

United Bank Limited

**CONSOLIDATED CONDENSED
INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2019
(UNAUDITED)**



CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2019

	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
----- (Rupees in ‘000) -----			
ASSETS			
Cash and balances with treasury banks	6	190,509,731	187,915,671
Balances with other banks	7	41,659,032	41,747,060
Lendings to financial institutions	8	23,159,560	35,346,551
Investments	9	1,043,326,735	831,159,100
Advances	10	671,641,511	754,551,722
Fixed assets	11	57,668,144	50,898,280
Intangible assets	12	2,048,539	1,876,094
Deferred tax assets	13	4,486,347	6,685,952
Assets held for sale	14	3,709,827	-
Other assets	15	85,181,945	92,312,444
		2,123,391,371	2,002,492,874
LIABILITIES			
Bills payable	17	23,118,757	27,272,967
Borrowings	18	333,869,058	279,918,125
Deposits and other accounts	19	1,498,574,721	1,448,324,041
Liabilities against assets subject to finance lease	20	21,480	10,000
Subordinated debts	21	10,000,000	9,000,000
Deferred tax liabilities		-	-
Liabilities held for sale	14	3,685,571	-
Other liabilities	22	68,706,245	69,343,882
		1,937,975,832	1,833,869,015
NET ASSETS		185,415,539	168,623,859
REPRESENTED BY:			
Share capital		12,241,798	12,241,798
Reserves		67,278,462	60,078,870
Surplus on revaluation of assets	23	21,575,750	16,992,906
Unappropriated profit		77,692,115	73,749,955
Total equity attributable to the equity holders of the Bank		178,788,125	163,063,529
Non-controlling interest		6,627,414	5,560,330
		185,415,539	168,623,859
CONTINGENCIES AND COMMITMENTS			
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The annexed notes 1 to 43 form an integral part of these consolidated condensed interim financial statements.

Aameer Karachiwalla
Chief Financial Officer

Sima Kamil
President &
Chief Executive Officer

Amar Zafar Khan
Director

Arshad Ahmad Mir
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Chairman

**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**

	Note	July - September 2019	July - September 2018	January - September 2019	January - September 2018
----- (Rupees in '000) -----					
Mark-up / return / interest earned	26	46,381,062	30,832,964	114,622,747	86,991,106
Mark-up / return / interest expensed	27	30,509,464	16,457,861	68,165,602	43,553,484
Net mark-up / interest income		<u>15,871,598</u>	<u>14,375,103</u>	<u>46,457,145</u>	<u>43,437,622</u>
Non mark-up / interest income					
Fee and commission income	28	3,954,774	3,752,592	12,054,092	11,447,163
Dividend income		144,874	235,059	784,488	1,045,814
Foreign exchange income		1,197,991	1,293,657	3,484,894	2,843,801
Income / (loss) from derivatives		(35,128)	(2,686)	50,298	(8,958)
Gain on securities - net	29	462,449	59,050	772,386	4,793,274
Other income	30	146,665	262,311	1,874,038	641,432
Total non mark-up / interest income		<u>5,871,625</u>	<u>5,599,983</u>	<u>19,020,196</u>	<u>20,762,526</u>
Total income		<u>21,743,223</u>	<u>19,975,086</u>	<u>65,477,341</u>	<u>64,200,148</u>
Non mark-up / interest expenses					
Operating expenses	31	10,909,380	10,471,099	31,811,389	30,733,737
Workers' Welfare Fund		175,575	138,020	532,237	424,918
Other charges	32	727	39,339	2,945	43,358
Total non mark-up / interest expenses		<u>11,085,682</u>	<u>10,648,458</u>	<u>32,346,571</u>	<u>31,202,013</u>
Share of profit of associates		79,116	154,595	427,840	455,007
Profit before provisions		<u>10,736,657</u>	<u>9,481,223</u>	<u>33,558,610</u>	<u>33,453,142</u>
Provisions and write-offs - net	33	2,028,937	3,243,096	5,706,877	7,988,618
Extra ordinary / unusual item - charge in respect of pension liability		-	341,972	-	8,746,607
Profit before taxation from continuing operations		<u>8,707,720</u>	<u>5,896,155</u>	<u>27,851,733</u>	<u>16,717,917</u>
Taxation	34	3,516,912	2,514,770	12,163,304	7,224,512
Profit after taxation from continuing operations		<u>5,190,808</u>	<u>3,381,385</u>	<u>15,688,429</u>	<u>9,493,405</u>
Discontinued operations					
Loss from discontinued operations - net of tax	14	(137,818)	-	(1,468,330)	-
Profit after taxation		<u>5,052,990</u>	<u>3,381,385</u>	<u>14,220,099</u>	<u>9,493,405</u>
Attributable to:					
Equity holders of the Bank					
from continuing operations		5,192,045	3,554,175	15,698,858	9,747,927
from discontinued operations		(137,818)	-	(1,468,330)	-
		<u>5,054,227</u>	<u>3,554,175</u>	<u>14,230,528</u>	<u>9,747,927</u>
Non-controlling interest		(1,237)	(172,790)	(10,429)	(254,522)
		<u>5,052,990</u>	<u>3,381,385</u>	<u>14,220,099</u>	<u>9,493,405</u>
----- (Rupees) -----					
Earnings per share - basic and diluted					
from continuing operations		4.24	2.90	12.82	7.96
from discontinued operations		(0.11)	-	(1.20)	-
	35	<u>4.13</u>	<u>2.90</u>	<u>11.62</u>	<u>7.96</u>

The annexed notes 1 to 43 form an integral part of these consolidated condensed interim financial statements.

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

	July - September 2019	July - September 2018	January - September 2019	January - September 2018
	----- (Rupees in '000) -----			
Profit after tax for the period attributable to:				
Equity holders of the Bank				
from continuing operations	5,192,045	3,554,175	15,698,858	9,747,927
from discontinued operations	(137,818)	-	(1,468,330)	-
	5,054,227	3,554,175	14,230,528	9,747,927
Non-controlling interest	(1,237)	(172,790)	(10,429)	(254,522)
	5,052,990	3,381,385	14,220,099	9,493,405
Other comprehensive income				
Items that may be reclassified to profit and loss account in subsequent periods				
Effect of translation of net investment in foreign branches and subsidiaries				
Equity holders of the Bank	(2,039,621)	836,967	7,066,718	5,354,371
Non-controlling interest	(306,050)	239,409	460,960	584,659
	(2,345,671)	1,076,376	7,527,678	5,939,030
Movement in deficit on revaluation of investments - net of tax				
Equity holders of the Bank	2,953,930	(1,120,292)	4,759,698	(9,296,553)
Non-controlling interest	152,591	-	444,647	(251,821)
	3,106,521	(1,120,292)	5,204,345	(9,548,374)
	760,850	(43,916)	12,732,023	(3,609,344)
Items that will not be reclassified to profit and loss account in subsequent periods				
Remeasurement gain on defined benefit obligations - net of tax	-	-	679,587	-
Movement in surplus on revaluation of fixed assets - net of tax				
Equity holders of the Bank	(97,299)	(401,433)	129,743	(321,678)
Non-controlling interest	(78,940)	14,685	172,857	84,025
	(176,239)	(386,748)	302,600	(237,653)
Movement in surplus on revaluation of non-banking assets - net of tax	-	(6,686)	(15,026)	(25,269)
	(176,239)	(393,434)	967,161	(262,922)
Total comprehensive income for the period	5,637,601	2,944,035	27,919,283	5,621,139
Attributable to:				
Equity holders of the Bank				
from continuing operations	6,009,055	2,862,731	28,319,578	5,458,798
from discontinued operations	(137,818)	-	(1,468,330)	-
	5,871,237	2,862,731	26,851,248	5,458,798
Non-controlling interest	(233,636)	81,304	1,068,035	162,341
	5,637,601	2,944,035	27,919,283	5,621,139

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Chief Executive Officer

Amar Zafar Khan
Director

Arshad Ahmad Mir
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Chairman

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

	Attributable to equity shareholders of the Bank								Non-controlling Interest	Total	
	Share Capital	General reserve	Statutory reserve	Capital reserve - Exchange translation	Surplus/(Deficit) on revaluation of			Unappropriated profit			Sub total
					Investments	Fixed Assets	Non Banking Assets				
	(Rupees in '000)										
Balance as at December 31, 2017 - as restated	12,241,798	3,000	29,857,453	17,343,063	5,897,359	27,136,589	112,528	76,410,128	169,001,918	5,491,844	174,493,762
Change in accounting policy as at January 1, 2018	-	-	-	-	-	-	-	(1,640,563)	(1,640,563)	-	(1,640,563)
Balance as at January 01, 2018 - as restated	12,241,798	3,000	29,857,453	17,343,063	5,897,359	27,136,589	112,528	74,769,565	167,361,355	5,491,844	172,853,199
Total comprehensive income for the nine months ended September 30, 2018											
Profit after taxation for the nine months ended September 30, 2018	-	-	-	-	-	-	-	9,747,927	9,747,927	(254,522)	9,493,405
Other comprehensive income - net of tax	-	-	-	5,354,371	(9,296,553)	(321,678)	(25,269)	-	(4,289,129)	416,863	(3,872,266)
Total comprehensive income for the nine months ended September 30, 2018	-	-	-	5,354,371	(9,296,553)	(321,678)	(25,269)	9,747,927	5,458,798	162,341	5,621,139
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(532)	(532)	532	-
Transfer to statutory reserve	-	-	953,308	-	-	-	-	(953,308)	-	-	-
Transactions with owners for the nine months ended September 30, 2018											
Final cash dividend - December 31, 2017 declared subsequent to the year end at Rs.4.0 per share	-	-	-	-	-	-	-	(4,896,719)	(4,896,719)	-	(4,896,719)
Interim cash dividend - March 31, 2018 declared subsequent to the period end at Rs.3.0 per share	-	-	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Interim cash dividend - June 30, 2018 declared subsequent to the period end at Rs.3.0 per share	-	-	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Balance as at September 30, 2018 (Un-audited) - as restated	12,241,798	3,000	30,810,761	22,697,434	(3,399,194)	26,814,911	87,259	71,321,855	160,577,824	5,654,717	166,232,541
Total comprehensive income for the three months ended December 31, 2018											
Profit after taxation for the three months ended December 31, 2018	-	-	-	-	-	-	-	5,735,124	5,735,124	(178,975)	5,556,149
Other comprehensive income - net of tax	-	-	-	6,024,914	(6,831,083)	360,591	18,597	(373,837)	(800,818)	85,927	(714,891)
Total comprehensive income for the three months ended December 31, 2018	-	-	-	6,024,914	(6,831,083)	360,591	18,597	5,361,287	4,934,306	(93,048)	4,841,258
Ordinary dividend relating to Non-controlling shareholders	-	-	-	-	-	-	-	-	-	(1,581)	(1,581)
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	(58,175)	-	57,933	(242)	242	-
Transfer to statutory reserve	-	-	542,761	-	-	-	-	(542,761)	-	-	-
Transactions with owners for the three months ended December 31, 2018											
Interim cash dividend - September 30, 2018 declared subsequent to the period end at Rs.2.0 per share	-	-	-	-	-	-	-	(2,448,359)	(2,448,359)	-	(2,448,359)
Balance as at December 31, 2018	12,241,798	3,000	31,353,522	28,722,348	(10,230,277)	27,117,327	105,856	73,749,955	163,063,529	5,560,330	168,623,859
Total comprehensive income for the nine months ended September 30, 2019											
Profit after taxation for the nine months ended September 30, 2019	-	-	-	-	-	-	-	14,230,528	14,230,528	(10,429)	14,220,099
Other comprehensive income - net of tax	-	-	-	7,066,718	4,759,698	129,743	(15,026)	679,587	12,620,720	1,078,464	13,699,184
Total comprehensive income for the nine months ended September 30, 2019	-	-	-	7,066,718	4,759,698	129,743	(15,026)	14,910,115	26,851,248	1,068,035	27,919,283
Ordinary dividend relating to Non-controlling shareholders	-	-	-	-	-	-	-	-	-	(1,540)	(1,540)
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	(291,571)	-	290,982	(589)	589	-
Transfer to statutory reserve	-	-	1,465,500	-	-	-	-	(1,465,500)	-	-	-
Transactions with owners for the nine months ended September 30, 2019											
Final cash dividend - December 31, 2018 declared subsequent to the year end at Rs.3.0 per share	-	-	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Interim cash dividend - March 31, 2019 declared subsequent to the period end at Rs.2.5 per share	-	-	-	-	-	-	-	(3,060,449)	(3,060,449)	-	(3,060,449)
Interim cash dividend - June 30, 2019 declared subsequent to the period end at Rs.2.5 per share	-	-	-	-	-	-	-	(3,060,449)	(3,060,449)	-	(3,060,449)
Realization of exchange translation reserve - Note 30.1	-	-	-	(1,332,626)	-	-	-	-	(1,332,626)	-	(1,332,626)
Balance as at June 30, 2019 (Un-audited)	12,241,798	3,000	32,819,022	34,456,440	(5,470,579)	26,955,499	90,830	77,692,115	178,788,125	6,627,414	185,415,539

The annexed notes 1 to 43 form an integral part of these consolidated condensed interim financial statements.

CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) **FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**

	January - September 2019	January - September 2018
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation including discontinuing operations	26,628,627	16,717,917
Less: Dividend income	(784,488)	(1,045,814)
Less: Share of profit of associates	(427,840)	(455,007)
	<u>25,416,299</u>	<u>15,217,096</u>
Adjustments:		
Depreciation on fixed assets	2,051,081	1,834,584
Depreciation on Islamic financing against leased assets (Ijarah)	161,482	139,980
Depreciation on right of use assets	1,776,705	-
Amortization	484,353	387,201
Workers' Welfare Fund	532,237	424,918
Provision for retirement benefits	811,663	9,414,083
Charge for compensated absences	134,202	83,868
Provision against loans and advances - net	3,197,419	6,190,069
Reversal of provision against lendings to financial institutions - net	-	(124,118)
Provision for diminution in value of investments - net	3,144,805	1,344,757
Interest expense on lease liability	767,054	198
Gain on sale of fixed assets - net	(37,431)	(27,286)
Gain on sale of ijarah assets - net	(725)	1,721
Bad debts written off directly	56,401	104,454
Unrealized loss on revaluation of investments classified as held for trading	20,027	(6)
Realization of exchange translation reserve - UBL New York branch	(1,332,626)	-
Other (reversals) / provisions and write-offs	373,098	473,456
	<u>12,139,745</u>	<u>20,247,879</u>
	<u>37,556,044</u>	<u>35,464,975</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	12,186,991	(23,948,849)
Held for trading securities	(24,184,214)	104,079,773
Advances	77,410,094	(75,347,092)
Other assets (excluding advance taxation)	1,252,341	3,506,595
	<u>66,665,212</u>	<u>8,290,427</u>
Increase / (decrease) in operating liabilities		
Bills payable	(4,153,377)	5,124,536
Borrowings	56,268,473	(204,259,198)
Deposits and other accounts	51,526,768	48,894,126
Other liabilities (excluding current taxation)	(7,907,591)	7,486,723
	<u>95,734,273</u>	<u>(142,753,813)</u>
	<u>199,955,529</u>	<u>(98,998,411)</u>
Payments on account of staff retirement benefits	(2,933,238)	(1,294,735)
Income taxes paid	(5,546,253)	(12,711,760)
Net cash flows generated from / (used in) operating activities	<u>191,476,038</u>	<u>(113,004,906)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(197,570,867)	60,525,529
Net investments in held to maturity securities	12,113,509	40,061,436
Net investments in associates	315,013	339,841
Dividend income received	696,568	889,011
Investment in fixed assets and intangible assets	(2,074,283)	(3,641,230)
Sale proceeds from disposal of fixed assets	311,399	39,107
Sale proceeds from disposal of ijarah assets	25,451	43,529
Exchange differences on translation of net investment in foreign branches and subsidiaries attributable to:		
- Equity holders of the Bank	7,066,718	5,354,371
- Non-controlling interest	460,960	416,863
Net cash flows (used in) / generated from investing activities	<u>(178,655,532)</u>	<u>104,028,457</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts of subordinated debts	1,000,000	-
Payment of lease liability against right of use assets	(1,353,593)	7,197
Dividends paid to:		
- Equity holders of the Bank	(9,415,274)	(9,330,654)
- Non-controlling interest	(1,540)	(1,581)
Net cash flows used in financing activities	<u>(9,770,407)</u>	<u>(9,325,038)</u>
Increase / (decrease) in cash and cash equivalents during the period	<u>3,050,099</u>	<u>(18,301,487)</u>
Cash and cash equivalents at the beginning of the period	229,662,731	196,668,282
Cash and cash equivalents at the end of the period	<u>232,712,830</u>	<u>178,366,795</u>

The annexed notes 1 to 43 form an integral part of these consolidated condensed interim financial statements.

Aameer Karachiwalla
Chief Financial Officer

Sima Kamil
President &
Chief Executive Officer

Amar Zafar Khan
Director

Arshad Ahmad Mir
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Chairman

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

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 1,360 (December 31, 2018: 1,364) branches inside Pakistan including 98 (December 31, 2018: 94) Islamic Banking branches and 2 (December 31, 2018: 2) branches in Export Processing Zones. The Bank also operates 14 (December 31, 2018: 15) 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 1.13% shares held by past and present employees of UBLFM in the net asset value of UBLFM.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 5 dated March 22, 2019.

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. However, 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 40 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).

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

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 consolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.
- 3.3** 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 disclosures made in these consolidated condensed interim financial statements have been limited based on a format prescribed by the SBP vide BPRD Circular Letter No. 5 dated March 22, 2019 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, 2018.
- 3.5 Standards, interpretations and amendments to accounting and reporting standards that are not yet effective**

The following new standards and interpretations of and amendments to existing accounting and reporting standards will be effective from the dates mentioned below against the respective standard, interpretation or amendment:

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
IFRS 3 - Definition of a Business (Amendments)	January 01, 2020
IAS 1 - Presentation of Financial Statements (Amendments)	January 01, 2020
IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 01, 2020
	Effective date (periods ending on or after)
IFRS 9 - Financial Instruments: Classification and Measurement	June 30, 2019

The SECP, through SRO 229(I)/2019 dated February 14, 2019, has notified that IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after June 30, 2019. However, based on the guidance received from the SBP, the requirements of IFRS 9 have not been considered for Pakistan operations of the Group in preparation of these consolidated condensed interim financial statements.

IFRS 9: 'Financial Instruments' addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'Expected Credit Losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL has impact on all assets of the Group which are exposed to credit risk. The Group has already adopted IFRS 9 in respect of certain overseas branches and a subsidiary.

The Bank is in the process of assessing the full impact of this standard.

There are certain new and amended standards and interpretations that are mandatory for the Group's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Group's operations and are therefore not detailed in these consolidated condensed interim financial statements.

- 3.6 Standards, interpretations and amendments to accounting and reporting standards that have become effective in the current period**

During the current period, IFRS 16, Leases, became effective from annual periods beginning on or after January 01, 2019. The impact of the adoption of IFRS 16 on the Group's consolidated condensed interim financial statements is disclosed in note 4.1.1.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

There are certain other new standards and interpretations of and amendments to existing accounting standards that have become applicable to the Group for accounting periods beginning on or after January 1, 2019. These are considered either not to be relevant or not to have any significant impact on the Group's 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, 2018, except for the following:

4.1.1 Impact of IFRS 16 - Leases

During the period, IFRS 16 - Leases became applicable to the Banks. IFRS 16 replaces existing guidance on accounting for leases, including IAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases - Incentive, and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces an on-balance sheet lease accounting model for leases entered by the lessee. A lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.

The Bank has adopted IFRS 16 from January 1, 2019 using the modified retrospective restatement approach and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

On adoption of IFRS 16, the Bank has recognised liabilities in respect of leases which had previously been classified as operating leases under IAS 17. These liabilities were initially measured as the present value of the remaining lease payments, discounted using the Bank's incremental weighted average borrowing rate of 14.03% per annum at January 1, 2019. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

	September 30, 2019	January 01, 2019
	------(Rupees in '000)-----	
Total lease liability recognised	<u>7,277,909</u>	<u>7,577,402</u>

On adoption of IFRS 16, the associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the consolidated statement of financial position immediately before the date of initial application.

The right-of-use assets recognised subsequent to the adoption are measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

The recognised right-of-use assets relate to the following type of asset:

	September 30, 2019	January 01, 2019
	------(Rupees in '000)-----	
Land and building	<u>6,809,289</u>	<u>7,828,194</u>

The effect of this change in accounting policy is as follows:

Impact on Consolidated Condensed Interim Statement of Financial Position

Increase in fixed assets - right-of-use assets	6,809,289	7,828,194
Decrease in other assets - advances, deposits, advance rent and other prepayments	(317,221)	(250,792)
Increase in other assets - advance taxation	306,478	-
Increase in total assets	6,798,546	7,577,402
Increase in other liabilities - lease liability against right-of-use assets	(7,277,909)	(7,577,402)
Decrease in net assets	<u>(479,363)</u>	<u>-</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**

**January -
September
2019**
(Rupees in '000)

Impact on Consolidated Condensed Interim Profit and Loss account

Increase in mark-up expense - lease liability against right-of-use assets	(768,538)
(Increase) / decrease in administrative expenses:	-
- Depreciation on right-of-use assets	(1,780,550)
- Rent expense	1,763,247
Decrease in profit before tax	(785,841)
Decrease in tax	306,478
Decrease in profit after tax	(479,363)

Earnings per share for the nine months ended September 30, 2019 are Re 0.39 per share lower as a result of the adoption of IFRS 16.

While implementing IFRS 16, the Group has used a single discount rate methodology for a portfolio of leases with similar characteristics. The Group has opted not to recognise right-of-use assets for leases of low value. The payments associated with such leases are recognised as an expense on a straight line basis over the lease term.

4.1.2 The State Bank of Pakistan (SBP) through its BPRD Circular No. 5 dated March 22, 2019 has amended the format of quarterly and half yearly financial statements of banks. All banks are directed to prepare their quarterly financial statements on the revised format effective from accounting year starting from January 1, 2019. Accordingly, the Group has prepared these consolidated condensed interim financial statements on the new format prescribed by the State Bank of Pakistan.

- Consolidated Condensed Interim Profit and Loss Account

As a result of adoption of the revised format, the figures for the quarter and nine months ended September 30, 2018 in the consolidated condensed interim profit and loss account have been reclassified and reflected based on the requirements of the revised format.

- Consolidated Condensed Interim Statement of Comprehensive Income

As a result of adoption of the revised format, the figures for the quarter and nine months ended September 30, 2018 in the consolidated condensed interim statement of comprehensive income have been restated to incorporate the effect of movement in surplus on revaluation of fixed assets and non-banking assets.

The financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements of the Group for the year ended December 31, 2018.

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 and lease liability under IFRS 16 are carried at their present values.

5.2 Judgements and estimates

The preparation of these consolidated condensed interim financial statements in conformity with accounting and reporting 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, 2018.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**

	(Un-audited) September 30, 2019 ----- (Rupees in '000) -----	(Audited) December 31, 2018
6. CASH AND BALANCES WITH TREASURY BANKS		
In hand		
Local currency	14,085,025	11,659,464
Foreign currency	4,935,084	4,182,154
	19,020,109	15,841,618
With State Bank of Pakistan in		
Local currency current accounts	50,086,682	46,699,046
Foreign currency current accounts	3,723,933	3,209,866
Foreign currency deposit account	10,808,130	8,304,054
	64,618,745	58,212,966
With other central banks in		
Foreign currency current accounts	27,650,009	34,761,763
Foreign currency deposit accounts	20,709,610	12,103,156
	48,359,619	46,864,919
With National Bank of Pakistan in local currency current accounts	58,003,470	66,936,342
Prize Bonds	507,788	59,826
	<u>190,509,731</u>	<u>187,915,671</u>
7. BALANCES WITH OTHER BANKS		
Inside Pakistan		
In current accounts	3,347	3,216
In deposit accounts	2,871,559	4,492,852
	2,874,906	4,496,068
Outside Pakistan		
In current accounts	17,405,384	11,914,322
In deposit accounts	21,378,742	25,336,670
	38,784,126	37,250,992
	<u>41,659,032</u>	<u>41,747,060</u>
8. LENDINGS TO FINANCIAL INSTITUTIONS		
Call / clean money lending	2,000,000	7,000,000
Repurchase agreement lendings (reverse repo)	7,300,000	23,500,000
Bai Muajjal receivable from other financial institutions	10,820,720	3,066,732
Other lendings to financial institutions	3,038,840	1,848,072
	23,159,560	35,414,804
Less: provision against lendings to financial institutions	-	(68,253)
Lendings to financial institutions - net of provision	<u>23,159,560</u>	<u>35,346,551</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**

9. INVESTMENTS

9. INVESTMENTS

9. Investments by type

Note

(Un-audited)
September 30, 2019

(Audited)
December 31, 2018

Cost /
Amortised
cost

Provision
for
diminution

Surplus /
(Deficit)

