

United Bank Limited
CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2015



A.F. Ferguson & Co.
Chartered Accountants
State Life Building No. 1-C
I.I.Chundrigar Road
Karachi 74000

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building
No. 1, Beaumont Road
Karachi 75530

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of United Bank Limited (the Bank) and its subsidiary companies (the Group) as at December 31, 2015 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 KPMG Taseer Hadi & Co., Chartered Accountants and A.F. Ferguson & Co., Chartered Accountants respectively. The financial statements of the subsidiaries United National Bank Limited and UBL (Switzerland) AG 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 Banks, is based solely on the report of such auditors while the financial statements of UBL Bank (Tanzania) Limited have been consolidated based on unaudited return of the subsidiary.

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, 2015 and the results of their operations for the year then ended.



A.F. Ferguson & Co.
Chartered Accountants

Engagement Partner:
Salman Hussain



KPMG Taseer Hadi & Co.
Chartered Accountants

Engagement Partner:
Mazhar Saleem

Date: 20 February 2016
Karachi

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2015

	Note	2015	2014
		----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks	6	113,762,323	75,660,306
Balances with other banks	7	27,713,772	21,948,274
Lendings to financial institutions	8	31,304,861	23,435,222
Investments	9	747,598,627	519,602,007
Advances			
Performing	10	477,649,098	455,078,880
Non-performing - net of provision	10	9,629,045	12,286,412
		487,278,143	467,365,292
Operating fixed assets	11	36,677,638	33,335,646
Deferred tax asset - net		-	-
Other assets	12	41,851,449	41,106,366
		1,486,186,813	1,182,453,113
LIABILITIES			
Bills payable	14	13,395,744	9,559,255
Borrowings	15	164,232,087	53,248,526
Deposits and other accounts	16	1,119,953,064	951,902,296
Subordinated loans		-	-
Liabilities against assets subject to finance lease	17	4,873	429
Deferred tax liability - net	18	4,515,165	2,139,586
Other liabilities	19	28,486,831	28,098,410
		1,330,587,764	1,044,948,502
NET ASSETS		<u>155,599,049</u>	<u>137,504,611</u>
REPRESENTED BY:			
Share capital	20	12,241,798	12,241,798
Reserves		41,624,817	37,286,088
Unappropriated profit		59,955,027	52,507,655
Total equity attributable to the equity holders of the Bank		<u>113,821,642</u>	<u>102,035,541</u>
Non-controlling interest		5,223,744	4,553,250
		<u>119,045,386</u>	<u>106,588,791</u>
Surplus on revaluation of assets - net of deferred tax	21	36,553,663	30,915,820
		<u>155,599,049</u>	<u>137,504,611</u>
CONTINGENCIES AND COMMITMENTS	22		

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

Wajahat Husain
President &
Chief Executive Officer

Amin Uddin
Director

Zameer Mohammed Choudrey
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Chairman

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
Mark-up / return / interest earned	24	97,574,003	85,760,646
Mark-up / return / interest expensed	25	<u>39,715,160</u>	<u>38,846,868</u>
Net mark-up / return / interest income		57,858,843	46,913,778
Provision against loans and advances - net	10.3	<u>2,942,024</u>	<u>533,523</u>
Provision against lendings to financial institutions - net	8.6	-	165,744
Provision for diminution in value of investments - net	9.3	708,319	459,812
Bad debts written off directly	10.4	<u>173,085</u>	<u>177,222</u>
		<u>3,823,428</u>	<u>1,336,301</u>
Net mark-up / return / interest income after provisions		54,035,415	45,577,477
Non mark-up / return / interest income			
Fee, commission and brokerage income		<u>14,239,098</u>	<u>13,292,093</u>
Dividend income		2,350,112	1,819,136
Income from dealing in foreign currencies		2,588,176	3,091,592
Gain on sale of securities - net	26	3,195,016	2,063,436
Unrealized gain / (loss) on revaluation of investments classified as held for trading	9.4	16,245	(28,723)
Other income	27	<u>1,298,577</u>	<u>1,118,583</u>
Total non mark-up / return / interest income		<u>23,687,224</u>	<u>21,356,117</u>
		77,722,639	66,933,594
Non mark-up / return / interest expenses			
Administrative expenses	28	<u>34,004,803</u>	<u>31,752,088</u>
Other provisions - net	29	78,143	276,446
Workers' Welfare Fund	30	851,968	673,005
Other charges	31	<u>202,103</u>	<u>10,427</u>
Total non mark-up / return / interest expenses		35,137,017	32,711,966
Share of profit of associates		<u>861,704</u>	<u>1,394,686</u>
Profit before taxation		43,447,326	35,616,314
Taxation - Current	32	<u>15,235,612</u>	<u>10,859,677</u>
- Prior	32	1,801,172	361,962
- Deferred	32	<u>(599,084)</u>	<u>369,872</u>
		16,437,700	11,591,511
Profit after taxation		<u>27,009,626</u>	<u>24,024,803</u>
Attributable to:			
Equity shareholders of the Bank		26,154,344	23,647,704
Non-controlling interest		<u>855,282</u>	<u>377,099</u>
		<u>27,009,626</u>	<u>24,024,803</u>
		----- (Rupees) -----	
Earnings per share - basic and diluted	33	<u>21.36</u>	<u>19.32</u>

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

Wajahat Husain
President and
Chief Executive Officer

Amin Uddin
Director

Zameer Mohammed Choudrey
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Chairman



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
	----- (Rupees in '000) -----	
Profit after tax for the year attributable to:		
Equity shareholders of the Bank	26,154,344	23,647,704
Non-controlling interest	855,282	377,099
	27,009,626	24,024,803
Other comprehensive income:		
<i>Items that are not to be reclassified to profit or loss in subsequent periods</i>		
Remeasurement loss of defined benefit obligations		
Equity shareholders of the Bank	(413,805)	(212,770)
Non-controlling interest	18,897	7,738
Related deferred tax reversal	153,392	75,036
	(241,516)	(129,996)
<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	1,758,882	(2,964,855)
Non-controlling interest	(96,573)	(443,907)
	1,662,309	(3,408,762)
Amortization of cash flow hedges	-	4,963
Related deferred tax charge on cash flow hedges	-	(1,738)
	-	3,225
Other comprehensive income transferred to equity	28,430,419	20,489,270
<i>Items that may be reclassified to profit or loss in subsequent periods</i>		
Surplus arising on revaluation of available for sale securities	7,526,499	14,043,463
Related deferred tax charge	(2,903,061)	(4,883,986)
	4,623,438	9,159,477
Total comprehensive income during the year - net of tax	33,053,857	29,648,747

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

Wajahat Husain
President and
Chief Executive Officer

Amin Uddin
Director

Zameer Mohammed Choudrey
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Chairman



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		43,447,326	35,616,314
Less: Dividend income		(2,350,112)	(1,819,136)
Share of profit of associates		<u>(861,704)</u>	<u>(1,394,686)</u>
		40,235,510	32,402,492
Adjustments:			
Depreciation		1,853,683	1,743,182
Amortization		462,848	499,164
Workers' Welfare Fund		851,968	673,005
Provision for retirement benefits		700,342	660,468
Charge for compensated absences		268,505	428,567
Provision against loans and advances - net		2,942,024	533,523
Provision against lendings to financial institutions - net		-	165,744
Provision for diminution in value of investments - net		708,319	459,812
Reversal of provision in respect of investments disposed off during the year		(41,569)	(50,038)
Provision against off balance sheet items		6,279	35,708
Gain on sale of operating fixed assets - net		(19,772)	(43,719)
Bad debts written off directly		173,085	177,222
Amortization of cash flow hedges		-	4,963
Unrealized (gain) / loss on revaluation of investments classified as held for trading		(16,245)	28,723
Finance charges on leased assets		-	86
(Reversal) / provision against other assets - net		<u>(9,249)</u>	<u>85,364</u>
		7,880,218	5,401,774
		48,115,728	37,804,266
(Increase) / decrease in operating assets			
Lendings to financial institutions		(7,869,639)	6,257,072
Held for trading securities		(3,894,555)	(470,460)
Advances		(23,027,960)	(53,139,727)
Other assets (excluding advance taxation)		<u>(1,534,528)</u>	<u>(10,742,139)</u>
		(36,326,682)	(58,095,254)
Increase / (decrease) in operating liabilities			
Bills payable		3,836,489	(7,041,436)
Borrowings		110,983,561	12,170,796
Deposits and other accounts		168,050,768	62,376,693
Other liabilities (excluding current taxation)		<u>(697,376)</u>	<u>3,982,814</u>
		282,173,442	71,488,867
		293,962,488	51,197,879
Payments on account of staff retirement benefits		(1,342,315)	(1,140,102)
Income taxes paid		<u>(16,084,116)</u>	<u>(12,086,510)</u>
Net cash flow from operating activities		276,536,057	37,971,267
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in securities		(216,407,336)	(45,240,786)
Dividend income received		2,344,662	1,855,579
Investment in operating fixed assets		(4,344,426)	(3,072,954)
Sale proceeds from disposal of operating fixed assets		121,634	397,487
Net cash outflow from investing activities		(218,285,466)	(46,060,674)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayments of subordinated loans		-	(665,328)
Increase / (decrease) in lease obligations		4,444	(982)
Increase in non-controlling interest on account of right issue by a subsidiary		-	1,123,538
Dividends paid		<u>(16,049,829)</u>	<u>(13,600,686)</u>
Net cash outflow from financing activities		(16,045,385)	(13,143,458)
Exchange differences on translation of net investment in foreign branches and subsidiaries		1,758,882	(2,964,855)
Exchange differences on translation of net assets attributable to non-controlling interest		<u>(96,573)</u>	<u>(443,907)</u>
Increase in cash and cash equivalents		43,867,515	(24,641,627)
Cash and cash equivalents at the beginning of the year		97,608,580	122,250,207
Cash and cash equivalents at the end of the year	34	<u>141,476,095</u>	<u>97,608,580</u>

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

Wajahat Husain
President and
Chief Executive Officer

Amin Uddin
Director

Zameer Mohammed Choudrey
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Chairman


CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2015

	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, 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
Transactions with owners for the year ended December 31, 2014										
Final cash dividend - December 31, 2013 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, 2014 declared at Rs.2.5 per share	-	-	-	-	-	-	(3,060,450)	(3,060,450)	-	(3,060,450)
Interim cash dividend - June 30, 2014 declared at Rs.2.5 per share	-	-	-	-	-	-	(3,060,450)	(3,060,450)	-	(3,060,450)
Interim cash dividend - September 30, 2014 at Rs.2.5 per share	-	-	-	-	-	-	(3,060,450)	(3,060,450)	-	(3,060,450)
Employee stock option reserve	-	-	-	-	-	(2,199)	-	(2,199)	-	(2,199)
	-	-	-	-	-	(2,199)	(14,078,069)	(14,080,268)	-	(14,080,268)
Total comprehensive income for the year ended December 31, 2014										
Profit after taxation for the year ended December 31, 2014	-	-	-	-	-	-	23,647,704	23,647,704	377,099	24,024,803
Other comprehensive income - net of tax	-	-	-	(2,964,855)	3,225	-	(137,734)	(3,099,364)	(436,169)	(3,535,533)
Total comprehensive income for the year ended December 31, 2014	-	-	-	(2,964,855)	3,225	-	23,509,970	20,548,340	(59,070)	20,489,270
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	68,024	68,024	864	68,888
Right Issue of shares by a subsidiary	-	-	-	-	-	-	-	-	1,123,538	1,123,538
Transfer to statutory reserve	-	-	2,200,572	-	-	-	(2,200,572)	-	-	-
Balance as at December 31, 2014	12,241,798	3,000	21,896,084	15,382,510	-	4,494	52,507,655	102,035,541	4,553,250	106,588,791
Transactions with owners for the year ended December 31, 2015										
Final cash dividend - December 31, 2014 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, 2015 declared at Rs.3.0 per share	-	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Interim cash dividend - June 30, 2015 declared at Rs.3.0 per share	-	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Interim cash dividend - September 30, 2015 declared at Rs.3.0 per share	-	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Employee stock option reserve	-	-	-	-	-	(3,444)	-	(3,444)	-	(3,444)
	-	-	-	-	-	(3,444)	(15,914,336)	(15,917,780)	-	(15,917,780)
Total comprehensive income for the year ended December 31, 2015										
Profit after taxation for the year ended December 31, 2015	-	-	-	-	-	-	26,154,344	26,154,344	855,282	27,009,626
Other comprehensive income - net of tax	-	-	-	1,758,882	-	-	(260,413)	1,498,469	(77,676)	1,420,793
Total comprehensive income for the year ended December 31, 2015	-	-	-	1,758,882	-	-	25,893,931	27,652,813	777,606	28,430,419
Ordinary dividend relating to Non-controlling shareholders	-	-	-	-	-	-	-	-	(107,672)	(107,672)
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	51,068	51,068	560	51,628
Transfer to statutory reserve	-	-	2,583,291	-	-	-	(2,583,291)	-	-	-
Balance as at December 31, 2015	12,241,798	3,000	24,479,375	17,141,392	-	1,050	59,955,027	113,821,642	5,223,744	119,045,386

Appropriations recommended by the Board of Directors subsequent to the year ended December 31, 2015 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.

Wajahat Husain
President and
Chief Executive Officer

Amin Uddin
Director

Zameer Mohammed Choudrey
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Chairman

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
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 1,312 (2014: 1,295) branches inside Pakistan including 41 (2014: 24) Islamic Banking branches and 1 (2014: 1) branch in Karachi Export Processing Zone. The Bank also operates 18 (2014: 18) branches outside Pakistan as at December 31, 2015. The Bank is a subsidiary of Bestway (Holdings) 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.

- **Subsidiary companies**

- United National Bank Limited (UBL UK) - 55% holding

UBL UK 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 of Pakistan. The principal activities of UBL UK 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 - 98.87% holding

UBL Fund Managers Limited was incorporated as a 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.

- Al Ameen Financial Services (Pvt.) Limited - effective holding 98.87%

UBL Fund Managers has incorporated a wholly owned subsidiary Al Ameen Islamic Financial Services (Pvt.) Limited on February 27, 2014. The principal activity of the subsidiary is provision of shariah compliant financial services including distribution of shariah compliant mutual funds.

- 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, 2015**
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 (ICAP) and notified under the provisions of the Companies Ordinance, 1984.
- 2.2** Key financial figures of the Islamic Banking branches are disclosed in note 45 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 ICAP. 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)
IFRS 10 - Consolidated Financial Statements - (Amendment)	January 01, 2016
IFRS 11 - Joint Arrangements - (Amendment)	January 01, 2016
IAS 16 - Property, Plant and Equipment - (Amendment)	January 01, 2016
IAS 27 - Separate Financial Statement - (Amendment)	January 01, 2016
IAS 28 - Investments in associates and joint ventures - (Amendment)	January 01, 2016
IAS 38 - Intangible Assets - (Amendment)	January 01, 2016

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

The following new standard has been issued by the IASB, but has 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	January 01, 2018

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
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.

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 10.3)
- 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, revaluation, depreciation and amortization (notes 5.6 and 11)
- vii) impairment (note 5.7)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year, except for the following standards, which became effective during the year.

IFRS 10 - 'Consolidated Financial Statements'

It replaces the current guidance on consolidation in IAS 27 Consolidated and Separate Financial Statements. It introduces a single model of assessing control whereby an investor controls an investee when the investor has the power to control, exposure to variable returns and the ability to use its power to influence the returns of the investee.

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, provides that the requirements of IFRS 10 and section 237 of the Companies Ordinance 1984 will not be applicable with respect to the investment in mutual funds established under Trust structure.

In light of the above, the application of IFRS 10 did not result in any additional investee being in control of the Group.

IFRS 12 - 'Disclosure of Interests in Other Entities'

Prescribes additional disclosures around significant judgments and assumptions used in determining whether an entity controls another entity and has joint control or significant influence over another entity. The standard also requires disclosures on the nature and risks associated with interest in un-consolidated structured entities. The application of this standard does not have an impact on these consolidated financial statements except for certain disclosures as mentioned in note 9.8.

IFRS 13 - 'Fair Value Measurement'

It consolidates the guidance on how to measure fair value into one comprehensive standard. It introduces the use of an exact price, as well as extensive disclosure requirements, particularly the inclusion of non-financial instruments into the fair value hierarchy. The application of IFRS 13 does not have an impact on the consolidated financial statements of the Bank except for certain disclosures as mentioned in note 39.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
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 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 Group 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 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.

5.3.2 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.

5.3.3 Bai Muajjal

The securities sold under Bai Muajjal agreement are derecognised on the date of disposal. Receivable against such sale is recognised at the agreed sale price. The difference between the sale price and the carrying value on the date of disposal is taken to income on straightline basis.

5.4 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, 2015**
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, 2015****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 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.

5.6 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 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.

5.6.2 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 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
FOR THE YEAR ENDED DECEMBER 31, 2015**
5.6.4 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.

5.7 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 Group 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 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.

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.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

The Group 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 Group 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 Group 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 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, 2015****Remeasurement of defined benefit obligations**

Remeasurement 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.

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

5.10.2 United National Bank Limited (UBL UK)**Defined benefit scheme**

UBL UK 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. Remeasurement 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 UBL UK, 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

UBL UK 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.

5.10.3 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. Remeasurement 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.

5.10.4 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.

5.10.5 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, 2015**
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 Group 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 that takes into account the effective yield of the asset. 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

Fee (including management fee on funds under management), 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.

5.14 Foreign currencies
5.14.1 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.

5.14.2 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 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.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
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 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.

5.14.5 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.

5.15 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 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 Group 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.

5.15.4 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.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
5.16 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.

5.16.1 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) 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.

5.16.2 Geographical segments

The Group operates in six geographical regions being:

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

5.17 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 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, 2015**

	Note	2015 ----- (Rupees in '000) -----	2014
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		8,776,287	7,903,425
Foreign currency		4,284,005	4,687,801
		13,060,292	12,591,226
With State Bank of Pakistan in			
Local currency current accounts	6.1	24,910,033	6,669,134
Foreign currency current accounts	6.2	2,380,015	2,202,209
Foreign currency deposit account	6.3	6,945,540	6,452,579
		34,235,588	15,323,922
With other central banks in			
Foreign currency current accounts	6.4	33,753,154	19,804,714
Foreign currency deposit accounts	6.5	1,888,726	1,599,031
		35,641,880	21,403,745
With National Bank of Pakistan in local currency current accounts		30,641,342	26,232,025
National Prize Bonds		183,221	109,388
		<u>113,762,323</u>	<u>75,660,306</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 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, 2015, carries mark-up at the rate of 0.00% (2014: 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 placement with overseas central banks and carries mark-up at the rate of 0.5% (2014: 0.25%) per annum.

	Note	2015 ----- (Rupees in '000) -----	2014
7. BALANCES WITH OTHER BANKS			
Inside Pakistan			
In current accounts		16,062	14,181
In deposit accounts	7.1	2,966,392	9,399
		2,982,454	23,580
Outside Pakistan			
In current accounts		11,937,439	13,137,371
In deposit accounts	7.2	12,793,879	8,787,323
		24,731,318	21,924,694
		<u>27,713,772</u>	<u>21,948,274</u>

- 7.1** These carry mark-up at rates ranging from 6.00% to 6.30% (2014: 3.05% to 7.85%) per annum.
- 7.2** These carry mark-up at rates ranging from 0.10% to 1.90% (2014: 0.13% to 4.00%) per annum and include balances amounting to Rs. 225.193 million (2014: Rs. 216.039 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, 2015**

	Note	2015 ----- (Rupees in '000) -----	2014
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lending	8.2	1,300,000	1,105,000
Repurchase agreement lendings	8.3	976,841	3,226,563
Bai Muajjal	8.4	5,391,120	-
Other lendings to financial institutions	8.5	24,459,385	19,898,901
		<u>32,127,346</u>	<u>24,230,464</u>
Provision against lendings to financial institutions	8.6	(822,485)	(795,242)
		<u>31,304,861</u>	<u>23,435,222</u>

8.1 Particulars of lendings to financial institutions - gross

In local currency	10,887,782	7,356,787
In foreign currencies	21,239,564	16,873,677
	<u>32,127,346</u>	<u>24,230,464</u>

8.2 This represents unsecured lending carrying mark-up at a rate of 4.50% to 5.80% per annum (2014: 10.12% per annum) and is due to mature by January 2016.

8.3 Securities held as collateral against repurchase agreement lendings

	2015			2014		
	Held by Group	Further given as collateral / sold	Total	Held by Group	Further given as collateral / sold	Total
	----- (Rupees in '000) -----					
Market Treasury Bills	976,841	-	976,841	2,826,563	-	2,826,563
Pakistan Investment Bonds	-	-	-	300,000	100,000	400,000
	<u>976,841</u>	<u>-</u>	<u>976,841</u>	<u>3,126,563</u>	<u>100,000</u>	<u>3,226,563</u>

Repurchase agreement lendings carry mark-up at a rate of 6.25% (2014: 9.40% to 9.90%) per annum and are due to mature latest by January 2016. The market value of the securities held as collateral against these lendings amounted to Rs. 977.447 million (2014: Rs. 3,258.957 million).

8.4 This represents Bai Muajjal agreement entered into with Ministry of Finance, Government of Pakistan through SBP, whereby the Bank sold sukus having carrying value of Rs. 5,086.091 million on deferred payment basis. The average return on these transactions is 5.995% per annum. The balances are due to mature by November 2016.

8.5 Lendings pertaining to domestic operations carry mark-up at rates ranging from 0.00% to 8.80% per annum (2014: 0.00% to 12.17% per annum) and are due to mature latest by February 2022. Lendings pertaining to overseas operations carry mark-up at rates ranging from 0.00% to 4.49% per annum (2014: 0.00% to 4.11% per annum) and are due to mature latest by July 2021.

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

	2015 ----- (Rupees in '000) -----	2014
Opening balance	795,242	653,918
Exchange adjustments	27,243	(24,420)
Charge / (reversals)		
Charge for the year	-	165,744
Reversals	-	-
	<u>-</u>	<u>165,744</u>
Closing balance	<u>822,485</u>	<u>795,242</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
9. INVESTMENTS
9.1 Investments by type

Note	2015			2014			
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total	
(Rupees in '000)							
Held for trading securities							
Market Treasury Bills	9,757,289	-	9,757,289	6,941,106	-	6,941,106	
Pakistan Investment Bonds	2,285,349	-	2,285,349	822,818	-	822,818	
Ordinary shares of listed companies	19,234	-	19,234	430,943	-	430,943	
Term Finance Certificates	50,837	-	50,837	51,527	-	51,527	
Sukuks	10,284	-	10,284	10,767	-	10,767	
	12,122,993	-	12,122,993	8,257,161	-	8,257,161	
Available for sale securities							
Market Treasury Bills	55,599,133	894,235	56,493,368	46,284,703	-	46,284,703	
Pakistan Investment Bonds	153,364,754	111,285,139	264,649,893	168,005,906	20,563,460	188,569,366	
Government of Pakistan Sukuk	9,909,514	-	9,909,514	9,280,698	-	9,280,698	
Government of Pakistan Eurobonds	16,175,144	-	16,175,144	14,175,920	-	14,175,920	
Ordinary shares of listed companies	19,310,585	-	19,310,585	16,687,021	-	16,687,021	
Preference shares	434,765	-	434,765	421,087	-	421,087	
Ordinary shares of unlisted companies	243,337	-	243,337	243,247	-	243,247	
Term Finance Certificates	1,371,162	-	1,371,162	1,483,030	-	1,483,030	
Investment in REIT	458,590	-	458,590	-	-	-	
Foreign bonds - sovereign	32,324,780	-	32,324,780	16,285,513	-	16,285,513	
Foreign bonds - others	26,404,993	-	26,404,993	24,067,930	-	24,067,930	
	315,596,757	112,179,374	427,776,131	296,935,055	20,563,460	317,498,515	
Held to maturity securities							
Market Treasury Bills	34,543,790	-	34,543,790	31,446,074	-	31,446,074	
Pakistan Investment Bonds	220,168,425	-	220,168,425	122,713,145	-	122,713,145	
Government of Pakistan Eurobonds	9,041,947	-	9,041,947	6,089,160	-	6,089,160	
Government of Pakistan Sukuk	210,459	-	210,459	202,244	-	202,244	
Term Finance Certificates	5,402,573	-	5,402,573	5,570,990	-	5,570,990	
Sukuks	4,234,531	-	4,234,531	1,880,379	-	1,880,379	
Participation Term Certificates	2,795	-	2,795	2,795	-	2,795	
Debentures	2,266	-	2,266	2,266	-	2,266	
Foreign bonds - sovereign	2,974,077	-	2,974,077	655,610	-	655,610	
Foreign bonds - others	803,255	-	803,255	622,304	-	622,304	
Recovery note	322,839	-	322,839	309,708	-	309,708	
CDC SAARC Fund	228	-	228	218	-	218	
	277,707,185	-	277,707,185	169,494,893	-	169,494,893	
Associates							
United Growth and Income Fund	9.8.1	479,035	-	479,035	3,379,214	-	3,379,214
UBL Liquidity Plus Fund	9.8.2	11,755	-	11,755	241,968	-	241,968
UBL Money Market Fund	9.8.3	11,474	-	11,474	118,428	-	118,428
UBL Retirement Savings Fund	9.8.4	290,427	-	290,427	261,357	-	261,357
UBL Principal Protected Fund - II	9.8.5	-	-	-	125,700	-	125,700
UBL Principal Protected Fund - III	9.8.6	245,308	-	245,308	232,795	-	232,795
UBL Government Securities Fund	9.8.7	3,033,104	-	3,033,104	2,107,669	-	2,107,669
UBL Gold Fund	9.8.8	83,247	-	83,247	89,310	-	89,310
UBL Asset Allocation Fund	9.8.9	557,764	-	557,764	171,220	-	171,220
UBL Stock Advantage Fund	9.8.10	220,801	-	220,801	136,774	-	136,774
UBL Financial Sector Bond Fund	9.8.11	-	-	-	79,582	-	79,582
Al-Ameen Islamic Cash Fund	9.8.12	1,012,287	-	1,012,287	115,998	-	115,998
Al-Ameen Islamic Aggressive Income Fund	9.8.13	31,569	-	31,569	239,211	-	239,211
Al-Ameen Islamic Sovereign Fund	9.8.14	57,515	-	57,515	356,179	-	356,179
Al-Ameen Islamic Retirement Savings Fund	9.8.15	241,725	-	241,725	209,640	-	209,640
Al-Ameen Shariah Stock Fund	9.8.16	242,645	-	242,645	61,398	-	61,398
Al-Ameen Islamic Principal Preservation Fund – I	9.8.17	-	-	-	142,214	-	142,214
Al-Ameen Islamic Principal Preservation Fund – II	9.8.18	-	-	-	123,213	-	123,213
Al-Ameen Islamic Principal Preservation Fund – III	9.8.19	117,560	-	117,560	111,029	-	111,029
Al-Ameen Islamic Principal Preservation Fund – IV	9.8.20	112,882	-	112,882	107,135	-	107,135
Al-Ameen Islamic Principal Preservation Fund – V	9.8.21	100,454	-	100,454	100,375	-	100,375
Al-Ameen Islamic Asset Allocation Fund	9.8.22	115,004	-	115,004	113,107	-	113,107
Al Ameen Islamic Financial Planning Fund	9.8.23	201,376	-	201,376	-	-	-
UBL Insurers Limited	9.8.24	253,662	-	253,662	225,909	-	225,909
Khushhali Bank Limited	9.8.25	1,305,528	-	1,305,528	1,111,127	-	1,111,127
Oman United Exchange Company, Muscat	9.8.26	76,819	-	76,819	72,287	-	72,287
DHA Cogen Limited	9.8.27	-	-	-	-	-	-
	9.8	8,801,941	-	8,801,941	10,032,839	-	10,032,839
		614,228,876	112,179,374	726,408,250	484,719,948	20,563,460	505,283,408
Provision for diminution in value of investments	9.3	(2,550,531)	-	(2,550,531)	(1,850,842)	-	(1,850,842)
Investments - net of provision		611,678,345	112,179,374	723,857,719	482,869,106	20,563,460	503,432,566
Surplus on revaluation of available for sale securities	21.2	12,486,378	11,238,285	23,724,663	15,433,595	764,569	16,198,164
Surplus / (deficit) on revaluation of held for trading securities	9.4	16,245	-	16,245	(28,723)	-	(28,723)
Total investments		624,180,968	123,417,659	747,598,627	498,273,978	21,328,029	519,602,007

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Note	2015 ----- (Rupees in '000) -----	2014
9.2 Investments by segment			
Federal Government Securities			
Market Treasury Bills		98,398,726	62,612,753
Pakistan Investment Bonds		487,103,667	312,105,329
Government of Pakistan Sukuk		10,119,973	9,482,942
Government of Pakistan Eurobonds		25,217,091	20,265,080
		620,839,457	404,466,104
Foreign securities			
Market Treasury Bills		2,395,721	22,059,130
Sovereign bonds		35,298,857	16,941,123
CDC SAARC Fund		228	218
Recovery note		322,839	309,708
Other bonds		27,208,248	24,690,234
		65,225,893	64,000,413
Ordinary shares			
Listed companies		19,329,819	17,117,964
Unlisted companies		243,337	243,247
		19,573,156	17,361,211
Preference shares		434,765	421,087
Term Finance Certificates			
Listed		1,190,410	1,274,035
Unlisted		5,634,162	5,831,512
		6,824,572	7,105,547
Sukuks		4,244,815	1,891,146
Debentures		2,266	2,266
Participation Term Certificates		2,795	2,795
Investment in REIT		458,590	-
Investment in associates	9.8	8,801,941	10,032,839
Total investments at cost		726,408,250	505,283,408
Provision for diminution in value of investments	9.3	(2,550,531)	(1,850,842)
Investments - net of provision		723,857,719	503,432,566
Surplus on revaluation of available for sale securities	21.2	23,724,663	16,198,164
Surplus / (deficit) on revaluation of held for trading securities	9.4	16,245	(28,723)
Total investments		747,598,627	519,602,007

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	2015	2014
	----- (Rupees in '000) -----	
9.3 Provision for diminution in value of investments		
9.3.1		
Opening balance	1,850,842	1,484,505
Exchange adjustments	32,939	(43,437)
Charge / (reversals)		
Charge for the year	740,848	497,080
Reversals	(32,529)	(37,268)
	708,319	459,812
Reversed on disposal	(41,569)	(50,038)
Closing balance	<u>2,550,531</u>	<u>1,850,842</u>
9.3.2 Provision for diminution in value of investments by type		
Available for sale securities		
Ordinary shares of listed companies	817,472	432,288
Ordinary shares of unlisted companies	137,379	132,952
Term Finance Certificates	97,616	97,616
Foreign bonds	417,563	166,467
Preference shares	343,512	330,109
	1,813,542	1,159,432
Held to maturity securities		
Term Finance Certificates	51,356	69,872
Sukuks	130,563	88,827
Foreign bonds	227,176	217,942
Recovery note	322,833	309,708
Participation Term Certificates	2,795	2,795
Debentures	2,266	2,266
	736,989	691,410
	<u>2,550,531</u>	<u>1,850,842</u>
9.3.3 Provision for diminution in value of investments by segment		
Equity securities		
Listed companies	817,472	432,288
Unlisted companies	137,379	132,952
Preference shares	343,512	330,109
	1,298,363	895,349
Debt securities		
Term Finance Certificates	148,972	167,488
Sukuks	130,563	88,827
Recovery note	322,833	309,708
Foreign bonds	644,739	384,409
Participation Term Certificates	2,795	2,795
Debentures	2,266	2,266
	1,252,168	955,493
	<u>2,550,531</u>	<u>1,850,842</u>
9.4 Unrealized gain / (loss) on revaluation of held for trading securities		
Market Treasury Bills	(1,436)	3,971
Pakistan Investment Bonds	10,806	5,836
Ordinary shares of listed companies	469	(51,055)
Sukuks	6,049	11,969
Term Finance Certificates	357	556
	<u>16,245</u>	<u>(28,723)</u>
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.		

