

United Bank Limited
CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2014





CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2014

	Note	2014	2013
		----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks	6	75,660,306	89,591,601
Balances with other banks	7	21,948,274	32,658,606
Lendings to financial institutions	8	23,435,222	29,858,038
Investments	9	519,602,007	458,846,198
Advances			
Performing	10	455,078,880	404,946,323
Non-performing - net of provision	10	12,286,412	10,336,987
		467,365,292	415,283,310
Operating fixed assets	11	33,335,646	28,037,980
Deferred tax asset - net		-	-
Other assets	12	41,106,366	29,356,983
		1,182,453,113	1,083,632,716
LIABILITIES			
Bills payable	14	9,559,255	16,600,691
Borrowings	15	53,248,526	41,077,730
Deposits and other accounts	16	951,902,296	889,525,603
Subordinated loans	17	-	665,328
Liabilities against assets subject to finance lease	18	429	1,325
Deferred tax liability - net	19	2,139,586	1,395,138
Other liabilities	20	28,098,410	23,093,754
		1,044,948,502	972,359,569
NET ASSETS		137,504,611	111,273,147
REPRESENTED BY:			
Share capital	21	12,241,798	12,241,798
Reserves		37,286,088	38,049,345
Unappropriated profit		52,507,655	45,208,302
Total equity attributable to the equity holders of the Bank		102,035,541	95,499,445
Non-controlling interest		4,553,250	3,487,918
		106,588,791	98,987,363
Surplus on revaluation of assets - net of deferred tax	22	30,915,820	12,285,784
		137,504,611	111,273,147
CONTINGENCIES AND COMMITMENTS			
	23		

The annexed notes from 1 to 49 and annexures form an integral part of these consolidated financial statements.

Wajahat Husain
President &
Chief Executive Officer

Amin Uddin
Director

Zameer Mohammed Choudrey
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Chairman

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2014

	Note	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
Mark-up / return / interest earned	25	85,760,646	75,709,170
Mark-up / return / interest expensed	26	38,846,868	36,199,807
Net mark-up / return / interest income		<u>46,913,778</u>	<u>39,509,363</u>
Provision against loans and advances - net	10.4	533,523	1,346,141
Provision against lendings to financial institutions - net	8.5	165,744	60,509
Provision for diminution in value of investments - net	9.3	459,812	5,871
Bad debts written off directly	10.5	177,222	181,724
		<u>1,336,301</u>	<u>1,594,245</u>
Net mark-up / return / interest income after provisions		<u>45,577,477</u>	<u>37,915,118</u>
Non mark-up / return / interest income			
Fee, commission and brokerage income		13,044,855	11,443,576
Dividend income		1,819,136	1,611,917
Income from dealing in foreign currencies		3,091,592	2,211,756
Gain on sale of securities - net	27	2,063,436	3,026,130
Unrealized loss on revaluation of investments classified as held for trading	9.4	(28,723)	(4,416)
Other income	28	1,365,821	1,127,398
Total non mark-up / return / interest income		<u>21,356,117</u>	<u>19,416,361</u>
		<u>66,933,594</u>	<u>57,331,479</u>
Non mark-up / return / interest expenses			
Administrative expenses	29	31,752,088	28,570,569
Other provisions - net	30	276,446	325,562
Workers' Welfare Fund	31	673,005	503,175
Other charges	32	10,427	249,377
Total non mark-up / return / interest expenses		<u>32,711,966</u>	<u>29,648,683</u>
Share of profit of associates		<u>1,394,686</u>	<u>1,282,382</u>
Profit before taxation		<u>35,616,314</u>	<u>28,965,178</u>
Taxation - Current	33	10,859,677	8,302,311
- Prior	33	361,962	61,892
- Deferred	33	369,872	870,204
		<u>11,591,511</u>	<u>9,234,407</u>
Profit after taxation		<u>24,024,803</u>	<u>19,730,771</u>
Attributable to:			
Equity shareholders of the Bank		23,647,704	19,285,513
Non-controlling interest		<u>377,099</u>	<u>445,258</u>
		<u>24,024,803</u>	<u>19,730,771</u>
		----- (Rupees) -----	
Earnings per share - basic and diluted	34	<u>19.32</u>	<u>15.75</u>

The annexed notes from 1 to 49 and annexures form an integral part of these consolidated financial statements.

Wajahat Husain
President and
Chief Executive Officer

Amin Uddin
Director

Zameer Mohammed Choudrey
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2014

	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
Profit after tax for the year attributable to:		
Equity shareholders of the Bank	23,647,704	19,285,513
Non-controlling interest	377,099	445,258
	<u>24,024,803</u>	<u>19,730,771</u>
Other comprehensive income:		
<i>Items that are not to be reclassified to profit or loss in subsequent periods</i>		
Remeasurement (loss) / gain of defined benefit obligations		
Equity shareholders of the Bank	(212,770)	63,021
Non-controlling interest	7,738	15,103
Related deferred tax reversal / (charge)	75,036	(16,901)
	<u>(129,996)</u>	<u>61,223</u>
<i>Items that may be reclassified to profit or loss in subsequent periods</i>		
Exchange differences on translation of net investment in foreign branches and subsidiaries		
Equity shareholders of the Bank	(2,964,855)	3,859,960
Non-controlling interest	(443,907)	199,296
	<u>(3,408,762)</u>	<u>4,059,256</u>
Amortization of cash flow hedges	4,963	27,337
Related deferred tax charge on cash flow hedges	(1,738)	(9,568)
	<u>3,225</u>	<u>17,769</u>
Other comprehensive income transferred to equity	<u>20,489,270</u>	<u>23,869,019</u>
<i>Items that may be reclassified to profit or loss in subsequent periods</i>		
Surplus / (deficit) arising on revaluation of available for sale securities	14,043,463	(3,368,332)
Related deferred tax (charge) / reversal	(4,883,986)	599,698
	<u>9,159,477</u>	<u>(2,768,634)</u>
Total comprehensive income during the year - net of tax	<u><u>29,648,747</u></u>	<u><u>21,100,385</u></u>

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CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2014

	Note	2014	2013
		----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		35,616,314	28,965,178
Less: Dividend income		(1,819,136)	(1,611,917)
Share of profit of associates		(1,394,686)	(1,282,382)
		<u>32,402,492</u>	<u>26,070,879</u>
Adjustments:			
Depreciation		1,743,182	1,799,054
Amortization		499,164	485,822
Workers' Welfare Fund		673,005	503,175
Provision for retirement benefits		660,468	435,864
Charge for compensated absences		428,567	547,017
Provision against loans and advances - net		533,523	1,346,141
Provision against lendings to financial institutions - net		165,744	60,509
Provision for diminution in value of investments - net		459,812	5,871
Reversal of provision in respect of investments disposed off during the year		(50,038)	-
Provision against off balance sheet items		35,708	-
Gain on sale of operating fixed assets - net		(43,719)	(25,171)
Bad debts written off directly		177,222	181,724
Amortization of cash flow hedges		4,963	27,337
Unrealized loss on revaluation of investments classified as held for trading		28,723	4,416
Finance charges on leased assets		86	219
Provision against other assets		85,364	26,210
		<u>5,401,774</u>	<u>5,398,188</u>
		<u>37,804,266</u>	<u>31,469,067</u>
Decrease / (increase) in operating assets			
Lendings to financial institutions		6,257,072	(7,089,713)
Held for trading securities		(470,460)	(2,802,061)
Advances		(53,139,727)	(30,976,914)
Other assets (excluding advance taxation)		(10,742,139)	(2,253,056)
		<u>(58,095,254)</u>	<u>(43,121,744)</u>
(Decrease) / increase in operating liabilities			
Bills payable		(7,041,436)	8,985,309
Borrowings		12,170,796	(28,615,849)
Deposits and other accounts		62,376,693	136,739,708
Other liabilities (excluding current taxation)		3,982,814	2,375,164
		<u>71,488,867</u>	<u>119,484,332</u>
		<u>51,197,879</u>	<u>107,831,655</u>
(Payments) / receipts on account of staff retirement benefits		(1,140,102)	898,737
Income taxes paid		(12,086,510)	(8,946,750)
Net cash flow from operating activities		<u>37,971,267</u>	<u>99,783,642</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in securities		(45,240,786)	(76,894,471)
Dividend income received		1,855,579	1,577,139
Investment in operating fixed assets		(3,072,954)	(3,010,790)
Sale proceeds from disposal of operating fixed assets		397,487	173,943
Net cash outflow from investing activities		<u>(46,060,674)</u>	<u>(78,154,179)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Repayments of subordinated loans		(665,328)	(8,653,936)
Payments in respect of lease obligations		(982)	(1,003)
Increase in non-controlling interest on account of right issue by a subsidiary		1,123,538	-
Dividends paid		(13,600,686)	(11,613,181)
Net cash outflow from financing activities		<u>(13,143,458)</u>	<u>(20,268,120)</u>
Exchange differences on translation of net investment in foreign branches and subsidiaries		(2,964,855)	3,859,960
Exchange differences on translation of net assets attributable to non-controlling interest		(443,907)	214,399
Increase in cash and cash equivalents		<u>(24,641,627)</u>	<u>5,435,702</u>
Cash and cash equivalents at the beginning of the year		<u>122,250,207</u>	<u>116,814,505</u>
Cash and cash equivalents at the end of the year	35	<u>97,608,580</u>	<u>122,250,207</u>

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Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2014

	Attributable to equity shareholders of the Bank							Non-controlling Interest	Total	
	Share Capital	General reserve	Statutory reserve	--Capital reserves--		Employee stock option reserve	Unappropriated profit			Sub total
				Exchange translation reserve	Cash flow hedge reserve					
(Rupees in '000)										
Balance as at December 31, 2012	12,241,798	3,000	17,828,197	14,487,405	(20,994)	1,082	39,305,127	83,845,615	2,827,060	86,672,675
Transactions with owners for the year ended December 31, 2013										
Final cash dividend - December 31, 2012 declared subsequent to the year end at Rs.3.5 per share	-	-	-	-	-	-	(4,284,629)	(4,284,629)	-	(4,284,629)
Interim cash dividend - March 31, 2013 declared at Re.2.0 per share	-	-	-	-	-	-	(2,448,360)	(2,448,360)	-	(2,448,360)
Interim cash dividend - June 30, 2013 declared at Rs.2.0 per share	-	-	-	-	-	-	(2,448,360)	(2,448,360)	-	(2,448,360)
Interim cash dividend - September 30, 2013 declared at Rs.2.0 per share	-	-	-	-	-	-	(2,448,360)	(2,448,360)	-	(2,448,360)
Employee stock option reserve	-	-	-	-	-	5,611	-	5,611	-	5,611
	-	-	-	-	-	5,611	(11,629,709)	(11,624,098)	-	(11,624,098)
Total comprehensive income for the year ended December 31, 2013										
Profit after taxation for the year ended December 31, 2013	-	-	-	-	-	-	19,285,513	19,285,513	445,258	19,730,771
Other comprehensive income - net of tax	-	-	-	3,859,960	17,769	-	46,120	3,923,849	214,399	4,138,248
Total comprehensive income for the year ended December 31, 2013	-	-	-	3,859,960	17,769	-	19,331,633	23,209,362	659,657	23,869,019
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	68,566	68,566	1,201	69,767
Transfer to statutory reserve	-	-	1,867,315	-	-	-	(1,867,315)	-	-	-
Balance as at December 31, 2013	12,241,798	3,000	19,695,512	18,347,365	(3,225)	6,693	45,208,302	95,499,445	3,487,918	98,987,363
Transactions with owners for the year ended December 31, 2014										
Final cash dividend - December 31, 2013 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, 2014 declared at Rs.2.5 per share	-	-	-	-	-	-	(3,060,450)	(3,060,450)	-	(3,060,450)
Interim cash dividend - June 30, 2014 declared at Rs.2.5 per share	-	-	-	-	-	-	(3,060,450)	(3,060,450)	-	(3,060,450)
Interim cash dividend - September 30, 2014 declared at Rs.2.5 per share	-	-	-	-	-	-	(3,060,450)	(3,060,450)	-	(3,060,450)
Employee stock option reserve	-	-	-	-	-	(2,199)	-	(2,199)	-	(2,199)
	-	-	-	-	-	(2,199)	(14,078,069)	(14,080,268)	-	(14,080,268)
Total comprehensive income for the year ended December 31, 2014										
Profit after taxation for the year ended December 31, 2014	-	-	-	-	-	-	23,647,704	23,647,704	377,099	24,024,803
Other comprehensive income - net of tax	-	-	-	(2,964,855)	3,225	-	(137,734)	(3,099,364)	(436,169)	(3,535,533)
Total comprehensive income for the year ended December 31, 2014	-	-	-	(2,964,855)	3,225	-	23,509,970	20,548,340	(59,070)	20,489,270
Right issue of shares by a subsidiary	-	-	-	-	-	-	-	-	1,123,538	1,123,538
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	68,024	68,024	864	68,888
Transfer to statutory reserve	-	-	2,200,572	-	-	-	(2,200,572)	-	-	-
Balance as at December 31, 2014	12,241,798	3,000	21,896,084	15,382,510	-	4,494	52,507,655	102,035,541	4,553,250	106,588,791

Appropriations recommended by the Board of Directors subsequent to the year ended December 31, 2014 are disclosed in note 47 to these consolidated financial statements.

The annexed notes from 1 to 49 and annexures form an integral part of these consolidated financial statements.

Wajahat Husain
President and
Chief Executive Officer

Amin Uddin
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**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

1. STATUS AND NATURE OF BUSINESS

The "Group" consists of:

- Holding Company

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 State Life Building No. 1, I. I. Chundrigar Road, Karachi respectively. The Bank operates 1,295 (2013: 1,283) branches inside Pakistan including 24 (2013: 22) Islamic Banking branches and 1 (2013: 1) branch in Karachi Export Processing Zone. The Bank also operates 18 (2013: 18) branches outside Pakistan as at December 31, 2014. The Bank is a subsidiary of Bestway (Holdings) Limited which is incorporated in the United Kingdom.

The Bank's ordinary shares are listed on all three stock exchanges in Pakistan. 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.

- Subsidiary companies

- United National Bank Limited (UNBL) - 55% holding

UNBL is an authorized banking institution incorporated in the United Kingdom. The Bank was formed in 2001 from the merger of the UK branches of United Bank Limited and National Bank Limited. The principal activities of UNBL are to provide retail banking products through its branch network in major cities of the UK, wholesale banking and treasury services to financial institutions and trade finance facilities to businesses of all sizes. United National Bank Limited operates under the trade name United Bank UK. During the year, consequent to a rights issue by UBL UK, the Bank invested a further Rs. 1,373 million as tier I capital in UBL UK. This being a right issue subscribed by both shareholders, has not affected the Banks holding in UBL UK which remains at 55%.

- UBL (Switzerland) AG -100% holding

UBL (Switzerland) AG is a commercial bank owned by the Bank. Founded in 1967, its main activities are in credit operations and related trade financing. UBL (Switzerland) AG previously operated under the name, United Bank AG Zurich.

- United Executors and Trustees Company Limited, Pakistan - 100% holding

United Executors and Trustees Company Limited ("the Company") was incorporated in Pakistan in 1965 as an unlisted public limited company. The registered office of the Company is situated at State Life Building No. 1, I.I. Chundrigar Road, Karachi. Currently, the Company is engaged in the business of investments.

- UBL Fund Managers Limited, Pakistan - 98.92% holding

UBL Fund Managers Limited was incorporated as a unlisted public limited company in Pakistan on April 3, 2001. The Company is licensed to carry out Asset Management and Investment Advisory Services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The principal activities of the Company are floating and managing mutual funds and providing investment advisory services. The registered office of the Company is situated at State Life Building No. 1, I. I. Chundrigar Road, Karachi.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

- Al Ameen Financial Services (Pvt.) Limited - effective holding 98.92%

During the year, UBL Fund Managers has incorporated a wholly owned subsidiary Al Ameen Islamic Financial Services (Pvt.) Limited on February 27, 2014. The principal activity of the subsidiary is provision of shariah compliant financial services including distribution of shariah compliant mutual funds.

- UBL Bank (Tanzania) Limited - 100% holding

UBL Bank (Tanzania) Limited was incorporated on March 13, 2012 and has commenced operations in May 2013. It is engaged in providing commercial and retail banking services.

2. BASIS OF PRESENTATION

- 2.1** 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 financial statements as such, but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon. The Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan (ICAP) and notified under the provisions of the Companies Ordinance, 1984.
- 2.2** The financial results of the Islamic Banking branches of the Bank have been included in these consolidated financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in note 46 to these consolidated financial statements.

3. STATEMENT OF COMPLIANCE

- 3.1** These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. Approved accounting standards comprise of International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the ICAP. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the directives issued by the SECP and the SBP differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or 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. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, 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 financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

3.3 Standards, interpretations and amendments to approved accounting standards that are not yet effective

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

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
IAS 19 - Employee Benefits - (Amendment)	July 01, 2014
IFRS 10 - Consolidated Financial Statements	January 01, 2015
IFRS 11 - Joint Arrangements	January 01, 2015
IFRS 12 - Disclosure of Interest in Other Entities	January 01, 2015
IFRS 13 - Fair Value Measurement	January 01, 2015
IAS 28 - Investments in associates, joint ventures - (Amendment)	January 01, 2015
IAS 38 - Intangible Assets - (Amendment)	January 01, 2016
IAS 16 - Property, Plant and Equipment - (Amendment)	January 01, 2016
IAS 27 - Separate Financial Statement - (Amendment)	January 01, 2016

The Securities and Exchange Commission of Pakistan has through its circular 633 (I) / 2014 adopted IFRS 10 that introduced a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. The management is currently in the process of determining the impact of application of this standard on the financial statements of the Group.

Except for the effect of adoption of IFRS 10, the effect of which is currently in the process of determination, the Group expects that the adoption of the above standards, amendments and interpretations will not affect its financial statements in the period of initial application.

In addition to the above amendments and interpretations, improvements to the following accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after July 01, 2014. The Group expects that the adoption of such improvements to the standards will not affect its financial statements in the period of initial application.

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
IFRS 2 - Share-based Payment	July 01, 2014
IFRS 3 - Business Combinations	July 01, 2014
IFRS 8 - Operating Segments	July 01, 2014
IAS 16 - Property, plant and equipment - (Amendment)	July 01, 2014
IAS 38 - Intangible Assets - (Amendment)	July 01, 2014
IAS 24 - Related Party Disclosure	July 01, 2014
IAS 40 - Investment Property	July 01, 2014
IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations	January 01, 2016
IFRS 7 - Financial Instruments- Disclosures	January 01, 2016
IAS 19 - Employee Benefits	January 01, 2016
IAS 34 - Interim Financial Reporting	January 01, 2016

The Group expects that the adoption of such improvements to the standards will not have any material impact on the Group's financial statements in the period of initial application.

The following new standard has been issued by the IASB, but has not yet been notified by the SECP for application in Pakistan.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

**IASB Effective date (annual
periods beginning on or
after)**

Standard or Interpretation

IFRS 9 – Financial Instruments: Classification and Measurement

January 01, 2018

4. BASIS OF MEASUREMENT

4.1 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except that certain operating fixed assets have been stated at revalued amounts and certain investments and derivative financial instruments have been stated at fair value.

4.2 Critical accounting estimates and judgments

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

Significant accounting estimates and areas where judgments were made by management in the application of accounting policies are as follows:

- i) classification of investments (notes 5.4 and 9)
- ii) provision against investments (notes 5.4 and 9.3), lendings to financial institutions (note 8.5) and advances (notes 5.5 and 10.4)
- iii) income taxes (notes 5.8 and 33)
- iv) staff retirement benefits (notes 5.10 and 37)
- v) fair value of derivatives (notes 5.15.2 and 20.3)
- vi) operating fixed assets, revaluation, depreciation and amortization (notes 5.6 and 11)
- vii) impairment (note 5.7)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year.

5.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiary companies.

Subsidiary companies are fully consolidated from the date on which more than 50% of voting rights are transferred to the Group or the power to control the company is established and are excluded from consolidation from the date of disposal or when the control is lost.

The financial statements of subsidiaries are prepared for the same reporting period as the Holding Company, using accounting policies that are consistent with those of the Holding Company, except for non-banking subsidiaries in Pakistan which follow the requirements of IAS 39 and IAS 40, and overseas subsidiaries which are required to comply with local regulations enforced within the respective jurisdictions.

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The assets and liabilities of the subsidiaries have been consolidated with those of the Holding Company on a line by line basis and the carrying value of the Bank's investment in the subsidiaries is eliminated against the subsidiaries' share capital and pre-acquisition reserves in these consolidated financial statements.

Non-controlling interest represents that part of the net results of operations and of the net assets of the subsidiaries that is not owned by the Group.

All material intra-group balances and transactions have been eliminated.

5.2 Cash and cash equivalents

Cash and cash equivalents for the purpose of the cash flow statement consist of cash and balances with treasury banks and balances with other banks.

5.3 Lendings to / borrowings from financial institutions

The Group enters into transactions of reverse repos and repos at contracted rates for a specified period of time. These are recorded as under:

5.3.1 Purchase under resale agreements

Securities purchased under agreement to resell (reverse repo) are included in lendings to financial institutions. The differential between the purchase price and the resale price is amortized over the period of the agreement and recorded as income.

Securities held as collateral are not recognized in the consolidated financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability under borrowings from financial institutions.

5.3.2 Sale under repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in the consolidated financial statements as investments and the counterparty liability is included in borrowings from financial institutions. The differential between the sale price and the repurchase price is amortized over the period of the agreement and recorded as an expense.

5.4 Investments

Investments of the Group, other than investments in associates, are classified as held for trading, held to maturity and available for sale.

Held for trading

These are securities which are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements and dealer's margin, or are securities included in a portfolio in which a pattern of short term profit taking exists.

Held to maturity

These are securities with fixed or determinable payments and fixed maturities, in respect of which the Group has the positive intent and ability to hold to maturity.

Available for sale

These are investments, other than those in subsidiaries and associates, that do not fall under the held for trading or held to maturity categories.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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All “regular way” purchases and sales of investments are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the investment. Regular way purchases or sales are purchases or sales of investments that require delivery of investments within the time frame generally established by regulation or convention in the market place.

Investments are initially recognized at fair value which, in the case of investments other than held for trading, includes transaction costs associated with the investments. Transaction costs on investments held for trading are expensed as incurred.

Subsequent measurement**Held for trading**

These are measured at subsequent reporting dates at fair value. Gains and losses on re-measurement are included in the profit and loss account.

Held to maturity

These are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.

Available for sale

Quoted securities classified as available for sale investments are measured at subsequent reporting dates at fair value. Any surplus / deficit arising thereon is kept in a separate account shown in the statement of financial position below equity and is taken to the profit and loss account when realized upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. The break-up value of these securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. A decline in the carrying value is charged to the profit and loss account. A subsequent increase in the carrying value, upto the cost of the investment, is credited to the profit and loss account. Investments in other unquoted securities are valued at cost less impairment, if any.

Provisions for diminution in the value of term finance certificates and Sukuks are made as per the ageing criteria prescribed by the Prudential Regulations issued by the SBP. Provisions for diminution in the value of other securities are made for impairment, if any.

Associates

Associates are entities over which the Group has a significant influence, but control does not exist.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in the associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee subsequent to the date of acquisition. The increase / decrease in the share of profit or loss of associates is accounted for in the consolidated profit and loss account. The Group applies equity accounting for UBL Insurers Limited, Oman United Exchange Company Limited, Khushhali Bank Limited, DHA Cogen Limited and its investments in mutual funds managed by UBL Fund Managers Limited.

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5.5 Advances

Advances are stated net of specific and general provisions which are charged to the profit and loss account. Specific provisions against domestic advances and general provision against domestic consumer loans are determined on the basis of the Prudential Regulations and other directives issued by the SBP. General and specific provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries. If circumstances warrant, the Group, from time to time, makes general provisions against weaknesses in its portfolio on the basis of management's estimation.

Advances are written off when there is no realistic prospect of recovery. The amount so written off is a book entry and does not necessarily prejudice to the Bank's right of recovery against the customer.

The Bank determines write-offs in accordance with the criteria prescribed by the SBP vide BPRD Circular No. 06 dated June 05, 2007.

5.6 Operating fixed assets and depreciation

5.6.1 Owned

Property and equipment, other than land (which is not depreciated) and capital work-in-progress, are stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses (if any). Land is carried at revalued amount less impairment losses while capital work-in-progress is stated at cost less impairment losses. The cost and the accumulated depreciation of property and equipment of foreign branches include exchange differences arising on currency translation at the year-end rates of exchange.

Depreciation is calculated so as to write off the depreciable amount of the assets over their expected useful lives at the rates specified in note 11.2 to these consolidated financial statements. The depreciation charge for the year is calculated on a straight line basis after taking into account the residual value, if any. The residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date.

Depreciation on additions is charged from the month the asset is available for use. No depreciation is charged in the month of disposal.

Land and buildings are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation is credited to the surplus on revaluation of fixed assets account. Any deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above-mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of fixed assets, to the extent of incremental depreciation, is transferred to unappropriated profit.

Gains and losses on sale of fixed assets are included in the profit and loss account, except that the related surplus on revaluation of fixed assets (net of deferred tax) is transferred directly to unappropriated profit.

Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Normal repairs and maintenance are charged to the profit and loss account as and when incurred.

5.6.2 Leased (Ijarah)

Assets leased out under Ijarah are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Assets under Ijarah are depreciated over the term of the lease.

Ijarah income is recognized on an accrual basis.

5.6.3 Finance lease

Assets held under finance leases are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligations under the lease, net of financial charges allocated to future periods, are shown as a liability.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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The financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of return on the outstanding liability.

Depreciation on assets held under finance leases is charged in a manner consistent with that for depreciable assets which are owned by the Group.

5.6.4 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. The cost and the accumulated amortization of intangible assets of foreign branches include exchange differences arising on currency translation at the year-end rates of exchange. Amortization is calculated so as to write off the amortizable amount of the assets over their expected useful lives at the rates specified in note 11.3 to these consolidated financial statements. The amortization charge for the year is calculated on a straight line basis after taking into account the residual value, if any. The residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date. Amortization on additions is charged from the month the asset is available for use. No amortization is charged in the month of disposal.

Gains and losses on sale of intangible assets are included in the profit and loss account.

5.7 Impairment

Impairment of available for sale equity investments

Available for sale equity investments are impaired when there has been a significant or prolonged decline in their fair value below their cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates, among other factors, the normal volatility in share price.

Impairment in investments in associates

The Group considers that a decline in the recoverable value of the investment in an associate below its cost may be evidence of impairment. Recoverable value is calculated as the higher of fair value less costs to sell and value in use. An impairment loss is recognized when the recoverable value falls below the carrying value and is charged to the profit and loss account. A subsequent reversal of an impairment loss, upto the cost of the investment in the associate, is credited to the profit and loss account.

Impairment in non-financial assets (excluding deferred tax)

The carrying amounts of non-financial assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is charged to the profit and loss account except for an impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the revaluation surplus.

5.8 Taxation

5.8.1 Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws and at the prevailing rates for taxation on income earned from local as well as foreign operations.

5.8.2 Prior years

The taxation charge for prior years represents adjustments to the tax charge relating to prior years, arising from assessments and changes in estimates made during the current year.

5.8.3 Deferred

Deferred tax is recognized using the liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is calculated at the rates that are expected to apply to the period when the differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

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Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

The Group also recognizes a deferred tax asset / liability on the cash flow hedge reserve and on the deficit / surplus on revaluation of fixed assets and securities which is adjusted against the cash flow hedge reserve or against the related deficit / surplus in accordance with the requirements of IAS 12, Income Taxes.

5.9 Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events which makes it probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Provision against identified non-funded losses is recognized when intimated and reasonable certainty exists that the Group will be required to settle the obligation. The provision is charged to the profit and loss account net of expected recovery and the obligation is classified under other liabilities.

Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimate.

5.10 Staff retirement and other benefits

5.10.1 The Bank

The Bank operates the following staff retirement schemes for its employees

- a)** For new employees and for those who opted for the below mentioned conversion option introduced in 2001, the Bank operates
 - an approved contributory provident fund (defined contribution scheme); and
 - an approved gratuity scheme (defined benefit scheme).
- b)** For employees who have not opted for the conversion option introduced in 2001, the Bank operates
 - an approved non-contributory provident fund in lieu of the contributory provident fund; and
 - an approved funded pension scheme, introduced in 1986 (defined benefit scheme).

In 2001, the Bank modified the pension scheme and introduced a conversion option for employees covered under option (b) above to move to option (a). This conversion option ceased on December 31, 2003.

The Bank also operates a contributory benevolent fund for all its eligible employees (defined benefit scheme).

Annual contributions towards defined benefit schemes are made on the basis of actuarial advice using the Projected Unit Credit Method.

For the defined contribution scheme, the Bank pays contributions to the fund on a periodic basis. The Bank has no further payment obligation once the contributions have been paid. The contributions are recognized as an expense when the obligation to make payments to the fund has been established. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

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Other benefits

a) Employees' compensated absences

The Bank makes provisions for compensated vested and non-vested absences accumulated by its eligible employees on the basis of actuarial advice under the Projected Unit Credit Method.

b) Post retirement medical benefits (defined benefit scheme)

The Bank provides post retirement medical benefits to eligible retired employees. Provision is made on the basis of actuarial advice under the Projected Unit Credit Method.

c) Employee motivation and retention scheme

The Bank has a long term motivation and retention scheme for its employees. The liability of the Bank in respect of the scheme for each year, if any, is fixed, and is accounted for in the year to which the scheme relates.

Remeasurement of defined benefit obligations

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income when they occur with no subsequent recycling through the profit and loss account.

Remeasurement gains and losses pertaining to long term compensated absences are recognized in the profit and loss account immediately.

5.10.2 United National Bank Limited (UNBL)

Defined benefit scheme

UNBL operates a pension scheme (defined benefit scheme) for certain staff. This scheme is closed for new members and the accrual of benefits has ceased from January 1, 2010. Gains and losses on settlements and curtailments are charged to the profit and loss account. The interest cost and the expected return on assets are included in other liabilities and other assets. Remeasurement gains and losses are recognised immediately in other comprehensive income.

The defined benefit scheme is funded, with the assets of the scheme held separately from those of UNBL, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured based on actuarial valuations using the Projected Unit Credit Method. The actuarial valuations are obtained at least triennially and are updated at each statement of financial position date.

Defined contribution scheme

UNBL operates a defined contributory pension scheme. The contribution payable in the year in respect of pension costs and other post retirement benefits is charged to the profit and loss account. Differences between the contribution payable in the year and contribution actually paid are shown as either accruals or prepayments in the statement of financial position.

5.10.3 UBL Fund Managers Limited (UFML)

Defined benefit plan

UFML operates an approved funded gratuity scheme for all employees. Annual contributions to the fund are made on the

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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basis of actuarial advice using the Projected Unit Credit Method. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income when they occur with no subsequent recycling through the profit and loss account.

Defined contribution plan

UFML operates an approved contributory provident fund (defined contribution scheme) for all eligible employees.

Employee Stock Option Scheme

UBL Fund Managers provides an incentive scheme for its top performing employees in the form of share options under the Employee Stock Option Scheme (ESOS). The scheme has been approved by the SECP.

5.10.4 UBL (Switzerland) AG

UBL (Switzerland) AG maintains a contribution-oriented pension scheme for employees who have reached the age of 25. It bears a large share of the costs of the occupational pension plan for all employees as well as their surviving dependants pursuant to legal requirements. The employee benefit obligations and the assets serving as coverage are outsourced to a collective insurance firm. The organization, management and financing of the pension plan comply with legal regulations, the deed of foundation and the applicable regulations of the benefit plan.

5.10.5 UBL Bank (Tanzania) Limited

All eligible employees are members of the Public Pension Fund (PPF) or National Social Security Fund (NSSF). The fund is a defined contribution scheme with the bank having no legal or constructive obligation to pay further top-up contributions.

5.11 Subordinated loans

Subordinated loans are initially recorded at the amount of proceeds received. Mark-up accrued on subordinated loans is recognised separately as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

5.12 Borrowings / deposits

- a) Borrowings / deposits are recorded at the amount of proceeds received.
- b) The cost of borrowings / deposits is recognized on an accrual basis as an expense in the period in which it is incurred.

5.13 Revenue recognition

Revenue is recognized to the extent that the economic benefits associated with a transaction will flow to the Group and the revenue can be reliably measured. The following recognition criteria must be met before revenue is recognized.

5.13.1 Advances and investments

Mark-up / return / interest on performing advances and investments is recognized on a time proportionate basis over the term of the advances and investments that takes into account the effective yield of the asset. Where debt securities are purchased at a premium or discount, such premium / discount is amortized through the profit and loss account over the remaining period of maturity of the debt securities.

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Interest or mark-up recoverable on non-performing or classified advances and investments is recognized on a receipt basis.

5.13.2 Dividend income

Dividend income is recognised when the right to receive the dividend is established.

5.13.3 Fee, brokerage and commission

Fee (including management fee on funds under management), brokerage and commission income is recognized on an accrual basis.

5.13.4 Grants

Grants received are recorded as income when the right to receive the grant, based on the related expenditure having been incurred, has been established.

5.14 Foreign currencies

5.14.1 Functional and presentation currency

Items included in these consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. These consolidated financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.

5.14.2 Foreign currency transactions

Transactions in foreign currencies are translated to rupees at the foreign exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the statement of financial position date. Forward foreign exchange contracts and foreign bills purchased are valued in rupees at the forward foreign exchange rates applicable to their respective maturities.

Non-monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the date of initial recognition of the non-monetary assets / liabilities.

