

# United Bank Limited

## **CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2017  
(UNAUDITED)**



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT MARCH 31, 2017**

	Note	(Un-audited) March 31, 2017	(Audited) December 31, 2016
----- (Rupees in '000) -----			
<b>ASSETS</b>			
Cash and balances with treasury banks		125,161,365	133,467,502
Balances with other banks		31,950,902	32,267,304
Lendings to financial institutions	6	53,921,444	35,484,586
Investments	7	901,114,080	838,262,274
Advances	8	527,075,704	537,782,146
Operating fixed assets	9	40,668,993	39,298,927
Deferred tax asset - net		-	-
Other assets		38,838,349	45,179,521
		1,718,730,837	1,661,742,260
<b>LIABILITIES</b>			
Bills payable		11,367,139	11,759,012
Borrowings	10	254,336,475	205,865,131
Deposits and other accounts	11	1,250,320,763	1,245,791,616
Subordinated loans		-	-
Liabilities against assets subject to finance lease		3,610	3,558
Deferred tax liability - net		5,095,083	5,230,571
Other liabilities		30,463,920	29,363,148
		1,551,586,990	1,498,013,036
<b>NET ASSETS</b>		167,143,847	163,729,224
<b>REPRESENTED BY</b>			
Share capital		12,241,798	12,241,798
Reserves		43,568,547	42,615,188
Unappropriated profit		70,849,043	68,939,008
Total equity attributable to the equity holders of the Bank		126,659,388	123,795,994
Non-controlling interest		4,347,081	4,227,693
		131,006,469	128,023,687
Surplus on revaluation of assets - net of deferred tax	12	36,137,378	35,705,537
		167,143,847	163,729,224

**CONTINGENCIES AND COMMITMENTS**

13

The annexed notes from 1 to 22 form an integral part of these consolidated condensed interim financial statements.

Wajahat Husain  
President &  
Chief Executive Officer

Arshad Ahmad Mir  
Director

Zameer Mohammed Choudrey, CBE  
Director

Sir Mohammed Anwar Pervez, OBE, HPK  
Chairman



**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2017**

	Note	March 31, 2017 ----- (Rupees in '000) -----	March 31, 2016 ----- (Rupees in '000) -----
Mark-up / return / interest earned	14	24,668,811	24,263,208
Mark-up / return / interest expensed	15	(10,573,403)	(10,183,277)
Net mark-up / return / interest income		14,095,408	14,079,931
Provision against loans and advances - net		(56,265)	(1,628,798)
Reversal of provision against lendings to financial institutions - net		1,000	-
Provision for diminution in value of investments - net		(51,408)	(145,223)
Bad debts written off directly		(15,975)	(21,501)
		(122,648)	(1,795,522)
Net mark-up / return / interest income after provisions		13,972,760	12,284,409
<b>Non mark-up / interest income</b>			
Fee, commission and brokerage income		3,338,249	3,647,138
Dividend income		552,168	430,901
Income from dealing in foreign currencies		462,305	651,750
Gain on sale of securities - net		2,398,971	3,944,669
Unrealized loss on revaluation of investments classified as held for trading		(5,643)	(117)
Other income		190,192	333,832
Total non mark-up / interest income		6,936,242	9,008,173
		20,909,002	21,292,582
<b>Non mark-up / interest expenses</b>			
Administrative expenses	16	(9,316,979)	(9,196,994)
Other reversal / (provisions) - net		15,828	(161,792)
Workers' Welfare Fund		(234,932)	(253,885)
Other charges		(318)	(28,617)
Total non mark-up / interest expenses		(9,536,401)	(9,641,288)
		11,372,601	11,651,294
Share of income of associates		237,417	194,016
<b>Profit before taxation</b>		11,610,018	11,845,310
Taxation - Current		(4,128,685)	(4,009,733)
- Prior		-	(272,744)
- Deferred		95,440	(2,107)
		(4,033,245)	(4,284,584)
<b>Profit after taxation</b>		7,576,773	7,560,726
<b>Attributable to:</b>			
Equity shareholders of the Bank		7,519,500	7,513,425
Non-controlling interest		57,273	47,301
		7,576,773	7,560,726
<b>Earnings per share - basic and diluted</b>		6.14	6.14

The annexed notes from 1 to 22 form an integral part of these consolidated condensed interim financial statements.



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2017**

	<b>March 31, 2017</b>	<b>March 31, 2016</b>
	----- (Rupees in '000) -----	
<b>Profit after taxation for the period attributable to:</b>		
Equity shareholders of the Bank	7,519,500	7,513,425
Non-controlling interest	<u>57,273</u>	<u>47,301</u>
	<u>7,576,773</u>	<u>7,560,726</u>
<b>Other comprehensive income:</b>		
<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 attributable to:		
- Equity shareholders of the Bank	227,844	(97,317)
- Non-controlling interest	61,972	(158,626)
	<u>289,816</u>	<u>(255,943)</u>
	289,816	(255,943)
<b>Other comprehensive income transferred to equity</b>	<u>7,866,589</u>	<u>7,304,783</u>
<i>Items that may be reclassified to profit or loss in subsequent periods</i>		
Surplus arising on revaluation of available for sale securities	378,648	2,671,637
Related deferred tax reversal / (charge)	39,178	(723,811)
	<u>417,826</u>	<u>1,947,826</u>
<b>Total comprehensive income during the period - net of tax</b>	<u><u>8,284,415</u></u>	<u><u>9,252,609</u></u>

The annexed notes from 1 to 22 form an integral part of these consolidated condensed interim financial statements.

