

United Bank Limited
CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2018



CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018

	Note	2018	2017 Restated (Rupees in '000)	2016 Restated
ASSETS				
Cash and balances with treasury banks	6	187,915,671	161,119,170	133,467,502
Balances with other banks	7	41,747,060	35,549,112	32,267,304
Lendings to financial institutions	8	35,346,551	13,097,277	27,027,006
Investments	9	831,159,100	1,124,921,300	838,262,274
Advances	10	754,551,722	665,303,363	546,239,726
Fixed assets	11	50,898,280	49,230,901	38,208,734
Intangible assets	12	1,876,094	1,153,176	1,090,193
Deferred tax assets	13	6,685,952	-	-
Other assets	14	92,312,444	80,538,689	68,260,888
		2,002,492,874	2,130,912,988	1,684,823,627
LIABILITIES				
Bills payable	16	27,272,967	29,852,405	37,285,182
Borrowings	17	279,918,125	517,082,159	205,865,131
Deposits and other accounts	18	1,448,324,041	1,349,698,487	1,220,265,446
Liabilities against assets subject to finance lease	19	10,000	4,375	3,558
Subordinated debts	20	9,000,000	-	-
Deferred tax liabilities	13	-	2,980,466	5,230,571
Other liabilities	21	69,343,882	56,801,334	52,444,515
		1,833,869,015	1,956,419,226	1,521,094,403
NET ASSETS		168,623,859	174,493,762	163,729,224
REPRESENTED BY:				
Share capital	22	12,241,798	12,241,798	12,241,798
Reserves		60,078,870	47,203,516	42,615,188
Surplus on revaluation of assets	23	16,992,906	33,146,476	35,319,489
Unappropriated profit		73,749,955	76,410,128	68,939,008
Total equity attributable to the equity holders of the Bank		163,063,529	169,001,918	159,115,483
Non-controlling interest	24	5,560,330	5,491,844	4,613,741
		168,623,859	174,493,762	163,729,224
CONTINGENCIES AND COMMITMENTS	25			

The annexed notes 1 to 53 and annexures I , II and III form an integral part of these consolidated financial statements.

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018 ----- (Rupees in '000) -----	2017 Restated
Mark-up / return / interest earned	27	117,363,124	110,579,895
Mark-up / return / interest expensed	28	59,115,489	52,487,753
Net mark-up / interest income		<u>58,247,635</u>	<u>58,092,142</u>
Non mark-up / interest income			
Fee and commission income	29	15,886,753	14,831,990
Dividend income		1,683,678	1,733,757
Foreign exchange income		3,662,854	2,150,117
(Loss) / income from derivatives		(87,716)	32,793
Gain on securities - net	30	4,484,066	4,799,893
Other income	31	1,014,156	747,535
Total non mark-up / interest income		<u>26,643,791</u>	<u>24,296,085</u>
Total income		<u>84,891,426</u>	<u>82,388,227</u>
Non mark-up / interest expenses			
Operating expenses	32	42,492,994	38,455,334
Workers' Welfare Fund	33	(2,163,314)	814,699
Other charges	34	114,798	59,688
Total non mark-up / interest expenses		<u>40,444,478</u>	<u>39,329,721</u>
Share of profit of associates	9.9.1	699,294	459,702
Profit before provisions		<u>45,146,242</u>	<u>43,518,208</u>
Provisions and write offs - net	35	13,101,543	2,628,801
Extra ordinary / unusual item - charge in respect of pension liability	36	6,657,216	-
Profit before taxation		<u>25,387,483</u>	<u>40,889,407</u>
Taxation	37	10,337,929	14,934,403
Profit after taxation		<u><u>15,049,554</u></u>	<u><u>25,955,004</u></u>
Attributable to:			
Equity holders of the Bank		15,483,051	25,948,717
Non-controlling interest		(433,497)	6,287
		<u><u>15,049,554</u></u>	<u><u>25,955,004</u></u>
----- (Rupees) -----			
Earnings per share - basic and diluted	38	<u><u>12.65</u></u>	<u><u>21.20</u></u>

The annexed notes 1 to 53 and annexures I , II and III form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
	----- (Rupees in '000) -----	Restated
Profit after tax for the year attributable to:		
Equity holders of the Bank	15,483,051	25,948,717
Non-controlling interest	(433,497)	6,287
	<u>15,049,554</u>	<u>25,955,004</u>
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods		
Effect of translation of net investment in foreign branches and subsidiaries		
Equity holders of the Bank	11,379,285	2,031,733
Non-controlling interest	831,443	668,725
	<u>12,210,728</u>	<u>2,700,458</u>
Movement in deficit on revaluation of investments - net of tax		
Equity holders of the Bank	(16,127,636)	(8,707,466)
Non-controlling interest	(664,719)	163,878
	<u>(16,792,355)</u>	<u>(8,543,588)</u>
	<u>(4,581,627)</u>	<u>(5,843,130)</u>
Items that will not be reclassified to profit and loss account in subsequent periods		
Remeasurement (loss) / gain of defined benefit obligations - net of tax		
Equity holders of the Bank	(373,837)	(58,029)
Non-controlling interest	14,137	42,655
	<u>(359,700)</u>	<u>(15,374)</u>
Movement in surplus on revaluation of fixed assets - net of tax		
Equity holders of the Bank	38,913	6,584,350
Non-controlling interest	321,929	131,399
	<u>360,842</u>	<u>6,715,749</u>
Movement in surplus on revaluation of non-banking assets - net of tax	(6,672)	2,118
	<u>(5,530)</u>	<u>6,702,493</u>
Total comprehensive income for the year	<u><u>10,462,397</u></u>	<u><u>26,814,367</u></u>
Attributable to:		
Equity holders of the Bank	10,393,104	25,801,423
Non-controlling interest	69,293	1,012,944
	<u>10,462,397</u>	<u>26,814,367</u>

The annexed notes 1 to 53 and annexures I , II and III form an integral part of these consolidated financial statements.

Aameer Karachiwalla
Chief Financial Officer

Sima Kamil
President &
Chief Executive Officer

Amar Zafar Khan
Director

Arshad Ahmad Mir
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2018

	Attributable to equity shareholders of the Bank									Non-controlling Interest	Total
	Share Capital	General reserve	Statutory reserve	Capital reserve - Exchange translation	Surplus/(Deficit) on revaluation of			Unappropriated profit	Sub total		
					Investments	Fixed Assets	Non Banking Assets				
(Rupees in '000)											
Balance as at December 31, 2016 - as previously reported	12,241,798	3,000	27,300,858	15,311,330	-	-	-	68,939,008	123,795,994	4,227,693	128,023,687
Reclassification of surplus to equity (note 5.1.3)	-	-	-	-	14,604,825	20,604,254	110,410	-	35,319,489	386,048	35,705,537
Balance as at December 31, 2016 - as restated	12,241,798	3,000	27,300,858	15,311,330	14,604,825	20,604,254	110,410	68,939,008	159,115,483	4,613,741	163,729,224
Total comprehensive income for the year ended December 31, 2017 - as restated											
Profit after taxation for the year ended December 31, 2017 - as restated	-	-	-	-	-	-	-	25,948,717	25,948,717	6,287	25,955,004
Other comprehensive income - net of tax - as restated	-	-	-	2,031,733	(8,707,466)	6,584,350	2,118	(58,029)	(147,294)	1,006,657	859,363
Total comprehensive income for the year ended December 31, 2017 - as restated	-	-	-	2,031,733	(8,707,466)	6,584,350	2,118	25,890,688	25,801,423	1,012,944	26,814,367
Ordinary dividend relating to Non-controlling shareholders	-	-	-	-	-	-	-	-	-	(135,493)	(135,493)
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	(52,015)	-	51,363	(652)	652	-
Transfer to statutory reserve	-	-	2,556,595	-	-	-	-	(2,556,595)	-	-	-
Transactions with owners for the year ended December 31, 2017											
Final cash dividend - December 31, 2016 declared subsequent to the year end at Rs.4.0 per share	-	-	-	-	-	-	-	(4,896,719)	(4,896,719)	-	(4,896,719)
Interim cash dividend - March 31, 2017 declared at Rs.3.0 per share	-	-	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Interim cash dividend - June 30, 2017 declared at Rs.3.0 per share	-	-	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Interim cash dividend - September 30, 2017 at Rs.3.0 per share	-	-	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
	-	-	-	-	-	-	-	(15,914,336)	(15,914,336)	-	(15,914,336)
Balance as at December 31, 2017 (Restated)	12,241,798	3,000	29,857,453	17,343,063	5,897,359	27,136,589	112,528	76,410,128	169,001,918	5,491,844	174,493,762
Change in accounting policy as at January 1, 2018 - note 5.1.2	-	-	-	-	-	-	-	(1,640,563)	(1,640,563)	-	(1,640,563)
Balance as at January 1, 2018 (Restated)	12,241,798	3,000	29,857,453	17,343,063	5,897,359	27,136,589	112,528	74,769,565	167,361,355	5,491,844	172,853,199
Total comprehensive income for the year ended December 31, 2018											
Profit after taxation for the year ended December 31, 2018	-	-	-	-	-	-	-	15,483,051	15,483,051	(433,497)	15,049,554
Other comprehensive income - net of tax	-	-	-	11,379,285	(16,127,636)	38,913	(6,672)	(373,837)	(5,089,947)	502,790	(4,587,157)
Total comprehensive income for the year ended December 31, 2018	-	-	-	11,379,285	(16,127,636)	38,913	(6,672)	15,109,214	10,393,104	69,293	10,462,397
Ordinary dividend relating to Non-controlling shareholders	-	-	-	-	-	-	-	-	-	(1,581)	(1,581)
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	(58,175)	-	57,401	(774)	774	-
Transfer to statutory reserve	-	-	1,496,069	-	-	-	-	(1,496,069)	-	-	-
Transactions with owners for the year ended December 31, 2018											
Final cash dividend - December 31, 2017 declared subsequent to the year end at Rs.4.0 per share	-	-	-	-	-	-	-	(4,896,719)	(4,896,719)	-	(4,896,719)
Interim cash dividend - March 31, 2018 declared at Rs.3.0 per share	-	-	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Interim cash dividend - June 30, 2018 declared at Rs.3.0 per share	-	-	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Interim cash dividend - September 30, 2018 declared at Rs.3.0 per share	-	-	-	-	-	-	-	(2,448,359)	(2,448,359)	-	(2,448,359)
	-	-	-	-	-	-	-	(14,690,156)	(14,690,156)	-	(14,690,156)
Balance as at December 31, 2018	12,241,798	3,000	31,353,522	28,722,348	(10,230,277)	27,117,327	105,856	73,749,955	163,063,529	5,560,330	168,623,859

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CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2018

Note	2018	2017 Restated
	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	25,387,483	40,889,407
Less: Dividend income	(1,683,678)	(1,733,757)
Share of profit of associates	(699,294)	(459,702)
	<u>23,004,511</u>	<u>38,695,948</u>
Adjustments:		
Depreciation on fixed assets	2,466,344	2,151,157
Depreciation on Islamic financing against leased assets (Ijarah)	186,623	197,824
Amortization	562,568	436,392
Workers' Welfare Fund	(2,163,314)	814,699
Provision for retirement benefits	7,461,772	820,115
Charge for compensated absences	141,698	24,687
Provision against loans and advances - net	10,652,370	1,877,257
Reversal of provision against lendings to financial institutions - net	(57,600)	(8,260)
Provision for diminution in value of investments - net	1,831,048	719,845
Reversal of provision in respect of investments disposed off during the year	(599,110)	(55,525)
Charge / (reversal) against off balance sheet items	463,300	(599,097)
Gain on sale of fixed assets - net	(42,662)	(57,983)
Gain on sale of ijarah assets - net	(1,754)	(96)
Bad debts written off directly	130,830	187,443
Unrealized gain on revaluation of investments classified as held for trading	(8,524)	(2,207)
Finance charges on leased assets	-	570
Other provisions/ write offs	75,072	147,954
Provision against other assets - net	6,523	303,659
	<u>21,105,184</u>	<u>6,958,434</u>
	<u>44,109,695</u>	<u>45,654,382</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(22,191,674)	(401,074)
Held for trading securities	3,514,443	(96,681,848)
Advances	(100,284,394)	(107,059,262)
Other assets (excluding advance taxation)	(4,855,536)	(2,680,271)
	<u>(123,817,161)</u>	<u>(206,822,455)</u>
Increase / (decrease) in operating liabilities		
Bills payable	(2,579,438)	1,633,966
Borrowings	(237,164,034)	311,217,028
Deposits and other accounts	98,625,554	120,366,298
Other liabilities (excluding current taxation)	12,335,395	1,451,657
	<u>(128,782,523)</u>	<u>434,668,949</u>
	<u>(208,489,989)</u>	<u>273,500,876</u>
Payments on account of staff retirement benefits	(6,418,588)	(1,270,181)
Income taxes paid	(18,947,962)	(19,570,676)
Net cash flows (used in) / from operating activities	<u>(233,856,539)</u>	<u>252,660,019</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	233,876,065	(199,190,229)
Net investments in held to maturity securities	29,749,485	(8,969,936)
Net investments in associates	(26,806)	4,193,675
Dividend income received	1,711,181	1,768,502
Investment in fixed assets	(3,817,074)	(6,398,011)
Investment in Intangible assets	(1,253,605)	(366,945)
Sale proceeds from disposal of fixed assets	128,578	81,186
Sale proceeds from disposal of ijarah assets	67,966	72,260
Exchange differences on translation of net investment in foreign branches and subsidiaries attributable to:		
- Equity holders of the Bank	11,379,285	2,031,733
- Non-controlling interest	831,443	668,725
Net cash flows from / (used in) investing activities	<u>272,646,518</u>	<u>(206,109,040)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payment in respect of leased obligation	5,625	(2,078)
Receipts of subordinated debts	9,000,000	-
Dividends paid to:		
- Equity holders of the Bank	(14,799,574)	(15,479,932)
- Non-controlling interest	(1,581)	(135,493)
Net cash flows used in financing activities	<u>(5,795,530)</u>	<u>(15,617,503)</u>
Increase in cash and cash equivalents	<u>32,994,449</u>	<u>30,933,476</u>
Cash and cash equivalents at the beginning of the year	196,668,282	165,734,806
Cash and cash equivalents at the end of the year	<u>229,662,731</u>	<u>196,668,282</u>

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Chairman

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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 UBL Head Office, I. I. Chundrigar Road, Karachi respectively. The Bank operates 1,364 (December 31, 2017: 1,361) branches inside Pakistan including 94 (December 31, 2017: 93) Islamic Banking branches and 2 (December 31, 2017: 2) branches in Export Processing Zones. The Bank also operates 15 (December 31, 2017: 18) branches outside Pakistan. The Bank is a subsidiary of Bestway (Holdings) Limited and Bestway (Holdings) Limited is a wholly owned subsidiary of Bestway Group Limited which is incorporated in the United Kingdom.

The Bank's ordinary shares are listed on Pakistan Stock Exchange. Its Global Depository Receipts (GDRs) are on the list of the UK Listing Authority and the London Stock Exchange Professional Securities Market. These GDRs are also eligible for trading on the International Order Book System of the London Stock Exchange. Further, the GDRs constitute an offering in the United States only to qualified institutional buyers in reliance on Rule 144A under the US Securities Act of 1933 and an offering outside the United States in reliance on Regulation S.

- Subsidiary companies

- United National Bank Limited (UBL UK) - 55% holding (2017: 55% holding)

UBL UK is an authorized banking institution incorporated in the United Kingdom. UBL UK was formed in 2001 from the merger of the UK branches of United Bank Limited and National Bank of Pakistan. The principal activities of UBL UK are to provide retail banking services 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.

- UBL (Switzerland) AG (USAG) -100% holding (2017: 100% holding)

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

- United Executors and Trustees Company Limited, Pakistan - 100% holding (2017: 100% holding)

United Executors and Trustees Company Limited ("UET" or 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 - 98.87% holding (2017: 99.87% holding)

UBL Fund Managers Limited (UBL FM or the Company) 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 STSM Building, Beaumont Road, Civil Lines, Karachi.

- Al Ameen Financial Services (Private) Limited (the Company) - effective holding 98.87% (2017: 99.87% holding)

UBL Fund Managers has incorporated a wholly owned subsidiary Al Ameen Islamic Financial Services (Private) Limited on February 27, 2015. The principal activity of the subsidiary is provision of shariah compliant financial services including distribution of shariah compliant mutual funds. The registered office of the Company is situated at STSM Building, Beaumont Road, Civil Lines, Karachi.

- UBL Bank (Tanzania) Limited - 100% holding (2017: 100% holding)

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

2. BASIS OF PRESENTATION

- 2.1** These consolidated financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BSD Circular No. 02, dated 25 January 2018.
- 2.2** In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, SBP has issued various circulars from time to time. Permissible forms of trade - related modes of financing includes purchase of goods by banks from customers and immediate resale to them at appropriate mark - up in price on deferred payment basis. The purchase and resale arising under these arrangements are not reflected in these consolidated financial statements as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark - up thereon. However, the Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards (IFAS), issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the provisions of Companies Act, 2017.
- 2.3** Key financial figures of the Islamic Banking branches are disclosed in annexure II to the consolidated financial statements.

3. STATEMENT OF COMPLIANCE

- 3.1** These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:
- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
 - Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
 - Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
 - Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

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

- 3.2** The SBP, vide BSD Circular letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Moreover, SBP vide BPRD circular no. 4, dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standards (IFAS) 3, Profit and Loss Sharing on Deposits. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, 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** The SECP vide its notification SRO 633 (I)/2014 dated 10 July 2014, adopted IFRS 10 effective from the periods starting from June 30, 2014. However, vide its notification SRO 56 (I)/2016 dated January 28, 2016, it has been notified that the requirements of IFRS 10 and section 228 of the Companies Act, 2017 will not be applicable with respect to the investment in mutual funds established under trust structure.
- 3.4** **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:

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
- IFRS 15 - Revenue from contracts with customers	July 1, 2018
- IFRS 11 - Joint Venture- (Amendments)	January 1, 2019
- IFRS 16 - Leases	January 1, 2019

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
- IAS 19 - Employee Benefits - (Amendments)	January 1, 2019
- IAS 28 - Investments in Associates and Joint Ventures - (Amendments)	January 1, 2019
- IFRIC 23 - Uncertainty over Income Tax Treatments	January 1, 2019
- IFRS 3 - Business Combinations - (Amendments)	January 1, 2020
	Effective date (periods ending on or after)
- IFRS 9 - Financial Instruments: Classification and Measurement	June 30, 2019

IFRS 16 replaces existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentive and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognizes a right a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

On adoption of IFRS 16, the Group shall recognize a 'right of use asset' with a corresponding liability for lease payments. The Group is in the process of assessing the full impact of this standard.

IFRS 9: 'Financial Instruments' addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'expected credit losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL has impact on all assets of the Bank which are exposed to credit risk. As detailed in note 5.1.2, the Group has already adopted IFRS 9 in respect of certain overseas branches and a subsidiary.

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

The Group expects that adoption of the remaining interpretations and amendments will not affect its financial statements in the period of initial application.

3.5 Standards, interpretations and amendments to accounting and reporting standards that are not yet effective

The State Bank of Pakistan (SBP) through its BPRD Circular No. 02 of 2018 dated January 25, 2018 has amended the format of annual financial statements of banks. All banks are directed to prepare their annual financial statements on the revised format effective from the accounting year ending December 31, 2018. Accordingly, the Group has prepared these financial statements on the new format prescribed by the State Bank of Pakistan. The adoption of new format required certain recognition requirements, reclassification of comparative information and also introduced additional disclosure requirements. Accordingly a third statement of financial position has been presented at the beginning of the preceding period (i.e. December 31, 2016) in accordance with the requirement of International Accounting Standard 1 – Presentation of Financial Statements.

During the current year, IFRS 9, Financial Instruments: Classification and Measurement, became applicable for certain overseas branches and a subsidiary of the Group. The impact of the adoption of IFRS 9 on the Group's financial statements is disclosed in note 5.1.2.

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

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 / non-banking assets acquired in satisfaction of claims have been stated at revalued amounts, certain investments and derivative financial instruments have been stated at fair value and net obligations in respect of defined benefit schemes are carried at their present values.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

4.2 Critical accounting estimates and judgments

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

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 5.5 and 9)
- ii) provision against investments (notes 5.5 and 9.3), lendings to financial institutions (notes 5.4 and 8.6) and advances (notes 5.6 and 10.3)
- iii) income taxes (notes 5.10 and 37)
- iv) staff retirement benefits (notes 5.12 and 41)
- v) fair value of derivatives (notes 5.17.2)
- vi) fixed assets and intangible assets - revaluation, depreciation and amortization (notes 5.7, 11 and 12)
- vii) impairment (note 5.9)
- viii) valuation of non-banking assets acquired in satisfaction of claims (note 5.8)

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, except for changes explained in note 5.1:

5.1 Change in accounting policies

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

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

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

	As at December 31, 2017		
	Previously stated	Change	Restated
	Rupees in '000		
Impact on Statement of Financial Position			
Unappropriated profit	76,651,713	(241,585)	76,410,128
Surplus on revaluation of fixed assets / non-banking assets	27,966,388	241,585	28,207,973
Impact on Profit and Loss Account			
Provisions and write-offs - net	2,387,216	241,585	2,628,801
Profit after taxation	26,196,589	(241,585)	25,955,004
Earnings per share - basic and diluted	21.39	(0.19)	21.20
Impact on Statement of Comprehensive Income	20,338,085	(241,585)	20,096,500
Impact on Cash Flow Statement			
Profit before taxation	41,130,992	(241,585)	40,889,407
Other provisions / write offs - net	287,473	241,585	529,058

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

The adoption of this standard by certain overseas branches and a subsidiary resulted in additional provisioning requirement of Rs. 2,497.087 million (net of deferred tax amounting to Rs. 1,640.563 million) as at December 31, 2017. The amount of additional provision has been adjusted in the opening retained earnings as allowed under IFRS 9 and permitted by the State Bank of Pakistan. The impacts of change in policy can be summarised as follows:

	As at January 1, 2018		
	Provision required under IFRS- 9	Already recorded	Incremental impact
	------(Rupees in '000)-----		
Impact on Statement of Financial Position			
Balances with other banks	92,056	-	92,056
Investments	871,640	-	871,640
Advances	4,137,453	(2,815,306)	1,322,147
Other liabilities (provision against off balance sheet obligations)	211,244	-	211,244
	<u>5,312,393</u>	<u>(2,815,306)</u>	<u>2,497,087</u>
Less: related deferred tax	<u>(1,841,881)</u>	<u>985,357</u>	<u>(856,524)</u>
	<u>3,470,512</u>	<u>(1,829,949)</u>	<u>1,640,563</u>

- 5.1.3** The State Bank of Pakistan (SBP) through its BPRD Circular No. 02 of 2018 dated January 25, 2018 has amended the format of annual financial statements of banks. All banks are directed to prepare their annual financial statements on the revised format effective from the accounting year ending December 31, 2018. Accordingly, the Group has prepared these financial statements on the new format prescribed by the State Bank of Pakistan. The adoption of new format required certain recognition requirements, reclassification of comparative information and also introduced additional disclosure requirements. Accordingly a third statement of financial position has been presented at the beginning of the preceding period (i.e. December 31, 2016) in accordance with the requirement of International Accounting Standard 1 – Presentation of Financial Statements. The adoption of revised format has resulted in following significant changes:

- Acceptances amounting to Rs 28,157.111 million (2017: Rs 25,670.558 million, 2016: Rs 23,081.367 million) which were previously shown as part of contingencies and commitments are now recognized on balance sheet both as assets and liabilities. They are included in Other Assets (note 14) and Other Liabilities (note 21);
- Surplus on revaluation of fixed assets, non banking assets and investments which was previously shown below equity have now been included as part of equity (note 23). These surplus aggregate to Rs 17,331.441 million as at December 31, 2018 (2017: Rs 33,827.801 million, 2016: Rs 35,705.537 million); and
- Intangibles (note 12) amounting to Rs 1,876.094 million (2017: Rs 1,153.176 million, 2016: Rs 1,090.193 million) were previously shown as part of fixed assets (note 11) are now shown separately on the consolidated statement of financial position.
- Provision against advances, provision against investments, bad debts written off directly and reversal of provision against lendings to financial institution amounting to Rs 1,877.257 million, Rs 719,845 million, Rs 187.443 million and Rs 8.260 million respectively which were previously shown separately in the consolidated profit and loss account have now been shown as part of other provisions / write-offs in note 35.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

5.2 Basis of consolidation

5.2.1 Subsidiaries

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

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the date that control ceases.

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.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group recognises non-controlling interests (NCI) in subsidiaries at the non-controlling interest's proportionate share of the net assets. NCI in the equity of subsidiaries are shown separately in the consolidated statement of financial position, consolidated profit and loss account, consolidated statement of comprehensive income and consolidated statement of changes in equity.

5.3 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.

5.4 Lendings to / borrowings from financial institutions

The Group enters into transactions of reverse repos, repos and other short term money market lendings to financial institution at contracted rates for a specified period of time. Further, other long term lendings to Financial institution are classified in advances. These are recorded as under:

5.4.1 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.

5.4.2 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.

5.4.3 Bai Muajjal

The securities sold under Bai Muajjal agreement are derecognised on the date of disposal. Receivable against such sale is recognised at the agreed sale price. The difference between the sale price and the carrying value on the date of disposal is taken to income on straight line basis.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

5.5 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.

