

United Bank Limited

UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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

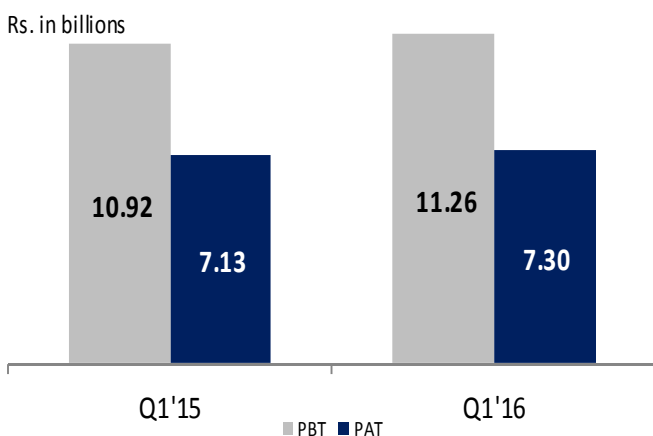


Directors' Report to the Members

On behalf of the Board of Directors, I am pleased to present to you the financial statements of United Bank Limited for the quarter ended March 31, 2016.

Performance Highlights

- UBL recorded unconsolidated profit before tax of Rs. 11.26 billion for the quarter ended March 31, 2016, a 3% increase over the corresponding period March 31, 2015.
- Revenues are up by 13%, with consistent balance sheet growth funded by core deposits.
- Cost to income ratio is 38.5% for Q1'16 (Q1'15: 37.9%).



Financial Highlights

Overall Performance

UBL registered profit after tax of Rs. 7.30 billion for the first quarter of 2016 which is 2% higher than Q1'15. This performance is translated into earnings per share of Rs. 5.96 (March 2015: Rs. 5.82). On a consolidated basis, UBL achieved profit after tax of Rs. 7.56 billion (Q1'15: Rs. 7.70 billion).

Net Interest Income

Net interest income has grown by Rs. 0.48 billion to reach Rs. 13.59 billion, representing an increase of 4% over Q1'15. The low interest rate environment, caused by the 300 bps policy rate cut in 2015 has exerted pressure on banking sector spreads. Average earning assets have grown by Rs. 244.0 billion to Rs. 1.17 trillion in Q1'16, a growth of 26% over Q1'15. UBL's balance sheet expansion is a result of strong growth of 16% in the average domestic deposits base. The domestic cost of deposits stood at 3.0% in Mar'16 (Mar'15: 4.1%) down by 111 bps with consistent growth in current accounts. The average advances portfolio has grown by 8% with disbursements across both domestic and international, supporting earnings. The well-diversified bond portfolio continues to absorb the impact of low interest margins.

Non-Interest Income

Non-interest income remains a core component of the Bank's earnings, up by Rs. 2.13 billion to reach Rs. 8.36 billion, an increase of 34% over Q1'15. The contribution to total revenues has increased to 38% this quarter from 32% in Q1'15. Fees and commissions are up by 10% over Q1'15, reaching Rs. 3.17 billion with Omni, trade and home remittances being the major contributors. Capital gains increased to Rs. 3.84 billion from Rs. 1.93 billion in Q1'15, realized primarily from trading in fixed income securities. Dividend income declined by 13% while foreign exchange income was down 15% over Q1'15, with restricted market opportunities as a result of a more stable exchange rate.

Provisions and loan losses

Provisions for the current quarter were up by Rs. 1.16 billion, reaching Rs. 1.96 billion (Q1'15: Rs. 0.80 billion). These include both specific and general provisions, prudently taken to build reserves within the domestic and international loan books. The asset quality stood at 9.6% in Mar'16 (9.4% in Dec'15). The coverage ratio based on specific provision at the end of current quarter remained strong at 79.2% (Dec'15: 80.2%) while the coverage ratio based on total provision at the end of Mar'16 is 91.7% (Dec'15: 88.9%).

Cost management

Administrative expenses for Q1'16 were 1% lower than the last quarter of 2015, as managing the cost base remains a priority across the Bank. In comparison to Q1'15, expenses are up by 15% in line with growth across business segments. The rise is mainly within staff costs, due to hiring in the last quarter of 2015 and merit and cost of living increases as part of the annual performance appraisal cycle. Premises related costs were up by 8% as reinvestment within the network and upgradation of facilities continues. Cost to income ratio is at 38.5% this quarter, compared to 37.9% in Q1'15.

Balance Sheet Management

The balance sheet size reached Rs. 1.42 trillion as at Mar'16, an increase of Rs. 18 billion over Dec'15. UBL continues to grow ahead of the market, gaining deposits market share, which reached 8.95% as at Mar'16, up from 8.60% in Dec'15. Domestic deposits stood at Rs. 855.9 billion as at Mar'16, with a growth of 3% over Dec'15. With a wide spread foot print across both urban and rural segments, the Bank's distribution channels maintained a strong momentum in the acquisition of new to bank accounts.

The Bank's net advances declined marginally from Rs. 455.4 billion at Dec'15 to Rs. 446.9 billion at Mar'16, mainly as a result of repayments and relatively lower commodity financing. The investment portfolio increased to Rs. 790.0 billion at Mar'16, a 10% increase from Dec'15. The Bank maintains a well-diversified portfolio across fixed income treasuries, high yielding equities

and mutual funds. The gross revaluation surplus on investments stood at Rs. 27.6 billion at Mar'16 up from Rs. 25.6 billion in Dec'15.

Capital Ratios

UBL's capital position remained comfortable, with the Tier-1 at 10.4% and the overall capital adequacy is at 14.6% at Mar'16 (Dec'15: 10.4% and 14.6% respectively). This is driven by strong earnings in the first three months of 2016 along with proactive risk management.

The Board of Directors of UBL declared an interim dividend of 30% (Rs. 3.0 per share) in their meeting in Islamabad on April 26th 2016, along with the results for the quarter ended March 31, 2016.

Economy Review

The economy has sustained its positive momentum during the first quarter of 2016 despite broader fundamental challenges. Despite a gradual pickup, inflation has remained well under control with the average Q1'16 CPI at 3.7%. Large scale manufacturing (LSM) has shown better performance amid an improvement in the business sentiment, lower input prices and better power supply. As a result, the LSM index has posted a growth of 4.1% during 7M FY'16 as against 2.5% during same period last year.

The trade deficit during the first eight months of FY'16 stood at USD 15.1 billion, up by 4.1% on a year on year basis. During the period, exports declined by 13.3% year on year to USD 13.9 billion while imports went down by 5.0% year on year to USD 29.0 billion. Hence the decline in exports has largely offset the benefit of a lower oil import bill. Remittances stood at USD 12.7 billion during 8M FY'16, with a growth of 6.1% reflecting a slow down within major remittance corridors. Due to a relatively weaker trade account performance and marginal growth in remittances, the current account deficit for 8M FY'16 stood at USD 1.86 billion (8M FY'15: USD 1.95 billion). The overall balance of payment remained stable with the reserves position strengthened by timely disbursements under the IMF's Extended Fund Facility (EFF). Hence, the PKR-USD exchange rate also remained in a comfortable range of Rs. 104 - 105/USD and ended the quarter relatively unchanged over Dec'15.

The government managed to contain the fiscal deficit during 1H FY'16 at 1.7% of the GDP. Despite an increase in development expenditure, the improvement came from containment of current expenditure, sharp rise in tax revenues and sizeable provincial surpluses. The financing of deficit was relatively well balanced between local and external sources with a 61% and 39% contribution respectively.

The local stock market remained largely unimpressive during Q1'16 with the PSX-100 index (formerly KSE-100 index) up 1.0%. Despite an improving macro outlook, the market remained

impacted by foreign selling amid weak volumes. Foreigners remained net sellers in the market during the quarter with a net outflow USD 101 million.

After easing its monetary stance rather aggressively during 2015, the SBP adopted a cautious approach during the first quarter of 2016 and kept its target policy rate unchanged at 6.0%. There was no growth in banking sector deposits during the first quarter of 2016, while lending remained slow after posting a strong performance during the previous quarter. Non-performing loans for the industry remained relatively under control, with the stock having declined by 3.9% QoQ to Rs. 605 billion as of Dec'15. As a result, the infection ratio dropped to 11.4% in Dec'15 against 12.5% in Sep'15.

UBL International

UBL's international business continued to maintain its contribution to the Bank's profitability. Taking cognizance of the current economic environment prevalent in the GCC economies, UBL continued to remain prudent in its operating strategy during the first quarter of year 2016.

Following the wholesale banking model, International branches continued with the strategy of deepening existing relationships in corporate banking and financial institutions space. International performing advances recorded a growth of 2.5% over December 2015 levels and International deposits continued to remain above the USD 2 billion mark that was accomplished in 2015. During Q1'16, UBL International Group along with a syndicate of international and local banks successfully executed a landmark transaction, raising USD 408 million for the Government of Pakistan. UBL was mandated as the lead arranger and agent bank for this transaction.

Provisions were effectively curtailed through key recoveries of corporate and mortgage non-performing loans. The Bank aims to enhance its underwriting scale and quality and maintain a close focus on expedited recoveries across its international territories. UBL International remains focused on growing the deposits base amidst the challenging environment in the GCC markets to provide sound support to the growing asset base in the international network. This strategy translated in generating a strong bottom line for the international branches in the first quarter of 2016.