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

9.6 Investments include Rs. 282.000 million (2014: 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. 5.000 million (2014 Rs. 5.000 million) held by the Controller of Military Accounts (CMA) under Regimental Fund Arrangements.

9.7 Information relating to investments required to be disclosed as part of the consolidated 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' which form an integral part of these consolidated financial statements.

9.8	Investment in associates	2015	2014
		----- (Rupees in '000) -----	
9.8.1	United Growth and Income Fund		
	Investment at the beginning of the year	3,379,214	2,906,051
	Redemption during the year	(2,913,999)	-
	Share of profit	320,420	426,184
	Dividend Received	(291,216)	-
	Share of unrealized (deficit) / surplus on assets	(15,384)	46,979
	Investment at the end of the year	<u>479,035</u>	<u>3,379,214</u>
	Percentage holding as at December 31	<u>31.83%</u>	<u>89.67%</u>

9.8.1.1 United Growth and Income Fund is an open ended mutual fund, listed on the Pakistan Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis. The issuance of units were suspended, however during the year the management has resumed issuance of units with effect from 27 April 2015.

9.8.1.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit</u>
		----- (Rupees in '000) -----			
United Growth and Income Fund	2015	<u>1,553,481</u>	<u>48,706</u>	<u>321,319</u>	<u>258,993</u>
	2014	<u>3,807,830</u>	<u>39,532</u>	<u>551,176</u>	<u>484,479</u>

9.8.2	UBL Liquidity Plus Fund	2015	2014
		----- (Rupees in '000) -----	
	Investment at the beginning of the year	241,968	543,443
	Redemption during the year	(234,147)	(367,878)
	Share of profit	4,899	66,403
	Dividend received	(965)	-
	Investment at the end of the year	<u>11,755</u>	<u>241,968</u>
	Percentage holding as at December 31	<u>0.22%</u>	<u>2.99%</u>

9.8.2.1 United Liquidity Plus Fund is an open ended mutual fund, listed on the Pakistan Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.8.2.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit</u>
		----- (Rupees in '000) -----			
UBL Liquidity Plus Fund	2015	<u>5,323,738</u>	<u>91,308</u>	<u>143,856</u>	<u>22,574</u>
	2014	<u>8,168,235</u>	<u>84,203</u>	<u>1,225,898</u>	<u>924,640</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

9.8.3 UBL Money Market Fund	2015	2014
	----- (Rupees in '000) -----	
Investment at the beginning of the year	118,428	194,253
Redemption during the year	(107,726)	(80,523)
Share of profit	1,687	4,698
Dividend received	(915)	-
Investment at the end of the year	<u>11,474</u>	<u>118,428</u>
Percentage holding as at December 31	<u>1.46%</u>	<u>8.33%</u>

9.8.3.1 UBL Money Market Fund is an open ended mutual fund, listed on the Pakistan Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.8.3.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit</u>
		----- (Rupees in '000) -----			
UBL Money Market Fund	2015	<u>801,342</u>	<u>16,115</u>	<u>32,463</u>	<u>11,024</u>
	2014	<u>1,436,460</u>	<u>14,841</u>	<u>179,748</u>	<u>131,281</u>

9.8.4 UBL Retirement Savings Fund	2015	2014
	----- (Rupees in '000) -----	
Investment at the beginning of the year	261,357	167,037
Investment made during the year	-	30,000
Share of profit	29,064	64,156
Share of unrealized surplus on assets	6	164
Investment at the end of the year	<u>290,427</u>	<u>261,357</u>
Percentage holding as at December 31	<u>14.36%</u>	<u>17.91%</u>

9.8.4.1 UBL Retirement Savings Fund is an open ended pension fund and offers units for public subscription on a continuous basis.

9.8.4.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit</u>
		----- (Rupees in '000) -----			
UBL Retirement Savings Fund	2015	<u>2,153,268</u>	<u>29,820</u>	<u>340,464</u>	<u>291,377</u>
	2014	<u>1,475,193</u>	<u>36,975</u>	<u>337,189</u>	<u>342,645</u>

9.8.5 UBL Principal Protected Fund - II	2015	2014
	----- (Rupees in '000) -----	
Investment at the beginning of the year	125,700	103,640
Redemption during the year	(129,494)	-
Share of profit	3,794	22,060
Investment at the end of the year	<u>-</u>	<u>125,700</u>
Percentage holding as at December 31	<u>0.00%</u>	<u>12.92%</u>

9.8.5.1 This Fund matured on July 23, 2015.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	2015	2014
	----- (Rupees in '000) -----	
9.8.6 UBL Principal Protected Fund - III		
Investment at the beginning of the year	232,795	-
Investment during the year	-	200,000
Share of profit	12,513	32,795
Investment at the end of the year	<u>245,308</u>	<u>232,795</u>
Percentage holding as at December 31	<u>15.54%</u>	<u>15.05%</u>

9.8.6.1 UBL Principal Protected Fund - III is an open ended mutual fund, listed on the Pakistan 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 March 6, 2014.

9.8.6.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

	<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit</u>
	----- (Rupees in '000) -----			
2015	<u>1,590,699</u>	<u>11,637</u>	<u>227,968</u>	<u>80,843</u>
UBL Principal Protected Fund - III				
2014	<u>1,558,450</u>	<u>11,477</u>	<u>224,850</u>	<u>213,988</u>

	2015	2014
	----- (Rupees in '000) -----	
9.8.7 UBL Government Securities Fund		
Investment at the beginning of the year	2,107,669	109,348
Investment during the year	850,792	1,761,608
Share of profit	210,959	236,713
Dividend received	(136,316)	-
Investment at the end of the year	<u>3,033,104</u>	<u>2,107,669</u>
Percentage holding as at December 31	<u>25.15%</u>	<u>23.98%</u>

9.8.7.1 UBL Government Securities Fund is an open ended mutual fund, listed on the Pakistan Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.8.7.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

	<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit</u>
	----- (Rupees in '000) -----			
2015	<u>12,157,526</u>	<u>97,551</u>	<u>712,369</u>	<u>520,940</u>
UBL Government Securities Fund				
2014	<u>8,998,701</u>	<u>208,922</u>	<u>837,961</u>	<u>920,374</u>

	2015	2014
	----- (Rupees in '000) -----	
9.8.8 UBL Gold Fund		
Investment at the beginning of the year	89,310	83,283
Share of (loss) / profit	(6,063)	6,027
Investment at the end of the year	<u>83,247</u>	<u>89,310</u>
Percentage holding as at December 31	<u>74.25%</u>	<u>66.41%</u>

9.8.8.1 UBL Gold Fund is an open ended mutual fund, listed on the Pakistan 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, 2015**

9.8.8.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit / (loss)</u>
----- (Rupees in '000) -----					
UBL Gold Fund	2015	<u>114,381</u>	<u>2,262</u>	<u>(4,753)</u>	<u>(9,434)</u>
	2014	<u>136,372</u>	<u>1,896</u>	<u>15,557</u>	<u>9,197</u>

		<u>2015</u>	<u>2014</u>
----- (Rupees in '000) -----			
9.8.9 UBL Asset Allocation Fund	Investment at the beginning of the year	171,220	842,528
	Investment / (redemption) during the year	408,246	(770,670)
	Share of (loss) / profit	(21,702)	131,813
	Dividend Received	-	(32,451)
	Investment at the end of the year	<u>557,764</u>	<u>171,220</u>
	Percentage holding as at December 31	<u>33.43%</u>	<u>28.61%</u>

9.8.9.1 UBL Asset Allocation Fund is an open ended mutual fund, listed on the Pakistan Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.8.9.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit</u>
----- (Rupees in '000) -----					
UBL Asset Allocation Fund	2015	<u>1,685,311</u>	<u>16,706</u>	<u>167,156</u>	<u>141,179</u>
	2014	<u>614,880</u>	<u>16,507</u>	<u>230,188</u>	<u>177,164</u>

		<u>2015</u>	<u>2014</u>
----- (Rupees in '000) -----			
9.8.10 United Stock Advantage Fund	Investment at the beginning of the year	136,774	51,940
	Investment during the year	100,200	51,692
	Dividend received	(1,963)	-
	Share of (loss) / profit	(14,210)	33,142
	Investment at the end of the year	<u>220,801</u>	<u>136,774</u>
	Percentage holding as at December 31	<u>5.69%</u>	<u>2.45%</u>

9.8.10.1 United Stock Advantage Fund is an open ended mutual fund, listed on the Pakistan Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.8.10.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit</u>
----- (Rupees in '000) -----					
United Stock Advantage Fund	2015	<u>4,022,743</u>	<u>142,732</u>	<u>289,005</u>	<u>123,464</u>
	2014	<u>5,735,239</u>	<u>142,999</u>	<u>1,195,360</u>	<u>1,565,499</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

9.8.11 UBL Financial Sector Bond Fund	2015	2014
	----- (Rupees in '000) -----	
Investment at the beginning of the year	79,582	105,246
(Redemption) / Investment during the year	(72,341)	(31,379)
Share of (loss) / profit	(7,241)	5,715
Investment at the end of the year	<u>-</u>	<u>79,582</u>
Percentage holding as at December 31	<u>0.00%</u>	<u>50.28%</u>

9.8.11.1 UBL Financial Sector Bond Fund is an open ended mutual fund, listed on the Pakistan Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.8.11.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit</u>
		----- (Rupees in '000) -----			
UBL Financial Sector Bond Fund	2015	<u>145,491</u>	<u>2,540</u>	<u>6,785</u>	<u>3,063</u>
	2014	<u>161,050</u>	<u>2,762</u>	<u>22,124</u>	<u>14,527</u>

9.8.12 Al-Ameen Islamic Cash Fund	2015	2014
	----- (Rupees in '000) -----	
Investment at the beginning of the year	115,998	108,693
Investment / (redemption) during the year	884,442	(143)
Dividend received	(772)	-
Share of profit	12,619	7,448
Investment at the end of the year	<u>1,012,287</u>	<u>115,998</u>
Percentage holding as at December 31	<u>15.49%</u>	<u>8.64%</u>

9.8.12.1 AL-Ameen Islamic Cash Fund is an open ended Shariah compliant mutual fund, listed on the Pakistan Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.8.12.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit</u>
		----- (Rupees in '000) -----			
Al-Ameen Islamic Cash Fund	2015	<u>6,552,042</u>	<u>17,525</u>	<u>407,774</u>	<u>369,537</u>
	2014	<u>1,348,737</u>	<u>6,321</u>	<u>92,371</u>	<u>78,666</u>

9.8.13 Al-Ameen Islamic Aggressive Income Fund	2015	2014
	----- (Rupees in '000) -----	
Investment at the beginning of the year	239,211	212,573
Redemption during the year	(211,204)	(100)
Dividend received	(1,700)	-
Share of profit	3,463	27,926
Share of unrealized (deficit) / surplus on assets	1,799	(1,188)
Investment at the end of the year	<u>31,569</u>	<u>239,211</u>
Percentage holding as at December 31	<u>4.14%</u>	<u>13.30%</u>

9.8.13.1 Al-Ameen Islamic Aggressive Income Fund is an open ended Shariah compliant mutual fund, listed on the Pakistan 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, 2015**

9.8.13.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit</u>
----- (Rupees in '000) -----					
Al-Ameen Islamic Aggressive Income Fund	2015	<u>776,779</u>	<u>14,276</u>	<u>12,665</u>	<u>(16,682)</u>
	2014	<u>1,811,987</u>	<u>13,901</u>	<u>193,527</u>	<u>181,003</u>

		<u>2015</u>	<u>2014</u>
----- (Rupees in '000) -----			
9.8.14 Al-Ameen Islamic Sovereign Fund			
Investment at the beginning of the year		356,179	343,122
Redemption during the year		(305,761)	(50)
Dividend received		(3,816)	(9,062)
Share of profit		10,913	22,165
Share of unrealized surplus on assets		-	4
Investment at the end of the year		<u>57,515</u>	<u>356,179</u>
Percentage holding as at December 31		<u>4.99%</u>	<u>18.51%</u>

9.8.14.1 Al-Ameen Islamic Sovereign Fund is an open ended Shariah compliant mutual fund listed on the Pakistan Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.8.14.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit</u>
----- (Rupees in '000) -----					
Al-Ameen Islamic Sovereign Fund	2015	<u>1,178,235</u>	<u>24,690</u>	<u>58,345</u>	<u>32,684</u>
	2014	<u>1,947,502</u>	<u>23,152</u>	<u>279,696</u>	<u>199,985</u>

		<u>2015</u>	<u>2014</u>
----- (Rupees in '000) -----			
9.8.15 Al-Ameen Islamic Retirement Savings Fund			
Investment at the beginning of the year		209,640	162,120
Share of profit		32,092	47,638
Share of unrealized deficit on assets		(7)	(118)
Investment at the end of the year		<u>241,725</u>	<u>209,640</u>
Percentage holding as at December 31		<u>17.83%</u>	<u>26.82%</u>

9.8.15.1 Al-Ameen Islamic Retirement Savings Fund is an open ended Shariah compliant pension fund and offers units for public subscription on a continuous basis.

9.8.15.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit</u>
----- (Rupees in '000) -----					
Al-Ameen Islamic Retirement Savings Fund	2015	<u>1,388,665</u>	<u>22,778</u>	<u>250,119</u>	<u>201,376</u>
	2014	<u>763,317</u>	<u>14,800</u>	<u>156,185</u>	<u>180,290</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	2015	2014
	----- (Rupees in '000) -----	
9.8.16 Al-Ameen Shariah Stock Fund		
Investment at the beginning of the year	61,398	27,356
Investment during the year	181,329	25,488
Dividend received	(6,977)	-
Share of profit	6,895	8,554
Investment at the end of the year	<u>242,645</u>	<u>61,398</u>
Percentage holding as at December 31	<u>2.51%</u>	<u>0.79%</u>

9.8.16.1 AL-Ameen Shariah Stock Fund is an open ended Shariah compliant mutual fund, listed on the Pakistan Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.8.16.2 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) -----			
Al-Ameen Shariah Stock Fund				
2015	<u>9,799,049</u>	<u>147,470</u>	<u>1,012,630</u>	<u>704,472</u>
2014	<u>7,969,167</u>	<u>234,345</u>	<u>1,086,952</u>	<u>1,638,317</u>

	2015	2014
	----- (Rupees in '000) -----	
9.8.17 Al-Ameen Islamic Principal Preservation Fund – I		
Investment at the beginning of the year	142,214	121,674
Redemption during the year	(144,293)	-
Share of profit	2,079	20,540
Investment at the end of the year	<u>-</u>	<u>142,214</u>
Percentage holding as at December 31	<u>0.00%</u>	<u>14.11%</u>

9.8.17.1 This Fund matured during the year.

	2015	2014
	----- (Rupees in '000) -----	
9.8.18 Al-Ameen Islamic Principal Preservation Fund – II		
Investment at the beginning of the year	123,213	105,807
Redemption during the year	(130,369)	-
Share of profit	7,156	17,406
Investment at the end of the year	<u>-</u>	<u>123,213</u>
Percentage holding as at December 31	<u>0.00%</u>	<u>10.55%</u>

9.8.18.1 This Fund matured during the year.

	2015	2014
	----- (Rupees in '000) -----	
9.8.19 Al-Ameen Islamic Principal Preservation Fund – III		
Investment at the beginning of the year	111,029	-
Investment during the year	-	100,000
Share of profit	6,531	11,029
Investment at the end of the year	<u>117,560</u>	<u>111,029</u>
Percentage holding as at December 31	<u>4.84%</u>	<u>4.65%</u>

AL-Ameen Islamic Principal Preservation Fund - III is an open ended Shariah compliant mutual fund, listed on the Pakistan Stock Exchange. The fund offers units for public subscription only upto the closure of the initial public offering.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

9.8.19.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit</u>
----- (Rupees in '000) -----					
AI-Ameen Islamic Principal Preservation Fund – III	2015	<u>2,447,703</u>	<u>19,705</u>	<u>150,033</u>	<u>141,850</u>
	2014	<u>2,404,945</u>	<u>17,176</u>	<u>237,703</u>	<u>226,110</u>

		2015	2014
----- (Rupees in '000) -----			
9.8.20 AI-Ameen Islamic Principal Preservation Fund – IV	Investment at the beginning of the year	107,135	-
	Investment during the year	-	100,000
	Share of profit	<u>5,747</u>	<u>7,135</u>
	Investment at the end of the year	<u>112,882</u>	<u>107,135</u>
9.8.20.1 Percentage holding as at December 31		<u>6.66%</u>	<u>6.36%</u>

AL-Ameen Islamic Principal Preservation Fund - IV is an open ended Shariah compliant mutual fund, listed on the Pakistan Stock Exchange. The fund offers units for public subscription only upto the closure of the initial public offering.

9.8.20.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit</u>
----- (Rupees in '000) -----					
AI-Ameen Islamic Principal Preservation Fund – IV	2015	<u>1,707,790</u>	<u>12,178</u>	<u>95,261</u>	<u>90,414</u>
	2014	<u>1,699,871</u>	<u>15,084</u>	<u>106,134</u>	<u>102,520</u>

		2015	2014
----- (Rupees in '000) -----			
9.8.21 AI-Ameen Islamic Principal Preservation Fund – V	Investment at the beginning of the year	100,375	-
	Investment during the year	-	100,000
	Share of profit	<u>79</u>	<u>375</u>
	Investment at the end of the year	<u>100,454</u>	<u>100,375</u>
9.8.21.1 Percentage holding as at December 31		<u>18.8%</u>	<u>10.39%</u>

AL-Ameen Islamic Principal Preservation Fund - V is an open ended Shariah compliant mutual fund, listed on the Pakistan Stock Exchange. The fund offers units for public subscription only upto the closure of the initial public offering.

9.8.21.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit</u>
----- (Rupees in '000) -----					
AI-Ameen Islamic Principal Preservation Fund – V	2015	<u>538,383</u>	<u>3,817</u>	<u>(4,599)</u>	<u>(8,795)</u>
	2014	<u>996,447</u>	<u>30,127</u>	<u>3,838</u>	<u>3,609</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

9.8.22 Al-Ameen Islamic Asset Allocation Fund	2015	2014
	----- (Rupees in '000) -----	
Investment at the beginning of the year	113,107	100,071
Investment during the year	2,530	-
Share of profit	12,007	15,686
Dividend Received	<u>(12,640)</u>	<u>(2,650)</u>
Investment at the end of the year	<u>115,004</u>	<u>113,107</u>
Percentage holding as at December 31	<u>5.45%</u>	<u>43.82%</u>

9.8.22.1 AL-Ameen Islamic Asset Allocation Fund is an open ended Shariah compliant mutual fund, listed on the Pakistan Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.8.22.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit</u>
		----- (Rupees in '000) -----			
Al-Ameen Islamic Asset Allocation Fund	2015	<u>2,142,629</u>	<u>33,542</u>	<u>253,763</u>	<u>225,767</u>
	2014	<u>264,766</u>	<u>6,678</u>	<u>35,482</u>	<u>32,157</u>

9.8.23 Al Ameen Islamic Financial Planning Fund	2015	2014
	----- (Rupees in '000) -----	
Investment during the year	200,000	-
Share of profit	1,376	-
Dividend Received	-	-
Investment at the end of the year	<u>201,376</u>	<u>-</u>
Percentage holding as at December 31	<u>5.45%</u>	<u>0.00%</u>

9.8.23.1 AL-Ameen Islamic Financial Planning Fund is an open ended Shariah compliant mutual fund, listed on the Pakistan Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.8.23.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit</u>
		----- (Rupees in '000) -----			
Al Ameen Islamic Financial Planning Fund	2015	<u>6,268,960</u>	<u>32,417</u>	<u>84,813</u>	<u>74,649</u>

9.8.24 UBL Insurers Limited	2015	2014
	----- (Rupees in '000) -----	
Investment at the beginning of the year	225,909	211,058
Share of profit	27,753	15,001
Remeasurement loss on defined benefit obligations	-	(150)
Investment at the end of the year	<u>253,662</u>	<u>225,909</u>
Percentage holding as at December 31	<u>30.00%</u>	<u>30.00%</u>

9.8.24.1 UBL Insurers Limited is an unquoted public company, whose principal objective is to conduct general insurance business.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

9.8.24.2 The details of assets, liabilities, revenues and results of UBL Insurers Limited as at December 31, based on audited financial statements are as follows:

		<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit</u>
----- (Rupees in '000) -----					
UBL Insurers Limited	2015	<u>2,646,251</u>	<u>1,800,711</u>	<u>534,555</u>	<u>93,176</u>
	2014	<u>2,013,330</u>	<u>1,260,302</u>	<u>409,588</u>	<u>59,801</u>

		<u>2015</u>	<u>2014</u>
----- (Rupees in '000) -----			
9.8.25 Khushhali Bank Limited			
Investment at the beginning of the year		1,111,127	952,451
Share of profit		194,337	167,404
Remeasurement loss on defined benefit obligations		-	(7,796)
Share of unrealized (deficit) / surplus on assets		64	(932)
Investment at the end of the year		<u>1,305,528</u>	<u>1,111,127</u>
Percentage holding as at December 31		<u>29.69%</u>	<u>29.69%</u>

9.8.25.1 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.

9.8.25.2 The details of assets, liabilities, revenues and results of Khushhali Bank Limited as of December 31, based on Management financial statements are as follows:

		<u>2015</u>	<u>2014</u>
----- (Rupees in '000) -----			
Total Assets		26,666,713	16,692,434
Total Liabilities		22,708,409	13,404,913
Net Assets		<u>3,958,304</u>	<u>3,287,521</u>
Group share of Net Assets		1,175,385	976,201
Government Grant		(4,980)	(198)
Goodwill		135,123	135,123
Carrying amount of Interest in Associates		<u>1,305,528</u>	<u>1,111,126</u>
Revenue		<u>5,047,044</u>	<u>3,014,629</u>
Comprehensive Income		<u>819,551</u>	<u>675,307</u>

		<u>2015</u>	<u>2014</u>
----- (Rupees in '000) -----			
9.8.26 Oman United Exchange Company			
Investment at the beginning of the year		72,287	68,396
Share of profit		4,532	3,891
Dividend received		-	-
Investment at the end of the year		<u>76,819</u>	<u>72,287</u>
Percentage holding as at December 31		<u>25.00%</u>	<u>25.00%</u>

9.8.26.1 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.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

9.8.26.2 The details of assets, liabilities, revenues and results of the Company as of December 31, based on reviewed financial statements are as follows:

		<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit</u>
----- (Rupees in '000) -----					
Oman United Exchange Company	2015	<u>387,747</u>	<u>80,473</u>	<u>173,587</u>	<u>5,846</u>
	2014	<u>454,744</u>	<u>165,597</u>	<u>190,515</u>	<u>31,091</u>

9.8.27 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

9.8.27.1 The details of assets, liabilities, revenues and results of the company as of September 30, based on unaudited financial statements are as follows:

		<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Loss</u>
----- (Rupees in '000) -----					
DHA Cogen Limited	2015	<u>4,837,381</u>	<u>17,097,368</u>	<u>-</u>	<u>(1,082,279)</u>
	2014	<u>4,935,166</u>	<u>16,097,382</u>	<u>-</u>	<u>(1,457,965)</u>

10. ADVANCES

	Note	<u>Performing</u>		<u>Non-performing</u>		<u>Total</u>	
		<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
----- (Rupees in '000) -----							
Loans, cash credits, running finances, etc.							
In Pakistan	10.2	293,625,804	271,903,265	32,877,062	41,759,622	326,502,866	313,662,887
Outside Pakistan		139,010,432	129,459,615	12,261,737	12,520,803	151,272,169	141,980,418
		<u>432,636,236</u>	<u>401,362,880</u>	<u>45,138,799</u>	<u>54,280,425</u>	<u>477,775,035</u>	<u>455,643,305</u>
Bills discounted and purchased							
Payable in Pakistan		12,055,724	21,763,958	2,933,431	2,825,052	14,989,155	24,589,010
Payable outside Pakistan		37,150,419	34,050,405	-	-	37,150,419	34,050,405
		<u>49,206,143</u>	<u>55,814,363</u>	<u>2,933,431</u>	<u>2,825,052</u>	<u>52,139,574</u>	<u>58,639,415</u>
Advances - gross		<u>481,842,379</u>	<u>457,177,243</u>	<u>48,072,230</u>	<u>57,105,477</u>	<u>529,914,609</u>	<u>514,282,720</u>
Provision against advances	10.3						
- Specific		-	-	(38,443,185)	(44,819,065)	(38,443,185)	(44,819,065)
- General		(4,193,281)	(2,098,363)	-	-	(4,193,281)	(2,098,363)
		<u>(4,193,281)</u>	<u>(2,098,363)</u>	<u>(38,443,185)</u>	<u>(44,819,065)</u>	<u>(42,636,466)</u>	<u>(46,917,428)</u>
Advances - net of provision		<u>477,649,098</u>	<u>455,078,880</u>	<u>9,629,045</u>	<u>12,286,412</u>	<u>487,278,143</u>	<u>467,365,292</u>

10.1 Particulars of advances - gross

10.1.1	In local currency	288,899,389	286,717,916	35,461,329	44,245,411	324,360,718	330,963,327
	In foreign currencies	192,942,990	170,459,327	12,610,901	12,860,066	205,553,891	183,319,393
		<u>481,842,379</u>	<u>457,177,243</u>	<u>48,072,230</u>	<u>57,105,477</u>	<u>529,914,609</u>	<u>514,282,720</u>
10.1.2	Short term	269,082,232	274,253,007	-	-	269,082,232	274,253,007
	Long term	212,760,147	182,924,236	48,072,230	57,105,477	260,832,377	240,029,713
		<u>481,842,379</u>	<u>457,177,243</u>	<u>48,072,230</u>	<u>57,105,477</u>	<u>529,914,609</u>	<u>514,282,720</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

10.2 Advances include Rs. 48,072 million (2014: Rs. 57,105 million) which have been placed under non-performing status as detailed below:

Category of Classification	2015								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- (Rupees in '000) -----								
Other assets especially mentioned *	38,294	-	38,294	427	-	427	427	-	427
Substandard	3,990,022	1,020,773	5,010,795	322,240	115,651	437,891	322,240	115,651	437,891
Doubtful	1,145,884	3,502,367	4,648,251	568,637	1,595,034	2,163,671	568,637	1,595,034	2,163,671
Loss	30,636,293	7,738,597	38,374,890	29,891,301	5,949,895	35,841,196	29,891,301	5,949,895	35,841,196
	<u>35,810,493</u>	<u>12,261,737</u>	<u>48,072,230</u>	<u>30,782,605</u>	<u>7,660,580</u>	<u>38,443,185</u>	<u>30,782,605</u>	<u>7,660,580</u>	<u>38,443,185</u>

Category of Classification	2014								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- (Rupees in '000) -----								
Other assets especially mentioned *	114,459	-	114,459	650	-	650	650	-	650
Substandard	4,419,940	1,672,489	6,092,429	284,598	227,776	512,374	284,598	227,776	512,374
Doubtful	1,018,729	3,089,056	4,107,785	499,788	1,036,021	1,535,809	499,788	1,036,021	1,535,809
Loss	39,031,546	7,759,258	46,790,804	36,961,605	5,808,627	42,770,232	36,961,605	5,808,627	42,770,232
	<u>44,584,674</u>	<u>12,520,803</u>	<u>57,105,477</u>	<u>37,746,641</u>	<u>7,072,424</u>	<u>44,819,065</u>	<u>37,746,641</u>	<u>7,072,424</u>	<u>44,819,065</u>

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

10.3 Particulars of provision against advances

	Note	2015			2014		
		Specific	General	Total	Specific	General	Total
		----- (Rupees in '000) -----					
Opening balance		44,819,065	2,098,363	46,917,428	44,497,945	1,893,743	46,391,688
Exchange adjustments		255,914	95,084	350,998	(379,396)	(78,076)	(457,472)
Charge / (reversals)							
Charge for the year		3,046,731	1,999,834	5,046,565	3,735,699	288,176	4,023,875
Reversals		(2,104,541)	-	(2,104,541)	(3,484,872)	(5,480)	(3,490,352)
		942,190	1,999,834	2,942,024	250,827	282,696	533,523
Transfers in - net		277,189	-	277,189	729,099	-	729,099
Amounts written off	10.4	(7,851,173)	-	(7,851,173)	(279,410)	-	(279,410)
Closing balance		<u>38,443,185</u>	<u>4,193,281</u>	<u>42,636,466</u>	<u>44,819,065</u>	<u>2,098,363</u>	<u>46,917,428</u>

10.3.1 General provision represents provision amounting to Rs. 239.300 million (2014: Rs. 252.740 million) against consumer finance portfolio and Rs.37.942 million (2014: Rs.32.942 million) against advances to small enterprises as required by the Prudential Regulations issued by the SBP and Rs. 2,603.084 million (2014: Rs.1,764.681 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. 729.390 million (2014: Rs.48.000 million) and Rs. 583.565 million (2014:nil) which the Group carries as a matter of prudence given the current economic environment, and is based on management estimates and regulatory instructions respectively.

