

United Bank Limited

CONSOLIDATED CONDENSED
INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED September 30, 2018

(UNAUDITED)



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2018**

	Note	(Un-audited) September 30, 2018	(Audited) December 31, 2017 Restated ----- (Rupees in '000) -----
ASSETS			
Cash and balances with treasury banks		143,716,062	161,119,170
Balances with other banks		34,650,733	35,549,112
Lendings to financial institutions	6	59,966,887	35,893,920
Investments	7	901,935,468	1,124,921,300
Advances	8	711,374,059	642,506,720
Operating fixed assets	9	51,815,134	50,384,077
Deferred tax asset - net		4,109,978	-
Other assets		55,858,119	54,986,201
		1,963,426,440	2,105,360,500
LIABILITIES			
Bills payable		18,517,514	13,392,978
Borrowings	10	312,822,961	517,082,159
Deposits and other accounts	11	1,415,052,040	1,366,157,914
Subordinated loans	12	6,117,000	-
Liabilities against assets subject to finance lease		11,770	4,375
Deferred tax liability - net		-	2,980,466
Other liabilities		44,522,015	31,248,846
		1,797,043,300	1,930,866,738
NET ASSETS		166,383,140	174,493,762
REPRESENTED BY			
Share capital		12,241,798	12,241,798
Reserves		53,511,195	47,203,516
Unappropriated profit		71,364,741	76,410,128
Total equity attributable to the equity holders of the Bank		137,117,734	135,855,442
Non-controlling interest		4,971,811	4,810,519
		142,089,545	140,665,961
Surplus on revaluation of assets - net of deferred tax	13	24,293,595	33,827,801
		166,383,140	174,493,762
CONTINGENCIES AND COMMITMENTS			
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The annexed notes from 1 to 27 form an integral part of these consolidated condensed interim financial statements.

Aameer Karachiwalla
Chief Financial Officer

Sima Kamil
President &
Chief Executive Officer

Amar Zafar Khan
Director

Arshad Ahmad Mir
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Chairman

**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

	Note	July- September 2018	July- September 2017	January - September 2018	January - September 2017
----- (Rupees in '000) -----					
Mark-up / return / interest earned	15	30,832,964	29,316,164	86,991,106	80,621,771
Mark-up / return / interest expensed	16	(16,457,861)	(14,757,515)	(43,553,484)	(37,245,028)
Net mark-up / return / interest income		14,375,103	14,558,649	43,437,622	43,376,743
Provision against loans and advances - net		(2,441,924)	(500,022)	(6,190,069)	(103,188)
Reversal of provision against lendings to financial institutions - net		1,969	-	124,118	8,260
Provision for diminution in value of investments - net		(604,462)	(21,079)	(1,344,757)	(209,967)
Bad debts written off directly		(64,203)	(111,717)	(104,454)	(136,637)
		(3,108,620)	(632,818)	(7,515,162)	(441,532)
Net mark-up / return / interest income after provisions		11,266,483	13,925,831	35,922,460	42,935,211
Non mark-up / interest income					
Fee, commission and brokerage income		3,752,592	3,430,790	11,447,163	10,470,520
Dividend income		235,059	252,251	1,045,814	1,031,875
Income from dealing in foreign currencies		1,293,657	575,952	2,843,801	1,535,891
Gain on sale of securities - net		57,754	298,428	4,793,268	4,295,042
Unrealized gain / (loss) on revaluation of investments classified as held for trading		1,296	(23,397)	6	(20,907)
Other income		259,625	182,674	632,474	598,064
Total non mark-up / interest income		5,599,983	4,716,698	20,762,526	17,910,485
		16,866,466	18,642,529	56,684,986	60,845,696
Non mark-up / interest expenses					
Administrative expenses	17	(10,471,099)	(9,612,147)	(30,733,737)	(28,462,966)
Other provisions / write offs - net		(134,476)	(78,681)	(473,456)	(76,173)
Workers' Welfare Fund		(138,020)	(160,595)	(424,918)	(638,724)
Other charges		(39,339)	(399)	(43,358)	(59,039)
Total non mark-up / interest expenses		(10,782,934)	(9,851,822)	(31,675,469)	(29,236,902)
		6,083,532	8,790,707	25,009,517	31,608,794
Share of income / (loss) of associates		154,595	(27,454)	455,007	342,570
Profit before extraordinary / unusual item and taxation		6,238,127	8,763,253	25,464,524	31,951,364
Extraordinary / unusual item - accrual in respect of pension liability	18	(341,972)	-	(8,746,607)	-
Profit before taxation		5,896,155	8,763,253	16,717,917	31,951,364
Taxation - Current		(2,719,907)	(2,853,831)	(8,420,574)	(11,348,979)
- Prior		(1,870)	386,920	(6,375)	(72,612)
- Deferred		207,007	(134,773)	1,202,437	(1,077,347)
		(2,514,770)	(2,601,684)	(7,224,512)	(12,498,938)
Profit after taxation		3,381,385	6,161,569	9,493,405	19,452,426
Attributable to:					
Equity shareholders of the Bank		3,554,175	6,110,393	9,747,927	19,349,717
Non-controlling interest		(172,790)	51,176	(254,522)	102,709
		3,381,385	6,161,569	9,493,405	19,452,426
----- (Rupees) -----					
Earnings per share - basic and diluted		2.90	4.99	7.96	15.81

The annexed notes from 1 to 27 form an integral part of these consolidated condensed interim financial statements.

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

	July-September 2018	July-September 2017	January - September 2018	January - September 2017
----- (Rupees in '000) -----				
Profit after taxation for the period attributable to:				
Equity shareholders of the Bank	3,554,175	6,110,393	9,747,927	19,349,717
Non-controlling interest	(172,790)	51,176	(254,522)	102,709
	<u>3,381,385</u>	<u>6,161,569</u>	<u>9,493,405</u>	<u>19,452,426</u>
Other comprehensive income:				
<i>Items that are not to be reclassified to profit or loss in subsequent periods</i>	-	-	-	-
<i>Items that may be reclassified to profit or loss in subsequent periods</i>				
Exchange differences on translation of net investment in foreign branches and subsidiaries				
- Equity shareholders of the Bank	836,967	874,477	5,354,371	(279,826)
- Non-controlling interest	71,613	885,459	416,863	411,835
	908,580	1,759,936	5,771,234	132,009
	908,580	1,759,936	5,771,234	132,009
Other comprehensive income transferred to equity	<u>4,289,965</u>	<u>7,921,505</u>	<u>15,264,639</u>	<u>19,584,435</u>
<i>Items that may be reclassified to profit or loss in subsequent periods</i>				
Deficit arising on revaluation of available for sale securities	(1,377,305)	(15,056,668)	(14,802,896)	(7,601,753)
Related deferred tax	508,834	4,832,716	5,506,343	2,564,128
	(868,471)	(10,223,952)	(9,296,553)	(5,037,625)
Total comprehensive income during the period - net of tax	<u><u>3,421,494</u></u>	<u><u>(2,302,447)</u></u>	<u><u>5,968,086</u></u>	<u><u>14,546,810</u></u>

