

## Secretary's Department

UBL/PSX/Transmission QTR Acc/18  
August 28, 2018

Form 8

**The General Manager**  
Pakistan Stock Exchange Limited  
Stock Exchange Building  
Stock Exchange Road  
Karachi


**Subject: Transmission of Quarterly Report for the Period Ended June 30, 2018**

Dear Sir,

We have to inform you that the Quarterly Report of the United Bank Limited for the period ended June 30, 2018 have been transmitted through PUCARS and is also available on Company's website.

You may please inform the TRE Certificate Holders of the Exchange accordingly.

Yours faithfully,

  
**Aqeel Ahmed Nasir**  
Company Secretary &  
Chief Legal Counsel

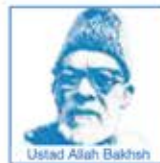
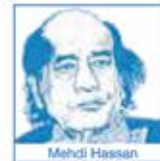
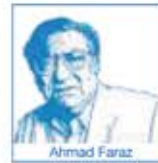
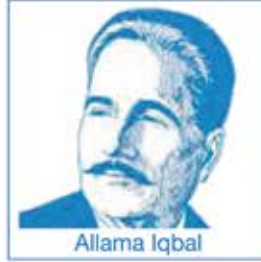




## HALF YEARLY REPORT JUNE 30, 2018 (UNAUDITED)

# رہبرِ ترقی و کمال

UBL celebrates all that is great about our nation all that makes us proud of our past and so positive about our future. In this 2018 Half Yearly Report, we pay tribute to some of the many icons of Pakistan.



*"...Leader of the way to progress and excellence..."*  
*Verse from the last stanza of Pakistan's national anthem, penned by*  
*Mr. Hafeez Jullundhri*

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## COMPANY INFORMATION

### Board of Directors

Sir Mohammed Anwar Pervez, OBE, HPk  
Mr. Zameer Mohammed Choudrey, CBE  
Mr. Haider Zameer Choudrey  
Mr. Rizwan Pervez  
Mr. Arshad Ahmad Mir  
Mr. Khalid A. Sherwani  
Mr. Amar Zafar Khan  
Mr. Tariq Rashid  
Ms Sima Kamil

Chairman/Non-Executive Director  
Non Executive Director  
Non Executive Director  
Non Executive Director  
Non Executive Director  
Independent Director  
Independent Director  
Independent Director  
President & CEO

### Committees of the Board

#### Board Audit Committee

Mr. Amar Zafar Khan  
Chairman  
Mr. Haider Zameer Choudrey  
Member  
Mr. Khalid A. Sherwani  
Member  
Mr. Rizwan Pervez  
Member  
Mr. Aqeel Ahmed Nasir  
Secretary

#### Board Human Resource & Compensation Committee

Mr. Khalid A. Sherwani  
Chairman  
Mr. Arshad Ahmad Mir  
Member  
Mr. Amar Zafar Khan  
Member  
Syed Zulfiqar Hussain  
Secretary

#### Board IT Committee

Mr. Tariq Rashid  
Chairman  
Mr. Haider Zameer Choudrey  
Member  
Ms Sima Kamil  
Member  
Mr. Baqar Muzaffar  
Secretary

#### Board Risk & Compliance Committee

Mr. Arshad Ahmad Mir  
Chairman  
Mr. Zameer Mohammed Choudrey, CBE  
Member  
Ms Sima Kamil  
Member  
Mr. Imran Sarwar  
Secretary

### Chief Financial Officer

Mr. Aameer Karachiwalla

### Company Secretary & Chief Legal Counsel

Mr. Aqeel Ahmed Nasir

### Registered Office:

13th Floor, UBL Building,  
Jinnah Avenue, Blue Area,  
Islamabad.

### UBL Head Office

I.I. Chundrigar Road,  
Karachi – 74000, Pakistan.

### Share Registrar

THK Associates (Pvt) Limited  
1<sup>st</sup> Floor, 40-C  
Block-6 P.E.C.H.S  
Karachi.  
Phone No.021-34168270  
UAN # 021-111-000-322  
Fax No.021-34168271

### Auditors

M/s. KPMG Taseer Hadi & Co.  
*Chartered Accountants*  
M/s. A.F.Ferguson & Co.,  
*Chartered Accountants*

### Legal Advisors

M/s. Mehmood Abdul Ghani & Co  
*Advocates*

### Contacts

UAN : 111-825-111  
Contact Centre: 111-825-888

Website: [www.ubldirect.com](http://www.ubldirect.com)

Email : [company.secretary@ubl.com.pk](mailto:company.secretary@ubl.com.pk)

## **DIRECTORS' REPORT TO THE MEMBERS**

On behalf of the Board of Directors, I am pleased to present the financial statements of United Bank Limited (UBL) for the half year ended June 30, 2018.

### **Performance Overview**

The Bank continued its strong balance sheet growth trajectory during the first half of 2018 with a 13% increase in the average asset base over H1'17. The Bank maintained its focus on actively acquiring New to Bank (NTB) relationships, with the addition of over 277,000 current accounts in HY'18 (HY'17: 240,000). As a result, the average domestic current deposits stood at Rs. 438 billion, with a year on year growth of Rs. 62 billion, i.e. 17% (H1'18 vs. H1'17). This continued to drive efficiencies in the deposits mix as the average domestic current to total deposits improved from 40% in H1'17 to 44% in H1'18. This resulted in maintaining low cost of deposits which, despite a rate increase of 75 bps during the current half year, stood at 2.60% in HY'18, 15 bps lower than 2.75% in HY'17.

Gross revenues witnessed an increase of 5% over H1'17 to close at Rs. 42.3 billion during H1'18. Net Interest income was recorded at Rs. 28.1 billion, in line with H1'17. Non-fund income stood at Rs. 14.3 billion, an increase of 16% over H1'17, led by robust growth across fee based revenues, exchange income and capital gains.

Administrative expenses posted a 7% growth on a year on year basis to reach Rs. 18.5 billion in H1'18. The cost to income ratio closed at 43.7% compared to 42.9% in H1'17.

A net provision charge amounting to Rs. 4.5 billion was taken during H1'18, mainly to build coverage against the International loan portfolio. Asset quality was recorded at 7.7% at Jun'18 with a marginal improvement over the 7.9% level at Dec'17.

The unconsolidated profit before tax (PBT) closed at Rs. 10.60 billion during H1'18 (H1'17: Rs. 22.97 billion). Profitability during the first half of the year was impacted by a one-off provision of Rs. 8.40 billion with respect to past service pension benefits (detailed disclosure in note 17 to the financial statements). Excluding this charge, the normalized PBT was recorded at Rs. 19.01 billion during H1'18.

### **Financial Results**

UBL posted unconsolidated profit after tax (PAT) amounting to Rs. 6.27 billion for H1'18 (H1'17: Rs. 13.24 billion). Earnings per share (EPS) stood at Rs. 5.12 compared to Rs. 10.82 during H1'17. On a consolidated basis, UBL recorded PAT of Rs. 6.11 billion (H1'17: Rs. 13.29 billion).



## Net Markup Income

Net markup income closed at Rs. 28.1 billion during H1'18, in line with the same period last year. The average asset base grew from Rs. 1.61 trillion in H1'17 to Rs. 1.82 trillion in H1'18, enabling the Bank to sustain its core interest earnings. This growth is attributed to aggressive buildup in current deposits within Domestic Bank that witnessed a 17% year on year growth in averages. Our Branch Banking strategy is geared towards scaling up NTB customer acquisitions across core deposits. This resulted in the average domestic CASA mix improving from 82.4% in H1'17 to 86.3% in H1'18. Extending its trend of consistent reduction, the domestic cost of deposits declined from 2.75% in H1'17 to 2.60% in H1'18. Average deposit base grew by 6% compared to H1'17 to close at Rs. 1.24 trillion in H1'18. This being in line with a clear strategy of shedding expensive deposits and maintaining an efficient cost of deposits profile. This has well-positioned the funding base of the Bank to absorb the impact of the rising rate scenario emerging from the increase in the SBP target rate from 6.5% in May'18 to 7.5% in July 2018.

The average advances portfolio for the Domestic Bank was recorded at Rs. 455.4 billion with strong growth of 38%, H1'18 vs. H1'17. This was led by a buildup in the portfolio of the Corporate Banking Group that delivered 35% growth in averages H1'18 vs. H1'17. This includes a well-diversified sectoral mix while optimizing on capital allocation through external credit ratings of the portfolio. SME business brought forth its growth momentum from the previous year as its average loan book grew by around 28% over H1'17. The Consumer portfolio recorded a 33% growth, primarily led by auto financing. This has resulted in a steady improvement in the advances to deposits ratio from 45.9% at Jun'17 to 52.1% at Jun'18 (Dec'17: 47.3%).

The Bank's PIB holdings averaged at Rs. 487 billion during H1'18 compared to Rs. 555 billion in H1'17. Invested at an average yield of 8.6% (H1'17: 9.0%), the portfolio maintained strong support to the overall net interest margins. The average T-Bills portfolio grew from Rs. 163 billion in H1'17 to Rs. 286 billion in H1'18.

## Non-Markup Income

Constituting 34% of the Bank's gross revenue (H1'17: 31%), Non-Fund Income (NFI) grew by 16% over H1'17 to close at Rs. 14.29 billion. The Bank's NFI is driven by a diversified fee based product suite along-with a proactive trading strategy of the Treasury and Capital Markets business segment.



Fees and commissions, with a share of 47% in overall NFI (H1'17: 48%), closed at Rs. 6.73 billion in H1'18, a 14% growth over H1'17. The domestic fee income was up by nearly 30% year on year, with growth across all major lines of businesses.

We further strengthened our leadership in the home remittances space as our market share improved from 25% in H1'17 to nearly 30% in H1'18. Resultantly, commissions from home remittances witnessed a 29% growth on a year on year basis. Focus on increasing debit card penetration continues with over 340,000 new cards issued during H1'18 (H1'17: 329,000) with fee income growing by 35% over the corresponding period last year. Strong sales drive in Bancassurance led to commissions recording a growth of 32% compared to H1'17. Income from trade grew by 15% over H1'17 with focus on enhancing client coverage and capturing non-oil trade flows. Cash management commissions grew by 26% over the corresponding period last year as the Bank actively tapped new mandates in addition to deepening relationships with the existing clientele. Investment banking fees also saw significant growth in the first half of the year led by debt arrangement mandates in the power sector.

The Bank realized capital gains amounting to Rs. 4.54 billion (H1'17: Rs. 3.84 billion), mainly on the fixed income bonds portfolio. Dividend income stood at Rs. 1.16 billion during the period under review (H1'17: Rs. 1.29 billion), supported by sustained payouts from investments in the fertilizer and energy sectors. The overall dividend yield on the portfolio stood at a healthy 9.2% during H1'18 (H1'17: 9.4%). FX income was recorded at Rs. 1.45 billion during H1'18, an increase of 76% over H1'17, with active performance by the corporate sales desk along with strong gains on trading positions.

### **Provisions and loan losses**

Strong recovery efforts led by the Special Asset Management Division resulted in further reduction in domestic non-performing loans (NPLs) from Rs. 28.19 billion at Dec'17 to Rs. 27.77 billion at Jun'18. Consequently, the Bank recorded net provision reversals of Rs. 543.74 million in H1'18 (H1'17: net provision reversals of Rs. 1.17 billion) within Domestic Bank. The asset quality for domestic advances continues to improve, being measured at 5.2% as at June'18 (Dec'17: 6.2%). This is in line with a focus on maintaining strong underwriting standards and building on long standing corporate relationships. The domestic NPLs stood well reserved with coverage at 88.8% at Jun'18 (Dec'17: 90.7%).

Given the economic slowdown within the GCC, prudent classification resulted in further NPL recognition of Rs. 5.38 billion over Dec'17, as the International NPL stock closed at Rs. 28.26 billion at Jun'18. A provision charge of Rs. 5.08 billion was taken against the international



portfolio during H1'18 (H1'17: charge of Rs. 705 million). Specific coverage against International NPLs was enhanced from 58% at Dec'17 to 71% as at Jun'18.

At the Bank level, asset quality was recorded at 7.7% at Jun'18 (Dec'17: 7.9%) with specific coverage against NPLs enhanced from 76% at Dec'17 to 80% at Jun'18.

UBL recorded a total net provision charge of Rs. 4.53 billion in H1'18 against net provision reversals of Rs. 460 million in the corresponding period last year.

### **Cost management**

The Bank seeks to optimize the cost base while ensuring adequate re-investment in businesses to provide a strong platform for growth initiatives. Administrative expenses were recorded at Rs. 18.52 billion during H1'18, a growth of 7% over H1'17. Personnel cost increased by 4% against H1'17 in line with hiring across the network, mainly within the Branch Banking Group. Despite the impact of annual increments, the overall staff cost level remained well contained. Premises costs increased marginally by 3% year on year, mainly due to rent renewals while maintaining a strong focus on reduction in utility expenses. Variable expenses moved in line with the strong business momentum on deposit mobilization and volume growth in fee based businesses. The cost to income ratio increased marginally from 42.9% in H1'17 to 43.7% in H1'18.

### **Balance Sheet Management**

Domestic deposits stood at Rs. 1.06 trillion at Jun'18, a growth of 3% over Dec'17. The market share was maintained at over 8% at Jun'18 as the Bank's core deposits strength maintained the liquidity profile. Our Branch Banking strategy is focused on building an optimal CASA profile to minimize cost of deposits as against aggressive market share acquisition.

The net advances portfolio of the Bank stood at Rs. 675.1 billion at Jun'18, a growth of 12% over Rs. 604.6 billion as at Dec'17. The domestic loan book expanded by 19% over Dec'17 with aggressive build up across the Corporate, Consumer and SME businesses. The Bank's loan growth strategy is directed towards booking quality assets while maximizing relationship yields and maintaining a capital efficient risk weighted assets (RWA) profile.

The investments portfolio closed at nearly Rs. 800 billion at Jun'18 (Dec'17: Rs. 1.09 trillion). Liquidity is primarily deployed in treasury securities with Rs. 450 billion invested in Pakistan

Investment Bonds at a yield of over 8.6% and Rs. 218 billion in Treasury Bills. Our equity book stood at Rs. 17.6 billion at Jun'18, consisting of investments with a long-term view to earn stable dividend streams.

### **Capital Ratios**

UBL's capital ratios remained strong with the Common Equity Tier 1 ratio strengthening by 60 bps to 11.9% as at Jun'18 over the Dec'17 level of 11.3%. The overall Capital Adequacy Ratio stood at 16.3% (Dec'17: 15.4%).

The Board of Directors of UBL declared an interim dividend of 30% (Rs. 3 per share) in their meeting in Karachi held on 2 August 2018, along with the results for the half year ended 30 June 2018.

### **UBL Digital**

UBL remains an industry leader in innovation with focus on customer oriented product development that establishes a niche versus competition. We have made significant headway in our digital transformation journey, the first milestone being the establishment of the 'Digital Lab' last year to drive innovation in products and processes. For us, Digital is more than a channel; it encompasses experiential banking guided by human centered design principles.

During the current period, we carried out the nationwide launch of our state of the art net banking app, "UBL Digital". The app allows customers to manage their accounts 24/7 in a secure, efficient and convenient manner and is equipped with advanced features such as augmented reality, facial recognition and QR code based payments. The app launch was backed by an effective TV campaign as well as ads on the radio, print and digital media.

Our branchless banking proposition, UBL Omni, continues to lead the way in banking the unbanked and contributing towards a more financially inclusive Pakistan. The Omni platform has brought mobile banking within the reach of every customer, enabling them to open a UBL Omni bank account at any Omni Dukaan by using their CNIC number and mobile phone number. The coverage of our Omni 'Dukaan' network extends to nearly 40,000 agents spanning to more than 1,500 cities and towns. Digital client onboarding resulted in over 148,000 NTB customers being added year to date, taking our total customer base to 2.8 million at Jun'18.



## Economy Review

Pakistan's macros came under pressure during the period under review, impacted by heightened political uncertainty and essentially a spiraling current account deficit. Sustained economic growth, however, still remains a major positive as real GDP witnessed a 5.8% growth in FY'18 (FY'17: 5.3%).

On a year on year basis, the country's exports stood at USD 23.2 billion for FY'18 with a 13.71% increase over FY'17. On the other hand, driven by the strong pickup in economic activity, the volume of imports increased by 15% to close at USD 60.87 billion for FY'18. Thus, the country's trade deficit deteriorated from USD 32.5 billion during FY'17 to USD 37.6 billion in FY'18. Home remittances levels remained unchanged, growing by a mere 1.4% year on year during the period. Resultantly, the current account deficit widened to USD 18.0 billion during FY'18 against USD 12.6 billion in FY'17 i.e. an increase of over 42.6%. Furthermore, FX reserves declined from USD 20.2 billion at Dec'17 to USD 16.4 billion at Jun'18. This resulted in strong pressure on the USD - PKR exchange rate, which closed at Rs. 121.50 as at June 30<sup>th</sup> 2018 with a devaluation of 10.0% versus Dec'17. The interbank exchange rate further slipped to below Rs. 128 during the month of Jul'18.

Inflationary pressures have started to build up as for the month of Jun'18 CPI closed at 5.2%. However, FY'18 average CPI was recorded at 3.9%, lower than the 4.2% average maintained during FY'17.

Given the challenges on the external account front, the State Bank of Pakistan, in its monetary policy statements announced on May 25, 2018 and July 14, 2018 increased the policy rate by 50 bps and 100 bps respectively, taking the benchmark rate to 7.50%. This marks the third rate hike in the current year, with a 25 bps rate also announced in Jan'18.

The Pakistan Stock Exchange (PSX) closed in June'18 at 41,911 points, recording a YTD CY'18 return of 3.6% amidst concerns around the external account, political uncertainty and downgrade in credit outlook by Moody's from stable to negative.

Banking sector deposits were reported at Rs. 13.06 trillion in Jun'18, a growth of 5.7% relative to Dec'17 levels. Banking sector advances for the same period closed at Rs. 6.90 trillion, 5.6% higher compared to Dec'17. Loan offtake continues to be backed by private sector credit that grew by 10.9% over Dec'17 to reach Rs. 5.3 trillion at Jun'18. Non-performing loans for the banking industry rose by 1.3% against Dec'17 to end Mar'18 at Rs. 600.4 billion, with the gross infection ratio improving by 10 bps to 8.3% (Dec'17: 8.4%).



## UBL International

The market scenario remained challenging across the GCC region in view of range bound oil prices, fiscal tightening and imposition of new taxes. We are pursuing a clear strategy to de-risk the International business with maintaining the asset base only within established, top tier corporate relationships, participating within FI syndicates and Treasury investments. UBL International has increased its efforts to maximize recoveries from non-performing accounts and prudently providing for potential loan losses. Being cognizant of the portfolio stresses, we have enhanced our scale of due diligence and strengthened risk vigilance. The deposits strategy is to shore up CASA deposits to strengthen the sustainable, core funding base as well as reducing portfolio concentration. UBL International's average deposits base closed at USD 2.2 billion, in line with H1'17. The cost of deposits was maintained at a relatively lower level of 2.2%, despite the increase in US FED interest rates (Jun'17: 1.25%). The gross advances portfolio closed at USD 1.54 billion (Dec'17: USD 1.72 billion) with asset yields at 5.0% for H1'18 (H1'17: 4.9%). The investment portfolio, consisting primarily of foreign bonds, closed at USD 662 million (Dec'17: USD 708 million) yielding a healthy 6.5% (H1'17: 7.6%).

## Credit Rating

JCR-VIS Credit Rating Company Limited (JCR-VIS) re-affirmed the entity ratings of United Bank Limited (UBL) at 'AAA/A-1+' (Triple A/A-One Plus) on June 29, 2018. Outlook on the assigned ratings is 'Stable'. The ratings incorporate the sustained soundness in key performance areas including asset quality, capitalization and profitability. These are reflective of UBL's strong domestic franchise, market share and a well-diversified business model.

## Future Outlook

At UBL, we remain firm in our commitment to actively contribute to Pakistan's economic development by investing in sectors that drive the country's growth engine and enabling better access to financial services. Branch Banking shall remain at the core of our franchise where we seek to expand our customer footprint by targeting NTB relationships and maximizing network performance. We shall deepen our penetration in the lending space by actively tapping financing opportunities in the power and infrastructure sectors. Credit expansion shall be directed by risk optimization and building RWA synergies across both Domestic and International Bank. The Bank seeks to strengthen its technological leadership by building payment ecosystems and state of the art digital offerings. We strive to elevate service quality standards that exceed our customer expectations, while driving cost efficiencies across branches and controlling offices. We remain well positioned to grow our balance sheet in a

prudent manner, while leveraging on an efficient deposits mix that supports core earnings in a rising rate environment.

### **Acknowledgements**

In the end, we would like to express sincere appreciation to our shareholders and customers for their continued patronage. We value the efforts of our dedicated employees who are relentless in their commitment to better serving our customers. We would also like to extend our gratitude to the Government of Pakistan, the State Bank of Pakistan, the Securities & Exchange Commission and other regulatory bodies for their direction and consistent support.

For and on behalf of the Board,

A handwritten signature in blue ink, appearing to read 'M. Anwar Pervez', followed by a long horizontal line.

