

# United Bank Limited

## CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2016  
(UNAUDITED)





**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT MARCH 31, 2016**

|   | Note | (Un-audited)<br>March 31,<br>2016<br>----- (Rupees in '000) ----- | (Audited)<br>December 31,<br>2015 |
|---|------|---|-----------------------------------|
| <b>ASSETS</b>   |      |   |                                   |
| Cash and balances with treasury banks                       |      | 74,569,928  | 113,762,323                       |
| Balances with other banks                                   |      | 27,531,079  | 27,713,772                        |
| Lendings to financial institutions                          | 6    | 29,516,934  | 25,913,741                        |
| Investments   | 7    | 824,800,426   | 752,989,747                       |
| Advances  | 8    | 479,932,111   | 488,061,033                       |
| Operating fixed assets                                      | 9    | 36,484,319  | 35,982,258                        |
| Deferred tax asset - net                                    |      | -   | -                                 |
| Other assets  |      | 33,171,944  | 41,763,939                        |
|   |      | 1,506,006,741   | 1,486,186,813                     |
| <b>LIABILITIES</b>  |      |   |                                   |
| Bills payable   |      | 13,418,165  | 13,395,744                        |
| Borrowings  | 10   | 162,302,065   | 164,232,087                       |
| Deposits and other accounts                                 | 11   | 1,138,982,165   | 1,119,953,064                     |
| Subordinated loans  |      | -   | -                                 |
| Liabilities against assets subject to finance lease         |      | 4,725   | 4,873                             |
| Deferred tax liability - net                                |      | 5,273,100   | 4,515,165                         |
| Other liabilities   |      | 26,077,379  | 28,486,831                        |
|   |      | 1,346,057,599   | 1,330,587,764                     |
| <b>NET ASSETS</b>   |      | <u>159,949,142</u>  | <u>155,599,049</u>                |
| <b>REPRESENTED BY</b>                                       |      |   |                                   |
| Share capital   |      | 12,241,798  | 12,241,798                        |
| Reserves  |      | 42,271,859  | 41,624,817                        |
| Unappropriated profit                                       |      | 61,839,852  | 59,955,027                        |
| Total equity attributable to the equity holders of the Bank |      | 116,353,509   | 113,821,642                       |
| Non-controlling interest                                    |      | 5,112,706   | 5,223,744                         |
|   |      | 121,466,215   | 119,045,386                       |
| Surplus on revaluation of assets - net of deferred tax      | 12   | 38,482,927  | 36,553,663                        |
|   |      | <u>159,949,142</u>  | <u>155,599,049</u>                |
| <b>CONTINGENCIES AND COMMITMENTS</b>                        | 13   |   |                                   |

The annexed notes from 1 to 23 form an integral part of these consolidated condensed interim financial statements.

Wajahat Husain  
President &  
Chief Executive Officer

Amin Uddin  
Director

Zameer Mohammed Choudrey  
Director

Sir Mohammed Anwar Pervez, OBE, HPK  
Chairman

**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2016**

|   | Note | March 31,<br>2016<br>----- (Rupees in '000) ----- | March 31,<br>2015<br>----- (Rupees in '000) ----- |
|---|------|---|---|
| Mark-up / return / interest earned  | 14   | 24,263,208  | 23,644,549  |
| Mark-up / return / interest expensed  | 15   | (10,183,277)                                      | (10,063,996)                                      |
| Net mark-up / return / interest income  |      | <u>14,079,931</u>                                 | <u>13,580,553</u>                                 |
| Provision against loans and advances - net                                      |      | (1,628,798)                                       | (745,588)   |
| Provision against lendings to financial institutions - net                      |      | -   | -   |
| Provision for diminution in value of investments - net                          |      | (145,223)   | (23,022)  |
| Bad debts written off directly  |      | (21,501)  | (36,052)  |
|   |      | <u>(1,795,522)</u>                                | <u>(804,662)</u>                                  |
| Net mark-up / return / interest income after provisions                         |      | 12,284,409  | 12,775,891  |
| <b>Non mark-up / interest income</b>  |      |   |   |
| Fee, commission and brokerage income  |      | 3,647,138   | 3,370,014   |
| Dividend income   |      | 430,901   | 494,129   |
| Income from dealing in foreign currencies                                       |      | 651,750   | 774,547   |
| Gain on sale of securities - net  |      | 3,944,669   | 1,997,000   |
| Unrealized loss on revaluation of investments<br>classified as held for trading |      | (117)   | (78,295)  |
| Other income  |      | 333,832   | 310,071   |
| Total non mark-up / interest income   |      | <u>9,008,173</u>                                  | <u>6,867,466</u>                                  |
|   |      | 21,292,582  | 19,643,357  |
| <b>Non mark-up / interest expenses</b>  |      |   |   |
| Administrative expenses   | 16   | (9,196,994)                                       | (8,030,219)                                       |
| Other provisions - net  |      | (161,792)   | (25,777)  |
| Workers' Welfare Fund   |      | (253,885)   | (229,948)   |
| Other charges   |      | (28,617)  | (63,697)  |
| Total non mark-up / interest expenses   |      | <u>(9,641,288)</u>                                | <u>(8,349,641)</u>                                |
|   |      | 11,651,294  | 11,293,716  |
| Share of income of associates   |      | 194,016   | 235,366   |
| <b>Profit before taxation</b>   |      | <u>11,845,310</u>                                 | <u>11,529,082</u>                                 |
| Taxation - Current  |      | (4,009,733)                                       | (3,944,083)                                       |
| - Prior   |      | (272,744)   | (949)   |
| - Deferred  |      | (2,107)   | 120,725   |
|   |      | <u>(4,284,584)</u>                                | <u>(3,824,307)</u>                                |
| <b>Profit after taxation</b>  |      | <u>7,560,726</u>                                  | <u>7,704,775</u>                                  |
| <b>Attributable to:</b>   |      |   |   |
| Equity shareholders of the Bank   |      | 7,513,425   | 7,555,701   |
| Non-controlling interest  |      | 47,301  | 149,074   |
|   |      | <u>7,560,726</u>                                  | <u>7,704,775</u>                                  |
|   |      | ----- (Rupees) -----                              |   |
| <b>Earnings per share - basic and diluted</b>                                   |      | <u>6.14</u>                                       | <u>6.17</u>                                       |

The annexed notes from 1 to 23 form an integral part of these consolidated condensed interim financial statements.

Wajahat Husain  
President &  
Chief Executive Officer

Amin Uddin  
Director

Zameer Mohammed Choudrey  
Director

Sir Mohammed Anwar Pervez, OBE, HPk  
Chairman



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2016**

**March 31,                      March 31,**  
**2016                              2015**  
**----- (Rupees in '000) -----**

**Profit after taxation for the period attributable to:**

|                                 |                  |                  |
|---------------------------------|------------------|------------------|
| Equity shareholders of the Bank | 7,513,425        | 7,555,701        |
| Non-controlling interest        | <u>47,301</u>    | <u>149,074</u>   |
|                                 | <u>7,560,726</u> | <u>7,704,775</u> |

**Other comprehensive income:**

*Items that are not to be reclassified to profit or loss in subsequent periods*

*Items that may be reclassified to profit or loss in subsequent periods*

Exchange differences on translation of net investment in foreign branches and subsidiaries

|                                   |                  |                  |
|-----------------------------------|------------------|------------------|
| - Equity shareholders of the Bank | (97,317)         | 403,094          |
| - Non-controlling interest        | <u>(158,626)</u> | <u>(177,276)</u> |
|                                   | (255,943)        | 225,818          |
|                                   | <u>(255,943)</u> | <u>225,818</u>   |

**Other comprehensive income transferred to equity**

|                  |                  |
|------------------|------------------|
| <u>7,304,783</u> | <u>7,930,593</u> |
|------------------|------------------|

*Items that may be reclassified to profit or loss in subsequent periods*

|   |                  |                    |
|---|------------------|--------------------|
| Surplus arising on revaluation of available for sale securities | 2,671,637        | 7,695,519          |
| Related deferred tax charge                                     | <u>(723,811)</u> | <u>(2,675,396)</u> |
|   | 1,947,826        | 5,020,123          |

**Total comprehensive income during the period - net of tax**

|                         |                          |
|-------------------------|--------------------------|
| <u><u>9,252,609</u></u> | <u><u>12,950,716</u></u> |
|-------------------------|--------------------------|

The annexed notes from 1 to 23 form an integral part of these consolidated condensed interim financial statements