Carrying
Value

Cost /
Amortised
cost

Provision
for
diminution

Surplus /
(Deficit)

Carrying
Value

(Rupees in '000)

Held for trading securities

Market Treasury Bills

Pakistan Investment Bonds

125,797,405

-

(20,027)

125,777,378

99,942,759

-

954

99,943,713

-

-

7,570

1,629,424

125,797,405

-

(20,027)

125,777,378

101,564,613

-

8,524

101,573,137

Available for sale securities

Market Treasury Bills

Pakistan Investment Bonds

Government of Pakistan Eurobonds

Government of Pakistan Sukuk

Sukuks

Ordinary shares of listed companies

Preference shares

Ordinary shares of unlisted companies

Investment in REIT

Investment in Mutual Fund

Term Finance Certificates

Foreign bonds - sovereign

Foreign bonds - others

248,291,724

-

106,811

248,398,535

139,865,800

-

(22,440)

139,843,360

230,006,042

-

(10,629,107)

219,376,935

133,585,814

-

(14,268,873)

119,316,941

20,317,686

(253,006)

474,927

20,539,607

19,793,232

(203,676)

(867,162)

18,722,394

9,248,260

(47,691)

(128,559)

9,072,010

15,145,060

(49,844)

(176,154)

14,919,062

770,000

-

-

770,000

105,000

-

-

105,000

18,081,956

(5,568,216)

121,268

12,635,008

18,018,247

(3,047,999)

1,747,978

16,718,226

538,932

(502,269)

-

36,663

482,687

(446,023)

-

36,664

754,183

(121,983)

-

632,200

753,812

(121,989)

-

631,823

458,590

-

(49,611)

408,979

458,590

-

41,273

499,863

250,000

-

-

250,000

-

-

-

-

791,519

(97,278)

(42,526)

651,715

941,297

(97,278)

(891)

843,128

59,966,213

(545,694)

1,531,964

60,952,483

67,706,652

(378,288)

(1,266,323)

66,062,041

18,825,794

(42,774)

(536,227)

18,246,793

15,675,281

(46,622)

(1,320,309)

14,308,350

608,300,899

(7,178,911)

(9,151,060)

591,970,928

412,531,472

(4,391,719)

(16,132,901)

392,006,852

Held to maturity securities

Market Treasury Bills

Pakistan Investment Bonds

Government of Pakistan Eurobonds

Government of Pakistan Sukuk

Bai Muajjal with Government of Pakistan

Term Finance Certificates

Sukuks

Participation Term Certificates

Debentures

Foreign bonds - sovereign

Foreign bonds - others

Recovery note

CDC SAARC Fund

2,971,890

-

-

2,971,890

3,124,601

-

-

3,124,601

238,564,783

-

-

238,564,783

275,079,334

-

-

275,079,334

10,254,067

(149,676)

-

10,104,391

8,788,340

(127,994)

-

8,660,346

1,575,968

(12,674)

-

1,563,294

1,399,305

(11,264)

-

1,388,041

25,657,916

-

-

25,657,916

8,300,566

-

-

8,300,566

5,403,266

(11,384)

-

5,391,882

6,023,053

(11,384)

-

6,011,669

15,316,628

(96,577)

-

15,220,051

11,921,801

(107,743)

-

11,814,058

436

(436)

-

-

437

(437)

-

-

2,267

(2,267)

-

-

2,266

(2,266)

-

-

20,014,934

(293,542)

-

19,721,392

17,251,054

(171,247)

-

17,079,807

1,685,657

(385,738)

-

1,299,919

1,497,873

(347,246)

-

1,150,627

481,960

(481,960)

-

-

428,009

(427,993)

-

16

340

-

-

340

302

-

-

302

321,930,112

(1,434,254)

-

320,495,858

333,816,941

(1,207,574)

-

332,609,367

Associates

UBL Liquidity Plus Fund

UBL Money Market Fund

UBL Stock Advantage Fund

UBL Growth and Income Fund

UBL Financial Sector Fund

UBL Income Opportunity Fund

UBL Cash Fund

UBL Insurers Limited

Khushhali Bank Limited

Oman United Exchange Company, Muscat

DHA Cogen Limited

1,155,980

-

-

1,155,980

11,700

-

-

11,700

5,315

-

-

5,315

32,069

-

-

32,069

165,000

-

-

165,000

207,469

-

-

207,469

-

-

-

-

-

-

-

236,942

-

-

236,942

119,529

-

-

119,529

-

-

-

-

-

-

-

1,542,968

-

-

1,542,968

200,423

-

-

200,423

-

-

-

-

-

-

-

475,457

-

-

475,457

414,884

-

-

414,884

2,843,454

-

-

2,843,454

2,572,719

-

-

2,572,719

-

-

-

-

-

-

-

68,406

-

-

68,406

-

-

-

-

-

-

-

5,082,571

-

-

5,082,571

4,969,744

-

-

4,969,744

Total Investments

1,061,110,987

(8,613,165)

(9,171,087)

1,043,326,735

852,882,770

(5,599,293)

(16,124,377)

831,159,100

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**

	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
9.1.1 Investments given as collateral - at market value		----- (Rupees in '000) -----	
Market Treasury Bills		148,521,002	104,483,301
Pakistan Investment Bonds		103,532,461	55,064,705
Government of Pakistan Eurobonds		4,503,942	1,457,053
Government of Pakistan Sukuk		1,211,063	-
Foreign bonds - sovereign		-	2,938,477
Foreign bonds - others		-	1,167,508
		<u>257,768,468</u>	<u>165,111,044</u>

9.2 Provision for diminution in value of investments

9.2.1	Opening balance	5,599,293	3,149,523
	Impact on adoption of IFRS 9	-	871,640
	Exchange adjustments	305,828	373,917
	Charge / (reversals)		
	Charge for the period / year	2,914,172	1,851,005
	Reversals for the period / year	(11,304)	(19,957)
		2,902,868	1,831,048
	Reversed on disposal	(194,824)	(599,110)
	Amounts written off	-	(27,725)
	Closing balance	<u>8,613,165</u>	<u>5,599,293</u>
	9.7		

9.2.2 Particulars of provision against debt securities

Category of classification	(Un-audited) September 30, 2019		(Audited) December 31, 2018	
	Non-Performing Investment (NPI)	Provision	Non-Performing Investment (NPI)	Provision
	----- (Rupees in '000) -----			
Domestic				
Loss	1,862,118	207,940	2,136,944	219,107
Overseas				
Overdue by:				
> 365 days	821,131	821,131	729,205	729,179
Total	<u>2,683,249</u>	<u>1,029,071</u>	<u>2,866,149</u>	<u>948,286</u>

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

- 9.3** The market value of securities classified as held-to-maturity as at September 30, 2019 amounted to Rs. 305,721.425 million (December 31, 2018: Rs. 308,890.603 million).
- 9.4** 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.
- 9.5** The Bank has divested its 25% shareholding in Oman United Exchange Company Limited to a local Omni business group. The transaction was completed on March 31, 2019.
- 9.6** 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.
- 9.7** Provision against investments includes collective impairment under IFRS 9 amounting to Rs. 1,391.626 million.
- 9.8** Investments include amounts aggregating to Rs. 1,536.840 million (December 31, 2018: Rs 1,792.177 million) which have been classified as loss in accordance with the requirements of Prudential Regulations prescribed by the SBP. Provision has however, not been made against them as these investments are secured by way of guarantee from the Government of Pakistan.

10. ADVANCES

		Note	Performing		Non-performing		Total	
			(Un-audited) September 30, 2019	(Audited) December 31, 2018	(Un-audited) September 30, 2019	(Audited) December 31, 2018	(Un-audited) September 30, 2019	(Audited) December 31, 2018
----- (Rupees in '000) -----								
Loans, cash credits, running finances, etc.			604,702,034	662,493,705	75,755,191	66,422,459	680,457,225	728,916,164
Net Investment in finance lease			109,331	77,361	-	-	109,331	77,361
Islamic financings and related assets			9,255,051	22,595,094	97,232	97,156	9,352,283	22,692,250
Bills discounted and purchased			46,575,115	60,902,866	3,360,000	2,983,692	49,935,115	63,886,558
Advances - gross			660,641,531	746,069,026	79,212,423	69,503,307	739,853,954	815,572,333
Provision against advances		10.3						
- Specific			-	-	(64,216,134)	(56,377,680)	(64,216,134)	(56,377,680)
- General			(3,996,309)	(4,642,931)	-	-	(3,996,309)	(4,642,931)
			(3,996,309)	(4,642,931)	(64,216,134)	(56,377,680)	(68,212,443)	(61,020,611)
Advances - net of provision			656,645,222	741,426,095	14,996,289	13,125,627	671,641,511	754,551,722

10.1 Particulars of advances - gross	(Un-audited) September 30, 2019		(Audited) December 31, 2018	
	----- (Rupees in '000) -----			
10.1.1 In local currency	498,164,175		579,185,614	
In foreign currencies	241,689,779		236,386,719	
	739,853,954		815,572,333	

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

10.2 Advances include Rs. 76,846.560 million (December 31, 2018: Rs. 69,503.307 million) which have been placed under non-performing status as detailed below:

Category of Classification	(Un-audited) September 30, 2019		(Audited) December 31, 2018	
	Non-Performing Loans	Provision	Non-Performing Loans	Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned*	2,841,130	8,670	89,546	1,113
Substandard	1,037,431	257,135	969,495	240,790
Doubtful	532,456	363,018	428,909	202,116
Loss	25,856,350	24,765,001	26,432,231	25,394,410
	30,267,367	25,393,824	27,920,181	25,838,429
Overseas				
Not past due but impaired**	5,190,238	2,780,741	3,623,373	3,064,280
Overdue by:				
Upto 90 days	1,651,896	775,324	7,986,841	2,731,329
91 to 180 days	4,733,187	3,222,737	2,152,622	2,090,614
181 to 365 days	7,115,105	5,075,789	2,327,966	2,000,233
> 365 days	30,254,630	26,967,719	25,492,324	20,652,795
	48,945,056	38,822,310	41,583,126	30,539,251
Total	79,212,423	64,216,134	69,503,307	56,377,680

* The Other Assets Especially Mentioned category pertains to infrastructure project finance, agricultural finance and advances to small enterprises.

** Not past due but impaired category mainly represents restructured exposure.

10.3 Particulars of provision against advances

	(Un-audited) September 30, 2019			(Audited) December 31, 2018		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	56,377,680	4,642,931	61,020,611	40,932,306	3,506,469	44,438,775
Impact on adoption of IFRS 9	-	-	-	-	1,322,147	1,322,147
Exchange adjustments	4,113,644	398,323	4,511,967	4,846,402	797,076	5,643,478
Charge / (reversals)						
Charge for the period / year	5,629,288	-	5,629,288	14,490,257	6,721	14,496,978
Reversals for the period / year	(1,709,257)	(995,683)	(2,704,940)	(2,310,364)	(989,482)	(3,299,846)
	3,920,031	(995,683)	2,924,348	12,179,893	(982,761)	11,197,132
Transfers out - net	(136,686)	(49,262)	(185,948)	-	-	-
Amounts written off	(58,535)	-	(58,535)	(1,580,921)	-	(1,580,921)
Closing balance	64,216,134	3,996,309	68,212,443	56,377,680	4,642,931	61,020,611

10.3.1 General provision represents provision amounting to Rs. 323.841 million (December 31, 2018: Rs. 303.132 million) against consumer finance portfolio as required by the Prudential Regulations issued by the SBP and Rs. 3,507.990 million (December 31, 2018: Rs. 4,339.796 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.

10.3.2 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 no. 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. 27.338 million (December 31, 2018: Rs. 20.009 million). The FSV benefit availed is not available for the distribution of cash or stock dividend to shareholders.

The Bank has also availed FSV benefit of certain mortgaged properties held as collateral against non-performing advances of overseas branches in accordance with the applicable regulation in the respective countries where the branches operate. Had the benefit not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 4,927.544 million (December 31, 2018: Rs. 5,769.930 million) for the overseas branches.

