

**United Bank Limited**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2019**



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019**

	Note	2019	2018
<b>ASSETS</b>			
<b>----- (Rupees in '000) -----</b>			
Cash and balances with treasury banks	6	243,370,701	187,915,671
Balances with other banks	7	42,722,227	41,747,060
Lendings to financial institutions	8	21,756,404	35,346,551
Investments	9	874,561,737	831,159,100
Advances	10	694,934,463	754,551,722
Fixed assets	11	58,276,411	50,898,280
Intangible assets	12	2,070,938	1,876,094
Deferred tax assets	13	1,723,553	6,685,952
Assets classified as held for sale	14	236,450	-
Other assets	15	84,085,440	92,312,444
		2,023,738,324	2,002,492,874
<b>LIABILITIES</b>			
Bills payable	17	22,929,220	27,272,967
Borrowings	18	170,405,060	279,918,125
Deposits and other accounts	19	1,557,995,306	1,448,324,041
Liabilities against assets subject to finance lease	20	19,095	10,000
Subordinated debt	21	10,000,000	9,000,000
Deferred tax liabilities	13	-	-
Liabilities directly associated with assets classified as held for sale	14	17,936	-
Other liabilities	22	71,499,836	69,343,882
		1,832,866,453	1,833,869,015
<b>NET ASSETS</b>		<b>190,871,871</b>	<b>168,623,859</b>
<b>REPRESENTED BY:</b>			
Share capital	23	12,241,798	12,241,798
Reserves		66,676,411	60,078,870
Surplus on revaluation of assets	24	27,404,558	16,992,906
Unappropriated profit		77,335,249	73,749,955
Total equity attributable to the equity holders of the Bank		183,658,016	163,063,529
Non-controlling interest	25	7,213,855	5,560,330
		<b>190,871,871</b>	<b>168,623,859</b>
<b>CONTINGENCIES AND COMMITMENTS</b>		<b>26</b>	

The annexed notes 1 to 52 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, 2019**

	Note	2019	2018
		----- (Rupees in '000) -----	
Mark-up / return / interest earned	28	157,277,853	116,833,977
Mark-up / return / interest expensed	29	93,936,935	58,890,757
<b>Net mark-up / interest income</b>		<u>63,340,918</u>	<u>57,943,220</u>
<b>Non mark-up / interest income</b>			
Fee and commission income	30	15,631,895	15,859,283
Dividend income		1,123,261	1,683,678
Foreign exchange income		4,669,102	3,656,352
Income / (loss) from derivatives		64,627	(87,716)
Gain on securities - net	31	216,670	3,885,834
Other income	32	1,852,427	1,014,156
Total non mark-up / interest income		<u>23,557,982</u>	<u>26,011,587</u>
<b>Total income</b>		<u>86,898,900</u>	<u>83,954,807</u>
<b>Non mark-up / interest expenses</b>			
Operating expenses	33	43,843,588	42,047,048
Workers' Welfare Fund	34	747,859	(2,163,314)
Other charges	35	40,109	114,798
Total non mark-up / interest expenses		<u>44,631,556</u>	<u>39,998,532</u>
Share of profit of associates	9.9.1	776,853	699,294
<b>Profit before provisions</b>		<u>43,044,197</u>	<u>44,655,569</u>
Provisions and write offs - net	36	7,313,543	12,446,609
Extra ordinary / unusual item - charge in respect of pension liability		-	6,657,216
<b>Profit before taxation from continuing operations</b>		<u>35,730,654</u>	<u>25,551,744</u>
Taxation	37	15,457,158	10,384,383
<b>Profit after taxation from continuing operations</b>		<u>20,273,496</u>	<u>15,167,361</u>
<b>Discontinued operation</b>			
Loss from discontinued operation - net of tax	14	(1,225,198)	(117,807)
		<u>19,048,298</u>	<u>15,049,554</u>
<b>Attributable to:</b>			
Equity holders of the Bank			
from continuing operations		20,320,339	15,600,858
from discontinued operation		(1,225,198)	(117,807)
		<u>19,095,141</u>	<u>15,483,051</u>
Non-controlling interest		(46,843)	(433,497)
		<u>19,048,298</u>	<u>15,049,554</u>
		----- (Rupees) -----	
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Bank</b>			
Basic and diluted		<u>16.60</u>	<u>12.74</u>
<b>Earnings per share for profit attributable to the ordinary equity holders of the Bank</b>			
Basic and diluted	38	<u>15.60</u>	<u>12.65</u>