Wajahat Husain  
President &  
Chief Executive Officer

Arshad Ahmad Mir  
Director

Zameer Mohammed Choudrey, CBE  
Director

Sir Mohammed Anwar Pervez, OBE, HPK  
Chairman

**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2017**

	March 31, 2017 ----- (Rupees in '000)	March 31, 2016 ----- (Rupees in '000)
Profit before taxation	11,610,018	11,845,310
Less: Dividend income	(552,168)	(430,901)
Share of income of associates	(237,417)	(194,016)
	<u>10,820,433</u>	<u>11,220,393</u>
<b>Adjustments:</b>		
Depreciation on operating fixed assets	497,621	414,782
Depreciation on Islamic financing against leased assets (Ijarah)	46,701	52,878
Amortization	92,455	101,655
Workers' Welfare Fund	234,932	253,885
Provision for retirement benefits	187,916	185,419
Provision for compensated absences	104,251	75,700
Provision against loans and advances - net	56,265	1,628,798
Reversal of provision against lendings to financial institutions - net	(1,000)	-
Provision for diminution in value of investments - net	51,408	145,223
Gain on sale of operating fixed assets - net	(23,993)	(18,737)
Gain on sale of ijarah assets	(1,022)	(628)
Unrealized loss on revaluation of investments classified as held for trading	5,643	117
Bad debts written-off directly	15,975	21,501
Other (reversal) / provisions - net	(15,828)	161,792
	<u>1,251,324</u>	<u>3,022,385</u>
	12,071,757	14,242,778
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(18,435,858)	(3,603,193)
Held for trading securities	(30,371,106)	479,848
Advances	10,588,523	6,478,623
Other assets (excluding advance taxation)	6,903,228	9,753,435
	<u>(31,315,213)</u>	<u>13,108,713</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	(391,873)	22,421
Borrowings	48,471,344	(1,930,022)
Deposits and other accounts	4,529,147	19,029,101
Other liabilities (excluding current taxation)	(4,040,196)	(4,506,988)
	<u>48,568,422</u>	<u>12,614,512</u>
	29,324,966	39,966,003
Payments on account of staff retirement benefits	(141,789)	(454,751)
Income taxes paid	(4,490,957)	(5,533,271)
	<u>24,692,220</u>	<u>33,977,981</u>
<b>Net cash inflow from operating activities</b>		
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investment in securities	(31,860,645)	(69,618,890)
Dividend income received	185,814	284,713
Investment in operating fixed assets	(1,990,931)	(1,123,002)
Sale proceeds from disposal of operating fixed assets	40,206	23,613
Sale proceeds from disposal of ijarah assets	28,459	22,304
	<u>(33,597,097)</u>	<u>(70,411,262)</u>
<b>Net cash outflow from investing activities</b>		
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividends paid	(7,478)	(2,685,864)
	<u>(7,478)</u>	<u>(2,685,864)</u>
<b>Net cash outflow from financing activities</b>		
Exchange differences on translation of net investment in foreign branches and subsidiaries attributable to:		
- Equity shareholders of the Bank	227,844	(97,317)
- Non-controlling interest	61,972	(158,626)
	<u>(8,622,539)</u>	<u>(39,375,088)</u>
Decrease in cash and cash equivalents during the period	(8,622,539)	(39,375,088)
Cash and cash equivalents at the beginning of the period	165,734,806	141,476,095
Cash and cash equivalents at the end of the period	<u>157,112,267</u>	<u>102,101,007</u>

The annexed notes from 1 to 22 form an integral part of these consolidated condensed interim financial statements.

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE THREE MONTHS ENDED MARCH 31, 2017**

	Attributable to equity shareholders of the Bank						Non-controlling Interest	Total	
	Share Capital	General reserve	Statutory reserve	Capital reserve - Exchange translation	Employees stock option reserve	Unappropriated profit			Sub total
	(Rupees in '000)								
<b>Balance as at January 01, 2016 (Audited)</b>	12,241,798	3,000	24,479,375	17,141,392	1,050	59,955,027	113,821,642	5,223,744	119,045,386
<b>Transactions with owners for the three months ended March 31, 2016</b>									
Final cash dividend - December 31, 2015 declared subsequent to the year end at Rs.4.0 per share	-	-	-	-	-	(4,896,719)	(4,896,719)	-	(4,896,719)
Employees stock option reserve	-	-	-	-	(466)	-	(466)	-	(466)
<b>Total comprehensive income for the three months ended March 31, 2016</b>	-	-	-	-	(466)	(4,896,719)	(4,897,185)	-	(4,897,185)
Profit after taxation for the three months ended March 31, 2016	-	-	-	-	-	7,513,425	7,513,425	47,301	7,560,726
Other comprehensive income - net of tax	-	-	-	(97,317)	-	-	(97,317)	(158,626)	(255,943)
<b>Total comprehensive income for the three months ended March 31, 2016</b>	-	-	-	(97,317)	-	7,513,425	7,416,108	(111,325)	7,304,783
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	12,944	12,944	287	13,231
Transfer to statutory reserve	-	-	744,825	-	-	(744,825)	-	-	-
<b>Balance as at March 31, 2016 (Un-audited)</b>	12,241,798	3,000	25,224,200	17,044,075	584	61,839,852	116,353,509	5,112,706	121,466,215
<b>Transactions with owners for the nine months ended December 31, 2016</b>									
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)
Interim cash dividend - September 30, 2016 declared at Rs.3.0 per share	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Employees stock option reserve	-	-	-	-	(584)	-	(584)	-	(584)
<b>Total comprehensive income for the nine months ended December 31, 2016</b>	-	-	-	-	-	(11,017,617)	(11,017,617)	-	(11,017,617)
Profit after taxation for the nine months ended December 31, 2016	-	-	-	-	-	20,269,333	20,269,333	172,243	20,441,576
Other comprehensive income - net of tax	-	-	-	(1,732,745)	-	(114,022)	(1,846,767)	(907,564)	(2,754,331)
<b>Total comprehensive income for the nine months ended December 31, 2016</b>	-	-	-	(1,732,745)	-	20,155,311	18,422,566	(735,321)	17,687,245
Ordinary dividend relating to Non-controlling shareholders	-	-	-	-	-	-	-	(149,967)	(149,967)
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	38,120	38,120	275	38,395
Transfer to statutory reserves	-	-	2,076,658	-	-	(2,076,658)	-	-	-
<b>Balance as at December 31, 2016 (Audited)</b>	12,241,798	3,000	27,300,858	15,311,330	-	68,939,008	123,795,994	4,227,693	128,023,687
<b>Transactions with owners for the three months ended March 31, 2017</b>									
Final cash dividend - December 31, 2016 declared subsequent to the year end at Rs.4.0 per share	-	-	-	-	-	(4,896,719)	(4,896,719)	-	(4,896,719)
<b>Total comprehensive income for the three months ended March 31, 2017</b>	-	-	-	-	-	(4,896,719)	(4,896,719)	-	(4,896,719)
Profit after taxation for the three months ended March 31, 2017	-	-	-	-	-	7,519,500	7,519,500	57,273	7,576,773
Other comprehensive income - net of tax	-	-	-	227,844	-	-	227,844	61,972	289,816
<b>Total comprehensive income for the three months ended March 31, 2017</b>	-	-	-	227,844	-	7,519,500	7,747,344	119,245	7,866,589
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	12,769	12,769	143	12,912
Transfer to statutory reserves	-	-	725,515	-	-	(725,515)	-	-	-
<b>Balance as at March 31, 2017 (Un-audited)</b>	12,241,798	3,000	28,026,373	15,539,174	-	70,849,043	126,659,388	4,347,081	131,006,469

