

# United Bank Limited

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2018  
(UNAUDITED)



## CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2018

	Note	(Un-audited) March 31, 2018 ----- (Rupees in '000) -----	(Audited) December 31, 2017
<b>ASSETS</b>			
Cash and balances with treasury banks		151,270,832	161,119,170
Balances with other banks		41,406,273	35,549,112
Lendings to financial institutions	6	53,388,402	35,893,920
Investments	7	864,177,978	1,124,921,300
Advances	8	663,510,910	642,506,720
Operating fixed assets	9	51,273,843	50,384,077
Deferred tax asset - net		-	-
Other assets		50,982,828	54,986,201
		<u>1,876,011,066</u>	<u>2,105,360,500</u>
<b>LIABILITIES</b>			
Bills payable		13,188,712	13,392,978
Borrowings	10	271,857,744	517,082,159
Deposits and other accounts	11	1,379,951,914	1,366,157,914
Subordinated loans		-	-
Liabilities against assets subject to finance lease		12,395	4,375
Deferred tax liability - net		417,367	2,980,466
Other liabilities		38,526,371	31,248,846
		<u>1,703,954,503</u>	<u>1,930,866,738</u>
<b>NET ASSETS</b>		<u><u>172,056,563</u></u>	<u><u>174,493,762</u></u>
<b>REPRESENTED BY</b>			
Share capital		12,241,798	12,241,798
Reserves		50,444,777	47,203,516
Unappropriated profit		74,266,658	76,651,713
Total equity attributable to the equity holders of the Bank		<u>136,953,233</u>	<u>136,097,027</u>
Non-controlling interest		5,210,100	4,810,519
		<u>142,163,333</u>	<u>140,907,546</u>
Surplus on revaluation of assets - net of deferred tax	12	29,893,230	33,586,216
		<u><u>172,056,563</u></u>	<u><u>174,493,762</u></u>
<b>CONTINGENCIES AND COMMITMENTS</b>	13		

The annexed notes from 1 to 25 form an integral part of these consolidated condensed interim financial statements.

**Aameer Karachiwalla**  
Chief Financial Officer

**Sima Kamil**  
President &  
Chief Executive Officer

**Amar Zafar Khan**  
Director

**Arshad Ahmad Mir**  
Director

**Sir Mohammed Anwar Pervez, OBE, HPk**  
Chairman

**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2018**

	Note	March 31, 2018 ----- (Rupees in '000) -----	March 31, 2017 ----- (Rupees in '000) -----
Mark-up / return / interest earned	14	29,054,304	24,668,811
Mark-up / return / interest expensed	15	(14,749,327)	(10,573,403)
Net mark-up / return / interest income		14,304,977	14,095,408
Provision against loans and advances - net		(2,033,961)	(56,265)
Reversal of provision against lendings to financial institutions - net		57,600	1,000
Provision for diminution in value of investments - net		(18,633)	(51,408)
Bad debts written off directly		(14,066)	(15,975)
		(2,009,060)	(122,648)
Net mark-up / return / interest income after provisions		12,295,917	13,972,760
<b>Non mark-up / interest income</b>			
Fee, commission and brokerage income		3,440,622	3,338,249
Dividend income		570,910	552,168
Income from dealing in foreign currencies		599,426	462,305
Gain on sale of securities - net		3,223,900	2,398,971
Unrealized loss on revaluation of investments classified as held for trading		(813)	(5,643)
Other income		161,057	190,192
Total non mark-up / interest income		7,995,102	6,936,242
		20,291,019	20,909,002
<b>Non mark-up / interest expenses</b>			
Administrative expenses	16	(9,509,816)	(9,316,979)
Other provisions / write offs - net		73,038	15,828
Workers' Welfare Fund		(126,537)	(234,932)
Other charges		(432)	(318)
Total non mark-up / interest expenses		(9,563,747)	(9,536,401)
		10,727,272	11,372,601
Share of income of associates		184,931	237,417
<b>Profit before extra ordinary / unusual item and taxation</b>		10,912,203	11,610,018
Extra ordinary / unusual item - (pension cost)	17	(6,404,635)	-
<b>Profit before taxation</b>		4,507,568	11,610,018
Taxation - Current		(2,290,813)	(4,128,685)
- Prior		(2,123)	-
- Deferred		545,359	95,440
		(1,747,577)	(4,033,245)
<b>Profit after taxation</b>		2,759,991	7,576,773
<b>Attributable to:</b>			
Equity shareholders of the Bank		2,785,181	7,519,500
Non-controlling interest		(25,190)	57,273
		2,759,991	7,576,773
		----- (Rupees) -----	
<b>Earnings per share - basic and diluted</b>		2.28	6.14

The annexed notes from 1 to 25 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, 2018**

	March 31, 2018 ----- (Rupees in '000) -----	March 31, 2017
<b>Profit after taxation for the period attributable to:</b>		
Equity shareholders of the Bank	2,785,181	7,519,500
Non-controlling interest	(25,190)	57,273
	<u>2,759,991</u>	<u>7,576,773</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	2,953,848	227,844
- Non-controlling interest	319,138	61,972
	<u>3,272,986</u>	<u>289,816</u>
	<u>3,272,986</u>	<u>289,816</u>
<b>Other comprehensive income transferred to equity</b>	<u>6,032,977</u>	<u>7,866,589</u>
<i>Items that may be reclassified to profit or loss in subsequent periods</i>		
Deficit arising on revaluation of available for sale securities	(6,461,083)	378,648
Related deferred tax reversal	2,618,059	39,178
	<u>(3,843,024)</u>	<u>417,826</u>
<b>Total comprehensive income during the period - net of tax</b>	<u><u>2,189,953</u></u>	<u><u>8,284,415</u></u>

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**Aameer Karachiwalla**  
Chief Financial Officer