In view of the situation prevailing in Yemen since 2015, the Bank's operations in the country continue to be operated via the camp office situated in Karachi. The Bank is closely monitoring the developing situation in Yemen and has taken the necessary steps to safeguard the assets and resources deployed in the country.

Sustainability

During the first quarter of 2016, in continuance of its support of literature and its promotion in Pakistan, UBL held the 5th UBL Literary Excellence Awards in conjunction with the Karachi Literature Festival. This effort was undertaken with the aim of offering support and encouragement to writers and artists to continue their contribution to the literary wealth of our country. Additionally, the Bank pursued sustainability initiatives in Education, Healthcare and Community Welfare. During Q1'16, UBL funded the treatments of underprivileged cancer patients, undertook community development projects and also contributed to various NGOs.

Future Outlook

Our focus remains on maintaining the growth momentum across the branch network, which is the corner stone of our operations. Improving service levels, while evolving our channels in line with customer requirements, remains a key priority. Research and development, along-with technology driven product innovation, continues to drive our long term strategy.

For the corporate business, yield enhancement through a targeted relationship based model, would continue to build non funded income, with a specific focus on growing trade volumes. As economic conditions improve, our recovery efforts against non-performing loans would be pursued more aggressively.

We believe in driving performance through build on the organization's core values and remain committed to investing in our human capital.

Acknowledgements

In conclusion, we extend our thanks and appreciation to UBL shareholders and customers for their continued trust and support. We value the persistent efforts and dedication of our staff. We would also like to express our sincere appreciation to the Government of Pakistan, the State Bank of Pakistan, the Securities & Exchange Commission and other regulatory bodies for their direction and continued support.

For and on behalf of the Board,

Sir Mohammed Anwar Pervez, OBE, HPk

Chairman
Islamabad
26 April 2016

ارکان کو ڈائریکٹرز کی رپورٹ

بورڈ آف ڈائریکٹرز کی طرف سے 31 مارچ 2016ء کو ختم ہونے والی سہ ماہی کے لیے یونائیٹڈ بینک لمیٹڈ کے مالیاتی گوشوارے پیش کرنا میرے لیے باعث مسرت ہے۔

کارکردگی کی جھلکیاں

☆ یو بی ایل نے 31 مارچ 2016 کو ختم ہونے والی سہ ماہی کے لیے 11.26 ارب روپے کا غیر مجتمع قبل از ٹیکس منافع درج کروایا جو 31 مارچ 2015 کو اسی مدت کے مقابلے میں 3 فی صد زیادہ ہے۔

☆ بنیادی ڈپازٹس کی طرف سے سرمایہ کی فراہمی کی بدولت بیلنس شیٹ میں مسلسل اضافے کے ساتھ آمدنیوں میں 13 فی صد اضافہ ہوا ہے۔

☆ اخراجات اور آمدنی کا باہمی تناسب 2016ء کی پہلی سہ ماہی میں 38.5 فی صد رہا (2015 کی پہلی سہ ماہی: 37.9 فی صد)۔

مالیاتی اہم نکات

مجموعی کارکردگی کا جائزہ

یو بی ایل نے 2016ء کی پہلی سہ ماہی کے لیے 7.30 ارب روپے بعد از ٹیکس منافع درج کروایا ہے جو 2015 کی پہلی سہ ماہی کے مقابلے میں 2 فی صد زیادہ ہے۔ یہ کارکردگی 5.96 روپے فی شیئر آمدنی کی صورت میں سامنے آئی ہے (مارچ 2015: 5.82 روپے)۔ مجتمع بنیاد پر، یو بی ایل نے 7.56 ارب روپے بعد از ٹیکس منافع کمایا (2015 کی پہلی سہ ماہی: 7.70 ارب روپے)۔

مارک اپ کی مد میں خالص آمدنی

مارک اپ کی مد میں خالص آمدنی 0.48 ارب روپے اضافے کے ساتھ 13.59 ارب روپے تک پہنچ گئی جو 2015 کی پہلی سہ ماہی کے مقابلے میں 4 فی صد اضافے کی عکاسی کرتی ہے۔ 2015 میں لاگو 300 بنیادی پوائنٹس کی کٹ ریٹ پالیسی کے نتیجے میں کم مارک اپ کے ماحول نے بینکاری کے شعبے پر دباؤ ڈالا ہے۔ 2016 کی پہلی سہ ماہی میں اوسط آمدنی والے اثاثے 244.0 ارب روپے کے اضافے کے ساتھ 1.17 ٹریلین روپے ہو گئے، جو 2015 کی پہلی سہ ماہی کے مقابلے میں 26 فی صد اضافہ ہے۔ یو بی ایل کی بیلنس شیٹ میں اضافہ اوسط ڈومیسٹک ڈپازٹس بیس میں 16 فی صد کے زبردست اضافے کا نتیجہ ہے۔ کرنٹ اکاؤنٹس میں مسلسل اضافے کے ساتھ ڈپازٹس کے ملکی اخراجات مارچ 2016 کو 111 بنیادی پوائنٹس کی کمی کے ساتھ 3.0 فی صد ہو گئے (مارچ 2015: 4.1 فی صد)۔ ملکی اور بین الاقوامی، دونوں سطح پر قرضوں کی تقسیم کے ساتھ اوسط ایڈوانس پورٹ فولیو میں 8 فی صد اضافہ ہوا، جس سے آمدنی کو سہارا ملا۔ عمدہ تنوع کے حامل بوئڈ پورٹ فولیو نے مارک اپ کی کم گنجائش کے اثرات جذب کرنے کا سلسلہ جاری رکھا۔

مارک اپ کے بغیر آمدنی

مارک اپ کے بغیر آمدنی، جو بدستور بینک کی آمدنی کا اہم حصہ رہی، 2.13 ارب روپے اضافے کے ساتھ 8.36 ارب روپے ہو گئی جو 2015 کی پہلی سہ ماہی کے مقابلے میں 34 فی صد زیادہ ہے۔ مجموعی آمدنیوں میں حصہ داری 2015 کی پہلی سہ ماہی میں 32 فی صد تھی جبکہ اس سہ ماہی میں بڑھ کر 38 فی صد ہو گئی ہے۔ فیس اور کمیشنز 2015 کی پہلی سہ ماہی کے مقابلے میں 10 فی صد بڑھ کر 3.17 ارب روپے تک پہنچ گئے، جن میں اوٹمی، ٹریڈ

اور ہوم ریجیٹریز مرکزی حصے دار بنے۔ مالیاتی منافع جات (کیپیٹل گینئر) 2015 کی پہلی سہ ماہی میں 1.93 ارب روپے سے بڑھ کر 3.84 ارب روپے ہو گئے جو بنیادی طور پر فلکسڈ انکم سکیورٹیز میں لین دین کا حاصل ہیں۔ 2015 کی پہلی سہ ماہی کے مقابلے میں ڈیویڈنڈ سے آمدنی 13 فی صد کم ہوئی، جبکہ غیر ملکی زرمبادلہ کی زیادہ مستحکم شرحوں کے نتیجے میں محدود مواقع کے ساتھ غیر ملکی زرمبادلہ سے آمدنی میں 15 فی صد کمی آئی۔

قرضہ جات پر ممکنہ خساروں کے لیے مختص رقوم

موجودہ سہ ماہی کے لیے ممکنہ خساروں کے لیے مختص رقوم 1.16 ارب روپے اضافے کے ساتھ 1.96 ارب روپے تک پہنچ گئیں (2015 کی پہلی سہ ماہی: 0.80 ارب روپے)۔ ان میں مختص شدہ خصوصی اور عمومی، دونوں طرح کی رقوم شامل ہیں جو ملکی اور بین الاقوامی قرضوں کے کھاتوں میں محفوظ ذخائر جمع کرنے کے لیے احتیاطاً رکھی گئی ہیں۔ مختص شدہ مخصوص رقوم کی بنیاد پر اثاثوں کے معیار کی سطح مارچ 2016 میں 9.6 فی صد رہی (دسمبر 2015: 9.4 فی صد)۔ موجودہ سہ ماہی کے اختتام پر مخصوص کوریج کا تناسب 79.2 فی صد پر مستحکم رہا (دسمبر 2015: 80.2 فی صد)، جب کہ مجموعی مختص شدہ رقوم کی بنیاد پر کوریج کا تناسب مارچ 2016 کے اختتام پر 91.7 فی صد ہے۔ (دسمبر 2015: 88.9 فی صد)