10.3.2 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. 96.346 million (2014: Rs. 922.746 million). The FSV benefit availed is not available for the distribution of cash or stock dividend to shareholders.

10.3.3 Exposure amounting to Rs. 5,339 million relating to Northern Power Generation Company Limited (NPGCL), which is a government guaranteed loan, has not been classified as non-performing, pursuant to a relaxation given by SBP. The relaxation is valid upto period ending June 30, 2016.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
10.3.4 Particulars of provision against advances

	2015			2014		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
In local currency	30,433,441	1,006,632	31,440,073	37,407,379	333,682	37,741,061
In foreign currencies	8,009,744	3,186,649	11,196,393	7,411,686	1,764,681	9,176,367
	<u>38,443,185</u>	<u>4,193,281</u>	<u>42,636,466</u>	<u>44,819,065</u>	<u>2,098,363</u>	<u>46,917,428</u>

10.4 Particulars of write-offs	Note	2015	2014
		----- (Rupees in '000) -----	
10.4.1 Against provisions	10.3	7,851,173	279,410
Directly charged to profit and loss account		173,085	177,222
		<u>8,024,258</u>	<u>456,632</u>
10.4.2 Write-offs of Rs.500,000 and above - Bank	10.5	5,470,304	309,943
Write-offs below Rs.500,000 - Bank		2,540,363	143,617
Write-offs in subsidiaries	10.5	13,591	3,072
		<u>8,024,258</u>	<u>456,632</u>
10.5 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, 2015 is given in Annexure 'B' to the unconsolidated financial statements. This includes amounts charged off without prejudice to the Bank's right to recovery.

Due to disclosure restrictions in the local regulations of foreign subsidiaries, the names of parties written off cannot be disclosed.

10.6 Particulars of loans and advances to executives, Directors, associated companies etc.	Note	2015	2014
		----- (Rupees in '000) -----	
Balance at the beginning of the year		14,342,151	5,290,187
Loans granted during the year		45,665,530	15,471,710
Repayments made during the year		(46,659,497)	(6,419,746)
		(993,967)	9,051,964
Balance at the end of the year		<u>13,348,184</u>	<u>14,342,151</u>

11. OPERATING FIXED ASSETS

Capital work-in-progress	11.1	4,129,203	3,013,899
Property and equipment	11.2	31,451,445	28,958,691
Intangible assets	11.3	1,096,990	1,363,056
		<u>36,677,638</u>	<u>33,335,646</u>

11.1 Capital work-in-progress

Civil works	11.1.1	3,610,623	2,456,442
Equipment		372,602	454,957
Software		143,406	90,328
Advances to suppliers and contractors		2,572	12,172
		<u>4,129,203</u>	<u>3,013,899</u>

11.1.1 This includes Rs 2,561.356 million (2014: Rs.1,757.236 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, 2015**
11.2 Property and equipment

Note	2015											Annual rate of depreciation %	
	Cost / Revaluation					Accumulated Depreciation					Net book value at December 31, 2015		
	At January 1, 2015	Additions / (deletions)	Surplus on revaluation / (reversal of accumulated depreciation)	Exchange / Other adjustments	At December 31, 2015	At January 1, 2015	Charge for the year / (depreciation on deletions)	Reversal due to revaluation	Exchange / Other adjustments	At December 31, 2015			
(Rupees in '000)													
Owned													
Freehold land	5,062,242	-	-	-	5,062,242	-	-	-	-	-	5,062,242	-	
Leasehold land	14,538,651	1,136,427	-	63	15,675,141	1,285	-	-	54	1,339	15,673,802	-	
Buildings on freehold land	3,820,164	17,459	1,415,912	(41,598)	5,211,937	365,497	79,754	-	(3,645)	441,606	4,770,331	2 - 5	
Buildings on leasehold land	1,267,096	237,670	-	476	1,505,242	2,612	66,387	-	122	69,121	1,436,121	5 - 10	
Leasehold improvements	2,826,898	211,699 (31,496)	-	17,152	3,024,253	1,508,774	284,045 (23,139)	-	20,868	1,790,548	1,233,705	10 - 20	
Furniture and fixtures	1,472,124	81,180 (4,664)	-	7,763	1,556,403	958,780	117,621 (4,473)	-	7,522	1,079,450	476,953	10 - 25	
Electrical, office and computer equipment	8,022,703	990,128 (93,615)	-	53,229	8,972,445	6,113,021	1,007,629 (82,657)	-	40,000	7,077,993	1,894,452	10 - 67	
Vehicles	465,756	101,954 (46,073)	-	3,254	524,891	274,490	72,824 (35,217)	-	4,336	316,433	208,458	20 - 25	
Assets held under operating lease													
Ijarah assets	11.8	1,100,111	272,224 (213,826)	-	13,739	1,172,248	393,770	225,423 (142,326)	-	-	476,867	695,381	20 - 33.33
Assets held under finance lease													
Vehicles		2,727	-	-	(2,727)	-	1,552	-	-	(1,552)	-	-	20
Total		38,578,472	3,048,741 (389,674)	1,415,912 -	51,351 -	42,704,802	9,619,781	1,853,683 (287,812)	- -	67,705 -	11,253,357	31,451,445	
2014													
Note	Cost / Revaluation					Accumulated Depreciation					Net book value at December 31, 2014	Annual rate of depreciation %	
	At January 1, 2014	Additions / (deletions)	Surplus on revaluation / (reversal of accumulated depreciation)	Exchange / Other adjustments	At December 31, 2014	At January 1, 2014	Charge for the year / (depreciation on deletions)	Reversal due to revaluation	Exchange / Other adjustments	At December 31, 2014			
(Rupees in '000)													
Owned													
Freehold land	3,041,776	-	2,020,466	-	5,062,242	-	-	-	-	-	5,062,242	-	
Leasehold land	11,808,133	-	3,022,262 (291,672)	(72)	14,538,651	293,019	-	(291,672)	(62)	1,285	14,537,366	-	
Buildings on freehold land	3,752,791	-	498,828 (97,454)	(334,001)	3,820,164	437,507	64,580	(97,454)	(39,136)	365,497	3,454,667	2 - 5	
Buildings on leasehold land	2,211,598	80,100	(394,736) (540,188)	(89,678)	1,267,096	472,050	110,254	(540,188)	(39,504)	2,612	1,264,484	5 - 10	
Leasehold improvements	2,683,122	159,807 (8,270)	-	35,531 (43,292)	2,826,898	1,238,816	269,545 (6,557)	-	6,970	1,508,774	1,318,124	10 - 20	
Furniture and fixtures	1,411,505	115,508 (23,416)	-	(31,473)	1,472,124	884,517	118,276 (22,299)	-	(21,714)	958,780	513,344	10 - 25	
Electrical, office and computer equipment	7,492,405	862,924 (237,871)	-	(94,755)	8,022,703	5,516,318	915,059 (234,842)	-	(83,514)	6,113,021	1,909,682	10 - 67	
Vehicles	425,747	80,605 (35,079)	-	(5,517)	465,756	234,589	70,707 (27,346)	-	(3,460)	274,490	191,266	20 - 25	
Assets held under operating lease													
Ijarah assets	11.8	1,368,900	385,836 (642,261)	-	(12,364)	1,100,111	501,643	194,212 (302,085)	-	-	393,770	706,341	20 - 33.33
Assets held under finance lease													
Vehicles		2,727	-	-	-	2,727	1,003	549	-	-	1,552	1,175	20
Total		34,198,704	1,684,780 (946,897)	5,146,820 (929,314)	(532,329) (43,292)	38,578,472	9,579,462	1,743,182 (593,129)	- (929,314)	(180,420) -	9,619,781	28,958,691	

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
11.3 Intangible assets

	2015				2015				Net book value at December 31, 2015	Annual rate of amortization %
	Cost				Accumulated Amortization					
	At January 1, 2015	Additions / (deletions)	Exchange / other adjustments	At December 31, 2015	At January 1, 2015	Charge for the year / (reversal on deletion)	Exchange / other adjustments	At December 31, 2015		
	----- (Rupees in '000) -----									
Software	4,039,508	180,381 (15)	24,269	4,244,143	2,676,452	462,848 (15)	7,868	3,147,153	1,096,990	10 - 33.33

	2014				2014				Net book value at December 31, 2014	Annual rate of amortization %
	Cost				Accumulated Amortization					
	At January 1, 2014	Additions / (deletions)	Exchange / other adjustments	At December 31, 2014	At January 1, 2014	Charge for the year / (reversal on deletion)	Exchange / other adjustments	At December 31, 2014		
	----- (Rupees in '000) -----									
Software	3,689,516	404,753 (1,376)	(53,385)	4,039,508	2,221,156	499,164 (1,376)	(42,492)	2,676,452	1,363,056	10 - 33.33

11.4 Revaluation of properties

The properties of the Bank were last revalued by independent professional valuers as at December 31, 2014. The revaluation was carried out by M/s. Pirsons Chemicals Engineering (Private) Limited, M/s. Sadruddin Associates, M/s. Engineering Pakistan International (Private) Limited and M/s. Indus Surveyors (Private) Limited on the basis of professional assessment of present market values and resulted in an increase in surplus by Rs. 5,146.820 million. The total surplus arising against revaluation of fixed assets as at December 31, 2015 amounts to Rs. 20,193.941 million.

Had there been no revaluation, the carrying amount of revalued assets at December 31 would have been as follows:

	2015	2014
	----- (Rupees in '000) -----	
Freehold land	782,581	782,581
Leasehold land	1,332,635	196,208
Buildings on freehold land	1,457,715	1,498,295
Buildings on leasehold land	485,725	267,266
11.5 Carrying amount of temporarily idle properties of the Group	<u>81,790</u>	<u>81,790</u>
11.6 The cost of fully depreciated assets still in use		
Furniture and fixtures	361,639	312,218
Electrical, office and computer equipment	4,279,316	3,444,539
Vehicles	96,519	84,030
	<u>4,737,474</u>	<u>3,840,787</u>

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:

	2015	2014
	----- (Rupees in '000) -----	
Not later than one year	416,601	439,460
Later than one year but not later than five years	338,212	371,303
Later than five years	-	-
	<u>754,813</u>	<u>810,763</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

12. OTHER ASSETS	Note	2015 ----- (Rupees in '000) -----	2014
Income / mark-up accrued in local currency		26,318,303	23,281,388
Income / mark-up accrued in foreign currency		5,214,448	4,063,444
		31,532,751	27,344,832
Advance taxation - net of provision for taxation	12.1	6,204,800	7,131,769
Receivable from staff retirement fund		211,687	88,862
Receivable on account of encashment of savings certificates		-	1,740
Receivable in respect of derivative transactions		18,033	18,033
Receivable from other banks against telegraphic transfers and demand drafts		470,784	1,073,198
Unrealized gain on forward foreign exchange contracts		556,979	1,391,923
Rebate receivable - net		904,140	1,968,361
Unrealized gain on derivative financial instruments	19.3.1 & 23.2	312,868	298,443
Advance against Murabaha		27,598	834,246
Advance against Ijarah assets		7,886	96,285
Suspense accounts		442,501	214,548
Stationery and stamps on hand		196,170	199,269
Non banking assets acquired in satisfaction of claims	12.2	2,289,115	2,006,279
Advances, deposits, advance rent and other prepayments		1,141,462	1,067,956
Others		2,377,250	1,857,755
		<u>46,694,024</u>	<u>45,593,499</u>
Provision held against other assets	12.3	(4,842,575)	(4,487,133)
Other assets - net of provision		<u>41,851,449</u>	<u>41,106,366</u>

12.1 The Income Tax returns of the Bank have been filed up to the tax year 2015 (accounting year ended December 31, 2014) 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 2015, and created additional tax demands of Rs.12,728 million (including disallowances of provisions made prior to Seventh Schedule), 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.1,140 million (December 31, 2014: Rs.1,350 million) in respect of provisions in excess of the above mentioned limits.

The tax returns for Azad Kashmir (AK) Branches have been filed upto the tax year 2015 (financial year 2014) 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 Exercise Duty, Sales tax and withholding taxes covering period from year ended 2007 to 2014. Consequently various addbacks and demands were raised creating a total demand of Rs. 1,245 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 overseas branches have been filed upto the 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.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

For all the subsidiaries income tax 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 till the accounting year 2013 and for UBL (Switzerland) AG and UBL (Tanzania) Bank Limited till the accounting year 2014. There are no material tax contingencies in any of the subsidiaries

12.2 The market value of non banking assets acquired in satisfaction of claims is Rs. 2,319.880 million (2014: Rs.1,921.625 million).

	Note	2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
12.3 Provision against other assets			
Opening balance		4,487,133	4,029,132
Exchange adjustments		123,800	(107,308)
Charge / (reversals)			
Charge for the year		61,934	85,364
Reversals		(71,183)	-
	29	(9,249)	85,364
Transfers in - net		546,615	727,291
Amounts written off		(305,724)	(247,346)
Closing balance		4,842,575	4,487,133

13. CONTINGENT ASSETS

There were no contingent assets as at the statement of financial position date.

	2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
14. BILLS PAYABLE		
In Pakistan	10,846,814	9,143,228
Outside Pakistan	2,548,930	416,027
	13,395,744	9,559,255

15. BORROWINGS

In Pakistan	150,696,888	46,988,661
Outside Pakistan	13,535,199	6,259,865
	164,232,087	53,248,526

15.1 Particulars of borrowings

In local currency	145,750,625	42,323,980
In foreign currencies	18,481,462	10,924,546
	164,232,087	53,248,526

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Note	2015 ----- (Rupees in '000) -----	2014
15.2 Details of borrowings			
Secured			
Borrowings from the State Bank of Pakistan under:			
Export refinance scheme	15.3	14,426,586	14,267,463
Refinance facility for modernization of SMEs	15.4	29,961	33,591
Long term financing facility	15.5	7,174,502	6,461,411
Long term financing under export oriented projects	15.6	31,355	173,925
		21,662,404	20,936,390
Repurchase agreement borrowings	15.7	122,771,194	21,269,642
		144,433,598	42,206,032
Unsecured			
Call borrowings	15.8	4,363,583	4,217,499
Overdrawn nostro accounts		1,291,477	303,142
Trading liabilities		-	102,539
Other borrowings	15.9	14,143,429	6,419,314
		19,798,489	11,042,494
		164,232,087	53,248,526
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 2016 . These carry mark-up at a rate of 3.5% per annum (2014: 6.50% 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 October 2019 and carry mark-up at a rate of 6.25% per annum (2014: 6.25% 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 February 2026. These carry mark-up at rates ranging from 2.00% to 10.00 % per annum (2014: 6.00% 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 (2014: 5.00% to 6.00% per annum) and are repayable latest by July 2016.			
15.7 These repurchase agreement borrowings are secured against Pakistan Investment Bonds and Treasury Bills and carry mark-up at rates ranging from 6.00% to 6.50 % per annum (2014: Pakistan Investment Bonds carrying markup rates ranging from 9.50% to 9.60% per annum). These borrowings are repayable latest by January 2016. The carrying value of securities given as collateral against these borrowings is given in note 9.1.			
15.8 These are unsecured borrowings carrying mark-up at rates ranging from 0.47% to 6.25% per annum (2014: 0.25% to 0.70% per annum), and are repayable latest by October 2016 .			
15.9 These borrowings carry mark-up at rates ranging from 0.47% to 4.55% per annum (2014: 2.23% to 4.25% per annum), and are repayable latest by March 2017.			

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	2015	2014
	----- (Rupees in '000) -----	
16. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	309,246,150	263,464,259
Savings deposits	360,619,326	315,530,282
Sundry deposits	8,294,940	7,427,172
Margin deposits	5,633,939	6,748,723
Current accounts - remunerative	9,064,575	11,327,853
Current accounts - non-remunerative	374,535,953	325,630,714
	<u>1,067,394,883</u>	<u>930,129,003</u>
Financial Institutions		
Remunerative deposits	39,755,022	15,949,527
Non-remunerative deposits	12,803,159	5,823,766
	<u>52,558,181</u>	<u>21,773,293</u>
	<u>1,119,953,064</u>	<u>951,902,296</u>
16.1 Particulars of deposits and other accounts		
In local currency	784,002,261	653,884,988
In foreign currencies	335,950,803	298,017,308
	<u>1,119,953,064</u>	<u>951,902,296</u>

17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

These represent finance leases entered into for the lease of franking machine. 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 franking machines which have been obtained under these leasing arrangements. The rate used for discounting future lease payments is 12.39% per annum (2014: 13.47% per annum). The amount of future minimum lease payments, and the periods during which they become due are as follows:

	2015		
	Minimum lease payments	Finance charges for future periods	Principal Outstanding
	----- (Rupees in '000) -----		
Not later than one year	1,981	544	1,437
Later than one year and not later than five years	3,961	525	3,436
	<u>5,942</u>	<u>1,069</u>	<u>4,873</u>
	2014		
	Minimum lease payments	Finance charges for future periods	Principal Outstanding
	----- (Rupees in '000) -----		
Not later than one year	430	(1)	429
Later than one year and not later than five years	-	-	-
	<u>430</u>	<u>(1)</u>	<u>429</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Note	2015 ----- (Rupees in '000) -----	2014
18. DEFERRED TAX LIABILITY - NET			
Deferred tax liability - net	18.1	<u>4,515,165</u>	<u>2,139,586</u>

18.1 Movement in temporary differences during the year

	2015			
	At January 1, 2015	Recognised in profit and loss account	Others	At December 31, 2015
	----- (Rupees in '000) -----			
Deductible temporary differences on				
- Tax losses recognized by subsidiary	21,873	628,611	(11,922)	638,562
- Workers' Welfare Fund	235,552	296,585	1,604	533,741
- Provision against off-balance sheet items, post retirement employee benefits, advances and others	4,932,684	(44,019)	218,214	5,106,879
	<u>5,190,109</u>	<u>881,177</u>	<u>207,896</u>	<u>6,279,182</u>
Taxable temporary differences on				
- Surplus on revaluation of fixed assets	(837,302)	27,441	(279,498)	(1,089,359)
- Surplus on revaluation of investments	(6,048,898)	-	(2,903,061)	(8,951,959)
- Share of profit from Associates	-	(426,142)	-	(426,142)
- Accelerated tax depreciation	(443,495)	116,608	-	(326,887)
	<u>(7,329,695)</u>	<u>(282,093)</u>	<u>(3,182,559)</u>	<u>(10,794,347)</u>
	<u>(2,139,586)</u>	<u>599,084</u>	<u>(2,974,663)</u>	<u>(4,515,165)</u>
	2014			
	At January 1, 2014	Recognised in profit and loss account	Others	At December 31, 2014
	----- (Rupees in '000) -----			
Deductible temporary differences on				
- Tax losses recognized by subsidiary	25,613	(389)	(3,351)	21,873
- Workers' Welfare Fund	174,912	60,640	-	235,552
- Cash flow hedge reserve	1,738	-	(1,738)	-
- Provision against off-balance sheet items, post retirement employee benefits, advances and others	5,539,396	(626,292)	19,580	4,932,684
	<u>5,741,659</u>	<u>(566,041)</u>	<u>14,491</u>	<u>5,190,109</u>
Taxable temporary differences on				
- Surplus on revaluation of fixed assets	(5,368,761)	36,540	4,494,919	(837,302)
- Surplus on revaluation of investments	(1,164,912)	-	(4,883,986)	(6,048,898)
- Ijarah financing	(14,371)	14,371	-	-
- Accelerated tax depreciation	(588,753)	145,258	-	(443,495)
	<u>(7,136,797)</u>	<u>196,169</u>	<u>(389,067)</u>	<u>(7,329,695)</u>
	<u>(1,395,138)</u>	<u>(369,872)</u>	<u>(374,576)</u>	<u>(2,139,586)</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Note	2015 ----- (Rupees in '000) -----	2014		
19. OTHER LIABILITIES					
Mark-up / return / interest payable in local currency		10,718,486	11,348,084		
Mark-up / return / interest payable in foreign currency		761,871	739,216		
		11,480,357	12,087,300		
Accrued expenses		5,731,793	4,891,927		
Branch adjustment account		283,016	839,091		
Payable against purchase of securities		325,854	-		
Payable under severance scheme		32,563	32,563		
Deferred income		821,882	578,900		
Unearned commission and income on bills discounted		856,279	538,136		
Provision against off - balance sheet obligations	19.1	666,603	658,655		
Unrealized loss on forward foreign exchange contracts		1,599,978	2,788,606		
Payable to staff retirement fund		188,136	155,908		
Deferred liabilities	19.2	3,113,900	3,001,863		
Unrealized loss on derivative financial instruments	19.3.1 & 23.2	75,254	104,259		
Workers' Welfare Fund payable		1,524,973	673,005		
Insurance payable against consumer assets		218,634	160,274		
Dividend payable		538,966	566,787		
Others		1,028,643	1,021,136		
		<u>28,486,831</u>	<u>28,098,410</u>		
19.1 Provision against off - balance sheet obligations					
Opening balance		658,655	630,024		
Exchange adjustments		1,669	(1,577)		
Charge during the year	29	6,279	35,708		
Transfer out - net		-	(5,500)		
		<u>666,603</u>	<u>658,655</u>		
19.2 Deferred liabilities					
Provision for post retirement medical benefits	36.1.4	1,188,710	1,084,100		
Provision for compensated absences		1,354,253	1,362,050		
Deferred liability for outsourced services		133,592	154,754		
Deferred liability - overseas		437,345	400,959		
		<u>3,113,900</u>	<u>3,001,863</u>		
19.3 Unrealized gain/ (loss) on derivative financial instruments - net					
	Note	Contract / Notional amount		Unrealized gain - net	
		2015	2014	2015	2014
		----- (Rupees in '000) -----			
- Interest rate swaps		10,462,192	4,511,816	235,546	82,668
- Cross currency swaps		508,129	5,934,000	(5,459)	104,566
- Fx options		740,146	380,086	-	-
- Forward purchase contracts of government securities		-	1,329,394	-	15,680
- Forward sale contracts of government securities		10,483,778	906,201	7,527	(8,730)
	19.3.1	<u>22,194,245</u>	<u>13,061,497</u>	<u>237,614</u>	<u>194,184</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Note	2015 --- (Rupees in '000) ---	2014
19.3.1 Unrealized gain / (loss) on derivative financial instruments - net			
Unrealized gain on derivative financial instruments	12	312,868	298,443
Unrealized loss on derivative financial instruments	19	(75,254)	(104,259)
Unrealized gain - net	23.2	<u>237,614</u>	<u>194,184</u>

20. SHARE CAPITAL
20.1 Authorized Capital

2015	2014		2015	2014
----- 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

2015	2014		2015	2014
----- 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>

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, 2015, 1,255,264 (2014: 485,237) GDRs, representing 5,021,054 (2014:1,940,950) shares were in issue.

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

Name of shareholders	2015		2014	
	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
Bestway (Holdings) Limited	631,728,895	51.60%	631,728,895	51.60%
Bestway Cement Limited	93,649,774	7.65%	93,649,744	7.65%

As at December 31, 2015, Bestway Group (Bestway) held 61.46% (2014: 61.44%) shareholding (including GDRs) of the Bank.

20.5 Shares of the Bank held by its associates

	2015	2014
	----- (Number of shares) -----	
UBL Asset Allocation Fund	115,000	102,500
UBL Stock Advantage Fund	<u>490,300</u>	<u>1,984,100</u>
	<u>605,300</u>	<u>2,086,600</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Note	2015 ----- (Rupees in '000) -----	2014
21. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX			
Surplus / (deficit) arising on revaluation of assets - net of tax			
Fixed assets			
- Group's share		20,826,471	20,267,486
- Non-controlling interest		968,010	469,621
	21.1	21,794,481	20,737,107
Securities			
- Group's share		15,606,270	10,637,250
- Non-controlling interest		(833,566)	(487,984)
	21.2	14,772,704	10,149,266
(Deficit) / surplus arising on revaluation of assets of associates		(13,522)	29,447
		36,553,663	30,915,820
21.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		21,574,409	16,680,220
Revaluation of fixed assets during the year		1,415,912	5,146,820
Exchange adjustments		(27,412)	(147,203)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(51,628)	(68,888)
Related deferred tax liability on incremental depreciation charged during the year	18.1	(27,441)	(36,540)
		1,309,431	4,894,189
		22,883,840	21,574,409
Less: Related deferred tax liability on			
Revaluation as on January 1		837,302	5,368,761
Revaluation of fixed assets during the year		281,525	36,432
Reversal of deferred tax on revaluation of land		-	(4,457,315)
(Reversal) / recognition of deferred tax		-	(40,131)
Exchange adjustments		(2,027)	(33,905)
Incremental depreciation charged on related assets		(27,441)	(36,540)
	18.1	1,089,359	837,302
		21,794,481	20,737,107
21.2 Surplus / (deficit) on revaluation of available for sale securities			
Market Treasury Bills		9,099	21,906
Pakistan Investment Bonds		19,041,613	10,550,575
Listed shares		6,090,148	5,160,208
REIT Scheme		(11,256)	-
Term Finance Certificates, Sukuks, other bonds etc.		18,406	(74,792)
Foreign bonds		(1,423,347)	540,267
		23,724,663	16,198,164
Related deferred tax liability	18.1	(8,951,959)	(6,048,898)
		14,772,704	10,149,266

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Note	2015	2014
		----- (Rupees in '000) -----	
22. CONTINGENCIES AND COMMITMENTS			
22.1 Direct credit substitutes			
Contingent liabilities in respect of guarantees given favouring			
Government		11,938,559	4,113,804
Banking companies and other financial institutions		2,487,693	3,315,085
Others		<u>2,711,258</u>	<u>3,675,754</u>
		<u>17,137,510</u>	<u>11,104,643</u>
22.2 Transaction-related contingent liabilities			
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring			
Government		99,691,998	83,496,420
Banking companies and other financial institutions		7,892,097	4,306,447
Others		<u>39,464,635</u>	<u>40,579,368</u>
		<u>147,048,730</u>	<u>128,382,235</u>
22.3 Trade-related contingent liabilities			
Contingent liabilities in respect of letters of credit opened favouring			
Government		39,915,813	51,053,073
Banking companies and other financial institutions		4,698,582	5,433,924
Others		<u>99,491,379</u>	<u>88,340,199</u>
		<u>144,105,774</u>	<u>144,827,196</u>
22.4 Other contingencies			
Claims against the Group not acknowledged as debts	22.4.1	<u>12,363,192</u>	<u>10,935,953</u>
Contingency in respect of Workers' Welfare Fund (WWF)	22.4.2	<u>296,124</u>	<u>305,997</u>
22.4.1 These mainly represent counter claims filed by the borrowers for restricting the Bank 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 financial statements.			
22.4.2 WWF provision of Rs. 296.124 million relating to funds from the date of application till 29 May 2013 is to be borne by UBL Fund Manager (Subsidiary Company) if such amount is required to be paid to the Government authorities. Management based on opinion of its lawyers is expecting a favorable outcome of the petition filed against chargeability of WWF over its funds.			
22.4.3 United Bank Limited Yemen (UBL) issued two Standby Letters of Credit (SBLCs) for USD 12 million (Rs. 1,221 million) and USD 13 million (Rs. 1,323 million) in favor of Ministry of Oil and Minerals Yemen (MOM) against the counter SBLCs of a foreign bank. In March 2015, counter party to performance agreement notified MOM of suspension of SBLCs because of force majeure. In September 2015, MOM filed a claim suit against UBL at the Preliminary Commercial Court in Sana'a for the sum of USD 25 million (Rs. 2,544 million) under both the SBLCs.			
UBL management is pursuing the matter in the courts in Yemen and based on the legal advice of the Bank's legal counsel in Yemen, the management is of the view that it is unlikely that there will be any financial impact on the Bank.			
22.4.4 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.			
22.4.5 UBL Fund Manager being the management company of UBL Principal Protected Fund III has guaranteed the GAP risk through guarantee agreement signed with trustee of the funds whereby It would be liable to provide Gap risk coverage of the initial fund size up to a maximum of 5% of the total subscription amount. The GAP risk will be revoked upon maturity of current terms of these mandates.			