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Director

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Chairman

**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

	January - September 2018	January - September 2017
	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	16,717,917	31,951,364
Less: Dividend income	(1,045,814)	(1,031,875)
Share of income of associates	(455,007)	(342,570)
	<u>15,217,096</u>	<u>30,576,919</u>
Adjustments:		
Depreciation on operating fixed assets	1,834,584	1,583,182
Depreciation on Islamic financing against leased assets (Ijarah)	139,980	147,898
Amortization	387,201	321,785
Workers' Welfare Fund	424,918	638,724
Provision for retirement benefits	9,414,083	577,004
Provision for compensated absences	83,868	220,303
Provision against loans and advances - net	6,190,069	103,188
Reversal of provision against lendings to financial institutions - net	(124,118)	(8,260)
Provision for diminution in value of investments - net	1,344,757	209,967
Gain on sale of operating fixed assets - net	(27,286)	(32,430)
Loss on sale of ijarah assets - net	1,721	118
Unrealised (gain) / loss on revaluation of investments classified as held for trading	(6)	20,907
Bad debts written-off directly	104,454	136,637
Finance charges on leased assets	198	198
Other provisions / write offs - net	473,456	76,173
	<u>20,247,879</u>	<u>3,995,394</u>
	35,464,975	34,572,313
(Increase) / decrease in operating assets		
Lendings to financial institutions	(23,948,849)	(6,668,381)
Held for trading securities	104,079,773	(45,633,899)
Advances	(75,347,092)	(63,008,561)
Other assets (excluding advance taxation)	3,506,595	5,144,540
	<u>8,290,427</u>	<u>(110,166,301)</u>
Increase / (decrease) in operating liabilities		
Bills payable	5,124,536	3,896,296
Borrowings	(204,259,198)	270,400,035
Deposits and other accounts	48,894,126	83,602,499
Other liabilities (excluding current taxation)	7,486,723	(1,337,957)
	<u>(142,753,813)</u>	<u>356,560,873</u>
	(98,998,411)	280,966,885
Payments on account of staff retirement benefits	(1,294,735)	(781,560)
Income taxes paid	(12,711,760)	(15,369,493)
Net cash (outflow) / inflow from operating activities	<u>(113,004,906)</u>	<u>264,815,832</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	60,525,529	(240,470,286)
Net investments in held to maturity securities	40,061,436	(8,528,477)
Net investments in associates	339,841	2,495,367
Dividend income received	889,011	949,462
Investment in operating fixed assets	(3,641,230)	(5,114,171)
Sale proceeds from disposal of operating fixed assets	39,107	51,734
Sale proceeds from disposal of ijarah assets	43,529	57,163
Net cash inflow / (outflow) from investing activities	<u>98,257,223</u>	<u>(250,559,208)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payment in respect of leased obligation	7,197	1,701
Dividends paid to:		
- Equity shareholders of the Bank	(9,330,654)	(12,205,786)
- Non-controlling interest	(1,581)	(135,249)
Net cash outflow from financing activities	<u>(9,325,038)</u>	<u>(12,339,334)</u>
Exchange differences on translation of net investment in foreign branches and subsidiaries attributable to:		
- Equity shareholders of the Bank	5,354,371	(279,826)
- Non-controlling interest	416,863	411,835
Increase in cash and cash equivalents during the period	<u>(18,301,487)</u>	<u>2,049,299</u>
Cash and cash equivalents at the beginning of the period	196,668,282	165,734,806
Cash and cash equivalents at the end of the period	<u>178,366,795</u>	<u>167,784,105</u>

The annexed notes from 1 to 27 form an integral part of these consolidated condensed interim financial statements.

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

	Attributable to equity shareholders of the Bank					Non-controlling Interest	Total	
	Share Capital	General reserve	Statutory reserve	Capital reserve - Exchange translation	Unappropriated profit			
	(Rupees in '000)							
Balance as at January 01, 2017 (Audited)	12,241,798	3,000	27,300,858	15,311,330	68,939,008	123,795,994	4,227,693	128,023,687
Transactions with owners for the nine months ended September 30, 2017								
Final cash dividend - December 31, 2016 declared subsequent to the year end at Rs.4.0 per share	-	-	-	-	(4,896,719)	(4,896,719)	-	(4,896,719)
Interim cash dividend - March 31, 2017 declared at Rs.3.0 per share	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Interim cash dividend - June 30, 2017 declared at Rs.3.0 per share	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Employees stock option reserve	-	-	-	-	-	-	-	-
	-	-	-	-	(12,241,797)	(12,241,797)	-	(12,241,797)
Total comprehensive income for the nine months ended September 30, 2017								
Profit after taxation for the nine months ended September 30, 2017	-	-	-	-	19,349,717	19,349,717	102,709	19,452,426
Other comprehensive income - net of tax	-	-	-	(279,826)	-	(279,826)	411,835	132,009
Total comprehensive income for the nine months ended September 30, 2017	-	-	-	(279,826)	19,349,717	19,069,891	514,544	19,584,435
Ordinary dividend relating to Non-controlling interest	-	-	-	-	-	-	(135,249)	(135,249)
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	38,303	38,303	462	38,765
Transfer to statutory reserve	-	-	1,932,656	-	(1,932,656)	-	-	-
Balance as at September 30, 2017 (Un-audited)	12,241,798	3,000	29,233,514	15,031,504	74,152,575	130,662,391	4,607,450	135,269,841
Transactions with owners for the three months ended December 31, 2017								
Interim cash dividend - September 30, 2017 declared at Rs.3.0 per share	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Total comprehensive income for the three months ended December 31, 2017								
Profit after taxation for the three months ended December 31, 2017	-	-	-	-	6,840,585	6,840,585	(96,422)	6,744,163
Other comprehensive income - net of tax	-	-	-	2,311,559	(58,029)	2,253,530	299,545	2,553,075
Total comprehensive income for the three months ended December 31, 2017	-	-	-	2,311,559	6,782,556	9,094,115	203,123	9,297,238
Ordinary dividend relating to Non-controlling interest	-	-	-	-	-	-	(244)	(244)
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	13,060	13,060	190	13,250
Transfer to statutory reserves	-	-	623,939	-	(623,939)	-	-	-
Balance as at December 31, 2017 as previously reported (Audited)	12,241,798	3,000	29,857,453	17,343,063	76,651,713	136,097,027	4,810,519	140,907,546
Change in accounting policy - refer note 4.1.1	-	-	-	-	(241,585)	(241,585)	-	(241,585)
Balance as at December 31, 2017 (Restated)	12,241,798	3,000	29,857,453	17,343,063	76,410,128	135,855,442	4,810,519	140,665,961
Change in accounting policy as at January 1, 2018 - refer note 4.1.2	-	-	-	-	(1,640,563)	(1,640,563)	-	(1,640,563)
Balance as at January 1, 2018 (Restated)	12,241,798	3,000	29,857,453	17,343,063	74,769,565	134,214,879	4,810,519	139,025,398
Transactions with owners for the nine months ended September 30, 2018								
Final cash dividend - December 31, 2017 declared subsequent to the year end at Rs.4.0 per share	-	-	-	-	(4,896,719)	(4,896,719)	-	(4,896,719)
Interim cash dividend - March 31, 2018 declared at Rs.3.0 per share	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Interim cash dividend - June 30, 2018 declared at Rs.3.0 per share	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
	-	-	-	-	(12,241,797)	(12,241,797)	-	(12,241,797)
Total comprehensive income for the nine months ended September 30, 2018								
Profit after taxation for the nine months ended September 30, 2018	-	-	-	-	9,747,927	9,747,927	(254,522)	9,493,405
Other comprehensive income - net of tax	-	-	-	5,354,371	-	5,354,371	416,863	5,771,234
Total comprehensive income for the nine months ended September 30, 2018	-	-	-	5,354,371	9,747,927	15,102,298	162,341	15,264,639
Ordinary dividend relating to Non-controlling interest	-	-	-	-	-	-	(1,581)	(1,581)
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	42,354	42,354	532	42,886
Transfer to statutory reserves	-	-	953,308	-	(953,308)	-	-	-
Balance as at September 30, 2018 (Un-audited)	12,241,798	3,000	30,810,761	22,697,434	71,364,741	137,117,734	4,971,811	142,089,545

The annexed notes from 1 to 27 form an integral part of these consolidated condensed interim financial statements.

Aameer Karachiwalla
Chief Financial Officer

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President &
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Director

Arshad Ahmad Mir
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Chairman

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

1. STATUS AND NATURE OF BUSINESS

The Group consists of:

Holding Company

- United Bank Limited (the Bank)

Subsidiary Companies

- United National Bank Limited, United Kingdom (UBL UK) - 55% holding
- UBL (Switzerland) AG, Switzerland (USAG) - 100% holding
- UBL Bank (Tanzania) Limited, Tanzania (UBTL) - 100% holding
- United Executors and Trustees Company Limited, Pakistan (UET) - 100% holding
- UBL Fund Managers Limited, Pakistan (UBLFM) - 98.87% holding
- Al Ameen Financial Services (Pvt.) Limited (AFSL) - effective holding 98.87%

The Group is engaged in commercial banking, asset management, investment advisory and investments 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 UBL Head Office, I. I. Chundrigar Road, Karachi respectively. The Bank operates 1,363 (December 31, 2017: 1,361) branches inside Pakistan including 94 (December 31, 2017: 93) Islamic Banking branches and 2 (December 31, 2017: 2) branches in Export Processing Zones. The Bank also operates 18 (December 31, 2017: 18) branches outside Pakistan. The Bank is a subsidiary of Bestway (Holdings) Limited and Bestway (Holdings) Limited is a wholly owned subsidiary of Bestway Group Limited which is incorporated in the United Kingdom.

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

Non-controlling interest represents National Bank of Pakistan's 45% share in the net asset value of UBL UK and a 1.13% shares held by past and present employees of UBLFM in the net asset value of UBLFM.

2. BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated condensed interim financial statements as such, but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon. The Islamic Banking branches of the 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 Act, 2017.

Key financial figures of the Islamic Banking branches are disclosed in note 24 to these consolidated condensed interim financial statements.