Initial measurement

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 as part of 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Goodwill

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

5.6 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 Group'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.

5.6.1 Finance Lease receivables

Leases, where the Bank transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance lease. A receivable is recognized at an amount equal to the present value of the minimum lease payments including guaranteed residual value, if any. Finance lease receivables are included in advances.

5.6.2 Islamic financings and related assets

Receivables under Murabaha financing represent cost price plus an agreed mark-up on deferred sale arrangement. Mark-up income is recognised on a straight line basis over the period of the instalments.

Ijarah financing represents arrangements whereby the Bank (being the owner of assets) transfers its usufruct to its customers for an agreed period at an agreed consideration. Assets leased out under Ijarah are stated at cost less accumulated depreciation and accumulated impairment losses, if any. These are depreciated over the term of the lease. Ijarah income is recognized on an accrual basis.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Diminishing Musharaka is partnership agreement between the Bank and its customer for financing vehicle or plant and machinery. The receivable is recorded to the extent of Bank's share in the purchase of asset. Income is recognised on accrual basis.

5.7 Fixed assets and depreciation**5.7.1 Tangible**

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 independent, professionally qualified valuers with sufficient regularity to ensure that their net carrying amount does not differ materially from their fair value. An increase arising on revaluation is credited to the surplus on revaluation of fixed assets account. A decrease arising on revaluation of fixed assets is adjusted against the surplus of that asset or, if no surplus exists, is charged to the profit and loss account as an impairment of the asset. A surplus arising subsequently on an impaired asset is reversed through the profit and loss account up to the extent of the original impairment.

Surplus on revaluation of fixed assets (net of associated deferred tax) to the extent of the incremental depreciation charged on the related assets 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.

5.7.2 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 and subsidiaries 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 12.1 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.

5.8 Non banking assets acquired in satisfaction of claims

Non-banking assets acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation. These assets 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 of property is credited to the 'surplus on revaluation of non-banking assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property are charged to the profit and loss account and not capitalised.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018****5.9 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. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. 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.

5.10 Taxation**5.10.1 Current**

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Bank and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

5.10.2 Deferred

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Bank is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

Current and deferred tax is recognised in consolidated profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

5.11 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.

5.12 Staff retirement and other benefits

5.12.1 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 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.

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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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.

5.12.2 United National Bank Limited (UBL UK)

Defined benefit scheme

UBL UK 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 respectively. 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 UBL UK, 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

UBL UK 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.

5.12.3 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 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.

5.12.4 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 dependents 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.

5.12.5 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

5.13 Subordinated Debt

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

5.14 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.

5.15 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.

5.15.1 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.

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

Lease financing

Income from lease financing is accounted for using the financing method. Under this method, the unearned lease income (defined as the sum of total lease rentals and estimated residual value less the cost of the leased assets) is deferred and taken to income over the term of the lease so as to produce a constant periodic rate of return on the outstanding net investment in the lease. Gains or losses on termination of lease contracts are recognised through the profit and loss account when these are realised. Unrealised lease income and other fees on classified leases are recognised on a receipt basis.

5.15.2 Dividend income

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

5.15.3 Fee, brokerage and commission income

Fee, brokerage and commission income is recognized on an accrual basis.

5.15.4 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.

5.16 Foreign currencies

5.16.1 Functional and presentation currency

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

5.16.2 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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.

5.16.3 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.

5.16.4 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.

5.16.5 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.

Provision for claims under guarantees

A provision for claims under guarantees is recognised when intimated and reasonable certainty exists that the Bank will settle the obligation. The charge to the profit and loss account is stated net of expected recoveries and the obligation is recognised in other liabilities.

5.17 Financial instruments

5.17.1 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.

5.17.2 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.

5.17.3 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.

5.18 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.

5.18.1 Business segments

(a) Corporate / Commercial Banking

Includes project, trade and working capital finance, import and export, factoring, leasing, lending, deposits and guarantees. It also include services provided in connection with mergers and acquisitions and the underwriting / arrangement of debt and equity instruments through syndications, Initial Public Offerings and private placements.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

(b) Treasury

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

(c) Branch Banking

Includes deposits, lending and banking services to private individuals and small businesses including credit cards and branchless banking.

(d) Islamic Banking

Represents branch operations of Islamic banking window of the Bank.

(e) International Branch Operations

Represents Bank's operations in 5 countries including two branches in export processing zones in Karachi and Sialkot.

(f) Subsidiaries

Represents operations by Bank's subsidiaries.

(g) Others

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

5.18.2 Geographical segments

The Group operates in following geographical regions:

- Pakistan
- Middle East
- United States of America
- Export Processing Zones in Karachi and Sialkot
- Europe
- Africa

5.19 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.

5.20 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.

5.21 Acceptances

Acceptances comprise undertakings by the Bank to pay bill of exchange drawn on customers. Acceptances are recognized as financial liability in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Note	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		11,659,464	9,133,749
Foreign currency		4,182,154	4,757,384
		15,841,618	13,891,133
With State Bank of Pakistan in			
Local currency current accounts	6.1	46,699,046	47,566,242
Foreign currency current accounts	6.2	3,209,866	2,603,208
Foreign currency deposit account	6.3	8,304,054	7,374,423
		58,212,966	57,543,873
With other central banks in			
Foreign currency current accounts	6.4	34,761,763	34,049,196
Foreign currency deposit accounts	6.5	12,103,156	7,272,440
		46,864,919	41,321,636
With National Bank of Pakistan in local currency current accounts		66,936,342	48,257,470
Prize Bonds		59,826	105,058
		<u>187,915,671</u>	<u>161,119,170</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 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, 2018, it carries mark-up at the rate of 1.35% (2017: 0.37%) 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** These represent placements with overseas central banks and carry mark-up at rates ranging from 2.24% to 2.50% (2017: 1.22% to 1.50%) per annum.

	Note	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
7. BALANCES WITH OTHER BANKS			
Inside Pakistan			
In current accounts		3,216	3,674
In deposit accounts	7.1	4,492,852	5,879,308
		4,496,068	5,882,982
Outside Pakistan			
In current accounts		11,914,322	15,014,403
In deposit accounts	7.2	25,336,670	14,651,727
		37,250,992	29,666,130
		<u>41,747,060</u>	<u>35,549,112</u>

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

7.1 These carry mark-up at rates ranging from 9.80% to 10.49% (2017: 5.60% to 5.7%) per annum.

7.2 These carry mark-up at rates ranging from 0.13% to 5.86% (2017: 0.13% to 5.25%) per annum and include balances amounting to Rs. 277.724 million (2017: Rs.220.834 million), maintained with an overseas bank against the statutory reserves requirement of a foreign branch.

	Note	2018 ----- (Rupees in '000) -----	2017
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call / clean money lending	8.2	7,000,000	585,000
Repurchase agreement lendings	8.3	23,500,000	6,931,953
Bai Muajjal receivable from State Bank of Pakistan		-	3,109,215
Bai Muajjal receivable from other financial institutions	8.4	3,066,732	-
Money market lendings	8.5	1,848,072	2,596,962
		<u>35,414,804</u>	<u>13,223,130</u>
Provision against lendings to financial institutions	8.6	(68,253)	(125,853)
Lendings to financial institutions - net of provision		<u>35,346,551</u>	<u>13,097,277</u>

8.1 Particulars of lendings to financial institutions - gross

In local currency	33,634,872	10,694,308
In foreign currencies	1,779,932	2,528,822
	<u>35,414,804</u>	<u>13,223,130</u>

8.2 This represents unsecured lending carrying mark-up at a rate of 9.00% to 9.70% per annum (2017: 5.75% per annum) and is due to mature by January 2019.

8.3 Securities held as collateral against repurchase agreement lendings

	2018			2017		
	Held by Group	Further given as collateral / sold	Total	Held by Group	Further given as collateral / sold	Total
	----- (Rupees in '000) -----					
Pakistan Investment Bonds	5,000,000	18,500,000	23,500,000	-	-	-
Market Treasury Bills	-	-	-	6,931,953	-	6,931,953
	<u>5,000,000</u>	<u>18,500,000</u>	<u>23,500,000</u>	<u>6,931,953</u>	<u>-</u>	<u>6,931,953</u>

8.3.1 The market value of securities held as collateral against repurchase agreement lendings amounted to Rs. 23,496.797 million (2017: Rs. 6,930.423 million).

8.4 This represents Bai Muajjal agreements entered into with various financial institutions whereby the Bank has sold sukuks having carrying value of Rs. 2,992.934 million (2017: Rs. nil) on deferred payment basis. The average return on these transactions is 10.0% per annum (2017: nil).

8.5 Lendings pertaining to overseas operations carry mark-up at rates 4.25% per annum (2017: 2.61% to 6.02% per annum) and are due to mature latest by January 2019.

8.6 Category of classification

	2018		2017	
	Classified Lending	Provision held	Classified Lending	Provision held
	----- (Rupees in '000) -----			
Domestic				
Loss	68,253	68,253	125,853	125,853

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

9. INVESTMENTS

9. INVESTMENTS		2018				2017			
9.1 Investments by type	Note	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
(Rupees in '000)									
Held for trading securities									
Market Treasury Bills		99,942,759	-	954	99,943,713	104,501,276	-	1,563	104,502,839
Pakistan Investment Bonds		1,621,854	-	7,570	1,629,424	582,376	-	729	583,105
Term Finance Certificates		-	-	-	-	10,245	-	(85)	10,160
		101,564,613	-	8,524	101,573,137	105,093,897	-	2,207	105,096,104
Available for sale securities									
Market Treasury Bills		139,865,800	-	(22,440)	139,843,360	302,518,979	-	(3,034)	302,515,945
Pakistan Investment Bonds		133,585,814	-	(14,268,873)	119,316,941	229,560,472	-	6,285,489	235,845,961
Government of Pakistan Eurobonds		19,793,232	(203,676)	(867,162)	18,722,394	16,768,510	-	556,820	17,325,330
Government of Pakistan Sukuk		15,145,060	(49,844)	(176,154)	14,919,062	19,102,273	-	56,993	19,159,266
Sukuk		105,000	-	-	105,000	-	-	-	-
Ordinary shares of listed companies		18,018,247	(3,047,999)	1,747,978	16,718,226	18,362,340	(1,824,103)	1,780,431	18,318,668
Preference shares		482,687	(446,023)	-	36,664	391,315	(354,688)	-	36,627
Ordinary shares of unlisted companies		753,812	(121,989)	-	631,823	258,757	(128,758)	-	129,999
Investment in REIT		458,590	-	41,273	499,863	458,590	-	-	458,590
Term Finance Certificates		941,297	(97,278)	(891)	843,128	441,406	(97,616)	4,479	348,269
Foreign bonds - sovereign		67,706,652	(378,288)	(1,266,323)	66,062,041	38,492,705	(2,107)	717,210	39,207,808
Foreign bonds - others		15,675,281	(46,622)	(1,320,309)	14,308,350	18,150,879	-	(105,690)	18,045,189
		412,531,472	(4,391,719)	(16,132,901)	392,006,852	644,506,226	(2,407,272)	9,292,698	651,391,652
Held to maturity securities									
Market Treasury Bills		3,124,601	-	-	3,124,601	7,363,088	-	-	7,363,088
Pakistan Investment Bonds		275,079,334	-	-	275,079,334	311,766,517	-	-	311,766,517
Government of Pakistan Eurobonds		8,788,340	(127,994)	-	8,660,346	6,564,140	-	-	6,564,140
Government of Pakistan Sukuk		1,399,305	(11,264)	-	1,388,041	221,823	-	-	221,823
Bai Muajjal Government of Pakistan		8,300,566	-	-	8,300,566	-	-	-	-
Term Finance Certificates		6,023,053	(11,384)	-	6,011,669	6,626,766	(41,851)	-	6,584,915
Sukus		11,921,801	(107,743)	-	11,814,058	10,512,247	(117,841)	-	10,394,406
Participation Term Certificates		437	(437)	-	-	437	(437)	-	-
Debentures		2,266	(2,266)	-	-	2,266	(2,266)	-	-
Foreign bonds - sovereign		17,251,054	(171,247)	-	17,079,807	15,208,115	-	-	15,208,115
Foreign bonds - others		1,497,873	(347,246)	-	1,150,627	6,098,955	(239,523)	-	5,859,432
Recovery note		428,009	(427,993)	-	16	340,333	(340,333)	-	-
CDC SAARC Fund		302	-	-	302	240	-	-	240
Commercial Paper		-	-	-	-	227,224	-	-	227,224
		333,816,941	(1,207,574)	-	332,609,367	364,932,151	(742,251)	-	364,189,900
Associates									
United Growth and Income Fund	9.9	-	-	-	-	264,763	-	-	264,763
UBL Liquidity Plus Fund	9.9	11,700	-	-	11,700	93,371	-	-	93,371
UBL Money Market Fund	9.9	32,069	-	-	32,069	11,455	-	-	11,455
UBL Government Securities Fund	9.9	-	-	-	-	265,325	-	-	265,325
UBL Stock Advantage Fund	9.9	207,469	-	-	207,469	210,149	-	-	210,149
UBL Financial Planning Fund	9.9	-	-	-	-	37,036	-	-	37,036
UBL Financial Sector Fund	9.9	119,529	-	-	119,529	-	-	-	-
UBL Income opportunity Fund	9.9	1,542,968	-	-	1,542,968	-	-	-	-
Al Ameen Islamic Cash Fund	9.9	-	-	-	-	367	-	-	367
Al Ameen Islamic Sovereign Fund	9.9	-	-	-	-	382	-	-	382
Al Ameen Shariah Stock Fund	9.9	-	-	-	-	320,894	-	-	320,894
Al Ameen Islamic Asset Allocation Fund	9.9	-	-	-	-	216,916	-	-	216,916
Al Ameen Islamic Financial Planning Fund	9.9	-	-	-	-	316,142	-	-	316,142
Al Ameen Islamic Financial Planning Fund II	9.9	-	-	-	-	45,123	-	-	45,123
UBL Insurers Limited	9.9	414,884	-	-	414,884	345,097	-	-	345,097
Khushhali Bank Limited	9.9	2,572,719	-	-	2,572,719	2,046,922	-	-	2,046,922
Oman United Exchange Company, Muscat	9.9	68,406	-	-	68,406	69,702	-	-	69,702
DHA Cogen Limited	9.9.1.6	-	-	-	-	-	-	-	-
		4,969,744	-	-	4,969,744	4,243,644	-	-	4,243,644
Total Investments		852,882,770	(5,599,293)	(16,124,377)	831,159,100	1,118,775,918	(3,149,523)	9,294,905	1,124,921,300

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

9.2 Investments by segment

	2018				2017			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	(Rupees in '000)							
Federal Government Securities								
Market Treasury Bills	239,808,559	-	(21,486)	239,787,073	407,020,255	-	(1,471)	407,018,784
Pakistan Investment Bonds	410,287,002	-	(14,261,303)	396,025,699	541,909,365	-	6,286,218	548,195,583
Government of Pakistan Eurobonds	28,581,572	(331,670)	(867,162)	27,382,740	23,332,650	-	556,820	23,889,470
Government of Pakistan Sukuk	16,544,365	(61,108)	(176,154)	16,307,103	19,324,096	-	56,993	19,381,089
Bai Muajjal Government of Pakistan	8,300,566	-	-	8,300,566	-	-	-	-
	703,522,064	(392,778)	(15,326,105)	687,803,181	991,586,366	-	6,898,560	998,484,926
Ordinary shares								
Listed companies	18,018,247	(3,047,999)	1,747,978	16,718,226	18,362,340	(1,824,103)	1,780,431	18,318,668
Unlisted companies	753,812	(121,989)	-	631,823	258,757	(128,758)	-	129,999
	18,772,059	(3,169,988)	1,747,978	17,350,049	18,621,097	(1,952,861)	1,780,431	18,448,667
Preference shares	482,687	(446,023)	-	36,664	391,315	(354,688)	-	36,627
Investment in REIT	458,590	-	41,273	499,863	458,590	-	-	458,590
Non Government Debt Securities								
Listed companies	3,493,655	(97,278)	(891)	3,395,486	3,504,334	(98,408)	4,394	3,410,320
Unlisted companies	15,500,199	(121,830)	-	15,378,369	14,316,257	(161,603)	-	14,154,654
	18,993,854	(219,108)	(891)	18,773,855	17,820,591	(260,011)	4,394	17,564,974
Foreign Securities								
Market Treasury Bills	3,124,601	-	-	3,124,601	7,363,088	-	-	7,363,088
Foreign bonds - sovereign	84,957,706	(549,535)	(1,266,323)	83,141,848	53,700,820	(2,107)	717,210	54,415,923
Foreign bonds - others	17,173,154	(393,868)	(1,320,309)	15,458,977	24,249,834	(239,523)	(105,690)	23,904,621
CDC SAARC Fund	302	-	-	302	240	-	-	240
Recovery note	428,009	(427,993)	-	16	340,333	(340,333)	-	-
Other Bonds	-	-	-	-	-	-	-	-
	105,683,772	(1,371,396)	(2,586,632)	101,725,744	85,654,315	(581,963)	611,520	85,683,872
Associates								
United Growth and Income Fund	-	-	-	-	264,763	-	-	264,763
UBL Liquidity Plus Fund	11,700	-	-	11,700	93,371	-	-	93,371
UBL Money Market Fund	32,069	-	-	32,069	11,455	-	-	11,455
UBL Government Securities Fund	-	-	-	-	265,325	-	-	265,325
UBL Stock Advantage Fund	207,469	-	-	207,469	210,149	-	-	210,149
UBL Financial Planning Fund	-	-	-	-	37,036	-	-	37,036
UBL Financial Sector Fund	119,529	-	-	119,529	-	-	-	-
UBL Income opportunity Fund	1,542,968	-	-	1,542,968	-	-	-	-
Al Ameen Islamic Cash Fund	-	-	-	-	367	-	-	367
Al Ameen Islamic Sovereign Fund	-	-	-	-	382	-	-	382
Al Ameen Shariah Stock Fund	-	-	-	-	320,894	-	-	320,894
Al Ameen Islamic Asset Allocation Fund	-	-	-	-	216,916	-	-	216,916
Al Ameen Islamic Financial Planning Fund	-	-	-	-	316,142	-	-	316,142
Al Ameen Islamic Financial Planning Fund II	-	-	-	-	45,123	-	-	45,123
UBL Insurers Limited	414,884	-	-	414,884	345,097	-	-	345,097
Khushhali Bank Limited	2,572,719	-	-	2,572,719	2,046,922	-	-	2,046,922
Oman United Exchange Company, Muscat	68,406	-	-	68,406	69,702	-	-	69,702
DHA Cogen Limited	-	-	-	-	-	-	-	-
	4,969,744	-	-	4,969,744	4,243,644	-	-	4,243,644
Total Investments	852,882,770	(5,599,293)	(16,124,377)	831,159,100	1,118,775,918	(3,149,523)	9,294,905	1,124,921,300

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Note	2018 ----- (Rupees in '000) -----	2017
9.2.1 Investments given as collateral - at market value			
Market Treasury Bills		104,483,301	239,588,539
Pakistan Investment Bonds		55,064,705	211,713,424
Government of Pakistan Eurobonds		1,457,053	-
Foreign bonds - sovereign		2,938,477	-
Foreign bonds - others		1,167,508	-
		<u>165,111,044</u>	<u>451,301,963</u>

9.3 Provision for diminution in value of investments

9.3.1	Opening balance		3,149,523	2,434,908
	Impact on adoption of IFRS 9	5.1.2	871,640	-
	Exchange adjustments		373,917	51,363
	Charge / (reversals)			
	Charge for the year		1,851,005	750,715
	Reversals		(19,957)	(30,870)
			1,831,048	719,845
	Reversed on disposal		(599,110)	(55,525)
	Amounts written off		(27,725)	(1,068)
	Closing balance	9.8	<u>5,599,293</u>	<u>3,149,523</u>

9.3.2 Particulars of provision against debt securities

Category of classification

	2018		2017	
	Non Performing Investment	Provision	Non Performing Investment	Provision
	----- (Rupees in '000) -----			
Domestic				
Loss	2,136,944	219,107	2,563,729	259,952
Overseas				
Not past due but impaired	-	-	41,280	2,212
Overdue by:				
> 365 days	729,205	729,179	579,811	579,811
Total	<u>2,866,149</u>	<u>948,286</u>	<u>3,184,820</u>	<u>841,975</u>

9.4 Bai Muajjal Government of Pakistan	2018 ----- (Rupees in '000) -----	2017
Bai Muajjal Investment	11,420,000	-
Less: Deferred Income	(3,119,434)	-
Bai Muajjal Investment - net	<u>8,300,566</u>	<u>-</u>

9.5 Investments include securities which are held by the Holding Company to comply with the statutory liquidity requirements as set out under Section 29 of the Banking Companies Ordinance, 1962.

9.6 Investments include Rs. 118.000 million (2017: Rs. 282.000 million) held by the State Bank of Pakistan as pledge against demand loan, TT / DD discounting facilities and foreign exchange exposure limit sanctioned to the Bank and Rs. 5.000 million (2017: Rs. 5.000 million) held by the Controller of Military Accounts (CMA) under Regimental Fund Arrangements.

9.7 Investments include amounts aggregating to Rs. 1,792.177 million (2017: Rs 2,175.182 million) which have been classified as loss in accordance with the requirements of Prudential Regulations prescribed by the SBP. Provision has however, not been made against them as these investments are secured by way of guarantee from the Government of Pakistan.

9.8 Provision against investments includes impairment based on expected loss model under IFRS 9 amounting to Rs: 1,034.995 million.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

9.9 Investment in associates

9.9.1 Movement of Investment in associates *

		2018							
	Note	Country of incorporation	Percentage Holding	Investment at the beginning of the year	Investment / (Redemption) during the year	Share of profit / (loss)	Dividend received	Share of unrealized (loss) / surplus on assets	Investment at the end of the year
(Rupees in '000)									
United Growth and Income Fund	9.9.1.1	Pakistan	0.00%	264,763	(260,089)	(5,846)	-	1,172	-
UBL Liquidity Plus Fund	9.9.1.1	Pakistan	0.11%	93,371	(87,017)	21,215	(15,869)	-	11,700
UBL Money Market Fund	9.9.1.1	Pakistan	1.92%	11,455	8,818	12,003	(207)		32,069
UBL Retirement Savings Fund	9.9.1.1	Pakistan	-	-	-	-	-	-	-
UBL Government Securities Fund	9.9.1.1	Pakistan	0.00%	265,325	(258,939)	(6,386)	-	-	-
UBL Gold Fund	9.9.1.1	Pakistan	-	-	-	-	-	-	-
UBL Asset Allocation Fund	9.9.1.1	Pakistan	-	-	-	-	-	-	-
UBL Stock Advantage Fund	9.9.1.1	Pakistan	3.31%	210,149	6,581	(8,573)	-	(688)	207,469
UBL Financial Planning Fund	9.9.1.1	Pakistan	0.00%	37,036	(37,289)	253	-	-	-
UBL Financial Sector Fund	9.9.1.1	Pakistan	32.57%	-	138,049	(17,947)	(573)	-	119,529
UBL Income Opportunity Fund	9.9.1.1	Pakistan	69.23%	-	1,501,942	41,026	-	-	1,542,968
UBL Special Savings Fund	9.9.1.1	Pakistan	-	-	(49)	1,752	(1,703)	-	-
Al Ameen Islamic Cash Fund	9.9.1.2	Pakistan	0.00%	367	(361)	(6)	-	-	-
Al Ameen Islamic Aggressive Income Fund	9.9.1.2	Pakistan	-	-	-	-	-	-	-
Al Ameen Islamic Sovereign Fund	9.9.1.2	Pakistan	0.00%	382	(379)	(3)	-	-	-
Al Ameen Shariah Stock Fund	9.9.1.2	Pakistan	0.00%	320,894	(347,030)	26,985	-	(849)	-
Al Ameen Islamic Asset Allocation Fund	9.9.1.2	Pakistan	0.00%	216,916	(222,682)	6,099	-	(333)	-
Al Ameen Islamic Financial Planning Fund	9.9.1.2	Pakistan	0.00%	316,142	(325,412)	9,270	-	-	-
Al Ameen Islamic Financial Planning Fund II	9.9.1.2	Pakistan	0.00%	45,123	(45,241)	118	-	-	-
UBL Insurers Limited	9.9.1.3	Pakistan	30.00%	345,097	-	69,787	-	-	414,884
Khushhali Bank Limited	9.9.1.4	Pakistan	29.69%	2,046,922	-	552,689	(26,833)	(59)	2,572,719
Oman United Exchange Company, Muscat	9.9.1.5	Oman	25.00%	69,702	1,846	(3,142)	-	-	68,406
				4,243,644	72,748	699,294	(45,185)	(757)	4,969,744
2017									
		Country of incorporation	Percentage Holding	Investment at the beginning of the year	Investment / (Redemption) during the year	Share of profit / (loss)	Dividend received	Share of unrealized (loss) / surplus on assets	Investment at the end of the year
(Rupees in '000)									
United Growth and Income Fund	9.9.1.1	Pakistan	8.14%	615,046	(347,046)	33,235	(31,887)	(4,585)	264,763
UBL Liquidity Plus Fund	9.9.1.1	Pakistan	1.41%	11,738	78,160	4,165	(692)	-	93,371
UBL Money Market Fund	9.9.1.1	Pakistan	1.62%	11,445	-	611	(601)	-	11,455
UBL Retirement Savings Fund	9.9.1.1	Pakistan	0.00%	30,654	(32,355)	1,701	-	-	-
UBL Government Securities Fund	9.9.1.1	Pakistan	9.36%	3,092,749	(2,852,278)	36,611	(11,757)	-	265,325
UBL Gold Fund	9.9.1.1	Pakistan	0.00%	86,734	(89,577)	2,843	-	-	-
UBL Asset Allocation Fund	9.9.1.1	Pakistan	0.00%	765,932	(716,196)	(4,339)	(45,397)	-	-
UBL Stock Advantage Fund	9.9.1.1	Pakistan	3.19%	186,565	64,317	(24,370)	(16,363)	-	210,149
UBL Financial Planning Fund	9.9.1.1	Pakistan	7.18%	-	32,668	4,368	-	-	37,036
Al Ameen Islamic Cash Fund	9.9.1.2	Pakistan	0.01%	12,862	(12,674)	195	(16)	-	367
Al Ameen Islamic Aggressive Income Fund	9.9.1.2	Pakistan	0.00%	31,923	(32,415)	492	-	-	-
Al Ameen Islamic Sovereign Fund	9.9.1.2	Pakistan	0.01%	59,360	(59,376)	419	(21)	-	382
Al Ameen Shariah Stock Fund	9.9.1.2	Pakistan	4.33%	363,868	25,655	(40,158)	(29,320)	849	320,894
Al Ameen Islamic Asset Allocation Fund	9.9.1.2	Pakistan	2.79%	128,665	115,159	(6,422)	(20,819)	333	216,916
Al Ameen Islamic Financial Planning Fund	9.9.1.2	Pakistan	4.54%	611,598	(259,627)	(35,829)	-	-	316,142
Al Ameen Islamic Financial Planning Fund II	9.9.1.2	Pakistan	0.36%	-	44,994	129	-	-	45,123
UBL Insurers Limited	9.9.1.3	Pakistan	30.00%	295,604	-	49,493	-	-	345,097
Khushhali Bank Limited	9.9.1.4	Pakistan	29.69%	1,606,377	-	440,524	-	21	2,046,922
Oman United Exchange Company, Muscat	9.9.1.5	Oman	25.00%	66,497	7,171	(3,966)	-	-	69,702
				7,977,617	(4,033,420)	459,702	(156,873)	(3,382)	4,243,644

*Summary of financial position is disclosed in note 9.9.2.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

- 9.9.1.1** These represent open ended mutual funds managed by UBL Fund Managers Limited. These funds are listed on the Pakistan Stock Exchange and offer units for public subscription on a continuous basis.
- 9.9.1.2** These represent open ended shariah compliant mutual funds managed by UBL Fund Managers Limited. These funds are listed on the Pakistan Stock Exchange and offer units for public subscription on a continuous basis.
- 9.9.1.3** UBL Insurers Limited is an unquoted public company, whose principal objective is to conduct general insurance business.
- 9.9.1.4** This represents the Bank's subscription towards the paid-up capital of Khushhali Bank Limited. Pursuant to section 10 of the Khushhali Bank Ordinance, 2000 strategic investors including the Bank cannot sell or transfer their investment before a period of five years that has expired on October 10, 2005. Thereafter, such sale / transfer would be subject to the prior approval of the SBP. However these shares are still appearing as frozen as no approval has been obtained by the Bank to unfreeze these shares.