Sir Mohammed Anwar Pervez, OBE, HPk

Chairman

Karachi

02 August 2018



# **UNITED BANK LIMITED**

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**UNCONSOLIDATED CONDENSED  
INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED  
JUNE 30, 2018  
(UNAUDITED)**



## **INDEPENDENT AUDITORS' REVIEW REPORT**

### **TO THE MEMBERS OF UNITED BANK LIMITED ON REVIEW OF INTERIM FINANCIAL STATEMENTS**

#### ***Introduction***

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of United Bank Limited ("the Bank") as at June 30, 2018 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim statement of changes in equity and unconsolidated condensed interim cash flow statement, and notes to the financial statements for the six-month period then ended (hereinafter referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

#### ***Scope of Review***

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

#### ***Conclusion***

The figures for the quarters ended June 30, 2018 and June 30, 2017 in the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

The engagement partners on the review resulting in this independent auditor's review report are Amyn Malik (KPMG Taseer Hadi & Co.) and Salman Hussain (A. F. Ferguson & Co.).



**A.F. Ferguson & Co.**  
**Chartered Accountants**

**Date: August 6, 2018**

**Karachi**



**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2018**

	Note	(Un-audited) June 30, 2018	(Audited) December 31, 2017 Restated ------(Rupees in '000)-----
<b>ASSETS</b>			
Cash and balances with treasury banks		159,775,666	157,582,687
Balances with other banks		29,746,427	19,516,198
Lendings to financial institutions	6	41,959,888	33,664,174
Investments	7	799,772,375	1,091,786,626
Advances	8	675,129,458	604,562,193
Operating fixed assets	9	47,691,038	46,204,564
Deferred tax asset - net		3,643,405	-
Other assets		58,644,376	54,065,004
		<u>1,816,362,633</u>	<u>2,007,381,446</u>
<b>LIABILITIES</b>			
Bills payable		15,561,196	13,388,316
Borrowings	10	293,439,443	512,650,465
Deposits and other accounts	11	1,315,362,651	1,289,247,251
Subordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liability - net		-	2,611,941
Other liabilities		40,262,727	30,176,426
		<u>1,664,626,017</u>	<u>1,848,074,399</u>
<b>NET ASSETS</b>		<u>151,736,616</u>	<u>159,307,047</u>
<b>REPRESENTED BY:</b>			
Share capital		12,241,798	12,241,798
Reserves		48,685,361	43,846,877
Unappropriated profit		66,424,324	70,912,406
		<u>127,351,483</u>	<u>127,001,081</u>
Surplus on revaluation of assets - net of deferred tax	12	24,385,133	32,305,966
		<u>151,736,616</u>	<u>159,307,047</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	13		

The annexed notes from 1 to 26 form an integral part of these unconsolidated condensed interim financial statements.

 Aameer Karachiwalla Chief Financial Officer	 Sima Kamil President & Chief Executive Officer	 Amar Zafar Khan Director	 Arshad Ahmed Mir Director	 Sir Mohammed Anwar Pervaz, OBE, HPK Chairman
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**UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

	Note	April - June 2018	April - June 2017	January - June 2018	January - June 2017
(Rupees in '000)					
Mark-up / return / interest earned	14	26,018,152	25,794,875	54,164,809	49,683,101
Mark-up / return / interest expensed	15	(11,817,397)	(11,492,275)	(26,109,232)	(21,668,388)
Net mark-up / return / interest income		14,200,755	14,302,600	28,055,577	28,014,713
(Provision) / reversal against loans and advances - net		(1,694,334)	692,578	(3,704,804)	663,403
Reversal of provision against lendings to financial institutions - net		64,549	7,260	122,149	8,260
Provision for diminution in value of investments - net		(555,819)	(137,480)	(574,452)	(188,888)
Bad debts written off directly		(22,110)	(8,913)	(36,015)	(24,888)
		(2,207,714)	553,445	(4,193,122)	457,887
Net mark-up / return / interest income after provisions		11,993,041	14,856,045	23,862,455	28,472,600
<b>Non mark-up / interest income</b>					
Fee, commission and brokerage income		3,781,006	3,120,833	6,727,671	5,907,757
Dividend income		588,028	739,386	1,158,938	1,291,554
Income from dealing in foreign currencies		911,193	404,209	1,446,754	822,422
Gain on sale of securities - net		1,476,021	1,493,060	4,543,115	3,833,565
Unrealised (loss) / gain on revaluation of investments classified as held for trading		(585)	8,082	(1,290)	2,483
Other income		221,039	304,698	410,801	488,043
Total non mark-up / interest income		6,976,702	6,070,268	14,285,989	12,345,824
		18,969,743	20,926,313	38,148,444	40,818,424
<b>Non mark-up / interest expenses</b>					
Administrative expenses	16	(9,861,788)	(8,797,242)	(18,516,714)	(17,316,904)
Other provisions / write offs - net		(412,018)	(13,320)	(338,980)	2,508
Workers' Welfare Fund		(158,208)	(241,073)	(282,035)	(473,371)
Other charges		(3,587)	(58,322)	(4,019)	(58,640)
Total non mark-up / interest expenses		(10,435,601)	(9,109,957)	(19,141,748)	(17,846,407)
<b>Profit before extraordinary / unusual item and taxation</b>		8,534,142	11,816,356	19,006,696	22,972,017
Extraordinary / unusual item - Accrual in respect of pension liability	17	(2,000,000)	-	(8,404,635)	-
<b>Profit before taxation</b>		6,534,142	11,816,356	10,602,061	22,972,017
Taxation - Current		(3,387,137)	(4,298,744)	(5,596,336)	(8,301,375)
- Prior		-	(459,532)	172,200	(459,532)
- Deferred		478,446	(1,069,090)	1,092,779	(966,975)
		(2,908,691)	(5,827,366)	(4,331,357)	(9,727,882)
<b>Profit after taxation</b>		3,625,451	5,988,990	6,270,704	13,244,135
(Rupees)					
<b>Earnings per share - basic and diluted</b>		2.96	4.89	5.12	10.82

The annexed notes from 1 to 26 form an integral part of these unconsolidated condensed interim financial statements.

  
Aameer Karachiwalla  
Chief Financial Officer

  
Sima Kamil  
President &  
Chief Executive Officer

  
Amar Zafar Khan  
Director

  
Arshad Ahmed Mir  
Director

  
Sir Mohammed Anwar Pervez, OBE, HPK  
Chairman



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

	April - June 2018	April - June 2017	January - June 2018	January - June 2017
	(Rupees in '000)			
<b>Profit after taxation</b>	3,625,451	5,988,990	6,270,704	13,244,135
<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	2,105,218	(186,695)	4,211,414	(79,964)
	2,105,218	(186,695)	4,211,414	(79,964)
<b>Other comprehensive income transferred to equity</b>	5,730,669	5,802,295	10,482,118	13,164,171
<i>Items that may be reclassified to profit or loss in subsequent periods</i>				
Deficit arising on revaluation of available for sale securities	(5,991,127)	(4,431,557)	(12,104,998)	(4,560,882)
Related deferred tax reversal	2,096,894	1,557,130	4,236,749	1,596,308
	(3,894,233)	(2,874,427)	(7,868,249)	(2,964,574)
<b>Total comprehensive income during the period - net of tax</b>	<u>1,836,436</u>	<u>2,927,868</u>	<u>2,613,869</u>	<u>10,199,597</u>

The annexed notes from 1 to 26 form an integral part of these unconsolidated condensed interim financial statements.

  
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Amar Zafar Khan  
Director

  
Arshad Ahmed Mir  
Director

  
Sir Mohammed Anwar Pervez, OBE, HPK  
Chairman

**UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

	January - June 2018	January - June 2017
	------(Rupees in '000)-----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	10,602,061	22,972,017
Less: Dividend income	(1,158,938)	(1,291,554)
	9,443,123	21,680,463
<b>Adjustments:</b>		
Depreciation on operating fixed assets	1,116,336	992,052
Depreciation on Islamic financing against leased assets (Ijarah)	96,272	97,272
Amortization	216,038	163,955
Workers' Welfare Fund	282,035	473,371
Provision for retirement benefits	8,758,312	309,864
Provision for compensated absences	64,120	149,359
Provision / (reversal) against loans and advances - net	3,704,804	(663,403)
Reversal of provision against lendings to financial institutions - net	(122,149)	(8,260)
Provision for diminution in value of investments - net	574,452	188,888
Gain on sale of operating fixed assets - net	(23,316)	(25,785)
Gain on sale of ijarah assets - net	(1,301)	(1,144)
Unrealised loss / (gain) on revaluation of investments classified as held for trading	1,290	(2,483)
Bad debts written-off directly	36,015	24,888
Other provisions - net	338,980	(2,508)
	15,041,888	1,696,066
	24,485,011	23,376,529
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(8,309,736)	(1,994,631)
Held for trading securities	69,497,486	(20,539,486)
Advances	(75,539,157)	(54,260,919)
Other assets (excluding advance taxation)	(1,452,973)	(808,906)
	(15,804,380)	(77,603,942)
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	2,172,880	5,788,393
Borrowings	(219,211,022)	188,776,802
Deposits and other accounts	26,115,400	75,982,975
Other liabilities (excluding current taxation)	1,244,284	2,045,911
	(189,678,458)	272,594,081
	(180,997,827)	218,366,668
Payments on account of staff retirement benefits	(692,918)	(446,633)
Income taxes paid	(8,656,368)	(11,340,709)
Net cash (outflow) / inflow from operating activities	(190,347,113)	206,579,326
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	181,416,480	(154,719,041)
Net investments in held to maturity securities	27,105,944	(25,330,107)
Net investments in subsidiaries and associates	407,951	2,815,909
Dividend income received	1,066,600	1,114,221
Investment in operating fixed assets	(2,797,997)	(3,764,312)
Sale proceeds from disposal of operating fixed assets	33,952	47,746
Sale proceeds from disposal of ijarah assets	30,622	37,685
Net cash inflow / (outflow) from investing activities	207,263,552	(179,797,899)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividends paid	(8,704,645)	(8,294,680)
	8,211,794	18,486,747
Exchange differences on translation of net investment in foreign branches	4,211,414	(79,964)
<b>Increase / (decrease) in cash and cash equivalents during the period</b>	12,423,208	18,406,783
Cash and cash equivalents at beginning of the period	177,098,885	146,427,855
<b>Cash and cash equivalents at end of the period</b>	189,522,093	164,834,638

The annexed notes from 1 to 26 form an integral part of these unconsolidated condensed interim financial statements.

  
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Chief Financial Officer

  
Sima Kamil  
President &  
Chief Executive Officer

  
Amar Zafar Khan  
Director

  
Arshad Ahmed Mir  
Director

  
Sir Mohammed Anwar Pervez, OBE, HPK  
Chairman



# UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED JUNE 30, 2018

	Share capital	Statutory reserve	Capital reserve - Exchange translation	Unappropriated profit	Total
	(Rupees in '000)				
<b>Balance as at January 1, 2017 (Audited)</b>	12,241,798	27,197,615	13,256,890	64,246,270	116,942,573
<b>Transactions with owners for the six months ended June 30, 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)
Interim cash dividend - March 31, 2017 declared at Rs. 3.0 per share	-	-	-	(3,672,539)	(3,672,539)
	-	-	-	(8,569,258)	(8,569,258)
<b>Total comprehensive income for the six months ended June 30, 2017</b>					
Profit after taxation for the six months ended June 30, 2017	-	-	-	13,244,135	13,244,135
Other comprehensive income - net of tax	-	-	(79,964)	-	(79,964)
Total comprehensive income for the six months ended June 30, 2017	-	-	(79,964)	13,244,135	13,164,171
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	25,019	25,019
Transfer to statutory reserve	-	1,324,414	-	(1,324,414)	-
<b>Balance as at June 30, 2017 (Un-audited)</b>	12,241,798	28,522,029	13,176,926	67,621,752	121,562,505
<b>Transactions with owners for the six months ended December 31, 2017</b>					
Interim cash dividend - June 30, 2017 declared at Rs. 3.0 per share	-	-	-	(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)
	-	-	-	(7,345,078)	(7,345,078)
<b>Total comprehensive income for the six months ended December 31, 2017</b>					
Profit after taxation for the six months ended December 31, 2017	-	-	-	12,177,097	12,177,097
Other comprehensive income - net of tax	-	-	930,213	(107,618)	822,595
Total comprehensive income for the six months ended December 31, 2017	-	-	930,213	12,069,479	12,999,692
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	25,547	25,547
Transfer to statutory reserve	-	1,217,709	-	(1,217,709)	-
<b>Balance as at December 31, 2017 as previously reported (Audited)</b>	12,241,798	29,739,738	14,107,139	71,153,991	127,242,666
Change in accounting policy - refer note 4.1.1	-	-	-	(241,585)	(241,585)
<b>Balance as at December 31, 2017 (Restated)</b>	12,241,798	29,739,738	14,107,139	70,912,406	127,001,081
Change in accounting policy as at January 1, 2018 - refer note 4.1.2	-	-	-	(1,590,688)	(1,590,688)
<b>Balance as at January 1, 2018 (Restated)</b>	12,241,798	29,739,738	14,107,139	69,321,718	125,410,393
<b>Transactions with owners for the six months ended June 30, 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)
Interim cash dividend - March 31, 2018 declared at Rs. 3.0 per share	-	-	-	(3,672,539)	(3,672,539)
	-	-	-	(8,569,258)	(8,569,258)
<b>Total comprehensive income for the six months ended June 30, 2018</b>					
Profit after taxation for the six months ended June 30, 2018	-	-	-	6,270,704	6,270,704
Other comprehensive income - net of tax	-	-	4,211,414	-	4,211,414
Total comprehensive income for the six months ended June 30, 2018	-	-	4,211,414	6,270,704	10,482,118
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	28,230	28,230
Transfer to statutory reserve	-	627,070	-	(627,070)	-
<b>Balance as at June 30, 2018 (Un-audited)</b>	12,241,798	30,366,808	18,318,553	66,424,324	127,351,483


The annexed notes from 1 to 26 form an integral part of these unconsolidated condensed interim financial statements.

  
Aameer Karachiwalla  
Chief Financial Officer

  
Sima Kamil  
President &  
Chief Executive Officer

  
Amar Zafar Khan  
Director

  
Arshad Ahmed Mir  
Director

  
Sir Mohammed Anwar Pervaz, OBE, HPK  
Chairman



## NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2018

### 1. STATUS AND NATURE OF BUSINESS

United Bank Limited (the Bank) is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's registered office and principal office are situated at UBL Building, Jinnah Avenue, Blue Area, Islamabad and at UBL Head Office, I. I. Chundrigar Road, Karachi respectively. The Bank operates 1,363 (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 (Holdings) 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.

### 2. BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated condensed interim financial statements as such, but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon. The Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan and notified under the provisions of the Companies Act, 2017.

Key financial figures of the Islamic Banking branches are disclosed in note 23 to these unconsolidated condensed interim financial statements.

### 3. STATEMENT OF COMPLIANCE

3.1 These unconsolidated condensed interim financial statements of the Bank have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962;
- Provisions of and directives issued under the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Wherever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives prevail.

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. Moreover, SBP vide BPRD circular no. 4, dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standards (IFAS) 3, Profit and Loss Sharing on Deposits. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, International Financial Reporting Standard (IFRS) 7, Financial Instruments: Disclosures has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP. 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.



## NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2018

- 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 repealed Companies Ordinance, 1984 will not be applicable with respect to the investment in mutual funds established under Trust structure.
- 3.4 The Companies Ordinance, 1984 was repealed after enactment of the Companies Act, 2017, on May 30, 2017. The SECP vide its Circular No. 23 of 2017, dated October 04, 2017 allowed all those companies whose financial year closed on or before December 31, 2017, were required to prepare financial statements in accordance with the provisions of repealed Companies Ordinance, 1984. Accordingly, these unconsolidated condensed interim financial statements have been prepared in accordance with Companies Act, 2017. Change to the significant accounting policy, as a result of the enactment of the Companies Act, 2017, has been detailed in note 4.1.1. Moreover, for certain overseas branches, the Bank has changed its accounting policy and followed the requirements of IFRS 9 as more fully explained in note 4.1.2.
- 3.5 The disclosures made in these unconsolidated condensed interim financial statements have been limited based on a format prescribed by the SBP vide BSD Circular Letter No. 2 dated May 12, 2004 and IAS 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the unconsolidated financial statements of the Bank for the year ended December 31, 2017.
- 3.6 These unconsolidated condensed interim financial statements represent the separate condensed interim financial statements of the Bank. The consolidated condensed interim financial statements of the Bank and its subsidiary companies are presented separately.
- 3.7 **Standards, interpretations and amendments to approved accounting standards that are not yet effective**

The following revised standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned below against the respective standard or interpretation:

- **IFRS 9 'Financial Instruments' - effective date: July 1, 2018**

The Bank is currently awaiting instructions from the SBP as applicability of IAS 39 was deferred by the SBP till further instructions. However, the SBP has instructed banks to prepare potential qualitative and quantitative impact assessments as a result of adoption of IFRS 9 using the performa financial statements for the year ended December 31, 2017. The Bank is required to submit its impact assessment to the SBP in due course of time. For certain overseas branches, the Bank has adopted IFRS 9 in respect of provision for impairment as more fully explained in note 4.1.2.

- **IFRS 15 'Revenue from contracts with customers' - effective date: July 1, 2018**

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 'Revenue' which covers contracts for goods and services and IAS 11 'Construction Contracts' which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. A new five-step process has been introduced which must be applied before revenue can be recognised. Entities will have a choice of full retrospective application, or prospective application with additional disclosures.

The Bank is currently in the process of assessing the potential impacts of changes required in revenue recognition policies upon adoption of the standard.

- **IFRS 16 'Leases' - effective date: January 1, 2019**

IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on statement of financial position. The standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting for lessors will not significantly change.

As at the reporting date, the Bank has non-cancellable operating lease commitments. However, the Bank is currently in the process of assessing the potential impacts of changes as a result of adoption of IFRS 16.



## NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2018

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or will not have any significant effect on the Bank's operations and are therefore not detailed in these unconsolidated condensed interim financial statements.

### 3.8 Standards, interpretations and amendments to approved accounting standards that are effective in the current year

There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2018 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these unconsolidated condensed interim financial statements.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT

4.1 The accounting policies adopted in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the unconsolidated financial statements of the Bank for the year ended December 31, 2017, except for the following:

### 4.1.1 Surplus on revaluation of fixed assets - net of deferred tax

The Companies Ordinance, 1984 was repealed through the enactment of the Companies Act, 2017. However, as directed by the Securities and Exchange Commission of Pakistan vide Circular No. 23 dated October 4, 2017, the financial reporting requirements of the Companies Act, 2017 were only made applicable for reporting periods starting from January 1, 2018.

Consequently, the Bank has changed its policy for accounting for a deficit arising on revaluation of fixed assets. The Bank's previous accounting policy (as described in Note 5.5.1 of the annual unconsolidated financial statements), in accordance with the repealed Companies Ordinance, 1984, required that a deficit arising on revaluation of a particular property was to be adjusted against the total balance in the surplus account or, if no surplus existed, was to be charged to the profit and loss account as an impairment of the asset. The Companies Act, 2017 removed the specific provisions allowing the above treatment. A deficit arising on revaluation of a particular property is now to be accounted for in accordance with IFRS, which requires that such deficit cannot be adjusted against surplus in another property, but is to be taken to the profit and loss account as an impairment.

The effect of this change in accounting policy, which is applied with retrospective effect, is as follows:

	As at December 31, 2017		
	Previously stated	Change	Restated
		Rupees in '000	
Impact on Statement of Financial Position			
Unappropriated profit	71,153,991	(241,585)	70,912,406
Surplus on revaluation of fixed assets / non-banking assets	25,835,597	241,585	26,077,182

There is no impact on the unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income and unconsolidated condensed interim cash flow statement.

The impact above relates to revaluation of fixed assets carried out as at December 31, 2017. There were no material impacts relating to periods prior to December 31, 2017.

### 4.1.2 Impairment on financial assets

As per the accounting policy of the Bank, the provision against balances with other banks, investments, lendings to financial institutions and advances of overseas branches is made as per the requirement of the respective regulatory regimes. During the current year, IFRS – 9 became applicable for certain overseas branches of the Bank (i.e. branches in UAE, Bahrain and Qatar). Accordingly, in respect of such branches, the Bank has changed its accounting policy and has followed the requirements of IFRS – 9, while determining the provisioning requirements against balances with other banks, investments, lendings to financial institutions and advances. Under this standard, provision against balances with other banks, investments, lendings to financial institutions and advances is determined under expected credit loss model. Previously, this was determined under the incurred loss model.

## NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2018

The adoption of this standard by certain overseas branches resulted in additional provisioning requirement of Rs. 2.447 billion (net of deferred tax amounting to Rs. 1.590 billion) as at December 31, 2017. The amount of additional provision has been adjusted in the opening retained earnings as allowed under IFRS 9 and permitted by the State Bank of Pakistan. The impacts of change in policy can be summarised as follows:

	As at June 30, 2018	As at January 1, 2018
	----- (Rupees in '000) -----	
<b>Impact on Statement of Financial Position</b>		
Balances with other banks	71,633	92,056
Investments	905,649	871,640
Lendings to financial institutions	67,721	136,486
Advances	1,107,530	1,135,786
Other liabilities (provision against off balance sheet obligations)	605,865	211,244
	<u>2,758,398</u>	<u>2,447,212</u>
Less: related deferred tax	<u>(965,439)</u>	<u>(856,524)</u>
	<u>1,792,959</u>	<u>1,590,688</u>

	<b>For the six months ended June 30, 2018 (Rupees in '000)</b>
<b>Impact on Profit and Loss Account</b>	
- Profit before tax would have been higher by	<u>311,186</u>
	<b>(Rupees)</b>
- Earnings per share would have been higher by	<u>0.17</u>

There would be no impact on the cash flow statement.

- 4.2 The financial risk management objectives and policies are consistent with those disclosed in the unconsolidated financial statements of the Bank for the year ended December 31, 2017.

### 5. BASIS OF MEASUREMENT

- 5.1 These unconsolidated condensed interim financial statements have been prepared under the historical cost convention except that certain operating fixed assets / non-banking assets acquired in satisfaction of claims have been stated at revalued amounts, 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 Judgements and estimates

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

The significant judgments made by management in applying its accounting policies and the key sources of estimation uncertainty were the same as those applied to the unconsolidated financial statements of the Bank for the year ended December 31, 2017.

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	----- (Rupees in '000) -----	
<b>6. LENDINGS TO FINANCIAL INSTITUTIONS</b>		
Call money lendings	17,700,000	585,000
Repurchase agreement lendings	5,351,000	6,931,953
Bai Muajjal receivable from State Bank of Pakistan	-	3,109,215
Other lendings to financial institutions	<u>19,822,412</u>	<u>23,870,481</u>
	<u>42,873,412</u>	<u>34,496,649</u>
Provision against lendings to financial institutions	<u>(913,524)</u>	<u>(832,475)</u>
	<u>41,959,888</u>	<u>33,664,174</u>



**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

**7. INVESTMENTS**

**7.1 Investments by type**

Note	(Un-audited) June 30, 2018			(Audited) December 31, 2017		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
(Rupees in '000)						
<b>Held for trading securities</b>						
Market Treasury Bills	34,233,593	1,352,482	35,586,075	59,117,369	45,383,907	104,501,276
Pakistan Investment Bonds	2,383	-	2,383	582,376	-	582,376
	34,235,976	1,352,482	35,588,458	59,699,745	45,383,907	105,083,652
<b>Available for sale securities</b>						
Market Treasury Bills	112,956,030	62,777,127	175,733,157	108,314,347	194,204,632	302,518,979
Pakistan Investment Bonds	18,112,785	153,077,642	171,190,427	23,830,510	205,729,962	229,560,472
Government of Pakistan Sukuk	18,758,227	-	18,758,227	19,102,273	-	19,102,273
Government of Pakistan Eurobonds	16,014,958	-	16,014,958	14,591,647	-	14,591,647
Ordinary shares of listed companies	17,582,602	-	17,582,602	18,362,304	-	18,362,304
Preference shares	426,917	-	426,917	391,315	-	391,315
Ordinary shares of unlisted companies	753,181	-	753,181	258,507	-	258,507
Investment in REIT	458,590	-	458,590	458,590	-	458,590
Term Finance Certificates	691,351	-	691,351	441,406	-	441,406
Foreign bonds - sovereign	30,907,283	-	30,907,283	25,512,258	-	25,512,258
Foreign bonds - others	7,142,571	-	7,142,571	10,450,815	-	10,450,815
	223,804,495	215,854,769	439,659,264	221,713,772	399,934,594	621,648,366
<b>Held to maturity securities</b>						
Market Treasury Bills	6,964,278	-	6,964,278	6,601,781	-	6,601,781
Pakistan Investment Bonds	279,305,401	-	279,305,401	311,766,517	-	311,766,517
Government of Pakistan Eurobonds	6,106,718	-	6,106,718	5,574,671	-	5,574,671
Government of Pakistan Sukuk	629,771	-	629,771	-	-	-
Term Finance Certificates	6,258,197	-	6,258,197	6,626,766	-	6,626,766
Sukuk	12,053,833	-	12,053,833	10,512,247	-	10,512,247
Participation Term Certificates	437	-	437	437	-	437
Debentures	2,266	-	2,266	2,266	-	2,266
Foreign bonds - sovereign	12,159,799	-	12,159,799	9,784,641	-	9,784,641
Foreign bonds - others	1,263,046	-	1,263,046	1,279,617	-	1,279,617
Recovery note	374,491	-	374,491	340,333	-	340,333
CDC SAARC Fund	264	-	264	240	-	240
Commercial Paper	227,224	-	227,224	227,224	-	227,224
	325,346,725	-	325,346,725	352,716,740	-	352,716,740
<b>Associates</b>						
UBL Liquidity Plus Fund	10,079	-	10,079	10,079	-	10,079
UBL Money Market Fund	9,850	-	9,850	9,850	-	9,850
Al Ameen Islamic Asset Allocation Fund	216,000	-	216,000	216,000	-	216,000
Al Ameen Islamic Financial Planning Fund	200,000	-	200,000	301,751	-	301,751
UBL Insurers Limited	240,000	-	240,000	240,000	-	240,000
Khushhali Bank Limited	832,485	-	832,485	832,485	-	832,485
Oman United Exchange Company, Muscat	14,862	-	14,862	14,152	-	14,152
DHA Cogen Limited	-	-	-	-	-	-
	1,523,276	-	1,523,276	1,624,317	-	1,624,317
<b>Subsidiaries</b>						
United National Bank Limited (UBL UK)	2,855,223	-	2,855,223	2,855,223	-	2,855,223
UBL (Switzerland) AG	589,837	-	589,837	589,837	-	589,837
UBL Fund Managers Limited	100,000	-	100,000	100,000	-	100,000
UBL Bank (Tanzania) Limited	1,831,006	-	1,831,006	1,322,014	-	1,322,014
United Executors and Trustees Company Limited	30,100	-	30,100	30,100	-	30,100
	5,406,166	-	5,406,166	4,897,174	-	4,897,174
	590,315,838	217,207,251	807,522,889	640,651,748	445,318,501	1,085,970,249
Provision for diminution in value of investments	(5,226,971)	-	(5,226,971)	(3,768,660)	-	(3,768,660)
<b>Investments - net of provisions</b>	585,088,867	217,207,251	802,296,118	636,883,088	445,318,501	1,082,201,589
Surplus / (deficit) on revaluation of available for sale securities	81,004	(2,603,257)	(2,522,253)	3,601,858	5,980,887	9,582,745
(Deficit) / surplus on revaluation of held for trading securities	(1,241)	(49)	(1,290)	119	2,173	2,292
<b>Total Investments</b>	585,168,430	214,603,945	799,772,375	640,485,065	451,301,561	1,091,786,626

**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.

**7.3** This represents the Bank's subscription towards the paid-up capital of Khushhali Bank Limited. Pursuant to section 10 of the Khushhali Bank Ordinance, 2000 strategic investors including the Bank cannot sell or transfer their investment before a period of five years that has expired on October 10, 2005. Thereafter, such sale / transfer would be subject to the prior approval of the SBP. However these shares are still appearing as frozen as no approval has been obtained by the Bank to unfreeze these shares.

**7.4** This includes provision for impairment on account of adoption of IFRS 9, as more fully explained in note 4.1.2.

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FOR THE SIX MONTHS ENDED JUNE 30, 2018**

	Note	(Un-audited) June 30, 2018	(Audited) December 31, 2017
		------(Rupees in '000)-----	
<b>8. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		494,582,521	413,891,656
Outside Pakistan		137,991,531	143,317,174
		632,574,052	557,208,830
Islamic financings and related assets	23.3	21,528,821	22,200,806
Bills discounted and purchased			
Payable in Pakistan		20,987,019	21,115,250
Payable outside Pakistan		48,977,909	46,027,549
		69,964,928	67,142,799
Advances - gross		724,067,801	646,552,435
Provision against advances			
Specific	8.1	(44,601,969)	(38,734,988)
General	8.2	(4,336,374)	(3,255,254)
Advances - net of provision		675,129,458	604,562,193

**8.1** Advances include Rs. 56,026.390 million (December 31, 2017: Rs. 51,072.827 million) which have been placed under non-performing status as detailed below:

Category of Classification	June 30, 2018 (Un-audited)			Provision required			Provision held		
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other assets especially mentioned*	90,306	-	90,306	4,432	-	4,432	4,432	-	4,432
Substandard	2,241,603	2,223,350	4,464,953	553,902	513,758	1,067,660	553,902	513,758	1,067,660
Doubtful	575,142	2,734,220	3,309,362	285,593	1,216,268	1,501,861	285,593	1,216,268	1,501,861
Loss	24,862,588	23,299,181	48,161,769	23,822,285	18,205,731	42,028,016	23,822,285	18,205,731	42,028,016
	27,769,639	28,256,751	56,026,390	24,666,212	19,935,757	44,601,969	24,666,212	19,935,757	44,601,969
Category of Classification	December 31, 2017 (Audited)			Provision required			Provision held		
	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	4,209,307	5,271,593	258,707	803,453	1,062,160	258,707	803,453	1,062,160
Doubtful	1,452,224	6,517,005	7,969,229	783,804	2,308,654	3,092,458	783,804	2,308,654	3,092,458
Loss	25,596,353	12,153,999	37,750,352	24,512,775	10,065,583	34,578,358	24,512,775	10,065,583	34,578,358
	28,192,516	22,880,311	51,072,827	25,557,298	13,177,690	38,734,988	25,557,298	13,177,690	38,734,988

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

**8.2** General provision represents provision amounting to Rs. 275.974 million (December 31, 2017: Rs. 247.323 million) against consumer finance portfolio as required by the Prudential Regulations issued by the SBP and Rs. 4,002.515 million (December 31, 2017: Rs. 2,630.143 million) pertaining to overseas advances to meet the requirements of the regulatory authorities of the respective countries in which the overseas branches operate and on account of adoption of IFRS 9, as more fully explained in note 4.1.2. General provision also includes Rs. nil (December 31, 2017: Rs. 328.700 million) which is based on regulatory instructions. Further, the Bank carries provision of Rs. 57.885 million (December 31, 2017: Rs. 49.088 million) as a matter of prudence based on management estimates.

**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. 22.020 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.



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FOR THE SIX MONTHS ENDED JUNE 30, 2018**

	Note	(Un-audited) June 30, 2018	(Audited) December 31, 2017
<b>9. OPERATING FIXED ASSETS</b>		------(Rupees in '000)-----	
Capital work-in-progress		2,029,329	4,420,500
Property and equipment		44,320,929	40,797,947
Intangible assets		1,340,780	986,117
	9.1	<u>47,691,038</u>	<u>46,204,564</u>

- 9.1** Additions and disposals during the period amounted to Rs. 2,797.997 million (June 30, 2017: Rs. 3,764.312 million) and Rs. 347.888 million (June 30, 2017: Rs. 130.803 million), respectively.

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
<b>10. BORROWINGS</b>	------(Rupees in '000)-----	
<b>Secured</b>		
Borrowings from the State Bank of Pakistan under:		
Export refinance scheme	17,496,702	19,375,930
Refinance facility for modernization of SME	5,600	10,250
Long term financing facility	<u>21,208,295</u>	<u>17,312,481</u>
	38,710,597	36,698,661
Repurchase agreement borrowings	177,610,679	450,489,798
Bai Muajjal payable to other financial institutions	<u>34,936,846</u>	-
	<u>251,258,122</u>	<u>487,188,459</u>
<b>Unsecured</b>		
Call borrowings	10,452,472	9,713,596
Overdrawn nostro accounts	597,108	1,196,470
Trading liabilities	4,271,645	-
Other borrowings	<u>26,860,096</u>	<u>14,551,940</u>
	<u>42,181,321</u>	<u>25,462,006</u>
	<u>293,439,443</u>	<u>512,650,465</u>

**11. DEPOSITS AND OTHER ACCOUNTS**

**Customers**

Fixed deposits	272,224,881	318,615,028
Savings deposits	409,727,535	385,426,820
Sundry deposits	39,498,128	29,461,274
Margin deposits	8,575,469	5,488,869
Current accounts - remunerative	6,297,999	5,890,387
Current accounts - non-remunerative	<u>526,146,659</u>	<u>471,084,661</u>
	<u>1,262,470,671</u>	<u>1,215,967,039</u>

**Financial Institutions**

Remunerative deposits	34,852,697	56,802,291
Non-remunerative deposits	<u>18,039,283</u>	<u>16,477,921</u>
	52,891,980	73,280,212
	<u>1,315,362,651</u>	<u>1,289,247,251</u>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
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	Note	(Un-audited) June 30, 2018	(Audited) December 31, 2017 Restated
		------(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	12.1	26,024,598	26,077,182
Available for sale securities	12.2	(1,639,465)	6,228,784
		<u>24,385,133</u>	<u>32,305,966</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		26,849,365	20,286,217
Transferred to retained earnings consequent to the change in accounting policy - refer note 4.1.1		-	241,585
Surplus on revaluation of fixed assets / non-banking assets as at January 1		<u>26,849,365</u>	<u>20,527,802</u>
Revaluation of fixed assets / non-banking assets during the period / year		-	6,399,394
Exchange adjustments		1,408	(37)
Reversal on disposal of non banking assets		(38,875)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax		(28,230)	(50,566)
Related deferred tax liability on incremental depreciation charged during the period / year		(15,201)	(27,228)
		<u>(80,898)</u>	<u>6,321,563</u>
		<u>26,768,467</u>	<u>26,849,365</u>
Less: Related deferred tax liability on:			
Revaluation as at January 1		772,183	582,889
Revaluation of fixed assets / non-banking assets during the period / year		-	216,535
Exchange adjustments		493	(13)
Reversal on disposal of non banking assets		(13,606)	-
Incremental depreciation charged during the period / year		(15,201)	(27,228)
		<u>743,869</u>	<u>772,183</u>
		<u>26,024,598</u>	<u>26,077,182</u>
		(Un-audited) June 30, 2018	(Audited) December 31, 2017
		------(Rupees in '000)-----	
<b>12.2 Surplus / (deficit) on revaluation of available for sale securities</b>			
Market Treasury Bills		(5,799)	(3,034)
Pakistan Investment Bonds		(2,878,539)	6,285,489
Listed shares		2,511,505	1,780,418
REIT Investment		79,211	-
Term Finance Certificates, Sukuks, other bonds, etc.		(140,240)	28,475
Foreign bonds		(2,088,391)	1,491,397
		<u>(2,522,253)</u>	<u>9,582,745</u>
Related deferred tax		882,788	(3,353,961)
		<u>(1,639,465)</u>	<u>6,228,784</u>
<b>13. CONTINGENCIES AND COMMITMENTS</b>			
<b>13.1 Direct credit substitutes</b>			
Contingent liabilities in respect of guarantees given favouring:			
Government		19,715,755	15,500,693
Banking companies and other financial institutions		1,230,600	929,470
Others		5,452,996	5,425,848
		<u>26,399,351</u>	<u>21,856,011</u>



**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	------(Rupees in '000)-----	
<b>13.2 Transaction-related contingent liabilities</b>		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring:		
Government	105,007,174	128,096,424
Banking companies and other financial institutions	7,217,265	8,408,147
Others	50,802,041	57,086,219
	<u>163,026,480</u>	<u>193,590,790</u>
<b>13.3 Trade-related contingent liabilities</b>		
Contingent liabilities in respect of letters of credit opened favouring:		
Government	74,579,065	74,060,985
Others	141,300,310	112,328,937
	<u>215,879,375</u>	<u>186,389,922</u>
<b>13.4 Other contingencies</b>		
<b>13.4.1 Claims against the Bank not acknowledged as debts</b>	<u>12,074,075</u>	<u>12,743,798</u>

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

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

**13.4.2** 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.

**13.4.3** United Bank Limited Yemen ("UBL") issued two Standby Letters of Credit (SBLCs) for USD 12 million (Rs. 1,458 million) and USD 13 million (Rs. 1,579 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. 3,037 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 counter party 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.

## NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2018

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.

- 13.4.4** United Bank Limited and its New York Branch (NY Branch) have entered into a written agreement (WA 2018) with the Federal Reserve Bank of New York (FRBNY) effective 2 July 2018 upon termination of the earlier written agreement entered into on 28 October 2013 (WA 2013). This agreement was entered based on the findings of FRBNY in their most recent examination of NY Branch.

The WA 2018 directs UBL to take measures to strengthen the risk management and compliance function, corporate governance and oversight, compliance with Bank Secrecy Act (BSA) / Anti Money Laundering (AML) compliance, Customer Due Diligence and Suspicious Activity Monitoring and Reporting Program within the stipulated timelines. Bank is undertaking all steps to further strengthen its Compliance Framework to fully comply with the WA 2018. While the Bank seeks to comply with all the requirements, and at this stage there is no indication of any financial impact, it is not possible to ascertain the eventual outcome of these matters.

- 13.5** For contingencies relating to taxation, refer note 18.

### **13.6 Commitments to extend credit**

The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	----- (Rupees in '000) -----	
<b>13.7 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	<u>251,883,399</u>	<u>210,187,425</u>
Sale	<u>205,117,261</u>	<u>180,864,234</u>
<b>13.8 Commitments in respect of derivatives</b>		
Interest rate swaps	<u>2,927,752</u>	<u>4,358,641</u>
FX options - purchased	<u>109,750</u>	<u>83,368</u>
FX options - sold	<u>109,750</u>	<u>83,368</u>
Forward purchase of Government securities	<u>1,053,275</u>	<u>7,870,890</u>
Forward sale of Government securities	<u>-</u>	<u>1,478</u>
<b>13.9 Commitments in respect of capital expenditure</b>	<u>1,977,773</u>	<u>1,987,978</u>

- 13.10** UBL Bank (Tanzania) Limited (UBTL) is a wholly owned subsidiary of UBL (the Bank). The operating losses of UBTL in the last two years along with the adverse exchange movement in Tanzanian Shilling against Pak Rupee has resulted in a significant decline in net assets value of the subsidiary. Its capital is below the regulatory requirement. Management of UBTL has requested the Bank to inject additional capital and the Bank has approved capital injection of USD 9.4 million (Rs. 1,142.074 million). The Bank, after obtaining regulatory approval process for transfer of funds for capital injection, has injected USD 4.4 million (Rs. 508.992 million) in the current period. UBTL, is in process of obtaining approvals from its central bank for allowing it to increase authorized capital by USD 4.4 million.

As at December 31, 2017, the Bank has also provided a comfort letter to the management of UBTL confirming its financial and operational support. Management expects UBTL to continue to operate as a going concern.



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		----- (Un-audited) -----	
		January -	January -
		June 2018	June 2017
		----- (Rupees in '000) -----	
<b>14. MARK-UP / RETURN / INTEREST EARNED</b>			
On loans and advances to customers		19,731,932	15,484,923
On lendings to financial institutions			
Call money lendings		165,566	99,392
Repurchase agreement lendings		286,940	217,083
Other lendings to financial institutions		696,283	780,405
		1,148,789	1,096,880
On investments in			
Held for trading securities		1,628,165	685,765
Available for sale securities		16,724,745	17,531,294
Held to maturity securities		14,548,663	14,764,775
		32,901,573	32,981,834
On deposits with financial institutions		382,515	119,464
		54,164,809	49,683,101
<b>15. MARK-UP / RETURN / INTEREST EXPENSED</b>			
On deposits		16,452,868	15,384,482
On securities sold under repurchase agreements		7,949,034	5,254,604
On other short term borrowings		1,460,693	798,904
On long term borrowings		246,637	230,398
		26,109,232	21,668,388
<b>16. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances etc.		6,696,175	6,200,286
Charge for compensated absences		64,120	149,359
Medical expenses		388,384	355,086
Contribution to defined contribution plan		151,809	129,569
Charge in respect of defined benefit obligations		201,868	180,295
Rent, taxes, insurance, electricity etc.		2,288,412	2,257,005
Depreciation on operating fixed assets		1,116,336	992,052
Depreciation on Islamic financing against leased assets (Ijarah)		96,272	97,272
Amortization		216,038	163,955
Outsourced service charges including sales commission		2,432,513	2,442,577
Communications		758,686	602,312
Banking service charges		788,642	555,229
Cash transportation charges		514,353	347,202
Stationery and printing		361,071	329,249
Legal and professional charges		389,935	306,230
Advertisement and publicity		343,332	448,468
Repairs and maintenance		832,557	784,608
Travelling		118,285	134,472
Office running expenses		229,796	281,749
Vehicle expenses		94,936	90,094
Entertainment		88,079	107,803
Cartage, freight and conveyance		39,198	47,165
Insurance expense		49,847	50,325
Auditors' remuneration		45,662	38,166
Training and seminars		59,746	63,972
Brokerage expenses		8,568	14,411
Subscriptions		51,245	43,392
Donations		3,768	750
Non-executive Directors' fees		37,149	20,981
Zakat paid by overseas branch		33,755	49,461
Miscellaneous expenses		16,177	33,409
		18,516,714	17,316,904

## NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2018

### 17. EXTRAORDINARY / UNUSUAL ITEM - ACCRUAL IN RESPECT OF PENSION LIABILITY

The extraordinary charge of Rs. 8.4 Billion represents the estimated amount 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. Estimate is based on on-going life verification of both pensioners and retrenched employees. The estimate is also based on the payment of pension without taking effect of commutation. The Bank has sought clarification from the Honorable Supreme Court on the effect of commutation in calculation of minimum pension and the treatment of ex-employees who were separated under the Golden Handshake Scheme described as Retrenchment Scheme of 1997. The amount will be adjusted based on the guidance received from the Honorable Supreme Court.

