

United Bank Limited

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016
(UN-AUDITED)





**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2016**

	Note	(Un-audited) September 30, 2016	(Audited) December 31, 2015
----- (Rupees in '000) -----			
ASSETS			
Cash and balances with treasury banks		117,089,572	113,762,323
Balances with other banks		28,559,362	27,713,772
Lendings to financial institutions	6	32,511,270	25,913,741
Investments	7	883,885,282	752,989,747
Advances	8	542,593,864	488,061,033
Operating fixed assets	9	38,452,318	35,982,258
Deferred tax asset - net		-	-
Other assets		33,307,631	41,763,939
		1,676,399,299	1,486,186,813
LIABILITIES			
Bills payable		10,758,351	13,395,744
Borrowings	10	254,477,242	164,232,087
Deposits and other accounts	11	1,212,271,727	1,119,953,064
Subordinated loans		-	-
Liabilities against assets subject to finance lease		4,495	4,873
Deferred tax liability - net		5,806,400	4,515,165
Other liabilities		26,307,994	28,486,831
		1,509,626,209	1,330,587,764
NET ASSETS		<u>166,773,090</u>	<u>155,599,049</u>
REPRESENTED BY			
Share capital		12,241,798	12,241,798
Reserves		42,288,682	41,624,817
Unappropriated profit		67,118,077	59,955,027
Total equity attributable to the equity holders of the Bank		121,648,557	113,821,642
Non-controlling interest		4,770,422	5,223,744
		126,418,979	119,045,386
Surplus on revaluation of assets - net of deferred tax	12	40,354,111	36,553,663
		<u>166,773,090</u>	<u>155,599,049</u>
CONTINGENCIES AND COMMITMENTS	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, CBE
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Chairman

**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016**

	Note	July- September 2016	July- September 2015	January - September 2016	January - September 2015
----- (Rupees in '000) -----					
Mark-up / return / interest earned	14	24,543,435	24,572,355	75,904,854	72,502,592
Mark-up / return / interest expensed	15	(10,489,431)	(10,203,819)	(31,496,516)	(29,892,744)
Net mark-up / return / interest income		14,054,004	14,368,536	44,408,338	42,609,848
Reversal / (provision) against loans and advances - net		556,137	(471,580)	(226,390)	(2,431,485)
Provision for diminution in value of investments - net		(265,208)	(33,791)	(957,890)	(74,382)
Bad debts written off directly		(12,728)	(33,446)	(58,098)	(105,852)
		278,201	(538,817)	(1,242,378)	(2,611,719)
Net mark-up / return / interest income after provisions		14,332,205	13,829,719	43,165,960	39,998,129
Non mark-up / interest income					
Fee, commission and brokerage income		3,258,677	3,394,251	10,661,213	10,745,825
Dividend income		213,995	387,144	1,489,897	1,669,280
Income from dealing in foreign currencies		464,702	585,216	1,562,135	1,967,555
Gain on sale of securities - net		508,411	397,302	5,279,297	3,144,989
Unrealized (loss) / gain on revaluation of investments classified as held for trading		(11,659)	215,810	(2,903)	(50,995)
Other income		149,741	244,891	696,156	1,100,425
Total non mark-up / interest income		4,583,867	5,224,614	19,685,795	18,577,079
		18,916,072	19,054,333	62,851,755	58,575,208
Non mark-up / interest expenses					
Administrative expenses	16	(8,158,432)	(8,142,469)	(26,020,787)	(24,541,529)
Other provisions - net		(22,847)	(48,899)	(287,200)	(135,082)
Workers' Welfare Fund		(205,126)	(213,778)	(714,277)	(670,642)
Other charges		(26,003)	(136,744)	(56,253)	(200,310)
Total non mark-up / interest expenses		(8,412,408)	(8,541,890)	(27,078,517)	(25,547,563)
		10,503,664	10,512,443	35,773,238	33,027,645
Share of income of associates		472,767	144,654	685,359	604,793
Profit before taxation		10,976,431	10,657,097	36,458,597	33,632,438
Taxation - Current		(4,025,227)	(3,773,138)	(13,032,797)	(11,985,759)
- Prior		4,633	(362,590)	(1,968,203)	(1,986,080)
- Deferred		194,682	503,333	293,561	783,236
		(3,825,912)	(3,632,395)	(14,707,439)	(13,188,603)
Profit after taxation		7,150,519	7,024,702	21,751,158	20,443,835
Attributable to:					
Equity shareholders of the Bank		7,065,712	6,829,388	21,529,731	19,842,062
Non-controlling interest		84,807	195,314	221,427	601,773
		7,150,519	7,024,702	21,751,158	20,443,835
Earnings per share - basic and diluted		5.77	5.58	17.59	16.21

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, CBE
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Chairman