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.

	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
Net Assets	<u>8,210,192</u>	<u>6,439,915</u>
Percentage holding	29.69%	29.69%
Group share of Net Assets	2,437,947	1,912,278
Government Grant	(351)	(479)
Goodwill	135,123	135,123
Carrying amount of interest in associates	<u>2,572,719</u>	<u>2,046,922</u>

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

9.9.2 Summary of financial position and performance

	2018 ----- (Rupees in '000) -----				2017 ----- (Rupees in '000) -----			
	Assets	Liabilities	Revenue	Profit / (loss)	Assets	Liabilities	Revenue	Profit / (loss)
United Growth and Income Fund	573,715	43,937	448,831	72,710	3,299,033	45,050	374,614	99,761
UBL Liquidity Plus Fund	10,480,588	113,902	978,359	839,619	6,683,601	75,089	279,725	173,339
UBL Money Market Fund	1,688,067	22,064	118,939	100,138	724,871	17,787	46,997	38,542
UBL Government Securities Fund	2,723,835	1,117,849	402,029	109,432	5,385,942	2,551,190	309,628	(10,097)
UBL Stock Advantage Fund	6,478,894	203,139	(273,310)	(498,435)	6,728,463	147,481	(528,583)	(683,292)
UBL Financial Planning Fund	-	-	-	-	518,173	2,068	10,572	9,798
UBL Financial Sector Fund	377,545	10,546	(47,336)	(57,293)	-	-	-	-
UBL Income opportunity Fund	2,236,876	7,964	95,065	90,711	-	-	-	-
Al Ameen Islamic Cash Fund	-	-	-	-	4,167,060	21,509	243,331	82,107
Al Ameen Islamic Sovereign Fund	7,383,020	39,224	392,705	178,970	6,389,388	331,327	161,947	(2,611)
Al Ameen Shariah Stock Fund	6,963,154	215,578	(263,002)	(496,756)	7,570,462	163,601	257,086	208,666
Al Ameen Islamic Asset Allocation Fund	5,246,439	68,707	285,508	95,325	7,859,580	85,572	(67,124)	263,886
Al Ameen Islamic Financial Planning Fund	2,425,280	14,657	127,908	117,774	9,514,590	100,333	(561,808)	(825,416)
Al Ameen Islamic Financial Planning Fund II	12,383,270	8,527	(1,424,065)	(25,933)	11,674,838	52,017	(651,228)	(666,092)
UBL Insurers Limited	4,795,524	3,412,698	1,412,471	241,327	4,180,839	3,026,792	1,062,464	169,206
Khushhali Bank Limited	70,461,754	62,251,562	8,846,637	2,431,676	58,978,610	52,538,695	6,971,272	1,876,462
Oman United Exchange Company, Muscat	309,105	35,481	181,955	(64,481)	371,264	92,455	166,714	(26,307)
DHA Cogen Limited	4,603,235	18,110,429	-	-	4,603,235	18,110,429	-	(822,551)

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

9.10 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows

9.10.1 Domestic Securities

9.10.1.1 Federal Government Securities - Government guaranteed

Market Treasury Bills
Pakistan Investment Bonds
Sukuk
Eurobonds

2018	2017
Cost	
---- (Rupees in '000) ----	
139,865,800	302,518,979
133,585,814	229,560,472
15,145,060	19,102,273
19,793,232	16,768,510
<u>308,389,906</u>	<u>567,950,234</u>

9.10.1.2 Shares

Listed Companies

Cement
Chemical
Commercial Banks
Fertilizer
Oil & Gas Exploration Companies
Oil & Gas Marketing Companies
Power Generation & Distribution
Technology & Communication
Textile Composite
Financial
Textile Spinning

2,180,204	1,842,819
861,004	915,931
337,311	337,311
5,661,660	5,661,660
593,890	1,555,238
579,373	579,373
5,975,088	6,196,611
665,808	658,156
543,543	-
36	36
595,323	595,321
<u>17,993,240</u>	<u>18,342,456</u>

Unlisted Companies

SME Bank Limited
First Women Bank
N.I.F.T
NIT (Equity)
Passco
Swift (Belgium)
Vis Credit Information Services
Mastercard International
Kay Textile Mills Ltd.
World Bridge Connect Inc.
Techlogix International Limited.
Cinepax Limited
Tri Star Shipping Company
Pakistan Mortgage Refinance Co Ltd

2018		2017	
Cost	Breakup value	Cost	Breakup value
----- (Rupees in '000) -----			
26,950	-	26,950	138
21,100	69,511	21,100	73,542
1,526	59,076	1,527	55,793
100	728,462	100	746,007
5,500	1,331,012	5,500	1,256,081
2,905	16,564	2,905	12,396
325	31	325	27
0	332	0	267
3,778	-	3,778	-
77,606	-	77,606	172,024
50,703	37,595	50,703	29,894
60,122	197,405	50,372	167,411
250	-	250	-
500,000	500,047	15,300	-
<u>750,865</u>	<u>2,940,035</u>	<u>256,416</u>	<u>2,513,580</u>

9.10.1.3 Others

Investment in REIT
Preference Shares

2018	2017
Cost	
----- (Rupees in '000) -----	
458,590	458,590
36,667	36,667

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

9.10.1.4 Non Government Debt Securities

Listed

- AA+, AA, AA-
- A+, A, A-
- Unrated

Unlisted

- AAA
- Unrated

2018	2017
Cost	
----- (Rupees in '000) -----	
520,464	120,783
250,000	149,790
97,615	97,615
868,079	368,188
105,000	-
73,218	73,218
178,218	73,218

9.10.2 Foreign Securities

9.10.2.1 Government Securities

- Qatar
- Srilanka
- Jordan
- Bahrain
- Angola
- Egypt
- Kenya
- Nigeria
- Oman
- Portugal
- Tanzania
- Turkey
- United Arab Emirates
- Vietnam
- Ivory Coast (African Development Bank)
- Counsel of Europe Development Bank 2022
- Republic of Zambia
- United Kingdom
- United States of America
- Azerbaijan

2018		2017	
Cost	Rating	Cost	Rating
----- (Rupees in '000) -----			
3,762,165	AA-	3,098,194	BBB+
6,838,089	B+	4,248,655	B
3,415,357	B+	1,870,069	B+
4,957,369	B	3,960,322	BB+
-	-	316,848	B+
2,834,954	B-	1,703,546	B
2,236,569	B	1,587,223	B
1,819,221	B	1,091,132	B+
3,515,060	BBB-	1,332,940	BBB+
-	-	495,775	Unrated
1,287,857	B+	1,251,809	B
3,044,348	BB-	2,488,633	BB+
6,908,648	AA	3,674,450	A+
-	-	330,870	B+
2,659,053	AAA	750,385	AAA
1,061,703	AA+	892,596	AA+
924,364	B-	738,523	B
20,241,612	AA	7,535,637	AA
2,200,283	AAA	651,555	AAA
-	-	473,543	BB+
67,706,652		38,492,705	

9.10.2.2 Non Government Debt Securities

Listed

- AA+, AA, AA-
- A+, A, A-
- BBB+, BBB, BBB-
- BB+, BB, BB-
- B+, B, B-
- CCC+, CCC, CCC-
- Unrated

2018	2017
Cost	
---- (Rupees in '000) ----	
611,172	214,582
-	497,560
3,177,868	6,541,934
3,085,094	4,542,659
5,317,795	3,760,217
823,059	665,821
2,660,293	1,928,106
15,675,281	18,150,879

9.10.2.3 Equity Securities

Listed

DP world - Bahrain

Unlisted

The Benefit Company B.S.C

25,007	19,884
2,947	2,341
446,020	354,648

9.10.2.4 Preference Shares

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

9.11 Particulars relating to Held to Maturity securities are as follows:

		2018	2017
		Cost	
		---- (Rupees in '000) ----	
9.11.1 Domestic Securities			
9.11.1.1 Federal Government Securities - Government guaranteed			
Pakistan Investment Bonds		275,079,334	311,766,517
Government of Pakistan Eurobonds		8,788,340	6,564,140
Government of Pakistan Sukuk		1,399,305	221,823
Bai Muajjal Government of Pakistan		8,300,566	-
		<u>293,567,545</u>	<u>318,552,480</u>
9.11.1.2 Non Government Debt Securities			
Listed			
- AAA		-	2,250,000
- AA+, AA, AA-		2,560,858	661,390
- A+, A, A-		-	149,790
		<u>2,560,858</u>	<u>3,061,180</u>
Unlisted			
- AAA		10,018,430	8,522,230
- AA+, AA, AA-		2,345,018	2,224,643
- A+, A, A-		907,142	942,857
- Unrated		2,116,109	2,390,806
		<u>15,386,699</u>	<u>14,080,536</u>
9.11.1.3 Others			
CDC SAARC Fund		<u>302</u>	<u>240</u>
9.11.2 Foreign Securities			
9.11.2.1 Government Securities			
		2018	2017
		Cost	Rating
		----- (Rupees in '000) -----	
- Qatar	1,660,619	AA-	1,065,501
- Jordan	2,064,107	B+	1,209,330
- Bahrain	1,656,666	B	1,795,459
- Egypt	2,702,499	B-	2,682,563
- Kenya	1,527,657	B	1,435,859
- Oman	1,390,286	BBB-	449,598
- Portugal	621,824	BBB-	495,775
- Sri Lanka	3,173,601	B+	2,200,763
- Tanzania	1,479,863	B+	1,406,244
- Yemen	2,885,435	unrated	6,601,781
- Turkey	1,213,098	BB-	973,674
- Ghana	-	-	350,332
- Republic of Nigeria	-	-	350,836
- UK Government	-	-	1,553,488
	<u>20,375,655</u>		<u>22,571,203</u>

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

9.11.2.2 Non Government Debt Securities

Listed

- BBB+, BBB, BBB-
- BB+, BB, BB-
- B+, B, B-
- CCC and below
- Unrated
- B+, B, B-

Unlisted

- Unrated

2018	2017
Cost	
---- (Rupees in '000) ----	
55,545	953,857
414,174	1,964,480
553,362	2,346,383
-	594,742
173,595	-
1,196,676	5,859,462

9.11.2.3 Others

- Commercial Paper
- Recovery Note

-	227,224
428,009	340,333

9.11.3 The market value of securities classified as held-to-maturity as at December 31, 2018 amounted to Rs. 308,890.603 million (December 31, 2017: Rs. 372,139.379 million).

10 ADVANCES

	Note	Performing		Non-performing		Total	
		2018	2017	2018	2017	2018	2017
		----- (Rupees in '000) -----					
Loans, cash credits, running finances, etc.		662,493,705	564,097,136	66,422,459	51,202,694	728,916,164	615,299,830
Net Investment in finance lease	10.2	77,361	-	-	-	77,361	-
Islamic financings and related assets	10.7	22,595,094	22,106,385	97,156	94,421	22,692,250	22,200,806
Bills discounted and Purchased		60,902,866	69,457,105	2,983,692	2,784,397	63,886,558	72,241,502
Advances - gross		746,069,026	655,660,626	69,503,307	54,081,512	815,572,333	709,742,138
Provision against advances	10.4						
- Specific		-	-	(56,377,680)	(40,932,306)	(56,377,680)	(40,932,306)
- General		(4,642,931)	(3,506,469)	-	-	(4,642,931)	(3,506,469)
		(4,642,931)	(3,506,469)	(56,377,680)	(40,932,306)	(61,020,611)	(44,438,775)
Advances - net of provision		741,426,095	652,154,157	13,125,627	13,149,206	754,551,722	665,303,363

10.1 Particulars of advances - gross

2018 2017
---- (Rupees in '000) ----

10.1.1 In local currency	579,185,614	443,712,686
In foreign currencies	236,386,719	266,029,452
	815,572,333	709,742,138

10.2 Net Investment in finance lease

	2018				2017			
	Not later than one year	Later than one and upto five years	More than five years	Total	Not later than one year	Later than one and upto five years	More than five years	Total
----- (Rupees in '000) -----								
Minimum lease payments	-	108,634	-	108,634	-	-	-	-
Financial charges for future periods	-	(31,273)	-	(31,273)	-	-	-	-
Present value of minimum lease payments	-	77,361	-	77,361	-	-	-	-

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

10.3 Advances include Rs. 69,503.307 million (2017: Rs. 54,081.512 million) which have been placed under non-performing status as detailed below:

Category of Classification	2018		2017	
	Non Performing Loans	Provision	Non Performing Loans	Provision
(Rupees in '000)				
Domestic				
Other Assets Especially Mentioned	89,546	1,113	81,653	2,012
Substandard	969,495	240,790	1,062,286	258,707
Doubtful	428,909	202,116	1,452,224	783,804
Loss	26,432,231	25,394,410	25,596,353	24,512,775
	27,920,181	25,838,429	28,192,516	25,557,298
Overseas				
Not past due but impaired	3,623,373	3,064,280	4,061,438	2,132,525
Overdue by:				
Upto 90 days	7,986,841	2,731,329	1,938,276	750,984
91 to 180 days	2,152,622	2,090,614	1,396,595	401,056
181 to 365 days	2,327,966	2,000,233	3,274,572	1,010,167
> 365 days	25,492,324	20,652,795	15,218,115	11,080,276
	41,583,126	30,539,251	25,888,996	15,375,008
Total	69,503,307	56,377,680	54,081,512	40,932,306

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

10.4 Particulars of provision against advances

Note	2018			2017		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
Opening balance	40,932,306	3,506,469	44,438,775	38,750,356	3,296,276	42,046,632
Impact on adoption of IFRS 9 5.1.2	-	1,322,147	1,322,147	-	-	-
Exchange adjustments	4,846,402	797,076	5,643,478	700,448	(25,487)	674,961
Charge / (reversals)						
Charge for the year	14,490,257	6,721	14,496,978	6,894,059	235,680	7,129,739
Reversals	(2,310,364)	(989,482)	(3,299,846)	(4,598,664)	-	(4,598,664)
	12,179,893	(982,761)	11,197,132	2,295,395	235,680	2,531,075
Amounts written off 10.5	(1,580,921)		(1,580,921)	(813,893)	-	(813,893)
Closing balance	56,377,680	4,642,931	61,020,611	40,932,306	3,506,469	44,438,775

10.4.1 General provision represents provision amounting to Rs. 303.132 million (December 31, 2017: Rs. 247.323 million) against consumer finance portfolio as required by the Prudential Regulations issued by the SBP and Rs. 4,339.799 million (December 31, 2017: Rs. 2,881.358 million) pertaining to overseas advances to meet the requirements of the regulatory authorities of the respective countries in which the overseas branches and subsidiaries operate and on account of adoption of IFRS 9, as explained in note 5.1.2. General provision also includes Rs.nil (December 31, 2017: Rs. 328.700 million) which is based on regulatory instructions. Further, the Bank carries provision of Rs.nil (December 31, 2017: Rs. 49.088 million) as a matter of prudence based on management estimates.

10.4.2 The Bank has availed the benefit of Forced Sale Value (FSV) of certain mortgaged properties held as collateral against non-performing advances as allowed under BSD Circular 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. 20.009 million (December 31, 2017: Rs. 24.540 million). The FSV benefit availed is not available for the distribution of cash or stock dividend to shareholders.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

10.4.3 Particulars of provision against advances

	2018			2017		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	25,749,531	303,132	26,052,663	25,185,167	296,411	25,481,578
In foreign currencies	30,628,149	4,339,799	34,967,948	15,747,139	3,210,058	18,957,197
	<u>56,377,680</u>	<u>4,642,931</u>	<u>61,020,611</u>	<u>40,932,306</u>	<u>3,506,469</u>	<u>44,438,775</u>

	Note	2018	2017
		(Rupees in '000)	
10.5 Particulars of write-offs			
10.5.1 Against provisions	10.4	1,580,921	813,893
Directly charged to profit and loss account		<u>130,830</u>	<u>187,443</u>
		<u>1,711,751</u>	<u>1,001,336</u>
10.5.2 Domestic			
- Write-offs of Rs. 500,000 and above	10.6	14,851	607,829
- Write-offs of below Rs. 500,000		<u>128,868</u>	<u>275,139</u>
		143,719	882,968
Write-offs in overseas branches		326,445	23,324
Write-offs in subsidiaries		<u>1,241,587</u>	<u>95,044</u>
		<u>1,711,751</u>	<u>1,001,336</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 to a person during the year ended December 31, 2018 is given in annexure I to these consolidated financial statements (except in case of overseas branches and subsidiaries write-offs which is restricted by overseas regulatory authorities). This includes amounts charged off without prejudice to the Bank's right to recovery..

10.7 Information related to Islamic financing and related assets is given in annexure II to the consolidated financial statements.

	Note	2018	2017
		(Rupees in '000)	
11. FIXED ASSETS			
Capital work-in-progress	11.1	944,233	4,410,426
Property and equipment	11.2	<u>49,954,047</u>	<u>44,820,475</u>
		<u>50,898,280</u>	<u>49,230,901</u>
11.1 Capital work-in-progress			
Civil works		585,087	3,662,319
Equipment		<u>359,146</u>	<u>748,107</u>
		<u>944,233</u>	<u>4,410,426</u>

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

11.2 Property and equipment

2018								
Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Leasehold Improvements	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total

Rupees '000

At January 1, 2018

Cost / Revalued amount	6,433,625	21,883,262	4,935,576	5,710,714	4,147,158	2,075,897	11,677,083	510,385	57,373,700
Accumulated depreciation	-	(1,410)	(442,372)	(4,734)	(2,461,886)	(1,290,633)	(8,057,378)	(294,812)	(12,553,225)
Net book value	6,433,625	21,881,852	4,493,204	5,705,980	1,685,272	785,264	3,619,705	215,573	44,820,475

Year ended December 2018

Opening net book value	6,433,625	21,881,852	4,493,204	5,705,980	1,685,272	785,264	3,619,705	215,573	44,820,475
Additions	-	244,774	2,481,259	1,246,377	743,166	406,895	2,092,312	68,484	7,283,267
Movement in surplus during the year	-	(348,300)	-	(15,849)	-	-	-	-	(364,149)
Disposals	-	(12,800)	-	(439)	(20,781)	(11,343)	(11,514)	(28,281)	(85,158)
Depreciation charge	-	-	(108,320)	(239,164)	(359,331)	(177,017)	(1,517,840)	(64,672)	(2,466,344)
Exchange rate adjustments	-	58	735,195	1,308	(11,742)	12	40,346	779	765,956
Closing net book value	6,433,625	21,765,584	7,601,338	6,698,213	2,036,584	1,003,811	4,223,009	191,883	49,954,047

At December 31, 2018

Cost / Revalued amount	6,433,625	21,767,359	8,237,453	6,944,070	4,959,090	2,442,434	13,585,230	482,725	64,851,986
Accumulated depreciation	-	(1,775)	(636,115)	(245,857)	(2,922,506)	(1,438,623)	(9,362,221)	(290,842)	(14,897,939)
Net book value	6,433,625	21,765,584	7,601,338	6,698,213	2,036,584	1,003,811	4,223,009	191,883	49,954,047

Rate of depreciation (percentage)

-	-	2 - 5	2.5 - 10	10 - 20	10 - 25	10 - 67	20 - 25	-
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2017								
Free hold land	Lease hold land	Building on Free hold land	Building on Lease hold land	Leasehold Improvements	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total

Rupees '000

At January 1, 2017

Cost / Revalued amount	5,025,317	16,240,938	4,470,087	4,865,948	3,476,092	1,796,707	10,979,816	566,997	47,421,902
Accumulated depreciation	-	(1,337)	(448,235)	(146,370)	(2,077,189)	(1,170,164)	(8,053,745)	(321,310)	(12,218,350)
Net book value	5,025,317	16,239,601	4,021,852	4,719,578	1,398,903	626,543	2,926,071	245,687	35,203,552

Year ended December 2017

Opening net book value	5,025,317	16,239,601	4,021,852	4,719,578	1,398,903	626,543	2,926,071	245,687	35,203,552
Additions	-	1,302,649	3,996	580,770	645,480	306,757	1,982,527	45,910	4,868,089
Movement in surplus on assets revalued during the year	1,408,308	4,353,002	14,661	590,178	-	-	-	-	6,366,149
Net Disposals (Book Value)	-	(13,413)	-	-	(1,860)	(393)	(3,228)	(4,291)	(23,185)
Depreciation charge	-	-	(70,602)	(184,970)	(357,202)	(159,174)	(1,307,155)	(72,055)	(2,151,158)
Net Exchange rate adjustments	-	13	523,297	424	(49)	11,531	21,490	322	557,028
Closing net book value	6,433,625	21,881,852	4,493,204	5,705,980	1,685,272	785,264	3,619,705	215,573	44,820,475

At December 31, 2017

Cost / Revalued amount	6,433,625	21,883,262	4,935,576	5,710,714	4,147,158	2,075,897	11,677,083	510,385	57,373,700
Accumulated depreciation	-	(1,410)	(442,372)	(4,734)	(2,461,886)	(1,290,633)	(8,057,378)	(294,812)	(12,553,225)
Net book value	6,433,625	21,881,852	4,493,204	5,705,980	1,685,272	785,264	3,619,705	215,573	44,820,475

Rate of depreciation (percentage)

-	-	2 - 5	2.5 - 10	10 - 20	10 - 25	10 - 67	20 - 25	-
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11.3 Revaluation of properties

The properties of the Bank were last revalued by independent professional valuers as at December 31, 2017. The revaluation was carried out by M/s. Engineering Pakistan Int'l (Pvt) Ltd., M/s. M. J. Surveyors (Pvt) Ltd., M/s Harvester Services (Pvt) Ltd., and M/s Iqbal A. Nanjee & Co. (Pvt) Ltd. on the basis of professional assessment of present market values which resulted in an increase in surplus by Rs. 6,366.149 million. The total surplus arising against revaluation of fixed assets as at December 31, 2018 amounts to Rs. 26,218.945 million.