**Sima Kamil**  
President &  
Chief Executive Officer

**Amar Zafar Khan**  
Director

**Arshad Ahmad Mir**  
Director

**Sir Mohammed Anwar Pervez, OBE, HPK**  
Chairman

**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2018**

	March 31, 2018	March 31, 2017
	----- (Rupees in '000) -----	
Profit before taxation	4,507,568	11,610,018
Less: Dividend income	(570,910)	(552,168)
Share of income of associates	(184,931)	(237,417)
	<u>3,751,727</u>	<u>10,820,433</u>
<b>Adjustments:</b>		
Depreciation on operating fixed assets	560,359	497,621
Depreciation on Islamic financing against leased assets (Ijarah)	50,012	46,701
Amortization	110,650	92,455
Workers' Welfare Fund	126,537	234,932
Provision for retirement benefits	6,627,412	187,916
Provision for compensated absences	43,550	104,251
Provision against loans and advances - net	2,033,961	56,265
Reversal of provision against lendings to financial institutions - net	(57,600)	(1,000)
Provision for diminution in value of investments - net	18,633	51,408
Gain on sale of operating fixed assets - net	(11,436)	(23,993)
Gain on sale of ijarah assets	(945)	(1,022)
Unrealized loss on revaluation of investments classified as held for trading	813	5,643
Bad debts written-off directly	14,066	15,975
Other provisions / write offs - net	(73,038)	(15,828)
	<u>9,442,974</u>	<u>1,251,324</u>
	13,194,701	12,071,757
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(17,436,882)	(18,435,858)
Held for trading securities	22,359,576	(30,371,106)
Advances	(23,101,284)	10,588,523
Other assets (excluding advance taxation)	5,249,132	6,903,228
	(12,929,458)	(31,315,213)
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	(204,266)	(391,873)
Borrowings	(245,224,415)	48,471,344
Deposits and other accounts	13,794,000	4,529,147
Other liabilities (excluding current taxation)	(3,251,329)	(4,040,196)
	<u>(234,886,010)</u>	<u>48,568,422</u>
	(234,620,767)	29,324,966
Payments on account of staff retirement benefits	(287,235)	(141,789)
Income taxes paid	(3,112,700)	(4,490,957)
<b>Net cash inflow from operating activities</b>	<u>(238,020,702)</u>	<u>24,692,220</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	185,989,375	(47,088,002)
Net investments in held to maturity securities	46,276,402	12,448,150
Net investments associates	(157,187)	2,779,207
Dividend income received	117,354	185,814
Investment in operating fixed assets	(1,105,948)	(1,990,931)
Sale proceeds from disposal of operating fixed assets	20,483	40,206
Sale proceeds from disposal of ijarah assets	17,057	28,459
<b>Net cash outflow from investing activities</b>	<u>231,157,536</u>	<u>(33,597,097)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividends paid	(400,997)	(7,478)
<b>Net cash outflow from financing activities</b>	<u>(400,997)</u>	<u>(7,478)</u>
Exchange differences on translation of net investment in foreign branches and subsidiaries attributable to:		
- Equity shareholders of the Bank	2,953,848	227,844
- Non-controlling interest	319,138	61,972
Decrease in cash and cash equivalents during the period	(3,991,177)	(8,622,539)
Cash and cash equivalents at the beginning of the period	196,668,282	165,734,806
Cash and cash equivalents at the end of the period	<u>192,677,105</u>	<u>157,112,267</u>

The annexed notes from 1 to 25 form an integral part of these consolidated condensed interim financial statements.

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Chairman

## CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED MARCH 31, 2018

	Attributable to equity shareholders of the Bank						Non-controlling Interest	Total
	Share Capital	General reserve	Statutory reserve	Capital reserve - Exchange translation	Unappropriated profit	Sub total		
(Rupees in '000)								
<b>Balance as at January 01, 2017 (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>								
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
Total comprehensive income for the three months ended March 31, 2017	-	-	-	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 reserve	-	-	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
<b>Transactions with owners for the nine months ended December 31, 2017</b>								
Interim cash dividend - March 31, 2017 declared at Rs.3.0 per share	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Interim cash dividend - June 30, 2017 declared at Rs.3.0 per share	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Interim cash dividend - September 30, 2017 declared at Rs.3.0 per share	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
<b>Total comprehensive income for the nine months ended December 31, 2017</b>								
Profit after taxation for the nine months ended December 31, 2017	-	-	-	-	18,670,802	18,670,802	(50,986)	18,619,816
Other comprehensive income - net of tax	-	-	-	1,803,889	(58,029)	1,745,860	649,408	2,395,268
Total comprehensive income for the nine months ended December 31, 2017	-	-	-	1,803,889	18,612,773	20,416,662	598,422	21,015,084
Ordinary dividend relating to Non-controlling shareholders	-	-	-	-	-	-	(135,493)	(135,493)
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	38,594	38,594	509	39,103
Transfer to statutory reserves	-	-	1,831,080	-	(1,831,080)	-	-	-
<b>Balance as at December 31, 2017 (Audited)</b>	12,241,798	3,000	29,857,453	17,343,063	76,651,713	136,097,027	4,810,519	140,907,546
<b>Transactions with owners for the three months ended March 31, 2018</b>								
Final cash dividend - December 31, 2017 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, 2018</b>								
Profit after taxation for the three months ended March 31, 2018	-	-	-	-	2,785,181	2,785,181	80,266	2,865,447
Other comprehensive income - net of tax	-	-	-	2,953,848	-	2,953,848	319,138	3,272,986
Total comprehensive income for the three months ended March 31, 2018	-	-	-	2,953,848	2,785,181	5,739,029	399,404	6,138,433
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	13,896	13,896	177	14,073
Transfer to statutory reserves	-	-	287,413	-	(287,413)	-	-	-
<b>Balance as at March 31, 2018 (Un-audited)</b>	12,241,798	3,000	30,144,866	20,296,911	74,266,658	136,953,233	5,210,100	142,163,333

Appropriations recommended by the Board of Directors subsequent to the quarter ended March 31, 2018 are disclosed in note 24 to these consolidated condensed interim financial statements.

The annexed notes from 1 to 25 form an integral part of these consolidated condensed interim financial statements.

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Chief Financial Officer

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Amar Zafar Khan  
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**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2018**

**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 UBL Head Office, I. I. Chundrigar Road, Karachi respectively. The Bank operates 1,362 (December 31, 2017: 1,361) branches inside Pakistan including 93 (December 31, 2017: 93) Islamic Banking branches and 2 (December 31, 2017: 2) branches in Export Processing Zones. The Bank also operates 18 (December 31, 2017: 18) branches outside Pakistan. The Bank is a subsidiary of Bestway (Holdings) Limited, and Bestway (Holding) Limited is a wholly owned subsidiary of Bestway Group 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 Act, 2017, 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 Act, 2017, 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 Act 2017.

Key financial figures of the Islamic Banking branches are disclosed in note 23 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 Act, 2017, 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 Act, 2017, the Banking Companies Ordinance, 1962 and the said directives
- 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, 2018**

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, 2017.

