Mohammad Shinain Arjawawani
Lexus	4,588	4,588	0	1,004	Negotiation	Rahoof A. F. Moosa
Chrysler	4,196	4,196	0	1,145	Auction	Behbehani Brothers W.L.L.
Chrysler	4,295	4,295	-	868	Auction	Mr Masood Ahmed
Transport Van	80	72	8	92	Auction	Muhammad Ayub
Transport Van	596	536	60	939	Auction	Span Gul
Suzuki Cultus	636	573	63	632	Auction	Sheikh Abdul Waheed
Suzuki Cultus	636	573	63	569	Auction	Khalil ur Rehman
Suzuki Cultus	560	504	56	481	Auction	Aijaz Ahmed
Suzuki Cultus	560	504	56	444	Auction	Aijaz Ahmed
Suzuki Cultus	390	351	39	451	Auction	Syed Ariz Ali
Suzuki Cultus	620	558	62	516	Auction	Aijaz Ahmed
Suzuki Cultus	560	504	56	425	Auction	Naveed Rauf
Suzuki Cultus	560	504	56	422	Auction	Sheikh Abdul Waheed
Toyota Corolla	879	791	88	851	Auction	Syed Riaz Ahmed
Toyota Corolla	879	791	88	839	Auction	Syed Riaz Ahmed
Toyota Corolla	864	778	86	758	Auction	Syed Riaz Ahmed
Toyota Corolla	849	764	85	842	Auction	Syed Riaz Ahmed
Toyota Corolla	879	791	88	850	Auction	Syed Riaz Ahmed
Pajero	285	257	28	282	Auction	Naveed Rauf
Land Cruiser	825	742	83	630	Auction	Syed Riaz Ahmed
Toyota Hilux	819	737	82	953	Auction	Muhammad Javed
Cycles / Bicycles	59	53	6	17	Auction	Danish Alvi
Cycles / Bicycles	11	10	1	6	Auction	Qazi Irfanullah
Various	344	237	107	2	Auction	Various
	33,481	31,018	2,463	18,104		

Annexure 'C' As Referred to in Note 11.7 of the Bank's Unconsolidated Financial Statements

Disposals of operating fixed assets during the year 2013 (Contd.)

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	------(Rupees in '000)-----					
Ijarah Assets						
Items having book value of more than Rs. 250,000 or cost of more than Rs. 1,000,000						
Commercial Ijarah - Ghani Glass Limited	170,000	79,333	90,667	94,778	Buy Back	Ghani Glass Limited
Commercial Ijarah - M/s Atlas Honda Limited	15,711	14,907	804	804	Buy Back	M/s Atlas Honda Limited
Commercial Ijarah - Mecas Engineering (Pvt) Limited	15,457	13,911	1,546	1,546	Buy Back	Mecas Engineering (Pvt) Limited
Commercial Ijarah - Tanveer Cotton Mills	12,213	10,992	1,221	1,221	Buy Back	Tanveer Cotton Mills
Commercial Ijarah - Hotel Defense	12,095	9,676	2,419	2,419	Buy Back	Hotel Defense
Commercial Ijarah - Royal Tech	10,552	9,497	1,055	1,055	Buy Back	Royal Tech
Commercial Ijarah - Mecas Foundry	6,874	6,186	688	687	Buy Back	Mecas Foundry
Commercial Ijarah - National Foods Limited	4,360	2,175	2,185	2,505	Buy Back	National Foods Limited
Honda City	1,710	182	1,528	2,095	Buy back	Muhammad Mustafa
Honda City Aspire MT	1,701	321	1,380	1,482	Buy back	Imran Khan
Toyota Corolla GLi	1,625	537	1,088	1,088	Buy back	Wajid Sarwar
Toyota Corolla GLi	1,623	536	1,087	1,088	Buy back	Wajid Sarwar
Honda City	1,464	626	838	838	Buy back	Mukhtar Khan
Honda City	1,439	754	685	686	Buy back	Muhammad Asif
Honda City	1,430	639	791	740	Buy back	Khurram Farooq
Toyota Corolla XLi	1,323	985	338	355	Buy back	Qaiser Hafeez
Suzuki Swift	1,168	726	442	442	Buy back	Syed Asad Imam
Toyota Vitz	1,131	339	792	1,094	Buy back	Faisal Ijaz
Honda City	1,126	625	501	576	Buy back	Ghulam Abbas
Daihatsu Cuore Cx Eco	1,111	859	252	265	Buy back	Naveed Iqbal Khan
Toyota Corolla GLi	1,064	765	299	309	Buy back	Khurram Farooq
Toyota Corolla GLi	1,035	636	399	947	Buy back	Asim Rehman Khan
Toyota Corolla GLi	1,035	554	481	151	Buy back	Adnan Ismail
Toyota Corolla GLi	1,034	782	252	251	Buy back	Mohammad Ahmed
Suzuki Cultus VXR CNG	1,032	219	813	836	Buy back	Muhammad Ashraf
Toyota Corolla XLi	1,030	743	287	299	Buy back	Muhammad Rafi Khan
Toyota Corolla XLi	1,012	721	291	381	Buy back	Muhammad Iqbal
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000						
Commercial Ijarah - Premiere Dairies	2,200	1,980	220	220	Buy Back	Premiere Dairies
Honda City	1,044	907	137	149	Buy back	Muhammad Javed Shamsi
Toyota Corolla GLi	1,043	814	229	273	Buy back	Muhammad Nadeem
Toyota Corolla XLi	1,012	778	234	445	Buy back	Asadullah
Toyota Corolla XLi	982	849	133	143	Buy back	Mohammad Irfan
Honda Civic VTi Oriol	969	725	244	257	Buy back	Yasir Amir
Toyota Corolla XLi	960	784	176	186	Buy back	Syed Akleem Imtiaz
Toyota Corolla XLi	959	401	558	572	Buy back	Mohammad Raza Ahmed
Toyota Corolla XLi	956	771	185	185	Buy back	Mohammad Tariq Dara
Toyota Corolla XLi	954	815	139	139	Buy back	Mohammad Kousar Khan
Suzuki Liana	948	689	259	259	Buy back	Bina Khan
Toyota Corolla XLi	945	762	183	183	Buy back	Naeem Ahmed Rana
Toyota Corolla XLi	945	716	229	229	Buy back	Manzoor Uddin
Toyota Corolla XLi	944	769	175	185	Buy back	Nasir Ghulam
Toyota Corolla XLi	943	806	137	137	Buy back	Muhammad Kausar

Annexure 'C' As Referred to in Note 11.7 of the Bank's Unconsolidated Financial Statements

Disposals of operating fixed assets during the year 2013 (Contd.)

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	------(Rupees in '000)-----					
Toyota Corolla XLi	942	247	695	711	Buy back	Muzafar Aleem Siddiqui
Daihatsu Cuore Cx Eco	939	815	124	124	Buy back	Najam Uddin Quersh
Suzuki Liana	931	753	178	178	Buy back	Ahmed Bilal
Honda City	907	467	440	439	Buy back	Javed Arshad Siddiqui
Toyota Corolla XLi	902	648	254	297	Buy back	Kashif Ali
Honda Civic Exi	869	712	157	170	Buy back	Danish Mansoor Khan
Honda Civic Exi	868	443	425	425	Buy back	Ajaz Ahmed
Suzuki Cultus Vxl CNG	860	693	167	167	Buy back	Muhammad Munawar
Suzuki Bolan CNG	858	658	200	200	Buy back	Muhammad Amir Ali
Suzuki Cultus VXR CNG	852	687	165	165	Buy back	S. Muhammad Ishtiaq
Suzuki Cultus VXR CNG	852	682	170	169	Buy back	Robin Augustine Peter
Honda City	849	683	166	166	Buy back	Muhammad Tariq Khan
Suzuki Cultus VXR CNG	847	642	205	205	Buy back	Robin Augustine Peter
Nissan Lancer	819	508	311	320	Buy back	Shakeel Essa Jaffer
Hyundai Santro	772	549	223	223	Buy back	Muhammad Asif
Suzuki Alto VXR CNG	769	623	146	146	Buy back	Muhammad Nadeem
Suzuki Cultus VXR CNG	739	535	204	214	Buy back	Nand Lal
Suzuki Cultus VXR CNG	738	597	141	141	Buy back	Talat Mehmood
Suzuki Cultus VXR CNG	731	600	131	141	Buy back	Muhammad Kaleem
Suzuki Cultus VXR CNG	731	552	179	176	Buy back	Aneel Mazhar
Shehzore Pickup	729	554	175	175	Buy back	Mohammad Taj Uddin
Suzuki Cultus VXR CNG	726	514	212	210	Buy back	Muhammad Ashraf
Suzuki Cultus VXR CNG	720	512	208	208	Buy back	Asfiya Aziz
Shehzore Pickup	716	581	135	135	Buy back	Qayyum Khan
Suzuki Bolan CNG	716	58	658	676	Buy back	Aijaz Ali Sial
Shehzore Pickup	716	424	292	304	Buy back	Basheer Ali
Shehzore Pickup	716	581	135	135	Buy back	Nisar Ahmed
Shehzore Pickup	714	208	506	196	Buy back	Nisar Akber
Suzuki Cultus VXR CNG	709	616	93	106	Buy back	Mohammad Ali
Suzuki Cultus VXR CNG	708	363	345	355	Buy back	Muhammad Javed Sagher
Suzuki Cultus VXR CNG	708	615	93	102	Buy back	Ghulam Farooq
Honda City	708	571	137	137	Buy back	Zeeshan Ahmed
Suzuki Cultus VXR CNG	704	578	126	135	Buy back	Mohammad Shareef
Daihatsu Cuore Cx Eco	703	288	415	523	Insurance claim	Pak Qatar General Takaful Company Limited
Shehzore Pickup	703	572	131	134	Buy back	Usman
Suzuki Cultus VXR CNG	695	602	93	100	Buy back	Azeem Ahmed
Suzuki Cultus VXR CNG	694	561	133	134	Buy back	Abdul Majid Shaikh
Honda City	689	555	134	134	Buy back	Wajahat Ali Khan
Suzuki Cultus VXR	683	538	145	151	Buy back	Syed Nasrullah Shah
Suzuki Cultus VXR CNG	678	352	326	329	Buy back	Rabia Abeer Fatima
Suzuki Cultus VXR CNG	677	359	318	334	Buy back	Kalash Kumar
Suzuki Cultus VXR CNG	676	579	97	97	Buy back	Syed Fahad Razi
Suzuki Cultus VXR CNG	673	576	97	97	Buy back	Muhammad Munir
Suzuki Cultus VXR CNG	673	575	98	97	Buy back	Manzoor Ahmed Sheikh
Suzuki Cultus VXR CNG	672	575	97	97	Buy back	Muhammad Zubair Rasheed
Suzuki Alto VXR CNG	668	479	189	331	Buy back	Syed Mojiz Ali
Suzuki Alto VXR CNG	660	566	94	94	Buy back	Nadeem Ali
Suzuki Alto VXR CNG	657	456	201	202	Buy back	Muhammad Javed
Suzuki Cultus VXR CNG	657	562	95	95	Buy back	Kamran Ali
Suzuki Cultus VXR CNG	657	562	95	95	Buy back	Shazada Ghulam Mustafa
Suzuki Cultus VXR CNG	657	467	190	190	Buy back	Shaukat Ali
Suzuki Cultus VXR CNG	657	467	190	190	Buy back	Muhammad Nafees Qureshi

Annexure 'C' As Referred to in Note 11.7 of the Bank's Unconsolidated Financial Statements

Disposals of operating fixed assets during the year 2013 (Contd.)

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	------(Rupees in '000)-----					
Suzuki Cultus VXR CNG	656	538	118	126	Buy back	Faraz Ahmed
Suzuki Cultus VXR CNG	656	246	410	410	Buy back	Taimur Haris
Suzuki Cultus VXR CNG	656	560	96	126	Buy back	Wali Ullah Khan
Suzuki Alto VXR CNG	654	438	216	216	Buy back	Syed Asad Imam
Daihatsu Cuore Ecometic	654	528	126	125	Buy back	Syed Hur Ali
Suzuki Mehran VXR	652	65	587	605	Buy back	Sharjeel Anjum
Toyota Vitz	649	460	189	189	Buy back	Muhammad Shafi
Suzuki Cultus VXR	647	488	159	195	Buy back	Muhammad Mithal
Suzuki Bolan	641	204	437	486	Buy back	Allah Bux Zunr
Suzuki Alto VXR CNG	626	488	138	148	Buy back	Muhammad Nasir
Suzuki Alto VXR CNG	623	417	206	207	Buy back	Mafhh International
Suzuki Cultus VXR	619	367	252	252	Buy back	Muhammad Yousuf Khanani
Suzuki Alto VXR CNG	617	441	176	215	Buy back	Farhan Ilyas
Suzuki Alto VXR CNG	617	499	118	118	Buy back	Noor Muhammad Shahid
Suzuki Alto VXR CNG	616	537	79	89	Buy back	Samiullah Khan
Suzuki Alto VXR CNG	616	464	152	173	Buy back	Muhammad Imran
Suzuki Alto VXR CNG	615	536	79	89	Buy back	Samina Ahmed
Daihatsu Cuore Cx Eco	613	534	79	88	Buy back	Syed Kashif Mahmood
Suzuki Alto VXR CNG	603	314	289	289	Buy back	Syed Ali Murad Shah
Suzuki Alto VXR CNG	585	471	114	112	Buy back	Imran Ali
Suzuki Alto VXR CNG	584	482	102	112	Buy back	Kanwal Rehman
Daihatsu Cuore Cx Eco	575	372	203	203	Buy back	Safdar Hussain
Daihatsu Cuore Cx Eco	574	419	155	165	Buy back	Talal Durrani
Daihatsu Cuore Cx Eco	573	436	137	173	Buy back	Jawad Nasir
Suzuki Alto VXR CNG	566	431	135	136	Buy back	Dilawar Khan
Suzuki Mehran VXR CNG	563	267	296	267	Buy back	Abdul Jabbar
Daihatsu Cuore Cx Eco	561	480	81	81	Buy back	Muhammad Iqbal Mansoori
Suzuki Alto VXR CNG	557	476	81	81	Buy back	Mohammad Nafees
Daihatsu Cuore Cx Eco	557	397	160	160	Buy back	Uzma Asif
Daihatsu Cuore Cx Eco	557	477	80	80	Buy back	Humaira Fareed
Daihatsu Cuore Cx Eco	556	343	213	213	Buy back	Zaheer Amjad
Daihatsu Cuore Cx Eco	555	406	149	159	Buy back	Aftab Ahmed Bughio
Suzuki Alto VXR CNG	554	475	79	79	Buy back	Jerome Benjamin
Suzuki Alto VXR CNG	554	400	154	153	Buy back	Muhammad Adnan Bashir
Suzuki Alto VXR CNG	553	474	79	79	Buy back	Mohammad Saleem Malik
Suzuki Alto VXR CNG	553	474	79	79	Buy back	Faisal Majeed Bhatti
Suzuki Alto VXR CNG	553	473	80	79	Buy back	Syed Ameer Ali Shah
Suzuki Alto VXR CNG	551	419	132	132	Buy back	Imran Afzal
Suzuki Bolan CNG Std	551	446	105	105	Buy back	Salman Baig
Suzuki Alto VXR CNG	550	450	100	100	Buy back	Nighat Taufiq
Suzuki Alto VXR CNG	549	470	79	92	Buy back	Qaiser Yousuf
Daihatsu Cuore Cx Eco	547	390	157	157	Buy back	Haris Ahmed
Suzuki Alto VXR CNG	546	467	79	78	Buy back	Wajjid Pervaiz
Suzuki Alto VXR CNG	545	389	156	156	Buy back	Javeria Siddique
Suzuki Alto VXR CNG	545	414	131	130	Buy back	Muhammad Arif
Suzuki Alto VXR CNG	545	466	79	78	Buy back	Syed Raza Hussain Moosavee
Suzuki Alto VXR CNG	545	466	79	78	Buy back	Imran Haider
Daihatsu Cuore Cx Eco	544	476	68	78	Buy back	Ghulam Dastagir Paracha
Daihatsu Cuore Cx Eco	544	389	155	156	Buy back	Seema Zaki
Suzuki Alto VXR CNG	543	440	104	104	Buy back	Ghazala Abdul Aziz
Daihatsu Cuore Cx At	542	387	155	156	Buy back	Mohammad Tanvir Sheikh
Suzuki Alto VXR CNG	538	322	216	234	Buy back	Sheikh Zakaria Ahmed

Annexure 'C' As Referred to in Note 11.7 of the Bank's Unconsolidated Financial Statements

Disposals of operating fixed assets during the year 2013 (Contd.)

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	------(Rupees in '000)-----					
Suzuki Alto VXR CNG	538	461	77	85	Buy back	Muhammad Usman
Suzuki Alto VXR CNG	538	461	77	77	Buy back	Waseem Anwer
Suzuki Alto VXR CNG	538	435	103	103	Buy back	Ather Masood Rana
Suzuki Alto VXR CNG	537	337	200	200	Buy back	Muhammad Khalid Shakir
Suzuki Alto VXR CNG	537	420	117	129	Buy back	Azam Khan
Suzuki Alto VXR CNG	537	460	77	78	Buy back	Faraz Ahmed
Suzuki Alto VXR CNG	537	460	77	90	Buy back	Adnan Akhter
Suzuki Alto VXR CNG	537	409	128	128	Buy back	Muhammad Hamid
Suzuki Alto VXR CNG	536	433	103	103	Buy back	Syed Farhan Ali
Suzuki Cultus VXR	533	353	180	180	Buy back	Suhail Anjum Jaffari
Suzuki Alto VXR CNG	532	369	163	374	Buy back	Sohail Athar
Daihatsu Cuore Cx Eco	531	273	258	262	Buy back	Zeeshan Ahmed Khan
Daihatsu Cuore Cx Eco	531	430	101	101	Buy back	Sharjeel Mehmood
Daihatsu Cuore Cx Eco	530	454	76	76	Buy back	Syed Ali Hasan Rizvi
Daihatsu Cuore Cx Eco	528	343	185	255	Buy back	Asad Hafeez
Daihatsu Cuore Cx Eco	524	399	125	125	Buy back	Aijaz Ali Sheikh
Daihatsu Cuore Cx Eco	522	447	75	75	Buy back	Sajjad Haider
Daihatsu Cuore Cx	520	321	199	199	Buy back	Mohammad Yasir
Daihatsu Cuore Cx Eco	519	445	74	75	Buy back	Omer Nadeem Ansari
Daihatsu Cuore Cx Eco	518	446	72	73	Buy back	Aijaz Ali Shaikh
Suzuki Bolan CNG	516	418	98	98	Buy back	Abdul Wahab
Suzuki Alto VXR CNG	508	266	242	242	Buy back	Muhammad Khalid Abbasi
Daihatsu Cuore Cx Eco	507	434	73	73	Buy back	Ghulam Hussain Najmi
Suzuki Bolan CNG	501	430	71	71	Buy back	Mohammad Iqbal
Suzuki Bolan CNG	501	429	72	71	Buy back	Ilyas
Suzuki Bolan CNG	485	347	138	138	Buy back	Jahan Sher Khan
Suzuki Baleno	483	251	232	233	Buy back	Mazhar Ali Siddiqui
Suzuki Bolan CNG	483	374	109	141	Buy back	Mukhtar Khan
Suzuki Bolan CNG	483	300	183	183	Buy back	Qurban Ali
Suzuki Bolan CNG	483	378	105	115	Buy back	Ishmat Khan
Suzuki Bolan CNG	483	424	59	69	Buy back	Ghulam Mustafa Qureshi
Suzuki Bolan CNG	482	421	61	73	Buy back	Rizwana Jabeen
Suzuki Bolan CNG	482	367	115	115	Buy back	Mohammad Tanveer
Suzuki Mehran VXR CNG	481	263	218	224	Buy back	Nasreen Fahmi
Daihatsu Cuore Cx Eco	478	365	113	117	Buy back	Jibran Farooq Awan
Suzuki Ravi CNG	477	386	91	91	Buy back	Syed Farid Uddin
Suzuki Mehran VXR CNG	477	252	225	224	Buy back	Muhammad Iqbal Farooq
Suzuki Mehran VXR CNG	473	349	124	135	Buy back	Muhammad Jahangir
Suzuki Mehran VXR CNG	473	361	112	112	Buy back	Muhammad Fazil
Suzuki Mehran VXR CNG	472	414	58	67	Buy back	Gul Samar
Suzuki Bolan CNG	469	400	69	67	Buy back	Shakir Ali
Suzuki Bolan CNG	468	380	88	89	Buy back	Khawer Hashmat Khan
Suzuki Bolan CNG	467	400	67	67	Buy back	Muhammad Irfan
Suzuki Bolan CNG	467	400	67	67	Buy back	Haider Abbas
Suzuki Mehran VXR CNG	463	312	151	151	Buy back	Farzana Amin
Suzuki Mehran VXR CNG	457	371	86	87	Buy back	Mohammad Iqbal Abro
Suzuki Mehran VXR CNG	457	339	118	109	Buy back	Khalil Ahmed Mangi
Suzuki Alto	457	242	215	215	Buy back	Muhammad Taqi
Suzuki Ravi CNG	450	365	85	85	Buy back	Imran Khan
Suzuki Mehran VXR CNG	442	379	63	77	Buy back	Syed Salman Zafar
Suzuki Mehran VXR CNG	442	296	146	147	Buy back	Syed Kousar Ali Hamza
Suzuki Bolan CNG	442	377	65	63	Buy back	Huzoor Ali

Annexure 'C' As Referred to in Note 11.7 of the Bank's Unconsolidated Financial Statements

Disposals of operating fixed assets during the year 2013 (Contd.)

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	------(Rupees in '000)-----					
Suzuki Bolan CNG Std	440	357	83	84	Buy back	Haji Sabir Hussain Bhatti
Suzuki Mehran VX CNG	435	274	161	161	Buy back	Tufail Ahmed
Suzuki Mehran VX CNG	432	371	61	62	Buy back	Mehmood
Suzuki Mehran VX CNG	430	275	155	109	Buy back	Syed Ghufran Ul Haq
Suzuki Mehran VX CNG	426	365	61	60	Buy back	Farrukh Aziz
Suzuki Ravi CNG	424	334	90	100	Buy back	Mohammad Hanif
Suzuki Ravi CNG	424	365	59	60	Buy back	Mohammad Akram
Suzuki Ravi CNG	422	345	77	79	Buy back	Humera Naz
Suzuki Mehran VX CNG	420	354	66	60	Buy back	Mushtaque Hussain
Suzuki Mehran VX CNG	405	252	153	153	Buy back	Aziz Ahmed Soomoro
Suzuki Mehran VX CNG	402	221	181	170	Buy back	Syed Irfan Ali
Suzuki Ravi CNG	400	334	66	74	Buy back	Arshad Sohail
Suzuki Ravi CNG	400	326	74	74	Buy back	Mehwish Lace Works
Suzuki Ravi CNG	398	313	85	93	Buy back	Abdul Razzak
Suzuki Ravi CNG	398	331	67	74	Buy back	Abdul Rasheed
Suzuki Ravi CNG	396	340	56	56	Buy back	Gul Sharif
Suzuki Ravi CNG	395	339	56	56	Buy back	Muhammad Shahid Siddiqui
Suzuki Ravi CNG	395	321	74	74	Buy back	Manzoor Hussain
Suzuki Mehran VX CNG	394	227	167	167	Buy back	Riaz Mehmood
Suzuki Ravi CNG	393	319	74	74	Buy back	Muhammad Akram
Suzuki Ravi CNG	393	281	112	112	Buy back	Ghulam Mustafa
Suzuki Ravi CNG	387	306	81	90	Buy back	Abdul Kalim
Suzuki Mehran VX CNG	385	258	127	127	Buy back	Akhtar Ali
Suzuki Mehran VX CNG	383	224	159	159	Buy back	Atif Ali
Suzuki Mehran VX CNG	383	224	159	159	Buy back	Ijaz Ahmed Gondal
Suzuki Ravi CNG	380	273	107	180	Buy back	Mohsin Jhangir
Suzuki Ravi CNG	378	306	72	71	Buy back	Mohammad Ramzan
Suzuki Alto VXR CNG	374	232	142	142	Buy back	Mehboob Ali Solangi
Suzuki Mehran VX CNG	373	273	100	100	Buy back	Noor Muhammad Khan
Suzuki Alto VXR CNG	372	266	106	115	Buy back	Sohail Kamal
Suzuki Ravi CNG	370	300	70	69	Buy back	Ali Muhammad
Suzuki Mehran VX CNG	318	264	54	151	Buy back	Uzma Amir Ali
	394,956	250,235	144,721	151,885		
Intangible assets						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	8	8	-	-	Write-off	
Total	475,427	326,961	148,466	173,359		

BDO Ebrahim & Co.
Chartered Accountants
2nd Floor, Block C
Lakson Square Building No. 1
Sarwar Shaheed Road
Karachi 74200

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi 75330

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of United Bank Limited (Bank) as at December 31, 2013 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of United Bank Limited. The financial statements of the subsidiaries United Executors and Trustees Company Limited and UBL Fund Managers Limited were audited by BDO Ebrahim & Co., Chartered Accountants while the financial statements of the subsidiaries United National Bank Limited, UBL (Switzerland) AG and UBL Bank (Tanzania) Limited were audited by other firms of auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such companies, is based solely on the report of such auditors. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

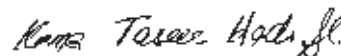
In our opinion, the consolidated financial statements present fairly the financial position of the Bank and its subsidiary companies as at December 31, 2013 and the results of their operations for the year then ended.

The consolidated financial statements of the Bank for the year ended December 31, 2012 were audited by BDO Ebrahim & Co., Chartered Accountants and Ernst & Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants who through their report dated February 24, 2013 expressed an unqualified opinion thereon.



BDO Ebrahim & Co.
Chartered Accountants
Audit Engagement Partner
Zulfikar Ali Causer

Date: February 19, 2014
Karachi



KPMG Taseer Hadi & Co.
Chartered Accountants
Audit Engagement Partner
Mazhar Saleem



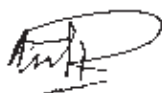
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Consolidated Statement of Financial Position

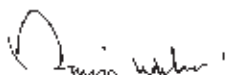
As at December 31, 2013

	Note	2013	2012	2011
			(Rupees in '000)	
			Restated	Restated
ASSETS				
Cash and balances with treasury banks	6	89,591,601	94,846,802	86,309,061
Balances with other banks	7	32,658,606	21,967,703	16,579,821
Lendings to financial institutions	8	29,858,038	22,828,834	12,375,261
Investments	9	458,846,198	381,245,903	301,106,877
Advances				
Performing	10	404,946,323	371,001,659	329,969,594
Non-performing - net of provision	10	10,336,987	14,832,602	11,169,925
		415,283,310	385,834,261	341,139,519
Operating fixed assets	11	28,037,980	27,460,839	25,745,215
Deferred tax asset - net		-	-	1,305,497
Other assets	12	29,356,983	28,162,016	23,791,738
		<u>1,083,632,716</u>	<u>962,346,358</u>	<u>808,352,989</u>
LIABILITIES				
Bills payable	14	16,600,691	7,615,382	5,879,043
Borrowings	15	41,077,730	69,693,579	49,955,704
Deposits and other accounts	16	889,525,603	752,785,895	634,796,624
Subordinated loans	17	665,328	9,319,264	11,317,080
Liabilities against assets subject to finance lease	18	1,325	2,109	-
Deferred tax liability - net	19	1,395,138	856,485	-
Other liabilities	20	23,093,754	20,145,946	19,209,579
		<u>972,359,569</u>	<u>860,418,660</u>	<u>721,158,030</u>
NET ASSETS		<u>111,273,147</u>	<u>101,927,698</u>	<u>87,194,959</u>
REPRESENTED BY:				
Share capital	21	12,241,798	12,241,798	12,241,798
Reserves		38,049,345	32,298,690	27,495,959
Unappropriated profit		45,208,302	39,305,127	35,481,967
Total equity attributable to the equity holders of the Bank		<u>95,499,445</u>	<u>83,845,615</u>	<u>75,219,724</u>
Non-controlling interest		3,487,918	2,827,060	2,324,385
		<u>98,987,363</u>	<u>86,672,675</u>	<u>77,544,109</u>
Surplus on revaluation of assets - net of deferred tax	22	12,285,784	15,255,023	9,650,850
		<u>111,273,147</u>	<u>101,927,698</u>	<u>87,194,959</u>
CONTINGENCIES AND COMMITMENTS	23			

The annexed notes from 1 to 49 and annexures form an integral part of these consolidated financial statements.



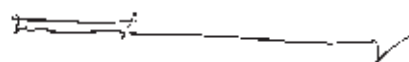
Atif R. Bokhari
President &
Chief Executive Officer



Amin Uddin
Director



Seerat Asghar
Director



Sir Mohammed Anwar Pervez, OBE, HPK
Chairman


Consolidated Profit and Loss Account

For the year ended December 31, 2013

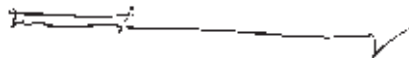
	Note	2013 ----- (Rupees in '000) -----	2012 Restated
Mark-up / return / interest earned	25	75,709,170	75,379,861
Mark-up / return / interest expensed	26	<u>36,199,807</u>	<u>35,759,090</u>
Net mark-up / interest income		39,509,363	39,620,771
Provision against loans and advances - net	10.4	<u>1,346,141</u>	<u>3,358,849</u>
Provision against lendings to financial institutions - net	8.5	60,509	168,492
Provision for diminution in value of investments - net	9.3	5,871	400,524
Bad debts written off directly	10.5	<u>181,724</u>	<u>319,102</u>
		<u>1,594,245</u>	<u>4,246,967</u>
Net mark-up / return / interest income after provisions		37,915,118	35,373,804
Non Mark-up / Interest Income			
Fee, commission and brokerage income		<u>11,443,576</u>	<u>9,455,098</u>
Dividend income		1,611,917	539,640
Income from dealing in foreign currencies		2,211,756	1,946,209
Gain on sale of securities - net	27	3,026,130	1,259,476
Unrealized loss on revaluation of investments classified as held for trading	9.4	(4,416)	(541)
Other income	28	<u>1,127,398</u>	<u>3,993,125</u>
Total non mark-up / interest income		<u>19,416,361</u>	<u>17,193,007</u>
		57,331,479	52,566,811
Non Mark-up / Interest Expenses			
Administrative expenses	29	<u>28,570,569</u>	<u>25,558,429</u>
Other provisions - net	30	325,562	489,322
Workers' Welfare Fund	31	503,175	535,756
Other charges	32	<u>249,377</u>	<u>64,984</u>
Total non mark-up / interest expenses		<u>29,648,683</u>	<u>26,648,491</u>
Share of profit of associates		<u>1,282,382</u>	<u>2,397,659</u>
Profit before taxation		<u>28,965,178</u>	<u>28,315,979</u>
Taxation - Current	33	<u>8,302,311</u>	<u>9,061,871</u>
- Prior	33	61,892	489,932
- Deferred	33	<u>870,204</u>	<u>(483,263)</u>
		<u>9,234,407</u>	<u>9,068,540</u>
Profit after taxation		<u>19,730,771</u>	<u>19,247,439</u>
Attributable to:			
Equity shareholders of the Bank		<u>19,285,513</u>	<u>19,158,142</u>
Non-controlling interest		<u>445,258</u>	<u>89,297</u>
		<u>19,730,771</u>	<u>19,247,439</u>
		----- (Rupees) -----	
		Restated	
Earnings per share - basic and diluted	34	<u>15.75</u>	<u>15.65</u>

The annexed notes from 1 to 49 and annexures form an integral part of these consolidated financial statements.


 Atif R. Bokhari
 President &
 Chief Executive Officer


 Amin Uddin
 Director


 Seerat Asghar
 Director


 Sir Mohammed Anwar Pervez, OBE, HPK
 Chairman



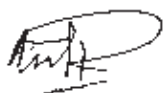
Consolidated Statement of Comprehensive Income

For the year ended December 31, 2013

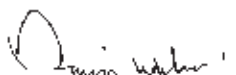
	2013	2012
	----- (Rupees in '000) -----	----- Restated
Profit after tax for the year attributable to:		
Equity shareholders of the Bank	19,285,513	19,158,142
Non-controlling interest	<u>445,258</u>	<u>89,297</u>
	<u>19,730,771</u>	<u>19,247,439</u>
Other comprehensive income:		
<i>Items that will never be reclassified to profit or loss</i>		
Actuarial gain / (loss) on defined benefit obligations		
Equity shareholders of the Bank	63,021	(177,402)
Non-controlling interest	15,103	(37,361)
Related deferred tax (charge) / reversal	<u>(16,901)</u>	<u>46,109</u>
	61,223	(168,654)
<i>Items that are or may be reclassified to profit or loss</i>		
Exchange differences on translation of net investment in foreign branches and subsidiaries		
Equity shareholders of the Bank	3,859,960	2,955,864
Non-controlling interest	<u>199,296</u>	<u>449,652</u>
	4,059,256	3,405,516
Gain on cash flow hedges		
Related deferred tax charge on cash flow hedges	27,337	63,078
	<u>(9,568)</u>	<u>(22,077)</u>
	17,769	41,001
	<u>4,138,248</u>	<u>3,277,863</u>
Comprehensive income transferred to equity - net of tax	<u><u>23,869,019</u></u>	<u><u>22,525,302</u></u>

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

The annexed notes from 1 to 49 and annexures form an integral part of these consolidated financial statements.



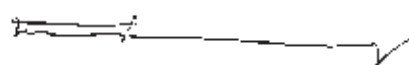
Atif R. Bokhari
President &
Chief Executive Officer



Amin Uddin
Director



Seerat Asghar
Director



Sir Mohammed Anwar Pervez, OBE, HPk
Chairman

Consolidated Cash Flow Statement

For the year ended December 31, 2013

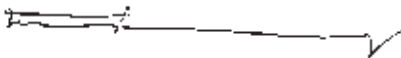
Note	2013	2012
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	28,965,178	28,315,979
Less: Dividend income	(1,611,917)	(539,640)
Share of profit of associates	(1,282,382)	(2,397,659)
	<u>26,070,879</u>	<u>25,378,680</u>
Adjustments:		
Depreciation	1,799,054	1,580,483
Amortization	485,822	447,865
Workers' Welfare Fund	503,175	535,756
Provision for retirement benefits	982,881	888,186
Provision against loans and advances - net	1,346,141	3,358,849
Provision against lendings to financial institutions - net	60,509	168,492
Provision for diminution in value of investments - net	5,871	400,524
Reversal of provision in respect of investments disposed off during the year	-	(1,753,199)
Provision against off balance sheet items	-	249
Gain on sale of operating fixed assets - net	(25,171)	(26,370)
Bad debts written off directly	181,724	319,102
Amortization of cash flow hedges	27,337	63,078
Unrealized loss on revaluation of investments classified as held for trading	4,416	541
Finance charges on leased assets	219	247
Provision against other assets	26,210	190,619
	<u>5,398,188</u>	<u>6,174,422</u>
	<u>31,469,067</u>	<u>31,553,102</u>
Decrease / (increase) in operating assets		
Lendings to financial institutions	(7,089,713)	(10,622,065)
Held for trading securities	(2,802,061)	(3,768,461)
Advances	(30,976,914)	(48,372,693)
Other assets (excluding advance taxation)	(2,253,056)	(1,620,282)
	<u>(43,121,744)</u>	<u>(64,383,501)</u>
(Decrease) / increase in operating liabilities		
Bills payable	8,985,309	1,736,339
Borrowings	(28,615,849)	19,737,875
Deposits and other accounts	136,739,708	117,989,271
Other liabilities (excluding current taxation)	2,391,692	(571,276)
	<u>119,500,860</u>	<u>138,892,209</u>
	<u>107,848,183</u>	<u>106,061,810</u>
Receipts / (payments) on account of staff retirement benefits	898,737	(301,455)
Income taxes paid	(8,946,750)	(12,313,242)
Net cash flow from operating activities	<u>99,800,170</u>	<u>93,447,113</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in securities	(76,894,471)	(64,308,594)
Dividend income received	1,577,139	583,956
Investment in operating fixed assets	(3,010,790)	(3,837,432)
Sale proceeds from disposal of operating fixed assets	173,943	99,610
Net cash outflow from investing activities	<u>(78,154,179)</u>	<u>(67,462,460)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Repayments of subordinated loans	(8,653,936)	(1,997,816)
Payments in respect of lease obligations	(1,003)	(752)
Dividends paid	(11,629,709)	(13,465,978)
Net cash outflow from financing activities	<u>(20,284,648)</u>	<u>(15,464,546)</u>
Exchange differences on translation of net investment in foreign branches and subsidiaries	3,859,960	2,955,864
Exchange differences on translation of net assets attributable to non-controlling interest	214,399	449,652
Increase in cash and cash equivalents	<u>5,435,702</u>	<u>13,925,623</u>
Cash and cash equivalents at the beginning of the year	116,814,505	102,888,882
Cash and cash equivalents at the end of the year	<u>122,250,207</u>	<u>116,814,505</u>

The annexed notes from 1 to 49 and annexures form an integral part of these consolidated financial statements.


 Atif R. Bokhari
 President &
 Chief Executive Officer


 Amin Uddin
 Director


 Seerat Asghar
 Director


 Sir Mohammed Anwar Pervez, OBE, HPK
 Chairman



Consolidated Statement of Changes in Equity

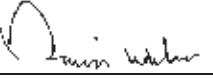
For the year ended December 31, 2013

	Attributable to equity shareholders of the Bank								Non-controlling Interest	Total
	Share Capital	General reserve	Statutory reserve	Capital reserves		Employee stock option reserve	Unappropriated profit	Sub total		
				Exchange translation reserve	Cash flow hedge reserve					
	(Rupees in '000)									
Balance as at December 31, 2011 - as reported	12,241,798	3,000	16,022,214	11,531,541	(61,995)	1,199	34,207,654	73,945,411	2,324,385	76,269,796
Restatement due to change in accounting policy - (See note 5.2)	-	-	-	-	-	-	1,274,313	1,274,313	-	1,274,313
Balance as at December 31, 2011 - (Restated)	12,241,798	3,000	16,022,214	11,531,541	(61,995)	1,199	35,481,967	75,219,724	2,324,385	77,544,109
Transactions with owners for the year ended December 31, 2012										
Final cash dividend - December 31, 2011 declared subsequent to the year end at Rs.6.0 per share	-	-	-	-	-	-	(7,345,078)	(7,345,078)	-	(7,345,078)
Interim cash dividend - March 31, 2012 declared at Re.1.0 per share	-	-	-	-	-	-	(1,224,180)	(1,224,180)	-	(1,224,180)
Interim cash dividend - June 30, 2012 declared at Rs.2.0 per share	-	-	-	-	-	-	(2,448,360)	(2,448,360)	-	(2,448,360)
Interim cash dividend - September 30, 2012 declared at Rs.2.0 per share	-	-	-	-	-	-	(2,448,360)	(2,448,360)	-	(2,448,360)
Employee stock option reserve	-	-	-	-	-	(117)	-	(117)	-	(117)
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	-	(117)	(13,465,978)	(13,466,095)	-	(13,466,095)
Profit after taxation for the year ended December 31, 2012 - (Restated)	-	-	-	-	-	-	19,158,142	19,158,142	89,297	19,247,439
Other comprehensive income - net of tax (Restated)	-	-	-	2,955,864	41,001	-	(131,293)	2,865,572	412,291	3,277,863
Total comprehensive income for the year ended December 31, 2012 - (Restated)	-	-	-	2,955,864	41,001	-	19,026,849	22,023,714	501,588	22,525,302
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	68,272	68,272	1,087	69,359
Transfer to statutory reserve	-	-	1,805,983	-	-	-	(1,805,983)	-	-	-
Balance as at December 31, 2012 - (Restated)	12,241,798	3,000	17,828,197	14,487,405	(20,994)	1,082	39,305,127	83,845,615	2,827,060	86,672,675
Transactions with owners for the year ended December 31, 2013										
Final cash dividend - December 31, 2012 declared subsequent to the year end at Rs.3.5 per share	-	-	-	-	-	-	(4,284,629)	(4,284,629)	-	(4,284,629)
Interim cash dividend - March 31, 2013 declared at Rs.2.0 per share	-	-	-	-	-	-	(2,448,360)	(2,448,360)	-	(2,448,360)
Interim cash dividend - June 30, 2013 declared at Rs.2.0 per share	-	-	-	-	-	-	(2,448,360)	(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)	-	(2,448,360)
Employee stock option reserve	-	-	-	-	-	5,611	-	5,611	-	5,611
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	-	5,611	(11,629,709)	(11,624,098)	-	(11,624,098)
Profit after taxation for the year ended December 31, 2013	-	-	-	-	-	-	19,285,513	19,285,513	445,258	19,730,771
Other comprehensive income - net of tax	-	-	-	3,859,960	17,769	-	46,120	3,923,849	214,399	4,138,248
Total comprehensive income for the year ended December 31, 2013	-	-	-	3,859,960	17,769	-	19,331,633	23,209,362	659,657	23,969,019
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	68,566	68,566	1,201	69,767
Transfer to statutory reserve	-	-	1,867,315	-	-	-	(1,867,315)	-	-	-
Balance as at December 31, 2013	12,241,798	3,000	19,695,512	18,347,365	(3,225)	6,693	45,208,302	95,499,445	3,487,918	98,987,363

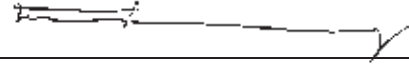
Appropriations recommended by the Board of Directors subsequent to the year ended December 31, 2013 are disclosed in note 47 to these consolidated financial statements.