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	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
		----- (Rupees in '000) -----	
11. FIXED ASSETS			
Capital work-in-progress	11.1	1,054,949	944,233
Property and equipment		49,803,906	49,954,047
Right-of-use Assets	4.1.1	6,809,289	-
		<u>57,668,144</u>	<u>50,898,280</u>
11.1 Capital work-in-progress			
Civil works		548,836	585,087
Equipment		506,113	359,146
		<u>1,054,949</u>	<u>944,233</u>
		(Un-audited) January - January - September September 2019 2018	
		----- (Rupees in '000) -----	
11.2 Additions to fixed assets			
The following additions have been made to fixed assets during the period:			
Capital work-in-progress		209,885	-
Property and equipment			
Leasehold land		-	244,774
Building on freehold land		1,354	2,042,803
Building on leasehold land		4,091	1,246,377
Leasehold Improvement		569,435	743,162
Furniture and fixture		125,067	375,949
Electrical office and computer equipment		953,555	2,084,505
Vehicles		2,374	68,484
		<u>1,655,876</u>	<u>6,806,054</u>
Total		<u>1,865,761</u>	<u>6,806,054</u>
11.3 Disposal of fixed assets			
Leasehold land		252,050	12,800
Building on leasehold land		19,950	456
Leasehold Improvement		12,451	43,212
Furniture and fixture		2,065	122,348
Electrical office and computer equipment		28,249	481,542
Vehicles		57,695	105,670
		<u>372,460</u>	<u>766,028</u>
		(Un-audited) (Audited) September 30, December 31, 2019 2018	
		----- (Rupees in '000) -----	
12. INTANGIBLE ASSETS	Note		
Capital work-in-progress		460,189	224,823
Intangible assets		1,588,350	1,651,271
		<u>2,048,539</u>	<u>1,876,094</u>
13. DEFERRED TAX ASSETS			
Deferred tax assets	13.1	4,486,347	6,685,952

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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13.1 Movement in temporary differences during the year

September 30, 2019 (Audited)				
	At January 1, 2019	Recognised in profit and loss account	Recognised in OCI	At September 30, 2019
	(Rupees in '000)			
Deductible temporary differences on				
- Tax losses carried forward	233,360	-	(233,360)	-
- Post retirement employee benefits	672,542	70,214	-	742,756
- Provision against advances, off balance sheet etc.	2,292,249	49,122	-	2,341,371
- Surplus on revaluation of investments	4,960,471	-	(1,771,660)	3,188,811
- Others	1,123,872	205,745	46,385	1,376,002
	9,282,494	325,081	(1,958,635)	7,648,940
Taxable temporary differences on				
- Surplus on revaluation of fixed assets / non-banking assets	(1,412,044)	24,589	61,033	(1,326,422)
- Post retirement employee benefits	-	-	(434,430)	(434,430)
- Share of profit from Associates	(680,832)	(185,711)	-	(866,543)
- Accelerated tax depreciation and others	(503,666)	(31,532)	-	(535,198)
	(2,596,542)	(192,654)	(373,397)	(3,162,593)
	<u>6,685,952</u>	<u>132,427</u>	<u>(2,332,032)</u>	<u>4,486,347</u>
December 31, 2018 (Audited)				
	At January 1, 2018	Recognised in profit and loss account	Recognised in OCI	At December 31, 2018
	(Rupees in '000)			
Deductible temporary differences on				
- Tax losses carried forward	559,243	(409,576)	83,693	233,360
- Post-retirement employee benefits	341,176	125,241	205,992	672,409
- Provision against advances, off-balance sheet etc.	1,107,929	1,184,320	-	2,292,249
- Surplus on revaluation of investments	(3,673,530)	-	8,634,001	4,960,471
- Others	640,615	181,651	301,739	1,124,005
	(1,024,567)	1,081,636	9,225,425	9,282,494
Taxable temporary differences on				
- Surplus on revaluation of fixed assets / non-banking assets	(1,209,979)	-	(202,065)	(1,412,044)
- Share of profit from Associates	(462,443)	(218,389)	-	(680,832)
- Accelerated tax depreciation and others	(283,477)	(217,383)	(2,806)	(503,666)
	(1,955,899)	(435,772)	(204,871)	(2,596,542)
	<u>(2,980,466)</u>	<u>645,864</u>	<u>9,020,554</u>	<u>6,685,952</u>

14. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

- 14.1** UBL Bank (Tanzania) Limited (UBTL) is a wholly owned subsidiary of United Bank Limited (UBL). UBL and UBTL have entered into an "Assets and Liabilities Purchase Agreement" with EXIM Bank Tanzania Limited subject to all applicable corporate compliances and the regulatory approvals at both places, i.e. Pakistan and Tanzania. The entity of UBTL and its banking license will remain intact for the time being. Accordingly the investment in UBTL is classified as "held for sale" at lower of carrying amount and fair value less cost of disposal.

14.2 Assets and liabilities held for sale

	(Un-audited) September 30, 2019 Rupees in '000
Assets	
Cash and balances with treasury banks	543,045
Balances with other banks	1,022
Landings to financial institutions	-
Investments	1,105,672
Advances	2,060,088
	<u>3,709,827</u>
Liabilities	
Bills payable	833
Borrowings from financial institutions	2,317,540
Deposits and other accounts	1,276,089
Other liabilities	91,109
	<u>3,685,571</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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		(Un-audited) September 30, 2019		
		Rupees in '000		
14.3	Discontinued operations			
	Mark-up / return / interest earned	363,346		
	Mark-up / return / interest expensed	133,977		
	Net mark-up / interest income	229,369		
	Non mark-up / interest income			
	Fee and commission income	16,507		
	Foreign exchange loss	(9,679)		
	Loss on securities - net	(15,004)		
	Other income	1,619		
	Total non mark-up / interest income	(6,557)		
	Total income	222,812		
	Non mark-up / interest expenses			
	Operating expenses	370,583		
	Total non mark-up / interest expenses	370,583		
	Loss before provisions	(147,771)		
	Provisions and write-offs - net	1,075,335		
	Loss before taxation	(1,223,106)		
	Taxation	245,224		
	Loss after taxation	(1,468,330)		
	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018	
		----- (Rupees in '000) -----		
15.	OTHER ASSETS			
	Income / mark-up accrued in local currency - net of provision	24,923,840	22,185,596	
	Income / mark-up accrued in foreign currency - net of provision	6,311,839	4,407,074	
		31,235,679	26,592,670	
	Advance taxation - net of provision for taxation	15.1	18,188,529	24,938,007
	Receivable from staff retirement fund		1,479,936	321,349
	Receivable from other banks against telegraphic transfers and demand drafts		-	88,354
	Unrealized gain on forward foreign exchange contracts		5,789,369	5,205,860
	Rebate receivable - net		1,832,384	1,055,900
	Branch adjustment account		971,648	-
	Unrealized gain on derivative financial instruments		-	5,868
	Suspense accounts		680,677	781,887
	Stationery and stamps on hand		233,395	99,757
	Non-banking assets acquired in satisfaction of claims		1,473,884	1,597,124
	Advances, deposits, advance rent and other prepayments		1,447,351	1,539,158
	Acceptances		19,331,337	28,157,111
	Others		3,533,222	2,842,330
			86,197,411	93,225,375
	Provision held against other assets	15.2	(1,164,367)	(1,086,072)
	Other assets - net of provision		85,033,044	92,139,303
	Surplus on revaluation of non-banking assets acquired in satisfaction of claims		148,901	173,141
	Other assets - net of provision		85,181,945	92,312,444

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- 15.1** The Income Tax returns of the Bank have been filed up to the tax year 2018 (accounting year ended December 31, 2017) 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 2018, and created additional tax demands (including disallowances of provisions made prior to Seventh Schedule) of Rs.11,591 million (December 31 2018: Rs.13,119 million) , which have been fully paid as required under the law. The Bank has filed appeals before the various appellate forums against these amendments. Where the appellate authorities have allowed relief on certain issues, the assessing authorities have filed appeals before higher appellate forums. Where the appellate authorities have not allowed relief the Bank has filed appeals before higher appellate forums. The management of the Bank is confident that the appeals will be decided in favor of the Bank.

The tax returns for Azad Kashmir (AK) and Gilgit Baltistan (GB) Branches have been filed upto the tax year 2018 (financial year 2017) 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 2017. Consequently various addbacks and demands were raised creating a total demand of Rs. 889 million (2018: Rs. 995 million). The Bank has filed appeals against all such demands and is confident that these would be decided in the favor of the Bank.

The tax returns for Yemen, Qatar and UAE branches have been filed upto the year ended December 31, 2018 under the provisions of the laws prevailing in the respective countries, and are deemed as assessed unless opened for reassessment.

The Bank has received corrective tax assessment of QAR 1 M (Rs: 42.946 million) from the General tax Authority (GTA) in respect of tax year 2004 with no supporting calculations from GTA. Management has requested details for 2004 assessment from GTA, however to date no response has been received. Management is confident that the matters will be decided in favour of the Bank and the possibility of any outcome against it is remote.

For UBL UK, UBTL, UBL FM and UET income tax returns have been filed up to the accounting year ended December 31, 2018 and for USAG these returns have been filed up to the accounting year ended December 31, 2017 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 2017 respectively. There are no material tax contingencies in any of the subsidiaries.

	(Un-audited) September 30, 2019 ----- (Rupees in '000) -----	(Audited) December 31, 2018
15.2 Provision held against other assets		
Advances, deposits, advance rent and other prepayments	573,955	571,597
Non banking assets acquired in satisfaction of claims	85,200	104,512
Receivable from insurance companies against fraud and forgery	505,212	409,963
	<u>1,164,367</u>	<u>1,086,072</u>
16. CONTINGENT ASSETS		
There were no contingent assets as at the statement of financial position date.		
17. BILLS PAYABLE		
In Pakistan	22,543,852	26,724,282
Outside Pakistan	574,905	548,685
	<u>23,118,757</u>	<u>27,272,967</u>

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	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	----- (Rupees in '000) -----	
18. BORROWINGS		
18.1 Details of borrowings		
Secured		
Borrowings from the State Bank of Pakistan under:		
Export refinance scheme	29,283,690	28,120,012
Refinance facility for modernization of SMEs	84,780	11,204
Long term financing facility	23,392,380	21,871,486
	52,760,850	50,002,702
Repurchase agreement borrowings	262,371,405	133,315,545
Bai Muajjal payable to other financial institutions	-	49,878,076
	315,132,255	233,196,323
Unsecured		
Call borrowings	8,580,605	18,936,178
Overdrawn nostro accounts	597,056	1,936,041
Money market deals	9,559,142	25,849,583
	18,736,803	46,721,802
	333,869,058	279,918,125

19. DEPOSITS AND OTHER ACCOUNTS

	September 30, 2019 (Un-audited)			December 31, 2018 (Audited)		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	----- (Rupees in '000) -----					
Customers						
Fixed deposits	130,192,804	213,142,876	343,335,680	126,191,096	231,511,195	357,702,291
Savings deposits	444,854,792	18,239,111	463,093,903	392,861,499	45,176,640	438,038,139
Sundry deposits	16,044,562	1,188,202	17,232,764	11,768,321	1,055,683	12,824,004
Margin deposits	2,361,767	3,189,265	5,551,032	2,962,920	3,404,673	6,367,593
Current accounts - remunerative	1,809,765	8,063,457	9,873,222	965,509	7,089,695	8,055,204
Current accounts - non-remunerative	485,321,107	95,809,678	581,130,785	449,938,039	106,392,768	556,330,807
	1,080,584,797	339,632,589	1,420,217,386	984,687,384	394,630,654	1,379,318,038
Financial Institutions						
Current deposits	15,986,024	2,888,747	18,874,771	21,804,360	3,840,911	25,645,271
Savings deposits	35,781,365	-	35,781,365	30,509,483	-	30,509,483
Term deposits	22,803,402	897,797	23,701,199	11,301,901	1,549,348	12,851,249
	74,570,791	3,786,544	78,357,335	63,615,744	5,390,259	69,006,003
	1,155,155,588	343,419,133	1,498,574,721	1,048,303,128	400,020,913	1,448,324,041

19.1 Total Deposits include eligible deposits under deposit protection mechanism amounting to Rs. 827,309.611 million (December 31, 2018; Rs. 813,924.260 million).

20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	September 30, 2019 (Un-audited)		
	Minimum lease payments	Finance charges for future periods	Principal Outstanding
	----- (Rupees in '000) -----		
Not later than one year	8,589	2,643	5,946
Later than one year and not later than five years	15,329	2,249	13,080
Over five years	2,455	1	2,454
	26,373	4,893	21,480
	December 31, 2018 (Audited)		
	Minimum lease payments	Finance charges for future periods	Principal Outstanding
	----- (Rupees in '000) -----		
Not later than one year	4,955	733	4,222
Later than one year and not later than five years	6,748	970	5,778
	11,703	1,703	10,000

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**

21. SUBORDINATED DEBTS

The Bank has issued fully paid up, rated, listed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments in the nature of Term Finance Certificates (TFCs) under Section 66 of the Companies Act, 2017 which qualify as Additional Tier I Capital as outlined by State Bank of Pakistan (SBP) under BPRD Circular No. 6 dated August 15, 2013.