5.14.3 Foreign operations and subsidiaries

The assets and liabilities of foreign operations and subsidiaries are translated to rupees at exchange rates prevailing at the statement of financial position date. The results of foreign operations and subsidiaries are translated at the average rate of exchange for the year.

5.14.4 Translation gains and losses

Translation gains and losses are taken to the profit and loss account, except those arising on translation of the net investment in foreign branches and subsidiaries which are taken to capital reserves (Exchange Translation Reserve) until the disposal of the net investment, at which time these are recognised in the profit and loss account.

5.14.5 Contingencies and commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in these consolidated financial statements at contracted rates. Contingent liabilities / commitments denominated in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the statement of financial position date.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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5.15 Financial instruments

5.15.1 Financial assets and liabilities

Financial assets and liabilities carried on the statement of financial position include cash and bank balances, lendings to financial institutions, investments, advances, certain receivables, bills payable, borrowings from financial institutions, deposits, subordinated loans and certain payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy notes associated with them.

5.15.2 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when their fair value is positive and liabilities when their fair value is negative. Any change in the fair value of derivative financial instruments during the period is taken to the profit and loss account.

5.15.3 Hedge accounting

The Group makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks. In order to manage particular risks, the Group may undertake a hedge. The Group applies hedge accounting for transactions which meet the specified criteria.

At the inception of the hedging relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship. A formal assessment is also undertaken to ascertain whether the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is regarded as highly effective if, during the period for which the hedge is designated, changes in the fair value or cash flows attributable to the hedged item are expected to be offset by between 80% to 125% by corresponding changes in the fair value or cash flows attributable to the hedging instrument.

Cash flow hedges

For qualifying cash flow hedges, the fair value gain or loss associated with the effective portion of the cash flow hedge is recognised initially in the statement of changes in equity, and recycled through the profit and loss account in the periods when the hedged item will affect profit or loss. Any gain or loss on the ineffective portion of the hedging instrument is recognised in the profit and loss account immediately.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in the profit and loss account.

5.15.4 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the consolidated financial statements when there is a legally enforceable right to set off and the Group intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

5.16 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing particular products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), and is subject to risks and rewards that are different from those of other segments.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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5.16.1 Business segments

(a) Corporate finance

Corporate finance includes services provided in connection with mergers and acquisitions, project finance and the underwriting / arrangement of debt and equity instruments through syndications, Initial Public Offerings and private placements.

(b) Trading and sales

Trading and sales includes fixed income, equity, foreign exchange, credit, funding, own position securities, lendings and borrowings and derivatives for hedging and market making.

(c) Retail banking

Retail banking includes retail and consumer lending and deposits, banking services, cards and branchless banking.

(d) Commercial banking

Commercial banking includes project finance, working capital finance, trade finance, import and export, factoring, leasing, lending, deposits and guarantees.

(e) Asset management

Asset management includes discretionary and non-discretionary fund management activities in the form of pooled, segregated, retail, institutional, private equity, open, close ended funds etc.

(f) Others

Others includes functions of the Group and subsidiaries which cannot be classified in any of the above segments.

5.16.2 Geographical segments

The Group operates in six geographical regions being:

- Pakistan
- Middle East
- United States of America
- Karachi Export Processing Zone
- Europe
- Africa

5.17 Dividends and appropriations to reserves

Dividends and appropriations to reserves are recorded in the year in which these are approved, except appropriations required by law which are recorded in the period to which they pertain.

5.18 Earnings per share

The Group presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

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	Note	2014	2013
		----- (Rupees in '000) -----	
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		7,903,425	10,205,235
Foreign currency		4,687,801	4,557,487
		12,591,226	14,762,722
With State Bank of Pakistan in			
Local currency current accounts	6.1	6,669,134	22,944,148
Foreign currency current accounts	6.2	2,202,209	2,022,787
Foreign currency deposit account	6.3	6,452,579	5,938,134
		15,323,922	30,905,069
With other central banks in			
Foreign currency current accounts	6.4	19,804,714	18,515,808
Foreign currency deposit accounts	6.5	1,599,031	1,207,384
		21,403,745	19,723,192
With National Bank of Pakistan in local currency current accounts		26,232,025	24,109,512
National Prize Bonds		109,388	91,106
		<u>75,660,306</u>	<u>89,591,601</u>
6.1	This represents current accounts maintained with the SBP under the Cash Reserve Requirement of section 22 of the Banking Companies Ordinance, 1962.		
6.2	This represents a US Dollar settlement account maintained with the SBP and current accounts maintained with the SBP to comply with statutory requirements.		
6.3	This represents an account maintained with the SBP to comply with the Special Cash Reserve requirement. The return on this account is declared by the SBP on a monthly basis and, as at December 31, 2014, carries mark-up at the rate of 0.00% (2013: 0.00%) per annum.		
6.4	Deposits with other central banks are maintained to meet the minimum cash reserves and capital requirements pertaining to the foreign branches and subsidiaries of the Group.		
6.5	This represents placement with overseas central banks and carries mark-up at the rate of 0.25% (2013: 0.00% to 0.25%) per annum.		

	Note	2014	2013
		----- (Rupees in '000) -----	
7. BALANCES WITH OTHER BANKS			
Inside Pakistan			
In current accounts		14,181	158,978
In deposit accounts	7.1	9,399	1,597,722
		23,580	1,756,700
Outside Pakistan			
In current accounts		13,137,371	14,785,856
In deposit accounts	7.2	8,787,323	16,116,050
		21,924,694	30,901,906
		<u>21,948,274</u>	<u>32,658,606</u>
7.1	These carry mark-up at rates ranging from 3.05% to 9.25% (2013: 7.50% to 9.50%) per annum.		
7.2	These carry mark-up at rates ranging from 0.13% to 4.00% (2013: 0.06% to 7.00%) per annum and include balances amounting to Rs.216.039 million (2013: Rs.226.448 million), maintained with an overseas bank against the statutory reserves requirement of a foreign branch.		

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	Note	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lending	8.2	1,105,000	100,000
Repurchase agreement lendings	8.3	3,226,563	13,791,125
Other lendings to financial institutions	8.4	19,898,901	16,620,831
		<u>24,230,464</u>	<u>30,511,956</u>
Provision against lendings to financial institutions	8.5	(795,242)	(653,918)
		<u>23,435,222</u>	<u>29,858,038</u>

8.1 Particulars of lendings to financial institutions - gross

In local currency	7,356,787	15,061,947
In foreign currencies	16,873,677	15,450,009
	<u>24,230,464</u>	<u>30,511,956</u>

8.2 This represents unsecured lending carrying mark-up at a rate of 10.12% per annum (2013: 9.70% per annum) and is due to mature by February 2015.

8.3 Securities held as collateral against repurchase agreement lendings

	2014			2013		
	Held by Group	Further given as collateral / sold	Total	Held by Group	Further given as collateral / sold	Total
	----- (Rupees in '000) -----					
Market Treasury Bills	2,826,563	-	2,826,563	8,723,925	-	8,723,925
Pakistan Investment Bonds	300,000	100,000	400,000	5,067,200	-	5,067,200
	<u>3,126,563</u>	<u>100,000</u>	<u>3,226,563</u>	<u>13,791,125</u>	<u>-</u>	<u>13,791,125</u>

Repurchase agreement lendings carry mark-up at rates ranging from 9.40% to 9.90% (2013: 9.40% to 10.00%) per annum and are due to mature latest by January 2015. The market value of the securities held as collateral against these lendings amounted to Rs. 3,258.957million (2013: Rs. 14,004.415 million).

8.4 Lendings pertaining to domestic operations carry mark-up at rates ranging from 0.00% to 12.17% per annum (2013: 0.00% to 11.87% per annum) and are due to mature latest by February 2022. Lendings pertaining to overseas operations carry mark-up at rates ranging from 0.00% to 12% per annum (2013: 0.10% to 5.00% per annum) and are due to mature latest by July 2021.

8.5 This represents provision made against lendings to financial institutions with movement as follows:

	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
Opening balance	653,918	553,728
Exchange adjustments	(24,420)	39,681
Charge / (reversal)		
Charge for the year	165,744	65,750
Reversals	-	(5,241)
	<u>165,744</u>	<u>60,509</u>
Closing balance	<u>795,242</u>	<u>653,918</u>

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FOR THE YEAR ENDED DECEMBER 31, 2014**
9. INVESTMENTS
9.1 Investments by type

	Note	2014			2013		
		Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
		(Rupees in '000)					
Held for trading securities							
Market Treasury Bills		6,941,106	-	6,941,106	7,401,965	-	7,401,965
Pakistan Investment Bonds		822,818	-	822,818	-	-	-
Ordinary shares of listed companies		430,943	-	430,943	317,933	-	317,933
Term Finance Certificates		51,527	-	51,527	49,782	-	49,782
Sukuks		10,767	-	10,767	21,437	-	21,437
		8,257,161	-	8,257,161	7,791,117	-	7,791,117
Available for sale securities							
Market Treasury Bills		46,284,703	-	46,284,703	186,286,611	12,054,264	198,340,875
Pakistan Investment Bonds		168,005,906	20,563,460	188,569,366	65,136,963	-	65,136,963
Government of Pakistan Sukuk		9,280,698	-	9,280,698	6,186,752	-	6,186,752
Government of Pakistan Eurobonds		14,175,920	-	14,175,920	12,624,436	-	12,624,436
Ordinary shares of listed companies		16,687,021	-	16,687,021	14,157,245	-	14,157,245
Preference shares		421,087	-	421,087	444,765	-	444,765
Ordinary shares of unlisted companies		243,247	-	243,247	243,350	-	243,350
Term Finance Certificates		1,483,030	-	1,483,030	1,921,370	-	1,921,370
Foreign bonds - sovereign		16,285,513	-	16,285,513	16,621,607	-	16,621,607
Foreign bonds - others		24,067,930	-	24,067,930	32,479,255	-	32,479,255
		296,935,055	20,563,460	317,498,515	336,102,354	12,054,264	348,156,618
Held to maturity securities							
Market Treasury Bills		31,446,074	-	31,446,074	41,539,276	-	41,539,276
Pakistan Investment Bonds		122,713,145	-	122,713,145	38,333,967	-	38,333,967
Government of Pakistan Eurobonds		6,089,160	-	6,089,160	6,103,979	-	6,103,979
Government of Pakistan Sukuk		202,244	-	202,244	300,000	-	300,000
Term Finance Certificates		5,570,990	-	5,570,990	5,045,801	-	5,045,801
Sukuks		1,880,379	-	1,880,379	1,774,197	-	1,774,197
Participation Term Certificates		2,795	-	2,795	4,939	-	4,939
Debentures		2,266	-	2,266	2,266	-	2,266
Foreign bonds - sovereign		655,610	-	655,610	155,121	-	155,121
Foreign bonds - others		622,304	-	622,304	915,371	-	915,371
Recovery note		309,708	-	309,708	324,639	-	324,639
CDC SAARC Fund		218	-	218	229	-	229
		169,494,893	-	169,494,893	94,499,785	-	94,499,785
Associates							
United Growth and Income Fund	9.8.1	3,379,214	-	3,379,214	2,906,051	-	2,906,051
UBL Liquidity Plus Fund	9.8.2	241,968	-	241,968	543,443	-	543,443
UBL Money Market Fund	9.8.3	118,428	-	118,428	194,253	-	194,253
UBL Retirement Savings Fund	9.8.4	261,357	-	261,357	167,037	-	167,037
UBL Principal Protected Fund - I	9.8.5	-	-	-	212,808	-	212,808
UBL Principal Protected Fund - II	9.8.6	125,700	-	125,700	103,640	-	103,640
UBL Principal Protected Fund - III	9.8.7	232,795	-	232,795	-	-	-
UBL Government Securities Fund	9.8.8	2,107,669	-	2,107,669	109,348	-	109,348
UBL Gold Fund	9.8.9	89,310	-	89,310	83,283	-	83,283
UBL Asset Allocation Fund	9.8.10	171,220	-	171,220	842,528	-	842,528
UBL Stock Advantage Fund	9.8.11	136,774	-	136,774	51,940	-	51,940
UBL Financial Sector Bond Fund	9.8.12	79,582	-	79,582	105,246	-	105,246
Al-Ameen Islamic Cash Fund	9.8.13	115,998	-	115,998	108,693	-	108,693
Al-Ameen Islamic Aggressive Income Fund	9.8.14	239,211	-	239,211	212,573	-	212,573
Al-Ameen Islamic Sovereign Fund	9.8.15	356,179	-	356,179	343,122	-	343,122
Al-Ameen Islamic Retirement Savings Fund	9.8.16	209,640	-	209,640	162,120	-	162,120
Al-Ameen Shariah Stock Fund	9.8.17	61,398	-	61,398	27,356	-	27,356
Al-Ameen Islamic Principal Preservation Fund – I	9.8.18	142,214	-	142,214	121,674	-	121,674
Al-Ameen Islamic Principal Preservation Fund – II	9.8.19	123,213	-	123,213	105,807	-	105,807
Al-Ameen Islamic Principal Preservation Fund – III	9.8.20	111,029	-	111,029	-	-	-
Al-Ameen Islamic Principal Preservation Fund – IV	9.8.21	107,135	-	107,135	-	-	-
Al-Ameen Islamic Principal Preservation Fund – V	9.8.22	100,375	-	100,375	-	-	-
Al-Ameen Islamic Asset Allocation Fund	9.8.23	113,107	-	113,107	100,071	-	100,071
UBL Insurers Limited	9.8.24	225,909	-	225,909	211,058	-	211,058
Khushhali Bank Limited	9.8.25	1,111,127	-	1,111,127	952,451	-	952,451
Oman United Exchange Company, Muscat	9.8.26	72,287	-	72,287	68,396	-	68,396
DHA Cogen Limited	9.8.27	-	-	-	-	-	-
	9.8	10,032,839	-	10,032,839	7,732,898	-	7,732,898
		484,719,948	20,563,460	505,283,408	446,126,154	12,054,264	458,180,418
Provision for diminution in value of investments	9.3	(1,850,842)	-	(1,850,842)	(1,484,505)	-	(1,484,505)
Investments - net of provision		482,869,106	20,563,460	503,432,566	444,641,649	12,054,264	456,695,913
Surplus / (deficit) on revaluation of available for sale securities	22.2	15,433,595	764,569	16,198,164	2,159,717	(5,016)	2,154,701
Deficit on revaluation of held for trading securities	9.4	(28,723)	-	(28,723)	(4,416)	-	(4,416)
Total investments		498,273,978	21,328,029	519,602,007	446,796,950	12,049,248	458,846,198

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	Note	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
9.2 Investments by segment			
Federal Government Securities			
Market Treasury Bills		62,612,753	209,957,884
Pakistan Investment Bonds		312,105,329	103,470,930
Government of Pakistan Sukuk		9,482,942	6,486,752
Government of Pakistan Eurobonds		20,265,080	18,728,415
		404,466,104	338,643,981
Foreign securities			
Market Treasury Bills		22,059,130	37,324,233
Sovereign bonds		16,941,123	16,776,727
CDC SAARC Fund		218	229
Recovery note		309,708	324,639
Other bonds		24,690,234	33,394,626
		64,000,413	87,820,454
Ordinary shares			
Listed companies		17,117,964	14,475,178
Unlisted companies		243,247	243,350
		17,361,211	14,718,528
Preference shares		421,087	444,765
Term Finance Certificates			
Listed		1,274,035	2,399,317
Unlisted		5,831,512	4,617,636
		7,105,547	7,016,953
Sukuks		1,891,146	1,795,634
Debentures		2,266	2,266
Participation Term Certificates		2,795	4,939
Investment in associates	9.8	10,032,839	7,732,898
Total investments at cost		505,283,408	458,180,418
Provision for diminution in value of investments	9.3	(1,850,842)	(1,484,505)
Investments - net of provision		503,432,566	456,695,913
Surplus on revaluation of available for sale securities	22.2	16,198,164	2,154,701
Deficit on revaluation of held for trading securities	9.4	(28,723)	(4,416)
Total investments		519,602,007	458,846,198

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	2014	2013
	----- (Rupees in '000) -----	
9.3 Provision for diminution in value of investments		
9.3.1		
Opening balance	1,484,505	1,420,570
Exchange adjustments	(43,437)	58,064
Charge / (reversals)		
Charge for the year	497,080	63,589
Reversals	(37,268)	(57,718)
	459,812	5,871
Reversed on disposal	(50,038)	-
Closing balance	1,850,842	1,484,505
9.3.2 Provision for diminution in value of investments by type		
Available for sale securities		
Ordinary shares of listed companies	432,288	373,052
Ordinary shares of unlisted companies	132,952	122,687
Term Finance Certificates	97,616	97,616
Foreign bonds	166,467	43,572
Preference shares	330,109	351,991
	1,159,432	988,918
Held to maturity securities		
Term Finance Certificates	69,872	57,337
Sukuks	88,827	106,406
Foreign bonds	217,942	-
Recovery note	309,708	324,639
Participation Term Certificates	2,795	4,939
Debentures	2,266	2,266
	691,410	495,587
	1,850,842	1,484,505
9.3.3 Provision for diminution in value of investments by segment		
Equity securities		
Listed companies	432,288	373,052
Unlisted companies	132,952	122,687
Preference shares	330,109	351,991
	895,349	847,730
Debt securities		
Term Finance Certificates	167,488	154,953
Sukuks	88,827	106,406
Recovery note	309,708	324,639
Foreign bonds	384,409	43,572
Participation Term Certificates	2,795	4,939
Debentures	2,266	2,266
	955,493	636,775
	1,850,842	1,484,505
9.4 Unrealized (loss) / gain on revaluation of held for trading securities		
Market Treasury Bills	3,971	(1,110)
Pakistan Investment Bonds	5,836	-
Ordinary shares of listed companies	(51,055)	(5,280)
Sukuks	11,969	-
Term Finance Certificates	556	1,974
	(28,723)	(4,416)
9.5		
Investments include securities which are held by the Bank to comply with the statutory liquidity requirements as set out under Section 29 of the Banking Companies Ordinance, 1962.		

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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9.6 Investments include Rs. 282.000 million (2013: Rs. 282.000 million) held by the SBP and National Bank of Pakistan as pledge against demand loan, TT / DD discounting facilities and foreign exchange exposure limit sanctioned to the Bank and Rs. 5 million (2013 Rs. 5 million) held by the Controller of Military Accounts (CMA) under Regimental Fund Arrangements.

9.7 Information relating to investments required to be disclosed as part of the consolidated financial statements under the SBP's BSD Circular No. 4 dated February 17, 2006, and details in respect of the quality of available for sale securities are disclosed in Annexure 'A' which form an integral part of these consolidated financial statements.

9.8 Investment in associates

2014 2013
----- (Rupees in '000) -----

9.8.1 United Growth and Income Fund

Investment at the beginning of the year	2,906,051	2,557,423
Share of profit	426,184	359,724
Share of unrealized surplus / (deficit) on assets	46,979	(11,096)
Investment at the end of the year	<u>3,379,214</u>	<u>2,906,051</u>
Percentage holding as at December 31	<u>89.67%</u>	<u>89.34%</u>

9.8.1.1 United Growth and Income Fund is an open ended mutual fund, listed on the Karachi Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis. However, the fund has temporarily suspended subscriptions for new investors.

9.8.1.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

	Assets	Liabilities	Revenue	Profit
	----- (Rupees in '000) -----			
United Growth and Income Fund				
2014	<u>3,807,830</u>	<u>39,532</u>	<u>551,176</u>	<u>484,479</u>
2013	<u>3,272,178</u>	<u>19,360</u>	<u>351,614</u>	<u>401,678</u>

9.8.2 UBL Liquidity Plus Fund

2014 2013
----- (Rupees in '000) -----

Investment at the beginning of the year	543,443	6,373,263
Share of profit	66,403	285,527
Redemption during the year	(367,878)	(6,114,375)
Share of unrealized deficit on assets	-	(972)
Investment at the end of the year	<u>241,968</u>	<u>543,443</u>
Percentage holding as at December 31	<u>2.99%</u>	<u>3.97%</u>

9.8.2.1 United Liquidity Plus Fund is an open ended mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.8.2.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

	Assets	Liabilities	Revenue	Profit
	----- (Rupees in '000) -----			
UBL Liquidity Plus Fund				
2014	<u>8,168,235</u>	<u>84,203</u>	<u>1,225,898</u>	<u>924,640</u>
2013	<u>13,725,429</u>	<u>46,144</u>	<u>1,439,212</u>	<u>1,168,642</u>

9.8.3 UBL Money Market Fund

2014 2013
----- (Rupees in '000) -----

Investment at the beginning of the year	194,253	190,189
Share of profit	4,698	5,376
Redemption during the year	(80,523)	(1,322)
Share of unrealized surplus on assets	-	10
Investment at the end of the year	<u>118,428</u>	<u>194,253</u>
Percentage holding as at December 31	<u>8.33%</u>	<u>7.36%</u>

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9.8.3.1 UBL Money Market Fund is an open ended mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.8.3.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
UBL Money Market Fund	2014	<u>1,436,460</u>	<u>14,841</u>	<u>179,748</u>	<u>131,281</u>
	2013	<u>2,653,339</u>	<u>12,476</u>	<u>263,074</u>	<u>208,085</u>

		2014	2013
		----- (Rupees in '000) -----	
9.8.4 UBL Retirement Savings Fund			
Investment at the beginning of the year		167,037	132,088
Investment made the year		30,000	-
Share of profit		64,156	35,396
Share of unrealized surplus / (deficit) on assets		164	(447)
Investment at the end of the year		<u>261,357</u>	<u>167,037</u>
Percentage holding as at December 31		<u>17.91%</u>	<u>20.86%</u>

9.8.4.1 UBL Retirement Savings Fund is an open ended pension fund and offers units for public subscription on a continuous basis.

9.8.4.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
UBL Retirement Savings Fund	2014	<u>1,475,193</u>	<u>36,975</u>	<u>337,189</u>	<u>342,645</u>
	2013	<u>739,010</u>	<u>6,106</u>	<u>113,260</u>	<u>136,477</u>

		2014	2013
		----- (Rupees in '000) -----	
9.8.5 UBL Principal Protected Fund - I			
Investment at the beginning of the year		212,808	166,951
(Redemption) / Investment during the year		(205,592)	7,955
Share of (loss) / profit		(7,216)	37,902
Investment at the end of the year		<u>-</u>	<u>212,808</u>
Percentage holding as at December 31		<u>-</u>	<u>35.45%</u>

9.8.5.1 This fund has matured on February 2, 2014.

9.8.6 UBL Principal Protected Fund - II

Investment at the beginning of the year		103,640	-
Investment during the year		-	100,000
Share of profit		22,060	3,640
Investment at the end of the year		<u>125,700</u>	<u>103,640</u>
Percentage holding as at December 31		<u>12.92%</u>	<u>12.32%</u>

9.8.6.1 UBL Principal Protected Fund - II is an open ended mutual fund, listed on the Islamabad Stock Exchange. The fund offers units for public subscription only upto the closure of the initial public offering. The duration of the fund is 24 months from July 23, 2013.

9.8.6.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
UBL Principal Protected Fund - II	2014	<u>981,802</u>	<u>8,672</u>	<u>181,701</u>	<u>174,874</u>
	2013	<u>849,980</u>	<u>8,547</u>	<u>32,099</u>	<u>29,580</u>

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	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
9.8.7 UBL Principal Protected Fund - III		
Investment during the year	200,000	-
Share of profit	32,795	-
Investment at the end of the year	<u>232,795</u>	<u>-</u>
Percentage holding as at December 31	<u>15.05%</u>	<u>-</u>

9.8.7.1 UBL Principal Protected Fund - III is an open ended mutual fund, listed on the Islamabad Stock Exchange. The fund offers units for public subscription only upto the closure of the initial public offering. The duration of the fund is 24 months from March 6, 2014.

9.8.7.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
UBL Principal Protected Fund - III	2014	<u>1,558,450</u>	<u>11,477</u>	<u>224,850</u>	<u>213,988</u>

	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
9.8.8 UBL Government Securities Fund		
Investment at the beginning of the year	109,348	266,799
Investment / (redemption) during the year	1,761,608	(158,626)
Share of profit	236,713	1,977
Share of unrealized deficit on assets	-	(802)
Investment at the end of the year	<u>2,107,669</u>	<u>109,348</u>
Percentage holding as at December 31	<u>23.98%</u>	<u>9.48%</u>

9.8.8.1 UBL Government Securities Fund is an open ended mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.8.8.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
UBL Government Securities Fund	2014	<u>8,998,701</u>	<u>208,922</u>	<u>837,961</u>	<u>920,374</u>
	2013	<u>1,183,589</u>	<u>29,990</u>	<u>142,067</u>	<u>116,242</u>

	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
9.8.9 UBL Gold Fund		
Investment at the beginning of the year	83,283	-
Investment during the year	-	100,000
Share of profit / (loss)	6,027	(16,717)
Investment at the end of the year	<u>89,310</u>	<u>83,283</u>
Percentage holding as at December 31	<u>66.41%</u>	<u>53.09%</u>

9.8.9.1 UBL Gold Fund is an open ended mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.8.9.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit / (loss)
		----- (Rupees in '000) -----			
UBL Gold Fund	2014	<u>136,372</u>	<u>1,896</u>	<u>15,557</u>	<u>9,197</u>
	2013	<u>158,085</u>	<u>1,219</u>	<u>(26,363)</u>	<u>(29,716)</u>

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		2014	2013
		----- (Rupees in '000) -----	
9.8.10 UBL Asset Allocation Fund			
Investment at the beginning of the year		842,528	-
(Redemption) / Investment during the year		(770,670)	814,856
Share of profit		131,813	27,672
Dividend Received		(32,451)	-
Investment at the end of the year		<u>171,220</u>	<u>842,528</u>
Percentage holding as at December 31		<u>28.61%</u>	<u>77.45%</u>

9.8.10.1 UBL Asset Allocation Fund is an open ended mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.8.10.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
UBL Asset Allocation Fund	2014	<u>614,880</u>	<u>16,507</u>	<u>230,188</u>	<u>177,164</u>
	2013	<u>1,099,208</u>	<u>11,335</u>	<u>40,091</u>	<u>40,288</u>

		2014	2013
		----- (Rupees in '000) -----	
9.8.11 United Stock Advantage Fund			
Investment at the beginning of the year		51,940	523,026
Share of profit		33,142	164,152
Investment / (redemption) during the year		51,692	(635,238)
Investment at the end of the year		<u>136,774</u>	<u>51,940</u>
Percentage holding as at December 31		<u>2.45%</u>	<u>2.35%</u>

9.8.11.1 United Stock Advantage Fund is an open ended mutual fund, listed on the Karachi Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.8.11.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
United Stock Advantage Fund	2014	<u>5,735,239</u>	<u>142,999</u>	<u>1,195,360</u>	<u>1,565,499</u>
	2013	<u>2,237,038</u>	<u>28,288</u>	<u>815,126</u>	<u>622,790</u>

		2014	2013
		----- (Rupees in '000) -----	
9.8.12 UBL Financial Sector Bond Fund			
Investment at the beginning of the year		105,246	-
(Redemption) / Investment during the year		(31,379)	100,000
Share of profit		5,715	5,246
Investment at the end of the year		<u>79,582</u>	<u>105,246</u>
Percentage holding as at December 31		<u>50.28%</u>	<u>39.97%</u>

9.8.12.1 UBL Financial Sector Bond Fund is an open ended mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.8.12.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
UBL Financial Sector Bond Fund	2014	<u>161,050</u>	<u>2,762</u>	<u>22,124</u>	<u>14,527</u>
	2013	<u>265,330</u>	<u>2,042</u>	<u>33,897</u>	<u>25,246</u>

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		2014	2013
		----- (Rupees in '000) -----	
9.8.13 Al-Ameen Islamic Cash Fund			
Investment at the beginning of the year		108,693	102,074
Redemption during the year		(143)	-
Share of profit		7,448	6,619
Investment at the end of the year		<u>115,998</u>	<u>108,693</u>
Percentage holding as at December 31		<u>8.64%</u>	<u>15.31%</u>

9.8.13.1 AL-Ameen Islamic Cash Fund is an open ended Shariah compliant mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.8.13.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
Al-Ameen Islamic Cash Fund	2014	<u>1,348,737</u>	<u>6,321</u>	<u>92,371</u>	<u>78,666</u>
	2013	<u>712,517</u>	<u>2,468</u>	<u>25,736</u>	<u>28,520</u>

		2014	2013
		----- (Rupees in '000) -----	
9.8.14 Al-Ameen Islamic Aggressive Income Fund			
Investment at the beginning of the year		212,573	192,062
Share of profit		27,926	9,533
Redemption during the year		(100)	-
Share of unrealized (deficit) / surplus on assets		(1,188)	10,978
Investment at the end of the year		<u>239,211</u>	<u>212,573</u>
Percentage holding as at December 31		<u>13.30%</u>	<u>28.00%</u>

9.8.14.1 Al-Ameen Islamic Aggressive Income Fund is an open ended Shariah compliant mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.8.14.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
Al-Ameen Islamic Aggressive Income Fund	2014	<u>1,811,987</u>	<u>13,901</u>	<u>193,527</u>	<u>181,003</u>
	2013	<u>762,601</u>	<u>3,380</u>	<u>64,695</u>	<u>54,310</u>

		2014	2013
		----- (Rupees in '000) -----	
9.8.15 Al-Ameen Islamic Sovereign Fund			
Investment at the beginning of the year		343,122	337,613
Share of profit		22,165	25,239
Redemption during the year		(50)	-
Dividend received		(9,062)	(20,185)
Share of unrealized surplus on assets		4	455
Investment at the end of the year		<u>356,179</u>	<u>343,122</u>
Percentage holding as at December 31		<u>18.51%</u>	<u>9.40%</u>

9.8.15.1 Al-Ameen Islamic Sovereign Fund is an open ended Shariah compliant mutual fund listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.8.15.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
Al-Ameen Islamic Sovereign Fund	2014	<u>1,947,502</u>	<u>23,152</u>	<u>279,696</u>	<u>199,985</u>
	2013	<u>3,670,250</u>	<u>18,925</u>	<u>379,702</u>	<u>307,355</u>

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		2014	2013
		----- (Rupees in '000) -----	
9.8.16	Al-Ameen Islamic Retirement Savings Fund		
	Investment at the beginning of the year	162,120	128,771
	Share of profit	47,638	33,203
	Share of unrealized (deficit) / surplus on assets	(118)	146
	Investment at the end of the year	<u>209,640</u>	<u>162,120</u>
	Percentage holding as at December 31	<u>26.82%</u>	<u>42.53%</u>

9.8.16.1 Al-Ameen Islamic Retirement Savings Fund is an open ended Shariah compliant pension fund and offers units for public subscription on a continuous basis.

9.8.16.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
Al-Ameen Islamic Retirement Savings Fund	2014	<u>763,317</u>	<u>14,800</u>	<u>156,185</u>	<u>180,290</u>
	2013	<u>360,133</u>	<u>2,589</u>	<u>65,572</u>	<u>64,029</u>

		2014	2013
		----- (Rupees in '000) -----	
9.8.17	Al-Ameen Shariah Stock Fund		
	Investment at the beginning of the year	27,356	524,191
	Share of profit	8,554	159,877
	Investment / (redemption) during the year	25,488	(656,712)
	Investment at the end of the year	<u>61,398</u>	<u>27,356</u>
	Percentage holding as at December 31	<u>0.79%</u>	<u>1.33%</u>

9.8.17.1 AL-Ameen Shariah Stock Fund is an open ended Shariah compliant mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.8.17.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
Al-Ameen Shariah Stock Fund	2014	<u>7,969,167</u>	<u>234,345</u>	<u>1,086,952</u>	<u>1,638,317</u>
	2013	<u>2,130,387</u>	<u>70,080</u>	<u>578,500</u>	<u>645,313</u>

		2014	2013
		----- (Rupees in '000) -----	
9.8.18	Al-Ameen Islamic Principal Preservation Fund – I		
	Investment at the beginning of the year	121,674	-
	Investment during the year	-	100,000
	Share of profit	20,540	21,674
	Investment at the end of the year	<u>142,214</u>	<u>121,674</u>
	Percentage holding as at December 31	<u>14.11%</u>	<u>13.75%</u>

9.8.18.1 AL-Ameen Islamic Principal Preservation Fund - I is an open ended Shariah compliant mutual fund, listed on the Islamabad Stock Exchange. The fund offers units for public subscription only upto the closure of the initial public offering.

9.8.18.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
Al-Ameen Islamic Principal Preservation Fund – I	2014	<u>1,014,568</u>	<u>6,593</u>	<u>153,169</u>	<u>152,004</u>
	2013	<u>887,967</u>	<u>2,966</u>	<u>164,219</u>	<u>158,768</u>

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	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
9.8.19 Al-Ameen Islamic Principal Preservation Fund – II		
Investment at the beginning of the year	105,807	-
Investment during the year	-	100,000
Share of profit	17,406	5,807
Investment at the end of the year	<u>123,213</u>	<u>105,807</u>
Percentage holding as at December 31	<u>10.55%</u>	<u>10.20%</u>

9.8.19.1 AL-Ameen Islamic Principal Preservation Fund - II is an open ended Shariah compliant mutual fund, listed on the Islamabad Stock Exchange. The fund offers units for public subscription only upto the closure of the initial public offering.