**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, 2017, except for the following:

**Surplus on revaluation of fixed assets - net of deferred tax**

Upto December 31, 2017, surplus / (deficit) on revaluation of fixed assets were being measured under the repealed Companies Ordinance, 1984. The surplus arising on the revaluation is credited to the surplus on revaluation of fixed assets account. Any deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the surplus account. With effect from January 1, 2018 the Bank has revised its accounting policy in respect of measurement of 'surplus / (deficit) on revaluation of fixed assets' which are now accounted for in accordance with Companies Act, 2017. The revaluation is measured on individual assets where the surplus is taken to the surplus on revaluation of fixed assets account. The deficit on revaluation of the asset is charged to profit and loss account after netting of any surplus already recorded on that asset. The management of the Bank believes that the impact of change in policy is not material, therefore no adjustments are being taken.

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, 2017.

**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 and net obligations in respect of defined benefit schemes are carried at their present values.

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, 2017.

**6. LENDINGS TO FINANCIAL INSTITUTIONS**

	(Un-audited) March 31, 2018	(Audited) December 31, 2017
	----- (Rupees in '000) -----	
Call money lendings	11,085,000	585,000
Repurchase agreement lendings	13,086,982	6,931,953
Bai Muajjal receivable from State Bank of Pakistan	3,109,215	3,109,215
Bai Muajjal receivable from other financial institutions	2,606,022	-
Other lendings to financial institutions	24,308,615	26,100,227
	<u>54,195,834</u>	<u>36,726,395</u>
Provision against lendings to financial institutions	(807,432)	(832,475)
	<u>53,388,402</u>	<u>35,893,920</u>



**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2018**
**7. INVESTMENTS**
**7.1 Investments by types**

Note	(Un-audited) March 31, 2018			(Audited) December 31, 2017		
	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	48,044,319	34,602,538	82,646,857	59,117,369	45,383,907	104,501,276
Pakistan Investment Bonds	76,493	-	76,493	582,376	-	582,376
Term Finance Certificates	10,158	-	10,158	10,245	-	10,245
	48,130,970	34,602,538	82,733,508	59,709,990	45,383,907	105,093,897
<b>Available for sale securities</b>						
Market Treasury Bills	25,769,106	116,973,208	142,742,314	108,314,347	194,204,632	302,518,979
Pakistan Investment Bonds	196,722,867	3,428,668	200,151,535	23,830,510	205,729,962	229,560,472
Government of Pakistan Sukuk	19,231,009	-	19,231,009	19,102,273	-	19,102,273
Government of Pakistan Eurobonds	17,242,133	-	17,242,133	16,768,510	-	16,768,510
Ordinary shares of listed companies	17,422,616	-	17,422,616	18,362,340	-	18,362,340
Preference shares	407,663	-	407,663	391,315	-	391,315
Ordinary shares of unlisted companies	258,865	-	258,865	258,757	-	258,757
Investment in REIT	458,590	-	458,590	441,406	-	441,406
Term Finance Certificates	691,381	-	691,381	458,590	-	458,590
Foreign bonds - sovereign	43,322,318	-	43,322,318	38,492,705	-	38,492,705
Foreign bonds - others	16,569,120	-	16,569,120	18,150,879	-	18,150,879
	338,095,668	120,401,876	458,497,544	244,571,632	399,934,594	644,506,226
<b>Held to maturity securities</b>						
Market Treasury Bills	6,698,176	-	6,698,176	7,363,088	-	7,363,088
Pakistan Investment Bonds	263,162,442	-	263,162,442	311,766,517	-	311,766,517
Government of Pakistan Eurobonds	6,854,922	-	6,854,922	6,564,140	-	6,564,140
Government of Pakistan Sukuk	232,431	-	232,431	221,823	-	221,823
Term Finance Certificates	6,166,703	-	6,166,703	6,626,766	-	6,626,766
Sukuks	10,369,390	-	10,369,390	10,512,247	-	10,512,247
Participation Term Certificates	436	-	436	437	-	437
Debentures	2,267	-	2,267	2,266	-	2,266
Foreign bonds - sovereign	17,032,100	-	17,032,100	15,208,115	-	15,208,115
Foreign bonds - others	7,580,089	-	7,580,089	6,098,955	-	6,098,955
Recovery note	356,011	-	356,011	340,333	-	340,333
CDC SAARC Fund	251	-	251	240	-	240
Commercial Paper	227,224	-	227,224	227,224	-	227,224
	318,682,442	-	318,682,442	364,932,151	-	364,932,151
<b>Associates</b>						
United Growth and Income Fund	-	-	-	264,763	-	264,763
UBL Liquidity Plus Fund	692,840	-	692,840	93,371	-	93,371
UBL Money Market Fund	619,010	-	619,010	11,455	-	11,455
UBL Government Securities Fund	-	-	-	265,325	-	265,325
UBL Stock Advantage Fund	274,257	-	274,257	210,149	-	210,149
UBL Financial Planning Fund	-	-	-	37,036	-	37,036
Al Ameen Islamic Cash Fund	-	-	-	367	-	367
Al Ameen Islamic Sovereign Fund	-	-	-	382	-	382
Al Ameen Shariah Stock Fund	-	-	-	320,894	-	320,894
Al Ameen Islamic Asset Allocation Fund	225,364	-	225,364	216,916	-	216,916
Al Ameen Islamic Financial Planning Fund	211,867	-	211,867	316,142	-	316,142
Al Ameen Islamic Financial Planning Fund II	-	-	-	45,123	-	45,123
UBL Insurers Limited	359,571	-	359,571	345,097	-	345,097
Khushhali Bank Limited	2,132,888	-	2,132,888	2,046,922	-	2,046,922
Oman United Exchange Company, Muscat	69,965	-	69,965	69,702	-	69,702
DHA Cogen Limited	-	-	-	-	-	-
	4,585,762	-	4,585,762	4,243,644	-	4,243,644
	709,494,842	155,004,414	864,499,256	673,457,417	445,318,501	1,118,775,918
Provision for diminution in value of investments	(3,153,076)	-	(3,153,076)	(3,149,523)	-	(3,149,523)
<b>Investments - net of provisions</b>	706,341,766	155,004,414	861,346,180	670,307,894	445,318,501	1,115,626,395
Surplus / (deficit) on revaluation of available for sale securities	2,871,375	(38,764)	2,832,611	3,311,811	5,980,887	9,292,698
(Deficit) / surplus on revaluation of held for trading securities	(533)	(280)	(813)	34	2,173	2,207
<b>Total Investments</b>	709,212,608	154,965,370	864,177,978	673,619,739	451,301,561	1,124,921,300