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016**

	July- September 2016	July- September 2015	January - September 2016	January - September 2015
----- (Rupees in '000) -----				
Profit after taxation for the period attributable to:				
Equity shareholders of the Bank	7,065,712	6,829,388	21,529,731	19,842,062
Non-controlling interest	<u>84,807</u>	<u>195,314</u>	<u>221,427</u>	<u>601,773</u>
	7,150,519	7,024,702	21,751,158	20,443,835
Other comprehensive income:				
<i>Items that are not to be reclassified to profit or loss in subsequent periods</i>	-	-	-	-
<i>Items that may be reclassified to profit or loss in subsequent periods</i>				
Exchange differences on translation of net investment in foreign branches and subsidiaries				
- Equity shareholders of the Bank	(344,933)	1,062,072	(1,499,236)	1,785,080
- Non-controlling interest	<u>(201,900)</u>	<u>(41,243)</u>	<u>(675,524)</u>	<u>70,669</u>
	(546,833)	1,020,829	(2,174,760)	1,855,749
	(546,833)	1,020,829	(2,174,760)	1,855,749
Other comprehensive income transferred to equity	<u>6,603,686</u>	<u>8,045,531</u>	<u>19,576,398</u>	<u>22,299,584</u>
<i>Items that may be reclassified to profit or loss in subsequent period:</i>				
(Deficit) / surplus arising on revaluation of available for sale securities	(1,877,227)	2,543,137	5,577,688	10,096,107
Related deferred tax charge	<u>723,198</u>	<u>(1,126,964)</u>	<u>(1,545,390)</u>	<u>(3,783,036)</u>
	(1,154,029)	1,416,173	4,032,298	6,313,071
Total comprehensive income during the period - net of tax	<u>5,449,657</u>	<u>9,461,704</u>	<u>23,608,696</u>	<u>28,612,655</u>

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

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**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016**

	January - September 2016	January - September 2015
	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	36,458,597	33,632,438
Less: Dividend income	(1,489,897)	(1,669,280)
Share of income of associates	(685,359)	(604,793)
	<u>34,283,341</u>	<u>31,358,365</u>
Adjustments:		
Depreciation	1,408,335	1,383,332
Amortization	288,218	346,275
Workers' Welfare Fund	714,277	670,642
Provision for retirement benefits	453,502	711,770
Provision against loans and advances - net	226,390	2,431,485
Provision for diminution in value of investments - net	957,890	74,382
Gain on sale of operating fixed assets	(24,923)	(18,138)
Unrealized loss on revaluation of investments classified as held for trading	2,903	50,995
Bad debts written-off directly	58,098	105,852
Finance charges on leased assets	256	8
Other provisions - net	287,200	135,082
	<u>4,372,146</u>	<u>5,891,685</u>
	38,655,487	37,250,050
(Increase) / decrease in operating assets		
Lendings to financial institutions	(6,597,529)	(1,133,870)
Held for trading securities	(27,132,491)	(50,745,493)
Advances	(54,817,319)	(30,419,295)
Other assets (excluding advance taxation)	8,285,717	9,095,476
	<u>(80,261,622)</u>	<u>(73,203,182)</u>
Increase / (decrease) in operating liabilities		
Bills payable	(2,637,393)	1,208,682
Borrowings	90,245,155	119,754,866
Deposits and other accounts	92,318,663	106,144,975
Other liabilities (excluding current taxation)	(4,189,743)	(4,069,332)
	<u>175,736,682</u>	<u>223,039,191</u>
	134,130,547	187,086,059
Payments on account of staff retirement benefits	(458,744)	(828,094)
Income taxes paid	(14,599,810)	(8,468,409)
Net cash inflow from operating activities	<u>119,071,993</u>	<u>177,789,556</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in securities	(98,457,887)	(160,615,690)
Dividend income received	1,387,387	1,347,703
Investment in operating fixed assets	(4,504,707)	(3,239,722)
Sale proceeds from disposal of operating fixed assets	104,253	76,204
Net cash outflow from investing activities	<u>(101,470,954)</u>	<u>(162,431,505)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payment in respect of leased obligation	(634)	(437)
Dividend paid to non-controlling interest	-	(107,672)
Dividends paid	(11,252,806)	(12,640,285)
Net cash outflow from financing activities	<u>(11,253,440)</u>	<u>(12,748,394)</u>
	6,347,599	2,609,657
Exchange differences on translation of net investment in foreign branches and subsidiaries		
- Equity shareholders of the Bank	(1,499,236)	1,785,080
- Non-controlling interest	(675,524)	70,669
Increase in cash and cash equivalents during the period	<u>4,172,839</u>	<u>4,465,406</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><u>145,648,934</u></u>	<u><u>102,073,986</u></u>

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**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016**