9.8.19.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

	Assets	Liabilities	Revenue	Profit
	----- (Rupees in '000) -----			
Al-Ameen Islamic Principal Preservation Fund – II				
2014	<u>1,177,278</u>	<u>9,899</u>	<u>175,293</u>	<u>167,744</u>
2013	<u>1,047,734</u>	<u>10,773</u>	<u>58,588</u>	<u>56,500</u>

	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
9.8.20 Al-Ameen Islamic Principal Preservation Fund – III		
Investment during the year	100,000	-
Share of profit	11,029	-
Investment at the end of the year	<u>111,029</u>	<u>-</u>
9.8.20.1 Percentage holding as at December 31	<u>4.65%</u>	<u>-</u>

AL-Ameen Islamic Principal Preservation Fund - III is an open ended Shariah compliant mutual fund, listed on the Islamabad Stock Exchange. The fund offers units for public subscription only upto the closure of the initial public offering.

9.8.20.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

	Assets	Liabilities	Revenue	Profit
	----- (Rupees in '000) -----			
Al-Ameen Islamic Principal Preservation Fund – II				
2014	<u>2,404,945</u>	<u>17,176</u>	<u>237,703</u>	<u>226,110</u>

	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
9.8.21 Al-Ameen Islamic Principal Preservation Fund – IV		
Investment during the year	100,000	-
Share of profit	7,135	-
Investment at the end of the year	<u>107,135</u>	<u>-</u>
9.8.21.1 Percentage holding as at December 31	<u>6.36%</u>	<u>-</u>

AL-Ameen Islamic Principal Preservation Fund - IV is an open ended Shariah compliant mutual fund, listed on the Islamabad Stock Exchange. The fund offers units for public subscription only upto the closure of the initial public offering.

9.8.21.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

	Assets	Liabilities	Revenue	Profit
	----- (Rupees in '000) -----			
Al-Ameen Islamic Principal Preservation Fund – I'				
2014	<u>1,699,871</u>	<u>15,084</u>	<u>106,134</u>	<u>102,520</u>

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	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
9.8.22 Al-Ameen Islamic Principal Preservation Fund – V		
Investment during the year	100,000	-
Share of profit	375	-
Investment at the end of the year	<u>100,375</u>	<u>-</u>
9.8.22.1 Percentage holding as at December 31	<u>10.39%</u>	<u>-</u>

AL-Ameen Islamic Principal Preservation Fund - V is an open ended Shariah compliant mutual fund, listed on the Islamabad Stock Exchange. The fund offers units for public subscription only upto the closure of the initial public offering.

9.8.22.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

	Assets	Liabilities	Revenue	Profit
	----- (Rupees in '000) -----			
Al-Ameen Islamic Principal Preservation Fund – V				
2014	<u>996,447</u>	<u>30,127</u>	<u>3,838</u>	<u>3,609</u>

	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
9.8.23 Al-Ameen Islamic Asset Allocation Fund		
Investment at the beginning of the year	100,071	-
Investment during the year	-	100,000
Share of profit	15,686	71
Dividend Received	(2,650)	-
Investment at the end of the year	<u>113,107</u>	<u>100,071</u>
Percentage holding as at December 31	<u>43.82%</u>	<u>79.97%</u>

9.8.23.1 AL-Ameen Islamic Asset Allocation Fund is an open ended Shariah compliant mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.8.23.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

	Assets	Liabilities	Revenue	Profit
	----- (Rupees in '000) -----			
Al-Ameen Islamic Asset Allocation Fund				
2014	<u>264,766</u>	<u>6,678</u>	<u>35,482</u>	<u>32,157</u>
2013	<u>129,655</u>	<u>4,520</u>	<u>326</u>	<u>88</u>

	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
9.8.24 UBL Insurers Limited		
Investment at the beginning of the year	211,058	196,855
Share of profit	15,001	14,110
Remeasurement (loss) / gain on defined benefit obligations	(150)	93
Investment at the end of the year	<u>225,909</u>	<u>211,058</u>
Percentage holding as at December 31	<u>30.00%</u>	<u>30.00%</u>

9.8.24.1 UBL Insurers Limited is an unquoted public company, whose principal objective is to conduct general insurance business.

9.8.24.2 The details of assets, liabilities, revenues and results of UBL Insurers Limited as at December 31, based on audited financial statements are as follows:

	Assets	Liabilities	Revenue	Profit
	----- (Rupees in '000) -----			
UBL Insurers Limited				
2014	<u>2,013,330</u>	<u>1,260,302</u>	<u>409,588</u>	<u>59,801</u>
2013	<u>1,663,010</u>	<u>962,938</u>	<u>444,012</u>	<u>42,505</u>

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9.8.25 Khushhali Bank Limited	2014 ----- (Rupees in '000) -----		2013 ----- (Rupees in '000) -----	
Investment at the beginning of the year		952,451		876,358
Share of profit		167,404		79,590
Remeasurement loss on defined benefit obligations		(7,796)		(3,926)
Share of unrealized (deficit) / surplus on assets		(932)		429
Investment at the end of the year		<u>1,111,127</u>		<u>952,451</u>
Percentage holding as at December 31		<u>29.69%</u>		<u>29.69%</u>

9.8.25.1 Khushhali Bank Limited is a microfinance bank. The principal objective of the bank is to provide microfinance services and promote social welfare through community building and social mobilization.

9.8.25.2 The details of assets, liabilities, revenues and results of Khushhali Bank Limited as of December 31, based on audited financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
Khushhali Bank Limited	2014	<u>16,692,434</u>	<u>13,404,913</u>	<u>3,014,629</u>	<u>704,702</u>
	2013	<u>13,289,657</u>	<u>10,530,779</u>	<u>2,246,819</u>	<u>363,198</u>

9.8.26 Oman United Exchange Company	2014 ----- (Rupees in '000) -----		2013 ----- (Rupees in '000) -----	
Investment at the beginning of the year		68,396		68,126
Share of profit		3,891		16,765
Dividend received		-		(16,495)
Investment at the end of the year		<u>72,287</u>		<u>68,396</u>
Percentage holding as at December 31		<u>25.00%</u>		<u>25.00%</u>

9.8.26.1 Oman United Exchange Company LLC (the Company) is incorporated in the Sultanate of Oman as a limited liability company and is primarily engaged in money changing, issuing of drafts and the purchase and sale of travellers cheques.

9.8.26.2 The details of assets, liabilities, revenues and results of the Company as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
Oman United Exchange Company	2014	<u>454,744</u>	<u>165,597</u>	<u>190,515</u>	<u>31,091</u>
	2013	<u>385,725</u>	<u>112,142</u>	<u>200,283</u>	<u>51,762</u>

9.8.27 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.

The details of assets, liabilities, revenues and results of the company as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Loss
		----- (Rupees in '000) -----			
DHA Cogen Limited	2014	<u>4,935,166</u>	<u>16,097,382</u>	<u>-</u>	<u>(1,457,965)</u>
	2013	<u>4,668,118</u>	<u>14,371,096</u>	<u>-</u>	<u>(1,371,855)</u>

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10.	ADVANCES	Note	Performing		Non-performing		Total	
			2014	2013	2014	2013	2014	2013
<hr/> <div>(Rupees in '000)</div> <hr/>								
Loans, cash credits, running finances, etc.								
In Pakistan		10.2	271,903,265	229,406,045	41,759,622	40,121,889	313,662,887	269,527,934
Outside Pakistan			129,459,615	123,512,396	12,520,803	11,956,981	141,980,418	135,469,377
			401,362,880	352,918,441	54,280,425	52,078,870	455,643,305	404,997,311
Bills discounted and purchased								
Payable in Pakistan			21,763,958	27,101,200	2,825,052	2,756,062	24,589,010	29,857,262
Payable outside Pakistan			34,050,405	26,820,425	-	-	34,050,405	26,820,425
			55,814,363	53,921,625	2,825,052	2,756,062	58,639,415	56,677,687
Advances - gross			457,177,243	406,840,066	57,105,477	54,834,932	514,282,720	461,674,998
Provision against advances		10.4	-	-	(44,819,065)	(44,497,945)	(44,819,065)	(44,497,945)
- Specific			(2,098,363)	(1,893,743)	-	-	(2,098,363)	(1,893,743)
- General			(2,098,363)	(1,893,743)	(44,819,065)	(44,497,945)	(46,917,428)	(46,391,688)
Advances - net of provision			455,078,880	404,946,323	12,286,412	10,336,987	467,365,292	415,283,310
<hr/>								
10.1	Particulars of advances - gross		Performing		Non-performing		Total	
			2014	2013	2014	2013	2014	2013
<hr/> <div>(Rupees in '000)</div> <hr/>								
10.1.1	In local currency		286,717,916	248,907,872	44,245,411	42,516,403	330,963,327	291,424,275
	In foreign currencies		170,459,327	157,932,194	12,860,066	12,318,529	183,319,393	170,250,723
			457,177,243	406,840,066	57,105,477	54,834,932	514,282,720	461,674,998
10.1.2	Short term		274,253,007	246,780,262	-	-	274,253,007	246,780,262
	Long term		182,924,236	160,059,804	57,105,477	54,834,932	240,029,713	214,894,736
			457,177,243	406,840,066	57,105,477	54,834,932	514,282,720	461,674,998
10.2	Non-performing advances include gross advances of Rs.11,089.290 million (2013: Rs.12,541.082 million) and advances net of provision of Rs. 3,669.171 million (2013: Rs.1,697.164 million) which, though restructured and performing, have been placed under non-performing status as required by the Prudential Regulations issued by the SBP.							
10.3	Advances include Rs. 57,105 million (2013: Rs. 54,835 million) which have been placed under non-performing status as detailed below:							

Category of Classification	2014								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
(Rupees in '000)									
Other assets especially mentioned *	114,459	-	114,459	650	-	650	650	-	650
Substandard	4,419,940	1,672,489	6,092,429	284,598	227,776	512,374	284,598	227,776	512,374
Doubtful	1,018,729	3,089,056	4,107,785	499,788	1,036,021	1,535,809	499,788	1,036,021	1,535,809
Loss	39,031,546	7,759,258	46,790,804	36,961,605	5,808,627	42,770,232	36,961,605	5,808,627	42,770,232
	44,584,674	12,520,803	57,105,477	37,746,641	7,072,424	44,819,065	37,746,641	7,072,424	44,819,065

Category of Classification	2013								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
(Rupees in '000)									
Other assets especially mentioned *	100,063	-	100,063	640	-	640	640	-	640
Substandard	1,876,334	2,027,722	3,904,056	310,902	501,219	812,121	310,902	501,219	812,121
Doubtful	1,526,948	3,006,480	4,533,428	206,431	1,515,728	1,722,159	206,431	1,515,728	1,722,159
Loss	39,374,606	6,922,779	46,297,385	37,250,604	4,712,421	41,963,025	37,250,604	4,712,421	41,963,025
	42,877,951	11,956,981	54,834,932	37,768,577	6,729,368	44,497,945	37,768,577	6,729,368	44,497,945

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

10.4 Particulars of provision against advances

Note	2014			2013		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
Opening balance	44,497,945	1,893,743	46,391,688	43,597,349	1,262,832	44,860,181
Exchange adjustments	(379,396)	(78,076)	(457,472)	467,881	98,871	566,752
Charge / (reversals)						
Charge for the year	3,735,699	288,176	4,023,875	5,175,285	576,386	5,751,671
Reversals	(3,484,872)	(5,480)	(3,490,352)	(4,393,152)	(12,378)	(4,405,530)
	250,827	282,696	533,523	782,133	564,008	1,346,141
Transfers in - net	729,099	-	729,099	754,617	(31,968)	722,649
Amounts written off	(279,410)	-	(279,410)	(1,104,035)	-	(1,104,035)
Closing balance	44,819,065	2,098,363	46,917,428	44,497,945	1,893,743	46,391,688

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10.4.1 General provision represents provision amounting to Rs. 252.740 million (2013: Rs. 252.592 million) against consumer finance portfolio and Rs. 32.942 million (2013: Rs.32.942 million) against advances to small enterprises as required by the Prudential Regulations issued by the SBP and Rs. 1,764.681 million (2013: Rs.1,560.209 million) pertaining to overseas advances to meet the requirements of the regulatory authorities of the respective countries in which the overseas branches and subsidiaries operate. General provisions also include an amount of Rs. 48.000 million (2013: Rs.48.000 million) which the Group carries as a matter of prudence given the current economic environment, and is based on management estimates.

10.4.2 The Bank has availed the benefit of Forced Sale Value (FSV) of mortgaged properties held as collateral against non-performing advances as allowed under BSD Circular 1 of 2011. Had the benefit under the said circular not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 922.746 million (2013: Rs.1,354.730 million). The FSV benefit availed is not available for the distribution of cash or stock dividend to shareholders.

10.4.3 Particulars of provision against advances

	2014			2013		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
In local currency	37,407,379	333,682	37,741,061	37,408,028	333,534	37,741,562
In foreign currencies	7,411,686	1,764,681	9,176,367	7,089,917	1,560,209	8,650,126
	<u>44,819,065</u>	<u>2,098,363</u>	<u>46,917,428</u>	<u>44,497,945</u>	<u>1,893,743</u>	<u>46,391,688</u>

Note **2014** **2013**
----- (Rupees in '000) -----

10.5 Particulars of write-offs

10.5.1 Against provisions	10.4	279,410	1,104,035
Directly charged to profit and loss account		<u>177,222</u>	<u>181,724</u>
		<u>456,632</u>	<u>1,285,759</u>
10.5.2 Write-offs of Rs.500,000 and above - Bank	10.6	309,943	1,124,571
Write-offs below Rs.500,000 - Bank		143,617	150,430
Write-offs in subsidiaries	10.6	<u>3,072</u>	<u>10,758</u>
		<u>456,632</u>	<u>1,285,759</u>

10.6 Details of loan write-offs of Rs.500,000 and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written off loans or any other financial relief of five hundred thousand rupees or above allowed by the Bank during the year ended December 31, 2014 is given in Annexure 'B' to the unconsolidated financial statements. This includes amounts charged off without prejudice to the Bank's right to recovery.

Due to disclosure restrictions in the local regulations of foreign subsidiaries, the names of parties written off cannot be disclosed.

	2014	2013
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
10.7 Particulars of loans and advances to executives, Directors, associated companies etc.		
Balance at the beginning of the year	5,290,187	14,243,364
Loans granted during the year	<u>15,471,710</u>	<u>10,787,395</u>
Repayments made during the year	<u>(6,419,746)</u>	<u>(21,895,722)</u>
	9,051,964	(11,108,326)
Transfer in	-	2,155,149
Balance at the end of the year	<u>14,342,151</u>	<u>5,290,187</u>

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	Note	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
11. OPERATING FIXED ASSETS			
Capital work-in-progress	11.1	3,013,899	1,950,378
Property and equipment	11.2	28,958,691	24,619,242
Intangible assets	11.3	1,363,056	1,468,360
		<u>33,335,646</u>	<u>28,037,980</u>
11.1 Capital work-in-progress			
Civil works	11.1.1	2,456,442	1,298,110
Equipment		454,957	354,703
Software		90,328	270,560
Advances to suppliers and contractors		12,172	27,005
		<u>3,013,899</u>	<u>1,950,378</u>

11.1.1 This includes Rs.1,757,236 million (2013: Rs.1,223,088 million) in respect of construction of the Head Office building.

11.2 Property and equipment

2014											
Cost / Revaluation					Accumulated Depreciation					Net book value at December 31, 2014	Annual rate of depreciation %
At January 1, 2014	Additions / (deletions)	Surplus on revaluation / (reversal of accumulated depreciation)	Exchange / Other adjustments	At December 31, 2014	At January 1, 2014	Charge for the year / (depreciation on deletions)	Reversal due to revaluation	Exchange / Other adjustments	At December 31, 2014		
(Rupees in '000)											
3,041,776	-	2,020,466	-	5,062,242	-	-	-	-	-	5,062,242	-
11,808,133	-	3,022,262	(72)	14,538,651	293,019	-	(291,672)	(62)	1,285	14,537,366	-
	-	(291,672)				-					
3,752,791	-	498,828	(334,001)	3,820,164	437,507	64,580	(97,454)	(39,136)	365,497	3,454,667	2 - 5
	-	(97,454)	-			-					
2,211,598	80,100	(394,736)	(89,678)	1,267,096	472,050	110,254	(540,188)	(39,504)	2,612	1,264,484	5 - 10
	-	(540,188)	-			-					
2,683,122	159,807	-	35,531	2,826,898	1,238,816	269,545	-	6,970	1,508,774	1,318,124	10 - 20
	(8,270)	-	(43,292)			(6,557)					
1,411,505	115,508	-	(31,473)	1,472,124	884,517	118,276	-	(21,714)	958,780	513,344	10 - 25
	(23,416)	-	-			(22,299)					
7,492,405	862,924	-	(94,755)	8,022,703	5,516,318	915,059	-	(83,514)	6,113,021	1,909,682	10 - 67
	(237,871)	-	-			(234,842)					
425,747	80,605	-	(5,517)	465,756	234,589	70,707	-	(3,460)	274,490	191,266	20 - 25
	(35,079)	-	-			(27,346)					
1,368,900	385,836	-	(12,364)	1,100,111	501,643	194,212	-	-	393,770	706,341	20 - 33.33
	(642,261)	-	-			(302,085)					
2,727	-	-	-	2,727	1,003	549	-	-	1,552	1,175	20
34,198,704	1,684,780	5,146,820	(532,329)	38,578,472	9,579,462	1,743,182	(929,314)	(180,420)	9,619,781	28,958,691	
	(946,897)	(929,314)	(43,292)			(593,129)	-	-			

2013											
Cost / Revaluation					Accumulated Depreciation					Net book value at December 31, 2013	Annual rate of depreciation %
At January 1, 2013	Additions / (deletions)	Surplus on revaluation / (reversal of accumulated depreciation)	Exchange / Other adjustments	At December 31, 2013	At January 1, 2013	Charge for the year / (depreciation on deletions)	Reversal due to revaluation	Exchange / Other adjustments	At December 31, 2013		
----- (Rupees in '000) -----											
3,041,776	-	-	-	3,041,776	-	-	-	-	-	3,041,776	-
11,808,012	-	-	121	11,808,133	292,914	-	-	105	293,019	11,515,114	-
3,345,019	87,246	-	320,526	3,752,791	357,592	69,381	-	10,534	437,507	3,315,284	2 - 5
2,201,905	-	-	9,693	2,211,598	354,980	113,105	-	3,965	472,050	1,739,548	5 - 10
2,244,484	398,929	-	39,709	2,683,122	977,897	234,190	-	26,729	1,238,816	1,444,306	10 - 20
1,253,607	131,254 (3,011)	-	29,655	1,411,505	759,400	104,651 (2,766)	-	23,232	884,517	526,988	10 - 25
6,356,837	1,102,551 (45,841)	-	78,858	7,492,405	4,583,007	879,059 (44,497)	-	98,749	5,516,318	1,976,087	10 - 67
403,837	49,647 (33,481)	-	5,744	425,747	198,492	63,178 (31,018)	-	3,937	234,589	191,158	20 - 25
1,399,397	360,857 (394,956)	-	3,602	1,368,900	416,934	334,944 (250,235)	-	-	501,643	867,257	20 - 33.33
2,727	-	-	-	2,727	457	546	-	-	1,003	1,724	20
32,057,601	2,130,484 (477,289)	-	487,908	34,198,704	7,941,673	1,799,054 (328,516)	-	167,251	9,579,462	24,619,242	

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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11.3 Intangible assets

	2014									
	Cost				Accumulated Amortization				Net book value at	Annual
	At January 1, 2014	Additions / (deletions)	Exchange / other adjustments	At December 31, 2014	At January 1, 2014	Charge for the year / (reversal on deletion)	Exchange / other adjustments	At December 31, 2014	December 31, 2014	rate of amorti- sation %
	(Rupees in '000)									
Software	3,689,516	404,753 (1,376)	(53,385)	4,039,508	2,221,156	499,164 (1,376)	(42,492)	2,676,452	1,363,056	10 - 33.33
	2013									
	Cost				Accumulated Amortization				Net book value at	Annual
	At January 1, 2014	Additions / (deletions)	Exchange / other adjustments	At December 31, 2014	At January 1, 2014	Charge for the year / (reversal on deletion)	Exchange / other adjustments	At December 31, 2014	December 31, 2014	rate of amorti- sation %
	(Rupees in '000)									
Software	3,215,880	447,193 (8)	26,451 -	3,689,516	1,711,871	485,822 (8)	23,471 -	2,221,156	1,468,360	10 - 33.33

11.4 Revaluation of properties

During the year, the properties of the Bank were revalued by independent professional valuers. The revaluation was carried out by M/s. Pirsons Chemicals Engineering (Private) Limited, M/s. Sadruddin Associates, M/s. Engineering Pakistan International (Private) Limited and M/s. Indus Surveyors (Private) Limited on the basis of professional assessment of present market values and resulted in an increase in surplus by Rs.5,146.820 million. The total surplus arising against the revaluation of fixed assets as at December 31, 2014 amounts to Rs. 20,271.107 million.

The properties of UNBL were revalued by independent professional valuers, RONA and Advance Surveyors Limited, as at December 31, 2012. The total surplus arising against the revaluation of fixed assets as at December 31, 2014 amounts to Rs. 1,398.454 million.

Had there been no revaluation, the carrying amount of revalued assets at December 31 would have been as follows:

	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
Freehold land	782,581	782,581
Leasehold land	196,208	196,217
Buildings on freehold land	1,498,295	1,747,980
Buildings on leasehold land	267,266	204,724
11.5 Carrying amount of temporarily idle properties of the Group	<u>81,790</u>	<u>73,331</u>
11.6 The cost of fully depreciated assets still in use		
Furniture and fixtures	312,218	297,831
Electrical, office and computer equipment	3,444,539	3,054,574
Vehicles	84,030	72,448
	<u>3,840,787</u>	<u>3,424,853</u>

11.7 Details of disposals of operating fixed assets

The information relating to operating fixed assets disposed off during the year is given in Annexure 'C' and is an integral part of these consolidated financial statements.

11.8 The Islamic Banking branches of the Bank enter into Ijarah transactions with customers, mainly in respect of property, plant and equipment and vehicles.

The Ijarah payments receivable from customers for each of the following periods under the terms of the respective arrangements are given below:

	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
Not later than one year	439,460	440,815
Later than one year but not later than five years	371,303	617,905
Later than five years	-	-
	<u>810,763</u>	<u>1,058,720</u>

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	Note	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
12. OTHER ASSETS			
Income / mark-up accrued in local currency		23,281,388	11,308,074
Income / mark-up accrued in foreign currency		4,063,444	3,492,924
		<u>27,344,832</u>	<u>14,800,998</u>
Advance taxation - net of provision for taxation	12.1	7,131,769	6,297,503
Receivable from staff retirement fund		88,862	60,977
Receivable on account of encashment of savings certificates		1,740	6,862
Receivable in respect of derivative transactions		18,033	18,033
Receivable from other banks against telegraphic transfers and demand drafts		1,073,198	2,300,968
Unrealized gain on forward foreign exchange contracts		1,391,923	2,795,731
Rebate receivable - net		1,968,361	1,070,602
Unrealized gain on derivative financial instruments	20.3.1 & 24.2	298,443	344,712
Advance against Murabaha		834,246	17,498
Advance against Ijarah assets		96,285	27,110
Suspense accounts		214,548	361,081
Stationery and stamps on hand		199,269	177,636
Non banking assets acquired in satisfaction of claims	12.2	2,006,279	2,063,329
Advances, deposits, advance rent and other prepayments		1,067,956	1,042,205
Others		<u>1,857,755</u>	<u>2,000,870</u>
		<u>45,593,499</u>	<u>33,386,115</u>
Provision held against other assets	12.3	(4,487,133)	(4,029,132)
Other assets - net of provision		<u>41,106,366</u>	<u>29,356,983</u>

- 12.1** The Income Tax returns of the Bank have been filed up to the tax year 2014 (accounting year ended December 31, 2013) 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 2014, and created additional tax demands of Rs.11,559 million (including disallowances of provisions made prior to Seventh Schedule), which have been fully paid as required under the law. The Bank has filed appeals before the various appellate forums against these amendments. Where the appellate authorities have allowed relief on certain issues, the assessing authorities have filed appeals before higher appellate forums. Where the appellate authorities have not allowed relief the Bank has filed appeals before higher appellate forums. The management of the Bank is confident that the appeals will be decided in favor of the Bank.

Under the Seventh Schedule to the Ordinance, banks are allowed to claim provisions against advances up to 5% of total advances for consumer and small and medium enterprises and up to 1% of total advances for remaining advances. Amounts above these limits are allowed to be claimed in future years. The Bank has booked a deferred tax asset of Rs.1,350 million (December 31, 2013: Rs.2,365 million) in respect of provisions in excess of the above mentioned limits.

The tax returns for Azad Kashmir (AK) Branches have been filed upto the tax year 2013 (financial year 2012) 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 Exercise Duty, Sales tax and withholding taxes covering period from year ended 2007 to 2013. Consequently various addbacks and demands were raised creating a total demand of Rs. 994 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 overseas branches have been filed upto the year ended December 31, 2013 under the provisions of the laws prevailing in the respective countries, and are deemed as assessed unless opened for reassessment.

For all the subsidiaries income tax returns have been filed up to the accounting year ended December 31, 2013 under the provisions of the laws prevailing in the respective countries and are deemed as assessed unless opened for reassessment by the tax authorities. Additionally, tax clearance has been issued for UBL UK till the accounting year 2012 and for UBL (Switzerland) AG and UBL (Tanzania) Bank Limited till the accounting year 2013. There are no material tax contingencies in any of the subsidiaries.

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12.2 The market value of non banking assets acquired in satisfaction of claims is Rs.1,921.625 million (2013: Rs.1,992.818 million).

	Note	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
12.3 Provision against other assets			
Opening balance		4,029,132	3,645,930
Exchange adjustments		(107,308)	157,437
Charge / (reversals)			
Charge for the year		85,364	49,947
Reversals		-	(23,737)
	30	85,364	26,210
Transfers in - net		727,291	975,001
Amounts written off		(247,346)	(775,446)
Closing balance		<u>4,487,133</u>	<u>4,029,132</u>

13. CONTINGENT ASSETS

There were no contingent assets as at the statement of financial position date.

	Note	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
14. BILLS PAYABLE			
In Pakistan		9,143,228	16,167,273
Outside Pakistan		<u>416,027</u>	<u>433,418</u>
		<u>9,559,255</u>	<u>16,600,691</u>

15. BORROWINGS

In Pakistan	46,988,661	33,550,063
Outside Pakistan	<u>6,259,865</u>	<u>7,527,667</u>
	<u>53,248,526</u>	<u>41,077,730</u>

15.1 Particulars of borrowings

In local currency	42,323,980	29,920,125
In foreign currencies	<u>10,924,546</u>	<u>11,157,605</u>
	<u>53,248,526</u>	<u>41,077,730</u>

15.2 Details of borrowings
Secured

Borrowings from the State Bank of Pakistan under:

Export refinance scheme	15.3	14,267,463	10,835,330
Refinance facility for modernization of SMEs	15.4	33,591	40,795
Long term financing facility	15.5	6,461,411	5,950,207
Long term financing under export oriented projects	15.6	173,925	423,958
		20,936,390	17,250,290
Repurchase agreement borrowings	15.7	21,269,642	12,042,846
		<u>42,206,032</u>	<u>29,293,136</u>

Unsecured

Call borrowings	15.8	4,217,499	5,033,830
Overdrawn nostro accounts		303,142	399,584
Trading liabilities		102,539	-
Other borrowings	15.9	6,419,314	6,351,180
		<u>11,042,494</u>	<u>11,784,594</u>
		<u>53,248,526</u>	<u>41,077,730</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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- 15.3** The Bank has entered into an agreement with the SBP for extending export finance to customers. As per the terms of the agreement, the Bank has granted the SBP the right to recover the outstanding amounts from the Bank at the date of maturity of the finances by directly debiting the Bank's current account maintained with the SBP. These borrowings are repayable within six months, latest by June 2015. These carry mark-up at a rate of 6.50% per annum (2013: 8.40% per annum).
- 15.4** These borrowings have been obtained from the SBP under a scheme to finance modernization of Small and Medium Enterprises by providing financing facilities for setting up of new units, purchase of new plant and machinery for Balancing, Modernization and Replacement (BMR) of existing units and financing for import / local purchase of new generators upto a maximum capacity of 500 KVA. These borrowings are repayable within a period ranging from 3 years to 10 years, latest by October 2019 and carry mark-up at a rate of 6.25% per annum (2013: 6.25% per annum).
- 15.5** These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings are repayable within a period ranging from 3 years to 10 years, latest by December 2024. These carry mark-up at rates ranging from 6.00% to 10.10% per annum (2013: 6.50% to 10.10% per annum).
- 15.6** These borrowings have been obtained from the SBP for providing financing facilities for import of machinery, plant, equipment and accessories thereof by export oriented units. These carry mark-up at a rate ranging from 5.00% to 6.00% per annum (2013: 5.00% per annum) and are repayable latest by July 2016.
- 15.7** These repurchase agreement borrowings are secured against Market Treasury Bills and carry mark-up at rates ranging from 9.50% to 9.60% per annum (2013: 9.95% to 10.00% per annum). These borrowings are repayable latest by January 2015. The carrying value of securities given as collateral against these borrowings is given in note 9.1.
- 15.8** These are unsecured borrowings carrying mark-up at rates ranging from 0.25% to 0.70% per annum (2013: 0.19% to 10.00% per annum), and are repayable latest by March 2015.
- 15.9** These borrowings carry mark-up at rates ranging from 1.00% to 14.00% per annum (2013: 0.5% to 10.44% per annum), and are repayable latest by March 2016.

2014 2013
----- (Rupees in '000) -----

16. DEPOSITS AND OTHER ACCOUNTS
Customers

Fixed deposits	263,464,259	280,279,656
Savings deposits	316,531,583	280,813,671
Sundry deposits	7,427,172	7,083,484
Margin deposits	6,748,723	5,601,107
Current accounts - remunerative	10,326,552	10,709,116
Current accounts - non-remunerative	325,630,714	287,401,892
	<u>930,129,003</u>	<u>871,888,926</u>

Financial Institutions

Remunerative deposits	15,949,527	11,636,629
Non-remunerative deposits	5,823,766	6,000,048
	<u>21,773,293</u>	<u>17,636,677</u>
	<u>951,902,296</u>	<u>889,525,603</u>

16.1 Particulars of deposits and other accounts

In local currency	653,884,988	578,764,705
In foreign currencies	298,017,308	310,760,898
	<u>951,902,296</u>	<u>889,525,603</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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17. SUBORDINATED LOANS - UNSECURED

	Issue date	Tenor	Rate % per annum	Maturity	Frequency of principal redemption	2014	2013
						----- (Rupees in '000) -----	
Term Finance Certificates - III	September 2006	8 years	6 months KIBOR+1.70%	September 2014	Semi Annual	-	665,328

18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

These represent finance leases entered into for the lease of vehicles. At the end of the lease period, the ownership of the leased assets shall be transferred to the Group on payment of the residual values of the leased assets. The cost of operating and maintaining the leased assets is borne by the Group. The liabilities are secured by demand promissory notes, security deposits, and the vehicles which have been obtained under these leasing arrangements. The rate used for discounting future lease payments is 13.47% per annum (2013: 12.69% per annum). The amount of future minimum lease payments, and the periods during which they become due are as follows:

	2014		
	Minimum lease payments	Finance charges for future	Principal Outstanding
	----- (Rupees in '000) -----		
Not later than one year	430	(1)	429
Later than one year and not later than five years	-	-	-
	430	(1)	429
	----- (Rupees in '000) -----		
	2013		
	Minimum lease payments	Finance charges for future	Principal Outstanding
	----- (Rupees in '000) -----		
Not later than one year	977	(82)	895
Later than one year and not later than five years	433	(3)	430
	1,410	(85)	1,325

As at December 31, 2014 the present value of minimum lease payments is Rs. 0.429 million (2013: Rs. 1.325 million).

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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	Note	2014 ----- (Rupees in '000) -----	2013
19. DEFERRED TAX LIABILITY - NET			
Deferred tax liability - net	19.1	<u>2,139,586</u>	<u>1,395,138</u>

19.1 Movement in temporary differences during the year

	2014			
	At January 1, 2013	Recognised in profit and loss account	Others	At December 31, 2014
	----- (Rupees in '000) -----			
Deductible temporary differences on				
- Tax losses recognized by subsidiary	25,613	(389)	(3,351)	21,873
- Workers' Welfare Fund	174,912	60,640	-	235,552
- Cash flow hedge reserve	1,738	-	(1,738)	-
- Provision against off-balance sheet items, post retirement employee benefits and advances	5,539,396	(626,292)	19,580	4,932,684
	<u>5,741,659</u>	<u>(566,041)</u>	<u>14,491</u>	<u>5,190,109</u>
Taxable temporary differences on				
- Surplus on revaluation of fixed assets	(5,368,761)	36,540	4,494,919	(837,302)
- Surplus on revaluation of investments	(1,164,912)	-	(4,883,986)	(6,048,898)
- Ijarah financing	(14,371)	14,371	-	-
- Accelerated tax depreciation	(588,753)	145,258	-	(443,495)
	<u>(7,136,797)</u>	<u>196,169</u>	<u>(389,067)</u>	<u>(7,329,695)</u>
	<u>(1,395,138)</u>	<u>(369,872)</u>	<u>(374,576)</u>	<u>(2,139,586)</u>
	2013			
	At January 1, 2013	Recognised in profit and loss account	Others	At December 31, 2014
	----- (Rupees in '000) -----			
Deductible temporary differences on				
- Tax losses recognized by subsidiary	-	24,279	1,334	25,613
- Workers' Welfare Fund	185,888	(10,976)	-	174,912
- Cash flow hedge reserve	11,306	-	(9,568)	1,738
- Provision against off-balance sheet items, post retirement employee benefits and advances	6,348,992	(884,077)	74,481	5,539,396
	<u>6,546,186</u>	<u>(870,774)</u>	<u>66,247</u>	<u>5,741,659</u>
Taxable temporary differences on				
- Surplus on revaluation of fixed assets	(5,070,497)	36,130	(334,394)	(5,368,761)
- Surplus on revaluation of investments	(1,764,610)	-	599,698	(1,164,912)
- Ijarah financing	(14,371)	-	-	(14,371)
- Accelerated tax depreciation	(553,193)	(35,560)	-	(588,753)
	<u>(7,402,671)</u>	<u>570</u>	<u>265,304</u>	<u>(7,136,797)</u>
	<u>(856,485)</u>	<u>(870,204)</u>	<u>331,551</u>	<u>(1,395,138)</u>

19.2 The Bank had recognised deferred tax liability on surplus arising on revaluation of land based on the view that gain arising on ultimate sale of land will be taxable event. During the current year, based on the professional legal advice, management has concluded that sale of land by the Bank will not attract tax consequence under the local laws. Accordingly, the related deferred tax liability has been reversed.