The annexed notes 1 to 52 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 COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019	2018
	----- (Rupees in '000) -----	
<b>Profit after taxation for the year attributable to:</b>		
Equity holders of the Bank	19,095,141	15,483,051
Non-controlling interest	(46,843)	(433,497)
	<u>19,048,298</u>	<u>15,049,554</u>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit and loss account in subsequent periods</i>		
Effect of translation of net investment in foreign branches and subsidiaries		
Equity holders of the Bank	5,994,906	11,379,285
Non-controlling interest	777,237	831,443
	<u>6,772,143</u>	<u>12,210,728</u>
Movement in surplus / (deficit) on revaluation of investments - net of tax		
Equity holders of the Bank	10,419,759	(16,127,636)
Non-controlling interest	562,734	(664,719)
	<u>10,982,493</u>	<u>(16,792,355)</u>
	<u>17,754,636</u>	<u>(4,581,627)</u>
<i>Items that will not be reclassified to profit and loss account in subsequent periods</i>		
Remeasurement (loss) / gain of defined benefit obligations - net of tax		
Equity holders of the Bank	(540,185)	(373,837)
Non-controlling interest	(19,359)	14,137
	<u>(559,544)</u>	<u>(359,700)</u>
Movement in surplus on revaluation of fixed assets - net of tax		
Equity holders of the Bank	383,870	38,913
Non-controlling interest	382,104	321,929
	<u>765,974</u>	<u>360,842</u>
Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax	39,598	(6,672)
	<u>246,028</u>	<u>(5,530)</u>
<b>Total comprehensive income for the year</b>	<u><u>37,048,962</u></u>	<u><u>10,462,397</u></u>
<b>Attributable to:</b>		
Equity holders of the Bank	35,393,089	10,393,104
Non-controlling interest	1,655,873	69,293
	<u><u>37,048,962</u></u>	<u><u>10,462,397</u></u>

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# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019

	Attributable to equity shareholders of the Bank								Non-controlling Interest	Total
	Share Capital	General reserve	Statutory reserve	Capital reserve - Exchange translation	Surplus / (deficit) on revaluation of			Unappropriated profit	Sub total	
					Investments	Fixed Assets	Non Banking Assets			
(Rupees in '000)										
<b>Balance as at December 31, 2017</b>	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	174,493,762
Effect of adoption of IFRS 9 by overseas branches	-	-	-	-	-	-	-	(1,640,563)	(1,640,563)	(1,640,563)
<b>Balance as at January 01, 2018</b>	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	172,853,199
<b>Total comprehensive income for the year ended December 31, 2018</b>										
Profit after taxation for the year ended December 31, 2018	-	-	-	-	-	-	-	15,483,051	15,483,051	15,049,554
Other comprehensive income - net of tax	-	-	-	11,379,285	(16,127,636)	38,913	(6,672)	(373,837)	(5,089,947)	(4,587,157)
<b>Total comprehensive income for the year ended December 31, 2018</b>	-	-	-	11,379,285	(16,127,636)	38,913	(6,672)	15,109,214	10,393,104	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)	-	-
<b>Transactions with owners for the year ended December 31, 2018</b>										
Final cash dividend - December 31, 2017 declared subsequent to the year end at Rs.4.0 per share	-	-	-	-	-	-	-	(4,896,719)	(4,896,719)	(4,896,719)
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 at Rs.2.0 per share	-	-	-	-	-	-	-	(2,448,359)	(2,448,359)	(2,448,359)
<b>Balance as at December 31, 2018</b>	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	168,623,859
<b>Total comprehensive income for the year ended December 31, 2019</b>										
Profit after taxation for the year ended December 31, 2019	-	-	-	-	-	-	-	19,095,141	19,095,141	19,048,298
Other comprehensive income - net of tax	-	-	-	5,994,906	10,419,759	383,870	39,598	(540,185)	16,297,948	18,000,664
<b>Total comprehensive income for the year ended December 31, 2019</b>	-	-	-	5,994,906	10,419,759	383,870	39,598	18,554,956	35,393,089	37,048,962
Ordinary dividend relating to Non-controlling shareholders	-	-	-	-	-	-	-	-	(1,540)	(1,540)
Transfer from surplus on revaluation on disposal to unappropriated profit - net of tax	-	-	-	-	-	(262,309)	(114,383)	376,692	-	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	(54,883)	-	54,883	(808)	(808)
Transfer to statutory reserve	-	-	1,935,261	-	-	-	-	(1,935,261)	-	-
<b>Transactions with owners for the year ended December 31, 2019</b>										
Final cash dividend - December 31, 2018 declared subsequent to the year end at Rs.3.0 per share	-	-	-	-	-	-	-	(3,672,539)	(3,672,539)	(3,672,539)
Interim cash dividend - March 31, 2019 declared at Rs.2.5 per share	-	-	-	-	-	-	-	(3,060,449)	(3,060,449)	(3,060,449)
Interim cash dividend - June 30, 2019 declared at Rs.2.5 per share	-	-	-	-	-	-	-	(3,060,449)	(3,060,449)	(3,060,449)
Interim cash dividend - September 30, 2019 declared at Rs.3.0 per share	-	-	-	-	-	-	-	(3,672,539)	(3,672,539)	(3,672,539)
Realization of exchange translation reserve - Note 32.2	-	-	-	(1,332,626)	-	-	-	-	(1,332,626)	(1,332,626)
<b>Balance as at December 31, 2019</b>	12,241,798	3,000	33,288,783	33,384,628	189,482	27,184,005	31,071	77,335,249	183,658,016	190,871,871

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# CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2019