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
22.5 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.

	2015	2014
	----- (Rupees in '000) -----	
22.6 Commitments in respect of forward foreign exchange contracts		
Purchase	<u>239,440,820</u>	<u>204,579,868</u>
Sale	<u>224,577,811</u>	<u>169,150,871</u>
22.7 Commitments in respect of derivatives		
Interest rate swaps	<u>10,462,192</u>	<u>4,511,816</u>
Cross currency swaps	<u>508,129</u>	<u>5,934,000</u>
FX options - purchased	<u>370,073</u>	<u>190,043</u>
FX options - sold	<u>370,073</u>	<u>190,043</u>
Forward purchase of government securities	<u>-</u>	<u>1,329,394</u>
Forward sale of government securities	<u>10,483,778</u>	<u>906,201</u>
22.8 Commitments in respect of capital expenditure	<u>2,411,095</u>	<u>1,874,447</u>
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 and Compliance Committee (BRCC). The Risk Management Committee (RMC) is responsible for ensuring compliance with these policies.

With regard to derivatives, the RMC 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 BRCC / 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 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.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
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.

23.1 Product analysis

		2015										
		Interest rate swaps		Cross currency swaps		FX options		Forward purchase		Forward sale contracts of		Total
		Number of contracts	Notional principal	Number of contracts	Notional principal	Number of contracts	Notional principal	Number of contracts	Notional principal	Number of contracts	Notional principal	Notional
			(Rupees in '000)		(Rupees in '000)		(Rupees in '000)		(Rupees in '000)		(Rupees in '000)	(Rupees in '000)
With Banks for												
Hedging		3	1,432,971	-	-	9	370,073	-	-	-	-	1,803,044
Market making		1	104,741	1	508,128	-	-	-	-	4	10,483,779	11,096,648
		4	1,537,712	1	508,128	9	370,073	-	-	4	10,483,779	12,899,692
With other entities												
Market making		5	8,924,480	-	-	9	370,073	-	-	-	-	9,294,553
Total												
Hedging		3	1,432,971	-	-	9	370,073	-	-	-	-	1,803,044
Market making		6	9,029,221	1	508,128	9	370,073	-	-	4	10,483,779	20,391,201
		9	10,462,192	1	508,128	18	740,146	-	-	4	10,483,779	22,194,245
		2014										
		Interest rate swaps		Cross currency swaps		FX options		Forward purchase		Forward sale contracts of		Total
		Number of contracts	Notional principal	Number of contracts	Notional principal	Number of contracts	Notional principal	Number of contracts	Notional principal	Number of contracts	Notional principal	Notional
			(Rupees in '000)		(Rupees in '000)		(Rupees in '000)		(Rupees in '000)		(Rupees in '000)	(Rupees in '000)
With Banks for												
Hedging		3	1,841,533	1	5,934,000	36	190,043	-	-	-	-	7,965,576
Market making		1	167,472	-	-	-	-	8	1,329,394	4	906,201	2,403,067
		4	2,009,005	1	5,934,000	36	190,043	8	1,329,394	4	906,201	10,368,643
With other entities												
Market making		4	2,502,811	-	-	36	190,043	-	-	-	-	2,692,854
Total												
Hedging		3	1,841,533	1	5,934,000	36	190,043	-	-	-	-	7,965,576
Market making		5	2,670,283	-	-	36	190,043	8	1,329,394	4	906,201	5,095,921
		8	4,511,816	1	5,934,000	72	380,086	8	1,329,394	4	906,201	13,061,497

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
23.2 Maturity analysis of derivatives

Remaining maturity	2015				
	Number of contracts	Notional principal	Unrealized		
			(Loss)	Gain	Net
----- (Rupees in '000) -----					
Upto 1 month	14	11,084,676	-	7,527	7,527
1 to 3 months	8	139,248	-	-	-
3 to 6 months	-	-	-	-	-
6 months to 1 year	-	-	-	-	-
1 to 2 years	3	717,611	(7,130)	1,745	(5,385)
2 to 3 Years	4	1,550,250	(47,479)	111,247	63,768
3 to 5 years	3	8,702,460	(20,645)	192,349	171,704
5 to 10 years	-	-	-	-	-
Above 10 years	-	-	-	-	-
	<u>32</u>	<u>22,194,245</u>	<u>(75,254)</u>	<u>312,868</u>	<u>237,614</u>

Remaining maturity	2014				
	Number of contracts	Notional principal	Unrealized		
			(Loss)	Gain	Net
----- (Rupees in '000) -----					
Upto 1 month	20	2,247,366	(8,730)	15,680	6,950
1 to 3 months	29	6,104,703	-	104,566	104,566
3 to 6 months	36	197,612	-	-	-
6 months to 1 year	-	-	-	-	-
1 to 2 years	-	-	-	-	-
2 to 3 years	2	334,944	(4,741)	4,918	177
3 to 5 years	6	4,176,872	(90,788)	173,279	82,491
5 to 10 years	-	-	-	-	-
Above 10 years	-	-	-	-	-
	<u>93</u>	<u>13,061,497</u>	<u>(104,259)</u>	<u>298,443</u>	<u>194,184</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	2015	2014
	----- (Rupees in '000) -----	
24. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to customers	35,409,964	37,157,993
On lendings to financial institutions		
Call money lending	92,239	51,690
Securities purchased under resale agreements	381,388	1,095,472
Other lendings to financial institutions	806,026	647,920
Bai Muajjal	36,771	-
	1,316,424	1,795,082
On investments in		
Held for trading securities	1,358,814	1,598,121
Available for sale securities	35,207,549	28,102,249
Held to maturity securities	24,128,831	16,990,543
	60,695,194	46,690,913
On deposits with financial institutions	152,421	116,658
	<u>97,574,003</u>	<u>85,760,646</u>
25. MARK-UP / RETURN / INTEREST EXPENSED		
On deposits	30,822,542	33,952,976
On securities sold under repurchase agreements	6,110,958	2,166,383
On other short term borrowings	2,292,010	2,178,245
On long term borrowings	489,650	549,264
	<u>39,715,160</u>	<u>38,846,868</u>
26. GAIN ON SALE OF SECURITIES - NET		
Federal Government Securities		
Market Treasury Bills	217,680	22,396
Pakistan Investment Bonds	1,269,086	213,484
	<u>1,486,766</u>	<u>235,880</u>
Ordinary shares of listed companies	790,743	979,888
Other securities	917,507	847,668
	<u>3,195,016</u>	<u>2,063,436</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Note	2015 ----- (Rupees in '000) -----	2014
27. OTHER INCOME			
Charges recovered		336,591	356,527
Rent on properties		224,213	193,474
Income from dealing in derivatives		292,323	531,470
Gain on sale of operating fixed assets - net		19,772	43,719
Gain / (loss) on trading liabilities - net		202,192	(6,607)
Gain on sale of Non Banking Asset		223,486	-
		1,298,577	1,118,583
28. ADMINISTRATIVE EXPENSES			
Salaries, allowances etc.	28.1	12,385,974	11,194,109
Charge for compensated absences		268,505	428,567
Medical expenses		554,962	505,852
Contribution to defined contribution plan		321,494	296,349
Charge in respect of defined benefit obligations		378,848	364,119
Rent, taxes, insurance, electricity etc.		4,148,803	4,090,503
Depreciation	11.2	1,853,683	1,743,182
Amortization	11.3	462,848	499,164
Outsourced service charges including sales commission		4,474,590	3,951,697
Communications		1,206,741	1,196,512
Banking service charges		1,085,181	1,044,251
Cash transportation charges		582,345	523,530
Stationery and printing		615,764	604,289
Legal and professional charges		463,065	282,072
Advertisement and publicity		905,076	1,043,360
Repairs and maintenance		1,762,297	1,726,557
Travelling		317,690	297,071
Office running expense		636,809	554,409
Vehicle expense		179,414	226,690
Entertainment		235,362	189,618
Cartage, freight and conveyance		97,017	94,325
Insurance expense		136,955	108,329
Auditors' remuneration	28.2	82,860	73,622
Training and seminars		229,033	103,282
Brokerage expenses		30,906	40,157
Subscriptions		141,303	134,409
Donations	28.3	167,368	111,705
Non-executive Directors' fees		45,412	39,926
Zakat paid by overseas branch		137,561	89,508
Miscellaneous expenses		96,937	194,924
		34,004,803	31,752,088

28.1 This includes accrual of 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.1,505.087 million (2014: Rs.1,404.311 million).

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
28.2 Auditors' remuneration

	2015			
	KPMG Taseer Hadi & Co.	A.F. Ferguson & Co.	Overseas Auditors	Total
	----- (Rupees in '000) -----			
Audit fee - Bank	7,527	7,527	27,172	42,226
Audit fee - subsidiaries	60	785	23,281	24,126
Audit fee - EPZ branch	250	-	-	250
Fee for other certifications	4,006	381	5,686	10,073
Out of pocket expenses	3,350	2,518	317	6,185
	<u>15,193</u>	<u>11,211</u>	<u>56,456</u>	<u>82,860</u>

	2014			
	KPMG Taseer Hadi & Co.	A.F. Ferguson & Co.	Overseas Auditors	Total
	----- (Rupees in '000) -----			
Audit fee - Bank	6,778	6,778	24,829	38,385
Audit fee - subsidiaries	-	525	23,044	23,569
Audit fee - EPZ branch	250	-	-	250
Fee for other certifications	3,675	-	5,348	9,023
Out of pocket expenses	2,099	220	76	2,395
	<u>12,802</u>	<u>7,523</u>	<u>53,297</u>	<u>73,622</u>

28.3 Details of donations

	2015	2014
	----- (Rupees in '000) -----	
Donations individually exceeding Rs.0.1 million		
Forman Christian College	75,000	35,000
Institute of Business Administration	40,000	20,000
Lahore University Of Management Sciences	10,000	-
Sindh Institute Of Urology and Transplant	10,000	-
Gulab Devi Chest Hospital	10,000	10,000
Shalamar Hospital	5,000	5,000
Indus Earth Trust	4,943	5,036
The Citizens Foundation	1,650	2,150
Hisaar Foundation	1,000	2,500
Namal Education Foundation	2,400	-
Aga Khan Hospital and Medical College	1,000	1,000
Balochistan University of Engineering and Technology	1,000	-
SOS Children's Villages of Pakistan	980	100
Marie Adelaide Leprosy Centre	850	1,050
Abdul Sattar Edhi Foundation	800	-
Inner Wheel District-Pakistan	600	-
Family Welfare Maternity & General Hospital	500	500
Oxford and Cambridge Society	210	-
Karwan-e-Hayat	200	-
Old Associates Of Kinnaird Society Karachi	200	100
The Kidney Center Post Graduate Training Institute	200	200
Pakistan Foundation Fighting Blindness	200	-
Sub-e-Nau	200	-
Pakistan Parkinson's Society	165	25
OGS Trust	125	-
Karachi Education Initiative	-	10,000
Chief Minister's Relief Fund For IDP's of North Waziristan	-	10,000
Army Relief Fund for IDPS	-	5,000
Tameer School Project	-	2,500
Al-Mehrab Tibbi Imdad	-	1,000
Naqsh School of Arts	-	300
Donations individually not exceeding Rs.0.1 million	145	244
	<u>167,368</u>	<u>111,705</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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Note	2015 ----- (Rupees in '000) -----	2014
29. OTHER PROVISIONS - Net			
(Reversal) / provision against other assets - net	12.3	(9,249)	85,364
Provision against off - balance sheet obligations	19.1	6,279	35,708
Other provisions		82,387	143,010
(Reversal) / provision against Ijarah Assets - Specific		(1,021)	12,229
(Reversal) / provision against Ijarah Assets - General		(253)	135
		<u>78,143</u>	<u>276,446</u>

30. WORKERS' WELFARE FUND

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

	2015 ----- (Rupees in '000) -----	2014
31. OTHER CHARGES		
Penalties imposed by the SBP	200,989	10,286
Other penalties	1,114	141
	<u>202,103</u>	<u>10,427</u>

	2015			
	Domestic	Azad Kashmir	Overseas	Total
32. TAXATION	----- (Rupees in '000) -----			
Current	13,154,178	397,822	1,683,612	15,235,612
Prior years	1,625,677	-	175,495	1,801,172
Deferred	216,299	(2,882)	(812,501)	(599,084)
	<u>14,996,154</u>	<u>394,940</u>	<u>1,046,606</u>	<u>16,437,700</u>
	----- (Rupees in '000) -----			
	2014			
	Domestic	Azad Kashmir	Overseas	Total
Current	8,889,708	121,976	1,847,993	10,859,677
Prior years	5,537	-	356,425	361,962
Deferred	734,548	(3,175)	(361,501)	369,872
	<u>9,629,793</u>	<u>118,801</u>	<u>1,842,917</u>	<u>11,591,511</u>

	2015 ----- (Rupees in '000) -----	2014
32.1 Relationship between tax expense and accounting profit		
Accounting profit for the year	43,447,326	35,616,314
Tax on income @ 35% (2014: 35%)	15,206,564	12,465,710
Tax effect of items that are either not included in determining taxable profit or taxed at reduced rates (permanent differences)	(182,287)	(860,496)
Tax - prior years (net of deferred tax)	1,626,567	57,856
Tax on share of profit from associates	425,896	-
Others	(639,040)	(71,559)
Tax charge	<u>16,437,700</u>	<u>11,591,511</u>

33. EARNINGS PER SHARE

Profit after tax attributable to equity shareholders of the Bank	26,154,344	23,647,704
	----- (Number of shares) -----	
Weighted average number of ordinary shares	1,224,179,687	1,224,179,687
	----- (Rupees) -----	
Earnings per share - basic and diluted	<u>21.36</u>	<u>19.32</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

33.1 Diluted earnings per share has not been presented separately as the Group does not have any convertible instruments in issue at December 31, 2015 or 2014.

	Note	2015	2014
		----- (Rupees in '000) -----	
34. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	113,762,323	75,660,306
Balances with other banks	7	27,713,772	21,948,274
		<u>141,476,095</u>	<u>97,608,580</u>

		----- (Number) -----	
35. STAFF STRENGTH			
Permanent		10,429	9,411
On contract		120	55
Group's own staff strength		<u>10,549</u>	<u>9,466</u>
Outsourced		4,583	4,305
Total		<u>15,132</u>	<u>13,771</u>

36. DEFINED BENEFIT PLANS

36.1 The Bank

36.1.1 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 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, 2015.

36.1.2 Number of Employees under the scheme

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

	2015	2014
	----- (Number) -----	
- Pension fund	6,974	6,957
- Gratuity fund	8,137	7,020
- Benevolent fund	4,914	5,347
- Post retirement medical benefit scheme	7,702	7,526

The pension fund, benevolent fund and post retirement medical benefit schemes include 5,505 (2014: 5,316), 2,436 (2014: 2,508) and 5,224 (2014: 4,957) members respectively who have retired or whose widows are receiving the benefits.

36.1.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2015 using the following significant assumptions:

	2015	2014
	----- Per annum -----	
Discount rate / expected rate of return on plan assets	9.00%	10.50%
Expected rate of salary increase	7.00%	8.50%
Expected rate of increase in pension	1.25%	2.75%
Expected rate of increase in medical benefit	1.25%	5.50%

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
36.1.4 Reconciliation of (receivable from) / payable to defined benefit plans

Note	2015				2014			
	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	3,034,259	625,414	466,964	1,188,710	3,049,641	605,383	454,377	1,084,100
Fair value of plan assets	(2,884,308)	(652,318)	(899,017)	-	(2,971,469)	(630,905)	(876,741)	-
Payable / (receivable)	<u>149,951</u>	<u>(26,904)</u>	<u>(432,053)</u>	<u>1,188,710</u>	<u>78,172</u>	<u>(25,522)</u>	<u>(422,364)</u>	<u>1,084,100</u>

36.1.5 Movement in defined benefit obligations

Obligations at the beginning of the year	3,049,641	605,383	454,377	1,084,100	3,245,250	588,580	375,149	930,955
Current service cost	12,437	95,350	7,794	3,954	9,913	80,586	4,998	4,777
Interest cost	124,973	63,517	43,290	114,033	142,037	74,505	42,307	118,992
Benefits paid by the Bank	(643,151)	(148,667)	(79,465)	(132,206)	(703,654)	(120,942)	(92,712)	(129,102)
Return allocated to other funds	177,770	-	-	-	239,168	-	-	-
Re-measurement loss / (gain)	36.1.8.2	312,589	9,831	40,968	118,829	116,927	(17,346)	124,635
Obligations at the end of the year	<u>3,034,259</u>	<u>625,414</u>	<u>466,964</u>	<u>1,188,710</u>	<u>3,049,641</u>	<u>605,383</u>	<u>454,377</u>	<u>1,084,100</u>

36.1.6 Movement in fair value of plan assets

Fair value at the beginning of the year	2,971,469	630,905	876,741	-	3,304,214	436,139	856,535	-
Interest income on plan assets	294,934	66,067	87,239	-	388,285	52,156	103,374	-
Contribution by the Bank	108,044	93,214	3,182	-	2,884	250,992	3,649	-
Contribution by the employees	-	-	3,182	-	-	-	3,649	-
Amount paid by the fund to the Bank	(493,913)	(140,631)	(73,203)	-	(759,585)	(116,040)	(84,678)	-
Re-measurements: Net return on plan assets over interest income gain / (loss)	3,774	2,763	1,876	-	35,671	7,658	(5,788)	-
Fair value at the end of the year	<u>2,884,308</u>	<u>652,318</u>	<u>899,017</u>	<u>-</u>	<u>2,971,469</u>	<u>630,905</u>	<u>876,741</u>	<u>-</u>

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

Opening balance	78,172	(25,522)	(422,364)	1,084,100	(58,964)	152,441	(481,386)	930,955
Mark-up receivable on Bank's balance with the fund	(2,726)	(826)	(394)	-	(4,784)	(22)	(427)	-
Charge / (reversal) for the year	20,246	92,800	(39,337)	117,987	2,833	102,935	(59,718)	123,769
Contribution by the Bank	(108,044)	(93,214)	(3,182)	-	(2,884)	(250,992)	(3,649)	-
Amount paid by the Fund to the Bank	493,913	140,631	73,203	-	759,585	116,040	84,678	-
Remeasurement loss / (gain) recognised in OCI during the year	311,541	7,894	39,486	118,829	86,040	(24,982)	130,850	158,478
Benefits paid by the Bank	(643,151)	(148,667)	(79,465)	(132,206)	(703,654)	(120,942)	(92,712)	(129,102)
Closing balance	<u>149,951</u>	<u>(26,904)</u>	<u>(432,053)</u>	<u>1,188,710</u>	<u>78,172</u>	<u>(25,522)</u>	<u>(422,364)</u>	<u>1,084,100</u>

36.1.8 Charge for defined benefit plans
36.1.8.1 Cost recognised in profit and loss

Current service cost	12,437	95,350	4,612	3,954	9,913	80,586	4,998	4,777
Net interest on defined benefit asset / liability	(169,961)	(2,550)	(43,949)	114,033	(246,248)	22,349	(61,067)	118,992
Return allocated to other funds	177,770	-	-	-	239,168	-	-	-
Employees' contribution	-	-	-	-	-	-	(3,649)	-
	<u>20,246</u>	<u>92,800</u>	<u>(39,337)</u>	<u>117,987</u>	<u>2,833</u>	<u>102,935</u>	<u>(59,718)</u>	<u>123,769</u>

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

36.1.9 Re-measurements recognised in OCI during the year

Note	2015				2014			
	Pension fund	Gratuity fund	Benevolent fund	Post-retirement medical benefit	Pension fund	Gratuity fund	Benevolent fund	Post-retirement medical benefit
	----- (Rupees in '000) -----							
Loss / (gain) on obligation	-	-	-	-	20,876	(7,753)	46,981	3,400
- Demographic assumptions	15,491	(3,807)	36,042	215,496	33,824	19,850	(8,409)	(10,286)
- Financial assumptions	297,098	13,638	4,926	(96,667)	62,227	(29,443)	86,063	165,364
- Experience adjustments	(3,774)	(2,763)	(1,876)	-	(35,671)	(7,658)	5,788	-
Return on plan assets over interest income	2,726	826	394	-	4,784	22	427	-
Adjustment for markup	311,541	7,894	39,486	118,829	86,040	(24,982)	130,850	158,478
Total re-measurements recognised in OCI	<u>311,541</u>	<u>7,894</u>	<u>39,486</u>	<u>118,829</u>	<u>86,040</u>	<u>(24,982)</u>	<u>130,850</u>	<u>158,478</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
36.1.10 Components of plan assets

	2015			2014		
	Pension fund	Gratuity fund	Benevolent fund	Pension fund	Gratuity fund	Benevolent fund
	----- (Rupees in '000) -----					
Cash and cash equivalents - net of current liabilities	224	190	182	7,659	72	90
Quoted securities						
Ordinary shares	109,681	5,688	15,374	125,084	7,697	17,533
Term finance certificates	93,539	10,214	14,552	398,647	11,288	15,576
Pakistan Investment Bonds	1,444,613	388,920	628,466	961,707	317,858	574,703
Special Savings Certificates	1,236,234	247,288	240,423	1,478,372	291,943	268,361
Other	17	18	20	-	2,047	478
	<u>2,884,308</u>	<u>652,318</u>	<u>899,017</u>	<u>2,971,469</u>	<u>630,905</u>	<u>876,741</u>

36.1.10.1 The funds primarily invests in government securities and accordingly do not carry any significant credit risk. These are subject to interest rate risk based on market movements. Investment in term finance certificates are subject to credit risk and interest rate risks, while equity securities are subject to price risk. These risks are regularly monitored by Trustees of the employee funds.

36.1.11 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:

	2015			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit
	----- (Rupees in '000) -----			
Increase in discount rate by 1 %	(97,475)	(38,003)	(24,687)	(100,876)
Decrease in discount rate by 1 %	106,312	43,248	27,715	120,101
Increase in expected future increment in salary by 1%	-	46,795	-	-
Decrease in expected future increment in salary by 1%	-	(41,757)	-	-
Increase in expected future increment in pension by 1%	97,628	-	-	-
Decrease in expected future increment in pension by 1%	(90,239)	-	-	-
Increase in expected future increment in medical benefit by 1%	-	-	-	21,738
Decrease in expected future increment in medical benefit by 1%	-	-	-	(19,199)

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.

36.1.12 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 ending December 31, 2016, would be as follows:

	2016			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit
	----- (Rupees in '000) -----			
Expected contribution	<u>21,445</u>	<u>105,883</u>	<u>3,017</u>	<u>-</u>
Expected charge / (reversal) for the year	<u>21,445</u>	<u>105,883</u>	<u>(33,872)</u>	<u>111,380</u>

36.1.13 Maturity profile

	2015			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit
The weighted average duration of the obligation (in years)	<u>5.77</u>	<u>6.47</u>	<u>5.61</u>	<u>9.20</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
36.1.14 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.

36.2 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 UBL UK and its shareholders, United Bank Limited and National Bank of Pakistan (NBP), it was agreed that UBL UK 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 UBL UK (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, UBL UK is responsible for the funding requirements of the active members whose employment was transferred to UBL UK 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.

The last full actuarial valuation of the scheme was carried out at January 7, 2016 by a qualified actuary. The major assumptions used by the actuary in the latest update as of December 31, 2015 are as follows:

	2015	2014
	----- Per annum -----	
Discount rate	3.70%	3.40%
Rate of revaluation of pension in deferment	2.50%	2.50%
Expected rate of pension increase	3.30%	3.50%
Price inflation	3.30%	3.50%

36.2.1 The assets and liabilities of the scheme noted below relate to those employees for whom UBL UK has a funding liability.

	2015		2014	
	Return	(Rupees in '000)	Return	(Rupees in '000)
Insurance policy	4.95%	758,018	4.95%	764,809
Market value of assets		758,018		764,809
Present value of defined benefit obligation		(801,493)		(857,024)
Gross pension liability		(43,475)		(92,215)
Related deferred tax relief		8,695		18,474
Net pension liability		<u>(34,780)</u>		<u>(73,741)</u>

36.2.2 Movement in surplus / (deficit) during the year

	2015	2014
	----- (Rupees in '000) ----	
Obligation at the beginning of the year	(73,741)	(98,402)
Interest expense	(3,143)	(1,499)
Remeasurement gain	51,703	22,481
Exchange adjustment	(18,294)	(14,795)
Deficit in scheme at the end of the year	(43,475)	(92,215)
Related deferred tax relief	8,695	18,474
Obligation at the end of the year	<u>(34,780)</u>	<u>(73,741)</u>

No Directors were members of the defined benefit scheme during the year or as at December 31, 2015.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	2015	2014
	----- (Rupees in '000) ----	
36.2.3 Analysis of the amount credited / (debited) to net interest income		
Expected return on pension scheme assets	25,773	33,471
Interest on pension scheme liabilities	<u>(28,916)</u>	<u>(34,970)</u>
Net return	<u>(3,143)</u>	<u>(1,499)</u>

36.2.4 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 obligation under the benefit scheme. The increase / (decrease) in the present value of defined benefit obligation as a result of a change in each assumption is summarized below:

	2015
	Rupees in '000
Increase in discount rate by 1 %	(129,959)
Decrease in discount rate by 1 %	170,018
Increase in expected inflation rate by 1%	58,381
Decrease in expected inflation rate by 1%	(15,061)
Increase in life expectancy by 1 year	32,606
Decrease in life expectancy by 1 year	(32,606)

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.

36.3 UBL Fund Managers Limited
36.3.1 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, 2015. The main assumptions used in the actuarial valuation are as follows:

	2015	2014
	----- Per annum -----	
Discount rate	9.25%	12.25%
Expected rate of return on plan assets	9.25%	12.25%
Expected rate of salary increase	9.25%	12.25%

	2015	2014
	----- (Rupees in '000) ----	
36.3.2 Reconciliation of payable to defined benefit plan		
Present value of defined benefit obligations	60,482	48,707
Fair value of plan assets	<u>(59,887)</u>	<u>(46,943)</u>
Payable	<u>595</u>	<u>1,764</u>

36.3.3 Movement in defined benefit obligation

Obligation at the beginning of the year	48,707	38,122
Current service cost	9,760	8,119
Interest cost	6,380	5,249
Benefits paid	(4,121)	(1,369)
Remeasurement gain	<u>(244)</u>	<u>(1,414)</u>
Obligation at the end of the year	<u>60,482</u>	<u>48,707</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	2015	2014
	----- (Rupees in '000) ----	
36.3.4 Movement in the fair value of plan assets		
Fair value of plan assets at the beginning of the year	46,943	32,445
Return on plan assets	6,176	4,290
Contributions to the plan	9,078	7,690
Benefits paid	(4,121)	(1,369)
Remeasurement gain	1,811	3,887
	<u>59,887</u>	<u>46,943</u>
36.3.5 Composition of plan assets		
Debt securities	28,934	19,434
Cash	3,994	2,892
Mutual Funds	10,595	4,493
Equity securities	16,364	20,124
	<u>59,887</u>	<u>46,943</u>
36.3.6 Charge for defined benefit plan		
Current service cost	9,760	8,119
Interest cost	6,380	5,249
Return on plan assets	(6,176)	(4,290)
	<u>9,964</u>	<u>9,078</u>
Actual return on plan assets	<u>7,267</u>	<u>8,176</u>
36.3.7 Movement in net liability recognised		
Opening net payable	1,764	5,677
Expense recognised	9,964	9,078
Contribution to the fund made during the year	(9,078)	(7,690)
Remeasurement gain- net	(2,055)	(5,301)
Closing net payable	<u>595</u>	<u>1,764</u>

36.3.8 Maturity profile and expected future contribution

Based on actuarial advice, management estimates that the expected contribution and charge for the year ended December 31, 2016, would be Rs. 9.964 million and Rs. 11.233 million, respectively. The weighted average duration of the obligation as of December 31, 2015 is 9.25 years.