**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.

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	Note	(Un-audited) March 31, 2018	(Audited) December 31, 2017
----- (Rupees in '000) -----			
<b>8. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		446,057,937	413,891,656
Outside Pakistan		173,208,020	177,904,909
		<u>619,265,957</u>	<u>591,796,565</u>
Islamic financings and related assets	23.4	21,278,829	22,200,806
Bills discounted and purchased			
Payable in Pakistan		22,447,106	21,115,250
Payable outside Pakistan		47,369,150	51,126,252
		<u>69,816,256</u>	<u>72,241,502</u>
Advances - gross		710,361,042	686,238,873
Provision against advances			
Specific	8.1	(43,447,142)	(40,225,684)
General	8.2	(3,402,990)	(3,506,469)
Advances - net of provision		<u>663,510,910</u>	<u>642,506,720</u>

8.1 Advances include Rs. 54,772.276 million (December 31, 2017: Rs. 52,907.648 million) which have been placed under non-performing status as detailed below:

Category of Classification	March 31, 2018 (Un-audited)									
	Classified advances			Provision required			Provision held			
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total	
----- (Rupees in '000) -----										
Other Assets Especially										
Mentioned *	119,176	-	119,176	4,880	-	4,880	4,880	-	4,880	
Substandard	2,089,142	3,600,950	5,690,092	519,767	647,495	1,167,262	519,767	647,495	1,167,262	
Doubtful	156,497	3,460,080	3,616,577	66,479	1,689,850	1,756,329	66,479	1,689,850	1,756,329	
Loss	25,257,434	20,088,997	45,346,431	24,334,737	16,183,934	40,518,671	24,334,737	16,183,934	40,518,671	
	<u>27,622,249</u>	<u>27,150,027</u>	<u>54,772,276</u>	<u>24,925,863</u>	<u>18,521,279</u>	<u>43,447,142</u>	<u>24,925,863</u>	<u>18,521,279</u>	<u>43,447,142</u>	
Category of Classification	December 31, 2017 (Audited)									
	Classified advances			Provision required			Provision held			
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total	
----- (Rupees in '000) -----										
Other Assets Especially										
Mentioned *	81,653	-	81,653	2,012	-	2,012	2,012	-	2,012	
Substandard	1,062,286	4,417,061	5,479,347	258,707	942,062	1,200,769	258,707	942,062	1,200,769	
Doubtful	1,452,224	6,910,333	8,362,557	783,804	2,475,262	3,259,066	783,804	2,475,262	3,259,066	
Loss	25,596,353	13,387,738	38,984,091	24,512,775	11,251,062	35,763,837	24,512,775	11,251,062	35,763,837	
	<u>28,192,516</u>	<u>24,715,132</u>	<u>52,907,648</u>	<u>25,557,298</u>	<u>14,668,386</u>	<u>40,225,684</u>	<u>25,557,298</u>	<u>14,668,386</u>	<u>40,225,684</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. 257.118 million (December 31, 2017: Rs. 247.323 million) against consumer finance portfolio, Rs. 49.088 million (December 31, 2017: Rs.49.088 million) against advances to small enterprises as required by the Prudential Regulations issued by the SBP and Rs. 3,096.784 million (December 31, 2017: Rs.2,881.358 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. nil (December 31, 2017: Rs 328.700 million) which is based on 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. 25.603 million (December 31, 2017: Rs. 24.540 million). The FSV benefit availed is not available for the distribution of cash or stock dividend to shareholders.

	Note	(Un-audited) March 31, 2018	(Audited) December 31, 2017
----- (Rupees in '000) -----			
<b>9. OPERATING FIXED ASSETS</b>			
Capital work-in-progress		4,663,521	4,467,036
Property and equipment		45,461,600	44,820,475
Intangible assets		1,148,722	1,096,566
	9.1	<u>51,273,843</u>	<u>50,384,077</u>

9.1 Additions and disposals during the period amounted to Rs.1,105.948 million (March 31, 2017: Rs. 1,990.931 million) and Rs. 127.191 million (March 31, 2017: Rs. 107.01 million), respectively.

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	(Un-audited) March 31, 2018	(Audited) December 31, 2017
	----- (Rupees in '000) -----	
<b>10. BORROWINGS</b>		
<b>Secured</b>		
Borrowings from the State Bank of Pakistan		
Export refinance scheme	18,753,676	19,375,930
Refinance facility for modernization of SME	7,925	10,250
Long term financing facility	18,604,532	17,312,481
	37,366,133	36,698,661
Repurchase agreement borrowings	162,512,535	453,224,580
	199,878,668	489,923,241
<b>Unsecured</b>		
Call borrowings	9,188,088	10,167,645
Overdrawn nostro accounts	1,793,925	577,014
Trading Liabilities	1,263,760	-
Bai Muajjal payable to other financial institutions	34,936,846	-
Other borrowings	24,796,457	16,414,259
	71,979,076	27,158,918
	271,857,744	517,082,159
<b>11. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	329,987,510	367,785,188
Savings deposits	404,562,024	388,150,655
Sundry deposits	43,626,498	29,508,244
Margin deposits	5,256,783	5,552,140
Current accounts - remunerative	10,538,951	6,014,299
Current accounts - non-remunerative	498,805,426	491,259,317
	1,292,777,192	1,288,269,843
<b>Financial Institutions</b>		
Remunerative deposits	71,920,985	57,065,974
Non-remunerative deposits	15,253,737	20,822,097
	87,174,722	77,888,071
	1,379,951,914	1,366,157,914
<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	27,072,569	27,007,532
- Non-controlling interest	1,043,857	958,856
	28,116,426	27,966,388
Available for sale securities		
- Group's share	1,993,240	5,896,699
- Non-controlling interest	(216,162)	(277,531)
	1,777,078	5,619,168
(Deficit) / surplus arising on revaluation of assets of associates	(274)	660
	29,893,230	33,586,216