3. STATEMENT OF COMPLIANCE

3.1 These consolidated condensed interim financial statements of the Group have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962;
- Provisions of and directives issued under the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Wherever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and 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. Moreover, SBP vide BPRD circular no. 4, dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standards (IFAS) 3, Profit and Loss Sharing on Deposits. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, International Financial Reporting Standard (IFRS) 7, Financial Instruments: Disclosures has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP. Further, segment information is being disclosed in accordance with SBP's prescribed format as per BSD circular 4 dated February 17, 2006 which prevails over the requirements specified in IFRS 8.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

- 3.3** SECP vide its notification SRO 633 (I)/2014 dated 10 July 2014, adopted IFRS 10 effective from the periods starting from 30 June 2014. However, vide its notification SRO 56 (I)/2016 dated 28 January 2016, it has been notified that the requirements of IFRS 10 and section 237 of the repealed Companies Ordinance 1984 will not be applicable with respect to the investment in mutual funds established under Trust structure.
- 3.4** The Companies Ordinance, 1984 was repealed after enactment of the Companies Act, 2017, on May 30, 2017. The SECP vide its Circular No. 23 of 2017, dated October 04, 2017 allowed all those companies whose financial year closed on or before December 31, 2017, were required to prepare financial statements in accordance with the provisions of repealed Companies Ordinance, 1984. Accordingly, these consolidated condensed interim financial statements have been prepared in accordance with Companies Act, 2017. Change to the significant accounting policy, as a result of the enactment of the Companies Act, 2017, has been detailed in note 4.1.1. Moreover, for certain overseas branches, the Bank has changed its accounting policy and followed the requirements of IFRS 9 as more fully explained in note 4.1.2.
- 3.5** The disclosures made in these consolidated condensed interim financial statements have been limited based on a format prescribed by the SBP vide BSD Circular Letter No. 2 dated May 12, 2004 and IAS 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these consolidated condensed interim financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2017.

4. SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT

- 4.1** The accounting policies adopted in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the consolidated financial statements of the Group for the year ended December 31, 2017, except for the following:

4.1.1 Surplus on revaluation of fixed assets - net of deferred tax

The Companies Ordinance, 1984 was repealed through the enactment of the Companies Act, 2017. However, as directed by the Securities and Exchange Commission of Pakistan vide Circular No. 23 dated October 4, 2017, the financial reporting requirements of the Companies Act, 2017 were only made applicable for reporting periods starting from January 1, 2018.

Consequently, the Bank has changed its policy for accounting for a deficit arising on revaluation of fixed assets. The Bank's previous accounting policy (as described in Note 5.5.1 of the annual unconsolidated financial statements), in accordance with the repealed Companies Ordinance, 1984, required that a deficit arising on revaluation of a particular property was to be adjusted against the total balance in the surplus account or, if no surplus existed, was to be charged to the profit and loss account as an impairment of the asset. The Companies Act, 2017 removed the specific provisions allowing the above treatment. A deficit arising on revaluation of a particular property is now to be accounted for in accordance with IFRS, which requires that such deficit cannot be adjusted against surplus in another property, but is to be taken to the profit and loss account as an impairment.

The effect of this change in accounting policy, which is applied with retrospective effect, is as follows:

	As at December 31, 2017		
	Previously	Change	Restated
	Rupees in '000		
Impact on Statement of Financial Position			
Unappropriated profit	76,651,713	(241,585)	76,410,128
Surplus on revaluation of fixed assets / non-banking assets	33,586,216	241,585	33,827,801

There is no impact on the consolidated condensed interim profit and loss account, consolidated condensed interim statement of comprehensive income and consolidated condensed interim cash flow statement.

The impact above relates to revaluation of fixed assets carried out as at December 31, 2017. There were no material impacts relating to periods prior to December 31, 2017.

4.1.2 Impairment on financial assets

As per the accounting policy of the Bank, the provision against balances with other banks, investments, lendings to financial institutions and advances of overseas branches and subsidiaries are made as per the requirement of the respective regulatory regimes. During the current year, IFRS – 9 became applicable for certain overseas branches of the Bank (i.e. branches in UAE, Bahrain and Qatar). Accordingly, in respect of such branches, the Bank has changed its accounting policy and has followed the requirements of IFRS – 9, while determining the provisioning requirements against balances with other banks, investments, lendings to financial institutions and advances. Under this standard, provision against balances with other banks, investments, lendings to financial institutions and advances is determined under expected credit loss model. Previously, this was determined under the incurred loss model.

The adoption of this standard by certain overseas branches resulted in additional provisioning requirement of Rs. 2.497 billion (net of deferred tax amounting to Rs. 1.640 billion) as at December 31, 2017. The amount of additional provision has been adjusted in the opening retained earnings as allowed under IFRS 9 and permitted by the State Bank of Pakistan. The impacts of change in policy can be summarised as follows:

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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	As at September 30, 2018	As at January 1, 2018
	----- (Rupees in '000) -----	
Impact on Statement of Financial Position		
Balances with other banks	73,256	92,056
Investments	927,343	871,640
Lendings to financial institutions	69,257	136,486
Advances	1,207,403	1,185,661
Other liabilities (provision against off balance sheet obligations)	619,722	211,244
	<u>2,896,981</u>	<u>2,497,087</u>
Less: related deferred tax	(995,076)	(856,524)
	<u>1,901,905</u>	<u>1,640,563</u>
	For the nine months ended September 30, 2018 (Rupees in '000)	
Impact on Profit and Loss Account		
- Profit before tax would have been higher by	<u>318,504</u>	
- Other Comprehensive Income (exchange impacts) would have been higher by	<u>81,390</u>	
	(Rupees)	
- Earnings per share would have been higher by	<u>0.17</u>	

There would be no impact on the cash flow statement.

4.2 The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Group for the year ended December 31, 2017.

5. BASIS OF MEASUREMENT

5.1 Accounting Convention

These consolidated condensed interim financial statements have been prepared under the historical cost convention except that certain operating fixed assets / non-banking assets acquired in satisfaction of claims have been stated at revalued amounts, certain investments and derivative financial instruments have been stated at fair value and net obligations in respect of defined benefit schemes are carried at their present values.

5.2 Judgements and estimates

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

The significant judgments made by management in applying its accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements of the Group for the year ended December 31, 2017.

	(Un-audited) September 30, 2018	(Audited) December 31, 2017
	----- (Rupees in '000) -----	
6. LENDINGS TO FINANCIAL INSTITUTIONS		
Call money lendings	11,000,000	585,000
Repurchase agreement lendings	19,947,645	6,931,953
Bai Muajjal receivable from State Bank of Pakistan	-	3,109,215
Bai Muajjal receivable from other financial institutions	6,960,248	-
Other lendings to financial institutions	<u>22,991,666</u>	<u>26,100,227</u>
	60,899,559	36,726,395
Provision against lendings to financial institutions	(932,672)	(832,475)
	<u>59,966,887</u>	<u>35,893,920</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**
7. INVESTMENTS
7.1 Investments by types