اخراجات کا نظم و نسق

2016 کی پہلی سہ ماہی میں انتظامی اخراجات، 2015 کی آخری سہ ماہی کے مقابلے میں 1 فی صد کم رہے، چوں کہ لاگت کی بنیاد کو قابو میں رکھنا پورے بینک میں ایک ترجیح رہا ہے۔ 2015 کی پہلی سہ ماہی کے مقابلے میں اخراجات 15 فی صد زیادہ ہیں جو تمام کاروباری شعبوں میں بڑھوتری سے ہم آہنگ ہیں۔ یہ اضافہ بنیادی طور پر 2015 کی آخری سہ ماہی میں نئی بھرتیوں اور کارکردگی کی بنیاد پر تنخواہوں میں اضافے کے نظام کے ایک حصے کے طور پر تنخواہوں میں میرٹ اور اخراجات زندگی کی بنیاد پر اضافے کے نتیجے میں اسٹاف کی لاگتوں میں ہوا ہے۔ جائیدادوں سے متعلق اخراجات میں 8 فی صد اضافہ ہوا، جیسا کہ نیٹ ورک کے اندر سرمایہ کاری کی تجدید اور سہولتوں کو جدید تر بنانے کا سلسلہ جاری ہے۔ اس سہ ماہی میں یو بی ایل کا اخراجات اور آمدنی کا باہمی تناسب 38.5 فی صد ہو گیا ہے جو 2015 کی پہلی سہ ماہی میں 37.9 فی صد تھا۔

بیلنس شیٹ کا نظم و نسق

مارچ 2016 کے مطابق بیلنس شیٹ کا حجم 1.42 ٹریلین روپے تک پہنچ گیا جو دسمبر 2015 کے مقابلے میں 18 ارب روپے کا اضافہ ہے۔ یو بی ایل نے ڈپازٹس کی مارکیٹ میں اپنے شیئر میں اضافے کے ساتھ، جو دسمبر 2015 میں 8.60 فی صد کے مقابلے میں مارچ 2016 میں 8.95 فی صد تک پہنچ گیا ہے، مارکیٹ سے آگے اپنی پیش رفت کا سلسلہ جاری رکھے ہوئے ہے۔ ڈومیسٹک ڈپازٹس دسمبر 2015 کے مقابلے میں 3 فی صد اضافے کے ساتھ مارچ 2016 کے مطابق 855.9 ارب روپے پر موجود ہیں۔ شہری اور دیہی، دونوں طبقوں میں وسیع پیمانے پر دائرہ اثر کے ساتھ بینک کے ڈسٹری بیوٹر چینلز نے نئے بینک اکاؤنٹس کے حصول میں زبردست رفتار برقرار رکھی۔

بینک کے خالص قرضہ جات (ایڈوانسز) بنیادی طور پر قرض واپسی اور نسبتاً کم کموڈٹی فائنانسنگ کے نتیجے کے طور پر دسمبر 2015 میں 455.4 ارب روپے سے قدرے کم ہو کر مارچ 2016 میں 446.9 ارب روپے ہو گئے۔ مارچ 2016 کے مطابق انویسٹمنٹ پورٹ فولیو بڑھ کر 790.0 ارب روپے ہو گیا جو دسمبر 2015 سے 10 فی صد اضافہ ہے۔ بینک نے فلکسڈ انکم ٹریڈرز، عمدہ آمدنی والی ایکویٹیز اور میچل فنڈز پر محیط انتہائی متنوع پورٹ فولیو

برقرار رکھا۔ انویسٹمنٹ پر مجموعی تجدیدی فاضل آمدنی دسمبر 2015 میں 25.6 ارب روپے کے مقابلے میں مارچ 2016 کو 27.6 ارب روپے رہی۔

مالیاتی تناسب

یو بی ایل کی کیپیٹل پوزیشن مستحکم رہی جیسا کہ مارچ 2016 میں طبقہ اول (Tier-1) 10.4 فی صد اور سرمائے کی مجموعی کفایت (overall capital adequacy) 14.6 فی صد رہی (دسمبر 2015 میں بالترتیب 10.4 اور 14.6 فی صد رہی)۔ 2016

کے پہلے تین ماہ میں زبردست آمدنی اور اس کے ساتھ فعال رسک مینجمنٹ اس کے محرکات ہیں۔

یو بی ایل کے بورڈ آف ڈائریکٹرز نے 26 اپریل 2016 کو اسلام آباد میں منعقدہ اپنے اجلاس میں 31 مارچ 2016 کو ختم ہونے والی سہ ماہی کے نتائج کے ساتھ 30 فی صد (3.0 روپے فی شیئر) عبوری ڈیویڈنڈ کا اعلان کیا۔

اقتصادی جائزہ

2016 کی پہلی سہ ماہی کے دوران معیشت نے وسیع تر بنیادی چیلنجوں کے باوجود مثبت رفتار برقرار رکھی۔ بتدریج اضافے کے باوجود افراط زر 2016 کی پہلی سہ ماہی میں 3.7 فی صد کنزیومر پرائس انڈیکس کے اوسط کے ساتھ بخوبی قابو میں رہا۔ کاروباری احساسات میں بہتری، خام مال کی قیمتوں میں کمی اور بجلی کی بہتر سپلائی کے ساتھ وسیع پیمانے پر صنعت کاری (LSM) نے بہتر کارکردگی دکھائی۔ جس کے نتیجے میں LSM انڈیکس نے مالی سال 2016 کے پہلے سات ماہ میں، گزشتہ سال اسی مدت میں 2.5 فی صد اضافے کے مقابلے میں 4.1 فی صد کا اضافہ درج کرایا۔

مالی سال 2016 کے پہلے آٹھ ماہ کے دوران تجارتی خسارہ 15.1 ارب امریکی ڈالر رہا جو سال بہ سال بنیاد پر 4.1 فی صد اضافہ ہے۔ اس مدت کے دوران برآمدات سال بہ سال بنیاد پر 13.3 فی صد کمی کے ساتھ 13.9 ارب امریکی ڈالر رہیں، جب کہ درآمدات سال بہ سال بنیاد پر 5.0 فی صد کم ہو کر 29.0 ارب امریکی ڈالر ہو گئیں۔ لہذا برآمدات میں کمی نے تیل کے کم امپورٹ بل کے فوائد کو بڑی حد تک بے اثر کر دیا ہے۔ مالی سال 2016 کے پہلے آٹھ ماہ کے دوران بیرون ملک کی ریٹیننسز 6.1 فی صد اضافے کے ساتھ 12.7 ارب امریکی ڈالر رہیں جو بڑے ریٹیننسز کو ریڈورز میں سست روی کی نشان دہی کرتی ہیں۔ نسبتاً کم زور ریڈر اکاؤنٹ پر فارمنس اور ریٹیننسز میں برائے نام اضافے کی وجہ سے مالی سال 2016 کے پہلے آٹھ ماہ کے دوران کرنٹ اکاؤنٹ کا خسارہ 1.86 ارب امریکی ڈالر رہا (مالی سال 2015 کے پہلے 8 ماہ: 1.95 ارب امریکی ڈالر)۔ آئی ایم ایف کی توسیع شدہ مالیاتی سہولت یعنی ایکسٹینڈڈ فنڈ فیسیلیٹی (EFF) کے تحت بروقت تقسیم کے نتیجے میں زرمبادلہ کے ذخائر کی صورت حال میں استحکام کے ساتھ ادائیگیوں کا مجموعی توازن مستحکم رہا۔ چنانچہ پاکستانی روپے اور امریکی ڈالر کا ایکسچینج ریٹ بھی 105-104 روپے فی امریکی ڈالر کی آرام دہ حد میں رہا اور دسمبر 2015 کے مقابلے میں سہ ماہی نسبتاً بغیر تبدیلی کے اختتام کو پہنچی۔

حکومت مالی سال 2016 کے پہلے نصف حصے کے دوران مالی خسارے کو GDP کے 1.7 فی صد تک محدود رکھنے میں کامیاب رہی۔ یہ بہتری ترقیاتی اخراجات میں اضافے کے باوجود جاری اخراجات کو قابو میں رکھنے، ٹیکس آمدنی میں تیزی سے اضافے اور بھاری صوبائی فاضل سرمائے کے نتیجے میں آئی۔ مقامی اور بیرونی ذرائع کی طرف سے بالترتیب 61 فی صد اور 39 فی صد حصہ داری کے ساتھ خسارے کی فائنانسنگ نسبتاً عمدہ توازن میں رہی۔

مالی سال 2016 کی پہلی سہ ماہی کے دوران مقامی اسٹاک مارکیٹ کی کارکردگی PSX-100 index (سابقہ KSE-100 index) میں 1.0 فی صد اضافہ کے ساتھ زیادہ تر غیر متاثر کن رہی۔ مجموعی توقعات میں بہتری کے باوجود مارکیٹ غیر ملکی سرمایہ کاروں کی طرف سے فروخت اور کم زور حجم کے

درمیان متاثر رہی۔ 101 ملین امریکی ڈالر سرمائے کے خالص اخراج کے ساتھ مذکورہ سہ ماہی کے دوران غیر ملکی سرمایہ کار خالص فروخت کنندگان رہے۔ 2015 کے دوران اپنے مالی موقف میں خاصے جارحانہ انداز میں نرمی لانے کے بعد اسٹیٹ بینک آف پاکستان نے 2016 کی پہلی سہ ماہی میں محتاط طرزِ عمل اختیار کیا اور اپنا ٹارگیٹ پالیسی ریٹ بغیر کسی تبدیلی کے 6.0 فی صد رکھا۔ 2016 کی پہلی سہ ماہی میں بینکنگ سیکٹر ڈپازٹس میں کوئی بڑھوتری نہیں ہوئی، جب کہ قرض کی فراہمی گزشتہ سہ ماہی میں مضبوط کارکردگی کے اندراج کے بعد سست رہی۔ انڈسٹری کے لیے غیر فعال قرضے نسبتاً قابو میں رہے، جب کہ اسٹاک میں دسمبر 2015 کے 605 ارب کے مقابلے میں سہ ماہی بہ ماہی بنیاد پر 3.9 فی صد کمی ہوئی۔ جس کے نتیجے میں انفیکشن کا تناسب ستمبر 2015 میں 12.5 فی صد کے مقابلے میں دسمبر 2015 میں 11.4 فی صد تک گر گیا۔