### 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 (December 31, 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 up to 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.

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. 920 million (December 31, 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, Yemen and Qatar branches have been filed up to the year ended December 31, 2017 and for USA branch up to 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.

### 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 Bank 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).



## NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2018

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:

	June 30, 2018 (Un-audited)				
	Carrying / Notional value	Fair value			
		Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
<b>On balance sheet financial instruments</b>					
<b>Financial assets measured at fair value</b>					
<b>Investments</b>					
Government Securities (Tbills, PIBs, GoP Sukuks and Eurobonds)	412,749,481	-	412,749,481	-	412,749,481
Foreign Bonds - Sovereign	29,815,559	-	29,815,559	-	29,815,559
Foreign Bonds - others	7,040,043	-	7,040,043	-	7,040,043
Ordinary shares of listed companies	17,780,575	17,780,575	-	-	17,780,575
Debt securities (TFCs)	594,073	-	594,073	-	594,073
Investment in REIT	537,801	537,801	-	-	537,801
	468,517,532	18,318,376	450,199,156	-	468,517,532
<b>Financial assets not measured at fair value</b>					
- Investments (HTM, unlisted ordinary shares, preference shares, subsidiaries and associates)	331,254,843	-	-	-	-
	799,772,375	18,318,376	450,199,156	-	468,517,532
<b>Off balance sheet financial instruments</b>					
Forward purchase and sale of foreign exchange contracts	457,000,660	-	1,818,888	-	1,818,888
Interest rate swaps	2,927,752	-	26,160	-	26,160
FX options - purchased and sold	219,500	-	-	-	-
Forward purchase of government securities	1,053,275	-	(3,918)	-	(3,918)
Forward sale of government securities	-	-	-	-	-

December 31, 2017 (Audited)					
	Carrying / Notional value	Fair value			
		Level 1	Level 2	Level 3	Total
(Rupees in '000)					
<b>On balance sheet financial instruments</b>					
<b>Financial assets measured at fair value</b>					
Investments					
Government Securities (Tbills, PIBs, GoP Sukuks and Eurobonds)	677,712,990	-	677,712,990	-	677,712,990
Foreign Bonds - Sovereign	26,301,802	-	26,301,802	-	26,301,802
Foreign Bonds - others	10,579,141	-	10,579,141	-	10,579,141
Ordinary shares of listed companies	18,318,646	18,318,646	-	-	18,318,646
Debt securities (TFCs)	372,265	-	372,265	-	372,265
Investment in REIT	458,590	458,590	-	-	458,590
	733,743,434	18,777,236	714,966,198	-	733,743,434
<b>Financial assets not measured at fair value</b>					
- Investments (HTM, unlisted ordinary shares, preference shares, subsidiaries and associates)	358,043,192	-	-	-	-
	1,091,786,626	18,777,236	714,966,198	-	733,743,434
<b>Off balance sheet financial instruments</b>					
Forward purchase and sale of foreign exchange contracts	391,051,659	-	1,473,697	-	1,473,697
Interest rate swaps	4,358,641	-	74,865	-	74,865
FX options - purchased and sold	166,736	-	-	-	-
Forward purchase of government securities	7,870,890	-	(1,155)	-	(1,155)
Forward sale of government securities	1,478	-	(2)	-	(2)

## NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2018

**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 unconsolidated condensed interim financial statements.

## 20. RISK MANAGEMENT

The SBP has introduced two liquidity standards through its guidelines on Basel III: Liquidity Standards. These are the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The objective of LCR is to ensure that Banks have an adequate stock of unencumbered high quality liquid assets (HQLA) to survive a significant stress scenario. The objective of NSFR is to reduce funding risk over a longer time horizon by requiring Banks to fund their activities with sufficiently stable sources of funding on an ongoing basis.

	(Unaudited) June 30, 2018	(Unaudited) March 31, 2018	(Audited) December 31, 2017
	----- Total Adjusted Value -----		
	----- (Rupees in '000) -----		
<b>20.1 Liquidity Coverage Ratio</b>			
Total HQLA	391,016,572	395,007,330	414,579,250
Total Net Cash Outflows	219,245,849	230,129,186	255,636,947
<b>Liquidity Coverage Ratio (%)</b>	<u>178.35%</u>	<u>171.65%</u>	<u>162.18%</u>
<b>Minimum Requirement (%)</b>	<u>90.00%</u>	<u>90.00%</u>	<u>90.00%</u>
		(Unaudited) June 30, 2018	(Audited) December 31, 2017
		----- Total Weighted Value -----	
		----- (Rupees in '000) -----	
<b>20.2 Net Stable Funding Ratio</b>			
Total Available Stable Funding (ASF)		1,528,770,648	1,128,634,708
Total Required Stable Funding (RSF)		1,132,557,955	1,086,955,065
<b>Net Stable Funding Ratio (%)</b>		<u>134.98%</u>	<u>103.83%</u>
<b>Minimum Requirement (%)</b>		<u>100.00%</u>	<u>100.00%</u>



# NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2018

## 21. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the six months ended June 30, 2018 (Un-audited)					
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
	(Rupees in '000)					
Total income	444,287	14,536,668	18,919,231	6,770,117	1,671,263	-
Total expenses	(66,643)	(949,947)	(15,627,792)	(5,922,860)	(9,172,263)	-
Profit / (loss) before tax	377,644	13,586,721	3,291,439	847,257	(7,501,000)	-
Segment return on assets (ROA)	135.6%	1.2%	0.3%	0.2%	-	-
Segment cost of funds	1.0%	5.2%	2.4%	4.3%	-	-

	For the six months ended June 30, 2017 (Un-audited)					
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
	(Rupees in '000)					
Total income	108,382	16,305,792	15,604,813	6,697,744	1,643,806	-
Total expenses	(28,162)	(494,827)	(14,009,272)	(1,766,880)	(1,089,379)	-
Profit / (loss) before tax	80,220	15,810,965	1,595,541	4,930,864	554,427	-
Segment return on assets (ROA)	38.1%	2.1%	0.2%	1.3%	-	-
Segment cost of funds	2.1%	4.5%	2.6%	3.9%	-	-

	As at June 30, 2018 ( Un-audited)					
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
	(Rupees in '000)					
Segment assets (gross of NPL provisions)	518,635	844,149,183	1,102,525,381	663,265,633	158,329,349	(907,823,579)
Segment non performing loans (NPLs)	-	826,845	6,279,133	48,870,311	50,101	-
Segment provision held against NPLs	-	800,021	5,790,129	37,985,722	26,097	-
Segment liabilities	288,274	837,018,958	1,095,172,371	625,059,782	14,910,211	(907,823,579)

	As at December 31, 2017 (Audited)					
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
	(Rupees in '000)					
Segment assets (gross of NPL provisions)	1,349,731	1,191,478,552	1,218,452,821	590,868,153	138,693,863	(1,094,726,686)
Segment non performing loans (NPLs)	674,163	1,003,160	8,893,156	40,435,757	66,591	-
Segment provision held against NPLs	515,863	1,002,844	7,184,741	29,999,451	32,089	-
Segment liabilities	222,650	1,166,049,759	1,209,340,738	556,587,922	10,600,016	(1,094,726,686)

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

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

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

# NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2018

	As at June 30, 2018 (Un-audited)					As at December 31, 2017 (Audited)				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)									
<b>Balances with banks</b>										
In current accounts	-	-	1,439,555	-	-	-	-	828,843	-	-
In deposit accounts	-	-	3,833,734	-	-	-	-	2,150,574	-	-
	-	-	5,273,289	-	-	-	-	2,977,417	-	-
<b>Lendings to financial institutions</b>	-	-	320,813	-	-	-	-	299,078	-	-
<b>Investments</b>										
Opening balance	-	-	4,897,174	1,624,317	3,895,328	-	-	4,897,174	5,718,582	3,895,328
Investment made during the period / year	-	-	508,992	150,709	9,750	-	-	-	123,171	-
Investment redeemed / disposed off during the period / year	-	-	-	(101,751)	(47,370)	-	-	-	(4,217,836)	-
Closing balance	-	-	5,406,166	1,673,275	3,857,708	-	-	4,897,174	1,624,317	3,895,328
Provision for diminution in value of investments	-	-	619,412	-	98,414	-	-	619,412	-	98,414
<b>Advances</b>										
Opening balance	5,303	133,559	-	2,155,149	2,626,106	2,339	94,142	-	2,155,149	16,907,692
Addition during the period / year	4,501	108,344	-	-	851,143	11,574	132,389	-	-	65,331,493
Repaid during the period / year	(9,118)	(57,060)	-	-	(974)	(8,610)	(78,107)	-	-	(79,612,943)
Transfer in / (out) - net	-	(76,307)	-	-	(23)	-	(14,865)	-	-	(136)
Closing balance	686	108,536	-	2,155,149	3,476,252	5,303	133,559	-	2,155,149	2,626,106
Provision held against advances	-	-	-	2,155,149	-	-	-	-	2,155,149	-
<b>Other Assets</b>										
Interest mark-up accrued	-	-	1,531	-	55,106	26	8	1,320	-	82,071
Receivable from staff retirement funds	-	-	-	-	804,216	-	-	-	-	632,808
Prepaid Insurance	-	-	-	120,630	-	-	-	-	13,201	-
Dividend Receivable	-	-	45,855	-	-	-	-	-	-	-
Other receivable	-	-	17,674	7,175	30,164	-	-	13,029	3,178	30,164
Provision against other assets	-	-	-	-	30,164	-	-	-	-	30,164
<b>Borrowings</b>										
Opening balance	-	-	1,328,813	474,532	-	-	-	463,422	-	167,100
Borrowings during the period / year	-	-	546,178	2,364,689	43,200	-	-	3,285,075	474,532	512,650
Settled during the period / year	-	-	(331,251)	(2,839,221)	-	-	-	(2,419,684)	-	(679,750)
Closing balance	-	-	1,543,740	-	43,200	-	-	1,328,813	474,532	-
Overdraw Nostros	-	-	-	-	-	-	-	619,456	-	-
<b>Deposits and other accounts</b>										
Opening balance	5,700,563	39,106	470,751	7,423,431	3,069,783	7,714,425	159,946	295,565	8,882,222	2,196,112
Received during the period / year	38,150,987	826,220	8,681,854	85,489,192	84,104,672	30,436,836	1,499,352	28,702,819	260,731,597	175,334,047
Withdrawn during the period / year	(40,026,385)	(772,329)	(8,873,379)	(81,724,366)	(84,852,408)	(32,458,694)	(1,501,217)	(28,527,633)	(255,237,393)	(174,752,255)
Transfer in / (out) - net	-	(36,369)	-	-	(931)	7,996	(118,975)	-	(6,952,996)	(708,121)
Closing balance	3,825,165	56,628	279,226	11,188,257	2,291,116	5,700,563	39,106	470,751	7,423,431	3,069,783
<b>Other Liabilities</b>										
Interest mark-up payable on deposits and borrowings	6,375	53	24,708	28,398	18,435	40,412	47	1,919	42,810	27,740
Payable to staff retirement fund	-	-	-	-	8,421,887	-	-	-	-	17,251
Unearned income	-	-	226	-	4,585	-	-	903	-	11,462
<b>Contingencies and Commitments</b>										
Letter of guarantee	-	-	76,475	15,210	-	-	-	240,858	24,884	-
Forward foreign exchange contracts purchase	-	-	2,060,431	-	-	-	-	2,786,626	-	-
Forward foreign exchange contracts sale	-	-	2,060,452	-	-	-	-	2,760,430	-	-
Cross Currency Swaps	-	-	-	-	-	-	-	-	-	-
	For the Six months ended June 30, 2018 (Un-audited)					For the Six months ended June 30, 2017 (Un-audited)				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)									
Mark-up / return / interest earned	-	4,557	49,391	3,646	55,109	21	2,399	30,291	9,846	268,968
Commission / charges recovered	80	314	5,263	82,534	6,842	424	134	543	25,891	13,169
Dividend income	-	-	321,350	26,833	362,457	-	-	412,644	99,287	388,695
Net gain on sale of securities	-	-	-	18,451	18,868	-	-	-	212,072	-
Other income	-	-	56,030	7,228	6,879	-	-	92,135	8,055	6,254
Mark-up / return / interest expense	108,871	663	28,274	245,139	43,938	58,704	622	20,063	197,031	18,534
Remuneration paid	-	463,040	-	-	-	-	584,175	-	-	-
Post employment benefits	-	10,180	-	-	-	-	13,524	-	-	-
Non-executive directors' fee	37,149	-	-	-	-	20,981	-	-	-	-
Net charge for defined contribution plans	-	-	-	-	151,809	-	-	-	-	129,569
Net charge for defined benefit plans	-	-	-	-	8,474,492	-	-	-	-	56,393
Other expenses	-	-	1,961	-	61,879	-	-	-	7,990	64,178
Insurance premium paid	-	-	-	307,004	-	-	-	-	396,530	-
Insurance claims settled	-	-	-	96,635	-	-	-	-	50,742	-



**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
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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 June 30 is as follows:

	Note	(Un-audited) June 30, 2018	(Audited) December 31, 2017
----- (Rupees in '000) -----			
<b>ASSETS</b>			
Cash and balances with treasury banks		6,462,822	5,428,040
Balances with other banks		6,666,953	6,551,518
Due from financial institutions		17,700,000	3,694,215
Investments		26,770,063	25,401,968
Islamic financing and related assets	23.3	21,435,439	22,110,626
Operating fixed assets		331,072	299,950
Other assets		486,779	421,843
<b>Total Assets</b>		<b>79,853,128</b>	<b>63,908,160</b>
<b>LIABILITIES</b>			
Bills payable		374,637	400,973
Due to financial institutions		125,000	1,500,000
Deposits and other accounts			
Current accounts - non remunerative		30,076,823	25,163,438
Current accounts - remunerative		1,106,979	1,293,692
Saving accounts		12,578,721	11,839,659
Term deposits		8,911,270	982,345
Deposits from financial institutions - remunerative		22,596,538	20,462,360
Deposits from financial institutions - non remunerative		36,422	34,505
		75,306,753	59,775,999
Due to Head Office		1,732,266	61,035
Other liabilities		347,792	327,658
		77,886,448	62,065,665
<b>NET ASSETS</b>		<b>1,966,680</b>	<b>1,842,495</b>
<b>REPRESENTED BY</b>			
Islamic Banking Fund		2,181,000	2,181,000
Accumulated losses		(73,150)	(362,502)
		2,107,850	1,818,498
(Deficit) / surplus on revaluation of assets		(141,170)	23,997
		1,966,680	1,842,495

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

**23.2** The profit and loss account of the Bank's Islamic Banking branches for the six months ended June 30 is as follows:

	<b>----- (Un-audited) -----</b>	
	<b>January - June 2018</b>	<b>January-June 2017</b>
	<b>----- (Rupees in '000) -----</b>	
Return earned	1,918,137	1,262,821
Return expensed	(926,903)	(808,513)
	991,234	454,308
Provision against loans and advances - net	(3,202)	(1,161)
Net return after provisions	988,032	453,147
<b>Other Income</b>		
Fee, commission and brokerage income	68,162	44,459
Gain / (loss) from dealing in foreign currencies	219	(359)
Loss on sale of securities - net	-	(438)
Other income	11,760	7,830
Total other income	80,141	51,492
	1,068,173	504,639
<b>Other Expenses</b>		
Administrative expenses	(776,014)	(430,278)
Other provisions - net	(2,807)	(1)
Total other expenses	(778,821)	(430,279)
<b>Net profit for the period</b>	289,352	74,360
Accumulated losses brought forward	(362,502)	(609,289)
<b>Accumulated losses carried forward</b>	(73,150)	(534,929)
<b>Remuneration to Shariah Board and Advisor</b>	3,724	3,386
	<b>(Un-audited)</b>	<b>(Audited)</b>
	<b>June 30,</b>	<b>December 31,</b>
	<b>2018</b>	<b>2017</b>
	<b>----- (Rupees in '000) -----</b>	

**23.3 Islamic financing and related assets**

<b>Financings</b>		
Murabaha	643,620	720,017
Musharaka running finance	-	15,000,000
Ijarah	386,934	490,963
Islamic Export Refinance scheme-Murabaha	126,849	-
Diminishing Musharaka	18,874,225	4,358,154
	20,031,628	20,569,134
<b>Advances</b>		
Advances against Ijarah	126,576	53,539
Advances for Diminishing Musharaka	885,170	1,255,734
Advances for Murabaha	64,460	88,165
	1,076,206	1,397,438
Profit and other receivables against financings and advances	420,987	234,234
<b>Gross Islamic financing and related assets</b>	21,528,821	22,200,806
Provision against financings and advances	(93,382)	(90,180)
	21,435,439	22,110,626

**23.4 Charity Fund**

Opening Balance	121	648
Addition during the period / year	1,256	793
Payments during the period / year	-	(1,320)
Closing Balance	1,377	121



## NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2018

### 24. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on August 02, 2018 has declared an interim cash dividend in respect of the quarter ended June 30, 2018 of Rs. 3.0 per share (June 30, 2017: Rs. 3.0 per share). The unconsolidated condensed interim financial statements for the six months ended June 30, 2018 do not include the effect of appropriations which will be accounted for subsequent to the period end.

### 25. DATE OF AUTHORIZATION

These unconsolidated condensed interim financial statements were authorised for issue on August 02, 2018 by the Board of Directors of the Bank.

### 26. GENERAL

#### 26.1 Comparatives

Comparative information has been reclassified, rearranged or additionally incorporated in these unconsolidated condensed interim financial statements for the purposes of better presentation.