	Attributable to equity shareholders of the Bank						Non-controlling Interest	Total	
	Share Capital	General reserve	Statutory reserve	Capital reserve - Exchange transition reserve	Employees stock option reserve	Unappropriated profit			Sub total
(Rupees in '000)									
Balance as at January 01, 2015 (Audited)	12,241,798	3,000	21,896,084	15,382,510	4,494	52,507,655	102,035,541	4,553,250	106,588,791
Transactions with owners for the nine months ended September 30, 2015									
Final cash dividend - December 31, 2014 declared subsequent to the year end at Rs.4.0 per share	-	-	-	-	-	(4,896,719)	(4,896,719)	-	(4,896,719)
Interim cash dividend - March 31, 2015 declared at Rs.3.0 per share	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Interim cash dividend - June 30, 2015 declared at Rs.3.0 per share	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Employees stock option reserve	-	-	-	-	(1,500)	-	(1,500)	-	(1,500)
Total comprehensive income for the nine months ended September 30, 2015	-	-	-	-	(1,500)	(12,241,797)	(12,243,297)	-	(12,243,297)
Profit after taxation for the nine months ended September 30, 2015	-	-	-	-	-	19,842,062	19,842,062	601,773	20,443,835
Other comprehensive income - net of tax	-	-	-	1,785,080	-	-	1,785,080	70,669	1,855,749
Total comprehensive income for the nine months ended September 30, 2015	-	-	-	1,785,080	-	19,842,062	21,627,142	672,442	22,299,584
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	-	-	-	-	-	38,585	38,585	657	39,242
Transfer to statutory reserve	-	-	1,937,828	-	-	(1,937,828)	-	-	-
Balance as at September 30, 2015 (Un-audited)	12,241,798	3,000	23,833,912	17,167,590	2,994	58,208,677	111,457,971	5,118,677	116,576,648
Transactions with owners for the three months ended December 31, 2015									
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	-	-	-	-	(1,944)	-	(1,944)	-	(1,944)
Total comprehensive income for the three months ended December 31, 2015	-	-	-	-	(1,944)	(3,672,539)	(3,674,483)	-	(3,674,483)
Profit after taxation for the three months ended December 31, 2015	-	-	-	-	-	6,312,282	6,312,282	253,509	6,565,791
Other comprehensive income - net of tax	-	-	-	(26,198)	-	(260,413)	(286,611)	(148,345)	(434,956)
Total comprehensive income for the three months ended December 31, 2015	-	-	-	(26,198)	-	6,051,869	6,025,671	105,164	6,130,835
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	12,483	12,483	(97)	12,386
Transfer to statutory reserves	-	-	645,463	-	-	(645,463)	-	-	-
Balance as at December 31, 2015 (Audited)	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
Transactions with owners for the nine months ended September 30, 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)	-	(4,896,719)
Interim cash dividend - March 31, 2016 declared at Rs.3.0 per share	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Interim cash dividend - June 30, 2016 declared at Rs.3.0 per share	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Employees stock option reserve	-	-	-	-	(513)	-	(513)	-	(513)
Total comprehensive income for the nine months ended September 30, 2016	-	-	-	-	(513)	(12,241,797)	(12,242,310)	-	(12,242,310)
Profit after taxation for the nine months ended September 30, 2016	-	-	-	-	-	21,529,731	21,529,731	221,427	21,751,158
Other comprehensive income - net of tax	-	-	-	(1,499,236)	-	-	(1,499,236)	(675,524)	(2,174,760)
Total comprehensive income for the nine months ended September 30, 2016	-	-	-	(1,499,236)	-	21,529,731	20,030,495	(454,097)	19,576,398
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	38,730	38,730	775	39,505
Transfer to statutory reserves	-	-	2,163,614	-	-	(2,163,614)	-	-	-
Balance as at September 30, 2016 (Un-audited)	12,241,798	3,000	26,642,989	15,642,156	537	67,118,077	121,648,557	4,770,422	126,418,979

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

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Chairman

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 1,319 (December 31, 2015: 1,312) branches inside Pakistan including 41 (December 31, 2015: 41) Islamic Banking branches and 2 (December 31, 2015: 1) branches in Export Processing Zones. The Bank also operates 18 (December 31, 2015: 18) branches outside Pakistan as at September 30, 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.

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

The disclosures made in these consolidated 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 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.

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.
- 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.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016**
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

Effective January 1, 2016, the Bank has changed its accounting policy for recording of non-banking assets acquired in satisfaction of claims to comply with the requirements of the 'Regulations for Debt Property Swap' (the regulations) issued by SBP vide its BPRD Circular No. 1 of 2016, dated January 1, 2016. In line with the guidance provided in the Regulations, the non-banking assets acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'surplus on revaluation of fixed assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to profit and loss account and not capitalised. Previously, Non-banking assets acquired in satisfaction of claims were carried at cost less impairment, if any. Had the accounting policy not been changed, Non banking assets (included in Other Assets in the statement of financial position) would have been lower by Rs 105.052 million while surplus on revaluation of assets and deferred tax assets would have been lower by Rs 68.284 million and Rs 36.768 million respectively.

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) September 30, 2016	(Audited) December 31, 2015
----- (Rupees in '000) -----	

6. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	9,900,000	1,300,000
Repurchase agreement lendings	100,000	976,841
Other lendings to financial institutions	23,332,979	24,459,385
	33,332,979	26,736,226
 Provision against lendings to financial institutions	 (821,709)	 (822,485)
	32,511,270	25,913,741

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016**
7. INVESTMENTS
7.1 Investments by types