Note	(Un-audited) September 30, 2018			(Audited) December 31, 2017		
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
----- (Rupees in '000) -----						
Held for trading securities						
Market Treasury Bills	455,390	558,038	1,013,428	59,117,369	45,383,907	104,501,276
Pakistan Investment Bonds	702	-	702	582,376	-	582,376
Term Finance Certificates	-	-	-	10,245	-	10,245
	456,092	558,038	1,014,130	59,709,990	45,383,907	105,093,897
Available for sale securities						
Market Treasury Bills	141,279,838	174,073,157	315,352,995	108,314,347	194,204,632	302,518,979
Pakistan Investment Bonds	78,770,827	55,408,133	134,178,960	23,830,510	205,729,962	229,560,472
Government of Pakistan Eurobonds	18,253,553	-	18,253,553	16,768,510	-	16,768,510
Government of Pakistan Sukuk	22,910,303	-	22,910,303	19,102,273	-	19,102,273
Ordinary shares of listed companies	18,138,427	-	18,138,427	18,362,340	-	18,362,340
Preference shares	435,751	-	435,751	391,315	-	391,315
Ordinary shares of unlisted companies	753,502	-	753,502	258,757	-	258,757
Investment in REIT	458,590	-	458,590	441,406	-	441,406
Term Finance Certificates	691,327	-	691,327	458,590	-	458,590
Foreign bonds - sovereign	57,543,938	-	57,543,938	38,492,705	-	38,492,705
Foreign bonds - others	13,918,594	-	13,918,594	18,150,879	-	18,150,879
	353,154,650	229,481,290	582,635,940	244,571,632	399,934,594	644,506,226
Held to maturity securities						
Market Treasury Bills	4,058,090	-	4,058,090	7,363,088	-	7,363,088
Pakistan Investment Bonds	268,069,598	-	268,069,598	311,766,517	-	311,766,517
Government of Pakistan Eurobonds	7,874,649	-	7,874,649	6,564,140	-	6,564,140
Government of Pakistan Sukuk	1,251,503	-	1,251,503	221,823	-	221,823
Term Finance Certificates	6,150,802	-	6,150,802	6,626,766	-	6,626,766
Sukuks	12,225,975	-	12,225,975	10,512,247	-	10,512,247
Participation Term Certificates	437	-	437	437	-	437
Debentures	2,266	-	2,266	2,266	-	2,266
Foreign bonds - sovereign	19,400,159	-	19,400,159	15,208,115	-	15,208,115
Foreign bonds - others	5,453,997	-	5,453,997	6,098,955	-	6,098,955
Recovery note	382,969	-	382,969	340,333	-	340,333
CDC SAARC Fund	270	-	270	240	-	240
Commercial Paper	-	-	-	227,224	-	227,224
	324,870,715	-	324,870,715	364,932,151	-	364,932,151
Associates						
United Growth and Income Fund	-	-	-	264,763	-	264,763
UBL Liquidity Plus Fund	11,508	-	11,508	93,371	-	93,371
UBL Money Market Fund	31,455	-	31,455	11,455	-	11,455
UBL Government Securities Fund	-	-	-	265,325	-	265,325
UBL Stock Advantage Fund	252,518	-	252,518	210,149	-	210,149
UBL Financial Planning Fund	-	-	-	37,036	-	37,036
UBL Financial Sector Fund	157,561	-	157,561	-	-	-
UBL Income Opportunity Fund	992,424	-	992,424	-	-	-
Al Ameen Islamic Cash Fund	-	-	-	367	-	367
Al Ameen Islamic Sovereign Fund	-	-	-	382	-	382
Al Ameen Shariah Stock Fund	-	-	-	320,894	-	320,894
Al Ameen Islamic Asset Allocation Fund	-	-	-	216,916	-	216,916
Al Ameen Islamic Financial Planning Fund	96,869	-	96,869	316,142	-	316,142
Al Ameen Islamic Financial Planning Fund II	-	-	-	45,123	-	45,123
UBL Insurers Limited	391,473	-	391,473	345,097	-	345,097
Khushhali Bank Limited	2,358,173	-	2,358,173	2,046,922	-	2,046,922
Oman United Exchange Company, Muscat	66,829	-	66,829	69,702	-	69,702
DHA Cogen Limited	-	-	-	-	-	-
	4,358,810	-	4,358,810	4,243,644	-	4,243,644
	682,840,267	230,039,328	912,879,595	673,457,417	445,318,501	1,118,775,918
Provision for diminution in value of investments	(5,434,822)	-	(5,434,822)	(3,149,523)	-	(3,149,523)
Investments - net of provisions	677,405,445	230,039,328	907,444,773	670,307,894	445,318,501	1,115,626,395
(Deficit) / Surplus on revaluation of available for sale securities	(3,140,570)	(2,368,741)	(5,509,311)	3,311,811	5,980,887	9,292,698
Surplus on revaluation of held for trading securities	2	4	6	34	2,173	2,207
Total Investments	674,264,877	227,670,591	901,935,468	673,619,739	451,301,561	1,124,921,300

7.2 This represents the Bank's subscription towards the paid-up capital of Khushhali Bank Limited. Pursuant to section 10 of the Khushhali Bank Ordinance, 2000, strategic investors including the Bank cannot sell or transfer their investment before a period of five years that has expired on October 10, 2005. Thereafter, such sale / transfer would be subject to the prior approval of the SBP. However these shares are still appearing as frozen as no approval has been obtained by the Bank to unfreeze these shares.

7.3 As a result of exercise of a pledge in 2013, the Bank holds 20.99% of the issued and paid up capital of DHA Cogen Limited without any consideration having been paid. Consequently, DHA Cogen Limited is classified as an associated company.

7.4 This includes provision for impairment on account of adoption of IFRS 9, as explained in note 4.1.2.

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	Note	(Un-audited) September 30, 2018 ----- (Rupees in '000) -----	(Audited) December 31, 2017 ----- (Rupees in '000) -----
8. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		497,754,128	413,891,656
Outside Pakistan		183,936,370	177,904,909
		<u>681,690,498</u>	<u>591,796,565</u>
Islamic financing and related assets	24.4	21,254,523	22,200,806
Bills discounted and purchased			
Payable in Pakistan		16,522,943	21,115,250
Payable outside Pakistan		45,002,584	51,126,252
		<u>61,525,527</u>	<u>72,241,502</u>
Advances - gross		764,470,548	686,238,873
Provision against advances			
Specific	8.1	(48,379,388)	(40,225,684)
General	8.2	(4,717,101)	(3,506,469)
Advances - net of provision		<u>711,374,059</u>	<u>642,506,720</u>

8.1 Advances include Rs. 58,967.205 million (December 31, 2017: Rs. 52,907.648 million) which have been placed under non-performing status as detailed below:

Category of Classification	September 30, 2018 (Un-audited)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- (Rupees in '000) -----								
Other Assets Especially									
Mentioned *	151,876	-	151,876	3,472	-	3,472	3,472	-	3,472
Substandard	1,443,487	1,837,309	3,280,796	358,246	385,408	743,654	358,246	385,408	743,654
Doubtful	252,818	3,081,240	3,334,058	116,951	1,477,364	1,594,315	116,951	1,477,364	1,594,315
Loss	26,171,393	26,029,082	52,200,475	25,114,772	20,923,175	46,037,947	25,114,772	20,923,175	46,037,947
	<u>28,019,574</u>	<u>30,947,631</u>	<u>58,967,205</u>	<u>25,593,441</u>	<u>22,785,947</u>	<u>48,379,388</u>	<u>25,593,441</u>	<u>22,785,947</u>	<u>48,379,388</u>
	----- (Rupees in '000) -----								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- (Rupees in '000) -----								
Other Assets Especially									
Mentioned *	81,653	-	81,653	2,012	-	2,012	2,012	-	2,012
Substandard	1,062,286	4,417,061	5,479,347	258,707	942,062	1,200,769	258,707	942,062	1,200,769
Doubtful	1,452,224	6,910,333	8,362,557	783,804	2,475,262	3,259,066	783,804	2,475,262	3,259,066
Loss	25,596,353	13,387,738	38,984,091	24,512,775	11,251,062	35,763,837	24,512,775	11,251,062	35,763,837
	<u>28,192,516</u>	<u>24,715,132</u>	<u>52,907,648</u>	<u>25,557,298</u>	<u>14,668,386</u>	<u>40,225,684</u>	<u>25,557,298</u>	<u>14,668,386</u>	<u>40,225,684</u>

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

8.2 General provision represents provision amounting to Rs. 275.855 million (December 31, 2017: Rs. 247.323 million) against consumer finance portfolio as required by the Prudential Regulations issued by the SBP and Rs. 4,441.246 million (December 31, 2017: Rs. 2,881.358 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 and on account of adoption of IFRS 9, as more fully explained in note 4.1.2. General provision also includes Rs. nil (December 31, 2017: Rs. 328.700 million) which is based on regulatory instructions. Further, the Bank carries provision of Rs. nil million (December 31, 2017: Rs. 49.088 million) as a matter of prudence based on management estimates.

8.3 The Bank has availed the benefit of Forced Sale Value (FSV) of certain 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. 24.805 million (December 31, 2017: Rs. 24.540 million). The FSV benefit availed is not available for the distribution of cash or stock dividend to shareholders.

	Note	(Un-audited) September 30, 2018 ----- (Rupees in '000) -----	(Audited) December 31, 2017 ----- (Rupees in '000) -----
9. OPERATING FIXED ASSETS			
Capital work-in-progress		1,637,752	4,467,036
Property and equipment		48,559,794	44,820,475
Intangible assets		1,617,588	1,096,566
	9.1	<u>51,815,134</u>	<u>50,384,077</u>

9.1 Additions and disposals during the period amounted to Rs. 3,641.230 million (September 30, 2017: Rs. 5,114.171 million) and Rs. 388.468 million (September 30, 2017: Rs. 180.567 million), respectively.