#### 26.2 Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

  
Aameer Karachiwalla  
Chief Financial Officer

  
Sima Kamil  
President &  
Chief Executive Officer

  
Amar Zafar Khan  
Director

  
Arshad Ahmed Mir  
Director

  
Sir Mohammed Anwar Pervez, OBE, HPK  
Chairman



# **UNITED BANK LIMITED**

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**CONSOLIDATED CONDENSED  
INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED  
JUNE 30, 2018  
(UNAUDITED)**



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2018**

	Note	(Un-audited) June 30, 2018	(Audited) December 31, 2017 Restated ----- (Rupees in '000) -----
<b>ASSETS</b>			
Cash and balances with treasury banks		165,569,967	161,119,170
Balances with other banks		40,968,344	35,549,112
Lendings to financial institutions	6	43,689,293	35,893,920
Investments	7	840,112,516	1,124,921,300
Advances	8	715,764,500	642,506,720
Operating fixed assets	9	52,106,428	50,384,077
Deferred tax asset - net		3,290,893	-
Other assets		59,486,651	54,986,201
		<u>1,920,988,592</u>	<u>2,105,360,500</u>
<b>LIABILITIES</b>			
Bills payable		15,568,285	13,392,978
Borrowings	10	299,943,198	517,082,159
Deposits and other accounts	11	1,395,836,645	1,366,157,914
Subordinated loans		-	-
Liabilities against assets subject to finance lease		11,602	4,375
Deferred tax liability - net		-	2,980,466
Other liabilities		42,667,817	31,248,846
		<u>1,754,027,547</u>	<u>1,930,866,738</u>
<b>NET ASSETS</b>		<u>166,961,045</u>	<u>174,493,762</u>
<b>REPRESENTED BY</b>			
Share capital		12,241,798	12,241,798
Reserves		52,366,391	47,203,516
Unappropriated profit		71,777,245	76,410,128
Total equity attributable to the equity holders of the Bank		<u>136,385,434</u>	<u>135,855,442</u>
Non-controlling interest		5,074,387	4,810,519
		<u>141,459,821</u>	<u>140,665,961</u>
Surplus on revaluation of assets - net of deferred tax	12	25,501,224	33,827,801
		<u>166,961,045</u>	<u>174,493,762</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	13		

The annexed notes from 1 to 26 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 Ahmed Mir  
Director

  
Sir Mohammed Anwar Pervez, OBE, HPK  
Chairman

**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

	Note	April-June 2018	April-June 2017	January - June 2018	January - June 2017
(Rupees in '000)					
Mark-up / return / interest earned	14	27,103,838	26,636,796	56,158,142	51,305,607
Mark-up / return / interest expensed	15	(12,346,296)	(11,914,110)	(27,095,623)	(22,487,513)
Net mark-up / return / interest income		14,757,542	14,722,686	29,062,519	28,818,094
(Provision) / reversal against loans and advances - net		(1,714,184)	453,099	(3,748,145)	396,834
Reversal of provision against lendings to financial institutions - net		64,549	7,260	122,149	8,260
Provision for diminution in value of investments - net		(721,662)	(137,480)	(740,295)	(188,888)
Bad debts written off directly		(26,185)	(8,945)	(40,251)	(24,920)
		(2,397,482)	313,934	(4,406,542)	191,286
Net mark-up / return / interest income after provisions		12,360,060	15,036,620	24,655,977	29,009,380
<b>Non mark-up / interest income</b>					
Fee, commission and brokerage income		4,253,949	3,701,481	7,694,571	7,039,730
Dividend income		239,845	227,456	810,755	779,624
Income from dealing in foreign currencies		950,718	497,634	1,550,144	959,939
Gain on sale of securities - net		1,511,614	1,597,643	4,735,514	3,996,614
Unrealized (loss) / gain on revaluation of investments classified as held for trading		(477)	8,133	(1,290)	2,490
Other income		211,792	225,198	372,849	415,390
Total non mark-up / interest income		7,167,441	6,257,545	15,162,543	13,193,787
		19,527,501	21,294,165	39,818,520	42,203,167
<b>Non mark-up / interest expenses</b>					
Administrative expenses	16	(10,752,822)	(9,533,840)	(20,262,638)	(18,850,819)
Other provisions / write offs - net		(412,018)	(13,320)	(338,980)	2,508
Workers' Welfare Fund		(160,361)	(243,197)	(286,898)	(478,129)
Other charges		(3,587)	(58,322)	(4,019)	(58,640)
Total non mark-up / interest expenses		(11,328,788)	(9,848,679)	(20,892,535)	(19,385,080)
		8,198,713	11,445,486	18,925,985	22,818,087
Share of income of associates		115,481	132,607	300,412	370,024
<b>Profit before extraordinary / unusual item and taxation</b>		8,314,194	11,578,093	19,226,397	23,188,111
Extraordinary / unusual item - Accrual in respect of pension liability	17	(2,000,000)	-	(8,404,635)	-
<b>Profit before taxation</b>		6,314,194	11,578,093	10,821,762	23,188,111
Taxation - Current		(3,409,854)	(4,366,463)	(5,700,667)	(8,495,148)
- Prior		(2,382)	(459,532)	(4,505)	(459,532)
- Deferred		450,071	(1,038,014)	995,430	(942,574)
		(2,962,165)	(5,864,009)	(4,709,742)	(8,897,254)
<b>Profit after taxation</b>		3,352,029	5,714,084	6,112,020	13,290,857
<b>Attributable to:</b>					
Equity shareholders of the Bank		3,408,571	5,719,824	6,193,752	13,239,324
Non-controlling interest		(56,542)	(5,740)	(81,732)	51,533
		3,352,029	5,714,084	6,112,020	13,290,857
(Rupees)					
<b>Earnings per share - basic and diluted</b>		2.78	4.67	5.06	10.81

The annexed notes from 1 to 26 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 Ahmed Mir  
Director

  
Sir Mohammed Anwar Pervaz, OBE, HPK  
Chairman



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

	April-June 2018	April-June 2017	January - June 2018	January - June 2017
	<hr/> (Rupees in '000) <hr/>			
<b>Profit / (loss) after taxation for the period attributable to:</b>				
Equity shareholders of the Bank	3,408,571	5,719,824	6,193,752	13,239,324
Non-controlling interest	(56,542)	(5,740)	(81,732)	51,533
	<u>3,352,029</u>	<u>5,714,084</u>	<u>6,112,020</u>	<u>13,290,857</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				
- Equity shareholders of the Bank	1,563,556	32,245	4,517,404	260,089
- Non-controlling interest	26,112	194,455	345,250	256,427
	<u>1,589,668</u>	<u>226,700</u>	<u>4,862,654</u>	<u>516,516</u>
	1,589,668	226,700	4,862,654	516,516
<b>Other comprehensive income transferred to equity</b>	<u>4,941,697</u>	<u>5,940,784</u>	<u>10,974,674</u>	<u>13,807,373</u>
<i>Items that may be reclassified to profit or loss in subsequent periods</i>				
Deficit arising on revaluation of available for sale securities	(6,964,508)	(4,420,475)	(13,425,591)	(4,041,827)
Related deferred tax reversal	2,379,450	1,557,130	4,997,509	1,596,308
	<u>(4,585,058)</u>	<u>(2,863,345)</u>	<u>(8,428,082)</u>	<u>(2,445,519)</u>
<b>Total comprehensive income during the period - net of tax</b>	<u><u>356,639</u></u>	<u><u>3,077,439</u></u>	<u><u>2,546,592</u></u>	<u><u>11,361,854</u></u>

The annexed notes from 1 to 26 form an integral part of these consolidated condensed interim financial statements.

  
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Director

  
Sir Mohammed Anwar Pervez, OBE, HPK  
Chairman

**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

	January - June 2018	January - June 2017
	(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	10,821,762	23,188,111
Less: Dividend income	(810,755)	(779,624)
Share of income of associates	(300,412)	(370,024)
	<u>9,710,595</u>	<u>22,038,463</u>
<b>Adjustments:</b>		
Depreciation on operating fixed assets	1,182,446	1,047,670
Depreciation on Islamic financing against leased assets (Ijarah)	96,272	97,272
Amortization	253,870	195,074
Workers' Welfare Fund	286,898	478,129
Provision for retirement benefits	8,850,990	372,396
Provision for compensated absences	64,120	149,359
Provision / (reversal) against loans and advances - net	3,748,145	(396,834)
Reversal of provision against lendings to financial institutions - net	(122,149)	(8,260)
Provision for diminution in value of investments - net	740,295	188,888
Gain on sale of operating fixed assets - net	(23,316)	(25,827)
Gain on sale of Ijarah assets - net	(1,301)	(1,144)
Unrealised loss / (gain) on revaluation of investments classified as held for trading	1,290	(2,490)
Bad debts written-off directly	40,251	24,920
Other provisions - net	338,980	(2,508)
	<u>15,456,791</u>	<u>2,116,645</u>
	<u>25,167,386</u>	<u>24,155,108</u>
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(7,673,224)	(2,054,596)
Held for trading securities	69,507,646	(20,426,035)
Advances	(77,171,769)	(62,960,457)
Other assets (excluding advance taxation)	(857,879)	(1,256,262)
	<u>(16,195,226)</u>	<u>(86,697,350)</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	2,175,307	5,826,480
Borrowings	(217,138,961)	194,058,889
Deposits and other accounts	29,678,731	81,896,169
Other liabilities (excluding current taxation)	2,577,962	1,595,692
	<u>(182,706,961)</u>	<u>283,377,210</u>
	<u>(173,734,801)</u>	<u>220,834,968</u>
Payments on account of staff retirement benefits	(791,488)	(495,229)
Income taxes paid	(9,172,684)	(13,037,960)
Net cash (outflow) / inflow from operating activities	<u>(183,698,953)</u>	<u>207,301,779</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	172,614,266	(155,807,911)
Net investments in held to maturity securities	27,762,687	(26,492,380)
Net investments in associates	(896,608)	3,003,475
Dividend income received	718,418	602,291
Investment in operating fixed assets	(2,859,597)	(3,803,636)
Sale proceeds from disposal of operating fixed assets	33,958	47,894
Sale proceeds from disposal of Ijarah assets	30,622	37,685
Net cash inflow / (outflow) from investing activities	<u>197,403,746</u>	<u>(182,412,582)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Liabilities against assets subject to finance lease	7,227	1,715
Dividends paid to:		
- Equity shareholders of the Bank	(8,704,645)	(8,294,680)
- Non-controlling interest	-	(135,249)
Net cash outflow from financing activities	<u>(8,697,418)</u>	<u>(8,428,214)</u>
	<u>5,007,375</u>	<u>16,460,983</u>
Exchange differences on translation of net investment in foreign branches and subsidiaries attributable to:		
- Equity shareholders of the Bank	4,517,404	260,089
- Non-controlling interest	345,250	256,427
Increase in cash and cash equivalents during the period	<u>9,870,029</u>	<u>16,977,499</u>
Cash and cash equivalents at the beginning of the period	<u>196,668,282</u>	<u>165,734,806</u>
Cash and cash equivalents at the end of the period	<u>206,538,311</u>	<u>182,712,305</u>

The annexed notes from 1 to 26 form an integral part of these consolidated condensed interim financial statements.

  
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Sima Kamil  
President &  
Chief Executive Officer

  
Amar Zafar Khan  
Director

  
Arshad Ahmed Mir  
Director

  
Sir Mohammed Anwar Pervaz, OBE, HPK  
Chairman



# **CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED JUNE 30, 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)							
12,241,798	3,000	27,300,858	15,311,330	68,939,008	123,795,994	4,227,693	128,023,687
-	-	-	-	(4,896,719)	(4,896,719)	-	(4,896,719)
-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
-	-	-	-	(8,569,258)	(8,569,258)	-	(8,569,258)
-	-	-	-	13,239,324	13,239,324	51,533	13,290,857
-	-	-	260,089	-	260,089	256,427	516,516
-	-	-	260,089	13,239,324	13,499,413	307,960	13,807,373
-	-	-	-	-	-	(135,249)	(135,249)
-	-	-	-	25,383	25,383	298	25,681
-	-	1,324,414	-	(1,324,414)	-	-	-
12,241,798	3,000	28,625,272	15,571,419	72,310,043	128,751,532	4,400,702	133,152,234
-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
-	-	-	-	(7,345,078)	(7,345,078)	-	(7,345,078)
-	-	-	-	12,950,978	12,950,978	(45,248)	12,905,732
-	-	-	1,771,644	(58,029)	1,713,615	454,953	2,168,568
-	-	-	1,771,644	12,892,949	14,664,593	409,707	15,074,300
-	-	-	-	-	-	(244)	(244)
-	-	-	-	25,980	25,980	354	26,334
-	-	1,232,181	-	(1,232,181)	-	-	-
12,241,798	3,000	29,857,453	17,343,063	76,661,713	136,097,027	4,810,519	140,907,546
-	-	-	-	(241,585)	(241,585)	-	(241,585)
12,241,798	3,000	29,857,453	17,343,063	76,410,128	135,855,442	4,810,519	140,665,961
-	-	-	-	(1,840,563)	(1,840,563)	-	(1,840,563)
12,241,798	3,000	29,857,453	17,343,063	74,769,565	134,214,879	4,810,519	139,025,398
-	-	-	-	-	-	-	-
-	-	-	-	(4,896,719)	(4,896,719)	-	(4,896,719)
-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
-	-	-	-	(8,569,258)	(8,569,258)	-	(8,569,258)
-	-	-	-	6,193,752	6,193,752	(81,732)	6,112,020
-	-	-	4,517,404	-	4,517,404	345,250	4,862,654
-	-	-	4,517,404	6,193,752	10,711,156	263,518	10,974,674
-	-	-	-	28,657	28,657	350	29,007
-	-	645,471	-	(645,471)	-	-	-
12,241,798	3,000	30,502,924	21,860,467	71,777,245	136,385,434	5,074,367	141,459,821


The annexed notes from 1 to 26 form an integral part of these consolidated condensed interim financial statements.

  
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Sima Kamil  
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Chief Executive Officer

  
Amar Zafar Khan  
Director

  
Arshad Ahmed Mir  
Director

  
Sir Mohammed Anwar Pervaz, OBE, HPK  
Chairman

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 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. United Bank Limited (the Bank) is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's registered office and principal office are situated at UBL Building, Jinnah Avenue, Blue Area, Islamabad and at UBL Head Office, I. I. Chundrigar Road, Karachi respectively. The Bank operates 1,363 (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

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 of the Group have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962;
- Provisions of and directives issued under the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Wherever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives prevail.



## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2018

- 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. Moreover, SBP vide BPRD circular no. 4, dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standards (IFAS) 3, Profit and Loss Sharing on Deposits. 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 repealed Companies Ordinance 1984 will not be applicable with respect to the investment in mutual funds established under Trust structure.
- 3.4** The Companies Ordinance, 1984 was repealed after enactment of the Companies Act, 2017, on May 30, 2017. The SECP vide its Circular No. 23 of 2017, dated October 04, 2017 allowed all those companies whose financial year closed on or before December 31, 2017, were required to prepare financial statements in accordance with the provisions of repealed Companies Ordinance, 1984. Accordingly, these consolidated condensed interim financial statements have been prepared in accordance with Companies Act, 2017. Change to the significant accounting policy, as a result of the enactment of the Companies Act, 2017, has been detailed in note 4.1.1. Moreover, for certain overseas branches, the Bank has changed its accounting policy and followed the requirements of IFRS 9 as more fully explained in note 4.1.2.
- 3.5** 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.
- 3.6 Standards, interpretations and amendments to approved accounting standards that are not yet effective**

The following revised standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned below against the respective standard or interpretation:

**- IFRS 9 'Financial Instruments' - effective date: July 1, 2018**

The Bank is currently awaiting instructions from the SBP as applicability of IAS 39 was deferred by the SBP till further instructions. However, the SBP has instructed banks to prepare potential qualitative and quantitative impact assessments as a result of adoption of IFRS 9 using the performa financial statements for the year ended December 31, 2017. The Bank is required to submit its impact assessment to the SBP in due course of time. For certain overseas branches, the Bank has adopted IFRS 9 in respect of provision for impairment as more fully explained in note 4.1.2.

**- IFRS 15 'Revenue from contracts with customers' - effective date: July 1, 2018**

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 'Revenue' which covers contracts for goods and services and IAS 11 'Construction Contracts' which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. A new five-step process has been introduced which must be applied before revenue can be recognised. Entities will have a choice of full retrospective application, or prospective application with additional disclosures.

The Bank is currently in the process of assessing the potential impacts of changes required in revenue recognition policies upon adoption of the standard.

**- IFRS 16 'Leases' - effective date: January 1, 2019**

IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on statement of financial position. The standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting for lessors will not significantly change.

As at the reporting date, the Bank has non-cancellable operating lease commitments. However, the Bank is currently in the process of assessing the potential impacts of changes as a result of adoption of IFRS 16.



## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2018

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or will not have any significant effect on the Bank's operations and are therefore not detailed in these consolidated condensed interim financial statements.

### 3.7 Standards, interpretations and amendments to approved accounting standards that are effective in the current year.

There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2018 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these consolidated condensed interim financial statements.

## 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:

#### 4.1.1 Surplus on revaluation of fixed assets - net of deferred tax

The Companies Ordinance, 1984 was repealed through the enactment of the Companies Act, 2017. However, as directed by the Securities and Exchange Commission of Pakistan vide Circular No. 23 dated October 4, 2017, the financial reporting requirements of the Companies Act, 2017 were only made applicable for reporting periods starting from January 1, 2018.

Consequently, the Bank has changed its policy for accounting for a deficit arising on revaluation of fixed assets. The Bank's previous accounting policy (as described in Note 5.5.1 of the annual consolidated financial statements), in accordance with the repealed Companies Ordinance, 1984, required that a deficit arising on revaluation of a particular property was to be adjusted against the total balance in the surplus account or, if no surplus existed, was to be charged to the profit and loss account as an impairment of the asset. The Companies Act, 2017 removed the specific provisions allowing the above treatment. A deficit arising on revaluation of a particular property is now to be accounted for in accordance with IFRS, which requires that such deficit cannot be adjusted against surplus in another property, but is to be taken to the profit and loss account as an impairment.

The effect of this change in accounting policy, which is applied with retrospective effect, is as follows:

	As at December 31, 2017		
	Previously	Change Rupees in '000	Restated
Impact on Statement of Financial Position			
Unappropriated profit	76,651,713	(241,585)	76,410,128
Surplus on revaluation of fixed assets / non-banking assets	33,586,216	241,585	33,827,801

There is no impact on the consolidated condensed interim profit and loss account, consolidated condensed interim statement of comprehensive income and consolidated condensed interim cash flow statement.

The impact above relates to revaluation of fixed assets carried out as at December 31, 2017. There were no material impacts relating to periods prior to December 31, 2017.

#### 4.1.2 Impairment on financial assets

As per the accounting policy of the Bank, the provision against balances with other banks, investments, lendings to financial institutions and advances of overseas branches and subsidiaries are made as per the requirement of the respective regulatory regimes. During the current year, IFRS – 9 became applicable for certain overseas branches of the Bank (i.e. branches in UAE, Bahrain and Qatar). Accordingly, in respect of such branches, the Bank has changed its accounting policy and has followed the requirements of IFRS – 9, while determining the provisioning requirements against balances with other banks, investments, lendings to financial institutions and advances. Under this standard, provision against balances with other banks, investments, lendings to financial institutions and advances is determined under expected credit loss model. Previously, this was determined under the incurred loss model.

The adoption of this standard by certain overseas branches resulted in additional provisioning requirement of Rs. 2.496 billion (net of deferred tax amounting to Rs. 1.640 billion) as at December 31, 2017. The amount of additional provision has been adjusted in the opening retained earnings as allowed under IFRS 9 and permitted by the State Bank of Pakistan. The impacts of change in policy can be summarised as follows:



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	As at June 30, 2018	As at January 1, 2018
	----- (Rupees in '000) -----	
<b>Impact on Statement of Financial Position</b>		
Balances with other banks	71,633	92,056
Investments	905,649	871,640
Lendings to financial institutions	67,721	136,486
Advances	1,160,460	1,185,661
Other liabilities (provision against off balance sheet obligations)	605,865	211,244
	<u>2,811,328</u>	<u>2,497,087</u>
Less: related deferred tax	(965,439)	(856,524)
	<u>1,845,889</u>	<u>1,640,563</u>
	<b>For the six months ended June 30, 2018 (Rupees in '000)</b>	
<b>Impact on Profit and Loss Account</b>		
- Profit before tax would have been higher by	<u>314,241</u>	
	<b>(Rupees)</b>	
- Earnings per share would have been higher by	<u>0.17</u>	

There would be no impact on the cash flow statement.

- 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 / non-banking assets acquired in satisfaction of claims have been stated at revalued amounts, 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 Judgements and estimates**

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.

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	----- (Rupees in '000) -----	
<b>6. LENDINGS TO FINANCIAL INSTITUTIONS</b>		
Call money lendings	17,700,000	585,000
Repurchase agreement lendings	5,351,000	6,931,953
Bai Muajjal receivable from State Bank of Pakistan	-	3,109,215
Other lendings to financial institutions	21,551,817	26,100,227
	<u>44,602,817</u>	<u>36,726,395</u>
Provision against lendings to financial institutions	(913,524)	(832,475)
	<u>43,689,293</u>	<u>35,893,920</u>

# NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2018

## 7. INVESTMENTS

### 7.1 Investments by types

		(Un-audited) June 30, 2018 Given as collateral		(Audited) December 31, 2017 Given as collateral	
Investments by types	Note	Held by Group	Total	Held by Group	Total
(Rupees in '000)					
<b>Held for trading securities</b>					
Market Treasury Bills		34,233,593	1,352,482	35,586,075	59,117,369
Pakistan Investment Bonds		2,383	-	2,383	582,376
Term Finance Certificates		-	-	-	10,245
		34,235,976	1,352,482	59,709,990	45,383,907
<b>Available for sale securities</b>					
Market Treasury Bills		112,956,030	62,777,127	175,733,157	108,314,347
Pakistan Investment Bonds		18,112,785	153,077,842	171,190,427	23,830,510
Government of Pakistan Sukuk		18,758,227	-	18,758,227	19,102,273
Government of Pakistan Eurobonds		18,080,529	-	18,080,529	16,768,510
Ordinary shares of listed companies		17,582,638	-	17,582,638	18,362,340
Preference shares		426,917	-	426,917	391,315
Ordinary shares of unlisted companies		753,431	-	753,431	258,757
Investment in REIT		458,590	-	458,590	441,406
Term Finance Certificates		691,351	-	691,351	458,590
Foreign bonds - sovereign		49,983,015	-	49,983,015	38,492,705
Foreign bonds - others		17,790,298	-	17,790,298	18,150,879
		255,593,811	215,854,769	471,448,580	399,934,594
<b>Held to maturity securities</b>					
Market Treasury Bills		7,239,581	-	7,239,581	7,363,088
Pakistan Investment Bonds		279,305,401	-	279,305,401	311,766,517
Government of Pakistan Eurobonds		6,578,979	-	6,578,979	6,564,140
Government of Pakistan Sukuk		1,223,512	-	1,223,512	221,823
Term Finance Certificates		6,258,197	-	6,258,197	6,626,766
Sukuks		12,053,833	-	12,053,833	10,512,247
Participation Term Certificates		437	-	437	437
Debentures		2,266	-	2,266	2,266
Foreign bonds - sovereign		18,518,146	-	18,518,146	15,208,115
Foreign bonds - others		5,387,133	-	5,387,133	6,098,955
Recovery note		374,491	-	374,491	340,333
CDC SAARC Fund		264	-	264	240
Commercial Paper		227,224	-	227,224	227,224
		337,169,464	-	337,169,464	364,932,151
<b>Associates</b>					
United Growth and Income Fund		-	-	264,763	-
UBL Liquidity Plus Fund		702,201	-	93,371	-
UBL Money Market Fund		648,252	-	11,455	-
UBL Government Securities Fund		-	-	265,325	-
UBL Stock Advantage Fund		255,653	-	210,149	-
UBL Financial Planning Fund		-	-	37,036	-
UBL Financial Sector Fund		135,179	-	-	-
Al Ameen Islamic Cash Fund		-	-	367	-
Al Ameen Islamic Sovereign Fund		-	-	382	-
Al Ameen Shariah Stock Fund		-	-	320,894	-
Al Ameen Islamic Asset Allocation Fund		220,681	-	216,916	-
Al Ameen Islamic Financial Planning Fund		203,910	-	316,142	-
Al Ameen Islamic Financial Planning Fund II		-	-	45,123	-
UBL Insurers Limited		373,716	-	345,097	-
Khushhali Bank Limited	7.3	2,232,875	-	2,046,922	-
Oman United Exchange Company, Muscat		67,373	-	69,702	-
DHA Cogen Limited	7.2	-	-	-	-
		4,839,840	-	4,243,644	-
		631,839,091	217,207,251	849,046,342	445,318,501
Provision for diminution in value of investments	7.4	(4,776,825)	-	(3,149,523)	-
<b>Investments - net of provisions</b>		627,062,266	217,207,251	844,269,517	445,318,501
(Deficit) / surplus on revaluation of available for sale securities		(1,552,454)	(2,603,257)	(4,155,711)	3,311,811
(Deficit) / surplus on revaluation of held for trading securities		(1,241)	(49)	(1,290)	34
<b>Total Investments</b>		625,508,571	214,603,945	840,112,516	451,301,561

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.