Salient features of the ADT 1 issue are as follows:-

Issue Size	Rs. 10,000 million
Issue Date	January 29, 2019
Tenor	Perpetual (i.e. no fixed or final redemption date)
Rating	"AA+" (Double A Plus) by JCR-VIS Credit Rating Company Limited
Security	Unsecured
Ranking	Subordinated to all other indebtedness of the Bank, including depositors and general creditors, but senior to the claims of ordinary shareholders.
Mark-up rate	The TFCs shall carry mark-up at the rate of 3 Month KIBOR + 1.55%.
Mark-up payment frequency	Profit / Mark-up shall be payable quarterly in arrears, on a non-cumulative basis
Call option	The Bank may, at its sole discretion, call the TFCs, at any time after five years from the Issue Date subject to the prior approval of the SBP.
Lock-in clause	Mark-up on the TFCs shall only be paid from the current year's earnings and if the Bank is fully compliant with SBP's Minimum Capital Requirement (MCR), Capital Adequacy Ratio (CAR) and Liquidity Ratio (LR) requirements.
Loss absorbency clause	The TFCs shall, at the discretion of the SBP, be either permanently converted into ordinary shares or permanently written off (partially or in full) pursuant to the loss absorbency clause as stipulated in the "Instructions for Basel III Implementation in Pakistan" issued vide BPRD Circular No. 6 dated August 15, 2013.

22. OTHER LIABILITIES

Mark-up / return / interest payable in local currency
Mark-up / return / interest payable in foreign currency

Accrued expenses
Payable to other banks against telegraphic transfers and demand drafts
Branch adjustment account
Deferred income
Unearned commission and income on bills discounted
Provision against off-balance sheet obligations
Unrealized loss on forward foreign exchange contracts
Trading liability
Payable to staff retirement fund
Deferred liabilities
Unrealized loss on derivative financial instruments
Workers' Welfare Fund payable
Insurance payable against consumer assets
Dividend payable
Acceptances
Charity fund balance
Lease Liability
Others

Note

(Un-audited)
September 30,
2019
(Audited)
December 31,
2018
----- (Rupees in '000) -----

14,359,271	12,352,461
2,383,436	2,403,423
16,742,707	14,755,884
3,708,037	4,443,787
1,675	-
-	848,267
661,122	617,099
980,608	1,297,833
491,552	842,545
5,569,138	3,743,347
1,365,084	3,750,654
-	972,584
3,829,795	3,685,997
16,841	82,047
3,662,746	3,130,511
471,532	410,466
901,315	521,612
19,331,337	28,157,111
3,647	2,597
7,277,909	-
3,691,200	2,081,541
68,706,245	69,343,882

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	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
		----- (Rupees in '000) -----	
22.1 Provision against off-balance sheet obligations			
Opening balance		842,545	73,692
Impact on adoption of IFRS 9		-	211,244
Exchange adjustments		43,158	94,309
Charge for the period / year		10,489	463,300
Transfers out - net		(404,640)	-
		<u>491,552</u>	<u>842,545</u>
23. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX			
Surplus / (deficit) arising on revaluation of assets - net of tax			
Fixed assets	23.1	26,955,499	27,117,327
Available for sale securities	23.2	(5,470,440)	(10,230,180)
Non-banking assets acquired in satisfaction of claims	23.3	90,830	105,856
Deficit arising on revaluation of assets of associates		(139)	(97)
		<u>21,575,750</u>	<u>16,992,906</u>
23.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1			
		29,742,871	29,234,547
Revaluation against fixed assets during the year		(312,963)	74,294
Exchange adjustments		313,495	522,604
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(41,685)	(58,175)
Related deferred tax liability on incremental depreciation charged during the period / year		(24,226)	(30,399)
		(65,379)	508,324
		<u>29,677,492</u>	<u>29,742,871</u>
Less: Related deferred tax liability			
Revaluation as on January 1		1,344,759	1,139,102
Super Tax		71,851	-
Revaluation of fixed assets during the period / year		(184,711)	152,745
Exchange adjustments		60,678	83,311
Incremental depreciation charged on related assets		(24,226)	(30,399)
		<u>1,268,351</u>	<u>1,344,759</u>
		<u>28,409,141</u>	<u>28,398,112</u>
Share of Non-controlling interest		(1,453,642)	(1,280,785)
Group's share		<u>26,955,499</u>	<u>27,117,327</u>
23.2 (Deficit) / surplus on revaluation of available for sale securities			
Market Treasury Bills		106,811	(22,440)
Pakistan Investment Bonds		(10,629,108)	(14,268,873)
Listed shares		104,676	1,747,980
REIT Scheme		(49,611)	41,273
Term Finance Certificates, Sukuks, other bonds etc.		(199,516)	(136,173)
Foreign bonds		1,509,894	(3,494,668)
		(9,156,854)	(16,132,901)
Related deferred tax		3,188,811	4,960,471
		<u>(5,968,043)</u>	<u>(11,172,430)</u>
Share of Non-controlling interest		497,603	942,250
Group's share		<u>(5,470,440)</u>	<u>(10,230,180)</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**

	Note	(Un-audited) September 30, 2019 ----- (Rupees in '000) -----	(Audited) December 31, 2018
23.3 Surplus on revaluation of non-banking assets			
Surplus on revaluation of non-banking assets as at January 1		173,141	183,405
Revaluation of non-banking assets during the period / year		-	28,611
Reversal on disposal / transfer of non-banking assets		(24,240)	(38,875)
		(24,240)	(10,264)
		148,901	173,141
Less: Related deferred tax liability			
Revaluation as at January 1		67,285	70,877
Super Tax		240	
Revaluation of non-banking assets during the period / year		-	10,014
Reversal on disposal / transfer of non-banking assets		(9,454)	(13,606)
		58,071	67,285
		90,830	105,856
24. CONTINGENCIES AND COMMITMENTS			
- Guarantees	24.1	170,864,329	200,504,069
- Commitments	24.2	1,185,157,545	982,779,237
- Other contingent liabilities	24.3	15,530,400	15,592,385
		1,371,552,274	1,198,875,691
24.1 Guarantees			
Financial guarantees		36,804,458	22,982,305
Performance guarantees		134,059,871	177,521,764
		170,864,329	200,504,069
24.2 Commitments			
Documentary credits and short-term trade-related transactions			
- letters of credit		186,513,535	182,425,343
Commitments in respect of:			
- forward foreign exchange contracts	24.2.2	862,694,857	650,576,446
- forward government securities transactions	24.2.3	-	15,946,089
- derivatives			
Interest rate swaps	24.2.4	316,500	1,674,764
FX options	24.2.4	876,524	1,159,752
- forward lending	24.2.5	133,656,206	129,068,240
Commitments for acquisition of:			
- operating fixed assets	24.2.6	1,092,930	1,928,603
- intangible asset	24.2.6	6,993	-
		1,185,157,545	982,779,237

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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24.2.1 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.

	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
		----- (Rupees in '000) -----	

24.2.2 Commitments in respect of forward foreign exchange contracts

Purchase		460,133,868	347,426,249
Sale		402,560,989	303,150,197

24.2.3 Commitments in respect of forward government securities transactions

Forward purchase of government securities		-	13,619,209
Forward sale of government securities		-	2,326,880

24.2.4 Commitments in respect of derivatives

Interest rate swaps		316,500	1,674,764
FX options - purchased		438,262	579,876
FX options - sold		438,262	579,876

24.2.5 Commitments in respect of forward lending

Undrawn formal standby facilities, credit lines and other commitments to lend	24.2.5.1	57,064,961	65,695,154
Others		76,591,245	63,373,086
		133,656,206	129,068,240

24.2.5.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the bank without the risk of incurring significant penalty or expense.

	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
		----- (Rupees in '000) -----	

24.2.6 Commitments in respect of capital expenditure		1,099,923	1,928,603
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24.3 Other contingent liabilities

Claims against the Group not acknowledged as debts	24.3.1	11,472,811	11,534,796
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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

24.3.1 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.

24.3.2 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 there against. Consequently, foreign exchange on account of export proceeds have not been repatriated. The Bank maintains that it fully discharged its liability, in accordance with the law and 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.

24.3.3 Punjab Revenue Authority issued show cause notice to UBL Fund Managers Limited requiring them to pay sales tax under Punjab sales tax on service act 2012 on management fee earned in Punjab from May 22, 2013. The Company has filed a petition on July 8, 2015 in the High Court of Sindh. A favorable outcome of this petition is expected.

24.4 For contingencies relating to taxation, refer note 15.1.

25. DERIVATIVE INSTRUMENTS

25.1 Product analysis

Counterparties	September 30, 2019 (Un-Audited)									
	Interest rate swaps		FX options		Forward purchase contracts of government securities		Forward sale contracts of government securities		Total	
	Notional principal	Mark to Market Gain / (loss)	Notional principal	Mark to Market Gain / loss	Notional principal	Mark to Market loss	Notional principal	Mark to Market loss	Notional principal	Mark to Market Gain / (loss)
(Rupees in 000)										
Total	-	-	438,262	-	-	-	-	-	438,262	-
Hedging	-	-	438,262	-	-	-	-	-	438,262	-
Market making	316,500	(16,841)	438,262	-	-	-	-	-	754,762	(16,841)
	316,500	(16,841)	876,524	-	-	-	-	-	1,193,024	(16,841)

Counterparties	December 31, 2018 (Audited)									
	Interest rate swaps		FX options		Forward purchase contracts of government securities		Forward sale contracts of government securities		Total	
	Notional principal	Mark to Market Gain / (loss)	Notional principal	Mark to Market Gain / loss	Notional principal	Mark to Market loss	Notional principal	Mark to Market loss	Notional principal	Mark to Market Gain / (loss)
(Rupees in 000)										
Total	179,132	1,170	579,876	-	-	-	-	-	759,008	1,170
Hedging	179,132	1,170	579,876	-	-	-	-	-	759,008	1,170
Market making	1,495,632	(23,252)	579,876	-	13,619,209	(53,425)	2,326,880	(672)	18,021,597	(77,349)
	1,674,764	(22,082)	1,159,752	-	13,619,209	(53,425)	2,326,880	(672)	18,780,605	(76,179)

Note	(Un-audited) January - September 2019	(Un-audited) January - September 2018
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26. MARK-UP / RETURN / INTEREST EARNED

	(Rupees in '000)	
Loans and advances	49,672,389	33,215,847
Investments	58,861,692	51,114,269
Lendings to financial institutions	5,068,479	2,065,859
Balances with banks	1,020,187	595,131
	114,622,747	86,991,106

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**

	Note	(Un-audited) January - September 2019	(Un-audited) January - September 2018
27. MARK-UP / RETURN / INTEREST EXPENSED		----- (Rupees in '000) -----	
On deposits		47,439,611	26,249,878
Borrowings		15,277,122	16,249,667
Subordinated Debt		959,512	50,840
Cost of foreign currency swaps against foreign currency deposits / borrowings		3,720,819	1,003,099
On lease liability against right of use assets		768,538	-
		<u>68,165,602</u>	<u>43,553,484</u>
28. FEE AND COMMISSION INCOME			
Branch banking customer fee		1,567,645	1,385,791
Consumer finance related fee		841,775	675,863
Card related fees (debit and credit cards)		1,794,753	1,663,588
Investment banking fee		299,435	531,618
Financial Institution rebate / commission		238,316	300,116
Corporate service charges / facility fee		513,052	441,237
Commission on trade		729,581	815,877
Commission on guarantees		621,956	528,306
Commission on cash management		582,640	541,828
Commission on remittances including home remittances - net		2,316,283	2,015,969
Commission on bancassurance		1,016,755	999,571
Commission on Benazir Income Support Program		597,482	360,723
Management fee		614,816	712,484
Others		319,603	474,192
		<u>12,054,092</u>	<u>11,447,163</u>
29. GAIN ON SECURITIES - NET			
Realised	29.1	792,414	4,793,268
Unrealised - held for trading		(20,028)	6
		<u>772,386</u>	<u>4,793,274</u>
29.1 Realised gain on:			
Federal Government Securities		325,040	4,057,156
Shares		122,358	379,967
Foreign Securities		349,904	142,309
Other Securities		(4,888)	213,836
		<u>792,414</u>	<u>4,793,268</u>
30. OTHER INCOME			
Charges recovered		206,622	268,953
Rent on properties		210,083	187,878
Gain on sale of operating fixed assets - net		37,431	27,286
Gain on sale of Ijarah assets		725	1,721
Income from sale of non-banking asset		32,747	39,161
Gain on trading liabilities - net		53,804	116,433
Realization of exchange translation reserve - UBL New York branch	30.1	1,332,626	-
		<u>1,874,038</u>	<u>641,432</u>
30.1	The Bank voluntarily closed its New York Branch (NY Branch) on January 28, 2019 and surrendered the license to the New York State Department of Financial Services (NYDFS). Further, the Federal Reserve Bank of New York (FRBNY) has informed the Bank that Written Agreement dated July 2, 2018 signed by and among FRBNY, UBL and NY Branch has been terminated. The termination of Written Agreement marks the completion of UBL NY Branch winding down process. As a result, the assets of New York Branch were liquidated during the current period and exchange translation reserve previously recognised as "Capital Reserve" in respect of UBL NY Branch has been reclassified to consolidated condensed interim profit and loss account in accordance with paragraph 48 of IAS 21 "Effect of changes in foreign exchange rates".		