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	(Un-audited) March 31, 2018 ----- (Rupees in '000) -----	(Audited) December 31, 2017 -----
<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	29,176,367	22,502,554
Revaluation of non-banking assets during the period / year	-	6,399,394
Exchange adjustments	228,289	353,662
Reversal on disposal of non-banking asset	(38,875)	
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(14,073)	(52,015)
Related deferred tax liability on incremental depreciation charged during the period / year	(7,366)	(27,228)
	<u>167,975</u>	<u>6,673,813</u>
	29,344,342	29,176,367
Less: Related deferred tax liability on:		
Revaluation as on January 1	1,209,979	960,433
Revaluation of non-banking assets during the period / year	-	216,535
Exchange adjustments	38,910	60,239
Reversal on disposal of non-banking asset	(13,607)	-
Incremental depreciation charged on related assets	(7,366)	(27,228)
	<u>1,227,916</u>	<u>1,209,979</u>
	<u>28,116,426</u>	<u>27,966,388</u>
<b>12.2 Surplus / (deficit) on revaluation of available for sale securities</b>		
Market Treasury Bills	(715)	(3,034)
Pakistan Investment Bonds	91,016	6,285,489
Listed shares	3,745,794	1,780,430
REIT Investment	82,963	-
Term Finance Certificates, Sukuks, other bonds etc.	(182,909)	28,475
Foreign bonds	(903,600)	1,201,338
	<u>2,832,549</u>	<u>9,292,698</u>
Related deferred tax liability	(1,055,471)	(3,673,530)
	<u>1,777,078</u>	<u>5,619,168</u>
<b>13. CONTINGENCIES AND COMMITMENTS</b>		
<b>13.1 Direct credit substitutes</b>		
Contingent liabilities in respect of guarantees given favouring:		
Government	19,178,702	15,500,693
Banking companies and other financial institutions	812,382	1,064,067
Others	3,969,548	5,425,848
	<u>23,960,632</u>	<u>21,990,608</u>
<b>13.2 Transaction-related contingent liabilities</b>		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring:		
Government	101,724,368	128,096,424
Banking companies and other financial institutions	7,871,084	8,408,147
Others	48,497,588	57,090,192
	<u>158,093,040</u>	<u>193,594,763</u>
<b>13.3 Trade-related contingent liabilities</b>		
Contingent liabilities in respect of letters of credit opened favouring:		
Government	78,775,437	74,060,985
Banking companies and other financial institutions	10,608,379	8,732,484
Others	117,194,308	112,409,643
	<u>206,578,124</u>	<u>195,203,112</u>
<b>13.4 Other contingencies</b>		
<b>13.4.1</b> Claims against the Group not acknowledged as debts	10,594,694	12,918,162

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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. 1,386 million) and USD 13 million (Rs. 1,501 million) in favour of Ministry of Oil and Minerals, Yemen (MOM) against the counter SBLCs of a foreign bank. In March 2015, the counter party to the underlying performance agreement notified MOM of suspension of the SBLCs due to force majeure. In September 2015, MOM filed a law suit against UBL at the Preliminary Commercial Court in Sana'a, Yemen claiming payment of both SBLCs for the total sum of USD 25 million (Rs. 2,887 million).

During 2016, no major debate was held as all hearings of the commercial case were adjourned to subsequent dates, due to either non-appearance of legal counsel of MOM or non-submission of responses by MOM, as required by legal counsel of UBL. As per provisions of Yemeni procedural law, if 60 days lapse from the last hearing without the case being reinitiated/ followed up by the plaintiff, the case shall be considered as if not filed and all procedures have to be re-initiated afresh. In light of the foregoing provision of law, and non-follow up by MOM for over 60 days, UBL counsel submitted a motion to dismiss the case. On September 25, 2017 the Honourable judge presiding over the commercial case filed by MOM against UBL in Yemen, accepted UBL's motion to drop the case. In light of the foregoing, the case filed by MOM against UBL in Yemen stands dismissed. Although the case against UBL, Yemen has been dismissed by the Honourable judge, the said dismissal is on the basis of a procedural lapse by MOM in pursuing the case, and not on the actual merits. Hence MOM can reinitiate the case against UBL afresh.

The ICC Award has also been announced whereby ICC has accepted the request of Reliance to declare Force Majeure as per the terms of the Production Sharing Agreement (PSA) between Reliance and MOM. In terms of the ICC Award, the PSA stands cancelled.

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 Group.

- 13.4.5** UBL & its New York Branch have entered into a written Agreement in 2013 with the Federal Reserve Bank of New York (FRBNY) to address certain compliance and risk management matters relating primarily to compliance with Anti Money Laundering Regulations including the Banking Secrecy Act. Management is in the process of addressing the matters highlighted in the Written Agreement and in the subsequent inspections. While the Bank seeks to comply with all possible laws and regulations and at this stage there is no indication of any financial impact, it is not possible to ascertain the eventual outcome of these matters.
- 13.4.6** 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.

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**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) March 31, 2018 ----- (Rupees in '000) -----	(Audited) December 31, 2017 ----- (Rupees in '000) -----
<b>13.6 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	269,301,870	242,093,757
Sale	<u>227,103,098</u>	<u>213,172,200</u>
<b>13.7 Commitments in respect of derivatives</b>		
Interest rate swaps	4,147,125	4,358,641
FX Options - purchased	<u>95,744</u>	<u>83,368</u>
FX Options - sold	<u>95,744</u>	<u>83,368</u>
Forward purchase of Government securities	<u>8,639,286</u>	<u>7,870,890</u>
Forward sale of Government securities	<u>49,926</u>	<u>1,478</u>
<b>13.8 Commitments in respect of capital expenditure</b>	<u>1,747,663</u>	<u>1,987,978</u>
<b>13.9</b> For contingencies relating to taxation refer note 18.		
	.....(Un-audited).....	
	March 31, 2018 ----- (Rupees in '000) -----	March 31, 2017 ----- (Rupees in '000) -----
<b>14. MARK-UP / RETURN / INTEREST EARNED</b>		
On loans and advances to customers	9,854,802	7,806,657
On lendings to financial institutions		
Call money lendings	31,446	49,508
Repurchase agreement lendings	112,285	81,832
Bai Muajjal with other financial institutions	11,209	147,627
Other lendings to financial institutions	334,161	248,922
	489,101	527,889
On investments in		
Held for trading securities	1,378,354	141,089
Available for sale securities	9,341,085	8,703,822
Held to maturity securities	7,826,799	7,449,631
	18,546,238	16,294,542
On deposits with financial institutions	164,163	39,723
	<u>29,054,304</u>	<u>24,668,811</u>
<b>15. MARK-UP / RETURN / INTEREST EXPENSED</b>		
On deposits	8,366,710	7,753,857
On securities sold under repurchase agreements	5,562,989	2,166,266
On other short term borrowings	700,849	541,785
On long term borrowings	118,779	111,495
	<u>14,749,327</u>	<u>10,573,403</u>