Appropriations recommended by the Board of Directors subsequent to the quarter ended March 31, 2017 are disclosed in note 21 to these consolidated condensed interim financial statements.

The annexed notes from 1 to 22 form an integral part of these consolidated condensed interim financial statements.

Wajahat Husain  
President &  
Chief Executive Officer

Arshad Ahmad Mir  
Director

Zameer Mohammed Choudrey, CBE  
Director

Sir Mohammed Anwar Pervez, OBE, HPk  
Chairman

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2017**

**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 1,344 (December 31, 2016: 1,341) branches inside Pakistan including 47 (December 31, 2016: 47) Islamic Banking branches and 2 (December 31, 2016: 2) branch in Export Processing Zones. The Bank also operates 18 (December 31, 2016: 18) branches outside Pakistan. 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% shares held by past and present 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. Further, segment information is being disclosed in accordance with SBP's prescribed format as per BSD circular 4 dated February 17, 2006 which prevails over the requirements specified in IFRS 8.
- 3.3** SECP vide its notification SRO 633 (I)/2014 dated 10 July 2014, adopted IFRS 10 effective from the periods starting from 30 June 2014. However, vide its notification SRO 56 (I)/2016 dated 28 January 2016, it has been notified that the requirements of IFRS 10 and section 237 of the Companies Ordinance 1984 will not be applicable with respect to the investment in mutual funds established under Trust structure.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2017**

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, 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, 2016.

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, 2016.

**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 and non-banking assets acquired in satisfaction of claims 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, 2016.

**6. LENDINGS TO FINANCIAL INSTITUTIONS**

	(Un-audited) March 31, 2017	(Audited) December 31, 2016
	----- (Rupees in '000) -----	
Call money lendings	9,040,000	1,500,000
Repurchase agreement lendings	17,025,964	-
Bai Muajjal receivable from other financial institutions	8,409,454	11,226,452
Other lendings to financial institutions	20,252,671	23,564,197
	<u>54,728,089</u>	<u>36,290,649</u>
Provision against lendings to financial institutions	(806,645)	(806,063)
	<u>53,921,444</u>	<u>35,484,586</u>



**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2017**
**7. INVESTMENTS**
**7.1 Investments by types**

Note	(Un-audited) March 31, 2017			(Audited) December 31, 2016		
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
----- (Rupees in '000) -----						
<b>Held for trading securities</b>						
Market Treasury Bills	31,217,680	-	31,217,680	8,120,078	-	8,120,078
Pakistan Investment Bonds	7,530,914	-	7,530,914	263,156	-	263,156
Term Finance Certificates	26,711	-	26,711	26,608	-	26,608
	38,775,305	-	38,775,305	8,409,842	-	8,409,842
<b>Available for sale securities</b>						
Market Treasury Bills	146,594,768	3,021,433	149,616,201	25,117,903	47,933,801	73,051,704
Pakistan Investment Bonds	63,562,188	184,425,334	247,987,522	184,088,469	96,854,633	280,943,102
Government of Pakistan Sukuk	8,406,834	-	8,406,834	7,233,271	-	7,233,271
Government of Pakistan Eurobonds	14,841,424	-	14,841,424	15,378,790	-	15,378,790
Ordinary shares of listed companies	16,145,245	-	16,145,245	16,007,143	-	16,007,143
Preference shares	373,434	-	373,434	372,636	-	372,636
Ordinary shares of unlisted companies	258,639	-	258,639	243,334	-	243,334
Investment in REIT	458,590	-	458,590	556,284	-	556,284
Term Finance Certificates	556,260	-	556,260	458,590	-	458,590
Foreign bonds - sovereign	34,427,817	-	34,427,817	33,743,383	-	33,743,383
Foreign bonds - others	20,182,336	-	20,182,336	18,150,994	-	18,150,994
	305,807,535	187,446,767	493,254,302	301,350,797	144,788,434	446,139,231
<b>Held to maturity securities</b>						
Market Treasury Bills	13,418,471	-	13,418,471	27,735,599	-	27,735,599
Pakistan Investment Bonds	289,115,217	-	289,115,217	289,522,875	-	289,522,875
Government of Pakistan Eurobonds	8,387,069	-	8,387,069	8,366,542	-	8,366,542
Government of Pakistan Sukuk	893,449	-	893,449	894,199	-	894,199
Term Finance Certificates	4,582,412	-	4,582,412	4,715,333	-	4,715,333
Sukuks	9,053,175	-	9,053,175	9,024,950	-	9,024,950
Participation Term Certificates	1,558	-	1,558	2,795	-	2,795
Debentures	2,266	-	2,266	2,266	-	2,266
Foreign bonds - sovereign	12,519,520	-	12,519,520	11,877,893	-	11,877,893
Foreign bonds - others	5,114,152	-	5,114,152	3,393,747	-	3,393,747
Recovery note	323,159	-	323,159	322,399	-	322,399
CDC SAARC Fund	228	-	228	228	-	228
	343,410,676	-	343,410,676	355,858,826	-	355,858,826
<b>Associates</b>						
United Growth and Income Fund	624,523	-	624,523	615,046	-	615,046
UBL Liquidity Plus Fund	101,679	-	101,679	11,738	-	11,738
UBL Money Market Fund	11,649	-	11,649	11,445	-	11,445
UBL Retirement Savings Fund	32,904	-	32,904	30,654	-	30,654
UBL Government Securities Fund	259,148	-	259,148	3,092,749	-	3,092,749
UBL Gold Fund	-	-	-	86,734	-	86,734
UBL Asset Allocation Fund	870,699	-	870,699	765,932	-	765,932
UBL Stock Advantage Fund	195,647	-	195,647	186,565	-	186,565
Al Ameen Islamic Cash Fund	12,507	-	12,507	12,862	-	12,862
Al Ameen Islamic Aggressive Income Fund	32,262	-	32,262	31,923	-	31,923
Al Ameen Islamic Sovereign Fund	59,172	-	59,172	59,360	-	59,360
Al Ameen Shariah Stock Fund	381,437	-	381,437	363,868	-	363,868
Al Ameen Islamic Asset Allocation Fund	130,957	-	130,957	128,665	-	128,665
Al Ameen Islamic Financial Planning Fund	630,295	-	630,295	611,598	-	611,598
UBL Insurers Limited	309,004	-	309,004	295,604	-	295,604
Khushhali Bank Limited	1,712,650	-	1,712,650	1,606,377	-	1,606,377
Oman United Exchange Company, Muscat	71,294	-	71,294	66,497	-	66,497
DHA Cogen Limited	-	-	-	-	-	-
	5,435,827	-	5,435,827	7,977,617	-	7,977,617
	693,429,343	187,446,767	880,876,110	673,597,082	144,788,434	818,385,516
Provision for diminution in value of investments	(2,451,912)	-	(2,451,912)	(2,434,908)	-	(2,434,908)
<b>Investments - net of provisions</b>	690,977,431	187,446,767	878,424,198	671,162,174	144,788,434	815,950,608
Surplus on revaluation of available for sale securities	13,356,945	9,338,580	22,695,525	12,665,549	9,647,338	22,312,887
Deficit on revaluation of held for trading securities	(5,643)	-	(5,643)	(1,221)	-	(1,221)
<b>Total Investments</b>	704,328,733	196,785,347	901,114,080	683,826,502	154,435,772	838,262,274