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	Note	2014 ----- (Rupees in '000) -----	2013
20. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		11,348,084	10,377,497
Mark-up / return / interest payable in foreign currency		739,216	907,778
		12,087,300	11,285,275
Accrued expenses		4,891,927	3,375,807
Branch adjustment account		839,091	629,933
Payable against purchase of securities		-	119,827
Payable under severance scheme		32,563	32,563
Deferred income		578,900	625,532
Unearned commission and income on bills discounted		538,136	260,258
Provision against off - balance sheet obligations	20.1	658,655	630,024
Unrealized loss on forward foreign exchange contracts		2,788,606	1,875,902
Payable to staff retirement funds		155,908	258,534
Deferred liabilities	20.2	3,001,863	2,717,387
Unrealized loss on derivative financial instruments	20.3.1 & 24.2	104,259	150,602
Workers' Welfare Fund payable		673,005	503,176
Insurance payable against consumer assets		160,274	103,700
Dividend payable		566,787	89,404
Others		1,021,136	435,830
		<u>28,098,410</u>	<u>23,093,754</u>

20.1 Provision against off - balance sheet obligations

Opening balance		630,024	630,717
Exchange adjustments		(1,577)	1,386
Charge during the year	30	35,708	-
Transfer out - net		(5,500)	(2,079)
		<u>658,655</u>	<u>630,024</u>

20.2 Deferred liabilities

Provision for post retirement medical benefits	37.1.4	1,084,100	930,955
Provision for compensated absences		1,362,050	1,275,654
Deferred liability for outsourced services		154,754	110,690
Deferred liability - overseas		400,959	400,088
		<u>3,001,863</u>	<u>2,717,387</u>

20.3 Unrealized gain/ (loss) on derivative financial instruments - net

	Note	Contract / Notional amount		Unrealized gain - net	
		2014	2013	2014	2013
		----- (Rupees in '000) -----			
- Interest rate swaps		4,511,816	5,723,576	82,668	88,555
- Cross currency swaps		5,934,000	10,550,240	104,566	105,555
- Fx options		380,086	-	-	-
- Forward purchase contracts of government securities		1,329,394	-	15,680	-
- Forward sale contracts of government securities		906,201	-	(8,730)	-
	20.3.1	<u>13,061,497</u>	<u>16,273,816</u>	<u>194,184</u>	<u>194,110</u>

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FOR THE YEAR ENDED DECEMBER 31, 2014**

	Note	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
20.3.1 Unrealized gain / (loss) on derivative financial instruments - net			
Unrealized gain on derivative financial instruments	12	298,443	344,712
Unrealized loss on derivative financial instruments	20	(104,259)	(150,602)
Unrealized gain - net	24.2	<u>194,184</u>	<u>194,110</u>

21. SHARE CAPITAL

21.1 Authorized Capital

2014 ----- Number of shares -----	2013 ----- Number of shares -----		2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
<u>2,000,000,000</u>	<u>2,000,000,000</u>	Ordinary shares of Rs.10 each	<u>20,000,000</u>	<u>20,000,000</u>

21.2 Issued, subscribed and paid-up capital

2014 ----- Number of shares -----	2013 ----- Number of shares -----		2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
		Fully paid-up ordinary shares of Rs.10 each		
518,000,000	518,000,000	Issued for cash	5,180,000	5,180,000
706,179,687	706,179,687	Issued as bonus shares	7,061,798	7,061,798
<u>1,224,179,687</u>	<u>1,224,179,687</u>		<u>12,241,798</u>	<u>12,241,798</u>

21.3 In 2007, the Bank was admitted to the official list of the UK Listing Authority and to the London Stock Exchange Professional Securities Market for trading of Global Depository Receipts (GDRs), each representing four ordinary shares issued by the Bank. The GDRs constitute an offering in the United States only to qualified institutional buyers in reliance on Rule 144A under the U.S Securities Act of 1933 and an offering outside the United States in reliance on Regulation S.

Holders of GDRs are entitled, subject to the provisions of the depository agreement, to receive dividends, if any, and rank pari passu with other equity shareholders in respect of such entitlement. However, the holders of GDRs have no voting rights or other direct rights of shareholders with respect to the ordinary shares underlying such GDRs. Subject to the terms and restrictions set out in the offering circular dated June 25, 2007, the deposited ordinary shares in respect of which the GDRs were issued may be withdrawn by the GDR holders from the depository facility. Upon withdrawal, the holders will rank pari passu with other ordinary shareholders in respect of voting powers. As at December 31, 2014, 485,237 (2013: 32,060,348) GDRs, representing 1,940,950 (2013: 128,241,394) shares were in issue.

21.4 Major shareholders (holding more than 5% of total paid-up capital)

Name of shareholders	2014		2013	
	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
Bestway (Holdings) Limited	631,728,895	51.60%	467,611,120	38.20%
State Bank of Pakistan	-	-	238,567,381	19.49%
Bestway Cement Limited	93,649,744	7.65%	93,649,744	7.65%
Sir Muhammed Anwar Pervez, OBE, HPk	12,442,568	1.02%	62,433,163	5.10%

As at December 31, 2014, Bestway Group (Bestway) held 61.44 % (2013: 61.38%) shareholding (including GDRs) of the Bank.

21.5 Shares of the Bank held by its associates

	2014 ----- (Number of shares) -----	2013 ----- (Number of shares) -----
UBL Asset Allocation Fund	102,500	-
UBL Stock Advantage Fund	1,984,100	616,000
	<u>2,086,600</u>	<u>616,000</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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	Note	2014 ----- (Rupees in '000) -----	2013
22. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX			
Surplus / (deficit) arising on revaluation of assets - net of tax			
Fixed assets			
- Group's share		20,267,486	10,808,168
- Non-controlling interest		469,621	503,291
	22.1	20,737,107	11,311,459
Securities			
- Group's share		10,637,250	1,517,922
- Non-controlling interest		(487,984)	(528,133)
	22.2	10,149,266	989,789
Surplus / (deficit) arising on revaluation of assets of associates		29,447	(15,464)
		<u>30,915,820</u>	<u>12,285,784</u>
22.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		16,680,220	16,581,261
Revaluation of fixed assets during the year		5,146,820	-
Exchange adjustments		(147,203)	204,856
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(68,888)	(69,767)
Related deferred tax liability on incremental depreciation charged during the year	19.1	(36,540)	(36,130)
		4,894,189	98,959
		<u>21,574,409</u>	<u>16,680,220</u>
Less: Related deferred tax liability on			
Revaluation as on January 1		5,368,761	5,070,497
Revaluation of fixed assets during the year		36,432	-
Reversal of deferred tax on revaluation of land	19.2	(4,457,315)	-
(Reversal) / recognition of deferred tax		(40,131)	334,075
Exchange adjustments		(33,905)	319
Incremental depreciation charged on related assets	19.1	(36,540)	(36,130)
		837,302	5,368,761
		<u>20,737,107</u>	<u>11,311,459</u>
22.2 Surplus / (deficit) on revaluation of available for sale securities			
Market Treasury Bills		21,906	(147,850)
Pakistan Investment Bonds		10,550,575	(402,073)
Listed shares		5,160,208	2,767,281
Term Finance Certificates, Sukuks, other bonds etc.		(74,792)	75,680
Foreign bonds		540,267	(138,337)
		16,198,164	2,154,701
Related deferred tax liability	19.1	(6,048,898)	(1,164,912)
		<u>10,149,266</u>	<u>989,789</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Note	2014 ----- (Rupees in '000) -----	2013
23. CONTINGENCIES AND COMMITMENTS			
23.1 Direct credit substitutes			
Contingent liabilities in respect of guarantees given favouring			
Government		4,113,804	3,796,673
Banking companies and other financial institutions		3,315,085	3,078,030
Others		3,675,754	3,912,366
		<u>11,104,643</u>	<u>10,787,069</u>
23.2 Transaction-related contingent liabilities			
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring			
Government		83,496,420	81,454,308
Banking companies and other financial institutions		4,306,447	5,364,806
Others		40,579,368	32,724,186
		<u>128,382,235</u>	<u>119,543,300</u>
23.3 Trade-related contingent liabilities			
Contingent liabilities in respect of letters of credit opened favouring			
Government		51,053,073	38,995,105
Banking companies and other financial institutions		5,433,924	10,120,833
Others		88,340,199	129,878,651
		<u>144,827,196</u>	<u>178,994,589</u>
23.4 Other contingencies			
Claims against the Group not acknowledged as debts	23.4.1	<u>10,935,953</u>	<u>12,471,155</u>
Contingency in respect of Workers' Welfare Fund (WWF)	23.4.2	<u>305,997</u>	<u>305,997</u>
23.4.1	These mainly represent counter claims filed by the borrowers for restricting the Bank from disposal of assets (such as mortgaged / pledged assets kept as security).		
23.4.2	WWF provision of Rs. 305.997 million relating to funds from the date of application till 29 May 2013 is to be borne by UBL Fund Manager (Subsidiary Company) if such amount is required to be paid to the Government authorities. Management based on opinion of its lawyers is expecting a favorable outcome of the petition filed against chargeability of WWF over its funds.		
	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 financial statements.		
23.4.3	Punjab revenue authority issued show cause notice to UBL Fund Managers Limited requiring them to pay sales tax under Punjab sales tax on service act 2012 on management fee earned in Punjab from May 22, 2013. The Company has filed a petition on July 8, 2014 in the High Court of Sind. A favorable outcome of this petition is expected.		
23.4.4	UBL Fund Manager being the management company of UBL Principal Protected Fund II and UBL Principal Protected Fund III has guaranteed the GAP risk through Government guarantee agreement signed with trustee of the funds whereby It would be liable to provide Gap risk coverage of the initial fund size up to a maximum of 5% of the total subscription amount. Further they have also guaranteed the Gap risk on the investment advisory agreement signed with clients whereby they are liable to provide Gap risk coverage up to a maximum of 5% of the initial portfolio invested. The GAP risk will be revoked upon maturity of current terms of these mandates.		

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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23.5 Commitments to extend credit

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

	2014	2013
	----- (Rupees in '000) -----	
23.6 Commitments in respect of forward foreign exchange contracts		
Purchase	<u>204,579,868</u>	<u>238,732,897</u>
Sale	<u>169,150,871</u>	<u>202,902,937</u>
23.7 Commitments in respect of derivatives		
Interest rate swaps	<u>4,511,816</u>	<u>5,723,576</u>
Cross currency swaps	<u>5,934,000</u>	<u>10,550,240</u>
FX options - purchased	<u>190,043</u>	<u>-</u>
FX options - sold	<u>190,043</u>	<u>-</u>
Forward Purchase of Government Securities	<u>1,329,394</u>	<u>-</u>
Forward sale of government securities	<u>906,201</u>	<u>-</u>
23.8 Commitments in respect of capital expenditure	<u>1,874,447</u>	<u>1,699,696</u>

23.9 For contingencies relating to taxation refer note 12.1

24. DERIVATIVE INSTRUMENTS

Derivatives are a type of financial contract, the value of which is determined by reference to one or more underlying assets or indices. The major categories of such contracts include forwards, futures, swaps and options. Derivatives also include structured financial products that have one or more of the characteristics of forwards, futures, swaps and options.

The Bank, as an Authorized Derivative Dealer (ADD), is an active participant in the Pakistan derivatives market and offers a wide variety of derivatives products covering both hedging and market making to satisfy customers' needs. Where required, specific approval is sought from the SBP for each transaction.

The authority for approving policies lies with the Board of Directors (BoD) and the Board Risk and Compliance Committee (BRCC). The Market Risk Committee (MRC) is responsible for ensuring compliance with these policies.

With regard to derivatives, the MRC is authorized to:

- Review the derivatives business with reference to market risk exposure and assign various limits in accordance with the risk appetite of the Bank
- Review the Derivatives Business Policy and recommend approval to the BRCC / BoD
- Review and approve derivatives product programs
- Authorize changes in procedures and processes regarding derivatives and structured products

Overall responsibility for derivatives trading activity lies with the Treasury and Capital Markets Group. Measurement and monitoring of market and credit risk exposure and limits and its reporting to senior management and the BoD is done by Treasury Middle Office (TMO), which also coordinates with the business regarding approvals for derivatives risk limits. Treasury Operations records derivatives activity in the Bank's books, and handles its reporting to the SBP.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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Derivatives risk management

There are a number of risks undertaken by the Group, which need to be monitored and assessed.

Credit risk

Credit risk refers to the risk of non-performance or default by a party to a derivatives transaction, resulting in an adverse impact on the Group's profitability. Credit risk associated with derivatives transactions is categorized into settlement risk and pre-settlement risk. Credit proposals for derivatives transactions are approved by the Credit Committee. The credit exposure of each counterparty is estimated and monitored against approved counterparty limits by TMO on a daily basis.

Market risk

The Group, as a policy, hedges back-to-back all Options transactions. In addition, the Group does not carry any exchange risk on its Cross Currency Swaps portfolio as it hedges the exposure in the interbank market. To manage the interest rate risk of Interest Rate Derivatives, the Group has implemented various limits which are monitored and reported by TMO on a daily basis.

Liquidity risk

Derivatives transactions, usually being non-funded in nature, do not carry a specific funding liquidity risk.

The liquidity risk arises from the fact that in Pakistan, interest rate derivatives generally have a uni-directional demand, and no perfect hedge is available. The Group mitigates its risk by limiting the portfolio in terms of tenor, notional and sensitivity limits, and can also hedge its risk by taking on and off balance sheet positions in the interbank market, where available.

Operational risk

The staff involved in the trading, settlement and risk management of derivatives are carefully trained to deal with the complexities involved in the process. Adequate systems and controls are in place to carry out derivatives transactions smoothly. Each transaction is processed in accordance with the product program or a transaction memo, which contains detailed guidance on the accounting and operational aspects of the transaction to further mitigate operational risk. In addition, TMO and the Compliance and Control Department are assigned the responsibility of monitoring any deviation from policies and procedures. The Group's Audit and Inspection Group also reviews this function, with a regular review of systems, transactional processes, accounting practices and end-user roles and responsibilities.

The Group uses a derivatives system which provides an end-to-end valuation solution, supports the routine transactional process and provides analytical tools to measure various risk exposures, carry out stress tests and sensitivity analysis.

TMO produces various reports on a periodic basis which are reviewed by senior management. These reports provide details of the derivatives business profile such as outstanding positions, profitability, risk exposures and the status of compliance with limits.

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24.1 Product analysis

2014										
Interest rate swaps		Cross currency swaps		FX options		Forward purchase contracts of government securities		Forward sale contracts of government securities		
Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Total Notional (Rupees in '000)
With Banks for										
Hedging	3	1,841,533	1	5,934,000	36	190,043	-	-	-	7,965,576
Market making	1	167,472	-	-	-	-	8	1,329,394	4	2,403,067
	4	2,009,005	1	5,934,000	36	190,043	8	1,329,394	4	10,368,643
With other entities										
Market making	4	2,502,811	-	-	36	190,043	-	-	-	2,692,854
Total										
Hedging	3	1,841,533	1	5,934,000	36	190,043	-	-	-	7,965,576
Market making	5	2,670,283	-	-	36	190,043	8	1,329,394	4	5,095,921
	8	4,511,816	1	5,934,000	72	380,086	8	1,329,394	4	13,061,497
2013										
Interest rate swaps		Cross currency swaps		FX options		Forward purchase contracts of government securities		Forward sale contracts of government securities		
Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Total Notional (Rupees in '000)
With Banks for										
Hedging	3	2,331,163	-	-	-	-	-	-	-	2,331,163
Market making	1	245,757	3	10,447,400	-	-	-	-	-	10,693,157
	4	2,576,920	3	10,447,400	-	-	-	-	-	13,024,320
With other entities										
Market making	4	3,146,656	1	102,840	-	-	-	-	-	3,249,496
Total										
Hedging	3	2,331,163	-	-	-	-	-	-	-	2,331,163
Market making	5	3,392,413	4	10,550,240	-	-	-	-	-	13,942,653
	8	5,723,576	4	10,550,240	-	-	-	-	-	16,273,816

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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24.2 Maturity analysis of derivatives

Remaining maturity	2014				
	Number of contracts	Notional principal	Unrealized		
			(Loss)	Gain	Net
			(Rupees in '000)		
Upto 1 month	20	2,247,366	(8,730)	15,680	6,950
1 to 3 months	29	6,104,703	-	104,566	104,566
3 to 6 months	36	197,612	-	-	-
6 months to 1 year	-	-	-	-	-
1 to 2 years	-	-	-	-	-
2 to 3 years	2	334,944	(4,741)	4,918	177
3 to 5 years	6	4,176,872	(90,788)	173,279	82,491
5 to 10 years	-	-	-	-	-
Above 10 years	-	-	-	-	-
	93	13,061,497	(104,259)	298,443	194,184
Remaining maturity	2013				
	Number of contracts	Notional principal	Unrealized		
			(Loss)	Gain	Net
			(Rupees in '000)		
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 months to 1 year	2	4,333,400	-	143,304	143,304
1 to 2 years	2	6,216,840	(37,749)	-	(37,749)
2 to 3 years	-	-	-	-	-
3 to 5 years	6	3,250,765	(64,419)	145,743	81,324
5 to 10 years	2	2,472,811	(48,434)	55,665	7,231
Above 10 years	-	-	-	-	-
	12	16,273,816	(150,602)	344,712	194,110

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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	2014	2013
	----- (Rupees in '000) -----	
25. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to customers	37,157,993	34,426,814
On lendings to financial institutions		
Call money lending	51,690	8,087
Securities purchased under resale agreements	1,095,472	416,220
Other lendings to financial institutions	647,920	593,503
	1,795,082	1,017,810
On investments in		
Held for trading securities	1,598,121	554,103
Available for sale securities	28,102,249	27,203,541
Held to maturity securities	16,990,543	12,420,776
	46,690,913	40,178,420
On deposits with financial institutions	116,658	86,126
	<u>85,760,646</u>	<u>75,709,170</u>
26. MARK-UP / RETURN / INTEREST EXPENSED		
On deposits	33,952,976	29,623,050
On securities sold under repurchase agreements	2,166,383	3,357,395
On other short term borrowings	2,178,245	2,227,315
On long term borrowings	549,264	992,047
	<u>38,846,868</u>	<u>36,199,807</u>
27. GAIN ON SALE OF SECURITIES - NET		
Federal Government Securities		
Market Treasury Bills	22,396	151,918
Pakistan Investment Bonds	213,484	561,549
	<u>235,880</u>	<u>713,467</u>
Ordinary shares of listed companies	979,888	976,700
Other securities	847,668	1,335,963
	<u>2,063,436</u>	<u>3,026,130</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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	Note	2014 ----- (Rupees in '000) -----	2013
28. OTHER INCOME			
Charges recovered		603,765	549,571
Grant income		-	123,109
Rent on properties		193,474	177,061
Income from dealing in derivatives		531,470	211,115
Gain on sale of operating fixed assets - net		43,719	25,171
(Loss) / gain on trading liabilities - net		(6,607)	41,371
		<u>1,365,821</u>	<u>1,127,398</u>
29. ADMINISTRATIVE EXPENSES			
Salaries, allowances etc.	29.1	11,194,109	10,533,310
Charge for compensated absences		428,567	547,017
Medical expenses		505,852	481,071
Contribution to defined contribution plan		296,349	271,324
Charge in respect of defined benefit obligations		364,119	164,540
Rent, taxes, insurance, electricity etc.		4,090,503	3,733,828
Depreciation	11.2	1,743,182	1,799,054
Amortization	11.3	499,164	485,822
Outsourced service charges including sales commission		3,951,697	3,119,644
Communications		1,196,512	1,100,014
Banking service charges		1,044,251	926,545
Cash transportation charges		523,530	447,522
Stationery and printing		604,289	566,078
Legal and professional charges		282,072	383,906
Advertisement and publicity		1,043,360	703,528
Repairs and maintenance		1,726,557	1,314,280
Travelling		297,071	257,667
Office running expense		554,409	496,359
Vehicle expense		226,690	190,044
Entertainment		189,618	181,370
Cartage, freight and conveyance		94,325	96,626
Insurance expense		108,329	161,497
Auditors' remuneration	29.2	73,622	81,554
Training and seminars		103,282	96,655
Brokerage expenses		40,157	44,557
Subscriptions		134,409	107,996
Donations	29.3	111,705	77,237
Non-executive Directors' fees		39,926	33,915
Zakat paid by overseas branch		89,508	98,257
Miscellaneous expenses		194,924	69,352
		<u>31,752,088</u>	<u>28,570,569</u>

29.1 This includes accrual of employee benefits in the form of awards / bonus to all permanent staff including the Chief Executive Officer and is determined on the basis of employees' evaluation and the Group's performance during the year. The aggregate benefit determined in respect of all permanent staff amounted to Rs. 1,404.311 million (2013: Rs.1,174.609 million).

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29.2 Auditors' remuneration

2014				
	KPMG Taseer Hadi & Co.	A.F. Ferguson & Co.	Overseas Auditors	Total
	(Rupees in '000)			
Audit fee - Bank	6,778	6,778	24,829	38,385
Audit fee - subsidiaries	-	525	23,044	23,569
Audit fee - EPZ branch	250	-	-	250
Fee for other certifications	3,675	-	5,348	9,023
Out of pocket expenses	2,099	220	76	2,395
	12,802	7,523	53,297	73,622

2013				
	KPMG Taseer Hadi & Co.	BDO Ebrahim & Co.	Overseas Auditors	Total
	(Rupees in '000)			
Audit fee - Bank	6,455	6,455	34,011	46,921
Audit fee - subsidiaries	-	425	23,425	23,850
Audit fee - EPZ branch	250	-	-	250
Fee for other certifications	-	2,848	5,278	8,126
Out of pocket expenses	408	1,602	397	2,407
	7,113	11,330	63,111	81,554

	2014	2013
	(Rupees in '000)	

29.3 Details of donations		
Donations individually exceeding Rs.0.1 million		
Forman Christian College	35,000	10,000
Institute of Business Administration	20,000	100
Gulab Devi Chest Hospital	10,000	10,000
Karachi Education Initiative	10,000	-
Chief Minister's Relief Fund For IDP's of North Waziristan	10,000	-
Indus Earth Trust	5,036	-
Shalamar Hospital	5,000	5,000
Army Relief Fund for IDPS	5,000	-
Hisaar Foundation	2,500	2,290
Tameer School Project	2,500	-
The Citizens Foundation	2,150	12,545
Marie Adelaide Leprosy Centre	1,050	850
Aga Khan Hospital and Medical College	1,000	-
Al-Mehrab Tibbi Imdad	1,000	1,000
Family Welfare Maternity & General Hospital	500	-
Naqsh School of Arts	300	-
The Kidney Center Post Graduate Training Institute	200	200
Lahore University of Management Sciences	-	20,000
The Sir Syed Memorial Society	-	5,000
Friends of Burns Centre	-	2,600
Sukkur Institute of Business Administration	-	1,560
Developments in Literacy	-	1,000
Government College University, Lahore	-	1,000
Abdul Sattar Edhi Foundation	-	700
Bazm-e-Kiran	-	600
Buksh Foundation	-	540
Burhani Medical Welfare Association	-	540
SOS Children's Villages of Pakistan	-	450
Shaukat Khanum Memorial Trust	-	200
Karwan-e-Hayat	-	150
Rotary Club of Karachi Continental, Pakistan	-	120
Donations individually not exceeding Rs.0.1 million	469	792
	111,705	77,237

29.3.1 The President is a Director on the Board of the Karachi Education Initiative.

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	Note	2014 ----- (Rupees in '000) -----	2013
30. OTHER PROVISIONS - Net			
Provision against other assets - net	12.3	85,364	26,210
Provision against off - balance sheet obligations	20.1	35,708	-
Impairment loss on non-banking assets acquired in satisfaction of claims		-	180,489
Other provisions		143,010	122,465
Provision / (reversal) against Ijarah Assets - Specific		12,229	(4,184)
Provision against Ijarah Assets - General		135	582
		<u>276,446</u>	<u>325,562</u>

31. WORKERS' WELFARE FUND

Under the Workers' Welfare Ordinance, 1971, certain entities of the Group are liable to pay Workers' Welfare Fund @ 2% of profit before tax as per the financial statements or declared income as per the income tax return, whichever is higher.

	2014 ----- (Rupees in '000) -----	2013
32. OTHER CHARGES		
Penalties imposed by the SBP	10,286	247,411
Other penalties	141	1,966
	<u>10,427</u>	<u>249,377</u>

	2014 ----- (Rupees in '000) -----			
	Domestic	Azad Kashmir	Overseas	Total
33. TAXATION				
Current	8,889,708	121,976	1,847,993	10,859,677
Prior years	5,537	-	356,425	361,962
Deferred	734,548	(3,175)	(361,501)	369,872
	<u>9,629,793</u>	<u>118,801</u>	<u>1,842,917</u>	<u>11,591,511</u>
	2013 ----- (Rupees in '000) -----			
	Domestic	Azad Kashmir	Overseas	Total
Current	6,448,627	91,301	1,762,383	8,302,311
Prior years	285	-	61,607	61,892
Deferred	919,857	672	(50,325)	870,204
	<u>7,368,769</u>	<u>91,973</u>	<u>1,773,665</u>	<u>9,234,407</u>

	2014 ----- (Rupees in '000) -----	2013
33.1 Relationship between tax expense and accounting profit		
Accounting profit for the year	<u>35,616,314</u>	<u>28,965,178</u>
Tax on income @ 35% (2013: 35%)	12,465,710	10,137,812
Tax effect of items that are either not included in determining taxable profit or taxed at reduced rates (permanent differences)	(860,496)	(971,208)
Tax - prior years (net of deferred tax)	57,856	61,892
Others	(71,559)	5,911
Tax charge	<u>11,591,511</u>	<u>9,234,407</u>

34. EARNINGS PER SHARE

Profit after tax attributable to equity shareholders of the Bank	<u>23,647,704</u>	<u>19,285,513</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>19.32</u>	<u>15.75</u>

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34.1 Diluted earnings per share has not been presented separately as the Group does not have any convertible instruments in issue at December 31, 2014 or 2013.

	Note	2014	2013
		----- (Rupees in '000) -----	
35. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	75,660,306	89,591,601
Balances with other banks	7	21,948,274	32,658,606
		<u>97,608,580</u>	<u>122,250,207</u>

		2014	2013
		----- (Number) -----	
36. STAFF STRENGTH			
Permanent		9,411	9,262
On contract		55	55
Group's own staff strength		<u>9,466</u>	<u>9,317</u>
Outsourced		4,305	4,291
Total		<u>13,771</u>	<u>13,608</u>

37. DEFINED BENEFIT PLANS
37.1 The Bank
37.1.1 General description

The Bank operates a funded pension scheme established in 1986. The Bank also operates a funded gratuity scheme for new employees and for those employees who have not opted for the pension scheme. The Bank also operates a contributory benevolent fund scheme and provides post retirement medical benefits to eligible retired employees. The benevolent fund scheme and the post-retirement medical scheme cover all regular employees of the Bank who joined the Bank pre-privatization. The liabilities of the Bank in respect of these schemes are determined based on actuarial valuations carried out using the Projected Unit Credit Method. Actuarial valuations of the defined benefit schemes are carried out every year and the latest valuation was carried out as at December 31, 2014.

37.1.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2014	2013
	----- (Number) -----	
- Pension fund	6,957	6,326
- Gratuity fund	7,020	6,733
- Benevolent fund	5,347	5,709
- Post retirement medical benefit scheme	7,526	7,729

The pension fund, benevolent fund and post retirement medical benefit schemes include 5,316 (2013: 4,484), 2,508 (2013: 2,446) and 4,957 (2013: 4,766) members respectively who have retired or whose widows are receiving the benefits.

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37.1.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2014 using the following significant assumptions:

	2014 ----- Per annum -----	2013 ----- Per annum -----
Discount rate / expected rate of return on plan assets	10.50%	12.75%
Expected rate of salary increase	8.50%	10.75%
Expected rate of increase in pension	2.75%	5.00%
Expected rate of increase in medical benefit	5.50%	5.00%

37.1.4 Reconciliation of (receivable from) / payable to defined benefit plans

Note	2014				2013			
	Pension fund	Gratuity fund	Benevolent fund	Post-retirement medical benefit	Pension fund	Gratuity fund	Benevolent fund	Post-retirement medical benefit
	(Rupees in '000)							
Present value of obligations	3,049,641	605,383	454,377	1,084,100	3,245,250	588,580	375,149	930,955
Fair value of plan assets	(2,971,469)	(630,905)	(876,741)	-	(3,304,214)	(436,139)	(856,535)	-
Payable / (receivable)	78,172	(25,522)	(422,364)	1,084,100	(58,964)	152,441	(481,386)	930,955

37.1.5 Movement in defined benefit obligations

Obligations at the beginning of the year	3,245,250	588,580	375,149	930,955	3,537,429	523,053	409,721	943,927
Current service cost	9,913	80,586	4,998	4,777	10,223	67,263	5,903	5,155
Interest cost	142,037	74,505	42,307	118,992	145,402	62,159	43,743	113,581
Benefits paid by the Bank	(703,654)	(120,942)	(92,712)	(129,102)	(604,437)	(118,176)	(82,787)	(102,704)
Return allocated to other funds	239,168	-	-	-	231,326	-	-	-
Re-measurement loss / (gain)	116,927	(17,346)	124,635	158,478	(74,693)	54,281	(1,431)	(29,004)
Obligations at the end of the year	3,049,641	605,383	454,377	1,084,100	3,245,250	588,580	375,149	930,955

37.1.6 Movement in fair value of plan assets

Fair value at the beginning of the year	3,304,214	436,139	856,535	-	5,137,979	409,974	836,962	-
Interest income on plan assets	388,285	52,156	103,374	-	557,344	52,901	91,856	-
Contribution by the Bank	2,884	250,992	3,649	-	-	82,400	4,149	-
Contribution by the employees	-	-	3,649	-	-	-	4,149	-
Amount paid by the fund to the Bank	(759,585)	(116,040)	(84,678)	-	(2,416,372)	(123,041)	(82,958)	-
Re-measurements: Net return on plan assets over interest income gain / (loss)	35,671	7,658	(5,788)	-	25,263	13,905	2,377	-
Fair value at the end of the year	2,971,469	630,905	876,741	-	3,304,214	436,139	856,535	-

37.1.7 Movement in (receivable) / payable under defined benefit schemes

Note	2014				2013			
	Pension fund	Gratuity fund	Benevolent fund	Post-retirement medical benefit	Pension fund	Gratuity fund	Benevolent fund	Post-retirement medical benefit
	(Rupees in '000)							
Opening balance	(58,964)	152,441	(481,386)	930,955	(1,600,550)	113,079	(427,241)	943,927
Mark-up receivable on Bank's balance with the fund	(4,784)	(22)	(427)	-	(43,851)	(120)	(171)	-
Charge / (reversal) for the year	2,833	102,935	(59,718)	123,769	(170,393)	76,521	(46,359)	118,736
Contribution by the Bank	(2,884)	(250,992)	(3,649)	-	-	(82,400)	(4,149)	-
Amount paid by the Fund to the Bank	759,585	116,040	84,678	-	2,416,372	123,041	82,958	-
Remeasurement loss / (gain) recognised in OCI during the year	86,040	(24,982)	130,850	158,478	(56,105)	40,496	(3,637)	(29,004)
Benefits paid by the Bank	(703,654)	(120,942)	(92,712)	(129,102)	(604,437)	(118,176)	(82,787)	(102,704)
Closing balance	78,172	(25,522)	(422,364)	1,084,100	(58,964)	152,441	(481,386)	930,955

37.1.8 Charge for defined benefit plans
37.1.8.1 Cost recognised in profit and loss

Current service cost	9,913	80,586	4,998	4,777	10,223	67,263	5,903	5,155
Net interest on defined benefit asset / liability	(246,248)	22,349	(61,067)	118,992	(411,942)	9,258	(48,113)	113,581
Return allocated to other funds	239,168	-	-	-	231,326	-	-	-
Employees' contribution	-	-	(3,649)	-	-	-	(4,149)	-
	2,833	102,935	(59,718)	123,769	(170,393)	76,521	(46,359)	118,736

37.1.8.2 This represents return allocated to those employees who exercised the conversion option offered in the year 2001, as referred to in note 5.11.1.