The properties of UBL UK were last revalued by independent professional valuer, Quantum Valuation LLP, as at December 31, 2018. The total surplus arising against the revaluation of fixed assets as at December 31, 2018 amounts to Rs. 3,523.926 million.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

		2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
	Freehold land	745,657	745,657
	Leasehold land	3,318,680	3,187,670
	Buildings on freehold land	3,472,062	1,347,946
	Buildings on leasehold land	5,219,490	4,240,426
11.4	Carrying amount of temporarily idle properties of the Group	<u>82,420</u>	<u>62,572</u>
11.5	The cost of fully depreciated assets still in use		
	Furniture and fixtures	604,267	487,255
	Electrical, office and computer equipment	5,738,511	5,204,108
	Vehicles	84,903	84,442
	Building on free hold land	15,305	12,899
	Building on lease hold land	42,114	-
	Leasehold improvements	<u>1,070,576</u>	<u>656,845</u>
		<u>7,555,676</u>	<u>6,445,549</u>
11.6	Details of disposals of operating fixed assets		
	The information relating to operating fixed assets disposed off during the year is given in Annexure 'III' and is an integral part of these consolidated financial statements.		
12	INTANGIBLE ASSETS	Note	2018 ----- (Rupees in '000) -----
	Capital work-in-progress		224,823
	Intangible assets	12.1	<u>1,651,271</u>
			<u>1,876,094</u>
12.1	At January 1		
	Cost		4,537,089
	Accumulated amortisation and impairment		<u>(3,440,523)</u>
	Net book value		<u>1,096,566</u>
	Opening net book value		1,096,566
	Additions		1,085,392
	Disposals		<u>(38,370)</u>
	Amortisation charge		<u>(562,568)</u>
	Exchange rate adjustments		<u>70,251</u>
	Closing net book value		<u>1,651,271</u>
	At December 31		
	Cost		5,831,215
	Accumulated amortisation and impairment		<u>(4,179,944)</u>
	Net book value		<u>1,651,271</u>
	Rate of amortisation (percentage)		<u>10-33.33</u>
	Useful life (in years)		<u>3 - 10</u>
12.2	The cost of fully amortised assets still in use		
	Software		<u>2,168,950</u>
13.	DEFERRED TAX ASSETS / (LIABILITIES)		
	Deferred tax assets / (liabilities)	13.1	<u>6,685,952</u>

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

13.1 Movement in temporary differences during the year

		2018			
		At January 1, 2018	Recognised in profit and loss account	Recognised in OCI	At December 31, 2018
		(Rupees in '000)			
Deductible temporary differences on					
- Tax losses carried forward		559,243	(409,576)	83,693	233,360
- Post retirement employee benefits		341,176	125,241	205,992	672,409
- Provision against advances, off balance sheet etc.		1,107,929	1,184,320	-	2,292,249
- Surplus on revaluation of investments		(3,673,530)	-	8,634,001	4,960,471
- Others		640,615	181,651	301,739	1,124,005
		(1,024,567)	1,081,636	9,225,425	9,282,494
Taxable temporary differences on					
- Surplus on revaluation of fixed assets / non-banking assets		(1,209,979)	-	(202,065)	(1,412,044)
- Share of profit from Associates		(462,443)	(218,389)	-	(680,832)
- Accelerated tax depreciation and others		(283,477)	(217,383)	(2,806)	(503,666)
		(1,955,899)	(435,772)	(204,871)	(2,596,542)
		(2,980,466)	645,864	9,020,554	6,685,952
		2017			
		At January 1, 2017	Recognised in profit and loss account	Recognised in OCI	At December 31, 2017
		(Rupees in '000)			
Deductible temporary differences on					
- Tax losses carried forward		316,918	195,612	46,713	559,243
- Post retirement employee benefits		366,317	(7,975)	(17,166)	341,176
- Provision against advances, off balance sheet etc.		2,261,466	(1,153,537)	-	1,107,929
- Others		2,004,941	(1,240,859)	(123,467)	640,615
		4,949,642	(2,206,759)	(93,920)	2,648,963
Taxable temporary differences on					
- Surplus on revaluation of fixed assets / non-banking assets		(960,433)	27,228	(276,774)	(1,209,979)
- Surplus on revaluation of investments		(8,152,824)	-	4,479,294	(3,673,530)
- Share of profit from Associates		(497,230)	34,787	-	(462,443)
- Accelerated tax depreciation		(569,726)	(119,981)	406,230	(283,477)
		(10,180,213)	(57,966)	4,608,750	(5,629,429)
		(5,230,571)	(2,264,725)	4,514,830	(2,980,466)

		Note	2018	2017 Restated
			(Rupees in '000)	
Income / mark-up accrued in local currency - net of provision			22,185,596	22,796,215
Income / mark-up accrued in foreign currency - net of provision			4,407,074	3,444,165
			26,592,670	26,240,380
Advance taxation - net of provision for taxation	14.1		24,938,007	17,599,231
Receivable from staff retirement fund			321,349	632,808
Receivable from other banks against telegraphic transfers and demand drafts			88,354	270,941
Unrealized gain on forward foreign exchange contracts			5,205,860	2,798,197
Rebate receivable - net			1,055,900	529,870
Unrealized gain on derivative financial instruments			5,868	76,884
Suspense accounts			781,887	567,060
Stationery and stamps on hand			99,757	100,836
Non banking assets acquired in satisfaction of claims			1,597,124	1,602,606
Advances, deposits, advance rent and other prepayments			1,539,158	1,345,180
Acceptances	5.1.3		28,157,111	25,670,558
Others			2,842,330	4,172,926
			93,225,375	81,607,477
Provision held against other assets	14.3		(1,086,072)	(1,252,193)
Other assets - net of provision			92,139,303	80,355,284
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	23.3		173,141	183,405
Other assets - net of provision			92,312,444	80,538,689

14.1 The Income Tax returns of the Bank have been filed up to the tax year 2018 (accounting year ended December 31, 2017) and were deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (Ordinance) unless amended by the Commissioner of Inland Revenue.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

The income tax authorities have issued amended assessment orders for the tax years 2003 to 2018, and created additional tax demands (including disallowances of provisions made prior to Seventh Schedule) of Rs.13,119 million (2017: Rs.12,928 million), which have been fully paid as required under the law. The Bank has filed appeals before the various appellate forums against these amendments. Where the appellate authorities have allowed relief on certain issues, the assessing authorities have filed appeals before higher appellate forums. Where the appellate authorities have not allowed relief the Bank has filed appeals before higher appellate forums. The management of the Bank is confident that the appeals will be decided in favour of the Bank.

The tax returns for Azad Kashmir (AK) and Gilgit Baltistan (GB) Branches have been filed upto the tax year 2018 (financial year 2017) under the provisions of section 120(1) read with section 114 of the Ordinance and in compliance with the terms of the agreement between banks and the Azad Kashmir Council in May 2005. The returns filed are considered as deemed assessment orders under the law.

The tax authorities have also carried out monitoring for Federal Excise Duty, Sales tax and withholding taxes covering period from year ended 2007 to 2017. Consequently various addbacks and demands were raised creating a total demand of Rs. 995 million (2017: Rs. 919 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 UAE, Yemen and Qatar branches have been filed upto the year ended December 31, 2017 and for USA branch upto the year ended December 31, 2016 under the provisions of the laws prevailing in the respective countries, and are deemed as assessed unless opened for reassessment.

The Bank has received corrective tax assessment of QAR 1 M (Rs: 38.138 million) from the General tax Authority (GTA) in respect of tax year 2004 with no supporting calculations from GTA. Management has requested details for 2004 assessment from GTA, however to date no response has been received. Management is confident that the matters will be decided in favour of the Bank and the possibility of any outcome against it is remote.

For UBL UK, UBTL, USAG, UBL FM and UET income tax returns have been filed up to the accounting year ended December 31, 2017 under the provisions of the laws prevailing in the respective countries and are deemed as assessed unless opened for reassessment by the tax authorities. Additionally, tax clearance has been issued for USAG, UBL UK, and UBTL till the accounting year 2017, 2016, and 2015. There are no material tax contingencies in any of the subsidiaries.

	Note	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
14.2 Market value of Non-banking assets acquired in satisfaction of claims			
	14.2.1	<u>1,770,265</u>	<u>1,786,011</u>
14.2.1	The valuation of non-banking assets of the Bank acquired in satisfaction of the claims were carried out by Joseph Lobo, M.J. Surveyors (Private) Limited and Engineering Pakistan (Private) Limited from among the approved list of valuer of Pakistan Banker's Association as at August 2018.		
14.2.2 Non-banking assets acquired in satisfaction of claims		2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
Opening Balance		1,786,011	2,343,457
Additions		465,266	198,900
Transfer to fixed assets		-	(740,760)
Revaluation		49,604	(33,752)
Disposals		(563,165)	-
Exchange Impact		32,549	18,166
		<u>1,770,265</u>	<u>1,786,011</u>
14.2.3 Gain on Disposal of Non-banking assets acquired in satisfaction of claims			
Disposal Proceeds		568,592	-
Less:			
- Cost		619,701	-
- Impairment		(88,510)	-
		<u>531,191</u>	<u>-</u>
Net Gain		<u>37,401</u>	<u>-</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Note	2018 ----- (Rupees in '000) -----	2017
14.3 Provision held against other assets			
Advances, deposits, advance rent and other prepayments		571,597	695,685
Non banking assets acquired in satisfaction of claims		104,512	104,512
Fraud and forgery		409,963	451,996
		<u>1,086,072</u>	<u>1,252,193</u>
14.3.1 Movement of provision held against other assets			
Opening balance		1,252,193	1,179,861
Exchange adjustments		2,112	204
Charge / (reversals)			
Charge for the year		169,957	110,799
Reversals		(163,434)	(48,725)
	35	6,523	62,074
Transfers in - net		15,892	38,647
Amounts written off		(190,648)	(28,593)
Closing balance		<u>1,086,072</u>	<u>1,252,193</u>
15. CONTINGENT ASSETS			
There were no contingent assets as at the statement of financial position date.			
16. BILLS PAYABLE			
In Pakistan		26,724,282	29,427,939
Outside Pakistan		548,685	424,466
		<u>27,272,967</u>	<u>29,852,405</u>
17. BORROWINGS			
17.1 Particulars of borrowings			
In local currency		238,184,708	489,038,458
In foreign currencies		41,733,417	28,043,701
		<u>279,918,125</u>	<u>517,082,159</u>
17.2 Details of borrowings			
Secured			
Borrowings from the State Bank of Pakistan under:			
Export refinance scheme	17.3	28,120,012	19,375,930
Refinance facility for modernization of SMEs	17.4	11,204	10,250
Long term financing facility	17.5	21,871,486	17,312,481
		50,002,702	36,698,661
Repurchase agreement borrowings	17.6	133,315,545	453,224,580
Bai Muajjal payable to other financial institutions		49,878,076	
		<u>233,196,323</u>	<u>489,923,241</u>
Unsecured			
Call borrowings	17.7	18,936,178	10,167,645
Overdrawn nostro accounts		1,936,041	577,014
Money market deals	17.8	25,849,583	16,414,259
		46,721,802	27,158,918
		<u>279,918,125</u>	<u>517,082,159</u>

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

- 17.3** 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 2019. These carry mark-up at rates ranging from 1.00% to 2.00% per annum (2017: 1.00% to 2.00% per annum).
- 17.4** 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 latest by February 2021 and carry mark-up at a rate of 2.00% to 6.25% per annum (2017: 6.25% per annum).
- 17.5** 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 latest by January 2029. These carry mark-up at rates ranging from 2.00% to 9.70% (2017: 2.00% to 9.70% per annum).
- 17.6** These repurchase agreement borrowings are secured against Pakistan Investment Bonds, Treasury Bills, Government of Pakistan Eurobonds, Foreign Bonds Sovereign and Foreign Bonds Others and carry mark-up at rates ranging from 3.27% to 10.35% per annum (2017: 5.75% to 5.85% per annum). These borrowings are repayable latest by February 2019. The market value of securities given as collateral against these borrowings is given in note 9.2.1.
- 17.7** These are unsecured borrowings carrying mark-up at rates ranging from 2.0% to 10.25% per annum (2017: 0.1% to 5.8% per annum), and are repayable latest by March 2019.
- 17.8** These borrowings carry mark-up at rates ranging from 3.25% to 4.64% per annum (2017: 2.57% to 4.80% per annum), and are repayable latest by June 2019.

18. DEPOSITS AND OTHER ACCOUNTS

	2018			2017		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	----- (Rupees in '000) -----					
Customers						
Fixed deposits	126,191,096	231,511,195	357,702,291	132,020,685	235,764,503	367,785,188
Savings deposits	392,861,499	45,176,640	438,038,139	354,414,556	33,736,099	388,150,655
Sundry deposits	11,768,321	1,055,683	12,824,004	11,895,126	1,153,691	13,048,817
Margin deposits	2,962,920	3,404,673	6,367,593	2,491,467	3,060,673	5,552,140
Current accounts - remunerative	965,509	7,089,695	8,055,204	1,335,274	4,679,025	6,014,299
Current accounts - non-remunerative	449,938,039	106,392,768	556,330,807	396,153,734	95,105,583	491,259,317
	984,687,384	394,630,654	1,379,318,038	898,310,842	373,499,574	1,271,810,416
Financial Institutions						
Current deposits	21,804,360	3,840,911	25,645,271	10,399,630	10,422,467	20,822,097
Savings deposits	30,509,483	-	30,509,483	44,373,428	-	44,373,428
Term deposits	11,301,901	1,549,348	12,851,249	12,421,333	271,213	12,692,546
	63,615,744	5,390,259	69,006,003	67,194,391	10,693,680	77,888,071
	1,048,303,128	400,020,913	1,448,324,041	965,505,233	384,193,254	1,349,698,487

18.1 Composition of deposits	2018	2017
	Rupees in '000	
- Individuals	838,746,377	845,191,118
- Government (Federal and Provincial)	57,839,039	47,728,180
- Public Sector Entities	74,543,165	81,032,506
- Banking Companies	14,897,848	21,379,448
- Non-Banking Financial Institutions	53,483,504	57,402,113
- Private Sector	408,814,108	296,965,122
	1,448,324,041	1,349,698,487

This includes deposits eligible to be covered under insurance arrangements in accordance with DPC Circular No. 04 dated June 22, 2018 amounting to Rs 813,924.260 million (2017: Rs 718,356.599 million).

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

These represent finance leases entered into for the lease of franking machine. 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 franking machines which have been obtained under these leasing arrangements. The rate used for discounting future lease payments is 12.39% per annum (2017: 12.39% per annum). The amount of future minimum lease payments, and the periods during which they become due are as follows:

	2018		
	Minimum lease payments	Finance charges for future periods	Principal Outstanding
	(Rupees in '000)		
Not later than one year	4,955	733	4,222
Later than one year and not later than five years	6,748	970	5,778
	<u>11,703</u>	<u>1,703</u>	<u>10,000</u>

	2017		
	Minimum lease payments	Finance charges for future periods	Principal Outstanding
	(Rupees in '000)		
Not later than one year	2,343	249	2,094
Later than one year and not later than five years	2,281	-	2,281
	<u>4,624</u>	<u>249</u>	<u>4,375</u>

20. SUBORDINATED DEBTS

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

During 2018, the Bank completed the Pre-IPO with subscription amounting to Rs. 9,000 million. In January 2019, the Bank proceeded with the initial public offering amounting to Rs. 1,000 million, thus closing the total issue size of Rs. 10,000 million.

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

Issue Size	Up to Rs. 7,000 million with an upside option / green shoe option of an additional Rs. 3,000 million aggregating to Rs. 10,000 million.
Rating	"AA+" (Double A Plus) by JCR-VIS Credit Rating Company Limited.
Tenor	Perpetual (i.e. no fixed or final redemption date).
Security	The TFCs shall be unsecured and subordinated to all other indebtedness of the Bank, including depositors and general creditors. However, they shall rank senior to the claims of ordinary shareholders.
Mark-up Rate	The TFCs shall carry markup at the rate of 3 Month KIBOR + 1.55%.
Mark-up Payment Frequency	Profit / Mark-up shall be payable quarterly in arrears, on a non-cumulative basis.
Call Option	The Bank may, at its sole discretion, call the TFCs, at any time after five years from the Issue Date subject to the prior approval of the SBP.
Lock-in Clause	Mark-up on the TFCs shall only be paid from the current year's earnings and if the Bank is fully compliant with SBP's Minimum Capital Requirement (MCR), Capital Adequacy Ratio (CAR) and Liquidity Ratio (LR) requirements.
Loss Absorbency Clause	The TFCs shall, at the discretion of the SBP, be either permanently converted into ordinary shares or permanently written off (partially or in full) pursuant to the loss absorbency clause as stipulated in the "Instructions for Basel III Implementation in Pakistan" issued vide BPRD Circular No. 6 dated August 15, 2013.

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	Note	2018	2017 Restated
		----- (Rupees in '000) -----	
21. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		12,352,461	12,547,094
Mark-up / return / interest payable in foreign currency		2,403,423	1,857,981
		14,755,884	14,405,075
Accrued expenses		4,443,787	4,612,561
Branch adjustment account		848,267	1,021,326
Deferred income		617,099	636,710
Unearned commission and income on bills discounted		1,297,833	1,500,844
Provision against off - balance sheet obligations	21.1	842,545	73,692
Unrealized loss on forward foreign exchange contracts		3,743,347	864,509
Trading liability		3,750,654	-
Payable to staff retirement fund		972,584	44,538
Deferred liabilities	21.2	3,685,997	3,380,920
Unrealized loss on derivative financial instruments		82,047	3,176
Workers' Welfare Fund payable		3,130,511	2,601,763
Insurance payable against consumer assets		410,466	331,840
Dividend payable		521,612	631,030
Acceptances		28,157,111	25,670,558
Charity fund balance		2,597	120,939
Others		2,081,541	901,853
		<u>69,343,882</u>	<u>56,801,334</u>
21.1 Provision against off - balance sheet obligations			
Opening balance		73,692	683,866
Impact on adoption of IFRS 9	5.1.2	211,244	-
Exchange adjustments		94,309	(11,077)
Charge / (reversal) during the year	35	463,300	(599,097)
Transfer out - net		-	-
		<u>842,545</u>	<u>73,692</u>
21.2 Deferred liabilities			
Provision for post retirement medical benefits	41.1.4	1,821,847	1,463,703
Provision for compensated absences		1,166,399	1,225,727
Deferred liability for outsourced services		207,963	169,466
Deferred liability - overseas		489,788	522,024
		<u>3,685,997</u>	<u>3,380,920</u>
22. SHARE CAPITAL			
22.1 Authorized Capital			
		2018	2017
		----- Number of shares -----	
		<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>
22.2 Issued, subscribed and paid-up capital			
		2018	2017
		----- Number of shares -----	
		<u>518,000,000</u>	<u>518,000,000</u>
		<u>706,179,687</u>	<u>706,179,687</u>
		<u>1,224,179,687</u>	<u>1,224,179,687</u>
		Fully paid-up ordinary shares of Rs.10 each	
		5,180,000	5,180,000
		7,061,798	7,061,798
		<u>12,241,798</u>	<u>12,241,798</u>
22.3			
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.			

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018, 248,067 (2017: 1,318,827) GDRs, representing 992,266 (2017: 5,275,310) shares were in issue.

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

Name of shareholders	2018		2017	
	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
Bestway (Holdings) Limited	631,728,895	51.60%	631,728,895	51.60%
Bestway Cement Limited	93,649,744	7.65%	93,649,744	7.65%

As at December 31, 2018, Bestway Group (Bestway) held 61.46% (2017: 61.46%) shareholding (including GDRs) of the Bank.

22.5 Shares of the Bank held by its associates	2018		2017	
	----- (Number of shares) -----			
UBL Asset Allocation Fund	-		-	225,900
UBL Stock Advantage Fund	-		-	1,645,800
	-		-	1,871,700

23. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX	Note	2018	2017
		Restated ----- (Rupees in '000) -----	
Surplus / (deficit) arising on revaluation of assets - net of tax			
Fixed assets	23.1	27,117,327	27,136,589
Available for sale securities	23.2	(10,230,180)	5,896,699
Non-banking assets acquired in satisfaction of claims	23.3	105,856	112,528
Surplus / (deficit) arising on revaluation of assets of associates		(97)	660
		16,992,906	33,146,476

23.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets as at January 1		29,234,547	22,332,693
Revaluation against fixed assets during the year		74,294	6,627,435
Exchange adjustments		522,604	353,662
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(58,175)	(52,015)
Related deferred tax liability on incremental depreciation charged during the year		(30,399)	(27,228)
		508,324	6,901,854
		29,742,871	29,234,547
Less: Related deferred tax liability on			
Revaluation as on January 1		1,139,102	900,982
Revaluation of fixed assets during the year		152,745	205,109
Reversal of deferred tax on revaluation of land (Reversal) / recognition of deferred tax			
Exchange adjustments		83,311	60,239
Incremental depreciation charged on related assets	13.1	(30,399)	(27,228)
		1,344,759	1,139,102
		28,398,112	28,095,445
Share of Non controlling interest		(1,280,785)	(958,856)
Group's share		27,117,327	27,136,589

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		2018	2017
		----- (Rupees in '000) -----	
23.2	(Deficit) / surplus on revaluation of available for sale securities		
Market Treasury Bills		(22,440)	(3,034)
Pakistan Investment Bonds		(14,268,873)	6,285,489
Listed shares		1,747,980	1,780,430
REIT Scheme		41,273	-
Term Finance Certificates, Sukuks, other bonds etc.		(136,173)	28,475
Foreign bonds		(3,494,668)	1,201,338
		(16,132,901)	9,292,698
Related deferred tax		4,960,471	(3,673,530)
		(11,172,430)	5,619,168
Share of Non controlling interest		(942,250)	(277,531)
Group's share		(10,230,180)	5,896,699
23.3	Surplus on revaluation of non-banking assets		
Surplus on revaluation of non banking assets as at January 1		183,405	169,861
Revaluation of non banking assets during the year		28,611	32,647
Reversal on disposal / transfer of non banking assets		(38,875)	(19,103)
		(10,264)	13,544
		173,141	183,405
Less: Related deferred tax liability on			
Revaluation as at January 1		70,877	59,451
Revaluation of non-banking assets during the year		10,014	11,426
Reversal on disposal / transfer of non banking assets		(13,606)	-
		67,285	70,877
		105,856	112,528
24.	NON-CONTROLLING INTEREST		
		2018	
		UNBL	UBLFM
		45%	1.13%
		----- (Rupees in '000) -----	
Assets		87,359,241	2,289,972
Liabilities		75,046,256	565,459
Net assets		12,312,985	1,724,513
Net assets attributable to NCI		5,540,843	19,487
24.1	Key financial information		
Income (Mark-up & Non-Markup)		1,864,531	1,164,191
Expenses (including provisions)		(2,838,093)	(756,604)
Profit for the year		(973,562)	407,587
Other comprehensive income for the year		1,117,311	-
Total Comprehensive Income		143,749	551,336
(Loss) / profit allocated to NCI		(438,103)	4,606
OCI allocated to NCI		502,790	-
Cashflows from operating activities		2,110,392	3,915
Cashflows from investing activities		(2,309,277)	(7,185)
Cashflows from financing activities		(147,110)	(1,576)
		(345,995)	(4,846)

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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	Note	2018	2017 Restated
25. CONTINGENCIES AND COMMITMENTS		----- (Rupees in '000) -----	
-Guarantees	25.1	202,841,075	215,585,371
-Commitments	25.2	980,442,231	787,296,959
-Other contingent liabilities	25.3	15,592,385	16,975,751
		<u>1,198,875,691</u>	<u>1,019,858,081</u>
25.1 Guarantees:	Note	2018	2017
		----- (Rupees in '000) -----	
Financial guarantees		32,864,729	21,990,608
Performance guarantees		160,269,664	173,555,612
Others guarantees		9,706,682	20,039,151
		<u>202,841,075</u>	<u>215,585,371</u>
25.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit		180,088,337	169,532,554
Commitments in respect of:			
- forward foreign exchange contracts	25.2.2	650,576,446	455,265,957
- forward government securities transactions	25.2.3	15,946,089	7,872,368
- derivatives			
Interest rate swaps	25.2.4	1,674,764	4,358,641
FX options	25.2.4	1,159,752	166,736
- forward lending	25.2.5	129,068,240	148,112,725
Commitments for acquisition of:			
- operating fixed assets	25.2.6	1,928,603	1,987,978
		<u>980,442,231</u>	<u>787,296,959</u>
25.2.1 Commitments to extend credit			
The Group makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.			
25.2.2 Commitments in respect of forward foreign exchange contracts		2018	2017
		----- (Rupees in '000) -----	
Purchase		347,426,249	242,093,757
Sale		<u>303,150,197</u>	<u>213,172,200</u>
25.2.3 Commitments in respect of forward government securities transactions			
Forward purchase of government securities		13,619,209	7,870,890
Forward sale of government securities		<u>2,326,880</u>	<u>1,478</u>
25.2.4 Commitments in respect of derivatives			
Interest rate swaps		1,674,764	4,358,641
FX options - purchased		<u>579,876</u>	<u>83,368</u>
FX options - sold		<u>579,876</u>	<u>83,368</u>

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	Note	2018	2017
		----- (Rupees in '000) -----	
25.2.5 Commitments in respect of forward lending			
Undrawn formal standby facilities, credit lines and other commitments:	25.2.5.1	65,695,154	60,461,972
Others		<u>63,373,086</u>	<u>87,650,753</u>
		<u>129,068,240</u>	<u>148,112,725</u>

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

	Note	2018	2017
		----- (Rupees in '000) -----	
25.2.6 Commitments in respect of capital expenditure		<u>1,928,603</u>	<u>1,987,978</u>
25.3 Other contingencies			
Claims against the Group not acknowledged as debts	25.3.1	<u>11,534,796</u>	<u>12,918,162</u>

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

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

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

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

25.4 For contingencies relating to taxation , refer note 14.1 .

25.5 For matter relating to New York branch , refer note 50 .

26. 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 Risk Management Committee (RMC) is responsible for ensuring compliance with these policies.