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	March 31, 2018	March 31, 2017
	----- (Rupees in '000) -----	
<b>16. ADMINISTRATIVE EXPENSES</b>		
Salaries, allowances etc.	3,703,569	3,596,252
Charge for compensated absences	43,550	104,251
Medical expenses	195,707	160,029
Contribution to defined contribution plan	116,664	92,766
Charge in respect of defined benefit obligations	106,113	95,150
Rent, taxes, insurance, electricity etc.	1,089,213	1,157,752
Depreciation on operating fixed assets	560,359	497,621
Depreciation on Islamic financing against leased assets (Ijarah)	50,012	46,701
Amortization	110,650	92,455
Outsourced service charges including sales commission	1,116,827	1,142,494
Communications	363,939	297,535
Banking service charges	377,867	272,331
Cash transportation charges	259,055	160,705
Stationery and printing	162,107	147,544
Legal and professional charges	180,970	188,585
Advertisement and publicity	142,288	223,989
Repairs and maintenance	461,013	422,178
Travelling	56,509	71,545
Office running expenses	120,587	197,689
Vehicle expenses	48,732	42,258
Entertainment	52,618	61,362
Cartage, freight and conveyance	19,625	29,030
Insurance expense	25,910	33,545
Auditors' remuneration	30,378	23,869
Training and seminars	29,305	34,271
Brokerage expenses	3,638	8,195
Subscriptions	46,018	41,390
Donations	3,418	750
Non-executive Directors' fees	6,938	8,059
Zakat paid by overseas branch	16,275	24,729
Miscellaneous expenses	9,962	41,949
	<u>9,509,816</u>	<u>9,316,979</u>

**17. Extra ordinary / unusual item - (pension cost)**

The extraordinary charge of Rs. 6.4 Billion represents the actuarial estimate of the cost of pension payable as per Honorable Supreme Court's Order increasing the minimum pension to Rs. 8,000 per month subject to 5% annual increase from January 1, 2019. The estimate may change based on the ongoing verification process and the commutation received by the employees at the time of separation in accordance with the service rules of the Bank.

**18. TAXATION**

The Income Tax returns of the Bank have been filed up to the tax year 2017 (accounting year ended December 31, 2016) 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 2017, and created additional tax demands (including disallowances of provisions made prior to Seventh Schedule) of Rs.12,608 million (2017: Rs.12,928 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 favour of the Bank.

The tax returns for Azad Kashmir (AK) and Gilgit Baltistan (GB) Branches have been filed upto the tax year 2017 (financial year 2016) 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.

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The tax authorities have also carried out monitoring for Federal Excise Duty, Sales tax and withholding taxes covering period from year ended 2007 to 2016. Consequently various addbacks and demands were raised creating a total demand of Rs. 919 million (2017: Rs. 919 million). The Bank has filed appeals against all such demands and is confident that these would be decided in the favour of the Bank.

The tax returns for UAE branches have been filed upto the year ended December 31, 2017 and other overseas branches upto the year ended December 31, 2016 under the provisions of the laws prevailing in the respective countries, and are deemed as assessed unless opened for reassessment.

For UBL UK, UBTL, UBL FM and UET income tax returns have been filed up to the accounting year ended December 31, 2016 and for USAG 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, UBTL and USAG till the accounting year 2016, 2015 and 2014 respectively. There are no material tax contingencies in any of the subsidiaries.

**19. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short-term in nature or, in the case of customer loans and deposits, are frequently repriced.

**19.1** The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	March 31, 2018				
	Carrying / Notional value	Fair value			Total
	Level 1	Level 2	Level 3		
	------(Rupees in '000)-----				
<b>On balance sheet financial instruments</b>					
<b>Financial assets measured at fair value</b>					
- Investments					
Government Securities (T-bills, PIBs, GoP Sukuks and Eurobonds)	461,588,640	-	461,588,640	-	461,588,640
Foreign Bonds - Sovereign	43,337,585	-	43,337,585	-	43,337,585
Foreign Bonds - others	15,987,399	-	15,987,399	-	15,987,399
Ordinary shares of listed companies	19,383,931	19,383,931	-	-	19,383,931
Debt securities (TFCs)	379,055	-	379,055	-	379,055
Investment in REIT	541,553	541,553	-	-	541,553
Investment in Associates	4,571,288	-	4,571,288	-	4,571,288
	545,789,451	19,925,484	525,863,967	-	545,789,451
<b>Financial assets not measured at fair value</b>					
- Investments (HTM, unlisted ordinary shares, preference shares)	318,388,527	-	-	-	-
	864,177,978	19,925,484	525,863,967	-	545,789,451
<b>Off balance sheet financial instruments</b>					
Forward purchase and sale of foreign exchange contracts	496,404,968	-	1,959,392	-	1,959,392
Interest rate swaps	4,147,125	-	62,928	-	62,928
FX options - purchased and sold (net)	191,488	-	-	-	-
Forward purchase of government securities	8,639,286	-	(19,213)	-	(19,213)
Forward sale of government securities	49,926	-	2,360	-	2,360



**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
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	December 31, 2017				
	Carrying / Notional value	Fair value			Total
		Level 1	Level 2	Level 3	
------(Rupees in '000)-----					
<b>On balance sheet financial instruments</b>					
<b>Financial assets measured at fair value</b>					
- Investments					
Government Securities (T-bills, PIBs, GoP Sukuks and Eurobonds)	679,318,633	-	679,318,633	-	679,318,633
Foreign Bonds - Sovereign	38,490,598	-	38,490,598	-	38,490,598
Foreign Bonds - others	19,352,217	-	19,352,217	-	19,352,217
Ordinary shares of listed companies	18,318,667	18,318,667	-	-	18,318,667
Debt securities (TFCs)	382,425	-	382,425	-	382,425
Investment in REIT	458,590	458,590	-	-	458,590
Investment in Associates	4,243,644	-	4,243,644	-	4,243,644
	<u>760,564,774</u>	<u>18,777,257</u>	<u>741,787,517</u>	<u>-</u>	<u>760,564,774</u>
<b>Financial assets not measured at fair value</b>					
- Investments (HTM, unlisted ordinary shares, preference shares)	364,356,526	-	-	-	-
	<u>1,124,921,300</u>	<u>18,777,257</u>	<u>741,787,517</u>	<u>-</u>	<u>760,564,774</u>
<b>Off balance sheet financial instruments</b>					
Forward purchase and sale of foreign exchange contracts	455,265,957	-	1,933,688	-	1,933,688
Interest rate swaps	4,358,641	-	74,865	-	74,865
FX options - purchased and sold (net)	166,736	-	-	-	-
Forward purchase of government securities	7,870,890	-	(1,155)	-	(1,155)
Forward sale of government securities	1,478	-	(2)	-	(2)

**19.2** Certain categories of operating fixed assets (land and buildings) and non-banking assets acquired in satisfactions of claims are carried at revalued amounts (level 3 measurement) determined by professional valuers based on their assessment of the market values.