37.1.9 Re-measurements recognised in OCI during the year

(Gain) / loss on obligation								
- Demographic assumptions	20,876	(7,753)	46,981	3,400	(6,368)	2,544	(17,073)	(713)
- Financial assumptions	33,824	19,850	(8,409)	(10,286)	29,619	32,512	17,697	9,102
- Experience adjustments	62,227	(29,443)	86,063	165,364	(97,944)	19,225	(2,055)	(37,393)
Return on plan assets over interest income	(35,671)	(7,658)	5,788	-	(25,263)	(13,905)	(2,377)	-
Adjustment for markup	4,784	22	427	-	43,851	120	171	-
Total re-measurements recognised in OCI	86,040	(24,982)	130,850	158,478	(56,105)	40,496	(3,637)	(29,004)

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37.1.10 Components of plan assets

	2014			2013		
	Pension fund	Gratuity fund	Benevolent fund	Pension fund	Gratuity fund	Benevolent fund
	(Rupees in '000)					
Cash and cash equivalents - net of current liabilities	7,659	72	90	14,909	307	340
Quoted securities						
Ordinary shares	125,084	7,697	17,533	93,436	5,750	13,097
Term finance certificates	398,647	11,288	15,576	472,327	11,407	15,768
Unquoted securities						
Certificates of Investment	-	-	-	77,477	-	23,328
Pakistan Investment Bonds	961,707	317,858	574,703	1,964,777	123,422	344,283
Treasury Bills	-	-	-	-	228,253	412,713
Special Savings Certificates	1,478,372	291,943	268,361	666,686	81,294	47,006
Reverse Repo	-	-	-	-	308	-
Other	-	2,047	478	14,602	(14,602)	-
	<u>2,971,469</u>	<u>630,905</u>	<u>876,741</u>	<u>3,304,214</u>	<u>436,139</u>	<u>856,535</u>

37.1.10.1 The funds primarily invests in government securities and accordingly do not carry any significant credit risk. These are subject to interest rate risk based on market movements. Investment in term finance certificates are subject to credit risk and interest rate risks, while equity securities are subject to price risk. These risks are regularly monitored by Trustees of the employee funds.

37.1.11 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of a change in each assumption is summarized below:

	2014			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit
	(Rupees in '000)			
Increase in discount rate by 1 %	(74,592)	(34,461)	(22,218)	(24,301)
Decrease in discount rate by 1 %	84,536	39,069	24,739	27,220
Increase in expected future increment in salary by 1%	-	42,415	-	-
Decrease in expected future increment in salary by 1%	-	(37,996)	-	-
Increase in expected future increment in pension by 1%	73,088	-	-	-
Decrease in expected future increment in pension by 1%	(54,770)	-	-	-
Increase in expected future increment in medical benefit by 1%	-	-	-	25,821
Decrease in expected future increment in medical benefit by 1%	-	-	-	(22,723)

Although the analysis does not take account of the full distribution of expected cash flows, it does provide an approximation of the sensitivity of the assumptions shown.

37.1.12 Expected contributions to be paid to the funds in the next financial year

The Bank contributes to the pension and gratuity funds according to the actuary's advice. Contribution to the benevolent fund is made by the Bank as per the rates set out in the benevolent fund scheme. Based on actuarial advice, management estimates that the expected contribution and charge / (reversal) for the year ended December 31, 2015, would be as follows:

	2015			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit
	(Rupees in '000)			
Expected contribution	98,418	67,278	3,320	-
Expected charge / (reversal) for the year	20,246	92,800	(39,637)	117,987

37.1.13 Maturity profile

	2014			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit
The weighted average duration of the obligation (in years)	6.26	6.05	4.83	5.64

37.1.14 Funding Policy

The Bank endeavours to ensure that liabilities under the various employee benefit schemes are covered by the Fund on any valuation date having regards to the various actuarial assumptions such as projected future salary increase, expected future contributions to the fund, projected increase in liability associated with future service and the projected investment income of the Fund.

37.2 United National Bank Limited Pension and Life Assurance Scheme for U.K Employees.

As part of the Shareholders' Agreement ("the Agreement") signed on November 9, 2001 between UNBL and its shareholders, United Bank Limited and National Bank of Pakistan (NBP), it was agreed that UNBL may participate as an associated employer in the United Bank Limited Pension and Life Assurance Scheme ("the Scheme") with effect from November 19, 2001, the date of completion of transfer of the businesses from the Bank and NBP into UNBL (the Completion Date). The Scheme is classified as a defined benefit scheme providing benefits based on final pensionable salary.

Under the terms of the Agreement, UNBL is responsible for the funding requirements of the active members whose employment was transferred to UNBL on the Completion Date and for any new members admitted to the scheme after the Completion Date. United Bank Limited remains responsible for the funding of the deferred members upto the Completion Date. The scheme is closed for new members and the accrual of benefits has ceased from January 1, 2010.

Full actuarial valuations using the Projected Unit Credit Method are obtained triennially and updated at each statement of financial position date.

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The last full actuarial valuation of the scheme was carried out at January 1, 2014 by a qualified actuary. The major assumptions used by the actuary in the latest update as of December 31, 2014 are as follows:

	2014 ----- Per annum -----	2013 ----- Per annum -----
Discount rate	3.40%	4.40%
Rate of revaluation of pension in deferment	2.50%	3.00%
Expected rate of pension increase	3.50%	3.50%
Price inflation	3.50%	3.50%

37.2.1 The assets and liabilities of the scheme noted below relate to those employees for whom UNBL has a funding liability.

	2014 Return (Rupees in '000)	2013 Return (Rupees in '000)
Insurance policy	4.95% 764,809	4.95% 718,604
Market value of assets	764,809	718,604
Present value of defined benefit obligation	(857,024)	(843,131)
Gross pension liability	(92,215)	(124,527)
Related deferred tax relief	18,474	26,125
Net pension liability	<u>(73,741)</u>	<u>(98,402)</u>

	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
Obligation at the beginning of the year	(98,402)	(149,842)
Interest expense	(1,499)	(8,113)
Remeasurement gain	22,481	50,159
Exchange adjustment	(14,795)	(16,731)
Deficit in scheme at the end of the year	(92,215)	(124,527)
Related deferred tax relief	18,474	26,125
Obligation at the end of the year	<u>(73,741)</u>	<u>(98,402)</u>

No Directors were members of the defined benefit scheme during the year or as at December 31, 2014.

	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
37.2.3 Analysis of the amount credited / (debited) to net interest income		
Expected return on pension scheme assets	33,471	23,223
Interest on pension scheme liabilities	(34,970)	(31,336)
Net return	<u>(1,499)</u>	<u>(8,113)</u>

37.2.4 Sensitivity Analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligation under the benefit scheme. The increase / (decrease) in the present value of defined benefit obligation as a result of a change in each assumption is summarized below:

	2014 Rupees in '000
Increase in discount rate by 1 %	(142,785)
Decrease in discount rate by 1 %	187,406
Increase in expected inflation rate by 1%	68,105
Decrease in expected inflation rate by 1%	(28,651)
Increase in life expectancy by 1 year	22,702
Decrease in life expectancy by 1 year	(23,015)

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Although the analysis does not take account of the full distribution of expected cash flows, it does provide an approximation of the sensitivity of the assumptions shown.

37.3 UBL Fund Managers Limited
37.3.1 Principal actuarial assumptions

UFML operates a funded gratuity scheme. The liability of UFML in respect of this scheme is determined based on an annual actuarial valuation carried out using the Projected Unit Credit Method. The latest valuation was carried out as at December 31, 2014. The main assumptions used in the actuarial valuation are as follows:

	2014	2013
	----- Per annum -----	
Discount rate	12.25%	12.75%
Expected rate of return on plan assets	12.25%	12.75%
Expected rate of salary increase	12.25%	12.75%

37.3.2 Reconciliation of payable to defined benefit plan

	2014	2013
	----- (Rupees in '000) -----	
Present value of defined benefit obligations	48,707	38,122
Fair value of plan assets	(46,943)	(32,445)
Payable	<u>1,764</u>	<u>5,677</u>

37.3.3 Movement in defined benefit obligation

Obligation at the beginning of the year	38,122	33,565
Current service cost	8,119	6,736
Interest cost	5,249	4,327
Benefits paid	(1,369)	(5,830)
Remeasurement gain	(1,414)	(676)
Obligation at the end of the year	<u>48,707</u>	<u>38,122</u>

37.3.4 Movement in the fair value of plan assets

Fair value of plan assets at the beginning of the year	32,445	25,225
Expected return on plan assets	4,290	3,373
Contributions to the plan	7,690	6,573
Benefits paid	(1,369)	(5,830)
Remeasurement gain	3,887	3,104
	<u>46,943</u>	<u>32,445</u>

37.3.5 Composition of plan assets

Debt securities	19,434	18,431
Cash	2,892	4,405
Mutual Funds	4,493	3,007
Equity securities	20,124	6,602
	<u>46,943</u>	<u>32,445</u>

37.3.6 Charge for defined benefit plan

Current service cost	8,119	6,736
Interest cost	5,249	4,327
Expected return on plan assets	(4,290)	(3,373)
	<u>9,078</u>	<u>7,690</u>
Actual return on plan assets	<u>8,176</u>	<u>6,478</u>

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	2014	2013
	----- (Rupees in '000) -----	
37.3.7 Movement in net liability recognised		
Opening net asset	5,677	8,340
Expense recognised	9,078	7,690
Contribution to the fund made during the year	(7,690)	(6,573)
Remeasurement gain- net	(5,301)	(3,780)
Closing net assets	<u>1,764</u>	<u>5,677</u>

37.3.8 Maturity profile and expected future contribution

Based on actuarial advice, management estimates that the expected contribution and charge for the year ended December 31, 2015, would be Rs. 9.078 million and Rs. 9.964 million, respectively. The weighted average duration of the obligation as of December 31, 2014 is 13.02 years.

37.3.9 Sensitivity Analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligation under the defined benefit scheme. The increase / (decrease) in the present value of defined benefit obligation as a result of a change in each assumption is summarized below:

	2014 Rupees in '000
Increase in discount rate by 1 %	(5,313)
Decrease in discount rate by 1 %	6,326
Increase in salary increment rate by 1%	6,509
Decrease in salary increment rate by 1%	(5,551)

Although the analysis does not take account of the full distribution of expected cash flows, it does provide an approximation of the sensitivity of the assumptions shown.

38 OTHER EMPLOYEE BENEFITS
38.1 Defined contribution plan

The Bank operates a contributory provident fund scheme for 7,020 (2013: 6,733) employees who are not in the pension scheme. The employer and employee each contribute 8.33% of the basic salary to the funded scheme every month.

UFML operates a contributory provident fund scheme. The employer and employee each contribute 10% of the basic salary to the funded scheme every month.

UBL Bank (Tanzania) Limited operates a contributory provident fund scheme. The employer and employee each contribute 10% of the basic salary to the funded scheme every month.

38.2 Employee Motivation and Retention Scheme

The Bank has a long term motivation and retention scheme for its employees. The liability of the Bank in respect of the scheme for each year, if any, is fixed, and is accounted for in the year to which the scheme relates. The scheme is managed by separate Trusts formed in respect of each year. During the year, Rs.278.781 million (2013: Rs. 280.668 million) and Rs. 51.138 million (2013: Rs.41.716 million) were received by the Executives and the Chief Executive respectively from the scheme. No new Trust was set up during the current year.

Employee Stock Option Scheme

UBL Fund Managers has an inventive scheme for its top performing employees in the form of share options under the policy of Employee Stock Option Scheme (ESOS). The options give a right to subscribe ordinary shares of the Company to the extent of the lower of two million shares or Five percent of the share Capital of the company as of the grant date. The scheme is divided into three phases and options are exercisable at their respective Exercise price determined from time to time according to methodology provided in approved scheme. Each phase give a right to eligible employees to acquire options after a vesting period of two years, in two tranches i.e. 50% of the vested options are exercisable upon completion of vesting period, while remaining 50% can be exercised after one year. During the year, 176,400 (2013: 182,300) shares were issued pursuant to exercise of the share options.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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39. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2014	2013	2014	2013	2014	2013
	(Rupees in '000)					
Fees	-	-	39,926	33,915	17,741	17,206
Managerial remuneration	222,669	120,707	-	-	5,018,429	5,031,512
Charge for defined benefit plan	1,421	1,442	-	-	305,005	371,662
Charge for defined contribution plan	2,877	2,476	-	-	166,180	152,562
Rent and house maintenance	7,602	4,346	-	-	606,354	557,003
Utilities	2,969	704	-	-	280,214	256,231
Medical	44	61	-	-	131,536	120,404
Conveyance	-	-	-	-	364,036	347,619
Others	8,938	8,632	-	-	390,633	348,657
	<u>246,520</u>	<u>138,368</u>	<u>39,926</u>	<u>33,915</u>	<u>7,280,128</u>	<u>7,202,856</u>
Number of persons	<u>2</u>	<u>1</u>	<u>10</u>	<u>8</u>	<u>1,784</u>	<u>1,722</u>

The amount paid to the President / Chief Executive Officer of the Bank includes an amount of Rs.100.712 million paid during the year as severance cost on cessation of employment to the outgoing President / Chief Executive Officer.

The Bank's President / Chief Executive Officer and certain Executives are provided with use of Bank maintained cars and household equipment.

In addition to the above, all Executives including the Chief Executive Officer of the Bank, are also entitled to certain short and long term employee benefits which are disclosed in note 38.2 to these consolidated financial statements.

40. 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. 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 associates is based on the net assets of the associates as per their latest financial statements.

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

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

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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41. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

For the year ended December 31, 2014

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Asset management	Others	Inter segment elimination
	(Rupees in '000)						
Total income	320,435	17,757,356	37,097,931	11,090,410	862,100	2,536,349	-
Total expenses	111,728	1,280,578	24,555,617	5,608,551	620,889	1,870,904	-
Profit before tax	208,707	16,476,778	12,542,314	5,481,859	241,211	665,445	-
Segment return on assets (ROA)	83.7%	2.0%	1.1%	0.8%	30.3%	-	-
Segment cost of funds	1.6%	6.5%	4.1%	6.3%	-	-	-

For the year ended December 31, 2013

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Asset management	Others	Inter segment elimination
	(Rupees in '000)						
Total income	282,494	16,596,160	30,172,578	10,452,450	630,038	2,074,386	-
Total expenses	84,686	1,373,873	23,933,857	4,504,940	457,595	887,977	-
Profit before tax	197,808	15,222,287	6,238,721	5,947,510	172,443	1,186,409	-
Segment return on assets (ROA)	35.2%	2.1%	0.6%	1.0%	19.9%	-	-
Segment cost of funds	1.4%	6.1%	3.7%	6.4%	-	-	-

As at December 31, 2014

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Asset management	Others	Inter segment elimination
	(Rupees in '000)						
Segment assets (gross of NPLs provisions)	775,136	578,630,275	872,818,868	456,491,912	1,082,670	92,668,476	(775,195,159)
Segment non performing loans (NPLs)	648,147	1,988,086	24,311,780	29,930,610	-	226,854	-
Segment provision held against NPLs	487,423	1,694,502	19,274,579	23,286,695	-	75,866	-
Segment liabilities	152,477	532,277,295	863,632,502	418,936,969	174,359	4,970,059	(775,195,159)

As at December 31, 2013

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Asset management	Others	Inter segment elimination
	(Rupees in '000)						
Segment assets (gross of NPLs provisions)	871,272	542,686,795	796,947,484	408,036,105	883,739	88,012,016	(709,306,750)
Segment non performing loans (NPLs)	686,875	2,065,568	25,055,587	26,826,792	-	200,110	-
Segment provision held against NPLs	489,059	1,708,033	20,397,714	21,842,639	-	60,500	-
Segment liabilities	254,047	497,318,046	804,325,091	369,875,057	114,926	9,779,152	(709,306,750)

Segment assets and liabilities include inter segment balances.

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

42. TRUST ACTIVITIES

The Group is not engaged in any significant trust activities. However, it acts as custodian for some of the Term Finance Certificates it arranges and distributes on behalf of its customers.

43. RELATED PARTY TRANSACTIONS

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

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

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

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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43.1. RELATED PARTY TRANSACTIONS

	2014				2013			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
	(Rupees in '000)							
Lendings to financial institutions								
Other lendings to financial institutions	-	-	500,000	-	-	-	-	-
Investments								
Opening balance	-	-	7,732,898	4,098,108	-	-	12,635,789	510,192
Investment made during the year	-	-	3,897,489	-	-	-	2,027,196	971,319
Investment redeemed / disposed off during the year	-	-	(2,985,033)	(180,363)	-	-	(8,170,659)	(491,881)
Transfer in / (out) - net	-	-	-	-	-	-	-	3,108,478
Equity method adjustments	-	-	1,387,485	-	-	-	1,240,572	-
Closing balance	-	-	10,032,839	3,917,745	-	-	7,732,898	4,098,108
Provision for diminution in value of investments	-	-	-	118,356	-	-	-	116,548
Advances								
Opening balance	-	268,862	2,155,149	412,954	-	254,497	-	11,913,710
Addition during the year	3,668	101,656	-	14,328,295	-	123,214	-	9,707,517
Repaid during the year	(3,300)	(129,501)	-	(5,347,244)	-	(108,849)	-	(21,208,273)
Transfer in / (out) - net	-	8,979	-	-	-	-	2,155,149	-
Closing balance	368	249,996	2,155,149	9,394,005	-	268,862	2,155,149	412,954
Provision held against advances	-	-	2,155,149	-	-	-	2,155,149	-
Other Assets								
Interest mark-up accrued	-	155	14,893	283,323	-	78	-	146,360
Receivable from staff retirement funds	-	-	-	88,862	-	-	-	60,977
Prepaid insurance	-	-	27	-	-	-	19	-
Remuneration receivable from management of funds	-	-	59,493	5,051	-	-	37,991	1,338
Sales load receivable	-	-	2,415	-	-	-	1,191	-
Formation cost receivable	-	-	11,100	-	-	-	12,270	-
Dividend receivable	-	-	-	-	-	-	1,201	-
Other receivable	-	-	888	30,164	-	-	3,156	30,164
Provision against other assets	-	-	-	30,164	-	-	-	30,164
Borrowings								
Opening balance	-	-	-	-	-	-	-	306,215
Borrowings during the year	-	-	-	-	-	-	2,155,493	16,356,760
Settled during the year	-	-	-	-	-	-	(2,155,493)	(16,662,975)
Closing balance	-	-	-	-	-	-	-	-
Deposits and other accounts								
Opening balance	7,506,473	161,288	667,512	734,999	6,173,963	128,400	824,546	2,583,608
Received during the year	26,067,173	1,649,178	112,528,554	127,557,270	22,861,734	1,062,030	67,508,254	206,417,373
Withdrawn during the year	(26,710,567)	(1,609,409)	(110,694,471)	(128,179,674)	(21,522,949)	(1,029,142)	(67,665,288)	(207,536,396)
Transfer in / (out) - net	1,056,940	(20,537)	-	92,312	(6,275)	-	-	(729,586)
Closing balance	7,920,019	180,520	2,501,595	204,907	7,506,473	161,288	667,512	734,999
Other Liabilities								
Interest / mark-up payable on deposits	47,181	1,344	9,793	266	32,260	1,265	-	3,511
Payable to staff retirement fund	-	-	-	155,908	-	-	-	258,534
Contingencies and Commitments								
Letter of guarantee	-	-	41,600	-	-	-	78,051	-
Forward foreign exchange contracts purchase	-	-	-	149,615	-	-	-	-
Forward foreign exchange contracts sale	-	-	-	31,313	-	-	-	-

	2014				2013			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
	(Rupees in '000)							
Mark-up / return / interest earned	-	11,421	15,053	830,678	-	11,582	-	932,765
Commission / charges recovered	76	481	1,292	496	14	84	18,178	27,459
Dividend received	-	-	44,162	605,051	-	-	36,680	459,451
Net gain on sale of securities	-	-	247,957	50,572	-	-	927,907	8,719
Remuneration from management of fund	-	-	514,521	19,216	-	-	412,928	10,540
Sales Load	-	-	174,858	-	-	-	91,540	-
Other income	-	1,107	5,243	-	-	153	4,266	-
Mark-up / return / interest paid	194,835	3,765	106,086	17,311	260,037	3,604	56,922	114,301
Remuneration paid	-	1,141,536	-	-	-	1,032,942	-	-
Post employment benefits	-	44,332	-	-	-	29,650	-	-
Non-executive directors' fee	39,926	-	-	-	33,915	-	-	-
Net charge for defined contribution plans	-	-	-	296,349	-	-	-	271,324
Net charge / (reversal) for defined benefit plans	-	-	-	119,994	-	-	-	(73,920)
Donation	-	-	-	10,000	-	-	-	-
Insurance premium paid	-	-	273,000	-	-	-	269,165	-
Insurance claims settled	-	-	135,649	-	-	-	175,176	-
Other expenses	-	-	75,727	109,466	-	-	20,605	87,192

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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44. CAPITAL ADEQUACY

- 44.1** The State Bank of Pakistan (SBP) through its BPRD Circular No. 6 dated August 15, 2013 has issued Basel III Capital instructions for Banks / DFIs. The revision to the previously applicable Capital Adequacy regulations pertain to components of eligible capital and related deductions. The amendments have been introduced with an aim to further strengthen the existing capital related rules. Basel III instructions have become effective from December 31, 2013; however, there is a transitional phase during which the complete requirements would become applicable with full implementation by December 31, 2019.

The Group's capital adequacy is reported using the rules and ratios provided by the State Bank of Pakistan. The capital adequacy ratio is a measure of the amount of a Group's capital expressed as a percentage of its risk weighted assets (RWAs). Banking operations are categorized as either Trading Book or Banking Book and RWAs are determined according to specific treatments as per the requirements of SBP that measure the varying levels of risk attached to on balance sheet and off-balance sheet exposures. 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 Group's exposures based on eligible collateral.

The Group performs its Internal Capital Adequacy Assessment Process (ICAAP) as per the guidelines provided by the SBP. The ICAAP has been approved by the Group's Board of Directors and submitted to the SBP. The Group additionally covers risks not yet included under Pillar I, so as to carry adequate capital to cater for any future business requirements.

The Group plans to move towards the Advanced Approaches as prescribed under Basel Framework, including the Foundation Internal Ratings Based Approach for credit risk, Internal Models Approach for market risk and the Alternate Standardized Approach for operational risk.

44.2 Capital Management

The objective of managing capital is to safeguard the Group's ability to continue as a going concern. It is the policy of the Group to maintain a strong capital base so as to maintain investor, depositor and market confidence and to sustain future development of the business. The Group aims to maintain an optimum level of capital along with maximizing shareholders' return as we consider a sound capital position as more appropriate as opposed to leverage supporting business growth.

Statutory minimum capital and capital adequacy requirements

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, 2014. The paid-up capital of the Bank for the year ended December 31, 2014 stood at Rs.12,241.798 million (2013: 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% 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 5.5% and 7.0%, respectively, as at December 31, 2014. As at December 31, 2014 the Group is fully compliant with prescribed ratios as the Group's CAR is 14.3% whereas CET 1 and Tier 1 ratios both stood at 10.1%. The Group and its individually regulated operations have complied with all capital requirements throughout the year.

Tier 1 capital comprises of Common Equity Tier 1 (CET 1) and Additional Tier 1 (AT 1) capital.

CET 1 capital includes fully paid-up capital, balance in share premium account, general reserves as per the financial statements, net unappropriated profits and minority interests meeting the eligibility criteria.

AT 1 capital includes instruments meeting the prescribed SBP criteria e.g. perpetual non-cumulative preference shares.

The deductions from Tier 1 capital include mainly:

- i) Book value of goodwill / intangibles;
- ii) Deficit on revaluation of available for sale investments;;
- iii) Reciprocal cross holdings in equity capital instruments of other banks, financial institutions and insurance companies;
- iv) Investment in mutual funds above a prescribed ceiling;
- v) Threshold deductions applicable from 2014 on deferred tax assets and certain investments;
- vi) 40% of investments in majority owned securities or other financial subsidiaries not consolidated in the statement of financial position, during transition phase.

Tier 2 capital includes general provisions for loan losses, surplus on the revaluation of fixed assets and equity investments, foreign exchange translation reserves and subordinated debts (meeting the revised eligibility criteria). The deductions from Tier 2 include mainly:

- i) Reciprocal cross holdings in other capital instruments of other banks, financial institution and insurance companies;
- ii) 40% of investments in majority owned securities or other financial subsidiaries not consolidated in the statement of financial position, during transition phase.

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44.3 Capital Adequacy Ratio (CAR) disclosure template:

	2014 ----- (Rupees in '000) ----- Amount	2013 ----- (Rupees in '000) ----- Amount
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	12,241,798	12,241,798
2 Balance in Share Premium Account	-	-
3 Reserve for issue of Bonus Shares	-	-
4 Discount on Issue of shares	-	-
5 General/ Statutory Reserves	21,903,578	19,705,205
6 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated/unremitted profits/ (losses)	52,507,655	45,208,302
8 Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	4,252,698	3,487,918
9 CET 1 before Regulatory Adjustments	90,905,729	80,643,223
10 Total regulatory adjustments applied to CET1 (Note 44.3.1)	6,142,962	6,410,338
11 Common Equity Tier 1	84,762,767	74,232,885
Additional Tier 1 (AT 1) Capital		
12 Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
13 of which: Classified as equity	-	-
14 of which: Classified as liabilities	-	-
15 Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	107,665	-
16 of which: instrument issued by subsidiaries subject to phase out	-	-
17 AT1 before regulatory adjustments	-	-
18 Total regulatory adjustment applied to AT1 capital (Note 44.3.2)	(107,665)	-
19 Additional Tier 1 capital after regulatory adjustments	-	-
20 Additional Tier 1 capital recognized for capital adequacy	-	-
21 Tier 1 Capital (CET1 + admissible AT1) (11+20)	84,762,767	74,232,885
Tier 2 Capital		
24 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
25 Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules	-	-
26 Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	179,441	-
27 of which: instruments issued by subsidiaries subject to phase out	-	-
28 General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	2,098,363	1,893,743
29 Revaluation Reserves (net of taxes)	17,312,859	8,468,756
30 of which: Revaluation reserves on fixed assets	11,612,780	7,506,099
31 of which: Unrealized gains/losses on AFS	5,700,079	962,657
32 Foreign Exchange Translation Reserves	15,382,510	18,347,365
33 Undisclosed/Other Reserves (if any)	-	-
34 T2 before regulatory adjustments	34,973,173	28,709,864
35 Total regulatory adjustment applied to T2 capital (Note 44.3.3)	563,729	615,953
36 Tier 2 capital (T2) after regulatory adjustments	34,409,444	28,093,911
37 Tier 2 capital recognized for capital adequacy	34,409,444	28,093,911
38 Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
39 Total Tier 2 capital admissible for capital adequacy	34,409,444	28,093,911
40 TOTAL CAPITAL (T1 + admissible T2) (21+39)	119,172,211	102,326,796
41 Total Risk Weighted Assets (RWA) {for details refer Note 44.6}	836,227,685	772,130,488
Capital Ratios and buffers (in percentage of risk weighted assets)		
42 CET1 to total RWA	10.1%	9.6%
43 Tier-1 capital to total RWA	10.1%	9.6%
44 Total capital to total RWA	14.3%	13.3%
45 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	-	-
46 of which: capital conservation buffer requirement	-	-
47 of which: countercyclical buffer requirement	-	-
48 of which: D-SIB or G-SIB buffer requirement	-	-
49 CET1 available to meet buffers (as a percentage of risk weighted assets)	-	-
National minimum capital requirements prescribed by SBP		
50 CET1 minimum ratio	5.5%	5.0%
51 Tier 1 minimum ratio	7.0%	6.5%
52 Total capital minimum ratio	10.0%	10.0%

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Regulatory Adjustments and Additional Information

		2014		2013
		Amount	Amounts subject to Pre- Basel III treatment*	Amount
		(Rupees in '000)		
44.3.1	Common Equity Tier 1 capital: Regulatory adjustments			
1	Goodwill (net of related deferred tax liability)	-		-
2	All other intangibles (net of any associated deferred tax liability)	1,223,589		1,738,920
3	Shortfall in provisions against classified assets*	774,826		718,500
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-		-
5	Defined-benefit pension fund net assets	-	-	-
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	1,358,694		786,878
7	Cash flow hedge reserve	-		4,962
8	Investment in own shares/ CET1 instruments	-		-
9	Securitization gain on sale	-		-
10	Capital shortfall of regulated subsidiaries	-		-
11	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-		-
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-		-
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-		-
15	Amount exceeding 15% threshold	-		-
16	of which: significant investments in the common stocks of financial entities	-		-
17	of which: deferred tax assets arising from temporary differences	-		-
18	National specific regulatory adjustments applied to CET1 capital	-		-
19	Investments in TFCs of other banks exceeding the prescribed limit	-		-
20	Any other deduction specified by SBP (mention details)	-		-
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	2,785,853		3,161,078
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	6,142,962		6,410,338
44.3.2	Additional Tier-1 : regulatory adjustments			
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	2,329,789		2,545,125
24	Investment in own AT1 capital instruments	-		-
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-		-
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-		-
28	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-		-
29	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	563,729	563,729	615,953
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	2,893,518		3,161,078
44.3.3	Tier 2 Capital: regulatory adjustments			
31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	563,729	563,729	615,953
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-		-
33	Investment in own Tier 2 capital instrument	-		-
34	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-		-
36	Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	563,729		615,953
44.3.4	Additional Information			
Risk Weighted Assets subject to pre-Basel III treatment				
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-		-
(i)	of which: deferred tax assets	-		-
(ii)	of which: Defined-benefit pension fund net assets	-		58,964
(iii)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-		-
(iv)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-		-
Amounts below the thresholds for deduction (before risk weighting)				
38	Non-significant investments in the capital of other financial entities	-		-
39	Significant investments in the common stock of financial entities	-		-
40	Deferred tax assets arising from temporary differences (net of related tax liability)	-		-
Applicable caps on the inclusion of provisions in Tier 2				
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-		-
42	Cap on inclusion of provisions in Tier 2 under standardized approach	-		-
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-		-
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-		-

* This represents benefit of relaxation in provisioning requirement allowed by SBP for a classified customer of the Group.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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44.4 Capital Structure Reconciliation

Step 1	Balance Sheet as per published financial statements As at Dec 31, 2014	Under regulatory scope of consolidation As at Dec 31, 2014
	----- (Rupees in '000) -----	
Assets		
Cash and balances with treasury banks	75,660,306	75,660,306
Balances with other banks	21,948,274	21,948,274
Lending to financial institutions	23,435,222	23,435,222
Investments	519,602,007	519,602,007
Advances	467,365,292	467,365,292
Operating fixed assets	33,335,646	33,335,646
Deferred tax assets - net	-	-
Other assets	41,106,366	41,106,366
Total assets	1,182,453,113	1,182,453,113
Liabilities & Equity		
Bills payable	9,559,255	9,559,255
Borrowings	53,248,526	53,248,526
Deposits and other accounts	951,902,296	951,902,296
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	429	429
Deferred tax liability - net	2,139,586	2,139,586
Other liabilities	28,098,410	28,098,410
Total liabilities	1,044,948,502	1,044,948,502
Share capital	12,241,798	12,241,798
Reserves	37,286,088	37,286,088
Unappropriated profit	52,507,655	52,507,655
Total equity attributable to equity holders of the Bank	102,035,541	102,035,541
Non-controlling interest	4,553,250	4,553,250
	106,588,791	106,588,791
Surplus on revaluation of assets - net of deferred tax	30,915,820	30,915,820
Total liabilities and equity	1,182,453,113	1,182,453,113

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**
44.4 Capital Structure (Contd.)

Step 2	Balance Sheet as per published financial statements As at Dec 31, 2014	Under regulatory scope of consolidation As at Dec 31, 2014	Reference
	----- (Rupees in '000) -----		
Assets			
Cash and balances with treasury banks	75,660,306	75,660,306	
Balances with other banks	21,948,274	21,948,274	
Lendings to financial institutions	23,435,222	23,435,222	
Investments	519,602,007	519,602,007	
<i>of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold</i>	-	-	a
<i>of which: significant capital investments in financial sector entities exceeding regulatory threshold</i>	-	-	b
<i>of which: Mutual Funds exceeding regulatory threshold</i>	2,329,789	2,329,789	c
<i>of which: reciprocal crossholding of capital instrument</i>	1,358,694	1,358,694	d
<i>of which: others (mention details)</i>	-	-	e
Advances	467,365,292	467,365,292	
<i>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB</i>	774,826	774,826	f
<i>general provisions reflected in Tier 2 capital</i>	2,098,363	2,098,363	g
Fixed Assets	33,335,646	33,335,646	
<i>of which: Goodwill</i>	-	-	j
<i>of which: Intangibles</i>	1,453,384	1,453,384	k
Deferred Tax Assets	-	-	
<i>of which: DTAs excluding those arising from temporary differences</i>	-	-	h
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	-	-	i
Other assets	41,106,366	41,106,366	
<i>of which: Defined-benefit pension fund net assets</i>	-	-	l
Total assets	1,182,453,113	1,182,453,113	
Liabilities & Equity			
Bills payable	9,559,255	9,559,255	
Borrowings	53,248,526	53,248,526	
Deposits and other accounts	951,902,296	951,902,296	
Sub-ordinated loans	-	-	
<i>of which: eligible for inclusion in AT1</i>	-	-	m
<i>of which: eligible for inclusion in Tier 2</i>	-	-	n
Liabilities against assets subject to finance lease	429	429	
Deferred tax liabilities	2,139,586	2,139,586	
<i>of which: DTLs related to goodwill</i>	-	-	o
<i>of which: DTLs related to intangible assets</i>	229,795	229,795	p
<i>of which: DTLs related to defined pension fund net assets</i>	-	-	q
<i>of which: other deferred tax liabilities</i>	1,909,791	1,909,791	r
Other liabilities	28,098,410	28,098,410	
Total liabilities	1,044,948,502	1,044,948,502	
Share capital	12,241,798	12,241,798	
<i>of which: amount eligible for CET1</i>	12,241,798	12,241,798	s
<i>of which: amount eligible for AT1</i>	-	-	t
Reserves	37,286,088	37,286,088	
<i>of which: portion eligible for inclusion in CET1(provide breakup)</i>	21,903,578	21,903,578	u
<i>of which: portion eligible for inclusion in Tier 2</i>	15,382,510	15,382,510	v
Unappropriated profit/ (losses)	52,507,655	52,507,655	w
Minority Interest	4,553,250	4,553,250	
<i>of which: portion eligible for inclusion in CET1</i>	4,252,698	4,252,698	x
<i>of which: portion eligible for inclusion in AT1</i>	107,665	107,665	y
<i>of which: portion eligible for inclusion in Tier 2</i>	179,441	179,441	z
Surplus on revaluation of assets	30,915,820	30,915,820	
<i>of which: Revaluation reserves on Property</i>	20,737,107	20,737,107	aa
<i>of which: Unrealized Gains/Losses on AFS</i>	10,178,713	10,178,713	
<i>In case of Deficit on revaluation (deduction from CET1)</i>	-	-	ab
Total liabilities and equity	1,182,453,113	1,182,453,113	

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44.4 Capital Structure (Contd.)