Wajahat Husain  
President &  
Chief Executive Officer

Amin Uddin  
Director

Zameer Mohammed Choudrey  
Director

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Chairman

**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2016**

|  | March 31,<br>2016            | March 31,<br>2015   |
|--|------------------------------|---------------------|
|  | ----- (Rupees in '000) ----- |                     |
| Profit before taxation   | 11,845,310                   | 11,529,082          |
| Less: Dividend income  | (430,901)                    | (494,129)           |
| Share of income of associates  | (194,016)                    | (235,366)           |
|  | <u>11,220,393</u>            | <u>10,799,587</u>   |
| <b>Adjustments:</b>  |                              |                     |
| Depreciation   | 467,660                      | 449,460             |
| Amortization   | 101,655                      | 116,339             |
| Workers' Welfare Fund  | 253,885                      | 229,948             |
| Provision for retirement benefits  | 185,419                      | 237,986             |
| Provision against loans and advances - net   | 1,628,798                    | 745,588             |
| Provision for diminution in value of investments - net                                     | 145,223                      | 23,022              |
| Gain on sale of operating fixed assets   | (19,365)                     | (12,836)            |
| Unrealized loss on revaluation of investments classified as held for trading               | 117                          | 78,295              |
| Bad debts written-off directly   | 21,501                       | 36,052              |
| Finance charges on leased assets   | -                            | 8                   |
| Provision against other assets   | 161,792                      | 25,777              |
|  | <u>2,946,685</u>             | <u>1,929,639</u>    |
|  | <u>14,167,078</u>            | <u>12,729,226</u>   |
| <b>(Increase) / decrease in operating assets</b>   |                              |                     |
| Lendings to financial institutions   | (3,603,193)                  | (256,409)           |
| Held for trading securities  | 479,848                      | (1,341,317)         |
| Advances   | 6,478,623                    | 15,504,375          |
| Other assets (excluding advance taxation)  | 9,753,435                    | 8,000,440           |
|  | <u>13,108,713</u>            | <u>21,907,089</u>   |
| <b>Increase / (decrease) in operating liabilities</b>                                      |                              |                     |
| Bills payable  | 22,421                       | 2,461,576           |
| Borrowings   | (1,930,022)                  | 20,961,026          |
| Deposits and other accounts  | 19,029,101                   | 53,720,636          |
| Other liabilities (excluding current taxation)   | (4,506,988)                  | (3,450,644)         |
|  | <u>12,614,512</u>            | <u>73,692,594</u>   |
|  | <u>39,890,303</u>            | <u>108,328,909</u>  |
| Payments on account of staff retirement benefits   | (379,051)                    | (333,187)           |
| Income taxes paid  | (5,533,271)                  | (2,853,849)         |
| Net cash inflow from operating activities  | <u>33,977,981</u>            | <u>105,141,873</u>  |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>   |                              |                     |
| Net investment in securities   | (69,618,890)                 | (84,045,052)        |
| Dividend income received   | 284,713                      | 82,332              |
| Investment in operating fixed assets   | (1,123,002)                  | (613,361)           |
| Sale proceeds from disposal of operating fixed assets                                      | 45,917                       | 32,805              |
| Net cash outflow from investing activities   | <u>(70,411,262)</u>          | <u>(84,543,276)</u> |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>   |                              |                     |
| Payment in respect of leased obligation  | -                            | (169)               |
| Dividends paid   | (2,685,864)                  | (448,138)           |
| Net cash outflow from financing activities   | <u>(2,685,864)</u>           | <u>(448,307)</u>    |
|  | <u>(39,119,145)</u>          | <u>20,150,290</u>   |
| Exchange differences on translation of net investment in foreign branches and subsidiaries |                              |                     |
| - Equity shareholders of the Bank  | (97,317)                     | 403,094             |
| - Non-controlling interest   | (158,626)                    | (177,276)           |
| (Decrease) /increase in cash and cash equivalents during the period                        | <u>(39,375,088)</u>          | <u>20,376,108</u>   |
| Cash and cash equivalents at the beginning of the period                                   | 141,476,095                  | 97,608,580          |
| Cash and cash equivalents at the end of the period   | <u>102,101,007</u>           | <u>117,984,688</u>  |

The annexed notes from 1 to 23 form an integral part of these consolidated condensed interim financial statements.

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE THREE MONTHS ENDED MARCH 31, 2016**

|   | Attributable to equity shareholders of the Bank |                 |                   |  |                                |                       | Non-controlling Interest | Total     |              |
|---|---|-----------------|-------------------|--|--------------------------------|-----------------------|--------------------------|-----------|--------------|
|   | Share Capital                                   | General reserve | Statutory reserve | Capital reserve - Exchange translation reserve | Employees stock option reserve | Unappropriated profit |                          |           | Sub total    |
| (Rupees in '000)  |   |                 |                   |  |                                |                       |                          |           |              |
| <b>Balance as at January 01, 2015 (Audited)</b>   | 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  |
| <b>Transactions with owners for the three months ended March 31, 2015</b>                       |   |                 |                   |  |                                |                       |                          |           |              |
| 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)  |
| Employees stock option reserve  | -   | -               | -                 | -  | (1,145)                        | -                     | (1,145)                  | -         | (1,145)      |
| <b>Total comprehensive income for the three months ended March 31, 2015</b>                     | -   | -               | -                 | -  | (1,145)                        | (4,896,719)           | (4,897,864)              | -         | (4,897,864)  |
| Profit after taxation for the three months ended March 31, 2015                                 | -   | -               | -                 | -  | -                              | 7,555,701             | 7,555,701                | 149,074   | 7,704,775    |
| Other comprehensive income - net of tax   | -   | -               | -                 | 403,094  | -                              | -                     | 403,094                  | (177,276) | 225,818      |
| <b>Total comprehensive income for the three months ended March 31, 2015</b>                     | -   | -               | -                 | 403,094  | -                              | 7,555,701             | 7,958,795                | (28,202)  | 7,930,593    |
| Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax      | -   | -               | -                 | -  | -                              | 12,498                | 12,498                   | 259       | 12,757       |
| Transfer to statutory reserve   | -   | -               | 712,679           | -  | -                              | (712,679)             | -                        | -         | -            |
| <b>Balance as at March 31, 2015 (Un-audited)</b>  | 12,241,798                                      | 3,000           | 22,608,763        | 15,785,604                                     | 3,349                          | 54,466,456            | 105,108,970              | 4,525,307 | 109,634,277  |
| <b>Transactions with owners for the nine months ended December 31, 2015</b>                     |   |                 |                   |  |                                |                       |                          |           |              |
| 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)  |
| Employees stock option reserve  | -   | -               | -                 | -  | (2,299)                        | -                     | (2,299)                  | -         | (2,299)      |
| <b>Total comprehensive income for the nine months ended December 31, 2015</b>                   | -   | -               | -                 | -  | (2,299)                        | (11,017,617)          | (11,019,916)             | -         | (11,019,916) |
| Profit after taxation for the nine months ended December 31, 2015                               | -   | -               | -                 | -  | -                              | 18,598,643            | 18,598,643               | 706,208   | 19,304,851   |
| Other comprehensive income - net of tax   | -   | -               | -                 | 1,355,788                                      | -                              | (260,413)             | 1,095,375                | 99,600    | 1,194,975    |
| <b>Total comprehensive income for the nine months ended December 31, 2015</b>                   | -   | -               | -                 | 1,355,788                                      | -                              | 18,338,230            | 19,694,018               | 805,808   | 20,499,826   |
| 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      | -   | -               | -                 | -  | -                              | 38,570                | 38,570                   | 301       | 38,871       |
| Transfer to statutory reserves  | -   | -               | 1,870,612         | -  | -                              | (1,870,612)           | -                        | -         | -            |
| <b>Balance as at December 31, 2015 (Audited)</b>  | 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  |
| <b>Transactions with owners for the three months ended March 31, 2016</b>                       |   |                 |                   |  |                                |                       |                          |           |              |
| Final cash dividend - December 31, 2015 declared subsequent to the year end at Rs.4.0 per share | -   | -               | -                 | -  | -                              | (4,896,719)           | (4,896,719)              | -         | (4,896,719)  |
| Employees stock option reserve  | -   | -               | -                 | -  | (466)                          | -                     | (466)                    | -         | (466)        |
| <b>Total comprehensive income for the three months ended March 31, 2016</b>                     | -   | -               | -                 | -  | (466)                          | (4,896,719)           | (4,897,185)              | -         | (4,897,185)  |
| Profit after taxation for the three months ended March 31, 2016                                 | -   | -               | -                 | -  | -                              | 7,513,425             | 7,513,425                | 47,301    | 7,560,726    |
| Other comprehensive income - net of tax   | -   | -               | -                 | (97,317)                                       | -                              | -                     | (97,317)                 | (158,626) | (255,943)    |
| <b>Total comprehensive income for the three months ended March 31, 2016</b>                     | -   | -               | -                 | (97,317)                                       | -                              | 7,513,425             | 7,416,108                | (111,325) | 7,304,783    |
| Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax      | -   | -               | -                 | -  | -                              | 12,944                | 12,944                   | 287       | 13,231       |
| Transfer to statutory reserves  | -   | -               | 744,825           | -  | -                              | (744,825)             | -                        | -         | -            |
| <b>Balance as at March 31, 2016 (Un-audited)</b>  | 12,241,798                                      | 3,000           | 25,224,200        | 17,044,075                                     | 584                            | 61,839,852            | 116,353,509              | 5,112,706 | 121,466,215  |

The annexed notes from 1 to 23 form an integral part of these consolidated condensed interim financial statements.