36.3.9 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 obligation under the defined benefit scheme. The increase / (decrease) in the present value of defined benefit obligation as a result of a change in each assumption is summarized below:

	2015
	Rupees in '000
Increase in discount rate by 1 %	55,280
Decrease in discount rate by 1 %	66,534
Increase in salary increment rate by 1%	66,778
Decrease in salary increment rate by 1%	54,982

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.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
37 OTHER EMPLOYEE BENEFITS
37.1 Defined contribution plan

The Bank operates a contributory provident fund scheme for 8,137 (2014: 7,020) 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.

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. 68.928 million (2014: Rs. 278.781 million) and Rs. 2.256 million (2014: Rs.51.138 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 subscribe ordinary shares of the Company to the extent of the lower of two million shares or Five percent of the share Capital of the company as of the grant date. The scheme is divided into three phases and options are exercisable at their respective Exercise price determined from time to time according to methodology provided in approved scheme. Each phase give a right to eligible employees to acquire options after a vesting period of two years, in two tranches i.e. 50% of the vested options are exercisable upon completion of vesting period, while remaining 50% can be exercised after one year. During the year, 18,121 (2014: 176,400) shares were issued pursuant to exercise of the share options.

38. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2015	2014	2015	2014	2015	2014
	----- (Rupees in '000) -----					
Fees	-	-	45,412	39,926	23,707	17,741
Managerial remuneration	108,871	222,669	-	-	5,719,587	5,018,429
Charge for defined benefit plan	1,402	1,421	-	-	348,093	305,005
Charge for defined contribution plan	3,300	2,877	-	-	188,809	166,180
Rent and house maintenance	4,583	7,602	-	-	646,696	606,354
Utilities	1,545	2,969	-	-	303,025	280,214
Medical	46	44	-	-	145,452	131,536
Conveyance	-	-	-	-	368,488	364,036
Others	7,558	8,938	-	-	394,349	390,633
	<u>127,305</u>	<u>246,520</u>	<u>45,412</u>	<u>39,926</u>	<u>8,138,206</u>	<u>7,280,128</u>
Number of persons	<u>1</u>	<u>2</u>	<u>8</u>	<u>10</u>	<u>1,947</u>	<u>1,784</u>

The amount paid to the President / Chief Executive Officer of the Bank, for 2014, included an amount of Rs.100.712 million paid as severance cost on cessation of employment to the former President / Chief Executive Officer.

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 note 37.2 to these consolidated financial statements.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
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. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities 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.

39.1 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:

	2015				
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----					
On balance sheet financial instruments					
Financial assets measured at fair value					
- Investments					
Government Securities (Tbills, PIBs, GoP Sukuks and Eurobonds)	378,330,639	-	378,330,639	-	378,330,639
Foreign Bonds - Sovereign	31,907,217	-	31,907,217	-	31,907,217
Foreign Bonds - others	24,981,646	-	24,981,646	-	24,981,646
Ordinary shares of listed companies	24,602,964	24,602,964	-	-	24,602,964
Debt securities (TFCs)	1,343,146	-	1,343,146	-	1,343,146
Debt securities (Sukuks)	16,333	-	16,333	-	16,333
Investment in REIT	447,334	447,334	-	-	447,334
Associates					
- Mutual Funds	7,165,932	-	7,165,932	-	7,165,932
- Ordinary shares of unlisted companies	1,636,009	-	1,636,009	-	1,636,009
Financial assets not measured at fair value					
- Cash and bank balances with treasury banks	113,762,323	-	-	-	-
- Balances with other banks	27,713,772	-	-	-	-
- Lending to financial institutions	31,304,861	-	-	-	-
- Advances	487,278,143	-	-	-	-
- Other assets	30,979,796	-	-	-	-
- Investments					
Government Securities (Tbills, PIBs and Eurobonds)	263,964,621	-	-	-	-
Sukuks (other than government)	4,103,968	-	-	-	-
Foreign Bonds	3,550,156	-	-	-	-
Debt securities (TFCs)	5,351,217	-	-	-	-
Ordinary and preference shares	197,211	-	-	-	-
Others	234	-	-	-	-
	1,438,637,522	25,050,298	445,380,922	-	470,431,220

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	2015				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
------(Rupees in '000)-----					
Financial liabilities not measured at fair value					
- Bills Payable	13,395,744	-	-	-	-
- Borrowings	164,232,087	-	-	-	-
- Deposits and other accounts	1,119,953,064	-	-	-	-
- Other liabilities	22,445,488	-	-	-	-
	<u>1,320,026,383</u>	-	-	-	-
Off balance sheet financial instruments					
Forward purchase of foreign exchange contracts	239,440,820	-	239,440,820	-	239,440,820
Forward sale of foreign exchange contracts	224,577,811	-	224,577,811	-	224,577,811
	<u>464,018,631</u>	-	<u>464,018,631</u>	-	<u>464,018,631</u>
2014					
	Carrying value	Level 1	Level 2	Level 3	Total
------(Rupees in '000)-----					
On balance sheet financial instruments					
Financial assets measured at fair value					
- Investments					
Government Securities (Tbills, PIBs, GoP Sukuks and Eurobonds)	276,656,899	-	276,656,899	-	276,656,899
Foreign Bonds - Sovereign	16,119,046	-	16,119,046	-	16,119,046
Foreign Bonds - others	24,608,197	-	24,608,197	-	24,608,197
Ordinary shares of listed companies	21,794,829	21,794,829	-	-	21,794,829
Debt securities (TFCs)	1,362,705	-	1,362,705	-	1,362,705
Debt securities (Sukuk)	22,736	-	22,736	-	22,736
Associates					
- Mutual Funds	8,623,516	-	8,623,516	-	8,623,516
- Ordinary shares of unlisted companies	1,409,323	-	1,409,323	-	1,409,323
	<u>350,597,251</u>	<u>21,794,829</u>	<u>328,802,422</u>	<u>-</u>	<u>350,597,251</u>
Financial assets not measured at fair value					
- Cash and bank balances with treasury banks	75,660,306	-	-	-	-
- Balances with other banks	21,948,274	-	-	-	-
- Lending to financial institutions	23,435,222	-	-	-	-
- Advances	467,365,292	-	-	-	-
- Other assets	28,967,790	-	-	-	-
- Investments					
Government Securities (Tbills, PIBs and Eurobonds)	160,450,623	-	-	-	-
Sukuks (other than government)	1,791,552	-	-	-	-
Foreign Bonds	1,059,972	-	-	-	-
Debt securities (TFCs)	5,501,118	-	-	-	-
Ordinary and preference shares	201,273	-	-	-	-
Others	218	-	-	-	-
	<u>1,136,978,891</u>	<u>21,794,829</u>	<u>328,802,422</u>	<u>-</u>	<u>350,597,251</u>
Financial liabilities not measured at fair value					
- Bills Payable	9,559,255	-	-	-	-
- Borrowings	53,248,526	-	-	-	-
- Deposits and other accounts	951,902,296	-	-	-	-
- Other liabilities	23,223,129	-	-	-	-
	<u>1,037,933,206</u>	-	-	-	-
Off balance sheet financial instruments					
Forward purchase of foreign exchange contracts	204,579,868	-	204,579,868	-	204,579,868
Forward sale of foreign exchange contracts	169,150,871	-	169,150,871	-	169,150,871
	<u>373,730,739</u>	-	<u>373,730,739</u>	-	<u>373,730,739</u>

39.2 Fixed assets have been carried at revalued amounts determined by professional valuers (level 2 measurement) based on their assessment of the market values as disclosed in note 11.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the year ended December 31, 2015						
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Asset management	Others	Inter segment elimination
	(Rupees in '000)						
Total income	581,214	28,694,559	35,626,408	14,332,710	1,003,010	2,169,870	-
Total expenses	130,802	2,184,486	26,905,294	6,630,884	718,101	2,390,878	-
Profit before tax	450,412	26,510,073	8,721,114	7,701,826	284,909	(221,008)	-
Segment return on assets (ROA)	108.2%	2.2%	0.7%	1.0%	17.2%	-	-
Segment cost of funds	0.0%	5.4%	3.2%	4.7%	-	-	-

	For the year ended December 31, 2014						
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Asset management	Others	Inter segment elimination
	(Rupees in '000)						
Total income	320,435	17,757,356	37,097,931	11,090,410	862,100	2,536,349	-
Total expenses	111,728	1,280,578	24,555,617	5,608,551	620,889	1,870,904	-
Profit before tax	208,707	16,476,778	12,542,314	5,481,859	241,211	665,445	-
Segment return on assets (ROA)	83.7%	2.0%	1.1%	0.8%	30.3%	-	-
Segment cost of funds	1.6%	6.5%	4.1%	6.3%	-	-	-

	As at December 31, 2015						
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Asset management	Others	Inter segment elimination
	(Rupees in '000)						
Segment assets (gross of NPLs provisions)	933,876	860,007,414	993,613,937	468,304,820	1,287,306	98,693,150	(898,210,505)
Segment non performing loans (NPLs)	675,575	1,866,135	14,883,605	30,415,533	-	231,382	-
Segment provision held against NPLs	508,071	1,846,111	11,573,426	24,439,842	-	75,735	-
Segment liabilities	133,013	779,801,690	1,011,708,852	431,515,726	217,351	5,421,637	(898,210,505)

	As at December 31, 2014						
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Asset management	Others	Inter segment elimination
	(Rupees in '000)						
Segment assets (gross of NPLs provisions)	775,136	578,630,275	872,818,868	456,542,712	1,082,670	92,668,476	(775,195,159)
Segment non performing loans (NPLs)	648,147	1,988,086	24,311,780	29,930,610	-	226,854	-
Segment provision held against NPLs	487,423	1,643,702	19,274,579	23,337,495	-	75,866	-
Segment liabilities	152,477	532,328,095	863,632,502	418,936,969	174,359	4,970,059	(775,195,159)

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 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.

42. 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:

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
42.1. RELATED PARTY TRANSACTIONS

	2015				2014			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
----- (Rupees in '000) -----								
Lendings to financial institutions								
Other lendings to financial institutions	-	-	400,000	-	-	-	500,000	-
Investments								
Opening balance	-	-	10,032,839	3,917,745	-	-	7,732,898	4,098,108
Investment made during the year	-	-	3,897,046	-	-	-	3,897,489	-
Investment redeemed / disposed off during the year	-	-	(5,518,844)	-	-	-	(2,985,033)	(180,363)
Equity method adjustments	-	-	390,900	-	-	-	1,387,485	-
Closing balance	-	-	8,801,941	3,917,745	-	-	10,032,839	3,917,745
Provision for diminution in value of investments	-	-	-	114,934	-	-	-	118,356
Advances								
Opening balance	368	249,996	2,155,149	9,394,005	-	268,862	2,155,149	412,954
Addition during the year	4,181	273,325	-	44,320,431	3,668	101,656	-	14,328,295
Repaid during the year	(3,843)	(89,807)	-	(45,807,425)	(3,300)	(129,501)	-	(5,347,244)
Transfer in / (out) - net	-	(29,078)	-	-	-	8,979	-	-
Closing balance	706	404,436	2,155,149	7,907,011	368	249,996	2,155,149	9,394,005
Provision held against advances	-	-	2,155,149	-	-	-	2,155,149	-
Other Assets								
Interest mark-up accrued	-	56	8,187	92,060	-	155	14,893	283,323
Receivable from staff retirement funds	-	-	-	211,687	-	-	-	88,862
Prepaid insurance	-	-	44	-	-	-	27	-
Remuneration receivable from management of funds	-	-	63,035	-	-	-	59,493	-
Sales load receivable	-	-	6,189	-	-	-	2,415	-
Formation cost receivable	-	-	1,000	-	-	-	11,100	-
Other receivable	-	-	8,817	30,164	-	-	888	30,164
Provision against other assets	-	-	-	30,164	-	-	-	30,164
Deposits and other accounts								
Opening balance	7,920,019	180,520	2,501,595	204,907	7,506,473	161,288	667,512	734,999
Received during the year	22,932,144	1,181,278	130,029,100	140,642,029	26,067,173	1,649,178	112,528,554	127,557,270
Withdrawn during the year	(22,917,614)	(1,140,365)	(125,871,804)	(139,317,293)	(26,710,567)	(1,609,409)	(110,694,471)	(128,179,674)
Transfer in / (out) - net	-	(87,039)	-	292,781	1,056,940	(20,537)	-	92,312
Closing balance	7,934,549	134,394	6,658,891	1,822,424	7,920,019	180,520	2,501,595	204,907
Other Liabilities								
Interest / mark-up payable on deposits	46,187	256	4,621	710	47,181	1,344	9,793	266
Payable to staff retirement fund	-	-	-	188,136	-	-	-	155,908
Unearned income	-	-	-	10,420	-	-	-	-
Contingencies and Commitments								
Letter of guarantee	-	-	43,362	-	-	-	41,600	-
Forward foreign exchange contracts purchase	-	-	-	27,061	-	-	-	149,615
Forward foreign exchange contracts sale	-	-	-	412,487	-	-	-	31,313
Cross Currency Swap	-	-	508,129	-	-	-	-	-
----- (Rupees in '000) -----								
	2015				2014			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
Mark-up / return / interest earned	9	13,064	41,322	811,026	-	11,421	15,053	830,678
Commission / charges recovered	115	360	9,800	306	76	481	1,292	496
Dividend received	-	-	457,280	821,962	-	-	44,162	605,051
Net gain on sale of securities	-	-	674,585	-	-	-	247,957	50,572
Remuneration from management of fund	-	-	647,710	-	-	-	514,521	-
Sales Load	-	-	229,136	-	-	-	174,858	-
Other income	-	5,488	10,571	2,102	-	1,107	5,243	-
Mark-up / return / interest paid	218,089	1,821	270,688	17,454	194,835	3,765	106,086	17,311
Remuneration paid	-	980,777	-	-	-	1,141,536	-	-
Post employment benefits	-	33,390	-	-	-	44,332	-	-
Non-executive directors' fee	45,412	-	-	-	39,926	-	-	-
Net charge for defined contribution plans	-	-	-	321,494	-	-	-	296,349
Net charge / (reversal) for defined benefit plans	-	-	-	129,327	-	-	-	119,994
Donation	-	-	-	-	-	-	-	10,000
Insurance premium paid	-	-	247,615	-	-	-	273,000	-
Insurance claims settled	-	-	132,181	-	-	-	135,649	-
Other expenses	-	-	47,210	127,335	-	-	75,727	109,466

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
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 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 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 Group performs its Internal Capital Adequacy Assessment Process (ICAAP) as per the guidelines provided by the SBP. The ICAAP has been approved by the Bank's Board of Directors and submitted to the SBP. The Group additionally covers risks not yet included under Pillar I, so as to carry adequate capital to cater for any future business requirements.

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.

43.2 Capital Management

The objective of managing capital is to safeguard the Group 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.10,000 million. The paid-up capital of the Bank for the year ended December 31, 2015 stood at Rs.12,241.798 million (2014: 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 10.0% plus capital conservation buffer of 0.25% 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 6.0% and 7.5%, respectively, as at December 31, 2015. As at December 31, 2015 the Group is fully compliant with prescribed ratios as the Group's CAR is 14.68% whereas CET 1 and Tier 1 ratios both stood at 10.44% . 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 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) 30% 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, fixed income financial instruments (AFS) and equity investments (AFS), 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) 30% 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, 2015**
43.3 Capital Adequacy Ratio (CAR) disclosure template:

	2015 ----- (Rupees in '000) ----- Amount	2014 ----- (Rupees in '000) ----- Amount
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 Discount on Issue of shares	-	-
5 General/ Statutory Reserves	24,483,425	21,903,578
6 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated/unremitted profits/ (losses)	59,955,027	52,507,655
8 Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	4,510,772	4,252,698
9 CET 1 before Regulatory Adjustments	101,191,022	90,905,729
10 Total regulatory adjustments applied to CET1 (Note 43.3.1)	3,219,794	6,142,962
11 Common Equity Tier 1	97,971,228	84,762,767
Additional Tier 1 (AT 1) Capital		
12 Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
13 of which: Classified as equity	-	-
14 of which: Classified as liabilities	-	-
15 Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	242,916	107,665
16 of which: instrument issued by subsidiaries subject to phase out	-	-
17 AT1 before regulatory adjustments	-	-
18 Total regulatory adjustment applied to AT1 capital (Note 43.3.2)	(242,916)	(107,665)
19 Additional Tier 1 capital after regulatory adjustments	-	-
20 Additional Tier 1 capital recognized for capital adequacy	-	-
21 Tier 1 Capital (CET1 + admissible AT1) (11+20)	97,971,228	84,762,767
Tier 2 Capital		
24 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
25 Tier 2 capital instruments subject to phaseout arrangement issued under pre-Base1 3 rules	-	-
26 Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	404,861	179,441
27 of which: instruments issued by subsidiaries subject to phase out	-	-
28 General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	4,193,281	2,098,363
29 Revaluation Reserves (net of taxes)	24,490,954	17,312,859
30 of which: Revaluation reserves on fixed assets	14,602,302	11,612,780
31 of which: Unrealized gains/losses on AFS	9,888,652	5,700,079
32 Foreign Exchange Translation Reserves	17,141,392	15,382,510
33 Undisclosed/Other Reserves (if any)	-	-
34 T2 before regulatory adjustments	46,230,488	34,973,173
35 Total regulatory adjustment applied to T2 capital (Note 43.3.3)	490,803	563,729
36 Tier 2 capital (T2) after regulatory adjustments	45,739,685	34,409,444
37 Tier 2 capital recognized for capital adequacy	39,843,413	34,409,444
38 Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
39 Total Tier 2 capital admissible for capital adequacy	39,843,413	34,409,444
40 TOTAL CAPITAL (T1 + admissible T2) (21+39)	137,814,641	119,172,211
41 Total Risk Weighted Assets (RWA) {for details refer Note 43.6}	938,813,474	836,227,685
Capital Ratios and buffers (in percentage of risk weighted assets)		
42 CET1 to total RWA	10.4%	10.1%
43 Tier-1 capital to total RWA	10.4%	10.1%
44 Total capital to total RWA	14.7%	14.3%
45 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	6.25%	-
46 of which: capital conservation buffer requirement	0.25%	-
47 of which: countercyclical buffer requirement	-	-
48 of which: D-SIB or G-SIB buffer requirement	-	-
49 CET1 available to meet buffers (as a percentage of risk weighted assets)	4.19%	-
National minimum capital requirements prescribed by SBP		
50 CET1 minimum ratio	6.0%	5.5%
51 Tier 1 minimum ratio	7.5%	7.0%
52 Total capital minimum ratio	10.0%	10.0%

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Regulatory Adjustments and Additional Information	2015		2014
	Amount	Amounts subject to Pre- Basel III treatment*	Amount
----- (Rupees in '000) -----			
43.3.1 Common Equity Tier 1 capital: Regulatory adjustments			
1 Goodwill (net of related deferred tax liability)	-	-	-
2 All other intangibles (net of any associated deferred tax liability)	1,100,424	-	1,223,589
3 Shortfall in provisions against classified assets*	670,120	-	774,826
4 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	-
5 Defined-benefit pension fund net assets	-	-	-
6 Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	1,151,753	-	1,358,694
7 Cash flow hedge reserve	-	-	-
8 Investment in own shares/ CET1 instruments	-	-	-
9 Securitization gain on sale	-	-	-
10 Capital shortfall of regulated subsidiaries	-	-	-
11 Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	-	-
12 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)	-	-	-
13 Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-
14 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-
15 Amount exceeding 15% threshold	-	-	-
16 of which: significant investments in the common stocks of financial entities	-	-	-
17 of which: deferred tax assets arising from temporary differences	-	-	-
18 National specific regulatory adjustments applied to CET1 capital	-	-	-
19 Investments in TFCs of other banks exceeding the prescribed limit	-	-	-
20 Any other deduction specified by SBP (mention details)	-	-	-
21 Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	297,497	-	2,785,853
22 Total regulatory adjustments applied to CET1 (sum of 1 to 21)	3,219,794	-	6,142,962

43.3.2 Additional Tier-1 : regulatory adjustments

23 Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	49,611	-	2,329,789
24 Investment in own AT1 capital instruments	-	-	-
25 Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-	-
26 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)	-	-	-
27 Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
28 Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-
29 Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	490,803	490,803	563,729
30 Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	540,414	-	2,893,518

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
Regulatory Adjustments and Additional Information

	2015	2014
	Amount	Amount
	Amounts subject to Pre- Basel III treatment*	
	----- (Rupees in '000) -----	

43.3.3 Tier 2 Capital: regulatory adjustments

31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	490,803	490,803	563,729
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-		-
33	Investment in own Tier 2 capital instrument	-		-
34	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)	-		-
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-		-
36	Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	490,803		563,729

43.3.4 Additional Information

	2015	2014
	Amount	Amount
	----- Rupees in '000 -----	

Risk Weighted Assets subject to pre-Basel III treatment			
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-	-
(i)	of which: deferred tax assets	-	-
(ii)	of which: Defined-benefit pension fund net assets	-	-
(iii)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
(iv)	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	-	-
Amounts below the thresholds for deduction (before risk weighting)			
38	Non-significant investments in the capital of other financial entities	-	-
39	Significant investments in the common stock of financial entities	-	-
40	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Applicable caps on the inclusion of provisions in Tier 2			
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-
42	Cap on inclusion of provisions in Tier 2 under standardized approach	-	-
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

* This represents benefit of relaxation in provisioning requirement allowed by SBP for a classified customer of the Group.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
43.4 Capital Structure Reconciliation

Step 1	Balance Sheet as per published financial statements As at Dec 31, 2015 ----- (Rupees in '000) -----	Under regulatory scope of consolidation As at Dec 31, 2015
Assets		
Cash and balances with treasury banks	113,762,323	113,762,323
Balances with other banks	27,713,772	27,713,772
Lending to financial institutions	31,304,861	31,304,861
Investments	747,598,627	747,598,627
Advances	487,278,143	487,278,143
Operating fixed assets	36,677,638	36,677,638
Deferred tax assets - net	-	-
Other assets	41,851,449	41,851,449
Total assets	1,486,186,813	1,486,186,813
Liabilities & Equity		
Bills payable	13,395,744	13,395,744
Borrowings	164,232,087	164,232,087
Deposits and other accounts	1,119,953,064	1,119,953,064
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	4,873	4,873
Deferred tax liability - net	4,515,165	4,515,165
Other liabilities	28,486,831	28,486,831
Total liabilities	1,330,587,764	1,330,587,764
Share capital	12,241,798	12,241,798
Reserves	41,624,817	41,624,817
Unappropriated profit	59,955,027	59,955,027
Total equity attributable to equity holders of the Bank	113,821,642	113,821,642
Non-controlling interest	5,223,744	5,223,744
	119,045,386	119,045,386
Surplus on revaluation of assets - net of deferred tax	36,553,663	36,553,663
Total liabilities and equity	1,486,186,813	1,486,186,813

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
43.4 Capital Structure (Contd.)

Step 2	Balance Sheet as per published financial statements As at Dec 31, 2015 ----- (Rupees in '000) -----	Under regulatory scope of consolidation As at Dec 31, 2015	Reference
Assets			
Cash and balances with treasury banks	113,762,323	113,762,323	
Balances with other banks	27,713,772	27,713,772	
Lendings to financial institutions	31,304,861	31,304,861	
Investments	747,598,627	747,598,627	
<i>of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold</i>	-	-	a
<i>of which: significant capital investments in financial sector entities exceeding regulatory threshold</i>	-	-	b
<i>of which: Mutual Funds exceeding regulatory threshold</i>	49,611	49,611	c
<i>of which: reciprocal crossholding of capital instrument</i>	1,151,753	1,151,753	d
<i>of which: others (mention details)</i>	-	-	e
Advances	487,278,143	487,278,143	
<i>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB</i>	670,120	670,120	f
<i>general provisions reflected in Tier 2 capital</i>	4,193,281	4,193,281	g
Fixed Assets	36,677,638	36,677,638	
<i>of which: Goodwill</i>	-	-	j
<i>of which: Intangibles</i>	1,333,515	1,333,515	k
Deferred Tax Assets	-	-	
<i>of which: DTAs excluding those arising from temporary differences</i>	-	-	h
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	-	-	i
Other assets	41,851,449	41,851,449	
<i>of which: Defined-benefit pension fund net assets</i>	-	-	l
Total assets	1,486,186,813	1,486,186,813	
Liabilities & Equity			
Bills payable	13,395,744	13,395,744	
Borrowings	164,232,087	164,232,087	
Deposits and other accounts	1,119,953,064	1,119,953,064	
Sub-ordinated loans	-	-	
<i>of which: eligible for inclusion in AT1</i>	-	-	m
<i>of which: eligible for inclusion in Tier 2</i>	-	-	n
Liabilities against assets subject to finance lease	4,873	4,873	
Deferred tax liabilities	4,515,165	4,515,165	
<i>of which: DTLs related to goodwill</i>	-	-	o
<i>of which: DTLs related to intangible assets</i>	233,091	233,091	p
<i>of which: DTLs related to defined pension fund net assets</i>	-	-	q
<i>of which: other deferred tax liabilities</i>	4,282,074	4,282,074	r
Other liabilities	28,486,831	28,486,831	
Total liabilities	1,330,587,764	1,330,587,764	
Share capital	12,241,798	12,241,798	
<i>of which: amount eligible for CET1</i>	12,241,798	12,241,798	s
<i>of which: amount eligible for AT1</i>	-	-	t
Reserves	41,624,817	41,624,817	
<i>of which: portion eligible for inclusion in CET1 (provide breakup)</i>	24,483,425	24,483,425	u
<i>of which: portion eligible for inclusion in Tier 2</i>	17,141,392	17,141,392	v
Unappropriated profit/ (losses)	59,955,027	59,955,027	w
Minority Interest	5,223,744	5,223,744	
<i>of which: portion eligible for inclusion in CET1</i>	4,510,772	4,510,772	x
<i>of which: portion eligible for inclusion in AT1</i>	242,916	242,916	y
<i>of which: portion eligible for inclusion in Tier 2</i>	404,861	404,861	z
Surplus on revaluation of assets	36,553,663	36,553,663	
<i>of which: Revaluation reserves on Property</i>	21,794,481	21,794,481	aa
<i>of which: Unrealized Gains/Losses on AFS</i>	14,759,182	14,759,182	
<i>In case of Deficit on revaluation (deduction from CET1)</i>	-	-	ab
Total liabilities and equity	1,486,186,813	1,486,186,813	

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
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	24,483,425	(u)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6 Unappropriated/unremitted profits/(losses)	59,955,027	(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)	4,510,772	(x)
8 CET 1 before Regulatory Adjustments	101,191,022	
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)	1,100,424	(k) - (p)
11 Shortfall of provisions against classified assets	670,120	(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	1,151,753	(d)
15 Cash flow hedge reserve	-	
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	297,497	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 25)	3,219,794	
Common Equity Tier 1	97,971,228	
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, 2015**
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)	49,611	
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	490,803	
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	540,414	
45 Additional Tier 1 capital	-	
46 Additional Tier 1 capital recognized for capital adequacy	-	
Tier 1 Capital (CET1 + admissible AT1)	97,971,228	
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)	404,861	(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	4,193,281	(g)
52 Revaluation Reserves eligible for Tier 2	-	
53 of which: portion pertaining to Property	14,602,302	portion of (aa)
54 of which: portion pertaining to AFS securities	9,888,652	
55 Foreign Exchange Translation Reserves	17,141,392	(v)
56 Undisclosed/Other Reserves (if any)	-	
57 T2 before regulatory adjustments	46,230,488	
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	490,803	
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	490,803	
64 Tier 2 capital (T2)	45,739,685	
65 Tier 2 capital recognized for capital adequacy	39,843,413	
66 Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
67 Total Tier 2 capital admissible for capital adequacy	39,843,413	
TOTAL CAPITAL (T1 + admissible T2)	137,814,641	

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
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 PSX Symbol or Bloomberg identifier etc.)	On PSX "UBL" and on Bloomberg "UBLS".
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
FOR THE YEAR ENDED DECEMBER 31, 2015**
43.6 Capital Adequacy Ratio

Risk weighted exposures	Capital requirements		Risk weighted assets	
	2015	2014	2015	2014
	----- (Rupees in '000) -----			
Credit risk				
Claims on:				
Federal and Provincial Governments, SBP and other sovereigns – in foreign currency	6,022,495	4,785,856	60,224,947	47,858,558
Public Sector Enterprises	1,309,195	911,266	13,091,945	9,112,661
Banks	6,888,088	6,109,873	68,880,878	61,098,727
Corporates	34,289,568	32,235,518	342,895,680	322,355,177
Retail portfolio	2,079,760	2,081,800	20,797,601	20,817,996
Secured by residential property	144,164	137,871	1,441,637	1,378,708
Past due loans	1,745,444	2,223,213	17,454,440	22,232,133
Listed equity investments	175,112	271,521	1,751,122	2,715,213
Unlisted equity investments	21,187	22,249	211,871	222,494
Commercial entity	55,872	52,846	558,720	528,460
Significant investment & DTA	163,601	70,466	1,636,009	704,661
Investments in fixed assets	3,557,722	3,211,206	35,577,215	32,112,055
Other assets	1,032,980	1,313,900	10,329,802	13,139,000
	57,485,188	53,427,585	574,851,867	534,275,843
Market risk				
Interest rate risk	13,911,239	10,849,112	173,890,488	135,613,900
Equity exposure risk	4,223,190	3,393,676	52,789,872	42,420,950
Foreign exchange risk	927,897	998,684	11,598,712	12,483,550
	19,062,326	15,241,472	238,279,072	190,518,400
Operational risk	10,054,603	8,914,675	125,682,535	111,433,442
	86,602,117	77,583,732	938,813,474	836,227,685
Capital adequacy ratio				
Total eligible regulatory capital held	137,814,641	119,172,211		
Total risk weighted assets	938,813,474	836,227,685		
CET1 to total RWA	10.4%	10.1%		
Tier-1 capital to total RWA	10.4%	10.1%		
Total capital to total RWA	14.7%	14.3%		

43.7 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 & Poors (S & P). The Group also utilizes rating scores of Export Credit Agencies (ECAs) participating in the "Arrangement on Officially Supported Export Credits".