یوبی ایل انٹرنیشنل

یوبی ایل کے بین الاقوامی کاروبار نے بینک کی منافع کمانے کی اہلیت میں اپنے کردار کی ادائیگی جاری رکھی۔ GCC کی معیشتوں کے موجودہ اقتصادی ماحول کا ادراک کرتے ہوئے یوبی ایل نے سال 2016 کی پہلی سہ ماہی میں اپنی کاروباری حکمت عملی میں محتاط رہنے کا سلسلہ جاری رکھا۔ ہول سیل بینکاری کے ماڈل کی پیروی کرتے ہوئے، انٹرنیشنل برانچوں نے کارپوریٹ بینکنگ اور مالیاتی اداروں میں اپنے موجودہ تعلقات کو گہرا کرنے کی حکمت عملی جاری رکھی۔ انٹرنیشنل پرفارمنگ ایڈوانسز نے دسمبر 2015 کی سطح کے مقابلے میں 2.5 فی صد اضافہ درج کرایا انٹرنیشنل ڈپازٹس بدستور 2 ارب امریکی ڈالر کی سطح سے اوپر رہے جو 2015 میں حاصل کی گئی تھی۔ 2016 کی پہلی سہ ماہی کے دوران یوبی ایل انٹرنیشنل گروپ نے بین الاقوامی اور مقامی بینکوں کے ایک سنڈیکیٹ کے ساتھ مل کر تاریخ ساز ٹرانزیکشن کو کامیابی سے عملی جامہ پہنایا اور حکومت پاکستان کے لئے 408 ملین امریکی ڈالر اکٹھے کئے۔ یوبی ایل کو اس ٹرانزیکشن کے لیے ایک لیڈر بنجر اور ایجنٹ بینک کی حیثیت سے ذمہ داری تفویض کی گئی تھی۔ غیر فعال کارپوریٹ اور مورگج قرضوں کی کلیدی وصولیوں کے ذریعے ممکنہ خطرات کے لیے مختص رقوم (Provisions) کو موثر انداز میں محدود رکھا گیا۔ بینک اپنے انڈر رائٹنگ کے حجم اور معیار میں اضافے اور اپنے بین الاقوامی خطوں میں وصولیاں تیز کرنے پر گہری توجہ مرکوز کرنے کا ہدف رکھتا ہے۔ یوبی ایل انٹرنیشنل نے بین الاقوامی نیٹ ورک میں بڑھتے ایسیٹس بیس کو مستحکم معاونت فراہم کرنے کے لیے GCC مارکیٹس کے چیلنج بھرے ماحول کے درمیان ڈپازٹس بیس بڑھانے پر توجہ مرکوز کر رکھی ہے۔ یہ حکمت عملی 2016 کی پہلی سہ ماہی میں بین الاقوامی برانچوں کی عمدہ کارکردگی کے لئے بہت مفید ثابت ہوئی۔

یمن میں 2015 سے برقرار صورت حال کے پیش نظر اس ملک میں بینکاری کی سرگرمیاں بدستور کراچی میں واقع کیمپ آفس کے ذریعے جاری رکھیں۔ بینک یمن میں پروان چڑھتی صورت حال پر گہری نظر رکھے ہوئے ہے اور اس ملک میں موجود اپنے اثاثوں اور وسائل کے تحفظ کے لیے ضروری اقدامات کیے ہیں۔

استحکامی اہلیت

2016 کی پہلی سہ ماہی میں پاکستان میں ادب کے فروغ میں اپنی معاونت کے تسلسل میں یوبی ایل نے کراچی لٹریچر فیسٹیول کے ساتھ اشتراک میں پانچویں یوبی ایل لٹریچر ایکیلیمنس ایوارڈز کا انعقاد کیا۔ یہ کاوش ادیبوں اور مصوروں کو معاونت اور حوصلہ افزائی سے نوازنے کے لیے کی گئی تھی تاکہ ہمارے ملک کے ادبی خزانے میں اپنا حصہ شامل کرنے کا سلسلہ جاری رکھیں۔ مزید برآں یوبی ایل نے تعلیم، صحت کی دیکھ بھال اور سماجی فلاح کے شعبوں میں

پائیدار اقدامات کا سلسلہ جاری رکھا۔ 2016 کی پہلی سہ ماہی میں یو بی ایل نے کینسر کے غریب مریضوں کے علاج کے لیے قوم فراہم کیں، سماجی ترقی کے منصوبے شروع کیے اور مختلف NGOs کو بھی عطیات دیے۔

مستقبل کی توقعات

ہماری توجہ پورے برانچ نیٹ ورک میں ترقی کی رفتار برقرار رکھنے پر مرکوز ہے جو ہماری کاروباری سرگرمیوں کا بنیادی ستون ہے۔ ہمارے کسٹمرز کی ضروریات کے مطابق اپنے اطوار کو ترقی دیتے ہوئے خدمت کی سطح میں بہتری لانا بدستور ہماری اہم ترجیح ہے۔ ٹیکنالوجی پر مبنی مصنوعاتی جدت کے ہمراہ تحقیق و ترقی، بدستور ہماری طویل مدتی حکمت عملی کا محرک رہے گی۔

کارپوریٹ بزنس کے لیے ایک چنیدہ تعلق پر مبنی ماڈل کے ذریعے پیداواریت میں اضافہ، بنا سرمایہ کاری آمدنی بڑھانے کا ذریعہ رہے گا، جب کہ تجارتی حجم بڑھانے پر خصوصی توجہ رہے گی۔ جیسے جیسے معاشی حالات بہتر ہوں گے، غیر فعال قرضوں کے ہماری وصولی کی کوششیں زیادہ جارحانہ انداز میں آگے بڑھائی جائیں گی۔

ہم ادارے کی بنیادی اقدار پر انحصار کے ذریعے کارکردگی بڑھانے پر یقین رکھتے ہیں اپنے انسانی سرمائے میں سرمایہ کاری کے عزم پر قائم ہیں۔

اعترافات

آخر میں، ہم مسلسل بھروسے اور معاونت کے لیے یو بی ایل کے شیئر ہولڈرز اور کسٹمرز کے شکر گزار ہیں اور انہیں خراج تحسین پیش کرتے ہیں۔ ہم اپنے اسٹاف کی ان تھک کاوشوں اور لگن کی قدر کرتے ہیں۔ ہم حکومت پاکستان، اسٹیٹ بینک آف پاکستان، سیکورٹیز اینڈ ایکسچینج کمیشن اور دیگر ریگولیٹری اتھارٹیز کو بھی ان کی راہنمائی اور مسلسل معاونت پر خلوص دل سے خراج تحسین پیش کرتے ہیں۔

برائے واز طرف بورڈ

سر محمد انور پرویز (او بی ایل، ہلال پاکستان)

چیرمین

اسلام آباد

26 اپریل 2016

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

	Note	(Un-audited) March 31, 2016	(Audited) December 31, 2015
------(Rupees in '000)-----			
ASSETS			
Cash and balances with treasury banks		72,430,443	112,011,276
Balances with other banks		16,967,653	16,859,118
Lendings to financial institutions	6	27,537,105	24,094,768
Investments	7	789,908,515	719,518,093
Advances	8	446,906,148	455,413,880
Operating fixed assets	9	32,249,990	31,630,374
Deferred tax asset - net		-	-
Other assets		32,195,784	41,123,334
		1,418,195,638	1,400,650,843
LIABILITIES			
Bills payable		13,395,551	13,391,739
Borrowings	10	158,850,644	163,131,947
Deposits and other accounts	11	1,070,112,216	1,051,235,170
Subordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liability - net		4,900,773	4,186,406
Other liabilities		24,967,467	26,570,106
		1,272,226,651	1,258,515,368
NET ASSETS		<u>145,968,987</u>	<u>142,135,475</u>
REPRESENTED BY:			
Share capital		12,241,798	12,241,798
Reserves		39,154,735	38,402,303
Unappropriated profit		56,908,507	55,222,960
		108,305,040	105,867,061
Surplus on revaluation of assets - net of deferred tax	12	37,663,947	36,268,414
		<u>145,968,987</u>	<u>142,135,475</u>
CONTINGENCIES AND COMMITMENTS	13		

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

Wajahat Husain
President &
Chief Executive Officer

Amin Uddin
Director

Zameer Mohammed Choudrey
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Chairman