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

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2017**

	Note	(Un-audited) March 31, 2017 ----- (Rupees in '000) -----	(Audited) December 31, 2016 ----- (Rupees in '000) -----
<b>8. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		334,017,867	347,415,817
Outside Pakistan		<u>158,792,824</u>	<u>164,210,159</u>
		492,810,691	511,625,976
Islamic financings and related assets			
	20.4	7,680,434	7,371,974
Bills discounted and purchased			
Payable in Pakistan		<u>19,898,101</u>	<u>16,677,528</u>
Payable outside Pakistan		<u>48,254,715</u>	<u>43,483,888</u>
		<u>68,152,816</u>	<u>60,161,416</u>
Advances - gross		568,643,941	579,159,366
Provision against advances			
Specific	8.1	(38,196,261)	(38,080,944)
General	8.2	<u>(3,371,976)</u>	<u>(3,296,276)</u>
Advances - net of provision		<u>527,075,704</u>	<u>537,782,146</u>

8.1 Advances include Rs. 45,995.058 million (December 31, 2016: Rs. 46,044.942 million) which have been placed under non-performing status as detailed below:

Category of Classification	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- (Rupees in '000) -----								
Other Assets Especially									
Mentioned *	151,112	-	151,112	4,093	-	4,093	4,093	-	4,093
Substandard	825,091	1,982,119	2,807,210	201,307	338,607	539,914	201,307	338,607	539,914
Doubtful	2,339,753	2,223,447	4,563,200	1,343,390	901,048	2,244,438	1,343,390	901,048	2,244,438
Loss	<u>28,811,492</u>	<u>9,662,044</u>	<u>38,473,536</u>	<u>27,702,418</u>	<u>7,705,398</u>	<u>35,407,816</u>	<u>27,702,418</u>	<u>7,705,398</u>	<u>35,407,816</u>
	<u>32,127,448</u>	<u>13,867,610</u>	<u>45,995,058</u>	<u>29,251,208</u>	<u>8,945,053</u>	<u>38,196,261</u>	<u>29,251,208</u>	<u>8,945,053</u>	<u>38,196,261</u>

Category of Classification	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- (Rupees in '000) -----								
Other Assets Especially									
Mentioned *	126,711	-	126,711	3,576	-	3,576	3,576	-	3,576
Substandard	908,055	1,916,117	2,824,172	222,697	337,466	560,163	222,697	337,466	560,163
Doubtful	2,471,496	2,670,087	5,141,583	1,203,332	1,042,384	2,245,716	1,203,332	1,042,384	2,245,716
Loss	<u>29,007,185</u>	<u>8,945,291</u>	<u>37,952,476</u>	<u>27,881,140</u>	<u>7,390,349</u>	<u>35,271,489</u>	<u>27,881,140</u>	<u>7,390,349</u>	<u>35,271,489</u>
	<u>32,513,447</u>	<u>13,531,495</u>	<u>46,044,942</u>	<u>29,310,745</u>	<u>8,770,199</u>	<u>38,080,944</u>	<u>29,310,745</u>	<u>8,770,199</u>	<u>38,080,944</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. 231.920 million (December 31, 2016: Rs. 218.074 million) against consumer finance portfolio and Rs. 44.088 million (December 31, 2016: Rs.39.088 million) against advances to small enterprises as required by the Prudential Regulations issued by the SBP and Rs.2,623.826 million (December 31, 2016: Rs.2,550.117 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 Rs. 490.142 million (December 31, 2016: Rs 488.997 million) which 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. 40.345 million (December 31, 2016: Rs. 56.375 million). The FSV benefit availed is not available for the distribution of cash or stock dividend to shareholders.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2017**

	Note	(Un-audited) March 31, 2017 ----- (Rupees in '000) -----	(Audited) December 31, 2016 ----- (Rupees in '000) -----
<b>9. OPERATING FIXED ASSETS</b>			
Capital work-in-progress		4,348,892	3,005,182
Property and equipment		35,327,982	35,203,552
Intangible assets		992,119	1,090,193
	9.1	40,668,993	39,298,927

9.1 Additions and disposals during the period amounted to Rs. 1,990.931 million (March 31, 2016: Rs. 1,123.002 million) and Rs. 107.017 million (March 31, 2016: Rs. 36.524 million), respectively.