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With regard to derivatives, the RMC 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.

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

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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26.1 Product analysis

Counterparties	2018									
	Interest rate swaps		FX options		Forward purchase contracts of government securities		Forward sale contracts of government securities		Total	
	Notional principal	Mark to Market Gain / loss	Notional principal	Mark to Market Gain / loss	Notional principal	Mark to Market Gain / loss	Notional principal	Mark to Market Gain / loss	Notional principal	Mark to Market Gain / loss
(Rupees in 000)										
With banks for										
Hedging	179,132	1,170	579,876	-	-	-	-	-	759,008	1,170
Market making	316,500	(16,000)	-	-	3,809,653	(58,123)	-	-	4,126,153	(74,123)
	495,632	(14,830)	579,876	-	3,809,653	(58,123)	-	-	4,885,161	(72,953)
With FIs other than Banks										
Hedging	-	-	-	-	-	-	-	-	-	-
Market making	-	-	-	-	-	-	2,326,880	(672)	2,326,880	(672)
	-	-	-	-	-	-	2,326,880	(672)	2,326,880	(672)
With other entities										
Hedging	-	-	-	-	-	-	-	-	-	-
Market making	1,179,132	(7,252)	579,876	-	9,809,556	4,698	-	-	11,568,564	(2,554)
	1,179,132	(7,252)	579,876	-	9,809,556	4,698	-	-	11,568,564	(2,554)
Total										
Hedging	179,132	1,170	579,876	-	-	-	-	-	759,008	1,170
Market making	1,495,632	(23,252)	579,876	-	13,619,209	(53,425)	2,326,880	(672)	18,021,597	(77,349)
	1,674,764	(22,082)	1,159,752	-	13,619,209	(53,425)	2,326,880	(672)	18,780,605	(76,179)

Counterparties	2017									
	Interest rate swaps		FX options		Forward purchase contracts of government securities		Forward sale contracts of government securities		Total	
	Notional principal	Mark to Market Gain / loss	Notional principal	Mark to Market Gain / loss	Notional principal	Mark to Market Gain / loss	Notional principal	Mark to Market Gain / loss	Notional principal	Mark to Market Gain / loss
(Rupees in 000)										
With banks for										
Hedging	413,071	2,597	83,368	-	-	-	-	-	496,439	2,597
Market making	316,499	5,432	-	-	7,870,890	(1,155)	1,478	(2)	8,188,867	4,275
	729,570	8,029	83,368	-	7,870,890	(1,155)	1,478	(2)	8,685,306	6,872
With FIs other than Banks										
Hedging	-	-	-	-	-	-	-	-	-	-
Market making	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
With other entities										
Hedging	-	-	-	-	-	-	-	-	-	-
Market making	3,629,071	66,836	83,368	-	-	-	-	-	3,712,439	66,836
	3,629,071	66,836	83,368	-	-	-	-	-	3,712,439	66,836
Total										
Hedging	413,071	2,597	83,368	-	-	-	-	-	496,439	2,597
Market making	3,945,570	72,268	83,368	-	7,870,890	(1,155)	1,478	(2)	11,901,306	71,111
	4,358,641	74,865	166,736	-	7,870,890	(1,155)	1,478	(2)	12,397,745	73,708

26.2 Maturity analysis of derivatives

Remaining maturity	2018					2017				
	Number of contracts	Notional principal	Unrealized			Number of contracts	Notional principal	Unrealized		
			(Loss)	Gain	Net			(Loss)	Gain	Net
			(Rupees in '000)							
Upto 1 month	24	6,534,882	(58,795)	-	(58,795)	11	7,962,602	(3,176)	2,018	(1,157)
1 to 3 months	35	10,460,026	-	4,698	4,698	8	76,502	-	-	-
3 to 6 months	7	1,469,197	(7,252)	1,170	(6,082)	3	216,000	-	6,807	6,807
1 to 2 years	1	316,500	(16,000)	-	(16,000)	3	3,826,141	-	62,627	62,626
2 to 3 Years	-	-	-	-	-	1	316,500	-	5,432	5,432
	67	18,780,605	(82,047)	5,868	(76,179)	26	12,397,745	(3,176)	76,884	73,708

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Note	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
27. MARK-UP / RETURN / INTEREST EARNED			
Loans and advances		45,651,365	35,119,920
Investments		65,848,463	73,010,272
Lendings to financial institutions		4,963,902	2,130,957
Balances with banks		899,394	318,746
		<u>117,363,124</u>	<u>110,579,895</u>
28. MARK-UP / RETURN / INTEREST EXPENSED			
On deposits		38,234,019	32,805,964
Borrowings		20,616,460	19,681,789
Subordinated Debt		265,010	-
		<u>59,115,489</u>	<u>52,487,753</u>
29. FEE AND COMMISSION INCOME			
Branch banking customer fees		1,896,993	1,724,460
Consumer finance related fees		879,076	763,760
Card related fees (debit and credit cards)		1,679,552	1,382,123
Investment banking fees		776,778	720,237
Financial Institution rebate / commission		394,299	268,242
Corporate service charges / facility fee		588,696	861,551
Commission on trade		1,650,930	1,722,513
Commission on guarantees		744,145	804,704
Commission on cash management		739,476	636,371
Commission on remittances including home remittances - net		2,781,604	2,222,507
Commission on bancassurance		1,592,076	1,162,456
Commission on Benazir Income Support Program		569,417	750,582
Management Fee		954,640	1,265,190
Others		639,071	547,294
		<u>15,886,753</u>	<u>14,831,990</u>
30. GAIN ON SALE OF SECURITIES - NET			
Realised	30.1	4,475,542	4,797,686
Unrealised - held for trading		8,524	2,207
		<u>4,484,066</u>	<u>4,799,893</u>
30.1 Realised gain on:			
Federal Government Securities		4,074,332	3,631,595
Shares		405,396	209,673
Foreign Securities		(4,058)	955,087
Other securities		(128)	1,331
		<u>4,475,542</u>	<u>4,797,686</u>
31. OTHER INCOME			
Charges recovered		407,138	377,891
Rent on properties		254,956	245,731
Gain on sale of operating fixed assets - net		42,662	57,983
Gain on sale of Ijarah assets		1,754	96
Income from sale of non-banking asset	14.2.3	37,401	-
Gain on trading liabilities - net		270,245	65,834
		<u>1,014,156</u>	<u>747,535</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Note	2018 ----- (Rupees in '000) -----	2017
32. OPERATING EXPENSES			
Total compensation expense	32.1	17,687,188	15,958,563
Property expense			
Rent & taxes		3,332,233	2,884,634
Insurance		229,512	235,300
Utilities cost		1,600,239	1,501,369
Security (including guards)		1,143,471	1,250,899
Repair & maintenance (including janitorial charges)		504,870	490,381
Depreciation		719,910	636,127
Others		53,294	25,632
		7,583,529	7,024,342
Information technology expenses			
Software maintenance		825,128	815,462
Hardware maintenance		384,662	329,755
Depreciation		652,663	556,420
Amortisation	12.1	562,568	436,392
Network charges		725,337	513,555
		3,150,358	2,651,584
Other operating expenses			
Directors' fees and allowances		64,348	48,721
Fees and allowances to Shariah Board		4,753	4,140
Legal & professional charges		1,076,745	695,059
Outsourced service costs including sales commission		3,779,944	3,603,045
Travelling & conveyance		343,734	336,430
Clearing Charges		186,221	197,695
Depreciation others		1,093,771	958,611
Depreciation on Islamic financing against leased assets		186,623	197,823
Training & development		146,557	170,653
Postage & courier charges		322,752	362,920
Communication		517,036	523,823
Stationery & printing		737,637	669,923
Marketing, advertisement & publicity		758,852	1,141,266
Auditors Remuneration	32.3	134,024	105,495
Donations	32.4	203,790	110,250
Insurance (including deposit protection)		698,421	128,332
Cash transportation & sorting charges		1,037,377	895,186
Entertainment		197,209	222,821
Vehicle expenses		159,615	202,054
Subscription		123,026	163,638
Office running expenses		187,210	238,704
Banking service charges		1,351,302	1,101,737
Repairs & maintenance		527,410	439,480
Cartage, freight & conveyance		83,482	94,523
Zakat paid by overseas branch		27,748	75,828
Brokerage expenses		19,374	25,994
Miscellaneous expenses		102,958	106,694
		14,071,919	12,820,845
		42,492,994	38,455,334

32.1 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 entities' performance during the year. The aggregate benefit determined in respect of all permanent staff amounted to Rs. 1,351.824 million (2017: Rs. 1,520.435 million).

32.2 Total cost for the year included in Other Operating Expenses relating to outsourced activities is Rs 3,909 million (2017: Rs 3,772 million). Out of this cost, Rs 3,424 million (2017: Rs 3,241 million) pertains to the payment to companies incorporated in Pakistan and Rs 485 million (2017: Rs 531 million) pertains to payment to companies incorporated outside Pakistan. This includes payments other than outsourced services costs, which are disclosed above. Details of major outsourced services costs are as follows:

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

Name of service provider	Type of service	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
Paradise Press (Private) Limited	Cheque printing	43,108	42,534
Apex Printry (Private) Limited	Cheque printing	43,156	43,352
Printlink	Cheque printing	37,943	38,827
E-Access (Private) Limited	POS service management and card hosting	27,382	26,765

32.3 Auditors' remuneration

	2018			
	KPMG Taseer Hadi & Co.	A.F. Ferguson & Co.	Overseas Auditors	Total
	(Rupees in '000)			
Audit fee - Bank	8,051	8,051	47,646	63,748
Audit fee - subsidiaries	60	949	31,024	32,033
Audit fee - EPZ branch	348	-	-	348
Fee for tax and other certifications	9,103	21,180	1,004	31,287
Out of pocket expenses	3,444	3,164	-	6,608
	<u>21,006</u>	<u>33,344</u>	<u>79,674</u>	<u>134,024</u>

	2017			
	KPMG Taseer Hadi & Co.	A.F. Ferguson & Co.	Overseas Auditors	Total
	(Rupees in '000)			
Audit fee - Bank	8,051	8,051	27,007	43,109
Audit fee - subsidiaries	69	747	24,775	25,591
Audit fee - EPZ branch	250	-	-	250
Fee for tax and other certifications	9,925	5,724	11,434	27,083
Out of pocket expenses	4,629	3,863	970	9,462
	<u>22,924</u>	<u>18,385</u>	<u>64,186</u>	<u>105,495</u>

32.4 Details of donations

	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
Donations individually exceeding Rs. 0.5 million		
Diamer Bhasha Dam Fund Contribution	67,757	-
Abdul Sattar Edhi Foundation	30,000	-
Shaukat Khanum Memorial Trust	32,000	-
Namal Education Foundation	30,000	50,000
Memon Medical Institute Hospital	-	15,000
National University of Science	12,500	-
Lahore University of Management Sciences	10,000	10,000
Murshid Hospital & Healthcare Center	-	7,000
Forman Christian College	5,000	5,000
Shalamar Hospital	5,000	5,000
Hilal-e-Ahmer	-	4,975
Bahauddin Zakaria University	3,840	3,840
Education Trust	2,696	-
NFC Institute of Engineering & Technology	-	1,554
Pak Suzuki Motor Company (Ambulance donated to Hospital)	1,418	-
District Hospital, Gwadar	-	1,195
Nasra Schools	-	1,260
Akhuwat	-	1,000
Hisaar Foundation	1,000	1,000
SOS Children's Villages of Pakistan	980	980
Marie Adelaide Leprosy Centre	850	850
Donations individually not exceeding Rs. 0.5 million	<u>749</u>	<u>1,596</u>
	<u>203,790</u>	<u>110,250</u>

32.4.1 Donations were not made to any donee in which a Director or his spouse had any interest.

33. WORKERS' WELFARE FUND

The Bank has made provision for Sindh Workers' Welfare Fund (SWWF) based on profit for the years ended December 31, 2014 and onwards.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

The Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of Workers' Welfare Fund (WWF) were not lawful. The Federal Board of Revenue has filed review petitions against this order which are currently pending. During the year, tax authorities have allowed relief to the Bank in certain years for WWF. Further the management of the Bank obtained a legal opinion which confirmed that review petitions filed against the Supreme Court of Pakistan judgement have not been taken up for adjudication and the provision in respect of WWF can be reversed. The Sindh Workers Welfare Fund was levied from the year ended December 31, 2014 consequent to the 18th amendment in the constitution. Accordingly, the provision for WWF charged till December 31, 2013 amounting to Rs. 2,692 million has been reversed in the profit and loss account for the year ended December 31, 2018 and provision amounting to Rs. 3,763 million pertaining to years 2014 onwards has been maintained in respect of Sindh WWF.

	Note	2018 ----- (Rupees in '000) -----	2017
34. OTHER CHARGES			
Penalties imposed by the SBP		94,754	59,431
Other penalties		20,044	257
		<u>114,798</u>	<u>59,688</u>

	Note	2018	2017 Restated
35. PROVISIONS & WRITE OFFS - NET		----- (Rupees in '000) -----	
Provision against loans and advances - net	10.4	11,197,132	2,531,075
Reversal of provision against lendings to financial institutions - net		(57,600)	(8,260)
Provision for diminution in value of investments - net	9.3.1	1,831,048	719,845
Bad debts written off directly		130,830	187,443
Provision against other assets - net	14.3.1	6,523	62,074
Provision / (reversal of provision) against off - balance sheet obligations	21.1	463,300	(599,097)
Recovery of written off / charged off bad debts		(544,762)	(653,818)
Deficit on revaluation of assets	5.1.1	-	241,585
Other provisions / write offs		75,072	147,954
		<u>13,101,543</u>	<u>2,628,801</u>

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

On February 13, 2018 the Honourable Supreme Court of Pakistan announced a judgement based on a proposal submitted by banks including UBL, in which it raised the minimum monthly pension of employees. Based on legal advice and in accordance with the Honourable Supreme Court's order, the change in scheme is prospectively applied from the date of the judgement and the payments to eligible persons are being made accordingly. The bank has recognised an amount of Rs. 6,657.216 million as past service cost in this respect (note 41.1.8)

	2018 ----- (Rupees in '000) -----	2017
37. TAXATION		
Current	10,358,400	14,701,343
Prior years	625,393	(2,031,665)
Deferred	(645,864)	2,264,725
	<u>10,337,929</u>	<u>14,934,403</u>

37.1 Relationship between tax expense and accounting profit

Accounting profit for the year	<u>25,387,483</u>	<u>40,889,407</u>
Tax on income @ 35% (2017: 35%)	8,885,619	14,311,292
Super tax @ 4% (2017 : 0%)	998,667	-
Tax effect of items that are either not included in determining taxable profit or taxed at reduced rates (permanent differences)	151,267	(211,185)
Tax - prior years (net of deferred tax)	(28,775)	727,266
Others	331,151	107,030
Tax charge	<u>10,337,929</u>	<u>14,934,403</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018	2017 Restated
	----- (Rupees in '000) -----	
38. EARNINGS PER SHARE		
Profit after tax attributable to equity shareholders of the Bank	15,483,051	25,948,717
	----- (Number of shares) -----	
Weighted average number of ordinary shares	1,224,179,687	1,224,179,687
	----- (Rupees) -----	
Earnings per share - basic and diluted	12.65	21.20

38.1 There were no convertible dilutive potential ordinary shares outstanding as at December 31, 2018 and 2017.

	Note	2018	2017
		----- (Rupees in '000) -----	
39. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	187,915,671	161,119,170
Balances with other banks	7	41,747,060	35,549,112
		229,662,731	196,668,282

39.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	Liabilities					Equity			
	Bills payable	Borrowings	Deposits and other accounts	Subordinated loans	Other liabilities	Share capital	Reserves	Surplus on revaluation of assets -	Unappropriated profit
	----- (Rupees in '000) -----								
Balance as at January 1, 2018 - restated	29,852,405	517,082,159	1,349,698,487	-	56,805,709	12,241,798	47,203,516	33,146,476	76,410,128
Change in accounting policy as at January 1, 2018	-	-	-	-	-	-	-	-	(1,640,563)
Balance as at January 1, 2018 (Restated)	29,852,405	517,082,159	1,349,698,487	-	56,805,709	12,241,798	47,203,516	33,146,476	74,769,565
Changes from financing cash flows									
Dividend Paid	-	-	-	-	-	-	-	-	(14,799,574)
Other Changes	-	-	-	-	103,360	-	-	-	-
Liability-related									
Changes in bills payable	(2,579,438)	-	-	-	-	-	-	-	-
Changes in borrowings	-	(237,164,034)	-	-	-	-	-	-	-
Changes in deposits and other accounts	-	-	98,625,554	-	-	-	-	-	-
Changes in subordinated loans	-	-	-	9,000,000	-	-	-	-	-
Changes in other liabilities	-	-	-	-	-	-	-	-	-
- Cash based	-	-	-	-	12,335,395	-	-	-	-
- Dividend payable	-	-	-	-	109,418	-	-	-	109,418
- Non-cash based	-	-	-	-	-	-	-	-	-
Transfer of profit to reserve	-	-	-	-	-	-	1,496,069	-	(1,496,069)
Total Liability related other changes	(2,579,438)	(237,164,034)	98,625,554	9,000,000	12,444,813	-	1,496,069	-	(1,386,651)
Total Equity related other changes	-	-	-	-	-	-	11,379,285	(16,153,570)	15,166,615
Balance as at December 31, 2017	27,272,967	279,918,125	1,448,324,041	9,000,000	69,353,882	12,241,798	60,078,870	16,992,906	73,749,955

	2018	2017
	----- (Number) -----	
40. STAFF STRENGTH		
Permanent	11,956	11,628
On contract	72	160
Group's own staff strength	12,028	11,788
Outsourced	2,569	3,748
Total	14,597	15,536

40.1 Number of employees working domestically 14,073 (2017: 14,773) and abroad 524 (2017: 763).

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

41. DEFINED BENEFIT PLANS

41.1 The Bank (Holding Company)

41.1.1 General description

The Bank operates a funded pension scheme established in 1975. 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 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, 2018.

41.1.2 Number of Employees under the scheme

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

	2018 ----- (Number) -----	2017 ----- (Number) -----
Pension fund	10,582	6,798
Gratuity fund	10,066	9,394
Benevolent fund	3,760	4,051
Post retirement medical benefit scheme	9,652	9,804

The pension fund, benevolent fund and post retirement medical benefit schemes include 9,512 (2017: 5,600), 2055 (2017: 2,124) and 8,133 (2017: 8,064) members respectively who have retired or whose widows are receiving the benefits.

41.1.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2018 using the following significant assumptions:

	2018 ----- Per annum -----	2017 ----- Per annum -----
Discount rate / expected rate of return on plan assets	13.25%	8.25%
Expected rate of salary increase	11.25%	6.25%
Expected rate of increase in pension	5.00%	2.25%
Expected rate of increase in medical benefit	7.25%	2.25%

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

Note	2018				2017			
	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	8,986,977	831,363	321,682	1,821,847	2,698,870	728,822	429,243	1,463,703
Fair value of plan assets	(8,168,441)	(805,576)	(461,597)	-	(3,176,096)	(711,571)	(494,386)	-
(Receivable) / payable	818,536	25,787	(139,915)	1,821,847	(477,226)	17,251	(65,143)	1,463,703

41.1.5 Movement in defined benefit obligations

Obligations at the beginning of the year	2,698,870	728,822	429,243	1,463,703	2,932,255	652,457	453,193	1,328,199
Service cost	6,664,292	128,450	6,340	1,639	8,196	106,921	6,630	4,250
Interest cost	123,457	61,861	33,128	117,080	123,653	52,899	35,702	111,493
Benefits paid by the Bank	(791,299)	(119,044)	(47,622)	(125,095)	(456,036)	(131,663)	(69,152)	(138,529)
Return allocated to other funds	56,192	-	-	-	98,242	-	-	-
Re-measurement loss / (gain)	235,465	31,274	(99,407)	364,520	(7,440)	48,208	2,870	158,290
Obligations at the end of the year	8,986,977	831,363	321,682	1,821,847	2,698,870	728,822	429,243	1,463,703

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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	Note	2018				2017			
		Pension fund	Gratuity fund	Benevolent fund	Post-retirement medical benefit	Pension fund	Gratuity fund	Benevolent fund	Post-retirement medical benefit
		----- (Rupees in '000) -----							
41.1.6 Movement in fair value of plan assets									
Fair value at the beginning of the year		3,176,096	711,571	494,386	-	3,077,541	711,805	501,671	-
Interest income on plan assets		260,509	60,493	38,294	-	233,079	57,468	39,434	-
Contribution by the Bank		5,900,000	145,585	2,165	-	1,595	103,679	2,468	-
Contribution by the employees		-	-	2,165	-	-	-	2,468	-
Amount paid by the fund to the Bank		(1,121,594)	(139,095)	(65,489)	-	(179,066)	(163,857)	(56,965)	-
Re-measurements gain / (loss)		(46,570)	27,022	(9,924)	-	42,947	2,476	5,310	-
Fair value at the end of the year		8,168,441	805,576	461,597	-	3,176,096	711,571	494,386	-
41.1.7 Movement in (receivable) / payable under defined benefit schemes									
Opening balance		(477,226)	17,251	(65,143)	1,463,703	(145,286)	(59,348)	(48,478)	1,328,199
Mark-up receivable on Bank's balance with the fund		(22,804)	(297)	(3,396)	-	(12,645)	(658)	(1,068)	-
Charge / (reversal) for the year		6,583,432	129,818	(991)	118,719	(2,988)	102,352	430	115,743
Contribution by the Bank		(5,900,000)	(145,585)	(2,165)	-	(1,595)	(103,679)	(2,468)	-
Amount paid by the Fund to the Bank		1,121,594	139,095	65,489	-	179,066	163,857	56,965	-
Benefits paid by the Bank		(791,299)	(119,044)	(47,622)	(125,095)	(456,036)	(131,663)	(69,152)	(138,529)
Remeasurement loss / (gain) recognised in OCI during the year		304,839	4,549	(86,087)	364,520	(37,742)	46,390	(1,372)	158,290
Closing balance		818,536	25,787	(139,915)	1,821,847	(477,226)	17,251	(65,143)	1,463,703
41.1.8 Charge for defined benefit plans									
41.1.8.1 Cost recognised in profit and loss									
Current service cost		7,076	128,450	6,340	1,639	8,196	106,921	6,630	4,250
Past service cost		6,657,216	-	-	-	-	-	-	-
Net interest on defined benefit asset / liability		(137,052)	1,368	(5,166)	117,080	(109,426)	(4,569)	(3,732)	111,493
Return allocated to other funds	41.1.8.2	56,192	-	-	-	98,242	-	-	-
Employees' contribution		-	-	(2,165)	-	-	-	(2,468)	-
		6,583,432	129,818	(991)	118,719	(2,988)	102,352	430	115,743
41.1.8.2 This represents return allocated to those employees who exercised the conversion option offered in the year 2001, as referred to in note 5.12.1.									

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

41.1.10 Components of plan assets

	2018			2017		
	Pension fund	Gratuity fund	Benevolent fund	Pension fund	Gratuity fund	Benevolent fund
	(Rupees in '000)					
Cash and cash equivalents - net of current liabilities	15,550	7,129	3,181	15,421	6,018	2,403
Quoted securities						
Ordinary shares	86,811	5,342	13,267	133,055	8,098	20,458
Term finance certificates	2,768,708	238,193	58,940	72,289	143,061	8,178
Mutual Funds units	-	18,279	-	-	18,275	-
Pakistan Investment Bonds	2,900,447	526,873	144,615	1,414,048	446,196	192,907
Market Treasury Bills	1,934,034	-	-	-	-	-
Special Savings Certificates	412,131	9,760	241,594	1,541,283	89,923	270,440
Term deposit	50,760	-	-	-	-	-
	<u>8,168,441</u>	<u>805,576</u>	<u>461,597</u>	<u>3,176,096</u>	<u>711,571</u>	<u>494,386</u>

41.1.10.1 The funds primarily invest 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.

41.1.11 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:

	2018			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit
	----- (Rupees in '000) -----			
Increase in discount rate by 1 %	(339,995)	(53,510)	(12,302)	(192,419)
Decrease in discount rate by 1 %	374,943	60,738	13,461	233,280
Increase in expected future increment in salary by 1%	-	65,318	-	-
Decrease in expected future increment in salary by 1%	-	(58,374)	-	-
Increase in expected future increment in pension by 1%	73,603	-	-	-
Decrease in expected future increment in pension by 1%	(63,569)	-	-	-
Increase in expected future increment in medical benefit by 1%	-	-	-	209,302
Decrease in expected future increment in medical benefit by 1%	-	-	-	(178,603)

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.

41.1.12 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 ending December 31, 2019, would be as follows:

	2019			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit
	----- (Rupees in '000) -----			
Expected contribution	-	148,986	-	-
Expected charge / (reversal) for the year	115,678	148,986	(15,003)	236,146

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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41.1.13 Maturity profile

	2018			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit
The weighted average duration of the obligation (in years)	7.67	6.84	4.07	10.56

41.1.14 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.

Asset Volatility

Only three Schemes out of the all the Schemes are funded: Pension; Gratuity; and Benevolent Fund. The Combined investment of the three funds is Rs 9.4 billion. Almost 65% is invested in Government Bonds with a maturity that is less than the maturity of the corresponding liability.