The annexed notes from 1 to 49 and annexures form an integral part of these consolidated financial statements.


Atif R. Bokhari
President &
Chief Executive Officer


Amin Uddin
Director


Seerat Asghar
Director


Sir Mohammed Anwar Pervez, OBE, HPK
Chairman

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

1. STATUS AND NATURE OF BUSINESS

The "Group" consists of:

- Holding Company

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 1,283 (2012: 1,278) branches inside Pakistan including 22 (2012: 19) Islamic Banking branches and 1 (2012: 1) branch in Karachi Export Processing Zone. The Bank also operates 18 (2012: 18) branches outside Pakistan as at December 31, 2013. 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.

- Subsidiary companies

- United National Bank Limited (UNBL) - 55% holding

UNBL is an authorized banking institution incorporated in the United Kingdom. The Bank was formed in 2001 from the merger of the UK branches of United Bank Limited and National Bank Limited. The principal activities of UNBL are to provide retail banking products through its branch network in major cities of the UK, wholesale banking and treasury services to financial institutions and trade finance facilities to businesses of all sizes. United National Bank Limited operates under the trade name United Bank UK.

- UBL (Switzerland) AG -100% holding

UBL (Switzerland) AG is a commercial bank owned by the Bank. Founded in 1967, its main activities are in credit operations and related trade financing. UBL (Switzerland) AG previously operated under the name, United Bank AG Zurich.

- United Executors and Trustees Company Limited, Pakistan - 100% holding

United Executors and Trustees Company Limited ("the Company") was incorporated in Pakistan in 1965 as an unlisted public limited company. The registered office of the Company is situated at State Life Building No. 1, I.I. Chundrigar Road, Karachi. Currently, the Company is engaged in the business of investments.

- UBL Fund Managers Limited, Pakistan - 99.45% holding

UBL Fund Managers Limited was incorporated as an unlisted public limited company in Pakistan on April 3, 2001. The Company is licensed to carry out Asset Management and Investment Advisory Services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The principal activities of the Company are floating and managing mutual funds and providing investment advisory services. The registered office of the Company is situated at State Life Building No. 1, I. I. Chundrigar Road, Karachi.

- UBL Bank (Tanzania) Limited - 100% holding

UBL Bank (Tanzania) Limited was incorporated on March 13, 2012 and has commenced operations in May 2013. It is engaged in providing commercial and retail banking services.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

2. BASIS OF PRESENTATION

- 2.1 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated 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.
- 2.2 The financial results of the Islamic Banking branches of the Bank have been included in these consolidated financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in note 46 to these consolidated financial statements.

3. STATEMENT OF COMPLIANCE

- 3.1 These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. Approved accounting standards comprise of International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the directives issued by the SECP and the SBP differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the said directives prevail.
- 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, IFRS 7, Financial Instruments: Disclosures has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.
- 3.3 **Standards, interpretations and amendments to approved accounting standards that are not yet effective**

The following revised standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned below against the respective standard or interpretation:

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
IFRIC 21- An interpretation on the accounting for levies imposed by governments	January 01, 2014
IAS 32 - Offsetting Financial Assets and Financial Liabilities - (Amendment)	January 01, 2014
IAS 36 - Impairment of Assets - (Amendment)	January 01, 2014
IAS 39 - Financial Instruments: Recognition and Measurement (Amendment)	January 01, 2014
IAS 19 - Employee Benefits (Amendment)	July 01, 2014

The Group expects that the adoption of the above amendments and interpretations will not affect its financial statements in the period of initial application.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

In addition to the above amendments and interpretations, improvements to the following accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after July 01, 2014. The Group expects that the adoption of such improvements to the standards will not affect its financial statements in the period of initial application.

IFRS 2 - Share-based Payment

IFRS 3 - Business Combinations

IFRS 8 - Operating Segments

IAS 16 - Property, plant and equipment - (Amendment)

IAS 38 - Intangible Assets - (Amendment)

IAS 24 - Related Party Disclosures

IAS 40 - Investment Property

The Group expects that the adoption of such improvements to the standards will not have any material impact on the Group's financial statements in the period of initial application.

The following new standards have been issued by the IASB, but have not yet been notified by the SECP for application in Pakistan.

	Effective date (annual periods beginning on or after)
Standard or Interpretation	
IFRS 9 - Financial Instruments: Classification and Measurement	Not yet notified by IASB
IFRS 10 - Consolidated Financial Statements	January 01, 2013
IFRS 11 - Joint Arrangements	January 01, 2013
IFRS 12 - Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 - Fair Value Measurement	January 01, 2013

4. BASIS OF MEASUREMENT

4.1 Accounting convention

These consolidated 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.

4.2 Critical accounting estimates and judgments

The preparation of these consolidated 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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

Significant accounting estimates and areas where judgments were made by management in the application of accounting policies are as follows:

- i) classification of investments (notes 5.5 and 9)
- ii) provision against investments (notes 5.5 and 9.3), lendings to financial institutions (note 8.5) and advances (notes 5.6 and 10.4)
- iii) income taxes (notes 5.9 and 33)
- iv) staff retirement benefits (notes 5.11 and 37)
- v) fair value of derivatives (notes 5.16.2 and 20.3)
- vi) operating fixed assets, depreciation and amortization (notes 5.7 and 11)
- vii) impairment (note 5.8)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiary companies.

Subsidiary companies are fully consolidated from the date on which more than 50% of voting rights are transferred to the Group or the power to control the company is established and are excluded from consolidation from the date of disposal or when the control is lost.

The financial statements of subsidiaries are prepared for the same reporting period as the Holding Company, using accounting policies that are consistent with those of the Holding Company, except for non-banking subsidiaries in Pakistan which follow the requirements of IAS 39 and IAS 40, and overseas subsidiaries which are required to comply with local regulations enforced within the respective jurisdictions.

The assets and liabilities of the subsidiaries have been consolidated with those of the Holding Company on a line by line basis and the carrying value of the Bank's investment in the subsidiaries is eliminated against the subsidiaries' share capital and pre-acquisition reserves in these consolidated financial statements.

Non-controlling interest represents that part of the net results of operations and of the net assets of the subsidiaries that is not owned by the Group.

All material intra-group balances and transactions have been eliminated.

5.2 Change in accounting policy

The Group has adopted the following amended accounting standard which became effective during the year. Other than this, the accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year.

IAS 19 – Employee Benefits (Revised)

During the year the Group has adopted IAS-19 (Revised) effective from January 1, 2013. The revised standard has removed the option to defer recognition of actuarial gains and losses (i.e., the corridor approach) for defined benefit plans. As revised, actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in the profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income / expense. All other changes in net defined benefit obligations are recognized directly in other comprehensive income with no subsequent recycling through the profit and loss account.

The adoption of the revised standard has resulted in a change in the Group's accounting policy related to recognition of actuarial gains and losses (note 5.11). Consequently, the Group now recognizes all actuarial gains and losses directly in other comprehensive income with no subsequent recycling through the profit and loss account.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

The change in accounting policy has been applied retrospectively. The effect of the change in accounting policy on the current and prior period financial statements has been summarized below:

	2013	2012	2011
	----- (Rupees in '000) -----		
Impact on Statement of Financial Position			
Increase in other assets	<u>58,964</u>	<u>1,595,173</u>	<u>1,744,154</u>
(Decrease) in deferred tax assets	<u>-</u>	<u>-</u>	<u>(686,170)</u>
Increase in deferred tax liabilities	<u>541,407</u>	<u>577,939</u>	<u>-</u>
(Decrease) in other liabilities	<u>(1,487,856)</u>	<u>(56,081)</u>	<u>(216,329)</u>
Increase in unappropriated profit	<u>1,005,413</u>	<u>1,073,315</u>	<u>1,274,313</u>
Impact on Profit and Loss Account			
Increase in administrative expenses	<u>194,954</u>	<u>94,467</u>	
(Decrease) in tax expense	<u>(56,487)</u>	<u>(62,122)</u>	
(Decrease) / increase in profit attributable to non-controlling interest	<u>(15,103)</u>	<u>37,361</u>	
Impact on Other Comprehensive Income			
Recognition of actuarial gain / (loss) - net of deferred tax			
Equity shareholders of the Bank	<u>46,120</u>	<u>(131,293)</u>	
Non-controlling interest	<u>15,103</u>	<u>(37,361)</u>	
(Decrease) in earnings per share (Re. / share)	<u>(0.10)</u>	<u>(0.06)</u>	

5.3 Cash and cash equivalents

Cash and cash equivalents for the purpose of the cash flow statement consist of cash and balances with treasury banks and balances with other banks.

5.4 Lendings to / borrowings from financial institutions

The Group enters into transactions of reverse repos and repos at contracted rates for a specified period of time. These are recorded as under:

5.4.1 Purchase under resale agreements

Securities purchased under agreement to resell (reverse repo) are included in lendings to financial institutions. The differential between the purchase price and the resale price is amortized over the period of the agreement and recorded as income.

Securities held as collateral are not recognized in the consolidated financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability under borrowings from financial institutions.

5.4.2 Sale under repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in the consolidated financial statements as investments and the counterparty liability is included in borrowings from financial institutions. The differential between the sale price and the repurchase price is amortized over the period of the agreement and recorded as an expense.

5.5 Investments

Investments of the Group, other than investments in associates, are classified as held for trading, held to maturity and available for sale.

Held for trading

These are securities which are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements and dealer's margin, or are securities included in a portfolio in which a pattern of short term profit taking exists.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

Held to maturity

These are securities with fixed or determinable payments and fixed maturities, in respect of which the Group has the positive intent and ability to hold to maturity.

Available for sale

These are investments, other than those in subsidiaries and associates, that do not fall under the held for trading or held to maturity categories.

Initial measurement

All "regular way" purchases and sales of investments are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the investment. Regular way purchases or sales are purchases or sales of investments that require delivery of investments within the time frame generally established by regulation or convention in the market place.

Investments are initially recognized at fair value which, in the case of investments other than held for trading, includes transaction costs associated with the investments. Transaction costs on investments held for trading are expensed as incurred.

Subsequent measurement

Held for trading

These are measured at subsequent reporting dates at fair value. Gains and losses on re-measurement are included in the profit and loss account.

Held to maturity

These are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.

Available for sale

Quoted securities classified as available for sale investments are measured at subsequent reporting dates at fair value. Any surplus / deficit arising thereon is kept in a separate account shown in the statement of financial position below equity and is taken to the profit and loss account when realized upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. The break-up value of these securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. A decline in the carrying value is charged to the profit and loss account. A subsequent increase in the carrying value, upto the cost of the investment, is credited to the profit and loss account. Investments in other unquoted securities are valued at cost less impairment, if any.

Provisions for diminution in the value of term finance certificates and Sukuks are made as per the ageing criteria prescribed by the Prudential Regulations issued by the SBP. Provisions for diminution in the value of other securities are made for impairment, if any.

Associates

Associates are entities over which the Group has a significant influence, but control does not exist.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in the associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee subsequent to the date of acquisition. The increase / decrease in the share of profit or loss of associates is accounted for in the consolidated profit and loss account. The Group applies equity accounting for UBL Insurers Limited, Oman United Exchange Company Limited, Khushhali Bank Limited, DHA Cogen Limited and its investments in mutual funds managed by UBL Fund Managers Limited.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

5.6 Advances

Advances are stated net of specific and general provisions which are charged to the profit and loss account. Specific provisions against domestic advances and general provision against domestic consumer loans are determined on the basis of the Prudential Regulations and other directives issued by the SBP. General and specific provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries. If circumstances warrant, the Group, from time to time, makes general provisions against weaknesses in its portfolio on the basis of management's estimation.

Advances are written off when there is no realistic prospect of recovery. The amount so written off is a book entry and does not necessarily prejudice to the Bank's right of recovery against the customer.

The Bank determines write-offs in accordance with the criteria prescribed by the SBP vide BPRD Circular No. 06 dated June 05, 2007.

5.7 Operating fixed assets and depreciation

5.7.1 Owned

Property and equipment, other than land (which is not depreciated) and capital work-in-progress, are stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses (if any). Land is carried at revalued amount less impairment losses while capital work-in-progress is stated at cost less impairment losses. The cost and the accumulated depreciation of property and equipment of foreign branches include exchange differences arising on currency translation at the year-end rates of exchange.

Depreciation is calculated so as to write off the depreciable amount of the assets over their expected useful lives at the rates specified in note 11.2 to these consolidated financial statements. The depreciation charge for the year is calculated on a straight line basis after taking into account the residual value, if any. The residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date.

Depreciation on additions is charged from the month the asset is available for use. No depreciation is charged in the month of disposal.

Land and buildings are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation is credited to the surplus on revaluation of fixed assets account. Any deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above-mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of fixed assets, to the extent of incremental depreciation, is transferred to unappropriated profit.

Gains and losses on sale of fixed assets are included in the profit and loss account, except that the related surplus on revaluation of fixed assets (net of deferred tax) is transferred directly to unappropriated profit.

Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Normal repairs and maintenance are charged to the profit and loss account as and when incurred.

5.7.2 Leased (Ijarah)

Assets leased out under Ijarah are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Assets under Ijarah are depreciated over the term of the lease.

Ijarah income is recognized on an accrual basis.

5.7.3 Finance lease

Assets held under finance leases are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligations under the lease, net of financial charges allocated to future periods, are shown as a liability.

The financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of return on the outstanding liability.

Depreciation on assets held under finance leases is charged in a manner consistent with that for depreciable assets which are owned by the Group.

Notes to and forming part of the Consolidated Financial Statements

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5.7.4 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. The cost and the accumulated amortization of intangible assets of foreign branches include exchange differences arising on currency translation at the year-end rates of exchange. Amortization is calculated so as to write off the amortizable amount of the assets over their expected useful lives at the rates specified in note 11.3 to these consolidated financial statements. The amortization charge for the year is calculated on a straight line basis after taking into account the residual value, if any. The residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date. Amortization on additions is charged from the month the asset is available for use. No amortization is charged in the month of disposal.

Gains and losses on sale of intangible assets are included in the profit and loss account.

5.8 Impairment

Impairment of available for sale equity investments

Available for sale equity investments are impaired when there has been a significant or prolonged decline in their fair value below their cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates, among other factors, the normal volatility in share price.

Impairment in investments in associates

The Group considers that a decline in the recoverable value of the investment in an associate below its cost may be evidence of impairment. Recoverable value is calculated as the higher of fair value less costs to sell and value in use. An impairment loss is recognized when the recoverable value falls below the carrying value and is charged to the profit and loss account. A subsequent reversal of an impairment loss, upto the cost of the investment in the subsidiary or the associate, is credited to the profit and loss account.

Impairment in non-financial assets (excluding deferred tax)

The carrying amounts of non-financial assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is charged to the profit and loss account except for an impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the revaluation surplus.

5.9 Taxation

5.9.1 Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws and at the prevailing rates for taxation on income earned from local as well as foreign operations.

5.9.2 Prior years

The taxation charge for prior years represents adjustments to the tax charge relating to prior years, arising from assessments and changes in estimates made during the current year.

5.9.3 Deferred

Deferred tax is recognized using the liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is calculated at the rates that are expected to apply to the period when the differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

The Bank also recognizes a deferred tax asset / liability on the cash flow hedge reserve and on the deficit / surplus on revaluation of fixed assets and securities which is adjusted against the cash flow hedge reserve or against the related deficit / surplus in accordance with the requirements of IAS 12, Income Taxes.

5.10 Provisions

Provisions are recognized when the Bank has a legal or constructive obligation as a result of past events which makes it probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Provision against identified non-funded losses is recognized when intimated and reasonable certainty exists that the Bank will be required to settle the obligation. The provision is charged to the profit and loss account net of expected recovery and the obligation is classified under other liabilities.

Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimate.

5.11 Staff retirement and other benefits

5.11.1 The Bank

The Bank operates the following staff retirement schemes for its employees:

- a) For new employees and for those who opted for the below mentioned conversion option introduced in 2001, the Bank operates
 - an approved contributory provident fund (defined contribution scheme); and
 - an approved gratuity scheme (defined benefit scheme).
- b) For employees who have not opted for the conversion option introduced in 2001, the Bank operates
 - an approved non-contributory provident fund in lieu of the contributory provident fund; and
 - an approved funded pension scheme, introduced in 1986 (defined benefit scheme).

In 2001, the Bank modified the pension scheme and introduced a conversion option for employees covered under option (b) above to move to option (a). This conversion option ceased on December 31, 2003.

The Bank also operates a contributory benevolent fund for all its eligible employees (defined benefit scheme).

Annual contributions towards defined benefit schemes are made on the basis of actuarial advice using the Projected Unit Credit Method.

For the defined contribution scheme, the Bank pays contributions to the fund on a periodic basis. The Bank has no further payment obligation once the contributions have been paid. The contributions are recognized as an expense when the obligation to make payments to the fund has been established. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Other benefits

a) Employees' compensated absences

The Bank makes provisions for compensated vested and non-vested absences accumulated by its eligible employees on the basis of actuarial advice under the Projected Unit Credit Method.

b) Post retirement medical benefits (defined benefit scheme)

The Bank provides post retirement medical benefits to eligible retired employees. Provision is made on the basis of actuarial advice under the Projected Unit Credit Method.

c) Employee motivation and retention scheme

The Bank has a long term motivation and retention scheme for its employees. The liability of the Bank in respect of the scheme for each year, if any, is fixed, and is accounted for in the year to which the scheme relates.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

Actuarial gains and losses

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income when they occur with no subsequent recycling through the profit and loss account.

Actuarial gains and losses pertaining to long term compensated absences are recognized in the profit and loss account immediately.

5.11.2 United National Bank Limited (UNBL)

Defined benefit scheme

UNBL operates a pension scheme (defined benefit scheme) for certain staff. This scheme is closed for new members and the accrual of benefits has ceased from January 1, 2010. Gains and losses on settlements and curtailments are charged to the profit and loss account. The interest cost and the expected return on assets are included in other liabilities and other assets. Actuarial gains and losses are recognised immediately in other comprehensive income.

The defined benefit scheme is funded, with the assets of the scheme held separately from those of UNBL, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured based on actuarial valuations using the Projected Unit Credit Method. The actuarial valuations are obtained at least triennially and are updated at each statement of financial position date.

Defined contribution scheme

UNBL operates a defined contributory pension scheme. The contribution payable in the year in respect of pension costs and other post retirement benefits is charged to the profit and loss account. Differences between the contribution payable in the year and contribution actually paid are shown as either accruals or prepayments in the statement of financial position.

5.11.3 UBL Fund Managers Limited (UFML)

Defined benefit plan

UFML operates an approved funded gratuity scheme for all employees. Annual contributions to the fund are made on the basis of actuarial advice using the Projected Unit Credit Method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income when they occur with no subsequent recycling through the profit and loss account.

Defined contribution plan

UFML operates an approved contributory provident fund (defined contribution scheme) for all eligible employees.

Employee Stock Option Scheme

UBL Fund Managers provides an incentive scheme for its top performing employees in the form of share options under the Employee Stock Option Scheme (ESOS). The scheme has been approved by the SECP.

5.11.4 UBL (Switzerland) AG

UBL (Switzerland) AG maintains a contribution-oriented pension scheme for employees who have reached the age of 25. It bears a large share of the costs of the occupational pension plan for all employees as well as their surviving dependants pursuant to legal requirements. The employee benefit obligations and the assets serving as coverage are outsourced to a collective insurance firm. The organization, management and financing of the pension plan comply with legal regulations, the deed of foundation and the applicable regulations of the benefit plan.

5.11.5 UBL Bank (Tanzania) Limited

All eligible employees are members of the Public Pension Fund (PPF) or National Social Security Fund (NSSF). The fund is a defined contribution scheme with the bank having no legal or constructive obligation to pay further top-up contributions.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

5.12 Subordinated loans

Subordinated loans are initially recorded at the amount of proceeds received. Mark-up accrued on subordinated loans is recognised separately as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

5.13 Borrowings / deposits

- a) Borrowings / deposits are recorded at the amount of proceeds received.
- b) The cost of borrowings / deposits is recognized on an accrual basis as an expense in the period in which it is incurred.

5.14 Revenue recognition

Revenue is recognized to the extent that the economic benefits associated with a transaction will flow to the Group and the revenue can be reliably measured. The following recognition criteria must be met before revenue is recognized.

5.14.1 Advances and investments

Mark-up / return / interest on performing advances and investments is recognized on a time proportionate basis over the term of the advances and investments. Where debt securities are purchased at a premium or discount, such premium / discount is amortized through the profit and loss account over the remaining period of maturity of the debt securities.

Interest or mark-up recoverable on non-performing or classified advances and investments is recognized on a receipt basis.

5.14.2 Dividend income

Dividend income is recognised when the right to receive the dividend is established.

5.14.3 Fee, brokerage and commission

Fee, brokerage and commission income is recognized on an accrual basis.

5.14.4 Grants

Grants received are recorded as income when the right to receive the grant, based on the related expenditure having been incurred, has been established.

5.15 Foreign currencies

5.15.1 Functional and presentation currency

Items included in these consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. These consolidated financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.

5.15.2 Foreign currency transactions

Transactions in foreign currencies are translated to rupees at the foreign exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the statement of financial position date. Forward foreign exchange contracts and foreign bills purchased are valued in rupees at the forward foreign exchange rates applicable to their respective maturities.

Non-monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the date of initial recognition of the non-monetary assets / liabilities.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

5.15.3 Foreign operations and subsidiaries

The assets and liabilities of foreign operations and subsidiaries are translated to rupees at exchange rates prevailing at the statement of financial position date. The results of foreign operations and subsidiaries are translated at the average rate of exchange for the year.

5.15.4 Translation gains and losses

Translation gains and losses are taken to the profit and loss account, except those arising on translation of the net investment in foreign branches and subsidiaries which are taken to capital reserves (Exchange Translation Reserve) until the disposal of the net investment, at which time these are recognised in the profit and loss account.

5.15.5 Contingencies and commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in these consolidated financial statements at contracted rates. Contingent liabilities / commitments denominated in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the statement of financial position date.

5.16 Financial instruments

5.16.1 Financial assets and liabilities

Financial assets and liabilities carried on the statement of financial position include cash and bank balances, lendings to financial institutions, investments, advances, certain receivables, bills payable, borrowings from financial institutions, deposits, subordinated loans and certain payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy notes associated with them.

5.16.2 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when their fair value is positive and liabilities when their fair value is negative. Any change in the fair value of derivative financial instruments during the period is taken to the profit and loss account.

5.16.3 Hedge accounting

The Group makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks. In order to manage particular risks, the Group may undertake a hedge. The Group applies hedge accounting for transactions which meet the specified criteria.

At the inception of the hedging relationship, the Bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship. A formal assessment is also undertaken to ascertain whether the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is regarded as highly effective if, during the period for which the hedge is designated, changes in the fair value or cash flows attributable to the hedged item are expected to be offset by between 80% to 125% by corresponding changes in the fair value or cash flows attributable to the hedging instrument.

Cash flow hedges

For qualifying cash flow hedges, the fair value gain or loss associated with the effective portion of the cash flow hedge is recognised initially in the statement of changes in equity, and recycled through the profit and loss account in the periods when the hedged item will affect profit or loss. Any gain or loss on the ineffective portion of the hedging instrument is recognised in the profit and loss account immediately.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in the profit and loss account.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

5.16.4 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the consolidated financial statements when there is a legally enforceable right to set off and the Group intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

5.17 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing particular products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), and is subject to risks and rewards that are different from those of other segments.

5.17.1 Business segments

(a) Corporate finance

Corporate finance includes services provided in connection with mergers and acquisitions, project finance and the underwriting / arrangement of debt and equity instruments through syndications, Initial Public Offerings and private placements.

(b) Trading and sales

Trading and sales includes fixed income, equity, foreign exchange, credit, funding, own position securities, lendings and borrowings and derivatives for hedging and market making.

(c) Retail banking

Retail banking includes retail and consumer lending and deposits, banking services, cards and branchless banking.

(d) Commercial banking

Commercial banking includes project finance, working capital finance, trade finance, import and export, factoring, leasing, lending, deposits and guarantees.

(e) Asset management

Asset management includes discretionary and non-discretionary fund management activities in the form of pooled, segregated, retail, institutional, private equity, open, close ended funds etc.

(f) Others

Others includes functions of the Group and subsidiaries which cannot be classified in any of the above segments.

5.17.2 Geographical segments

The Group operates in six geographical regions being:

- Pakistan
- Middle East
- United States of America
- Karachi Export Processing Zone
- Europe
- Africa

5.18 Dividends and appropriations to reserves

Dividends and appropriations to reserves are recorded in the year in which these are approved, except appropriations required by law which are recorded in the period to which they pertain.

5.19 Earnings per share

The Group presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

	Note	2013	2012
		----- (Rupees in '000) -----	
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		10,205,235	19,179,235
Foreign currency		4,557,487	4,766,259
		14,762,722	23,945,494
With State Bank of Pakistan in			
Local currency current accounts	6.1	22,944,148	22,998,175
Foreign currency current accounts	6.2	2,022,787	1,646,896
Foreign currency deposit account	6.3	5,938,134	4,732,230
		30,905,069	29,377,301
With other central banks in			
Foreign currency current accounts	6.4	18,515,808	17,103,100
Foreign currency deposit accounts	6.5	1,207,384	2,946,037
		19,723,192	20,049,137
With National Bank of Pakistan in local currency current accounts		24,109,512	21,377,121
National Prize Bonds		91,106	97,749
		89,591,601	94,846,802

6.1 This represents current accounts maintained with the SBP under the Cash Reserve Requirement of section 22 of the Banking Companies Ordinance, 1962.

6.2 This represents a US Dollar settlement account maintained with the SBP and current accounts maintained with the SBP to comply with statutory requirements.

6.3 This represents an account maintained with the SBP to comply with the Special Cash Reserve requirement. The return on this account is declared by the SBP on a monthly basis and, as at December 31, 2013, carries mark-up at the rate of 0.00% (2012: 0.00%) per annum.

6.4 Deposits with other central banks are maintained to meet the minimum cash reserves and capital requirements pertaining to the foreign branches and subsidiaries of the Group.

6.5 This represents placements with overseas central banks and carries mark-up at the rate of 0.00% to 0.25% (2012: 0.00% to 0.25%) per annum.

	Note	2013	2012
		----- (Rupees in '000) -----	
7. BALANCES WITH OTHER BANKS			
Inside Pakistan			
In current accounts		158,978	29,718
In deposit accounts	7.1	1,597,722	904,860
		1,756,700	934,578
Outside Pakistan			
In current accounts		14,785,856	7,101,140
In deposit accounts	7.2	16,116,050	13,931,985
		30,901,906	21,033,125
		32,658,606	21,967,703

7.1 These carry mark-up at rates ranging from 7.50% to 9.50% (2012: 8.97% to 9.75%) per annum.

7.2 These carry mark-up at rates ranging from 0.06% to 7.00% (2012: 0.01% to 13.25%) per annum and include balances amounting to Rs. 226.448 million (2012: Rs. 208.872 million), maintained with an overseas bank against the statutory reserves requirement of a foreign branch.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

	Note	2013	2012
		----- (Rupees in '000) -----	
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lending	8.2	100,000	-
Repurchase agreement lendings	8.3	13,791,125	6,470,898
Other lendings to financial institutions	8.4	<u>16,620,831</u>	<u>16,911,664</u>
		30,511,956	23,382,562
Provision against lendings to financial institutions	8.5	<u>(653,918)</u>	<u>(553,728)</u>
		<u>29,858,038</u>	<u>22,828,834</u>
8.1 Particulars of lendings to financial institutions - gross			
In local currency		15,061,947	8,246,736
In foreign currencies		<u>15,450,009</u>	<u>15,135,826</u>
		<u>30,511,956</u>	<u>23,382,562</u>

8.2 This represents unsecured lending carrying mark-up at a rate of 9.70% per annum (2012: nil) and is due to mature by May 2014.

8.3 Securities held as collateral against repurchase agreement lendings

	2013			2012		
	Held by Group	Further given as collateral / sold	Total	Held by Group	Further given as collateral / sold	Total
	----- (Rupees in '000) -----					
Market Treasury Bills	8,723,925	-	8,723,925	6,470,898	-	6,470,898
Pakistan Investment Bonds	<u>5,067,200</u>	-	<u>5,067,200</u>	-	-	-
	<u>13,791,125</u>	-	<u>13,791,125</u>	<u>6,470,898</u>	-	<u>6,470,898</u>

Repurchase agreement lendings carry mark-up at rates ranging from 9.40% to 10.00% (2012: 7.50% to 8.50%) per annum and are due to mature latest by January 2014. The market value of the securities held as collateral against these lendings amounted to Rs.14,004.415 million (2012: Rs. 6,474.321 million).

8.4 Lendings pertaining to domestic operations carry mark-up at rates ranging from 0.00% to 11.87% per annum (2012: 0.00% to 12.51% per annum) and are due to mature latest by February 2022. Lendings pertaining to overseas operations carry mark-up at rates ranging from 0.10% to 5.00% per annum (2012: 0.10% to 4.00% per annum) and are due to mature latest by July 2021.

8.5 This represents provision made against lendings to financial institutions with movement as follows:

	2013	2012
	----- (Rupees in '000) -----	
Opening balance	553,728	356,637
Exchange adjustments	39,681	28,599
Charge / (reversals)		
Charge for the year	65,750	179,667
Reversals	(5,241)	(11,175)
	60,509	168,492
Closing balance	<u>653,918</u>	<u>553,728</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

9. INVESTMENTS

9.1 Investments by type

	Note	2013			2012		
		Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
----- (Rupees in '000) -----							
Held for trading securities							
Market Treasury Bills		7,401,965	-	7,401,965	3,797,712	-	3,797,712
Pakistan Investment Bonds		-	-	-	514,070	-	514,070
Ordinary shares of listed companies		317,933	-	317,933	498,289	-	498,289
Term Finance Certificates		49,782	-	49,782	102,445	-	102,445
Units of mutual funds		-	-	-	50,866	-	50,866
Sukuks		21,437	-	21,437	26,208	-	26,208
		7,791,117	-	7,791,117	4,989,590	-	4,989,590
Available for sale securities							
Market Treasury Bills		176,092,538	12,054,264	188,146,802	78,285,856	44,734,778	123,020,634
Pakistan Investment Bonds		65,136,963	-	65,136,963	63,327,795	-	63,327,795
Government of Pakistan Sukuk		6,186,752	-	6,186,752	9,043,880	-	9,043,880
Government of Pakistan Eurobonds		12,624,436	-	12,624,436	9,466,364	-	9,466,364
Ordinary shares of listed companies		14,157,245	-	14,157,245	6,537,792	-	6,537,792
Preference shares		444,765	-	444,765	430,177	-	430,177
Ordinary shares of unlisted companies		243,350	-	243,350	243,176	-	243,176
Term Finance Certificates		1,921,370	-	1,921,370	2,021,204	-	2,021,204
Units of mutual funds		-	-	-	114,075	-	114,075
Foreign bonds - sovereign		26,815,680	-	26,815,680	14,153,038	-	14,153,038
Foreign bonds - others		32,479,255	-	32,479,255	36,677,481	-	36,677,481
		336,102,354	12,054,264	348,156,618	220,300,838	44,734,778	265,035,616
Held to maturity securities							
Market Treasury Bills		41,539,276	-	41,539,276	54,799,452	-	54,799,452
Pakistan Investment Bonds		38,333,967	-	38,333,967	31,273,156	-	31,273,156
Government of Pakistan Eurobonds		6,103,979	-	6,103,979	1,626,312	-	1,626,312
Government of Pakistan Sukuk		300,000	-	300,000	300,000	-	300,000
Term Finance Certificates		5,045,801	-	5,045,801	3,971,848	-	3,971,848
Sukuks		1,774,197	-	1,774,197	1,541,205	-	1,541,205
Participation Term Certificates		4,939	-	4,939	4,939	-	4,939
Debentures		2,266	-	2,266	4,392	-	4,392
Foreign bonds - sovereign		155,121	-	155,121	-	-	-
Foreign bonds - others		915,371	-	915,371	653,947	-	653,947
Recovery note		324,639	-	324,639	307,517	-	307,517
CDC SAARC Fund		229	-	229	211	-	211
		94,499,785	-	94,499,785	94,482,979	-	94,482,979
Associates							
United Growth and Income Fund	9.9.1	2,906,051	-	2,906,051	2,557,423	-	2,557,423
UBL Liquidity Plus Fund	9.9.2	543,443	-	543,443	6,373,263	-	6,373,263
UBL Shariah Stock Fund	9.9.3	27,356	-	27,356	524,191	-	524,191
United Islamic Income Fund	9.9.4	212,573	-	212,573	192,062	-	192,062
UBL Stock Advantage Fund	9.9.5	51,940	-	51,940	523,026	-	523,026
UBL Savings Income Fund	9.9.6	194,253	-	194,253	190,189	-	190,189
UBL Islamic Sovereign Fund	9.9.7	343,122	-	343,122	337,613	-	337,613
UBL Islamic Retirement Savings Fund	9.9.8	162,120	-	162,120	128,771	-	128,771
UBL Retirement Savings Fund	9.9.9	167,037	-	167,037	132,088	-	132,088
UBL Principal Protected Fund - I	9.9.10	212,808	-	212,808	166,951	-	166,951
UBL Principal Protected Fund - II	9.9.11	103,640	-	103,640	-	-	-
UBL Government Securities Fund	9.9.12	109,348	-	109,348	266,799	-	266,799
UBL Islamic Cash Fund	9.9.13	108,693	-	108,693	102,074	-	102,074
UBL Gold Fund	9.9.14	83,283	-	83,283	-	-	-
UBL Islamic Principal Preservation Fund - I	9.9.15	121,674	-	121,674	-	-	-
UBL Islamic Principal Preservation Fund - II	9.9.16	105,807	-	105,807	-	-	-
UBL Asset Allocation Fund	9.9.17	842,528	-	842,528	-	-	-
UBL Islamic Asset Allocation Fund	9.9.18	100,071	-	100,071	-	-	-
UBL Financial Sector Bond Fund	9.9.19	105,246	-	105,246	-	-	-
UBL Insurers Limited	9.9.20	211,058	-	211,058	196,855	-	196,855
Khushhali Bank Limited	9.9.21	952,451	-	952,451	876,358	-	876,358
Oman United Exchange Company, Muscat	9.9.22	68,396	-	68,396	68,126	-	68,126
		7,732,898	-	7,732,898	12,635,789	-	12,635,789
		446,126,154	12,054,264	458,180,418	332,409,196	44,734,778	377,143,974
Provision for diminution in value of investments	9.3	(1,484,505)	-	(1,484,505)	(1,420,570)	-	(1,420,570)
Investments - net of provision		444,641,649	12,054,264	456,695,913	330,988,626	44,734,778	375,723,404
Surplus / (deficit) on revaluation of available for sale securities	22.2	2,159,717	(5,016)	2,154,701	5,129,617	393,416	5,523,033
Deficit on revaluation of held for trading securities		(4,416)	-	(4,416)	(534)	-	(534)
Total investments		446,796,950	12,049,248	458,846,198	336,117,709	45,128,194	381,245,903

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

	Note	2013	2012	
		----- (Rupees in '000) -----		
9.2	Investments by segment			
	Federal Government Securities			
	Market Treasury Bills	209,957,884	159,837,863	
	Pakistan Investment Bonds	103,470,930	95,115,021	
	Government of Pakistan Sukuk	6,486,752	9,343,880	
	Government of Pakistan Eurobonds	18,728,415	11,092,676	
		338,643,981	275,389,440	
	Foreign securities			
	Market Treasury Bills	27,130,159	21,779,935	
	Sovereign bonds	26,970,801	14,153,038	
	CDC SAARC Fund	229	211	
	Recovery note	324,639	307,517	
	Other bonds	33,394,626	37,331,428	
		87,820,454	73,572,129	
	Ordinary shares			
	Listed companies	14,475,178	7,036,081	
	Unlisted companies	243,350	243,176	
		14,718,528	7,279,257	
	Preference shares	444,765	430,177	
	Units of Mutual Funds	-	164,941	
	Term Finance Certificates			
	Listed	2,399,317	2,836,285	
	Unlisted	4,617,636	3,259,212	
		7,016,953	6,095,497	
	Sukuks	1,795,634	1,567,413	
	Debentures	2,266	4,392	
	Participation Term Certificates	4,939	4,939	
	Investment in associates	9.9	7,732,898	12,635,789
	Total investments at cost	458,180,418	377,143,974	
	Provision for diminution in value of investments	9.3	(1,484,505)	(1,420,570)
	Investments - net of provision	456,695,913	375,723,404	
	Surplus on revaluation of available for sale securities	22.2	2,154,701	5,523,033
	Deficit on revaluation of held for trading securities		(4,416)	(534)
	Total investments	458,846,198	381,245,903	

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

	2013	2012
	----- (Rupees in '000) -----	
9.3	Provision for diminution in value of investments	
9.3.1	Opening balance	1,420,570
	Exchange adjustments	58,064
	Charge / (reversals)	
	Charge for the year	63,589
	Reversals	(57,718)
		5,871
	Reversed on disposal	-
	Transfers out - net	-
	Amounts written off	-
	Closing balance	1,484,505
9.3.2	Provision for diminution in value of investments by type	
	Available for sale securities	
	Ordinary shares of listed companies	373,052
	Ordinary shares of unlisted companies	122,687
	Term Finance Certificates	97,616
	Foreign bonds	43,572
	Preference shares	351,991
		988,918
	Held to maturity securities	
	Term Finance Certificates	57,337
	Sukuks	106,406
	Recovery note	324,639
	Participation Term Certificates	4,939
	Debentures	2,266
		495,587
		1,484,505
9.3.3	Provision for diminution in value of investments by segment	
	Equity securities	
	Listed companies	373,052
	Unlisted companies	122,687
	Preference shares	351,991
		847,730
	Debt securities	
	Term Finance Certificates	154,953
	Sukuks	106,406
	Recovery note	324,639
	Foreign bonds	43,572
	Participation Term Certificates	4,939
	Debentures	2,266
		636,775
		1,484,505
9.4	Unrealized (loss) / gain on revaluation of held for trading securities	
	Market Treasury Bills	(1,110)
	Pakistan Investment Bonds	-
	Ordinary shares of listed companies	(5,280)
	Term Finance Certificates	1,974
	Mutual Funds	-
		(4,416)
		575
		(1,105)
		2,766
		(2,886)
		109
		(541)

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

- 9.5 Investments include securities which are held by the Bank to comply with the statutory liquidity requirements as set out under Section 29 of the Banking Companies Ordinance, 1962.
- 9.6 Investments include Rs.282.000 million (2012: Rs.282.000 million) held by the SBP and National Bank of Pakistan as pledge against demand loan, TT / DD discounting facilities and foreign exchange exposure limit sanctioned to the Bank and Rs.5 million (2012: Rs.5 million) held by the Controller of Military Accounts (CMA) under Regimental Fund Arrangements.
- 9.7 During the year, the Bank has exercised its pledge on shares of DHA Cogen Limited. As a result, the Bank now holds 20.99% of the issued and paid up shares of DHA Cogen Limited without any consideration having been paid. Consequently, DHA Cogen Limited is considered as an associated company of the Bank from October 9, 2013.

The details of assets, liabilities, revenues and results of the company as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Loss
----- (Rupees in '000) -----					
DHA Cogen Limited	2013	4,668,118	14,371,096	-	(1,371,855)

- 9.8 Information relating to investments required to be disclosed as part of the financial statements under the SBP's BSD Circular No. 4 dated February 17, 2006, and details in respect of the quality of available for sale securities are disclosed in Annexure 'A' to these consolidated financial statements.

- 9.9 Investment in associates
- | | 2013 | 2012 |
|------------------------------|------|------|
| ----- (Rupees in '000) ----- | | |

9.9.1	United Growth and Income Fund		
	Investment at the beginning of the year	2,557,423	2,332,486
	Share of profit	359,724	166,953
	Share of unrealized (deficit) / surplus on assets	(11,096)	57,984
	Investment at the end of the year	<u>2,906,051</u>	<u>2,557,423</u>
	Percentage holding as at December 31	<u>89.34%</u>	<u>88.22%</u>

- 9.9.1 United Growth and Income Fund is an open ended mutual fund, listed on the Karachi Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis. However, the fund has temporarily suspended subscriptions for new investors.