	(Un-audited) March 31, 2017 ----- (Rupees in '000) -----	(Audited) December 31, 2016 ----- (Rupees in '000) -----
<b>10. BORROWINGS</b>		
<b>Secured</b>		
Borrowings from the State Bank of Pakistan		
Export refinance scheme	12,524,420	14,702,567
Refinance facility for modernization of SME	17,224	19,550
Long term financing facility	14,416,562	11,955,687
	26,958,206	26,677,804
Repurchase agreement borrowings	197,832,053	154,967,594
	224,790,259	181,645,398
<b>Unsecured</b>		
Call borrowings	16,335,428	14,381,809
Overdrawn nostro accounts	895,526	318,275
Trading liabilities	3,223,388	-
Other borrowings	9,091,874	9,519,649
	29,546,216	24,219,733
	254,336,475	205,865,131

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

Fixed deposits	351,419,755	329,853,639
Savings deposits	384,744,886	373,194,772
Sundry deposits	26,986,536	22,534,114
Margin deposits	4,704,466	4,414,357
Current accounts - remunerative	7,786,595	10,521,315
Current accounts - non-remunerative	432,327,597	435,035,205
	1,207,969,835	1,175,553,402

**Financial Institutions**

Remunerative deposits	28,573,871	57,423,288
Non-remunerative deposits	13,777,057	12,814,926
	42,350,928	70,238,214
	1,250,320,763	1,245,791,616

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2017**

	(Un-audited) March 31, 2017	(Audited) December 31, 2016
	----- (Rupees in '000) -----	
<b>12. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX</b>		
Surplus / (deficit) arising on revaluation of assets - net of tax:		
Fixed assets / non-banking assets		
- Group's share	20,716,710	20,714,664
- Non-controlling interest	839,426	827,457
12.1	21,556,136	21,542,121
Available for sale securities		
- Group's share	14,792,906	14,601,472
- Non-controlling interest	(211,027)	(441,409)
12.2	14,581,879	14,160,063
(Deficit) / surplus arising on revaluation of assets of associates	(637)	3,353
	<u>36,137,378</u>	<u>35,705,537</u>
<b>12.1 Surplus on revaluation of fixed assets / non-banking assets</b>		
Surplus on revaluation of fixed assets / non-banking assets as at January 1	22,502,554	22,883,840
Revaluation of non-banking assets during the period / year	-	169,861
Exchange adjustments	32,459	(472,395)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(12,912)	(51,626)
Related deferred tax liability on incremental depreciation charged during the period / year	(6,782)	(27,126)
	<u>12,765</u>	<u>(381,286)</u>
	22,515,319	22,502,554
Less: Related deferred tax liability on:		
Revaluation as on January 1	960,433	1,089,359
Revaluation of non-banking assets during the period / year	-	(7,174)
Exchange adjustments	5,532	(92,660)
Incremental depreciation charged on related assets	(6,782)	(29,092)
	<u>959,183</u>	<u>960,433</u>
	<u>21,556,136</u>	<u>21,542,121</u>
<b>12.2 Surplus / (deficit) on revaluation of available for sale securities</b>		
Market Treasury Bills	(66,609)	(9,729)
Pakistan Investment Bonds	13,696,493	14,625,102
Listed shares	7,804,455	7,432,242
REIT Investment	8,338	(5,420)
Term Finance Certificates, Sukuks, other bonds etc.	58,113	104,054
Foreign bonds	1,194,735	166,638
	<u>22,695,525</u>	<u>22,312,887</u>
Related deferred tax liability	(8,113,646)	(8,152,824)
	<u>14,581,879</u>	<u>14,160,063</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2017**

	(Un-audited) March 31, 2017 ----- (Rupees in '000) -----	(Audited) December 31, 2016
<b>13. CONTINGENCIES AND COMMITMENTS</b>		
<b>13.1 Direct credit substitutes</b>		
Contingent liabilities in respect of guarantees given favouring:		
Government	9,009,643	10,418,980
Banking companies and other financial institutions	1,134,196	1,320,355
Others	5,489,358	6,209,086
	<u>15,633,197</u>	<u>17,948,421</u>
<b>13.2 Transaction-related contingent liabilities</b>		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring:		
Government	109,328,421	114,871,452
Banking companies and other financial institutions	8,027,025	7,068,771
Others	40,414,991	38,194,938
	<u>157,770,437</u>	<u>160,135,161</u>
<b>13.3 Trade-related contingent liabilities</b>		
Contingent liabilities in respect of letters of credit opened favouring:		
Government	56,181,953	63,407,320
Banking companies and other financial institutions	13,897,503	6,512,864
Others	119,065,253	104,964,788
	<u>189,144,709</u>	<u>174,884,972</u>
<b>13.4 Other contingencies</b>		
<b>13.4.1</b> Claims against the Group not acknowledged as debts	<u>12,484,059</u>	<u>12,490,082</u>

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

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

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

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

**13.4.4** United Bank Limited Yemen (UBL) issued two Standby Letters of Credit (SBLCs) for USD 12 million (Rs. 1,258.150 million) and USD 13 million (Rs. 1,362.995 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. 2.621.145 million).

UBL management is pursuing the matter in the court in Yemen which was adjourned in last few hearings due to non-appearance of legal counsel of MOM and non-submission of responses by the MOM. The case is still in court schedule however no summons is received for next hearing.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2017**

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

**13.4.5** 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, 2015 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.