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	(Un-audited) September 30, 2018	(Audited) December 31, 2017
Note	----- (Rupees in '000) -----	
10. BORROWINGS		
Secured		
Borrowings from the State Bank of Pakistan		
Export refinance scheme	22,275,487	19,375,930
Refinance facility for modernization of SME	3,500	10,250
Long term financing facility	21,488,863	17,312,481
	43,767,850	36,698,661
Repurchase agreement borrowings	178,836,842	453,224,580
Bai Muajjal payable to other financial institutions	49,878,076	-
	<u>272,482,768</u>	<u>489,923,241</u>
Unsecured		
Call borrowings	11,085,291	10,167,645
Overdrawn nostro accounts	148,926	577,014
Other borrowings	29,105,976	16,414,259
	<u>40,340,193</u>	<u>27,158,918</u>
	<u>312,822,961</u>	<u>517,082,159</u>
11. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	329,287,660	367,785,188
Savings deposits	421,753,254	388,150,655
Sundry deposits	44,898,004	29,508,244
Margin deposits	5,241,738	5,552,140
Current accounts - remunerative	7,080,266	6,014,299
Current accounts - non-remunerative	534,997,555	491,259,317
	<u>1,343,258,477</u>	<u>1,288,269,843</u>
Financial Institutions		
Remunerative deposits	53,000,951	57,065,974
Non-remunerative deposits	18,792,612	20,822,097
	<u>71,793,563</u>	<u>77,888,071</u>
	<u>1,415,052,040</u>	<u>1,366,157,914</u>
12. SUBORDINATED LOANS		

The Bank is in the process of issuing fully paid up, rated, listed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments in the nature of Term Finance Certificates (TFCs) under Section 66 of the Companies Act, 2017 which qualify as Additional Tier I Capital as outlined by State Bank of Pakistan (SBP) under BPRD Circular No. 6 dated August 15, 2013.

During the quarter ended September 30, 2018, the Bank completed the first Tranche of the Pre-IPO with subscription amounting to Rs. 6,117 million. The second Tranche of the Pre-IPO is currently in process. The Bank shall proceed with the initial public offering upon completion of the Pre-IPO and receipt of the requisite approvals from the Securities and Exchange Commission of Pakistan (SECP), Pakistan Stock Exchange Limited (PSX) and Central Depository Company of Pakistan Limited (CDC).

Salient features of the ADT 1 issue are as follows:-

Issue Size	Up to Rs. 7,000 million with an upside option / green shoe option of an additional Rs. 3,000 million aggregating to Rs. 10,000 million.
Rating	"AA+" (Double A Plus) by JCR-VIS Credit Rating Company Limited.
Tenor	Perpetual (i.e. no fixed or final redemption date).
Security	The TFCs shall be unsecured and subordinated to all other indebtedness of the Bank, including depositors and general creditors. However, they shall rank senior to the claims of ordinary shareholders.
Mark-up Rate	The TFCs shall carry markup at the rate of 3 Month KIBOR + 1.55%.
Mark-up Payment Frequency	Profit / Mark-up shall be payable quarterly in arrears, on a non-cumulative basis.
Call Option	The Bank may, at its sole discretion, call the TFCs, at any time after five years from the Issue Date subject to the prior approval of the SBP.
Lock-in Clause	Mark-up on the TFCs shall only be paid from the current year's earnings and if the Bank is fully compliant with SBP's Minimum Capital Requirement (MCR), Capital Adequacy Ratio (CAR) and Liquidity Ratio (LR) requirements
Loss Absorbency Clause	The TFCs shall, at the discretion of the SBP, be either permanently converted into ordinary shares or permanently written off (partially or in full) pursuant to the loss absorbency clause as stipulated in the "Instructions for Basel III Implementation in Pakistan" issued vide BPRD Circular No. 6 dated August 15, 2013

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	(Un-audited) September 30, 2018 ----- (Rupees in '000) -----	(Audited) December 31, 2017 Restated
13. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX		
Surplus / (deficit) arising on revaluation of assets - net of tax:		
Fixed assets / non-banking assets		
- Group's share	26,927,439	27,249,117
- Non-controlling interest	1,042,881	958,856
	13.1 27,970,320	28,207,973
Available for sale securities		
- Group's share	(3,177,936)	5,896,699
- Non-controlling interest	(498,562)	(277,531)
	13.2 (3,676,498)	5,619,168
(Deficit) / surplus arising on revaluation of assets of associates	(227)	660
	<u>24,293,595</u>	<u>33,827,801</u>
13.1 Surplus on revaluation of fixed assets / non-banking assets		
Surplus on revaluation of fixed assets / non-banking assets as at January 1	29,417,952	22,502,554
Transferred to retained earnings consequent to the change in accounting policy - refer note 4.1.1	-	241,585
Surplus on revaluation of fixed assets / non-banking assets as at January 1	29,417,952	22,744,139
Revaluation of fixed assets / non-banking assets during the period / year	(364,149)	6,399,394
Exchange adjustments	228,356	353,662
Reversal on disposal of non-banking asset	(38,875)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(42,886)	(52,015)
Related deferred tax liability on incremental depreciation charged during the period / year	(22,456)	(27,228)
	<u>(240,010)</u>	<u>6,673,813</u>
	29,177,942	29,417,952
Less: Related deferred tax liability on:		
Revaluation as at January 1	1,209,979	960,433
Revaluation of fixed assets / non-banking assets during the period / year	(5,548)	216,535
Exchange adjustments	39,253	60,239
Reversal on disposal of non-banking assets	(13,606)	-
Incremental depreciation charged during the period / year	(22,456)	(27,228)
	<u>1,207,622</u>	<u>1,209,979</u>
	<u>27,970,320</u>	<u>28,207,973</u>
13.2 Surplus / (deficit) on revaluation of available for sale securities		
Market Treasury Bills	4,893	(3,034)
Pakistan Investment Bonds	(5,930,631)	6,285,489
Listed shares	2,560,670	1,780,430
REIT Investment	66,704	-
Term Finance Certificates, Sukuks, other bonds etc.	(356,051)	28,475
Foreign bonds	(1,854,896)	1,201,338
	(5,509,311)	9,292,698
Related deferred tax	1,832,813	(3,673,530)
	<u>(3,676,498)</u>	<u>5,619,168</u>
	(Un-audited) September 30, 2018 ----- (Rupees in '000) -----	(Audited) December 31, 2017
14. CONTINGENCIES AND COMMITMENTS		
14.1 Direct credit substitutes		
Contingent liabilities in respect of guarantees given favouring:		
Government	23,525,828	15,500,693
Banking companies and other financial institutions	255,097	1,064,067
Others	5,326,470	5,425,848
	<u>29,107,395</u>	<u>21,990,608</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

	(Un-audited) September 30, 2018	(Audited) December 31, 2017
	------(Rupees in '000)-----	
14.2 Transaction-related contingent liabilities		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring:		
Government	110,704,991	128,096,424
Banking companies and other financial institutions	5,872,257	8,408,147
Others	45,860,575	57,090,192
	<u>162,437,823</u>	<u>193,594,763</u>
14.3 Trade-related contingent liabilities		
Contingent liabilities in respect of letters of credit opened favouring:		
Government	73,434,789	74,060,985
Banking companies and other financial institutions	11,647,267	8,732,484
Others	120,035,433	112,409,643
	<u>205,117,489</u>	<u>195,203,112</u>
14.4 Other contingencies		
14.4.1 Claims against the Group not acknowledged as debts	<u>11,916,914</u>	<u>12,918,162</u>

These mainly represent counter claims filed by the borrowers for restricting the Group from disposal of assets (such as mortgaged / pledged assets kept as security).

Based on legal advice and / or internal assessments, management is confident that the matters will be decided in favour of the Group and the possibility of any outcome against the Group is remote and accordingly no provision has been made in these consolidated financial statements.

14.4.2 On November 10, 2016, a judgement was passed by the Supreme Court (SC) declaring the insertions of amendments in WWF Ordinance through Finance Act 2008 as unlawful. The Board of Directors of UBL FM in their meeting held on May 29, 2013, had resolved that accumulated unrecorded WWF provision from the date of its application till May 29, 2013 on all the funds under management amounting to Rs. 296.124 million will be borne by the Holding Company in case the said accumulated amount is required to be paid to the Government authorities. The tax department has filed review petition against the order of the SC which is currently pending.

14.4.3 Penalties amounting to Rs. 4.058 billion have been levied by the FE Adjudication Court of the State Bank of Pakistan relating to alleged contraventions of the requirements of foreign exchange regulations with respect to issuance and certification of E-Forms by the Bank to certain customers (exporters) who failed to submit the export documents thereagainst. Consequently foreign exchange on account of export proceeds have not been repatriated. The Bank maintains that it fully discharged its liability, in accordance with the law and has filed a civil suit in the High Court of Sindh challenging the levy of the penalty. The High Court has granted a stay on action being taken against the Bank. The management, based on the advice from legal counsel, is confident that the view of the Bank will prevail and the Bank will not be exposed to any loss on this account.

14.4.4 United Bank Limited Yemen ("UBL") issued two Standby Letters of Credit (SBLCs) for USD 12 million (Rs. 1,490 million) and USD 13 million (Rs. 1,615 million) in favour of Ministry of Oil and Minerals, Yemen (MOM) against the counter SBLCs of a foreign bank. In March 2015, the counter party to the underlying performance agreement notified MOM of suspension of the SBLCs due to force majeure. In September 2015, MOM filed a law suit against UBL at the Preliminary Commercial Court in Sana'a, Yemen claiming payment of both SBLCs for the total sum of USD 25 million (Rs. 3,106 million).