Wajahat Husain  
President &  
Chief Executive Officer

Amin Uddin  
Director

Zameer Mohammed Choudrey  
Director

Sir Mohammed Anwar Pervez, OBE, HPk  
Chairman

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2016****1. STATUS AND NATURE OF BUSINESS**

The Group consists of:

**Holding Company**

United Bank Limited (the Bank)

**Subsidiary Companies**

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

UBL (Switzerland) AG, Switzerland (USAG) - 100% holding

UBL Bank (Tanzania) Limited, Tanzania (UBTL) - 100% holding

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

UBL Fund Managers Limited, Pakistan (UBLFM) - 98.87% holding

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

The Group is engaged in commercial banking, asset management, investment advisory and investments business. 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 1,313 (December 31, 2015: 1,312) branches inside Pakistan including 41 (December 31, 2015: 41) Islamic Banking branches and 1 (December 31, 2015: 1) branch in Karachi Export Processing Zone. The Bank also operates 18 (December 31, 2015: 18) branches outside Pakistan as at March 31, 2016. The Bank is a subsidiary of Bestway (Holdings) Limited which is incorporated in the

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

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

**2. BASIS OF PRESENTATION**

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

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

**3. STATEMENT OF COMPLIANCE**

- 3.1** These consolidated condensed interim financial statements have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. In case requirements differ, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.
- 3.2** The SBP vide BSD Circular letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, International Financial Reporting Standard (IFRS) 7, Financial Instruments: Disclosures has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.
- 3.3** The Securities and Exchange Commission of Pakistan (SECP) vide SRO 56 (1) / 2016 dated 28 January 2016, has notified that the requirements of IFRS 10 (Consolidated Financial Statements) and section 237 of the Companies Ordinance 1984 will not be applicable with respect to the investment in mutual funds established under Trust structure.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2016**

3.4 The disclosures made in these consolidated condensed interim financial statements have been limited based on a format prescribed by the SBP vide BSD Circular Letter No. 2 dated May 12, 2004 and IAS 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these consolidated condensed interim financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2015.

**4. SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT**

4.1 The accounting policies adopted in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the consolidated financial statements of the Group for the year ended December 31, 2015 except for the following:

Non banking assets acquired in satisfaction of claims

The Bank carried assets acquired in satisfaction of claims at cost less impairment, if any. During the period, SBP has issued regulations governing accounting and management of non banking assets acquired in satisfaction of claims. Accordingly, non banking assets are now carried at revalued amount with surplus taken to Surplus on revaluation of fixed assets and any deficit in the properties is taken to profit and loss account directly. There was no material impact of these changes on prior year numbers.

4.2 The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Group for the year ended December 31, 2015.

**5. BASIS OF MEASUREMENT**

5.1 These consolidated condensed interim financial statements have been prepared under the historical cost convention except that certain operating fixed assets have been stated at revalued amounts and certain investments and derivative financial instruments have been stated at fair value.

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

The significant judgments made by management in applying its accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements of the Group for the year ended December 31, 2015.

| (Un-audited)                 | (Audited)            |
|------------------------------|----------------------|
| March 31,<br>2016            | December 31,<br>2015 |
| ----- (Rupees in '000) ----- |                      |

**6. LENDINGS TO FINANCIAL INSTITUTIONS**

|  |            |            |
|--|------------|------------|
| Call money lendings                                  | 4,575,000  | 1,300,000  |
| Repurchase agreement lendings                        | -          | 976,841    |
| Other lendings to financial institutions             | 25,764,525 | 24,459,385 |
|  | 30,339,525 | 26,736,226 |
| Provision against lendings to financial institutions | (822,591)  | (822,485)  |
|  | 29,516,934 | 25,913,741 |