(Un-audited)      (Audited)  
March 31,      December 31,  
2017      2016  
----- (Rupees in '000) -----

**13.6 Commitments in respect of forward foreign exchange contracts**

Purchase	250,220,444	216,641,748
Sale	225,529,180	193,057,693

**13.7 Commitments in respect of derivatives**

Interest rate swaps	6,759,531	6,986,094
Cross currency swaps	-	522,051
FX options - purchased	-	213,081
FX options - sold	-	213,081
Forward purchase of Government securities	4,980,610	4,998,400
Forward sale of Government securities	4,592,576	3,553,866

**13.8 Commitments in respect of capital expenditure**

	2,199,303	2,755,836
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**13.9** For contingencies relating to taxation refer note 17.

.....(Un-audited).....

March 31,      March 31,  
2017      2016  
----- (Rupees in '000) -----

**14. MARK-UP / RETURN / INTEREST EARNED**

On loans and advances to customers	7,806,657	7,266,952
On lendings to financial institutions		
Call money lendings	49,508	15,635
Repurchase agreement lendings	81,832	50,883
Bai Muajjal with other financial institutions	147,627	-
Other lendings to financial institutions	248,922	179,456
	527,889	245,974
On investments in		
Held for trading securities	141,089	157,241
Available for sale securities	8,703,822	9,127,693
Held to maturity securities	7,449,631	7,412,104
	16,294,542	16,697,038
On deposits with financial institutions	39,723	53,244
	24,668,811	24,263,208

**15. MARK-UP / RETURN / INTEREST EXPENSED**

On deposits	7,753,857	7,597,330
On securities sold under repurchase agreements	2,166,266	2,055,154
On other short term borrowings	541,785	433,398
On long term borrowings	111,495	97,395
	10,573,403	10,183,277

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2017**

	.....(Un-audited).....	
	March 31, 2017	March 31, 2016
	----- (Rupees in '000) -----	
<b>16. ADMINISTRATIVE EXPENSES</b>		
Salaries, allowances etc.	3,596,252	3,379,472
Charge for compensated absences	104,251	75,700
Medical expenses	160,029	147,642
Contribution to defined contribution plan	92,766	90,298
Charge in respect of defined benefit obligations	95,150	95,121
Rent, taxes, insurance, electricity etc.	1,157,752	1,023,521
Depreciation on operating fixed assets	497,621	414,782
Depreciation on Islamic financing against leased assets (Ijarah)	46,701	52,878
Amortization	92,455	101,655
Outsourced service charges including sales commission	1,142,494	1,248,681
Communications	297,535	296,043
Banking service charges	272,331	270,942
Cash transportation charges	160,705	148,120
Stationery and printing	147,544	138,342
Legal and professional charges	188,585	96,426
Advertisement and publicity	223,989	543,207
Repairs and maintenance	422,178	424,342
Travelling	71,545	85,401
Office running expenses	197,689	167,193
Vehicle expenses	42,258	41,441
Entertainment	61,362	68,495
Cartage, freight and conveyance	29,030	25,774
Insurance expense	33,545	35,794
Auditors' remuneration	23,869	24,005
Training and seminars	34,271	25,201
Brokerage expenses	8,195	6,974
Subscriptions	41,390	34,320
Donations	750	908
Non-executive Directors' fees	8,059	8,033
Zakat paid by overseas branch	24,729	77,370
Miscellaneous expenses	41,949	48,913
	<u>9,316,979</u>	<u>9,196,994</u>

**17. TAXATION**

The Income Tax returns of the Bank have been filed up to the tax year 2016 (accounting year ended December 31, 2015) 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 2016, and created additional tax demands (including disallowances of provisions made prior to Seventh Schedule) of Rs.13,723 million (December 31, 2016: Rs. 13,723 million), which have been fully paid as required under the law. The Bank has filed appeals before the various appellate forums against these amendments. Where the appellate authorities have allowed relief on certain issues, the assessing authorities have filed appeals before higher appellate forums. Where the appellate authorities have not allowed relief the Bank has filed appeals before higher appellate forums. The management of the Bank is confident that the appeals will be decided in favor of the Bank.

The tax returns for Azad Kashmir (AK) Branches have been filed upto the tax year 2016 (financial year 2015) under the provisions of section 120(1) read with section 114 of the Ordinance and in compliance with the terms of the agreement between banks and the Azad Kashmir Council in May 2005. The returns filed are considered as deemed assessment orders under the law.

The tax authorities have also carried out monitoring for Federal Excise Duty, Sales tax and withholding taxes covering period from year ended 2007 to 2015. Consequently various addbacks and demands were raised creating a total demand of Rs. 1,367 million (December 31, 2016: 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 THREE MONTHS ENDED MARCH 31, 2017**

The tax returns for UAE branches have been filed upto the year ended December 31, 2016 and other overseas branches 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 all the subsidiaries income tax returns have been filed up to the accounting 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 by the tax authorities. Additionally, tax clearance has been issued for UBL UK till the accounting year 2014 and for UBL (Switzerland) AG and UBL (Tanzania) Bank Limited till the accounting year 2015. There are no material tax contingencies in any of the subsidiaries.