During 2016, no major debate was held as all hearings of the commercial case were adjourned to subsequent dates, due to either non-appearance of legal counsel of MOM or non-submission of responses by MOM, as required by legal counsel of UBL. As per provisions of Yemeni procedural law, if 60 days lapse from the last hearing without the case being reinitiated/ followed up by the plaintiff, the case shall be considered as if not filed and all procedures have to be re-initiated afresh. In light of the foregoing provision of law, and non-follow up by MOM for over 60 days, UBL counsel submitted a motion to dismiss the case. On September 25, 2017 the Honourable judge presiding over the commercial case filed by MOM against UBL in Yemen accepted UBL's motion to drop the case. In light of the foregoing, the case filed by MOM against UBL in Yemen stands dismissed. Although the case against UBL Yemen has been dismissed by the Honourable judge, the said dismissal is on the basis of a procedural lapse by MOM in pursuing the case, and not on the actual merits. Hence MOM can reinitiate the case against UBL afresh.

The ICC Award has also been announced whereby ICC has accepted the request of counter party to declare Force Majeure as per the terms of the Production Sharing Agreement (PSA) between Reliance and MOM. In terms of the ICC Award, the PSA stands cancelled.

Based on the legal advice of the Bank's legal counsel in Yemen and in view of facts surrounding the matter, management is of the view that it is unlikely that there will be any financial impact on the Group.

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14.4.5 United Bank Limited and its New York Branch (NY Branch) have entered into a written agreement (WA 2018) with the Federal Reserve Bank of New York (FRBNY) effective 2 July 2018 upon termination of the earlier written agreement entered into on 28 October 2013 (WA 2013). This agreement was entered based on the findings of FRBNY in their most recent examination of NY Branch.

The WA 2018 directs UBL to take measures to strengthen the risk management and compliance function, corporate governance and oversight, compliance with Bank Secrecy Act (BSA) / Anti Money Laundering (AML) compliance, Customer Due Diligence and Suspicious Activity Monitoring and Reporting Program within the stipulated timelines. Bank is undertaking all steps to further strengthen its Compliance Framework to fully comply with the WA 2018. While the Bank seeks to comply with all the requirements, and at this stage there is no indication of any financial impact, it is not possible to ascertain the eventual outcome of these matters.

14.4.6 Punjab revenue authority issued show cause notice to UBL Fund Managers Limited requiring them to pay sales tax under Punjab sales tax on service act 2012 on management fee earned in Punjab from May 22, 2013. The Company has filed a petition on July 8, 2014 in the High Court of Sindh. A favorable outcome of this petition is expected.

14.5 For contingencies relating to taxation refer note 19.

14.6 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.

	(Un-audited) September 30, 2018 ----- (Rupees in '000) -----	(Audited) December 31, 2017 ----- (Rupees in '000) -----
14.7 Commitments in respect of forward foreign exchange contracts		
Purchase	310,937,870	242,093,757
Sale	<u>265,487,958</u>	<u>213,172,200</u>
14.8 Commitments in respect of derivatives		
Interest rate swaps	<u>2,789,330</u>	<u>4,358,641</u>
FX options - purchased	<u>972,182</u>	<u>83,368</u>
FX options - sold	<u>-</u>	<u>83,368</u>
Forward purchase of Government securities	<u>1,874,930</u>	<u>7,870,890</u>
Forward sale of Government securities	<u>-</u>	<u>1,478</u>
14.9 Commitments in respect of capital expenditure	<u>1,672,499</u>	<u>1,987,978</u>
(Un-audited).....(Un-audited).....
	January - September 2018	January - September 2017
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
15. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to customers	33,215,847	25,536,223
On lendings to financial institutions		
Call money lendings	318,088	129,519
Repurchase agreement lendings	473,217	364,828
Other lendings to financial institutions	<u>1,274,554</u>	<u>1,163,202</u>
	2,065,859	1,657,549
On investments in		
Held for trading securities	<u>1,724,040</u>	<u>1,336,097</u>
Available for sale securities	<u>26,900,497</u>	<u>29,170,319</u>
Held to maturity securities	<u>22,489,732</u>	<u>22,717,592</u>
	51,114,269	53,224,008
On deposits with financial institutions	<u>595,131</u>	<u>203,991</u>
	<u>86,991,106</u>	<u>80,621,771</u>

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

(Un-audited).....	
	January - September 2018	January - September 2017
	----- (Rupees in '000) -----	
16. MARK-UP / RETURN / INTEREST EXPENSED		
On deposits	27,812,954	24,447,040
On securities sold under repurchase agreements	12,725,507	10,751,584
On other short term borrowings	2,512,863	1,703,640
On long term borrowings	502,160	342,764
	<u>43,553,484</u>	<u>37,245,028</u>
17. ADMINISTRATIVE EXPENSES		
Salaries, allowances etc.	11,547,115	10,728,439
Charge for compensated absences	83,868	220,303
Medical expenses	580,694	530,055
Contribution to defined contribution plan	354,396	298,434
Charge in respect of defined benefit obligations	313,080	278,570
Rent, taxes, insurance, electricity etc.	3,811,912	3,506,981
Depreciation on operating fixed assets	1,834,584	1,583,182
Depreciation on Islamic financing against leased assets (Ijarah)	139,980	147,898
Amortization	387,201	321,785
Outsourced service charges including sales commission	3,500,414	3,464,184
Communications	1,118,736	995,918
Banking service charges	1,101,017	934,960
Cash transportation charges	746,672	591,246
Stationery and printing	520,156	458,359
Legal and professional charges	766,820	475,829
Advertisement and publicity	540,230	719,965
Repairs and maintenance	1,513,657	1,311,989
Travelling	197,247	213,193
Office running expenses	329,118	638,324
Vehicle expenses	127,980	143,709
Entertainment	140,141	168,791
Cartage, freight and conveyance	60,500	74,230
Insurance expense	384,292	101,899
Auditors' remuneration	95,809	77,790
Training and seminars	94,262	98,690
Brokerage expenses	13,650	20,329
Subscriptions	134,876	111,985
Donations	82,581	56,970
Non-executive Directors' fees	37,149	37,115
Zakat paid by overseas branch	50,063	71,912
Miscellaneous expenses	125,537	79,932
	<u>30,733,737</u>	<u>28,462,966</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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The extraordinary charge of Rs. 8.7 Billion represents the estimated amount of the cost of pension payable as per Honorable Supreme Court's Order increasing the minimum pension to Rs. 8,000 per month subject to 5% annual increase from January 1, 2019. Estimate is based on on-going life verification of both pensioners and retrenched employees. The estimate is also based on the payment of pension without taking effect of commutation. The Bank has sought clarification from the Honorable Supreme Court on the effect of commutation in calculation of minimum pension and the treatment of ex-employees who were separated under the Golden Handshake Scheme described as Retrenchment Scheme of 1997. The amount will be adjusted based on the guidance received from the Honorable Supreme Court.

19. TAXATION

19.1 The Income Tax returns of the Bank have been filed up to the tax year 2017 (accounting year ended December 31, 2016) 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 2017, and created additional tax demands (including disallowances of provisions made prior to Seventh Schedule) of Rs.12,161 million (2017: Rs.12,928 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.

The tax returns for Azad Kashmir (AK) and Gilgit Baltistan (GB) Branches have been filed upto the tax year 2017 (financial year 2016) 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 authorities have also carried out monitoring for Federal Excise Duty, Sales tax and withholding taxes covering period from year ended 2007 to 2017. Consequently various addbacks and demands were raised creating a total demand of Rs. 995 million (2017: Rs. 919 million). The Bank has filed appeals against all such demands and is confident that these would be decided in the favor of the Bank.

The tax returns for UAE, Yemen and Qatar branches have been filed upto the year ended December 31, 2017 and for USA branch upto the year ended December 31, 2016 under the provisions of the laws prevailing in the respective countries, and are deemed as assessed unless opened for reassessment.

For UBL UK, UBTL, UBL FM and UET income tax returns have been filed up to the accounting year ended December 31, 2016 and for USAG these returns have been filed up to the accounting year ended December 31, 2014 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, tax clearance has been issued for UBL UK, UBTL and USAG till the accounting year 2016, 2015 and 2014 respectively. There are no material tax contingencies in any of the subsidiaries.

20. 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. Quoted securities classified as held to maturity are carried at cost. 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.