Step 3	Component of regulatory capital reported by bank (Rupees in '000)	Source based on reference number from step 2
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	12,241,798	(s)
2 Balance in Share Premium Account	-	
3 Reserve for issue of Bonus Shares	-	
4 General/ Statutory Reserves	21,903,578	(u)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6 Unappropriated/unremitted profits/(losses)	52,507,655	(w)
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	4,252,698	(x)
8 CET 1 before Regulatory Adjustments	90,905,729	
Common Equity Tier 1 capital: Regulatory adjustments		
9 Goodwill (net of related deferred tax liability)	-	(j) - (o)
10 All other intangibles (net of any associated deferred tax liability)	1,223,589	(k) - (p)
11 Shortfall of provisions against classified assets	774,826	(f)
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{(h) - (r)} * x%
13 Defined-benefit pension fund net assets	-	{(l) - (q)} * x%
14 Reciprocal cross holdings in CET1 capital instruments	1,358,694	(d)
15 Cash flow hedge reserve	-	
16 Investment in own shares/ CET1 instruments	-	
17 Securitization gain on sale	-	
18 Capital shortfall of regulated subsidiaries	-	
19 Deficit on account of revaluation from bank's holdings of property/ AFS	-	(ab)
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23 Amount exceeding 15% threshold	-	
24 of which: significant investments in the common stocks of financial entities	-	
25 of which: deferred tax assets arising from temporary differences	-	
26 National specific regulatory adjustments applied to CET1 capital	-	
27 Investment in TFCs of other banks exceeding the prescribed limit	-	
28 Any other deduction specified by SBP (mention details)	-	
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	2,785,853	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 25)	6,142,962	
Common Equity Tier 1	84,762,767	
Additional Tier 1 (AT 1) Capital		
31 Qualifying Additional Tier-1 instruments plus any related share premium	-	
32 of which: Classified as equity	-	(t)
33 of which: Classified as liabilities	-	(m)
34 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
35 of which: instrument issued by subsidiaries subject to phase out	-	
36 AT1 before regulatory adjustments		

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44.4 Capital Structure (Contd.)

	Component of regulatory capital reported by bank (Rupees in '000)	Source based on reference number from step 2
Additional Tier 1 Capital: regulatory adjustments		
37 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	2,329,789	
38 Investment in own AT1 capital instruments		
39 Reciprocal cross holdings in Additional Tier 1 capital instruments		
40 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		(ac)
41 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation		(ad)
42 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	563,729	
43 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		
44 Total of Regulatory Adjustment applied to AT1 capital	2,893,518	
45 Additional Tier 1 capital		
46 Additional Tier 1 capital recognized for capital adequacy	-	
Tier 1 Capital (CET1 + admissible AT1)	84,762,767	
Tier 2 Capital		
47 Qualifying Tier 2 capital instruments under Basel III	-	(n)
48 Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	
49 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	179,441	(z)
50 of which: instruments issued by subsidiaries subject to phase out	-	
51 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	2,098,363	(g)
52 Revaluation Reserves eligible for Tier 2		
53 of which: portion pertaining to Property	11,612,780	portion of (aa)
54 of which: portion pertaining to AFS securities	5,700,079	
55 Foreign Exchange Translation Reserves	15,382,510	(v)
56 Undisclosed/Other Reserves (if any)		
57 T2 before regulatory adjustments	34,973,173	
Tier 2 Capital: regulatory adjustments		
58 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	563,729	
59 Reciprocal cross holdings in Tier 2 instruments	-	
60 Investment in own Tier 2 capital instrument	-	
61 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
62 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
63 Amount of Regulatory Adjustment applied to T2 capital	563,729	
64 Tier 2 capital (T2)	34,409,444	
65 Tier 2 capital recognized for capital adequacy	34,409,444	
66 Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
67 Total Tier 2 capital admissible for capital adequacy	34,409,444	
TOTAL CAPITAL (T1 + admissible T2)	119,172,211	

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

44.5 Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments

	Main Features	Common Shares
1	Issuer	United Bank Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	On KSE "UBL" and on Bloomberg "UBLS".
3	Governing law(s) of the instrument	Relevant Capital Market Laws
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/ group/ group&solo	Group & Standalone
7	Instrument type	Ordinary Shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	12,241,798
9	Par value of instrument	Rs 10 each
10	Accounting classification	Shareholders' equity
11	Original date of issuance	1959
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Not applicable
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	Not applicable
18	coupon rate and any related index/ benchmark	Not applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Not applicable
23	Convertible or non-convertible	Non Convertible
24	If convertible, conversion trigger (s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	Not applicable
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Common equity (ranks after all creditors including depositors)
36	Non-compliant transitioned features	Not applicable
37	If yes, specify non-compliant features	Not applicable

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**
44.6 Capital Adequacy Ratio

Risk weighted exposures	Capital requirements		Risk weighted assets	
	2014	2013	2014	2013
	----- (Rupees in '000) -----			
Credit risk				
Claims on:				
Federal and Provincial Governments, SBP and other sovereigns – in foreign currency	4,785,856	6,758,693	47,858,558	67,586,925
Public Sector Enterprises	911,266	960,626	9,112,661	9,606,261
Banks	6,109,873	6,650,620	61,098,727	66,506,196
Corporates	32,235,518	28,307,908	322,355,177	283,079,078
Retail portfolio	2,081,800	1,989,795	20,817,996	19,897,945
Secured by residential property	137,871	143,327	1,378,708	1,433,267
Past due loans	2,223,213	2,092,058	22,232,133	20,920,579
Listed equity investments	271,521	196,915	2,715,213	1,969,145
Unlisted equity investments	22,249	22,972	222,494	229,724
Commercial entity	52,846	67,623	528,460	676,228
Investments in fixed assets	3,211,206	2,648,058	32,112,055	26,480,580
Significant investment and deferred tax asset	70,466	-	704,661	-
Other assets	1,313,900	1,323,991	13,139,000	13,239,908
	53,427,585	51,162,586	534,275,843	511,625,836
Market risk				
Interest rate risk	10,849,112	8,988,077	135,613,900	112,350,956
Equity exposure risk	3,393,676	2,691,497	42,420,950	33,643,712
Foreign exchange risk	998,684	922,858	12,483,550	11,535,736
	15,241,472	12,602,432	190,518,400	157,530,404
Operational risk	8,914,675	8,237,940	111,433,442	102,974,248
	77,583,732	72,002,958	836,227,685	772,130,488
Capital adequacy ratio				
Total eligible regulatory capital held	119,172,211	102,326,796		
Total risk weighted assets	836,227,685	772,130,488		
CET1 to total RWA	10.1%	9.6%		
Tier-1 capital to total RWA	10.1%	9.6%		
Total capital to total RWA	14.3%	13.3%		

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**
44.7 Credit risk - General disclosures

The Group follows the Standardized Approach for its credit risk exposures, which sets out fixed risk weights corresponding to external credit ratings or type of exposure, whichever is applicable.

Under the Standardized Approach, the capital requirement is based on the credit rating assigned to counterparties by External Credit Assessment Institutions (ECAIs) duly recognized by the SBP. The Group selects particular ECAIs for each type of exposure. The Group utilizes the credit ratings assigned by Pakistan Credit Rating Agency (PACRA), Japan Credit Rating Company Limited – Vital Information Systems (JCR-VIS), Fitch, Moody's and Standard & Poors (S & P). The Group also utilizes rating scores of Export Credit Agencies (ECAs) participating in the "Arrangement on Officially Supported Export Credits".

Types of exposure and ECAIs used

	FITCH	Moody's	S & P	PACRA	JCR-VIS	ECA scores
Corporates	-	✓	-	✓	✓	-
Banks	✓	✓	✓	✓	✓	-
Sovereigns	-	-	-	-	-	✓
Public sector enterprises	-	-	-	✓	✓	-

Mapping to SBP Rating Grades

For all exposures, the selected ratings are translated to the standard rating grades given by the SBP. The mapping tables used for converting ECAI ratings to SBP rating grades are given below:

Long Term Rating Grades mapping

SBP Rating grade	Fitch	Moody's	S & P	PACRA	JCR-VIS	ECA Scores
1	AAA	Aaa	AAA	AAA	AAA	0
	AA+	Aa1	AA+	AA+	AA+	1
	AA	Aa2	AA	AA	AA	
2	AA-	Aa3	AA-	AA-	AA-	
	A+	A1	A+	A+	A+	2
	A	A2	A	A	A	
3	A-	A3	A-	A-	A-	
	BBB+	Baa1	BBB+	BBB+	BBB+	3
	BBB	Baa2	BBB	BBB	BBB	
4	BBB-	Baa3	BBB-	BBB-	BBB-	
	BB+	Ba1	BB+	BB+	BB+	4
	BB	Ba2	BB	BB	BB	
5	BB-	Ba3	BB-	BB-	BB-	
	B+	B1	B+	B+	B+	5
	B	B2	B	B	B	6
6	B-	B3	B-	B-	B-	
	CCC+ and below	Caa1 and below	CCC+ and below	CCC+ and below	CCC+ and below	7

Short Term Rating Grades mapping

SBP Rating Grade	Fitch	Moody's	S & P	PACRA	JCR-VIS
S1	F1	P-1	A-1+	A-1+	A-1+
S1	F1	P-1	A-1	A-1	A-1
S2	F2	P-2	A-2	A-2	A-2
S3	F3	P-3	A-3	A-3	A-3
S4	Others	Others	Others	Others	Others

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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44.8 Credit exposures subject to Standardized Approach

Exposures	Rating category / risk weights	2014 (Rupees in '000)			2013 (Rupees in '000)		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
Cash and cash equivalents	-	12,996,271	-	12,996,271	15,091,261	-	15,091,261
Claims on Federal and Provincial Governments and SBP, denominated in PKR	-	212,099,704	51,146,981	160,952,723	123,596,908	24,042,563	99,554,345
Foreign currency claims on SBP arising out of statutory obligations in Pakistan	-	8,621,400	-	8,621,400	7,941,106	-	7,941,106
Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	1	1,241,372	-	1,241,372	1,093,807	-	1,093,807
	2	13,048,768	-	13,048,768	12,405,042	-	12,405,042
	3	2,603,011	-	2,603,011	2,041,352	-	2,041,352
	4,5	5,407,648	-	5,407,648	6,812,875	-	6,812,875
	6	25,693,100	-	25,693,100	38,181,577	-	38,181,577
	Unrated	-	-	-	-	-	-
		47,993,899	-	47,993,899	60,534,653	-	60,534,653
Corporates	0	-	-	-	-	-	-
	1	45,585,451	9,438,882	36,146,569	23,284,438	-	23,284,438
	2	34,001,545	1,816	33,999,729	33,394,224	29,279	33,364,945
	3,4	1,680,730	28,924	1,651,806	21,944,456	27,404	21,917,052
	5,6	104,643	-	104,643	61,144	-	61,144
	Unrated-1	243,433,051	17,359,080	226,073,971	260,708,536	20,977,585	239,730,951
	Unrated-2	61,871,917	790,824	61,081,093	-	-	-
		386,677,337	27,619,526	359,057,811	339,392,798	21,034,268	318,358,530
Claims on banks with maturity less than 3 months and denominated in foreign currency	1,2,3	615,160	-	615,160	603,360	-	603,360
	4,5	569,714	-	569,714	-	-	-
	6	-	-	-	-	-	-
	Unrated	4,163,123	-	4,163,123	2,687,685	1,851	2,685,834
		5,347,997	-	5,347,997	3,291,045	1,851	3,289,194
Banks - others	0	-	-	-	-	-	-
	1	41,642,903	3,292,633	38,350,270	78,079,437	25,822,976	52,256,461
	2,3	47,771,697	-	47,771,697	41,342,565	-	41,342,565
	4,5	9,886,190	-	9,886,190	3,868,452	-	3,868,452
	6	3,227,208	-	3,227,208	14,597,086	-	14,597,086
	Unrated	27,150,610	-	27,150,610	17,962,298	39,265	17,923,033
		129,678,608	3,292,633	126,385,975	155,849,838	25,862,241	129,987,597
Public sector enterprises	0	-	-	-	-	-	-
	1	12,744,261	1,950,562	10,793,699	12,176,901	1,501,690	10,675,211
	2,3	-	-	-	-	-	-
	4,5	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	70,973,819	57,065,977	13,907,842	54,497,938	39,555,501	14,942,437
		83,718,080	59,016,539	24,701,541	66,674,839	41,057,191	25,617,648
Retail portfolio	75%	29,430,563	1,673,234	27,757,329	29,300,295	2,769,701	26,530,594
	35%	3,939,166	-	3,939,166	4,095,047	-	4,095,047
		33,369,729	1,673,234	31,696,495	33,395,342	2,769,701	30,625,641
Equity investments	- Listed	2,715,213	-	2,715,213	1,969,145	-	1,969,145
	- Unlisted	148,329	-	148,329	153,150	-	153,150
	- Commercial Entity (Holding greater than 10%)	52,846	-	52,846	67,623	-	67,623
		2,916,388	-	2,916,388	2,189,918	-	2,189,918
Past due loans secured against mortgage of residential property:							
- less than 20% provided	100%	37,216	-	37,216	68,351	-	68,351
- greater than 20% provided	50%	152,320	-	152,320	241,163	-	241,163
		189,536	-	189,536	309,514	-	309,514
Past due loans - others							
- Less than 20% provided	150%	11,478,633	-	11,478,633	8,308,092	20	8,308,072
- Between 20% to 50% provided	100%	4,259,661	-	4,259,661	6,783,712	-	6,783,712
- More than 50% provided	50%	1,282,292	-	1,282,292	2,971,651	-	2,971,651
		17,020,586	-	17,020,586	18,063,455	20	18,063,435
Significant investment and deferred tax asset (greater than 15 % threshold)	250%	281,864	-	281,864	-	-	-
Fixed assets	100%	32,112,055	-	32,112,055	26,480,580	-	26,480,580
Others		13,139,000	-	13,139,000	13,239,908	-	13,239,908
		986,162,454	142,748,913	843,413,541	866,051,165	114,767,835	751,283,330

Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardized Approach

The Group has adopted the Comprehensive Approach of Credit Risk Mitigation for the Banking Book. Under this approach, cash, lien on deposits, government securities and eligible guarantees etc. are considered as eligible collateral. The Group has in place detailed guidelines with respect to the valuation and management of each of these types of collateral. Where the Group's exposure to an obligor is secured by eligible collateral, the Group reduces its exposure for the calculation of capital requirement by the realizable amount of the collateral, adjusted for any applicable haircuts.

No credit risk mitigation benefit is taken in the Trading Book.

For each asset class, the risk weights as specified by the SBP or corresponding to the SBP rating grades are applied to the net amount for the calculation of Risk Weighted Assets.

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45. RISK MANAGEMENT

This section presents information about the Group's exposure to and its management and control of risks, in particular, the primary risks associated with its use of financial instruments such as credit, market, liquidity, and operational risks.

The Bank has an integrated risk management structure in place. The Board Risk and Compliance Committee (BRCC) oversees the entire risk management process of the Bank. The Risk and Credit Policy Group is responsible for the development and implementation of all risk policies as approved by the BRCC / BoD. The group is organized into the functions of Market & Financial Institutions Risk, Credit Policy & Research, Credit Risk Management and Operational Risk & Basel II. Each risk function is headed by a senior manager who reports directly to the Group Head, Risk and Credit Policy. The role of the Risk and Credit Policy Group includes:

- Determining guidelines relating to the Bank's risk appetite.
- Recommending risk management policies in accordance with the Prudential Regulations, Basel II framework and international best practices.
- Reviewing policies/ manuals and ensuring that these are in accordance with BRCC / BoD approved risk management policies.
- Developing systems and resources to review the key risk exposures of the Bank.
- Approving credits and granting approval authority to qualified and experienced individuals.
- Reviewing the adequacy of credit training across the Bank.
- Organizing portfolio reviews focusing on quality assessment, risk profiles, industry concentrations, etc.
- Setting systems to identify significant portfolio indicators, problem credits and level of provisioning required.

45.1 Credit risk

Credit risk is the risk that a customer or counterparty may not settle an obligation for full value, either when due or at any time thereafter. This risk arises from the potential that a customer's or counterparty's willingness or ability to meet such an obligation is impaired, resulting in an economic loss to the Group.

The credit risk management process is driven by the Bank's Credit Policy, which provides policies and procedures in relation to credit initiation, approval, documentation and disbursement, credit maintenance and remedial management.

Individual credit authorities are delegated to credit officers by the Board according to their seasoning/maturity. Approvals for Corporate and Consumer loans are centralized, while approval authorities for Commercial and SME exposures are delegated to a Regional level. All credit policy functions are centrally organized.

Concentrations of credit risk exist if clients are engaged in similar activities, or are located in the same geographical region, or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. The Group manages, limits and controls concentrations of credit risk to individual counterparties and groups, and to industries, where appropriate. Limits are also applied to portfolios or sectors where the Group considers it appropriate to restrict credit risk concentrations, or to areas of higher risk, or to control the rate of portfolio growth.

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45.2 Segmental information

45.2.1 Segments by class of business

	2014					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	6,580,613	1.28%	17,495,393	1.84%	6,023,366	0.88%
Agri business	56,121,545	10.91%	47,434,593	4.98%	3,051,752	0.45%
Textile spinning	21,293,765	4.14%	1,682,451	0.18%	1,545,559	0.23%
Textile weaving	2,810,593	0.55%	9,446,002	0.99%	666,421	0.10%
Textile composite	23,745,030	4.62%	2,904,513	0.31%	542,549	0.08%
Textile others	16,384,155	3.19%	1,923,925	0.20%	4,384,158	0.64%
Cement	3,318,490	0.65%	7,998,506	0.84%	1,170,584	0.17%
Sugar	4,740,778	0.92%	5,293,496	0.56%	531,370	0.08%
Shoes and leather garments	1,944,881	0.38%	1,761,525	0.19%	250,882	0.04%
Automobile and transportation equipment	12,735,439	2.48%	5,393,607	0.57%	4,644,480	0.68%
Financial	26,971,158	5.24%	22,570,721	2.37%	448,927,642	65.61%
Insurance	-	0.00%	25,466,768	2.68%	33,723	0.00%
Electronics and electrical appliances	8,103,835	1.58%	3,268,066	0.34%	1,819,627	0.27%
Production and transmission of energy	97,419,651	18.94%	63,579,867	6.68%	56,213,255	8.22%
Paper and allied	3,532,041	0.69%	1,247,831	0.13%	2,770,809	0.40%
Surgical and metal	986,166	0.19%	1,905,729	0.20%	244,655	0.04%
Contractors	6,198,325	1.21%	24,661,070	2.59%	28,991,154	4.24%
Wholesale traders	23,737,158	4.62%	48,104,768	5.05%	2,679,627	0.39%
Fertilizer dealers	7,407,635	1.44%	7,539,396	0.79%	3,829,768	0.56%
Sports goods	52,815	0.01%	3,610,739	0.38%	146,024	0.02%
Food industries	21,121,920	4.11%	7,020,027	0.74%	4,373,172	0.64%
Airlines	7,646,882	1.49%	4,706,470	0.49%	174,471	0.03%
Cables	1,551,866	0.30%	84,598	0.01%	292,292	0.04%
Construction	24,991,463	4.86%	19,839,687	2.08%	11,200,839	1.64%
Containers and ports	-	0.00%	8,073,652	0.85%	4,186,920	0.61%
Engineering	4,335,100	0.84%	1,801,998	0.19%	4,127,252	0.60%
Glass and allied	89,038	0.02%	806,575	0.08%	254,858	0.04%
Hotels	4,043,568	0.79%	5,718,856	0.60%	46,252	0.01%
Infrastructure	-	0.00%	20,111,123	2.11%	84,721	0.01%
Media	380,961	0.07%	794,028	0.08%	50	0.00%
Polyester and fiber	6,341,789	1.23%	90,370	0.01%	745,682	0.11%
Telecommunication	11,278,132	2.19%	7,307,598	0.77%	8,887,250	1.30%
Individuals	72,512,120	14.09%	468,434,928	49.21%	14,654,351	2.13%
Others	35,905,808	6.97%	103,823,420	10.91%	66,727,192	9.74%
	514,282,720	100.00%	951,902,296	100.00%	684,222,707	100.00%

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	2013					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	5,979,475	1.30%	5,919,822	0.67%	5,804,329	0.74%
Agri business	58,684,521	12.71%	27,177,181	3.06%	9,415	0.00%
Textile spinning	21,677,722	4.70%	1,498,771	0.17%	839,676	0.11%
Textile weaving	4,207,145	0.91%	2,201,841	0.25%	3,573,715	0.46%
Textile composite	23,561,718	5.10%	2,587,416	0.29%	-	0.00%
Textile others	13,773,358	2.98%	2,986,751	0.34%	3,537,268	0.45%
Cement	3,790,075	0.82%	13,510,737	1.52%	1,577,246	0.20%
Sugar	4,380,318	0.95%	3,518,261	0.40%	456,776	0.06%
Shoes and leather garments	2,084,008	0.45%	3,590,046	0.40%	323,007	0.04%
Automobile and transportation equipment	4,851,574	1.05%	5,721,718	0.64%	3,399,734	0.43%
Financial	15,465,476	3.35%	17,636,677	1.98%	518,726,917	66.36%
Insurance	-	0.00%	10,420,811	1.17%	539	0.00%
Electronics and electrical appliances	3,953,956	0.86%	4,247,719	0.48%	1,070,613	0.14%
Production and transmission of energy	57,710,061	12.50%	36,028,311	4.05%	80,787,473	10.33%
Paper and allied	1,699,829	0.37%	581,571	0.07%	673,752	0.09%
Surgical and metal	140,838	0.03%	2,719,365	0.31%	241,257	0.03%
Contractors	9,793,869	2.12%	23,435,295	2.63%	32,455,017	4.15%
Wholesale traders	21,376,992	4.63%	36,831,511	4.14%	4,600,213	0.59%
Fertilizer dealers	5,253,653	1.14%	6,534,660	0.73%	3,134,964	0.40%
Sports goods	272,606	0.06%	1,416,193	0.16%	-	0.00%
Food industries	21,811,888	4.72%	5,042,693	0.57%	5,271,293	0.67%
Airlines	9,105,607	1.97%	1,154,084	0.13%	49,250	0.01%
Cables	234,513	0.05%	495,859	0.06%	518,822	0.07%
Construction	20,756,557	4.50%	11,266,135	1.27%	7,336,285	0.94%
Containers and ports	-	0.00%	323,000	0.04%	3,146,971	0.40%
Engineering	3,144,086	0.68%	2,153,155	0.24%	3,374,569	0.43%
Glass and allied	249,106	0.05%	397,203	0.04%	217,179	0.03%
Hotels	2,458,432	0.53%	3,626,013	0.41%	66,428	0.01%
Infrastructure	-	0.00%	21,610,136	2.43%	73,181	0.01%
Media	687,729	0.15%	669,688	0.08%	100	0.00%
Polyester and fiber	4,128,139	0.89%	272,942	0.03%	45,712	0.01%
Telecommunication	6,275,345	1.36%	13,678,172	1.53%	251,885	0.03%
Individuals	63,518,871	13.76%	495,829,670	55.73%	13,498,271	1.73%
Others	70,647,531	15.31%	124,442,196	13.98%	86,649,599	11.08%
	461,674,998	100.00%	889,525,603	100.00%	781,711,456	100.00%

45.2.2 Segment by sector

	2014					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	125,392,226	24.38%	62,828,908	6.60%	77,186,416	11.28%
Private	388,890,494	75.62%	889,073,388	93.40%	607,036,291	88.72%
	514,282,720	100.00%	951,902,296	100.00%	684,222,707	100.00%

	2013					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	100,103,489	21.68%	61,402,925	6.90%	87,352,121	11.17%
Private	361,571,509	78.32%	828,122,678	93.10%	694,359,335	88.83%
	461,674,998	100.00%	889,525,603	100.00%	781,711,456	100.00%

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45.2.3 Details of non performing advances and specific provisions by class of business segment

	2014		2013	
	Classified advances	Specific provision	Classified advances	Specific provision
	----- (Rupees in '000) -----			
Chemical and pharmaceuticals	375,805	355,821	259,484	259,484
Agri business	1,104,812	879,015	1,098,563	879,874
Textile spinning	5,081,205	4,898,555	4,139,842	4,079,091
Textile weaving	722,250	675,355	854,368	788,253
Textile composite	4,927,250	4,789,418	5,891,133	4,692,948
Textile others	3,631,113	3,204,902	3,047,785	2,926,837
Sugar	31,832	31,832	157,837	52,067
Shoes and leather garments	405,013	318,982	228,623	221,434
Automobile and transportation equipment	720,139	663,765	226,896	180,736
Financial	2,682,547	1,734,089	2,083,465	1,725,930
Electronics and electrical appliances	175,088	175,088	183,833	183,833
Production and transmission of energy	6,984,140	3,884,756	3,955,581	3,570,269
Paper and allied	169,396	152,996	418,260	395,321
Wholesale traders	1,624,445	1,471,673	1,834,356	1,660,644
Fertilizer dealers	69,814	69,814	75,324	68,567
Sports goods	24,820	24,327	63,960	63,960
Food industries	841,627	758,986	862,616	805,516
Construction	3,798,502	3,387,713	3,964,091	3,623,960
Engineering	2,884,198	1,073,071	3,124,714	974,242
Glass and allied	-	-	367	367
Hotels	485,993	485,993	485,993	485,993
Polyester and fiber	2,258,718	2,252,519	2,355,095	2,284,036
Individuals	13,297,188	10,503,589	14,338,751	11,509,679
Others	4,809,582	3,026,806	5,183,995	3,064,904
	<u>57,105,477</u>	<u>44,819,065</u>	<u>54,834,932</u>	<u>44,497,945</u>

45.2.4 Details of non performing advances and specific provision by sector

	2014		2013	
	Classified advances	Specific provision	Classified advances	Specific provision
	----- (Rupees in '000) -----			
Public / Government	1,089,630	22,313	1,422,966	22,313
Private	56,015,847	44,796,752	53,411,966	44,475,632
	<u>57,105,477</u>	<u>44,819,065</u>	<u>54,834,932</u>	<u>44,497,945</u>

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45.2.5 Geographical segment analysis

	2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- (Rupees in '000) -----			
Pakistan operations	29,296,442	887,896,331	85,831,329	358,766,260
Middle East	5,032,816	248,206,439	34,514,136	262,148,111
United States of America	119,840	4,228,299	2,260,843	1,616
Karachi Export Processing Zone	44,893	1,725,662	405,435	153,463
Europe	1,121,026	74,105,677	13,205,389	74,529,621
Africa	1,297	4,299,254	1,287,479	126,369
	<u>6,319,872</u>	<u>332,565,331</u>	<u>51,673,282</u>	<u>336,959,180</u>
	<u>35,616,314</u>	<u>1,220,461,662</u>	<u>137,504,611</u>	<u>695,725,440</u>

	2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- (Rupees in '000) -----			
Pakistan operations	22,946,610	774,128,719	64,326,829	476,145,109
Middle East	4,682,467	262,036,474	31,735,784	232,101,989
United States of America	195,215	3,283,908	2,137,392	1,694
Karachi Export Processing Zone	21,990	1,500,847	394,452	248,766
Europe	1,195,139	78,214,319	11,197,232	87,750,991
Africa	(76,243)	2,040,519	1,481,458	151,391
	<u>6,018,568</u>	<u>347,076,067</u>	<u>46,946,318</u>	<u>320,254,831</u>
	<u>28,965,178</u>	<u>1,121,204,786</u>	<u>111,273,147</u>	<u>796,399,940</u>

Total assets employed include intra group items of Rs. 38,008.549 million (2013: Rs. 37,572.070 million).

Contingencies and commitments include intra group items of Rs. 11,502.733 million (2013: Rs. 14,688.484 million).

45.3 Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate due to movements in market prices. It results from changes in interest rates, exchange rates and equity prices as well as from changes in the correlations between them. Each of these components of market risk consists of a general market risk and a specific market risk that is driven by the nature and composition of the portfolio.

Measuring and controlling market risk is usually carried out at a portfolio level. However, certain controls are applied, where necessary, to individual risk types, to particular books and to specific exposures. Controls are also applied to prevent any undue risk concentrations in trading books, taking into account variations in price, volatility, market depth and liquidity. These controls include limits on exposure to individual market risk variables as well as limits on concentrations of tenors and issuers.

Trading activities are centered in the Treasury and Capital Markets Group which facilitates clients and also runs proprietary positions. The Group is active in the cash and derivative markets for equity, interest rate and foreign exchange.

The Market and Treasury Risk division performs market risk management activities. Within this division, the Market Risk Management unit is responsible for the development and review of market risk policies and processes, and is involved in research, financial modeling and testing / implementation of risk management systems, while Treasury Middle Office is responsible for implementation and monitoring of market risk and other policies, escalation of deviations to senior management, and MIS reporting.

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The functions of the Market Risk Management unit are as follows:

- To keep the market risk exposure within the Group's risk appetite as assigned by the BoD and the BRCC.
- To develop, review and upgrade procedures for the effective implementation of market risk management policies approved by the BoD and BRCC.
- To review new product proposals and propose / recommend / approve procedures for the management of their market risk. Various limits are assigned to different businesses on a product/portfolio basis. The products are approved through product programs, where risks are identified and limits and parameters are set. Any transactions / products falling outside these product programs are approved through separate transaction / product memos.
- To maintain a comprehensive database for performing risk analysis, stress testing and scenario analysis. Stress testing activities are performed on a quarterly basis on both the Banking and Trading books.

45.3.1 Foreign Exchange Risk

	2014			
	Assets	Liabilities	Off - balance sheet items	Net currency exposure
	----- (Rupees in '000) -----			
Pakistan Rupee	847,564,520	692,982,597	(29,545,023)	125,036,900
US Dollar	176,010,909	116,172,171	(58,549,194)	1,289,544
Pound Sterling	24,022,774	32,054,011	15,629,405	7,598,168
Japanese Yen	32,647	6,800	(20,544)	5,303
Euro	4,025,339	10,325,245	6,817,515	517,609
UAE Dirham	80,651,796	127,066,336	46,556,261	141,721
Bahraini Dinar	11,389,051	22,135,650	10,730,757	(15,842)
Qatari Riyal	18,314,010	22,671,952	4,419,780	61,838
Other Currencies	20,442,067	21,533,740	3,961,043	2,869,370
	<u>1,182,453,113</u>	<u>1,044,948,502</u>	<u>-</u>	<u>137,504,611</u>

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	2013			
	Assets	Liabilities	Off - balance sheet items	Net currency exposure
	(Rupees in '000)			
Pakistan Rupee	732,590,401	607,729,972	(24,350,955)	100,509,474
US Dollar	173,834,847	113,810,034	(53,848,794)	6,176,019
Pound Sterling	29,872,303	42,266,411	11,957,543	(436,565)
Japanese Yen	94,902	9,362	(73,527)	12,013
Euro	3,241,557	9,181,515	6,651,595	711,637
UAE Dirham	82,894,888	125,321,539	42,858,583	431,932
Bahrain Dinar	13,173,637	19,452,215	6,004,329	(274,249)
Qatari Riyal	17,887,202	24,690,385	6,741,932	(61,251)
Other Currencies	30,042,979	29,898,136	4,059,294	4,204,137
	<u>1,083,632,716</u>	<u>972,359,569</u>	<u>-</u>	<u>111,273,147</u>

Foreign Exchange Risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates. Exposures are monitored by currency to ensure that they remain within the established limits for each currency. Exposures are also monitored on an overall basis to ensure compliance with the Bank's SBP approved Foreign Exchange Exposure Limit.

The Group is an active participant in the cash and derivatives markets for currencies and carries currency risk from these trading activities, conducted primarily by the Treasury and Capital Markets Group (TCM). These trading exposures are monitored through prescribed stress tests and sensitivity analyses.

The Group's reporting currency is the Pakistan Rupee, but its assets, liabilities, income and expenses are denominated in multiple currencies. From time to time, TCM proactively hedges foreign currency exposures resulting from its market making activities, subject to pre-defined limits.

45.3.2 Equity position risk

Equity position risk is the risk that the fair value of a financial instrument will fluctuate due to changes in the prices of individual stocks or the levels of equity indices. The Group's equity book comprises of held for trading (HFT) and available for sale (AFS) portfolios. The objective of the HFT portfolio is to make short-term capital gains, whilst the AFS portfolio is maintained with a medium term view of earning both capital gains and dividend income. Product program manuals have been developed to provide guidelines on the objectives and policies, risks and mitigants, limits and controls for the equity portfolios of the Group.