**18. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES**
**For the three months ended March 31, 2017 (Un-audited)**

	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment elimination
----- (Rupees in '000) -----							
Total income	71,328	8,962,412	7,554,318	3,533,683	379,615	767,711	-
Total expenses	(21,205)	(424,430)	(7,327,846)	(1,266,938)	(213,186)	(405,444)	-
Profit before tax	50,123	8,537,982	226,472	2,266,745	166,429	362,267	-
Segment return on assets (ROA)	43.0%	2.3%	0.0%	1.2%	36.0%	-	-
Segment cost of funds	1.7%	4.7%	2.6%	3.9%	-	-	-

**For the three months ended March 31, 2016 (Un-audited)**

	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment elimination
----- (Rupees in '000) -----							
Total income	101,104	11,359,095	7,794,510	3,386,135	206,739	434,537	-
Total expenses	(28,408)	(701,831)	(6,627,377)	(3,141,677)	(154,675)	(782,842)	-
Profit before tax	72,696	10,657,264	1,167,133	244,458	52,064	(348,305)	-
Segment return on assets (ROA)	62.5%	3.0%	0.4%	2.9%	10.6%	-	-
Segment cost of funds	0.7%	4.7%	2.7%	4.3%	-	-	-

**As at March 31, 2017 (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)	802,336	992,569,029	1,101,992,533	529,215,134	1,475,828	138,238,897	(1,007,366,659)
Segment non performing loans (NPLs)	676,246	1,550,958	11,667,746	32,046,703	-	53,405	-
Segment provision held against NPLs	508,579	1,550,958	8,920,114	27,176,335	-	40,275	-
Segment liabilities	261,200	926,355,034	1,133,705,588	488,264,134	199,615	10,168,078	(1,007,366,659)

**As at December 31, 2016 (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)	1,121,938	940,381,710	1,092,053,721	542,138,463	1,455,741	110,454,439	(987,782,808)
Segment non performing loans (NPLs)	674,671	1,603,361	11,703,125	31,998,971	-	64,814	-
Segment provision held against NPLs	507,379	1,584,978	9,100,204	26,851,681	-	36,702	-
Segment liabilities	233,008	859,587,557	1,123,240,517	496,531,403	206,715	5,996,644	(987,782,808)

Segment assets and liabilities include inter segment balances.

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



**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2017**
**19. RELATED PARTY TRANSACTIONS**

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

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

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

	As at March 31, 2017 (Un-audited)				As at December 31, 2016 (Audited)			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
------(Rupees in '000)-----								
<b>Lendings to financial institutions</b>								
Other lendings to financial institution	-	-	275,000	-	-	-	375,000	-
<b>Investments</b>								
Opening balance	-	-	7,977,187	3,895,328	-	-	8,801,941	3,917,746
Investment made during the period / year	-	-	174,000	-	-	-	1,324,688	-
Investment redeemed / disposed off during the period / year	-	-	(2,952,567)	-	-	-	(2,883,927)	(22,418)
Equity method adjustments	-	-	237,207	-	-	-	734,485	-
Closing balance	-	-	5,435,827	3,895,328	-	-	7,977,187	3,895,328
Provision for diminution in value of investments	-	-	-	114,844	-	-	-	114,844
<b>Advances</b>								
Opening balance	2,339	367,645	2,155,149	16,907,692	706	404,436	2,155,149	7,907,012
Addition during the year	2,322	30,476	-	10,139,675	18,822	126,368	-	59,472,461
Repaid during the year	(3,381)	(174,882)	-	(19,285,854)	(17,189)	(186,873)	-	(50,471,781)
Transfer in / (out) - net	44	-	-	-	-	23,714	-	-
Closing balance	1,324	223,239	2,155,149	7,761,513	2,339	367,645	2,155,149	16,907,692
Provision held against advances	-	-	2,155,149	-	-	-	2,155,149	-
<b>Other Assets</b>								
Interest mark-up accrued	-	-	2,683	152,596	7	67	4,144	235,602
Receivable from staff retirement funds	-	-	-	243,051	-	-	-	376,634
Prepaid insurance	-	-	194,668	-	-	-	5,236	-
Remuneration receivable from management of funds	-	-	94,898	-	-	-	86,615	-
Sales load receivable	-	-	64,647	-	-	-	12,267	-
Formation cost receivable	-	-	7,426	-	-	-	2,363	-
Other receivable	-	-	34,160	30,164	-	-	10,655	30,164
Provision against other assets	-	-	-	30,164	-	-	-	30,164
<b>Borrowings</b>								
Opening balance	-	-	-	167,100	-	-	-	-
Borrowings during the period / year	-	-	-	256,300	-	-	-	167,100
Settled during the period / year	-	-	-	(167,100)	-	-	-	-
Closing balance	-	-	-	256,300	-	-	-	167,100
<b>Deposits and other accounts</b>								
Opening balance	8,666,368	241,070	8,882,657	1,244,169	7,934,549	134,394	6,658,891	1,822,423
Received during the year	11,028,832	497,849	37,966,020	34,102,584	25,536,998	1,563,279	129,962,337	114,808,246
Withdrawn during the year	(16,405,386)	(485,530)	(38,609,121)	(33,939,701)	(24,805,179)	(1,452,113)	(127,738,571)	(115,386,860)
Transfer in / (out) - net	11,577	4,739	-	(334,464)	-	(4,490)	-	360
Closing balance	3,301,391	258,128	8,239,556	1,072,588	8,666,368	241,070	8,882,657	1,244,169
<b>Other Liabilities</b>								
Interest / mark-up payable on deposits	7,388	177	10,735	1,159	86,513	35	29,777	4,374
Interest / mark-up payable on borrowings	-	-	-	165	-	-	-	80
Payable to staff retirement fund	-	-	-	135,474	-	-	-	130,015
Unearned income	-	-	-	7,294	-	-	-	10,420
<b>Contingencies and Commitments</b>								
Letter of guarantee	-	-	23,630	-	-	-	23,574	-
Forward foreign exchange contracts purchase	-	-	52,417	-	-	-	-	198,737
Forward foreign exchange contracts sale	-	-	52,423	-	-	-	-	203,148
Cross Currency Swaps	-	-	-	-	-	-	522,051	-
------(Rupees in '000)-----								
	For the three months ended March 31, 2017 (Un-audited)				For the three months ended March 31, 2016 (Un-audited)			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
Mark-up / return / interest earned	5	2,972	4,896	267,044	-	2,655	6,158	83,051
Commission / charges recovered	25	56	6,280	3,632	46	86	5,966	11,952
Dividend received	-	-	-	341,515	-	-	-	21,780
Net gain on sale of securities	-	-	151,522	-	-	-	42,497	-
Remuneration from management of funds	-	-	239,794	-	-	-	185,165	-
Sales load	-	-	46,957	-	-	-	31,589	-
Other income	-	-	2,793	3,127	-	-	1,768	3,126
Mark-up / return / interest paid	29,343	970	83,194	5,623	54,280	351	70,645	11,816
Remuneration paid	-	666,176	-	-	-	587,542	-	-
Post employment benefits	-	19,297	-	-	-	21,985	-	-
Non-executive directors' fee	8,059	-	-	-	8,033	-	-	-
Net charge for defined contribution plans	-	-	-	92,766	-	-	-	90,298
Net charge for defined benefit plans	-	-	-	33,091	-	-	-	33,013
Other expenses	-	-	6,855	25,365	-	-	23,256	27,810
Insurance premium paid	-	-	385,088	-	-	-	217,697	-
Insurance claims settled	-	-	28,738	-	-	-	11,404	-