7.3 This represents the Bank's subscription towards the paid-up capital of Khushali Bank Limited. Pursuant to section 10 of the Khushali Bank Ordinance, 2000 strategic investors including the Bank cannot sell or transfer their investment before a period of five years that has expired on October 10, 2005. Thereafter, such sale / transfer would be subject to the prior approval of the SBP. However these shares are still appearing as frozen as no approval has been obtained by the Bank to unfreeze these shares.



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7.4 This includes provision for impairment on account of adoption of IFRS 9, as more fully explained in note 4.1.2.

	Note	(Un-audited) June 30, 2018	(Audited) December 31, 2017
<b>8. ADVANCES</b>			
<b>Loans, cash credits, running finances, etc.</b>			
In Pakistan		494,582,521	413,891,656
Outside Pakistan		174,440,442	177,904,909
		<u>669,022,963</u>	<u>591,796,565</u>
Islamic financings and related assets	23.3	21,528,821	22,200,806
<b>Bills discounted and purchased</b>			
Payable in Pakistan		20,987,019	21,115,250
Payable outside Pakistan		55,141,468	51,126,252
		<u>76,128,487</u>	<u>72,241,502</u>
Advances - gross		<u>766,680,271</u>	<u>686,238,873</u>
<b>Provision against advances</b>			
Specific	8.1	(46,222,094)	(40,225,684)
General	8.2	(4,693,677)	(3,506,469)
Advances - net of provision		<u>715,764,500</u>	<u>642,506,720</u>

8.1 Advances include Rs. 58,088.219 million (December 31, 2017: Rs. 52,907.648 million) which have been placed under non-performing status as detailed below:

Category of Classification	June 30, 2018 (Un-audited)			Provision required			Provision held		
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
(Rupees in '000)									
Other Assets Especially Mentioned *	90,306	-	90,306	4,432	-	4,432	4,432	-	4,432
Substandard	2,241,603	2,223,350	4,464,953	553,902	513,758	1,067,660	553,902	513,758	1,067,660
Doubtful	575,142	3,360,833	3,935,975	285,593	1,542,322	1,827,915	285,593	1,542,322	1,827,915
Loss	24,862,588	24,734,397	49,596,985	23,822,285	19,499,802	43,322,087	23,822,285	19,499,802	43,322,087
	<u>27,769,639</u>	<u>30,318,580</u>	<u>58,088,219</u>	<u>24,666,212</u>	<u>21,555,882</u>	<u>46,222,094</u>	<u>24,666,212</u>	<u>21,555,882</u>	<u>46,222,094</u>
<b>December 31, 2017 (Audited)</b>									
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 *	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. 275.974 million (December 31, 2017: Rs. 247.323 million) against consumer finance portfolio as required by the Prudential Regulations issued by the SBP and Rs. 4,359.818 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 and on account of adoption of IFRS 9, as more fully explained in note 4.1.2. General provision also includes Rs. nil (December 31, 2017: Rs. 328.700 million) which is based on regulatory instructions. Further, the Bank carries provision of Rs. 57.885 million (December 31, 2017: Rs. 49.088 million) as a matter of prudence based on management estimates.

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- 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. 22.020 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) June 30, 2018 ----- (Rupees in '000) -----	(Audited) December 31, 2017 ----- (Rupees in '000) -----
<b>9. OPERATING FIXED ASSETS</b>			
Capital work-in-progress		2,034,702	4,467,036
Property and equipment		48,600,141	44,820,475
Intangible assets		1,471,585	1,096,566
	9.1	<u>52,106,428</u>	<u>50,384,077</u>

- 9.1** Additions and disposals during the period amounted to Rs. 2,859.597 million (June 30, 2017: Rs.3,803.636 million) and Rs. 347.888 million (June 30, 2017: Rs. 131.131 million), respectively.

	(Un-audited) June 30, 2018 ----- (Rupees in '000) -----	(Audited) December 31, 2017 ----- (Rupees in '000) -----
<b>10. BORROWINGS</b>		
<b>Secured</b>		
Borrowings from the State Bank of Pakistan		
Export refinance scheme	17,496,702	19,375,930
Refinance facility for modernization of SME	5,600	10,250
Long term financing facility	21,208,295	17,312,481
	38,710,597	36,698,661
Repurchase agreement borrowings	179,807,695	453,224,580
Bai Muajjal payable to other financial institutions	34,936,846	-
	<u>253,455,138</u>	<u>489,923,241</u>
<b>Unsecured</b>		
Call borrowings	11,196,790	10,167,645
Overdrawn nostro accounts	597,108	577,014
Trading liabilities	4,271,645	-
Other borrowings	30,422,517	16,414,259
	<u>46,488,060</u>	<u>27,158,918</u>
	<u>299,943,198</u>	<u>517,082,159</u>

**11. DEPOSITS AND OTHER ACCOUNTS**

**Customers**

Fixed deposits	328,197,467	367,785,188
Savings deposits	412,160,280	388,150,655
Sundry deposits	39,619,532	29,508,244
Margin deposits	8,598,470	5,552,140
Current accounts - remunerative	6,981,918	6,014,299
Current accounts - non-remunerative	543,183,092	491,259,317
	<u>1,338,740,759</u>	<u>1,288,269,843</u>

**Financial Institutions**

Remunerative deposits	35,087,789	57,065,974
Non-remunerative deposits	22,008,097	20,822,097
	<u>57,095,886</u>	<u>77,888,071</u>
	<u>1,395,836,645</u>	<u>1,366,157,914</u>



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	Note	(Un-audited) June 30, 2018	(Audited) December 31, 2017 Restated
		----- (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		27,281,282	27,249,117
- Non-controlling interest		1,028,196	958,856
	12.1	28,309,478	28,207,973
Available for sale securities			
- Group's share		(2,278,628)	5,896,699
- Non-controlling interest		(529,352)	(277,531)
	12.2	(2,807,980)	5,619,168
(Deficit) / surplus arising on revaluation of assets of associates		(274)	660
		<u>25,501,224</u>	<u>33,827,801</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		29,417,952	22,502,554
Transferred to retained earnings consequent to the change in accounting policy - refer note 4.1.1		-	241,585
Surplus on revaluation of fixed assets / non-banking assets as at January 1		<u>29,417,952</u>	<u>22,744,139</u>
Revaluation of fixed assets / non-banking assets during the period / year		-	6,399,394
Exchange adjustments		188,092	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		(29,007)	(52,015)
Related deferred tax liability on incremental depreciation charged during the period / year		(15,201)	(27,228)
		<u>105,009</u>	<u>6,673,813</u>
		29,522,961	29,417,952
Less: Related deferred tax liability on:			
Revaluation as at January 1		1,209,979	960,433
Revaluation of fixed assets / non-banking assets during the period / year		-	216,535
Exchange adjustments		32,311	60,239
Reversal on disposal of non-banking assets		(13,606)	-
Incremental depreciation charged during the period / year		(15,201)	(27,228)
		<u>1,213,483</u>	<u>1,209,979</u>
		<u>28,309,478</u>	<u>28,207,973</u>
		(Un-audited) June 30, 2018	(Audited) December 31, 2017
		----- (Rupees in '000) -----	
<b>12.2 Surplus / (deficit) on revaluation of available for sale securities</b>			
Market Treasury Bills		(5,799)	(3,034)
Pakistan Investment Bonds		(2,878,539)	6,285,489
Listed shares		2,511,511	1,780,430
REIT Investment		79,211	-
Term Finance Certificates, Sukuks, other bonds etc.		(140,240)	28,475
Foreign bonds		(3,698,103)	1,201,338
		<u>(4,131,959)</u>	<u>9,292,698</u>
Related deferred tax		1,323,979	(3,673,530)
		<u>(2,807,980)</u>	<u>5,619,168</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

**13. CONTINGENCIES AND COMMITMENTS**

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	----- (Rupees in '000) -----	
<b>13.1 Direct credit substitutes</b>		
Contingent liabilities in respect of guarantees given favouring:		
Government	19,715,755	15,500,693
Banking companies and other financial institutions	1,255,093	1,064,067
Others	5,499,576	5,425,848
	<u>26,470,424</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	105,007,174	128,096,424
Banking companies and other financial institutions	7,217,265	8,408,147
Others	50,821,353	57,090,192
	<u>163,045,792</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	74,579,065	74,060,985
Banking companies and other financial institutions	10,710,204	8,732,484
Others	141,497,128	112,409,643
	<u>226,786,397</u>	<u>195,203,112</u>
<b>13.4 Other contingencies</b>		
<b>13.4.1 Claims against the Group not acknowledged as debts</b>	<u>12,180,993</u>	<u>12,918,162</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. 1,458 million) and USD 13 million (Rs. 1,579 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. 3,037 million).



## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2018

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 counter party 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** United Bank Limited and its New York Branch (NY Branch) have entered into a written agreement (WA 2018) with the Federal Reserve Bank of New York (FRBNY) effective 2 July 2018 upon termination of the earlier written agreement entered into on 28 October 2013 (WA 2013). This agreement was entered based on the findings of FRBNY in their most recent examination of NY Branch.

The WA 2018 directs UBL to take measures to strengthen the risk management and compliance function, corporate governance and oversight, compliance with Bank Secrecy Act (BSA) / Anti Money Laundering (AML) compliance, Customer Due Diligence and Suspicious Activity Monitoring and Reporting Program within the stipulated timelines. Bank is undertaking all steps to further strengthen its Compliance Framework to fully comply with the WA 2018. While the Bank seeks to comply with all the requirements, 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, 2014 in the High Court of Sindh. A favorable outcome of this petition is expected.

- 13.5** For contingencies relating to taxation refer note 18.

### **13.6 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) June 30, 2018	(Audited) December 31, 2017
	----- (Rupees in '000) -----	
<b>13.7 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	288,447,405	242,093,757
Sale	241,692,999	213,172,200
<b>13.8 Commitments in respect of derivatives</b>		
Interest rate swaps	2,927,752	4,358,641
FX options - purchased	109,750	83,368
FX options - sold	109,750	83,368
Forward purchase of Government securities	1,053,275	7,870,890
Forward sale of Government securities	-	1,478
<b>13.9 Commitments in respect of capital expenditure</b>	1,977,773	1,987,978

- 13.10** UBL Bank (Tanzania) Limited (UBTL) is a wholly owned subsidiary of UBL (the Bank). The operating losses of UBTL in the last two years along with the adverse exchange movement in Tanzanian Shilling against Pak Rupee has resulted in a significant decline in net assets value of the subsidiary. Its capital is below the regulatory requirement. Management of UBTL has requested the Bank to inject additional capital and the Bank has approved capital injection of USD 9.4 million (Rs. 1,142.074 million). The Bank, after obtaining regulatory approval process for transfer of funds for capital injection, has injected USD 4.4 million (Rs. 508.992 million) in the current period. UBTL, is in process of obtaining approvals from its central bank for allowing it to increase authorized capital by USD 4.4 million.

# NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2018

As at December 31, 2017, the Bank has also provided a comfort letter to the management of UBTL confirming its financial and operational support. Management expects UBTL to continue to operate as a going concern.

		.....(Un-audited).....	
		January - June 2018	January - June 2017
		----- (Rupees in '000) -----	
<b>14. MARK-UP / RETURN / INTEREST EARNED</b>			
On loans and advances to customers		20,827,184	16,292,061
On lendings to financial institutions			
Call money lendings		165,566	99,392
Repurchase agreement lendings		286,940	217,083
Other lendings to financial institutions		810,249	826,445
		1,262,755	1,142,920
On investments in			
Held for trading securities		1,628,673	688,138
Available for sale securities		17,195,153	17,965,206
Held to maturity securities		14,907,179	15,124,656
		33,731,005	33,778,000
On deposits with financial institutions		337,198	92,626
		56,158,142	51,305,607
<b>15. MARK-UP / RETURN / INTEREST EXPENSED</b>			
On deposits		17,294,256	15,988,339
On securities sold under repurchase agreements		7,949,034	5,254,604
On other short term borrowings		1,605,696	1,014,167
On long term borrowings		246,637	230,403
		27,095,623	22,487,513
<b>16. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances etc.		7,752,381	7,111,634
Charge for compensated absences		64,120	149,359
Medical expenses		389,889	357,490
Contribution to defined contribution plan		237,451	185,757
Charge in respect of defined benefit obligations		208,904	186,639
Rent, taxes, insurance, electricity etc.		2,395,830	2,330,531
Depreciation on operating fixed assets		1,182,446	1,047,670
Depreciation on Islamic financing against leased assets (Ijarah)		96,272	97,272
Amortization		253,870	195,074
Outsourced service charges including sales commission		2,335,273	2,440,018
Communications		797,890	641,638
Banking service charges		833,612	598,476
Cash transportation charges		518,060	356,111
Stationery and printing		370,428	323,678
Legal and professional charges		443,080	335,116
Advertisement and publicity		383,843	490,544
Repairs and maintenance		958,079	880,193
Travelling		132,265	157,937
Office running expenses		230,264	282,186
Vehicle expenses		95,460	90,713
Entertainment		95,100	119,493
Cartage, freight and conveyance		40,817	48,749
Insurance expense		68,119	66,726
Auditors' remuneration		58,859	52,515
Training and seminars		64,688	73,211
Brokerage expenses		8,578	14,995
Subscriptions		96,813	76,793
Donations		3,768	750
Non-executive Directors' fees		37,149	20,981
Zakat paid by overseas branch		33,755	49,461
Miscellaneous expenses		75,575	69,109
		20,262,638	18,850,819



## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2018

### 17. EXTRA ORDINARY / UNUSUAL ITEM - (PENSION COST)

The extraordinary charge of Rs. 8.4 Billion represents the estimated amount 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. Estimate is based on on-going life verification of both pensioners and retrenched employees. The estimate is also based on the payment of pension without taking effect of commutation. The Bank has sought clarification from the Honorable Supreme Court on the effect of commutation in calculation of minimum pension and the treatment of ex-employees who were separated under the Golden Handshake Scheme described as Retrenchment Scheme of 1997. The amount will be adjusted based on the guidance received from the Honorable Supreme Court.

### 18. TAXATION

- 18.1 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 (December 31, 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.

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. 920 million (December 31, 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, Yemen and Qatar branches have been filed upto the year ended December 31, 2017 and for USA branch 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.

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2018

**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:

	June 30, 2018 (Un-audited)				
	Carrying /	Fair value			
	Notional value	Level 1	Level 2	Level 3	Total
		(Rupees in '000)			
<b>On balance sheet financial instruments</b>					
<b>Financial assets measured at fair value</b>					
- Investments					
Government Securities (Tbills, PIBs, GoP Sukuks and Eurobonds)	414,668,175	-	414,668,175	-	414,668,175
Foreign Bonds - Sovereign	44,408,954	-	44,408,954	-	44,408,954
Foreign Bonds - others	16,025,114	-	16,025,114	-	16,025,114
Ordinary shares of listed companies	17,780,591	17,780,591	-	-	17,780,591
Debt securities (TFCs)	594,073	-	594,073	-	594,073
Investment in REIT	537,801	537,801	-	-	537,801
Investment in Associates	4,839,840	-	4,839,840	-	4,839,840
	341,257,968	-	-	-	-
	840,112,516	18,318,392	480,536,156	-	498,854,548
<b>Off balance sheet financial instruments</b>					
Forward purchase and sale of foreign exchange contracts	530,140,404	-	971,782	-	971,782
Interest rate swaps	2,927,752	-	26,160	-	26,160
FX options - purchased and sold	219,500	-	-	-	-
Forward purchase of government securities	1,053,275	-	(3,918)	-	(3,918)
Forward sale of government securities	-	-	-	-	-

	December 31, 2017 (Audited)				
	Carrying /	Fair value			
	Notional value	Level 1	Level 2	Level 3	Total
		(Rupees in '000)			
<b>On balance sheet financial instruments</b>					
<b>Financial assets measured at fair value</b>					
<b>- Investments</b>					
Government Securities (Tbills, 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
<b>Financial assets not measured at fair value</b>					
<b>- Investments (HTM, unlisted ordinary shares, preference shares)</b>					
	364,356,526	-	-	-	-
	1,124,921,300	18,777,257	741,787,517	-	760,564,774
<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)



## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2018

**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 condensed interim financial statements.

## 20. RISK MANAGEMENT

The SBP has introduced two liquidity standards through its guidelines on Basel III: Liquidity Standards. These are the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The objective of LCR is to ensure that Banks have an adequate stock of unencumbered high quality liquid assets (HQLA) to survive a significant stress scenario. The objective of NSFR is to reduce funding risk over a longer time horizon by requiring Banks to fund their activities with sufficiently stable sources of funding on an ongoing basis.

	(Unaudited) June 30, 2018	(Unaudited) March 31, 2018	(Audited) December 31, 2017
	----- Total Adjusted Value -----		
	----- (Rupees in '000) -----		
<b>20.1 Liquidity Coverage Ratio</b>			
Total HQLA	391,016,572	395,007,330	414,579,250
Total Net Cash Outflows	219,245,849	230,129,186	255,636,947
<b>Liquidity Coverage Ratio (%)</b>	<u>178.35%</u>	<u>171.65%</u>	<u>162.18%</u>
<b>Minimum Requirement (%)</b>	<u>90.00%</u>	<u>90.00%</u>	<u>90.00%</u>

	(Unaudited) June 30, 2018	(Audited) December 31, 2017
	----- Total Weighted Value -----	
	----- (Rupees in '000) -----	
<b>20.2 Net Stable Funding Ratio</b>		
Total Available Stable Funding (ASF)	1,528,770,648	1,128,634,708
Total Required Stable Funding (RSF)	1,132,557,955	1,086,955,065
<b>Net Stable Funding Ratio (%)</b>	<u>134.98%</u>	<u>103.83%</u>
<b>Minimum Requirement (%)</b>	<u>100.00%</u>	<u>100.00%</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

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

For the six months ended June 30, 2018 (Un-audited)						
Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment elimination
(Rupees in '000)						
Total income	444,287	15,412,507	19,183,941	7,363,893	553,438	1,567,408
Total expenses	(66,643)	(1,215,739)	(16,452,306)	(6,496,897)	(299,848)	(9,172,279)
Profit / (loss) before tax	377,644	14,196,768	2,731,635	866,996	253,590	(7,604,871)
Segment return on assets (ROA)	135.6%	1.2%	0.2%	0.2%	21.3%	-
Segment cost of funds	1.0%	5.2%	2.4%	4.3%	-	-

For the six months ended June 30, 2017 (Un-audited)						
Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment elimination
(Rupees in '000)						
Total income	108,382	16,940,726	15,788,269	7,354,116	711,564	1,478,848
Total expenses	(28,162)	(666,859)	(14,841,212)	(2,239,116)	(329,226)	(1,089,419)
Profit / (loss) before tax	80,220	16,274,067	947,057	5,115,000	382,338	389,429
Segment return on assets (ROA)	38.1%	2.1%	0.1%	1.3%	50.8%	-
Segment cost of funds	2.1%	4.5%	2.6%	3.9%	-	-

As at June 30, 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)	518,635	903,747,358	1,115,475,534	698,602,657	2,120,261	154,569,820
Segment non performing loans (NPLs)	-	826,845	7,888,472	49,322,801	-	50,101
Segment provision held against NPLs	-	800,021	7,139,739	38,256,237	-	26,097
Segment liabilities	288,274	853,931,642	1,149,475,473	642,839,805	558,863	14,757,069

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
Segment non performing loans (NPLs)	874,163	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	222,850	1,171,670,458	1,266,885,379	574,811,057	182,495	10,743,193

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)  
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