45.3.3 Yield / interest rate risk

Interest rate risk is the risk that fair value of a financial instrument will fluctuate as a result of changes in interest rates, including changes in the shape of yield curves. Interest rate risk is inherent in many of the Group's businesses and arises from mismatches between the contractual maturities or the re-pricing of on and off balance sheet assets and liabilities. The interest rate sensitivity profile is prepared on a quarterly basis based on the re-pricing or contractual maturities of assets and liabilities.

Interest rate risk is monitored and managed by performing periodic gap analysis, sensitivity analysis and stress testing and taking appropriate actions where required.

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45.3.4 Mismatch of interest rate sensitive assets and liabilities

2014

	Effective yield / interest rate	Total	Exposed to yield / interest rate risk									Non-interest bearing financial instruments
			Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 year to 3 years	Over 3 year to 5 years	Over 5 year to 10 years	Over 10 years	
----- (Rupees in '000) -----												
----- % -----												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.08%	75,660,306	8,051,610	-	-	-	-	-	-	-	-	67,608,696
Balances with other banks	0.27%	21,948,274	3,897,212	2,089,381	2,583,216	226,913	-	-	-	-	-	13,151,552
Lendings to financial institutions	5.79%	23,435,222	6,286,138	3,037,345	5,302,855	4,332,258	2,009,607	1,808,315	169,518	489,186	-	-
Investments	10.22%	519,602,007	27,596,922	44,705,693	18,059,288	27,273,602	119,606,372	53,593,367	86,231,587	104,764,255	2,743,104	35,027,817
Advances	8.87%	-	-	-	-	-	-	-	-	-	-	-
Performing		455,078,880	93,525,541	265,854,106	56,956,767	15,085,837	6,032,492	4,290,413	7,181,027	3,314,771	2,837,926	-
Non-performing		12,286,412	-	-	-	-	-	-	-	-	-	12,286,412
Other assets	0%	28,967,790	-	-	-	-	-	-	-	-	-	28,967,790
		1,136,978,891	139,357,423	315,686,525	82,902,126	46,918,610	127,648,471	59,692,095	93,582,132	108,568,212	5,581,030	157,042,267
Liabilities												
Bills payable	0%	9,559,255	-	-	-	-	-	-	-	-	-	9,559,255
Borrowings	7.69%	53,248,526	26,574,435	15,856,450	4,001,628	57,401	181,945	449,330	2,963,588	2,860,607	-	303,142
Deposits and other accounts	3.93%	951,902,296	412,966,950	64,069,415	51,059,140	41,682,016	10,307,510	7,938,564	11,878,217	6,019,238	350,871	345,630,375
Subordinated loans	0.00%	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	13.47%	429	429	-	-	-	-	-	-	-	-	-
Other liabilities	0%	23,222,700	-	-	-	-	-	-	-	-	-	23,222,700
		1,037,933,206	439,541,814	79,925,865	55,060,768	41,739,417	10,489,455	8,387,894	14,841,805	8,879,845	350,871	378,715,472
On-balance sheet gap												
		99,045,685	(300,184,391)	235,760,660	27,841,358	5,179,193	117,159,016	51,304,201	78,740,327	99,688,367	5,230,159	(221,673,205)
Net non financial assets												
		38,458,926										
Total net assets												
		137,504,611										
Off-balance sheet financial instruments												
Interest Rate Derivatives - Long position		4,511,816	-	1,674,061	167,472	-	-	167,472	2,502,811	-	-	-
Interest Rate Derivatives - Short position		(4,511,816)	-	(2,502,811)	(167,472)	-	-	(167,472)	(1,674,061)	-	-	-
Cross Currency Swap - Long position		5,934,000	-	5,934,000	-	-	-	-	-	-	-	-
Cross Currency Swap - Short Position		(5,934,000)	-	(5,934,000)	-	-	-	-	-	-	-	-
FX Options - Long position		190,043	-	-	-	-	-	-	-	-	-	190,043
FX Options - Short position		(190,043)	-	-	-	-	-	-	-	-	-	(190,043)
Forward Purchase of Government Securities		1,329,394	-	-	-	-	101,878	-	-	1,227,516	-	-
Forward Sale of Government Securities		(906,201)	-	-	-	-	-	(51,873)	(106,102)	(748,226)	-	-
Foreign currency forward purchases		204,579,868	81,958,495	78,846,835	38,183,216	5,591,322	-	-	-	-	-	-
Foreign currency forward sales		(169,150,871)	(63,722,746)	(59,277,790)	(42,950,510)	(3,199,825)	-	-	-	-	-	-
Off-balance sheet Gap												
		35,852,190	18,235,749	18,740,295	(4,767,294)	2,391,497	101,878	(51,873)	722,648	479,290	-	-
Total Yield / Interest Rate Risk Sensitivity Gap												
		134,897,875	(281,948,642)	254,500,955	23,074,064	7,570,690	117,260,894	51,252,328	79,462,975	100,167,657	5,230,159	(221,673,205)
Cumulative Yield / Interest Rate Risk Sensitivity Gap												
			(281,948,642)	(27,447,687)	(4,373,623)	3,197,067	120,457,961	171,710,289	251,173,264	351,340,921	356,571,080	134,897,875



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		2013										
Effective yield / interest rate	Total	Exposed to yield / interest rate risk									Non-interest bearing financial instruments	
		Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 year to 3 years	Over 3 year to 5 years	Over 5 year to 10 years	Over 10 years		
%		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.01%	89,591,601	7,145,518	-	-	-	-	-	-	-	-	82,446,083
Balances with other banks	1.15%	32,658,606	12,819,410	1,154,535	3,388,963	211,119	139,745	-	-	-	-	14,944,834
Lendings to financial institutions	4.47%	29,858,038	15,151,655	3,255,439	5,095,175	4,759,685	1,585,137	-	-	-	-	10,947
Investments	10.64%	458,846,198	44,737,872	151,179,060	52,775,980	8,460,694	24,590,137	45,817,997	47,090,363	56,144,883	2,767,164	25,282,048
Advances	11.28%	-	-	-	-	-	-	-	-	-	-	-
Performing		404,946,323	36,559,602	211,377,482	77,112,829	25,686,218	6,614,072	18,304,605	12,002,748	7,141,599	10,147,168	-
Non-performing		10,336,987	-	-	-	-	-	-	-	-	-	10,336,987
Other assets	0%	22,834,390	-	-	-	-	-	-	-	-	-	22,834,390
		1,049,072,143	116,414,057	366,966,516	138,372,947	39,117,716	32,929,091	64,122,602	59,093,111	63,286,482	12,914,332	155,855,289
Liabilities												
Bills payable	0%	16,600,691	-	-	-	-	-	-	-	-	-	16,600,691
Borrowings	10.46%	41,077,730	16,219,982	14,431,089	4,809,219	1,642,946	720,836	986,492	1,012,085	855,497	-	399,584
Deposits and other accounts	4.33%	889,525,603	365,434,223	66,794,553	37,469,032	47,408,647	17,405,950	9,428,013	12,288,784	24,254,024	2,955,846	306,086,531
Subordinated loans	11.91%	665,328	-	665,328	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	15.28%	1,325	71	144	220	460	430	-	-	-	-	-
Other liabilities	0%	20,454,948	-	-	-	-	-	-	-	-	-	20,454,948
		968,325,625	381,654,276	81,891,114	42,278,471	49,052,053	18,127,216	10,414,505	13,300,869	25,109,521	2,955,846	343,541,754
On-balance sheet gap		80,746,518	(265,240,219)	285,075,402	96,094,476	(9,934,337)	14,801,875	53,708,097	45,792,242	38,176,961	9,958,486	(187,686,465)
Net non financial assets		30,526,629										
Total net assets		111,273,147										
Off-balance sheet financial instruments												
Interest Rate Derivatives - Long position		5,723,576	-	2,085,405	245,757	-	-	-	2,156,008	1,236,406	-	-
Interest Rate Derivatives - Short position		(5,723,576)	-	(3,146,655)	(245,757)	-	-	-	(1,094,758)	(1,236,406)	-	-
Cross Currency Swap - Long position		10,550,240	-	6,114,000	4,436,240	-	-	-	-	-	-	-
Cross Currency Swap - Short Position		(10,550,240)	-	(6,114,000)	(4,436,240)	-	-	-	-	-	-	-
FX Options - Long position		-	-	-	-	-	-	-	-	-	-	-
FX Options - Short position		-	-	-	-	-	-	-	-	-	-	-
Forward Sale of Government Securities		-	-	-	-	-	-	-	-	-	-	-
Foreign currency forward purchases		238,732,897	100,447,698	76,447,618	61,463,822	373,759	-	-	-	-	-	-
Foreign currency forward sales		(202,902,937)	(96,312,258)	(46,989,124)	(59,555,207)	(46,348)	-	-	-	-	-	-
Commodity futures		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet Gap		35,829,960	4,135,440	28,397,244	1,908,615	327,411	-	-	1,061,250	-	-	-
Total Yield / Interest Rate Risk Sensitivity Gap		116,576,478	(261,104,779)	313,472,646	98,003,091	(9,606,926)	14,801,875	53,708,097	46,853,492	38,176,961	9,958,486	(187,686,465)
Cumulative Yield / Interest Rate Risk Sensitivity Gap			(261,104,779)	52,367,867	150,370,958	140,764,032	155,565,907	209,274,004	256,127,496	294,304,457	304,262,943	116,576,478

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45.4 Liquidity Risk

Liquidity risk is the risk that the Group may be unable to meet its obligations or to fund increases in assets as they fall due without incurring unacceptable cost or losses.

The Assets and Liability Management Committee (ALCO) of the Group is responsible for the oversight of liquidity management and meets on a monthly basis or more frequently, if required.

The Group's approach to liquidity management is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking sustained damage to business franchises. A centralized approach is adopted, based on an integrated framework incorporating an assessment of all material known and expected cash flows and the availability of collateral which could be used to secure additional funding if required. The framework entails careful monitoring and control of the daily liquidity position, and regular liquidity stress testing under a variety of scenarios. These encompass both normal and stressed market conditions, including general market crises and the possibility that access to markets could be impacted by a stress event affecting some part of the Group's business.

45.4.1 Maturities of assets and liabilities - based on working prepared by the Assets and Liabilities Management Committee (ALCO) of the Bank

Assets and Liabilities having contractual maturity dates are bucketed as per their respective maturities. The maturity profile of non-contractual deposits and bills payable is estimated using an Exponentially Weighted Moving Average model based on data for the last seven years. The maturity profile of certain non-contractual assets and liabilities which are related to specific assets and liabilities follows the maturity profile of the underlying asset or liability. The maturity profile of other non-contractual assets and liabilities is expected to follow historical patterns of behavior. The methodology and the assumptions used to derive the maturity profile of non-contractual assets and liabilities have been approved by ALCO.

	2014									
	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 years to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
	----- (Rupees in '000) -----									
Assets										
Cash and balances with treasury banks	75,660,306	49,493,967	1,057,174	1,036,074	1,499,849	2,100,553	1,601,018	2,538,846	5,255,096	11,077,729
Balances with other banks	21,948,274	16,832,727	2,089,381	2,583,216	226,913	216,037	-	-	-	-
Lendings to financial institutions	23,435,222	6,286,249	2,969,159	4,302,200	3,362,033	2,642,941	2,599,982	613,952	658,706	-
Investments	519,602,007	45,810,830	36,214,984	10,227,063	49,661,816	121,928,985	52,934,162	80,360,074	105,158,154	17,305,939
Advances - Performing	455,078,880	82,569,353	107,891,355	61,168,671	29,039,356	20,607,063	23,667,983	70,078,044	46,898,625	13,158,430
- Non-performing	12,286,412	-	-	-	-	-	-	-	-	12,286,412
Operating fixed assets	33,335,646	3,173,832	557,877	623,892	291,665	622,503	1,074,104	3,372,236	1,814,284	21,805,253
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	41,106,366	16,521,174	10,549,647	2,305,285	7,569,556	175,308	319,659	1,480,878	907,554	1,277,305
	1,182,453,113	220,688,132	161,329,577	82,246,401	91,651,188	148,293,390	82,196,908	158,444,030	160,692,419	76,911,068
Liabilities										
Bills payable	9,559,255	2,901,145	2,119,635	2,077,326	2,461,149	-	-	-	-	-
Borrowings	53,248,526	24,842,690	15,464,540	5,935,516	949,594	849,715	736,174	1,983,025	2,487,272	-
Deposits and other accounts	951,902,296	153,495,234	104,158,217	68,376,112	81,977,837	71,921,755	49,042,576	74,218,864	128,406,862	220,304,839
Subordinated loan	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	429	429	-	-	-	-	-	-	-	-
Deferred tax liability	2,139,586	-	-	-	534,896	534,897	534,896	534,897	-	-
Other liabilities	28,098,410	15,288,858	4,010,768	873,468	1,295,430	275,543	192,057	661,606	2,173,374	3,327,306
	1,044,948,502	196,528,356	125,753,160	77,262,422	87,218,906	73,581,910	50,505,703	77,398,392	133,067,508	223,632,145
Net assets	137,504,611	24,159,776	35,576,417	4,983,979	4,432,282	74,711,480	31,691,205	81,045,638	27,624,911	(146,721,077)
Represented by:										
Share capital	12,241,798									
Reserves	37,286,088									
Unappropriated profit	52,507,655									
Non-controlling interest	4,553,250									
Surplus on revaluation of assets	30,915,820									
	137,504,611									

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	2013									
	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 years to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	89,591,601	47,380,662	1,399,168	1,371,240	1,985,046	2,761,460	2,118,942	3,403,814	6,757,328	22,413,941
Balances with other banks	32,658,606	27,274,893	1,480,731	3,552,111	211,122	139,749	-	-	-	-
Lendings to financial institutions	29,858,038	14,438,406	2,501,703	5,717,625	3,797,320	1,872,311	168,021	863,329	499,323	-
Investments	458,846,198	80,798,666	144,476,768	46,202,904	28,317,899	23,140,643	53,438,409	36,912,607	37,749,586	7,808,716
Advances - Performing	404,946,323	77,563,079	98,154,034	42,703,826	33,905,550	14,551,355	22,168,995	64,747,070	42,804,825	8,347,589
- Non-performing	10,336,987	-	-	-	-	-	-	-	-	10,336,987
Operating fixed assets	28,037,980	3,293,183	133,314	221,602	389,969	904,530	917,950	3,490,141	2,077,836	16,609,455
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	29,356,983	7,414,132	8,579,614	1,545,310	7,570,977	1,218,824	262,682	1,207,952	775,618	781,874
	1,083,632,716	258,163,021	256,725,332	101,314,618	76,177,883	44,588,872	79,074,999	110,624,913	90,664,516	66,298,562
Liabilities										
Bills payable	16,600,691	6,196,157	4,218,618	4,134,414	2,051,502	-	-	-	-	-
Borrowings	41,077,730	20,575,017	12,530,095	3,446,897	1,326,972	720,836	610,332	1,012,085	855,496	-
Deposits and other accounts	889,525,603	142,584,790	92,551,339	75,414,032	91,579,875	55,893,050	40,404,193	49,765,585	95,529,668	245,803,071
Subordinated loan	665,328	-	332,664	-	332,664	-	-	-	-	-
Liabilities against assets subject to finance lease	1,325	71	144	220	460	430	-	-	-	-
Deferred tax liability	1,395,138	-	-	-	348,784	348,784	348,784	348,786	-	-
Other liabilities	23,093,754	5,914,687	3,174,083	1,316,647	1,453,421	1,110,321	501,008	683,308	2,489,242	6,451,037
	972,359,569	175,270,722	112,806,943	84,312,210	97,093,678	58,073,421	41,864,317	51,809,764	98,874,406	252,254,108
Net assets	111,273,147	82,892,299	143,918,389	17,002,408	(20,915,795)	(13,484,549)	37,210,682	58,815,149	(8,209,890)	(185,955,546)
Represented by:										
Share capital	12,241,798									
Reserves	38,049,345									
Unappropriated profit	45,208,302									
Non-controlling interest	3,487,918									
Surplus on revaluation of assets	12,285,784									
	111,273,147									

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45.4.2 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the Group

The maturity profile presented below has been prepared as required by IFRS on the basis of contractual maturities, except for products that do not have a contractual maturity which are shown in the first bucket.

	2014								
	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years
----- (Rupees in '000) -----									
Assets									
Cash and balances with treasury banks	75,660,306	75,660,306	-	-	-	-	-	-	-
Balances with other banks	21,948,274	17,048,764	2,089,381	2,583,216	226,913	-	-	-	-
Lendings to financial institutions	23,435,222	6,286,250	2,969,159	4,302,200	3,362,033	2,642,940	2,599,982	613,952	658,706
Investments	519,602,007	62,188,200	39,516,550	10,529,470	29,098,700	123,129,447	56,475,817	87,919,785	108,004,376
Advances	467,365,292	85,241,495	107,891,031	61,168,671	28,261,767	18,537,507	23,667,983	70,078,044	46,898,949
Operating fixed assets	33,335,646	3,351,105	557,878	623,892	291,665	622,503	1,074,104	3,305,476	1,814,284
Deferred tax asset	-	-	-	-	-	-	-	-	-
Other assets	41,106,366	40,813,249	96,285	119,578	-	-	-	77,254	-
	1,182,453,113	290,589,369	153,120,284	79,327,027	61,241,078	144,932,397	83,817,886	161,994,511	157,376,315
									50,054,246
Liabilities									
Bills payable	9,559,255	9,559,255	-	-	-	-	-	-	-
Borrowings	53,248,526	24,842,690	15,464,540	5,935,516	949,594	849,715	736,174	1,983,025	2,487,272
Deposits and other accounts	951,902,296	781,135,044	66,469,485	34,705,475	36,625,127	11,927,081	5,413,391	10,719,034	4,898,458
Subordinated loans	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	429	429	-	-	-	-	-	-	-
Deferred tax liability - net	2,139,586	2,139,586	-	-	-	-	-	-	-
Other liabilities	28,098,410	24,063,882	38,175	337,419	-	-	-	-	578,900
	1,044,948,502	841,740,886	81,972,200	40,978,410	37,574,721	12,776,796	6,149,565	12,702,059	7,964,630
									3,089,235
Net assets	137,504,611	(551,151,517)	71,148,084	38,348,617	23,666,357	132,155,601	77,668,321	149,292,452	149,411,685
									46,965,011
Represented by:									
Share capital	12,241,798								
Reserves	37,286,088								
Unappropriated profit	52,507,655								
Non-controlling interest	4,553,250								
Surplus on revaluation of assets	30,915,820								
	137,504,611								

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2013

Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
----- (Rupees in '000) -----									

Cash and balances with treasury banks	89,591,601	89,547,944	-	-	-	-	-	43,657	-	-
Balances with other banks	32,658,606	27,274,895	1,480,731	3,552,109	211,123	139,748	-	-	-	-
Lendings to financial institutions	29,858,038	14,438,405	2,501,703	5,717,625	3,797,320	1,872,311	168,021	863,329	499,324	-
Investments	458,846,198	62,125,768	144,158,835	46,202,903	12,337,056	24,184,758	57,093,581	50,477,755	54,456,823	7,808,719
Advances	415,283,310	80,052,469	98,154,034	42,705,172	33,163,619	14,606,218	22,168,995	64,747,070	42,804,825	16,880,908
Operating fixed assets	28,037,980	3,293,183	133,314	221,602	389,969	904,530	917,950	3,490,141	2,041,194	16,646,097
Deferred tax asset	-	-	-	-	-	-	-	-	-	-
Other assets	29,356,983	21,675,754	6,047,295	909,413	214,454	367,708	65,105	77,254	-	-
	1,083,632,716	298,408,418	252,475,912	99,308,824	50,113,541	42,075,273	80,413,652	119,699,206	99,802,166	41,335,724

Liabilities

Bills payable	16,600,691	16,600,691	-	-	-	-	-	-	-	-
Borrowings	41,077,730	20,575,017	12,530,095	3,446,897	1,326,972	720,836	610,332	1,012,085	855,496	-
Deposits and other accounts	889,525,603	636,816,221	73,211,307	56,460,053	59,819,631	17,722,747	10,914,429	10,678,361	23,902,754	100
Subordinated loans	665,328	-	332,664	-	332,664	-	-	-	-	-
Liabilities against assets subject to finance lease	1,325	71	144	220	460	430	-	-	-	-
Deferred tax liability - net	1,395,138	1,395,138	-	-	-	-	-	-	-	-
Other liabilities	23,093,754	17,929,610	429,485	371,837	824,676	442,874	-	-	625,532	2,469,740
	972,359,569	693,316,748	86,503,695	60,279,007	62,304,403	18,886,887	11,524,761	11,690,446	25,383,782	2,469,840
Net assets	111,273,147	(394,908,330)	165,972,217	39,029,817	(12,190,862)	23,188,386	68,888,891	108,008,760	74,418,384	38,865,884

Represented by:

Share capital	12,241,798
Reserves	38,049,345
Unappropriated profit	45,208,302
Non-controlling interest	3,487,918
Surplus on revaluation of assets	12,285,784
	<u>111,273,147</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

45.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Operational Risk & Basel II Division is primarily responsible for the oversight of operational risk management across the Group. The operational risk management framework of the Group is governed by the Operational Risk Management Policy and Procedures, while the implementation is supported by an operational risk management system and designated operational risk coordinators within different units across the Group. The framework is in line with international best practices, flexible enough to implement in stages and permits the overall approach to evolve in response to organizational learning and future requirements.

Loss data, collected through a well defined program, is evaluated and processes are reviewed for improvements in mitigation techniques. Periodic workshops are conducted for Risk & Control Self Assessment and key risk exposures are identified and assessed against existing controls to evaluate improvement opportunities. Key Risk Indicators are also defined for monitoring of risk exposures. New products, systems, activities and processes, are subject to comprehensive operational risk assessments, before implementation.

Business Continuity Plans have been implemented across the bank, clearly defining the roles and responsibilities of respective stakeholders, and covering recovery strategy, IT and structural backups, scenario and impact analyses and testing directives. The outsourcing policy has also been augmented to address risks associated with such arrangements.

46. ISLAMIC BANKING BUSINESS

The Bank operates 24 (2013: 22) Islamic Banking Branches and 81 (2013: 15) Islamic Banking windows.

The statement of financial position of the Bank's Islamic Banking Branches as at December 31 is as follows:

	Note	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
ASSETS			
Cash and balances with treasury banks		1,105,791	951,157
Balances with other banks		388,594	1,701,743
Investments		8,078,202	7,363,524
Islamic financing and related assets	46.1	6,656,812	5,183,080
Operating fixed assets		99,954	117,974
Due from Head Office		2,503,182	2,144,911
Other assets		154,874	153,963
Total Assets		18,987,409	17,616,352
LIABILITIES			
Bills payable		112,626	54,532
Deposits and other accounts			
Current accounts		2,345,427	2,328,416
Saving accounts		2,331,634	2,490,262
Term deposits		1,061,485	1,994,823
Deposits from financial institutions - remunerative		12,120,720	9,980,829
Deposits from financial institutions - non remunerative		32	-
	46.2	17,859,298	16,794,330
Due to Head Office		-	-
Other liabilities		179,808	191,564
		18,151,732	17,040,426
NET ASSETS		835,677	575,926
REPRESENTED BY			
Islamic Banking Fund		1,181,000	681,000
Accumulated losses		(276,733)	(156,679)
		904,267	524,321
(Deficit) / surplus on revaluation of assets		(68,590)	51,605
		835,677	575,926

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

The profit and loss account of the Group's Islamic banking branches for the year ended December 31 is as follows:

	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
Return earned	1,240,924	1,511,101
Return expensed	899,786	895,282
	<u>341,138</u>	<u>615,819</u>
Provision against loans and advances - net	4,663	1,525
Charge / (reversal) for diminution in value of investments - net	10,192	(1,438)
Charge / (reversal) against assets given on Ijarah	12,364	(3,602)
	<u>27,219</u>	<u>(3,515)</u>
Net return after provisions	313,919	619,334
Other Income		
Fee, commission and brokerage income	26,076	14,913
Dividend income	9,062	20,187
(Loss) / income from dealing in foreign currencies	(5,012)	7,291
Gain on sale of securities - net	3,882	9,021
Other income	32,305	8,584
Total other income	<u>66,313</u>	<u>59,996</u>
	380,232	679,330
Other Expenses		
Administrative expenses	499,795	638,933
Other provisions - net	491	2,497
Total other expenses	<u>500,286</u>	<u>641,430</u>
(Loss) / profit for the year	(120,054)	37,900
Accumulated losses brought forward	(156,679)	(194,579)
Accumulated losses carried forward	<u>(276,733)</u>	<u>(156,679)</u>
Remuneration to Shariah Advisor	<u>1,231</u>	<u>1,045</u>
46.1 Islamic financing and related assets		
Financings		
Murabaha	230,260	3,232,150
Ijarah	706,341	867,257
Musharaka	-	-
Diminishing Musharaka	4,801,540	687,448
Salam	-	281,040
Provision against financings	<u>(36,052)</u>	<u>(31,389)</u>
	5,702,089	5,036,506
Advances		
Advances and receivables against Ijarah	124,731	143,753
Advances for Diminishing Musharaka	4,500	-
Advances for Murabaha	834,246	17,498
Provision against advances for Murabaha	<u>(17,498)</u>	<u>(17,498)</u>
	945,979	143,753
Profit receivable against financings	<u>8,744</u>	<u>2,821</u>
	<u>6,656,812</u>	<u>5,183,080</u>

- 46.2** Deposit and other accounts include redeemable capital of Rs. 15,513.839 million (2013: Rs. 14,465.914 million) and deposit on Qard basis of Rs. 2,345.459 million (2013: Rs 2,328.416 million). Remunerative deposits which are on Modaraba basis are considered as Redeemable Capital and non-remunerative deposits are classified as being on Qard basis. All the Redeemable capital held by the bank is in Pakistan Rupee.

	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
46.3 Charity Fund		
Opening balance	338	6,476
Addition during the year	4,764	262
Payments during the year	-	(6,400)
Closing balance	<u>5,102</u>	<u>338</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**
46.4 Disclosures for profit and loss distribution and pool management

During 2014, UBL Ameen (the Mudarib) maintained two pools which accept deposits on the basis of Mudaraba from depositors (Rabbulmaal). Pool funds are invested in Islamic modes of financing and investments. The profit earned on the pool is therefore susceptible to the same market and credit risks as discussed in note 45 to the financial statements.

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.

General Pool

The General pool consists of all other remunerative deposits. The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. Currently, the entire net return is considered as distributable profit without paying any profit to the Mudarib on its equity.

For both 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 Mudarib's share for the year ended December 31, 2014 is Rs. 571.019 million (50% of distributable profit). Of this, an amount of Rs. 328.767 million (57.6% of Mudarib share) was distributed back to depositors as Hiba. The rate of profit earned on average earning assets was 8.7% per annum and the rate of profit paid on average deposits was 6.1% per annum.

The minimum and maximum weightage applied for profit allocation, as applied during the year were 0.018 and 1.156 respectively.

- 46.4.1** All assets are jointly financed by the Bank and PLS deposit holders. The income and expenses attributable to the bank mainly comprise fee, commission and brokerage income, administrative expenses (other than those noted in 46.4.1.1), and provision / impairment against non- performing assets. Below is the detail of income and expenses jointly attributable to PLS deposit holders and the Bank.

	Note	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
Income derived from investment of deposits and other PLS funds			
Income from Financing activities		203,651	290,208
Income from Investment in Shares and Securities		833,177	805,708
Income from Ijarah Assets		311,699	438,789
Income from financial Institutions		46,030	19,574
Total Income		1,394,557	1,554,279
Administrative expenses directly attributable to depositors and other funds	46.4.1.1	250,886	349,418
Net Income on Pool		1,143,671	1,204,861
Deductions in respect of IBI's profit on comingled funds / equity and charity funds		1,633	332
Distributable profit		1,142,038	1,204,529
46.4.1.1 Administrative expenses directly attributable to depositors and other funds			
Depreciation on Ijarah Assets		209,044	333,545
Takaful		7,574	6,536
Brokerage Fee		1,364	1,977
Others		32,904	7,360
		250,886	349,418

46.5 Rights and obligations of Depositors of Unrestricted Investment Accounts / PLS Deposit Accounts

- 46.5.1** The rights of Depositors of Unrestricted Investment Accounts / PLS Deposit Accounts are as follows;

- To know the weightages assigned to each category of deposit before the start of investment period.
- To know that the pool to which their deposit is to be allocated shall be identified at the time of accepting the deposit.
- That their deposits will be Invested in Shariah Compliant Financing and Investment products.
- To ask for the Fatwa of Shariah Advisor on Shariah Compliance of Deposit products.
- To enter or exit from the pool at any point in time, without prior notice.
- To know the percentage of Mudarib share in the concerned period.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

46.5.2 The obligations of Depositors of Unrestricted Investment Accounts / PLS Deposit Accounts is as follows ;

- The Depositors are responsible to bear the risk of return on pool assets in which their deposits are invested.

46.6 Deployment of Mudaraba based deposits by class of business	2014	2013
	----- (Rupees in '000) -----	
Chemical and pharmaceuticals	130,011	83,936
Agri business	-	3,018,759
Textile	4,003,800	450,612
Sugar	72,738	96,110
Automobile	-	9,390
Financial	425,000	311,632
Food industries	291,784	192,306
Engineering	84,998	434,348
Glass and allied	482,261	522,134
Hotel	14,327	21,714
Plastic	138,008	84,665
Individuals	218,247	198,651
Production and Transmission of energy	1,608,469	493,537
Government of Pakistan Sukuks	7,202,661	6,538,358
Others	62,710	90,452
	<u>14,735,014</u>	<u>12,546,604</u>

46.7 Maturity profile of deposits

46.7.1 The maturity profile of the deposits including redeemable capital, based on contractual maturity is as follows:

	2014		2013	
	Deposits under Qard basis	Redeemable Capital	Deposits under Qard basis	Redeemable Capital
Upto 1 month	2,345,459	8,858,965	2,328,416	12,101,974
1 to 3 months	-	6,423,083	-	1,792,862
3 to 6 months	-	147,840	-	366,528
6 months to 1 year	-	71,205	-	200,440
1 to 2 years	-	1,621	-	1,364
2 to 3 Years	-	8,625	-	1,271
3 to 5 years	-	2,500	-	475
5 to 10 years	-	-	-	1,000
Above 10 years	-	-	-	-
	<u>2,345,459</u>	<u>15,513,839</u>	<u>2,328,416</u>	<u>14,465,914</u>

46.7.2 The maturity profile of the deposits including redeemable capital, based on ALCO assumptions is as follows:

	2014		2013	
	Deposits under Qard basis	Redeemable Capital	Deposits under Qard basis	Redeemable Capital
Upto 1 month	105,748	2,301,365	100,983	5,048,090
1 to 3 months	76,048	6,810,157	73,925	2,131,439
3 to 6 months	77,206	527,188	72,449	698,347
6 months to 1 year	140,128	620,360	104,879	680,791
1 to 2 years	182,954	765,568	145,901	669,595
2 to 3 Years	152,039	594,822	111,954	514,022
3 to 5 years	223,477	932,074	177,533	813,581
5 to 10 years	402,744	1,708,237	445,352	1,495,209
Above 10 years	985,115	1,254,068	1,095,440	2,414,840
	<u>2,345,459</u>	<u>15,513,839</u>	<u>2,328,416</u>	<u>14,465,914</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**
47. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on February 25, 2015 has proposed a cash dividend in respect of 2014 of Rs. 4 per share (2013: Rs.4 per share). In addition, the Directors have also announced a bonus issue of nil (2013: nil). These appropriations will be approved in the forthcoming Annual General Meeting. The consolidated financial statements for the year ended December 31, 2014 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2015.

48. DATE OF AUTHORIZATION

These financial statements were authorized for issue on February 25, 2015 by the Board of Directors of the Group.

49. GENERAL
49.1 Comparatives

Comparative information has been reclassified, rearranged or additionally incorporated in these consolidated financial statements for the purposes of better presentation. No major reclassifications were made during the year.