The asset class is volatile with reference to the yield on this class. This risk should be viewed together with change in the bond yield risk.

There is an insignificant equity exposure of around 1%. While 32% is invested in corporate bonds giving rise to settlement risk, the bonds are, though, high quality.

Changes in Bond Yields

There are two dimensions to the changes in Bond yields: first, as described above; second, the valuation of the Gratuity Liability is discounted with reference to the government bond yields. So, any increase in Bond yields will lower the Retirement Benefits Liability and vice versa, but, it will also lower the Asset values.

Inflation Risk

The salary inflation (especially the final salary risk) is the major risk that the Gratuity and compensated absences liability carries. In pension fund the increased been determined by the Supreme Court does not carry this risk as the benefit is practically no longer related to future salary increases. Some of the post retirement medical benefits are capped to a proportion of Pension, thus carrying no salary inflation risk. However, the hospitalization benefit is susceptible to medical inflation risk.

In a general economic sense and in a longer view, there is a case that if bond yields increase, the ensuing change in salary inflation generally offsets the gains from the decrease in discounted gratuity. But viewed with the fact that, for gratuity, asset values will also decrease; the salary inflation does, as an overall effect, increases the net liability of the Bank.

Life Expectancy / Withdrawal Rate

The Gratuity and Compensated Absences are paid off at the maximum of age 60. The Life expectancy is in almost The Gratuity and Compensated Absences are paid off at the maximum of age 60. The Life expectancy is in almost minimal range and is quite predictable in the ages when the employee is in the accredited employment of the Bank for the purpose of the Gratuity and Compensated Absences. Thus, the risk of life expectancy is almost negligible. However, postretirement benefit given by the Bank like monthly pension, post-retirement medical gives rise to a significant risk which is quite difficult to value even by using advance mortality improvement models. Thus, this risk carries valuation risk as well.

The withdrawal risk is dependent upon the: benefit structure; age and retention profile of the staff; the valuation methodology; and long-term valuation assumptions. In this case, it is not a significant downside risk as higher withdrawal, although troublesome for the Bank, will give rise to a release in the liability as retirement benefits for unvested due to earlier withdrawal.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

Other Risks

Though, not imminent and generally observable, over long term there are some risks that may crystallize. This includes:

- Retention risk – The risk that employee will not be motivated to continue the service or start working with the Bank if no market comparable retirement benefit is provided.
- Final Salary Risk – The risk, for defined benefit gratuity, that any disproportionate salary merit increases in later service years will give rise to a multiplicative increase in the gratuity liability as such increase is applicable to all the past years of service.
- Model Risk – The defined benefit gratuity liability is usually actuarially valued each year. Further, the assets in the Fund are also marked to market. This two-tier valuation gives rise to the model risk.
- Operational Risk related to a separate entity - Retirement benefits are funded through a separate trust fund which is a different legal entity than the Bank. Generally, the protocols, processes, and conventions used throughout the Bank are not applicable or are not actively applied to the retirement benefit Funds. This gives rise to some specific operational risks.
- Compliance Risk – The risk that retirement benefits offered by the Bank do not comply with minimum statutory requirements.
- Legal/Political Risk – The risk that the legal/political environment changes and as a result, the Bank is required to offer additional or different retirement benefits than what the Bank projected. Specifically, in the light of recent Supreme Court decisions, this risk has materialized.

41.2 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 UBL UK and its shareholders, United Bank Limited and National Bank of Pakistan (NBP), it was agreed that UBL UK 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 UBL UK (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, UBL UK is responsible for the funding requirements of the active members whose employment was transferred to UBL UK 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.

The last full actuarial valuation of the scheme was carried out by a qualified actuary. The major assumptions used by the actuary in the latest update as of December 31, 2018 are as follows:

	2018	2017
	----- Per annum -----	
Discount rate	2.75%	2.40%
Rate of revaluation of pension in deferment	2.75%	2.40%
Expected rate of pension increase	3.00%	3.00%
Retail price inflation	3.40%	3.40%
Consumer price inflation	2.60%	2.60%

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

	2018		2017	
	Return	Rupees in '000	Return	Rupees in '000
Insurance policy	2.60%	1,052,355	2.60%	889,924
Market value of assets		1,052,355		889,924
Present value of defined benefit obligation		(1,025,821)		(913,927)
Gross pension liability		26,534		(24,003)
Related deferred tax relief		-		4,075
Net pension liability		26,534		(19,928)

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	2018	2017
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
41.2.2 Movement in surplus / (deficit) during the year		
Obligation at the beginning of the year	(24,003)	(124,973)
Interest expense	(9,735)	(3,397)
Employer contribution	6,490	-
Remeasurement gain	53,705	113,584
Exchange adjustment	77	(9,217)
Deficit in scheme at the end of the year	<u>26,534</u>	<u>(24,003)</u>
Related deferred tax relief	-	4,075
Obligation at the end of the year	<u><u>26,534</u></u>	<u><u>(19,928)</u></u>

No Directors were members of the defined benefit scheme during the year or as at December 31, 2018

	2018	2017
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
41.2.3 Analysis of the amount credited / (debited) to net interest income		
Expected return on pension scheme assets	23,040	18,749
Interest on pension scheme liabilities	<u>(23,526)</u>	<u>(22,146)</u>
Net expense	<u><u>(486)</u></u>	<u><u>(3,397)</u></u>

41.2.4 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:

	2018 Rupees in '000
Increase in discount rate by 1 %	(115,867)
Decrease in discount rate by 1 %	(86,325)
Increase in expected inflation rate by 1%	8,314
Decrease in expected inflation rate by 1%	(26,534)
Increase in life expectancy by 1 year	(8,314)
Decrease in life expectancy by 1 year	(44,578)

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.

41.3 UBL Fund Managers Limited

41.3.1 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, 2018. The main assumptions used in the actuarial valuation are as follows:

	2018	2017
	----- Per annum -----	----- Per annum -----
Discount rate	12.75%	7.75%
Expected rate of return on plan assets	9.00%	8.00%
Expected rate of salary increase	12.75%	7.75%

	2018	2017
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
41.3.2 Reconciliation of payable to defined benefit plan		
Present value of defined benefit obligations	55,624	48,483
Fair value of plan assets	<u>(54,726)</u>	<u>(48,987)</u>
Payable	<u><u>898</u></u>	<u><u>(504)</u></u>

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	2018	2017
	----- (Rupees in '000) -----	-----
41.3.3 Movement in defined benefit obligation		
Obligation at the beginning of the year	48,483	58,634
Current service cost	14,109	12,515
Interest cost	4,150	5,766
Benefits paid	(9,193)	(30,045)
Remeasurement gain / (loss)	(1,925)	1,613
Obligation at the end of the year	<u>55,624</u>	<u>48,483</u>
41.3.4 Movement in the fair value of plan assets		
Fair value of plan assets at the beginning of the year	48,987	56,686
Return on plan assets	4,187	5,594
Contributions to the plan	14,725	18,865
Benefits paid	(9,193)	(30,045)
Remeasurement gain	(3,980)	(2,113)
	<u>54,726</u>	<u>48,987</u>
41.3.5 Composition of plan assets		
Debt securities	29,730	12,674
Cash	14,944	23,566
Mutual Funds	2,086	3,759
Equity securities	7,966	8,988
	<u>54,726</u>	<u>48,987</u>
41.3.6 Charge for defined benefit plan		
Current service cost	14,109	12,515
Interest cost	4,150	5,766
Return on plan assets	(4,187)	(5,594)
	<u>14,072</u>	<u>12,687</u>
Actual return on plan assets	<u>210</u>	<u>1,934</u>
41.3.7 Movement in net liability recognised		
Opening net payable	(504)	1,948
Expense recognised	14,072	12,687
Contribution to the fund made during the year	(14,725)	(18,865)
Remeasurement gain- net	2,055	3,726
Closing net payable	<u>898</u>	<u>(504)</u>
41.3.8 Maturity profile and expected future contribution		
Based on actuarial advice, management estimates that the expected contribution and charge for the year ended December 31, 2018, would be Rs. 14.072 million and Rs. 12.687 million, respectively. The weighted average duration of the obligation as of December 31, 2018 is 10 years.		
41.3.9 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:		

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2018
Rupees in '000

Increase in discount rate by 1 %	51,025
Decrease in discount rate by 1 %	60,976
Increase in salary increment rate by 1%	60,657
Decrease in salary increment rate by 1%	51,215

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.

42 OTHER EMPLOYEE BENEFITS

42.1 Defined contribution plan

The Bank operates a contributory provident fund scheme for 10,039 (2017: 7,394) 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.

42.2 Employee Stock Option Scheme

UBL Fund Managers has an incentive 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. The last phase was completed in 2016 in which 18,121 shares were issued pursuant to exercise of the share options.

43. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive Officer		Directors		Executives	
	2018	2017	2018	2017	2018	2017 Restated
	----- (Rupees in '000) -----					
Fees	-	-	64,348	48,721	-	-
Managerial remuneration	124,100	201,483	-	-	4,613,717	4,239,116
Charge for defined benefit plan	22	732	-	-	233,152	259,734
Charge for defined contribution plan	4,583	4,167	-	-	124,265	135,516
Rent and house maintenance	2,987	4,361	-	-	507,706	412,107
Utilities	1,423	1,456	-	-	201,648	173,379
Medical	-	22	-	-	103,972	95,386
Conveyance	367	-	-	-	383,943	277,509
Others	1,236	4,011	-	-	466,381	1,332,386
	134,718	216,233	64,348	48,721	6,634,784	6,925,133
Number of persons	1	2	8	10	817	826

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

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44. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

	2018				
	Carrying / Notional value	Fair value			
		Level 1	Level 2	Level 3	Total
		----- (Rupees in '000) -----			
On balance sheet financial instruments					
Financial assets measured at fair value					
- Investments					
Government Securities (T-bills, PIBs, GoP Sukuks and Eurobonds)	394,374,894	-	394,374,894	-	394,374,894
Foreign Bonds - Sovereign	66,062,041	-	66,062,041	-	66,062,041
Foreign Bonds - others	14,308,350	-	14,308,350	-	14,308,350
Ordinary shares of listed companies	16,718,226	16,718,226	-	-	16,718,226
Debt securities (TFCs)	843,128	-	843,128	-	843,128
Investment in REIT	499,863	499,863	-	-	499,863
- Investments (HTM, unlisted ordinary shares, preference shares and associates)	338,352,598	-	-	-	-
	831,159,100	17,218,089	475,588,413	-	492,806,502
Off balance sheet financial instruments					
Forward purchase and sale of foreign exchange contracts	650,576,446	-	1,462,513	-	1,462,513
Interest rate swaps	1,674,764	-	(22,101)	-	(22,101)
FX options - purchased and sold (net)	1,159,752	-	-	-	-
Forward purchase of government securities	13,619,209	-	(22,401)	-	(22,401)
Forward sale of government securities	2,326,880	-	(34,172)	-	(34,172)

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2017					
	Carrying / Notional value	Fair value			Total
		Level 1	Level 2	Level 3	
		----- (Rupees in '000) -----			
On balance sheet financial instruments					
Financial assets measured at fair value					
- Investments					
Government Securities (T-bills, PIBs, GoP Sukuks and Eurobonds)	679,318,633	-	679,318,633	-	679,318,633
Foreign Bonds - Sovereign	38,490,598	-	38,490,598	-	38,490,598
Foreign Bonds - others	19,352,217	-	19,352,217	-	19,352,217
Ordinary shares of listed companies	18,318,667	18,318,667	-	-	18,318,667
Debt securities (TFCs)	382,425	-	382,425	-	382,425
Investment in REIT	458,590	458,590	-	-	458,590
Financial assets not measured at fair value					
- Investments (HTM, unlisted ordinary shares, preference shares and associates)	368,600,170	-	-	-	-
	1,124,921,300	18,777,257	737,543,873	-	756,321,130
Off balance sheet financial instruments					
Forward purchase and sale of foreign exchange contracts	455,265,957	-	1,933,688	-	1,933,688
Interest rate swaps	4,358,641	-	74,865	-	74,865
FX options - purchased and sold (net)	166,736	-	-	-	-
Forward purchase of government securities	7,870,890	-	(1,155)	-	(1,155)
Forward sale of government securities	1,478	-	(2)	-	(2)

44.2 Certain categories of fixed assets (land and buildings) and non-banking assets acquired in satisfactions of claims are carried at revalued amounts (level 3 measurement) determined by professional valuers based on their assessment of the market values as disclosed in note 11 and note 14.

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

Debt Securities

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

Derivatives

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

Fixed assets and non-banking assets acquired in satisfaction of claims

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

45. SEGMENT INFORMATION

45.1 Segment details with respect to business activities

	For the year ended December 31, 2018							
	Corporate / Commercial Banking	Treasury	Branch Banking	Islamic Banking	International branch operations	Subsidiaries	Others	Total
	(Rupees in '000)							
Profit & Loss								
Net mark-up/return/profit	29,169,912	38,054,781	(21,778,872)	2,256,974	8,531,476	2,013,364	-	58,247,635
Inter segment (expense) / revenue - net	(25,119,792)	(32,293,809)	55,328,232	-	-		2,085,369	
Non mark-up / return / interest income	2,945,167	9,138,842	9,983,805	206,059	2,045,808	2,092,787	930,617	27,343,085
Total Income	6,995,287	14,899,814	43,533,165	2,463,033	10,577,284	4,106,151	3,015,986	85,590,720
Segment direct expenses	1,171,679	565,182	24,150,372	1,514,278	6,962,460	3,676,354	9,061,368	47,101,693
Inter segment expense allocation	433,840	62,153	4,200,757	95,788	660,416		(5,452,954)	-
Total expenses	1,605,519	627,335	28,351,129	1,610,066	7,622,876	3,676,354	3,608,414	47,101,693
Reversals / (Provisions)	(408,496)	(1,229,209)	468,714	(7,276)	(11,568,920)	(450,642)	94,285	(13,101,544)
Profit / (loss) before tax	4,981,272	13,043,270	15,650,750	845,691	(8,614,512)	(20,845)	(498,143)	25,387,483
	For the year ended December 31, 2017 (Restated)							
	Corporate / Commercial Banking	Treasury	Branch Banking	Islamic Banking	International branch operations	Subsidiaries	Others	Total
	(Rupees in '000)							
Profit & Loss								
Net mark-up/return/profit	20,185,213	46,064,385	(19,429,401)	930,943	8,458,526	1,667,763	214,713	58,092,142
Inter segment (expense) / revenue - net	(15,792,691)	(30,850,537)	45,141,057	42,047	-	-	1,460,124	-
Non mark-up / return / interest income	2,448,710	6,917,536	8,226,780	108,056	3,125,768	3,268,290	660,647	24,755,787
Total Income	6,841,232	22,131,384	33,938,436	1,081,046	11,584,294	4,936,053	2,335,484	82,847,929
Segment direct expenses	1,097,821	616,477	22,648,240	736,098	6,459,010	3,111,465	4,660,610	39,329,721
Inter segment expense allocation	361,441	74,233	3,759,778	64,487	695,439	-	(4,955,378)	-
Total expenses	1,459,262	690,710	26,408,018	800,585	7,154,449	3,111,465	(294,768)	39,329,721
Reversals / (Provisions)	1,525,281	(76,826)	1,756,873	(14,049)	(4,767,601)	(798,404)	(254,075)	(2,628,801)
Profit / (loss) before tax	6,907,251	21,363,848	9,287,291	266,412	(337,756)	1,026,184	2,376,177	40,889,407
	As at December 31, 2018							
	Corporate / Commercial Banking	Treasury	Branch Banking	Islamic Banking	International branch operations	Subsidiaries	Others	Total
	(Rupees in '000)							
Balance Sheet								
Cash & Bank balances	25,660	51,299,328	78,569,366	13,483,155	55,969,812	28,621,101	1,694,309	229,662,731
Investments	7,213,391	653,902,739	-	30,746,758	88,243,845	47,339,783	3,712,584	831,159,100
Net inter segment lending	2,249,966	-	880,425,313	-	-	-	37,278,794	919,954,073
Lendings to financial institutions	-	23,500,000	-	10,066,732	374,814	1,405,005	-	35,346,551
Advances - performing	449,219,279	26,411	65,893,889	22,580,996	160,439,336	38,158,060	5,108,124	741,426,095
Advances - non-performing net of provision	1,777,079	-	262,540	15,068	10,587,435	456,931	26,574	13,125,627
Others	27,761,067	21,514,992	12,412,517	625,250	19,888,705	5,986,891	63,583,348	151,772,770
Total Assets	488,246,442	750,243,470	1,037,563,625	77,517,959	335,503,947	121,967,771	111,403,733	2,922,446,947
Borrowings	45,688,288	195,175,727	4,171,413	143,000	21,580,910	13,158,787	-	279,918,125
Subordinated debt	-	-	-	-	-	-	9,000,000	9,000,000
Deposits & other accounts	38,238,653	35,170	993,358,839	73,434,945	259,572,141	82,263,993	1,420,300	1,448,324,041
Net inter segment borrowing	377,589,646	541,875,733	-	488,694	-	-	-	919,954,073
Others	24,033,549	11,894,358	34,259,041	922,413	13,325,755	1,547,511	10,644,222	96,626,849
Total Liabilities	485,550,136	748,980,988	1,031,789,293	74,989,052	294,478,806	96,970,291	21,064,522	2,753,823,088
Equity	2,696,306	(102,213)	7,152,259	2,528,907	45,418,639	17,353,911	93,576,050	168,623,859
Total Equity & liabilities	488,246,442	748,878,775	1,038,941,552	77,517,959	339,897,445	114,324,202	114,640,572	2,922,446,947
Contingencies and Commitments	415,595,186	246,204,352	21,489,804	340,262	426,945,992	86,376,266	1,923,829	1,198,875,691

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

	As at December 31, 2017 (Restated)							
	Corporate / Commercial Banking	Treasury	Branch Banking	Islamic Banking	International branch operations	Subsidiaries	Others	Total
	(Rupees in '000)							
Balance Sheet								
Cash & Bank balances	28,025	53,501,038	58,654,476	11,979,558	49,395,033	22,546,814	563,338	196,668,282
Investments	7,834,991	974,793,372	-	25,401,968	78,235,537	36,678,051	1,977,381	1,124,921,300
Net inter segment lending	7,192,612	1,273,806	831,512,169	-	-	-	25,166,962	865,145,549
Lendings to financial institutions	-	6,874,353	-	3,694,215	-	2,528,709	-	13,097,277
Advances - performing	356,645,367	28,173	54,691,150	22,101,684	176,537,541	37,600,402	4,549,840	652,154,157
Advances - non-performing net of provision	2,352,642	316	238,817	8,942	10,170,143	344,125	34,221	13,149,206
Others	25,038,114	19,107,147	9,670,329	721,793	10,574,595	5,132,141	60,678,647	130,922,766
Total Assets	399,091,751	1,055,578,205	954,766,941	63,908,160	324,912,849	104,830,242	92,970,389	2,996,058,537
 Borrowings	 32,114,222	 458,544,964	 4,584,439	 1,500,000	 13,958,571	 6,379,963	 -	 517,082,159
Subordinated debt	-	-	-	-	-	-	-	-
Deposits & other accounts	49,621,139	200,730	905,250,448	59,775,999	256,300,624	77,380,144	1,169,403	1,349,698,487
Net inter segment borrowing	292,223,792	571,548,191	-	-	1,373,566	-	-	865,145,549
Others	22,066,726	4,900,354	41,411,599	789,666	7,321,818	985,277	12,163,140	89,638,580
Total Liabilities	396,025,879	1,035,194,239	951,246,486	62,065,665	278,954,579	84,745,384	13,332,543	2,821,564,775
Equity	3,065,872	20,374,196	3,074,521	1,842,495	46,994,260	15,186,715	83,955,703	174,493,762
Total Equity & liabilities	399,091,751	1,055,568,435	954,321,007	63,908,160	325,948,839	99,932,099	97,288,246	2,996,058,537
 Contingencies and Commitments	 421,838,014	 175,996,895	 22,966,777	 142,799	 322,857,427	 79,183,185	 1,408	 1,022,986,505

45.2. Geographical segment analysis

As at December 31, 2018							
	Pakistan Operations	United States of America	Export Processing Zones	Middle East	Europe	Africa	Total
(Rupees in '000)							
Profit & Loss							
Net mark-up/return/profit	47,695,852	53,126	152,391	8,325,959	1,715,892	304,415	58,247,635
Inter segment (expense) / revenue - net	-	-	-	-	-	-	-
Non mark-up / return / interest income	24,258,020	10,769	40,131	1,994,908	1,006,163	33,094	27,343,085
Total Income	71,953,872	63,895	192,522	10,320,867	2,722,055	337,509	85,590,720
Segment direct expenses	(37,024,290)	(1,067,600)	(17,600)	(5,877,260)	(2,668,997)	(445,946)	(47,101,693)
Inter segment expense allocation	660,416	-	(1,408)	(659,008)	-	-	-
Total expenses	(36,363,874)	(1,067,600)	(19,008)	(6,536,268)	(2,668,997)	(445,946)	(47,101,693)
Reversals / (Provisions)	(1,081,982)	(68,015)	-	(11,500,905)	(394,817)	(55,825)	(13,101,544)
Profit / (loss) before tax	34,508,016	(1,071,720)	173,514	(7,716,306)	(341,759)	(164,262)	25,387,483
Balance Sheet							
Cash & Bank balances	145,581,894	2,332,453	122,122	53,133,332	27,503,086	989,844	229,662,731
Investments	697,489,218	-	2,901,457	85,342,388	43,632,468	1,793,569	831,159,100
Net inter segment lending	919,954,073	443,158	71,394	(514,552)	-	-	919,954,073
Lendings to financial institutions	33,566,732	-	1,291,416	(916,602)	1,301,215	103,790	35,346,551
Advances - performing	542,828,699	-	159,450	160,279,886	35,483,874	2,674,186	741,426,095
Advances - non-performing net of prov	2,081,261	-	-	10,587,435	198,123	258,808	13,125,627
Others	126,327,312	-	166,890	19,721,815	5,155,134	401,619	151,772,770
Total Assets	2,467,829,189	2,775,611	4,712,729	327,633,702	113,273,900	6,221,816	2,922,446,947
Borrowings	246,942,966	-	-	20,216,216	11,542,888	1,216,055	279,918,125
Subordinated debt	9,000,000	-	-	-	-	-	9,000,000
Deposits & other accounts	1,106,255,496	-	3,889,543	255,494,556	80,579,798	2,104,648	1,448,324,041
Net inter segment borrowing	919,954,073	-	-	-	-	-	919,954,073
Others	81,919,481	437,252	93,261	12,795,242	1,304,561	77,052	96,626,849
Total Liabilities	2,364,072,016	437,252	3,982,804	288,506,014	93,427,247	3,397,755	2,753,823,088
Equity	104,523,012	2,338,359	729,925	42,350,355	17,335,431	1,346,777	168,623,859
Total Equity & liabilities	2,468,595,028	2,775,611	4,712,729	330,856,369	110,762,678	4,744,532	2,922,446,947
Contingencies and Commitments	691,953,501	-	2,209,348	418,336,575	86,353,183	23,084	1,198,875,691

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

	As at December 31, 2017 (Restated)						Total
	Pakistan Operations	United States of America	Export Processing Zones	Middle East	Europe	Africa	
	(Rupees in '000)						
Profit & Loss							
Net mark-up/return/profit	47,970,316	224,438	89,621	8,144,467	1,377,113	286,188	58,092,143
Inter segment (expense) / revenue - net	-	-	-	-	-	-	-
Non mark-up / return / interest income	19,644,107	239,305	23,636	2,862,818	1,928,864	57,056	24,755,786
Total Income	67,614,423	463,743	113,257	11,007,285	3,305,977	343,244	82,847,929
Segment direct expenses	(30,332,477)	(414,801)	(12,630)	(6,031,579)	(2,101,748)	(436,486)	(39,329,721)
Inter segment expense allocation	695,440	(63,320)	(1,253)	(630,867)	-	-	-
Total expenses	(29,637,037)	(478,121)	(13,883)	(6,662,446)	(2,101,748)	(436,486)	(39,329,721)
Reversals / (Provisions)	2,937,204	(3,760)	-	(4,763,840)	(615,691)	(182,714)	(2,628,801)
Profit / (loss) before tax	40,914,590	(18,138)	99,374	(419,001)	588,538	(275,956)	40,889,407
Balance Sheet							
Cash & Bank balances	124,609,412	2,124,184	98,396	47,172,453	22,308,585	355,252	196,668,282
Investments	1,011,902,830	-	1,914,777	76,320,760	33,402,195	1,380,738	1,124,921,300
Net inter segment lending	865,145,549	-	161,222	(161,222)	-	-	865,145,549
Lendings to financial institutions	10,568,568	-	188,859	(188,972)	2,451,381	77,441	13,097,277
Advances - performing	438,015,821	3,168,337	28,170	173,341,427	34,846,022	2,754,380	652,154,157
Advances - non-performing net of prov	2,635,218	-	-	10,169,863	178,519	165,606	13,149,206
Others	115,689,682	107,784	45,346	10,421,465	4,302,801	355,688	130,922,766
Total Assets	2,568,567,080	5,400,305	2,436,770	317,075,774	97,489,503	5,089,105	2,996,058,537
Borrowings	496,743,625	-	-	13,958,571	5,847,624	532,339	517,082,159
Subordinated debt	-	-	-	-	-	-	-
Deposits & other accounts	1,016,017,718	61,683	1,818,176	253,558,133	74,830,054	3,412,723	1,349,698,487
Net inter segment borrowing	863,771,983	2,641,115	-	(1,267,549)	-	-	865,145,549
Others	81,484,735	152,678	7,995	7,161,145	856,011	(23,984)	89,638,580
Total Liabilities	2,458,018,061	2,855,476	1,826,171	273,410,300	81,533,689	3,921,078	2,821,564,775
Equity	110,642,996	2,544,829	610,599	43,838,832	16,078,528	777,978	174,493,762
Total Equity & liabilities	2,568,661,057	5,400,305	2,436,770	317,249,132	97,612,217	4,699,056	2,996,058,537
Contingencies and Commitments	626,789,074	941,817	2,721,358	313,646,987	78,648,349	238,920	1,022,986,505

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

46 TRUST ACTIVITIES

The Bank 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.