Note	2019	2018 Restated
	----- (Rupees in '000) -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation including discontinuing operations	34,771,052	25,387,483
Less: Dividend income	(1,123,261)	(1,683,678)
Share of profit of associates	(776,853)	(699,294)
	<u>32,870,938</u>	<u>23,004,511</u>
<b>Adjustments:</b>		
Depreciation on fixed assets	2,806,191	2,466,344
Depreciation on Islamic financing against leased assets (Ijarah)	227,783	186,623
Depreciation on right of use assets	2,112,273	-
Amortization	701,155	562,568
Workers' Welfare Fund	747,859	(2,163,314)
Provision for retirement benefits	1,062,007	7,461,772
Charge for compensated absences	33,383	141,698
Provision against loans and advances - net	4,318,706	10,594,770
Provision for diminution in value of investments - net	2,392,687	1,231,938
Interest expense on lease liability against right of use assets	1,068,434	-
Provision against off balance sheet items	47,438	463,300
Gain on sale of operating fixed assets - net	(120,056)	(42,662)
Gain on sale of Ijarah assets - net	(861)	(1,754)
Bad debts written off directly	149,591	130,830
Unrealized gain on revaluation of investments classified as held for trading	7,386	(8,524)
Realization of exchange translation reserve - UBL New York branch	(1,332,626)	-
Other provisions / write offs	150,981	75,072
Provision against other assets - net	254,140	6,523
	<u>14,626,471</u>	<u>21,105,184</u>
	<u>47,497,409</u>	<u>44,109,695</u>
<b>Decrease / (increase) in operating assets</b>		
Lendings to financial institutions	13,590,147	(22,191,674)
Held for trading securities	30,445,150	3,514,443
Advances	54,889,311	(100,284,394)
Other assets (excluding advance taxation)	2,459,232	(4,855,536)
	<u>101,383,840</u>	<u>(123,817,161)</u>
<b>(Decrease) / increase in operating liabilities</b>		
Bills payable	(4,343,747)	(2,579,438)
Borrowings	(109,513,065)	(237,164,034)
Deposits and other accounts	109,671,265	98,625,554
Other liabilities (excluding current taxation)	(5,300,709)	12,335,395
	<u>(9,486,256)</u>	<u>(128,782,523)</u>
	<u>139,394,993</u>	<u>(208,489,989)</u>
Payments on account of staff retirement benefits	(1,915,878)	(6,418,588)
Income taxes paid	(10,396,331)	(18,947,962)
<b>Net cash flows generated from / (used in) operating activities</b>	<u>127,082,784</u>	<u>(233,856,539)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	(101,929,186)	233,876,065
Net investments in held to maturity securities	41,789,700	29,749,485
Net investments in associates	103,820	(26,806)
Dividend income received	1,128,326	1,711,181
Investment in fixed assets	(3,358,993)	(3,817,074)
Investment in Intangible assets	(857,585)	(1,253,605)
Sale proceeds from disposal of fixed assets	539,516	128,578
Sale proceeds from disposal of Ijarah assets	32,729	67,966
Effect of translation of net investment in foreign branches and subsidiaries attributable to:		
- Equity holders of the Bank	5,994,906	11,379,285
- Non-controlling interest	777,237	831,443
<b>Net cash flows (used in) / generated from investing activities</b>	<u>(55,779,530)</u>	<u>272,646,518</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Leased obligation	9,095	5,625
Receipts of subordinated debts	1,000,000	9,000,000
Payment of lease liability against right of use assets	(2,195,458)	-
Dividends paid to:		
- Equity holders of the Bank	(13,448,704)	(14,799,574)
- Non-controlling interest	(1,540)	(1,581)
<b>Net cash flows used in financing activities</b>	<u>(14,636,607)</u>	<u>(5,795,530)</u>
<b>Increase in cash and cash equivalents</b>	<u>56,666,647</u>	<u>32,994,449</u>
Cash and cash equivalents at the beginning of the year	229,662,731	196,668,282
<b>Cash and cash equivalents at the end of the year</b>	<u>286,329,378</u>	<u>229,662,731</u>

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Director

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Director

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

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

### 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 1,362 (December 31, 2018: 1,364) branches inside Pakistan including 100 (December 31, 2018: 94) Islamic Banking branches and 2 (December 31, 2018: 2) branches in Export Processing Zones. The Bank also operates 14 (December 31, 2018: 15) branches outside Pakistan. The Bank is a subsidiary of Bestway (Holdings) Limited and Bestway (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 (2018: 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 (2018: 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 (2018: 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 (2018: 98.87% 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% (2018: 98.87% 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 (2018: 100% holding)

UBL Bank (Tanzania) Limited (UBTL) was incorporated on March 13, 2012 and had commenced operations in May 2013. The Banking operations of the subsidiary ceased on November 1, 2019. Details of sale agreement and financial information are disclosed in note 14.

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

### 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 January 25, 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 accounting and reporting standards that are effective in the current year**

During the current year, IFRS 16, Leases, became effective from annual periods beginning on or after January 01, 2019. The impact of the adoption of IFRS 16 on the Bank's consolidated financial statements is disclosed in note 5.1.1.