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**

	(Un-audited) January - September 2019	(Un-audited) January - September 2018
	----- (Rupees in '000) -----	
31. OPERATING EXPENSES		
Total compensation expense	12,580,239	12,890,971
Property expense		
Rent and taxes	625,370	2,427,777
Insurance	152,024	161,195
Utilities cost	1,248,049	1,170,824
Security (including guards)	711,078	886,069
Repair and maintenance (including janitorial charges)	216,570	336,145
Depreciation	614,649	534,341
Depreciation - Right of Use Assets	1,776,705	-
Others	45,004	35,021
	5,389,449	5,551,372
Information technology expenses		
Software maintenance	923,932	764,430
Hardware maintenance	332,235	247,148
Depreciation	535,496	474,269
Amortisation	484,353	403,207
Network charges	555,730	541,712
	2,831,746	2,430,766
Other operating expenses		
Directors' fees and allowances	63,610	37,149
Fees and allowances to Shariah Board	4,639	3,523
Legal and professional charges	541,530	760,946
Outsourced service costs including sales commission	2,844,063	2,563,692
Travelling and conveyance	174,903	197,670
Clearing charges	143,670	131,857
Depreciation others	900,936	809,969
Depreciation on Islamic financing against leased assets	161,482	139,980
Training and development	65,501	94,630
Postage and courier charges	232,442	231,120
Communication	379,068	370,012
Stationery and printing	499,269	520,156
Marketing, advertisement and publicity	657,667	540,230
Auditors' remuneration	117,785	95,809
Donations	97,470	82,581
Insurance	108,180	86,844
Deposit Protection Premium	976,709	287,343
Cash transportation and sorting charges	636,881	746,466
Entertainment	126,135	139,406
Vehicle expenses	77,708	127,206
Subscription	156,451	133,479
Office running expenses	122,915	128,908
Banking service charges	1,365,481	1,006,357
Repairs and maintenance	399,821	354,174
Cartage, freight and conveyance	47,155	60,378
Zakat paid by overseas branch	4,217	50,063
Brokerage expenses	12,933	13,650
Miscellaneous expenses	91,334	147,030
	11,009,955	9,860,628
	31,811,389	30,733,737
32. OTHER CHARGES		
Penalties imposed by the SBP	2,742	26,514
Other penalties	203	16,844
	2,945	43,358

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**

	Note	(Un-audited) January - September 2019	(Un-audited) January - September 2018
33. PROVISIONS AND WRITE-OFFS - NET		----- (Rupees in '000) -----	
Provision against loans and advances - net	10.3	2,924,348	6,190,069
Reversal of provision against lendings to financial institutions - net		-	(124,118)
Provision for diminution in value of investments - net	9.2.1	2,902,868	1,344,757
Bad debts written off directly		56,401	104,454
Reversal of provision against other assets - net		(4,266)	-
Provision against off-balance sheet obligations	22.1	10,489	-
Recovery of written off / charged off bad debts		(423,168)	-
(Other reversal) / other provisions & write-offs		240,205	473,456
		<u>5,706,877</u>	<u>7,988,618</u>
34. TAXATION			
Current		10,704,994	8,420,574
Prior years		1,590,737	6,375
Deferred		(132,427)	(1,202,437)
		<u>12,163,304</u>	<u>7,224,512</u>
		(Un-audited) September 2019	(Un-audited) September 2018
35. EARNINGS PER SHARE		----- (Rupees in '000) -----	
Profit after tax attributable to equity shareholders of the Bank		<u>14,230,528</u>	<u>9,747,927</u>
		---- (Number of shares) ----	
Weighted average number of ordinary shares		<u>1,224,179,687</u>	<u>1,224,179,687</u>
		----- (Rupees) -----	
Earnings per share - basic and diluted		<u>11.62</u>	<u>7.96</u>
35.1	There were no convertible dilutive potential ordinary shares outstanding as at September 30, 2019 and September 30, 2018.		
36. 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, 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.			
36.1	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).			

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

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:

		September 30, 2019 (Un-audited)				
On-balance sheet financial instruments	Carrying / Notional	Fair value				Total
		Level 1	Level 2	Level 3		
		(Rupees in '000)				
Financial assets measured at fair value						
- Investments						
Government Securities (T-bills, PIBs, GoP Sukuks and Eurobonds)	623,164,465	-	623,164,465	-		623,164,465
Foreign Bonds - Sovereign	60,952,483	-	60,952,483	-		60,952,483
Foreign Bonds - others	18,246,793	-	18,246,793	-		18,246,793
Ordinary shares of listed companies	12,635,008	12,635,008	-	-		12,635,008
Investment in Mutual Fund	250,000	-	250,000	-		250,000
Debt securities (TFCs and Sukuks)	1,421,715	-	1,421,715	-		1,421,715
Investment in REIT	408,979	408,979	-	-		408,979
	717,079,443	13,043,987	704,035,456	-		717,079,443
Financial assets not measured at fair value						
- Investments (HTM, unlisted ordinary shares, preference shares and associates)	326,247,292	-	-	-		-
	1,043,326,735	13,043,987	704,035,456	-		717,079,443
Off-balance sheet financial instruments						
Forward purchase and sale of foreign exchange contracts	862,694,857	-	220,231	-		220,231
Interest rate swaps	316,500	-	(16,841)	-		(16,841)
FX options - purchased and sold (net)	876,524	-	-	-		-
Forward purchase of government securities	-	-	-	-		-
Forward sale of government securities	-	-	-	-		-
		December 31, 2018 (Audited)				
On-balance sheet financial instruments	Carrying / Notional	Fair value				Total
		Level 1	Level 2	Level 3		
		(Rupees in '000)				
Financial assets measured at fair value						
- Investments						
Government Securities (T-bills, PIBs, GoP Sukuks and Eurobonds)	394,374,894	-	394,374,894	-		394,374,894
Foreign Bonds - Sovereign	66,062,041	-	66,062,041	-		66,062,041
Foreign Bonds - others	14,308,350	-	14,308,350	-		14,308,350
Ordinary shares of listed companies	16,718,226	16,718,226	-	-		16,718,226
Debt securities (TFCs)	843,128	-	843,128	-		843,128
Investment in REIT	499,863	499,863	-	-		499,863
	338,352,598	-	-	-		-
	831,159,100	17,218,089	475,588,413	-		492,806,502
Financial assets not measured at fair value						
- Investments (HTM, unlisted ordinary shares,preference shares and associates)						
Off-balance sheet financial instruments						
Forward purchase and sale of foreign exchange contracts	650,576,446	-	1,462,513	-		1,462,513
Interest rate swaps	1,674,764	-	(22,101)	-		(22,101)
FX options - purchased and sold (net)	1,159,752	-	-	-		-
Forward purchase of government securities	13,619,209	-	(22,401)	-		(22,401)
Forward sale of government securities	2,326,880	-	(34,172)	-		(34,172)

36.2 Fair Value of non-financial assets

	September 30, 2019 (Un-audited)				
	Carrying / Notional value	Fair value			Total
		Level 1	Level 2	Level 3	
		------(Rupees in '000)-----			
Fixed Assets	44,557,973	-	-	44,557,973	44,557,973
Non-banking assets acquired in satisfaction of claims	1,622,785	-	-	1,622,785	1,622,785
	46,180,758	-	-	46,180,758	46,180,758
	December 31, 2018 (Audited)				
	Carrying / Notional value	Fair value			Total
		Level 1	Level 2	Level 3	
		------(Rupees in '000)-----			
Fixed Assets	44,535,337	-	-	44,535,337	44,535,337
Non-banking assets acquired in satisfaction of claims	1,770,265	-	-	1,770,265	1,770,265
	46,305,602	-	-	46,305,602	46,305,602

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

36.3 Certain categories of fixed assets (land and buildings) and non-banking assets acquired in satisfaction of claims are carried at revalued amounts (level 3 measurement) determined by professional valuers based on their assessment of the market values as disclosed in note 11 and note 15.

36.4 Valuation techniques used in determination of fair values within level 2 and level 3 are as follows.

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.

Units of mutual fund

The fair values of investments in units of mutual funds are determined based on their net asset values as published at the close of each business day.

Derivatives

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

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.

37. SEGMENT INFORMATION

37.1 Segment details with respect to business activities

	For the nine months ended September 30, 2019 (Un-audited)							
	Corporate / Commercial Banking	Treasury	Branch Banking	Islamic Banking	International branch operations	Subsidiaries	Others	Total
Profit and Loss	----- (Rupees in '000) -----							
Net mark-up / return / profit (loss)	34,158,608	36,358,723	(32,706,149)	2,435,411	6,645,267	1,109,434	(1,544,149)	46,457,145
Inter segment (expense) / revenue - net	(29,898,007)	(45,393,094)	70,991,674	-	-	-	4,299,427	-
Non mark-up / return / interest income	1,864,174	3,822,090	7,225,134	207,230	2,447,961	1,967,043	1,914,404	19,448,036
Total Income	6,124,775	(5,212,281)	45,510,659	2,642,641	9,093,228	3,076,477	4,669,682	65,905,181
Segment direct expenses	1,041,131	98,777	18,089,153	1,260,985	4,490,515	2,571,917	4,794,093	32,346,571
Inter segment expense allocation	426,275	53,107	3,499,758	-	499,755	-	(4,478,895)	-
Total expenses	1,467,406	151,884	21,588,911	1,260,985	4,990,270	2,571,917	315,198	32,346,571
Provision reversals / (charge)	175,380	(2,580,394)	690,276	(8,929)	(3,982,736)	51,554	(52,028)	(5,706,877)
Profit before taxation from continuing operations	4,832,749	(7,944,559)	24,612,024	1,372,727	120,222	556,114	4,302,456	27,851,733
	For the nine months ended September 30, 2018 (Un-audited)							
	Corporate / Commercial Banking	Treasury	Branch Banking	Islamic Banking	International branch operations	Subsidiaries	Others	Total
Profit and Loss	----- (Rupees in '000) -----							
Net mark-up / return / profit (loss)	20,838,681	28,356,780	(15,343,282)	1,618,461	6,264,162	1,554,163	148,657	43,437,622
Inter segment (expense) / revenue - net	(17,453,674)	(21,864,083)	37,774,547	-	-	-	1,543,210	-
Non mark-up / return / interest income	2,305,484	7,510,554	6,789,104	127,596	2,032,733	1,886,720	565,342	21,217,533
Total Income	5,690,491	14,003,251	29,220,369	1,746,057	8,296,895	3,440,883	2,257,209	64,655,155
Segment direct expenses	1,210,987	493,108	16,982,656	1,179,332	4,932,972	2,585,827	12,563,738	39,948,620
Inter segment expense allocation	415,777	46,526	3,063,674	-	484,680	-	(4,010,657)	-
Total expenses	1,626,764	539,634	20,046,330	1,179,332	5,417,652	2,585,827	8,553,081	39,948,620
Provision reversals / (charge)	(742,169)	(644,988)	708,735	(5,786)	(6,903,758)	(542,584)	141,932	(7,988,618)
Profit before taxation from continuing operations	3,321,558	12,818,629	9,882,774	560,939	(4,024,515)	312,472	(6,153,940)	16,717,917