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20.1 The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	September 30, 2018 (Un-audited)				
	Carrying /	Fair value			Total
	Notional value	Level 1	Level 2	Level 3	
	------(Rupees in '000)-----				
On balance sheet financial instruments					
Financial assets measured at fair value					
- Investments					
Government Securities (Tbills, PIBs, GoP Sukuks and Eurobonds)	485,478,921	-	485,478,921	-	485,478,921
Foreign Bonds - Sovereign	58,302,450	-	58,302,450	-	58,302,450
Foreign Bonds - others	12,792,807	-	12,792,807	-	12,792,807
Ordinary shares of listed companies	18,142,208	18,142,208	-	-	18,142,208
Debt securities (TFCs)	237,998	-	237,998	-	237,998
Investment in REIT	525,294	525,294	-	-	525,294
Investment in Associates	4,358,810	-	4,358,810	-	4,358,810
Financial assets not measured at fair value					
- Investments (HTM, unlisted ordinary shares, preference shares)	322,096,980	-	-	-	-
	901,935,468	18,667,502	561,170,986	-	579,838,488
Off balance sheet financial instruments					
Forward purchase and sale of foreign exchange contracts	576,425,828	-	27,099	-	27,099
Interest rate swaps	2,789,330	-	12,666	-	12,666
FX options - purchased and sold	972,182	-	-	-	-
Forward purchase of government securities	1,874,930	-	53	-	53
Forward sale of government securities	-	-	-	-	-
December 31, 2017 (Audited)					
	Carrying /	Fair value			Total
	Notional value	Level 1	Level 2	Level 3	
	------(Rupees in '000)-----				
On balance sheet financial instruments					
Financial assets measured at fair value					
- Investments					
Government Securities (Tbills, PIBs, GoP Sukuks and Eurobonds)	679,318,633	-	679,318,633	-	679,318,633
Foreign Bonds - Sovereign	38,490,598	-	38,490,598	-	38,490,598
Foreign Bonds - others	19,352,217	-	19,352,217	-	19,352,217
Ordinary shares of listed companies	18,318,667	18,318,667	-	-	18,318,667
Debt securities (TFCs)	382,425	-	382,425	-	382,425
Investment in REIT	458,590	458,590	-	-	458,590
Investment in Associates	4,243,644	-	4,243,644	-	4,243,644
Financial assets not measured at fair value					
- Investments (HTM, unlisted ordinary shares, preference shares)	364,356,526	-	-	-	-
	1,124,921,300	18,777,257	741,787,517	-	760,564,774
Off balance sheet financial instruments					
Forward purchase and sale of foreign exchange contracts	455,265,957	-	1,933,688	-	1,933,688
Interest rate swaps	4,358,641	-	74,865	-	74,865
FX options - purchased and sold (net)	166,736	-	-	-	-
Forward purchase of government securities	7,870,890	-	(1,155)	-	(1,155)
Forward sale of government securities	1,478	-	(2)	-	(2)

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20.2 Certain categories of operating fixed assets (land and buildings) and non-banking assets acquired in satisfactions of claims are carried at revalued amounts (level 3 measurement) determined by professional valuers based on their assessment of the market values.

20.3 Valuation techniques used in determination of fair values within level 2 and level 3.

Debt Securities

The fair value of Federal Government securities is determined using the prices / rates available on Mutual Funds Association of Pakistan (MUFAP) and the fair value of other corporate and foreign government securities is determined using the rates from Reuters / Bloomberg.

Derivatives

The fair valuation techniques include forward pricing and swap models using present value calculations.

Operating fixed assets and non-banking assets acquired in satisfaction of claims

Land, buildings and non-banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly, a qualitative disclosure of sensitivity has not been presented in these consolidated condensed interim financial statements.

21. RISK MANAGEMENT

The SBP has introduced two liquidity standards through its guidelines on Basel III: Liquidity Standards. These are the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The objective of LCR is to ensure that Banks have an adequate stock of unencumbered high quality liquid assets (HQLA) to survive a significant stress scenario. The objective of NSFR is to reduce funding risk over a longer time horizon by requiring Banks to fund their activities with sufficiently stable sources of funding on an ongoing basis.

	(Unaudited) September 30, 2018	(Audited) December 31, 2017
	----- (Rupees in '000) -----	
	----- Total Adjusted Value -----	
21.1 Liquidity Coverage Ratio		
Total HQLA	408,971,967	414,579,250
Total Net Cash Outflows	195,606,310	255,636,947
Liquidity Coverage Ratio (%)	<u>209.08%</u>	<u>162.18%</u>
Minimum Requirement (%)	<u>90.00%</u>	<u>90.00%</u>
	----- Total Weighted Value -----	
21.2 Net Stable Funding Ratio		
Total Available Stable Funding (ASF)	1,553,030,028	1,128,634,708
Total Required Stable Funding (RSF)	1,020,397,179	1,086,955,065
Net Stable Funding Ratio (%)	<u>152.20%</u>	<u>103.83%</u>
Minimum Requirement (%)	<u>100%</u>	<u>100%</u>

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22. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

For the nine months ended September 30, 2018 (Un-audited)

	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment elimination
	(Rupees in '000)						
Total income	551,658	19,732,137	30,461,061	10,735,331	863,325	2,311,643	-
Total expenses	(101,290)	(1,847,791)	(25,114,550)	(10,200,274)	(431,816)	(10,241,517)	-
Profit before tax	450,368	17,884,346	5,346,511	535,057	431,509	(7,929,874)	-
Segment return on assets (ROA)	72.0%	1.0%	0.3%	0.1%	28.1%	-	-
Segment cost of funds	0.0%	5.5%	2.5%	4.5%	-	-	-

For the Nine months ended September 30, 2017 (Un-audited)

	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment elimination
	(Rupees in '000)						
Total income	257,041	22,944,548	24,442,358	11,006,604	988,373	1,990,874	-
Total expenses	(54,671)	(821,755)	(22,482,027)	(4,690,782)	(487,886)	(1,141,313)	-
Profit before tax	202,370	22,122,793	1,960,331	6,315,822	500,487	849,561	-
Segment return on assets (ROA)	57.5%	1.8%	0.2%	1.0%	42.6%	-	-
Segment cost of funds	0.6%	4.7%	2.5%	4.1%	-	-	-

As at September 30, 2018 (Un-audited)

	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment elimination
	(Rupees in '000)						
Segment assets (gross of NPL provisions)	418,290	960,708,940	1,205,506,738	717,784,704	1,791,284	159,276,724	(1,033,680,852)
Segment non performing loans (NPLs)	-	658,908	7,390,655	50,881,389	-	36,253	-
Segment provision held against NPLs	-	264,309	6,875,024	41,085,476	-	154,579	-
Segment liabilities	147,450	908,882,484	1,238,582,570	658,291,145	184,543	24,635,961	(1,033,680,853)

As at December 31, 2017 (Audited)

	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment elimination
	(Rupees in '000)						
Segment assets (gross of NPL provisions)	675,568	1,230,568,302	1,244,901,502	626,329,771	1,591,685	135,167,850	(1,093,648,494)
Segment non performing loans (NPLs)	-	1,003,160	10,312,357	41,525,540	-	66,591	-
Segment provision held against NPLs	-	1,002,844	8,425,423	30,765,328	-	32,089	-
Segment liabilities	222,650	1,171,670,458	1,266,885,379	574,811,057	182,495	10,743,193	(1,093,648,494)

Segment assets and liabilities include inter segment balances.

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

23. RELATED PARTY TRANSACTIONS

The Group has related party relationships with its associates, employee benefit plans and its directors and executive officers (including their associates).