Note	(Un-audited)			(Audited)		
	September 30, 2016			December 31, 2015		
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
----- (Rupees in '000) -----						
Held for trading securities						
Market Treasury Bills	24,360,957	-	24,360,957	9,757,289	-	9,757,289
Pakistan Investment Bonds	14,865,016	-	14,865,016	2,285,349	-	2,285,349
Ordinary shares of listed companies	-	-	-	19,234	-	19,234
Term Finance Certificates	26,608	-	26,608	50,837	-	50,837
Sukuks	-	-	-	10,284	-	10,284
	39,252,581	-	39,252,581	12,122,993	-	12,122,993
Available for sale securities						
Market Treasury Bills	93,185,557	104,753	93,290,310	55,599,133	894,235	56,493,368
Pakistan Investment Bonds	75,425,009	191,759,449	267,184,458	153,364,754	111,285,139	264,649,893
Government of Pakistan Sukuk	6,501,650	-	6,501,650	9,909,514	-	9,909,514
Government of Pakistan Eurobonds	14,949,805	-	14,949,805	16,175,144	-	16,175,144
Ordinary shares of listed companies	18,171,163	-	18,171,163	19,310,585	-	19,310,585
Preference shares	372,709	-	372,709	434,765	-	434,765
Ordinary shares of unlisted companies	243,335	-	243,335	243,337	-	243,337
Term Finance Certificates	613,699	-	613,699	458,590	-	458,590
Investment in REIT	458,590	-	458,590	1,371,162	-	1,371,162
Foreign bonds - sovereign	35,963,181	-	35,963,181	32,324,780	-	32,324,780
Foreign bonds - others	18,813,135	-	18,813,135	26,404,993	-	26,404,993
	264,697,833	191,864,202	456,562,035	315,596,757	112,179,374	427,776,131
Held to maturity securities						
Market Treasury Bills	27,318,038	-	27,318,038	34,543,790	-	34,543,790
Pakistan Investment Bonds	289,931,533	-	289,931,533	220,168,425	-	220,168,425
Government of Pakistan Eurobonds	8,332,348	-	8,332,348	9,041,947	-	9,041,947
Government of Pakistan Sukuk	209,740	-	209,740	210,459	-	210,459
Other Federal Government Securities	5,391,120	-	5,391,120	5,391,120	-	5,391,120
Term Finance Certificates	5,011,016	-	5,011,016	5,402,573	-	5,402,573
Sukuks	6,433,548	-	6,433,548	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	7,710,765	-	7,710,765	2,974,077	-	2,974,077
Foreign bonds - others	3,487,577	-	3,487,577	803,255	-	803,255
Recovery note	322,461	-	322,461	322,839	-	322,839
CDC SAARC Fund	227	-	227	228	-	228
	354,153,434	-	354,153,434	283,098,305	-	283,098,305
Associates						
United Growth and Income Fund	570,287	-	570,287	479,035	-	479,035
UBL Liquidity Plus Fund	11,595	-	11,595	11,755	-	11,755
UBL Money Market Fund	11,323	-	11,323	11,474	-	11,474
UBL Retirement Savings Fund	34,167	-	34,167	290,427	-	290,427
UBL Principal Protected Fund - III	-	-	-	245,308	-	245,308
UBL Government Securities Fund	3,064,321	-	3,064,321	3,033,104	-	3,033,104
UBL Gold Fund	97,313	-	97,313	83,247	-	83,247
UBL Asset Allocation Fund	591,861	-	591,861	557,764	-	557,764
UBL Stock Advantage Fund	161,319	-	161,319	220,801	-	220,801
Al Ameen Islamic Cash Fund	13,890	-	13,890	1,012,287	-	1,012,287
Al Ameen Islamic Aggressive Income Fund	31,573	-	31,573	31,569	-	31,569
Al Ameen Islamic Sovereign Fund	59,429	-	59,429	57,515	-	57,515
Al Ameen Islamic Retirement Savings Fund	-	-	-	241,725	-	241,725
Al Ameen Shariah Stock Fund	256,504	-	256,504	242,645	-	242,645
Al Ameen Islamic Principal Preservation Fund – III	-	-	-	117,560	-	117,560
Al Ameen Islamic Principal Preservation Fund – IV	122,261	-	122,261	112,882	-	112,882
Al Ameen Islamic Principal Preservation Fund – V	103,273	-	103,273	100,454	-	100,454
Al Ameen Islamic Asset Allocation Fund	119,117	-	119,117	115,004	-	115,004
Al Ameen Islamic Financial Planning Fund	446,015	-	446,015	201,376	-	201,376
UBL Insurers Limited	277,682	-	277,682	253,662	-	253,662
Khushhali Bank Limited	1,478,940	-	1,478,940	1,305,528	-	1,305,528
Oman United Exchange Company, Muscat	64,582	-	64,582	76,819	-	76,819
DHA Cogen Limited	-	-	-	-	-	-
	7,515,452	-	7,515,452	8,801,941	-	8,801,941
	665,619,300	191,864,202	857,483,502	619,619,996	112,179,374	731,799,370
Provision for diminution in value of investments	(2,897,668)	-	(2,897,668)	(2,550,531)	-	(2,550,531)
Investments - net of provisions	662,721,632	191,864,202	854,585,834	617,069,465	112,179,374	729,248,839
Surplus on revaluation of available for sale securities	15,408,561	13,893,790	29,302,351	12,486,378	11,238,285	23,724,663
(Deficit) / surplus on revaluation of held for trading securities	(2,903)	-	(2,903)	16,245	-	16,245
Total Investments	678,127,290	205,757,992	883,885,282	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 NINE MONTHS ENDED SEPTEMBER 30, 2016**

	Note	(Un-audited) September 30, 2016 ----- (Rupees in '000) -----	(Audited) December 31, 2015 ----- (Rupees in '000) -----
8. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		350,215,489	320,165,944
Outside Pakistan		<u>156,301,873</u>	<u>151,272,169</u>
		506,517,362	471,438,113
Islamic financing and related assets	20.3	7,503,095	7,156,500
Bills discounted and purchased			
Payable in Pakistan		18,317,143	14,989,155
Payable outside Pakistan		<u>52,827,479</u>	<u>37,150,419</u>
		71,144,622	52,139,574
Advances - gross		585,165,079	530,734,187
Provision against advances			
Specific	8.1	(37,816,557)	(38,477,438)
General	8.2	<u>(4,754,658)</u>	<u>(4,195,716)</u>
Advances - net of provision		<u>542,593,864</u>	<u>488,061,033</u>

8.1 Advances include Rs.46,474.329 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
September 30, 2016 (Un-audited)									
(Rupees in '000)									
Other Assets Especially									
Mentioned *	157,689	-	157,689	3,880	-	3,880	3,880	-	3,880
Substandard	3,318,609	838,741	4,157,350	343,746	186,589	530,335	343,746	186,589	530,335
Doubtful	1,105,157	2,283,619	3,388,776	549,184	843,401	1,392,585	549,184	843,401	1,392,585
Loss	29,338,485	9,432,029	38,770,514	28,159,830	7,729,927	35,889,757	28,159,830	7,729,927	35,889,757
	<u>33,919,940</u>	<u>12,554,389</u>	<u>46,474,329</u>	<u>29,056,640</u>	<u>8,759,917</u>	<u>37,816,557</u>	<u>29,056,640</u>	<u>8,759,917</u>	<u>37,816,557</u>

Category of Classification	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
December 31, 2015 (Audited)									
(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. 248.993 million (December 31, 2015: Rs. 239.300 million) against consumer finance portfolio and Rs. 41.483 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. 2,578.013 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.1,886.170 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 certain mortgaged properties held as collateral against non-performing advances as allowed under BSD Circular 1 of 2011. Had the benefit under the said circular not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 70.919 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.