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

As at September 30, 2019 (Un-audited)								
	Corporate / Commercial Banking	Treasury	Branch Banking	Islamic Banking	International branch operations	Subsidiaries	Others	Total
(Rupees in '000)								
Balance Sheet								
Cash and Bank balances	396,454	51,853,074	72,989,569	18,725,007	58,361,717	28,165,723	1,677,219	232,168,763
Investments	6,546,279	846,248,180	-	46,145,488	104,088,064	36,313,731	3,984,993	1,043,326,735
Net inter segment lending	6,679,067	-	929,082,180	-	1,305,978	-	58,158,028	995,225,253
Lendings to financial institutions	-	7,300,000	-	12,820,720	-	3,038,840	-	23,159,560
Advances - performing	424,980,411	19,826	35,354,131	9,248,458	135,496,564	45,973,308	5,572,524	656,645,222
Advances - non-performing (net of provision)	3,115,406	-	1,718,066	-	10,122,746	9,085	30,986	14,996,289
Assets held for sale	-	-	-	-	-	3,709,827	-	3,709,827
Others	28,712,568	19,688,069	13,788,867	1,561,001	17,611,511	6,053,903	61,969,056	149,384,975
Total Assets	470,430,185	925,109,149	1,052,932,813	88,500,674	326,986,580	123,264,417	131,392,806	3,118,616,624
Borrowings	51,760,447	263,704,926	402	1,000,000	8,769,528	8,633,755	-	333,869,058
Subordinated debts	-	-	-	-	-	-	10,000,000	10,000,000
Deposits and other accounts	65,678,114	141,461	1,010,125,809	78,483,784	263,953,233	79,465,899	726,421	1,498,574,721
Net inter segment borrowing	326,475,121	665,564,751	-	3,185,381	-	-	-	995,225,253
Liabilities held for sale	-	-	-	-	-	3,685,571	-	3,685,571
Others	23,666,255	6,935,501	30,666,942	1,968,169	9,085,970	2,154,380	17,369,265	91,846,482
Total Liabilities	467,579,937	936,346,639	1,040,793,153	84,637,334	281,808,731	93,939,605	28,095,686	2,933,201,085
Equity	2,850,248	(11,212,432)	12,435,521	3,863,340	51,860,732	22,346,074	103,272,056	185,415,539
Total Equity and liabilities	470,430,185	925,134,207	1,053,228,674	88,500,674	333,669,463	116,285,679	131,367,742	3,118,616,624
Contingencies and Commitments	402,236,234	459,072,033	12,319,896	270,422	408,602,658	87,949,762	1,101,269	1,371,552,274
As at December 31, 2018 (Audited)								
	Corporate / Commercial Banking	Treasury	Branch Banking	Islamic Banking	International branch operations	Subsidiaries	Others	Total
(Rupees in '000)								
Balance Sheet								
Cash and Bank balances	25,660	51,299,328	78,569,366	13,483,155	55,969,812	28,621,101	1,694,309	229,662,731
Investments	7,213,391	653,902,739	-	30,746,758	88,243,845	47,339,783	3,712,584	831,159,100
Net inter segment lending	2,249,966	-	880,425,313	-	-	-	37,278,794	919,954,073
Lendings to financial institutions	-	23,500,000	-	10,066,732	374,814	1,405,005	-	35,346,551
Advances - performing	449,219,279	26,411	65,893,889	22,580,996	160,439,336	38,158,060	5,108,124	741,426,095
Advances - non-performing (net of provision)	1,777,079	-	262,540	15,068	10,587,435	456,931	26,574	13,125,627
Others	27,761,067	21,514,992	12,412,517	625,250	19,888,705	5,986,891	63,583,348	151,772,770
Total Assets	488,246,442	750,243,470	1,037,563,625	77,517,959	335,503,947	121,967,771	111,403,733	2,922,446,947
Borrowings	45,688,288	195,175,727	4,171,413	143,000	21,580,910	13,158,787	-	279,918,125
Subordinated debts	-	-	-	-	-	-	9,000,000	9,000,000
Deposits and other accounts	38,238,653	35,170	993,358,839	73,434,945	259,572,141	82,263,993	1,420,300	1,448,324,041
Net inter segment borrowing	377,589,646	541,875,733	-	488,694	-	-	-	919,954,073
Others	24,033,549	11,894,358	34,259,041	922,413	13,325,755	1,547,511	10,644,222	96,626,849
Total Liabilities	485,550,136	748,980,988	1,031,789,293	74,989,052	294,478,806	96,970,291	21,064,522	2,753,823,088
Equity	2,696,306	(102,213)	7,152,259	2,528,907	45,418,639	17,353,911	93,576,050	168,623,859
Total Equity and liabilities	488,246,442	748,878,775	1,038,941,552	77,517,959	339,897,445	114,324,202	114,640,572	2,922,446,947
Contingencies and Commitments	415,595,186	246,204,352	21,489,804	340,262	426,945,992	86,376,266	1,923,829	1,198,875,691

38. RELATED PARTY TRANSACTIONS

The Group has related party transactions with its associates, employee benefit plans and its Directors and Key Management Personnel (including their associates).

The Group enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. 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 / year, 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 NINE MONTHS ENDED SEPTEMBER 30, 2019

38.1 RELATED PARTY TRANSACTIONS

	September 30, 2019 (Un-audited)				December 31, 2018 (Audited)			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
(Rupees in '000)								
Investments								
Opening balance	-	-	5,119,744	4,183,880	-	-	4,243,644	3,895,328
Investment made during the period / year	-	-	10,097,645	-	-	-	6,148,157	510,075
Investment redeemed / disposed off during the period / year	-	-	(10,347,985)	(240,353)	-	-	(5,699,007)	(221,523)
Equity method adjustments	-	-	363,165	-	-	-	426,950	-
Closing balance	-	-	5,232,569	3,943,527	-	-	5,119,744	4,183,880
Provision for diminution in value of investments	-	-	-	91,143	-	-	-	91,007
Advances								
Opening balance	2,221	280,911	2,155,149	6,747,749	5,303	205,368	2,155,149	2,626,106
Addition during the period / year	-	68,211	-	50,740	13,479	245,272	-	4,123,007
Repaid during the period / year	(2,204)	(6,987)	-	(2,695,937)	(16,561)	(121,668)	-	(1,341)
Transfer out	-	-	-	-	-	(48,061)	-	(23)
Closing balance	17	342,135	2,155,149	4,102,552	2,221	280,911	2,155,149	6,747,749
Provision held against advances	-	-	2,155,149	-	-	-	2,155,149	-
Other Assets								
Interest mark-up accrued	-	-	636	155,176	-	-	3,646	143,767
Receivable from staff retirement funds	-	-	-	1,479,936	-	-	-	321,349
Prepaid insurance	-	-	70,965	-	-	-	107,566	-
Remuneration receivable from management of funds	-	-	69,066	-	-	-	87,358	-
Sales load receivable	-	-	21,029	-	-	-	19,154	-
Formation cost receivable	-	-	6,843	-	-	-	7,039	-
Dividend receivable	-	-	-	-	-	-	-	-
Other receivable	-	-	42,967	30,164	-	-	59,146	30,164
Provision against other assets	-	-	-	30,164	-	-	-	30,164
Borrowings								
Opening balance	-	-	-	12,400	-	-	474,532	-
Borrowings during the year	-	-	-	579,400	-	-	2,364,689	244,000
Settled during the year	-	-	-	(519,100)	-	-	(2,839,221)	(231,600)
Closing balance	-	-	-	72,700	-	-	-	12,400
Deposits and other accounts								
Opening balance	6,375,281	165,303	11,638,646	8,254,030	5,700,563	66,247	7,426,100	3,072,390
Received during the period / year	103,103,826	772,546	105,848,409	524,475,660	60,624,991	1,629,709	160,790,083	163,877,912
Withdrawn during the period / year	(87,961,606)	(795,244)	(110,980,175)	(485,957,955)	(59,950,273)	(1,594,450)	(156,547,356)	(158,692,731)
Transfer (out) / in - net	-	-	-	-	-	63,797	(30,181)	(3,541)
Closing balance	21,517,501	142,605	6,506,880	46,771,735	6,375,281	165,303	11,638,646	8,254,030
Other Liabilities								
Interest / mark-up payable on deposits and borrowings	62,262	192	25,233	443,451	40,343	67	53,416	49,821
Payable to staff retirement fund	-	-	-	-	-	-	-	972,584
Unearned income	-	-	-	1,261	-	-	-	12,608
Contingencies and Commitments								
Forward foreign exchange contracts purchase	-	-	-	-	-	-	-	-
Forward foreign exchange contracts sale	-	-	-	-	-	-	-	-

	September 30, 2019 (Un-audited)				September 30, 2018 (Un-audited)			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
(Rupees in '000)								
Income								
Mark-up / return / interest earned	-	10,916	14,526	496,180	-	9,627	6,966	87,025
Commission / charges recovered	62	1,151	5,416	11,569	83	467	85,256	12,583
Dividend income	-	-	91,518	134,775	-	-	43,243	362,457
Net gain on sale of securities	-	-	11,715	28,515	-	-	82,280	18,868
Remuneration from management of fund	-	-	614,816	-	-	-	687,207	-
Sales load	-	-	36,926	-	-	-	82,279	-
Other income	-	-	5,939	-	-	942	12,192	171,679
Switch revenue	-	-	-	202,739	-	-	-	-
Expenses								
Mark-up / return / interest paid	311,883	993	528,634	904,332	109,109	1,322	420,417	95,817
Remuneration paid	-	687,165	-	-	-	1,049,535	-	-
Post employment benefits	-	15,315	-	-	-	18,702	-	-
Non-executive directors' fee	64,286	-	-	-	40,025	-	-	-
Net charge for defined contribution plans	-	-	-	387,495	-	10,554	-	354,396
Net charge for defined benefit plans	-	-	-	190,249	-	-	-	8,857,946
Other expenses	-	-	-	-	-	-	-	88,112
Clearing charges	-	-	-	97,953	-	-	-	-
Seminar and Membership fees	-	-	-	3,590	-	-	-	-
Membership, Subscription, Sponsorship and maintenance charges	-	-	-	13,331	-	-	-	-
Custody charges	-	-	-	5,739	-	-	-	-
Insurance premium paid	-	-	280,660	-	-	-	471,603	-
Insurance claims settled	-	-	261,496	-	-	-	172,803	-

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**

39. CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	----- (Rupees in '000) -----	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	12,241,798	12,241,798
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	122,508,482	116,182,214
Eligible Additional Tier 1 (ADT 1) Capital	10,142,169	8,305,439
Total Eligible Tier 1 Capital	132,650,651	124,487,653
Eligible Tier 2 Capital	37,944,536	40,708,238
Total Eligible Capital (Tier 1 + Tier 2)	170,595,187	165,195,891
Risk Weighted Assets (RWAs):		
Credit Risk	720,285,138	795,066,075
Market Risk	56,863,050	30,089,441
Operational Risk	147,604,598	147,604,598
Total	924,752,786	972,760,114
Common Equity Tier 1 Capital Adequacy Ratio	13.25%	11.94%
Tier 1 Capital Adequacy Ratio	14.34%	12.80%
Total Capital Adequacy Ratio	18.45%	16.98%

The SBP through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid-up capital (net of accumulated losses) for Banks to be raised to Rs. 10,000 million by the year ending December 31, 2015. The paid-up capital of the Bank as at September 30, 2019 stood at Rs. 12,241.798 million (December 31, 2018: Rs. 12,241.798 million) and is in compliance with SBP requirements. Banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10.0%, capital conservation buffer of 1.90% and High Loss Absorbency Requirement of 1.5% of the risk weighted exposures of the Bank. Further, under Basel III instructions, banks are also required to maintain a Common Equity Tier 1 (CET 1) ratio and Tier 1 ratio of 6.0% and 7.5%, respectively, as at September 30, 2019. As at September 30, 2019, the Bank is fully compliant with prescribed ratios as the Bank's CAR is 18.45% whereas CET 1 and Tier 1 ratios stood at 13.25% and 14.34% respectively. The Bank and its individually regulated operations have complied with all capital requirements throughout the period / year.

Furthermore, under the SBP's Framework for Domestic Systematically Important Banks (D-SIBs) introduced vide BPRD Circular No. 04 of 2018 dated April 13, 2018, UBL has been designated as a D-SIB. Under this framework, the Bank is required to meet the Higher Loss Absorbency (HLA) capital charge of 1.5%, in the form of Additional CET 1 capital, on a standalone as well as consolidated level with effect from March 2019 and 1.00% with effect from March 2020 till next announcement by the State Bank of Pakistan.

Under the current capital adequacy regulations, credit risk and market risk exposures are measured using the Standardized Approach and operational risk is measured using the Basic Indicator Approach. Credit risk mitigants are also applied against the Bank's exposures based on eligible collateral under comprehensive approach.