47. 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

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 FOR THE YEAR ENDED DECEMBER 31, 2018

47.1 RELATED PARTY TRANSACTIONS

	2018				2017			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
	(Rupees in '000)							
Investments								
Opening balance	-	-	4,243,644	3,895,328	-	-	7,977,617	3,895,328
Investment made during the year	-	-	6,148,157	510,075	-	-	1,365,953	-
Investment redeemed / disposed off during the year	-	-	(5,699,007)	(221,523)	-	-	(5,399,374)	-
Equity method adjustments	-	-	426,950	-	-	-	299,448	-
Closing balance	-	-	5,119,744	4,183,880	-	-	4,243,644	3,895,328
Provision for diminution in value of investments	-	-	-	91,007	-	-	-	98,414
Advances								
Opening balance	5,303	205,368	2,155,149	2,626,106	2,339	367,645	2,155,149	16,907,691
Addition during the year	13,479	245,272	-	4,123,007	11,574	149,324	-	65,331,493
Repaid during the year	(16,561)	(121,668)	-	(1,341)	(8,610)	(296,736)	-	(79,612,942)
Transfer out	-	(48,061)	-	(23)	-	(14,865)	-	(136)
Closing balance	2,221	280,911	2,155,149	6,747,749	5,303	205,368	2,155,149	2,626,106
Provision held against advances	-	-	2,155,149	-	-	-	2,155,149	-
Other Assets								
Interest mark-up accrued	-	-	3,646	143,767	26	8	-	82,071
Receivable from staff retirement funds	-	-	-	321,349	-	-	-	632,808
Prepaid insurance	-	-	107,566	-	-	-	13,201	-
Remuneration receivable from management of funds	-	-	87,358	-	-	-	85,289	-
Sales load receivable	-	-	19,154	-	-	-	26,527	-
Formation cost receivable	-	-	7,039	-	-	-	5,286	-
Other receivable	-	-	59,146	30,164	-	-	46,736	30,164
Provision against other assets	-	-	-	30,164	-	-	-	30,164
Borrowings								
Opening balance	-	-	474,532	-	-	-	-	167,100
Borrowings during the year	-	-	2,364,689	244,000	-	-	474,532	512,650
Settled during the year	-	-	(2,839,221)	(231,600)	-	-	-	(679,750)
Closing balance	-	-	-	12,400	-	-	474,532	-
Deposits and other accounts								
Opening balance	5,700,563	66,247	7,426,100	3,072,390	7,714,425	241,070	8,882,657	2,196,112
Received during the year	60,624,991	1,629,709	160,790,083	163,877,912	30,436,836	1,716,576	260,733,762	176,336,654
Withdrawn during the year	(59,950,273)	(1,594,450)	(156,547,356)	(158,692,731)	(32,458,694)	(1,772,424)	(255,237,324)	(174,752,255)
Transfer in / (out) - net	-	63,797	(30,181)	(3,541)	7,996	(118,975)	(6,952,995)	(708,121)
Closing balance	6,375,281	165,303	11,638,646	8,254,030	5,700,563	66,247	7,426,100	3,072,390
Other Liabilities								
Interest / mark-up payable on deposits and borrowings	40,343	67	53,416	49,821	40,412	47	42,810	27,740
Payable to staff retirement fund	-	-	-	972,584	-	-	-	44,538
Unearned income	-	-	-	12,608	-	-	-	11,462
Contingencies and Commitments								
Letter of guarantee	-	-	-	-	-	-	24,884	-
	2018				2017			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
	(Rupees in '000)							
Income								
Mark-up / return / interest earned	-	12,528	10,096	146,301	-	10,503	11,831	490,962
Commission / charges recovered	92	694	88,347	17,393	94	367	35,460	14,572
Dividend received	-	-	45,186	779,246	-	-	156,874	480,242
Net gain on sale of securities	-	-	94,616	-	-	-	339,789	-
Remuneration from management of fund	-	-	922,809	-	-	-	974,183	-
Sales Load	-	-	96,871	-	-	-	187,644	-
Subscription fee	-	-	16,187	-	-	-	18,003	-
Other income	-	942	100	234,406	-	1,909	300	12,716
Expenses								
Mark-up / return / interest paid	161,640	2,151	609,869	158,220	126,120	1,824	541,214	64,187
Remuneration paid	-	1,449,338	-	-	-	1,499,492	-	-
Post employment benefits	-	66,437	-	-	-	63,486	-	-
Non-executive directors' fee	64,348	-	-	-	48,721	-	-	-
Net charge for defined contribution plans	-	-	-	479,403	-	-	-	395,981
Net charge / (reversal) for defined benefit plans	-	-	-	6,736,263	-	-	-	115,878
Clearing Charges	-	-	-	114,171	-	-	2,552	1,316
Seminar and Membership fees	-	-	-	9,405	-	-	-	116,360
Membership, Subscription, Sponsorship and maintenance charges	-	-	-	7,309	-	-	-	5,545
Custody Charges	-	-	-	5,775	-	-	-	6,289
Other expenses	-	-	-	4,960	-	-	2,552	1,316
Insurance premium paid	-	-	557,449	-	-	-	443,179	-
Insurance claims settled	-	-	395,987	-	-	-	206,675	-

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

48. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2018	2017
	Rupees in '000	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	12,241,798	12,241,798
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	116,182,214	119,204,419
Eligible Additional Tier 1 (ADT 1) Capital	8,305,439	70,857
Total Eligible Tier 1 Capital	124,487,653	119,275,276
Eligible Tier 2 Capital	40,708,238	43,928,861
Total Eligible Capital (Tier 1 + Tier 2)	165,195,891	163,204,137
Risk Weighted Assets (RWAs):		
Credit Risk	795,066,075	727,473,917
Market Risk	30,089,441	206,494,434
Operational Risk	147,604,598	146,435,868
Total	972,760,114	1,080,404,219
Common Equity Tier 1 Capital Adequacy ratio	11.94%	11.03%
Tier 1 Capital Adequacy Ratio	12.80%	11.04%
Total Capital Adequacy Ratio	16.98%	15.11%

The SBP through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid-up capital (net of accumulated losses) for Banks to be raised to Rs.10,000 million by the year ending December 31, 2015. The paid-up capital of the Bank for the year ended December 31, 2018 stood at Rs.12,241.798 million (2017: Rs.12,241.798 million) and is in compliance with SBP requirements. Banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10.0% plus capital conservation buffer of 1.90% of the risk weighted exposures of the Bank. Further, under Basel III instructions, Banks are also required to maintain a Common Equity Tier 1 (CET 1) ratio and Tier 1 ratio of 6.0% and 7.5%, respectively, as at December 31, 2018. As at December 31, 2018 the Bank is fully compliant with prescribed ratios as the Bank's CAR is 16.98% whereas CET 1 and Tier 1 ratios stood at 11.94% and 12.80% respectively. The Bank and its individually regulated operations have complied with all capital requirements throughout the year.

Furthermore, under the SBP's Framework for Domestic Systematically Important Banks (D-SIBs) introduced vide BPRD Circular No. 04 of 2018 dated April 13, 2018, UBL has been designated as a D-SIB. Under this framework, the Bank is required to meet the Higher Loss Absorbency capital charge of 1.5%, in the form of Additional CET 1 capital, on a standalone as well as consolidated level. The additional capital requirement shall be effective from the end of March 2019.

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

	2018	2017
	Rupees in '000	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	124,487,653	119,275,276
Total Exposures	2,550,548,720	2,986,924,335
Leverage Ratio	4.88%	3.99%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	402,808,796	414,579,250
Total Net Cash Outflow	208,430,521	255,636,947
Liquidity Coverage Ratio	193.26%	162.18%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	1,498,487,895	1,128,634,708
Total Required Stable Funding	1,197,878,143	1,086,955,065
Net Stable Funding Ratio	125.10%	103.83%

The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time are placed on the website. The link to the full disclosure is available at <http://www.ubldirect.com/Corporate/InvestorRelations/CapitalAdequacyStatements.aspx>

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

49. 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.

The Bank has an integrated risk management structure in place covering domestic and International franchise. The Board Risk and Compliance Committee (BRCC) oversees the entire risk management process of the Bank. Furthermore, Risk Management Committee has been formed which looks at all risks collectively at senior management level. The committee is chaired by the President and comprises of Heads of all Risk areas, Finance, Business etc. 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 & Treasury Risk, Financial Institution Risk, Credit Policy & Research, Consumer Credit Policy, Credit Risk Management and Operational Risk & Basel. Each risk function is headed by a senior manager who reports directly to the Group Executive, 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 / III framework, Regulatory framework of foreign countries where the bank operates 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.
- Establish an extensive Information Security (IS) Program and governance structure to manage the Security of the Information assets.

49.1 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 Bank.

The credit risk management process is driven by the Bank's Risk Management Policy, Credit Policy for Corporate, Commercial, SME & Agri, Collateral Management Policy, Credit Policy International, Credit Policy UAE and Credit Manual, 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 Group Executive - Risk & Credit Policy (authorized by BoD), according to their seasoning / maturity. Approvals for Consumer loans are centralized, while approval authorities for International, Corporate, Commercial, SME and Agri exposures are delegated at a Country / Regional level. Furthermore, credit authorities are also delegated to business teams in various regions for Commercial, SME & Agri lending. All credit policy functions domestic & international 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 Bank 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 Bank considers it appropriate to restrict credit risk concentrations, or to areas of higher risk, or to control the rate of portfolio growth.

49.1.1 Lendings to financial institutions

	2018	2017	2018	2017	2018	2017
Credit risk by public / private sector	Gross lendings		Non-performing lendings		Provision held	
	Rupees in '000					
Public/ Government	4,800,000	6,058,883	-	-	-	-
Private	30,614,804	7,164,247	68,253	125,853	68,253	125,853
	35,414,804	13,223,130	68,253	125,853	68,253	125,853

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49.1.2 Investment in debt securities

Credit risk by industry sector	2018	2017	2018	2017	2018	2017
	Gross investments		Non-performing investments		Provision held	
			Rupees in '000			
Agriculture, Forestry, Hunting and Fishing	-	682,513	-	913	-	913
Textile	229,264	229,262	229,264	229,262	103,090	103,428
Chemical and Pharmaceuticals	110,645	121,527	110,645	121,527	110,645	121,199
Automobile and transportation equipment	-	305,421	-	-	-	-
Electronics and electrical appliances	2,549	-	2,549	-	2,549	-
Construction	424,739	365,185	-	-	-	-
Power (electricity), Gas, Water, Sanitary	14,827,903	17,527,218	-	-	-	-
Airline	1,792,177	2,175,183	1,792,177	2,175,183	-	-
Financial	770,631,700	1,045,244,923	301,197	656,540	301,172	615,039
Others	40,180,411	28,409,800	430,317	1,395	430,830	1,396
	<u>828,199,388</u>	<u>1,095,061,032</u>	<u>2,866,149</u>	<u>3,184,820</u>	<u>948,286</u>	<u>841,975</u>
Credit risk by public / private sector	2018	2017	2018	2017	2018	2017
	Gross investments		Non-performing investments		Provision held	
			Rupees in '000			
Public/ Government	768,972,688	996,878,754	1,792,177	2,175,183	-	-
Private	59,226,700	98,182,278	1,073,972	1,009,637	948,286	841,975
	<u>828,199,388</u>	<u>1,095,061,032</u>	<u>2,866,149</u>	<u>3,184,820</u>	<u>948,286</u>	<u>841,975</u>

49.1.3 Advances

Credit risk by industry sector	Gross advances		Non-performing advances		Provision held	
	2018	2017	2018	2017	2018	2017
			Rupees in '000			
Chemical and pharmaceuticals	15,625,380	13,804,379	112,284	148,319	112,284	148,319
Agri business	10,435,056	61,821,555	461,798	426,525	347,506	321,387
Textile spinning	18,505,029	19,632,554	3,945,619	4,108,702	3,945,619	4,108,702
Textile weaving	8,518,471	8,064,605	418,026	318,110	417,764	317,384
Textile composite	33,893,395	29,260,256	3,963,152	3,997,470	3,961,202	3,970,378
Textile others	19,153,131	15,508,311	2,565,120	2,815,147	2,461,777	2,809,019
Cement	6,608,055	5,420,193	-	-	-	-
Sugar	10,106,270	23,037,545	426,992	80,712	426,992	80,712
Shoes and leather garments	2,351,335	2,774,178	2,214,605	1,958,526	2,214,700	1,010,093
Automobile and transportation equipment	18,199,891	20,054,488	130,307	215,997	128,250	215,319
Financial	72,320,683	75,235,864	3,400,989	3,830,678	3,461,379	3,363,078
Electronics and electrical appliances	14,230,576	13,407,774	7,348,585	2,887,599	5,356,833	1,560,214
Production and transmission of energy	226,994,888	140,056,248	5,185,374	5,506,846	4,710,194	4,823,734
Paper and allied	3,440,410	3,364,088	707,669	599,466	706,138	265,191
Surgical and metal	207,652	6,497	-	-	-	-
Contractors	5,107,914	5,964,159	-	-	-	-
Wholesale traders	38,943,401	26,004,633	6,255,138	4,412,121	6,239,271	2,938,015
Fertilizer dealers	14,480,378	16,219,433	47,698	65,759	46,675	65,759
Sports goods	691,643	45,499	-	-	-	-
Food industries	87,493,084	26,122,327	8,090,259	5,813,962	6,139,973	3,483,604
Airlines	8,076,546	9,706,217	-	-	-	-
Cables	994,870	1,041,023	-	-	-	-
Construction	32,446,269	29,334,128	3,191,872	2,590,766	2,889,321	2,425,160
Engineering	22,793,296	16,440,176	1,117,263	1,134,465	49,720	67,145
Glass and allied	598,019	499,906	-	-	-	-
Hotels	1,420,315	1,981,164	596,050	589,060	596,050	589,060
Polyester and fiber	4,541,352	3,982,326	1,577,051	1,577,051	1,577,051	1,577,051
Telecommunication	17,805,208	19,791,165	-	-	-	-
Individuals	42,705,370	61,531,994	9,503,456	5,119,070	3,814,688	3,001,170
Others	76,884,446	59,629,453	8,244,000	5,885,161	6,774,293	3,791,812
	<u>815,572,333</u>	<u>709,742,138</u>	<u>69,503,307</u>	<u>54,081,512</u>	<u>56,377,680</u>	<u>40,932,306</u>

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Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2018	2017	2018	2017	2018	2017
	Rupees in '000					
Public/ Government	331,031,291	196,373,363	1,089,630	1,089,630	22,313	22,313
Private	484,541,042	513,368,775	68,413,677	52,991,882	56,355,367	40,909,993
	<u>815,572,333</u>	<u>709,742,138</u>	<u>69,503,307</u>	<u>54,081,512</u>	<u>56,377,680</u>	<u>40,932,306</u>

49.1.4 Contingencies and Commitments

Credit risk by industry sector

	2018	2017
	Rupees in '000	
Agri business	84,806	29,386
Airlines	444,064	337,255
Automobile and transportation equipment	5,442,636	8,048,576
Cables	416,415	648,521
Cement	9,657,312	7,906,329
Chemical and pharmaceuticals	3,832,528	3,401,520
Construction	20,745,074	30,217,512
Containers and ports	1,092,000	1,092,000
Contractors	19,364,259	22,246,724
Electronics and electrical appliances	3,089,509	3,815,472
Engineering	19,369,801	17,371,474
Financial	798,006,934	632,629,081
Textile spinning	5,472,684	5,870,989
Textile weaving	4,428,557	5,236,354
Textile composite	5,075,008	5,944,634
Textile others	4,506,514	5,712,448
Sugar	1,700,230	2,066,348
Shoes and leather garments	95,932	528,579
Production and transmission of energy	132,743,634	105,102,591
Paper and allied	3,304,861	4,560,342
Surgical and metal	-	85,103
Wholesale traders	6,017,812	3,890,303
Fertilizer dealers	5,133,758	5,458,328
Food industries	10,004,607	6,182,233
Glass and allied	380,484	191,961
Hotels	153,631	166,290
Polyester and fiber	6,498,849	2,396,842
Telecommunication	11,070,166	12,212,381
Individuals	3,725,963	9,391,658
Others	117,017,663	120,245,271
	<u>1,198,875,691</u>	<u>1,022,986,505</u>

Credit risk by public / private sector

Public/ Government	503,906,705	179,114,844
Private	694,968,986	843,871,661
	<u>1,198,875,691</u>	<u>1,022,986,505</u>

49.1.5 Concentration of Advances

The Bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs 329.887 billion (2017: Rs. 244.079 billion) are as following:

	2018	2017
	Rupees in '000	
Funded	202,225,292	151,828,373
Non Funded	127,661,689	92,250,648
Total Exposure	<u>329,886,981</u>	<u>244,079,021</u>

The sanctioned limits against these top 10 exposures aggregated to Rs 377.954 billion (prior year: Rs. 320.645 billion).

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49.1.6 Advances - Province/Region-wise Disbursement & Utilization

2018							
Province/Region	Disburse- ments	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit- Baltistan
Rupees in '000							
Punjab	189,383,006	189,383,006	-	-	-	-	-
Sindh	182,227,010	-	182,227,010	-	-	-	-
KPK including FATA	1,993,230	-	-	1,993,230	-	-	-
Balochistan	316,817	-	-	-	316,817	-	-
Islamabad	81,087,836	-	-	-	-	81,087,836	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-	-
Total	455,007,899	189,383,006	182,227,010	1,993,230	316,817	81,087,836	-

2017							
Province/Region	Disburse- ments	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit- Baltistan
Rupees in '000							
Punjab	133,494,133	133,494,133	-	-	-	-	-
Sindh	281,235,979	-	281,235,979	-	-	-	-
KPK including FATA	1,025,076	-	-	1,025,076	-	-	-
Balochistan	1,438,165	-	-	-	1,438,165	-	-
Islamabad	18,292,432	-	-	-	-	18,292,432	-
AJK including Gilgit-Baltistan	18,311	-	-	-	-	-	18,311
Total	435,504,096	133,494,133	281,235,979	1,025,076	1,438,165	18,292,432	18,311

49.2 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 Bank 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.

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

- To keep the market risk exposure within the Bank'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.

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- 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.

49.2.1 Balance sheet split by trading and Banking books

	2018			2017		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	Rupees in '000					
Cash and balances with treasury banks	187,915,671	-	187,915,671	161,119,170	-	161,119,170
Balances with other banks	41,747,060	-	41,747,060	35,549,112	-	35,549,112
Lendings to financial institutions	35,346,551	-	35,346,551	13,097,277	-	13,097,277
Investments	729,594,487	101,564,613	831,159,100	399,297,694	725,623,606	1,124,921,300
Advances	754,551,722	-	754,551,722	665,303,363	-	665,303,363
Fixed assets	50,898,280	-	50,898,280	49,230,901	-	49,230,901
Intangible assets	1,876,094	-	1,876,094	1,153,176	-	1,153,176
Deferred tax assets	6,685,952	-	6,685,952	-	-	-
Other assets	92,312,444	-	92,312,444	80,538,689	-	80,538,689
	<u>1,900,928,261</u>	<u>101,564,613</u>	<u>2,002,492,874</u>	<u>1,405,289,382</u>	<u>725,623,606</u>	<u>2,130,912,988</u>

49.2.2 Foreign Exchange Risk

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 Bank 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 Bank'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.

	2018				2017			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000							
Pakistan Rupee	1,532,411,442	1,332,445,342	(45,447,911)	154,518,189	1,661,907,088	1,469,184,363	(30,679,274)	162,043,451
US Dollar	210,730,070	117,600,788	(87,762,976)	5,366,306	269,512,064	166,754,123	(102,455,656)	302,285
Pound Sterling	51,697,946	70,657,807	26,749,191	7,789,330	35,787,001	47,270,176	21,872,240	10,389,065
Japanese Yen	27,226	8,821	(12,606)	5,799	1,232,985	1,216,966	(11,770)	4,249
Euro	3,070,085	10,644,026	6,396,344	(1,177,597)	6,541,667	14,104,607	7,290,575	(272,365)
UAE Dirham	123,875,311	211,071,317	80,270,598	(6,925,408)	102,905,913	193,310,246	89,151,353	(1,252,980)
Bahraini Dinar	13,536,697	25,327,298	12,252,900	462,299	13,708,941	22,243,314	9,037,609	503,236
Qatari Riyal	24,369,574	28,332,023	4,809,866	847,417	26,105,618	29,677,810	4,230,555	658,363
Other Currencies	42,774,523	37,781,593	2,744,594	7,737,524	13,211,711	12,657,621	1,564,368	2,118,458
	<u>2,002,492,874</u>	<u>1,833,869,015</u>	<u>-</u>	<u>168,623,859</u>	<u>2,130,912,988</u>	<u>1,956,419,226</u>	<u>-</u>	<u>174,493,762</u>

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	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account				
+1% change	-	-	-	-
-1% change	-	-	-	-
- Other comprehensive income				
+1% change	-	-	7,572	-
-1% change	-	-	(7,572)	-

49.2.3 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 Bank'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 Bank.

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 5% change in equity prices on,				
Other comprehensive income				
+5% change	860,010	-	938,862	-
-5% change	(860,010)	-	(938,862)	-

49.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

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 Bank'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.