	As at June 30, 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	-	-	3,748,873	-	-	-	1,365,953	-
Investment redeemed / disposed off during the period / year	-	-	(3,272,986)	-	-	-	(5,399,374)	-
Equity method adjustments	-	-	272,309	-	-	-	299,448	-
Closing balance	-	-	4,989,840	3,895,328	-	-	4,243,644	3,895,328
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	18,907,891
Addition during the period / year	4,501	119,407	-	851,143	11,574	149,324	-	65,331,493
Repaid during the period / year	(9,118)	(74,609)	-	(974)	(8,610)	(296,736)	-	(79,612,942)
Transfer out - net	-	(76,307)	-	(23)	-	(14,865)	-	(136)
Closing balance	686	173,859	2,155,149	3,476,252	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	-	-	-	55,106	26	8	-	82,071
Receivable from staff retirement funds	-	-	-	804,216	-	-	-	632,808
Prepaid insurance	-	-	121,330	-	-	-	13,201	-
Remuneration receivable from management of funds	-	-	84,983	-	-	-	85,289	-
Sales load receivable	-	-	13,703	-	-	-	26,527	-
Formation cost receivable	-	-	4,317	-	-	-	5,286	-
Other receivable	-	-	67,298	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	-	-	2,364,689	43,200	-	-	474,532	512,650
Settled during the period / year	-	-	(2,839,221)	-	-	-	-	(679,750)
Closing balance	-	-	-	43,200	-	-	474,532	-
<b>Deposits and other accounts</b>								
Opening balance	5,700,563	66,247	7,426,100	3,072,390	7,714,425	241,070	8,882,857	2,196,112
Received during the period / year	38,150,987	1,037,705	85,489,192	84,104,672	30,436,836	1,716,576	260,733,762	176,336,654
Withdrawn during the period / year	(40,026,385)	(928,253)	(81,727,033)	(84,882,771)	(32,458,694)	(1,772,424)	(255,237,324)	(174,752,255)
Transfer in / (out) - net	-	(36,369)	-	(931)	7,996	(118,975)	(6,952,995)	(708,121)
Closing balance	3,825,165	139,330	11,168,259	2,293,390	5,700,563	66,247	7,426,100	3,072,390
<b>Other Liabilities</b>								
Interest / mark-up payable on deposits and borrowings	6,375	53	28,398	18,435	40,412	47	42,810	27,740
Payable to staff retirement fund	-	-	-	8,443,302	-	-	-	44,538
Unearned income	-	-	-	4,585	-	-	-	11,462
<b>Contingencies and Commitments</b>								
Letter of guarantee	-	-	15,210	-	-	-	24,884	-
	For the six months ended June 30, 2018 (Un-audited)				For the six months ended June 30, 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	-	5,974	3,646	55,109	21	4,057	9,846	268,968
Commission / charges recovered	60	314	82,534	6,842	424	134	25,891	13,169
Dividend income	-	-	26,833	362,457	-	-	156,874	386,695
Net gain on sale of securities	-	-	72,350	-	-	-	217,153	-
Remuneration from management of funds	-	-	449,979	-	-	-	496,414	-
Sales load	-	-	65,674	-	-	-	100,702	-
Other income	-	-	7,228	8,879	-	-	8,055	6,254
Mark-up / return / interest expense	108,871	1,593	245,139	58,704	58,704	1,542	197,031	18,534
Remuneration paid	-	837,872	-	-	-	994,732	-	-
Post employment benefits	-	21,526	-	-	-	39,520	-	-
Non-executive directors' fee	37,149	-	-	-	20,981	-	-	-
Net charge for defined contribution plans	-	-	-	237,451	-	-	-	185,757
Net charge / (reversal) for defined benefit plans	-	-	-	8,481,528	-	-	-	62,737
Other expenses	-	-	-	61,879	-	-	7,990	64,178
Insurance premium paid	-	-	308,097	-	-	-	397,134	-
Insurance claims settled	-	-	96,635	-	-	-	50,742	-

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

**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 June 30 is as follows:

	Note	(Un-audited) June 30, 2018	(Audited) December 31, 2017
		----- (Rupees in '000) -----	
<b>ASSETS</b>			
Cash and balances with treasury banks		6,462,822	5,428,040
Balances with other banks		6,666,953	6,551,518
Due from financial institutions		17,700,000	3,694,215
Investments		26,770,063	25,401,968
Islamic financing and related assets	23.3	21,435,439	22,110,626
Operating fixed assets		331,072	299,950
Other assets		486,779	421,843
<b>Total Assets</b>		<b>79,853,128</b>	<b>63,908,160</b>
<b>LIABILITIES</b>			
Bills payable		374,637	400,973
Due to financial institutions		125,000	1,500,000
Deposits and other accounts			
Current accounts - non remunerative		30,076,823	25,163,438
Current accounts - remunerative		1,106,979	1,293,692
Saving accounts		12,578,721	11,839,659
Term deposits		8,911,270	982,345
Deposits from financial institutions - remunerative		22,596,538	20,462,360
Deposits from financial institutions - non remunerative		36,422	34,505
		75,306,753	59,775,999
Due to Head Office		1,732,266	61,035
Other liabilities		347,792	327,658
		77,886,448	62,065,665
<b>NET ASSETS</b>		<b>1,966,680</b>	<b>1,842,495</b>
<b>REPRESENTED BY</b>			
Islamic Banking Fund		2,181,000	2,181,000
Accumulated losses		(73,150)	(362,502)
		2,107,850	1,818,498
(Deficit) / surplus on revaluation of assets		(141,170)	23,997
		1,966,680	1,842,495



**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

**23.2** The profit and loss account of the Bank's Islamic Banking branches for the six months ended June 30 is as follows:

	<b>----- (Un-audited) -----</b>	
	<b>January - June 2018</b>	<b>January-June 2017</b>
	<b>----- (Rupees in '000) -----</b>	
Return earned	1,918,137	1,262,821
Return expensed	(926,903)	(808,513)
	<u>991,234</u>	<u>454,308</u>
Provision against loans and advances - net	(3,202)	(1,161)
Net return after provisions	<u>988,032</u>	<u>453,147</u>
<b>Other Income</b>		
Fee, commission and brokerage income	68,162	44,459
Gain / (loss) from dealing in foreign currencies	219	(359)
Loss on sale of securities - net	-	(438)
Other income	11,760	7,830
Total other income	<u>80,141</u>	<u>51,492</u>
	<u>1,068,173</u>	<u>504,639</u>
<b>Other Expenses</b>		
Administrative expenses	(776,014)	(430,278)
Other provisions - net	(2,807)	(1)
Total other expenses	<u>(778,821)</u>	<u>(430,279)</u>
<b>Net profit for the period</b>	<u>289,352</u>	<u>74,360</u>
Accumulated losses brought forward	(362,502)	(609,289)
<b>Accumulated losses carried forward</b>	<u>(73,150)</u>	<u>(534,929)</u>
<b>Remuneration to Shariah Board and Advisor</b>	<u>3,724</u>	<u>3,386</u>
	<b>(Un-audited) June 30, 2018</b>	<b>(Audited) December 31, 2017</b>
	<b>----- (Rupees in '000) -----</b>	

**23.3 Islamic financing and related assets**

<b>Financings</b>		
Murabaha	643,620	720,017
Musharaka running finance	-	15,000,000
Ijarah	386,934	490,963
Islamic Export Refinance scheme - Murabaha	126,849	-
Diminishing Musharaka	<u>18,874,225</u>	<u>4,358,154</u>
	<u>20,031,628</u>	<u>20,569,134</u>
<b>Advances</b>		
Advances against Ijarah	126,576	53,539
Advances for Diminishing Musharaka	885,170	1,255,734
Advances for Murabaha	<u>64,460</u>	<u>88,165</u>
	<u>1,076,206</u>	<u>1,397,438</u>
Profit and other receivables against financings and advances	<u>420,987</u>	<u>234,234</u>
<b>Gross Islamic financing and related assets</b>	<u>21,528,821</u>	<u>22,200,806</u>
Provision against financings and advances	<u>(93,382)</u>	<u>(90,180)</u>
	<u>21,435,439</u>	<u>22,110,626</u>

**23.4 Charity Fund**

Opening Balance	121	648
Addition during the period / year	1,256	793
Payments during the period / year	-	(1,320)
Closing Balance	<u>1,377</u>	<u>121</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

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

The Board of Directors in its meeting held on August 02, 2018 has declared an interim cash dividend in respect of the quarter ended June 30, 2018 of Rs. 3.0 per share (June 30, 2017: Rs. 3.0 per share). The consolidated condensed interim financial statements for the six months ended June 30, 2018 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

**25. DATE OF AUTHORIZATION**

These consolidated condensed interim financial statements were authorised for issue on August 02, 2018 by the Board of Directors of the Bank.

**26. GENERAL**

**26.1 Comparatives**

Comparative information has been reclassified, rearranged or additionally incorporated in these consolidated condensed interim financial statements for the purposes of better presentation.


**26.2** Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

  
Aameer Karachiwalla  
Chief Financial Officer

  
Sima Kamil  
President &  
Chief Executive Officer

  
Amar Zafar Khan  
Director

  
Arshad Ahmed Mir  
Director

  
Sir Mohammed Anwar Pervez, OBE, HPK  
Chairman



## مستقبل کی توقعات (Future Outlook)

ہم UBL سے وابستہ افراد، پاکستان کی معاشی ترقی میں اپنا بھرپور کردار ادا کرنے کے عزم پر اٹل ہیں، ان سرمایہ کاریوں کے ذریعے جو ہم ان سیکٹرز میں کر رہے ہیں جن کی وجہ سے ملک معاشی ترقی کی نئی راہوں پر گامزن ہوگا اور بہترین فنانشل سروسز تک سب کی رسائی آسان ہوگی۔ ہماری فرہنگ کی مضبوط بنیاد براؤچ بینکنگ ہی رہے گی جہاں ہم NTB تعلقات کو مضبوط کرتے ہوئے نیٹ ورک کی کارکردگی میں اضافہ کریں گے اور اس طرح ہمارے کسٹمرز میں ہر پل اضافہ ہوتا رہے گا۔ پاور اور انفراسٹرکچر سیکٹرز میں ہم دوطرفہ فنانسنگ مواقعوں پر کام کر کے اپنی ساکھ اور معیار کو مزید بہتر کر رہے ہیں۔ کریڈٹ میں اضافہ رسک آپٹائزیشن اور RWA دونوں ڈومینس اور بین الاقوامی بینکوں کے درمیان روابط گہرے کرنے کے ساتھ ہوگا۔

ادائیگی کے نظام کو بہتر اور زمانہ ساز ڈیجیٹل سہولیات پیش کر کے بنک اپنی ٹیکنالوجی لیڈر شپ کو مضبوط بنانے کے لئے پرعزم ہے۔ ہم خدمات کی کوالٹی کے معیار کو بہتر اور اپنے کسٹمرز کی توقعات پر پورا اترنے کے لئے ہر دم کوشاں ہیں، جبکہ تمام براؤچز میں اور کنٹرولنگ آفسوں میں لاگت کی بچت پر کام ہوگا۔ ہم اپنی بیلنس شیٹ میں اضافہ کرنے کی بہترین پوزیشن میں ہیں، جبکہ ایک بہترین ڈپازٹس مکس جو کہ ہماری بنیادی آمدن کو اس بڑھتے ہوئے ریٹ کے ماحول میں مضبوط کرتا ہے سے فائدہ اٹھاتے ہیں۔

## الفاظ تشکر (Acknowledgements)

آخر میں، ہم اپنے شیئر ہولڈرز اور کسٹمرز کے بے پناہ تعاون پر ان کے بے حد مشکور ہیں۔ ہم اپنے پر خلوص ملازمین کی جاں فشانی سے کی گئی محنت کو جو وہ کسٹمرز کو بہترین خدمات مہیا کرنے کی راہ میں کرتے ہیں نہایت قدر کی نگاہ سے دیکھتے ہیں۔ ہم حکومت پاکستان، اسٹیٹ بینک آف پاکستان اور دیگر ریگولیٹری باڈیز کے بھی تہہ دل سے ان کے مسلسل تعاون اور رہنمائی کے شکر گزار ہیں۔

برائے واز طرف بورڈ



سر محمد انور پرویز (OBE, HPK)

چیئرمین

کراچی

2 اگست 2018

جون 2018 میں بینکنگ سیکٹر ڈپازٹس 13.06 ٹریلین پر تھے، یہ دسمبر 2017 سے 5.7 فی صد اضافہ تھا۔ اسی مدت کے بینکنگ سیکٹر ایڈوانسز 6.90 ٹریلین پر بند ہوئے جو دسمبر 2017 کے مقابلے میں 5.6 فی صد زیادہ تھے۔

جون 2018 میں 5.3 ٹریلین قرضہ جات اٹھانے کی مد میں حاصل ہوئے جو کہ دسمبر 2017 کے مقابلے میں 10.9 فی صد زیادہ رہے۔ ان کو پرائیوٹ سیکٹر کی پشت پناہی حاصل رہی۔ بینکنگ انڈسٹری کے لئے غیر فعال قرضے مارچ 2018 میں 600.4 بلین رہے جو کہ دسمبر 2017 کے مقابلے میں 1.3 فی صد کا اضافہ تھا۔ گراس انفیکشن ریٹ 8.3 فی صد کے حساب سے دسمبر 2017 کے مقابلے میں 10 bps بہتر رہا (فی صد 8.4: Dec'17)۔

### UBL انٹرنیشنل (UBL International)

GCC سے تعلق رکھنے والے پورے ہی خطے میں تیل کی قیمتوں میں اضافے کی وجہ سے لاگو کئے گئے نئے ٹیکسز اور معاشی تنگی کے باعث مارکیٹ کا منظر نامہ چیلنجنگ رہا۔ ہم ایک واضح پالیسی پر عمل پیرا ہیں تاکہ بین الاقوامی بزنس کو لاحق خطرات سے نجات دلوائی جاسکے، ہم صرف مستحکم، سب سے اعلیٰ کارپوریٹ تعلقات کے حامل، FI سٹریٹجی اور ریٹری سٹریٹجی سرمایہ کاری کرنے والوں کے ساتھ ہی اثاثوں کی بنیاد رکھتے ہیں۔ UBL انٹرنیشنل نے غیر فعال اکاؤنٹس سے وصولی کو زیادہ سے زیادہ کرنے کے لئے اپنی کوششیں تیز کر دی ہیں اور قرضہ جات میں ممکنہ نقصانات کو بھی کم سے کم کیا جا رہا ہے۔ پورٹ فولیو کے دباؤ سے ہم مکمل طور پر آگاہ ہیں، ہم نے ممکنہ نقصانات پر پوری جاں فشانی سے نگرانی کرنی شروع کر دی ہے اور اس معاملے میں اپنی کارکردگی کو بہت بڑھایا ہے۔ CASA ڈپازٹس کو مستحکم اور پائیدار رکھنے کے لئے ہم نے یہ ڈپازٹس کی حکمت عملی وضع کی ہے۔ H1'17 کے مقابلے میں UBL انٹرنیشنل کی اوسط ڈپازٹس بیس 2.2 بلین امریکن ڈالر رہی۔ ڈپازٹس کی لاگت بہت ہی کم درجہ پر برقرار رکھی گئی جو 2.2 فی صد رہی جبکہ امریکہ کے FED انٹرسٹ ریٹس اضافے پر تھے (فی صد 1.25: Jun '17: H1'18) میں مجموعی ایڈوانسز پورٹ فولیو 1.54 بلین امریکن ڈالر رہا Dec'17 میں 1.72 بلین امریکی ڈالر جبکہ شرح آمدن 5.0 H1'18 فی صد رہی (H1'17 میں 4.9 فی صد)۔ بنیادی طور پر غیر ملکی بانڈز پر مشتمل انویسٹمنٹ پورٹ فولیو، 662 ملین امریکن ڈالر (Dec'17: USD 708 million) جس پر شرح آمدن 6.5 فی صد رہی (H1'17 7.6 فی صد)۔

### کریڈٹ ریٹنگ (Credit Rating)

JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ (JCR-VIS) نے 29 جون 2018 کو یونائیٹڈ بینک لمیٹڈ (UBL) کی "AAA/A-1+" (ٹرپل اے/اے ون پلس) ادارہ جاتی درجہ بندی (Entity Ratings) کی دوبارہ تصدیق کر دی ہے۔ یہ ریٹنگ مستحکم متوقع حیثیت کی مظہر ہے۔ یہ ریٹنگ اثاثہ جات کے معیار، منافع اور موقع پر فائدہ اٹھانے کی صلاحیت پر دی گئی ہے۔ یہ UBL کے مضبوط ڈومیسٹک فریجنگ، مارکیٹ شیئر اور بہترین بزنس ماڈل کی آئینہ دار ہے۔



ہماری برانچ لیس سہولت، UBL Omni، برانچ لیس بینکنگ میں سرفہرست ہے اور پاکستان کی معیشت کی ترقی میں اپنا اہم کردار ادا کر رہی ہے۔ UBL Omni پلیٹ فارم نے موبائل بینکنگ کو ہر کسٹمر کی پہنچ میں کر دیا، جس کی وجہ سے وہ UBL Omni بینک اکاؤنٹ کسی بھی Omni دوکان پر محض اپنا CNIC اور فون نمبر بتا کر کھلوا سکتے ہیں۔ Omni دوکان کا نیٹ ورک تقریباً 40,000 ایجنٹس کے ساتھ ملک بھر کے 1,500 سے زیادہ شہروں اور ٹاؤنز میں موجود ہے۔ ڈیجیٹل کلائنٹ کی شمولیت سے NTB کسٹمرز میں 148,000 کا سال بھر میں اضافہ ممکن ہوا، جس کی وجہ سے ہماری کسٹمرز 2.8 ملین تک جون 2018 میں جا پہنچی ہے۔

### معاشی جائزہ (Economy Review)

غیر یقینی سیاسی صورتحال اور قرضوں کے بوجھ کے اثرات کی وجہ سے پاکستان میں مد نظر برس میں کئی مسائل کا شکار رہا ہے۔ البتہ معیشت میں ترقی کی وجہ سے GDP پر برے اثرات نہیں پڑے اور FY'18 میں 5.8 فی صد کا اضافہ GDP میں دیکھا گیا (فی صد 5.3 FY'17)۔

سال بہ سال کی بنیاد پر ملک کی درآمدات FY'18 میں 23.2 بلین روپے رہیں۔ جو 13.71 فی صد 2017 کے مالی سال سے زیادہ رہیں۔ دوسری جانب، معاشی سرگرمی میں فعالیت کی بنا پر، درآمدات (Imports) کے حجم میں مالی سال 2018 میں 60.87 بلین امریکی ڈالر کے ساتھ اضافہ 15 فی صد ہوا۔ یعنی، ملک کا تجارتی خسارہ گر کر مالی برس 2017 کے 32.5 بلین امریکن ڈالر سے رواں مالی برس 2018 میں 37.6 بلین امریکن ڈالر ہو گیا۔ ہوم ریٹینٹسز کی سطح میں کوئی تبدیلی نہیں آئی اور سال بہ سال بنیاد پر بہت ہی معمولی 1.4 فی صد کا اضافہ ہوا۔ نتیجے میں، کرنٹ اکاؤنٹ خسارہ بڑھ کر 2018 کے مالی سال میں 18.0 بلین امریکن ڈالر ہو گیا جبکہ مالی سال 2017 میں یہ خسارہ 12.6 بلین امریکن ڈالر تھا یعنی 42.6 فی صد زیادہ۔ مزید برآں، جون 2018 میں 16.4 بلین امریکن ڈالر FX ریزرو دسمبر 2017 کے 20.2 بلین امریکن ڈالر سے کم رہا۔ اس کی وجہ سے پاکستانی روپے پر ڈالر کے ایکسچینج ریٹ پر بہت زیادہ دباؤ آیا، جو 30 جون 2018 121.50 روپے ہو گیا جو کہ دسمبر 2017 سے 10 فی صد گرا۔ جولائی 2018 میں انٹر بینک ایکسچینج ریٹ مزید 128 روپے تک گر گیا۔ افراط زر کے دباؤ کی وجہ سے جون 2018 میں CPI 5.2 فی صد پر بند ہوا۔ البتہ، مالی سال 2018 میں CPI 3.9 فی صد رہا جو مالی سال 2017 کے 4.2 فی صد سے کم تھا۔

بیرونی درپے چیلنجز کی وجہ سے اسٹیٹ بینک نے اپنی مورخہ 25 مئی اور 14 جولائی 2018 کو اعلان کردہ مانیٹری پالیسی اسٹیٹمنٹ کے ذریعے پالیسی ریٹ میں 50bps اور 100bps کا اضافہ کیا جس سے بینچ مارک ریٹ 7.50 فی صد ہو گیا۔ یہ رواں برس کا تیسرا اضافہ ریٹ میں تھا اور جنوری 2018 میں بھی 25bps کا اضافہ کیا گیا۔

جون 2018 میں پاکستان اسٹاک ایکسچینج 41,911 پوائنٹس پر بند ہوا، YTD CY'18 میں 3.6 فی صد کے ریٹرن کے ساتھ یہ بیرونی اکاؤنٹ کے لئے تشویش گن تھا، سیاسی غیر یقینی اور موڈی کی کریڈٹ آؤٹ لگ میں کمی نے منفی صورتحال پیدا کی۔

کم سے کم کرنے کے لئے ہماری برانچ بینکنگ کی حکمت عملی CASA پروفائل کو بہتر بنانے پر مرکوز ہے تاکہ مارکیٹ شیئر کا حصول مستعدی سے کیا جاسکے۔