IFRS 15 introduces a single five step revenue recognition model for all contracts with customers, unless those contracts are in the scope of other standards and, accordingly, has superseded IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to customers. The adoption of IFRS 15 does not have any material impact on the consolidated financial statements of the Group.



## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

In addition, there are certain other new standards and interpretations of and amendments to existing accounting standards that have become applicable to the Bank for accounting periods beginning on or after January 1, 2019. These are considered either to be not relevant or to not have any significant impact on the Bank's consolidated financial statements.

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

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

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
- IFRS 3 - Definition of a Business (Amendments)	January 01, 2020
- IAS 1 - Presentation of Financial Statements (Amendments)	January 01, 2020
- IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 01, 2020
- IFRS 9 - Financial Instruments: Classification and Measurement	January 01, 2021

IFRS 9 has been applicable in several overseas jurisdictions from January 1, 2018 and is progressively being adopted in others. The requirements of this standard are incorporated in the Group's financial statements for the jurisdictions where IFRS 9 has been adopted. As per the SBP's BPRD Circular Letter no. 4 dated October 23, 2019, the applicability of IFRS 9 to banks in Pakistan has been deferred to accounting periods beginning on or after January 1, 2021.

Except for the implementation of IFRS 9 in Pakistan, the Group expects that adoption of the amendments to existing accounting and reporting standards will not affect its financial statements in the period of initial application.

## 4. BASIS OF MEASUREMENT

### 4.1 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except that certain 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.

### 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 (note 8) and advances (notes 5.6 and 10.4)
- iii) income taxes (notes 5.10 and 37)
- iv) staff retirement benefits (notes 5.12 and 41)
- v) fair value of derivatives (note 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)

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

### 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 the following:

#### 5.1 Change in accounting policies

##### 5.1.1 Impact of IFRS 16 - Leases

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

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

On adoption of IFRS 16, the Group has recognised liabilities in respect of leases which had previously been classified as operating leases under IAS 17. These liabilities were initially measured at the present value of the remaining lease payments, discounted using the Bank's incremental weighted average borrowing rate of 13.18% per annum at January 1, 2019. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

	December 31, 2019	January 01, 2019
	------(Rupees in '000)-----	
Total lease liability recognised	<u>7,826,864</u>	<u>8,101,079</u>

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

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

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

	December 31, 2019	January 01, 2019
	------(Rupees in '000)-----	
Land and building	<u>7,145,558</u>	<u>8,396,393</u>

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

#### Impact on Consolidated Statement of Financial Position

Increase in fixed assets - right-of-use assets	7,145,558	8,396,393
Decrease in other assets - advances, deposits, advance rent and other prepayments	(234,381)	(295,314)
Increase in other assets - advance taxation	360,974	-
Increase in total assets	7,272,151	8,101,079
Exchange Translation	(343)	-
Increase in other liabilities - lease liability against right-of-use assets	(7,826,864)	(8,101,079)
Decrease in net assets	<u>(555,056)</u>	<u>-</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**2019**  
**(Rupees in '000)**

**Impact on Consolidated Profit and Loss account**

Increase in mark-up expense - lease liability against right-of-use assets	(1,068,434)
(Increase) / decrease in administrative expenses:	
- Depreciation on right-of-use assets	(2,112,273)
- Rent expense	2,254,204
- Other income due to derecognition of lease contract	10,473
Decrease in profit before tax	(916,030)
Decrease in tax	360,974
Decrease in profit after tax	(555,056)

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

**Operating lease commitments disclosed as at December 31, 2018** 12,790,558

**Discounted using the lessee's incremental borrowing rate of at the date of initial application** 8,110,262  
(Less): short-term leases recognised on a straight-line basis as expense (8,916)  
(Less): low value leases recognised on a straight line basis as expenses (267)

**Lease liability recognised as at January 1, 2019** 8,101,079

Of which are:

- Current lease liabilities 1,126,414  
- Non Current lease liabilities 6,974,665  
8,101,079

Earnings per share for the year ended December 31, 2019 are Re 0.45 per share lower as a result of the adoption of IFRS 16.

## **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.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019****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**

Bai Muajjal transactions represent sales of Sukuks on a deferred payment basis and are shown in lendings to financial institutions except for transactions undertaken directly with the Government of Pakistan which are disclosed as investments. The difference between the deferred payment amount receivable and the carrying value at the time of sale is accrued and recorded as income over the life of the transaction.

**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.

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

### 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.

### 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).

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

### 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.

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.

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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.

### 5.7.3 Lease liability and Right-of-use asset

The Bank leases various branches, ATMs and warehouses. Rental contracts are typically for a fixed period of 1 year to 50 years and may have extension options as described below. At inception of a contract, the Bank assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to extended (or not be terminated).

The lease liability is initially measured at the present value of the lease payments over the period lease term and that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Bank's incremental borrowing rate.