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	----- (Rupees in '000) -----	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	132,650,651	124,487,653
Total Exposures	2,823,356,289	2,550,548,720
Leverage Ratio	4.70%	4.88%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	544,002,259	404,144,218
Total Net Cash Outflow	207,918,124	212,338,866
Liquidity Coverage Ratio	261.64%	190.33%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	1,360,427,689	1,489,318,075
Total Required Stable Funding	1,053,974,463	1,181,920,887
Net Stable Funding Ratio	129.08%	126.01%

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**

40. ISLAMIC BANKING BUSINESS

The Bank operates 98 (December 31, 2018: 94) Islamic Banking branches and 163 (December 31, 2018: 158) Islamic Banking windows.

The statement of financial position of the Bank's Islamic Banking branches as at September 30, 2019 is as follows:

		(Un-audited) September 30, 2019	(Audited) December 31, 2018
	Note	----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks		14,833,162	8,000,891
Balances with other banks		3,891,845	5,482,264
Due from financial institutions	40.1	12,820,720	10,066,732
Investments	40.2	46,145,488	30,746,758
Islamic financing and related assets	40.3	9,248,458	22,596,064
Fixed assets		955,326	337,390
Intangible assets		7,889	2,468
Due from Head Office		-	-
Other assets		597,786	285,392
Total Assets		88,500,674	77,517,959
LIABILITIES			
Bills payable		791,528	430,122
Due to financial institutions		1,000,000	143,000
Deposits and other accounts	40.4	78,483,784	73,434,945
Due to Head Office		3,185,381	488,694
Other liabilities		1,176,641	492,291
		84,637,334	74,989,052
NET ASSETS		3,863,340	2,528,907
REPRESENTED BY			
Islamic Banking Fund		2,181,000	2,181,000
Deficit on revaluation of assets		(173,576)	(135,282)
Accumulated profit		1,855,916	483,189
		3,863,340	2,528,907
CONTINGENCIES AND COMMITMENTS			
	40.5		

The profit and loss account of the Bank's Islamic Banking branches for the nine months ended September 30, 2019 is as follows:

		(Un-audited) January - September 2019	(Un-audited) January - September 2018
		----- (Rupees in '000) -----	
Profit / return earned	40.6	5,699,337	3,191,258
Profit / return expensed	40.7	(3,263,926)	(1,572,797)
Net profit / return		2,435,411	1,618,461
Other income			
Fee and Commission Income		172,288	68,162
Foreign Exchange Income		21,867	219
Loss on securities		(4,888)	-
Other Income		17,963	11,760
Total Other Income		207,230	80,141
Total Income		2,642,641	1,698,602
Operating expenses		1,260,985	778,821
Profit before provisions		1,381,656	919,781
Provisions and write-offs - net		(8,929)	(3,202)
Profit for the period		1,372,727	916,579

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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40.1 Due from Financial Institutions

	September 30, 2019 (Un-Audited)			December 31, 2018 (Audited)		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	(Rupees in '000)					
Call money lending	2,000,000	-	2,000,000	7,000,000	-	7,000,000
Bai Muajjal Receivable from other Financial Institutions	10,820,720	-	10,820,720	3,066,732	-	3,066,732
	12,820,720	-	12,820,720	10,066,732	-	10,066,732

40.2 Investments by segments

	September 30, 2019 (Un-Audited)				December 31, 2018 (Audited)			
	Cost / Amortised cost	Provision for diminution	Deficit	Carrying Value	Cost / Amortised cost	Provision for diminution	Deficit	Carrying Value
	(Rupees in '000)							
Federal Government Securities								
-Ijarah Sukuks	5,901,296	-	(173,576)	5,727,720	11,910,472	-	(135,282)	11,775,190
-Bai muajjal with Govt. of Pakistan 40.2.1	25,657,916	-	-	25,657,916	8,300,566	-	-	8,300,566
	31,559,212	-	(173,576)	31,385,636	20,211,038	-	(135,282)	20,075,756
Non Government Debt Securities								
-Listed	150,000	-	-	150,000	150,000	-	-	150,000
-Unlisted	14,609,852	-	-	14,609,852	10,521,002	-	-	10,521,002
	14,759,852	-	-	14,759,852	10,671,002	-	-	10,671,002
Total Investments	46,319,064	-	(173,576)	46,145,488	30,882,040	-	(135,282)	30,746,758

(Un-audited) (Audited)
September December
30, 2019 31, 2018
----- (Rupees in '000) -----

40.2.1 Bai Muajjal with Government of Pakistan

Bai Muajjal Investment	33,031,000	11,420,000
Less: Deferred Income	(7,373,084)	(3,119,434)
Bai Muajjal Investment - net	25,657,916	8,300,566

40.3 Islamic financing and related assets

Ijarah	603,618	446,792
Murabaha	632,435	742,302
Diminishing Musharaka	5,852,126	19,902,278
Istisna	20,846	-
Islamic Export Refinance scheme - Murabaha	1,082,584	126,849
Advances against Islamic assets		
Advances against Ijara	117,527	215,091
Advances for Diminishing Musharika	114,161	520,448
Advances for Murabaha	125,467	101,115
Advances for Murabaha - IERS	204,456	18,000
Advances for Istisna	320,994	48,321
Inventory related to Islamic financing		
Istisna	140,036	13,411
Profit and other receivables against financings	138,034	557,643
Gross Islamic financing and related assets	9,352,284	22,692,250
Less: Provision against Islamic financings		
- Specific	(85,745)	(82,088)
- General	(18,081)	(14,098)
	(103,826)	(96,186)
Islamic financing and related assets - net of provision	9,248,458	22,596,064

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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40.4 Deposits and other accounts

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	----- (Rupees in '000) -----	
Customers		
Current deposits	32,341,944	31,434,627
Savings deposits	13,129,072	14,925,879
Term deposits	9,460,291	6,776,543
	<u>54,931,307</u>	<u>53,137,049</u>
Financial Institutions		
Current deposits	1,339,842	1,768,824
Savings deposits	8,997,635	11,144,072
Term deposits	13,215,000	7,385,000
	<u>23,552,477</u>	<u>20,297,896</u>
	<u>78,483,784</u>	<u>73,434,945</u>

40.5 Contingencies and commitments

- Guarantees	60,119	56,416
- Commitments	477,117	406,643
	<u>537,236</u>	<u>463,059</u>

40.6 Profit / Return Earned on Financing, Investments and Placements

	----- (Un-audited) -----	
	January -	January -
	September	September
	2019	2018
	----- (Rupees in '000) -----	
Profit earned on:		
Financing	798,826	1,019,766
Investments	3,545,296	1,253,516
Placements	1,155,463	751,790
Rental Income from Ijarah	199,752	166,186
	<u>5,699,337</u>	<u>3,191,258</u>

40.7 Profit on Deposits and other Dues Expensed

Deposits and other accounts	3,170,866	1,562,215
Due to Financial Institutions	18,827	10,582
Return expense on leases	74,233	-
	<u>3,263,926</u>	<u>1,572,797</u>

40.8 Islamic Banking Business Unappropriated Profit

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	----- (Rupees in '000) -----	
Opening Balance	483,189	(362,502)
Add: Islamic Banking profit for the period / year	1,372,727	845,691
Closing Balance	<u>1,855,916</u>	<u>483,189</u>

40.9 Disclosures for profit and loss distribution and pool management

UBL Ameen (the Mudarib) Operates different pools which accept deposits on the basis of Mudaraba from depositors (Rabbulmaal) and accepts funds from inter-bank under Mudaraba, Musharakah and Wakalah modes. Pool funds are invested in Islamic modes of financing and investments.

Ameen Daily Munafa Account (ADMA) Pool

The ADMA pool consists of deposits for the ADMA product. The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. From the net return, profit is paid to the Mudarib in the ratio of the Mudarib's equity in the pool to the total pool. The balance represents the distributable profit.

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Special Pool(s)

Separate pool(s) are created where the customers desire to invest in high yield assets. These pool(s) rates are higher than the general pool depending on the assets. In case of loss in special pool, the loss will be borne by the special pool members. The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. From the net return, profit is paid to the Mudarib in the ratio of the Mudarib's equity in the pool to the total pool. The balance represents the distributable profit.

Islamic Export Refinance Pool(s)

Specific pools are operated for funds acquired / accepted from the State Bank of Pakistan for Islamic Export Refinance to the Bank's customers and liquidity management respectively under the Musharakah / Modaraba modes.

Treasury Pool(s)

Treasury Pools are managed on the basis of Musharakah, Mudarabah and Wakalah, wherein UBL Ameen and FI share actual return earned by the pool according to pre-defined profit sharing ratio and Wakalah fee.

General Pool

The General pool consists of all other remunerative deposits. UBL Ameen (the Mudarib) accept deposits on the basis of Mudaraba from depositors (Rabbulmaal). The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. The entire net return after paying equity share to Mudarib is considered as distributable profit of the pool.

For all pools, the Mudarib's share is deducted from the distributable profit to calculate the profit to be allocated to depositors. The allocation of the profit to various deposit categories is determined by the amount invested in that category relative to the total pool, as well as by the weightage assigned to the various deposit categories.

The Bank managed following pools during the period.

September 30, 2019 (Un-Audited)

September 30, 2019 (Un-Audited)									
No of Pools	Nature of Pool	Profit rate and weightages announcement period	Average profit rate earned	Profit Sharing ratio	Mudarib fee / Musharkah share / Wakala Fee	Average profit rate / return distributed	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib share transferred through Hiba	
			%	%	Rupees in '000	%	%	Rupees in '000	
ADMA Pools	9	Mudarbaha	Monthly	5.08%	50.00%	5,972	2.81%	10.55%	630
Special Pools	100	Mudarbaha	Monthly	11.45%	7.46%	146,675	10.77%	19.87%	29,144
IERS Pools	28	Musharkah	Monthly	3.95%	74.98%	43,250	2.00%	0.00%	-
General Pools	9	Mudarbaha	Monthly	11.54%	50.00%	1,002,172	7.64%	32.40%	324,691
Treasury Pools	2	Musharkah	As required	12.93%	25.77%	1,278,366	9.60%	0.00%	-

September 30, 2018 (Un- Audited)

September 30, 2018 (GFI - Audited)									
No of Pools	Nature of Pool	Profit rate and weightages announcement period	Average profit rate earned	Profit Sharing ratio	Mudarib fee / Musharkah share / Wakala Fee	Average profit rate / return distributed	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib share transferred through Hiba	
			%	%	Rupees in '000	%	%	Rupees in '000	
ADMA Pools	9	Mudarbaha	Monthly	4.62%	50.00%	5,926	2.82%	22.10%	1,308
Special Pools	78	Mudarbaha	Monthly	6.63%	12.60%	138,164	6.09%	34.40%	57,437
IERS Pools	7	Musharkah	Monthly	3.49%	71.80%	2,997	2.00%	0.00%	-
Treasury Pools	3	Wakalah	As required	7.27%	17.78%	212	5.97%	0.00%	-
Treasury Pools	2	Mudarbaha	As required	7.17%	25.46%	325	5.86%	0.00%	-
Treasury Pools	10	Musharkah	As required	7.40%	17.23%	1,180	6.12%	0.00%	-
General Pools	9	Mudarbaha	Monthly	6.15%	50.00%	309,930	3.50%	13.80%	42,740

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	-----Rupees in '000-----	
40.10 Deployment of Mudaraba based deposits by class of business		
Chemical and pharmaceuticals	887,357	650,754
Agri business	426,513	1,226,202
Textile	1,478,640	365,599
Financial	17,325,059	15,486,630
Food industries	516,089	516,697
Plastic	243,043	169,124
Individuals	1,416,670	1,134,008
Production and Transmission of energy	16,155,019	26,712,710
Government of Pakistan Securities	31,385,636	20,023,620
Others	2,184,473	1,768,268
	<u>72,018,499</u>	<u>68,053,612</u>

41. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on October 16, 2019 has declared an interim cash dividend in respect of the nine months ended September 30, 2019 of Rs. 3.0 per share (September 30, 2018: Rs. 2.0 per share). The consolidated condensed interim financial statements for the nine months ended September 30, 2019 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

42. GENERAL

42.1 Comparatives

Comparative information has been reclassified, rearranged or additionally incorporated in these consolidated condensed interim financial statements for the purposes of better presentation. The Comparative information has been reclassified and / or restated as a result of revised format of interim financial statements as more fully explained in note 4.1.2 to these consolidated condensed interim financial statements.

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

43. DATE OF AUTHORIZATION

These consolidated condensed interim financial statements were authorised for issue on October 16, 2019 by the Board of Directors of the Bank.

Aameer Karachiwalla
Chief Financial Officer

Sima Kamil
President &
Chief Executive Officer

Amar Zafar Khan
Director

Arshad Ahmad Mir
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Chairman