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

Wajahat Husain
President and
Chief Executive Officer

Amin Uddin
Director

Zameer Mohammed Choudrey
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Chairman

Annexure 'A' as referred to in note 9.7 of the Group's consolidated financial statements
1) Particulars of investments held in listed companies and Modarbas

Investee	Number of shares / certificates held	Paid up value per share / certificate (Rupees)	Total paid up value (Rupees in '000)	Cost
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Held for trading securities
Investments in ordinary shares

Attock Refinery Limited	490,000	10.00	4,900	96,947
Faysal Bank Limited	3,900,000	10.00	39,000	72,567
Hascol Petroleum Limited	65,000	10.00	650	5,258
Pak Electron Limited	200,000	10.00	2,000	7,798
Pak Oilfields Limited	456,050	10.00	4,561	213,840
Pakistan Petroleum Limited	175,000	10.00	1,750	34,533
				430,943

Available for sale securities
Investments in ordinary shares

Agritech Limited	14,087,108	10.00	140,871	493,049
Aisha Steel Mills	5,104,000	10.00	51,040	55,362
Askari Bank Limited	10,000,000	10.00	100,000	189,485
Bank Al Habib Limited	6,939,000	10.00	69,390	331,207
Bank Al-Falah Limited	1,000,000	10.00	10,000	25,548
Cherat Cement Limited	5,000,000	10.00	50,000	319,542
DP World	6,926	2,009.66	13,919	18,094
Engro Corporation Limited	2,400,000	10.00	24,000	417,828
Engro Fertilizers Limited	2,000,000	10.00	20,000	114,055
Fatima Fertilizer Company Limited	22,400,000	10.00	224,000	569,358
Fauji Cement Limited	15,000,000	10.00	150,000	291,320
Fauji Fertilizer Company Limited	20,900,000	10.00	209,000	2,351,029
FFC Jordan-Bin Qasim Limited	45,499,000	10.00	454,990	1,820,209
Hub Power Company Limited	38,189,500	10.00	381,895	1,819,518
K-Electric Limited	8,500,000	10.00	85,000	55,575
Kot Addu Power Company Limited	79,422,000	10.00	794,220	3,688,420
MCB Bank Limited	142,500	10.00	1,425	40,453
National Bank Of Pakistan Limited	7,250,500	10.00	72,505	433,740
Nishat Chunian Power Limited	26,798,500	10.00	267,985	460,629
Oil & Gas Development Limited	1,980,000	10.00	19,800	555,988
Pakistan Petroleum Limited	2,500,000	10.00	25,000	529,619
Pakistan State Oil	1,355,000	10.00	13,550	532,140
Pakistan Telecommunication Company Limited	36,800,000	10.00	368,000	990,045
Saif Power Limited	3,600,000	10.00	36,000	108,000
Soneri Bank Limited	31,500,000	10.00	315,000	476,772
PICIC Growth Fund	600	10.00	6	10
1st Fidelity Leasing Modaraba	997	10.00	10	26
				16,687,021

Investments in preference shares

Masood Textile Mills Limited	7,333,334	10.00	73,333	73,333
Silk Bank Limited	10,000,000	10.00	100,000	25,000
JSC Alliance Bank	95,720	4,566.41	322,754	322,754
				421,087



Annexure 'A' as referred to in note 9.7 of the Group's consolidated financial statements

2) Particulars of investments held in unlisted companies

Investee	Percentage of holding (%)	Number of shares / certificates held	Breakup-up value per share	Paid up value per share	Cost	Based on audited accounts as at	Name of Chief Executive
			Rupees	Rupees	(Rupees '000)		
Shareholding more than 10%							
Pakistan Agricultural Storage & Services Corporation Limited	18.3%	5,500	83,015	1,000	5,500	31-Mar-13	Capt (R) Tariq Masud
World Bridge Connect Inc.	18.1%	1,979,295	-	-	77,606	-	Not available
Cinepax Limited	14.6%	5,037,200	11	10	50,372	30-Jun-14	Hashim Raza
Shareholding upto 10%							
First Women Bank Limited	5.2%	7,698,441	11	10	21,100	31-Dec-13	Ms. Tahira Raza
National Institutional Facilitation Technologies (Pvt.) Limited	9.1%	1,406,835	63	10	1,527	30-Jun-14	M. M. Khan
National Investment Trust Limited	8.3%	79,200	11,021	100	100	30-Jun-14	Manzoor Ahmed
News-VIS Credit Information Services (Pvt.) Limited	4.7%	32,500	-	10	325	30-Jun-14	Faheem Ahmad
Techlogix International Limited	4.4%	4,455,829	3	0	50,702	31-Dec-13	Mr.Salman Akhtar & Kewan Khawaja (Co Chief Executive)
Kay Textile Mills Limited	Not available	377,800	-	-	3,778	Not available	Not available
SME Bank Limited	1.7%	3,975,003	4	10	26,950	31-Dec-13	Ihsan ul Haq Khan
SWIFT	0.0%	25	8,811	18,134	2,905	31-Dec-13	Gottfried Leibbrandt
MasterCard Incorporated	0.0%	461	630	0	0	31-Dec-13	Ajay Banga
The Benefit Company B.S.C ©	0.4%	216	-	27,938	2,132	31-Dec-13	Abdul Wahid Janahi
Tri Star Shipping Company	0.0%	15,000	-	-	250	Not available	Not available
					243,247		

Annexure 'A' as referred to in note 9.7 of the Group's consolidated financial statements
3) Particulars of bonds

Investee	Terms of Redemption		Rate of Interest/Profit	Outstanding Amount
	Principal	Interest/Profit		

(Rupees in '000)

Held for trading
Sukuks

Maple Leaf Cement Limited	Bi-annually	Bi-annually	3M KIBOR + 100bps.	10,767
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Available for sale securities
Government of Pakistan Sukuk

Government of Pakistan Ijarah Sukuk - IX	Maturity	Bi-annually	Cut off yield of 6M T-Bills plus 0 bps	985,000
Government of Pakistan Ijarah Sukuk - XII	Maturity	Bi-annually	Cut off yield of 6M T-Bills plus 0 bps	505,000
Government of Pakistan Ijarah Sukuk - XIV	Maturity	Bi-annually	Cut off yield of 6M T-Bills minus 30 bps	3,431,250
Government of Pakistan Ijarah Sukuk - XV	Maturity	Bi-annually	Cut off yield of 6M T-Bills minus 200 bps	2,350,000
Islamic Republic of Pakistan - 2019 Sukuk	Maturity	Bi-annually	Cut off yield of 6M T-Bills minus 0 bps	2,009,448
				9,280,698

Government of Pakistan - Eurobonds

Islamic Republic of Pakistan - 2016 - Eurobond	At Maturity	Bi-annually	7.125%	1,465,675
Islamic Republic of Pakistan - 2017 - Eurobond	At Maturity	Bi-annually	6.875%	6,650,633
Islamic Republic of Pakistan - 2019 - Eurobond	At Maturity	Bi-annually	7.250%	2,239,911
Islamic Republic of Pakistan - 2019 - Eurobond	At Maturity	Bi-annually	6.750%	910,141
Islamic Republic of Pakistan - 2024 - Eurobond	At Maturity	Bi-annually	8.250%	2,909,560
				14,175,920

Foreign bonds - sovereign

Angola 2019	At Maturity	Quarterly	7.000%	692,486
Government of Dubai Bond 2015	At Maturity	Bi-annually	6.700%	224,335
Government of Dubai Bond 2020	At Maturity	Bi-annually	7.750%	2,364,850
Government of Dubai Bond 2022	At Maturity	Bi-annually	6.450%	1,485,560
Indonesia 2020	At Maturity	Bi-annually	3.750%	398,957
Kingdom of Bahrain Bond 2020	At Maturity	Bi-annually	5.500%	1,074,327
Kingdom of Jordan	At Maturity	Bi-annually	3.875%	706,957
Republic of Ghana 2017	At Maturity	Bi-annually	8.500%	735,300
Republic of Kenya	At Maturity	Bi-annually	5.875%	493,317
Republic of Nigeria 2023	At Maturity	Bi-annually	6.375%	600,664
Republic of Sri Lanka Bond 2020	At Maturity	Bi-annually	6.250%	750,267
Republic of Sri Lanka Bond 2021	At Maturity	Bi-annually	6.250%	663,442
Republic of Sri Lanka 2022	At Maturity	Bi-annually	5.875%	595,298
Republic of Turkey	At Maturity	Bi-annually	6.250%	501,783
State of Qatar Bond 2030	At Maturity	Bi-annually	9.750%	2,629,804
United Republic of Tanzania	At Maturity	Bi-annually	6.450%	1,088,318
Venezuela 2016	At Maturity	Bi-annually	5.750%	303,079
Republic of Zambia 2022	At Maturity	Bi-annually	5.375%	681,537
Mongolia International Bond 2022	At Maturity	Bi-annually	5.125%	295,232
				16,285,513

Annexure 'A' as referred to in note 9.7 of the Group's consolidated financial statements
3) Particulars of bonds

Investee	Terms of Redemption		Rate of Interest/Profit	Outstanding Amount
	Principal	Interest/Profit		
Foreign bonds - others				
Bank of Bahrain and Kuwait Bonds 2015	At Maturity	Bi-annually	4.500%	32,573
Bank of Ceylon 2017	At Maturity	Bi-annually	6.785%	491,062
CBQ Finance 2019	At Maturity	Bi-annually	7.500%	484,254
Dar Al-Arkan International	At Maturity	Bi-annually	10.750%	376,125
Dubai Electricity and Water Authority 2016	At Maturity	Bi-annually	6.375%	10,181
Dubai Electricity and Water Authority 2018	At Maturity	Bi-annually	3.000%	3,212,919
Dubai Electricity and Water Authority 2020	At Maturity	Quarterly	7.375%	2,637,215
EMAAR 2019	At Maturity	Bi-annually	6.400%	894,165
EMIRAT 2023	At Maturity	Bi-annually	3.875%	536,049
IPIC GMTN 2022	At Maturity	Bi-annually	5.500%	205,868
Jebel Ali Free Zone Authority 2019	At Maturity	Bi-annually	7.000%	980,805
MAF GLOBAL 2019	At Maturity	Quarterly	5.250%	495,066
PTA Bank 2018	At Maturity	Bi-annually	6.375%	295,453
Qatari Diar QSC - 2020	At Maturity	Bi-annually	5.000%	252,033
Access Finance 2017	At Maturity	Bi-annually	7.250%	867,503
African Bank Limited 2016	At Maturity	Bi-annually	6.000%	240,028
African Bank Limited 2017	At Maturity	Bi-annually	8.125%	1,158,704
Alfa Bank (Alfa Bond) 2021	At Maturity	Bi-annually	7.750%	112,879
Alpha Star Holding Ltd 2019	At Maturity	Bi-annually	4.970%	892,588
Azerbaijan Railways 2016	At Maturity	Bi-annually	8.250%	126,324
Banco Daycoval 2019	At Maturity	Bi-annually	5.750%	210,096
Bereket Varlik Kiralama 2019	At Maturity	Bi-annually	6.250%	674,119
BTG Investments LP 2020	At Maturity	Bi-annually	4.000%	233,097
BTG Investments LP 2018	At Maturity	Bi-annually	4.500%	397,820
Credit Bank of Moscow 2018	At Maturity	Bi-annually	7.700%	647,191
Diamond Bank Plc 2019	At Maturity	Bi-annually	8.750%	803,775
Eastern & Southern African 2018	At Maturity	Bi-annually	6.375%	103,894
Finansbank 2016	At Maturity	Bi-annually	1.500%	784,712
Global Bank Corporation 2019	At Maturity	Bi-annually	5.125%	356,009
GTB Finance BV 2018	At Maturity	Bi-annually	6.000%	335,587
Halyk Savings Bank-Kazak 2021	At Maturity	Bi-annually	7.250%	220,067
Millicom Intl Cellular 2020	At Maturity	Bi-annually	4.750%	187,740
Mongolian Mining Corporation 2017	At Maturity	Bi-annually	8.750%	374,744
Oschad Bank 2016	At Maturity	Bi-annually	8.250%	355,776
Ottawa Holdings Pte Ltd 2018	At Maturity	Bi-annually	5.875%	583,293
Rio Oil Finance Trust 2024	At Maturity	Bi-annually	6.250%	313,333
Russian Standard Bank 2017	At Maturity	Bi-annually	9.250%	715,757
Theta Capital Pte Ltd 2020	At Maturity	Bi-annually	6.125%	100,906
Türkiye Halk Bankasi 2020	At Maturity	Bi-annually	3.875%	48,598
Türkiye Is Bankasi A.S 2015	At Maturity	Bi-annually	1.720%	786,023
Türkiye Sinai Kalkinma Bank 2019	At Maturity	Bi-annually	5.375%	177,660
Vimpelcom (VIP FIN) 2018	At Maturity	Bi-annually	9.125%	220,114
Vimpelcom (VIP FIN) 2019	At Maturity	Bi-annually	5.200%	97,827
Vimpelcom (VIP FIN) 2021	At Maturity	Bi-annually	7.748%	167,986
Vn Jsc Bk For Industries & Trade 2017	At Maturity	Bi-annually	8.000%	263,708
Zenith Bank Plc 2019	At Maturity	Bi-annually	6.250%	606,305
				24,067,931

Annexure 'A' as referred to in note 9.7 of the Group's consolidated financial statements
3) Particulars of bonds (Contd.)

Investee	Terms of Redemption		Rate of Interest/Profit	Outstanding Amount
	Principal	Interest/Profit		

(Rupees in '000)

Held to maturity securities
Government of Pakistan - Eurobonds

Islamic Republic of Pakistan - 2016 - Eurobond	At Maturity	Bi-annually	7.125%	1,016,086
Islamic Republic of Pakistan - 2017 - Eurobond	At Maturity	Bi-annually	6.875%	4,769,452
Islamic Republic of Pakistan - 2019 - Eurobond	At Maturity	Bi-annually	7.250%	303,622
				6,089,160

Government of Pakistan Sukuk

Islamic Republic of Pakistan - 2019 Sukuk	Maturity	Bi-annually	6.75%	202,244
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Sukuks

Al Baraka Bank (Pakistan) Limited	Bi-annually	Bi-annually	6M KIBOR plus 125bps	250,000
Security Leasing Limited	Monthly	Nil	6M KIBOR plus 125bps	21,822
B.R.R Guardian Modaraba	Monthly	Monthly	Deferred interest instalment @ 1 month KIBOR	69,272
Sitara Peroxide Limited	Monthly	Monthly	1 Months KIBOR plus 100 bps	198,743
Pakistan International Airlines Limited	Bi-annually	Bi-annually	6 month KIBOR plus 175 bps	890,000
WAPDA Bonds - Sukuk II	At Maturity	Bi-annually	6M KIBOR minus 25bps	25,542
WAPDA Bonds - Sukuk III	At Maturity	Bi-annually	6M KIBOR plus 100bps	425,000
				1,880,379

Foreign bonds - others

JSC Alliance Bank - US \$ Discount Bonds	At Maturity	Bi-annually	10.500%	217,942
Zurich Insurance 2016	At Maturity	Bi-annually	4.25%	102,196
Notes Sunrise 2017	At Maturity	Bi-annually	7.00%	104,643
Bank of Cylon 2018	At Maturity	Bi-annually	5.33%	197,523
				622,304

Recovery Note

JSC Alliance Bank - US \$ Recovery Notes	At Maturity	N/A	N/A	309,708
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Foreign bonds - sovereign

Tanzania - 2020	At maturity	Bi-annually	6.329%	146,378
State Bank of India	At maturity	Bi-annually	3.375%	203,402
Government of Tanzania Bonds	At maturity	Bi-annually	7.82 % - 9.18%	305,830
				655,610

4) Particulars of Debentures

Investee	Terms of Redemption		Rate of Interest	Outstanding Amount
	Principal	Interest		

(Rupees in '000)

Private Sector

Effef Industries Limited	Overdue	Overdue	11.00%	1,017
Effef Industries Limited	Overdue	Overdue	14.00%	379
Khyber Textile Mills Limited	Overdue	Overdue	14.00%	394
Morgah Valley Limited	Overdue	Overdue	11.00%	316
Morgah Valley Limited	Overdue	Overdue	14.00%	160
				2,266



Annexure 'A' as referred to in note 9.7 of the Group's consolidated financial statements

5) Particulars of investments in term finance certificates

Investee	No. of Certificates held	Paid up value per certificate	Total Paid up value	Outstanding Amount	Name of Chief Executive
		(Rupees)	(Rupees in '000)		
<u>Unlisted - held for trading</u>					
Engro Fertilizer Limited	5,000	5,000	25,000	24,000	Rohail Mohammad
Standard Chartered Bank	2,000	5,000	10,000	10,326	Mr.Shazad Dada
				34,326	
<u>Listed - held for trading</u>					
Worldcall Telecom Limited	4,855	2,142	10,399	7,278	Babar Ali Syed
Bank Al-Falah Limited	2,000	4,997	9,994	9,923	Atif Bajwa
				17,201	
<u>Unlisted - available for sale</u>					
Azgard Nine Limited	12,944	5,000	64,720	64,720	Ahmed H. Shaikh
NIB Bank Limited TFC	30,000	5,000	150,000	149,970	Atif R. Bokhari
Engro Fertilizers Limited	140,000	5,000	700,000	700,000	Muhammad Rohail
Pakistan International Airlines Corporation TFC II	1,700	5,000	8,500	8,498	Nasser N S Jaffer
				923,188	
<u>Listed - available for sale</u>					
Azgard Nine Limited	60,000	5,000	300,000	97,615	Ahmed H. Shaikh
Bank Al Falah Limited TFC III	24,200	5,000	121,000	120,927	Atif Bajwa
Faysal Bank Limited	46,000	5,000	230,000	229,632	Nauman Ansari
Bank Al Habib Limited TFC II	44,766	5,000	223,830	111,668	Abbas D. Habib
				559,842	
<u>Unlisted - held to maturity</u>					
Pakistan International Airlines Corporation TFC II	408,867	5,000	2,044,335	2,042,700	Nasser N S Jaffer
Security Leasing Corporation Limited	40,000	5,000	200,000	30,807	Mohammed Khalid Ali
Al-Azhar Textile Mills Limited	14	774,670	10,845	5,418	Mirza Aurangzeb Baig
Bachani Sugar Mills Limited	-	-	-	18,516	Noorul Amin Bachani
Bentonite (Pakistan) Limited	14	268,894	3,765	3,417	Khalid Shakeel
Blue Star Spinning Mills Limited	17	497,020	8,449	3,392	Ch. Ijaz Safdar
Cast-N-Link Products Limited	16	1,064,039	17,025	2,549	Nisar Ahmed
Regency Textile Limited	40	287,715	11,509	6,113	M. Iqtidar Pervaiz



Annexure 'A' as referred to in note 9.7 of the Group's consolidated financial statements

5) Particulars of investments in term finance certificates (Contd.)

Investee	No. of Certificates held	Paid up value per certificate	Total Paid up value	Outstanding Amount	Name of Chief Executive
		(Rupees)	(Rupees in '000)		
Independent Media Corporation	20,000	5,000	100,000	75,000	Mir Ibrahim Rahman
Standard Chartered Bank	75,000	5,000	375,000	375,000	Shazad Dada
Azgard Nine	12,297	5,000	61,485	61,115	Ahmed H. Shaikh
NIB Bank Limited	30,000	5,000	150,000	149,971	Atif R. Bokhari
Askari Commercial Bank Limited	120,000	5,000	600,000	600,000	Syed Majeedullah Husaini
WAPDA	300,000	5,000	1,500,000	1,500,000	Syed Raghbir Abbas
				4,873,998	
Listed - held to maturity					
Allied Bank Limited TFC II	67,000	5,000	335,000	334,330	Tariq Mahmood
Faysal Bank Limited	24,000	5,000	120,000	119,808	Nauman Ansari
Bank Alfalah Limited	48,600	5,000	243,000	242,854	Atif Bajwa
				696,992	

6) Particulars of participation term certificates

Investee	No. of Certificates held	Paid up value per certificate	Total Paid up value	Outstanding Amount	Name of Chief Executive
			(Rupees)	(Rupees in '000)	
Morgah Valley Limited	16	29,250	468,000	436	Air Marshal (Retd.) A. Rahim Khan
Zamrock Fibers Glass Limited	12	32,833	394,000	2,359	Mr. S. Zamir Syed
				2,795	

Annexure 'A' as referred to in note 9.7 of the Group's consolidated financial statements
7) Quality of investments classified as available for sale (AFS)

Investee	Market Value	Credit Rating
	(Rupees in '000)	
Investment in ordinary shares		
Agritech Limited	109,175	unrated
Askari Bank Limited	230,700	AA
Bank Al Habib Limited	336,888	AA+
Cherat Cement Limited	343,400	unrated
Engro Fertilizers Limited	156,200	A
Fauji Cement Limited	387,600	unrated
K-Electric Limited	78,370	A+
National Bank of Pakistan	503,620	AAA
Oil & Gas Development Limited	407,623	AAA
Pakistan Petroleum Limited	441,300	unrated
Pakistan State Oil	484,968	AA+
Saif Power Limited	132,912	A+
Soneri Bank Limited	388,395	AA-
Aisha Steel Mills	42,312	unrated
Bank Al-Falah Limited	34,880	AA
Engro Corporation Limited	531,624	AA-
Fatima Fertilizer Company Limited	801,248	AA-
Fauji Fertilizer Bin Qasim Limited	2,057,010	unrated
Fauji Fertilizer Company Limited	2,447,599	unrated
Hub Power Company Limited	2,992,529	AA+
Kot Addu Power Company Limited	6,269,573	AA+
MCB Bank Limited	43,555	AAA
Nishat Chunian Power Limited	1,327,866	A+
Pakistan Telecommunication Company Limited	850,960	unrated
DP World	14,613	Baa3
PICIC Growth Fund	16	unrated
1st Fidelity Leasing Modaraba	5	unrated
	21,414,941	

Investee	Cost	Credit Rating
	(Rupees in '000)	
Investments in preference shares		
Masood Textile Mills Limited	73,333	unrated
Silk Bank Limited	25,000	A-
JSC Alliance Bank	322,754	Caa2
	<u>421,087</u>	

Investment in unlisted shares
Shareholding more than 10%

Pakistan Agricultural Storage & Services Corporation Limited	5,500	unrated
Cinepax Limited	50,372	unrated
World Bridge Connect Inc.	77,606	unrated

Shareholding upto 10%

First Women Bank Limited	21,100	BBB+
National Institutional Facilitation Technologies (Pvt.) Limited	1,527	unrated
SME Bank Limited	26,950	BBB-
Kay Textile Mills Limited	3,778	unrated
Techlogix International Limited	50,702	unrated
SWIFT	2,905	unrated
National Investment Trust Limited	100	AM2-
News-VIS Credit Information Services (Pvt.) Limited	325	unrated
MasterCard Incorporated	0	A
The Benefit Company B.S.C ©	2,132	unrated
Tri Star Shipping Company	250	unrated
	243,247	

Annexure 'A' as referred to in note 9.7 of the Group's consolidated financial statements
7) Quality of investments classified as available for sale (AFS)

Particulars	Market Value (Rupees in '000)	Credit Rating
Federal Government Securities		
Market Treasury Bills	46,306,610	Unrated - Govt Securities
Pakistan Investment Bonds	199,119,941	Unrated - Govt Securities
	245,426,551	
Government of Pakistan Islamic Bonds		
Government of Pakistan Ijarah Sukuk	9,188,860	Score7
Government of Pakistan - Euro bond		
Islamic Republic of Pakistan - 2016 - Euro Bond	1,539,131	Score7
Islamic Republic of Pakistan - 2017 - Euro Bond	7,429,453	Score7
Islamic Republic of Pakistan - 2019 - Euro Bond	3,147,500	Score7
Islamic Republic of Pakistan - 2024 - Euro Bond	2,914,350	Score7
	15,030,434	
Foreign bonds - sovereign		
Angola 2019	651,349	Score5
Government of Dubai 2015	235,469	Score2
Government of Dubai 2020	2,594,029	Score2
Government of Dubai 2022	1,595,593	Score2
Indonesia 2020	417,730	Score3
Kingdom of Bahrain Bond 2020	1,100,481	Score4
Kingdom of Jordan	719,269	Score5
Republic of Ghana 2017	678,882	Score5
Republic of Kenya	300,273	Score6
Republic of Nigeria 2023	574,006	Score5
Republic of Sri Lanka 2020	760,867	Score6
Republic of Sri Lanka 2021	662,170	Score6
Republic of Sri Lanka 2022	599,158	Score6
Republic of Turkey	500,048	Score4
State of Qatar 2030	2,739,662	Score3
United Republic of Tanzania	1,089,733	Score6
Venezuela 2016	203,378	Score7
Republic of Zambia 2022	617,864	Score5
Mongolia International Bond 2022	268,199	Score6
Republic of Kenya 2019	205,949	Score6
	16,514,109	
Foreign bonds - others		
Bank of Bahrain and Kuwait 2015	33,370	BBB
Bank of Ceylon 2017	494,087	B2
CBQ Finance 2019	504,762	A1
Dar Al Arkaan 2015	364,877	Unrated
Dubai Electricity and Water Authority 2016	10,891	Baa2
Dubai Electricity and Water Authority 2018	3,294,186	Baa2
Dubai Electricity and Water Authority 2020	2,844,993	Baa2
EMAAR 2019	952,030	B1
EMIRAT	568,782	Unrated
IPIC GMTN 2022	201,760	Aa2
JAFZA 2019	1,018,446	B1
MAF Global 2019	516,043	Unrated
PTA Bank 2018	284,356	BB

Annexure 'A' as referred to in note 9.7 of the Group's consolidated financial statements
7) Quality of investments classified as available for sale (AFS) (Contd.)

Particulars	Market Value	Credit Rating
	(Rupees in '000)	
Qatari Diar QSC 2020	278,513	AA
Access Finance 2017	798,381	B
African Bank Limited 2016	100,652	BB+
African Bank Limited 2017	1,201,120	BB+
Alfa Bank (Alfa Bond) 2021	89,541	BBB-
Alpha Star Holding Ltd 2019	852,352	BB
Azerbaijan Railways 2016	127,475	BB+
Banco Daycoval 2019	203,998	BBB-
Bereket Varlik Kiralama 2019	683,554	BB-
BTG Investments LP 2020	232,284	BBB-
BTG Investments LP 2018	380,997	BBB-
Credit Bank of Moscow 2018	496,498	BB
Diamond Bank Plc 2019	724,147	B
Eastern & Southern African 2018	103,019	BB
Finansbank 2016	784,712	BBB-
Global Bank Corporation 2019	358,693	BBB-
GTB Finance BV 2018	316,384	B+
Halyk Savings Bank-Kazak 2021	206,092	BB
Millicom Intl Cellular 2020	190,755	BB+
Mongolian Mining Corp 2017	245,778	CCC+
Oschad Bank 2016	230,895	CCC+
Ottawa Holdings Pte Ltd 2018	470,975	BB-
Rio Oil Finance Trust 2024	291,965	BBB
Russian Stand Bank 2017	593,922	B+
Theta Capital Pte Ltd 2020	101,401	BB-
Turkiye Halk Bankasi 2020	49,362	BBB-
Turkiye IS Bankasi A.S 2015	786,023	BBB
Turkiye Sinai Kalkinma Bank 2019	182,414	BBB
Vimpelcom (VIP FIN) 2018	138,912	BB
Vimpelcom (VIP FIN) 2019	86,536	BB
Vimpelcom (VIP FIN) 2021	192,182	BB
Vn JSC Bank for Industried and Trade 2017	266,687	B
Zenith Bank Plc 2019	568,675	B+
	23,423,477	

Investee	Market Value	Credit Rating
	(Rupees in '000)	

Term finance certificates

Listed

Azgard Nine Limited	88,304	Defaulted
Bank Al Falah Limited TFC II	120,070	AA-
Faysal Bank Limited	240,259	AA-
Bank Al Habib Limited TFC II	111,700	AA
	560,333	

Unlisted

Azgard Nine Limited	51,776	Defaulted
Engro Fertilizers Limited	686,120	A-
NIB Bank TFC	147,845	A+
Pakistan International Airlines Corporation TFC II	8,498	Defaulted
	894,239	

Annexure 'C' As Referred to in Note 11.7 of the Group's Consolidated Financial Statements

Disposals of operating fixed assets during the year 2014

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	------(Rupees in '000)-----					
Items having book value of more than Rs. 250,000 or cost of more than Rs. 1,000,000						
Leasehold Improvements	879	432	447	879	Insurance Claim	UBL Insurers Ltd
Vehicles						
Toyota Camry	7,164	4,298	2,866	2,973	Buy back	M. Asghar
Toyota Camry	6,513	5,862	651	1,303	Buy back	Muhammad Hanif Akhai
Toyota Hilux Double Cabin	2,949	1,858	1,091	2,000	Insurance Claim	UBL Insurers Limited
Toyota Hilux Double Cabin	2,948	1,813	1,135	2,000	Insurance Claim	UBL Insurers Limited
Toyota Camry	2,899	2,609	290	580	Buy back	Atif R. Bokhari
Honda Civic VTEC	1,935	1,335	600	658	Buy back	Nusratullah
Mitsubishi Lancer GLX	1,329	1,196	133	667	Auction	Danish Alvi
	25,737	18,971	6,766	10,180		
Ijara Assets						
Commercial Ijara - Dadex Eternit Limited	390,000	105,000	285,000	312,936	Buy back	Dadex Eternit Limited
Commercial Ijara - Pakistan Beverages Limited	99,234	94,272	4,962	4,962	Buy back	Pakistan Beverages Limited
Commercial Ijara - Premiere Dairies	41,391	37,252	4,139	4,139	Buy back	Premiere Dairies
Commercial Ijara - Ihsan Sons (Pvt) Limited	3,665	3,299	367	367	Buy back	Ihsan Sons (Pvt) Limited
Commercial Ijara - Royal Tech	3,567	2,497	1,070	905	Buy back	Royal Tech
Corolla ALTIS	2,218	30	2,188	2,193	Buy back	Qamar Iqbal
Commercial Ijara - Ihsan Sons (Pvt) Limited	2,138	1,924	214	214	Buy back	Ihsan Sons (Pvt) Limited
Commercial Ijara - National Foods Limited	2,088	870	1,218	1,325	Buy back	National Foods Limited
Civic iVTEC MT	2,063	733	1,330	1,371	Buy back	Muhammad Faisal
Corolla GLi	1,863	753	1,109	1,109	Buy back	Kashif Ali
Corolla GLi	1,832	602	1,229	1,229	Buy back	Muhammad Shahzad Akhter
Commercial Ijara - National Foods Limited	1,773	591	1,182	1,261	Buy back	National Foods Limited
Corolla GLi	1,764	691	1,072	1,127	Buy back	Muhammad Ashraf
Corolla GLi	1,759	1,426	334	334	Buy back	Naeem Ur Rehman
Corolla GLi	1,748	568	1,180	1,204	Buy back	Rukhsana Almas
Corolla GLi	1,748	1,155	593	593	Buy back	Muhammad Khalid
Corolla GLi	1,746	231	1,515	1,585	Buy back	Abdul Wahid
Corolla GLi	1,708	896	812	812	Buy back	Muhammad Javed Iqbal
Corolla GLi	1,707	641	1,066	1,066	Buy back	Mohammad Salman Paracha
Commercial Ijara - ICI Pakistan Limited	1,683	53	1,630	1,640	Buy back	ICI Pakistan Limited
Commercial Ijara - ICI Pakistan Limited	1,663	104	1,559	1,578	Buy back	ICI Pakistan Limited
Corolla GLi	1,662	984	679	763	Buy back	Shafqat Hussain
Corolla XLI	1,640	1,283	358	358	Buy back	Saqib Arshad
Commercial Ijara - National Foods Limited	1,638	717	921	1,008	Buy back	National Foods Limited
Corolla XLI	1,571	592	979	979	Buy back	Mehboob Hussain Shaikh
Commercial Ijara - Pak-Arab Refinery Limited	1,562	195	1,367	1,392	Buy back	Pak-Arab Refinery Limited
Commercial Ijara - National Foods Limited	1,538	384	1,153	1,208	Buy back	National Foods Limited
Corolla XLI	1,530	963	567	652	Buy back	Rafiqat Hussain
Commercial Ijara - National Foods Limited	1,530	1,243	287	347	Buy back	National Foods Limited
Corolla XLI	1,488	497	991	991	Buy back	Muhammad Usman
Commercial Ijara - National Foods Limited	1,462	1,340	122	218	Buy back	National Foods Limited
Commercial Ijara - National Foods Limited	1,462	1,371	91	182	Buy back	National Foods Limited
Commercial Ijara - Associated Textile Consultant (Pvt) Limited	1,379	1,241	138	138	Buy back	Associated Textile Consultant (Pvt) Limited
Commercial Ijara - National Foods Limited	1,366	484	882	944	Buy back	National Foods Limited
Commercial Ijara - Associated Textile Consultant (Pvt) Limited	1,330	1,197	133	133	Buy back	Associated Textile Consultant (Pvt) Limited
Corolla XLI	1,322	1,026	296	296	Buy back	Munawar Hussain
Vitz	1,321	258	1,063	1,136	Buy back	Shahid Najmi
Corolla XLI	1,320	303	1,017	1,131	Buy back	Muhammad Shamim Ansari
Commercial Ijara - National Foods Limited	1,251	313	938	984	Buy back	National Foods Limited
Civic iVTEC MT	1,219	613	606	691	Buy back	Raja Tariq Minhas
Cultus VXR EURO II	1,069	91	978	999	Buy back	Muharramuddin Memon
Cultus VXRNG	1,054	414	639	639	Buy back	Kashif Nazir
Cultus VXR	1,040	790	250	250	Buy back	Naeem ur Rehman Shaikh
Commercial Ijara - Pak-Arab Refinery Limited	1,034	259	776	805	Buy back	Pak-Arab Refinery Limited
Commercial Ijara - National Foods Limited	1,020	638	383	459	Buy back	National Foods Limited
Cultus VXR	1,020	247	773	862	Buy back	Musharraf Hussain
Commercial Ijara - National Foods Limited	980	245	735	771	Buy back	National Foods Limited
Commercial Ijara - National Foods Limited	970	667	303	373	Buy back	National Foods Limited
Liana 1.3 RXING	889	586	303	346	Buy back	Abdul Ghaffar
Commercial Ijara - National Foods Limited	801	551	250	298	Buy back	National Foods Limited
Commercial Ijara - National Foods Limited	732	397	336	394	Buy back	National Foods Limited
Commercial Ijara - National Foods Limited	725	393	332	372	Buy back	National Foods Limited
Suzuki Mehran	706	121	585	596	Buy back	Syed Kausar Ali Hamza
Suzuki Ravi	663	234	429	529	Buy back	Nasir Mehmood
Mehran VXNG	613	197	416	482	Buy back	Muhammad Nasir Ali Muhammad Anwar
Mehran VXNG	606	318	288	288	Buy back	Muhammad Usman
Bolan STD	592	312	280	280	Buy back	Muhammad Shafique Bajwa
Alto VXR NG	528	260	268	287	Buy back	Akhtar Ali
	609,990	275,308	334,682	364,532		
Sub - Total	636,607	294,712	341,895	375,592		
Items having book value of less than Rs. 250,000 and cost of less than Rs. 1,000,000						
Honda CD 70	71	14	57	54	Insurance	UBL Insurers Limited
Others	311,596	299,779	11,816	21,426		
Total	948,273	594,505	353,768	397,072		