Lease payments include fixed payments less any lease incentive receivable, variable lease payment that are based on an index or a rate which are initially measured using the index or rate as at the commencement date, amounts expected to be payable by the Bank under residual value guarantees, the exercise price of a purchase option if the Banks is reasonably certain to exercise that option and payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option. The extension and termination options are incorporated in determination of lease term only when the Bank is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payment.

The lease liability is remeasured when the Bank reassesses the reasonable certainty of exercise of extension or termination option upon occurrence of either a significant event or a significant change in circumstance, or when there is a change in assessment of an option to purchase underlying asset, or when there is a change in amount expected to be payable under a residual value guarantee, or when there is a change in future lease payments resulting from a change in an index or rate used to determine those payment. The corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in profit and loss if the carrying amount of right-to-use asset has been reduced to zero.

When there is a change in scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease is accounted for as a lease modification. The lease modification is accounted for as a separate lease if modification increase the scope of lease by adding the right to use one or more underlying assets and the consideration for lease increases by an amount that is commensurate with the stand-alone price for the increase in scope adjusted to reflect the circumstances of the particular contracts, if any. When the lease modification is not accounted for as a separate lease, the lease liability is remeasured and corresponding adjustment is made to right-of-use asset.



**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

The right-of-use asset is initially measured based at the initial amount of initial measurement of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently measured at cost model. The right of use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Bank has elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognised as an expense on a straight line basis over the lease term.

**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.

**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.



## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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.

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

##### Staff retirement benefit schemes

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).

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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.

### 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.

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

### 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.

### 5.13 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.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019****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.

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.

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

### 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.

##### (b) Treasury

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

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

### 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 holding company by the weighted average number of ordinary shares outstanding during the year.

### 5.21 Acceptances

Acceptances comprise undertakings by the Group 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.

	Note	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
Local currency		12,394,957	11,659,464
Foreign currency		5,155,165	4,182,154
		17,550,122	15,841,618
With State Bank of Pakistan in			
Local currency current accounts	6.1	77,855,915	46,699,046
Foreign currency current accounts	6.2	3,431,095	3,209,866
Foreign currency deposit account	6.3	10,081,214	8,304,054
		91,368,224	58,212,966
With other central banks in			
Foreign currency current accounts	6.4	36,255,841	34,761,763
Foreign currency deposit accounts	6.5	8,694,038	12,103,156
		44,949,879	46,864,919
With National Bank of Pakistan in local currency current accounts		89,136,038	66,936,342
Prize Bonds		366,438	59,826
		<u>243,370,701</u>	<u>187,915,671</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, 2019, it carries mark-up at the rate of 0.70% (2018: 1.35%) 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 1.50% to 2.00% (2018: 2.24% to 2.50%) per annum.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Note	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
<b>7. BALANCES WITH OTHER BANKS</b>			
Inside Pakistan			
In current accounts		17	3,216
In deposit accounts	7.1	3,458	4,492,852
		3,475	4,496,068
Outside Pakistan			
In current accounts		19,811,273	11,914,322
In deposit accounts	7.2	22,907,479	25,336,670
		42,718,752	37,250,992
		42,722,227	41,747,060

**7.1** These carry mark-up at rates ranging from 5.0% to 6.5% (2018: 9.80% to 10.49%) per annum.

**7.2** These carry mark-up at rates ranging from 1.30% to 3.50% (2018: 0.13% to 5.86%) per annum. These included balances amounting to Rs. 277.724 million maintained with UBL New York branch against the statutory reserves requirement of UBL New York branch as at December 31, 2018.

	Note	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call / clean money lending		-	7,000,000
Repurchase agreement lendings (reverse repo)	8.2	9,450,000	23,500,000
Bai Muajjal receivable from other financial institutions	8.3	10,796,576	3,066,732
Other lendings to financial institutions	8.4	1,509,828	1,848,072
		21,756,404	35,414,804
Less: provision against lendings to financial institutions		-	(68,253)
Lendings to financial institutions - net of provision		21,756,404	35,346,551

**8.1 Particulars of lendings to financial institutions - gross**

In local currency	20,246,576	33,634,872
In foreign currencies	1,509,828	1,779,932
	21,756,404	35,414,804

**8.2 Securities held as collateral against repurchase agreement lendings (reverse repo)**

	2019			2018		
	Held by Group	Further given as collateral / sold	Total	Held by Group	Further given as collateral / sold	Total
	----- (Rupees in '000) -----					
Pakistan Investment Bonds	-	9,450,000	9,450,000	5,000,000	18,500,000	23,500,000

**8.2.1** The market value of securities held as collateral against repurchase agreement lendings amounted to Rs. 9,459.071 million (2018: Rs. 23,496.797 million).

**8.3** This represents Bai Muajjal agreements entered into with various financial institutions whereby the Bank has sold sukuks having carrying value of Rs. 10,682.138 million (2018: Rs. 2,992.934 million) on deferred payment basis. The average return on these transactions is 12.45% per annum (2018: 10.00% per annum).

**8.4** Lendings pertaining to overseas operations carry mark-up at rates ranging from 0.60% to 7.04% per annum (2018: 4.25% per annum) and are due to mature latest by December 2021.



# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

## 9. INVESTMENTS

### 9.1 Investments by type

INVESTMENTS		2019				2018			
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) -----									
<b>Held for trading securities</b>									
Market Treasury Bills		71,095,652	-	(7,121)	71,088,531	99,942,759	-	954	99,943,713
Pakistan Investment Bonds		47,107	-	(265)	46,842	1,621,854	-	7,570	1,629,424
		71,142,759	-	(7,386)	71,135,373	101,564,613	-	8,524	101,573,137
<b>Available for sale securities</b>									
Market Treasury Bills		182,898,327	-	149,496	183,047,823	139,865,800	-	(22,440)	139,843,360
Pakistan Investment Bonds		204,713,653	-	(6,674,197)	198,039,456	133,585,814	-	(14,268,873)	119,316,941
Government of Pakistan Eurobonds		19,657,993	(271,160)	1,291,623	20,678,456	19,793,232	(203,676)	(867,162)	18,722,394
Government of Pakistan Sukuk		9,056,189	(32,577)	23,973	9,047,585	15,145,060	(49,844)	(176,154)	14,919,062
Sukuks		1,220,000	-	-	1,220,000	105,000	-	-	105,000
Ordinary shares of listed companies		15,583,327	(5,372,566)	3,199,996	13,410,757	18,018,247	(3,047,999)	1,747,978	16,718,226
Preference shares		101,365	(64,698)	-	36,667	482,687	(446,023)	-	36,664
Ordinary shares of unlisted companies		754,150	(130,029)	-	624,121	753,812	(121,989)	-	631,823
Investment in REIT		458,590	-	62,118	520,708	458,590	-	41,273	499,863
Investment in Mutual Fund		250,000	-	2,931	252,931	-	-	-	-
Term Finance Certificates		791,519	(97,278)	-	694,241	941,297	(97,278)	(891)	843,128
Foreign bonds - sovereign		62,394,975	(582,836)	2,370,837	64,182,976	67,706,652	(378,288)	(1,266,323)	66,062,041
Foreign bonds - others		16,580,570	(39,741)	(241,305)	16,299,524	15,675,281	(46,622)	(1,320,309)	14,308,350
		514,460,658	(6,590,885)	185,472	508,055,245	412,531,472	(4,391,719)	(16,132,901)	392,006,852
<b>Held to maturity securities</b>									
Market Treasury Bills		3,458,029	-	-	3,458,029	3,124,601	-	-	3,124,601
Pakistan Investment Bonds		206,994,945	-	-	206,994,945	275,079,334	-	-	275,079,334
Government of Pakistan Eurobonds		10,448,042	(147,920)	-	10,300,122	8,788,340	(127,994)	-	8,660,346
Government of Pakistan Sukuk		1,252,731	(12,536)	-	1,240,195	1,399,305	(11,264)	-	1,388,041
Bai Muajjal with Government of Pakistan	9.4	26,443,679	-	-	26,443,679	8,300,566	-	-	8,300,566
Term Finance Certificates		5,355,210	(8,835)	-	5,346,375	6,023,053	(11,384)	-	6,011,669
Sukuks		13,725,143	(87,870)	-	13,637,273	11,921,801	(107,743)	-	11,814,058
Participation Term Certificates		437	(437)	-	-	437	(437)	-	-
Debentures		2,266	(2,266)	-	-	2,266	(2,266)	-	-
Foreign bonds - sovereign		21,379,268	(332,446)	-	21,046,822	17,251,054	(171,247)	-	17,079,807
Foreign bonds - others		1,321,635	(61,085)	-	1,260,550	1,497,873	(347,246)	-	1,150,627
Recovery note		59,157	(59,141)	-	16	428,009	(427,993)	-	16
CDC SAARC Fund		336	-	-	336	302	-	-	302
		290,440,878	(712,536)	-	289,728,342	333,816,941	(1,207,574)	-	332,609,367
<b>Associates</b>									
UBL Liquidity Plus Fund	9.9	1,460,128	-	-	1,460,128	11,700	-	-	11,700
UBL Money Market Fund	9.9	-	-	-	-	32,069	-	-	32,069
UBL Stock Advantage Fund	9.9	180,936	-	-	180,936	207,469	-	-	207,469
UBL Financial Sector Fund	9.9	359,485	-	-	359,485	119,529	-	-	119,529
UBL Income Opportunity Fund	9.9	-	-	-	-	1,542,968	-	-	1,542,968
UBL Cash Fund	9.9	106,456	-	-	106,456	-	-	-	-
Al Ameen Islamic Energy Fund	9.9	101,395	-	-	101,395	-	-	-	-
UBL Insurers Limited	9.9	499,786	-	-	499,786	414,884	-	-	414,884
Khushhali Bank Limited	9.9	2,934,591	-	-	2,934,591	2,572,719	-	-	2,572,719
Oman United Exchange Company, Muscat	9.9.1.5	-	-	-	-	68,406	-	-	68,406
DHA Cogen Limited	9.9.1.6	-	-	-	-	-	-	-	-
		5,642,777	-	-	5,642,777	4,969,744	-	-	4,969,744
<b>Total Investments</b>		881,687,072	(7,303,421)	178,086	874,561,737	852,882,770	(5,599,293)	(16,124,377)	831,159,100



# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

## 9.2 Investments by segment

	2019				2018			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	(Rupees in '000)							
<b>Federal Government Securities</b>								
Market Treasury Bills	257,452,008	-	142,375	257,594,383	239,808,559	-	(21,486)	239,787,073
Pakistan Investment Bonds	411,755,705	-	(6,674,462)	405,081,243	410,287,002	-	(14,261,303)	396,025,699
Government of Pakistan Eurobonds	30,106,035	(419,080)	1,291,623	30,978,578	28,581,572	(331,670)	(867,162)	27,382,740
Government of Pakistan Sukuk	10,308,920	(45,113)	23,973	10,287,780	16,544,365	(61,108)	(176,154)	16,307,103
Bai Muajjal Government of Pakistan	26,443,679	-	-	26,443,679	8,300,566	-	-	8,300,566
	736,066,347	(464,193)	(5,216,491)	730,385,663	703,522,064	(392,778)	(15,326,105)	687,803,181
<b>Ordinary shares</b>								
Listed companies	15,583,327	(5,372,566)	3,199,996	13,410,757	18,018,247	(3,047,999)	1,747,978	16,718,226
Unlisted companies	754,150	(130,029)	-	624,121	753,812	(121,989)	-	631,823
	16,337,477	(5,502,595)	3,199,996	14,034,878	18,772,059	(3,169,988)	1,747,978	17,350,049
<b>Preference shares</b>	101,365	(64,698)	-	36,667	482,687	(446,023)	-	36,664
<b>Investment in REIT</b>	458,590	-	62,118	520,708	458,590	-	41,273	499,863
<b>Investment in Mutual Fund</b>	250,000	-	2,931	252,931	-	-	-	-
<b>Non Government Debt Securities</b>								
Listed companies	2,702,381	(97,279)	-	2,605,102	3,493,655	(97,278)	(891)	3,395,486
Unlisted companies	18,392,194	(99,407)	-	18,292,787	15,500,199	(121,830)	-	15,378,369
	21,094,575	(196,686)	-	20,897,889	18,993,854	(219,108)	(891)	18,773,855
<b>Foreign Securities</b>								
Market Treasury Bills	-	-	-	-	3,124,601	-	-	3,124,601
Foreign bonds - sovereign	83,774,243	(915,282)	2,370,837	85,229,798	84,957,706	(549,535)	(1,266,323)	83,141,848
Foreign bonds - others	17,902,205	(100,826)	(241,305)	17,560,074	17,173,154	(393,868)	(1,320,309)	15,458,977
CDC SAARC Fund	336	-	-	336	302	-	-	302
Recovery note	59,157	(59,141)	-	16	428,009	(427,993)	-	16
	101,735,941	(1,075,249)	2,129,532	102,790,224	105,683,772	(1,371,396)	(2,586,632)	101,725,744
<b>Associates</b>								
UBL Liquidity Plus Fund	1,460,128	-	-	1,460,128	11,700	-	-	11,700
UBL Money Market Fund	-	-	-	-	32,069	-	-	32,069
UBL Stock Advantage Fund	180,936	-	-	180,936	207,469	-	-	207,469
UBL Financial Sector Fund	359,485	-	-	359,485	119,529	-	-	119,529
UBL Income opportunity Fund	-	-	-	-	1,542,968	-	-	1,542,968
UBL Cash Fund	106,456	-	-	106,456	-	-	-	-
Al Ameen Islamic Energy Fund	101,395	-	-	101,395	-	-	-	-
UBL Insurers Limited	499,786	-	-	499,786	414,884	-	-	414,884
Khushhali Bank Limited	2,934,591	-	-	2,934,591	2,572,719	-	-	2,572,719
Oman United Exchange Company, Muscat	-	-	-	-	68,406	-	-	68,406
	5,642,777	-	-	5,642,777	4,969,744	-	-	4,969,744
<b>Total Investments</b>	881,687,072	(7,303,421)	178,086	874,561,737	852,882,770	(5,599,293)	(16,124,377)	831,159,100

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Note	2019 ----- (Rupees in '000) -----	2018
<b>9.2.1 Investments given as collateral - at market value</b>			
Market Treasury Bills		67,189,682	104,483,301
Pakistan Investment Bonds		13,499,874	55,064,705
Government of Pakistan Eurobonds		-	1,457,053
Foreign bonds - sovereign		-	2,938,477
Foreign bonds - others		-	1,167,508
		<u>80,689,556</u>	<u>165,111,044</u>

**9.3 Provision for diminution in value of investments**

<b>9.3.1</b>	Opening balance		5,599,293	3,149,523
	Impact on adoption of IFRS 9		-	871,640
	Exchange adjustments		241,868	373,917
	<b>Charge / (reversals)</b>			
	Charge for the year		4,014,497	1,851,005
	Reversals		(1,621,810)	(619,067)
		36	2,392,687	1,231,938
	Amounts written off		(930,427)	(27,725)
	Closing balance	9.8	<u>7,303,421</u>	<u>5,599,293</u>