- 9.9.1.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
----- (Rupees in '000) -----					
United Growth and Income Fund	2013	3,272,178	19,360	351,614	401,678
	2012	2,907,892	9,023	455,197	199,298

- 9.9.2 UBL Liquidity Plus Fund
- | | 2013 | 2012 |
|------------------------------|------|------|
| ----- (Rupees in '000) ----- | | |

Investment at the beginning of the year	6,373,263	5,049,099
Share of profit	285,527	978,536
(Redemption) / investment during the year	(6,114,375)	1,410,303
Dividend received	-	(1,066,191)
Share of unrealized (deficit) / surplus on assets	(972)	1,516
Investment at the end of the year	<u>543,443</u>	<u>6,373,263</u>
Percentage holding as at December 31	<u>3.97%</u>	<u>35.39%</u>

- 9.9.2.1 United Liquidity Plus Fund is an open ended mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

9.9.2.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
----- (Rupees in '000) -----					
UBL Liquidity Plus Fund	2013	13,725,429	46,144	1,439,212	1,168,642
	2012	18,032,784	23,614	2,977,399	2,723,346

		2013	2012
----- (Rupees in '000) -----			
UBL Shariah Stock Fund			
Investment at the beginning of the year		524,191	346,862
Share of profit		159,877	133,363
(Redemption) / investment during the year		(656,712)	40,614
Share of unrealized surplus on assets		-	3,352
Investment at the end of the year		27,356	524,191
Percentage holding as at December 31		1.33%	74.49%

9.9.3.1 UBL Shariah Stock Fund is an open ended Shariah compliant mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.9.3.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
----- (Rupees in '000) -----					
UBL Shariah Stock Fund	2013	2,130,387	70,080	578,500	645,313
	2012	707,572	3,866	205,557	181,807

		2013	2012
----- (Rupees in '000) -----			
United Islamic Income Fund			
Investment at the beginning of the year		192,062	163,959
Share of profit		9,533	30,788
Share of unrealized surplus / (deficit) on assets		10,978	(2,685)
Investment at the end of the year		212,573	192,062
Percentage holding as at December 31		28.00%	57.52%

9.9.4.1 United Islamic Income Fund is an open ended Shariah compliant mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.9.4.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
----- (Rupees in '000) -----					
United Islamic Income Fund	2013	762,601	3,380	64,695	54,310
	2012	345,638	11,741	90,721	55,868

		2013	2012
----- (Rupees in '000) -----			
United Stock Advantage Fund			
Investment at the beginning of the year		523,026	388,046
Share of profit		164,152	180,403
Redemption during the year		(635,238)	(32,185)
Share of unrealized deficit on assets		-	(13,238)
Investment at the end of the year		51,940	523,026
Percentage holding as at December 31		2.35%	36.96%

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

9.9.5.1 United Stock Advantage Fund is an open ended mutual fund, listed on the Karachi Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.9.5.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
----- (Rupees in '000) -----					
United Stock Advantage Fund	2013	<u>2,237,038</u>	<u>28,288</u>	<u>815,126</u>	<u>622,790</u>
	2012	<u>1,423,624</u>	<u>8,364</u>	<u>614,329</u>	<u>468,720</u>

		2013	2012
----- (Rupees in '000) -----			
Investment at the beginning of the year		190,189	2,734,011
Share of profit		5,376	259,119
Redemption during the year		(1,322)	(2,392,301)
Dividend received		-	(413,670)
Share of unrealized surplus on assets		10	3,030
Investment at the end of the year		<u>194,253</u>	<u>190,189</u>
Percentage holding as at December 31		<u>7.36%</u>	<u>5.69%</u>

9.9.6.1 UBL Savings Income Fund is an open ended mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.9.6.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
----- (Rupees in '000) -----					
UBL Savings Income Fund	2013	<u>2,653,339</u>	<u>12,476</u>	<u>263,074</u>	<u>208,085</u>
	2012	<u>3,406,366</u>	<u>63,744</u>	<u>651,275</u>	<u>599,662</u>

		2013	2012
----- (Rupees in '000) -----			
Investment at the beginning of the year		337,613	1,630,032
Share of profit		25,239	148,721
Redemption during the year		-	(1,203,097)
Dividend received		(20,185)	(238,938)
Share of unrealized surplus on assets		455	895
Investment at the end of the year		<u>343,122</u>	<u>337,613</u>
Percentage holding as at December 31		<u>9.40%</u>	<u>9.22%</u>

9.9.7.1 UBL Islamic Sovereign Fund is an open ended Shariah compliant mutual fund listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.9.7.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
----- (Rupees in '000) -----					
UBL Islamic Sovereign Fund	2013	<u>3,670,250</u>	<u>18,925</u>	<u>379,702</u>	<u>307,355</u>
	2012	<u>3,974,046</u>	<u>312,846</u>	<u>447,168</u>	<u>399,301</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

	2013	2012
	----- (Rupees in '000) -----	
9.9.8 UBL Islamic Retirement Savings Fund		
Investment at the beginning of the year	128,771	105,062
Share of profit	33,203	23,698
Share of unrealized surplus on assets	146	11
Investment at the end of the year	<u>162,120</u>	<u>128,771</u>
Percentage holding as at December 31	<u>42.53%</u>	<u>57.18%</u>

9.9.8.1 UBL Islamic Retirement Savings Fund is an open ended Shariah compliant pension fund and offers units for public subscription on a continuous basis.

9.9.8.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
UBL Islamic Retirement Savings Fund	2013	<u>360,133</u>	<u>2,589</u>	<u>65,572</u>	<u>64,029</u>
	2012	<u>221,882</u>	<u>527</u>	<u>34,018</u>	<u>36,404</u>

	2013	2012
	----- (Rupees in '000) -----	
9.9.9 UBL Retirement Savings Fund		
Investment at the beginning of the year	132,088	106,146
Share of profit	35,396	25,826
Share of unrealized (deficit) / surplus on assets	(447)	116
Investment at the end of the year	<u>167,037</u>	<u>132,088</u>
Percentage holding as at December 31	<u>20.86%</u>	<u>37.06%</u>

9.9.9.1 UBL Retirement Savings Fund is an open ended pension fund and offers units for public subscription on a continuous basis.

9.9.9.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
UBL Retirement Savings Fund	2013	<u>739,010</u>	<u>6,106</u>	<u>113,260</u>	<u>136,477</u>
	2012	<u>342,763</u>	<u>1,010</u>	<u>50,918</u>	<u>58,044</u>

	2013	2012
	----- (Rupees in '000) -----	
9.9.10 UBL Principal Protected Fund - I		
Investment at the beginning of the year	166,951	-
Investment during the year	7,955	129,979
Share of profit	37,902	36,972
Investment at the end of the year	<u>212,808</u>	<u>166,951</u>
Percentage holding as at December 31	<u>35.45%</u>	<u>34.78%</u>

9.9.10.1 UBL Principal Protected Fund - I is an open ended mutual fund, listed on the Islamabad Stock Exchange. The fund offers units for public subscription only upto the closure of the initial public offering. The duration of the fund was 24 months from February 3, 2012. The fund has subsequently matured on February 2, 2014.

9.9.10.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
UBL Principal Protected Fund - I	2013	<u>601,915</u>	<u>1,537</u>	<u>132,715</u>	<u>128,504</u>
	2012	<u>480,502</u>	<u>536</u>	<u>103,328</u>	<u>100,880</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

		2013	2012
		----- (Rupees in '000) -----	
9.9.11	UBL Principal Protected Fund - II		
	Investment at the beginning of the year	-	-
	Investment during the year	100,000	-
	Share of profit	3,640	-
	Investment at the end of the year	<u>103,640</u>	<u>-</u>
	Percentage holding as at December 31	<u>12.32%</u>	<u>-</u>

9.9.11.1 UBL Principal Protected Fund - II is an open ended mutual fund, listed on the Islamabad Stock Exchange. The fund offers units for public subscription only upto the closure of the initial public offering. The duration of the fund is 24 months from July 23, 2013.

9.9.11.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
	UBL Principal Protected Fund - II				
	2013	<u>849,980</u>	<u>8,547</u>	<u>32,099</u>	<u>29,580</u>

		2013	2012
		----- (Rupees in '000) -----	
9.9.12	UBL Government Securities Fund		
	Investment at the beginning of the year	266,799	3,058,294
	Share of profit	1,977	336,001
	Redemption during the year	(158,626)	(2,811,330)
	Dividend received	-	(321,403)
	Share of unrealized (deficit) / surplus on assets	(802)	5,237
	Investment at the end of the year	<u>109,348</u>	<u>266,799</u>
	Percentage holding as at December 31	<u>9.48%</u>	<u>11.79%</u>

9.9.12.1 UBL Government Securities Fund is an open ended mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.9.12.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
	UBL Government Securities Fund				
	2013	<u>1,183,589</u>	<u>29,990</u>	<u>142,067</u>	<u>116,242</u>
	2012	<u>3,272,408</u>	<u>1,009,283</u>	<u>610,735</u>	<u>545,228</u>

		2013	2012
		----- (Rupees in '000) -----	
9.9.13	UBL Islamic Cash Fund		
	Investment at the beginning of the year	102,074	-
	Investment during the year	-	100,000
	Share of profit	6,619	2,074
	Investment at the end of the year	<u>108,693</u>	<u>102,074</u>
	Percentage holding as at December 31	<u>15.31%</u>	<u>46.60%</u>

9.9.13.1 UBL Islamic Cash Fund is an open ended Shariah compliant mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.9.13.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
	UBL Islamic Cash Fund				
	2013	<u>712,517</u>	<u>2,468</u>	<u>25,736</u>	<u>28,520</u>
	2012	<u>223,176</u>	<u>4,140</u>	<u>6,870</u>	<u>4,449</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

	2013	2012
	----- (Rupees in '000) -----	
9.9.14 UBL Gold Fund		
Investment at the beginning of the year	-	-
Investment during the year	100,000	-
Share of loss	(16,717)	-
Investment at the end of the year	<u>83,283</u>	<u>-</u>
Percentage holding as at December 31	<u>53.09%</u>	<u>-</u>

9.9.14.1 UBL Gold Fund is an open ended mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.9.14.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Loss
		----- (Rupees in '000) -----			
UBL Gold Fund	2013	<u>158,085</u>	<u>1,219</u>	<u>(26,363)</u>	<u>(29,716)</u>

	2013	2012
	----- (Rupees in '000) -----	
9.9.15 UBL Islamic Principal Preservation Fund - I		
Investment at the beginning of the year	-	-
Investment during the year	100,000	-
Share of profit	21,674	-
Investment at the end of the year	<u>121,674</u>	<u>-</u>
Percentage holding as at December 31	<u>13.75%</u>	<u>-</u>

9.9.15.1 UBL Islamic Principal Preservation Fund - I is an open ended Shariah compliant mutual fund, listed on the Islamabad Stock Exchange. The fund offers units for public subscription only upto the closure of the initial public offering.

9.9.15.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
UBL Islamic Principal Preservation Fund - I	2013	<u>887,967</u>	<u>2,966</u>	<u>164,219</u>	<u>158,768</u>

	2013	2012
	----- (Rupees in '000) -----	
9.9.16 UBL Islamic Principal Preservation Fund - II		
Investment at the beginning of the year	-	-
Investment during the year	100,000	-
Share of profit	5,807	-
Investment at the end of the year	<u>105,807</u>	<u>-</u>
Percentage holding as at December 31	<u>10.20%</u>	<u>-</u>

9.9.16.1 UBL Islamic Principal Preservation Fund - II is an open ended Shariah compliant mutual fund, listed on the Islamabad Stock Exchange. The fund offers units for public subscription only upto the closure of the initial public offering.

9.9.16.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
UBL Islamic Principal Preservation Fund - II	2013	<u>1,047,734</u>	<u>10,773</u>	<u>58,588</u>	<u>56,500</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

	2013	2012
	----- (Rupees in '000) -----	
9.9.17 UBL Asset Allocation Fund		
Investment at the beginning of the year	-	-
Investment during the year	814,856	-
Share of profit	27,672	-
Investment at the end of the year	<u>842,528</u>	<u>-</u>
Percentage holding as at December 31	<u>77.45%</u>	<u>-</u>

9.9.17.1 UBL Asset Allocation Fund is an open ended mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.9.17.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
UBL Asset Allocation Fund	2013	<u>1,099,208</u>	<u>11,335</u>	<u>40,091</u>	<u>40,288</u>

	2013	2012
	----- (Rupees in '000) -----	
9.9.18 UBL Islamic Asset Allocation Fund		
Investment at the beginning of the year	-	-
Investment during the year	100,000	-
Share of profit	71	-
Investment at the end of the year	<u>100,071</u>	<u>-</u>
Percentage holding as at December 31	<u>79.97%</u>	<u>-</u>

9.9.18.1 UBL Islamic Asset Allocation Fund is an open ended Shariah compliant mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.9.18.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
UBL Islamic Asset Allocation Fund	2013	<u>129,655</u>	<u>4,520</u>	<u>326</u>	<u>88</u>

	2013	2012
	----- (Rupees in '000) -----	
9.9.19 UBL Financial Sector Bond Fund		
Investment at the beginning of the year	-	-
Investment during the year	100,000	-
Share of profit	5,246	-
Investment at the end of the year	<u>105,246</u>	<u>-</u>
Percentage holding as at December 31	<u>39.97%</u>	<u>-</u>

9.9.19.1 UBL Financial Sector Bond Fund is an open ended mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.9.19.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
UBL Financial Sector Bond Fund	2013	<u>265,330</u>	<u>2,042</u>	<u>33,897</u>	<u>25,246</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

	2013	2012
	----- (Rupees in '000) -----	
9.9.20 UBL Insurers Limited		
Investment at the beginning of the year	196,855	188,637
Share of profit	14,110	8,218
Actuarial gain on defined benefit obligations	93	-
Investment at the end of the year	<u>211,058</u>	<u>196,855</u>
Percentage holding as at December 31	<u>30.00%</u>	<u>30.00%</u>

9.9.20.1 UBL Insurers Limited is an unquoted public company, whose principal objective is to conduct general insurance business.

9.9.20.2 The details of assets, liabilities, revenues and results of UBL Insurers Limited as at December 31, based on audited financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
UBL Insurers Limited	2013	<u>1,663,010</u>	<u>962,938</u>	<u>444,012</u>	<u>42,505</u>
	2012	<u>1,491,474</u>	<u>835,290</u>	<u>386,008</u>	<u>28,130</u>

	2013	2012
	----- (Rupees in '000) -----	
9.9.21 Khushhali Bank Limited		
Investment at the beginning of the year	876,358	-
Investment during the year	-	632,485
Transfer from available for sale investments	-	200,000
Share of profit	79,590	43,342
Actuarial loss on defined benefit obligations	(3,926)	-
Share of unrealized surplus on assets	429	531
Investment at the end of the year	<u>952,451</u>	<u>876,358</u>
Percentage holding as at December 31	<u>29.69%</u>	<u>29.69%</u>

9.9.21.1 Khushhali Bank Limited is a microfinance bank. The principal objective of the bank is to provide microfinance services and promote social welfare through community building and social mobilization.

9.9.21.2 The details of assets, liabilities, revenues and results of Khushhali Bank Limited as of December 31, based on audited financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
Khushhali Bank Limited	2013	<u>13,289,657</u>	<u>10,530,779</u>	<u>2,246,819</u>	<u>363,198</u>
	2012	<u>9,953,616</u>	<u>7,464,588</u>	<u>1,731,230</u>	<u>167,941</u>

	2013	2012
	----- (Rupees in '000) -----	
9.9.22 Oman United Exchange Company		
Investment at the beginning of the year	68,126	66,954
Share of profit	16,765	19,362
Dividend received	(16,495)	(18,190)
Investment at the end of the year	<u>68,396</u>	<u>68,126</u>
Percentage holding as at December 31	<u>25.00%</u>	<u>25.00%</u>

9.9.22.1 Oman United Exchange Company LLC (the Company) is incorporated in the Sultanate of Oman as a limited liability company and is primarily engaged in money changing, issuing of drafts and the purchase and sale of travellers cheques.

9.9.22.2 The details of assets, liabilities, revenues and results of the Company as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
Oman United Exchange Company	2013	<u>385,725</u>	<u>112,142</u>	<u>200,283</u>	<u>51,762</u>
	2012	<u>363,148</u>	<u>90,638</u>	<u>210,992</u>	<u>78,780</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

10. ADVANCES	Note	Performing		Non-performing		Total	
		2013	2012	2013	2012	2013	2012
----- (Rupees in '000) -----							
Loans, cash credits, running finances, etc.							
In Pakistan	10.2	229,406,045	230,815,522	40,121,889	42,504,171	269,527,934	273,319,693
Outside Pakistan		123,512,396	103,198,334	11,956,981	10,541,017	135,469,377	113,739,351
		352,918,441	334,013,856	52,078,870	53,045,188	404,997,311	387,059,044
Bills discounted and purchased							
Payable in Pakistan		27,101,200	19,991,220	2,756,062	5,404,969	29,857,262	25,396,189
Payable outside Pakistan		26,820,425	18,239,209	-	-	26,820,425	18,239,209
		53,921,625	38,230,429	2,756,062	5,404,969	56,677,687	43,635,398
Advances - gross		406,840,066	372,244,285	54,834,932	58,450,157	461,674,998	430,694,442
Provision against advances							
- Specific	10.4	-	-	(44,497,945)	(43,597,349)	(44,497,945)	(43,597,349)
- General		(1,893,743)	(1,242,626)	-	(20,206)	(1,893,743)	(1,262,832)
		(1,893,743)	(1,242,626)	(44,497,945)	(43,617,555)	(46,391,688)	(44,860,181)
Advances - net of provision		404,946,323	371,001,659	10,336,987	14,832,602	415,283,310	385,834,261

10.1 Particulars of advances - gross	Performing		Non-performing		Total	
	2013	2012	2013	2012	2013	2012
----- (Rupees in '000) -----						
10.1.1 In local currency	248,907,872	249,048,415	42,516,403	47,607,666	291,424,275	296,656,081
In foreign currencies	157,932,194	123,195,870	12,318,529	10,842,491	170,250,723	134,038,361
	406,840,066	372,244,285	54,834,932	58,450,157	461,674,998	430,694,442
10.1.2 Short term	246,780,262	227,458,395	-	-	246,780,262	227,458,395
Long term	160,059,804	144,785,890	54,834,932	58,450,157	214,894,736	203,236,047
	406,840,066	372,244,285	54,834,932	58,450,157	461,674,998	430,694,442

10.2 Non-performing advances include gross advances of Rs.12,541.082 million (2012: Rs.14,554.414 million) and advances net of provision of Rs.1,697.164 million (2012: Rs.3,124.456 million) which, though restructured and performing, have been placed under non-performing status as required by the Prudential Regulations issued by the SBP, which require monitoring for at least one year before any upgradation is considered.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

10.3 Advances include Rs. 54,835 million (2012: Rs. 58,450 million) which have been placed under non-performing status as detailed below:

Category of Classification	2013								
	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	2,027,722	3,904,056	310,902	501,219	812,121	310,902	501,219	812,121
Doubtful	1,526,948	3,006,480	4,533,428	206,431	1,515,728	1,722,159	206,431	1,515,728	1,722,159
Loss	39,374,606	6,922,779	46,297,385	37,250,604	4,712,421	41,963,025	37,250,604	4,712,421	41,963,025
	<u>42,877,951</u>	<u>11,956,981</u>	<u>54,834,932</u>	<u>37,768,577</u>	<u>6,729,368</u>	<u>44,497,945</u>	<u>37,768,577</u>	<u>6,729,368</u>	<u>44,497,945</u>

Category of Classification	2012								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other assets especially mentioned *	248,010	-	248,010	-	-	-	-	-	-
Substandard	2,138,136	1,693,617	3,831,753	425,466	338,035	763,501	425,466	338,035	763,501
Doubtful	2,540,057	2,847,071	5,387,128	1,148,763	1,191,246	2,340,009	1,148,763	1,191,246	2,340,009
Loss	42,982,937	6,000,329	48,983,266	36,264,639	4,229,200	40,493,839	36,264,639	4,229,200	40,493,839
	<u>47,909,140</u>	<u>10,541,017</u>	<u>58,450,157</u>	<u>37,838,868</u>	<u>5,758,481</u>	<u>43,597,349</u>	<u>37,838,868</u>	<u>5,758,481</u>	<u>43,597,349</u>

* The Other Assets Especially Mentioned category pertains to agricultural finance and advances to small enterprises.

10.4 Particulars of provision against advances

Note	2013			2012		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	43,597,349	1,262,832	44,860,181	39,967,562	1,008,694	40,976,256
Exchange adjustments	467,881	98,871	566,752	400,285	58,824	459,109
Charge / (reversals)						
Charge for the year	5,175,285	576,386	5,751,671	5,943,612	290,497	6,234,109
Reversals	(4,393,152)	(12,378)	(4,405,530)	(2,780,077)	(95,183)	(2,875,260)
	782,133	564,008	1,346,141	3,163,535	195,314	3,358,849
Transfers in - net	754,617	(31,968)	722,649	408,229	-	408,229
Amounts written off	(1,104,035)	-	(1,104,035)	(342,262)	-	(342,262)
Closing balance	<u>44,497,945</u>	<u>1,893,743</u>	<u>46,391,688</u>	<u>43,597,349</u>	<u>1,262,832</u>	<u>44,860,181</u>

10.4.1 General provision represents provision amounting to Rs. 252.592 million (2012: Rs. 264.970 million) against consumer finance portfolio and Rs. 32.942 million (2012: Nil) against advances to small enterprises as required by the Prudential Regulations issued by the SBP and Rs. 1,560.209 million (2012: Rs. 949.862 million) pertaining to overseas advances to meet the requirements of the regulatory authorities of the respective countries in which the overseas branches and subsidiaries operate. General provisions also include an amount of Rs. 48.000 million (2012: Rs. 48.000 million) which the Group carries as a matter of prudence given the current economic environment, and is based on management estimates.

10.4.2 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.1,354.730 million (2012: Rs. 3,169.414 million). The FSV benefit availed is not available for the distribution of cash or stock dividend to shareholders.

10.4.3 Particulars of provision against advances

	2013			2012		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	37,408,028	333,534	37,741,562	37,594,095	312,970	37,907,065
In foreign currencies	7,089,917	1,560,209	8,650,126	6,003,254	949,862	6,953,116
	<u>44,497,945</u>	<u>1,893,743</u>	<u>46,391,688</u>	<u>43,597,349</u>	<u>1,262,832</u>	<u>44,860,181</u>

Notes to and forming part of the Consolidated Financial Statements

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	Note	2013	2012
		----- (Rupees in '000) -----	
10.5	Particulars of write-offs		
10.5.1	Against provisions	10.4 1,104,035	342,262
	Directly charged to profit and loss account	181,724	319,102
		<u>1,285,759</u>	<u>661,364</u>
10.5.2	Write-offs of Rs.500,000 and above - Bank	10.6 1,124,571	834,700
	Write-offs below Rs.500,000 - Bank	150,430	265,715
	Write-offs in subsidiaries	10.6 10,758	-
		<u>1,285,759</u>	<u>1,100,415</u>

10.6 Details of loan write-offs of Rs.500,000 and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written off loans or any other financial relief of five hundred thousand rupees or above allowed by the Bank during the year ended December 31, 2013 is given in Annexure 'B' to the unconsolidated financial statements.

Due to disclosure restrictions in the local regulations of foreign subsidiaries, the names of parties written off cannot be disclosed.

	Note	2013	2012
		----- (Rupees in '000) -----	
10.7	Particulars of loans and advances to executives, Directors, associated companies etc.		
	Balance at the beginning of the year	2,329,654	1,868,501
	Loans granted during the year	1,079,879	800,346
	Repayments made during the year	(687,449)	(339,193)
		392,430	461,153
	Transfer in	2,155,149	-
	Balance at the end of the year	<u>4,877,233</u>	<u>2,329,654</u>

11. OPERATING FIXED ASSETS

	Capital work-in-progress	11.1 1,950,378	1,840,902
	Property and equipment	11.2 24,619,242	24,115,928
	Intangible assets	11.3 1,468,360	1,504,009
		<u>28,037,980</u>	<u>27,460,839</u>
11.1	Capital work-in-progress		
	Civil works	11.1.1 1,298,110	1,006,716
	Equipment	354,703	529,907
	Software	270,560	294,475
	Advances to suppliers and contractors	27,005	9,804
		<u>1,950,378</u>	<u>1,840,902</u>

11.1.1 This includes Rs.1,223.088 million (2012: Rs. 820.360 million) in respect of construction of the Head Office building.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

11.2 Property and equipment

Note	Cost / Revaluation				2013				Net book value at December 31, 2013	Annual rate of depreciation %	
	At January 1, 2013	Additions / (deletions)	Surplus / (Deficit) on revaluation	Exchange / Other adjustments	At December 31, 2013	At January 1, 2013	Charge for the year / (depreciation on deletions)	Exchange / Other adjustments			At December 31, 2013
(Rupees in '000)											
Owned											
	3,041,776	-	-	-	3,041,776	-	-	-	-	3,041,776	-
	11,808,012	-	-	121	11,808,133	292,914	-	105	293,019	11,515,114	-
	3,345,019	87,246	-	320,526	3,752,791	357,592	69,381	10,534	437,507	3,315,284	2 - 5
	2,201,905	-	-	9,693	2,211,598	354,980	113,105	3,965	472,050	1,739,548	5 - 10
	2,244,484	398,929	-	39,709	2,683,122	977,897	234,190	26,729	1,238,816	1,444,306	10 - 20
	1,253,607	131,254 (3,011)	-	29,655	1,411,505	759,400	104,651 (2,766)	23,232	884,517	526,988	10 - 25
	6,356,837	1,102,551 (45,841)	-	78,858	7,492,405	4,583,007	879,059 (44,497)	98,749	5,516,318	1,976,087	10 - 67
	403,837	49,647 (33,481)	-	5,744	425,747	198,492	63,178 (31,018)	3,937	234,589	191,158	20 - 25
11.8	1,399,397	360,857 (394,956)	-	3,602	1,368,900	416,934	334,944 (250,235)	-	501,643	867,257	20 - 33.33
	2,727	-	-	-	2,727	457	546	-	1,003	1,724	20
2013	32,057,601	2,130,484 (477,289)	-	487,908	34,198,704	7,941,673	1,799,054 (328,516)	167,251	9,579,462	24,619,242	

Note	Cost / Revaluation				2012				Net book value at December 31, 2012	Annual rate of depreciation %	
	At January 1, 2012	Additions / (deletions)	Surplus / (Deficit) on revaluation	Exchange / Other adjustments	At December 31, 2012	At January 1, 2012	Charge for the year / (depreciation on deletions)	Exchange / Other adjustments			At December 31, 2012
(Rupees in '000)											
Owned											
	3,041,776	-	-	-	3,041,776	-	-	-	-	3,041,776	-
	11,782,784	25,121	-	107	11,808,012	292,822	-	92	292,914	11,515,098	-
	3,091,338	60,873 (168,777)	-	361,585	3,345,019	267,089	57,033	33,470	357,592	2,987,427	2 - 5
	2,167,214	24,421	-	10,270	2,201,905	240,696	111,774	2,510	354,980	1,846,925	5 - 10
	1,936,497	259,141	-	48,846	2,244,484	748,436	205,264	24,197	977,897	1,266,587	10 - 20
	1,117,890	137,198 (20,332)	-	18,851	1,253,607	666,612	95,041 (19,043)	16,790	759,400	494,207	10 - 25
	5,411,056	971,983 (98,923)	-	72,721	6,356,837	3,832,946	785,320 (97,228)	61,969	4,583,007	1,773,830	10 - 67
	387,381	47,548 (36,235)	-	5,143	403,837	167,487	56,946 (29,324)	3,383	198,492	205,345	20 - 25
11.8	732,087	892,403 (205,926)	-	(19,167)	1,399,397	290,867	268,648 (142,581)	-	416,934	982,463	20 - 33.33
	-	2,727	-	-	2,727	-	457	-	457	2,270	20
2012	29,668,023	2,421,415 (361,416)	(168,777)	517,523 (19,167)	32,057,601	6,506,955	1,580,483 (288,176)	142,411	7,941,673	24,115,928	

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For the year ended December 31, 2013

11.3 Intangible assets

	2013									
	Cost				Accumulated Amortization				Net book value at December 31, 2013	Annual rate of amortization %
	At January 1, 2013	Additions / (deletions)	Exchange / other adjustments	At December 31, 2013	At January 1, 2013	Charge for the year / (reversal on deletion)	Exchange / other adjustments	At December 31, 2013		
	(Rupees in '000)									
Software	3,215,880	447,193 (8)	26,451 -	3,689,516	1,711,871	485,822 (8)	23,471 -	2,221,156	1,468,360	10 - 33.33
	2012									
	Cost				Accumulated Amortization				Net book value at December 31, 2012	Annual rate of amortization %
	At January 1, 2012	Additions / (deletions)	Exchange / other adjustments	At December 31, 2012	At January 1, 2012	Charge for the year / (reversal on deletion)	Exchange / other adjustments	At December 31, 2012		
	(Rupees in '000)									
Software	2,807,862	375,497 (5,344)	37,865	3,215,880	1,238,288	447,865 (5,136)	30,854	1,711,871	1,504,009	10 - 33.33

11.4 Revaluation of properties

The properties of the Bank were last revalued by independent professional valuers as at December 31, 2009. The revaluation was carried out by M/s. Pirsons Chemicals Engineering (Private) Limited, M/s. Sadruddin Associates, M/s. Maricon Consultants (Private) Limited and M/s. Engineering Pakistan International (Private) Limited on the basis of professional assessment of present market values and resulted in an increase in the surplus by Rs. 4,139.592 million.

The properties of UNBL were revalued by independent professional valuers, RONA and Advance Surveyors Limited, as at December 31, 2012. These revaluations were based on present market values and resulted in a deficit of Rs.168.777 million.

Had there been no revaluation, the carrying amount of revalued assets at December 31 would have been as follows:

	2013	2012
	(Rupees in '000)	
Freehold land	782,581	782,581
Leasehold land	196,217	196,201
Buildings on freehold land	1,747,980	1,614,271
Buildings on leasehold land	204,724	216,912
11.5 Carrying amount of temporarily idle properties of the Group	73,331	166,230
11.6 The cost of fully depreciated assets still in use		
Furniture and fixtures	297,831	351,418
Electrical, office and computer equipment	3,054,574	2,605,310
Vehicles	72,448	72,408
	3,424,853	3,029,136

11.7 Details of disposals of operating fixed assets

The information relating to operating fixed assets disposed off during the year is given in Annexure 'C' and is an integral part of these consolidated financial statements.

11.8 The Islamic Banking branches of the Bank enter into Ijarah transactions with customers, mainly in respect of property, plant and equipment and vehicles.

The Ijarah payments receivable from customers for each of the following periods under the terms of the respective arrangements are given below:

	2013	2012
	(Rupees in '000)	
Not later than one year	440,815	459,667
Later than one year but not later than five years	617,905	694,712
Later than five years	-	-
	1,058,720	1,154,379

Notes to and forming part of the Consolidated Financial Statements

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	Note	2013	2012
----- (Rupees in '000) -----			
12. OTHER ASSETS			
Income / mark-up accrued in local currency		11,308,074	11,558,334
Income / mark-up accrued in foreign currency		3,492,924	2,646,202
		14,800,998	14,204,536
Advance taxation - net of provision for taxation	12.1	6,297,503	5,877,007
Receivable from staff retirement fund		60,977	1,600,550
Receivable on account of encashment of savings certificates		6,862	14,586
Receivable in respect of derivative transactions		18,033	18,033
Receivable from other banks against telegraphic transfers and demand drafts		2,300,968	881,653
Unrealized gain on forward foreign exchange contracts		2,795,731	1,083,718
Rebate receivable - net		1,070,602	792,293
Unrealized gain on derivative financial instruments	20.3.1 & 24.2	344,712	489,131
Advance against Murabaha		17,498	17,531
Advance against Ijarah assets		27,110	110,382
Suspense accounts		361,081	455,821
Stationery and stamps on hand		177,636	211,031
Receivable against redemption of units of mutual funds		-	1,004,226
Non banking assets acquired in satisfaction of claims	12.3	2,063,329	1,953,721
Advances, deposits, advance rent and other prepayments		1,042,205	1,048,193
Advance against Pre-IPO investment		-	364,000
Others		2,000,870	1,681,534
		33,386,115	31,807,946
Provision held against other assets	12.2	(4,029,132)	(3,645,930)
Other assets - net of provision		29,356,983	28,162,016

12.1 The Income Tax returns of the Bank have been filed up to the tax year 2013 (accounting year ended 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 (2012: Rs. 3,229 million) in respect of provisions in excess of the above mentioned limits.

The Bank also carries a tax asset amounting to Rs. 4,114 million (2012: Rs. 4,114 million), representing disallowance of provisions against advances and off-balance sheet obligations, for the periods prior to the applicability of the Seventh Schedule. The management, in consultation with its tax advisor, is confident that these would be allowed to the Bank at appellate levels.

The tax returns for Azad Kashmir (AK) Branches have been filed upto the tax year 2013 (financial year 2012) under the provisions of section 120(1) read with section 114 of the Ordinance and in compliance with the terms of the agreement between banks and the Azad Kashmir Council in May 2005. The returns filed are considered as deemed assessment orders under the law.

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

For all the subsidiaries, income tax returns have been filed 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 by the tax authorities. Additionally, for UBL UK and UBL (Switzerland) AG, tax clearance has been issued till the accounting years 2011 and 2012, respectively. There are no material tax contingencies in any of the subsidiaries.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

	Note	2013	2012
		----- (Rupees in '000) -----	
12.2	Provision against other assets		
	Opening balance	3,645,930	2,847,765
	Exchange adjustments	157,437	99,960
	Charge / (reversals)		
	Charge for the year	49,947	213,940
	Reversals	(23,737)	(23,321)
	30	26,210	190,619
	Transfers in - net	975,001	739,139
	Amounts written off	(775,446)	(231,553)
	Closing balance	<u>4,029,132</u>	<u>3,645,930</u>
12.3	The market value of non banking assets acquired in satisfaction of claims is Rs.1,992.818 million (2012: Rs.1,912.625 million).		
13.	CONTINGENT ASSETS		
	There were no contingent assets as at the statement of financial position date.		
	Note	2013	2012
		----- (Rupees in '000) -----	
14.	BILLS PAYABLE		
	In Pakistan	16,167,273	7,345,784
	Outside Pakistan	433,418	269,598
		<u>16,600,691</u>	<u>7,615,382</u>
15.	BORROWINGS		
	In Pakistan	33,550,063	62,705,626
	Outside Pakistan	7,527,667	6,987,953
		<u>41,077,730</u>	<u>69,693,579</u>
15.1	Particulars of borrowings		
	In local currency	29,920,125	61,914,550
	In foreign currencies	11,157,605	7,779,029
		<u>41,077,730</u>	<u>69,693,579</u>
15.2	Details of borrowings		
	Secured		
	Borrowings from the State Bank of Pakistan under:		
	Export refinance scheme	15.3	10,835,330
	Refinance facility for modernization of SMEs	15.4	40,795
	Long term financing facility	15.5	5,950,207
	Long term financing under export oriented projects	15.6	423,958
			17,250,290
	Repurchase agreement borrowings	15.7	12,042,846
			29,293,136
	Unsecured		
	Call borrowings	15.8	5,033,830
	Overdrawn nostro accounts		399,584
	Other borrowings	15.9	6,351,180
			11,784,594
			<u>41,077,730</u>
			<u>69,693,579</u>



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Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

- 15.3 The Bank has entered into an agreement with the SBP for extending export finance to customers. As per the terms of the agreement, the Bank has granted the SBP the right to recover the outstanding amounts from the Bank at the date of maturity of the finances by directly debiting the Bank's current account maintained with the SBP. These borrowings are repayable within six months, latest by June 2014. These carry mark-up at a rate of 8.40% per annum (2012: 8.50% per annum).
- 15.4 These borrowings have been obtained from the SBP under a scheme to finance modernization of Small and Medium Enterprises by providing financing facilities for setting up of new units, purchase of new plant and machinery for Balancing, Modernization and Replacement (BMR) of existing units and financing for import / local purchase of new generators upto a maximum capacity of 500 KVA. These borrowings are repayable within a period ranging from 3 years to 10 years, latest by December 2018 and carry mark-up at a rate of 6.25% per annum (2012: 8.00% per annum).
- 15.5 These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings are repayable within a period ranging from 3 years to 10 years, latest by December 2023. These carry mark-up at rates ranging from 6.50% to 10.10% per annum (2012: 6.50% to 10.10% per annum).
- 15.6 These borrowings have been obtained from the SBP for providing financing facilities for import of machinery, plant, equipment and accessories thereof by export oriented units. These carry mark-up at a rate of 5.00% per annum (2012: 5.00% per annum) and are repayable latest by July 2016.
- 15.7 These repurchase agreement borrowings are secured against Market Treasury Bills and carry mark-up at rates ranging from 9.95% to 10.00% per annum (2012: 8.77% to 8.83% per annum). These borrowings are repayable latest by January 2014. The carrying value of securities given as collateral against these borrowings is given in note 9.1.
- 15.8 These represent unsecured borrowings relating to domestic and overseas operations. Borrowings pertaining to domestic operations carry mark-up at rates ranging from 9.65% to 10.00% per annum (2012: Nil) and are repayable latest by May 2014. Borrowings pertaining to overseas operations carry mark-up at rates ranging from 0.19% to 4.00% per annum (2012: 0.53% to 4.00% per annum) and are repayable latest by June 2014.
- 15.9 These borrowings carry mark-up at rates ranging from 0.50% to 10.44% per annum (2012: 0.15% to 4.61% per annum), and are repayable latest by May 2016.

	2013	2012
	----- (Rupees in '000) -----	
16. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	280,279,656	237,103,473
Savings deposits	280,813,671	242,577,264
Sundry deposits	7,083,484	7,662,302
Margin deposits	5,601,107	4,066,910
Current accounts - remunerative	10,709,116	7,371,644
Current accounts - non-remunerative	287,401,892	239,318,680
	<u>871,888,926</u>	<u>738,100,273</u>
Financial Institutions		
Remunerative deposits	11,636,629	9,467,652
Non-remunerative deposits	6,000,048	5,217,970
	<u>17,636,677</u>	<u>14,685,622</u>
	<u><u>889,525,603</u></u>	<u><u>752,785,895</u></u>
16.1 Particulars of deposits and other accounts		
In local currency	578,764,705	505,586,180
In foreign currencies	310,760,898	247,199,715
	<u><u>889,525,603</u></u>	<u><u>752,785,895</u></u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

17. SUBORDINATED LOANS - UNSECURED

Note	Issue date	Tenor	Rate % per annum	Maturity	Frequency of principal redemption	2013	2012
						----- (Rupees in '000) -----	
Term Finance Certificates - II	March 2005	8 years	9.49%	March 2013	Semi Annual	-	1,999,400
Term Finance Certificates - III	17.1 September 2006	8 years	6 months KIBOR+1.70%	September 2014	Semi Annual	665,328	1,330,664
Term Finance Certificates - IV	17.2 February 2008	10 years	For the first five years, 6 months KIBOR+0.85% and for the remaining term, 6 months KIBOR+1.35%	February 2018	Semi Annual	-	5,989,200
						<u>665,328</u>	<u>9,319,264</u>

17.1 These represent listed Term Finance Certificates (TFCs) issued by the Bank. The liability of the Bank is subordinated as to the payment of principal and profit to all other indebtedness of the Bank (including deposits) and is not redeemable before maturity without approval of the SBP.

17.2 During the year, the Bank has exercised the call option available under the terms of issuance of the Term Finance Certificates IV after completing required regulatory requirements. Accordingly the outstanding balance of the said TFC has been redeemed on August 13, 2013, being the option exercise date.