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

	Note	March 31, 2016	March 31, 2015
----- (Rupees in '000) -----			
Mark-up / return / interest earned	14	23,423,488	22,911,652
Mark-up / return / interest expensed	15	(9,836,729)	(9,801,361)
Net mark-up / return / interest income		<u>13,586,759</u>	<u>13,110,291</u>
Provision against loans and advances - net		(1,603,616)	(706,514)
Provision against lendings to financial institutions - net		-	-
Provision for diminution in value of investments - net		(142,705)	(27,549)
Bad debts written off directly		(21,501)	(36,052)
		<u>(1,767,822)</u>	<u>(770,115)</u>
Net mark-up / return / interest income after provisions		11,818,937	12,340,176
Non mark-up / interest income			
Fee, commission and brokerage income		3,174,742	2,879,010
Dividend income		430,901	494,129
Income from dealing in foreign currencies		596,185	704,700
Gain on sale of securities - net		3,837,093	1,932,747
Unrealized loss on revaluation of investments classified as held for trading		(2,062)	(81,460)
Other income		323,192	297,325
Total non mark-up / interest income		<u>8,360,051</u>	<u>6,226,451</u>
		20,178,988	18,566,627
Non mark-up / interest expenses			
Administrative expenses	16	(8,449,673)	(7,324,672)
Other provisions - net		(192,949)	(31,617)
Workers' Welfare Fund		(252,152)	(228,552)
Other charges		(28,617)	(63,697)
Total non mark-up / interest expenses		<u>(8,923,391)</u>	<u>(7,648,538)</u>
Profit before taxation		11,255,597	10,918,089
Taxation - Current		(3,886,036)	(3,912,025)
- Prior		(113,528)	-
- Deferred		43,603	120,725
		<u>(3,955,961)</u>	<u>(3,791,300)</u>
Profit after taxation		<u>7,299,636</u>	<u>7,126,789</u>
----- (Rupees) -----			
Earnings per share - basic and diluted		<u>5.96</u>	<u>5.82</u>

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

Wajahat Husain
President &
Chief Executive Officer

Amin Uddin
Director

Zameer Mohammed Choudrey
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Chairman

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

	March 31, 2016	March 31, 2015
	----- (Rupees in '000) -----	
Profit after taxation	7,299,636	7,126,789
Other comprehensive income:		
<i>Items that are not to be reclassified to profit or loss in subsequent periods</i>	-	-
<i>Items that may be reclassified to profit or loss in subsequent periods</i>		
Exchange differences on translation of net investment in foreign branches	22,468	569,351
	22,468	569,351
Other comprehensive income transferred to equity	7,322,104	7,696,140
<i>Items that may be reclassified to profit or loss in subsequent periods</i>		
Surplus arising on revaluation of available for sale securities	2,068,031	7,643,991
Related deferred tax charge	(723,811)	(2,675,396)
	1,344,220	4,968,595
Total comprehensive income during the period - net of tax	8,666,324	12,664,735

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

Wajahat Husain
President &
Chief Executive Officer

Amin Uddin
Director

Zameer Mohammed Choudrey
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Chairman

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

	March 31, 2016	March 31, 2015
	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	11,255,597	10,918,089
Less: Dividend income	(430,901)	(494,129)
	<u>10,824,696</u>	<u>10,423,960</u>
Adjustments:		
Depreciation	436,999	423,671
Amortization	86,804	98,039
Workers' Welfare Fund	252,152	228,552
Provision for retirement benefits	224,985	207,788
Provision against loans and advances - net	1,603,616	706,514
Provision for diminution in value of investments - net	142,705	27,549
Gain on sale of operating fixed assets	(19,264)	(12,820)
Unrealized loss on revaluation of investments classified as held for trading	2,062	81,460
Bad debts written-off directly	21,501	36,052
Provision against other assets	192,949	31,617
	<u>2,944,509</u>	<u>1,828,422</u>
	13,769,205	12,252,382
(Increase) / decrease in operating assets		
Lendings to financial institutions	(3,442,337)	(135,419)
Held for trading securities	371,752	(1,348,428)
Advances	6,882,615	13,824,832
Other assets (excluding advance taxation)	10,445,910	8,158,108
	<u>14,257,940</u>	<u>20,499,093</u>
Increase / (decrease) in operating liabilities		
Bills payable	3,812	2,457,991
Borrowings	(4,281,303)	20,357,528
Deposits and other accounts	18,877,046	50,292,203
Other liabilities (excluding current taxation)	(4,107,167)	(3,495,983)
	<u>10,492,388</u>	<u>69,611,739</u>
	38,519,533	102,363,214
Payments on account of staff retirement benefits	(377,008)	(294,058)
Income taxes paid	(5,349,007)	(2,797,307)
Net cash inflow from operating activities	<u>32,793,518</u>	<u>99,271,849</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in securities	(68,838,910)	(80,996,645)
Dividend income received	284,712	82,332
Investment in operating fixed assets	(1,093,875)	(584,126)
Sale proceeds from disposal of operating fixed assets	45,653	32,781
Net cash outflow from investing activities	<u>(69,602,420)</u>	<u>(81,465,658)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	(2,685,864)	(448,138)
	<u>(39,494,766)</u>	<u>17,358,053</u>
Exchange differences on translation of net investment in foreign branches	22,468	569,351
(Decrease) / increase in cash and cash equivalents during the period	<u>(39,472,298)</u>	<u>17,927,404</u>
Cash and cash equivalents at beginning of the period	<u>128,870,394</u>	<u>87,573,080</u>
Cash and cash equivalents at end of the period	<u><u>89,398,096</u></u>	<u><u>105,500,484</u></u>

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

Wajahat Husain
President &
Chief Executive Officer

Amin Uddin
Director

Zameer Mohammed Choudrey
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Chairman

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

	Share capital	Statutory reserve	Capital reserve - Exchange translation reserve	Unappropriated profit	Total
(Rupees in '000)					
Balance as at January 01, 2015 (Audited)	12,241,798	21,851,889	12,278,242	48,217,351	94,589,280
Transactions with owners for the quarter ended March 31, 2015					
Final cash dividend - December 31, 2014 declared subsequent to the year end at Rs. 4.0 per share	-	-	-	(4,896,719)	(4,896,719)
Total comprehensive income for the quarter ended March 31, 2015					
Profit after taxation for the quarter ended March 31, 2015	-	-	-	7,126,789	7,126,789
Other comprehensive income - net of tax	-	-	569,351	-	569,351
Total comprehensive income for the quarter ended March 31, 2015	-	-	569,351	7,126,789	7,696,140
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	12,180	12,180
Transfer to statutory reserve	-	712,679	-	(712,679)	-
Balance as at March 31, 2015 (Un-audited)	12,241,798	22,564,568	12,847,593	49,746,922	97,400,881
Transactions with owners for the nine months ended December 31, 2015					
Interim cash dividend - March 31, 2015 declared at Rs. 3.0 per share	-	-	-	(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)
Interim cash dividend - September 30, 2015 declared at Rs. 3.0 per share	-	-	-	(3,672,539)	(3,672,539)
Total comprehensive income for the nine months ended December 31, 2015					
Profit after taxation for the nine months ended December 31, 2015	-	-	-	18,600,360	18,600,360
Other comprehensive income - net of tax	-	-	1,130,106	(284,872)	845,234
Total comprehensive income for the nine months ended December 31, 2015	-	-	1,130,106	18,315,488	19,445,594
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	38,203	38,203
Transfer to statutory reserve	-	1,860,036	-	(1,860,036)	-
Balance as at December 31, 2015 (Audited)	12,241,798	24,424,604	13,977,699	55,222,960	105,867,061
Transactions with owners for the quarter ended March 31, 2016					
Final cash dividend - December 31, 2015 declared subsequent to the year end at Rs. 4.0 per share	-	-	-	(4,896,719)	(4,896,719)
Total comprehensive income for the quarter ended March 31, 2016					
Profit after taxation for the quarter ended March 31, 2016	-	-	-	7,299,636	7,299,636
Other comprehensive income - net of tax	-	-	22,468	-	22,468
Total comprehensive income for the quarter ended March 31, 2016	-	-	22,468	7,299,636	7,322,104
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	12,594	12,594
Transfer to statutory reserve	-	729,964	-	(729,964)	-
Balance as at March 31, 2016 (Un-audited)	12,241,798	25,154,568	14,000,167	56,908,507	108,305,040

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

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

United Bank Limited (the Bank) is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's registered office and principal office are situated at UBL Building, Jinnah Avenue, Blue Area, Islamabad and at State Life Building No. 1, I. I. Chundrigar Road, Karachi respectively. The Bank operates 1,313 (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 United Kingdom.

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

2. BASIS OF PRESENTATION

The disclosures made in these unconsolidated condensed interim financial statements have been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular No. 2 dated May 12, 2004, International Accounting Standard 34, Interim Financial Reporting, provisions of and directives issued under the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan. In case where requirement differ, the provisions of or directives issued under the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 have been followed.

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

Key financial figures of the Islamic Banking branches are disclosed in note 20 to these unconsolidated condensed interim financial statements.

3. STATEMENT OF COMPLIANCE

- 3.1 These unconsolidated condensed interim financial statements of the Bank have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. In case requirements differ, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.
- 3.2 The SBP vide BSD Circular letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, International Financial Reporting Standard (IFRS) 7, Financial Instruments: Disclosures has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.
- 3.3 The 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 UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2016**

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

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

4. SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT

4.1 The accounting policies adopted in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the unconsolidated financial statements of the Bank for the year ended December 31, 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 financial statements of the Bank for the year ended December 31, 2015.