	Note	(Un-audited) September 30, 2016 ----- (Rupees in '000) -----	(Audited) December 31, 2015 ----- (Rupees in '000) -----
9. OPERATING FIXED ASSETS			
Capital work-in-progress		7,084,025	4,129,203
Property and equipment		30,315,119	30,756,065
Intangible assets		<u>1,053,174</u>	<u>1,096,990</u>
	9.1	<u>38,452,318</u>	<u>35,982,258</u>

9.1 Additions and disposals during the period amounted to Rs. 4,504.707 million (September 30, 2015: Rs.3,239.722 million) and Rs. 90.727 million (September 30, 2015: Rs. 115.154 million), respectively.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016**

	(Un-audited) Note September 30, 2016	(Audited) December 31, 2015
	----- (Rupees in '000) -----	
10. BORROWINGS		
Secured		
Borrowings from the State Bank of Pakistan		
Export refinance scheme	12,695,543	14,426,586
Refinance facility for modernization of SME	-	29,961
Long term financing facility	10,600,379	7,174,502
Long term financing under export oriented projects	-	31,355
	23,295,922	21,662,404
Repurchase agreement borrowings	206,779,735	122,771,194
	<u>230,075,657</u>	<u>144,433,598</u>
Unsecured		
Call borrowings	15,002,816	4,363,583
Overdrawn nostro accounts	3,726,852	1,291,477
Trading liabilities	121,457	-
Other borrowings	5,550,460	14,143,429
	24,401,585	19,798,489
	<u>254,477,242</u>	<u>164,232,087</u>
11. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	344,022,657	309,246,150
Savings deposits	374,696,082	360,619,326
Sundry deposits	19,833,447	8,294,940
Margin deposits	4,831,847	5,633,939
Current accounts - remunerative	9,005,409	9,064,575
Current accounts - non-remunerative	413,163,975	374,535,953
	<u>1,165,553,417</u>	<u>1,067,394,883</u>
Financial Institutions		
Remunerative deposits	36,634,792	39,755,022
Non-remunerative deposits	10,083,518	12,803,159
	46,718,310	52,558,181
	<u>1,212,271,727</u>	<u>1,119,953,064</u>
12. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX		
Surplus / (deficit) arising on revaluation of assets - net of tax:		
Fixed assets / non-banking assets		
- Group's share	20,701,938	20,826,471
- Non-controlling interest	841,206	968,010
	12.1 21,543,144	21,794,481
Securities		
- Group's share	19,115,539	15,606,270
- Non-controlling interest	(310,537)	(833,566)
	12.2 18,805,002	14,772,704
Surplus / (deficit) on revaluation of assets of associates	5,965	(13,522)
	<u>40,354,111</u>	<u>36,553,663</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016**

	(Un-audited) September 30, 2016 ----- (Rupees in '000) -----	(Audited) December 31, 2015
12.1 Surplus on revaluation of fixed assets / non-banking assets		
Surplus on revaluation of fixed assets / non-banking assets at January 1	22,883,840	21,574,409
Revaluation of fixed assets / non-banking assets during the period / year	105,052	1,415,912
Exchange adjustments	(350,282)	(27,412)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(39,505)	(51,628)
Related deferred tax liability on incremental depreciation charged during the period / year	(20,345)	(27,441)
	(305,080)	1,309,431
	22,578,760	22,883,840
Less: Related deferred tax liability on:		
Revaluation as on January 1	1,089,360	837,302
Revaluation of fixed assets / non-banking assets during the period / year	36,768	281,525
Exchange adjustments	(68,093)	(2,027)
Incremental depreciation charged during the period / year	(22,419)	(27,441)
	1,035,616	1,089,359
	21,543,144	21,794,481
12.2 Surplus / (deficit) on revaluation of available for sale securities		
Market Treasury Bills	4,608	9,099
Pakistan Investment Bonds	20,641,668	19,041,613
Listed shares	7,291,662	6,090,148
REIT Scheme	(21,679)	(11,256)
Term Finance Certificates, Sukuks, other bonds, etc.	44,289	18,406
Foreign bonds	1,341,803	(1,423,347)
	29,302,351	23,724,663
Related deferred tax liability	(10,497,349)	(8,951,959)
	18,805,002	14,772,704
13. CONTINGENCIES AND COMMITMENTS		
13.1 Direct credit substitutes		
Contingent liabilities in respect of guarantees given favouring:		
Government	11,750,537	11,938,559
Banking companies and other financial institutions	1,215,018	2,487,693
Others	8,557,213	2,711,258
	21,522,768	17,137,510
13.2 Transaction-related contingent liabilities		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring:		
Government	130,367,172	99,691,998
Banking companies and other financial institutions	6,255,038	7,892,097
Others	19,733,987	39,464,635
	156,356,197	147,048,730

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016**

	Note	(Un-audited) September 30, 2016 ----- (Rupees in '000) -----	(Audited) December 31, 2015
13.3 Trade-related contingent liabilities			
Contingent liabilities in respect of letters of credit opened favouring:			
Government		118,701,022	39,915,813
Banking companies and other financial institutions		10,231,699	4,698,582
Others		85,197,287	99,491,379
		<u>214,130,008</u>	<u>144,105,774</u>

13.4 Other contingencies

Claims against the Group not acknowledged as debts	13.4.1	<u>12,300,517</u>	<u>12,363,192</u>
Contingency in respect of Workers' Welfare Fund	13.4.2	<u>296,124</u>	<u>296,124</u>

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

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

13.4.2 WWF provision of Rs. 296.124 million relating to funds from the date of application till 29 May 2013 is to be borne by UBL Fund Manager (Subsidiary Company) if such amount is required to be paid to the Government authorities. Management based on opinion of its lawyers is expecting a favorable outcome of the petition filed against chargeability of WWF over its funds.