**19.3** Valuation techniques used in determination of fair values within level 2 and level 3.

**Debt Securities**

The fair value of Federal Government securities is determined using the prices / rates available on Mutual Funds Association of Pakistan (MUFAP) and the fair value of other corporate and foreign government securities is determined using the rates from Reuters / Bloomberg.

**Derivatives**

The fair valuation techniques include forward pricing and swap models using present value calculations.

**Operating fixed assets and non-banking assets acquired in satisfaction of claims**

Land, buildings and non-banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty. Accordingly, a qualitative disclosure of sensitivity has not been presented in these consolidated financial statements.

**20. Risk Management**
**20.1 Liquidity Coverage Ratio**

**(Un-audited)  
March 31,  
2018  
(Rupees in '000)**

High quality liquid assets	395,007
Net cash outflows	227,000
Liquidity Coverage ratio (%)	174.01%

**20.2 Net Stable Funding Ratio**

Available stable funding	1,187,958
Required stable funding	1,047,573
Net Stable Funding Ratio (%)	113.40%

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2018**

**21. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES**

**For the three months ended March 31, 2018 (Un-audited)**

	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment elimination
----- (Rupees in '000) -----							
Total income	50,406	8,755,033	8,985,946	3,600,524	314,161	778,940	-
Total expenses	(28,259)	(374,533)	(7,479,766)	(4,011,426)	(146,933)	(5,936,525)	-
Profit before tax	22,147	8,380,500	1,506,180	(410,902)	167,228	(5,157,585)	-
Segment return on assets (ROA)	13.1%	1.8%	0.3%	-0.2%	30.4%	-	-
Segment cost of funds	2.0%	4.7%	2.6%	3.9%	-	-	-

**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	7,552,853	3,533,683	379,615	769,176	-
Total expenses	(21,205)	(424,430)	(7,338,470)	(1,266,938)	(213,186)	(394,820)	-
Profit before tax	50,123	8,537,982	214,383	2,266,745	166,429	374,356	-
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%	-	-	-

**As at March 31, 2018 (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)	973,582	944,176,313	1,132,197,372	660,787,184	1,965,954	161,059,456	(981,701,653)
Segment non performing loans (NPLs)	705,196	826,845	7,608,792	45,592,478	-	38,965	-
Segment provision held against NPLs	539,631	814,145	7,040,494	35,028,568	-	24,304	-
Segment liabilities	419,800	897,321,418	1,161,144,856	609,204,970	441,764	17,123,348	(981,701,653)

**As at December 31, 2017 (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)	1,349,731	1,230,568,302	1,244,901,502	625,655,607	1,591,685	135,167,850	(1,093,648,494)
Segment non performing loans (NPLs)	674,163	1,003,160	10,312,357	40,851,377	-	66,591	-
Segment provision held against NPLs	515,863	1,002,844	8,425,423	30,249,465	-	32,089	-
Segment liabilities	222,650	1,171,670,458	1,266,885,379	574,811,057	182,495	10,743,193	(1,093,648,494)

Segment assets and liabilities include inter segment balances.

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

**22. 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:

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
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	As at March 31, 2018 (Un-audited)				As at December 31, 2017 (Audited)			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
	(Rupees in '000)							
<b>Investments</b>								
Opening balance	-	-	4,243,644	3,895,328	-	-	7,977,617	3,895,328
Investment made during the period / year	-	-	-	-	-	-	1,365,953	-
Investment redeemed / disposed off during the period / year	-	-	-	(29,420)	-	-	(5,399,374)	-
Equity method adjustments	-	-	-	-	-	-	299,448	-
Closing balance	-	-	4,243,644	3,865,908	-	-	4,243,644	3,895,328
<b>Investment in debt securities</b>	-	-	150,000	-	-	-	-	-
Provision for diminution in value of investments	-	-	-	98,414	-	-	-	98,414
<b>Advances</b>								
Opening balance	5,303	205,368	2,155,149	2,626,106	2,339	367,645	2,155,149	16,907,691
Addition during the year	2,991	22,077	-	13,530	11,574	149,324	-	65,331,493
Repaid during the year	(7,421)	(21,835)	-	(216,710)	(8,610)	(296,736)	-	(79,612,942)
Transfer in / (out) - net	-	(25,134)	-	16	-	(14,865)	-	(136)
Closing balance	873	180,476	2,155,149	2,422,942	5,303	205,368	2,155,149	2,626,106
Provision held against advances	-	-	2,155,149	-	-	-	2,155,149	-
<b>Other Assets</b>								
Interest mark-up accrued	-	-	455	41,979	26	8	-	82,071
Receivable from staff retirement funds	-	-	-	155,676	-	-	-	632,808
Prepaid insurance	-	-	178,084	-	-	-	13,201	-
Remuneration receivable from management of funds	-	-	86,810	-	-	-	85,289	-
Sales load receivable	-	-	21,449	-	-	-	26,527	-
Formation cost receivable	-	-	4,000	-	-	-	5,286	-
Other receivable	-	-	65,491	30,164	-	-	46,736	30,164
Provision against other assets	-	-	-	30,164	-	-	-	30,164
<b>Borrowings</b>								
Opening balance	-	-	474,532	-	-	-	-	167,100
Borrowings during the period / year	-	-	-	-	-	-	474,532	512,650
Settled during the period / year	-	-	(474,532)	-	-	-	-	(679,750)
Closing balance	-	-	-	-	-	-	474,532	-
<b>Deposits and other accounts</b>								
Opening balance	5,700,563	66,247	7,423,907	3,075,854	7,714,425	241,070	8,882,657	2,196,112
Received during the year	18,419,040	391,946	39,538,020	24,241,521	30,436,836	1,716,576	260,731,569	176,340,118
Withdrawn during the year	(20,630,578)	(372,543)	(37,705,387)	(25,215,100)	(32,458,694)	(1,772,424)	(255,237,324)	(174,752,255)
Transfer in / (out) - net	-	(11,735)	-	(7,679)	7,996	(118,975)	(6,952,995)	(708,121)
Closing balance	3,489,025	73,915	9,256,540	2,094,596	5,700,563	66,247	7,423,907	3,075,854
<b>Other Liabilities</b>								
Interest / mark-up payable on deposits and borrowings	25,280	113	9,406	9,051	40,412	47	42,810	27,740
Payable to staff retirement fund	-	-	-	5,968,238	-	-	-	44,538
Unearned income	-	-	-	8,024	-	-	-	11,462
<b>Contingencies and Commitments</b>								
Letter of guarantee	-	-	14,459	-	-	-	24,884	-
	For the three months ended March 31, 2018 (Un-audited)				For the three months ended March 31, 2017 (Un-audited)			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
	(Rupees in '000)							
Mark-up / return / interest earned	-	561	455	38,966	5	2,972	4,896	267,044
Commission / charges recovered	31	154	9,755	3,600	25	56	6,280	3,632
Dividend received	-	-	-	342,730	-	-	-	341,515
Net gain on sale of securities	-	-	51,577	-	-	-	151,522	-
Remuneration from management of funds	-	-	221,619	-	-	-	239,794	-
Sales load	-	-	43,924	-	-	-	46,957	-
Other income	-	-	3,232	3,439	-	-	2,793	3,127
Mark-up / return / interest paid	36,165	1,520	105,346	11,271	29,343	970	83,194	5,623
Remuneration paid	-	518,524	-	-	-	666,176	-	-
Post employment benefits	-	9,062	-	-	-	19,297	-	-
Non-executive directors' fee	7,285	-	-	-	8,059	-	-	-
Net charge for defined contribution plans	-	-	-	116,664	-	-	-	92,766
Net charge for defined benefit plans	-	-	-	6,510,748	-	-	-	33,091
Other expenses	-	-	-	29,552	-	-	6,855	25,365
Insurance premium paid	-	-	226,179	-	-	-	385,088	-
Insurance claims settled	-	-	52,381	-	-	-	28,738	-