جون 2018 تک بینک کانٹ ایڈوانسز پورٹ فولیو 675.1 بلین روپے رہا، دسمبر 2017 کے 604.6 بلین روپے کے مقابلے میں 12 فی صد اضافہ ہے۔ کارپوریٹ، کنزیومر اور SME بزنسز پر جارحانہ حکمت عملی کی وجہ سے ڈومیسٹک قرضہ جات 19 فی صد تک اضافہ ہوا۔ سرمائے اور اثاثہ جات پر لیے گئے موثر رسک کی مستقل پالیسی اور بینک کی قرضہ جات بڑھانے کی حکمت عملی آپس میں مربوط ہیں۔ جون 2018 میں انوسٹمنٹ پورٹ فولیو 800 بلین روپے رہا (1.09, Dec 17 ٹریلین روپے)۔ پاکستان میں ٹریڈری سکیورٹیز پر لیکوڈیٹی بنیادی طور پر لگائی گئی اور یہاں 450 بلین روپے انوسٹمنٹ بونڈز میں 8.6 فی صد کی شرح آمدن کے ساتھ اور 218 بلین ٹریڈری بلز میں لگائے گئے۔ ہماری ایکویٹی بک جون 2018 میں 17.6 بلین روپے پر رہی، جو کہ لمبی مدت کی انوسٹمنٹ پر ڈیویڈنڈز کی مستحکم آمدن کے لئے ہے۔

### کیپٹل ریشوز (Capital Ratios)

UBL کا کیپٹل تناسب کا من ایکویٹی درجہ 1 کے ساتھ مستحکم رہا، 60 bps سے دسمبر 2017 کے 11.3 فیصد کے مقابلے میں اضافے کے ساتھ 11.9 فی صدرہا۔ مجموعی کیپٹل اڈیکوئسی تناسب 16.3 فی صدرہا (Dec 17 میں 15.4 فی صد)۔ یو بی ایل کے بورڈ آف ڈائریکٹرز نے 2 اگست 2018 کو کراچی میں منعقدہ اپنے اجلاس میں 30 جون 2018 کو ختم ہونے والے نصف برس کے نتائج کے ساتھ 30 فی صد (3.0 روپے فی شیئر) عبوری ڈیویڈنڈ کا اعلان کیا۔

### UBL ڈیجیٹل (UBL Digital)

نئی جہتوں کے ساتھ ساتھ کنزیومر اور اینڈ پرائیڈ پروڈکٹ ڈیولپمنٹ پر بھرپور توجہ کے ساتھ UBL ایسا انڈسٹری لیڈر ہے جو مقابلے کی فضا میں اپنی ایک منفرد شناخت بنا رہا ہے۔ ڈیجیٹل پرنٹل ہونے کے سفر کے دوران ہم نے کئی واضح کارہائے نمایاں انجام دیئے۔ پہلا نشان منزل ل تو ہماری ڈیجیٹل لیب کا پچھلے برس قیام ہے جو ہماری منفرد اور نئی پروڈکٹس اور ضابطہ کاروں کا سبب ہے۔ ہمارے لئے ڈیجیٹل محض ایک چینل سے کہیں بڑھ کر ہے جو انسانی سوچ و فکر سے ہم آہنگ تجرباتی بینکنگ کا محرک ہے۔

حال ہی میں ہم نے زمانہ ساز بینکنگ ایپ 'UBL DIGITAL' متعارف کروائی۔ یہ ایپ کسٹمرز کو 24/7 اپنے اکاؤنٹس کو باحفاظت، برق رفتاری اور سہولت کے ساتھ مینین کرنے کا موقع فراہم کرتی ہے۔ اس ایپ میں فیشل ریلیکیشن یا چہرے کی شناخت کے ساتھ ساتھ QR کوڈ کے ذریعے ادائیگی وغیرہ شامل ہیں۔ اس ایپ کو متعارف کروانے کے لئے ایک متاثر کن ٹی وی کمپین کے علاوہ ریڈیو، پرنٹ اور ڈیجیٹل میڈیا پر بھی اس کی عمدہ تشہیر کی گئی۔



28.19 بلین روپے کے مقابلے میں کمی آئی اور جون 2018 تک یہ 27.77 بلین روپے ہو گئے۔ جس کے نتیجے میں ڈومیسٹک بینک میں H1'18 نیٹ پروویژن ریورسلز 543.74 بلین روپے ریکارڈ کئے گئے۔ (H1'17 میں 1.17 بلین روپے)۔ ڈومیسٹک ایڈواسز کے لئے اثاثہ جات کا معیار کا تناسب مسلسل بہتر ہو رہا ہے، جون 2018 میں 5.2 فی صدر ہا (فی صد 6.2 Dec'17) یہ سب حصہ ہے دیرینہ کارپوریٹ تعلقات کو بہتر اور مضبوط بنانے کے لئے انڈر رائٹنگ کے معیار پر توجہ مرکوز کرنے کا۔ جون 2018 تک ڈومیسٹک NPLS کی کوریج 88.8 فی صدر ہی (فی صد 90.7 Dec'17)

GCC کی داخلی معاشی ست روی کی وجہ سے کی گئی محتاط درجہ بندی کے نتیجے میں انٹرنیشنل NPL دسمبر 2017 کے مقابلے میں 5.38 بلین روپے کے مزید اندراج کے ساتھ 28.26 بلین روپے جون 2018 میں ہو گئے۔ H1'18 کے دوران 5.08 بلین روپے کا پروویژن چارج انٹرنیشنل پورٹ فولیو کے لئے ریکارڈ کیا گیا (H1'17 میں 705 بلین روپے) انٹرنیشنل NPLS پر مخصوص کوریج کو Dec '17 میں 58 فیصد کی سطح سے بڑھا کر Jun'18 میں 71 فیصد کیا گیا۔

جون 2018 میں بینک کی سطح پر اثاثہ جات کا معیار 7.7 فی صدر ہا (فی صد 7.9 Dec'17)۔ NPLs پر مخصوص کوریج کو دسمبر 2017 کے 76 فی صد سے جون 2018 میں 80 فی صد تک بڑھایا گیا۔

H1'18 میں 4.53 بلین روپے کا کل نیٹ پروویژن UBL نے ریکارڈ کیا جو گزشتہ برس 460 بلین روپے کا نیٹ پروویژن ریورسل رہا تھا۔

### اخراجات کا نظم و نسق (Cost Management)

ترقی کے لئے اٹھائے جانے والے اقدام کو ایک مضبوط پلیٹ فارم مہیا کرنے کے لئے بینک ری انوسٹمنٹ ان بزنس کے ساتھ کاسٹ بیس کو مناسب سطح پر رکھنے کے لئے کوشاں ہے۔ H1'18 کے دوران انتظامی اخراجات 18.52 بلین روپے رہے جو H1'17 سے 7 فی صد زیادہ ہیں۔ افرادی قوت پر H1'17 کے مقابلے میں لاگت میں 4 فی صد اضافہ ہوا کیونکہ پورے نیٹ ورک میں بھرتیاں کی گئیں جو بنیادی طور پر برانچ بینکنگ گروپ میں تھیں۔ سالانہ انکریمنٹس کے اثرات کے باوجود، اسٹاف پر اخراجات کو محدود رکھا گیا۔ عمارتی اخراجات میں سال بہ سال 3 فی صد کا معمولی اضافہ رہا، اس کی وجہ کرایوں کے معاہدوں کی تجدید جبکہ یوٹیلیٹی اخراجات میں کمی پر بھرپور توجہ کا ہونا ہے۔ فیس کی بنیاد پر بزنس میں ڈپازٹ کی حوصلہ افزائی اور حجم میں اضافہ کی وجہ سے متنوع اور مختلف النوع اخراجات قابو میں رکھے گئے۔ لاگت سے آمدن کے تناسب میں H1'17 کے 42.9 فی صد سے 43.7 فی صد کا معمولی اضافہ ہوا۔

### بیلنس شیٹ کا نظم و نسق (Balance Sheet Management)

جون 2018 تک ڈومیسٹک ڈپازٹس 1.06 ٹریلین روپے رہے جو دسمبر 2017 سے 3 فی صد زیادہ ہے۔ بینک کے کوریڈر ڈپازٹس کی وجہ سے لیکوڈیٹی پروفائل بہترین رہا اسی لئے جون 2018 کے ماہ تک مارکیٹ شیئر مستقل طور پر 8 فی صد سے زیادہ رہا۔ ڈپازٹس کی لاگت کی

## نان مارک اپ آمدن (Non-Markup Income)

34 فی صد بینک کی گراس آمدنی پر مشتمل (H1'17: 31%) نان فنڈ آمدن (NFI) جو H1'17 کے مقابلے میں 16 فی صد زیادہ رہی 14.29 بلین روپے پر پہنچ گئی۔ بینک کا NFI ایک متنوع فیس بیسڈ پراڈکٹ سوٹ اور ٹریڈری اور کمپیوٹل مارکیٹس کے بزنس سیکمنٹس کے ساتھ ایک فعال حکمت عملی کا نتیجہ ہے۔

47 فی صد اور آل NFI (H1'17: 48%) کے شیئر کے ساتھ فیس اور کمیشنز H1'18 میں 6.73 بلین روپے رہے، جو H1'17 کے مقابلے میں 14 فی صد زیادہ ہے۔ سال بہ سال ڈومیسٹک فیس سے آمدنی، تمام بڑی کاروباری لائنز میں اضافے کے ساتھ تقریباً 30 فی صد زیادہ رہی۔

H1'17 کے مارکیٹ شیئر جو 25 فی صد تھا سے بڑھ کر تقریباً 30 فی صد رواں برس ہونے کی وجہ سے ہم نے ہوم رییمینٹس میں اپنی لیڈر شپ مزید مستحکم کر لی۔ جس کے نتیجے میں، ہوم رییمینٹس کے کمیشن میں 29 فی صد اضافہ سال بہ سال کی بنیاد پر دیکھا گیا۔ رواں H1'18 (H1'17: 329,000) کے دوران 340,000 نئے کارڈوں کے اجرا کے ساتھ ڈیبٹ کارڈ کی بڑھتی ہوئی مقبولیت پر ہماری خاص توجہ رہی ہے۔ پچھلے برس کے مقابلے میں کارڈ فیس سے آمدنی میں 35 فی صد اضافہ ہوا ہے۔ بینک اشورنس میں سیلز کی مضبوط حکمت عملی کی وجہ سے کمیشنز میں H1'17 کے مقابلے میں 32 فی صد کا اضافہ ہوا۔ کلائنٹ کوریج کو بڑھانے پر توجہ مرکوز رکھتے ہوئے اور نان آئل ٹریڈ کی روانی مد نظر رکھتے ہوئے H1'17 کے مقابلے میں ٹریڈ سے آمدنی میں 15 فی صد اضافہ ہوا۔ بینک کی موجودہ کلائنٹیل کے ساتھ روابط اور رشتے مزید گہرے کرنے کے نئے عزم اور بھرپور کارکردگی کی وجہ سے کیش مینجمنٹ کمیشنز 26 فی صد بڑھ گئے۔ پاور سیکٹر میں اس سال کے پہلے چھ ماہ میں Debt Arrangement Mandate کی وجہ سے انوسٹمنٹ بینکاری فیس میں بھی خاطر خواہ اضافہ ہوا۔

بینک نے کمپیوٹل گینز کی مد میں 4.54 بلین روپے کمائے (H1'17 میں 3.84 بلین روپے) جو بنیادی طور پر فکسڈ انکم بانڈ پورٹ کی فروخت پر مبنی تھے۔ رواں برس ڈیوڈنڈ سے حاصل کردہ آمدنی 1.16 بلین روپے رہی (H1'17 میں 1.29 بلین روپے)، جو فریڈلائزر اور انرجی سیکٹر سے مستقل رقم کی ادائیگیوں کی وجہ سے ممکن رہا۔ H1'18 کے دوران مجموعی ڈیوڈنڈ کی شرح آمدن 9.2 فی صد کی بہترین سطح پر برقرار رہی (H1'17: 9.4%)۔ H1'17 کے مقابلے میں 76 فی صد کے اضافے کے ساتھ H1'18 میں FX سے آمدنی 1.45 بلین روپے ریکارڈ ہوئی۔ اس اضافے کی وجہ کارپوریٹ سیلز ڈیسک کی بہترین کارکردگی اور ٹریڈنگ پوزیشنز سے حاصل کردہ زبردست منافع ہے۔

## قرضہ پر ممکنہ نادمہنگی اور خسارے کے لئے مختص رقوم (Provision and Loan Losses)

ایسٹبل ایسیٹ مینجمنٹ ڈویژن کی زبردست ریکوری کی کوششوں کے باعث ڈومیسٹک غیر فعال قرضہ جات میں دسمبر 2017 کے



## مالیاتی نتائج (Financial Results)

H1'18 کے لئے UBL کا غیر مجتمع بعد از ٹیکس منافع (PAT) 6.27 بلین روپے رہا۔ (H1'17 کے دوران 13.24 بلین روپے)۔  
فی حصص آمدن (EPS) 5.12 روپے رہی جبکہ H1'17 کے دوران 10.82 روپے رہی تھی۔ مجتمع بنیاد پر، UBL نے 6.11 بلین  
روپے PAT ریکارڈ کیا (H1'17 میں 13.29 بلین روپے)۔

## نیٹ مارک اپ آمدن (Net Markup Income)

گزشتہ برس کی ایسی ہی مدت کو ملحوظ خاطر رکھتے ہوئے H1'18 کے دوران نیٹ مارک اپ آمدن 28.1 بلین روپے پر رہی۔  
اوسط اثاثوں کی مالیت H1'17 کے 1.61 ٹریلین روپے سے بڑھ کر H1'18 میں 1.82 ٹریلین روپے ہو گئی، جس کی وجہ سے بینک  
کی انٹرسٹ آمدن مستحکم رہی۔ یہ اضافہ ڈومیسٹک بینک میں کرنٹ ڈپازٹس کے بے پناہ اضافے کا مرہون منت ہے جو سال بہ سال  
اضافے کی بنیاد پر 17 فی صد رہا۔ ہماری برانچ بینکنگ کی حکمت عملی کو ڈپازٹس پر NTB کسٹمر کے حصول پر مرکوز رہی۔ جس کے نتیجے  
میں اوسط ڈومیسٹک H1'17 CASA MIX میں حاصل کردہ 82.4 فی صد سے بڑھ کر H1'18 میں 86.3 فی صد ہو گئی۔ مسلسل  
کمی کے اس رجحان کو بڑھاتے ہوئے، ڈپازٹس کی ڈومیسٹک لاگت H1'17 کی 2.75 فی صد سے کم ہو کر H1'18 میں 2.60 فی صد  
ہو گئی۔ اوسط ڈپازٹس بیس H1'17 سے 6 فی صد اضافے کے ساتھ H1'18 میں 1.24 ٹریلین ہو گئی۔ یہ مینگے ڈپازٹس کو کم کرنے اور  
ڈپازٹس پر وفائل کی مناسب لاگت برقرار رکھنے کی واضح حکمت عملی کی مرہون منت ہے۔ اس حکمت عملی کی وجہ سے بینک کی فنڈنگ بیس  
بڑھتے رہنے کی صورتحال سے پیدا کردہ حالات کو برداشت کرنے کے قابل ہو چکی ہے جو اسٹیٹ بینک آف پاکستان کے ٹارگٹ ریٹ  
میں اضافے کی وجہ سے پیدا ہوئی جو مئی 2018 میں 6.5 فی صد سے جولائی 2018 میں 7.5 فی صد ہو گیا۔

ڈومیسٹک بینک کا ایوریج ایڈوانسز پورٹ فولیو H1'17 کے مقابلے میں H1'18 میں 38 فی صد کے مستحکم اضافے کے ساتھ  
455.4 بلین روپے ریکارڈ کیا گیا۔ یہ کارپوریٹ بینکنگ گروپ کے پورٹ فولیو میں اضافے کی وجہ سے ممکن ہوا جس کے H1'17 کے  
مقابلے میں H1'18 میں ایوریجسز میں 35 فی صد اضافہ ہوا۔ اس حکمت عملی میں ایک بہترین سیکٹورل کس موجود ہے جبکہ پورٹ فولیو کی  
بیرونی کریڈٹ ریٹنگز کے ذریعے کمپیوٹل ایلوکیشن میں اضافہ حاصل کیا گیا۔ SME بزنس میں سال گزشتہ کے مقابلے میں اضافہ ہوا، اس  
کی ایوریج لون بک H1'17 کے مقابلے میں 28 فی صد بڑھ گئی۔ آئوٹناننگ کی وجہ سے کسٹمر پورٹ فولیو میں 33 فی صد اضافہ ہوا۔ اس  
اضافے کی وجہ سے ایڈوانسز میں جون 2017 کے 45.9 فی صد سے جون 2018 میں 52.1 فی صد اضافہ ہوا (دسمبر 2017 میں  
47.3 فی صد)۔

H1'17 میں 555 بلین روپے کی PIB ہولڈنگز کے مقابلے میں بینک کی PIB ہولڈنگز H1'18 میں 487 بلین روپے رہیں۔  
8.6 فی صد کی انوسٹمنٹ کی شرح آمدن جو H1'17 میں 9 فی صد رہی اس کی وجہ سے نیٹ انٹرسٹ مارجنز کو مستحکم سپورٹ حاصل رہی۔  
ایوریج ٹی بلز پورٹ فولیو H1'17 کے 163 بلین روپے سے بڑھ کر H1'18 میں 286 بلین روپے ہو گیا۔

# ارکان کوڈائریکٹرز کی رپورٹ

بورڈ آف ڈائریکٹرز کی طرف سے 30 جون 2018 کو ختم ہونے والے نصف برس کے لئے یونائیٹڈ بینک لمیٹڈ کے مالیاتی گوشوارے پیش کرنا میرے لئے باعث مسرت ہے۔

## (Performance Highlights) کارکردگی کا عمومی جائزہ

سن 2018 کے پہلے نصف میں اوسط اثاثوں کی بنیاد H1'17 پر 13 فی صد کے اضافے کے ساتھ بینک نے اپنی بیلنس شیٹ میں اضافہ مستحکم رکھا۔ بینک نے اپنی توجہ نئے ریلیشن شپ (NTB) کو حاصل کرنے پر مرکوز رکھی اور H1'18 میں 277,000 سے زائد کرنٹ اکاؤنٹس کھولے گئے (H1'17: 240,000)۔ جس کے نتیجے میں، ڈومیسٹک کرنٹ ڈپازٹس 62 بلین روپے کے سال بہ سال کے اضافے یعنی 17 فی صد (H1'18 بمقابلہ H1'17) کے ساتھ 438 بلین روپے پر آ گئے۔ اس اضافے کی بدولت ڈپازٹس مکس کی کارکردگی میں اضافہ ہوا اور اوسط ڈومیسٹک کرنٹ اکاؤنٹ اور مجموعی ڈپازٹس کا باہمی تناسب H1'17 کے 40 فی صد سے بڑھ کر H1'18 میں 44 فی صد ہو گیا۔ اس کے نتیجے میں ڈپازٹس کی لاگت میں کمی میں مدد ملی، گوکہ رواں نصف برس میں 75 bps ریٹ کا اضافہ ہوا پھر بھی ڈپازٹس کی لاگت، H1'18 میں 2.60 فی صد رہی جو کہ H1'17 کے 2.75 فی صد سے 15 bps کم ہے۔

H1'17 کے مقابلے میں مجموعی آمدنی میں 5 فی صد کا اضافہ دیکھا گیا جو H1'18 میں 42.3 بلین روپے رہی۔ H1'17 کی مطابقت میں نیٹ انٹرسٹ سے حاصل کردہ آمدنی 28.1 بلین روپے ریکارڈ کی گئی۔ نان فنڈ آمدن 14.3 بلین روپے رہی۔ H1'17 کے مقابلے میں 16 فی صد کا اضافہ، فی بیسڈ آمدن، ایکسیجنگ انکم اور کیپٹل گینز کا مرہون منت ہے۔ انتظامی اخراجات H1'18 میں سال بہ سال کی بنیاد پر 7 فی صد اضافے کے ساتھ 18.5 بلین روپے رہے۔ H1'17 کے 42.9 فی صد کے مقابلے میں لاگت سے آمدنی کا تناسب 43.7 فی صد رہا۔

انٹرنیشنل قرضہ کے پورٹ فولیو کی کوریج کو بہتر بنانے کے لئے H1'18 میں 4.5 بلین روپے بطور نیٹ پروویژن چارج کئے گئے۔

اثاثہ کوالٹی دسمبر 2017 کے 7.9 فی صد لیول کے مقابلے میں بہتری کے ساتھ جون 2018 میں 7.7 فی صد ریکارڈ کی گئی۔

H1'18 میں غیر مجتمع قبل از ٹیکس منافع (PBT) 10.60 بلین روپے رہا (H1'17 میں 22.97 بلین روپے)۔

سال کے پہلے نصف میں منافع پر ایک ون آف پروویژن اثر انداز ہوا جو کہ 8.40 بلین روپے گزشتہ سروس کے پینشن بینیفٹس تھے (جس کی تفصیلات مالیاتی گوشواروں کے نوٹ 17 میں درج ہیں)۔ اس چارج کو منہا کیا جائے تو عمومی PBT H1'18 میں 19.01 بلین روپے ریکارڈ کیا گیا۔



## NOTES



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