18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

These represent finance leases entered into for the lease of vehicles. At the end of the lease period, the ownership of the leased assets shall be transferred to the Group on payment of the residual values of the leased assets. The cost of operating and maintaining the leased assets is borne by the Group. The liabilities are secured by demand promissory notes, security deposits, and the vehicles which have been obtained under these leasing arrangements. The rate used for discounting future lease payments is 12.69% per annum (2012: 15.28% per annum). The amount of future minimum lease payments, and the periods during which they become due are as follows:

	2013		
	Minimum lease payments	Finance charges for future periods	Principal Outstanding
	----- (Rupees in '000) -----		
Not later than one year	977	(82)	895
Later than one year and not later than five years	433	(3)	430
	<u>1,410</u>	<u>(85)</u>	<u>1,325</u>
	----- (Rupees in '000) -----		
	2012		
	Minimum lease payments	Finance charges for future periods	Principal Outstanding
	----- (Rupees in '000) -----		
Not later than one year	1,003	(229)	774
Later than one year and not later than five years	1,439	(104)	1,335
	<u>2,442</u>	<u>(333)</u>	<u>2,109</u>

As at December 31, 2013 the present value of minimum lease payments is Rs. 1.325 million (2012: Rs. 2.109 million)

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

	Note	2013	2012
----- (Rupees in '000) -----			
19. DEFERRED TAX LIABILITY - NET			
Deferred tax liability - net	19.1	<u>1,395,138</u>	<u>856,485</u>

19.1 Movement in temporary differences during the year

	2013			
	At January 1, 2013	Recognised in profit and loss account	Others	At December 31, 2013
----- (Rupees in '000) -----				
Deductible temporary differences on				
- Tax losses recognized by subsidiary	-	24,279	1,334	25,613
- Workers' Welfare Fund	185,888	(10,976)	-	174,912
- Cash flow hedge reserve	11,306	-	(9,568)	1,738
- Provision against off-balance sheet items, post retirement employee benefits and advances	6,348,992	(884,077)	74,481	5,539,396
	<u>6,546,186</u>	<u>(870,774)</u>	<u>66,247</u>	<u>5,741,659</u>
Taxable temporary differences on				
- Surplus on revaluation of fixed assets	(5,070,497)	36,130	(334,394)	(5,368,761)
- Surplus on revaluation of investments	(1,764,610)	-	599,698	(1,164,912)
- Ijarah financing	(14,371)	-	-	(14,371)
- Accelerated tax depreciation	(553,193)	(35,560)	-	(588,753)
	<u>(7,402,671)</u>	<u>570</u>	<u>265,304</u>	<u>(7,136,797)</u>
	<u>(856,485)</u>	<u>(870,204)</u>	<u>331,551</u>	<u>(1,395,138)</u>
----- (Rupees in '000) -----				
	2012			
	At January 1, 2012	Recognised in profit and loss account	Others	At December 31, 2012
----- (Rupees in '000) -----				
Deductible temporary differences on				
- Tax losses recognized by subsidiary	-	-	-	-
- Workers' Welfare Fund	179,593	6,295	-	185,888
- Cash flow hedge reserve	33,383	-	(22,077)	11,306
- Provision against off-balance sheet items, post retirement employee benefits and advances	5,702,020	538,179	108,793	6,348,992
	<u>5,914,996</u>	<u>544,474</u>	<u>86,716</u>	<u>6,546,186</u>
Taxable temporary differences on				
- Surplus on revaluation of fixed assets	(5,106,310)	36,046	(233)	(5,070,497)
- Surplus on revaluation of investments	967,118	-	(2,731,728)	(1,764,610)
- Ijarah financing	(14,371)	-	-	(14,371)
- Accelerated tax depreciation	(455,936)	(97,257)	-	(553,193)
	<u>(4,609,499)</u>	<u>(61,211)</u>	<u>(2,731,961)</u>	<u>(7,402,671)</u>
	<u>1,305,497</u>	<u>483,263</u>	<u>(2,645,245)</u>	<u>(856,485)</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

	Note	2013	2012		
----- (Rupees in '000) -----					
20. OTHER LIABILITIES					
Mark-up / return / interest payable in local currency		10,377,497	9,454,214		
Mark-up / return / interest payable in foreign currency		907,778	798,348		
Accrued expenses		3,383,497	2,990,443		
Branch adjustment account		629,933	895,927		
Payable against purchase of securities		119,827	51,031		
Payable under severance scheme		32,563	32,563		
Deferred income		625,532	578,539		
Unearned commission		260,258	294,291		
Provision against off - balance sheet obligations	20.1	630,024	630,717		
Unrealized loss on forward foreign exchange contracts		1,875,902	362,939		
Deferred liabilities	20.2	2,968,231	2,704,310		
Unrealized loss on derivative financial instruments	20.3.1 & 24.2	150,602	269,034		
Workers' Welfare Fund payable		503,176	535,756		
Insurance payable against consumer assets		103,700	82,134		
Others		525,234	465,700		
		<u>23,093,754</u>	<u>20,145,946</u>		
20.1 Provision against off - balance sheet obligations					
Opening balance		630,717	629,736		
Exchange adjustments		1,386	1,481		
Charge during the year	30	-	249		
Transfers during the year		(2,079)	(749)		
		<u>630,024</u>	<u>630,717</u>		
20.2 Deferred liabilities					
Provision for gratuity	37.1.4	152,441	114,847		
Provision for post retirement medical benefits	37.1.4	930,955	943,927		
Provision for compensated absences		1,275,654	1,067,421		
Deferred liability for outsourced services		110,690	101,373		
Deferred liability - overseas		400,088	362,869		
Provision for pension	37.2.1	98,403	113,873		
		<u>2,968,231</u>	<u>2,704,310</u>		
20.3 Unrealized gain on derivative financial instruments - net					
	Note	Contract / Notional amount		Unrealised gain - net	
		2013	2012	2013	2012
----- (Rupees in '000) -----					
- Interest rate swaps		5,723,576	8,059,417	88,555	135,799
- Cross currency swaps		10,550,240	12,490,616	105,555	83,494
- FX options		-	74,468	-	-
- Forward sale contracts of government securities		-	308,867	-	803
- Commodity futures		-	489	-	1
20.3.1		<u>16,273,816</u>	<u>20,933,857</u>	<u>194,110</u>	<u>220,097</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

	Note	2013 ----- (Rupees in '000) -----	2012 ----- (Rupees in '000) -----
20.3.1	Unrealized gain / (loss) on derivative financial instruments - net		
	Unrealized gain on derivative financial instruments	12 344,712	489,131
	Unrealized loss on derivative financial instruments	20 (150,602)	(269,034)
	Unrealized gain - net	24.2 <u>194,110</u>	<u>220,097</u>

21. SHARE CAPITAL

21.1 Authorized Capital

2013	2012		2013	2012
----- (Number of shares) -----			----- (Rupees in '000) -----	
<u>2,000,000,000</u>	<u>2,000,000,000</u>	Ordinary shares of Rs.10 each	<u>20,000,000</u>	<u>20,000,000</u>

21.2 Issued, subscribed and paid-up capital

2013	2012		2013	2012
----- (Number of shares) -----			----- (Rupees in '000) -----	
		Fully paid-up ordinary shares of Rs.10 each		
518,000,000	518,000,000	Issued for cash	5,180,000	5,180,000
<u>706,179,687</u>	<u>706,179,687</u>	Issued as bonus shares	<u>7,061,798</u>	<u>7,061,798</u>
<u>1,224,179,687</u>	<u>1,224,179,687</u>		<u>12,241,798</u>	<u>12,241,798</u>

21.3 In 2007, the Bank was admitted to the official list of the UK Listing Authority and to the London Stock Exchange Professional Securities Market for trading of Global Depository Receipts (GDRs), each representing four ordinary shares issued by the Bank. The GDRs constitute an offering in the United States only to qualified institutional buyers in reliance on Rule 144A under the U.S Securities Act of 1933 and an offering outside the United States in reliance on Regulation S.

Holders of GDRs are entitled, subject to the provisions of the depository agreement, to receive dividends, if any, and rank pari passu with other equity shareholders in respect of such entitlement. However, the holders of GDRs have no voting rights or other direct rights of shareholders with respect to the ordinary shares underlying such GDRs. Subject to the terms and restrictions set out in the offering circular dated June 25, 2007, the deposited ordinary shares in respect of which the GDRs were issued may be withdrawn by the GDR holders from the depository facility. Upon withdrawal, the holders will rank pari passu with other ordinary shareholders in respect of voting powers. As at December 31, 2013, 32,060,348 (2012: 15,286,868) GDRs, representing 128,241,394 (2012: 61,147,474) shares were in issue.

21.4 Major shareholders (holding more than 5% of total paid-up capital)

Name of shareholders	2013		2012	
	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
Bestway (Holdings) Limited	467,611,120	38.20%	467,611,120	38.20%
State Bank of Pakistan	238,567,381	19.49%	238,567,381	19.49%
Bestway Cement Limited	93,649,744	7.65%	93,649,744	7.65%
Sir Muhammed Anwar Pervez, OBE, HPk	62,433,163	5.10%	62,433,163	5.10%
His Highness Shaikh Nahayan Mabarak Al Nahayan	-	-	67,329,867	5.50%

As at December 31, 2013, ADG held nil % (2012: 10.30%) shareholding (including GDRs) and the Bestway Group (Bestway) held 61.38% (2012: 51.07%) shareholding (including GDRs) of the Bank.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

	Note	2013	2012
		----- (Rupees in '000) -----	
22. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX			
Surplus / (deficit) arising on revaluation of assets - net of tax			
Fixed assets			
- Group's share		10,808,168	10,947,713
- Non-controlling interest		503,291	563,051
	22.1	11,311,459	11,510,764
Securities			
- Group's share		1,517,922	3,541,845
- Non-controlling interest		(528,133)	216,578
	22.2	989,789	3,758,423
Deficit arising on revaluation of assets of associates		(15,464)	(14,164)
		<u>12,285,784</u>	<u>15,255,023</u>
22.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		16,581,261	16,687,720
Revaluation of fixed assets during the year		-	(168,777)
Exchange adjustments		204,856	167,723
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(69,767)	(69,359)
Related deferred tax liability on incremental depreciation charged during the year	19.1	(36,130)	(36,046)
		98,959	(106,459)
		<u>16,680,220</u>	<u>16,581,261</u>
Less: Related deferred tax liability on			
Revaluation as on January 1		5,070,497	5,106,310
Recognition of deferred tax		334,075	-
Exchange adjustments		319	233
Incremental depreciation charged on related assets		(36,130)	(36,046)
	19.1	5,368,761	5,070,497
		<u>11,311,459</u>	<u>11,510,764</u>
22.2 Surplus / (deficit) on revaluation of available for sale securities			
Market Treasury Bills		(147,850)	626,591
Pakistan Investment Bonds		(402,073)	2,692,613
Listed shares		2,767,281	368,511
Mutual fund units		-	(1,879)
Term Finance Certificates, Sukuks, other bonds etc.		75,680	109,937
Foreign bonds		(138,337)	1,727,260
		2,154,701	5,523,033
Related deferred tax liability	19.1	(1,164,912)	(1,764,610)
		<u>989,789</u>	<u>3,758,423</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

	2013	2012
	----- (Rupees in '000) -----	
23. CONTINGENCIES AND COMMITMENTS		
23.1 Direct credit substitutes		
Contingent liabilities in respect of guarantees given favouring		
Government	3,796,673	2,631,890
Banking companies and other financial institutions	3,078,030	4,921,308
Others	3,912,366	3,063,407
	<u>10,787,069</u>	<u>10,616,605</u>
23.2 Transaction-related contingent liabilities		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring		
Government	81,454,308	72,141,081
Banking companies and other financial institutions	5,364,806	4,559,713
Others	32,724,186	23,303,053
	<u>119,543,300</u>	<u>100,003,847</u>
23.3 Trade-related contingent liabilities		
Contingent liabilities in respect of letters of credit opened favouring		
Government	38,995,105	39,716,356
Banking companies and other financial institutions	10,120,833	4,455,647
Others	129,878,651	106,848,480
	<u>178,994,589</u>	<u>151,020,483</u>
23.4 Other contingencies		
Claims against the Group not acknowledged as debts	<u>12,471,155</u>	<u>23,823,493</u>
Contingency in respect of Workers' Welfare Fund	<u>305,997</u>	<u>-</u>
23.5 Commitments to extend credit		
The Group makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		
23.6 Commitments in respect of forward foreign exchange contracts		
Purchase	<u>238,732,897</u>	<u>141,981,927</u>
Sale	<u>202,902,937</u>	<u>112,686,309</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

	2013	2012
	----- (Rupees in '000) -----	
23.7	Commitments in respect of derivatives	
	5,723,576	8,059,417
	10,550,240	12,490,616
	-	37,234
	-	37,234
	-	308,867
	-	489
23.8	1,699,696	2,150,282
23.9	For contingencies relating to taxation refer note 12.1	

24. DERIVATIVE INSTRUMENTS

Derivatives are a type of financial contract, the value of which is determined by reference to one or more underlying assets or indices. The major categories of such contracts include forwards, futures, swaps and options. Derivatives also include structured financial products that have one or more of the characteristics of forwards, futures, swaps and options.

The Bank, as an Authorized Derivative Dealer (ADD), is an active participant in the Pakistan derivatives market and offers a wide variety of derivatives products covering both hedging and market making to satisfy customers' needs. Where required, specific approval is sought from the SBP for each transaction.

The authority for approving policies lies with the Board of Directors (BoD) and the Board Risk Management Committee (BRMC). The Market Risk Committee (MRC) is responsible for ensuring compliance with these policies.

With regard to derivatives, the MRC is authorized to:

- Review the derivatives business with reference to market risk exposure and assign various limits in accordance with the risk appetite of the Bank
- Review the Derivatives Business Policy and recommend approval to the BRMC / BoD
- Review and approve derivatives product programs
- Authorize changes in procedures and processes regarding derivatives and structured products

Overall responsibility for derivatives trading activity lies with the Treasury and Capital Markets Group. Measurement and monitoring of market and credit risk exposure and limits and its reporting to senior management and the BoD is done by Treasury Middle Office (TMO), which also coordinates with the business regarding approvals for derivatives risk limits. Treasury Operations records derivatives activity in the Bank's books, and handles its reporting to the SBP.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

Derivatives risk management

There are a number of risks undertaken by the Group, which need to be monitored and assessed.

Credit risk

Credit risk refers to the risk of non-performance or default by a party to a derivatives transaction, resulting in an adverse impact on the Group's profitability. Credit risk associated with derivatives transactions is categorized into settlement risk and pre-settlement risk. Credit proposals for derivatives transactions are approved by the Credit Committee. The credit exposure of each counterparty is estimated and monitored against approved counterparty limits by TMO on a daily basis.

Market risk

The Group, as a policy, hedges back-to-back all Options transactions. In addition, the Group does not carry any exchange risk on its Cross Currency Swaps portfolio as it hedges the exposure in the interbank market. To manage the interest rate risk of Interest Rate Derivatives, the Group has implemented various limits which are monitored and reported by TMO on a daily basis.

Liquidity risk

Derivatives transactions, usually being non-funded in nature, do not carry a specific funding liquidity risk.

The liquidity risk arises from the fact that in Pakistan, interest rate derivatives generally have a uni-directional demand, and no perfect hedge is available. The Group mitigates its risk by limiting the portfolio in terms of tenor, notional and sensitivity limits, and can also hedge its risk by taking on and off balance sheet positions in the interbank market, where available.

Operational risk

The staff involved in the trading, settlement and risk management of derivatives are carefully trained to deal with the complexities involved in the process. Adequate systems and controls are in place to carry out derivatives transactions smoothly. Each transaction is processed in accordance with the product program or a transaction memo, which contains detailed guidance on the accounting and operational aspects of the transaction to further mitigate operational risk. In addition, TMO and the Compliance and Control Department are assigned the responsibility of monitoring any deviation from policies and procedures. The Group's Audit and Inspection Group also reviews this function, with a regular review of systems, transactional processes, accounting practices and end-user roles and responsibilities.

The Group uses a derivatives system which provides an end-to-end valuation solution, supports the routine transactional process and provides analytical tools to measure various risk exposures, carry out stress tests and sensitivity analysis.

TMO produces various reports on a periodic basis which are reviewed by senior management. These reports provide details of the derivatives business profile such as outstanding positions, profitability, risk exposures and the status of compliance with limits.

Commodity price risk

Commodity price risk is the risk that the fair value of future cashflows from commodities transactions will fluctuate because of changes in market prices (other than those arising from profit risk or currency risk) whether those changes are caused by factors specific to the individual commodity or by factors affecting similar commodities traded in the market.

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For the year ended December 31, 2013

24.1 Product analysis

		2013											
		Interest rate swaps		Cross currency swaps		FX options		Forward sale contracts of government securities		Commodity futures		Total	
		Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)
With Banks for Hedging		3	2,331,163	-	-	-	-	-	-	-	-	-	-
Market making		1	245,757	3	10,447,400	-	-	-	-	-	-	-	-
		4	2,576,920	3	10,447,400	-	-	-	-	-	-	-	13,024,320
With other entities		4	3,146,655	1	102,840	-	-	-	-	-	-	-	3,249,495
Market making		4	3,146,655	1	102,840	-	-	-	-	-	-	-	3,249,495
Total		3	2,331,163	-	-	-	-	-	-	-	-	-	2,331,163
Hedging		5	3,392,413	4	10,550,240	-	-	-	-	-	-	-	13,942,653
Market making		8	5,723,576	4	10,550,240	-	-	-	-	-	-	-	16,273,816
		2012											
		Interest rate swaps		Cross currency swaps		FX options		Forward sale contracts of government securities		Commodity futures		Total	
		Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)
With Banks for Hedging		4	3,444,084	-	-	4	37,234	-	-	-	-	-	3,481,318
Market making		2	1,291,449	4	11,912,100	-	-	-	-	-	-	-	13,203,549
		6	4,735,533	4	11,912,100	4	37,234	-	-	-	-	-	16,684,867
With other entities		4	3,323,884	6	578,516	4	37,234	1	308,867	3	489	3	4,248,990
Market making		4	3,323,884	6	578,516	4	37,234	1	308,867	3	489	3	4,248,990
Total		4	3,444,084	-	-	4	37,234	-	-	-	-	-	3,481,318
Hedging		6	4,615,333	10	12,490,616	4	37,234	1	308,867	3	489	3	17,452,539
Market making		10	8,059,417	10	12,490,616	8	74,468	1	308,867	3	489	3	20,933,857

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24.2 Maturity analysis of derivatives

Remaining maturity	2013				
	Number of contracts	Notional principal	Unrealized		
			(Loss)	Gain	Net
----- (Rupees in '000) -----					
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 months to 1 year	2	4,333,400	-	143,304	143,304
1 to 2 years	2	6,216,840	(37,749)	-	(37,749)
2 to 3 years	-	-	-	-	-
3 to 5 years	6	3,250,765	(64,419)	145,743	81,324
5 to 10 years	2	2,472,811	(48,434)	55,665	7,231
Above 10 years	-	-	-	-	-
	<u>12</u>	<u>16,273,816</u>	<u>(150,602)</u>	<u>344,712</u>	<u>194,110</u>

Remaining maturity	2012				
	Number of contracts	Notional principal	Unrealized		
			(Loss)	Gain	Net
----- (Rupees in '000) -----					
Upto 1 month	1	308,867	-	803	803
1 to 3 months	4	22,489	-	11,763	11,763
3 to 6 months	12	459,584	(343)	-	(343)
6 months to 1 year	3	4,365,750	(72,511)	45,841	(26,670)
1 to 2 years	2	3,861,950	(4,675)	41	(4,634)
2 to 3 years	2	5,855,800	(1,388)	93,967	92,579
3 to 5 years	2	582,898	(14,754)	15,265	511
5 to 10 years	6	5,476,519	(175,363)	321,451	146,088
Above 10 years	-	-	-	-	-
	<u>32</u>	<u>20,933,857</u>	<u>(269,034)</u>	<u>489,131</u>	<u>220,097</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

	2013	2012
	----- (Rupees in '000) -----	
25. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to customers	34,426,814	38,780,390
On lendings to financial institutions		
Call money lending	8,087	11,599
Securities purchased under resale agreements	416,220	330,322
Other lendings to financial institutions	593,503	496,519
	1,017,810	838,440
On investments in		
Held for trading securities	554,103	829,522
Available for sale securities	27,203,541	23,102,020
Held to maturity securities	12,420,776	11,555,922
	40,178,420	35,487,464
On deposits with financial institutions	86,126	273,567
	75,709,170	75,379,861
26. MARK-UP / RETURN / INTEREST EXPENSED		
On deposits	29,623,050	28,377,452
On securities sold under repurchase agreements	3,357,395	3,836,423
On other short term borrowings	2,227,315	1,986,813
On long term borrowings	992,047	1,558,402
	36,199,807	35,759,090
27. GAIN ON SALE OF SECURITIES - NET		
Federal Government Securities		
Market Treasury Bills	151,918	176,751
Pakistan Investment Bonds	561,549	40,845
	713,467	217,596
Ordinary shares		
Listed companies	976,700	435,338
Unlisted companies	-	17,078
	976,700	452,416
Other securities	1,335,963	589,464
	3,026,130	1,259,476

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

	Note	2013	2012
		----- (Rupees in '000) -----	
28. OTHER INCOME			
Charges recovered		549,571	558,144
Grant income		123,109	284,294
Rent on properties		177,061	161,057
Income from dealing in derivatives		211,115	2,965,657
Gain on sale of operating fixed assets - net		25,171	26,370
Gain / (loss) on trading liabilities - net		41,371	(2,397)
		<u>1,127,398</u>	<u>3,993,125</u>
29. ADMINISTRATIVE EXPENSES			
Salaries, allowances etc.	29.1	10,533,310	9,753,429
Charge for compensated absences		547,017	548,507
Medical expenses		481,071	442,961
Contribution to defined contribution plan		271,324	233,063
Charge in respect of defined benefit obligations		164,540	106,616
Rent, taxes, insurance, electricity etc.		3,733,828	3,175,165
Depreciation	11.2	1,799,054	1,580,483
Amortization	11.3	485,822	447,865
Outsourced service charges including sales commission		3,111,398	2,286,923
Communications		1,100,014	1,024,338
Banking service charges		926,545	882,119
Cash transportation charges		447,522	402,064
Stationery and printing		566,078	533,538
Legal and professional charges		383,906	385,012
Advertisement and publicity		703,528	674,873
Repairs and maintenance		1,266,100	1,166,087
Travelling		257,667	287,868
Office running expense		496,359	451,408
Vehicle expense		190,044	181,965
Entertainment		181,370	158,742
Cartage, freight and conveyance		96,626	95,907
Insurance expense		161,497	141,242
Auditors' remuneration	29.2	81,554	77,938
Training and seminars		96,655	116,239
Brokerage expenses		44,557	28,134
Subscriptions		107,996	68,391
Donations	29.3	77,237	35,136
Non-executive Directors' fees		33,915	34,133
Zakat paid by overseas branch		98,257	84,803
Miscellaneous expenses		125,778	153,480
		<u>28,570,569</u>	<u>25,558,429</u>

29.1 This includes employee benefits in the form of awards / bonus to all permanent staff including the Chief Executive Officer and is determined on the basis of employees' evaluation and the Group's performance during the year. The aggregate benefit determined in respect of all permanent staff amounted to Rs. 1,174.609 million (2012: Rs.1,081.039 million).

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

29.2 Auditors' remuneration

	2013			Total
	KPMG Taseer Hadi & Co.	BDO Ebrahim & Co.	Overseas Auditors	
	(Rupees in '000)			
Audit fee - Bank	6,455	6,455	34,011	46,921
Audit fee - subsidiaries	-	425	23,425	23,850
Audit fee - EPZ branch	250	-	-	250
Fee for other certifications	-	2,848	5,278	8,126
Out of pocket expenses	408	1,602	397	2,407
	<u>7,113</u>	<u>11,330</u>	<u>63,111</u>	<u>81,554</u>

	2012			Total
	Ernst & Young Ford Rhodes Sidat Hyder	BDO Ebrahim & Co.	Overseas Auditors	
	(Rupees in '000)			
Audit fee - Bank	6,455	6,455	30,522	43,432
Audit fee - subsidiaries	-	425	19,558	19,983
Audit fee - EPZ branch	250	-	-	250
Fee for other certifications	2,105	2,075	4,210	8,390
Out of pocket expenses	3,143	2,723	17	5,883
	<u>11,953</u>	<u>11,678</u>	<u>54,307</u>	<u>77,938</u>

29.3 Details of donations

Donations individually exceeding Rs.0.1 million

	2013	2012
	(Rupees in '000)	
Lahore University of Management Sciences	20,000	500
The Citizens Foundation	12,545	1,000
Forman Christian College	10,000	-
Gulab Devi Chest Hospital	10,000	-
Shalamar Hospital	5,000	-
The Sir Syed Memorial Society	5,000	-
Friends of Burns Centre	2,600	1,296
Hisaar Foundation	2,290	3,060
Sukkur Institute of Business Administration	1,560	-
Developments in Literacy	1,000	-
Al-Mehrab Tibbi Imdad	1,000	1,000
Government College University, Lahore	1,000	-
Marie Adelaide Leprosy Centre	850	850
Abdul Sattar Edhi Foundation	700	-
Bazm-e-Kiran	600	-
Buksh Foundation	540	-
Burhani Medical Welfare Association	540	-
SOS Children's Villages of Pakistan	450	450
Shaukat Khanum Memorial Trust	200	-
The Kidney Center Post Graduate Training Institute	200	2,700
Swiss Muslim Society, Switzerland	165	100
Karwan-e-Hayat	150	150
Rotary Club of Karachi Continental, Pakistan	120	-
Institute of Business Administration	100	20,000
Sindh Welfare Association of the Deaf	25	324
Children Welfare Society	-	200
Kaghan Memorial Trust	-	500
Mukhtar Mai Women's Organization	-	500
Naseer Construction Co. (Renovation of courts)	-	277
Subh-e-Nau	-	500
Sargodhian Spirit Trust	-	200
Sindh Institute of Urology and Transplantation	-	200
Pakistan Foundation Fighting Blindness	-	500
Drug Free Pakistan Foundation	-	200
The Oxford and Cambridge Society Karachi	-	165
	<u>602</u>	<u>464</u>
	<u>77,237</u>	<u>35,136</u>

29.3.1 Donations were not made to any donee in which a Director or his spouse had any interest.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

	Note	2013	2012		
		----- (Rupees in '000) -----			
30. OTHER PROVISIONS - Net					
Provision against other assets - net	12.2	26,210	190,619		
Provision against off - balance sheet obligations	20.1	-	249		
Impairment loss on non-banking assets acquired in satisfaction of claims		180,489	147,994		
Other provisions		122,465	137,834		
(Reversal) / provision against Ijarah Assets - Specific		(4,184)	12,485		
Provision against Ijarah Assets - General		582	141		
		<u>325,562</u>	<u>489,322</u>		
31. WORKERS' WELFARE FUND					
Under the Workers' Welfare Ordinance, 1971, certain entities of the Group are liable to pay Workers' Welfare Fund @ 2% of profit before tax as per the financial statements or declared income as per the income tax return, whichever is higher.					
32. OTHER CHARGES		2013	2012		
		----- (Rupees in '000) -----			
Penalties imposed by the SBP		247,411	63,986		
Other penalties		1,966	998		
		<u>249,377</u>	<u>64,984</u>		
33. TAXATION		2013	2012		
		----- (Rupees in '000) -----			
		Overseas	Azad Kashmir	Domestic	Total
Current		1,762,383	91,301	6,448,627	8,302,311
Prior years		61,607	-	285	61,892
Deferred		(50,325)	672	919,857	870,204
		<u>1,773,665</u>	<u>91,973</u>	<u>7,368,769</u>	<u>9,234,407</u>
		Overseas	Azad Kashmir	Domestic	Total
Current		1,321,121	158,000	7,582,750	9,061,871
Prior years		489,602	-	330	489,932
Deferred		(448,015)	1,442	(36,690)	(483,263)
		<u>1,362,708</u>	<u>159,442</u>	<u>7,546,390</u>	<u>9,068,540</u>
33.1 Relationship between tax expense and accounting profit		2013	2012		
		----- (Rupees in '000) -----			
Accounting profit for the year		<u>28,965,178</u>	<u>28,315,979</u>		
Tax on income @ 35% (2012: 35%)		10,137,812	9,910,593		
Tax effect of items that are either not included in determining taxable profit or taxed at reduced rates (permanent differences)		(971,208)	(877,103)		
Tax - prior years		61,892	489,932		
Others		5,911	(454,882)		
Tax charge		<u>9,234,407</u>	<u>9,068,540</u>		
34. EARNINGS PER SHARE					
Profit after tax attributable to equity shareholders of the Bank		<u>19,285,513</u>	<u>19,158,142</u>		
		----- (Number of shares) -----			
Weighted average number of ordinary shares		<u>1,224,179,687</u>	<u>1,224,179,687</u>		
		----- (Rupees) -----			
Earnings per share - basic and diluted		<u>15.75</u>	<u>15.65</u>		

Notes to and forming part of the Consolidated Financial Statements

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34.1 Diluted earnings per share has not been presented separately as the Bank does not have any convertible instruments in issue at December 31, 2013 or 2012.

	Note	2013	2012
		----- (Rupees in '000) -----	
35. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	89,591,601	94,846,802
Balances with other banks	7	32,658,606	21,967,703
		<u>122,250,207</u>	<u>116,814,505</u>

		----- (Number) -----	
36. STAFF STRENGTH			
Permanent		9,262	9,292
On contract		55	88
Group's own staff strength		<u>9,317</u>	<u>9,380</u>
Outsourced		<u>4,291</u>	<u>3,985</u>
Total		<u>13,608</u>	<u>13,365</u>

37. DEFINED BENEFIT PLANS

37.1 The Bank

37.1.1 General description

The Bank operates a funded pension scheme established in 1986. The Bank also operates a funded gratuity scheme for new employees and for those employees who have not opted for the pension scheme. The Bank also operates a contributory benevolent fund scheme and provides post-retirement medical benefits to eligible retired employees. The benevolent fund scheme and the post-retirement medical scheme cover all regular employees of the Bank who joined the Bank pre-privatization. The Bank also maintains an employee compensated absences scheme. The liabilities of the Bank in respect of these schemes are determined based on actuarial valuations carried out using the Projected Unit Credit Method. Actuarial valuations of the defined benefit schemes are carried out every year and the latest valuation was carried out as at December 31, 2013.

37.1.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2013	2012
	----- (Number) -----	
- Pension fund	6,326	7,348
- Gratuity fund	6,733	6,645
- Benevolent fund	5,709	6,386
- Post-retirement medical benefit scheme	7,729	8,003

The pension fund, benevolent fund and post retirement medical benefit schemes include 4,484 (2012: 5,349), 2,446 (2012: 2,745) and 4,766 (2012: 4,695) members respectively who have retired or whose widows are receiving the benefits.

37.1.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2013 using the following significant assumptions:

	2013	2012
	----- Per annum -----	
Discount rate / expected rate of return on plan assets	12.75%	12.00%
Expected rate of salary increase	10.75%	10.00%
Expected rate of increase in pension / medical benefit	5.00%	4.25%

Notes to and forming part of the Consolidated Financial Statements

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37.1.4 Reconciliation of (receivable from) / payable to defined benefit plans

Note	2013				2012			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit
	(Rupees in '000)							
Present value of obligations	3,245,250	588,580	375,149	930,955	3,537,429	523,053	409,721	943,927
Fair value of plan assets	(3,304,214)	(436,139)	(856,535)	-	(5,137,979)	(409,974)	(836,962)	-
(Receivable) / payable	(58,964)	152,441	(481,386)	930,955	(1,600,550)	113,079	(427,241)	943,927

37.1.5 Movement in defined benefit obligations

Obligations at the beginning of the year	3,537,429	523,053	409,721	943,927	3,671,958	472,157	424,851	831,508
Current service cost	10,223	67,263	5,903	5,155	10,431	58,356	5,779	5,008
Interest cost	145,402	62,159	43,743	113,581	155,593	61,107	49,198	108,422
Benefits paid by the Bank	(604,437)	(118,176)	(82,787)	(102,704)	(610,815)	(93,440)	(84,794)	(106,033)
Return allocated to other funds	231,326	-	-	-	284,869	-	-	-
Actuarial (gain) / loss on obligations	(74,693)	54,281	(1,431)	(29,004)	25,393	24,873	14,687	105,022
Obligations at the end of the year	3,245,250	588,580	375,149	930,955	3,537,429	523,053	409,721	943,927

37.1.6 Movement in fair value of plan assets

Fair value at the beginning of the year	5,137,979	409,974	836,962	-	5,477,630	381,841	827,840	-
Interest income on plan assets	557,344	52,901	91,856	-	651,709	50,375	97,571	-
Contribution by the Bank	-	82,400	4,149	-	-	79,253	4,618	-
Contribution by the employees	-	-	4,149	-	-	-	4,618	-
Amount paid by the fund to the Bank	(2,416,372)	(123,041)	(82,958)	-	(1,020,452)	(98,284)	(94,751)	-
Actuarial gain / (loss) on plan assets	25,263	13,905	2,377	-	29,092	(3,211)	(2,934)	-
Fair value at the end of the year	3,304,214	436,139	856,535	-	5,137,979	409,974	836,962	-

37.1.7 Movement in (receivable) / payable under defined benefit schemes

Opening balance	(1,600,550)	113,079	(427,241)	943,927	(1,805,672)	90,316	(402,989)	831,508
Mark-up receivable on Bank's balance with the fund	(43,851)	(120)	(171)	-	(1,939)	(61)	(168)	-
(Reversal) / charge for the year	(170,393)	76,521	(46,359)	118,736	(200,816)	69,088	(47,212)	113,430
Contribution by the Bank	-	(82,400)	(4,149)	-	-	(79,253)	(4,618)	-
Amount paid by the Fund to the Bank	2,416,372	123,041	82,958	-	1,020,452	98,284	94,751	-
Actuarial (gain) / loss recognised in OCI	(56,105)	40,496	(3,637)	(29,004)	(1,760)	28,145	17,789	105,022
Benefits paid by the Bank	(604,437)	(118,176)	(82,787)	(102,704)	(610,815)	(93,440)	(84,794)	(106,033)
Closing balance	(58,964)	152,441	(481,386)	930,955	(1,600,550)	113,079	(427,241)	943,927

37.1.8 Charge for defined benefit plans

37.1.8.1 Cost recognised in profit and loss

Current service cost	10,223	67,263	5,903	5,155	10,431	58,356	5,779	5,008
Net interest on defined benefit asset / liability	(411,942)	9,258	(48,113)	113,581	(496,116)	10,732	(48,373)	108,422
Return allocated to other funds	231,326	-	-	-	284,869	-	-	-
Employees' contribution	-	-	(4,149)	-	-	-	(4,618)	-
	(170,393)	76,521	(46,359)	118,736	(200,816)	69,088	(47,212)	113,430

37.1.8.2 This represents return allocated to those employees who exercised the conversion option offered in the year 2001, as referred to in note 5.11.1.

37.1.9 Re-measurements recognised in OCI during the year

	2013				2012			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit
	(Rupees in '000)							
Actuarial gain / (loss) on obligations								
- Demographic assumptions	6,368	(2,544)	17,073	713	(14,122)	3,224	(18,721)	(5,370)
- Financial assumptions	(29,619)	(32,512)	(17,697)	(9,102)	-	-	-	-
- Experience adjustments	97,944	(19,225)	2,055	37,393	(11,271)	(28,098)	4,034	(99,652)
Return on plan assets over interest income	25,263	13,905	2,377	-	29,092	(3,211)	(2,934)	-
Adjustment for markup	(43,851)	(120)	(171)	-	(1,939)	(61)	(168)	-
Total re-measurements recognised in OCI	56,105	(40,496)	3,637	29,004	1,760	(28,146)	(17,789)	(105,022)

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37.1.10 Components of plan assets

	2013			2012		
	Pension fund	Gratuity fund	Benevolent fund	Pension fund	Gratuity fund	Benevolent fund
	(Rupees in '000)					
Cash and cash equivalents - net of current liabilities	14,909	307	340	2,393	3,067	628
Quoted securities						
Ordinary shares	93,436	5,750	13,097	59,226	3,645	8,302
Preference shares	-	-	-	-	-	2,100
Term finance certificates	472,327	11,407	15,768	550,653	13,795	15,425
Unquoted securities						
Term finance certificates	-	-	-	-	-	-
Certificates of Investment	77,477	-	23,328	71,477	-	21,528
Pakistan Investment Bonds	1,964,777	123,422	344,283	2,504,018	154,306	582,025
Treasury Bills	-	228,253	412,713	163,754	7,851	12,869
Special Savings Certificates	666,686	81,294	47,006	1,786,458	227,310	194,085
Reverse Repo	-	308	-	-	-	-
Other	14,602	(14,602)	-	-	-	-
	<u>3,304,214</u>	<u>436,139</u>	<u>856,535</u>	<u>5,137,979</u>	<u>409,974</u>	<u>836,962</u>

37.1.11 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of a change in each assumption is summarized below:

	2013			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit
	(Rupees in '000)			
Increase in Discount Rate by 1%	(73,361)	(37,605)	(20,650)	(69,820)
Decrease in Discount Rate by 1%	83,585	43,343	23,099	80,465
Increase in expected future increment in salary by 1%	-	46,609	-	-
Decrease in expected future increment in salary by 1%	-	(41,051)	-	-
Increase in expected future increment in pension by 1%	74,381	-	-	-
Decrease in expected future increment in pension by 1%	(66,015)	-	-	-
Increase in expected future increment in medical benefit by 1%	-	-	-	78,858
Decrease in expected future increment in medical benefit by 1%	-	-	-	(69,561)
If the withdrawal rate is light	(24,306)	(22,073)	(14,904)	(7,644)
If the withdrawal rate is heavy	21,215	18,019	12,949	6,674

Although the analysis does not take account of the full distribution of expected cash flows, it does provide an approximation of the sensitivity of the assumptions shown.

37.1.12 Expected contributions to be paid to the funds in the next financial year

The Bank contributes to the pension and gratuity funds according to the actuary's advice. Contribution to the benevolent fund is made by the Bank as per the rates set out in the benevolent fund scheme. Based on actuarial advice, management estimates that the expected contribution and charge / (reversal) for the year ended December 31, 2014, would be as follows:

	2014			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit
	(Rupees in '000)			
Expected contribution	2,833	99,392	3,879	-
Expected charge / (reversal) for the year	2,833	99,392	(60,106)	123,769

37.1.13 Maturity profile

	2013			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit
The weighted average duration of the obligation (in years)	7.44	7.71	6.55	9.04

37.1.14 Funding Policy

The Bank endeavours to ensure that liabilities under the various employee benefit schemes are covered by the Fund on any valuation date having regards to the various actuarial assumptions such as projected future salary increase, expected future contributions to the fund, projected increase in liability associated with future service and the projected investment income of the Fund.

37.2 United National Bank Limited Pension and Life Assurance Scheme for U.K Employees.

As part of the Shareholders' Agreement ("the Agreement") signed on November 9, 2001 between UNBL and its shareholders, United Bank Limited and National Bank of Pakistan (NBP), it was agreed that UNBL may participate as an associated employer in the United Bank Limited Pension and Life Assurance Scheme ("the Scheme") with effect from November 19, 2001, the date of completion of transfer of the businesses from the Bank and NBP into UNBL (the Completion Date). The Scheme is classified as a defined benefit scheme providing benefits based on final pensionable salary.

Under the terms of the Agreement, UNBL is responsible for the funding requirements of the active members whose employment was transferred to UNBL on the Completion Date and for any new members admitted to the scheme after the Completion Date. United Bank Limited remains responsible for the funding of the deferred members upto the Completion Date. The scheme is closed for new members and the accrual of benefits has ceased from January 1, 2010.

Full actuarial valuations using the Projected Unit Credit Method are obtained triennially and updated at each statement of financial position date.

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The last full actuarial valuation of the scheme was carried out at January 1, 2012 by a qualified actuary. The major assumptions used by the actuary in the latest update as of December 31, 2013 are as follows:

	2013	2012
	----- Per annum -----	
Discount rate	4.40%	4.10%
Rate of revaluation of pension in deferment	3.00%	2.20%
Expected rate of salary increase	0.00%	0.00%
Expected rate of pension increase	3.50%	3.00%
Price inflation	3.50%	2.70%

37.2.1 The assets and liabilities of the scheme noted below relate to those employees for whom UNBL has a funding liability.

	2013		2012	
	Return	(Rupees in '000)	Return	(Rupees in '000)
Insurance policy	<u>4.95%</u>	<u>718,604</u>	<u>3.80%</u>	<u>614,288</u>
Market value of assets		718,604		614,288
Actuarial value of liability		<u>(843,131)</u>		<u>(764,130)</u>
Gross pension liability		<u>(124,527)</u>		<u>(149,842)</u>
Related deferred tax relief		<u>26,125</u>		<u>35,969</u>
Net pension liability		<u>(98,402)</u>		<u>(113,873)</u>

37.2.2 Movement in surplus / (deficit) during the year

	2013	2012
	----- (Rupees in '000) -----	
Obligation at the beginning of the year	(149,842)	(23,704)
Interest expense	(8,113)	(5,476)
Actuarial gain / loss	50,159	(117,239)
Exchange adjustment	<u>(16,731)</u>	<u>(3,423)</u>
Deficit in scheme at the end of the year	<u>(124,527)</u>	<u>(149,842)</u>
Related deferred tax relief	<u>26,125</u>	<u>35,969</u>
Obligation at the end of the year	<u>(98,402)</u>	<u>(113,873)</u>

No Directors were members of the defined benefit scheme during the year or as at December 31, 2013.

37.2.3 Analysis of the amount credited / (debited) to net interest income

Expected return on pension scheme assets	23,223	24,567
Interest on pension scheme liabilities	<u>(31,336)</u>	<u>(30,043)</u>
Net return	<u>(8,113)</u>	<u>(5,476)</u>

37.3 UBL Fund Managers Limited

37.3.1 Principal actuarial assumptions

UFML operates a funded gratuity scheme. The liability of UFML in respect of this scheme is determined based on an annual actuarial valuation carried out using the Projected Unit Credit Method. The latest valuation was carried out as at December 31, 2013. The main assumptions used in the actuarial valuation are as follows:

	2013	2012
	----- Per annum -----	
Discount rate	12.75%	12.00%
Expected rate of return on plan assets	12.75%	12.00%
Expected rate of salary increase	12.75%	12.00%

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	2013	2012
	----- (Rupees in '000) -----	
37.3.2 Reconciliation of payable to defined benefit plan		
Present value of defined benefit obligations	38,122	33,565
Fair value of plan assets	<u>(32,445)</u>	<u>(25,225)</u>
Payable	<u>5,677</u>	<u>8,340</u>
37.3.3 Movement in defined benefit obligation		
Obligation at the beginning of the year	33,565	24,330
Current service cost	6,736	5,573
Interest cost	4,327	3,441
Benefits paid	(5,830)	(2,381)
Actuarial (gain) / loss	(676)	2,602
Obligation at the end of the year	<u>38,122</u>	<u>33,565</u>
37.3.4 Movement in the fair value of plan assets		
Fair value of plan assets at the beginning of the year	25,225	16,295
Expected return on plan assets	3,373	2,441
Contributions to the plan	6,573	6,597
Benefits paid	(5,830)	(2,381)
Actuarial gains	3,104	2,273
	<u>32,445</u>	<u>25,225</u>
37.3.5 Composition of plan assets		
Debt securities	21,438	16,250
Cash	4,405	497
Equity securities	6,602	6,387
Others	-	2,091
	<u>32,445</u>	<u>25,225</u>
37.3.6 Charge for defined benefit plan		
Current service cost	6,736	5,573
Interest cost	4,327	3,441
Expected return on plan assets	(3,373)	(2,441)
Amortization of loss	-	-
	<u>7,690</u>	<u>6,573</u>
Actual return on plan assets	<u>6,478</u>	<u>4,714</u>
37.3.7 Movement in net liability recognised		
Opening net asset	6,573	6,597
Expense recognised	7,690	6,573
Contribution to the fund made during the year	(6,573)	(6,597)
Closing net assets	<u>7,690</u>	<u>6,573</u>

38 OTHER EMPLOYEE BENEFITS

38.1 Defined contribution plan

The Bank operates a contributory provident fund scheme for 6,733 (2012: 6,645) employees who are not in the pension scheme. The employer and employee each contribute 8.33% of the basic salary to the funded scheme every month.