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
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	
	AA-	Aa3	AA-	AA-	AA-	
2	A+	A1	A+	A+	A+	2
	A	A2	A	A	A	
	A-	A3	A-	A-	A-	
3	BBB+	Baa1	BBB+	BBB+	BBB+	3
	BBB	Baa2	BBB	BBB	BBB	
	BBB-	Baa3	BBB-	BBB-	BBB-	
4	BB+	Ba1	BB+	BB+	BB+	4
	BB	Ba2	BB	BB	BB	
	BB-	Ba3	BB-	BB-	BB-	
5	B+	B1	B+	B+	B+	5
	B	B2	B	B	B	6
	B-	B3	B-	B-	B-	
6	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, 2015**
43.8 Credit exposures subject to Standardized Approach

Exposures	Rating category / risk weights	2015			2014		
		(Rupees in '000)			(Rupees in '000)		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
Cash and cash equivalents	-	13,756,990	-	13,756,990	12,996,271	-	12,996,271
Claims on Federal and Provincial Governments and SBP, denominated in PKR	-	445,363,390	143,583,595	301,779,795	212,099,704	51,146,981	160,952,723
Foreign currency claims on SBP arising out of statutory obligations in Pakistan	-	9,274,554	-	9,274,554	8,621,400	-	8,621,400
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	1,081,432 27,730,887 2,006,945 10,288,460 28,924,558 -	- - - - - -	1,081,432 27,730,887 2,006,945 10,288,460 28,924,558 -	1,241,372 13,048,768 2,603,011 5,407,648 25,693,100 -	- - - - - -	1,241,372 13,048,768 2,603,011 5,407,648 25,693,100 -
		70,032,282	-	70,032,282	47,993,899	-	47,993,899
Corporates	0 1 2 3,4 5,6 Unrated-1 Unrated-2	- 49,560,476 21,929,345 1,698,024 - 225,008,791 98,024,261	- 9,434,735 441,406 - - 25,043,077 54,003	- 40,125,741 21,487,939 1,698,024 - 199,965,714 97,970,258	- 45,585,451 34,001,545 1,680,730 104,643 243,433,051 61,871,917	- 9,438,882 1,816 28,924 - 17,359,080 790,824	- 36,146,569 33,999,729 1,651,806 104,643 226,073,971 61,081,093
		396,220,897	34,973,221	361,247,676	386,677,337	27,619,526	359,057,811
Claims on banks with maturity less than 3 months and denominated in foreign currency	1,2,3 4,5 6 Unrated	1,359,453 38,916 - 3,202,758	- - - -	1,359,453 38,916 - 3,202,758	615,160 569,714 - 4,163,123	- - - -	615,160 569,714 - 4,163,123
		4,601,127	-	4,601,127	5,347,997	-	5,347,997
Banks - others	0 1 2,3 4,5 6 Unrated	- 40,874,231 46,465,390 8,045,025 7,274,127 36,653,664	- 1,865,947 318,883 208,981 - -	- 39,008,284 46,146,507 7,836,044 7,274,127 36,653,664	- 41,642,903 47,771,697 9,886,190 3,227,208 27,150,610	- 3,292,633 - - - -	- 38,350,270 47,771,697 9,886,190 3,227,208 27,150,610
		139,312,437	2,393,811	136,918,626	129,678,608	3,292,633	126,385,975
Public sector enterprises	0 1 2,3 4,5 6 Unrated	- 22,370,042 - - - 81,758,557	- 1,666,995 - - - 63,855,886	- 20,703,047 - - - 17,902,671	- 12,744,261 - - - 70,973,819	- 1,950,562 - - - 57,065,977	- 10,793,699 - - - 13,907,842
		104,128,599	65,522,881	38,605,718	83,718,080	59,016,539	24,701,541
Retail portfolio	75% 35%	29,991,077 4,118,964	2,260,943 -	27,730,134 4,118,964	29,430,563 3,939,166	1,673,234 -	27,757,329 3,939,166
		34,110,041	2,260,943	31,849,098	33,369,729	1,673,234	31,696,495
Equity investments	- Listed - Unlisted - Commercial Entity (Holding greater than 10%)	1,751,122 141,247 55,872	- - -	1,751,122 141,247 55,872	2,715,213 148,329 52,846	- - -	2,715,213 148,329 52,846
		1,948,241	-	1,948,241	2,916,388	-	2,916,388
Past due loans secured against mortgage of residential property:							
- less than 20% provided	100%	25,075	-	25,075	37,216	-	37,216
- greater than 20% provided	50%	88,074	-	88,074	152,320	-	152,320
		113,149	-	113,149	189,536	-	189,536
Past due loans - others							
- Less than 20% provided	150%	8,714,912	-	8,714,912	11,478,633	-	11,478,633
- Between 20% to 50% provided	100%	3,426,454	-	3,426,454	4,259,661	-	4,259,661
- More than 50% provided	50%	1,773,010	-	1,773,010	1,282,292	-	1,282,292
		13,914,376	-	13,914,376	17,020,586	-	17,020,586
Significant investment and deferred tax asset (greater than 15 % threshold)	250%	654,403	-	654,403	281,864	-	281,864
Fixed assets	100%	35,577,215	-	35,577,215	32,112,055	-	32,112,055
Others		10,329,802	-	10,329,802	13,139,000	-	13,139,000
		1,279,337,503	248,734,451	1,030,603,052	986,162,454	142,748,913	843,413,541

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.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
43.9 Leverage Ratio

The State Bank of Pakistan (SBP) through its BPRD Circular No. 06 of 2013 has issued instructions regarding implementation of parallel run of leverage ratio reporting and its components from December 31, 2013 to December 31, 2017. During this period the final calibration, and any further adjustments to the definition, will be completed, with a view to set the leverage ratio as a separate capital standard on December 31, 2018. Banks are required to disclose the leverage ratio from December 31, 2015.

The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as a percentage:

$$\text{Leverage Ratio} = \frac{\text{Tier 1 capital (after related deductions)}}{\text{Total Exposure}}$$

As at December 31, 2015 the Group's Leverage ratio stood at 5.13% which is well above the minimum requirement of 3.0%

	2015	2014
	-- (Rupees in '000) --	
On-Balance Sheet Assets		
Cash and balances with treasury banks	113,762,323	75,660,306
Balances with other banks	27,713,772	21,948,274
Lendings to financial institutions	31,304,861	23,435,222
Investments	745,906,461	515,349,795
Advances	486,608,023	466,590,466
Operating fixed assets	35,577,215	32,112,057
Deferred tax assets	-	-
Financial Derivatives (A.1)	1,025,180	2,114,084
Other assets	40,994,589	39,416,000
Total Assets (A)	1,482,892,424	1,176,626,204
Derivatives (On-Balance Sheet)		
Interest Rate	305,341	178,197
Equity	-	-
Foreign Exchange & gold	719,840	1,935,887
Precious Metals (except gold)	-	-
Commodities	-	-
Credit Derivatives (protection brought & sold)	-	-
Any other derivatives	-	-
Total Derivatives (A.1)	1,025,181	2,114,084
Off-Balance Sheet Items excluding derivatives		
Direct Credit Substitutes (i.e. Acceptances, general guarantees for indebtedness etc.)	35,042,364	37,244,800
Performance-related Contingent Liabilities (i.e. Guarantees)	108,443,418	125,916,728
Trade-related Contingent Liabilities (i.e. Letter of Credits)	127,720,917	121,090,824
Lending of securities or posting of securities as collaterals	122,771,194	21,269,642
Undrawn committed facilities (which are not cancellable)	19,419,745	3,065,388
Unconditionally cancellable commitments	9,900,613	5,391,934
Commitments in respect of operating leases	-	-
Commitments for the acquisition of operating fixed assets	2,411,095	1,874,447
Other commitments	-	-
Total Off-Balance Sheet Items excluding Derivatives (B)	425,709,346	315,853,763
Commitments in respect of Derivatives - Off Balance Sheet Items (Derivatives having negative fair value are also included)		
Interest Rate	52,311	22,559
Equity	-	-
Foreign Exchange & gold	2,324,347	2,270,114
Precious Metals (except gold)	-	-
Commodities*	-	-
Credit Derivatives (protection sold and bought)*	-	-
Other derivatives*	-	-
Total Derivatives (C)	2,376,658	2,292,673
Tier-1 Capital	97,971,228	84,762,767
Total Exposures (sum of A,B and C)	1,910,978,428	1,494,772,640
Leverage Ratio	5.13%	5.67%

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
44. 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 and Compliance Committee (BRCC) 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 BRCC / 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 BRCC / 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 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.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
44.2 Segmental information
44.2.1 Segments by class of business

	2015					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	8,531,555	1.61%	18,533,883	1.65%	2,781,854	0.34%
Agri business	49,398,812	9.32%	53,608,830	4.79%	3,394,225	0.42%
Textile spinning	13,635,372	2.57%	1,882,097	0.17%	1,941,634	0.24%
Textile weaving	2,657,452	0.50%	10,566,903	0.94%	66,993	0.01%
Textile composite	20,584,394	3.88%	3,249,174	0.29%	1,073,990	0.13%
Textile others	19,661,415	3.71%	2,375,443	0.21%	4,165,349	0.51%
Cement	2,398,171	0.45%	8,808,436	0.79%	568,026	0.07%
Sugar	3,292,770	0.62%	5,930,322	0.53%	62,392	0.01%
Shoes and leather garments	1,918,259	0.36%	2,009,101	0.18%	496,157	0.06%
Automobile and transportation equipment	11,393,035	2.15%	7,986,088	0.71%	4,192,310	0.52%
Financial	30,808,904	5.81%	21,098,066	1.88%	565,343,210	69.83%
Insurance	-	0.00%	29,459,232	2.63%	155,132	0.02%
Electronics and electrical appliances	8,867,956	1.67%	8,965,482	0.80%	3,508,389	0.43%
Production and transmission of energy	113,321,701	21.38%	73,861,877	6.60%	64,298,257	7.94%
Paper and allied	2,646,245	0.50%	1,424,634	0.13%	2,386,791	0.29%
Surgical and metal	286,139	0.05%	2,227,804	0.20%	328,553	0.04%
Contractors	12,783,190	2.41%	25,619,732	2.29%	16,520,940	2.04%
Wholesale traders	28,067,454	5.30%	57,195,015	5.11%	4,948,989	0.61%
Fertilizer dealers	6,959,049	1.31%	8,490,718	0.76%	5,359,621	0.66%
Sports goods	53,829	0.01%	4,039,204	0.36%	229,470	0.03%
Food industries	21,400,575	4.04%	7,787,627	0.70%	701,813	0.09%
Airlines	15,848,181	2.99%	4,093,887	0.37%	479,906	0.06%
Cables	1,065,319	0.20%	94,637	0.01%	233,784	0.03%
Construction	20,894,566	3.94%	23,136,023	2.07%	19,292,874	2.38%
Containers and ports	-	0.00%	8,903,704	0.80%	1,935,125	0.24%
Engineering	6,637,007	1.25%	1,708,448	0.15%	14,034,023	1.73%
Glass and allied	344,269	0.06%	898,023	0.08%	236,136	0.03%
Hotels	2,947,094	0.56%	5,826,811	0.52%	3,061,702	0.38%
Infrastructure	2,601,563	0.49%	121,917,957	10.89%	83,404	0.01%
Media	359,385	0.07%	878,011	0.08%	60,509	0.01%
Polyester and fiber	6,034,982	1.14%	57,749	0.01%	1,064,275	0.13%
Telecommunication	12,783,646	2.41%	1,535,997	0.14%	18,461,427	2.28%
Individuals	64,599,561	12.19%	441,968,349	39.46%	4,820,071	0.60%
Others	37,132,759	7.05%	153,813,800	13.70%	63,287,970	7.83%
	529,914,609	100.00%	1,119,953,064	100.00%	809,575,301	100.00%

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	2014					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	6,580,613	1.28%	17,495,393	1.84%	6,023,366	0.88%
Agri business	56,121,545	10.91%	47,434,593	4.98%	3,051,752	0.45%
Textile spinning	21,293,765	4.14%	1,682,451	0.18%	1,545,559	0.23%
Textile weaving	2,810,593	0.55%	9,446,002	0.99%	666,421	0.10%
Textile composite	23,745,030	4.62%	2,904,513	0.31%	542,549	0.08%
Textile others	16,384,155	3.19%	1,923,925	0.20%	4,384,158	0.64%
Cement	3,318,490	0.65%	7,998,506	0.84%	1,170,584	0.17%
Sugar	4,740,778	0.92%	5,293,496	0.56%	531,370	0.08%
Shoes and leather garments	1,944,881	0.38%	1,761,525	0.19%	250,882	0.04%
Automobile and transportation equipment	12,735,439	2.48%	5,393,607	0.57%	4,644,480	0.68%
Financial	26,971,158	5.24%	22,570,721	2.37%	448,927,642	65.61%
Insurance	-	0.00%	25,466,768	2.68%	33,723	0.00%
Electronics and electrical appliances	8,103,835	1.58%	3,268,066	0.34%	1,819,627	0.27%
Production and transmission of energy	97,419,651	18.94%	63,579,867	6.68%	56,213,255	8.22%
Paper and allied	3,532,041	0.69%	1,247,831	0.13%	2,770,809	0.40%
Surgical and metal	986,166	0.19%	1,905,729	0.20%	244,655	0.04%
Contractors	6,198,325	1.21%	24,661,070	2.59%	28,991,154	4.24%
Wholesale traders	23,737,158	4.62%	48,104,768	5.05%	2,679,627	0.39%
Fertilizer dealers	7,407,635	1.44%	7,539,396	0.79%	3,829,768	0.56%
Sports goods	52,815	0.01%	3,610,739	0.38%	146,024	0.02%
Food industries	21,121,920	4.11%	7,020,027	0.74%	4,373,172	0.64%
Airlines	7,646,882	1.49%	4,706,470	0.49%	174,471	0.03%
Cables	1,551,866	0.30%	84,598	0.01%	292,292	0.04%
Construction	24,991,463	4.86%	19,839,687	2.08%	11,200,839	1.64%
Containers and ports	-	0.00%	8,073,652	0.85%	4,186,920	0.61%
Engineering	4,335,100	0.84%	1,801,998	0.19%	4,127,252	0.60%
Glass and allied	89,038	0.02%	806,575	0.08%	254,858	0.04%
Hotels	4,043,568	0.79%	5,718,856	0.60%	46,252	0.01%
Infrastructure	-	0.00%	20,111,123	2.11%	84,721	0.01%
Media	380,961	0.07%	794,028	0.08%	50	0.00%
Polyester and fiber	6,341,789	1.23%	90,370	0.01%	745,682	0.11%
Telecommunication	11,278,132	2.19%	7,307,598	0.77%	8,887,250	1.30%
Individuals	72,512,120	14.10%	468,434,928	49.21%	14,654,351	2.14%
Others	35,905,808	6.98%	103,823,420	10.91%	66,727,192	9.75%
	514,282,720	100.00%	951,902,296	100.00%	684,222,707	100.00%

44.2.2 Segment by sector

	2015					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	136,660,276	25.79%	126,568,746	11.30%	53,004,687	6.55%
Private	393,254,333	74.21%	993,384,318	88.70%	756,570,614	93.45%
	529,914,609	100.00%	1,119,953,064	100.00%	809,575,301	100.00%

	2014					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	125,392,226	24.38%	62,828,908	6.60%	77,186,416	11.28%
Private	388,890,494	75.62%	889,073,388	93.40%	607,036,291	88.72%
	514,282,720	100.00%	951,902,296	100.00%	684,222,707	100.00%

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

	2015		2014	
	Classified advances	Specific provision	Classified advances	Specific provision
----- (Rupees in '000) -----				
Chemical and pharmaceuticals	504,257	398,238	375,805	355,821
Agri business	415,651	328,849	1,104,812	879,015
Textile spinning	5,001,480	5,142,833	5,081,205	4,898,555
Textile weaving	536,323	536,323	722,250	675,355
Textile composite	4,239,761	4,019,343	4,927,250	4,789,418
Textile others	3,802,417	3,668,376	3,631,113	3,204,902
Sugar	87,798	44,585	31,832	31,832
Shoes and leather garments	688,402	688,402	405,013	318,982
Automobile and transportation equipment	649,390	646,738	720,139	663,765
Financial	1,884,031	1,863,981	2,682,547	1,734,089
Electronics and electrical appliances	276,224	202,510	175,088	175,088
Production and transmission of energy	6,853,347	4,069,380	6,984,140	3,884,756
Paper and allied	164,508	164,508	169,396	152,996
Wholesale traders	1,763,994	1,392,703	1,624,445	1,471,673
Fertilizer dealers	74,814	74,814	69,814	69,814
Sports goods	23,834	23,834	24,820	24,327
Food industries	921,899	783,239	841,627	758,986
Construction	3,604,270	3,339,694	3,798,502	3,387,713
Engineering	2,764,923	1,053,889	2,884,198	1,073,071
Hotels	475,494	475,494	485,993	485,993
Polyester and fiber	2,249,901	2,249,902	2,258,718	2,252,519
Individuals	7,412,568	4,613,210	13,297,188	10,503,589
Others	3,676,944	2,662,340	4,809,582	3,026,806
	<u>48,072,230</u>	<u>38,443,185</u>	<u>57,105,477</u>	<u>44,819,065</u>

44.2.4 Details of non performing advances and specific provision by sector

	2015		2014	
	Classified advances	Specific provision	Classified advances	Specific provision
----- (Rupees in '000) -----				
Public / Government	1,089,630	22,313	1,089,630	22,313
Private	46,982,600	38,420,872	56,015,847	44,796,752
	<u>48,072,230</u>	<u>38,443,185</u>	<u>57,105,477</u>	<u>44,819,065</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
44.2.5 Geographical segment analysis

	2015			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- (Rupees in '000) -----			
Pakistan operations	37,539,012	1,144,301,810	97,150,148	661,243,144
Middle East	4,136,015	284,197,137	39,156,824	87,984,936
United States of America	74,433	7,172,640	2,426,167	1,685
Karachi Export Processing Zone	55,701	1,514,484	462,099	133,093
Europe	1,626,673	88,322,461	15,311,875	96,864,113
Africa	15,492	5,075,491	1,091,936	160,223
	5,908,314	386,282,213	58,448,901	185,144,050
	<u>43,447,326</u>	<u>1,530,584,023</u>	<u>155,599,049</u>	<u>846,387,194</u>
	----- (Rupees in '000) -----			
	2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- (Rupees in '000) -----			
Pakistan operations	29,296,442	887,896,331	85,831,329	358,766,260
Middle East	5,032,816	248,206,439	34,514,136	262,148,111
United States of America	119,840	4,228,299	2,260,843	1,616
Karachi Export Processing Zone	44,893	1,725,662	405,435	153,463
Europe	1,121,026	74,105,677	13,205,389	74,529,621
Africa	1,297	4,299,254	1,287,479	126,369
	6,319,872	332,565,331	51,673,282	336,959,180
	<u>35,616,314</u>	<u>1,220,461,662</u>	<u>137,504,611</u>	<u>695,725,440</u>

Total assets employed include intra group items of Rs. 44,397.210 million (2014: Rs. 38,008.549 million).

Contingencies and commitments include intra group items of Rs. 36,811.893 million (2014: Rs. 11,502.733 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 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.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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 BRCC.
- To develop, review and upgrade procedures for the effective implementation of market risk management policies approved by the BoD and BRCC.
- 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

	2015			
	Assets	Liabilities	Off - balance sheet items	Net currency exposure
	----- (Rupees in '000) -----			
Pakistan Rupee	1,086,485,745	927,564,758	(13,693,395)	145,227,592
US Dollar	221,805,393	140,021,016	(79,146,634)	2,637,743
Pound Sterling	27,400,952	35,706,452	16,858,173	8,552,673
Japanese Yen	17,156	119,513	114,008	11,651
Euro	5,464,379	16,157,094	10,964,695	271,980
UAE Dirham	95,064,349	140,645,471	45,705,786	124,664
Bahraini Dinar	12,376,067	23,707,222	11,256,095	(75,060)
Qatari Riyal	21,491,162	28,378,483	6,331,700	(555,621)
Other Currencies	16,081,610	18,287,755	1,609,572	(596,573)
	<u>1,486,186,813</u>	<u>1,330,587,764</u>	<u>-</u>	<u>155,599,049</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	2014			
	Assets	Liabilities	Off - balance sheet items	Net currency exposure
	----- (Rupees in '000) -----			
Pakistan Rupee	847,564,520	692,982,597	(29,545,023)	125,036,900
US Dollar	176,010,909	116,172,171	(58,549,194)	1,289,544
Pound Sterling	24,022,774	32,054,011	15,629,405	7,598,168
Japanese Yen	32,647	6,800	(20,544)	5,303
Euro	4,025,339	10,325,245	6,817,515	517,609
UAE Dirham	80,651,796	127,066,336	46,556,261	141,721
Bahrain Dinar	11,389,051	22,135,650	10,730,757	(15,842)
Qatari Riyal	18,314,010	22,671,952	4,419,780	61,838
Other Currencies	20,442,067	21,533,740	3,961,043	2,869,370
	<u>1,182,453,113</u>	<u>1,044,948,502</u>	<u>-</u>	<u>137,504,611</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 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.

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 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.

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 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
FOR THE YEAR ENDED DECEMBER 31, 2015**
44.3.4 Mismatch of interest rate sensitive assets and liabilities

Effective yield / interest rate	Total	2015									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												
Cash and balances with treasury banks	0.00%	113,762,323	8,834,266	-	-	-	-	-	-	-	-	104,928,057
Balances with other banks	0.98%	27,713,772	5,600,552	5,526,459	2,683,512	467,354	27,089	-	-	-	-	13,408,806
Lendings to financial institutions	4.92%	31,304,861	9,715,542	2,803,531	2,348,618	10,093,833	2,515,008	2,656,053	356,050	816,226	-	-
Investments	9.41%	747,598,627	60,200,970	39,558,548	30,395,317	101,998,043	60,973,380	132,696,766	119,922,011	161,697,153	3,633,728	36,522,711
Advances	7.74%											
Performing		477,649,098	112,201,744	277,141,941	48,419,101	8,345,441	6,358,614	6,418,235	4,373,215	11,095,080	2,969,767	325,960
Non-performing		9,629,045	-	-	-	-	-	-	-	-	-	9,629,045
Other assets	0.00%	30,979,796	-	-	-	-	-	-	-	-	-	30,979,796
		1,438,637,522	196,553,074	325,030,479	83,846,548	120,904,671	69,874,091	141,771,054	124,651,276	173,608,459	6,603,495	195,794,375
Liabilities												
Bills payable	0.00%	13,395,744	1,437	-	-	-	-	-	-	-	-	13,394,307
Borrowings	5.93%	164,232,087	125,539,254	16,775,891	5,681,863	8,278,403	444,576	321,950	1,102,800	5,502,848	-	584,502
Deposits and other accounts	3.11%	1,119,953,064	478,108,746	88,963,511	54,937,784	29,420,641	18,122,440	12,446,788	22,361,581	5,813,469	291,123	409,486,981
Subordinated loans		-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	12.39%	4,873	-	-	-	-	-	-	4,873	-	-	-
Other liabilities	0.00%	22,440,615	-	-	-	-	-	-	-	-	-	22,440,615
		1,320,026,383	603,649,437	105,739,402	60,619,647	37,699,044	18,567,016	12,768,738	23,469,254	11,316,317	291,123	445,906,405
On-balance sheet gap		118,611,139	(407,096,363)	219,291,077	23,226,901	83,205,627	51,307,075	129,002,316	101,182,022	162,292,142	6,312,372	(250,112,030)
Net non financial assets		36,987,910										
Total net assets		155,599,049										
Off-balance sheet financial instruments												
Interest Rate Derivatives - Long position		10,462,192	-	1,328,230	104,741	-	104,741	1,073,250	7,851,230	-	-	-
Interest Rate Derivatives - Short position		(10,462,192)	-	(1,924,480)	(7,104,741)	-	(104,741)	(477,000)	(851,230)	-	-	-
Cross Currency Swap - Long position		508,129	-	508,129	-	-	-	-	-	-	-	-
Cross Currency Swap - Short Position		(508,129)	-	(508,129)	-	-	-	-	-	-	-	-
FX Options - Long position		370,073	-	-	-	-	-	-	-	-	-	370,073
FX Options - Short position		(370,073)	-	-	-	-	-	-	-	-	-	(370,073)
Forward Purchase of Government Securities		-	-	-	-	-	-	-	-	-	-	-
Forward Sale of Government Securities		(10,483,778)	(10,483,778)	-	-	-	-	-	-	-	-	-
Foreign currency forward purchases		243,665,350	139,195,135	98,694,782	5,053,527	721,906	-	-	-	-	-	-
Foreign currency forward sales		(230,725,760)	(126,003,432)	(97,853,412)	(5,275,900)	(1,593,016)	-	-	-	-	-	-
Off-balance sheet Gap		2,455,812	2,707,925	245,120	(7,222,373)	(871,110)	-	596,250	7,000,000	-	-	-
Total Yield / Interest Rate Risk Sensitivity Gap		121,066,951	(404,388,438)	219,536,197	16,004,528	82,334,517	51,307,075	129,598,566	108,182,022	162,292,142	6,312,372	(250,112,030)
Cumulative Yield / Interest Rate Risk Sensitivity Gap			(404,388,438)	(184,852,241)	(168,847,713)	(86,513,196)	(35,206,121)	94,392,445	202,574,467	364,866,609	371,178,981	121,066,951

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Effective yield / interest rate	Total	2014									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												
Cash and balances with treasury banks	0.08%	75,660,306	8,051,610	-	-	-	-	-	-	-	-	67,608,696
Balances with other banks	0.27%	21,948,274	3,897,212	2,089,381	2,583,216	226,913	-	-	-	-	-	13,151,552
Lendings to financial institutions	5.79%	23,435,222	6,286,138	3,037,345	5,302,855	4,332,258	2,009,607	1,808,315	169,518	489,186	-	-
Investments	10.22%	519,602,007	27,596,922	44,705,693	18,059,288	27,273,602	119,606,372	53,593,367	86,231,587	104,764,255	2,743,104	35,027,817
Advances	8.87%											
Performing		455,078,880	93,525,541	265,854,106	56,956,767	15,085,837	6,032,492	4,290,413	7,181,027	3,314,771	2,837,926	-
Non-performing		12,286,412	-	-	-	-	-	-	-	-	-	12,286,412
Other assets	0.00%	28,967,790	-	-	-	-	-	-	-	-	-	28,967,790
		1,136,978,891	139,357,423	315,686,525	82,902,126	46,918,610	127,648,471	59,692,095	93,582,132	108,568,212	5,581,030	157,042,267
Liabilities												
Bills payable	0.00%	9,559,255	-	-	-	-	-	-	-	-	-	9,559,255
Borrowings	7.69%	53,248,526	26,574,435	15,856,450	4,001,628	57,401	181,945	449,330	2,963,588	2,860,607	-	303,142
Deposits and other accounts	3.93%	951,902,296	412,966,950	64,069,415	51,059,140	41,682,016	10,307,510	7,938,564	11,878,217	6,019,238	350,871	345,630,375
Subordinated loans	0.00%	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	13.47%	429	429	-	-	-	-	-	-	-	-	-
Other liabilities	0.00%	23,222,700	-	-	-	-	-	-	-	-	-	23,222,700
		1,037,933,206	439,541,814	79,925,865	55,060,768	41,739,417	10,489,455	8,387,894	14,841,805	8,879,845	350,871	378,715,472
On-balance sheet gap		99,045,685	(300,184,391)	235,760,660	27,841,358	5,179,193	117,159,016	51,304,201	78,740,327	99,688,367	5,230,159	(221,673,205)
Net non financial assets		38,458,926										
Total net assets		137,504,611										
Off-balance sheet financial instruments												
Interest Rate Derivatives - Long position		4,511,816	-	1,674,061	167,472	-	-	167,472	2,502,811	-	-	-
Interest Rate Derivatives - Short position		(4,511,816)	-	(2,502,811)	(167,472)	-	-	(167,472)	(1,674,061)	-	-	-
Cross Currency Swap - Long position		5,934,000	-	5,934,000	-	-	-	-	-	-	-	-
Cross Currency Swap - Short Position		(5,934,000)	-	(5,934,000)	-	-	-	-	-	-	-	-
FX Options - Long position		190,043	-	-	-	-	-	-	-	-	-	190,043
FX Options - Short position		(190,043)	-	-	-	-	-	-	-	-	-	(190,043)
Forward Purchase of Government Securities		1,329,394	-	-	-	-	101,878	-	-	1,227,516	-	-
Forward Sale of Government Securities		(906,201)	-	-	-	-	-	(51,873)	(106,102)	(748,226)	-	-
Foreign currency forward purchases		204,579,868	81,958,495	78,846,835	38,183,216	5,591,322	-	-	-	-	-	-
Foreign currency forward sales		(169,150,871)	(63,722,746)	(59,277,790)	(42,950,510)	(3,199,825)	-	-	-	-	-	-
Off-balance sheet Gap		35,852,190	18,235,749	18,740,295	(4,767,294)	2,391,497	101,878	(51,873)	722,648	479,290	-	-
Total Yield / Interest Rate Risk Sensitivity Gap		134,897,875	(281,948,642)	254,500,955	23,074,064	7,570,690	117,260,894	51,252,328	79,462,975	100,167,657	5,230,159	(221,673,205)
Cumulative Yield / Interest Rate Risk Sensitivity Gap			(281,948,642)	(27,447,687)	(4,373,623)	3,197,067	120,457,961	171,710,289	251,173,264	351,340,921	356,571,080	134,897,875

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
44.4 Liquidity Risk

Liquidity risk is the risk that the Group 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.