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**23. ISLAMIC BANKING BUSINESS**

23.1 The Bank operates 93 (December 31, 2017: 93) Islamic Banking Branches and 156 (December 31, 2017: 156) 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, 2018	(Audited) December 31, 2017
----- (Rupees in '000) -----			
<b>ASSETS</b>			
Cash and balances with treasury banks		4,019,418	5,428,040
Balances with other banks		623,494	6,551,518
Due from financial institutions	23.3	16,800,237	3,694,215
Investments		25,050,980	25,401,968
Islamic financing and related assets	23.4	21,188,177	22,110,626
Operating fixed assets		319,571	299,950
Due from Head Office		-	-
Other assets		428,727	421,843
<b>Total Assets</b>		<b>68,430,604</b>	<b>63,908,160</b>
<b>LIABILITIES</b>			
Bills payable		373,179	400,973
Due to financial institutions		125,000	1,500,000
Deposits and other accounts			
Current accounts - non remunerative		26,740,653	25,163,438
Current accounts - remunerative		1,218,606	1,293,692
Saving accounts		14,383,679	11,839,659
Term deposits		8,246,226	982,345
Deposits from financial institutions - remunerative		15,022,404	20,462,360
Deposits from financial institutions - non remunerative		41,850	34,505
		65,653,418	59,775,999
Due to Head Office		222,149	61,035
Other liabilities		287,602	327,658
		<b>66,661,348</b>	<b>62,065,665</b>
<b>NET ASSETS</b>		<b>1,769,256</b>	<b>1,842,495</b>
<b>REPRESENTED BY</b>			
Islamic Banking Fund		2,181,000	2,181,000
Accumulated losses		(227,260)	(362,502)
		1,953,740	1,818,498
(Deficit) / surplus on revaluation of assets		(184,484)	23,997
		<b>1,769,256</b>	<b>1,842,495</b>

23.2 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, 2018	March 31, 2017
----- (Rupees in '000) -----		
Return earned	872,625	583,311
Return expensed	(396,928)	(398,434)
	475,697	184,877
Provision against loans and advances - net	(271)	(552)
Net return after provisions	475,426	184,325
<b>Other Income</b>		
Fee, commission and brokerage income	35,042	33,779
Income / (loss) from dealing in foreign currencies	127	(575)
Other income	4,607	3,122
Total other income	39,776	36,326
	515,202	220,651
<b>Other Expenses</b>		
Administrative expenses	(379,945)	(204,998)
Other provisions - net	(15)	(1)
Total other expenses	(379,960)	(204,999)
Net profit for the period	135,242	15,652
Accumulated losses brought forward	(362,502)	(609,289)
Accumulated losses carried forward	(227,260)	(593,637)
<b>Remuneration to Shariah Board and Advisor</b>	<b>2,003</b>	<b>1,482</b>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
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**23.3** This includes Bai Muajjal arrangements entered into with SBP and with various financial institutions whereby the bank sold sukuks having carrying value of Rs. 5,514.672 million (December 31, 2017: 2,948.799 million) on deferred payment basis. The average return on these transactions is 5.80% per annum (December 31, 2017: 5.44% per annum). The balances are due to mature latest by June 2018.

	(Un-audited) March 31, 2018	(Audited) December 31, 2017
	----- (Rupees in '000) -----	
<b>23.4 Islamic financing and related assets</b>		
<b>Financings</b>		
Murabaha	671,679	720,017
Musharaka running finance	-	15,000,000
Ijarah	443,052	490,963
Islamic Export Refinance scheme - Murabaha	127,466	-
Diminishing Musharaka	18,716,025	4,358,154
	19,958,222	20,569,134
<b>Advances</b>		
Advances and receivables against Ijarah	119,973	53,539
Advances for Diminishing Musharaka	902,843	1,255,734
Advances for Murabaha	27,174	88,165
	1,049,990	1,397,438
Profit and other receivable against financing	270,617	234,234
<b>Gross Islamic financing and related assets</b>	21,278,829	22,200,806
Provision against financings and advances	(90,652)	(90,180)
	<u>21,188,177</u>	<u>22,110,626</u>
<b>23.5 Charity Fund</b>		
Opening balance	121	648
Addition during the period / year	674	793
Payments during the period / year	-	(1,320)
Closing balance	<u>795</u>	<u>121</u>
<b>24. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE</b>		
The Board of Directors in its meeting held on April 18, 2018 has declared an interim cash dividend in respect of the quarter ended March 31, 2018 of Rs. 3.0 per share (March 31, 2017: Rs. 3.0 per share). The consolidated condensed interim financial statements for the quarter ended March 31, 2018 do not include the effect of these appropriations which will be accounted for subsequent to the period end.		
<b>25. DATE OF AUTHORIZATION</b>		
These consolidated condensed interim financial statements were authorised for issue on April 18, 2018 by the Board of Directors of the Bank.		

**Aameer Karachiwalla**  
Chief Financial Officer

**Sima Kamil**  
President &  
Chief Executive Officer

**Amar Zafar Khan**  
Director

**Arshad Ahmad Mir**  
Director

**Sir Mohammed Anwar Pervez, OBE, HPk**  
Chairman