UFML operates a contributory provident fund scheme. The employer and employee each contribute 10% of the basic salary to the funded scheme every month.

UBL Bank (Tanzania) Limited operates a contributory provident fund scheme. The employer and employee each contribute 10% of the basic salary to the funded scheme every month.

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38.2 Employee Motivation and Retention Scheme

The Bank has a long term motivation and retention scheme for its employees. The liability of the Bank in respect of the scheme for each year, if any, is fixed, and is accounted for in the year to which the scheme relates. The scheme is managed by separate Trusts formed in respect of each year. During the year, Rs. 280.668 million (2012: Rs. 242.366 million) and Rs. 41.716 million (2012: Rs. 30.796 million) were received by the Executives and the Chief Executive respectively from the scheme. No new Trust was set up during the current year.

Employee Stock Option Scheme

UBL Fund Managers has an incentive scheme for its top performing employees in the form of share options under the policy of Employee Stock Option Scheme (ESOS). The options give a right to eligible employees to acquire shares of UFML granted at a specified exercise price. The options vest over 3 years with 50% vesting at the end of second year and 50% vesting at the end of third year. During the year, 182,300 shares were issued pursuant to exercise of the share options.

38.3 Benazir Employees' Stock Option Scheme

Based on a decision by the Cabinet Committee on Privatization, the banking sector has been excluded from the purview of Benazir Employees' Stock Option Scheme.

39. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2013	2012	2013	2012	2013	2012
	----- (Rupees in '000) -----					
Fees	-	-	33,915	34,133	17,206	12,328
Managerial remuneration	120,707	83,526	-	-	5,031,512	4,012,502
Charge for defined benefit plan	1,442	1,457	-	-	371,662	301,221
Charge for defined contribution plan	2,476	2,263	-	-	152,562	123,264
Rent and house maintenance	4,346	3,607	-	-	557,003	467,422
Utilities	704	847	-	-	256,231	226,678
Medical	61	21	-	-	120,404	109,134
Conveyance	-	-	-	-	347,619	324,243
Others	8,632	6,203	-	-	348,657	248,941
	<u>138,368</u>	<u>97,924</u>	<u>33,915</u>	<u>34,133</u>	<u>7,202,856</u>	<u>5,825,733</u>
Number of persons	<u>1</u>	<u>1</u>	<u>8</u>	<u>8</u>	<u>1,722</u>	<u>1,584</u>

The Bank's President / Chief Executive Officer and certain Executives are provided with use of Bank maintained cars and household equipment.

In addition to the above, all Executives including the Chief Executive Officer of the Bank, are also entitled to certain short and long term employee benefits which are disclosed in notes 37 and 38 to these financial statements.

40. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. The fair value of unquoted equity securities, other than investments in associates is determined on the basis of the break-up value of these investments as per their latest available audited financial statements. The fair value of associates is based on the net assets of the associates as per their latest financial statements.

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The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short-term in nature or, in the case of customer loans and deposits, are frequently repriced.

41. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the year ended December 31, 2013						
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Asset management	Others	Inter segment elimination
	(Rupees in '000)						
Total income	282,494	16,596,160	30,173,011	10,450,893	630,038	2,075,510	-
Total expenses	(84,684)	(1,373,533)	(23,960,130)	(4,477,486)	(457,595)	(889,500)	-
Profit before tax	197,810	15,222,627	6,212,881	5,973,407	172,443	1,186,010	-
Segment return on assets (ROA)	35.1%	2.1%	0.6%	1.0%	19.9%	-	-
Segment cost of funds	1.4%	6.1%	3.7%	6.4%	-	-	-

	For the year ended December 31, 2012						
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Asset management	Others	Inter segment elimination
	(Rupees in '000)						
Total income	246,954	12,018,638	34,923,081	9,248,872	724,244	2,049,648	-
Total expenses	(371,448)	(798,262)	(21,462,971)	(6,648,687)	(453,504)	(1,160,586)	-
Profit before tax	(124,494)	11,220,376	13,460,110	2,600,185	270,740	889,062	-
Segment return on assets (ROA)	-7.7%	1.9%	1.4%	0.5%	32.7%	-	-
Segment cost of funds	0.8%	7.7%	4.1%	8.4%	-	-	-

	As at December 31, 2013						
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Asset management	Others	Inter segment elimination
	(Rupees in '000)						
Segment assets (gross of NPLs provisions)	871,272	542,686,795	796,930,956	408,036,105	883,739	88,011,300	(709,289,506)
Segment non performing loans (NPLs)	686,875	2,065,568	25,055,587	26,826,792	-	200,110	-
Segment provision held against NPLs	489,059	1,708,033	20,397,714	21,842,639	-	60,500	-
Segment liabilities	254,094	497,317,706	804,325,091	369,858,106	114,926	9,779,152	(709,289,506)

	As at December 31, 2012						
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Asset management	Others	Inter segment elimination
	(Rupees in '000)						
Segment assets (gross of NPLs provisions)	1,433,174	450,699,629	685,611,394	390,266,030	737,335	85,613,478	(608,417,333)
Segment non performing loans (NPLs)	1,016,151	2,122,695	26,368,364	28,742,837	-	200,110	-
Segment provision held against NPLs	441,892	1,520,078	20,786,315	20,788,911	-	60,153	-
Segment liabilities	1,069,695	404,871,830	688,501,759	356,701,543	110,087	17,581,079	(608,417,333)

Segment assets and liabilities include inter segment balances.

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

42. TRUST ACTIVITIES

The Group is not engaged in any significant trust activities. However, it acts as custodian for some of the Term Finance Certificates it arranges and distributes on behalf of its customers.

43. RELATED PARTY TRANSACTIONS

The Group has related party transactions with its associates, employee benefit plans and its Directors and executive officers (including their associates).

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

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

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43.1 RELATED PARTY TRANSACTIONS

	2013				2012			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
	(Rupees in '000)							
Balances with other banks								
In deposit accounts	-	-	-	-	-	-	-	773,770
Lendings to financial institutions								
Other lendings to financial institutions	-	-	-	-	-	-	-	810,000
Investments								
Opening balance	-	-	12,635,789	432,586	-	-	16,282,680	315,930
Investment made during the year	-	-	2,027,196	971,319	-	-	2,927,737	193,225
Investment redeemed / disposed off during the year	-	-	(8,170,659)	(491,881)	-	-	(7,170,846)	(76,569)
Transfer in / (out) - net	-	-	-	3,108,478	-	-	200,000	-
Equity method adjustments	-	-	1,240,572	-	-	-	396,018	-
Closing balance	-	-	7,732,898	4,020,502	-	-	12,635,789	432,586
Provision for diminution in value of investments	-	-	-	38,942	-	-	-	53,658
Advances								
Opening balance	-	254,497	-	11,913,710	871	236,603	-	11,873,489
Addition during the year	-	123,214	-	9,707,517	-	147,808	-	12,490,542
Repaid during the year	-	(108,849)	-	(21,208,273)	(871)	(129,914)	-	(12,450,321)
Transfer in / (out) - net	-	-	2,155,149	-	-	-	-	-
Closing balance	-	268,862	2,155,149	412,954	-	254,497	-	11,913,710
Provision held against advances	-	-	2,155,149	-	-	-	-	-
Other Assets								
Interest mark-up accrued	-	78	-	146,360	-	116	-	439,800
Receivable from staff retirement funds	-	-	-	60,977	-	-	-	1,600,550
Prepaid insurance	-	-	19	-	-	-	16	-
Remuneration receivable from management of funds	-	-	37,991	1,338	-	-	12,908	143
Sales load receivable	-	-	1,191	-	-	-	2,102	-
Formation cost receivable	-	-	12,270	-	-	-	2,771	-
Advance for Pre-IPO investment	-	-	-	-	-	-	-	364,000
Receivable against redemption of units of mutual funds	-	-	-	-	-	-	1,004,226	-
Dividend receivable	-	-	1,201	-	-	-	-	-
Other receivable	-	-	3,156	-	-	-	1,438	-
Borrowings								
Opening balance	-	-	-	306,215	-	-	-	449,740
Borrowings during the year	-	-	2,155,493	16,356,760	-	-	4,548,669	88,156,884
Settled during the year	-	-	(2,155,493)	(16,662,975)	-	-	(4,548,669)	(88,300,409)
Closing balance	-	-	-	-	-	-	-	306,215
Deposits and other accounts								
Opening balance	6,173,963	128,400	824,546	2,583,608	2,898,779	101,090	1,310,093	2,045,334
Received during the year	22,861,734	1,062,030	67,508,254	206,417,373	6,948,406	950,365	55,101,601	84,070,309
Withdrawn during the year	(21,522,949)	(1,029,142)	(67,665,288)	(207,536,396)	(3,673,222)	(923,055)	(55,587,148)	(83,532,035)
Transfer in / (out) - net	(6,275)	-	-	(729,586)	-	-	-	-
Closing balance	7,506,473	161,288	667,512	734,999	6,173,963	128,400	824,546	2,583,608
Subordinated loans	-	-	-	-	-	5	5,998	-
Other Liabilities								
Interest / mark-up payable on deposits	32,260	1,265	-	3,511	75,061	1,910	-	13,370
Interest / mark-up payable on borrowings	-	-	-	-	-	-	-	837
Interest / mark-up payable on subordinated loans	-	-	-	-	-	0	167	-
Payable to staff retirement fund	-	-	-	250,844	-	-	-	228,720
Contingencies and Commitments								
Letter of guarantee	-	-	78,051	-	-	-	71,993	-
Forward foreign exchange contracts purchase	-	-	-	-	-	-	-	2,914,491
Forward foreign exchange contracts sale	-	-	-	-	-	-	-	2,817,341

	2013				2012			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
	(Rupees in '000)							
Mark-up / return / interest earned	-	11,582	-	932,765	77	12,652	-	1,833,517
Commission / charges recovered	14	84	18,178	27,459	30	24	987	36,929
Dividend received	-	-	36,680	459,451	-	-	2,058,392	1,136
Net gain / (loss) on sale of securities	-	-	927,907	8,719	-	-	(271,414)	8,006
Realised gain on derivative transactions	-	-	-	-	-	-	-	1,123,975
Remuneration from management of fund	-	-	411,390	12,078	-	-	592,498	9,413
Sales Load	-	-	91,540	-	-	-	30,781	-
Other income	-	153	4,266	-	-	685	4,682	-
Mark-up / return / interest paid	260,037	3,604	56,922	114,301	194,070	3,535	13,662	123,797
Remuneration paid	-	1,032,942	-	-	-	698,824	-	-
Post employment benefits	-	29,650	-	-	-	26,187	-	-
Non-executive directors' fee	33,915	-	-	-	34,133	-	-	-
Net charge for defined contribution plans	-	-	-	271,324	-	-	-	233,063
Net reversal for defined benefit plans	-	-	-	(73,920)	-	-	-	(115,170)
Payment for employee motivation and retention scheme	-	-	-	-	-	-	-	250,000
Donation	-	-	-	-	-	-	-	75
Insurance premium paid	-	-	269,165	-	-	-	258,389	-
Insurance claims settled	-	-	175,176	-	-	-	151,292	-
Other expenses	-	-	20,605	87,192	-	-	-	79,446

Notes to and forming part of the Consolidated Financial Statements

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44. CAPITAL ADEQUACY

44.1 The State Bank of Pakistan (SBP) through its BPRD Circular No. 6 dated August 15, 2013 has issued Basel III Capital instructions for Banks / DFIs. The revision to the previously applicable Capital Adequacy regulations pertain to components of eligible capital and related deductions. The amendments have been introduced with an aim to further strengthen the existing capital related rules. Basel III instructions have become effective from December 31, 2013; however, there is a transitional phase during which the complete requirements would become applicable with full implementation by December 31, 2019. This Capital Adequacy framework is applicable to the Group.

The Group's capital adequacy is reported using the rules and ratios provided by the State Bank of Pakistan. The capital adequacy ratio is a measure of the amount of a Group's capital expressed as a percentage of its risk weighted assets (RWAs). Banking operations are categorized as either Trading Book or Banking Book and RWAs are determined according to specific treatments as per the requirements of SBP that measure the varying levels of risk attached to on balance sheet and off-balance sheet exposures. Under the current capital adequacy regulations, credit risk and market risk exposures are measured using the Standardized Approach and operational risk is measured using the Basic Indicator Approach. Credit risk mitigants are also applied against the Group's exposures based on eligible collateral.

The scope of the Internal Capital Adequacy Assessment Process (ICAAP) includes United Bank Limited on a standalone basis. This framework has been revised as per the new guidelines provided by the SBP. The ICAAP has been approved by the Bank's Board of Directors and submitted to the SBP. The Bank additionally covers risks not yet included under Pillar I, so as to carry adequate capital to cater for any future business requirements. The Bank reviews the ICAAP on an annual basis and changes/updates are recommended to the Board Risk Management Committee for onward approval of the Board of Directors.

The Group plans to move towards the Advanced Approaches as prescribed under Basel Framework, including the Foundation Internal Ratings Based Approach for credit risk, Internal Models Approach for market risk and the Alternate Standardized Approach for operational risk.

44.2 Capital Management

The objective of managing capital is to safeguard the Group's ability to continue as a going concern. It is the policy of the Group to maintain a strong capital base so as to maintain investor, depositor and market confidence and to sustain future development of the business. The Group aims to maintain an optimum level of capital along with maximizing shareholders' return as we consider a sound capital position as more appropriate as opposed to leverage supporting business growth.

Statutory minimum capital and capital adequacy requirements

The SBP through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid-up capital (net of accumulated losses) for Banks to be raised to Rs.10 billion by the year ending December 31, 2013. The paid-up capital of the Bank for the year ended December 31, 2013 stood at Rs.12,241.798 million (2012: Rs.12,241.798 million) and is in compliance with SBP requirements.

Banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10% of the risk weighted exposures of the Bank. Further, under Basel III instructions, Banks are also required to maintain a Common Equity Tier 1 (CET 1) ratio and Tier 1 ratio of 5.0% and 6.5%, respectively, as at December 31, 2013. As at December 31, 2013 the Group was fully compliant with prescribed ratios as the Group's CAR was 13.3% whereas CET 1 and Tier 1 ratios both stood at 9.6%. The Group and its individually regulated operations have complied with all capital requirements throughout the year.

Tier 1 capital comprises of Common Equity Tier 1 (CET 1) and Additional Tier 1 (AT 1) capital.

CET 1 capital includes fully paid-up capital, balance in share premium account, general reserves as per the financial statements, net unappropriated profits and minority interest meeting the eligibility criteria.

AT 1 capital includes instruments meeting the prescribed SBP criteria e.g. perpetual non-cumulative preference shares.

The deductions from Tier 1 capital include mainly;

- i) Book value of goodwill / intangibles;
- ii) Deficit on revaluation of available for sale investments;
- iii) Reciprocal cross holdings in equity capital instruments of other banks, financial institutions and insurance companies;
- iv) Investment in mutual funds above a prescribed ceiling;
- v) Threshold deductions applicable from 2014 on deferred tax assets and certain investments;
- vi) 50% of investments in majority owned securities or other financial subsidiaries not consolidated in the statement of financial position, during transition phase.

Tier 2 capital includes general provisions for loan losses, surplus on the revaluation of fixed assets and equity investments, foreign exchange translation reserves and subordinated debts (meeting the revised eligibility criteria). The deductions from Tier 2 include mainly:

- i) Reciprocal cross holdings in other capital instruments of other banks, financial institution and insurance companies;
- ii) 50% of investments in majority owned securities or other financial subsidiaries not consolidated in the statement of financial position, during transition phase.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

44.3 Capital Structure

	2013	2012
	Amount	Amounts subject to Pre - Basel III treatment
----- Rupees in '000 -----		
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital / Capital deposited with SBP	12,241,798	12,241,798
2 Balance in Share Premium Account	-	-
3 Reserve for issue of Bonus Shares	-	-
4 General/ Statutory Reserves	19,705,205	17,832,279
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
6 Unappropriated/unremitted profits/ (losses)	45,208,302	39,305,127
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	3,487,918	2,827,060
8 CET 1 before Regulatory Adjustments	80,643,223	72,206,264
Common Equity Tier 1 capital: Regulatory adjustments		
9 Goodwill (net of related deferred tax liability)	-	-
10 All other intangibles (net of any associated deferred tax liability)	1,738,920	1,740,761
11 Shortfall of provisions against classified assets	718,500	738,125
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
13 Defined-benefit pension fund net assets	-	58,964
14 Reciprocal cross holdings in CET1 capital instruments	786,878	19,498
15 Cash flow hedge reserve	4,962	32,298
16 Investment in own shares/ CET1 instruments	-	-
17 Securitization gain on sale	-	-
18 Capital shortfall of regulated subsidiaries	-	-
19 Deficit on account of revaluation from bank's holdings of property/ AFS	-	-
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
23 Amount exceeding 15% threshold	-	-
24 of which: significant investments in the common stocks of financial entities	-	-
25 of which: deferred tax assets arising from temporary differences	-	-
26 National specific regulatory adjustments applied to CET1 capital	-	-
27 Investment in TFCs of other banks exceeding the prescribed limit	-	-
28 Any other deduction specified by SBP	-	-
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	3,161,078	570,670
30 Total regulatory adjustments applied to CET1 (sum of 9 to 25)	6,410,338	3,101,352
Common Equity Tier 1	(a) 74,232,885	69,104,912
Additional Tier 1 (AT 1) Capital		
31 Qualifying Additional Tier-1 instruments plus any related share premium	-	-
32 of which: Classified as equity	-	-
33 of which: Classified as liabilities	-	-
34 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	-
35 of which: instrument issued by subsidiaries subject to phase out	-	-
36 AT1 before regulatory adjustments	-	-
Additional Tier 1 Capital: regulatory adjustments		
37 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	2,545,125	-
38 Investment in own AT1 capital instruments	-	-
39 Reciprocal cross holdings in Additional Tier 1 capital instruments	-	-
40 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
41 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
42 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	615,953	570,670
43 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
44 Total of Regulatory Adjustment applied to AT1 capital	3,161,078	570,670
45 Additional Tier 1 capital	-	-
46 Additional Tier 1 capital recognized for capital adequacy	(b) -	-
Tier 1 Capital (CET1 + admissible AT1)	(c=a+b) 74,232,885	69,104,912

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

44.3 Capital Structure (Contd.)

	2013	2012
Amount	Amounts subject to Pre - Basel III treatment	
----- Rupees in '000 -----		
Tier 2 Capital		
47	-	-
48	-	6,115,067
49	-	-
50	-	-
51	1,893,743	1,262,832
52	8,468,756	9,946,932
53	7,506,099	7,461,567
54	962,657	2,485,364
55	18,347,365	14,487,405
56	-	-
57	28,709,864	31,812,236
Tier 2 Capital: regulatory adjustments		
58	615,953	570,670
59	-	-
60	-	-
61	-	-
62	-	-
63	615,953	570,670
64	28,093,912	31,241,566
65	28,093,912	31,241,566
66	-	-
67	28,093,912	31,241,566
	(d)	31,241,566
	(e=c+d)	100,346,478
Total Risk Weighted Assets		
	(i=f+g+h)	675,051,148
68	511,625,837	458,564,944
69	-	-
70	-	-
71	-	-
72	58,964	-
73	-	-
74	157,530,404	120,963,590
75	102,974,248	95,522,614
Capital Ratios and buffers (in percentage of risk weighted assets)		
76	9.6%	10.2%
77	9.6%	10.2%
78	13.3%	14.9%
79		
80		
81		
82		
83		
National minimum capital requirements prescribed by SBP		
84	5.0%	-
85	6.5%	-
86	10.0%	10.0%
Amounts below the thresholds for deduction (before risk weighting)		
87	-	-
88	-	-
89	-	-
Applicable caps on the inclusion of provisions in Tier 2		
90	1,893,743	1,262,832
91	6,395,323	5,732,062
92	-	-
93	-	-

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

44.4 Capital Structure Reconciliation

Step 1	Balance Sheet as per published financial statements As at Dec 31, 2013	Under regulatory scope of consolidation As at Dec 31, 2013
----- (Rupees in '000) -----		
Assets		
Cash and balances with treasury banks	89,591,601	89,591,601
Balances with other banks	32,658,606	32,658,606
Lendings to financial institutions	29,858,038	29,858,038
Investments	458,846,198	458,846,198
Advances	415,283,310	415,283,310
Operating fixed assets	28,037,980	28,037,980
Deferred tax assets - net	-	-
Other assets	29,356,983	29,356,983
Total assets	1,083,632,716	1,083,632,716
Liabilities & Equity		
Bills payable	16,600,691	16,600,691
Borrowings	41,077,730	41,077,730
Deposits and other accounts	889,525,603	889,525,603
Sub-ordinated loans	665,328	665,328
Liabilities against assets subject to finance lease	1,325	1,325
Deferred tax liability - net	1,395,138	1,395,138
Other liabilities	23,093,754	23,093,754
Total liabilities	972,359,569	972,359,569
Share capital	12,241,798	12,241,798
Reserves	38,049,345	38,049,345
Unappropriated profit	45,208,302	45,208,302
Total equity attributable to the equity holders of the Bank	95,499,445	95,499,445
Non-controlling interest	3,487,918	3,487,918
	98,987,363	98,987,363
Surplus on revaluation of assets - net of deferred tax	12,285,784	12,285,784
Total liabilities and equity	1,083,632,716	1,083,632,716

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

44.4 Capital Structure (Contd.)

Step 2

	Balance Sheet as per published financial statements As at Dec 31, 2013	Under regulatory scope of consolidation As at Dec 31, 2013	Reference
	----- (Rupees in '000) -----		
Assets			
Cash and balances with treasury banks	89,591,601	89,591,601	
Balances with other banks	32,658,606	32,658,606	
Lending to financial institutions	29,858,038	29,858,038	
Investments	458,846,198	458,846,198	
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	-	-	a
of which: significant capital investments in financial sector entities exceeding regulatory threshold	-	-	b
of which: Mutual Funds exceeding regulatory threshold	2,545,125	2,545,125	c
of which: reciprocal crossholding of capital instrument	786,878	786,878	d
of which: others	-	-	e
Advances	415,283,310	415,283,310	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	718,500	718,500	f
general provisions reflected in Tier 2 capital	1,893,743	1,893,743	g
Fixed Assets	28,037,980	28,037,980	
of which: Goodwill	-	-	j
of which: Intangibles	1,738,920	1,738,920	k
Deferred Tax Assets	-	-	
of which: DTAs excluding those arising from temporary differences	-	-	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	29,356,983	29,356,983	
of which: Defined-benefit pension fund net assets	58,964	58,964	l
Total assets	1,083,632,716	1,083,632,716	
Liabilities & Equity			
Bills payable	16,600,691	16,600,691	
Borrowings	41,077,730	41,077,730	
Deposits and other accounts	889,525,603	889,525,603	
Sub-ordinated loans	665,328	665,328	
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	-	-	n
Liabilities against assets subject to finance lease	1,325	1,325	
Deferred tax liabilities	1,395,138	1,395,138	
of which: DTLs related to goodwill	-	-	o
of which: DTLs related to intangible assets	-	-	p
of which: DTLs related to defined pension fund net assets	-	-	q
of which: other deferred tax liabilities	1,395,138	1,395,138	r
Other liabilities	23,093,754	23,093,754	
Total liabilities	972,359,569	972,359,569	
Share capital	12,241,798	12,241,798	
of which: amount eligible for CET1	12,241,798	12,241,798	s
of which: amount eligible for AT1	-	-	t
Reserves	38,049,345	38,049,345	
of which: portion eligible for inclusion in CET1	19,705,205	19,705,205	u
of which: portion eligible for inclusion in Tier 2	18,347,365	18,347,365	v
Unappropriated profit	45,208,302	45,208,302	w
Minority Interest	3,487,918	3,487,918	
of which: portion eligible for inclusion in CET1	3,487,918	3,487,918	x
of which: portion eligible for inclusion in AT1	-	-	y
of which: portion eligible for inclusion in Tier 2	-	-	z
Surplus on revaluation of assets	12,285,784	12,285,784	
of which: Revaluation reserves on Property	11,311,459	11,311,459	aa
of which: Unrealized Gains on AFS	974,325	974,325	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total liabilities & Equity	1,083,632,716	1,083,632,716	

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

44.4 Capital Structure (Contd.)

	Step 3	Component of regulatory capital reported by bank (Rupees in '000)	Source based on reference number from step 2
Common Equity Tier 1 capital (CET1): Instruments and reserves			
1	Fully Paid-up Capital/ Capital deposited with SBP	12,241,798	(s)
2	Balance in Share Premium Account	-	
3	Reserve for issue of Bonus Shares	-	
4	General/ Statutory Reserves	19,705,205	(u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated/unremitted profits/(losses)	45,208,302	(w)
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	3,487,918	(x)
8	CET 1 before Regulatory Adjustments	80,643,223	
Common Equity Tier 1 capital: Regulatory adjustments			
9	Goodwill (net of related deferred tax liability)	-	(j) - (o)
10	All other intangibles (net of any associated deferred tax liability)	1,738,920	(k) - (p)
11	Shortfall of provisions against classified assets	718,500	(f)
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{(h) - (r)} * x%
13	Defined-benefit pension fund net assets	-	{(l) - (q)} * x%
14	Reciprocal cross holdings in CET1 capital instruments	786,878	(d)
15	Cash flow hedge reserve	4,962	
16	Investment in own shares/ CET1 instruments	-	
17	Securitization gain on sale	-	
18	Capital shortfall of regulated subsidiaries	-	
19	Deficit on account of revaluation from bank's holdings of property/ AFS	-	(ab)
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23	Amount exceeding 15% threshold	-	
24	of which: significant investments in the common stocks of financial entities	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments applied to CET1 capital	-	
27	Investment in TFCs of other banks exceeding the prescribed limit	-	
28	Any other deduction specified by SBP	-	
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	3,161,078	
30	Total regulatory adjustments applied to CET1 (sum of 9 to 29)	6,410,338	
	Common Equity Tier 1	74,232,885	
Additional Tier 1 (AT 1) Capital			
31	Qualifying Additional Tier-1 instruments plus any related share premium	-	
32	of which: Classified as equity	-	(t)
33	of which: Classified as liabilities	-	(m)
34	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
35	of which: instrument issued by subsidiaries subject to phase out	-	
36	AT1 before regulatory adjustments	-	

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

44.4 Capital Structure (Contd.)

	Component of regulatory capital reported by bank (Rupees in '000)	Source based on reference number from step 2
Additional Tier 1 Capital: regulatory adjustments		
37	2,545,125	
38	-	
39	-	
40	-	
41	-	(ac)
42	-	(ad)
43	615,953	
44	-	
45	3,161,078	
46	-	
	<u>74,232,885</u>	
Tier 1 Capital (CET1 + admissible AT1)		
Tier 2 Capital		
47	-	(n)
48	-	
49	-	(z)
50	-	
51	1,893,743	(g)
52	8,468,756	
53	7,506,099	portion of (aa)
54	962,657	
55	18,347,365	(v)
56	-	
57	28,709,864	
Tier 2 Capital: regulatory adjustments		
58	615,953	
59	-	
60	-	
61	-	(ae)
62	-	(af)
63	615,953	
64	28,093,912	
65	28,093,912	
66	-	
67	28,093,912	
	102,326,797	

Notes to and forming part of the Consolidated Financial Statements

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44.5 Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments		
	Main Features	Common Shares
1	Issuer	United Bank Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	On KSE "UBL" and on Bloomberg "UBL PA".
3	Governing law(s) of the instrument	Relevant Capital Market Laws
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/ group/ group&solo	Group & Standalone
7	Instrument type	Ordinary Shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	12,241,798
9	Par value of instrument	Rs 10 each
10	Accounting classification	Shareholders' equity
11	Original date of issuance	1959
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Not applicable
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	Not applicable
18	Coupon rate and any related index/ benchmark	Not applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Not applicable
23	Convertible or non-convertible	Non Convertible
24	If convertible, conversion trigger (s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	Not applicable
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Common equity (ranks after all creditors including depositors)
36	Non-compliant transitioned features	Not applicable
37	If yes, specify non-compliant features	Not applicable

Notes to and forming part of the Consolidated Financial Statements

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44.6 Capital Adequacy Ratio

Risk weighted exposures	Capital requirements		Risk weighted assets	
	2013	2012	2013	2012
	----- (Rupees in '000) -----			
Credit risk				
Claims on:				
Federal and Provincial Governments, SBP and other sovereigns – in foreign currency	6,758,693	5,218,421	67,586,925	52,184,207
Public Sector Enterprises	960,626	1,088,721	9,606,261	10,887,206
Banks	6,650,620	4,774,662	66,506,196	47,746,622
Corporates	28,307,908	24,586,109	283,079,078	245,861,093
Retail portfolio	1,989,795	2,355,548	19,897,945	23,555,479
Secured by residential property	143,327	155,967	1,433,267	1,559,671
Past due loans	2,092,058	2,001,677	20,920,579	20,016,765
Listed equity investments	196,915	182,635	1,969,145	1,826,351
Unlisted equity investments	22,972	1,757,648	229,724	17,576,475
Commercial Entity	67,623	-	676,228	-
Investments in fixed assets	2,648,058	2,583,482	26,480,580	25,834,820
Significant investment & DTA	-	-	-	-
Other assets	1,323,991	1,151,626	13,239,908	11,516,255
	<u>51,162,584</u>	<u>45,856,494</u>	<u>511,625,837</u>	<u>458,564,944</u>
Market risk				
Interest rate risk	8,988,077	4,555,843	112,350,956	95,640,691
Equity exposure risk	2,691,497	1,117,071	33,643,712	14,065,381
Foreign exchange risk	922,859	144,654	11,535,736	11,257,518
	<u>12,602,432</u>	<u>5,817,568</u>	<u>157,530,404</u>	<u>120,963,590</u>
Operational risk	<u>8,237,940</u>	<u>7,621,902</u>	<u>102,974,248</u>	<u>95,522,614</u>
	<u>72,002,956</u>	<u>59,295,964</u>	<u>772,130,489</u>	<u>675,051,148</u>
Capital adequacy ratio				
Total eligible regulatory capital held	102,326,797	100,346,478		
Total risk weighted assets	772,130,489	675,051,148		
Capital adequacy ratio	13.3%	14.9%		

Notes to and forming part of the Consolidated Financial Statements

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44.7 Credit risk - General disclosures

The Group follows the Standardized Approach for its credit risk exposures, which sets out fixed risk weights corresponding to external credit ratings or type of exposure, whichever is applicable.

Under the Standardized Approach, the capital requirement is based on the credit rating assigned to counterparties by External Credit Assessment Institutions (ECAIs) duly recognized by the SBP. The Group selects particular ECAIs for each type of exposure. The Group utilizes the credit ratings assigned by Pakistan Credit Rating Agency (PACRA), Japan Credit Rating Company Limited – Vital Information Systems (JCR-VIS), Fitch, Moody's and Standard & Pours (S & P). The Group also utilizes rating scores of Export Credit Agencies (ECAs) participating in the "Arrangement on Officially Supported Export Credits".

Types of exposure and ECAIs used

	FITCH	Moody's	S & P	PACRA	JCR-VIS	ECA scores
Corporates	-	✓	-	✓	✓	-
Banks	✓	✓	✓	✓	✓	-
Sovereigns	-	-	-	-	-	✓
Public sector enterprises	-	-	-	✓	✓	-

Mapping to SBP Rating Grades

For all exposures, the selected ratings are translated to the standard rating grades given by the SBP. The mapping tables used for converting ECAI ratings to SBP rating grades are given below:

Long Term Rating Grades mapping

SBP Rating grade	Fitch	Moody's	S & P	PACRA	JCR-VIS	ECA Scores
1	AAA	Aaa	AAA	AAA	AAA	0
	AA+	Aa1	AA+	AA+	AA+	1
	AA	Aa2	AA	AA	AA	
2	AA-	Aa3	AA-	AA-	AA-	
	A+	A1	A+	A+	A+	2
	A	A2	A	A	A	
3	A-	A3	A-	A-	A-	
	BBB+	Baa1	BBB+	BBB+	BBB+	3
	BBB	Baa2	BBB	BBB	BBB	
4	BBB-	Baa3	BBB-	BBB-	BBB-	
	BB+	Ba1	BB+	BB+	BB+	4
	BB	Ba2	BB	BB	BB	
5	BB-	Ba3	BB-	BB-	BB-	
	B+	B1	B+	B+	B+	5
	B	B2	B	B	B	6
6	B-	B3	B-	B-	B-	
	CCC+ and below	Caa1 and below	CCC+ and below	CCC+ and below	CCC+ and below	7

Short Term Rating Grades mapping

SBP Rating Grade	Fitch	Moody's	S & P	PACRA	JCR-VIS
S1	F1	P-1	A-1+	A-1+	A-1+
S1	F1	P-1	A-1	A-1	A-1
S2	F2	P-2	A-2	A-2	A-2
S3	F3	P-3	A-3	A-3	A-3
S4	Others	Others	Others	Others	Others

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

44.8 Credit exposures subject to Standardized Approach

Exposures	Rating category / risk weights	2013			2012		
		(Rupees in '000)			(Rupees in '000)		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
Cash and cash equivalents	-	15,091,261	-	15,091,261	24,028,268	-	24,028,268
Claims on Federal and Provincial Governments and SBP, denominated in PKR	-	123,596,908	24,042,563	99,554,345	167,163,379	51,224,862	115,938,517
Foreign currency claims on SBP arising out of statutory obligations in Pakistan	-	7,941,106	-	7,941,106	6,323,688	-	6,323,688
Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	1 2 3 4,5 6 Unrated	1,093,807 12,405,042 2,041,352 6,812,875 38,181,577 -	- - - - - -	1,093,807 12,405,042 2,041,352 6,812,875 38,181,577 -	2,114,357 2,603,426 10,730,934 2,220,842 29,384,809 -	- - - - - -	2,114,357 2,603,426 10,730,934 2,220,842 29,384,809 -
		60,534,653	-	60,534,653	47,054,368	-	47,054,368
Corporates	0 1 2 3,4 5,6 Unrated	- 23,284,438 33,394,224 21,944,456 61,144 260,708,534	- - 29,279 27,404 - 20,977,585	- 23,284,438 33,364,945 21,917,053 61,144 239,730,949	- 26,422,834 39,147,160 262,452 662,516 237,907,997	- - 4,247 - - 18,159,153	- 26,422,834 39,142,913 262,452 662,516 219,748,844
		339,392,796	21,034,268	318,358,529	304,402,959	18,163,400	286,239,559
Claims on banks with maturity less than 3 months and denominated in foreign currency	1,2,3 4,5 6 Unrated	603,360 - - 2,687,684	- - - 1,851	603,360 - - 2,685,833	612,611 - - 3,381,066	- - - -	612,611 - - 3,381,066
		3,291,045	1,851	3,289,194	3,993,677	-	3,993,677
Banks - others	0 1 2,3 4,5 6 Unrated	- 78,079,437 41,342,565 3,868,452 14,597,086 17,962,296	- 25,822,976 - - 39,264	- 52,256,461 41,342,565 3,868,452 14,597,086 17,923,032	- 45,168,095 40,114,842 3,532,535 7,259,014 9,452,152	- 6,451,430 - - - -	- 38,716,665 40,114,842 3,532,535 7,259,014 9,452,152
		155,849,838	25,862,241	129,987,597	105,526,638	6,451,430	99,075,208
Public sector enterprises	0 1 2,3 4,5 6 Unrated	- 12,176,901 - - - 54,497,938	- 1,501,690 - - - 39,555,501	- 10,675,211 - - - 14,942,437	- 7,556,089 - - - 70,046,865	- 1,072 - - - 51,294,459	- 7,555,017 - - - 18,752,406
		66,674,839	41,057,191	25,617,648	77,602,954	51,295,531	26,307,423
Retail portfolio	75% 35%	29,300,295 4,095,047	2,769,701 -	26,530,594 4,095,047	34,157,061 4,456,204	2,749,755 -	31,407,306 4,456,204
		33,395,342	2,769,701	30,625,641	38,613,265	2,749,755	35,863,510
Equity investments	- Listed - Unlisted - Commercial Entity (Holding greater than 10%)	1,969,145 153,150 67,623	- - -	1,969,145 153,150 67,623	1,826,351 11,717,650 -	- - -	1,826,351 11,717,650 -
		2,189,918	-	2,189,918	13,544,001	-	13,544,001
Past due loans secured against mortgage of residential property:							
- less than 20% provided	100%	68,351	-	68,351	173,111	-	173,111
- greater than 20% provided	50%	241,163	-	241,163	353,437	-	353,437
		309,514	-	309,514	526,548	-	526,548
Past due loans - others							
- less than 20% provided	150%	8,308,092	20	8,308,073	9,433,681	2,932,700	6,500,981
- Between 20% to 50% provided	100%	6,783,712	-	6,783,712	8,171,304	-	8,171,304
- More than 50% provided	50%	2,971,651	-	2,971,651	3,488,318	-	3,488,318
		18,063,455	20	18,063,435	21,093,303	2,932,700	18,160,603
Significant investment & DTA (greater than 15 % threshold)	250%	-	-	-	-	-	-
Fixed assets	100%	26,480,580	-	26,480,580	25,834,820	-	25,834,820
Others		13,239,908	-	13,239,908	11,516,255	-	11,516,255
		866,051,165	114,767,835	751,283,330	847,224,123	132,817,678	714,406,445

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Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardized Approach

The Group has adopted the Comprehensive Approach of Credit Risk Mitigation for the Banking Book. Under this approach, cash, lien on deposits, government securities and eligible guarantees etc. are considered as eligible collateral. The Group has in place detailed guidelines with respect to the valuation and management of each of these types of collateral. Where the Group's exposure to an obligor is secured by eligible collateral, the Group reduces its exposure for the calculation of capital requirement by the realizable amount of the collateral, adjusted for any applicable haircuts.

No credit risk mitigation benefit is taken in the Trading Book.

For each asset class, the risk weights as specified by the SBP or corresponding to the SBP rating grades are applied to the net amount for the calculation of Risk Weighted Assets.

45. RISK MANAGEMENT

This section presents information about the Group's exposure to and its management and control of risks, in particular, the primary risks associated with its use of financial instruments such as credit, market, liquidity and operational risks.

The Bank has an integrated risk management structure in place. The Board Risk Management Committee (BRMC) oversees the entire risk management process of the Bank. The Risk and Credit Policy Group is responsible for the development and implementation of all risk policies as approved by the BRMC / BoD. The group is organized into the functions of Market & Financial Institutions Risk, Credit Policy & Research, Credit Risk Management and Operational Risk & Basel II. Each risk function is headed by a senior manager who reports directly to the Group Head, Risk and Credit Policy. The role of the Risk and Credit Policy Group includes:

- Determining guidelines relating to the Bank's risk appetite.
- Recommending risk management policies in accordance with the Prudential Regulations, Basel II framework and international best practices.
- Reviewing policies/ manuals and ensuring that these are in accordance with BRMC / BoD approved risk management policies.
- Developing systems and resources to review the key risk exposures of the Bank.
- Approving credits and granting approval authority to qualified and experienced individuals.
- Reviewing the adequacy of credit training across the Bank.
- Organizing portfolio reviews focusing on quality assessment, risk profiles, industry concentrations, etc.
- Setting systems to identify significant portfolio indicators, problem credits and level of provisioning required.

45.1 Credit risk

Credit risk is the risk that a customer or counterparty may not settle an obligation for full value, either when due or at any time thereafter. This risk arises from the potential that a customer's or counterparty's willingness or ability to meet such an obligation is impaired, resulting in an economic loss to the Group.

The credit risk management process is driven by the Bank's Credit Policy, which provides policies and procedures in relation to credit initiation, approval, documentation and disbursement, credit maintenance and remedial management.

Individual credit authorities are delegated to credit officers by the Board according to their seasoning/maturity. Approvals for Corporate and Consumer loans are centralized, while approval authorities for Commercial and SME exposures are delegated to a Regional level. All credit policy functions are centrally organized.

Concentrations of credit risk exist if clients are engaged in similar activities, or are located in the same geographical region, or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. The Group manages, limits and controls concentrations of credit risk to individual counterparties and groups, and to industries, where appropriate. Limits are also applied to portfolios or sectors where the Group considers it appropriate to restrict credit risk concentrations, or to areas of higher risk, or to control the rate of portfolio growth.