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

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

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	As at September 30, 2018 (Un-audited)				As at December 31, 2017 (Audited)			
	Directors	Key Management Personnel	Associates	Other related parties	Directors	Key Management Personnel	Associates	Other related parties
	------(Rupees in '000)-----							
Investments								
Opening balance	-	-	4,243,644	3,895,328	-	-	7,977,617	3,895,328
Investment made during the period / year	-	-	4,854,019	9,750.00	-	-	1,365,953	-
Investment redeemed / disposed off during the period / year	-	-	(4,999,728)	(47,370)	-	-	(5,399,374)	-
Equity method adjustments	-	-	410,875	-	-	-	299,448	-
Closing balance	-	-	4,508,810	3,857,708	-	-	4,243,644	3,895,328
Provision for diminution in value of investments	-	-	-	98,414	-	-	-	98,414
Advances								
Opening balance	5,303	205,368	2,155,149	2,626,106	2,339	367,645	2,155,149	16,907,691
Addition during the period / year	10,572	189,088	-	4,335,403	11,574	149,324	-	65,331,493
Repaid during the period / year	(15,681)	(101,896)	-	(1,169)	(8,610)	(296,736)	-	(79,612,942)
Transfer in / (out) - net	-	(61,624)	-	(23)	-	(14,865)	-	(136)
Closing balance	194	230,936	2,155,149	6,960,317	5,303	205,368	2,155,149	2,626,106
Provision held against advances	-	-	2,155,149	-	-	-	2,155,149	-
Other Assets								
Interest mark-up accrued	-	-	-	87,025	26	8	-	82,071
Receivable from staff retirement funds	-	-	-	804,216	-	-	-	632,808
Prepaid insurance	-	-	209,003	-	-	-	13,201	-
Remuneration receivable from management of funds	-	-	89,226	-	-	-	85,289	-
Sales load receivable	-	-	23,385	-	-	-	26,527	-
Formation cost receivable	-	-	4,317	-	-	-	5,286	-
Other receivable	-	-	61,405	30,164	-	-	46,736	30,164
Provision against other assets	-	-	-	30,164	-	-	-	30,164
Borrowings								
Opening balance	-	-	474,532	-	-	-	-	167,100
Borrowings during the period / year	-	-	2,364,689	43,200	-	-	474,532	512,650
Settled during the period / year	-	-	(2,839,221)	(43,200)	-	-	-	(679,750)
Closing balance	-	-	-	-	-	-	474,532	-
Deposits and other accounts								
Opening balance	5,700,563	66,247	7,426,100	3,072,390	7,714,425	241,070	8,882,657	2,196,112
Received during the period / year	56,489,108	1,240,351	122,729,885	113,471,786	30,436,836	1,716,576	260,733,762	176,336,654
Withdrawn during the period / year	(57,654,984)	(1,227,964)	(119,480,562)	(110,069,248)	(32,458,694)	(1,772,424)	(255,237,324)	(174,752,255)
Transfer in / (out) - net	-	32,389	-	(2,418)	7,996	(118,975)	(6,952,995)	(708,121)
Closing balance	4,534,687	111,022	10,675,423	6,472,510	5,700,563	66,247	7,426,100	3,072,390
Other Liabilities								
Interest / mark-up payable on deposits and borrowings	36,428	307	18,329	47,437	40,412	47	42,810	27,740
Payable to staff retirement fund	-	-	-	8,782,756	-	-	-	44,538
Unearned income	-	-	-	1,146	-	-	-	11,462
Contingencies and Commitments								
Letter of guarantee	-	-	6,224	-	-	-	24,884	-
	For the nine months ended September 30, 2018 (Un-audited)				For the nine months ended September 30, 2017 (Un-audited)			
	Directors	Key Management Personnel	Associates	Other related parties	Directors	Key Management Personnel	Associates	Other related parties
	------(Rupees in '000)-----							
Mark-up / return / interest earned	-	9,627	6,966	87,025	22	5,539	11,831	399,859
Commission / charges recovered	83	467	85,256	12,583	465	299	38,850	10,057
Dividend received	-	-	43,243	362,457	-	-	156,874	386,695
Net gain on sale of securities	-	-	82,280	18,868	-	-	217,153	-
Remuneration from management of funds	-	-	687,207	-	-	-	744,727	-
Sales load	-	-	82,279	-	-	-	151,092	-
Other income	-	942	12,192	171,679	-	-	11,283	156,249
Mark-up / return / interest expense	109,109	1,322	420,417	95,817	89,426	2,484	368,651	43,093
Remuneration paid	-	1,049,535	-	-	-	1,264,112	-	-
Post employment benefits	-	18,702	-	-	-	50,576	-	-
Non-executive directors' fee	40,025	-	-	-	37,115	-	-	-
Net charge for defined contribution plans	-	10,554	-	354,396	-	-	-	298,434
Net charge / (reversal) for defined benefit plans	-	-	-	8,857,946	-	-	-	94,211
Other expenses	-	-	-	88,112	-	-	2,552	95,460
Insurance premium paid	-	-	471,603	-	-	-	410,389	-
Insurance claims settled	-	-	172,803	-	-	-	219,540	-

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**
24. ISLAMIC BANKING BUSINESS

24.1 The Bank operates 94 (December 31, 2017: 93) Islamic Banking branches and 157 (December 31, 2017: 156) Islamic Banking windows. The statement of financial position of the Bank's Islamic Banking branches is as follows:

	Note	(Un-audited) September 30, 2018	(Audited) December 31, 2017
----- (Rupees in '000) -----			
ASSETS			
Cash and balances with treasury banks		6,444,800	5,428,040
Balances with other banks		786,203	6,551,518
Due from financial institutions	24.3	17,960,248	3,694,215
Investments		30,717,094	25,401,968
Islamic financing and related assets	24.4	21,161,363	22,110,626
Operating fixed assets		339,576	299,950
Other assets		730,048	421,843
		78,139,332	63,908,160
LIABILITIES			
Bills payable		378,109	400,973
Due to financial institutions		125,000	1,500,000
Deposits and other accounts			
Current accounts - non remunerative		33,038,266	25,163,438
Current accounts - remunerative		1,032,165	1,293,692
Saving accounts		12,871,060	11,839,659
Term deposits		7,053,255	982,345
Deposits from financial institutions - remunerative		17,516,425	20,462,360
Deposits from financial institutions - non remunerative		1,130,475	34,505
		72,641,646	59,775,999
Due to Head Office		2,661,526	61,035
Other liabilities		310,319	327,658
		76,116,600	62,065,665
NET ASSETS		2,022,732	1,842,495
REPRESENTED BY			
Islamic Banking Fund		2,181,000	2,181,000
Accumulated profit / (losses)		198,437	(362,502)
		2,379,437	1,818,498
(Deficit) / Surplus on revaluation of assets		(356,705)	23,997
		2,022,732	1,842,495

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

24.2 The profit and loss account of the Bank's Islamic Banking branches is as follows:

	----- (Un-audited) -----	
	January - September 2018	January - September 2017
	----- (Rupees in '000) -----	
Return earned	3,191,258	2,042,399
Return expensed	(1,572,797)	(1,254,345)
	<u>1,618,461</u>	<u>788,054</u>
Provision against loans and advances - net	(2,979)	(1,122)
Net return after provisions	<u>1,615,482</u>	<u>786,932</u>
Other Income		
Fee, commission and brokerage income	109,715	54,253
Gain from dealing in foreign currencies	367	121
Loss on sale of securities - net	-	(438)
Other income	17,514	7,506
Total other income	<u>127,596</u>	<u>61,442</u>
	<u>1,743,078</u>	<u>848,374</u>
Other Expenses		
Administrative expenses	(1,179,332)	(661,588)
Other provisions / write offs- net	(2,807)	(1)
Total other expenses	<u>(1,182,139)</u>	<u>(661,589)</u>
Profit for the period	560,939	186,785
Accumulated losses brought forward	(362,502)	(609,289)
Accumulated profit / (losses) carried forward	<u>198,437</u>	<u>(422,504)</u>
Remuneration to Shariah Board and Advisor	<u>5,492</u>	<u>4,960</u>
24.3 This includes Bai Muajjal agreements entered into with various financial institutions whereby the Bank sold sukuk having carrying value of Rs. 6,875.065 million (2017: Rs. 2,948.799 million) on deferred payment basis. The average return on these transactions is 7.43% (2017: 5.44% per annum). The balances are due to mature latest by October 2018.		
	(Un-audited) September 30, 2018	(Audited) December 31, 2017
	----- (Rupees in '000) -----	
24.4 Islamic financing and related assets		
Financings		
Murabaha	695,039	720,017
Musharaka running finance	-	15,000,000
Ijarah	333,467	490,963
Islamic Export Refinance scheme-Murabaha	126,849	-
Diminishing Musharaka	18,892,686	4,358,154
	<u>20,048,041</u>	<u>20,569,134</u>
Advances		
Advances against Ijarah	171,686	53,539
Advances for Diminishing Musharaka	691,178	1,255,734
Advances for Murabaha	62,903	88,165
	<u>925,767</u>	<u>1,397,438</u>
Profit and other receivables against financings and advances	280,715	234,234
Gross Islamic financing and related assets	<u>21,254,523</u>	<u>22,200,806</u>
Provision against financings and advances	(93,160)	(90,180)
	<u>21,161,363</u>	<u>22,110,626</u>
24.5 Charity Fund		
Opening Balance	121	648
Addition during the period / year	1,866	793
Payments during the period / year	-	(1,320)
Closing Balance	<u>1,987</u>	<u>121</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

25. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on October 18, 2018 has declared an interim cash dividend in respect of the quarter ended September 30, 2018 of Rs. 2 per share (September 30, 2017: Rs. 3.0 per share). The consolidated condensed interim financial statements for the nine months ended September 30, 2018 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

26. DATE OF AUTHORIZATION

These consolidated condensed interim financial statements were authorised for issue on October 18, 2018 by the Board of Directors of the Bank.

27. GENERAL

27.1 Comparatives

Comparative information has been reclassified, rearranged or additionally incorporated in these consolidated financial statements for the purposes of better presentation.

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

Aameer Karachiwalla
Chief Financial Officer

Sima Kamil
President &
Chief Executive Officer

Amar Zafar Khan
Director

Arshad Ahmad Mir
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Chairman