5. BASIS OF MEASUREMENT

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

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

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

6. LENDINGS TO FINANCIAL INSTITUTIONS

	(Un-audited) March 31, 2016	(Audited) December 31, 2015
	------(Rupees in '000)-----	
Call money lendings	4,575,000	1,300,000
Repurchase agreement lendings	-	976,841
Other lendings to financial institutions	23,784,696	22,640,412
	<u>28,359,696</u>	<u>24,917,253</u>
Provision against lendings to financial institutions	(822,591)	(822,485)
	<u>27,537,105</u>	<u>24,094,768</u>

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

7. INVESTMENTS	(Un-audited) March 31, 2016			(Audited) December 31, 2015		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
7.1 Investments by type	----- (Rupees in '000) -----					
Held for trading securities						
Market Treasury Bills	11,507,417	-	11,507,417	9,757,289	-	9,757,289
Pakistan Investment Bonds	2,129	-	2,129	2,095,573	-	2,095,573
Ordinary shares of listed companies	-	-	-	19,234	-	19,234
	11,509,546	-	11,509,546	11,872,096	-	11,872,096
Available for sale securities						
Market Treasury Bills	77,188,727	1,373,998	78,562,725	54,047,186	894,235	54,941,421
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	15,218,800	-	15,218,800	14,114,386	-	14,114,386
Ordinary shares of listed companies	20,048,805	-	20,048,805	19,310,549	-	19,310,549
Preference shares	409,824	-	409,824	434,765	-	434,765
Ordinary shares of unlisted companies	243,088	-	243,088	243,087	-	243,087
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	17,864,211	-	17,864,211	17,232,964	-	17,232,964
Foreign bonds - others	10,763,939	-	10,763,939	10,782,176	-	10,782,176
	309,345,388	104,571,909	413,917,297	281,269,133	112,179,374	393,448,507
Held to maturity securities						
Market Treasury Bills	40,158,865	-	40,158,865	33,700,017	-	33,700,017
Pakistan Investment Bonds	260,905,701	-	260,905,701	220,168,425	-	220,168,425
Government of Pakistan Sukuk	7,708,089	-	7,708,089	7,670,645	-	7,670,645
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	4,077,337	-	4,077,337	1,809,871	-	1,809,871
Foreign bonds - others	227,221	-	227,221	227,179	-	227,179
Recovery note	322,887	-	322,887	322,839	-	322,839
CDC SAARC Fund	228	-	228	228	-	228
	328,395,700	-	328,395,700	278,932,489	-	278,932,489
Associates						
United Growth and Income Fund	419,308	-	419,308	419,308	-	419,308
UBL Liquidity Plus Fund	10,079	-	10,079	10,079	-	10,079
UBL Money Market Fund	9,850	-	9,850	9,850	-	9,850
UBL Retirement Savings Fund	120,000	-	120,000	120,000	-	120,000
UBL Principal Protected Fund - III	-	-	-	200,000	-	200,000
UBL Government Securities Fund	2,699,175	-	2,699,175	2,699,175	-	2,699,175
UBL Gold Fund	100,000	-	100,000	100,000	-	100,000
UBL Asset Allocation Fund	500,000	-	500,000	500,000	-	500,000
Al Ameen Islamic Cash Fund	10,470	-	10,470	1,010,470	-	1,010,470
Al Ameen Islamic Aggressive Income Fund	25,944	-	25,944	25,944	-	25,944
Al Ameen Islamic Sovereign Fund	50,000	-	50,000	50,000	-	50,000
Al Ameen Islamic Retirement Savings Fund	90,000	-	90,000	90,000	-	90,000
Al Ameen Islamic Principal Preservation Fund – III	100,000	-	100,000	100,000	-	100,000
Al Ameen Islamic Principal Preservation Fund – IV	100,000	-	100,000	100,000	-	100,000
Al Ameen Islamic Principal Preservation Fund – V	100,000	-	100,000	100,000	-	100,000
Al Ameen Islamic Asset Allocation Fund	100,000	-	100,000	100,000	-	100,000
Al Ameen Islamic Financial Planning Fund	300,000	-	300,000	200,000	-	200,000
UBL Insurers Limited	240,000	-	240,000	240,000	-	240,000
Khushhali Bank Limited	832,485	-	832,485	832,485	-	832,485
Oman United Exchange Company, Muscat	6,981	-	6,981	6,981	-	6,981
DHA Cogen Limited	-	-	-	-	-	-
	5,814,292	-	5,814,292	6,914,292	-	6,914,292
Subsidiaries						
United National Bank Limited (UBL UK)	2,855,223	-	2,855,223	2,855,223	-	2,855,223
UBL (Switzerland) AG	589,837	-	589,837	589,837	-	589,837
UBL Fund Managers Limited	100,000	-	100,000	100,000	-	100,000
UBL Bank (Tanzania) Limited	1,322,014	-	1,322,014	1,322,014	-	1,322,014
United Executors and Trustees Company Ltd.	30,100	-	30,100	30,100	-	30,100
	4,897,174	-	4,897,174	4,897,174	-	4,897,174
	659,962,100	104,571,909	764,534,009	583,885,184	112,179,374	696,064,558
Provision for diminution in value of investments	(2,268,488)	-	(2,268,488)	(2,132,692)	-	(2,132,692)
Investments - net of provisions	657,693,612	104,571,909	762,265,521	581,752,492	112,179,374	693,931,866
Surplus on revaluation of available for sale securities	15,614,325	12,030,731	27,645,056	14,338,740	11,238,285	25,577,025
(Deficit) / surplus on revaluation of held for trading securities	(2,062)	-	(2,062)	9,202	-	9,202
Total investments	673,305,875	116,602,640	789,908,515	596,100,434	123,417,659	719,518,093

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

	Note	(Un-audited) March 31, 2016	(Audited) December 31, 2015
------(Rupees in '000)-----			
8. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		309,234,817	320,165,944
Outside Pakistan		124,394,199	123,685,086
		<u>433,629,016</u>	<u>443,851,030</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		34,221,532	31,035,225
		<u>49,231,314</u>	<u>46,024,380</u>
Advances - gross		490,246,036	497,031,910
Provision against advances			
Specific		(37,416,880)	(37,536,034)
General	8.2	(5,923,008)	(4,081,996)
Advances - net of provision		<u>446,906,148</u>	<u>455,413,880</u>

8.1 Advances include Rs. 47,242.399 million (December 31, 2015: Rs. 46,819.163 million) which have been placed under non-performing status as detailed below:

Category of Classification	March 31, 2016 (Un-audited)								
	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	1,212,695	5,528,243	447,445	329,124	776,569	447,445	329,124	776,569
Doubtful	1,174,650	2,727,049	3,901,699	583,411	1,297,910	1,881,321	583,411	1,297,910	1,881,321
Loss	30,515,677	7,208,801	37,724,478	29,293,716	5,461,990	34,755,706	29,293,716	5,461,990	34,755,706
	<u>36,093,854</u>	<u>11,148,545</u>	<u>47,242,399</u>	<u>30,327,856</u>	<u>7,089,024</u>	<u>37,416,880</u>	<u>30,327,856</u>	<u>7,089,024</u>	<u>37,416,880</u>

Category of Classification	December 31, 2015 (Audited)								
	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	833,654	4,823,676	322,240	86,771	409,011	322,240	86,771	409,011
Doubtful	1,145,884	2,945,603	4,091,487	568,637	1,298,566	1,867,203	568,637	1,298,566	1,867,203
Loss	30,734,704	7,131,002	37,865,706	29,925,554	5,333,839	35,259,393	29,925,554	5,333,839	35,259,393
	<u>35,908,904</u>	<u>10,910,259</u>	<u>46,819,163</u>	<u>30,816,858</u>	<u>6,719,176</u>	<u>37,536,034</u>	<u>30,816,858</u>	<u>6,719,176</u>	<u>37,536,034</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. 2,372.246 million (December 31, 2015: Rs. 2,531.266 million) pertaining to overseas advances to meet the requirements of the regulatory authorities of the respective countries in which the overseas branches operate. General provision also includes an amount of Rs. 3,277.835 million (December 31, 2015: Rs. 1,273.489 million) which the Bank 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.

	Note	(Un-audited) March 31, 2016	(Audited) December 31, 2015
------(Rupees in '000)-----			
9. OPERATING FIXED ASSETS			
Capital work-in-progress		4,608,027	4,059,879
Property and equipment		26,692,642	26,581,153
Intangible assets		949,321	989,342
	9.1	<u>32,249,990</u>	<u>31,630,374</u>

9.1 Additions and disposals during the period amounted to Rs.1,093.875 million (March 31, 2015: Rs. 499.864 million) and Rs. 36.090 million (March 31, 2015: Rs. 55.508 million), respectively.