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45.2 Segmental information

45.2.1 Segments by class of business

	2013					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	5,979,475	1.30%	5,919,822	0.67%	5,804,329	0.74%
Agri business	58,684,521	12.71%	27,177,181	3.06%	9,415	0.00%
Textile spinning	21,677,722	4.70%	1,498,771	0.17%	839,676	0.11%
Textile weaving	4,207,145	0.91%	2,201,841	0.25%	3,573,715	0.46%
Textile composite	23,561,718	5.10%	2,587,416	0.29%	-	0.00%
Textile others	13,773,358	2.98%	2,986,751	0.34%	3,537,268	0.45%
Cement	3,790,075	0.82%	13,510,737	1.52%	1,577,246	0.20%
Sugar	4,380,318	0.95%	3,518,261	0.40%	456,776	0.06%
Shoes and leather garments	2,084,008	0.45%	3,590,046	0.40%	323,007	0.04%
Automobile and transportation equipment	4,851,574	1.05%	5,721,718	0.64%	3,399,734	0.43%
Financial	15,465,476	3.35%	17,636,677	1.98%	518,726,917	66.36%
Insurance	-	0.00%	10,420,811	1.17%	539	0.00%
Electronics and electrical appliances	3,953,956	0.86%	4,247,719	0.48%	1,070,613	0.14%
Production and transmission of energy	57,710,061	12.50%	36,028,311	4.05%	80,787,473	10.33%
Paper and allied	1,699,829	0.37%	581,571	0.07%	673,752	0.09%
Surgical and metal	140,838	0.03%	2,719,365	0.31%	241,257	0.03%
Contractors	9,793,869	2.12%	23,435,295	2.63%	32,455,017	4.15%
Wholesale traders	21,376,992	4.63%	36,831,511	4.14%	4,600,213	0.59%
Fertilizer dealers	5,253,653	1.14%	6,534,660	0.73%	3,134,964	0.40%
Sports goods	272,606	0.06%	1,416,193	0.16%	-	0.00%
Food industries	21,811,888	4.72%	5,042,693	0.57%	5,271,293	0.67%
Airlines	9,105,607	1.97%	1,154,084	0.13%	49,250	0.01%
Cables	234,513	0.05%	495,859	0.06%	518,822	0.07%
Construction	20,756,557	4.50%	11,266,135	1.27%	7,336,285	0.94%
Containers and ports	-	0.00%	323,000	0.04%	3,146,971	0.40%
Engineering	3,144,086	0.68%	2,153,155	0.24%	3,374,569	0.43%
Glass and allied	249,106	0.05%	397,203	0.04%	217,179	0.03%
Hotels	2,458,432	0.53%	3,626,013	0.41%	66,428	0.01%
Infrastructure	-	0.00%	21,610,136	2.43%	73,181	0.01%
Media	687,729	0.15%	669,688	0.08%	100	0.00%
Polyester and fiber	4,128,139	0.89%	272,942	0.03%	45,712	0.01%
Telecommunication	6,275,345	1.36%	13,678,172	1.54%	251,885	0.03%
Individuals	63,518,871	13.76%	495,829,670	55.74%	13,498,271	1.73%
Others	70,647,531	15.30%	124,442,196	13.99%	86,649,599	11.08%
	<u>461,674,998</u>	<u>100.00%</u>	<u>889,525,603</u>	<u>100.00%</u>	<u>781,711,456</u>	<u>100.00%</u>

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For the year ended December 31, 2013

	2012					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	6,436,929	1.49%	15,784,908	2.10%	4,054,798	0.72%
Agri business	63,412,533	14.72%	37,837,882	5.03%	75,359	0.01%
Textile spinning	16,023,464	3.72%	1,754,995	0.23%	13,478,641	2.39%
Textile weaving	6,264,208	1.45%	2,632,554	0.35%	5,505,733	0.98%
Textile composite	21,485,938	4.99%	2,923,552	0.39%	98,404	0.02%
Textile others	15,984,029	3.71%	2,059,022	0.27%	2,342,064	0.42%
Cement	2,393,256	0.56%	2,916,842	0.39%	571,719	0.10%
Sugar	3,427,465	0.80%	5,347,923	0.71%	536,224	0.10%
Shoes and leather garments	2,141,611	0.50%	3,903,157	0.52%	388,343	0.07%
Automobile and transportation equipment	6,189,827	1.44%	6,288,496	0.84%	2,629,068	0.47%
Financial	9,599,799	2.23%	14,685,622	1.95%	316,365,542	56.17%
Insurance	-	0.00%	14,416,808	1.92%	24,413	0.00%
Electronics and electrical appliances	2,903,457	0.67%	2,645,120	0.35%	7,848,109	1.39%
Production and transmission of energy	56,734,730	13.17%	20,191,121	2.68%	38,220,380	6.79%
Paper and allied	815,020	0.19%	990,948	0.13%	711,440	0.13%
Surgical and metal	371,234	0.09%	2,052,536	0.27%	131,086	0.02%
Contractors	8,943,375	2.08%	28,960,618	3.85%	24,567,559	4.36%
Wholesale traders	17,509,608	4.07%	41,727,965	5.54%	2,745,136	0.49%
Fertilizer dealers	4,437,555	1.03%	7,160,535	0.95%	1,755,309	0.31%
Sports goods	286,356	0.07%	1,926,353	0.26%	22,535	0.00%
Food industries	12,820,978	2.98%	11,203,397	1.49%	4,589,076	0.81%
Airlines	7,557,066	1.75%	5,413,479	0.72%	186,170	0.03%
Cables	832,925	0.19%	79,424	0.01%	186,093	0.03%
Construction	19,918,461	4.62%	10,818,933	1.44%	7,401,252	1.31%
Containers and ports	1,883,000	0.44%	762,599	0.10%	3,323,884	0.59%
Engineering	1,127,890	0.26%	2,093,081	0.28%	2,627,272	0.47%
Glass and allied	131,094	0.03%	648,509	0.09%	21,028	0.00%
Hotels	3,960,279	0.92%	3,610,021	0.48%	66,063	0.01%
Infrastructure	638,644	0.15%	5,652,867	0.75%	-	0.00%
Media	486,273	0.11%	594,501	0.08%	51,535	0.01%
Polyester and fiber	4,514,939	1.05%	195,858	0.03%	364	0.00%
Telecommunication	9,959,155	2.31%	10,557,710	1.40%	3,751,277	0.67%
Individuals	60,238,375	13.99%	396,051,846	52.61%	8,844,188	1.57%
Others	61,264,969	14.22%	88,896,713	11.81%	110,096,739	19.55%
	<u>430,694,442</u>	<u>100.00%</u>	<u>752,785,895</u>	<u>100.00%</u>	<u>563,216,803</u>	<u>100.00%</u>

45.2.2 Segment by sector

	2013					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	100,103,489	21.68%	61,402,925	6.90%	87,352,121	11.17%
Private	361,571,509	78.32%	828,122,678	93.10%	694,359,335	88.83%
	<u>461,674,998</u>	<u>100.00%</u>	<u>889,525,603</u>	<u>100.00%</u>	<u>781,711,456</u>	<u>100.00%</u>

	2012					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	105,607,720	24.52%	55,509,346	7.37%	117,388,866	20.84%
Private	325,086,722	75.48%	697,276,549	92.63%	445,827,937	79.16%
	<u>430,694,442</u>	<u>100.00%</u>	<u>752,785,895</u>	<u>100.00%</u>	<u>563,216,803</u>	<u>100.00%</u>

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45.2.3 Details of non performing advances and specific provisions by class of business segment

	2013		2012	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	----- (Rupees in '000) -----			
Chemical and pharmaceuticals	259,484	259,484	312,746	256,259
Agri business	1,098,563	879,874	1,313,254	954,821
Textile spinning	4,139,842	4,079,091	5,499,634	4,961,322
Textile weaving	854,368	788,253	1,126,543	877,388
Textile composite	5,891,133	4,692,948	5,710,107	4,409,573
Textile others	3,047,785	2,926,837	3,640,690	3,072,455
Sugar	157,837	52,067	160,424	41,956
Shoes and leather garments	228,623	221,434	242,670	242,670
Automobile and transportation equipment	226,896	180,736	264,702	191,313
Financial	2,083,465	1,725,930	2,231,888	1,629,271
Electronics and electrical appliances	183,833	183,833	201,492	201,492
Production and transmission of energy	3,955,581	3,570,269	6,480,916	3,079,402
Paper and allied	418,260	395,321	397,813	305,470
Wholesale traders	1,834,356	1,660,644	1,667,571	1,483,440
Fertilizer dealers	75,324	68,567	72,148	67,811
Sports goods	63,960	63,960	126,960	126,960
Food industries	862,616	805,516	989,530	884,938
Construction	3,964,091	3,623,960	4,085,882	3,323,093
Engineering	3,124,714	974,242	550,061	524,271
Glass and allied	367	367	4,205	4,205
Hotels	485,993	485,993	485,993	145,826
Polyester and fiber	2,355,095	2,284,036	2,362,823	2,106,295
Individuals	14,338,751	11,509,679	15,300,261	11,642,650
Others	5,183,995	3,064,904	5,221,844	3,064,468
	<u>54,834,932</u>	<u>44,497,945</u>	<u>58,450,157</u>	<u>43,597,349</u>

45.2.4 Details of non performing advances and specific provision by sector

	2013		2012	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	----- (Rupees in '000) -----			
Public / Government	1,400,653	-	2,677,481	-
Private	53,434,279	44,497,945	55,772,676	43,597,349
	<u>54,834,932</u>	<u>44,497,945</u>	<u>58,450,157</u>	<u>43,597,349</u>

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45.2.5 Geographical segment analysis

	2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
----- (Rupees in '000) -----				
Pakistan operations	22,946,610	774,128,719	64,326,829	476,145,109
Middle East	4,682,467	262,036,474	31,735,784	232,101,989
United States of America	195,215	3,283,908	2,137,392	1,694
Karachi Export Processing Zone	21,990	1,500,847	394,452	248,766
Europe	1,195,139	78,214,319	11,197,232	87,750,991
Africa	(76,243)	2,040,519	1,481,458	151,391
	6,018,568	347,076,067	46,946,318	320,254,831
	<u>28,965,178</u>	<u>1,121,204,786</u>	<u>111,273,147</u>	<u>796,399,940</u>
----- (Rupees in '000) -----				
	2012			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
----- (Rupees in '000) -----				
Pakistan operations	23,980,347	706,178,722	58,762,442	373,701,788
Middle East	3,401,778	213,543,526	28,462,965	139,676,024
United States of America	184,364	3,782,679	1,850,136	3,832
Karachi Export Processing Zone	18,377	696,218	359,907	127,326
Europe	639,851	70,651,011	11,065,070	75,035,859
Africa	91,262	1,443,786	1,427,178	-
	4,335,632	290,117,220	43,165,256	214,843,041
	<u>28,315,979</u>	<u>996,295,942</u>	<u>101,927,698</u>	<u>588,544,829</u>

Total assets employed include intra group items of Rs. 37,572.070 million (2012: Rs. 33,949.584 million).

Contingencies and commitments include intra group items of Rs. 14,688.484 million (2012: Rs. 25,328.026 million).

45.3 Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate due to movements in market prices. It results from changes in interest rates, exchange rates and equity prices as well as from changes in the correlations between them. Each of these components of market risk consists of a general market risk and a specific market risk that is driven by the nature and composition of the portfolio.

Measuring and controlling market risk is usually carried out at a portfolio level. However, certain controls are applied, where necessary, to individual risk types, to particular books and to specific exposures. Controls are also applied to prevent any undue risk concentrations in trading books, taking into account variations in price, volatility, market depth and liquidity. These controls include limits on exposure to individual market risk variables as well as limits on concentrations of tenors and issuers.

Trading activities are centered in the Treasury and Capital Markets Group which facilitates clients and also runs proprietary positions. The Group is active in the cash and derivative markets for equity, interest rate and foreign exchange.

The Market and Treasury Risk division performs market risk management activities. Within this division, the Market Risk Management unit is responsible for the development and review of market risk policies and processes, and is involved in research, financial modeling and testing / implementation of risk management systems, while Treasury Middle Office is responsible for implementation and monitoring of market risk and other policies, escalation of deviations to senior management, and MIS reporting.

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The functions of the Market Risk Management unit are as follows:

- To keep the market risk exposure within the Group's risk appetite as assigned by the BoD and the BRMC.
- To develop, review and upgrade procedures for the effective implementation of market risk management policies approved by the BoD and BRMC.
- To review new product proposals and propose / recommend / approve procedures for the management of their market risk. Various limits are assigned to different businesses on a product/portfolio basis. The products are approved through product programs, where risks are identified and limits and parameters are set. Any transactions / products falling outside these product programs are approved through separate transaction / product memos.
- To maintain a comprehensive database for performing risk analysis, stress testing and scenario analysis. Stress testing activities are performed on a quarterly basis on both the Banking and Trading books.

45.3.1 Foreign Exchange Risk

	2013			
	Assets	Liabilities	Off - balance sheet items	Net currency exposure
	----- (Rupees in '000) -----			
Pakistan Rupee	732,590,401	607,729,972	(24,350,955)	100,509,474
US Dollar	173,834,847	113,810,034	(53,848,794)	6,176,019
Pound Sterling	29,872,303	42,266,411	11,957,543	(436,565)
Japanese Yen	94,902	9,362	(73,527)	12,013
Euro	3,241,557	9,181,515	6,651,595	711,637
UAE Dirham	82,894,888	125,321,539	42,858,583	431,932
Bahrain Dinar	13,173,637	19,452,215	6,004,329	(274,249)
Qatari Riyal	17,887,202	24,690,385	6,741,932	(61,251)
Other Currencies	30,042,979	29,898,136	4,059,294	4,204,137
	<u>1,083,632,716</u>	<u>972,359,569</u>	<u>-</u>	<u>111,273,147</u>

	2012			
	Assets	Liabilities	Off - balance sheet items	Net currency exposure
	----- (Rupees in '000) -----			
Pakistan Rupee	710,483,912	602,003,574	(16,752,154)	91,728,184
US Dollar	111,059,684	86,317,108	(17,742,489)	7,000,087
Pound Sterling	28,107,458	34,511,774	5,948,908	(455,408)
Japanese Yen	115,709	12,654	(55,545)	47,510
Euro	4,551,081	7,872,559	3,514,545	193,067
UAE Dirham	65,800,190	80,477,425	14,074,639	(602,596)
Bahrain Dinar	10,596,389	16,424,191	5,828,363	561
Qatari Riyal	10,103,904	11,665,772	2,622,384	1,060,516
Other Currencies	21,528,031	21,133,603	2,561,349	2,955,777
	<u>962,346,358</u>	<u>860,418,660</u>	<u>-</u>	<u>101,927,698</u>

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Foreign Exchange Risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates. Exposures are monitored by currency to ensure that they remain within the established limits for each currency. Exposures are also monitored on an overall basis to ensure compliance with the Bank's SBP approved Foreign Exchange Exposure Limit.

The Group is an active participant in the cash and derivatives markets for currencies and carries currency risk from these trading activities, conducted primarily by the Treasury and Capital Markets Group (TCM). These trading exposures are monitored through prescribed stress tests and sensitivity analyses.

The Group's reporting currency is the Pakistan Rupee, but its assets, liabilities, income and expenses are denominated in multiple currencies. From time to time, TCM proactively hedges foreign currency exposures resulting from its market making activities, subject to pre-defined limits.

45.3.2 Equity position risk

Equity position risk is the risk that the fair value of a financial instrument will fluctuate due to changes in the prices of individual stocks or the levels of equity indices. The Group's equity book comprises of held for trading (HFT) and available for sale (AFS) portfolios. The objective of the HFT portfolio is to make short-term capital gains, whilst the AFS portfolio is maintained with a medium term view of earning both capital gains and dividend income. Product program manuals have been developed to provide guidelines on the objectives and policies, risks and mitigants, limits and controls for the equity portfolios of the Group.

45.3.3 Yield / interest rate risk

Interest rate risk is the risk that fair value of a financial instrument will fluctuate as a result of changes in interest rates, including changes in the shape of yield curves. Interest rate risk is inherent in many of the Group's businesses and arises from mismatches between the contractual maturities or the re-pricing of on and off balance sheet assets and liabilities. The interest rate sensitivity profile is prepared on a quarterly basis based on the re-pricing or contractual maturities of assets and liabilities.

Interest rate risk is monitored and managed by performing periodic gap analysis, sensitivity analysis and stress testing and taking appropriate actions where required.

Notes to and forming part of the Consolidated Financial Statements

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45.3.4 Mismatch of interest rate sensitive assets and liabilities

	Effective yield / interest rate %	Total	Exposed to yield / interest rate risk							Non-interest bearing financial instruments			
			Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years		Over 5 years to 10 years	Over 10 years	
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	0.01%	89,591,601	7,145,518	-	-	-	-	-	-	-	-	-	82,446,083
Balances with other banks	0.58%	32,658,606	12,819,410	1,154,535	3,388,963	211,119	138,745	-	-	-	-	-	14,944,884
Lendings to financial institutions	4.28%	29,898,038	15,151,655	3,255,439	5,095,175	4,759,685	1,585,137	-	-	-	-	-	10,947
Investments	9.67%	458,846,198	44,737,872	151,179,060	52,775,980	8,460,694	24,590,137	45,817,997	56,144,883	2,767,164	-	-	25,282,048
Advances	9.27%	404,946,323	36,559,602	211,377,482	77,112,829	25,866,218	6,614,072	18,304,605	7,141,599	10,147,168	-	-	10,336,987
Performing		10,336,987	-	-	-	-	-	-	-	-	-	-	10,336,987
Non-performing		22,834,390	-	-	-	-	-	-	-	-	-	-	22,834,390
Other assets	0%	1,049,072,143	116,414,057	366,966,516	138,372,947	39,117,716	32,929,091	64,122,602	63,286,482	12,914,332	-	-	155,855,289
Liabilities													
Bills payable	0%	16,600,691	-	-	-	-	-	-	-	-	-	-	16,600,691
Borrowings	7.85%	41,077,730	16,219,982	14,431,089	4,809,219	1,642,946	720,836	986,492	855,497	-	-	-	399,584
Deposits and other accounts	3.86%	889,525,603	365,434,223	66,794,553	37,469,032	47,409,647	17,405,950	9,428,013	24,254,024	2,955,846	-	-	306,086,551
Subordinated loans	10.85%	665,328	-	665,328	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	12.69%	1,325	71	144	220	460	430	-	-	-	-	-	-
Other liabilities	0%	20,454,948	-	-	-	-	-	-	-	-	-	-	20,454,948
On-balance sheet gap		968,325,625	381,654,276	81,891,114	42,278,471	49,052,053	18,127,216	10,414,505	13,300,869	25,109,521	2,955,846	-	343,541,754
Net non financial assets		80,746,518	(265,240,219)	285,075,402	96,094,476	(9,934,337)	14,801,875	53,708,097	45,792,242	38,176,961	9,958,486	-	(187,686,465)
Total net assets		30,526,629	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet financial instruments													
Interest Rate Derivatives - Long position		5,723,576	-	2,085,405	245,757	-	-	-	-	-	-	-	-
Interest Rate Derivatives - Short position		(5,723,576)	-	(3,146,655)	(245,757)	-	-	-	-	-	-	-	-
Cross Currency Swap - Long position		10,550,240	-	6,114,000	4,436,240	-	-	-	-	-	-	-	-
Cross Currency Swap - Short position		(10,550,240)	-	(6,114,000)	(4,436,240)	-	-	-	-	-	-	-	-
FX Options - Long position		-	-	-	-	-	-	-	-	-	-	-	-
FX Options - Short position		-	-	-	-	-	-	-	-	-	-	-	-
Forward Sale of Government Securities		-	-	-	-	-	-	-	-	-	-	-	-
Foreign currency forward purchases		238,732,887	100,447,688	76,447,618	61,463,822	373,759	-	-	-	-	-	-	-
Foreign currency forward sales		(202,902,937)	(96,312,258)	(46,989,124)	(59,555,207)	(46,348)	-	-	-	-	-	-	-
Commodity futures		-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet Gap		35,829,960	4,135,440	28,397,244	1,908,615	327,411	-	-	1,061,250	-	-	-	-
Total Yield / Interest Rate Risk Sensitivity Gap		116,576,478	(261,104,779)	313,472,646	98,003,091	(9,606,926)	14,801,875	53,708,097	46,853,492	38,176,961	9,958,486	-	(187,686,465)
Cumulative Yield / Interest Rate Risk Sensitivity Gap		(261,104,779)	52,387,867	150,370,958	140,764,032	155,565,907	209,274,004	256,127,496	294,304,457	304,262,943	116,576,478	-	-

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Effective yield / interest rate %	Total	2012										Non-interest bearing financial instruments	
		Exposed to yield / interest rate risk											
		Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years			
		(Rupees in '000)											
On-balance sheet financial instruments													
Assets													
0.01%	94,846,802	7,678,267	-	-	-	-	-	-	-	-	-	-	87,168,535
1.15%	21,967,703	10,934,603	3,020,540	731,574	150,128	150,128	-	-	-	-	-	-	7,130,858
4.47%	22,828,834	10,435,736	3,965,289	4,610,064	2,658,245	2,658,245	-	-	-	-	-	-	868,051
10.64%	381,245,903	14,735,996	25,077,886	66,922,037	110,877,540	10,842,058	18,416,285	65,692,028	41,184,455	2,616,760	-	-	24,880,858
11.28%	372,244,285	81,080,257	171,443,824	50,557,910	18,340,550	9,837,757	11,184,587	13,917,006	7,159,346	8,639,624	-	-	83,424
0%	15,336,009	-	-	-	-	-	-	-	-	-	-	-	13,589,976
	922,059,512	124,864,859	203,507,539	122,821,585	132,026,463	20,971,264	29,600,872	79,609,034	48,343,801	11,256,384	-	-	149,057,711
Liabilities													
0%	7,615,382	46,523,058	15,672,056	1,373,975	1,202,386	8,739,533	-	-	-	-	-	-	7,615,382
10.46%	69,693,579	282,492,057	50,454,475	76,489,504	53,482,018	8,739,533	4,288,883	1,371,554	3,549,786	1,556	-	-	764
4.33%	752,785,895	9,319,264	9,319,264	-	-	-	4,288,883	4,515,096	16,056,911	1,556	-	-	256,285,862
11.91%	9,319,264	59	125	189	401	1,335	-	-	-	-	-	-	-
15.28%	2,109	59	125	189	401	1,335	-	-	-	-	-	-	-
0%	17,668,233	-	-	-	-	-	-	-	-	-	-	-	17,668,233
	857,084,462	329,015,174	75,445,920	77,863,668	54,684,805	8,740,868	4,288,883	5,886,650	19,606,697	1,556	-	-	281,550,241
	64,975,050	(204,150,315)	128,061,619	44,957,917	77,341,658	12,230,396	25,311,989	73,722,384	28,737,104	11,254,828	-	-	(132,492,530)
	36,952,648	-	-	-	-	-	-	-	-	-	-	-	-
	101,927,698	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet financial instruments													
	8,059,417	1,000,000	-	2,444,083	1,000,000	-	-	291,449	3,323,885	-	-	-	-
	(8,069,417)	-	-	(4,615,333)	(1,000,000)	-	-	(291,449)	(2,152,635)	-	-	-	-
	12,490,616	-	8,072,150	4,418,466	-	-	-	-	-	-	-	-	-
	(12,490,616)	-	(8,072,150)	(4,418,466)	-	-	-	-	-	-	-	-	-
	37,234	-	-	37,234	-	-	-	-	-	-	-	-	-
	(37,234)	-	-	(37,234)	-	-	-	-	-	-	-	-	-
	308,867	-	-	-	-	-	-	-	308,867	-	-	-	-
	141,981,927	90,798,024	37,335,070	12,599,533	1,249,300	-	-	-	-	-	-	-	-
	(112,686,309)	(76,957,365)	(25,505,793)	(10,165,219)	(77,932)	-	-	-	-	-	-	-	-
	489	-	489	-	-	-	-	-	-	-	-	-	-
	29,604,974	14,860,659	11,829,766	263,064	1,171,368	-	-	-	1,480,117	-	-	-	-
	94,580,024	(189,289,656)	139,891,385	45,220,981	78,513,026	12,230,396	25,311,989	73,722,384	30,217,221	11,254,828	-	-	(132,492,530)
	(189,289,656)	(49,398,271)	(4,177,290)	(4,177,290)	74,335,736	86,566,132	111,878,121	185,600,505	215,817,726	227,072,554	-	-	94,580,024

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45.4 Liquidity Risk

Liquidity risk is the risk that the Bank may be unable to meet its obligations or to fund increases in assets as they fall due without incurring unacceptable cost or losses.

The Assets and Liability Management Committee (ALCO) of the Group is responsible for the oversight of liquidity management and meets on a monthly basis or more frequently, if required.

The Group's approach to liquidity management is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking sustained damage to business franchises. A centralized approach is adopted, based on an integrated framework incorporating an assessment of all material known and expected cash flows and the availability of collateral which could be used to secure additional funding if required. The framework entails careful monitoring and control of the daily liquidity position, and regular liquidity stress testing under a variety of scenarios. These encompass both normal and stressed market conditions, including general market crises and the possibility that access to markets could be impacted by a stress event affecting some part of the Group's business.

45.4.1 Maturities of assets and liabilities - based on working prepared by the Assets and Liabilities Management Committee (ALCO) of the Bank

Assets and Liabilities having contractual maturity dates are bucketed as per their respective maturities. The maturity profile of non-contractual deposits and bills payable is estimated using an Exponentially Weighted Moving Average model based on data for the last seven years. The maturity profile of certain non-contractual assets and liabilities which are related to specific assets and liabilities follows the maturity profile of the underlying asset or liability. The maturity profile of other non-contractual assets and liabilities is expected to follow historical patterns of behavior. The methodology and the assumptions used to derive the maturity profile of non-contractual assets and liabilities have been approved by ALCO.

	2013									
	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
Assets										
Cash and balances with treasury banks	89,591,601	47,380,662	1,399,168	1,371,240	1,985,046	2,761,460	2,118,942	3,403,814	6,757,328	22,413,941
Balances with other banks	32,658,606	27,274,893	1,480,731	3,552,111	211,122	139,749	-	-	-	-
Lendings to financial institutions	29,858,038	14,438,406	2,501,703	5,717,625	3,797,320	1,872,311	168,021	863,329	499,323	-
Investments	458,846,198	80,798,666	144,476,768	46,202,904	28,317,899	23,140,643	53,438,409	36,912,607	37,749,586	7,808,716
Advances - Performing	404,946,323	77,563,079	98,154,034	42,703,826	33,905,550	14,551,355	22,168,995	64,747,070	42,804,825	8,347,589
- Non-performing	10,336,987	-	-	-	-	-	-	-	-	10,336,987
Operating fixed assets	28,037,980	3,293,183	133,314	221,602	389,969	904,530	917,950	3,490,141	2,077,836	16,609,455
Deferred tax assets	29,356,983	7,414,132	8,579,614	1,545,310	7,570,977	1,218,824	262,682	1,207,952	775,618	781,874
Other assets	1,083,632,716	258,183,021	256,725,332	101,314,618	76,177,883	44,588,872	79,074,999	110,624,913	90,664,516	66,298,562
Liabilities										
Bills payable	16,600,691	6,196,157	4,218,618	4,134,414	2,051,502	-	-	-	-	-
Borrowings	41,077,730	20,575,017	12,530,095	3,446,897	1,326,972	720,836	610,332	1,012,085	855,496	-
Deposits and other accounts	889,525,603	142,584,790	92,551,339	75,414,032	91,579,875	55,893,050	40,404,193	49,765,585	95,529,668	245,803,071
Subordinated loan	665,328	-	332,664	-	332,664	-	-	-	-	-
Liabilities against assets subject to finance lease	1,395,138	71	144	220	460	430	348,784	348,786	-	-
Deferred tax liability	23,093,754	5,914,687	3,174,083	1,316,647	1,463,421	1,110,321	501,008	683,308	2,489,242	6,451,037
Other liabilities	972,359,569	175,270,722	112,806,943	84,312,210	97,093,678	58,073,421	41,864,317	51,809,764	98,874,406	252,254,108
Net assets	111,273,147	82,892,299	143,918,389	17,002,408	(20,915,795)	(13,484,549)	37,210,682	58,815,149	(8,209,890)	(185,955,546)
Represented by:										
Share capital	12,241,798									
Reserves	38,049,345									
Unappropriated profit	45,208,302									
Non-controlling interest	3,487,918									
Surplus on revaluation of assets	12,285,784									
	111,273,147									

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45.4.2 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the Group

The maturity profile presented below has been prepared as required by IAS on the basis of contractual maturities, except for products that do not have a contractual maturity which are shown in the first bucket.

	2013									
	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	89,591,601	89,547,944	-	-	-	-	-	-	-	-
Balances with other banks	32,658,606	27,274,895	1,480,731	3,552,109	211,123	139,748	-	-	-	-
Lendings to financial institutions	29,858,038	14,438,405	2,501,703	5,717,625	3,797,320	1,872,311	-	-	-	-
Investments	458,846,198	62,125,768	144,158,835	46,202,903	12,337,056	24,184,758	168,021	863,329	499,324	-
Advances	415,283,310	80,052,469	98,154,034	42,705,172	33,163,619	14,606,218	57,093,581	50,477,755	54,456,823	7,808,719
Operating fixed assets	28,037,980	3,293,183	133,314	221,602	389,969	904,530	917,950	3,490,141	2,041,194	16,646,097
Deferred tax asset	-	-	-	-	-	-	-	-	-	-
Other assets	29,356,983	21,675,754	6,047,295	909,413	214,454	367,708	65,105	77,254	-	-
	1,063,632,716	298,408,418	252,475,912	99,308,824	50,113,541	42,075,273	80,413,652	119,699,206	99,802,166	41,335,724
Liabilities										
Bills payable	16,600,691	16,600,691	-	-	-	-	-	-	-	-
Borrowings	41,077,730	20,575,017	12,530,095	3,446,897	1,326,972	720,836	610,332	1,012,085	855,496	-
Deposits and other accounts	889,525,603	636,816,221	73,211,307	56,460,053	59,819,631	17,722,747	10,914,429	10,678,361	23,902,754	100
Subordinated loans	665,328	-	332,664	-	332,664	-	-	-	-	-
Liabilities against assets subject to finance lease	1,325	71	144	220	460	430	-	-	-	-
Deferred tax liability - net	1,395,138	1,395,138	-	-	-	-	-	-	-	-
Other liabilities	23,093,754	17,929,610	429,485	371,837	824,676	442,874	-	-	625,532	2,469,740
	972,359,569	693,316,748	86,503,695	60,279,007	62,304,403	18,886,887	11,524,761	11,690,446	25,383,782	2,469,840
Net assets	111,273,147	(394,908,330)	165,972,217	39,029,817	(12,190,862)	23,188,386	68,888,891	108,008,760	74,418,384	38,865,884
Represented by:										
Share capital	12,241,798	-	-	-	-	-	-	-	-	-
Reserves	38,049,345	-	-	-	-	-	-	-	-	-
Unappropriated profit	45,208,302	-	-	-	-	-	-	-	-	-
Non-controlling interest	3,487,918	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	12,285,784	-	-	-	-	-	-	-	-	-
	111,273,147	-	-	-	-	-	-	-	-	-

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45.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Operational Risk & Basel II Division is primarily responsible for the oversight of operational risk management across the Group. The operational risk management framework of the Group is governed by the Operational Risk Management Policy and Procedures, while the implementation is supported by an operational risk management system and designated operational risk coordinators within different units across the Group. The framework is in line with international best practices, flexible enough to implement in stages and permits the overall approach to evolve in response to organizational learning and future requirements.

Loss data, collected through a well defined program, is evaluated and processes are reviewed for improvements in mitigation techniques. Periodic workshops are conducted for Risk & Control Self Assessment and key risk exposures are identified and assessed against existing controls to evaluate improvement opportunities. Key Risk Indicators are also defined for monitoring of risk exposures.

Business Continuity Plans have been implemented across the bank, clearly defining the roles and responsibilities of respective stakeholders, and covering recovery strategy, IT and structural backups, scenario and impact analyses and testing directives. The outsourcing policy has also been augmented to address risks associated with such arrangements.

46. ISLAMIC BANKING BUSINESS

The Bank operates 22 (2012: 19) Islamic Banking Branches and 15 (2012: 15) Islamic Banking windows.

The statement of financial position of the Bank's Islamic Banking Branches as at December 31, 2013 is as follows:

	Note	2013	2012
		----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks		951,157	748,333
Balances with other banks		1,701,743	1,293,290
Investments		7,363,524	8,036,026
Islamic financing and related assets	46.1	5,183,080	3,118,266
Operating fixed assets		117,974	100,250
Due from Head Office		2,144,911	-
Other assets		153,963	173,481
Total Assets		17,616,352	13,469,646
LIABILITIES			
Bills payable		54,532	960
Deposits and other accounts			
Current accounts		2,328,416	1,863,420
Saving accounts		2,490,262	2,533,628
Term deposits		1,994,823	3,141,108
Deposits from financial institutions - remunerative		9,980,829	4,956,027
		16,794,330	12,494,183
Due to Head Office		-	272,971
Other liabilities		191,564	162,915
		17,040,426	12,931,029
NET ASSETS		575,926	538,617
REPRESENTED BY:			
Islamic Banking Fund		681,000	681,000
Accumulated losses		(156,679)	(194,579)
		524,321	486,421
Surplus on revaluation of assets		51,605	52,196
		575,926	538,617

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

The profit and loss account of the Bank's Islamic Banking branches for the year ended December 31, 2013 is as follows:

	2013	2012
	----- (Rupees in '000) -----	
Return earned	1,511,101	1,266,785
Return expensed	<u>895,282</u>	<u>865,577</u>
	615,819	401,208
Provision against loans and advances - net	<u>1,525</u>	<u>7,880</u>
Reversal for diminution in value of investments - net	<u>(1,438)</u>	<u>(37,216)</u>
(Reversal) / charge against assets given on Ijarah	<u>(3,602)</u>	<u>12,626</u>
	<u>(3,515)</u>	<u>(16,710)</u>
Net return after provisions	619,334	417,918
Other Income		
Fee, commission and brokerage income	<u>14,913</u>	<u>12,124</u>
Dividend income	<u>20,187</u>	<u>60,432</u>
Income from dealing in foreign currencies	<u>7,291</u>	<u>34,504</u>
Gain on sale of securities - net	<u>9,021</u>	<u>860</u>
Other income	<u>8,584</u>	<u>14,906</u>
Total other income	<u>59,996</u>	<u>122,826</u>
	679,330	540,744
Other Expenses		
Administrative expenses	<u>638,933</u>	<u>516,659</u>
Other provisions - net	<u>2,497</u>	<u>19,006</u>
Total other expenses	<u>641,430</u>	<u>535,665</u>
	37,900	5,079
Net profit for the year	<u>37,900</u>	<u>5,079</u>
Accumulated losses brought forward	<u>(194,579)</u>	<u>(199,658)</u>
Accumulated losses carried forward	<u>(156,679)</u>	<u>(194,579)</u>
Remuneration to Shariah Advisor	<u>1,045</u>	<u>2,329</u>
46.1 Islamic financing and related assets		
Financings		
Murabaha	<u>3,232,150</u>	<u>1,394,021</u>
Ijarah	<u>867,257</u>	<u>982,463</u>
Musharaka	<u>-</u>	<u>55,556</u>
Diminishing Musharaka	<u>687,448</u>	<u>192,924</u>
Salam	<u>281,040</u>	<u>347,171</u>
Provision against financings	<u>(31,389)</u>	<u>(29,864)</u>
	5,036,506	2,942,271
Advances		
Advances and receivables against Ijarah	<u>143,753</u>	<u>171,780</u>
Advances for Murabaha	<u>17,498</u>	<u>17,531</u>
Provision against advances for Murabaha	<u>(17,498)</u>	<u>(17,498)</u>
	143,753	171,813
Profit receivable against financings	<u>2,821</u>	<u>4,182</u>
	<u>5,183,080</u>	<u>3,118,266</u>
46.2 Charity Fund		
Opening balance	6,476	8,967
Addition during the year	262	959
Payments during the year	<u>(6,400)</u>	<u>(3,450)</u>
Closing balance	<u>338</u>	<u>6,476</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

46.3 Disclosures for profit and loss distribution and pool management

During 2013, UBL Ameen (the Mudarib) maintained two pools which accept deposits on the basis of Mudaraba from depositors (Rabbulmaal). Pool funds are invested in Islamic modes of financing and investments. The profit earned on the pool is therefore susceptible to the same market and credit risks as discussed in note 44 to the financial statements.

Ameen Daily Munafa Account (ADMA) Pool

The ADMA pool consists of deposits for the ADMA product. The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. From the net return, profit is paid to the Mudarib in the ratio of the Mudarib's equity in the pool to the total pool. The balance represents the distributable profit.

General Pool

The General pool consists of all other remunerative deposits. The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. Currently, the entire net return is considered as distributable profit without paying any profit to the Mudarib on its equity.

For both pools, the Mudarib's share is deducted from the distributable profit to calculate the profit to be allocated to depositors. The allocation of the profit to various deposit categories is determined by the amount invested in that category relative to the total pool, as well as by the weightage assigned to the various deposit categories.

The Mudarib's share for the year ended December 31, 2013 is Rs. 602 million (50% of distributable profit). Of this, an amount of Rs. 293 million (49% of the Mudarib's share) was distributed back to depositors as Hiba. The rate of profit earned on average earning assets was 9.7% per annum and the rate of profit paid on average deposits was 6.9% per annum.

	2013	2012
	----- (Rupees in '000) -----	
46.4 Deployment of Mudaraba based deposits by class of business		
Chemical and pharmaceuticals	83,936	349,539
Agri business	3,018,759	963,200
Textile	300,663	366,141
Sugar	96,110	124,311
Automobile	9,390	3,641
Financial	311,632	425,264
Food industries	192,305	359,480
Engineering	434,348	379,302
Glass and allied	522,134	274,667
Hotel	21,714	24,802
Plastic	84,665	67,560
Individuals	198,651	173,323
Production and transmission of energy	459,089	41,667
Government of Pakistan Sukuks	6,538,358	7,398,943
Others	274,850	202,452
	<u>12,546,604</u>	<u>11,154,292</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2013

47. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on February 19, 2014 has proposed a cash dividend in respect of 2013 of Rs. 4.00 per share (2012: Rs. 3.50 per share). In addition, the Directors have also announced a bonus issue of nil (2012: nil). These appropriations will be approved in the forthcoming Annual General Meeting. The consolidated financial statements for the year ended December 31, 2013 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2014.

48. DATE OF AUTHORIZATION

These financial statements were authorized for issue on February 19, 2014 by the Board of Directors.

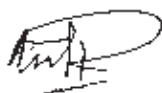
49. GENERAL

49.1 Comparatives

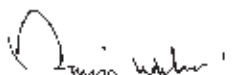
Comparative information has been reclassified, rearranged or additionally incorporated in these consolidated financial statements for the purposes of better presentation. Major reclassifications made are as follows:

- Rs. 875 million has been reclassified from balances with other banks to lendings to financial institutions.
- Rs. 2,478 million has been reclassified from deposits and other accounts to borrowings.
- Rs. 583 million has been reclassified from other assets to other liabilities.