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

13.4.4 United Bank Limited Yemen (UBL) issued two Standby Letters of Credit (SBLCs) for USD 12 million (Rs. 1,255.457 million) and USD 13 million (Rs. 1,360.078 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 law suit against UBL at the Preliminary Commercial Court in Sana'a claiming the payment of both SBLCs for the sum of USD 25 million (Rs. 2,615.535 million).

UBL management is pursuing the matter in the court in Yemen and based on the legal advice of the Bank's legal counsel in Yemen, the management is of the view that that it is unlikely that there will be any financial impact on the Bank.

13.4.3 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.

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.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016**

	(Un-audited) September 30, 2016 ----- (Rupees in '000) -----	(Audited) December 31, 2015 ----- (Rupees in '000) -----
13.6 Commitments in respect of forward foreign exchange contracts		
Purchase	177,970,906	239,440,820
Sale	<u>153,019,519</u>	<u>224,577,811</u>
13.7 Commitments in respect of derivatives		
Interest rate swaps	8,272,104	10,462,192
Cross currency swaps	522,051	508,129
FX options - purchased	211,970	370,073
FX options - sold	211,970	370,073
Forward Purchase of Government securities	9,536,713	-
Forward sale of Government securities	<u>2,056,599</u>	<u>10,483,778</u>
13.8 Commitments in respect of capital expenditure	<u>3,163,191</u>	<u>2,411,095</u>
13.9 For contingencies relating to taxation refer note 17.1.		
(Un-audited).....	
	January - September 2016	January - September 2015
	----- (Rupees in '000) -----	
14. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to customers	23,723,415	26,888,292
On lendings to financial institutions		
Call money lendings	124,236	85,333
Repurchase agreement lendings	115,632	306,064
Other lendings to financial institutions	536,869	633,761
	776,737	1,025,158
On investments in		
Held for trading securities	647,843	1,239,933
Available for sale securities	27,586,603	26,232,097
Held to maturity securities	22,978,713	17,007,068
	51,213,159	44,479,098
On deposits with financial institutions	191,543	110,044
	<u>75,904,854</u>	<u>72,502,592</u>
15. MARK-UP / RETURN / INTEREST EXPENSED		
On deposits	22,657,806	23,567,779
On securities sold under repurchase agreements	7,342,742	4,093,379
On other short term borrowings	1,198,897	1,866,118
On long term borrowings	297,071	365,468
	<u>31,496,516</u>	<u>29,892,744</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016**

(Un-audited).....	
	January - September 2016	January - September 2015
	----- (Rupees in '000) -----	
16. ADMINISTRATIVE EXPENSES		
Salaries, allowances etc.	9,913,448	9,082,567
Charge for compensated absences	221,075	194,657
Medical expenses	454,981	402,451
Contribution to defined contribution plan	274,900	239,868
(Reversal) / charge in respect of defined benefit obligations	(42,473)	277,245
Rent, taxes, insurance, electricity etc.	3,199,396	3,120,597
Depreciation	1,408,335	1,383,332
Amortization	288,218	346,275
Outsourced service charges including sales commission	3,628,379	3,373,399
Communications	902,439	924,499
Banking service charges	833,987	762,718
Cash transportation charges	472,082	433,560
Stationery and printing	454,184	459,957
Legal and professional charges	355,500	254,021
Advertisement and publicity	433,152	405,402
Repairs and maintenance	1,242,419	1,255,365
Travelling	207,816	218,677
Office running expenses	561,663	456,840
Vehicle expenses	132,716	133,284
Entertainment	189,862	169,789
Cartage, freight and conveyance	77,044	71,542
Insurance expense	106,709	67,868
Auditors' remuneration	79,986	76,547
Training and seminars	80,442	70,234
Brokerage expenses	15,716	21,040
Subscriptions	120,131	94,338
Donations	65,943	71,893
Non-executive Directors' fees	32,282	35,665
Zakat paid by overseas branch	210,827	64,554
Miscellaneous expenses	99,628	73,345
	<u>26,020,787</u>	<u>24,541,529</u>

17. TAXATION

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

The income tax authorities have issued amended assessment orders for the tax years 2003 to 2015, and created additional tax demands of Rs.12,499 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, 2015: Rs.1,140 million) in respect of provisions in excess of the above mentioned limits.

The tax authorities have also carried out monitoring for Federal Excise 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.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016**

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 returns for overseas branches have been filed upto the year ended December 31, 2015 under the provisions of the laws prevailing in the respective countries, and are deemed as assessed unless opened for reassessment.

“For UBTL income tax return has been filed up to the accounting year ended December 31, 2015 and for UBL UK, USAG, UBLFM and UET these returns have been filed up to the accounting year ended December 31, 2014 under the provisions of the laws prevailing in the respective countries and are deemed as assessed unless opened for reassessment by the tax authorities. Additionally, tax clearance has been issued for UBL UK, USAG and UBTL till the accounting years 2013, 2014 and 2015 respectively. There are no material tax contingencies in any of the subsidiaries.”

18. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES
For the Nine months ended September 30, 2016 (Un-audited)

	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment elimination
----- (Rupees in '000) -----							
Total income	503,121	28,090,514	23,004,396	10,815,539	743,012	1,621,987	-
Total expenses	(75,219)	(2,332,985)	(19,973,837)	(4,010,228)	(474,451)	(1,454,175)	-
Profit before tax	427,902	25,757,529	3,030,559	6,805,311	268,561	167,812	-
Segment return on assets (ROA)	115.7%	2.7%	0.3%	1.2%	21.4%	-	-
Segment cost of funds	0.0%	4.6%	2.6%	4.1%	-	-	-

For the Nine months ended September 30, 2015 (Un-audited)

	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment elimination
----- (Rupees in '000) -----							
Total income	412,331	20,930,925	26,822,810	10,827,515	778,970	2,019,169	-
Total expenses	(75,372)	(1,532,505)	(18,617,198)	(5,622,119)	(551,764)	(1,760,324)	-
Profit before tax	336,959	19,398,420	8,205,612	5,205,396	227,206	258,845	-
Segment return on assets (ROA)	71.1%	2.3%	0.9%	1.0%	19.0%	-	-
Segment cost of funds	0.0%	5.7%	3.3%	5.0%	-	-	-

As at September 30, 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)	929,081	974,699,274	1,069,277,639	537,159,740	1,300,044	112,657,198	(981,908,044)
Segment non performing loans (NPLs)	674,799	1,746,369	12,257,455	31,736,110	-	59,596	-
Segment provision held against NPLs	507,490	1,746,370	10,125,337	25,361,802	-	75,558	-
Segment liabilities	143,754	887,820,612	1,100,980,146	496,628,529	146,940	5,778,948	(981,908,044)

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 NINE MONTHS ENDED SEPTEMBER 30, 2016**
19. RELATED PARTY TRANSACTIONS

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

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

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

	As at September 30, 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)-----								
Lendings to financial institutions	-	-	200,000	-	-	-	400,000	-
Investments								
Opening balance	-	-	8,801,941	3,917,745	-	-	10,032,839	3,917,745
Investment made during the period / year	-	-	697,232	-	-	-	3,897,046	-
Investment redeemed / disposed off during the period / year	-	-	(2,349,351)	(22,417)	-	-	(5,518,844)	-
Equity method adjustments	-	-	365,630	-	-	-	390,900	-
Closing balance	-	-	7,515,452	3,895,328	-	-	8,801,941	3,917,745
Provision for diminution in value of investments	-	-	-	114,934	-	-	-	114,934
Advances								
Opening balance	706	404,436	2,155,149	7,907,012	368	249,996	2,155,149	9,394,005
Addition during the period / year	11,191	74,222	-	63,086,799	4,181	273,325	-	44,320,432
Repaid during the period / year	(6,461)	(145,212)	-	(48,926,174)	(3,843)	(89,807)	-	(45,807,425)
Transfer in / (out) - net	-	1,219	-	-	-	(29,078)	-	-
Closing balance	5,436	334,665	2,155,149	22,067,637	706	404,436	2,155,149	7,907,012
Provision held against advances	-	-	2,155,149	-	-	-	2,155,149	-
Other Assets								
Interest mark-up accrued	5	70	8,927	229,775	-	56	8,187	92,060
Receivable from staff retirement funds	-	-	-	134,026	-	-	-	211,687
Prepaid insurance	-	-	58,394	-	-	-	44	-
Remuneration receivable from management of funds	-	-	71,991	-	-	-	63,035	-
Sales load receivable	-	-	17,877	-	-	-	6,189	-
Formation cost receivable	-	-	1,297	-	-	-	1,000	-
Other receivable	-	-	7,782	30,164	-	-	8,817	30,164
Provision against other assets	-	-	-	30,164	-	-	-	30,164
Deposits and other accounts								
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 period / year	12,701,142	1,214,806	89,928,956	116,948,319	22,932,144	1,181,278	130,029,100	140,642,028
Withdrawn during the period / year	(13,230,211)	(1,202,051)	(91,508,943)	(116,714,973)	(22,917,614)	(1,140,365)	(125,871,804)	(139,317,293)
Transfer in / (out) - net	-	(2,759)	-	-	-	(87,039)	-	292,781
Closing balance	7,405,480	144,390	5,078,904	2,055,769	7,934,549	134,394	6,658,891	1,822,423
Borrowings	-	-	-	6,100	-	-	-	-
Other Liabilities								
Interest / return / mark-up payable on deposits	49,298	345	4,313	459	46,187	256	4,621	710
Interest / return / mark-up payable on borrowings	-	-	-	4	-	-	-	-
Payable to staff retirement fund	-	-	-	41,053	-	-	-	188,136
Unearned income	-	-	-	1,042	-	-	-	10,420
Contingencies and Commitments								
Letter of guarantee	-	-	23,579	-	-	-	43,362	-
Forward foreign exchange contracts purchase	-	-	-	303,402	-	-	-	27,061
Forward foreign exchange contracts sale	-	-	-	310,348	-	-	-	412,487
Cross Currency Swaps	-	-	522,051	-	-	-	508,129	-
For the nine months ended September 30, 2016 (Un-audited)								
	Directors	Key management personnel	Associates	Other related parties	For the nine months ended September 30, 2015 (Un-audited)			
					Directors	Key management personnel	Associates	Other related parties
------(Rupees in '000)-----								
Mark-up / return / interest earned	10	5,902	17,708	263,274	-	8,770	36,792	518,010
Commission / charges recovered	159	425	12,697	411	57	155	13,691	4,637
Dividend received	-	-	309,761	359,324	-	-	457,280	374,546
Net gain on sale of securities	-	-	456,012	-	-	-	453,115	-
Remuneration from management of funds	-	-	595,286	-	-	-	481,885	-
Sales load	-	-	95,915	-	-	-	178,065	-
Other income	-	2,621	3,553	9,380	-	5,488	7,900	17
Mark-up / return / interest expense	115,056	1,058	194,981	26,092	162,337	1,635	102,254	10,539
Remuneration paid	-	1,061,338	-	-	-	757,253	-	-
Post employment benefits	-	48,683	-	-	-	35,947	-	-
Non-executive directors' fee	32,282	-	-	-	35,665	-	-	-
Net charge for defined contribution plans	-	-	-	274,899	-	-	-	239,868
Net charge / (reversal) for defined benefit plans	-	-	-	(215,568)	-	-	-	98,946
Other expenses	-	-	52,676	89,005	-	-	43,073	86,988
Insurance premium paid	-	-	227,453	-	-	-	244,679	-
Insurance claims settled	-	-	76,215	-	-	-	90,501	-