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

	Note	(Un-audited) March 31, 2016	(Audited) December 31, 2015
------(Rupees in '000)-----			
10. BORROWINGS			
Secured			
Borrowings from the State Bank of Pakistan under:			
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		115,771,407	122,771,194
		<u>139,638,523</u>	<u>144,433,598</u>
Unsecured			
Call borrowings		10,355,975	4,180,379
Overdrawn nostro accounts		266,687	1,280,324
Other borrowings		8,589,459	13,237,646
		<u>19,212,121</u>	<u>18,698,349</u>
		<u>158,850,644</u>	<u>163,131,947</u>
11. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		278,761,968	261,180,733
Savings deposits		357,240,247	357,773,892
Sundry deposits		15,515,750	8,228,428
Margin deposits		5,557,910	5,599,068
Current accounts - remunerative		8,894,923	8,892,225
Current accounts - non-remunerative		372,243,927	358,292,967
		<u>1,038,214,725</u>	<u>999,967,313</u>
Financial Institutions			
Remunerative deposits		27,439,792	38,739,562
Non-remunerative deposits		4,457,699	12,528,295
		<u>31,897,491</u>	<u>51,267,857</u>
		<u>1,070,112,216</u>	<u>1,051,235,170</u>
12. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX			
Surplus arising on revaluation of assets - net of tax:			
Fixed assets	12.1	19,694,661	19,643,348
Securities	12.2	17,969,286	16,625,066
		<u>37,663,947</u>	<u>36,268,414</u>
12.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		20,193,941	20,271,107
Revaluation of fixed assets / non-banking assets during the period / year		98,318	-
Exchange adjustments		-	346
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax		(12,594)	(50,383)
Related deferred tax liability on incremental depreciation charged during the period / year		(6,781)	(27,129)
		<u>78,943</u>	<u>(77,166)</u>
		20,272,884	20,193,941
Less: Related deferred tax liability on:			
Revaluation as at January 1		550,593	577,601
Revaluation of fixed assets / non-banking assets during the period / year		34,411	-
Exchange adjustments		-	121
Incremental depreciation charged during the period / year		(6,781)	(27,129)
		<u>578,223</u>	<u>550,593</u>
		<u>19,694,661</u>	<u>19,643,348</u>

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	(Un-audited) March 31, 2016	(Audited) December 31, 2015
	------(Rupees in '000)-----	
12.2 Surplus / (deficit) on revaluation of available for sale securities		
Market Treasury Bills	3,364	9,099
Pakistan Investment Bonds	21,454,193	19,041,613
Listed shares	4,925,645	6,090,141
REIT Investment	(23,346)	(11,256)
Term Finance Certificates, Sukuks, other bonds, etc.	31,239	18,406
Foreign bonds	1,253,961	429,022
	27,645,056	25,577,025
Related deferred tax liability	(9,675,770)	(8,951,959)
	<u>17,969,286</u>	<u>16,625,066</u>
13. CONTINGENCIES AND COMMITMENTS		
13.1 Direct credit substitutes		
Contingent liabilities in respect of guarantees given favouring:		
Government	11,012,250	11,938,559
Banking companies and other financial institutions	2,458,378	2,418,267
Others	6,445,616	2,650,778
	<u>19,916,244</u>	<u>17,007,604</u>
13.2 Transaction-related contingent liabilities		
Contingent liabilities in respect of performance bonds, 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	27,603,344	39,448,806
	<u>152,912,209</u>	<u>147,032,901</u>
13.3 Trade-related contingent liabilities		
Contingent liabilities in respect of letters of credit opened favouring:		
Government	54,428,158	39,741,349
Others	106,183,283	99,366,976
	<u>160,611,441</u>	<u>139,108,325</u>
13.4 Other contingencies		
13.4.1 Claims against the Bank not acknowledged as debts	<u>12,753,422</u>	<u>12,302,822</u>
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 the Bank's favour and the possibility of any outcome against the Bank is remote and accordingly no provision has been made in these financial statements.		
13.4.2 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.		
13.5 Commitments to extend credit		
The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		
	(Un-audited) March 31, 2016	(Audited) December 31, 2015
	------(Rupees in '000)-----	
13.6 Commitments in respect of forward foreign exchange contracts		
Purchase	241,229,806	211,486,719
Sale	228,980,817	197,523,023
	<u>241,229,806</u>	<u>211,486,719</u>
13.7 Commitments in respect of derivatives		
Interest rate swaps	9,772,712	10,462,192
Cross currency swaps	521,205	508,129
FX Options - purchased	-	370,073
FX Options - sold	-	370,073
Forward purchase repo	983,790	-
Forward purchase of Government securities	618,571	-
Forward sale of Government securities	25,175	10,483,779
	<u>2,249,588</u>	<u>2,411,095</u>
13.8 Commitments in respect of capital expenditure		
13.9 For contingencies relating to taxation refer note 17.		

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	March 31, 2016	March 31, 2015
	------(Rupees in '000)-----	
14. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to customers	6,874,298	9,316,632
On lendings to financial institutions		
Call money lendings	15,635	30,621
Repurchase agreement lendings	50,883	89,724
Other lendings to financial institutions	184,165	150,802
	250,683	271,147
On investments in		
Held for trading securities	152,264	124,091
Available for sale securities	8,775,436	8,110,388
Held to maturity securities	7,303,063	5,064,067
	16,230,763	13,298,546
On deposits with financial institutions	67,744	25,327
	<u>23,423,488</u>	<u>22,911,652</u>
15. MARK-UP / RETURN / INTEREST EXPENSED		
On deposits	7,274,886	8,190,765
On securities sold under repurchase agreements	2,055,154	863,349
On other short term borrowings	410,593	614,289
On long term borrowings	96,096	132,958
	<u>9,836,729</u>	<u>9,801,361</u>
16. ADMINISTRATIVE EXPENSES		
Salaries, allowances etc.	2,935,217	2,619,521
Charge for compensated absences	75,700	63,363
Medical expenses	146,700	128,536
Contribution to defined contribution plan	56,972	52,049
Charge in respect of defined benefit obligations	92,313	92,376
Rent, taxes, insurance, electricity etc.	979,191	930,493
Depreciation	436,999	423,671
Amortization	86,804	98,039
Outsourced service charges including sales commission	1,239,527	980,591
Communications	279,751	297,359
Banking service charges	250,523	248,223
Cash transportation charges	146,587	134,463
Stationery and printing	133,420	132,671
Legal and professional charges	92,229	65,554
Advertisement and publicity	521,945	144,852
Repairs and maintenance	376,690	410,676
Travelling	77,887	63,884
Office running expenses	166,849	139,935
Vehicle expenses	40,960	44,397
Entertainment	64,666	52,209
Cartage, freight and conveyance	24,532	23,252
Insurance expense	27,983	8,585
Auditors' remuneration	16,314	14,059
Training and seminars	22,280	18,975
Brokerage expenses	6,353	8,446
Subscriptions	22,079	20,983
Donations	750	41,405
Non-executive Directors' fees	8,033	10,587
Zakat paid by overseas branch	77,370	21,386
Miscellaneous expenses	43,049	34,132
	<u>8,449,673</u>	<u>7,324,672</u>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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17. TAXATION

The Income Tax returns of the Bank have been filed up to the tax year 2015 (accounting year ended December 31, 2014) and were deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (Ordinance) unless amended by the Commissioner of Inland Revenue.

The income tax authorities have issued amended assessment orders for the tax years 2003 to 2015, and created additional tax demands of Rs.12,728 million (including disallowances of provisions made prior to Seventh Schedule), which have been fully paid as required under the law. The Bank has filed appeals before the various appellate forums against these amendments. Where the appellate authorities have allowed relief on certain issues, the assessing authorities have filed appeals before higher appellate forums. Where the appellate authorities have not allowed relief the Bank has filed appeals before higher appellate forums. The management of the Bank is confident that the appeals will be decided in favor of the Bank.

Under the Seventh Schedule to the Ordinance, banks are allowed to claim provisions against advances up to 5% of total advances for consumer and small and medium enterprises and up to 1% of total advances for remaining advances. Amounts above these limits are allowed to be claimed in future years. The Bank has booked a deferred tax asset of Rs.1,140 million (December 31, 2014: Rs.1,350 million) in respect of provisions in excess of the above mentioned limits.

The tax returns for Azad Kashmir (AK) Branches have been filed upto the tax year 2015 (financial year 2014) under the provisions of section 120(1) read with section 114 of the Ordinance and in compliance with the terms of the agreement between banks and the Azad Kashmir Council in May 2005. The returns filed are considered as deemed assessment orders under the law.

The tax authorities have also carried out monitoring for Federal Exercise Duty, Sales tax and withholding taxes covering period from year ended 2007 to 2014. Consequently various addbacks and demands were raised creating a total demand of Rs. 1,245 million. The Bank has filed appeals against all such demands and is confident that these would be decided in the favor of the Bank.

The tax returns for 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.

18. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the three months ended March 31, 2016 (Un-audited)					Inter segment elimination
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	
	(Rupees in '000)					
Total income	101,104	10,835,208	7,421,420	3,211,943	377,135	-
Total expenses	(28,408)	(511,806)	(6,518,138)	(889,745)	(2,743,116)	-
Profit before tax	72,696	10,323,402	903,282	2,322,198	(2,365,981)	-
Segment return on assets (ROA)	62.5%	3.1%	0.3%	1.5%	-	-
Segment cost of funds	0.7%	4.7%	2.7%	4.3%	-	-

	For the three months ended March 31, 2015 (Un-audited)					Inter segment elimination
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	
	(Rupees in '000)					
Total income	93,825	6,178,057	9,181,234	3,016,932	866,694	-
Total expenses	(25,046)	(365,043)	(6,213,138)	(1,050,989)	(764,437)	-
Profit before tax	68,779	5,813,014	2,968,096	1,965,943	102,257	-
Segment return on assets (ROA)	53.8%	2.4%	1.0%	1.2%	-	-
Segment cost of funds	1.3%	6.5%	3.7%	6.0%	-	-

	As at March 31, 2016 (Un-audited)					Inter segment elimination
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	
	(Rupees in '000)					
Segment assets (gross of NPL provisions)	769,077	836,084,682	985,278,452	452,478,536	126,532,682	(945,530,911)
Segment non performing loans (NPLs)	675,575	1,865,790	12,764,059	31,699,962	237,013	-
Segment provision held against NPLs	508,071	1,847,222	10,364,551	24,621,120	75,916	-
Segment liabilities	213,954	809,390,562	974,752,285	426,339,678	7,061,083	(945,530,911)

	As at December 31, 2015 (Audited)					Inter segment elimination
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	
	(Rupees in '000)					
Segment assets (gross of NPL provisions)	933,876	807,644,717	982,527,691	441,691,268	103,599,830	(898,210,505)
Segment non performing loans (NPLs)	675,575	1,866,135	13,630,537	30,415,533	231,383	-
Segment provision held against NPLs	508,071	1,846,111	10,666,275	24,439,842	75,735	-
Segment liabilities	133,013	772,279,204	966,764,107	412,445,535	5,104,014	(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.

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19. RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its associates, subsidiary companies, employee benefit plans and its directors and executive officers (including their associates).

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

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

	As at March 31, 2016 (Un-audited)					As at December 31, 2015 (Audited)				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	----- (Rupees in '000) -----									
Balances with banks										
In current accounts	-	-	1,072,882	-	-	-	-	1,284,195	-	-
In deposit accounts	-	-	1,074,970	-	-	-	-	971,092	-	-
	-	-	2,147,852	-	-	-	-	2,255,287	-	-
Lendings to financial institutions										
Other lendings to financial institution	-	-	654,573	300,000	-	-	-	663,914	400,000	-
Investments										
Opening balance	-	-	4,897,174	6,914,292	3,895,328	-	-	4,897,174	7,769,602	3,895,328
Investment made during the period / year	-	-	-	100,000	-	-	-	-	2,903,287	-
Investment redeemed / disposed off during the period / year	-	-	-	(1,200,000)	-	-	-	-	(3,758,597)	-
Closing balance	-	-	4,897,174	5,814,292	3,895,328	-	-	4,897,174	6,914,292	3,895,328
Provision for diminution in value of investments	-	-	-	-	114,934	-	-	-	-	114,934
Advances										
Opening balance	706	96,464	-	2,155,149	7,907,012	368	106,148	-	2,155,149	9,394,005
Addition during the period / year	5,406	19,643	-	-	13,814,707	4,181	78,736	-	-	44,320,432
Repaid during the period / year	(5,896)	(14,652)	-	-	(15,707,368)	(3,843)	(59,342)	-	-	(45,807,425)
Transfer in / (out) - net	-	3,343	-	-	-	-	(29,078)	-	-	-
Closing balance	216	104,798	-	2,155,149	6,014,351	706	96,464	-	2,155,149	7,907,012
Provision held against advances	-	-	-	2,155,149	-	-	-	-	2,155,149	-
Other Assets										
Interest mark-up accrued	-	1	12,096	67	71,261	-	56	9,686	8,187	91,419
Receivable from staff retirement funds	-	-	-	-	225,576	-	-	-	-	211,687
Prepaid insurance	-	-	-	161,455	-	-	-	-	-	-
Other receivable	-	-	11,471	-	30,164	-	-	9,447	-	30,164
Provision against other assets	-	-	-	-	30,164	-	-	-	-	30,164
Borrowings										
Opening balance	-	-	1,248,164	-	-	-	-	1,230,900	-	-
Borrowings during the period / year	-	-	650,517	-	-	-	-	5,428,932	-	-
Settled during the period / year	-	-	(725,859)	-	-	-	-	(5,411,668)	-	-
Closing balance	-	-	1,172,822	-	-	-	-	1,248,164	-	-
Overdrawn nostros	-	-	83,842	-	-	-	-	-	-	-
Deposits and other accounts										
Opening balance	7,934,549	52,522	336,192	6,655,457	1,822,423	7,920,019	126,853	272,133	2,498,946	204,907
Received during the period / year	3,442,717	349,371	6,262,107	25,645,842	32,129,806	22,932,144	957,707	31,556,608	130,028,293	140,642,028
Withdrawn during the period / year	(3,514,358)	(298,999)	(6,329,320)	(26,876,813)	(31,917,693)	(22,917,614)	(944,999)	(31,492,549)	(125,871,782)	(139,317,293)
Transfer in / (out) - net	-	340	-	-	-	-	(87,039)	-	-	292,781
Closing balance	7,862,908	103,234	268,979	5,424,486	2,034,536	7,934,549	52,522	336,192	6,655,457	1,822,423
Other Liabilities										
Interest / return / mark-up payable on deposits	64,013	190	159	3,820	10,365	46,187	49	71	4,621	710
Interest / return / mark-up payable on borrowings	-	-	5,161	-	-	-	-	3,170	-	-
Payable to staff retirement fund	-	-	-	-	-	-	-	-	-	149,951
Unearned income	-	-	1,129	-	7,294	-	-	187	-	10,420
Contingencies and Commitments										
Letter of guarantee	-	-	262,294	28,858	-	-	-	284,215	43,362	-
Forward foreign exchange contracts purchase	-	-	10,909,529	-	-	-	-	9,096,355	-	27,061
Forward foreign exchange contracts sale	-	-	9,382,515	-	375,893	-	-	9,309,591	-	412,487
Cross Currency Swaps	-	-	-	521,203	-	-	-	-	508,129	-

	For the three months ended March 31, 2016 (Un-audited)					For the three months ended March 31, 2015 (Un-audited)				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	----- (Rupees in '000) -----									
Mark-up / return / interest earned	-	1,157	13,967	6,158	82,606	-	918	10,360	14,613	222,704
Commission / charges recovered	46	86	132	414	71	11	43	128	953	59
Dividend income	-	-	-	-	21,780	-	-	-	-	53,262
Net gain on sale of securities	-	-	-	42,445	-	-	-	-	123,470	-
Other income	-	-	289	1,768	3,126	-	3,615	187	-	-
Mark-up / return / interest paid	54,280	289	11,267	70,645	11,816	53,214	894	8,890	34,366	1,143
Remuneration paid	-	354,526	-	-	-	-	238,869	-	-	-
Post employment benefits	-	4,463	-	-	-	-	4,928	-	-	-
Non-executive directors' fee	8,033	-	-	-	-	10,587	-	-	-	-
Net charge for defined contribution plans	-	-	-	-	56,972	-	-	-	-	52,049
Net charge for defined benefit plans	-	-	-	-	30,205	-	-	-	-	28,774
Other expenses	-	-	-	23,256	27,810	-	-	-	1,960	25,600
Insurance premium paid	-	-	-	217,276	-	-	-	-	222,601	-
Insurance claims settled	-	-	-	11,404	-	-	-	-	45,827	-

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20. ISLAMIC BANKING BUSINESS

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

	Note	(Un-audited) March 31, 2016	(Audited) December 31, 2015
----- (Rupees in '000) -----			
ASSETS			
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
Total Assets		32,764,213	32,936,094
LIABILITIES			
Bills payable		158,369	197,090
Deposits and other accounts			
Current accounts - non remunerative		7,663,387	5,431,588
Current accounts - remunerative		1,745,025	1,870,337
Saving accounts		2,724,146	2,904,770
Term deposits		1,092,126	1,392,031
Deposits from financial institutions - remunerative		17,870,517	19,457,452
Deposits from financial institutions - non remunerative		7	30,007
		31,095,208	31,086,185
Due to Head Office		-	-
Other liabilities		334,618	452,259
		31,588,195	31,735,534
NET ASSETS		1,176,018	1,200,560
REPRESENTED BY			
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
		1,176,018	1,200,560

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, 2016	March 31, 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
Other Income		
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
Other Expenses		
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)
Remuneration to Shariah Board and Advisor	1,488	426

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	(Un-audited) March 31, 2016	(Audited) December 31, 2015
	----- (Rupees in '000) -----	
20.3 Islamic financing and related assets		
Financings		
Murabaha	311,314	259,138
Ijarah	651,102	714,570
Diminishing Musharaka	6,177,239	6,077,784
	7,139,655	7,051,492
Advances		
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
Gross Islamic financing and related assets	7,385,706	7,156,500
Provision against financings and advances	(86,126)	(86,118)
	7,299,580	7,070,382

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 unconsolidated 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 unconsolidated condensed interim financial statements were authorised for issue on April 26, 2016 by the Board of Directors of the Bank.

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