49.2 Figures have been rounded off to the nearest thousand rupees unless otherwise stated.



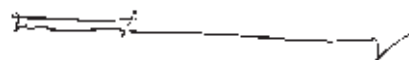
Atif R. Bokhari
President &
Chief Executive Officer



Amin Uddin
Director



Seerat Asghar
Director



Sir Mohammed Anwar Pervez, OBE, HPk
Chairman

Annexure 'A' as referred to in note 9.8 of the Group's Consolidated Financial Statements

1) Particulars of investments held in listed companies and Modarabas

Investee	Number of shares / certificates held	Paid up value per share / certificate	Total paid up value	Cost
		(Rupees)	------(Rupees in '000)-----	
<u>Held for trading securities</u>				
<u>Investments in ordinary shares</u>				
Attock Refinery Limited	350,400	10.00	3,504	72,989
Bank Al-Falah Limited	200,000	10.00	2,000	5,486
D.G. Khan Cement	500,000	10.00	5,000	43,192
FFC Jordan-Bin Qasim	100,000	10.00	1,000	4,510
MCB Bank Limited	665,900	10.00	6,659	191,756
				<u>317,933</u>
<u>Available for sale securities</u>				
<u>Investments in ordinary shares</u>				
Agritech Limited	14,087,108	10.00	140,871	493,049
Aisha Steel Mills Limited	5,104,000	10.00	51,040	55,362
Bank Al-Falah Limited	21,000,000	10.00	210,000	481,790
DP World	6,926	2,106.49	14,590	18,968
Engro Foods Limited	3,500,000	10.00	35,000	359,776
Engro Corporation Limited	4,250,000	10.00	42,500	568,267
Fatima Fertilizer Company Limited	22,400,000	10.00	224,000	569,358
Fauji Fertilizer Bin Qasim Limited	45,400,000	10.00	454,000	1,803,141
Fauji Fertilizer Company Limited	17,500,000	10.00	175,000	1,981,068
Hub Power Company Limited	33,228,500	10.00	332,285	1,547,277
Kot Addu Power Company Limited	83,300,500	10.00	833,005	3,868,783
MCB Bank Limited	982,100	10.00	9,821	280,441
Maple Leaf Cement	18,369,500	10.00	183,695	439,560
National Refinery Limited	200,000	10.00	2,000	43,735
Nishat Chunian Power Limited	26,798,500	10.00	267,985	460,629
Pakgen Power Limited	6,428,000	10.00	64,280	157,910
Pak Oilfields Limited	580,100	10.00	5,801	279,771
Pakistan Telecommunication Company Limited	22,450,000	10.00	224,500	617,037
Shell Pakistan Limited	705,000	10.00	7,050	131,287
PICIC Growth Fund	600	10.00	6	10
1st Fidelity Leasing Modaraba	997	10.00	10	26
				<u>14,157,245</u>
<u>Investments in preference shares</u>				
Masood Textile Mills Limited	7,333,334	10.00	73,333	73,333
Silk Bank Limited	10,000,000	10.00	100,000	25,000
JSC Alliance Bank	95,720	4,786.53	338,312	338,312
Chenab Limited	812,000	10.00	8,120	8,120
				<u>444,765</u>

Annexure 'A' as referred to in note 9.8 of the Group's Consolidated Financial Statements

2) Particulars of investments held in unlisted companies

Investee	Percentage of holding (%)	Number of shares / certificates held	Breakup value per share	Paid up value per share	Cost	Based on audited accounts as at	Name of Chief Executive
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------(Rupees)----- (Rupees in '000)

Shareholding more than 10%

Pakistan Agricultural Storage & Services Corporation Limited	18.3%	5,500	(127,104)	1,000	5,500	31-Mar-13	Maj. Gen. M. Tauqeer Ahmad Khan
World Bridge Connect Inc.	18.1%	1,979,295	-	-	77,606	-	Not available
Cinepax Limited	14.6%	5,037,200	9	10	50,372	30-Jun-12	Arif Baigmohamed

Shareholding upto 10%

First Women Bank Limited	5.2%	7,698,441	13	10	21,100	31-Dec-12	Shafqat Sultana
National Institutional Facilitation Technologies (Pvt.) Limited	8.6%	1,406,835	62	10	1,527	30-Jun-13	M. M. Khan
National Investment Trust Limited	8.3%	79,200	22,519	100	100	30-Jun-13	Manzoor Ahmed
News-VIS Credit Information Services (Pvt.) Limited	4.7%	32,500	(2)	10	325	30-Jun-13	Faheem Ahmad
Techlogix International Limited	4.4%	4,455,829	5	0	50,702	31-Dec-11	Salman Akhtar & Kewan Khawaja (Co-Chief Executive)
Kay Textile Mills Limited	Not available	377,800	-	-	3,778	Not available	Not available
SME Bank Limited	1.7%	3,975,003	6	10	26,950	31-Dec-12	Naseer Durrani
SWIFT	0.0%	25	330,036	18,134	2,905	31-Dec-12	Gottfried Leibbrandt
MasterCard Incorporated	0.0%	461	5,911	0	0	31-Dec-12	Ajay Banga
The Benefit Company B.S.C ©	0.4%	216	146,848	27,938	2,235	31-Dec-12	Abdul Wahid Janahi
Tri Star Shipping Company	0.0%	15,000	-	-	250	Not available	Not available

243,350

Annexure 'A' as referred to in note 9.8 of the Group's Consolidated Financial Statements

3) Particulars of bonds

Investee	Terms of Redemption		Rate of Interest / Profit	Outstanding Amount
	Principal	Interest / Profit		
(Rupees in '000)				
<u>Held for trading</u>				
<u>Sukuks</u>				
Maple Leaf Cement Limited	At Maturity	Bi-annually	6M KIBOR + 170bps	21,437
<u>Available for sale securities</u>				
<u>Government of Pakistan Sukuk</u>				
Government of Pakistan Ijarah Sukuk - VII	At Maturity	Bi-annually	Cut off yield of 6M T-Bills plus 0 bps	1,001,752
Government of Pakistan Ijarah Sukuk - IX	At Maturity	Bi-annually	Cut off yield of 6M T-Bills plus 0 bps	2,785,000
Government of Pakistan Ijarah Sukuk - XI	At Maturity	Bi-annually	Cut off yield of 6M T-Bills plus 0 bps	500,000
Government of Pakistan Ijarah Sukuk - XIV	At Maturity	Bi-annually	Cut off yield of 6M T-Bills minus 30 bps	1,900,000
				<u>6,186,752</u>
<u>Government of Pakistan - Eurobonds</u>				
Islamic Republic of Pakistan - 2016 - Eurobond	At Maturity	Bi-annually	7.125%	3,803,343
Islamic Republic of Pakistan - 2017 - Eurobond	At Maturity	Bi-annually	6.875%	8,821,093
				<u>12,624,436</u>
<u>Foreign bonds - sovereign</u>				
Angol 2019 USD	At Maturity	Bi-annually	7.000%	416,349
Government of Dubai 2020	At Maturity	Bi-annually	7.750%	2,513,861
Government of Dubai 2015	At Maturity	Bi-annually	6.700%	437,694
Government of Dubai 2022	At Maturity	Bi-annually	6.450%	1,566,922
EGYPT 2020	At Maturity	Bi-annually	5.750%	633,604
Kingdom of Bahrain 2020	At Maturity	Bi-annually	5.500%	1,135,104
Kingdom of Jordan	At Maturity	Bi-annually	6.392%	735,863
Republic of Ghana 2017	At Maturity	Bi-annually	8.500%	309,815
Republic of Srilanka 2020	At Maturity	Bi-annually	6.250%	790,774
Republic of Srilanka 2022	At Maturity	Bi-annually	5.875%	624,469
State of Qatar 2030	At Maturity	Bi-annually	9.750%	2,766,876
United Republic of Tanzania	At Maturity	Bi-annually	6.392%	1,144,942
Venezuela 2016	At Maturity	Bi-annually	5.750%	311,964
EGYPT	At Maturity	Bi-annually	5.750%	384,016
Banque Cent De Tunisie	At Maturity	Annual	4.500%	144,656
Republic of Ghana	At Maturity	Bi-annually	8.500%	720,755
Republic of Sri Lanka	At Maturity	Bi-annually	5.875%	553,976
Republic of Sri Lanka	At Maturity	Bi-annually	6.250%	228,149
Republic of Zambia	At Maturity	Bi-annually	5.375%	717,639
Trade and Development Bank of Mongolia	At Maturity	Bi-annually	8.500%	484,179
UK Government - 2022	At Maturity	Bi-annually	1.750%	5,140,534
UK Government - 2023	At Maturity	Bi-annually	2.250%	5,053,539
				<u>26,815,680</u>

Annexure 'A' as referred to in note 9.8 of the Group's Consolidated Financial Statements

3) Particulars of bonds (Contd.)

Investee	Terms of Redemption		Rate of Interest / Profit	Outstanding Amount
	Principal	Interest / Profit		
(Rupees in '000)				
Foreign bonds - others				
Bank of Bahrain and Kuwait 2015	At Maturity	Bi-annually	4.500%	211,567
Bank of Ceylon 2017	At Maturity	Bi-annually	6.875%	519,521
CBQ Finance 2019	At Maturity	Bi-annually	7.500%	517,550
Dar Al Arkaan 2015	At Maturity	Bi-annually	10.750%	411,988
DEWA - 2016	At Maturity	Bi-annually	6.375%	10,721
DEWA - 2018	At Maturity	Bi-annually	3.000%	3,367,368
DEWA - 2020	At Maturity	Bi-annually	7.375%	2,796,625
EMAAR 2019	At Maturity	Bi-annually	6.400%	1,046,701
EMIRAT	At Maturity	Bi-annually	3.875%	628,871
IPIC GMTN 2022	At Maturity	Bi-annually	5.500%	217,748
JAFZA 2019	At Maturity	Bi-annually	7.000%	1,042,447
MAF Global 2019	At Maturity	Bi-annually	5.250%	521,733
Qatari Diar QSC 2020	At Maturity	Bi-annually	5.000%	264,276
Access Finance BV	At Maturity	Bi-annually	7.250%	923,581
AE Rotor Holding BV	At Maturity	Quarterly	4.969%	632,825
African Bank Limited	At Maturity	Bi-annually	8.125%	939,834
AK Financial Kiralama AS	At Maturity	Bi-annually	4.125%	220,990
Alfa Bank (Alfa Bond)	At Maturity	Bi-annually	7.750%	120,829
Azerbaijan Railways	Callable	Bi-annually	8.250%	139,496
Banco Daycoval SA	At Maturity	Bi-annually	6.250%	384,158
Banco Industrial and Commercial	At Maturity	Bi-annually	5.250%	426,072
Bank of Ceylon	At Maturity	Bi-annually	6.875%	1,010,364
Bank of Georgia JSC	At Maturity	Bi-annually	7.750%	814,361
Bank of India London	At Maturity	Bi-annually	3.625%	244,576
Bahrain Telecom	At Maturity	Bi-annually	4.250%	638,504
Bharti Airtel International	At Maturity	Bi-annually	5.125%	26,751
BTG Investments LP	At Maturity	Bi-annually	4.500%	657,045
Canara Bank London	At Maturity	Bi-annually	5.250%	270,784
China Railway Resources	At Maturity	Bi-annually	3.850%	21,359
Credit Bank of Moscow	At Maturity	Bi-annually	7.700%	687,911
Dar Al-Arkan	At Maturity	Bi-annually	5.750%	473,653
Eastern and Southern African	At Maturity	Bi-annually	6.375%	740,666
Georgian Oil & Gas Corporation	At Maturity	Bi-annually	6.875%	244,035
GTB Finance BV	At Maturity	Bi-annually	6.000%	580,962
GTB Finance BV	At Maturity	Bi-annually	7.500%	112,852
Halyk Savings Bank-Kazakistan	At Maturity	Bi-annually	7.125%	116,893
Halyk Savings Bank-Kazakistan	At Maturity	Bi-annually	7.250%	584,263
ICICI Bank Ltd / Dubai	At Maturity	Bi-annually	4.800%	265,362
ICICI Bank Ltd / Hong Kong	At Maturity	Bi-annually	5.750%	265,596
IDBI Bank Ltd	At Maturity	Bi-annually	4.375%	208,906
Indian Overseas Bank	At Maturity	Bi-annually	4.625%	207,800
Industrial Senior Trust	At Maturity	Bi-annually	5.500%	528,220
Investcorp SA	At Maturity	Bi-annually	8.250%	558,506
JSC Georgian Railway	At Maturity	Bi-annually	9.875%	135,266
Mongolia International Bond	At Maturity	Bi-annually	5.125%	308,132
Mongolian Mining Corporation	Callable	Bi-annually	8.875%	513,205
National Savings Bank	At Maturity	Bi-annually	8.875%	344,315
Oschad Bank	At Maturity	Bi-annually	8.250%	367,824
Ottawa Holdings Pte Ltd	Callable	Bi-annually	5.875%	609,349
Russian Standard Bank	Putable	Bi-annually	9.250%	763,165
Saudi Electricity Global (SECO)	At Maturity	Bi-annually	4.211%	341,303

Annexure 'A' as referred to in note 9.8 of the Group's Consolidated Financial Statements

3) Particulars of bonds (Contd.)

Investee	Terms of Redemption		Rate of Interest / Profit	Outstanding Amount
	Principal	Interest / Profit		
(Rupees in '000)				
Sistema JSFC	At Maturity	Bi-annually	6.950%	516,220
TF Varlik Kiralama AS	At Maturity	Bi-annually	3.950%	301,353
Theta Capital Pte Ltd	Callable	Bi-annually	7.000%	779,459
Tullett Prebon Group	At Maturity	Annual	7.040%	361,892
Turkiye IS Bankasi AS	At Maturity	Bi-annually	5.500%	345,262
Turkiye Vakiflar	At Maturity	Bi-annually	5.000%	327,934
Vimpelcom (VIP FIN)	At Maturity	Bi-annually	7.748%	551,890
VN JSC Bank for Industries and Trade	At Maturity	Bi-annually	8.000%	834,759
Zoomlion Hk SPV Co Ltd	At Maturity	Bi-annually	6.875%	473,656
				32,479,255
Held to maturity securities				
Government of Pakistan Sukuk				
Government of Pakistan Sukuk - VII	At Maturity	Bi-annually	Cut off yield of 6M T-Bills plus 0 bps	300,000
				300,000
Government of Pakistan - Eurobonds				
Islamic Republic of Pakistan - 2016 - Eurobond	At Maturity	Bi-annually	7.125%	1,147,686
Islamic Republic of Pakistan - 2017 - Eurobond	At Maturity	Bi-annually	6.875%	4,956,293
				6,103,979
Sukuks				
Security Leasing Corporation	Monthly	Nil	Nil	23,261
B.R.R Guardian Modaraba	Monthly	Monthly	Deferred interest instalment @ 1 month KIBOR	80,937
K.S. Sulemanji - Diminishing Musharika	Quarterly	Quarterly	Avg. of 3 months KIBOR plus 140 bps	54,447
Sitara Energy Limited	Bi-annually	Bi-annually	6 Month KIBOR plus 1.15%	31,704
Sitara Peroxide Limited	Monthly	Monthly	1 Months KIBOR plus 1%	234,759
Pakistan International Airlines Corporation	Bi-annually	Bi-annually	6 month KIBOR plus 1.75%	890,000
WAPDA Bonds - Sukuk II	At Maturity	Bi-annually	6M KIBOR minus 25bps	34,089
WAPDA Bonds - Sukuk III	At Maturity	Bi-annually	6M KIBOR plus 100bps	425,000
				1,774,197
Foreign bonds - sovereign				
Tanzania - 2020	At Maturity	Bi-annually	6.450%	155,121

Annexure 'A' as referred to in note 9.8 of the Group's Consolidated Financial Statements

3) Particulars of bonds (Contd.)

Investee	Terms of Redemption		Rate of Interest / Profit	Outstanding Amount
	Principal	Interest / Profit		
(Rupees in '000)				
Foreign bonds - others				
JSC Alliance Bank - US \$ Discount Bonds	At maturity	Bi-annually	10.500%	228,454
Zurich Insurance - 2016	At maturity	Annual	4.250%	119,639
State Bank of India - 2016	At maturity	Annual	3.375%	237,420
Notes Sunrise Comm. - 2017	At maturity	Bi-annually	7.000%	123,190
Bank of Ceylon - 2018	At maturity	Bi-annually	5.325%	206,668
				915,371
Recovery Note				
JSC Alliance Bank - US \$ Recovery Notes	At Maturity	Not applicable	Not applicable	324,639

4) Particulars of Debentures

Investee	Terms of Redemption		Rate of Interest / Profit	Outstanding Amount
	Principal	Interest / Profit		
(Rupees in '000)				
Private Sector				
Effef Industries Limited	Overdue	Overdue	11.00%	1,017
Effef Industries Limited	Overdue	Overdue	14.00%	379
Khyber Textile Mills Limited	Overdue	Overdue	14.00%	395
Morgah Valley Limited	Overdue	Overdue	11.00%	315
Morgah Valley Limited	Overdue	Overdue	14.00%	160
				2,266

Annexure 'A' as referred to in note 9.8 of the Group's Consolidated Financial Statements

5) Particulars of investments in term finance certificates

Investee	No. of Certificates held	Paid up value per certificate (Rupees)	Total Paid up value (Rupees in '000)	Outstanding Amount	Name of Chief Executive
<u>Unlisted - held for trading</u>					
Worldcall Telecom Limited	4,855	2,142	10,399	7,032	Babar Ali Syed
Engro Fertilizer Limited	5,000	5,000	25,000	22,417	Rohail Mohammad
Standard Chartered Bank	2,000	5,000	10,000	10,110	Mohsin Ali Nathani
				<u>39,559</u>	
<u>Listed - held for trading</u>					
Bank Al Falah Limited	2,000	4,999	9,998	10,223	Atif Bajwa
<u>Unlisted - available for sale</u>					
Azgard Nine Limited	12,944	5,000	64,720	64,720	Ahmed H. Shaikh
Bank Al Habib Limited TFC III	46,000	5,000	230,000	229,172	Abbas D. Habib
Engro Fertilizers Limited	140,000	5,000	700,000	700,000	Muhammad Rohail
Faysal Bank Limited	46,000	5,000	230,000	229,724	Naved A. Khan
Pakistan International Airlines Corporation TFC II	1,700	5,000	8,500	8,498	Muhammad Junaid Yunus
				<u>1,232,114</u>	
<u>Listed - available for sale</u>					
Allied Bank Limited TFC	1	2,493	2	3	Tariq Mahmood
Allied Bank Limited TFC II	53,000	5,000	265,000	133,200	Tariq Mahmood
Azgard Nine Limited	19,523	5,000	97,615	97,615	Ahmed H. Shaikh
Bank Al Falah Limited TFC III	24,200	5,000	121,000	120,976	Atif Bajwa
Bank Al Habib Limited TFC II	44,766	5,000	223,830	224,680	Abbas D. Habib
Engro Fertilizers Limited	22,562	5,000	112,810	112,782	Muhammad Rohail
				<u>689,256</u>	
<u>Unlisted - held to maturity</u>					
Pakistan International Airlines Corporation	408,867	5,000	2,044,335	2,042,700	Muhammad Junaid Yunus
Orix Leasing Pakistan Limited	1,500	100,000	150,000	45,000	Teizoon Kisat
Security Leasing Corporation Limited	40,000	5,000	200,000	32,839	Mohammed Khalid Ali
Al-Azhar Textile Mills Limited	14	774,670	10,845	5,418	Mirza Aurangzeb Baig
Bachani Sugar Mills Limited	-	-	-	18,516	Noorul Amin Bachani
Bentonite (Pakistan) Limited	14	268,894	3,765	3,417	Khalid Shakeel
Blue Star Spinning Mills Limited	17	497,020	8,449	3,392	Ch. Ijaz Safdar
Cast-N-Link Products Limited	16	1,064,039	17,025	2,549	Nisar Ahmed
Regency Textile Limited	40	287,715	11,509	6,113	M. Iqtidar Pervaiz
Tharparkar Sugar Mills	1	8,770,219	8,770	1,853	Sajid H. Naqvi
Independent Media Corporation	20,000	5,000	100,000	95,000	Mir Ibrahim Rahman
Faysal Bank Limited	24,000	5,000	120,000	119,856	Naved A. Khan
WAPDA	300,000	5,000	1,500,000	1,500,000	Syed Raghbir Abbas
				<u>3,876,653</u>	

Annexure 'A' as referred to in note 9.8 of the Group's Consolidated Financial Statements

5) Particulars of investments in term finance certificates (Contd.)

Investee	No. of Certificates held	Paid up value per certificate	Total Paid up value	Outstanding Amount	Name of Chief Executive
		(Rupees)	-----	(Rupees in '000)-----	
<u>Listed - held to maturity</u>					
Allied Bank Limited TFC II	129,397	5,000	646,985	490,082	Tariq Mahmood
Azgard Nine	12,297	5,000	61,485	61,115	Ahmed H. Shaikh
Bank Al Falah Limited	48,600	5,000	243,000	242,951	Atif Bajwa
Standard Chartered Bank	75,000	5,000	375,000	375,000	Mohsin Ali Nathani
				<u>1,169,148</u>	

6) Particulars of participation term certificates

Investee	No. of Certificates held	Paid up value per certificate	Total Paid up value	Outstanding Amount	Name of Chief Executive
		(Rupees)	-----	(Rupees in '000)-----	
Brother Steel Industries Limited	17	362,000	6,154,000	2,144	Mian Yousuf Aziz
Morgah Valley Limited	16	29,250	468,000	437	Air Marshal (Retd.) A. Rahim Khan
Zamrock Fibers Glass Limited	12	32,833	394,000	2,358	S. Zamir Syed
				<u>4,939</u>	

Annexure 'A' as referred to in note 9.8 of the Group's Consolidated Financial Statements

7) Quality of investments classified as available for sale (AFS)

Investee	Market Value (Rupees in '000)	Credit Rating
Investment in ordinary shares		
Agritech Limited	178,484	D
Aisha Steel Mills	47,927	Not available
Bank Al-Falah Limited	567,840	AA-
Engro Foods Limited	365,540	Not available
Engro Corporation Limited	673,115	A
Fatima Fertilizer Company Limited	639,744	A+
Fauji Fertilizer Bin Qasim Limited	1,988,974	Not available
Fauji Fertilizer Company Limited	1,959,300	Not available
Hub Power Company Limited	2,017,635	AA+
Kot Addu Power Company Limited	5,143,806	AA+
MCB Bank Limited	276,137	AAA
Maple Leaf Cement Limited	503,875	BB
National Refinery Limited	43,104	AA+
Nishat Chunian Power Limited	932,052	A+
Pak Oilfields Limited	288,722	Not available
Pakgen Power Limited	139,552	AA
Pakistan Telecommunication Company Limited	638,478	Not available
Shell Pakistan Limited	134,253	Not available
DP World	12,918	Baa3
PICIC Growth Fund	15	Not available
	<u>16,551,471</u>	
Investments in preference shares		
Masood Textile Mills Limited	73,333	Not available
Silk Bank Limited	25,000	A-
JSC Alliance Bank	338,312	Caa2
	<u>436,645</u>	

Investee	Cost (Rupees in '000)	Credit Rating
Investment in unlisted shares		
Shareholding more than 10%		
Pakistan Agricultural Storage & Services Corporation Limited	5,500	Not available
Cinepax Limited	50,372	Not available
World Bridge Connect Inc.	77,606	Not available
Shareholding upto 10%		
First Women Bank Limited	21,100	A-
National Institutional Facilitation Technologies (Pvt.) Limited	1,527	Not available
SME Bank Limited	26,950	BBB
Kay Textile Mills Limited	3,778	Not available
Techlogix International Limited	50,702	Not available
SWIFT	2,905	Not available
National Investment Trust Limited	100	AM2-
News-VIS Credit Information Services (Pvt.) Limited	325	Not available
MasterCard Incorporated	0	Not available
The Benefit Company B.S.C ©	2,235	Not available
Tri Star Shipping Company	250	Not available
	<u>243,350</u>	

Annexure 'A' as referred to in note 9.8 of the Group's Consolidated Financial Statements

7) Quality of investments classified as available for sale (AFS) - (Contd.)

Investee	Market Value (Rupees in '000)	Credit Rating
Federal Government Securities		
Market Treasury Bills	187,998,952	Unrated - Govt Securities
Pakistan Investment Bonds	64,734,891	Unrated - Govt Securities
	<u>252,733,843</u>	
Government of Pakistan Islamic Bonds		
Government of Pakistan Ijarah Sukuk	6,238,358	Score7
	<u>6,238,358</u>	
Government of Pakistan - Euro bond		
Islamic Republic of Pakistan - 2016 - Euro Bond	3,896,459	Score7
Islamic Republic of Pakistan - 2017 - Euro Bond	9,651,571	Score7
	<u>13,548,030</u>	
Foreign bonds - sovereign		
Angol 2019 USD	422,045	Score5
EGYPT 2020	681,200	Score6
Government of Dubai 2020	2,589,191	Score2
Government of Dubai 2015	472,449	Score2
Government of Dubai 2022	1,582,108	Score2
Kingdom of Bahrain 2020	1,110,714	Score4
Kingdom of Jordan	752,139	Score5
Republic of Ghana 2017	294,102	Score5
Republic of Srilanka 2020	754,266	Score6
Republic of Srilanka 2022	580,910	Score6
State of Qatar 2030	2,710,059	Score3
United Republic of Tanzania	1,144,426	Score6
Venezuela 2016	287,326	Score7
Central Bank of Tunisia	139,130	BB-
Republic of Egypt	353,972	B
Trade and Development Bank of Mongolia	480,748	B
Republic of Srilanka	783,059	BB-
Republic of Ghana	690,253	B+
Republic of Zambia	605,283	B+
UK Government	9,721,663	AA+
	<u>26,155,044</u>	
Foreign bonds - others		
Bank of Ceylon 2017	501,553	Not available
Bank of Bahrain and Kuwait 2015	219,397	BBB
CBQ Finance 2019	520,960	A1
Dar Al Arkaan 2015	397,655	Not available
DEWA 2016	11,713	Baa3
DEWA 2018	3,367,780	Baa3
EMAAR 2019	1,071,084	B1
EMIRAT	628,918	BBB
IPIC GMTN 2022	202,646	Aa3
JAFZA 2019	1,065,537	B+

Annexure 'A' as referred to in note 9.8 of the Group's Consolidated Financial Statements

7) Quality of investments classified as available for sale (AFS) - (Contd.)

Investee	Market Value (Rupees in '000)	Credit Rating
MAF Global 2019	524,217	Not available
DEWA 2020	2,885,750	Baa3
Qatari Diar QSC 2020	288,754	Aa2
Access Finance BV	871,853	B
Sistema JSFC	521,828	BB-
African Bank Ltd	886,091	BBB-
AK Financial Kiralama AS	224,378	BBB
Alfa Bank	114,171	BBB-
Azerbaijan Railways	136,556	BB+
Bahrain Telecom	592,262	BBB-
Banco Daycoval SA	392,444	BBB-
Banco Industrial and Commercial	427,583	BBB-
Industrial Senior Trust	483,462	BB
Bank of Ceylon	966,715	BB-
Bank of Georgia JSC	808,438	BB-
Bank of India London	245,090	BBB-
Ottawa Holding Pte Ltd	471,712	BB-
Bharti Airtel International	24,723	BBB-
BTG Investments LP	649,721	BBB-
Canara Bank London	272,814	BBB-
China Railway Resources	19,700	BBB+
Credit Bank Moscow	671,586	BB-
Dar Al Arkan	473,079	B+
Eastern and Southern African	753,399	BB-
Georgian Oil and Gas Corporation	249,302	BB-
JSC Georgian Railways	136,380	BB-
GTB Finance BV	689,845	B+
Halyk Savings Bank - Kazakhstan	587,215	BB-
Halyk Savings Bank - Kazakhstan	115,639	BB-
ICICI Bank Ltd	556,996	BBB-
IDBI Bank Limited	207,339	BBB-
Indian Overseas Bank	201,523	BBB-
Investcorp SA	570,848	BB
Turkiye IS Bankasi AS	347,782	BBB
Theta Capital Pte Ltd	742,658	BB-
Mongolia International Bond	266,632	B+
National Savings Bank	344,691	BB-
AE Rotor Holding BV	628,697	BBB
Russain Standard Bank	739,179	B+
Saudi Electricity Global (SECO)	322,460	AA-
Os Chad Bank	350,092	B
Mongolian Mining Corporation	484,353	B+
Tullett Prebon Group	381,142	BBB
TF Varlik Kiralama AS	302,167	BBB
Turkiye Vakiflar	326,869	BBB-
VN JSC Bank for Industries and Trade	838,142	B
Vimpelcom (VIP FIN)	529,160	BB
Zoomlion China	465,279	BBB-
	<u>32,077,959</u>	

Annexure 'A' as referred to in note 9.8 of the Group's Consolidated Financial Statements

7) Quality of investments classified as available for sale (AFS) - (Contd.)

Investee	Market Value (Rupees in '000)	Credit Rating
Term finance certificates		
Listed		
Allied Bank Limited	2	AA
Allied Bank Limited TFC II	132,792	AA
Azgard Nine Limited	97,615	D
Bank Al Falah Limited TFC	123,607	AA-
Bank Al Habib Limited TFC II	224,405	AA
Engro Fertilizers Limited	112,579	A-
	<u>691,000</u>	
Unlisted		
Azgard Nine Limited	64,720	D
Bank Al Habib Limited TFC III	240,631	AA
Engro Fertilizers Limited	700,000	A-
Faysal Bank Limited	240,595	AA
Pakistan International Airlines Corporation TFC II	8,498	Not available
	<u>1,254,444</u>	

Annexure 'C' As Referred to in Note 11.7 of the Group's Consolidated Financial Statements

Disposals of operating fixed assets during the year 2013

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	------(Rupees in '000)-----					
Furniture and fixtures						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	3,011	2,766	245	181	Auction	Various
Electrical, office and computer equipment						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	45,841	44,497	1,344	3,773	Different	Various
Vehicles						
Items having book value of more than Rs. 250,000 and cost of more than Rs. 1,000,000						
Toyota Corolla	1,565	516	1,049	1,200	Insurance Claim	UBL Insurers Limited
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000						
Honda Civic	1,526	1,373	153	305	Buy Back	Saeed Iqbal
Toyota Landcruiser	5,420	5,420	0	2,581	Auction	Saud Mohammad Shinain Arjawawani
Lexus	4,588	4,588	0	1,004	Negotiation	Rahooof A. F. Moosa
Chrysler	4,196	4,196	0	1,145	Auction	Behbehani Brothers W.L.L.
Chrysler	4,295	4,295	-	868	Auction	Masood Ahmed
Transport Van	80	72	8	92	Auction	Muhammad Ayub
Transport Van	596	536	60	939	Auction	Span Gul
Suzuki Cultus	636	573	63	632	Auction	Sheikh Abdul Waheed
Suzuki Cultus	636	573	63	569	Auction	Khalil ur Rehman
Suzuki Cultus	560	504	56	481	Auction	Aijaz Ahmed
Suzuki Cultus	560	504	56	444	Auction	Aijaz Ahmed
Suzuki Cultus	390	351	39	451	Auction	Syed Ariz Ali
Suzuki Cultus	620	558	62	516	Auction	Aijaz Ahmed
Suzuki Cultus	560	504	56	425	Auction	Naveed Rauf
Suzuki Cultus	560	504	56	422	Auction	Sheikh Abdul Waheed
Toyota Corolla	879	791	88	851	Auction	Syed Riaz Ahmed
Toyota Corolla	879	791	88	839	Auction	Syed Riaz Ahmed
Toyota Corolla	864	778	86	758	Auction	Syed Riaz Ahmed
Toyota Corolla	849	764	85	842	Auction	Syed Riaz Ahmed
Toyota Corolla	879	791	88	850	Auction	Syed Riaz Ahmed
Pajero	285	257	28	282	Auction	Naveed Rauf
Toyota Landcruiser	825	742	83	630	Auction	Syed Riaz Ahmed
Toyota Hilux	819	737	82	953	Auction	Muhammad Javed
Cycles / Bicycles	59	53	6	17	Auction	Danish Alvi
Cycles / Bicycles	11	10	1	6	Auction	Qazi Irfanullah
Various	344	237	107	2	Auction	Various
	33,481	31,018	2,463	18,104		

Annexure 'C' As Referred to in Note 11.7 of the Group's Consolidated Financial Statements

Disposals of operating fixed assets during the year 2013 (Contd.)

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	------(Rupees in '000)-----					
Ijarah Assets						
Items having book value of more than Rs. 250,000 or cost of more than Rs. 1,000,000						
Commercial Ijarah - Ghani Glass Limited	170,000	79,333	90,667	94,778	Buy Back	Ghani Glass Limited
Commercial Ijarah - M/s Atlas Honda Limited	15,711	14,907	804	804	Buy Back	M/s Atlas Honda Limited
Commercial Ijarah - Mecas Engineering (Pvt) Limited	15,457	13,911	1,546	1,546	Buy Back	Mecas Engineering (Pvt) Limited
Commercial Ijarah - Tanveer Cotton Mills	12,213	10,992	1,221	1,221	Buy Back	Tanveer Cotton Mills
Commercial Ijarah - Hotel Defense	12,095	9,676	2,419	2,419	Buy Back	Hotel Defense
Commercial Ijarah - Royal Tech	10,552	9,497	1,055	1,055	Buy Back	Royal Tech
Commercial Ijarah - Mecas Foundry	6,874	6,186	688	687	Buy Back	Mecas Foundry
Commercial Ijarah - National Foods Limited	4,360	2,175	2,185	2,505	Buy Back	National Foods Limited
Honda City	1,710	182	1,528	2,095	Buy back	Muhammad Mustafa
Honda City Aspire MT	1,701	321	1,380	1,482	Buy back	Imran Khan
Toyota Corolla GLi	1,625	537	1,088	1,088	Buy back	Wajid Sarwar
Toyota Corolla GLi	1,623	536	1,087	1,088	Buy back	Wajid Sarwar
Honda City	1,464	626	838	838	Buy back	Mukhtar Khan
Honda City	1,439	754	685	686	Buy back	Muhammad Asif
Honda City	1,430	639	791	740	Buy back	Khurram Farooq
Toyota Corolla XLi	1,323	985	338	355	Buy back	Qaiser Hafeez
Suzuki Swift	1,168	726	442	442	Buy back	Syed Asad Imam
Toyota Vitz	1,131	339	792	1,094	Buy back	Faisal Ijaz
Honda City	1,126	625	501	576	Buy back	Ghulam Abbas
Daihatsu Cuore Cx Eco	1,111	859	252	265	Buy back	Naveed Iqbal Khan
Toyota Corolla GLi	1,064	765	299	309	Buy back	Khurram Farooq
Toyota Corolla GLi	1,035	636	399	947	Buy back	Asim Rehman Khan
Toyota Corolla GLi	1,035	554	481	151	Buy back	Adnan Ismail
Toyota Corolla GLi	1,034	782	252	251	Buy back	Mohammad Ahmed
Suzuki Cultus VXR CNG	1,032	219	813	836	Buy back	Muhammad Ashraf
Toyota Corolla XLi	1,030	743	287	299	Buy back	Muhammad Rafi Khan
Toyota Corolla XLi	1,012	721	291	381	Buy back	Muhammad Iqbal
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000						
Commercial Ijarah - Premiere Dairies	2,200	1,980	220	220	Buy Back	Premiere Dairies
Honda City	1,044	907	137	149	Buy back	Muhammad Javed Shamsi
Toyota Corolla GLi	1,043	814	229	273	Buy back	Muhammad Nadeem
Toyota Corolla XLi	1,012	778	234	445	Buy back	Asadullah
Toyota Corolla XLi	982	849	133	143	Buy back	Mohammad Irfan
Honda Civic VTi Oriel	969	725	244	257	Buy back	Yasir Amir
Toyota Corolla XLi	960	784	176	186	Buy back	Syed Akleem Imtiaz
Toyota Corolla XLi	959	401	558	572	Buy back	Mohammad Raza Ahmed
Toyota Corolla XLi	956	771	185	185	Buy back	Mohammad Tariq Dara
Toyota Corolla XLi	954	815	139	139	Buy back	Mohammad Kousar Khan
Suzuki Liana	948	689	259	259	Buy back	Bina Khan
Toyota Corolla XLi	945	762	183	183	Buy back	Naeem Ahmed Rana
Toyota Corolla XLi	945	716	229	229	Buy back	Manzoor Uddin
Toyota Corolla XLi	944	769	175	185	Buy back	Nasir Ghulam
Toyota Corolla XLi	943	806	137	137	Buy back	Muhammad Kausar

Annexure 'C' As Referred to in Note 11.7 of the Group's Consolidated Financial Statements

Disposals of operating fixed assets during the year 2013 (Contd.)

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	------(Rupees in '000)-----					
Toyota Corolla XLi	942	247	695	711	Buy back	Muzafar Aleem Siddiqui
Daihatsu Cuore Cx Eco	939	815	124	124	Buy back	Najam Uddin Quershi
Suzuki Liana	931	753	178	178	Buy back	Ahmed Bilal
Honda City	907	467	440	439	Buy back	Javed Arshad Siddiqui
Toyota Corolla XLi	902	648	254	297	Buy back	Kashif Ali
Honda Civic Exi	869	712	157	170	Buy back	Danish Mansoor Khan
Honda Civic Exi	868	443	425	425	Buy back	Ajaz Ahmed
Suzuki Cultus Vxl CNG	860	693	167	167	Buy back	Muhammad Munawar
Suzuki Bolan CNG	858	658	200	200	Buy back	Muhammad Amir Ali
Suzuki Cultus VXR CNG	852	687	165	165	Buy back	S. Muhammad Ishtiaq
Suzuki Cultus VXR CNG	852	682	170	169	Buy back	Robin Augustine Peter
Honda City	849	683	166	166	Buy back	Muhammad Tariq Khan
Suzuki Cultus VXR CNG	847	642	205	205	Buy back	Robin Augustine Peter
Nissan Lancer	819	508	311	320	Buy back	Shakeel Essa Jaffer
Hyundai Santro	772	549	223	223	Buy back	Muhammad Asif
Suzuki Alto VXR CNG	769	623	146	146	Buy back	Muhammad Nadeem
Suzuki Cultus VXR CNG	739	535	204	214	Buy back	Nand Lal
Suzuki Cultus VXR CNG	738	597	141	141	Buy back	Talat Mehmood
Suzuki Cultus VXR CNG	731	600	131	141	Buy back	Muhammad Kaleem
Suzuki Cultus VXR CNG	731	552	179	176	Buy back	Aneel Mazhar
Shehzore Pickup	729	554	175	175	Buy back	Mohammad Taj Uddin
Suzuki Cultus VXR CNG	726	514	212	210	Buy back	Muhammad Ashraf
Suzuki Cultus VXR CNG	720	512	208	208	Buy back	Asfiya Aziz
Shehzore Pickup	716	581	135	135	Buy back	Qayyum Khan
Suzuki Bolan CNG	716	58	658	676	Buy back	Aijaz Ali Sial
Shehzore Pickup	716	424	292	304	Buy back	Basheer Ali
Shehzore Pickup	716	581	135	135	Buy back	Nisar Ahmed
Shehzore Pickup	714	208	506	196	Buy back	Nisar Akber
Suzuki Cultus VXR CNG	709	616	93	106	Buy back	Mohammad Ali
Suzuki Cultus VXR CNG	708	363	345	355	Buy back	Muhammad Javed Sagher
Suzuki Cultus VXR CNG	708	615	93	102	Buy back	Ghulam Farooq
Honda City	708	571	137	137	Buy back	Zeeshan Ahmed
Suzuki Cultus VXR CNG	704	578	126	135	Buy back	Mohammad Shareef
Daihatsu Cuore Cx Eco	703	288	415	523	Insurance claim	Pak Qatar General Takaful Company Limited
Shehzore Pickup	703	572	131	134	Buy back	Usman
Suzuki Cultus VXR CNG	695	602	93	100	Buy back	Azeem Ahmed
Suzuki Cultus VXR CNG	694	561	133	134	Buy back	Abdul Majid Shaikh
Honda City	689	555	134	134	Buy back	Wajahat Ali Khan
Suzuki Cultus VXR	683	538	145	151	Buy back	Syed Nasrullah Shah
Suzuki Cultus VXR CNG	678	352	326	329	Buy back	Rabia Abeer Fatima
Suzuki Cultus VXR CNG	677	359	318	334	Buy back	Kalash Kumar
Suzuki Cultus VXR CNG	676	579	97	97	Buy back	Syed Fahad Razi
Suzuki Cultus VXR CNG	673	576	97	97	Buy back	Muhammad Munir
Suzuki Cultus VXR CNG	673	575	98	97	Buy back	Manzoor Ahmed Sheikh
Suzuki Cultus VXR CNG	672	575	97	97	Buy back	Muhammad Zubair Rasheed
Suzuki Alto VXR CNG	668	479	189	331	Buy back	Syed Mojiz Ali
Suzuki Alto VXR CNG	660	566	94	94	Buy back	Nadeem Ali
Suzuki Alto VXR CNG	657	456	201	202	Buy back	Muhammad Javed
Suzuki Cultus VXR CNG	657	562	95	95	Buy back	Kamran Ali
Suzuki Cultus VXR CNG	657	562	95	95	Buy back	Shazada Ghulam Mustafa
Suzuki Cultus VXR CNG	657	467	190	190	Buy back	Shaukat Ali
Suzuki Cultus VXR CNG	657	467	190	190	Buy back	Muhammad Nafees Qureshi

Annexure 'C' As Referred to in Note 11.7 of the Group's Consolidated Financial Statements

Disposals of operating fixed assets during the year 2013 (Contd.)

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	------(Rupees in '000)-----					
Suzuki Cultus VXR CNG	656	538	118	126	Buy back	Faraz Ahmed
Suzuki Cultus VXR CNG	656	246	410	410	Buy back	Taimur Haris
Suzuki Cultus VXR CNG	656	560	96	126	Buy back	Wali Ullah Khan
Suzuki Alto VXR CNG	654	438	216	216	Buy back	Syed Asad Imam
Daihatsu Cuore Ecometic	654	528	126	125	Buy back	Syed Hur Ali
Suzuki Mehran VXR	652	65	587	605	Buy back	Sharjeel Anjum
Toyota Vitz	649	460	189	189	Buy back	Muhammad Shafi
Suzuki Cultus VXR	647	488	159	195	Buy back	Muhammad Mithal
Suzuki Bolan	641	204	437	486	Buy back	Allah Bux Zunr
Suzuki Alto VXR CNG	626	488	138	148	Buy back	Muhammad Nasir
Suzuki Alto VXR CNG	623	417	206	207	Buy back	Mafih International
Suzuki Cultus VXR	619	367	252	252	Buy back	Muhammad Yousuf Khanani
Suzuki Alto VXR CNG	617	441	176	215	Buy back	Farhan Ilyas
Suzuki Alto VXR CNG	617	499	118	118	Buy back	Noor Muhammad Shahid
Suzuki Alto VXR CNG	616	537	79	89	Buy back	Samiullah Khan
Suzuki Alto VXR CNG	616	464	152	173	Buy back	Muhammad Imran
Suzuki Alto VXR CNG	615	536	79	89	Buy back	Samina Ahmed
Daihatsu Cuore Cx Eco	613	534	79	88	Buy back	Syed Kashif Mahmood
Suzuki Alto VXR CNG	603	314	289	289	Buy back	Syed Ali Murad Shah
Suzuki Alto VXR CNG	585	471	114	112	Buy back	Imran Ali
Suzuki Alto VXR CNG	584	482	102	112	Buy back	Kanwal Rehman
Daihatsu Cuore Cx Eco	575	372	203	203	Buy back	Safdar Hussain
Daihatsu Cuore Cx Eco	574	419	155	165	Buy back	Talal Durrani
Daihatsu Cuore Cx Eco	573	436	137	173	Buy back	Jawad Nasir
Suzuki Alto VXR CNG	566	431	135	136	Buy back	Dilawar Khan
Suzuki Mehran VXR CNG	563	267	296	267	Buy back	Abdul Jabbar
Daihatsu Cuore Cx Eco	561	480	81	81	Buy back	Muhammad Iqbal Mansoori
Suzuki Alto VXR CNG	557	476	81	81	Buy back	Mohammad Nafees
Daihatsu Cuore Cx Eco	557	397	160	160	Buy back	Uzma Asif
Daihatsu Cuore Cx Eco	557	477	80	80	Buy back	Humaira Fareed
Daihatsu Cuore Cx Eco	556	343	213	213	Buy back	Zaheer Amjad
Daihatsu Cuore Cx Eco	555	406	149	159	Buy back	Aftab Ahmed Bughio
Suzuki Alto VXR CNG	554	475	79	79	Buy back	Jerome Benjamin
Suzuki Alto VXR CNG	554	400	154	153	Buy back	Muhammad Adnan Bashir
Suzuki Alto VXR CNG	553	474	79	79	Buy back	Mohammad Saleem Malik
Suzuki Alto VXR CNG	553	474	79	79	Buy back	Faisal Majeed Bhatti
Suzuki Alto VXR CNG	553	473	80	79	Buy back	Syed Ameer Ali Shah
Suzuki Alto VXR CNG	551	419	132	132	Buy back	Imran Afzal
Suzuki Bolan CNG Std	551	446	105	105	Buy back	Salman Baig
Suzuki Alto VXR CNG	550	450	100	100	Buy back	Nighat Taufiq
Suzuki Alto VXR CNG	549	470	79	92	Buy back	Qaiser Yousuf
Daihatsu Cuore Cx Eco	547	390	157	157	Buy back	Haris Ahmed
Suzuki Alto VXR CNG	546	467	79	78	Buy back	Wajjid Pervaiz
Suzuki Alto VXR CNG	545	389	156	156	Buy back	Javeria Siddique
Suzuki Alto VXR CNG	545	414	131	130	Buy back	Muhammad Arif
Suzuki Alto VXR CNG	545	466	79	78	Buy back	Syed Raza Hussain Moosavee
Suzuki Alto VXR CNG	545	466	79	78	Buy back	Imran Haider
Daihatsu Cuore Cx Eco	544	476	68	78	Buy back	Ghulam Dastagir Paracha
Daihatsu Cuore Cx Eco	544	389	155	156	Buy back	Seema Zaki
Suzuki Alto VXR CNG	543	440	103	104	Buy back	Ghazala Abdul Aziz
Daihatsu Cuore Cx At	542	387	155	156	Buy back	Mohammad Tanvir Sheikh
Suzuki Alto VXR CNG	538	322	216	234	Buy back	Sheikh Zakaria Ahmed

Annexure 'C' As Referred to in Note 11.7 of the Group's Consolidated Financial Statements

Disposals of operating fixed assets during the year 2013 (Contd.)