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 1% change in interest rates on				
- Profit and loss account				
+1% change	-	2,347,327	-	(5,590,345)
-1% change	-	1,964,419	-	5,590,345
- Other comprehensive income				
+1% change	6,309,870	-	(11,792,500)	-
-1% change	(6,665,529)	-	11,792,500	-

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49.2.5 Mismatch of interest rate sensitive assets and liabilities

2018											
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 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	
%	(Rupees in '000)										
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	0.13%	187,915,671	21,046,667	-	-	-	-	-	-	-	166,869,004
Balances with other banks	2.98%	41,747,060	5,336,258	12,878,822	10,030,769	1,687,965	-	-	-	-	11,813,246
Lendings to financial institutions	5.38%	35,346,551	29,363,261	5,566,619	-	-	416,671	-	-	-	-
Investments	7.42%	831,159,100	173,195,257	81,586,245	66,625,745	88,382,723	92,815,461	86,728,060	84,898,418	124,202,115	27,128,269
Advances	7.03%										
Performing		741,426,095	211,950,394	333,142,733	176,249,339	5,258,320	3,110,447	1,893,150	2,831,841	2,588,580	-
Non-performing		13,125,627	-	-	-	-	-	-	-	-	13,125,627
Other assets		62,197,076	-	-	-	-	-	-	-	-	62,197,076
		1,912,917,180	440,891,837	433,174,419	252,905,853	95,329,008	95,925,908	89,037,881	87,730,259	126,790,695	9,998,098
Liabilities											
Bills payable		27,272,967	-	-	-	-	-	-	-	-	27,272,967
Borrowings	5.80%	279,918,125	164,965,261	52,847,517	17,593,671	18,830,189	21,922,744	-	-	-	3,758,743
Deposits and other accounts	2.90%	1,448,324,041	586,171,949	69,431,184	74,939,108	37,964,683	24,064,968	15,571,892	24,806,984	18,226,797	597,146,476
Liabilities against assets subject to finance lease	12.39%	10,000	10,000	-	-	-	-	-	-	-	-
Subordinated loans		9,000,000	-	9,000,000	-	-	-	-	-	-	-
Other liabilities	-	28,100,972	-	-	-	-	-	-	-	-	28,100,972
		1,792,626,105	751,147,210	131,278,701	92,532,779	56,794,872	45,987,712	15,571,892	24,806,984	18,226,797	-
On-balance sheet gap		120,291,075	(310,255,373)	301,895,718	160,373,074	38,534,136	49,938,196	73,465,989	62,923,275	108,563,898	(375,145,936)
Net non financial assets		48,332,784									
Total net assets		168,623,859									
Off-balance sheet financial instruments											
Interest Rate Derivatives - Long position		1,674,764	-	495,632	1,179,132	-	-	-	-	-	-
Interest Rate Derivatives - Short position		(1,674,764)	-	(179,132)	(1,179,132)	-	(316,500)	-	-	-	-
FX Options - Long position		579,876	199,175	352,968	27,733	-	-	-	-	-	-
FX Options - Short position		(579,876)	(199,175)	(352,968)	(27,733)	-	-	-	-	-	-
Forward Purchase of Government Securities		13,619,209	-	3,809,411	-	-	-	-	9,809,798	-	-
Forward Sale of Government Securities		(2,326,880)	-	(174,199)	-	-	-	(2,152,681)	-	-	-
Foreign currency forward purchases		347,426,249	196,483,571	104,229,824	46,371,029	341,825	-	-	-	-	-
Foreign currency forward sales		(303,150,197)	(191,602,320)	(71,531,113)	(37,095,494)	(2,921,270)	-	-	-	-	-
Off-balance sheet Gap		55,568,381	4,881,251	36,650,423	9,275,535	(2,579,445)	(316,500)	-	(2,152,681)	9,809,798	-
Total Yield / Interest Rate Risk Sensitivity Gap		175,859,456	(305,374,122)	338,546,141	169,648,609	35,954,691	49,621,696	73,465,989	60,770,594	118,373,696	(375,145,936)
Cumulative Yield / Interest Rate Risk Sensitivity Gap			(305,374,122)	33,172,019	202,820,628	238,775,319	288,397,015	361,863,004	422,633,598	541,007,294	175,859,456

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2017 (restated)											
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 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	
%		(Rupees in '000)									
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	0.03%	161,119,170	14,646,863	-	-	-	-	-	-	-	146,472,307
Balances with other banks	1.87%	35,549,112	7,404,479	4,404,142	3,866,128	1,500,506	-	-	-	-	18,373,857
Lendings to financial institutions	5.27%	13,097,277	9,382,220	-	2,752,426	299,076	331,778	-	331,777	-	-
Investments	7.39%	1,124,921,300	303,771,816	195,403,414	14,637,397	55,144,057	151,469,659	94,253,289	169,436,786	112,514,819	23,388,508
Advances	6.20%										
Performing		652,154,157	197,132,959	240,368,025	152,043,170	20,834,701	13,889,309	8,120,289	12,547,770	3,916,941	-
Non-performing		13,149,206	-	-	-	-	-	-	-	-	13,149,206
Other assets	-	36,613,980	-	-	-	-	-	-	-	-	36,613,980
		2,036,604,202	532,338,337	440,175,581	173,299,121	77,778,340	165,690,746	102,373,578	182,316,333	116,431,760	237,997,858
Liabilities											
Bills payable	-	29,852,405	-	-	-	-	-	-	-	-	29,852,405
Borrowings	5.35%	517,082,159	444,348,792	41,735,972	7,939,440	2,674,198	19,816,546	-	-	-	567,211
Deposits and other accounts	2.63%	1,349,698,487	547,230,264	80,239,501	58,004,251	28,556,481	17,430,819	13,908,163	62,023,404	6,445,767	535,859,837
Liabilities against assets subject to finance lease	12.39%	4,375	4,375	-	-	-	-	-	-	-	-
Other liabilities		23,642,619	-	-	-	-	-	-	-	-	23,642,619
		1,920,280,045	991,583,431	121,975,473	65,943,691	31,230,679	37,247,365	13,908,163	62,023,404	6,445,767	589,922,072
On-balance sheet gap		116,324,157	(459,245,094)	318,200,108	107,355,430	46,547,661	128,443,381	88,465,415	120,292,929	109,985,993	8,202,548
Net non financial assets		58,169,605									
Total net assets		174,493,762									
Off-balance sheet financial instruments											
Interest Rate Derivatives - Long position		4,358,641	-	-	168,000	-	3,874,141	316,500	-	-	-
Interest Rate Derivatives - Short position		(4,358,641)	-	(1,358,641)	(3,000,000)	-	-	-	-	-	-
FX Options - Long position		83,368	45,117	38,251	-	-	-	-	-	-	-
FX Options - Short position		(83,368)	(45,117)	(38,251)	-	-	-	-	-	-	-
Forward Purchase of Government Securities		7,870,890	7,870,890	-	-	-	-	-	-	-	-
Forward Sale of Government Securities		(1,478)	(1,478)	-	-	-	-	-	-	-	-
Foreign currency forward purchases		242,093,757	112,945,973	80,219,991	45,266,129	3,661,664	-	-	-	-	-
Foreign currency forward sales		(213,172,200)	(100,641,876)	(67,735,327)	(39,020,675)	(5,774,322)	-	-	-	-	-
Off-balance sheet Gap		36,790,969	20,173,509	11,126,023	3,413,454	(2,112,658)	3,874,141	316,500	-	-	-
Total Yield / Interest Rate Risk Sensitivity Gap		153,115,126	(439,071,585)	329,326,131	110,768,884	44,435,003	132,317,522	88,781,915	120,292,929	109,985,993	8,202,548
Cumulative Yield / Interest Rate Risk Sensitivity Gap			(439,071,585)	(109,745,454)	1,023,430	45,458,433	177,775,955	266,557,870	386,850,799	496,836,792	505,039,340
											153,115,126

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49.3 Operational risk

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

In compliance with the Regulatory Guidelines, an Operational Risk Division is established within Risk & Credit Policy Group. Operational Risk Division is primarily responsible for the oversight of operational risk management across the Bank. The operational risk management framework of the Bank 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 bank. 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.

In accordance with the Operational Risk policy and framework, a database covering losses, control breaches and near misses is being maintained by the division. Major risk events are analyzed from the control breach perspective and mitigating controls are assessed on design and operating effectiveness. Quarterly updates on Operational Risk events are being presented to the Senior Management and Board Risk & Compliance Committee of the Bank. 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.

In the current year, an external investigation was conducted which highlighted certain bank accounts with unusual transactions. These accounts have already been closed by the Bank and necessary action has been taken.

49.4 Liquidity risk

Liquidity risk is the risk that the Bank 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 Liabilities Management Committee (ALCO) of the Bank 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.

49.4.1 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Group (ALCO)

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 historical data. 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 behaviour. The methodology and the assumptions used to derive the maturity profile of non-contractual assets and liabilities have been approved by ALCO.

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2018										
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)										
Assets										
Cash and balances with treasury banks	187,915,671	119,691,762	4,214,509	4,103,168	5,939,864	8,263,129	6,340,522	10,054,617	23,135,693	6,172,407
Balances with other banks	41,747,060	16,912,808	13,156,539	9,989,748	1,687,965	-	-	-	-	-
Lendings to financial institutions	35,346,551	29,295,008	5,634,872	-	-	-	416,671	-	-	-
Investments	831,159,100	187,262,079	81,520,920	63,348,203	89,184,370	91,388,187	85,651,006	96,582,584	129,680,451	6,541,300
Advances - Performing	741,426,095	192,264,209	99,930,284	67,654,482	62,015,087	76,752,758	56,843,264	97,112,865	68,900,298	19,952,848
- Non-performing	13,125,627	-	-	-	-	-	-	-	-	13,125,627
Operating fixed assets	50,898,280	5,288,155	390,871	401,220	280,692	747,605	1,126,794	1,905,420	3,146,169	37,611,354
Intangible assets	1,876,094	119,063	581	208,674	31,019	234,556	444,686	485,149	352,366	-
Deferred tax asset - net	6,685,952	237,434	-	-	636,666	1,937,284	1,937,284	1,937,284	-	-
Other assets	92,312,444	19,670,544	12,877,135	6,026,623	33,545,272	5,573,294	4,754,905	5,424,198	3,350,402	1,090,071
	2,002,492,874	570,741,062	217,725,711	151,732,118	193,320,935	184,896,813	157,515,132	213,502,117	228,565,379	84,493,607
Liabilities										
Bills payable	27,272,967	6,821,414	4,976,391	4,877,061	10,596,818	-	-	-	-	1,283
Borrowings	279,918,125	168,945,281	71,932,335	16,455,511	212,449	2,240,493	739,740	1,999,111	17,382,256	10,949
Deposits and other accounts	1,448,324,041	203,143,465	144,574,334	131,710,179	147,503,485	154,866,365	118,474,806	160,191,865	309,948,926	77,910,616
Liabilities against assets subject to finance lease	10,000	10,000	-	-	-	-	-	-	-	-
Subordinated loans	9,000,000	-	-	-	-	-	-	-	9,000,000	-
Deferred tax liability	-	-	-	-	-	-	-	-	-	-
Other liabilities	69,343,882	30,084,785	8,703,291	6,720,531	7,309,836	2,630,469	2,266,686	5,211,000	1,599,077	4,818,207
	1,833,869,015	409,004,945	230,186,351	159,763,282	165,622,588	159,737,327	121,481,232	167,401,976	337,930,259	82,741,055
Net assets	168,623,859	161,736,117	(12,460,640)	(8,031,164)	27,698,347	25,159,486	36,033,900	46,100,141	(109,364,880)	1,752,552
Represented by:										
Share capital	12,241,798									
Reserves	60,078,870									
Surplus on revaluation of assets	16,992,906									
Unappropriated profit	73,749,955									
Non-controlling interest	5,560,330									
	168,623,859									

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FOR THE YEAR ENDED DECEMBER 31, 2018**

	2017 (restated)									
	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)									
Assets										
Cash and balances with treasury banks	161,119,170	93,449,859	2,654,124	2,601,148	3,765,496	5,238,298	4,019,487	6,373,987	10,278,978	32,737,793
Balances with other banks	35,549,112	21,714,772	4,603,105	3,866,128	5,365,107	-	-	-	-	-
Lendings to financial institutions	13,097,277	8,429,343	1,021,017	2,029,386	648,884	636,870	-	331,777	-	-
Investments	1,124,921,300	341,326,637	149,878,710	10,411,870	73,819,428	150,829,999	93,048,128	171,508,017	115,484,962	18,613,549
Advances - Performing	652,154,157	171,854,384	95,912,285	68,385,393	62,704,361	56,397,297	52,921,782	77,453,534	46,800,251	19,724,870
- Non-performing	13,149,206	-	-	-	-	-	-	-	-	13,149,206
Operating fixed assets	49,230,901	4,122,589	1,737,376	2,627,449	309,792	542,468	927,153	1,766,326	2,436,603	34,761,145
Intangible Assets	1,153,176	8	268	1,027	9,974	37,425	477,222	440,661	186,591	-
Other assets	80,538,689	8,840,220	15,720,058	4,877,953	22,815,910	11,115,246	5,782,329	7,994,566	2,835,374	557,033
	2,130,912,988	649,737,812	271,526,943	94,800,354	169,438,952	224,797,603	157,176,101	265,868,868	178,022,759	119,543,596
Liabilities										
Bills payable	29,852,405	6,563,858	4,801,665	4,705,823	13,781,059	-	-	-	-	-
Borrowings	517,082,159	444,871,333	39,591,848	10,618,924	3,052,380	1,594,065	2,017,847	1,797,851	13,276,930	260,981
Deposits and other accounts	1,349,698,487	205,705,937	129,042,519	91,267,770	86,523,690	119,346,962	88,100,250	110,458,440	151,733,516	367,519,403
Liabilities against assets subject to finance lease	4,375	4,375	-	-	-	-	-	-	-	-
Deferred tax liability	2,980,466	368,525	-	-	652,985	652,985	652,985	652,986	-	-
Other liabilities	56,801,334	18,418,422	9,780,520	5,460,754	3,137,127	7,550,083	3,563,639	3,535,197	951,644	4,403,948
	1,956,419,226	675,932,450	183,216,552	112,053,271	107,147,241	129,144,095	94,334,721	116,444,474	165,962,090	372,184,332
Net assets	174,493,762	(26,194,638)	88,310,391	(17,252,917)	62,291,711	95,653,508	62,841,380	149,424,394	12,060,669	(252,640,736)
Represented by:										
Share capital	12,241,798									
Reserves	47,203,516									
Surplus on revaluation of assets	33,146,476									
Unappropriated profit	76,410,128									
Non-controlling interest	5,491,844									
	<u>174,493,762</u>									

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49.4.2 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.

2018													
Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
(Rupees in '000) -----													
Assets													
Cash and balances with treasury banks	187,915,671	-	-	-	187,915,671	-	-	-	-	-	-	-	-
Balances with other banks	41,747,060	14,358,821	4,772,937	1,651,505	(3,303,215)	6,862,658	5,624,169	10,092,220	-	1,687,965	-	-	-
Lendings to financial institutions	35,346,551	-	10,884,545	18,000,000	478,604	2,500,000	3,066,732	-	-	-	416,670	-	-
Investments	831,159,100	34,205,559	158,760,552	433,020	26,421,920	72,461,584	8,781,020	66,475,887	29,189,770	2,636,196	129,832,978	68,710,686	91,269,291
Advances	754,551,722	253,632	32,429	-	191,769,573	2,813,578	97,116,706	67,654,482	-	62,015,087	76,752,758	56,937,764	97,359,127
Operating fixed assets	50,898,280	4,966,877	-	-	271,018	-	390,871	401,220	-	280,692	747,605	1,126,794	1,955,680
Intangible Assets	1,876,094	98,612	-	-	19,028	-	581	208,674	-	31,019	234,556	444,686	486,573
Deferred tax assets	6,685,952	-	-	-	6,685,952	-	-	-	-	-	-	-	-
Other assets	92,312,444	738,384	2,080	996	19,345,891	-	12,877,135	6,026,623	4,284	33,545,272	5,580,063	4,762,561	5,431,410
	2,002,492,874	54,621,885	174,452,543	20,085,521	429,604,442	84,637,820	127,857,214	150,859,106	29,194,054	100,196,231	213,147,960	132,399,161	196,502,081
													288,934,856
Liabilities													
Bills payable	27,272,967	-	-	-	27,272,967	-	-	-	-	-	-	-	-
Borrowings	279,918,125	2,932,206	109,538,513	35,973,603	19,964,171	52,624,997	20,822,080	15,379,169	1,817	14,697	1,937,204	712,145	1,557,616
Deposits and other accounts	1,448,324,041	1,087,928,640	13,888,884	12,901,769	66,146,980	19,040,953	58,184,883	71,323,107	13,842,461	36,414,256	27,595,420	16,300,100	18,876,597
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debts	10,000	-	-	-	-	-	-	-	-	-	-	-	10,000
Other liabilities	9,000,000	-	-	-	-	-	-	-	-	-	-	-	9,000,000
	69,343,882	1,257,484	106	382	29,064,301	22,159	8,682,386	6,723,174	-	7,144,270	2,630,469	2,266,686	5,211,000
	1,833,869,015	1,092,118,330	123,427,503	48,875,754	142,448,419	71,688,109	87,689,349	93,425,450	13,844,278	43,573,223	32,163,093	19,278,931	25,655,213
													39,681,363
Net assets	168,623,859	(1,037,496,445)	51,025,040	(28,790,233)	287,156,023	12,949,711	40,167,865	57,433,656	15,349,776	56,623,008	180,984,867	113,120,230	170,846,868
													249,253,493
Represented by:													
Share capital	12,241,798												
Reserves	60,078,870												
Unappropriated profit	73,749,955												
Surplus on revaluation of assets	16,992,906												
Non-controlling interest	5,560,330												
	168,623,859												

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	2017 (restated)													
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
	(Rupees in '000)													
Cash and balances with treasury banks	161,119,170	-	-	-	161,119,170	-	-	-	-	-	-	-	-	-
Balances with other banks	35,549,112	7,501,023	220,834	2,150,000	-	10,940,267	5,453,105	3,866,128	1,553,154	3,864,601	-	-	-	-
Lendings to financial institutions	13,097,277	-	-	-	6,564,076	2,229,746	1,021,017	2,029,386	-	947,960	305,092	-	-	-
Investments	1,124,921,300	26,311,037	153,868,267	1,408,342	156,940,805	97,211,415	83,602,653	6,949,892	49,007,665	7,156,258	115,890,440	130,647,802	173,647,160	122,279,564
Advances	665,303,363	-	-	-	171,854,384	-	95,912,285	68,385,393	-	62,704,361	56,397,297	52,921,782	77,453,534	79,674,327
Operating fixed assets	49,230,901	-	-	-	158,232	-	5,759,905	2,627,449	-	309,792	542,468	977,409	1,657,897	37,197,749
Intangible Assets	1,153,176	-	-	-	8	-	157,253	1,027	-	9,974	37,425	320,237	440,661	186,591
Other assets	80,538,689	-	-	-	30,695,933	-	12,729,968	4,353,795	-	20,984,444	6,098,901	2,706,030	2,593,021	376,597
	2,130,912,988	33,812,060	154,089,101	3,558,342	527,332,608	110,381,428	204,636,186	88,213,070	50,560,819	95,977,390	179,271,623	187,573,260	255,792,273	239,714,828
Liabilities														
Bills payable	29,852,405	-	-	-	29,852,405	-	-	-	-	-	-	-	-	-
Borrowings	517,082,159	-	-	-	-	443,547,077	41,423,435	9,615,645	2,873,683	1,456,730	1,364,212	1,432,538	14,735,325	633,514
Deposits and other accounts	1,349,698,487	1,061,852,775	-	-	32,060,427	-	87,737,673	50,653,365	-	31,685,870	34,900,693	22,607,289	21,006,360	7,194,035
Liabilities against assets subject to finance lease	4,375	-	-	-	-	4,375	-	-	-	-	-	-	-	-
Deferred tax liability - net	2,980,466	-	-	-	-	2,980,466	-	-	-	-	-	-	-	-
Other liabilities	56,801,334	-	-	-	32,977,353	-	5,838,265	1,635,555	-	1,803,665	6,062,841	2,668,010	2,552,795	3,262,850
	1,956,419,226	1,061,852,775	-	-	94,890,185	446,531,918	134,999,373	61,904,565	2,873,683	34,946,265	42,327,746	26,707,837	38,294,480	11,090,399
Net assets	174,493,762	(1,028,040,715)	154,089,101	3,558,342	432,442,423	(336,150,490)	69,636,813	26,308,505	47,687,136	61,031,125	136,943,877	160,865,423	217,497,793	228,624,429
Represented by:														
Share capital	12,241,798													
Reserves	47,203,516													
Unappropriated profit	76,410,128													
Surplus on revaluation of assets	33,146,476													
Non-controlling interest	5,491,844													
	174,493,762													

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

50. NEW YORK BRANCH

As part of its global realignment strategy, UBL voluntarily closed its New York Branch (NY Branch) on January 28, 2019 and surrendered the license to the New York State Department of Financial Services (NYDFS). The Bank had earlier ceased commercial operations in its New York Branch in 2018 and has been providing US Dollar clearing services to its customers through multiple correspondent banking relationships.

UBL and the NY Branch had entered into a Written Agreement (WA 2018) with the Board of Governors of the Federal Reserve System (FRB) on July 2, 2018 upon termination of an earlier Written Agreement (WA 2013) dated 28 October 2013. Meanwhile, UBL requested the NYDFS that UBL intends to surrender the license of its NY Branch and notified FRB as well.

In pursuance thereof, UBL surrendered the NY Branch's license to NYDFS on 28 January 2019, in accordance with Section 605.11(c) of the New York Banking Law and the procedures prescribed by the NYDFS to facilitate an orderly liquidation of the NY Branch. UBL's NY Branch was thus closed as of 28 January 2019. As a result, costs including, among regular expenses, additional legal and consultancy costs, and staff severance costs and contract termination charges related to the closure of the Branch, the NY Branch incurred a net loss of Rs. 1,071.720 million for the year ended 31 December 2018 (2017: loss of Rs. 18.138 million). At this stage there is no indication of any financial impact in respect of post closure related regulatory matters including WA 2018.

UBL's decision to close the NY Branch was purely a commercial decision, which was taken after evaluating the commercial viability of continuing the operations of NY Branch. There will be no material impact on UBL's business related to Trade Finance and other Forex business activities as UBL has established multiple correspondent banking relationships with the renowned banks to provide continued U.S. dollar clearing services that were previously provided by the UBL's New York branch.

51. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

51.1 The Board of Directors in its meeting held on February 20, 2019 has proposed a cash dividend in respect of 2018 of Rs.3 per share (2017: Rs. 4 per share). In addition, the Directors have also announced a bonus issue of nil (2017: nil). These appropriations will be approved in the forthcoming Annual General Meeting. The consolidated financial statements for the year ended December 31, 2018 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2019.

51.2 The Finance Supplementary (Second Amendment) Bill, 2019 laid down before the National Assembly of Pakistan on January 23, 2019, amended the rates of Super tax noted in the earlier Finance Act, 2018 and prescribed a flat rate of 4% super tax for all accounting years from 2017 to 2020. The changes proposed by the Bill are being deliberated and have not yet been enacted.

If the Bill is enacted in its proposed form, the potential impact of the revision in the rate of Super Tax for the accounting year 2017 would amount to Rs 1,650 million.

52. GENERAL

52.1 Comparatives

The comparative figures have been re-arranged and reclassified for comparison purposes. The significant reclassifications have been disclosed below and in notes 5.1.1 and 5.1.3 of these consolidated financial statements.

	Previously stated	Reclassification (Rupees in '000)	Revised Amount
Lendings to Financial Institutions	35,893,920	(22,796,643)	13,097,277
Advances - net	642,506,720	22,796,643	665,303,363
Deposits	1,366,157,914	(16,459,427)	1,349,698,487
Bills Payable	13,392,978	16,459,427	29,852,405
Non-controlling interest	4,810,519	681,325	5,491,844
Surplus on revaluation of assets	33,586,216	(681,325)	32,904,891

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

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

53. DATE OF AUTHORIZATION

These consolidated financial statements were authorized for issue on February 20, 2019 by the Board of Directors of the Bank.

Aameer Karachiwalla
Chief Financial Officer

Sima Kamil
President &
Chief Executive Officer

Amar Zafar Khan
Director

Arshad Ahmad Mir
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Chairman

Annexure 'III' as referred to in Note 11.6 of the Group's Consolidated Financial Statements

Disposals of operating fixed assets during the year 2018

	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						
Land & Building						
Leasehold Land	13,256	17	13,239	14,000		
	13,256	17	13,239	14,000	Auction	Various Buyers
Vehicles						
Accord 2017	4,155	724	3,431	2,089	Auction	Alfuttaim Automall
Land Cruiser 2013	8,241	8,241	-	3,084	Auction	Alfuttaim Automall
Land Cruiser 2017	8,887	4,449	4,438	5,214	Auction	Alfuttaim Automall
Mercedes	15,689	15,689	-	1,890	Auction	Al Asaad
Mercedes Benz E 200	11,830	6,743	5,087	4,800	Insurance	UBL Insurers Ltd
Mercedes Benz E 200	11,830	6,388	5,442	6,500	Buy Back	Asim Iqbal
Mercedes Benz E 200	11,830	6,921	4,909	4,910	Buy Back	Baqar Muzaffar-Staff
Mercedes Benz E 200	9,422	8,480	942	1,884	Buy Back	Zia Ijaz - Staff
Mercedes E300	7,372	6,389	983	1,840	Auction	Al Asaad
Suzuki Bolan	682	614	68	560	Auction	Zahid Qadri
Suzuki Cultus	849	764	85	662	Auction	Syed Riaz Ahmed
Suzuki Cultus	849	764	85	660	Auction	Khalid Anwar
Toyota Corolla	2,457	1,451	1,006	1,121	Auction	Mohammed Waseem
Toyota Corolla	1,649	1,484	165	1,110	Auction	Saif ullah Quershi
Toyota Corolla	1,649	1,484	165	1,250	Insurance	UBL Insurer
Toyota Corolla	1,569	1,412	157	1,246	Auction	Ghulam Habib
Toyota Corolla	1,502	1,502	-	1,086	Auction	Wasim Mirza
Toyota Corolla	1,502	1,502	-	1,170	Auction	Khalid Anwar
Toyota Corolla	1,370	1,233	137	938	Auction	Ghulam Mustafa Quershi
	103,334	76,234	27,100	42,014		

Annexure 'III' as referred to in Note 11.6 of the Group's Consolidated Financial Statements

Disposals of operating fixed assets during the year 2018

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	----- (Rupees in '000) -----					
	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	----- (Rupees in '000) -----					
Electrical, office and computer equipment						
Generator	1,458	1,458	-	25	Auction	Various Buyers
Generator	1,410	1,410	-	3	Auction	Various Buyers
Generator	1,382	1,382	-	25	Auction	Various Buyers
Generator	1,364	1,364	-	100	Auction	Various Buyers
Generator	1,305	1,305	-	150	Auction	Various Buyers
Generator	1,290	1,290	-	50	Auction	Various Buyers
Generator	1,282	1,282	-	25	Auction	Various Buyers
Generator	1,269	1,269	-	200	Auction	Various Buyers
Generator	1,243	1,243	-	100	Auction	Various Buyers
Generator	1,226	1,226	-	26	Auction	Various Buyers
Generator	1,226	1,226	-	3	Auction	Various Buyers
Generator	1,203	1,203	-	5	Auction	Various Buyers
Generator	1,195	1,195	-	50	Auction	Various Buyers
Generator	1,191	1,191	-	50	Auction	Various Buyers
Generator	1,189	1,189	-	5	Auction	Various Buyers
Generator	1,170	1,170	-	50	Auction	Various Buyers
Generator	1,152	1,152	-	800	Auction	Omni Agent
Generator	1,151	1,151	-	1	Auction	Various Buyers
Generator	1,112	1,112	-	100	Auction	Various Buyers
Generator	1,094	1,094	-	200	Auction	Various Buyers
Generator	1,088	1,088	-	3	Auction	Various Buyers
Generator	1,085	1,085	-	56	Auction	Various Buyers
Generator	1,033	1,033	-	5	Auction	Various Buyers
Generator	1,023	1,023	-	136	Auction	National Traders
Generator	1,006	1,006	-	136	Auction	National Traders
Generator	1,003	1,003	-	136	Auction	National Traders
Generator	1,002	1,002	-	136	Auction	National Traders
Atm Machine	1,064	1,064	-	65	Auction	NCR Corporation
Atm Machine	1,064	1,064	-	65	Auction	NCR Corporation
	34,280	34,280	-	2,706		
Items having book value of less than Rs. 250,000 and cost of less than Rs. 1,000,000						
Others	675,629	631,805	43,824	69,858		
Total	826,499	742,336	84,163	128,578		