44.4.1 Maturities of assets and liabilities - based on working prepared by the Assets and Liabilities Management Committee (ALCO) of the Group

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.

	2015									
	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	113,762,323	70,274,730	2,658,880	2,605,808	3,772,243	5,247,683	4,026,689	6,385,408	13,446,385	5,344,497
Balances with other banks	27,713,772	21,939,365	2,596,452	2,683,512	467,354	27,089	-	-	-	-
Lendings to financial institutions	31,304,861	8,213,657	882,492	1,646,424	10,623,521	3,069,238	5,374,738	1,349,700	145,091	-
Investments	747,598,627	82,016,563	33,892,491	23,290,504	125,718,401	60,466,575	134,465,221	115,074,568	154,974,042	17,700,262
Advances - Performing	477,649,098	109,669,829	87,141,885	49,331,434	32,073,470	22,661,778	21,982,699	95,775,125	48,257,197	10,755,681
- Non-performing	9,629,045	-	-	-	-	-	-	-	-	9,629,045
Operating fixed assets	36,677,638	4,337,757	540,739	835,506	193,089	744,289	748,633	4,036,182	2,255,423	22,986,020
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	41,851,449	18,968,530	8,119,726	3,330,089	8,067,301	298,000	226,295	1,294,909	591,411	955,188
	1,486,186,813	315,420,431	135,832,665	83,723,277	180,915,379	92,514,652	166,824,275	223,915,892	219,669,549	67,370,693
Liabilities										
Bills payable	13,395,744	4,763,760	3,483,823	3,414,285	1,733,876	-	-	-	-	-
Borrowings	164,232,087	126,253,420	19,336,935	5,800,097	6,035,758	553,776	767,819	1,619,487	3,695,925	168,870
Deposits and other accounts	1,119,953,064	163,824,953	144,764,525	95,213,510	102,711,282	106,503,868	83,531,421	122,523,715	220,103,972	80,775,818
Subordinated loan	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	4,873	4,873	-	-	-	-	-	-	-	-
Deferred tax liability	4,515,165	343,836	-	-	1,042,832	1,042,833	1,042,831	1,042,833	-	-
Other liabilities	28,486,831	12,272,149	2,377,887	2,501,368	968,884	1,092,784	843,842	1,300,063	3,036,693	4,093,161
	1,330,587,764	307,462,991	169,963,170	106,929,260	112,492,632	109,193,261	86,185,913	126,486,098	226,836,590	85,037,849
Net assets	155,599,049	7,957,440	(34,130,505)	(23,205,983)	68,422,747	(16,678,609)	80,638,362	97,429,794	(7,167,041)	(17,667,156)
Represented by:										
Share capital	12,241,798									
Reserves	41,624,817									
Unappropriated profit	59,955,027									
Non-controlling interest	5,223,744									
Surplus on revaluation of assets	36,553,663									
	155,599,049									



NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

	2014									
	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	75,660,306	49,493,967	1,057,174	1,036,074	1,499,849	2,100,553	1,601,018	2,538,846	5,255,096	11,077,729
Balances with other banks	21,948,274	16,832,727	2,089,381	2,583,216	226,913	216,037	-	-	-	-
Lendings to financial institutions	23,435,222	6,286,249	2,969,159	4,302,200	3,362,033	2,642,941	2,599,982	613,952	658,706	-
Investments	519,602,007	45,810,830	36,214,984	10,227,063	49,661,816	121,928,985	52,934,162	80,360,074	105,158,154	17,305,939
Advances - Performing	455,078,880	82,569,353	107,891,355	61,168,671	29,039,356	20,607,063	23,667,983	70,078,044	46,898,625	13,158,430
- Non-performing	12,286,412	-	-	-	-	-	-	-	-	12,286,412
Operating fixed assets	33,335,646	3,173,832	557,877	623,892	291,665	622,503	1,074,104	3,372,236	1,814,284	21,805,253
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	41,106,366	16,521,174	10,549,647	2,305,285	7,569,556	175,308	319,659	1,480,878	907,554	1,277,305
	1,182,453,113	220,688,132	161,329,577	82,246,401	91,651,188	148,293,390	82,196,908	158,444,030	160,692,419	76,911,068
Liabilities										
Bills payable	9,559,255	2,901,145	2,119,635	2,077,326	2,461,149	-	-	-	-	-
Borrowings	53,248,526	24,842,690	15,464,540	5,935,516	949,594	849,715	736,174	1,983,025	2,487,272	-
Deposits and other accounts	951,902,296	153,495,234	104,158,217	68,376,112	81,977,837	71,921,755	49,042,576	74,218,864	128,406,862	220,304,839
Subordinated loan	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	429	429	-	-	-	-	-	-	-	-
Deferred tax liability	2,139,586	-	-	-	534,896	534,897	534,896	534,897	-	-
Other liabilities	28,098,410	15,288,858	4,010,768	873,468	1,295,430	275,543	192,057	661,606	2,173,374	3,327,306
	1,044,948,502	196,528,356	125,753,160	77,262,422	87,218,906	73,581,910	50,505,703	77,398,392	133,067,508	223,632,145
Net assets	137,504,611	24,159,776	35,576,417	4,983,979	4,432,282	74,711,480	31,691,205	81,045,638	27,624,911	(146,721,077)
Represented by:										
Share capital	12,241,798									
Reserves	37,286,088									
Unappropriated profit	52,507,655									
Non-controlling interest	4,553,250									
Surplus on revaluation of assets	30,915,820									
	<u>137,504,611</u>									

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
44.4.2 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 IFRS on the basis of contractual maturities, except for products that do not have a contractual maturity which are shown in the first bucket.

	2015									
	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	113,762,323	113,762,323	-	-	-	-	-	-	-	-
Balances with other banks	27,713,772	19,009,364	5,526,453	2,683,512	467,354	27,089	-	-	-	-
Lendings to financial institutions	31,304,861	8,213,657	882,492	1,646,424	10,623,521	3,313,338	5,130,638	1,349,700	145,091	-
Investments	747,598,627	91,958,090	35,424,662	24,522,950	101,969,651	61,873,972	136,795,582	122,094,334	167,604,244	5,355,142
Advances	487,278,143	110,858,557	87,141,885	49,331,434	31,183,594	22,362,925	21,982,699	95,775,125	48,257,197	20,384,727
Operating fixed assets	36,677,638	4,337,757	540,739	835,506	193,089	744,289	748,633	4,036,182	2,255,423	22,986,020
Deferred tax asset	-	-	-	-	-	-	-	-	-	-
Other assets	41,851,449	35,029,533	5,571,311	380,198	775,137	77,233	-	-	-	18,037
	1,486,186,813	383,169,281	135,087,542	79,400,024	145,212,346	88,398,846	164,657,552	223,255,341	218,261,955	48,743,926
Liabilities										
Bills payable	13,395,744	13,395,744	-	-	-	-	-	-	-	-
Borrowings	164,232,087	126,253,420	19,336,935	5,800,097	6,035,758	553,776	767,819	1,619,487	3,695,925	168,870
Deposits and other accounts	1,119,953,064	889,073,695	93,546,193	49,397,912	31,778,160	16,275,123	14,298,058	20,379,255	5,202,292	2,376
Subordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	4,873	4,873	-	-	-	-	-	-	-	-
Deferred tax liability - net	4,515,165	4,515,165	-	-	-	-	-	-	-	-
Other liabilities	28,486,831	25,008,253	319,467	8,943	3,705	-	-	-	-	3,146,463
	1,330,587,764	1,058,251,150	113,202,595	55,206,952	37,817,623	16,828,899	15,065,877	21,998,742	8,898,217	3,317,709
Net assets	155,599,049	(675,081,869)	21,884,947	24,193,072	107,394,723	71,569,947	149,591,675	201,256,599	209,363,738	45,426,217
Represented by:										
Share capital	12,241,798									
Reserves	41,624,817									
Unappropriated profit	59,955,027									
Non-controlling interest	5,223,744									
Surplus on revaluation of assets	36,553,663									
	155,599,049									

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
2014

	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) -----										
Cash and balances with treasury banks	75,660,306	75,660,306	-	-	-	-	-	-	-	-
Balances with other banks	21,948,274	17,048,764	2,089,381	2,583,216	226,913	-	-	-	-	-
Lendings to financial institutions	23,435,222	6,286,250	2,969,159	4,302,200	3,362,033	2,642,940	2,599,982	613,952	658,706	-
Investments	519,602,007	62,188,200	39,516,550	10,529,470	29,098,700	123,129,447	56,475,817	87,919,785	108,004,376	2,739,662
Advances	467,365,292	85,241,495	107,891,031	61,168,671	28,261,767	18,537,507	23,667,983	70,078,044	46,898,949	25,619,845
Operating fixed assets	33,335,646	3,351,105	557,878	623,892	291,665	622,503	1,074,104	3,305,476	1,814,284	21,694,739
Deferred tax asset	-	-	-	-	-	-	-	-	-	-
Other assets	41,106,366	40,813,249	96,285	119,578	-	-	-	77,254	-	-
	1,182,453,113	290,589,369	153,120,284	79,327,027	61,241,078	144,932,397	83,817,886	161,994,511	157,376,315	50,054,246

Liabilities

Bills payable	9,559,255	9,559,255	-	-	-	-	-	-	-	-
Borrowings	53,248,526	24,842,690	15,464,540	5,935,516	949,594	849,715	736,174	1,983,025	2,487,272	-
Deposits and other accounts	951,902,296	781,135,044	66,469,485	34,705,475	36,625,127	11,927,081	5,413,391	10,719,034	4,898,458	9,201
Subordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	429	429	-	-	-	-	-	-	-	-
Deferred tax liability - net	2,139,586	2,139,586	-	-	-	-	-	-	-	-
Other liabilities	28,098,410	24,063,882	38,175	337,419	-	-	-	-	578,900	3,080,034
	1,044,948,502	841,740,886	81,972,200	40,978,410	37,574,721	12,776,796	6,149,565	12,702,059	7,964,630	3,089,235
Net assets	137,504,611	(551,151,517)	71,148,084	38,348,617	23,666,357	132,155,601	77,668,321	149,292,452	149,411,685	46,965,011

Represented by:

Share capital	12,241,798
Reserves	37,286,088
Unappropriated profit	52,507,655
Non-controlling interest	4,553,250
Surplus on revaluation of assets	30,915,820
	<u>137,504,611</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
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. New products, systems, activities and processes, are subject to comprehensive operational risk assessments, before implementation.

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 41 (2014: 24) Islamic Banking Branches and 141 (2014: 81) Islamic Banking windows.

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

	Note	2015 ----- (Rupees in '000) -----	2014
ASSETS			
Cash and balances with treasury banks		1,646,846	1,105,791
Balances with other banks		3,213,299	388,594
Due from financial institutions	45.1	6,691,120	-
Investments		11,856,223	8,078,202
Islamic financing and related assets	45.2	7,070,382	6,656,812
Operating fixed assets		151,283	99,954
Due from Head Office		2,146,205	2,503,182
Other assets		160,736	154,874
Total Assets		32,936,094	18,987,409
LIABILITIES			
Bills payable		197,090	112,626
Deposits and other accounts			
Current accounts - non remunerative		5,431,588	2,345,427
Current accounts - remunerative		1,870,337	1,001,301
Saving accounts		2,904,770	1,330,333
Term deposits		1,392,031	1,061,485
Deposits from financial institutions - remunerative		19,457,452	12,120,720
Deposits from financial institutions - non remunerative		30,007	32
		31,086,185	17,859,298
Due to Head Office		-	-
Other liabilities		452,259	179,808
		<u>31,735,534</u>	<u>18,151,732</u>
NET ASSETS		<u>1,200,560</u>	<u>835,677</u>
REPRESENTED BY			
Islamic Banking Fund		1,681,000	1,181,000
Accumulated losses		<u>(532,990)</u>	<u>(276,733)</u>
		1,148,010	904,267
Surplus / (deficit) on revaluation of assets		<u>52,550</u>	<u>(68,590)</u>
		<u>1,200,560</u>	<u>835,677</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

	2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
Return earned	1,647,780	1,240,924
Return expensed	1,283,399	899,786
	<u>364,381</u>	<u>341,138</u>
Provision against loans and advances - net	13,378	4,663
Charge for diminution in value of investments - net (Reversal) / charge against assets given on Ijarah	- (1,274)	10,192 12,364
	<u>12,104</u>	<u>27,219</u>
Net return after provisions	352,277	313,919
Other Income		
Fee, commission and brokerage income	22,762	26,076
Dividend income	-	9,062
(Loss) / income from dealing in foreign currencies	11,336	(5,012)
Gain on sale of securities - net	16,157	3,882
Other income	3,757	32,305
Total other income	<u>54,012</u>	<u>66,313</u>
	406,289	380,232
Other Expenses		
Administrative expenses	662,509	499,795
Other provisions - net	37	491
Total other expenses	<u>662,546</u>	<u>500,286</u>
Loss for the year	(256,257)	(120,054)
Accumulated losses brought forward	(276,733)	(156,679)
Accumulated losses carried forward	<u>(532,990)</u>	<u>(276,733)</u>
Remuneration to Shariah Board and Advisor	<u>3,295</u>	<u>1,231</u>

45.1 This represents Bai Muajjal agreement entered into with Ministry of Finance, Government of Pakistan through SBP, whereby the Bank sold sukuks having carrying value of Rs. 5,086.091 million on deferred payment basis. The average return on these transactions is 5.995% per annum. The balances are due to mature by November 2016.

45.2 Islamic financing and related assets

	2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
Financings		
Murabaha	259,138	230,260
Ijarah	695,380	706,341
Diminishing Musharaka	6,077,784	4,801,540
Provision against financings	(49,430)	(36,052)
	<u>6,982,872</u>	<u>5,702,089</u>
Advances		
Advances and receivables against Ijarah	38,117	124,731
Advances for Diminishing Musharaka	8,082	4,500
Advances for Murabaha	27,598	834,246
Provision against advances for Murabaha	(17,498)	(17,498)
	<u>56,299</u>	<u>945,979</u>
Profit receivable against financings	31,211	8,744
	<u>7,070,382</u>	<u>6,656,812</u>

45.3 Charity Fund

Opening balance	5,102	338
Addition during the year	2,240	4,764
Payments during the year	(5,000)	-
Closing balance	<u>2,342</u>	<u>5,102</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
45.4 Disclosures for profit and loss distribution and pool management

During 2015, UBL Ameen (the Mudarib) maintained following 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 consolidated 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.

Special Pool(s)

Separate pool(s) are created where the customers desire to invest in high yield assets. These pool(s) rates are higher than the general pool depending on the assets. In case of loss in special pool, the loss will be borne by the Special pool members. 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.

Treasury Pool(s)

Treasury Pools are managed on the basis of Musharakah/Mudarabah, wherein UBL Ameen and Financial Institutions share actual return earned by the pool according to pre-defined profit sharing ratio.

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 all 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, 2015 is Rs. 407.140 million (28.7% of distributable profit). Of this, an amount of Rs. 271.115 million (66.6% of Mudarib share) was distributed back to depositors as Hiba. The rate of profit earned on average earning assets was 7.7% per annum and the rate of profit paid on average deposits was 5.1% per annum.

Deployment of Mudaraba based deposits by class of business	2015	2014
	----- (Rupees in '000) -----	
Chemical and pharmaceuticals	665,712	130,011
Agri business	833,043	-
Textile	3,030,148	4,003,800
Sugar	70,175	72,738
Financial	10,728,270	425,000
Food industries	288,707	291,784
Engineering	320,229	84,998
Glass and allied	-	482,261
Hotel	8,632	14,327
Plastic	106,876	138,008
Individuals	194,845	218,247
Production and Transmission of energy	4,273,464	1,608,469
Government of Pakistan Sukuks	7,867,800	7,202,661
Others	159,832	62,710
	<u>28,547,733</u>	<u>14,735,014</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
46 YEMEN OPERATIONS

Resulting from the war that broke out in March 2015, the economic condition in Yemen has remained turbulent during the year ended 31st December 2015. This war has resulted in negatively impacting country's economic and business activities. UBL managed to evacuate all expatriate staff from country and is operating from Business Continuity Site (BCP) set up in Karachi, Pakistan. Out of the 3 branches in Yemen, UBL is currently operating with 2 branches operating in Sana'a and Hodeida under close supervision of executives at the BCP office, Karachi. The Branch in Aden is closed due to restricted access in the premises however all the customers of this branch are being dealt with from other branches that are operational.

Ever since the war started risk is being managed very prudently and the bank has been able to reduce its clean exposure substantially and plans to continue doing so till the situation normalizes. The bank has not suffered any significant loss which is not accounted for in these financial statements as at 31st December 2015. However, considering the uncertainty prevailing due to the ongoing war it is highly subjective to assess the impact of any future deterioration which may impact operations going forward.

The bank is following a clear short term strategy of reducing risk exposures and maintaining sovereign risk investments. This is further supported by structure of Yemen's balance sheet, where entire local currency liquidity and capital is invested in government treasury bills and the bank is operating with a healthy capital adequacy ratio, more than the requirement set by the local banking regulator.

To support the team in branches, the Camp Office situated in Karachi, Pakistan is in continuous coordination with the team in Yemen to ensure that they are provided unstinted support and assistance whenever required. The Central Bank of Yemen continues to operate and provide support to the banking industry in these turbulent times.

The management is of the view that as such there is no issue of going concern on the UBL Yemen operations.

47. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on February 17, 2016 has proposed a cash dividend in respect of 2015 of Rs. 4 per share (2014: Rs.4 per share). In addition, the Directors have also announced a bonus issue of nil (2014: nil). These appropriations will be approved in the forthcoming Annual General Meeting. The consolidated financial statements for the year ended December 31, 2015 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2016.

48. DATE OF AUTHORIZATION

These financial statements were authorized for issue on February 17, 2016 by the Board of Directors of the Bank.

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. No major reclassifications were made during the year.

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

Wajahat Husain
President &
Chief Executive Officer

Amin Uddin
Director

Zameer Mohammed Choudrey
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Chairman



Annexure 'A' as referred to in note 9.7 of the Bank's consolidated financial statements

1) Particulars of investments held in listed companies and Modarbas

Investee	Number of shares / certificates held	Paid up value per share / certificate (Rupees)	Total paid up value (Rupees in '000)	Cost
<u>Held for trading securities</u>				
Investments in ordinary shares				
Lucky Cement Limited	39,800	10.00	398	19,234
<u>Available for sale securities</u>				
Investments in ordinary shares				
Agritech Limited	14,087,108	10.00	140,871	493,049
Aisha Steel Mills Limited	6,104,000	10.00	61,040	65,598
Bank Al Habib Limited	8,000,000	10.00	80,000	383,990
Bank Alfalah Limited	18,800,000	10.00	188,000	604,997
DP World	6,926	2,009.66	13,919	18,857
Engro Corporation Limited	1,900,000	10.00	19,000	592,019
Engro Fertilizers Limited	5,919,000	10.00	59,190	545,430
Fatima Fertilizer Company Limited	22,400,000	10.00	224,000	569,358
Fauji Cement Limited	12,500,000	10.00	125,000	435,489
Fauji Fertilizer Company Limited	17,750,000	10.00	177,500	1,996,503
Fauji Fertilizer Bin Qasim Limited	46,699,000	10.00	466,990	1,894,542
Ghani Gases Limited	3,711,500	10.00	37,115	139,120
Ghani Global Glass Limited	2,498,000	10.00	24,980	59,541
Gharibwal Cement Limited	6,500,000	10.00	65,000	309,025
Hub Power Company Limited	38,189,500	10.00	381,895	1,819,518
Hum Network Limited	6,000,000	10.00	60,000	97,278
Indus Dyeing Manufacturing Company Limited	486,000	10.00	4,860	534,649
Ittehad Chemicals Limited	3,248,000	10.00	32,480	165,296
K-Electric Limited	8,500,000	10.00	85,000	55,575
Kohinoor Spinning Mills Limited	6,490,000	10.00	64,900	112,202
Kohinoor Textile Mills Limited	400,000	10.00	4,000	28,672
Kot Addu Power Company Limited	79,422,000	10.00	794,220	3,688,420
National Bank of Pakistan Limited	8,500,000	10.00	85,000	523,584
Nishat Chunian Power Limited	28,506,500	10.00	285,065	543,792
Oil & Gas Development Company Limited	3,500,000	10.00	35,000	593,908
Pakistan Telecommunication Company Limited	23,431,000	10.00	234,310	637,304
Pak Oilfields Limited	1,070,000	10.00	10,700	393,498
Pakistan Petroleum Limited	3,175,000	10.00	31,750	574,407
Pioneer Cement Limited	162,500	10.00	1,625	12,996
Pakistan State Oil Limited	1,450,000	10.00	14,500	525,858
Saif Power Limited	6,600,000	10.00	66,000	229,836
Soneri Bank Limited	33,377,500	10.00	333,775	505,061
Sui Northern Gas Company Limited	5,000,000	10.00	50,000	161,177
PICIC Growth Fund	600	10.00	6	10
1st Fidelity Leasing Modaraba	997	10.00	10	26
				19,310,585
Investments in Real Estate Investment Trust				
Dolmen City REIT	41,690,000	10.00	416,900	458,590
Investments in preference shares				
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	3,515	336,432	336,432
				434,765

Annexure 'A' as referred to in note 9.7 of the Bank's consolidated financial statements
2) Particulars of investments held in unlisted companies

Investee	Percentage of holding (%)	Number of shares / certificates held	Break-up value per share	Paid up value per share	Cost	Based on audited accounts as at	Name of Chief Executive
			Rupees	Rupees			
Shareholding more than 10%							
Pakistan Agricultural Storage & Services Corporation Limited	18.3%	5,500	135,380	1,000	5,500	31-Mar-15	Capt (R) Tariq Masud
World Bridge Connect Inc.	18.1%	1,979,295	-	-	77,606	Not available	Not available
Cinepax Limited	14.6%	5,037,200	11	10	50,372	30-Jun-14	Hashim Raza
Shareholding upto 10%							
First Women Bank Limited	3.1%	7,698,441	9	10	21,100	31-Dec-14	Ms. Tahira Raza
National Institutional Facilitation Technologies (Pvt.) Limited	4.5%	2,266,607	18	10	1,527	30-Jun-15	M. M. Khan
National Investment Trust Limited	8.3%	79,200	12,183	100	100	30-Jun-15	Manzoor Ahmed
News-VIS Credit Information Services (Pvt.) Limited	4.7%	32,500	-	10	325	30-Jun-15	Faheem Ahmad
Techlogix International Limited	4.4%	4,455,829	3	0	50,702	31-Dec-14	Mr. 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	2	10	26,950	31-Dec-14	Ihsan ul Haq Khan
SWIFT	0.0%	25	330,263	14,304	2,905	31-Dec-13	Gottfried Leibbrandt
MasterCard Incorporated	0.0%	461	596	0	0	31-Dec-14	Ajay Banga
The Benefit Company B.S.C	0.4%	216	-	27,938	2,222	31-Dec-13	Abdul Wahid Janahi
Tri Star Shipping Company	0.0%	15,000	-	-	250	Not available	Not available
					243,337		

Annexure 'A' as referred to in note 9.7 of the Bank's consolidated financial statements
3) Particulars of bonds

Investee	Terms of Redemption		Rate of Interest/Profit	Outstanding Amount (Rupees in '000)
	Principal	Interest/Profit		
Held for trading				
Sukuks				
Maple Leaf Cement Limited	Bi-annually	Bi-annually	3M KIBOR + 100 bps	10,284
Available for sale securities				
Government of Pakistan Sukuk				
Government of Pakistan Ijarah Sukuk - XIV	Maturity	Bi-annually	Cut off yield of 6M T-Bills minus 30 bps	3,406,250
Government of Pakistan Ijarah Sukuk - XV	Maturity	Bi-annually	Cut off yield of 6M T-Bills minus 200 bps	409,000
Government of Pakistan Ijarah Sukuk - XVI	Maturity	Bi-annually	Cut off yield of 6M T-Bills minus 50 bps	4,000,000
Islamic Republic of Pakistan 2019 - Sukuk	Maturity	Bi-annually	6.750%	2,094,264
				9,909,514
Government of Pakistan - Eurobonds				
Islamic Republic of Pakistan - 2016 - Eurobond	At Maturity	Bi-annually	7.125%	607,974
Islamic Republic of Pakistan - 2017 - Eurobond	At Maturity	Bi-annually	6.875%	5,533,237
Islamic Republic of Pakistan - 2019 - Eurobond	At Maturity	Bi-annually	7.250%	2,432,050
Islamic Republic of Pakistan - 2024 - Eurobond	At Maturity	Bi-annually	8.250%	7,078,317
Islamic Republic of Pakistan - 2025 - Eurobond	At Maturity	Bi-annually	8.250%	523,566
				16,175,144
Foreign bonds - sovereign				
Angola 2019	At Maturity	Quarterly	7.000%	673,596
Arab Republic of Egypt 2020	At Maturity	Bi-annually	5.750%	209,034
Government of Dubai Bond 2020	At Maturity	Bi-annually	7.750%	1,646,807
Government of Dubai Bond 2022	At Maturity	Bi-annually	6.450%	1,427,145
Indonesia 2020	At Maturity	Bi-annually	3.750%	417,554
Kingdom of Bahrain Bond 2020	At Maturity	Bi-annually	5.500%	1,218,055
Kingdom of Bahrain Bond 2026	At Maturity	Bi-annually	7.000%	521,940
Kingdom of Jordan 2026	At Maturity	Bi-annually	6.125%	157,036
Republic of Ghana 2017	At Maturity	Bi-annually	8.500%	743,757
Republic of Kenya	At Maturity	Bi-annually	5.875%	765,936
Republic of Nigeria 2023	At Maturity	Bi-annually	6.375%	1,041,033
Republic of Sri Lanka Bond 2020	At Maturity	Bi-annually	6.250%	1,041,954
Republic of Sri Lanka Bond 2021	At Maturity	Bi-annually	6.250%	831,145
Republic of Sri Lanka Bond 2022	At Maturity	Bi-annually	5.875%	1,296,617
Republic of Sri Lanka Bond 2025	At Maturity	Bi-annually	6.850%	840,740
Republic of Turkey	At Maturity	Bi-annually	6.250%	533,239
Repubic of Vietnam	At Maturity	Bi-annually	4.800%	313,782
State of Qatar Bond 2030	At Maturity	Bi-annually	9.750%	2,722,342
United Republic of Tanzania	At Maturity	Bi-annually	6.450%	1,540,053
Venezuela 2016	At Maturity	Bi-annually	5.750%	326,316
UK Government 2016	At Maturity	Bi-annually	2.000%	2,352,010
UK Government 2024	At Maturity	Bi-annually	2.750%	6,453,524
Arab Republic of Egypt 2025	At Maturity	Bi-annually	5.875%	280,187
Republic of Zambia	At Maturity	Bi-annually	5.375%	707,062
Kingdom of Bahrain Bond 2021	At Maturity	Bi-annually	5.875%	108,332
Republic of Sri Lanka Bond 2025	At Maturity	Bi-annually	6.125%	263,304
Mongolia International Bond 2022	At Maturity	Bi-annually	5.125%	308,550
Republic of Kenya 2024	At Maturity	Bi-annually	6.875%	767,597
Republic of Kenya 2019	At Maturity	Bi-annually	5.875%	851,486
African Bond 2016	At Maturity	Bi-annually	5.750%	889,280
Banco Nac De Desen Econo 2023	At Maturity	Bi-annually	5.750%	432,993
Banco Nac De Desen Econo 2016	At Maturity	Bi-annually	3.375%	326,839
US Bond 2025	At Maturity	Bi-annually	2.000%	205,579
Republic of South Africa	At Maturity	Bi-annually	5.500%	109,956
				32,324,780

Annexure 'A' as referred to in note 9.7 of the Bank's consolidated financial statements
3) Particulars of bonds