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	------(Rupees in '000)-----					
Suzuki Alto VXR CNG	538	461	77	85	Buy back	Muhammad Usman
Suzuki Alto VXR CNG	538	461	77	77	Buy back	Waseem Anwer
Suzuki Alto VXR CNG	538	435	103	103	Buy back	Ather Masood Rana
Suzuki Alto VXR CNG	537	337	200	200	Buy back	Muhammad Khalid Shakir
Suzuki Alto VXR CNG	537	420	117	129	Buy back	Azam Khan
Suzuki Alto VXR CNG	537	460	77	78	Buy back	Faraz Ahmed
Suzuki Alto VXR CNG	537	460	77	90	Buy back	Adnan Akhter
Suzuki Alto VXR CNG	537	409	128	128	Buy back	Muhammad Hamid
Suzuki Alto VXR CNG	536	433	103	103	Buy back	Syed Farhan Ali
Suzuki Cultus VXR	533	353	180	180	Buy back	Suhail Anjum Jaffari
Suzuki Alto VXR CNG	532	369	163	374	Buy back	Sohail Athar
Daihatsu Cuore Cx Eco	531	273	258	262	Buy back	Zeeshan Ahmed Khan
Daihatsu Cuore Cx Eco	531	430	101	101	Buy back	Sharjeel Mehmood
Daihatsu Cuore Cx Eco	530	454	76	76	Buy back	Syed Ali Hasan Rizvi
Daihatsu Cuore Cx Eco	528	343	185	255	Buy back	Asad Hafeez
Daihatsu Cuore Cx Eco	524	399	125	125	Buy back	Aijaz Ali Sheikh
Daihatsu Cuore Cx Eco	522	447	75	75	Buy back	Sajjad Haider
Daihatsu Cuore Cx	520	321	199	199	Buy back	Mohammad Yasir
Daihatsu Cuore Cx Eco	519	445	74	75	Buy back	Omer Nadeem Ansari
Daihatsu Cuore Cx Eco	518	446	72	73	Buy back	Aijaz Ali Shaikh
Suzuki Bolan CNG	516	418	98	98	Buy back	Abdul Wahab
Suzuki Alto VXR CNG	508	266	242	242	Buy back	Muhammad Khalid Abbasi
Daihatsu Cuore Cx Eco	507	434	73	73	Buy back	Ghulam Hussain Najmi
Suzuki Bolan CNG	501	430	71	71	Buy back	Mohammad Iqbal
Suzuki Bolan CNG	501	429	72	71	Buy back	Ilyas
Suzuki Bolan CNG	485	347	138	138	Buy back	Jahan Sher Khan
Suzuki Baleno	483	251	232	233	Buy back	Mazhar Ali Siddiqui
Suzuki Bolan CNG	483	374	109	141	Buy back	Mukhtar Khan
Suzuki Bolan CNG	483	300	183	183	Buy back	Qurban Ali
Suzuki Bolan CNG	483	378	105	115	Buy back	Ishmat Khan
Suzuki Bolan CNG	483	424	59	69	Buy back	Ghulam Mustafa Qureshi
Suzuki Bolan CNG	482	421	61	73	Buy back	Rizwana Jabeen
Suzuki Bolan CNG	482	367	115	115	Buy back	Mohammad Tanveer
Suzuki Mehran VXR CNG	481	263	218	224	Buy back	Nasreen Fahmi
Daihatsu Cuore Cx Eco	478	365	113	117	Buy back	Jibran Farooq Awan
Suzuki Ravi CNG	477	386	91	91	Buy back	Syed Farid Uddin
Suzuki Mehran VXR CNG	477	252	225	224	Buy back	Muhammad Iqbal Farooq
Suzuki Mehran VXR CNG	473	349	124	135	Buy back	Muhammad Jahangir
Suzuki Mehran VXR CNG	473	361	112	112	Buy back	Muhammad Fazil
Suzuki Mehran VXR CNG	472	414	58	67	Buy back	Gul Samar
Suzuki Bolan CNG	469	400	69	67	Buy back	Shakir Ali
Suzuki Bolan CNG	468	380	88	89	Buy back	Khawer Hashmat Khan
Suzuki Bolan CNG	467	400	67	67	Buy back	Muhammad Irfan
Suzuki Bolan CNG	467	400	67	67	Buy back	Haider Abbas
Suzuki Mehran VXR CNG	463	312	151	151	Buy back	Farzana Amin
Suzuki Mehran VXR CNG	457	371	86	87	Buy back	Mohammad Iqbal Abro
Suzuki Mehran VXR CNG	457	339	118	109	Buy back	Khalil Ahmed Mangi
Suzuki Alto	457	242	215	215	Buy back	Muhammad Taqi
Suzuki Ravi CNG	450	365	85	85	Buy back	Imran Khan
Suzuki Mehran VXR CNG	442	379	63	77	Buy back	Syed Salman Zafar
Suzuki Mehran VXR CNG	442	296	146	147	Buy back	Syed Kousar Ali Hamza
Suzuki Bolan CNG	442	377	65	63	Buy back	Huzoor Ali

Annexure 'C' As Referred to in Note 11.7 of the Group's Consolidated Financial Statements

Disposals of operating fixed assets during the year 2013 (Contd.)

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	------(Rupees in '000)-----					
Suzuki Bolan CNG Std	440	357	83	84	Buy back	Haji Sabir Hussain Bhatti
Suzuki Mehran VX CNG	435	274	161	161	Buy back	Tufail Ahmed
Suzuki Mehran VX CNG	432	371	61	62	Buy back	Mehmood
Suzuki Mehran VX CNG	430	275	155	109	Buy back	Syed Ghufuran Ul Haq
Suzuki Mehran VX CNG	426	365	61	60	Buy back	Farrukh Aziz
Suzuki Ravi CNG	424	334	90	100	Buy back	Mohammad Hanif
Suzuki Ravi CNG	424	365	59	60	Buy back	Mohammad Akram
Suzuki Ravi CNG	422	345	77	79	Buy back	Humera Naz
Suzuki Mehran VX CNG	420	354	66	60	Buy back	Mushtaque Hussain
Suzuki Mehran VX CNG	405	252	153	153	Buy back	Aziz Ahmed Soomoro
Suzuki Mehran VX CNG	402	221	181	170	Buy back	Syed Irfan Ali
Suzuki Ravi CNG	400	334	66	74	Buy back	Arshad Sohail
Suzuki Ravi CNG	400	326	74	74	Buy back	Mehwish Lace Works
Suzuki Ravi CNG	398	313	85	93	Buy back	Abdul Razzak
Suzuki Ravi CNG	398	331	67	74	Buy back	Abdul Rasheed
Suzuki Ravi CNG	396	340	56	56	Buy back	Gul Sharif
Suzuki Ravi CNG	395	339	56	56	Buy back	Muhammad Shahid Siddiqui
Suzuki Ravi CNG	395	321	74	74	Buy back	Manzoor Hussain
Suzuki Mehran VX CNG	394	227	167	167	Buy back	Riaz Mehmood
Suzuki Ravi CNG	393	319	74	74	Buy back	Muhammad Akram
Suzuki Ravi CNG	393	281	112	112	Buy back	Ghulam Mustafa
Suzuki Ravi CNG	387	306	81	90	Buy back	Abdul Kalim
Suzuki Mehran VX CNG	385	258	127	127	Buy back	Akhtar Ali
Suzuki Mehran VX CNG	383	224	159	159	Buy back	Atif Ali
Suzuki Mehran VX CNG	383	224	159	159	Buy back	Ijaz Ahmed Gondal
Suzuki Ravi CNG	380	273	107	180	Buy back	Mohsin Jhangir
Suzuki Ravi CNG	378	306	72	71	Buy back	Mohammad Ramzan
Suzuki Alto VXR CNG	374	232	142	142	Buy back	Mehboob Ali Solangi
Suzuki Mehran VX CNG	373	273	100	100	Buy back	Noor Muhammad Khan
Suzuki Alto VXR CNG	372	266	106	115	Buy back	Sohail Kamal
Suzuki Ravi CNG	370	300	70	69	Buy back	Ali Muhammad
Suzuki Mehran VX CNG	318	264	54	151	Buy back	Uzma Amir Ali
	394,956	250,235	144,720	151,885		
Intangible assets						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	8	8	-	-	Write-off	
Total	477,297	328,524	148,772	173,943		

Consolidated Statement of Financial Position

As at December 31, 2013

	2013	2012	2011
	----- (US Dollars in '000) -----		
		Restated	Restated
ASSETS			
Cash and balances with treasury banks	850,624	900,519	819,458
Balances with other banks	310,076	208,571	157,416
Lendings to financial institutions	283,486	216,747	117,496
Investments	4,356,496	3,619,723	2,858,847
Advances			
Performing	3,844,746	3,522,460	3,132,882
Non-performing - net of provision	98,144	140,828	106,052
	3,942,890	3,663,288	3,238,934
Operating fixed assets	266,205	260,726	244,437
Deferred tax asset - net	-	-	12,395
Other assets	278,729	267,383	225,890
	10,288,506	9,136,957	7,674,873
LIABILITIES			
Bills payable	157,615	72,304	55,818
Borrowings	390,011	661,703	474,302
Deposits and other accounts	8,445,564	7,147,294	6,027,050
Subordinated loans	6,317	88,481	107,450
Liabilities against assets subject to finance lease	13	20	-
Deferred tax liability - net	13,246	8,132	-
Other liabilities	219,262	191,275	182,384
	9,232,028	8,169,209	6,847,004
NET ASSETS	1,056,478	967,748	827,869
REPRESENTED BY:			
Share capital	116,229	116,229	116,229
Reserves	361,258	306,659	261,059
Unappropriated profit	429,228	373,181	336,882
Total equity attributable to the equity holders of the Bank	906,715	796,069	714,170
Non-controlling interest	33,116	26,841	22,069
	939,831	822,910	736,239
Surplus on revaluation of assets - net of deferred tax	116,647	144,838	91,630
	1,056,478	967,748	827,869

These have been converted at Rs. 105.3246 per US dollar from the audited financial statements.

Consolidated Profit and Loss Account

For the year ended December 31, 2013

	2013	2012
	------(US Dollars in '000)-----	
		Restated
Mark-up / return / interest earned	718,818	715,691
Mark-up / return / interest expensed	<u>343,698</u>	<u>339,513</u>
Net mark-up / interest income	375,120	376,178
Provision against loans and advances - net	12,781	31,890
Provision against lendings to financial institutions - net	575	1,600
Provision for diminution in value of investments - net	56	3,803
Bad debts written off directly	<u>1,725</u>	<u>3,030</u>
	15,137	40,323
Net mark-up / return / interest income after provisions	<u>359,983</u>	<u>335,855</u>
Non mark-up / interest income		
Fee, commission and brokerage income	108,651	89,771
Dividend income	15,304	5,124
Income from dealing in foreign currencies	20,999	18,478
Gain on sale of securities - net	28,731	11,958
Unrealized loss on revaluation of investments classified as held for trading	(42)	(5)
Other income	<u>10,704</u>	<u>37,913</u>
Total non mark-up / interest income	<u>184,347</u>	<u>163,239</u>
	544,330	499,094
Non mark-up / interest expenses		
Administrative expenses	271,262	242,663
Other provisions - net	3,091	4,646
Workers' Welfare Fund	4,777	5,087
Other charges	<u>2,368</u>	<u>617</u>
Total non mark-up / interest expenses	281,498	253,013
Share of profit of associates	<u>12,176</u>	<u>22,764</u>
Profit before taxation	275,008	268,845
Taxation - Current	78,826	86,038
- Prior	588	4,652
- Deferred	<u>8,262</u>	<u>(4,588)</u>
	87,676	86,102
Profit after taxation	<u>187,332</u>	<u>182,743</u>
Attributable to:		
Equity shareholders of the Bank	183,105	181,895
Non-controlling interest	<u>4,227</u>	<u>848</u>
	<u>187,332</u>	<u>182,743</u>
	----- (US \$) -----	
Earnings per share - basic and diluted	<u>0.15</u>	Restated <u>0.15</u>

These have been converted at Rs. 105.3246 per US dollar from the audited financial statements.

Category of Shareholders

As on December 31, 2013

Particulrs	No of Folio	Balance Share	Percentage
DIRECTORS, CEO & CHILDREN	6	65,714,287	5.368
NIT & ICP	1	492,199	0.040
BANKS, DFI & NBFII	20	14,880,552	1.216
INSURANCE COMPANIES	14	8,789,389	0.718
MODARABAS & MUTUAL FUNDS	38	19,247,108	1.572
GENERAL PUBLIC (LOCAL)	22276	25,356,178	2.071
GENERAL PUBLIC (FOREIGN)	1087	2,372,554	0.194
OTHERS	64	45,132,923	3.687
GOVERNMENT OF PAKISTAN	1	3,354,550	0.274
FOREIGN COMPANIES	71	698,131,394	57.029
GOVT. OWNED ENTITIES / BANKS	4	238,569,096	19.488
JOINT STOCK COMPANIES	95	7,636,709	0.624
PUBLIC SECTOR COMPANIES	6	93,997,760	7.678
CHARITABLE TRUSTS	7	504,988	0.041
Company Total	23690	1,224,179,687	100.000

Pattern of Shareholding

As on December 31, 2013

NO. OF SHAREHOLDERS	<---- HAVING SHARES ---->		SHARES HELD	PERCENTAGE
	From	To		
3998	1	100	255632	0.021
15963	101	500	7005681	0.572
1292	501	1000	1053515	0.086
1638	1001	5000	3670940	0.300
283	5001	10000	2043134	0.167
101	10001	15000	1268057	0.104
61	15001	20000	1082544	0.088
48	20001	25000	1097401	0.090
32	25001	30000	893817	0.073
19	30001	35000	617044	0.050
26	35001	40000	991456	0.081
11	40001	45000	469282	0.038
15	45001	50000	719053	0.059
11	50001	55000	585868	0.048
9	55001	60000	520713	0.043
6	60001	65000	368924	0.030
4	65001	70000	277776	0.023
4	70001	75000	288208	0.024
2	75001	80000	153885	0.013
3	80001	85000	250500	0.021
2	85001	90000	178296	0.015
7	90001	95000	640624	0.052
7	95001	100000	698914	0.057
2	100001	105000	205378	0.017
4	105001	110000	429744	0.035
6	115001	120000	711298	0.058
6	120001	125000	732171	0.060
2	125001	130000	257106	0.021
1	130001	135000	131000	0.011
1	135001	140000	140000	0.011
1	140001	145000	141622	0.012
2	145001	150000	296000	0.024
2	150001	155000	306958	0.025
5	155001	160000	781862	0.064
1	160001	165000	165000	0.014
1	165001	170000	169000	0.014
2	170001	175000	345430	0.028
2	175001	180000	357100	0.029
2	185001	190000	378330	0.031
2	195001	200000	400000	0.033
2	200001	205000	402652	0.033
2	205001	210000	416200	0.034
2	210001	215000	428400	0.035
2	215001	220000	437647	0.036
1	220001	225000	222147	0.018
2	225001	230000	455990	0.037
1	230001	235000	230699	0.019

Pattern of Shareholding

As on December 31, 2013

NO. OF SHAREHOLDERS	<---- HAVING SHARES ---->		SHARES HELD	PERCENTAGE
	From	To		
1	235001	240000	237960	0.019
2	245001	250000	496947	0.041
1	250001	255000	253000	0.021
1	255001	260000	259400	0.021
1	260001	265000	260900	0.021
2	265001	270000	535100	0.044
1	280001	285000	284000	0.023
1	285001	290000	289242	0.024
1	290001	295000	294700	0.024
1	295001	300000	300000	0.025
2	305001	310000	615713	0.050
1	310001	315000	310871	0.025
1	315001	320000	317783	0.026
1	330001	335000	332280	0.027
1	340001	345000	342200	0.028
1	345001	350000	345743	0.028
1	365001	370000	368218	0.030
1	370001	375000	375000	0.031
1	375001	380000	379700	0.031
2	395001	400000	800000	0.065
1	400001	405000	401315	0.033
1	415001	420000	418962	0.034
1	420001	425000	423596	0.035
1	430001	435000	435000	0.036
1	490001	495000	492199	0.040
1	495001	500000	500000	0.041
1	515001	520000	519863	0.043
1	545001	550000	547000	0.045
1	555001	560000	555700	0.045
2	570001	575000	1146773	0.094
1	580001	585000	583123	0.048
1	615001	620000	616000	0.050
1	640001	645000	643958	0.053
2	645001	650000	1296199	0.106
1	650001	655000	654000	0.053
1	680001	685000	683892	0.056
1	705001	710000	707850	0.058
1	715001	720000	718600	0.059
1	725001	730000	727852	0.060
1	745001	750000	745745	0.061
1	755001	760000	757448	0.062
1	775001	780000	777930	0.064
1	805001	810000	807500	0.066
1	835001	840000	836030	0.068
1	885001	890000	888200	0.073
1	920001	925000	921900	0.075
1	995001	1000000	999096	0.082

Pattern of Shareholding

As on December 31, 2013

NO. OF SHAREHOLDERS	<---- HAVING SHARES ---->		SHARES HELD	PERCENTAGE
	From	To		
1	1000001	1005000	1000067	0.082
1	1040001	1045000	1043225	0.085
1	1070001	1075000	1072245	0.088
1	1090001	1095000	1094748	0.089
1	1195001	1200000	1200000	0.098
1	1205001	1210000	1207878	0.099
1	1215001	1220000	1218798	0.100
1	1285001	1290000	1287335	0.105
1	1360001	1365000	1361763	0.111
1	1385001	1390000	1385600	0.113
1	1480001	1485000	1480388	0.121
1	1495001	1500000	1497234	0.122
1	1500001	1505000	1504500	0.123
1	1575001	1580000	1578279	0.129
1	1585001	1590000	1587400	0.130
1	1805001	1810000	1806340	0.148
1	2000001	2005000	2000158	0.163
1	2200001	2205000	2200233	0.180
1	2590001	2595000	2591500	0.212
1	2855001	2860000	2858544	0.234
1	3325001	3330000	3329953	0.272
1	3350001	3355000	3354550	0.274
1	3475001	3480000	3478300	0.284
1	3535001	3540000	3537288	0.289
1	4330001	4335000	4330544	0.354
1	4540001	4545000	4544340	0.371
1	4565001	4570000	4568900	0.373
1	4595001	4600000	4600000	0.376
1	4950001	4955000	4954172	0.405
1	5165001	5170000	5166939	0.422
1	5490001	5495000	5490300	0.449
1	7920001	7925000	7923600	0.647
1	9340001	9345000	9344300	0.763
1	38650001	38655000	38651126	3.157
1	39550001	39555000	39550835	3.231
1	61205001	61210000	61208980	5.000
1	62430001	62435000	62433163	5.100
1	93645001	93650000	93649744	7.650
1	128235001	128240000	128239411	10.476
1	177355001	177360000	177358401	14.488
1	467610001	467615000	467611120	38.198
23690	Company Total		1224179687	100.000

Shares Trading (Sale / Purchase) during the year 2013

UBL CEO, COO, Head Internal Audit and Company Secretary

Name	No. of Shares	Sale / Purchase
Atif R. Bokhari <i>President & CEO</i>	150,000	Sale
Aameer Karachiwalla <i>COO</i>	96,000	Sale
Muhammad Ejazuddin <i>Head Internal Audit</i>	158,000	Sale
Aqeel Ahmed Nasir <i>Company Secretary</i>	119,000	Sale

UBL Executives

Name	No. of Shares	Sale / Purchase
Aadil Saleh	8,392	Sale
Aasim Wajid Jawad	5,063	Sale
Abdul Jabbar Memon	12,969	Sale
Abdul Saeed Siddiqui	19,000	Sale
Abdul Sattar Vaid	7,327	Sale
Ali Abbas Halai	26,100	Sale
Ashfaq Akber	12,000	Sale
Ashraf Ali Sadruddin	8,000	Sale
Asif Fatah Shaikh	12,500	Sale
Asif Hasan Siddiqui	6,218	Sale
Asif Sharif	18,785	Sale
Atif Rasheed	44,187	Sale
Dilshad Salman	16,000	Sale
Faisal Latif	5,134	Sale
Imran Kapadia	4,000	Sale
Jaudat Hussain	7,500	Sale
Mashkoor Ahmad Babar	4,000	Sale
Minhas Wirasat Ali	12,000	Sale
Muhammad Faisal Qazi	18,500	Sale
Muhammad Hanif Akhai	363,000	Sale
Naeem Suhail	33,627	Sale
Rizwan Hameed Chapra	7,000	Sale
Sabrina Ghani	40,000	Sale
Sahib Dino Shaikh	3,688	Sale
Shahbaz Alam	3,700	Sale
Shahid Mir	30,000	Sale
Shahnawaz Hadi	11,666	Sale
Shar Bano	15,800	Sale
Suleman Pervez	24,000	Sale
Syed Farrukh Zaeem	73,500	Sale
Syed Mazhar Arif	6,700	Sale
Tariq Ejaz	6,317	Sale
Zeeba Ansar	80,000	Sale

Notice of 55th Annual General Meeting

Notice is hereby given that the 55th Annual General Meeting ("AGM") of the Shareholders of United Bank Limited (the "Bank") will be held on Friday, 28 March 2014 at 09:30 a.m. at Islamabad Serena Hotel, Islamabad to transact the following business:

Ordinary Business:

1. To confirm the minutes of the Annual General Meeting held on 29 March 2013.
2. To receive, consider and, if thought fit, adopt the Annual Audited Accounts (consolidated and unconsolidated), Statement of Compliance with the Code of Corporate Governance 2012 of the Bank for the year ended 31 December 2013 together with the Directors' Report and Auditors' Report thereon.
3. To consider and, if thought fit, approve as recommended by the Board of Directors, final cash dividend at the rate of Rs.4/- per share i.e. 40%, in addition to 60% interim dividend already declared/paid for the year ended 31 December 2013.
4. To consider and, if thought fit, appoint two external auditors to hold office from this AGM till the conclusion of the next AGM of the Bank and to fix their remuneration. One of the members has proposed name of M/s. A. F. Ferguson & Company, Chartered Accountants, in place of retiring Auditors M/s. BDO Ebrahim & Company, Chartered Accountants who have completed five years as external auditors of the Bank (The Code of Corporate Governance 2012 requires that listed companies in the financial sector shall change their external auditors every five years), whereas the other retiring auditors, M/s. KPMG Taseer Hadi & Company, Chartered Accountants being eligible, have offered themselves for re-appointment.
5. To elect seven (07) Directors as fixed by the Board of Directors of the Bank under Section 178(1) of the Companies Ordinance, 1984 in accordance with the provisions of the said Ordinance for a period of three years to commence from 28 March 2014. The total strength of the Board of Directors of the Bank shall be nine (09) including one (01) director nominated by the Government of Pakistan under Section 183 of the Companies Ordinance, 1984 and the President & CEO of the Bank, being deemed director under section 200(2) of the Companies Ordinance, 1984.

The retiring Directors Sir Mohammed Anwar Pervez, OBE, HPk, Mr. Zameer Mohammed Choudrey, Mr. Amin Uddin, Mr. Arshad Ahmed Mir, Mr. Haider Zameer Choudrey and Mr. Zaheer Sajjad are eligible for re-election.

Special Business:

6. To consider and, if thought fit, approve the amount of remuneration paid to the non-executive Directors of the Bank for attending the Board and/or Committees meetings held during the year and in that connection to pass the following resolution, as an ordinary resolution, with or without modification, addition or deletion:

"RESOLVED that the remuneration paid to the non-executive directors of UBL including the Chairman and the Deputy Chairman during the year 2013 for attending the Board meetings and / or Committees meetings as disclosed in the Note 38 of the Audited Financial Statements of the Bank for the year ended 31 December 2013 be and is hereby confirmed and approved on post facto basis."

7. To consider and, if thought fit, approve investment of PKR 30 million in the form of Seed-Capital in UBL Retirement Savings Fund of UBL Fund Managers Limited, a wholly owned subsidiary of the Bank, and in that connection to pass the following resolution, as a special resolution, as required by Section 208 of the Companies Ordinance, 1984 with or without modification, addition or deletion:

"RESOLVED that the Bank be and is hereby authorized to invest up to PKR 30 million in the form of Seed Capital in UBL Retirement Savings Fund - Commodity sub-Fund of UBL Fund Managers Limited, a wholly owned subsidiary of the Bank."

8. To consider and, if thought fit, approve proposal for injection of Tier-1 Capital of United National Bank Limited (UBL UK), a subsidiary of the Bank for an amount of up to £ 8.25 million and in that connection to pass the following resolution, as a special resolution, as required by Section 208 of the Companies Ordinance, 1984 with or without modification, addition or deletion:

"RESOLVED that the proposal for injection of Tier – 1 Capital of United National Bank Limited (UBL UK), a subsidiary of the Bank, for an amount of up to £ 8.25 million be and is hereby approved subject to all applicable regulatory approvals."

9. To consider and, if thought fit, approve the additional cost of PKR 0.516 million to be paid to the External Auditors for the year 2013 resulting from levy of 4% sales tax on services provided by auditors and in that connection to pass the following resolution, as an ordinary resolution, with or without modification, addition or deletion:

"RESOLVED that the additional amount of PKR 0.516 million to be paid to the External Auditors resulting from levy of 4% sales tax on services provided by auditors be and is hereby approved".

10. To transact any other business with the permission of the Chairman.

By order of the Board



Aqeel Ahmed Nasir
Company Secretary &
Chief Legal Counsel

Karachi, 6 March 2014

Notice of 55th Annual General Meeting

Notes:

1. The Share Transfer Books of the Bank shall remain closed from 20 March 2014 to 28 March 2014 (both days inclusive). Transfers received at M/s. THK Associates (Pvt.) Limited, 2nd Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi, the Registrar and Share Transfer Agent of the Bank, by the close of the business on 19 March 2014 will be treated in time for the purpose of the above entitlement.
2. A member entitled to attend and vote at the above Annual General Meeting is entitled to appoint another member as a proxy to attend and vote for on his/her behalf, save that a corporation being a member may appoint as its proxy an officer of such corporation whether a member of the company or not. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarized certified copy of the power or authority shall be deposited at the office of M/s. THK Associates (Pvt.) Limited, 2nd Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi, the Registrar and Share Transfer Agent of the Bank not later than 48 hours before the time of holding the meeting, and must be duly stamped, signed and witnessed.
3. The CDC Account Holders and Sub-account Holders, whose registration details are available in the Share Book Details Report, shall be required to produce their respective original Computerized National Identity Card (CNIC) or original Passport at the time of attending the Annual General Meeting to facilitate identification. Such Account Holders and Sub-Account Holders should also bring / know their respective participation I.D. No. and the CDC Account No. in case of proxy, he/she must enclose an attested copy of his/her CNIC or Passport. Representative(s) of corporate member(s) should bring usual documents required for such purpose.
4. Members are requested to timely notify any change in their addresses and provide copies of their CNIC /NTN (if not provided earlier) to Bank's Registrar / Share Transfer Agent M/s. THK Associates (Pvt.) Limited, 2nd Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi.
5. The election provisions will not apply to the Government nominee Director who has been nominated on the Board of Directors of UBL by the Government of Pakistan under Section 183 of the Companies Ordinance, 1984.
6. Any person who seeks to contest the election to the office of a Director, whether he is a retiring director or otherwise, shall file the following documents with the Company Secretary of the Bank at 2nd Floor, State Life Building No.1, I.I.Chundrigar Road, Karachi, not later than fourteen days before the date of the AGM:
 - (i) His intention to offer himself for the election of directors in terms of Section 178(3) of the Companies Ordinance, 1984 together with: (a) consent in Form 28 under Section 184 of the Companies Ordinance, 1984, (b) a Declaration under clause (ii) of the Code of Corporate Governance 2012 of the Securities and Exchange Commission of Pakistan to the effect that he is not a director of more than seven (07) listed companies, (c) a Declaration that he is not ineligible to become director of UBL in terms of Section 187 of the Companies Ordinance, 1984, (d) a Declaration that he is not ineligible to become a director of UBL under any circulars / directives of the State Bank of Pakistan.
 - (ii) A questionnaire duly completed, recent photograph, copy of CNIC / Passport and an Affidavit to, inter-alia, meet the requirement of State Bank of Pakistan's Prudential Regulations G-1 and the Fit and Proper Test for Appointment of Directors as contained in Annexure VI-A and VI-B of the Prudential Regulations.
7. In terms of the criteria prescribed by the State Bank of Pakistan, association of the following person as director is undesirable and against public interest:
 - (a) A person who is / has been associated with any illegal activity, especially relating to banking business;
 - b) A person who is in his individual capacity or a proprietary concern of any partnership firm or any private limited company or any unlisted public company or any listed public company (of which he has been a proprietor, partner, director or shareholder), has been in default of payment of dues owed to any financial institution and / or in default of payment of any taxes.

Statement of Material Facts

under Section 160(1)(b) of the Companies Ordinance, 1984

Item No.6: Remuneration of the Non-Executive Directors of the Bank

As required under SBP Prudential Regulation G-1, total amount of remuneration paid/payable to the non-executive directors including the Chairman and the Deputy Chairman for attending the Board meetings and/or Committees meetings during the year 2013 as disclosed in Note 38 of the Audited Financial Statement is submitted to the shareholders for approval on a post facto basis.

Item No.7: Investment of PKR 30 million in Seed-Capital in UBL Retirement Saving Fund

UBL Fund Managers Limited (UBLFM), a wholly owned subsidiary of the Bank, plans to launch “Commodity sub-Fund” under the UBL Retirement Savings Fund (URSF). The new sub-fund will primarily invest in Gold Futures, following the same passive strategy as that of “UBL Gold Fund”. UBLFM has requested UBL to invest PKR 30 million in URSF Commodity sub-Fund as Seed Capital Investment.

i.	Name of associated company or associated undertaking along with criteria based on which the associated relationship is established	UBL Retirement Savings Fund – Commodity sub-Fund Managed by UBL Fund Managers Ltd
ii.	Purpose, benefits and period of investments	Purpose: Seed-Capital requirement of the commodity sub-Fund planned for launch. Benefit: It will allow UBL Fund Managers, a subsidiary of the Bank, to launch the commodity sub-Fund, the second such fund in Pakistan. It will also give the Bank an exposure to Gold asset class. Period of investment: 3 years
iii.	Maximum amount of investment	The Seed Capital requirement is PkR 30mn.
iv.	Maximum price at which securities will be acquired	The Seed-Capital units of Commodity sub-Fund will be acquired at price of PkR 100 per unit in pre-IPO stage.
v.	Maximum number of securities to be acquired	Since the Seed-Capital of PkR 30mn is required, therefore the number of units will be 300,000 units.
vi.	Number of securities and percentage thereof held before and after the proposed investment	N /A, as the investment being sought is for Seed-Capital of a new sub-Fund yet to be launched.
vii.	In case of investment in listed securities, average of the preceding twelve weekly average price of the security intended to be acquired.	N /A, as the investment being sought is for Seed-Capital of a new sub-Fund yet to be launched.
viii.	In case of investment in unlisted securities, fair market value of such securities determined in terms of regulation 6 (1)	N /A, as the investment being sought is for Seed-Capital of a new sub-Fund yet to be launched.
ix.	Break-up value of securities intended to be acquired on the bases of latest audited financial statements	N /A, as the investment being sought is for Seed-Capital of a new sub-Fund yet to be launched.
x.	Earning per share of the associated company or associated undertaking for the last three years.	CY2011: PkR2.40/share CY2012: PkR6.523 / share (diluted: PKR6.521) CY2013: PkR4.878 / share (diluted: PKR4.853)
xi.	Source of fund from which securities will be acquired	Seed Capital units of Commodity sub-Fund will be acquired using funds allocated for such investment by the Bank.

Statement of Material Facts

under Section 160(1)(b) of the Companies Ordinance, 1984

xii.	<p>Where the securities are intended to be acquired using borrowed funds</p> <p>a) Justification for investment through borrowings and</p> <p>b) Detail of guarantees and assets pledged for obtaining such funds</p>	N /A.
xiii.	Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment	Standard features of Seed-Capital investment apply. The main feature is that the investment cannot be redeemed before 3 years.
xiv.	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	N /A, as the investment being sought is for Seed-Capital of a new sub-Fund yet to be launched.
xv.	Any other important details necessary for the members to understand the transaction	The investment is a standard Seed-Capital investment in UBL Retirement Savings Fund – Commodity sub-Fund
xvi.	<p>In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information required, namely</p> <p>a) Description of the project and its history since conceptualization</p> <p>b) Starting and expected date of completion of work</p> <p>c) Time by which such project shall become commercially operational; and</p> <p>d) Expected time by which the project shall start paying return on investment</p>	The investment being sought is for Seed-Capital of a new sub-Fund expected to be launched in 2QCY2014.

Item No.8: Injection of Tier-1 Capital of United National Bank Limited (UBL UK) for an amount of up to £ 8.25 million

United National Bank Limited (UBL UK) is a banking company incorporated in the United Kingdom and is regulated by the Prudential Regulation Authority, UK (PRA) and the Financial Conduct Authority, UK (FCA) and is subject to the PRA's Minimum Capital Requirements (MCR). PRA requires all banks and bank subsidiaries to be self-sufficient in terms of liquidity and capital requirements and expects that all banks keep a level of capital buffer (CPB) over and above the designated minimum limits to provide a cushion against adversely changing economic conditions.

Statement of Material Facts

under Section 160(1)(b) of the Companies Ordinance, 1984

The PRA expects that UBL UK's parent banks (UBL and National Bank of Pakistan) will ensure that required capital is injected into the subsidiary company as a demonstration of commitment and support of the shareholders towards UBL UK. The PRA is not satisfied with current capital levels and has indicated that it considers the Bank to be 'thinly-capitalized'.

The recent calculations submitted to PRA indicate that currently growth in business of UBL UK is restricted by the capital requirements based on business plan projections. Therefore, an additional £15m (or USD equivalent) of Tier-1 Capital needs to be injected by the two parent banks in 2014, after which, capital resources are forecasted to be sufficient to meet the capital requirements of UBL UK and sustain growth in business in 2014.

i.	Name of associated company or associated undertaking along with criteria based on which the associated relationship is established	United National Bank Limited (UBL UK) UBL holds 55% shares and the balance 45% shares are held by National Bank of Pakistan
ii.	Purpose, benefits and period of investments	To ensure that the subsidiary is adequately capitalized and meets the requirements of regulatory authorities in the United Kingdom.
iii.	Maximum amount of investment	£8.25 million (This is the proportionate amount of equity investment to be made by UBL as 55% shareholder. National Bank of Pakistan will invest £ 6.75 million as the 45% shareholder).
iv.	Maximum price at which securities will be acquired	At par value of £ 1 per share.
v.	Maximum number of securities to be acquired	8.25 million shares
vi.	Number of securities and percentage thereof held before and after the proposed investment	Before: 16.5 million shares constituting 55% of the issued and paid up capital. After: 25 million shares constituting 55% of the issued and paid capital
vii.	In case of investment in listed securities, average of the preceding twelve weekly average price of the security intended to be acquired.	Not applicable
viii.	In case of investment in unlisted securities, fair market value of such securities determined in terms of regulation 6 (1)	The Bank has written to SECP regarding this requirement
ix.	Break-up value of securities intended to be acquired on the bases of latest audited financial statements	£ 1.27 per share (Based on 2012 audited accounts)
x.	Earning per share of the associated company or associated undertaking for the last three years.	2010: £ (0.02) per share 2011: £ 0.002 per share 2012: £ 0.04 per share 2013: £ 0.21 per share
xi.	Source of fund from which securities will be acquired	Bank's funds

Statement of Material Facts

under Section 160(1)(b) of the Companies Ordinance, 1984

xii.	Where the securities are intended to be acquired using borrowed funds a) Justification for investment through borrowings and b) Detail of guarantees and assets pledged for obtaining such funds	Not applicable
xiii.	Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment	The investment is in the nature of further capital injection.
xiv.	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	Not applicable
xv.	Any other important details necessary for the members to understand the transaction	This is an investment in the shares of UBL UK by way of subscription to the right issue
xvi.	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information required, namely a) Description of the project and its history since conceptualization b) Starting and expected date of completion of work c) Time by which such project shall become commercially operational; and d) Expected time by which the project shall start paying return on investment	Not applicable

Item No.9: Additional cost of PKR 0.516 million to be paid to government treasury due to rise in the External Auditors Fee for the year 2013 resulting from levy of 4% sales tax on services provided by auditors

The shareholders of the Bank, in the 54th Annual General Meeting held on 29 March 2013, appointed M/s. KPMG Taseer Hadi and Co., Chartered Accountants, and M/s. BDO Ebrahim & Co., Chartered Accountants, as statutory auditors of the Bank for the year 2013 at a fee of PKR 6.455 million each with out-of-pocket expenses at actual.

Audit services have now been brought into the sales tax net from 1 July 2013 and are liable to sales tax @ 4% i.e. PKR 0.516 million. This tax would be borne by the Bank, being the final recipient of the service, under VAT model.

The levy of this sales tax would mean that the External Auditors will charge 4% over the amounts originally approved by the shareholders. The amount charged would be deposited in government treasury. The net fee to the external auditors would remain as previously approved. Out of pocket expenses would not be affected by this levy.

Form of Proxy

55th Annual General Meeting of United Bank Limited

I/We, _____ of _____ being a member of United Bank Limited (“UBL”) and holder of _____ ordinary shares as per Share Register Folio No. _____ and / or CDC Participation I.D. No. _____ and Account No. _____ hereby appoint _____ of _____ or failing him _____ of _____ as my/our proxy to vote for me/our and on my/our behalf at the 55th Annual General Meeting of UBL scheduled to be held on Friday, 28 March 2014 at 9:30 a.m. at Islamabad Serena Hotel, Islamabad and at any adjournment thereof.

Signed this _____ day of _____ 2014.

Witness 1:

Signature: _____

Name: _____

CNIC No. or Passport No: _____

Address: _____

Revenue Stamps
of Rs.5/-

Witness 2:

Signature: _____

Name: _____

CNIC No. or Passport No: _____

Address: _____

(Signature should agree
with the specimen signature
registered with the Registrar)

NOTE:

A. General:

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. No person shall act as a proxy, who is not a member of UBL except that Government of Pakistan / State Bank of Pakistan / Corporation may appoint a person who is not a member.
2. The instrument appointing a proxy should be signed by the member or his/her attorney duly authorized in writing. If the member is a corporation (other than Government of Pakistan and State Bank of Pakistan), its common seal should be affixed on the instrument.
3. The instrument appointing a proxy, together with Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited, with our Registrar/Transfer Agents, M/s. THK Associates (Pvt.) Limited, 2nd Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi, not less than 48 hours before the time of holding the meeting.
4. If a member appoints more than one proxy, and more than one instrument of proxy are deposited by a member with the Registrar, all such instruments of proxy shall be rendered invalid.

B. For CDC Account Holders:

1. The proxy form shall be witnessed by two persons whose names, addresses and CNIC / Passport No. shall be mentioned on the form.
2. Attested copies of CNIC or the Passport of the beneficial owners of the proxy shall be furnished with the proxy form.
3. The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.

Affix
Correct
Postage

Registrar

M/s. THK Associates (Pvt.) Limited,
2nd Floor, State Life Building No. 3,
Dr. Ziauddin Ahmed Road,
Karachi, Pakistan

where



come first



UNITED BANK LIMITED

State Life Building No. 1, I.I. Chundrigar Road, Karachi - 74000, Pakistan.
UAN: 111-825-888 Website: www.ubldirect.com