**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2016**
**7. INVESTMENTS**
**7.1 Investments by types**

| Note  | (Un-audited)<br>March 31, 2016 |                        |             | (Audited)<br>December 31, 2015 |                        |             |
|---|--------------------------------|------------------------|-------------|--------------------------------|------------------------|-------------|
|   | Held by<br>Group               | Given as<br>collateral | Total       | Held by<br>Group               | Given as<br>collateral | Total       |
| ----- (Rupees in '000) -----                                      |                                |                        |             |                                |                        |             |
| <b>Held for trading securities</b>                                |                                |                        |             |                                |                        |             |
| Market Treasury Bills   | 11,507,417                     | -                      | 11,507,417  | 9,757,289                      | -                      | 9,757,289   |
| Pakistan Investment Bonds   | 110,480                        | -                      | 110,480     | 2,285,349                      | -                      | 2,285,349   |
| Ordinary shares of listed companies                               | -                              | -                      | -           | 19,234                         | -                      | 19,234      |
| Term Finance Certificates   | 25,131                         | -                      | 25,131      | 50,837                         | -                      | 50,837      |
| Sukuks  | -                              | -                      | -           | 10,284                         | -                      | 10,284      |
|   | 11,643,028                     | -                      | 11,643,028  | 12,122,993                     | -                      | 12,122,993  |
| <b>Available for sale securities</b>                              |                                |                        |             |                                |                        |             |
| Market Treasury Bills   | 77,188,727                     | 1,373,998              | 78,562,725  | 55,599,133                     | 894,235                | 56,493,368  |
| Pakistan Investment Bonds   | 159,976,266                    | 103,197,911            | 263,174,177 | 153,364,754                    | 111,285,139            | 264,649,893 |
| Government of Pakistan Sukuk                                      | 6,502,000                      | -                      | 6,502,000   | 9,909,514                      | -                      | 9,909,514   |
| Government of Pakistan Eurobonds                                  | 16,396,230                     | -                      | 16,396,230  | 16,175,144                     | -                      | 16,175,144  |
| Ordinary shares of listed companies                               | 20,048,841                     | -                      | 20,048,841  | 19,310,585                     | -                      | 19,310,585  |
| Preference shares   | 409,824                        | -                      | 409,824     | 434,765                        | -                      | 434,765     |
| Ordinary shares of unlisted companies                             | 243,338                        | -                      | 243,338     | 243,337                        | -                      | 243,337     |
| Investment in REIT  | 458,590                        | -                      | 458,590     | 458,590                        | -                      | 458,590     |
| Term Finance Certificates   | 671,138                        | -                      | 671,138     | 1,371,162                      | -                      | 1,371,162   |
| Foreign bonds - sovereign   | 34,710,801                     | -                      | 34,710,801  | 32,324,780                     | -                      | 32,324,780  |
| Foreign bonds - others  | 25,392,826                     | -                      | 25,392,826  | 26,404,993                     | -                      | 26,404,993  |
|   | 341,998,581                    | 104,571,909            | 446,570,490 | 315,596,757                    | 112,179,374            | 427,776,131 |
| <b>Held to maturity securities</b>                                |                                |                        |             |                                |                        |             |
| Market Treasury Bills   | 41,039,069                     | -                      | 41,039,069  | 34,543,790                     | -                      | 34,543,790  |
| Pakistan Investment Bonds   | 260,905,701                    | -                      | 260,905,701 | 220,168,425                    | -                      | 220,168,425 |
| Government of Pakistan Eurobonds                                  | 9,408,887                      | -                      | 9,408,887   | 9,041,947                      | -                      | 9,041,947   |
| Government of Pakistan Sukuk                                      | 210,970                        | -                      | 210,970     | 210,459                        | -                      | 210,459     |
| Other Federal Government Securities                               | 5,391,120                      | -                      | 5,391,120   | 5,391,120                      | -                      | 5,391,120   |
| Term Finance Certificates   | 5,397,441                      | -                      | 5,397,441   | 5,402,573                      | -                      | 5,402,573   |
| Sukuks  | 4,201,750                      | -                      | 4,201,750   | 4,234,531                      | -                      | 4,234,531   |
| Participation Term Certificates                                   | 2,795                          | -                      | 2,795       | 2,795                          | -                      | 2,795       |
| Debentures  | 2,266                          | -                      | 2,266       | 2,266                          | -                      | 2,266       |
| Foreign bonds - sovereign   | 4,915,281                      | -                      | 4,915,281   | 2,974,077                      | -                      | 2,974,077   |
| Foreign bonds - others  | 3,155,754                      | -                      | 3,155,754   | 803,255                        | -                      | 803,255     |
| Recovery note   | 322,887                        | -                      | 322,887     | 322,839                        | -                      | 322,839     |
| CDC SAARC Fund  | 228                            | -                      | 228         | 228                            | -                      | 228         |
|   | 334,954,149                    | -                      | 334,954,149 | 283,098,305                    | -                      | 283,098,305 |
| <b>Associates</b>   |                                |                        |             |                                |                        |             |
| United Growth and Income Fund                                     | 497,174                        | -                      | 497,174     | 479,035                        | -                      | 479,035     |
| UBL Liquidity Plus Fund   | 11,901                         | -                      | 11,901      | 11,755                         | -                      | 11,755      |
| UBL Money Market Fund   | 11,609                         | -                      | 11,609      | 11,474                         | -                      | 11,474      |
| UBL Retirement Savings Fund                                       | 296,100                        | -                      | 296,100     | 290,427                        | -                      | 290,427     |
| UBL Principal Protected Fund - III                                | -                              | -                      | -           | 245,308                        | -                      | 245,308     |
| UBL Government Securities Fund                                    | 3,189,739                      | -                      | 3,189,739   | 3,033,104                      | -                      | 3,033,104   |
| UBL Gold Fund   | 94,696                         | -                      | 94,696      | 83,247                         | -                      | 83,247      |
| UBL Asset Allocation Fund   | 572,212                        | -                      | 572,212     | 557,764                        | -                      | 557,764     |
| UBL Stock Advantage Fund  | 216,157                        | -                      | 216,157     | 220,801                        | -                      | 220,801     |
| Al Ameen Islamic Cash Fund  | 12,143                         | -                      | 12,143      | 1,012,287                      | -                      | 1,012,287   |
| Al Ameen Islamic Aggressive Income Fund                           | 32,289                         | -                      | 32,289      | 31,569                         | -                      | 31,569      |
| Al Ameen Islamic Sovereign Fund                                   | 58,096                         | -                      | 58,096      | 57,515                         | -                      | 57,515      |
| Al Ameen Islamic Retirement Savings Fund                          | 242,016                        | -                      | 242,016     | 241,725                        | -                      | 241,725     |
| Al Ameen Shariah Stock Fund                                       | 243,751                        | -                      | 243,751     | 242,645                        | -                      | 242,645     |
| Al Ameen Islamic Principal Preservation Fund – III                | 117,956                        | -                      | 117,956     | 117,560                        | -                      | 117,560     |
| Al Ameen Islamic Principal Preservation Fund – IV                 | 113,557                        | -                      | 113,557     | 112,882                        | -                      | 112,882     |
| Al Ameen Islamic Principal Preservation Fund – V                  | 101,394                        | -                      | 101,394     | 100,454                        | -                      | 100,454     |
| Al Ameen Islamic Asset Allocation Fund                            | 113,753                        | -                      | 113,753     | 115,004                        | -                      | 115,004     |
| Al Ameen Islamic Financial Planning Fund                          | 303,251                        | -                      | 303,251     | 201,376                        | -                      | 201,376     |
| UBL Insurers Limited  | 263,642                        | -                      | 263,642     | 253,662                        | -                      | 253,662     |
| Khushhali Bank Limited  | 1,355,562                      | -                      | 1,355,562   | 1,305,528                      | -                      | 1,305,528   |
| Oman United Exchange Company, Muscat                              | 74,234                         | -                      | 74,234      | 76,819                         | -                      | 76,819      |
| DHA Cogen Limited   | -                              | -                      | -           | -                              | -                      | -           |
|   | 7,921,232                      | -                      | 7,921,232   | 8,801,941                      | -                      | 8,801,941   |
|   | 696,516,990                    | 104,571,909            | 801,088,899 | 619,619,996                    | 112,179,374            | 731,799,370 |
| Provision for diminution in value of investments                  | (2,684,656)                    | -                      | (2,684,656) | (2,550,531)                    | -                      | (2,550,531) |
| <b>Investments - net of provisions</b>                            | 693,832,334                    | 104,571,909            | 798,404,243 | 617,069,465                    | 112,179,374            | 729,248,839 |
| Surplus on revaluation of available for sale securities           | 14,365,569                     | 12,030,731             | 26,396,300  | 12,486,378                     | 11,238,285             | 23,724,663  |
| (Deficit) / surplus on revaluation of held for trading securities | (117)                          | -                      | (117)       | 16,245                         | -                      | 16,245      |
| <b>Total Investments</b>  | 708,197,786                    | 116,602,640            | 824,800,426 | 629,572,088                    | 123,417,659            | 752,989,747 |

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

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2016**

|   | Note | (Un-audited)<br>March 31,<br>2016 | (Audited)<br>December 31,<br>2015 |
|---|------|-----------------------------------|-----------------------------------|
| ----- (Rupees in '000) -----                |      |                                   |                                   |
| <b>8. ADVANCES</b>                          |      |                                   |                                   |
| Loans, cash credits, running finances, etc. |      |                                   |                                   |
| In Pakistan                                 |      | 309,234,817                       | 320,165,944                       |
| Outside Pakistan                            |      | 151,769,214                       | 151,272,169                       |
|   |      | <u>461,004,031</u>                | <u>471,438,113</u>                |
| Islamic financings and related assets       | 20.3 | 7,385,706                         | 7,156,500                         |
| Bills discounted and purchased              |      |                                   |                                   |
| Payable in Pakistan                         |      | 15,009,782                        | 14,989,155                        |
| Payable outside Pakistan                    |      | 40,920,948                        | 37,150,419                        |
|   |      | <u>55,930,730</u>                 | <u>52,139,574</u>                 |
| Advances - gross                            |      | 524,320,467                       | 530,734,187                       |
| Provision against advances                  |      |                                   |                                   |
| Specific                                    |      | (38,329,795)                      | (38,477,438)                      |
| General                                     | 8.2  | (6,058,561)                       | (4,195,716)                       |
| Advances - net of provision                 |      | <u>479,932,111</u>                | <u>488,061,033</u>                |

8.1 Advances include Rs.48,722.790 million (December 31, 2015: Rs. 48,170.641 million) which have been placed under non-performing status as detailed below:

| Category of Classification   | Classified advances |                   |                   | Provision required |                  |                   | Provision held    |                  |                   |
|------------------------------|---------------------|-------------------|-------------------|--------------------|------------------|-------------------|-------------------|------------------|-------------------|
|                              | Domestic            | Overseas          | Total             | Domestic           | Overseas         | Total             | Domestic          | Overseas         | Total             |
| ----- (Rupees in '000) ----- |                     |                   |                   |                    |                  |                   |                   |                  |                   |
| Other Assets Especially      |                     |                   |                   |                    |                  |                   |                   |                  |                   |
| Mentioned *                  | 87,979              | -                 | 87,979            | 3,284              | -                | 3,284             | 3,284             | -                | 3,284             |
| Substandard                  | 4,315,548           | 1,382,950         | 5,698,498         | 447,445            | 329,124          | 776,569           | 447,445           | 329,124          | 776,569           |
| Doubtful                     | 1,174,650           | 3,284,999         | 4,459,649         | 583,411            | 1,505,495        | 2,088,906         | 583,411           | 1,505,495        | 2,088,906         |
| Loss                         | 30,515,677          | 7,960,987         | 38,476,664        | 29,293,716         | 6,167,320        | 35,461,036        | 29,293,716        | 6,167,320        | 35,461,036        |
|                              | <u>36,093,854</u>   | <u>12,628,936</u> | <u>48,722,790</u> | <u>30,327,856</u>  | <u>8,001,939</u> | <u>38,329,795</u> | <u>30,327,856</u> | <u>8,001,939</u> | <u>38,329,795</u> |

| Category of Classification   | Classified advances |                   |                   | Provision required |                  |                   | Provision held    |                  |                   |
|------------------------------|---------------------|-------------------|-------------------|--------------------|------------------|-------------------|-------------------|------------------|-------------------|
|                              | Domestic            | Overseas          | Total             | Domestic           | Overseas         | Total             | Domestic          | Overseas         | Total             |
| ----- (Rupees in '000) ----- |                     |                   |                   |                    |                  |                   |                   |                  |                   |
| Other Assets Especially      |                     |                   |                   |                    |                  |                   |                   |                  |                   |
| Mentioned *                  | 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                         | 30,734,704          | 7,738,597         | 38,473,301        | 29,925,554         | 5,949,895        | 35,875,449        | 29,925,554        | 5,949,895        | 35,875,449        |
|                              | <u>35,908,904</u>   | <u>12,261,737</u> | <u>48,170,641</u> | <u>30,816,858</u>  | <u>7,660,580</u> | <u>38,477,438</u> | <u>30,816,858</u> | <u>7,660,580</u> | <u>38,477,438</u> |

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

8.2 General provision represents provision amounting to Rs. 234.985 million (December 31, 2015: Rs. 239.300 million) against consumer finance portfolio and Rs.37.942 million (December 31, 2015: Rs.37.942 million) against advances to small enterprises as required by the Prudential Regulations issued by the SBP and Rs. 2,507.800 million (December 31, 2015: Rs.2,644.986 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 provision also includes an amount of Rs.3,277.835 million (December 31, 2015: Rs.1,273.489 million), which the Group carries as a matter of prudence given the current economic environment, and is based on management estimates and regulatory instructions.