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2017**
**20. ISLAMIC BANKING BUSINESS**

20.1 The Bank operates 47 (December 31, 2016: 47) Islamic Banking Branches and 142 (December 31, 2016: 141) Islamic Banking windows. The statement of Financial position of the Bank's Islamic Banking branches as at March 31 is as follows:

	Note	(Un-audited) March 31, 2017	(Audited) December 31, 2016
----- (Rupees in '000) -----			
<b>ASSETS</b>			
Cash and balances with treasury banks		2,310,501	2,327,107
Balances with other banks		3,108,927	2,862,278
Due from financial institutions	20.3	17,449,454	12,726,452
Investments		14,100,327	13,104,677
Islamic financing and related assets	20.4	7,592,294	7,284,386
Operating fixed assets		164,951	155,843
Due from Head Office		-	9,365,555
Other assets		283,335	143,903
<b>Total Assets</b>		<b>45,009,789</b>	<b>47,970,201</b>
<b>LIABILITIES</b>			
Bills payable		214,463	238,126
Deposits and other accounts		10,101,036	9,752,775
Current accounts - non remunerative		1,537,975	2,520,018
Current accounts - remunerative		3,324,609	2,994,848
Saving accounts		9,033,178	1,299,848
Term deposits		17,217,427	28,773,229
Deposits from financial institutions - remunerative		-	-
Deposits from financial institutions - non remunerative		41,214,225	45,340,718
Due to Head Office		1,679,919	-
Other liabilities		261,651	721,401
		<b>43,370,258</b>	<b>46,300,245</b>
<b>NET ASSETS</b>		<b>1,639,531</b>	<b>1,669,956</b>
<b>REPRESENTED BY</b>			
Islamic Banking Fund		2,181,000	2,181,000
Accumulated losses		(593,637)	(609,289)
		<b>1,587,363</b>	<b>1,571,711</b>
Surplus on revaluation of assets		52,168	98,245
		<b>1,639,531</b>	<b>1,669,956</b>

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

	----- (Un-audited) -----	
	March 31, 2017	March 31, 2016
----- (Rupees in '000) -----		
Return earned	583,311	487,088
Return expensed	(398,434)	(300,938)
	<b>184,877</b>	<b>186,150</b>
Provision against loans and advances - net	(552)	(8)
Net return after provisions	<b>184,325</b>	<b>186,142</b>
<b>Other Income</b>		
Fee, commission and brokerage income	33,779	7,295
Loss from dealing in foreign currencies	(575)	(1,203)
Gain on sale of securities - net	-	4,299
Other income	3,122	1,313
Total other income	<b>36,326</b>	<b>11,704</b>
	<b>220,651</b>	<b>197,846</b>
<b>Other Expenses</b>		
Administrative expenses	(204,998)	(195,702)
Other provisions - net	(1)	(46)
Total other expenses	<b>(204,999)</b>	<b>(195,748)</b>
Net profit for the period	<b>15,652</b>	<b>2,098</b>
Accumulated losses brought forward	(609,289)	(532,990)
Accumulated losses carried forward	(593,637)	(530,892)
<b>Remuneration to Shariah Board and Advisor</b>	<b>1,482</b>	<b>1,488</b>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2017**

**20.3** This includes Bai Muajjal agreements entered into with various financial institutions whereby the Bank sold sukuks having carrying value of Rs. 8,292.227 million (December 31, 2016: Rs. 11,073.312 million) on deferred payment basis. The average return on these transactions is 5.63%. The balances are due to mature latest by July 2017.

	(Un-audited) March 31, 2017	(Audited) December 31, 2016
	----- (Rupees in '000) -----	
<b>20.4 Islamic financing and related assets</b>		
<b>Financings</b>		
Murabaha	369,347	242,391
Ijarah	550,756	620,848
Diminishing Musharaka	5,779,770	6,203,709
	6,699,873	7,066,948
<b>Advances</b>		
Advances and receivables against Ijarah	128,702	120,828
Advances for Diminishing Musharaka	725,776	87,892
Advances for Murabaha	22,498	21,998
	876,976	230,718
Profit and other receivable against financing and advances	103,585	74,308
<b>Gross Islamic financing and related assets</b>	7,680,434	7,371,974
Provision against financings and advances	(88,140)	(87,588)
	<u>7,592,294</u>	<u>7,284,386</u>
<b>20.5 Charity Fund</b>		
Opening balance	648	2,342
Addition during the period / year	297	1,404
Payments during the period / year	-	(3,098)
Closing balance	<u>945</u>	<u>648</u>

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

The Board of Directors in its meeting held on April 19, 2017 has declared an interim cash dividend in respect of the quarter ended March 31, 2017 of Rs. 3.0 per share (March 31, 2016: Rs. 3.0 per share). The consolidated condensed interim financial statements for the quarter ended March 31, 2017 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

**22. DATE OF AUTHORIZATION**

These consolidated condensed interim financial statements were authorised for issue on April 19, 2017 by the Board of Directors of the Bank.

Wajahat Husain President & Chief Executive Officer	Arshad Ahmad Mir Director	Zameer Mohammed Choudrey, CBE Director	Sir Mohammed Anwar Pervez, OBE, HPK Chairman
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