Investee	Terms of Redemption		Rate of Interest/Profit	Outstanding Amount
	Principal	Interest/Profit		
(Rupees in '000)				
Foreign bonds - others				
Bank of Ceylon 2017	At Maturity	Bi-annually	6.785%	505,418
CBQ Finance 2019	At Maturity	Bi-annually	7.500%	492,343
Dubai Electricity and Water Authority 2016	At Maturity	Bi-annually	6.375%	10,552
Dubai Electricity and Water Authority 2018	At Maturity	Bi-annually	3.000%	3,349,552
Dubai Electricity and Water Authority 2020	At Maturity	Quarterly	7.375%	2,713,773
EMAAR 2019	At Maturity	Bi-annually	6.400%	919,517
EMIRAT 2023	At Maturity	Bi-annually	3.875%	491,123
IPIC GMTN 2022	At Maturity	Bi-annually	5.500%	212,453
Jebel Ali Free Zone Authority 2019	At Maturity	Bi-annually	7.000%	1,007,218
MAF GLOBAL 2019	At Maturity	Quarterly	5.250%	512,939
PTA Bank 2018	At Maturity	Bi-annually	6.375%	304,711
Qatari Diar QSC - 2020	At Maturity	Bi-annually	5.000%	262,577
HSBC Bank Brasil 2016	At Maturity	Bi-annually	4.000%	422,936
AKBANK TAS MALTA 2020	At Maturity	Bi-annually	4.000%	307,325
HALYK Savings Bank 2021	At Maturity	Bi-annually	7.250%	167,268
Alfa Bank 2021	At Maturity	Bi-annually	7.750%	115,366
African Bank Limited 2019	At Maturity	Bi-annually	8.125%	1,677,508
African Bank Limited 2018	At Maturity	Bi-annually	6.000%	157,948
Turkiye Is Bankasi 2021	At Maturity	Bi-annually	5.000%	302,261
Turkiye Garanti Bankasi 2016	At Maturity	Bi-annually	2.817%	64,853
Banco Daycoval 2016	At Maturity	Bi-annually	6.250%	781,749
Diamond Bank 2019	At Maturity	Bi-annually	8.750%	839,237
Access Finance 2017	At Maturity	Bi-annually	7.250%	888,596
Vimpelcom 2021	At Maturity	Bi-annually	7.748%	117,092
Bank of Georgia 2016	At Maturity	Bi-annually	4.500%	792,420
Mongolian Mining Corporation 2017	At Maturity	Bi-annually	8.875%	129,550
Trade & Development Bank Mongolia 2020	At Maturity	Bi-annually	9.375%	333,141
Industrial Senior Trust 2022	At Maturity	Bi-annually	5.500%	626,580
Oschad bank 2023	At Maturity	Bi-annually	9.375%	377,610
GTB Finance BV 2018	At Maturity	Bi-annually	6.000%	449,415
GTB Finance BV 2016	At Maturity	Bi-annually	7.500%	130,880
Theta Capital Pte Ltd 2020	At Maturity	Bi-annually	6.125%	160,447
Theta Capital Pte Ltd 2022	At Maturity	Bi-annually	7.000%	224,247
Credit Bank of Moscow 2018	At Maturity	Bi-annually	7.700%	665,203
BTG Investment LP 2018	At Maturity	Bi-annually	4.500%	103,423
BTG Investment LP 2020	At Maturity	Bi-annually	4.000%	491,447
Banco Btg Pactual Cayman 2016	At Maturity	Bi-annually	4.875%	281,201
Ottawa Holdings Pte Ltd 2018	At Maturity	Bi-annually	5.875%	627,439
National Savings Bank 2018	At Maturity	Bi-annually	8.875%	722,757
Regional Saeca 2019	At Maturity	Bi-annually	8.125%	353,758
Agromercantil Senior 2019	At Maturity	Bi-annually	6.250%	37,159
Zenith Bank Plc 2019	At Maturity	Bi-annually	6.250%	928,394
Alpha Star Holding Limited 2019	At Maturity	Bi-annually	4.970%	738,276
Rio Oil Finance Trust 2024	At Maturity	Bi-annually	9.250%	267,219
Millicom Intl Cellular 2025	At Maturity	Bi-annually	6.000%	653,177
Delhi International Airport 2022	At Maturity	Bi-annually	6.125%	222,779
Eastern & Southern Africa 2016	At Maturity	Bi-annually	6.875%	464,156
				26,404,993
Held to maturity securities				
Government of Pakistan - Eurobonds				
Islamic Republic of Pakistan - 2016 - Eurobond	At Maturity	Bi-annually	7.125%	1,080,767
Islamic Republic of Pakistan - 2017 - Eurobond	At Maturity	Bi-annually	6.875%	5,021,971
Islamic Republic of Pakistan - 2019 - Eurobond	At Maturity	Bi-annually	7.250%	626,699
Islamic Republic of Pakistan - 2024 - Eurobond	At Maturity	Bi-annually	7.536%	1,788,944
Islamic Republic of Pakistan - 2025 - Eurobond	At Maturity	Bi-annually	8.250%	523,566
				9,041,947

Annexure 'A' as referred to in note 9.7 of the Bank's consolidated financial statements
3) Particulars of bonds

Investee	Terms of Redemption		Rate of Interest/Profit	Outstanding Amount
	Principal	Interest/Profit		
(Rupees in '000)				
Government of Pakistan Sukuk				
Islamic Republic of Pakistan - 2019 Sukuk	Maturity	Bi-annually	6.750%	210,459
Sukuks				
Al Baraka Bank (Pakistan) Limited	Bi-annually	Bi-annually	6M KIBOR plus 125 bps	214,286
Security Leasing Corporation Limited	Monthly	Nil	6M KIBOR plus 125 bps	21,822
B.R.R Guardian Modaraba	Monthly	Monthly	Deferred interest installment @ 1 month KIBOR	69,272
Sitara Peroxide Limited	Monthly	Monthly	1 Months KIBOR plus 100 bps	157,871
Pakistan International Airlines Limited*	Bi-annually	Bi-annually	6 month KIBOR plus 175 bps	890,000
K-Electric Limited	Bi-annually	Quarterly	3 month KIBOR plus 100 bps	2,500,000
WAPDA Bonds - Sukuk II	At Maturity	Bi-annually	6M KIBOR minus 25 bps	16,995
WAPDA Bonds - Sukuk III	At Maturity	Bi-annually	6M KIBOR plus 100 bps	364,285
				4,234,531
Foreign bonds - sovereign				
Arab Republic of Egypt	At Maturity	Bi-annually	5.750%	209,450
Bahrain 2026	At Maturity	Bi-annually	7.000%	505,533
Kingdom of Jordan 2026	At Maturity	Bi-annually	6.125%	157,112
Republic of Kenya	At Maturity	Bi-annually	5.875%	151,351
Republic of Sri Lanka 2020	At Maturity	Bi-annually	6.250%	262,719
Republic of Sri Lanka 2025	At Maturity	Bi-annually	6.850%	523,706
State Bank of India 2016	At Maturity	Annual	3.375%	211,553
Tanzania 2020	At Maturity	Bi-annually	6.397%	151,372
Republic of Kenya 2019	At Maturity	Bi-annually	5.875%	268,188
Tanzania Bonds	At Maturity	Bi-annually	7.82%-9.18%	533,093
				2,974,077
Foreign securities - others				
JSC Alliance Bank - US \$ Discount Bonds	At Maturity	Quarterly	10.500%	227,179
JSC Alliance Bank - US \$ Recovery Notes	At Maturity	N/A	N/A	322,839
Zurich Insurance 2016	At Maturity	Bi-annually	4.250%	105,954
Bank of Cylon 2018	At Maturity	Bi-annually	5.325%	206,884
Srilanka Bond 2019	At Maturity	Bi-annually	5.125%	263,238
				1,126,094

*These sukuks are classified, however no provision has been maintained as these are secured by Government of Pakistan guarantee.

4) Particulars of Debentures

Investee	Terms of Redemption		Rate of Interest	Outstanding Amount
	Principal	Interest		
(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%	394
Morgah Valley Limited	Overdue	Overdue	11.00%	316
Morgah Valley Limited	Overdue	Overdue	14.00%	160
				2,266

Annexure 'A' as referred to in note 9.7 of the Bank's consolidated 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)	(Rupees in '000)	
Unlisted - held for trading					
Engro Fertilizer Limited	5,000	5,000	25,000	24,875	Rohail Mohammad
Standard Chartered Bank	2,000	5,000	10,000	9,619	Mohsin Ali Nathani
				34,494	
Listed - held for trading					
Worldcall Telecom Limited	4,855	2,142	10,399	6,424	Babar Ali Syed
Bank Alfalah Limited	2,000	4,995	9,990	9,919	Atif Bajwa
				16,343	
Unlisted - available for sale					
Azgard Nine Limited	12,944	5,000	64,720	64,720	Ahmed H. Shaikh
Engro Fertilizers Limited	140,000	5,000	700,000	700,000	Muhammad Rohail
Faysal Bank Limited	46,000	5,000	230,000	229,540	Nauman Ansari
Pakistan International Airlines Corporation TFC*	1,700	5,000	8,500	8,498	Nasser N S Jaffer
				1,002,758	
Listed - available for sale					
Azgard Nine Limited	60,000	5,000	300,000	97,615	Ahmed H. Shaikh
NIB Bank Limited TFC	30,000	5,000	150,000	149,910	Atif R. Bokhari
Bank Alfalah Limited TFC	24,200	5,000	121,000	120,879	Atif Bajwa
				368,404	
Unlisted - held to maturity					
Pakistan International Airlines Corporation TFC*	408,867	5,000	2,044,335	2,042,695	Nasser N S Jaffer
Security Leasing Corporation Limited	40,000	5,000	200,000	30,807	Mohammed Khalid Ali
Faysal Bank Limited	24,000	5,000	120,000	119,760	Nauman Ansari
Al-Azhar Textile Mills Limited	14	774,670	10,845	5,418	Mirza Aurangzeb Baig
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
Independent Media Corporation	20,000	5,000	100,000	55,000	Mir Shakil Ur Rahman
Standard Chartered Bank	75,000	5,000	375,000	375,000	Shazad Dada
Azgard Nine Limited	12,297	5,000	61,485	61,115	Ahmed H. Shaikh
Askari Commercial Bank Limited	120,000	5,000	600,000	599,760	Syed Majeedullah Husaini
WAPDA	300,000	5,000	1,500,000	1,285,715	Zafar Mahmood
				4,590,741	
Listed - held to maturity					
Bank Alfalah Limited	48,600	5,000	243,000	242,757	Atif Bajwa
NIB Bank Limited	30,000	5,000	150,000	149,910	Atif R. Bokhari
Soneri Bank Limited	83,833	5,000	419,165	419,165	Muhammad Aftab Manzoor
				811,832	

*These TFCs are classified, however no provision has been maintained as these are secured by Government of Pakistan guarantee.

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)	(Rupees in '000)	
Morgah Valley Limited	16	29,250	468,000	436	Air Marshal (Retd.) A. Rahim Khan
Zamrock Fibers Glass Limited	12	32,833	394,000	2,359	Mr. S. Zamir Syed
				2,795	

Annexure 'A' as referred to in note 9.7 of the Bank'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	131,714	Unrated
Aisha Steel Mills Limited	53,166	Unrated
Bank Al Habib Limited	332,800	AA+
Bank Alfalah Limited	541,816	AA
DP World	14,726	Baa3
Engro Corporation Limited	530,841	AA
Engro Fertilizers Limited	499,417	AA-
Fatima Fertilizer Company Limited	1,001,952	AA-
Fauji Cement Limited	460,250	Unrated
Fauji Fertilizer Company Limited	2,094,145	Unrated
Fauji Fertilizer Bin Qasim Limited	2,460,103	Unrated
Ghani Gases Limited	98,132	Unrated
Ghani Global Glass Limited	42,241	Unrated
Gharibwal Cement Limited	308,425	Unrated
Hub Power Company Limited	3,918,243	AA+
Hum Network Limited	78,840	A+
Indus Dyeing Manufacturing Company Limited	453,112	A+
Ittehad Chemicals Limited	102,215	A-
K-Electric Limited	63,240	AA
Kohinoor Spinning Mills Limited	108,383	Unrated
Kohinoor Textile Mills Limited	28,600	A
Kot Addu Power Company Limited	6,433,182	AA+
National Bank of Pakistan Limited	459,340	AAA
Nishat Chunian Power Limited	1,569,283	A-
Oil & Gas Development Company Limited	410,690	Unrated
Pakistan Telecommunication Company Limited	386,377	Unrated
Pak Oilfields Limited	286,781	Unrated
Pakistan Petroleum Limited	386,747	Unrated
Pioneer Cement Limited	14,765	Unrated
Pakistan State Oil Limited	472,367	AA
Saif Power Limited	216,150	A+
Soneri Bank Limited	505,002	AA-
Sui Northern Gas Company Limited	120,200	AA-
PICIC Growth Fund	12	Unrated
1st Fidelity Leasing Modaraba	4	Unrated
	24,583,261	
Investments in Real Estate Investment Trust		
Dolmen City REIT	447,334	AM2-
	447,334	
Investee	Cost (Rupees in '000)	Credit Rating
Investments in preference shares		
Masood Textile Mills Limited	73,333	unrated
Silk Bank Limited	25,000	A-
JSC Alliance Bank	336,432	Caa2
	434,765	
Investment in unlisted shares		
Shareholding more than 10%		
Pakistan Agricultural Storage & Services Corporation Limited	5,500	unrated
Cinepax Limited	50,372	unrated
World Bridge Connect Inc.	77,606	unrated
Shareholding upto 10%		
First Women Bank Limited	21,100	BBB+
National Institutional Facilitation Technologies (Pvt.) Limited	1,527	unrated
SME Bank Limited	26,950	BB
Kay Textile Mills Limited	3,778	unrated
Techlogix International Limited	50,702	unrated
SWIFT	2,905	unrated
National Investment Trust Limited	100	AM2
News-VIS Credit Information Services (Pvt.) Limited	325	unrated
MasterCard Incorporated	0	A2
The Benefit Company B.S.C	2,222	unrated
Tri Star Shipping Company	250	unrated
	243,337	

Annexure 'A' as referred to in note 9.7 of the Bank's consolidated financial statements
7) Quality of investments classified as available for sale (AFS)

Particulars	Market Value	Credit Rating
	(Rupees in '000)	
Federal Government Securities		
Market Treasury Bills	54,950,521	Unrated - Government Securities
Pakistan Investment Bonds	283,691,506	Unrated - Government Securities
	338,642,027	
Market Treasury Bills	1,551,946	AA+
Government of Pakistan Islamic Bonds		
Government of Pakistan Ijarah Sukuk	9,997,122	Score7
Government of Pakistan - Euro bond		
Islamic Republic of Pakistan - 2016 - Euro Bond	608,723	Score7
Islamic Republic of Pakistan - 2017 - Euro Bond	6,054,589	Score7
Islamic Republic of Pakistan - 2019 - Euro Bond	2,438,210	Score7
Islamic Republic of Pakistan - 2024 - Euro Bond	6,959,442	Score7
Islamic Republic of Pakistan - 2025 - Euro Bond	539,385	Score7
	16,600,349	
Foreign bonds - sovereign		
Angola 2019	620,914	Score5
Arab Republic of Egypt 2020	194,227	Score5
Government of Dubai Bond 2020	1,759,599	Score2
Government of Dubai Bond 2022	1,521,588	Score2
Indonesia 2020	423,246	Score3
Kingdom of Bahrain Bond 2020	1,196,996	Score4
Kingdom of Bahrain Bond 2026	525,975	Score4
Kingdom of Jordan 2026	160,345	Score5
Republic of Ghana 2017	684,829	Score5
Republic of Kenya	719,286	Score5
Republic of Nigeria 2023	893,753	Score5
Republic of Sri Lanka Bond 2020	984,956	Score5
Republic of Sri Lanka Bond 2021	760,530	Score5
Republic of Sri Lanka Bond 2022	1,191,192	Score5
Republic of Sri Lanka Bond 2025	786,710	Score5
Republic of Turkey	512,869	Score4
Republic of Vietnam	303,514	Score5
State of Qatar Bond 2030	2,789,755	Score3
United Republic of Tanzania	1,405,284	Score5
Venezuela 2016	296,627	Score6
UK Government 2016	2,351,638	AA+
UK Government 2024	6,268,789	AA+
Arab Republic of Egypt 2025	280,187	B
Republic of Zambia	707,062	B
Kingdom of Bahrain Bond 2021	108,206	BBB-
Republic of Sri Lanka Bond 2025	234,614	BB-
Mongolia International Bond 2022	253,436	CCC+
Republic of Kenya 2024	666,256	B+
Republic of Kenya 2019	788,396	B+
African Bond 2016	886,934	BBB-
Banco Nac De Desen Econo 2023	375,357	BBB-
Banco Nac De Desen Econo 2016	323,797	BBB-
US Bond 2025	205,568	AAA
Republic of South Africa	109,774	BBB
	31,292,209	

Annexure 'A' as referred to in note 9.7 of the Bank's consolidated financial statements
7) Quality of investments classified as available for sale (AFS)

Particulars	Market Value	Credit Rating
	(Rupees in '000)	
Foreign bonds - others		
Bank of Ceylon 2017	495,969	B2
CBQ Finance 2019	504,248	a1
Dubai Electricity and Water Authority 2016	10,867	BBB
Dubai Electricity and Water Authority 2018	3,415,748	BBB
Dubai Electricity and Water Authority 2020	2,910,615	BBB
EMAAR 2019	974,616	ba1
EMIRAT 2023	527,414	Baa2
IPIC GMTN 2022	206,532	aa2
Jebel Ali Free Zone Authority 2019	1,038,482	BBB
MAF GLOBAL 2019	528,968	Unrated
PTA Bank 2018	297,112	BB
Qatari Diar QSC - 2020	289,528	Unrated
HSBC Bank Brasil 2016	428,406	AA-
AKBANK TAS MALTA 2020	308,641	BBB-
HALYK Savings Bank 2021	166,894	BB
Alfa Bank 2021	110,862	BBB-
African Bank Limited 2019	857,815	BB+
African Bank Limited 2018	157,948	BB+
Turkiye Is Bankasi 2021	303,367	BBB
Turkiye Garanti Bankasi 2016	64,823	BBB-
Banco Daycoval 2016	776,209	BBB-
Diamond Bank 2019	783,502	B
Access Finance 2017	858,827	B
Vimpelcom 2021	110,831	BB
Bank of Georgia 2016	821,533	BB-
Mongolian Mining Corporation 2017	129,550	CCC+
Trade & Development Bank Mongolia 2020	305,515	B+
Industrial Senior Trust 2022	600,399	BB+
Oschad bank 2023	342,763	CCC+
GTB Finance BV 2018	422,660	B+
GTB Finance BV 2016	130,493	B+
Theta Capital Pte Ltd 2020	147,983	BB-
Theta Capital Pte Ltd 2022	201,108	BB-
Credit Bank of Moscow 2018	661,713	BB
BTG Investment LP 2018	75,302	BBB-
BTG Investment LP 2020	395,521	BBB-
Banco Btg Pactual Cayman 2016	261,458	BBB-
Ottawa Holdings Pte Ltd 2018	312,846	BB-
National Savings Bank 2018	699,892	BB-
Regional Saeca 2019	336,683	BB-
Agromercantil Senior 2019	37,394	BB
Zenith Bank Plc 2019	863,393	B+
Alpha Star Holding Limited 2019	646,768	BB
Rio Oil Finance Trust 2024	196,820	BBB-
Millicom Intl Cellular 2025	545,823	BB+
Delhi International Airport 2022	213,527	BB
Eastern & Southern Africa 2016	463,794	BB
	24,941,159	
Term finance certificates		
Listed		
Azgard Nine Limited	97,615	Defaulted
Bank Alfalah Limited TFC	122,390	AA-
NIB Bank TFC	148,410	A+
	368,415	
Unlisted		
Azgard Nine Limited	64,720	Defaulted
Engro Fertilizers Limited	662,631	AA
Faysal Bank Limited	232,754	AA-
Pakistan International Airlines Corporation TFC	8,498	Defaulted
	968,603	

Annexure 'C' As Referred to in Note 11.7 of Consolidated Financial Statements

Disposals of operating fixed assets during the year 2015

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	------(Rupees in '000)-----					
Items having book value of more than Rs. 250,000 or cost of more than Rs. 1,000,000						
Vehicles						
Honda CRV	2,301	2,301	-	649	Auction	Nasir Mahmood
Rocky Jeep	1,668	1,501	167	534	Auction	Waqar Ahmed Khan
Honda Civic	1,288	1,159	129	773	Auction	Waqar Ahmed Khan
Honda Civic	1,258	1,132	126	789	Auction	Waqar Ahmed Khan
Honda Civic	1,248	1,123	125	769	Auction	Waqar Ahmed Khan
Honda Civic	1,043	939	104	651	Auction	Muhammad Tariq
Honda Civic	1,003	903	100	752	Auction	Waqar Ahmed Khan
Mercedes Benz CGI	8,731	6,024	2,707	4,453	Buy Back	Jamal Nasir
Mercedes Benz CGI	8,713	6,404	2,309	4,182	Buy Back	Ali Sameer Farooqui
Mercedes Benz CGI	8,692	5,867	2,825	4,694	Buy Back	Rayomond Kotwal
	35,945	27,353	8,592	18,246		
Electrical, office and computer equipment						
Generator 65 KVA	1,181	1,181	-	470	Auction	Rashid Ali Khan
Generator 20 KVA	1,194	816	378	1,174	Auction	UBL Insurers Limited
Generator 10 KVA	902	511	391	511	Auction	UBL Insurers Limited
	3,277	2,508	769	2,155		
Ijarah Assets						
Commercial Ijarah - Premier Dairies (Pvt) Limited	48,585	43,727	4,858	4,859	Buy Back	Premier Dairies (Pvt) Limited
Commercial Ijarah - Zain Packaging Industries (Pvt) Limited	20,000	4,533	15,467	15,467	Buy Back	Zain Packaging Industries (Pvt) Limited
Commercial Ijarah - Mecas Engineering (Pvt) Limited	9,111	8,200	911	911	Buy Back	Mecas Engineering (Pvt) Limited
Commercial Ijarah - Tradekey (Pvt) Limited	7,299	5,839	1,460	1,460	Buy Back	Tradekey (Pvt) Limited
Commercial Ijarah - ICI Pakistan Limited	4,874	1,523	3,351	3,523	Buy Back	ICI Pakistan Limited
Commercial Ijarah - Indus Pencil (Pvt) Limited	4,166	3,750	416	417	Buy Back	Indus Pencil (Pvt) Limited
Honda Civic	2,597	1,378	1,219	1,219	Buy Back	Rizwan Mehboob
Commercial Ijarah - ICI Pakistan Limited	2,449	803	1,646	1,735	Buy Back	ICI Pakistan Limited
Commercial Ijarah - ICI Pakistan Limited	2,448	115	2,333	2,383	Buy Back	ICI Pakistan Limited
Commercial Ijarah - ICI Pakistan Limited	2,388	112	2,276	2,366	Buy Back	ICI Pakistan Limited
Commercial Ijarah - ICI Pakistan Limited	2,303	216	2,087	2,113	Buy Back	ICI Pakistan Limited
Commercial Ijarah - ICI Pakistan Limited	2,231	593	1,638	1,714	Buy Back	ICI Pakistan Limited
Commercial Ijarah - National Foods Limited	2,212	1,290	922	1,033	Buy Back	National Foods Limited
Commercial Ijarah - ICI Pakistan Limited	2,156	337	1,819	1,881	Buy Back	ICI Pakistan
Toyota Corolla GLi	1,861	1,234	627	627	Buy Back	Qazi Zaka Ur Rehman
Suzuki Bolan	1,819	1,432	387	388	Buy Back	Muhammad Naveed
Toyota Corolla GLi	1,763	1,087	676	676	Buy Back	Muhammad Razzaq
Honda City	1,753	575	1,178	1,178	Buy Back	Khurram Farooq
Toyota Corolla GLi	1,743	1,405	338	338	Buy Back	Habib Ullah
Commercial Ijarah - ICI Pakistan Limited	1,743	327	1,416	1,466	Buy Back	ICI Pakistan Limited
Toyota Corolla XLi	1,673	309	1,364	1,486	Buy Back	Naveed Ahmed Memon
Hyundai Santro Club	1,672	722	950	950	Buy Back	Muhammad Asif
Commercial Ijarah - Premier Dairies (Pvt) Limited	1,639	1,475	164	164	Buy Back	Premier Dairies (Pvt) Limited
Toyota Corolla XLi	1,627	768	859	1,054	Buy Back	Naseem Yousuf
Toyota Corolla XLi	1,618	952	666	666	Buy Back	Muhammad Nadeem
Honda City	1,568	963	605	606	Buy Back	Nadeem Akhtar
Honda Civic	1,567	508	1,059	1,060	Buy Back	Raheel
Honda City	1,566	658	908	908	Buy Back	Arshad Jamal
Honda City	1,565	818	747	747	Buy Back	Imtiaz Ali
Suzuki Mehran VXR Euro II	1,564	667	897	896	Buy Back	Muhammad Abid
Toyota Corolla XLi	1,548	801	747	747	Buy Back	Mohammad Ashraf
Commercial Ijarah - National Foods Limited	1,529	1,529	-	-	Buy Back	National Foods Limited
Toyota Corolla XLi	1,514	769	745	745	Buy Back	Parveen
Commercial Ijarah - National Foods Limited	1,480	1,480	-	-	Buy Back	National Foods Limited
Commercial Ijarah - National Foods Limited	1,462	1,462	-	-	Buy Back	National Foods Limited
Commercial Ijarah - National Foods Limited	1,462	1,462	-	-	Buy Back	National Foods Limited
Commercial Ijarah - National Foods Limited	1,462	1,462	-	-	Buy Back	National Foods Limited
Commercial Ijarah - Tradekey (Pvt) Limited	1,414	1,131	283	283	Buy Back	Tradekey (Pvt) Limited
Commercial Ijarah - Tradekey (Pvt) Limited	1,414	1,131	283	283	Buy Back	Tradekey (Pvt) Limited
Commercial Ijarah - Tradekey (Pvt) Limited	1,414	1,131	283	283	Buy Back	Tradekey (Pvt) Limited
Suzuki Swift	1,351	602	749	748	Buy Back	Syed Talha Ahmed
Commercial Ijarah - National Foods Limited	1,347	1,347	-	-	Buy Back	National Foods Limited
Commercial Ijarah - National Foods Limited	1,337	1,337	-	-	Buy Back	National Foods Limited
Suzuki Swift	1,329	303	1,026	1,145	Buy Back	Khawaja Asim Umer Asim Umer

Annexure 'C' As Referred to in Note 11.7 of Consolidated Financial Statements

Disposals of operating fixed assets during the year 2015

	Cost	Accumu- lated deprec- iation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	------(Rupees in '000)-----					
Items having book value of more than Rs. 250,000 or cost of more than Rs. 1,000,000						
Suzuki Swift	1,277	671	606	606	Buy Back	Zohaib Anwar
Suzuki Swift	1,243	984	259	259	Buy Back	Mirza Shahid Ahmed
Commercial Ijarah - National Foods Limited	1,231	616	615	680	Buy Back	National Foods Limited
Commercial Ijarah - National Foods Limited	1,211	858	353	407	Buy Back	National Foods Limited
Commercial Ijarah - National Foods Limited	1,185	1,185	-	-	Buy Back	National Foods Limited
Toyota Vitz	1,168	526	642	642	Buy Back	Rizwan Naeem
Suzuki Cultus VXR	1,084	360	724	726	Buy Back	Mahesh Kumar
Suzuki Cultus VXR Euro II	1,069	560	509	510	Buy Back	Syed Abid Hussain
Suzuki Cultus VXR	1,069	549	520	520	Buy Back	Ahmed Ali Khan
Suzuki Cultus VXR	1,069	549	520	520	Buy Back	Ahmed Ali Khan
Commercial Ijarah - Inter Market Knit (Pvt) Limited	1,056	739	317	317	Buy Back	Inter Market Knit (Pvt) Limited
Toyota Corolla GLi	1,046	590	456	456	Buy Back	Sajid Akber
Suzuki Cultus VXR Euro II	1,036	642	394	394	Buy Back	Raza Husnain
Suzuki Mehran VXR	712	412	300	310	Buy Back	Syed Majid Ali
Suzuki Cultus VXR	703	439	264	264	Buy Back	Malik Pervaiz Khan Afridi
Suzuki Mehran VXR	698	159	539	586	Buy Back	Rashid Mustafa
Suzuki Mehran VXR Euro II	693	363	330	330	Buy Back	Musadaq Hussain
Suzuki Ravi	668	378	290	290	Buy Back	Azmatullah
Commercial Ijarah - Hashwani Hotels Limited	659	358	301	336	Buy Back	Hashwani Hotels Limited
Commercial Ijarah - National Foods Limited	612	344	268	300	Buy Back	National Foods Limited
Hyundai Santro Club	349	85	264	264	Buy Back	Maraline Fradraic
	179,461	113,630	65,831	67,242		
Sub - Total	218,683	143,491	75,192	87,643		
Items having book value of less than Rs. 250,000 and cost of less than Rs. 1,000,000						
Others	171,006	144,336	26,670	33,991		
Total	389,689	287,827	101,862	121,634		