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016**
20. ISLAMIC BANKING BUSINESS

20.1 The bank operates 41 (December 31, 2015: 41) Islamic Banking branches and 141 (December 31, 2015: 141) Islamic Banking windows. The statement of Financial position of the Bank's Islamic Banking branches as at September 30 is as follows:

	Note	(Un-audited) September 30, 2016	(Audited) December 31, 2015
----- (Rupees in '000) -----			
ASSETS			
Cash and balances with treasury banks		1,578,849	1,646,846
Balances with other banks		2,623,078	3,213,299
Due from financial institutions		9,900,000	1,300,000
Investments		15,070,803	17,247,343
Islamic financing and related assets	20.3	7,417,104	7,070,382
Operating fixed assets		150,201	151,283
Due from Head Office		8,019,045	2,146,205
Other assets		154,048	160,736
Total Assets		44,913,128	32,936,094
LIABILITIES			
Bills payable		249,781	197,090
Deposits and other accounts			
Current accounts - non remunerative		10,308,726	5,431,588
Current accounts - remunerative		2,719,585	1,870,337
Saving accounts		3,158,642	2,904,770
Term deposits		1,303,740	1,392,031
Deposits from financial institutions - remunerative		25,564,232	19,457,452
Deposits from financial institutions - non remunerative		7	30,007
		43,054,932	31,086,185
Due to Head Office		-	-
Other liabilities		458,513	452,259
		43,763,226	31,735,534
NET ASSETS		1,149,902	1,200,560
REPRESENTED BY			
Islamic Banking Fund		1,681,000	1,681,000
Accumulated losses		(570,781)	(532,990)
		1,110,219	1,148,010
Surplus on revaluation of assets		39,683	52,550
		1,149,902	1,200,560

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016**

20.2 The profit and loss account of the Bank's Islamic Banking branches for the nine months ended September 30 is as follows:

	------(Un-audited)-----	
	January - September 2016	January- September 2015
	----- (Rupees in '000) -----	
Return earned	1,502,761	1,216,355
Return expensed	(967,936)	(924,484)
	<u>534,825</u>	<u>291,871</u>
Reversal of provision against loans and advances - net	128	907
Net return after provisions	<u>534,953</u>	<u>292,778</u>
Other Income		
Fee, commission and brokerage income	31,139	16,653
(Loss) / income from dealing in foreign currencies	(5,163)	6,305
Gain on sale of securities - net	4,299	11,135
Other income	4,122	2,514
Total other income	<u>34,397</u>	<u>36,607</u>
	569,350	329,385
Other Expenses		
Administrative expenses	(607,072)	(457,690)
Other provisions - net	(69)	(37)
Total other expenses	<u>(607,141)</u>	<u>(457,727)</u>
Net loss for the period	<u>(37,791)</u>	<u>(128,342)</u>
Accumulated losses brought forward	(532,990)	(276,733)
Accumulated losses carried forward	<u>(570,781)</u>	<u>(405,075)</u>
Remuneration to Shariah Advisor / Board	<u>4,668</u>	<u>2,175</u>
	(Un-audited) September 30, 2016	(Audited) December 31, 2015
	----- (Rupees in '000) -----	
20.3 Islamic financing and related assets		
Financings		
Murabaha	388,088	259,138
Ijarah	690,439	714,570
Diminishing Musharaka	6,072,441	6,077,784
	<u>7,150,968</u>	<u>7,051,492</u>
Advances		
Advances and receivables against Ijarah	168,781	7,886
Advances for Diminishing Musharaka	32,503	8,082
Advances for Murabaha	33,445	27,598
	234,729	43,566
Profit and other receivables against financings and advances	<u>117,398</u>	<u>61,442</u>
Gross Islamic financing and related assets	<u>7,503,095</u>	<u>7,156,500</u>
Provision against financings and advances	(85,991)	(86,118)
	<u>7,417,104</u>	<u>7,070,382</u>
20.4 Charity Fund		
Opening balance	2,342	5,102
Addition during the year	1,030	2,240
Payments during the year	(3,098)	(5,000)
Closing balance	<u>274</u>	<u>2,342</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016****21. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors in its meeting held on October 19, 2016 has declared an interim cash dividend in respect of the quarter ended September 30, 2016 of Rs. 3.0 per share (September 30, 2015: Rs. 3.0 per share). The consolidated condensed interim financial statements for the nine months ended September 30, 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 October 19, 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 (net) 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.

No other major reclassifications were made during the period.

Wajahat Husain
President &
Chief Executive Officer

Amin Uddin
Director

Zameer Mohammed Choudrey, CBE
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Chairman