8.3 The Bank has availed the benefit of Forced Sale Value (FSV) of mortgaged properties held as collateral against non-performing advances as allowed under BSD Circular 1 of 2011. Had the benefit under the said circular not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 102.462 million (December 31, 2015: Rs. 96.346 million). The FSV benefit availed is not available for the distribution of cash or stock dividend to shareholders.

8.4 Exposure amounting to Rs. 5,310.425 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 THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2016**

|                                  | (Un-audited)<br>March 31,<br>2016<br>----- (Rupees in '000) ----- | (Audited)<br>December 31,<br>2015 |
|----------------------------------|---|-----------------------------------|
| <b>9. OPERATING FIXED ASSETS</b> |   |                                   |
| Capital work-in-progress         | 4,693,038   | 4,129,203                         |
| Property and equipment           | 30,745,000  | 30,756,065                        |
| Intangible assets                | 1,046,281   | 1,096,990                         |
| 9.1                              | 36,484,319  | 35,982,258                        |

9.1 Additions and disposals during the period amounted to Rs. 1,123.002 million (March 31, 2015: Rs. 529.099 million) and Rs. 36.524 million (March 31, 2015: Rs. 60.247 million), respectively.

|  | (Un-audited)<br>March 31,<br>2016<br>----- (Rupees in '000) ----- | (Audited)<br>December 31,<br>2015 |
|--|---|-----------------------------------|
| <b>10. BORROWINGS</b>                              |   |                                   |
| <b>Secured</b>                                     |   |                                   |
| Borrowings from the State Bank of Pakistan         |   |                                   |
| Export refinance scheme                            | 15,277,939  | 14,426,586                        |
| Refinance facility for modernization of SME        | -   | 29,961                            |
| Long term financing facility                       | 8,576,313   | 7,174,502                         |
| Long term financing under export oriented projects | 12,864  | 31,355                            |
|  | 23,867,116  | 21,662,404                        |
| Repurchase agreement borrowings                    | 117,324,931   | 122,771,194                       |
|  | 141,192,047   | 144,433,598                       |
| <b>Unsecured</b>                                   |   |                                   |
| Call borrowings                                    | 10,652,565  | 4,363,583                         |
| Overdrawn nostro accounts                          | 308,157   | 1,291,477                         |
| Other borrowings                                   | 10,149,296  | 14,143,429                        |
|  | 21,110,018  | 19,798,489                        |
|  | 162,302,065   | 164,232,087                       |

**11. DEPOSITS AND OTHER ACCOUNTS**
**Customers**

|                                     |               |               |
|-------------------------------------|---------------|---------------|
| Fixed deposits                      | 327,196,520   | 309,246,150   |
| Savings deposits                    | 359,876,848   | 360,619,326   |
| Sundry deposits                     | 15,538,059    | 8,294,940     |
| Margin deposits                     | 5,582,806     | 5,633,939     |
| Current accounts - remunerative     | 9,067,642     | 9,064,575     |
| Current accounts - non-remunerative | 386,922,105   | 374,535,953   |
|                                     | 1,104,183,980 | 1,067,394,883 |

**Financial Institutions**

|                           |               |               |
|---------------------------|---------------|---------------|
| Remunerative deposits     | 28,522,149    | 39,755,022    |
| Non-remunerative deposits | 6,276,036     | 12,803,159    |
|                           | 34,798,185    | 52,558,181    |
|                           | 1,138,982,165 | 1,119,953,064 |

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2016**

|  | (Un-audited)<br>March 31,<br>2016<br>----- (Rupees in '000) ----- | (Audited)<br>December 31,<br>2015 |
|--|---|-----------------------------------|
| <b>12. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX</b>  |   |                                   |
| Surplus / (deficit) arising on revaluation of assets - net of tax:   |   |                                   |
| Fixed assets   |   |                                   |
| - Group's share  | 20,836,563  | 20,826,471                        |
| - Non-controlling interest   | 934,284   | 968,010                           |
|  | 12.1 21,770,847   | 21,794,481                        |
| Securities   |   |                                   |
| - Group's share  | 17,282,473  | 15,606,270                        |
| - Non-controlling interest   | (561,943)   | (833,566)                         |
|  | 12.2 16,720,530   | 14,772,704                        |
| Deficit arising on revaluation of assets of associates   | (8,450)   | (13,522)                          |
|  | <u>38,482,927</u>   | <u>36,553,663</u>                 |
| <b>12.1 Surplus on revaluation of fixed assets</b>   |   |                                   |
| Surplus on revaluation of fixed assets at January 01   | 22,883,840  | 21,574,409                        |
| Revaluation of fixed assets / non-banking assets during the period / year  | 98,318  | 1,415,912                         |
| Exchange adjustments   | (90,613)  | (27,412)                          |
| Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax | (13,231)  | (51,628)                          |
| Related deferred tax liability on incremental depreciation charged during the period / year  | (6,781)   | (27,441)                          |
|  | <u>(12,307)</u>   | <u>1,309,431</u>                  |
|  | 22,871,533  | 22,883,840                        |
| Less: Related deferred tax liability on:   |   |                                   |
| Revaluation as on January 1  | 1,089,359   | 837,302                           |
| Revaluation of fixed assets / non-banking assets during the period / year  | 34,411  | 281,525                           |
| Exchange adjustments   | (16,303)  | (2,027)                           |
| Incremental depreciation charged on related assets   | (6,781)   | (27,441)                          |
|  | <u>1,100,686</u>  | <u>1,089,359</u>                  |
|  | <u>21,770,847</u>   | <u>21,794,481</u>                 |
| <b>12.2 Surplus / (deficit) on revaluation of available for sale securities</b>  |   |                                   |
| Market Treasury Bills  | 3,364   | 9,099                             |
| Pakistan Investment Bonds  | 21,454,193  | 19,041,613                        |
| Listed shares  | 4,925,651   | 6,090,148                         |
| REIT Scheme  | (23,346)  | (11,256)                          |
| Term Finance Certificates, Sukuks, other bonds etc.  | 31,239  | 18,406                            |
| Foreign bonds  | 5,199   | (1,423,347)                       |
|  | 26,396,300  | 23,724,663                        |
| Related deferred tax liability   | (9,675,770)   | (8,951,959)                       |
|  | <u>16,720,530</u>   | <u>14,772,704</u>                 |

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2016**

|               |  | (Un-audited)                 | (Audited)            |
|---------------|--|------------------------------|----------------------|
|               |  | March 31,<br>2016            | December 31,<br>2015 |
|               |  | ----- (Rupees in '000) ----- |                      |
| <b>13.</b>    | <b>CONTINGENCIES AND COMMITMENTS</b>   |                              |                      |
| <b>13.1</b>   | <b>Direct credit substitutes</b>   |                              |                      |
|               | Contingent liabilities in respect of guarantees given favouring:   |                              |                      |
|               | Government   | 11,012,250                   | 11,938,559           |
|               | Banking companies and other financial institutions   | 3,059,725                    | 2,487,693            |
|               | Others   | 6,506,021                    | 2,711,258            |
|               |  | <u>20,577,996</u>            | <u>17,137,510</u>    |
| <b>13.2</b>   | <b>Transaction-related contingent liabilities</b>  |                              |                      |
|               | Contingent liabilities in respect of performance bonds,<br>bid bonds, warranties, etc. given favouring:  |                              |                      |
|               | Government   | 116,072,452                  | 99,691,998           |
|               | Banking companies and other financial institutions   | 9,236,413                    | 7,892,097            |
|               | Others   | 27,615,356                   | 39,464,635           |
|               |  | <u>152,924,221</u>           | <u>147,048,730</u>   |
| <b>13.3</b>   | <b>Trade-related contingent liabilities</b>  |                              |                      |
|               | Contingent liabilities in respect of letters of credit opened favouring:   |                              |                      |
|               | Government   | 54,585,828                   | 39,915,813           |
|               | Banking companies and other financial institutions   | 9,190,259                    | 4,698,582            |
|               | Others   | 106,222,458                  | 99,491,379           |
|               |  | <u>169,998,545</u>           | <u>144,105,774</u>   |
| <b>13.4</b>   | <b>Other contingencies</b>   |                              |                      |
|               | Claims against the Group not acknowledged as debts   | 13.4.1                       | <u>12,812,303</u>    |
|               | Contingency in respect of Workers' Welfare Fund  | 13.4.2                       | <u>296,124</u>       |
| <b>13.4.1</b> | 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.  |                              |                      |
| <b>13.4.2</b> | 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.   |                              |                      |
| <b>13.4.3</b> | United Bank Limited Yemen (UBL) issued two Standby Letters of Credit (SBLCs) for USD 12 million (Rs. 1,257.058 million) and USD 13 million (Rs. 1,361.812 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. 2,618.870 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.  |                              |                      |
| <b>13.4.4</b> | 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.   |                              |                      |

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2016**
**13.5 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.

|  | (Un-audited)<br>March 31,<br>2016 | (Audited)<br>December 31,<br>2015 |
|--|-----------------------------------|-----------------------------------|
|  | ----- (Rupees in '000) -----      |                                   |
| <b>13.6 Commitments in respect of forward foreign exchange contracts</b> |                                   |                                   |
| Purchase   | 211,979,875                       | 239,440,820                       |
| Sale   | <u>179,400,602</u>                | <u>224,577,811</u>                |
| <b>13.7 Commitments in respect of derivatives</b>                        |                                   |                                   |
| Interest rate swaps  | 9,772,712                         | 10,462,192                        |
| Cross currency swaps   | <u>521,205</u>                    | <u>508,129</u>                    |
| FX options - purchased   | <u>-</u>                          | <u>370,073</u>                    |
| FX options - sold  | <u>-</u>                          | <u>370,073</u>                    |
| Forward purchase repo  | <u>983,790</u>                    | <u>-</u>                          |
| Forward purchase of Government securities                                | <u>618,571</u>                    | <u>-</u>                          |
| Forward sale of Government securities                                    | <u>25,175</u>                     | <u>10,483,778</u>                 |
| <b>13.8 Commitments in respect of capital expenditure</b>                | <u>2,249,588</u>                  | <u>2,411,095</u>                  |
| <b>13.9</b> For contingencies relating to taxation refer note 17.        |                                   |                                   |
|  | .....(Un-audited).....            |                                   |
|  | March 31,<br>2016                 | March 31,<br>2015                 |
|  | ----- (Rupees in '000) -----      |                                   |
| <b>14. MARK-UP / RETURN / INTEREST EARNED</b>                            |                                   |                                   |
| On loans and advances to customers                                       | 7,266,952                         | 9,710,396                         |
| On lendings to financial institutions                                    |                                   |                                   |
| Call money lendings  | 15,635                            | 30,621                            |
| Repurchase agreement lendings  | 50,883                            | 89,724                            |
| Other lendings to financial institutions                                 | 179,456                           | 169,920                           |
|  | 245,974                           | 290,265                           |
| On investments in  |                                   |                                   |
| Held for trading securities  | 157,241                           | 125,876                           |
| Available for sale securities  | 9,127,693                         | 8,352,446                         |
| Held to maturity securities  | 7,412,104                         | 5,144,663                         |
|  | 16,697,038                        | 13,622,985                        |
| On deposits with financial institutions                                  | 53,244                            | 20,903                            |
|  | <u>24,263,208</u>                 | <u>23,644,549</u>                 |
| <b>15. MARK-UP / RETURN / INTEREST EXPENSED</b>                          |                                   |                                   |
| On deposits  | 7,597,330                         | 8,444,139                         |
| On securities sold under repurchase agreements                           | 2,055,154                         | 863,349                           |
| On other short term borrowings   | 433,398                           | 623,542                           |
| On long term borrowings  | 97,395                            | 132,966                           |
|  | <u>10,183,277</u>                 | <u>10,063,996</u>                 |

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2016**

|   | .....(Un-audited).....       |                   |
|---|------------------------------|-------------------|
|   | March 31,<br>2016            | March 31,<br>2015 |
|   | ----- (Rupees in '000) ----- |                   |
| <b>16. ADMINISTRATIVE EXPENSES</b>                    |                              |                   |
| Salaries, allowances etc.                             | 3,379,472                    | 3,018,963         |
| Charge for compensated absences                       | 75,700                       | 63,363            |
| Medical expenses                                      | 147,642                      | 129,180           |
| Contribution to defined contribution plan             | 90,298                       | 79,756            |
| Charge in respect of defined benefit obligations      | 95,121                       | 94,867            |
| Rent, taxes, insurance, electricity etc.              | 1,023,521                    | 966,501           |
| Depreciation  | 467,660                      | 449,460           |
| Amortization  | 101,655                      | 116,339           |
| Outsourced service charges including sales commission | 1,248,681                    | 1,016,014         |
| Communications  | 296,043                      | 317,286           |
| Banking service charges                               | 270,942                      | 261,104           |
| Cash transportation charges                           | 148,120                      | 136,575           |
| Stationery and printing                               | 138,342                      | 137,840           |
| Legal and professional charges                        | 96,426                       | 69,166            |
| Advertisement and publicity                           | 543,207                      | 160,847           |
| Repairs and maintenance                               | 424,342                      | 444,056           |
| Travelling  | 85,401                       | 72,018            |
| Office running expenses                               | 167,193                      | 140,251           |
| Vehicle expenses                                      | 41,441                       | 44,719            |
| Entertainment   | 68,495                       | 55,792            |
| Cartage, freight and conveyance                       | 25,774                       | 24,585            |
| Insurance expense                                     | 35,794                       | 14,508            |
| Auditors' remuneration                                | 24,005                       | 21,218            |
| Training and seminars                                 | 25,201                       | 24,444            |
| Brokerage expenses                                    | 6,974                        | 8,446             |
| Subscriptions   | 34,320                       | 32,150            |
| Donations   | 908                          | 41,405            |
| Non-executive Directors' fees                         | 8,033                        | 10,587            |
| Zakat paid by overseas branch                         | 77,370                       | 21,386            |
| Miscellaneous expenses                                | 48,913                       | 57,393            |
|   | <u>9,196,994</u>             | <u>8,030,219</u>  |

**17. TAXATION**

The Income Tax returns of the Bank have been filed up to the tax year 2015 (accounting year ended December 31, 2013) 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.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2016**

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 UAE branches have been filed upto the year ended December 31, 2015 and other overseas branches 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.

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

**18. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES**
**For the three months ended March 31, 2016 (Un-audited)**

|                                | Corporate Finance | Trading and Sales | Retail Banking | Commercial Banking | Asset Management | Others      | Inter segment elimination |
|--------------------------------|-------------------|-------------------|----------------|--------------------|------------------|-------------|---------------------------|
| ----- (Rupees in '000) -----   |                   |                   |                |                    |                  |             |                           |
| Total income                   | 101,104           | 11,359,095        | 7,794,510      | 3,386,135          | 206,739          | 434,537     | -                         |
| Total expenses                 | (28,408)          | (701,831)         | (6,627,377)    | (1,181,677)        | (154,675)        | (2,742,842) | -                         |
| Profit before tax              | 72,696            | 10,657,264        | 1,167,133      | 2,204,458          | 52,064           | (2,308,305) | -                         |
| Segment return on assets (ROA) | 62.5%             | 3.0%              | 0.4%           | 2.3%               | 10.6%            | -           | -                         |
| Segment cost of funds          | 0.7%              | 4.7%              | 2.7%           | 4.3%               | -                | -           | -                         |

**For the three months ended March 31, 2015 (Un-audited)**

|                                | Corporate Finance | Trading and Sales | Retail Banking | Commercial Banking | Asset Management | Others    | Inter segment elimination |
|--------------------------------|-------------------|-------------------|----------------|--------------------|------------------|-----------|---------------------------|
| ----- (Rupees in '000) -----   |                   |                   |                |                    |                  |           |                           |
| Total income                   | 93,825            | 6,624,892         | 9,452,636      | 3,372,732          | 229,452          | 909,848   | -                         |
| Total expenses                 | (25,046)          | (399,025)         | (6,515,691)    | (1,285,980)        | (164,100)        | (764,461) | -                         |
| Profit before tax              | 68,779            | 6,225,867         | 2,936,945      | 2,086,752          | 65,352           | 145,387   | -                         |
| Segment return on assets (ROA) | 53.8%             | 2.5%              | 0.9%           | 1.3%               | 17.7%            | -         | -                         |
| Segment cost of funds          | 1.3%              | 6.5%              | 3.7%           | 6.0%               | -                | -         | -                         |

**As at March 31, 2016 (Un-audited)**

|  | Corporate Finance | Trading and Sales | Retail Banking | Commercial Banking | Asset Management | Others      | Inter segment elimination |
|--|-------------------|-------------------|----------------|--------------------|------------------|-------------|---------------------------|
| ----- (Rupees in '000) -----             |                   |                   |                |                    |                  |             |                           |
| Segment assets (gross of NPL provisions) | 769,077           | 887,250,750       | 996,645,200    | 481,685,286        | 1,268,022        | 122,249,112 | (945,530,911)             |
| Segment non performing loans (NPLs)      | 675,575           | 1,865,790         | 14,244,450     | 31,699,962         | -                | 237,013     | -                         |
| Segment provision held against NPLs      | 508,071           | 1,847,222         | 11,277,466     | 24,621,120         | -                | 75,916      | -                         |
| Segment liabilities                      | 213,954           | 813,859,772       | 1,026,740,936  | 443,187,857        | 165,181          | 7,420,810   | (945,530,911)             |

**As at December 31, 2015 (Audited)**

|  | Corporate Finance | Trading and Sales | Retail Banking | Commercial Banking | Asset Management | Others     | Inter segment elimination |
|--|-------------------|-------------------|----------------|--------------------|------------------|------------|---------------------------|
| ----- (Rupees in '000) -----             |                   |                   |                |                    |                  |            |                           |
| Segment assets (gross of NPL provisions) | 933,876           | 860,007,414       | 993,648,190    | 468,304,820        | 1,287,306        | 98,693,150 | (898,210,505)             |
| Segment non performing loans (NPLs)      | 675,575           | 1,866,135         | 14,982,016     | 30,415,533         | -                | 231,382    | -                         |
| Segment provision held against NPLs      | 508,071           | 1,846,111         | 11,607,679     | 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)             |

Segment assets and liabilities include inter segment balances.

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



**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2016**
**19. 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 period, other than those which have been disclosed elsewhere in these consolidated condensed interim financial statements, are as follows:

|   | As at March 31, 2016 (Un-audited) |                          |                       |   | As at December 31, 2015 (Audited) |                          |                       |                       |
|---|-----------------------------------|--------------------------|-----------------------|---|-----------------------------------|--------------------------|-----------------------|-----------------------|
|   | Directors                         | Key management personnel | Associates            | Other related parties   | Directors                         | Key management personnel | Associates            | Other related parties |
| ----- (Rupees in '000) -----                                  |                                   |                          |                       |   |                                   |                          |                       |                       |
| <b>Lendings to financial institutions</b>                     |                                   |                          |                       |   |                                   |                          |                       |                       |
| Other lendings to financial institution                       | -                                 | -                        | 300,000               | -   | -                                 | -                        | 400,000               | -                     |
| <b>Investments</b>  |                                   |                          |                       |   |                                   |                          |                       |                       |
| Opening balance   | -                                 | -                        | 8,801,941             | 3,917,745   | -                                 | -                        | 10,032,839            | 3,917,745             |
| Investment made during the period / year                      | -                                 | -                        | 180,138               | -   | -                                 | -                        | 3,897,046             | -                     |
| Investment redeemed / disposed off during the period / year   | -                                 | -                        | (1,246,414)           | (22,417)  | -                                 | -                        | (5,518,844)           | -                     |
| Equity method adjustments                                     | -                                 | -                        | 185,567               | -   | -                                 | -                        | 390,900               | -                     |
| Closing balance   | -                                 | -                        | 7,921,232             | 3,895,328   | -                                 | -                        | 8,801,941             | 3,917,745             |
| Provision for diminution in value of investments              | -                                 | -                        | -                     | 114,934   | -                                 | -                        | -                     | 114,934               |
| <b>Advances</b>   |                                   |                          |                       |   |                                   |                          |                       |                       |
| Opening balance   | 706                               | 404,436                  | 2,155,149             | 7,907,012   | 368                               | 249,996                  | 2,155,149             | 9,394,005             |
| Addition during the year                                      | 5,406                             | 28,918                   | -                     | 13,814,707  | 4,181                             | 273,325                  | -                     | 44,320,432            |
| Repaid during the year  | (5,896)                           | (25,226)                 | -                     | (15,707,368)  | (3,843)                           | (89,807)                 | -                     | (45,807,425)          |
| Transfer in / (out) - net                                     | -                                 | 3,343                    | -                     | -   | -                                 | (29,078)                 | -                     | -                     |
| Closing balance   | 216                               | 411,471                  | 2,155,149             | 6,014,351   | 706                               | 404,436                  | 2,155,149             | 7,907,012             |
| Provision held against advances                               | -                                 | -                        | 2,155,149             | -   | -                                 | -                        | 2,155,149             | -                     |
| <b>Other Assets</b>   |                                   |                          |                       |   |                                   |                          |                       |                       |
| Interest mark-up accrued                                      | -                                 | 1                        | 67                    | 71,261  | -                                 | 56                       | 8,187                 | 92,060                |
| Receivable from staff retirement funds                        | -                                 | -                        | -                     | 232,137   | -                                 | -                        | -                     | 211,687               |
| Prepaid insurance   | -                                 | -                        | 161,862               | -   | -                                 | -                        | 44                    | -                     |
| Remuneration receivable from management of funds              | -                                 | -                        | 62,866                | -   | -                                 | -                        | 63,035                | -                     |
| Sales load receivable   | -                                 | -                        | 23,563                | -   | -                                 | -                        | 6,189                 | -                     |
| Formation cost receivable                                     | -                                 | -                        | 1,000                 | -   | -                                 | -                        | 1,000                 | -                     |
| Other receivable  | -                                 | -                        | 23,275                | 30,164  | -                                 | -                        | 8,817                 | 30,164                |
| Provision against other assets                                | -                                 | -                        | -                     | 30,164  | -                                 | -                        | -                     | 30,164                |
| <b>Deposits and other accounts</b>                            |                                   |                          |                       |   |                                   |                          |                       |                       |
| Opening balance   | 7,934,549                         | 134,394                  | 6,658,891             | 1,822,423   | 7,920,019                         | 180,520                  | 2,501,595             | 204,907               |
| Received during the year                                      | 3,442,717                         | 392,407                  | 25,645,842            | 32,129,806  | 22,932,144                        | 1,181,278                | 130,029,100           | 140,642,028           |
| Withdrawn during the year                                     | (3,514,358)                       | (322,731)                | (26,879,984)          | (31,917,693)  | (22,917,614)                      | (1,140,365)              | (125,871,804)         | (139,317,293)         |
| Transfer in / (out) - net                                     | -                                 | 340                      | -                     | -   | -                                 | (87,039)                 | -                     | 292,781               |
| Closing balance   | 7,862,908                         | 204,410                  | 5,424,749             | 2,034,536   | 7,934,549                         | 134,394                  | 6,658,891             | 1,822,423             |
| <b>Other Liabilities</b>                                      |                                   |                          |                       |   |                                   |                          |                       |                       |
| Interest / return / mark-up payable on deposits               | 64,013                            | 266                      | 3,820                 | 10,365  | 46,187                            | 256                      | 4,621                 | 710                   |
| Payable to staff retirement fund                              | -                                 | -                        | -                     | 45,297  | -                                 | -                        | -                     | 188,136               |
| Unearned income   | -                                 | -                        | -                     | 7,294   | -                                 | -                        | -                     | 10,420                |
| <b>Contingencies and Commitments</b>                          |                                   |                          |                       |   |                                   |                          |                       |                       |
| Letter of guarantee   | -                                 | -                        | 28,858                | -   | -                                 | -                        | 43,362                | -                     |
| Forward foreign exchange contracts purchase                   | -                                 | -                        | -                     | -   | -                                 | -                        | -                     | 27,061                |
| Forward foreign exchange contracts sale                       | -                                 | -                        | -                     | 375,893   | -                                 | -                        | -                     | 412,487               |
| Cross Currency Swap   | -                                 | -                        | 521,203               | -   | -                                 | -                        | 508,129               | -                     |
| ----- (Rupees in '000) -----                                  |                                   |                          |                       |   |                                   |                          |                       |                       |
| <b>For the three months ended March 31, 2016 (Un-audited)</b> |                                   |                          |                       | <b>For the three months ended March 31, 2015 (Un-audited)</b> |                                   |                          |                       |                       |
| Directors   | Key management personnel          | Associates               | Other related parties | Directors   | Key management personnel          | Associates               | Other related parties |                       |
| Mark-up / return / interest earned                            | -                                 | 2,655                    | 6,158                 | 83,051  | -                                 | 2,200                    | 14,613                | 223,270               |
| Commission / charges recovered                                | 46                                | 86                       | 414                   | 71  | 11                                | 43                       | 953                   | 59                    |
| Dividend received   | -                                 | -                        | -                     | 21,780  | -                                 | -                        | -                     | 53,262                |
| Net gain on sale of securities                                | -                                 | -                        | 42,497                | -   | -                                 | -                        | 128,114               | -                     |
| Remuneration from management of funds                         | -                                 | -                        | 185,165               | -   | -                                 | -                        | 174,769               | -                     |
| Sales load  | -                                 | -                        | 31,589                | -   | -                                 | -                        | 25,751                | -                     |
| Other income  | -                                 | -                        | 1,768                 | 3,126   | -                                 | 3,615                    | -                     | -                     |
| Mark-up / return / interest paid                              | 54,280                            | 351                      | 70,645                | 11,816  | 53,214                            | 1,011                    | 34,366                | 1,143                 |
| Remuneration paid   | -                                 | 587,542                  | -                     | -   | -                                 | 414,197                  | -                     | -                     |
| Post employment benefits                                      | -                                 | 25,136                   | -                     | -   | -                                 | 13,664                   | -                     | -                     |
| Non-executive directors' fee                                  | 8,033                             | -                        | -                     | -   | 10,587                            | -                        | -                     | -                     |
| Net charge for defined contribution plans                     | -                                 | -                        | -                     | 90,298  | -                                 | -                        | -                     | 79,756                |
| Net charge for defined benefit plans                          | -                                 | -                        | -                     | 33,013  | -                                 | -                        | -                     | 31,265                |
| Other expenses  | -                                 | -                        | 23,256                | 27,810  | -                                 | -                        | 1,960                 | 25,600                |
| Insurance premium paid  | -                                 | -                        | 217,697               | -   | -                                 | -                        | 222,858               | -                     |
| Insurance claims settled                                      | -                                 | -                        | 11,404                | -   | -                                 | -                        | 45,827                | -                     |

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2016**
**20. ISLAMIC BANKING BUSINESS**

20.1 The statement of financial position of the Bank's Islamic Banking branches is as follows:

|   | Note | (Un-audited)<br>March 31,<br>2016 | (Audited)<br>December 31,<br>2015 |
|---|------|-----------------------------------|-----------------------------------|
| ----- (Rupees in '000) -----                            |      |                                   |                                   |
| <b>ASSETS</b>   |      |                                   |                                   |
| Cash and balances with treasury banks                   |      | 1,110,385                         | 1,646,846                         |
| Balances with other banks                               |      | 2,441,934                         | 3,213,299                         |
| Due from financial institutions                         |      | 6,075,000                         | 1,300,000                         |
| Investments   |      | 12,801,304                        | 17,247,343                        |
| Islamic financing and related assets                    | 20.3 | 7,299,580                         | 7,070,382                         |
| Operating fixed assets                                  |      | 158,278                           | 151,283                           |
| Due from Head Office                                    |      | 2,729,211                         | 2,146,205                         |
| Other assets  |      | 148,521                           | 160,736                           |
| <b>Total Assets</b>                                     |      | <b>32,764,213</b>                 | <b>32,936,094</b>                 |
| <b>LIABILITIES</b>                                      |      |                                   |                                   |
| Bills payable   |      | 158,369                           | 197,090                           |
| Deposits and other accounts                             |      | 7,663,387                         | 5,431,588                         |
| Current accounts - non remunerative                     |      | 1,745,025                         | 1,870,337                         |
| Current accounts - remunerative                         |      | 2,724,146                         | 2,904,770                         |
| Saving accounts   |      | 1,092,126                         | 1,392,031                         |
| Term deposits   |      | 17,870,517                        | 19,457,452                        |
| Deposits from financial institutions - remunerative     |      | 7                                 | 30,007                            |
| Deposits from financial institutions - non remunerative |      | 31,095,208                        | 31,086,185                        |
| Due to Head Office                                      |      | -                                 | -                                 |
| Other liabilities                                       |      | 334,618                           | 452,259                           |
|   |      | <b>31,588,195</b>                 | <b>31,735,534</b>                 |
| <b>NET ASSETS</b>                                       |      | <b>1,176,018</b>                  | <b>1,200,560</b>                  |
| <b>REPRESENTED BY</b>                                   |      |                                   |                                   |
| Islamic Banking Fund                                    |      | 1,681,000                         | 1,681,000                         |
| Accumulated losses                                      |      | (530,892)                         | (532,990)                         |
|   |      | 1,150,108                         | 1,148,010                         |
| Deficit on revaluation of assets                        |      | 25,910                            | 52,550                            |
|   |      | <b>1,176,018</b>                  | <b>1,200,560</b>                  |

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

|  | ----- (Un-audited) ----- |                   |
|--|--------------------------|-------------------|
|  | March 31,<br>2016        | March 31,<br>2015 |
| ----- (Rupees in '000) -----                           |                          |                   |
| Return earned  | 487,088                  | 422,492           |
| Return expensed  | (300,938)                | (315,295)         |
|  | 186,150                  | 107,197           |
| Provision against loans and advances - net             | (159)                    | -                 |
| Provision for diminution in value of investments - net | -                        | -                 |
| Reversal of provision against assets given on Ijarah   | 151                      | 397               |
|  | (8)                      | 397               |
| Net return after provisions                            | 186,142                  | 107,594           |
| <b>Other Income</b>                                    |                          |                   |
| Fee, commission and brokerage income                   | 7,295                    | 5,847             |
| Dividend income  | -                        | -                 |
| (Loss) / income from dealing in foreign currencies     | (1,203)                  | 1,710             |
| Gain / (loss) on sale of securities - net              | 4,299                    | (48)              |
| Other income   | 1,313                    | (233)             |
| Total other income                                     | 11,704                   | 7,276             |
|  | 197,846                  | 114,870           |
| <b>Other Expenses</b>                                  |                          |                   |
| Administrative expenses                                | (195,702)                | (135,906)         |
| Other provisions - net                                 | (46)                     | -                 |
| Total other expenses                                   | (195,748)                | (135,906)         |
| Net profit / (loss) for the period                     | 2,098                    | (21,036)          |
| Accumulated losses brought forward                     | (532,990)                | (276,733)         |
| Accumulated losses carried forward                     | (530,892)                | (297,769)         |
| <b>Remuneration to Shariah Board and Advisor</b>       | <b>1,488</b>             | <b>426</b>        |

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2016**

|   | (Un-audited)<br>March 31,<br>2016 | (Audited)<br>December 31,<br>2015 |
|---|-----------------------------------|-----------------------------------|
|   | ----- (Rupees in '000) -----      |                                   |
| <b>20.3 Islamic financing and related assets</b>  |                                   |                                   |
| <b>Financings</b>                                 |                                   |                                   |
| Murabaha  | 311,314                           | 259,138                           |
| Ijarah  | 651,102                           | 714,570                           |
| Diminishing Musharaka                             | 6,177,239                         | 6,077,784                         |
|   | 7,139,655                         | 7,051,492                         |
| <b>Advances</b>                                   |                                   |                                   |
| Advances against Ijarah                           | 83,146                            | 7,886                             |
| Advances for Diminishing Musharaka                | 11,932                            | 8,082                             |
| Advances for Murabaha                             | 26,156                            | 27,598                            |
|   | 121,234                           | 43,566                            |
| Profit and other receivable against financing     | 124,817                           | 61,442                            |
| <b>Gross Islamic financing and related assets</b> | 7,385,706                         | 7,156,500                         |
| Provision against financings and advances         | (86,126)                          | (86,118)                          |
|   | <u>7,299,580</u>                  | <u>7,070,382</u>                  |

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

The Board of Directors in its meeting held on April 26, 2016 has declared a cash dividend in respect of the three months ended March 31, 2016 of Rs. 3.0 per share (March 31, 2015: Rs. 3.0 per share). The consolidated condensed interim financial statements for the three months ended March 31, 2016 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

**22. DATE OF AUTHORIZATION**

These consolidated condensed interim financial statements were authorised for issue on April 26, 2016 by the Board of Directors of the Group.

**23. GENERAL**
**23.1 Comparatives**

SBP has issued circular regarding the classification of Islamic financing and related assets. Accordingly, prior year numbers have been reclassified as follows:

- Bai Muajjal of Rs. 5,391.120 million has been reclassified from Lending to financial institutions to Investments.
- Assets given on Ijarah of Rs. 695.380 million have been reclassified from Operating fixed assets to Advances.
- Islamic receivables carried in Other assets of Rs. 87.510 million have been reclassified to Advances.

Wajahat Husain  
President &  
Chief Executive Officer

Amin Uddin  
Director

Zameer Mohammed Choudrey  
Director

Sir Mohammed Anwar Pervez, OBE, HPK  
Chairman