**9.3.2 Particulars of provision against debt securities**

**Category of classification**

	2019		2018	
	Non Performing Investment (NPI)	Provision	Non Performing Investment (NPI)	Provision
	----- (Rupees in '000) -----			
<b>Domestic</b>				
Loss	714,023	196,685	2,136,944	219,107
<b>Overseas</b>				
Overdue by:				
> 365 days	78,784	78,784	729,205	729,179
<b>Total</b>	<u>792,807</u>	<u>275,469</u>	<u>2,866,149</u>	<u>948,286</u>

<b>9.4 Bai Muajjal Government of Pakistan</b>	<b>2019</b> ----- (Rupees in '000) -----	<b>2018</b>
Bai Muajjal Investment	33,031,000	11,420,000
Less: Deferred Income	(6,587,321)	(3,119,434)
Bai Muajjal Investment - net	<u>26,443,679</u>	<u>8,300,566</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 million (2018: Rs. 118 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 million (2018: Rs. 5 million) held by the Controller of Military Accounts (CMA) under Regimental Fund Arrangements.

**9.7** Investments include amounts aggregating to Rs. 391.503 million (2018: Rs 1,792.177 million) which have been classified as loss in accordance with the requirements of Prudential Regulations prescribed by the SBP. Provision has however, not been made against them as these investments are secured by way of guarantee from the Government of Pakistan.

**9.8** Provision against investments includes expected credit loss (ECL) under IFRS 9 amounting to Rs: 1,460.657 million (2018: Rs: 1,035.064 million).

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

## 9.9 Investment in associates

### 9.9.1 Movement of Investment in associates \*

	Note	2019							
		Country of incorporation	Percentage Holding	Investment at the beginning of the year	Investment / (Redemption) during the year	Share of profit	Dividend received	Share of unrealized loss on assets	Investment at the end of the year
		(Rupees in '000)							
United Growth and Income Fund	9.9.1.1	Pakistan	0.00%	-	(36,516)	69,841	(33,325)	-	-
UBL Liquidity Plus Fund	9.9.1.1	Pakistan	14.85%	11,700	1,429,963	23,154	(4,689)	-	1,460,128
UBL Money Market Fund	9.9.1.1	Pakistan	0.00%	32,069	(39,848)	7,779	-	-	-
UBL Retirement Savings Fund	9.9.1.1	Pakistan	0.00%	-	-	-	-	-	-
UBL Stock Advantage Fund	9.9.1.1	Pakistan	2.87%	207,469	(87,910)	61,377	-	-	180,936
UBL Financial Planning Fund	9.9.1.1	Pakistan	0.00%	-	-	-	-	-	-
UBL Financial Sector Fund	9.9.1.1	Pakistan	36.56%	119,529	195,858	44,098	-	-	359,485
UBL Income Opportunity Fund	9.9.1.1	Pakistan	0.00%	1,542,968	(1,517,949)	1,408	(26,427)	-	-
UBL Special Savings Fund	9.9.1.1	Pakistan	0.00%	-	-	-	-	-	-
UBL Cash Fund	9.9.1.1	Pakistan	33.43%	-	100,360	6,519	(423)	-	106,456
Al Ameen Islamic Cash Fund	9.9.1.2	Pakistan	0.00%	-	-	-	-	-	-
Al Ameen Islamic Sovereign Fund	9.9.1.2	Pakistan	0.00%	-	(32)	32	-	-	-
Al Ameen Shariah Stock Fund	9.9.1.2	Pakistan	0.00%	-	-	-	-	-	-
Al Ameen Islamic Asset Allocation Fund	9.9.1.2	Pakistan	0.00%	-	-	-	-	-	-
Al Ameen Islamic Financial Planning Fund	9.9.1.2	Pakistan	0.00%	-	-	-	-	-	-
Al Ameen Islamic Financial Planning Fund II	9.9.1.2	Pakistan	0.00%	-	-	-	-	-	-
Al Ameen Islamic Energy Fund	9.9.1.2	Pakistan	49.84%	-	100,000	1,395	-	-	101,395
UBL Insurers Limited	9.9.1.3	Pakistan	30.00%	414,884	-	100,477	(15,575)	-	499,786
Khushhali Bank Limited	9.9.1.4	Pakistan	29.69%	2,572,719	-	437,887	(75,944)	(71)	2,934,591
Oman United Exchange Company, Muscat	9.9.1.5	Oman	0.00%	68,406	(91,292)	22,886	-	-	-
				4,969,744	52,634	776,853	(156,383)	(71)	5,642,777

  

	Note	2018							
		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	0.00%	-	-	-	-	-	-
UBL Government Securities Fund	9.9.1.1	Pakistan	0.00%	265,325	(258,939)	(6,386)	-	-	-
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	0.00%	-	(49)	1,752	(1,703)	-	-
Al Ameen Islamic Cash Fund	9.9.1.2	Pakistan	0.00%	367	(361)	(6)	-	-	-
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

\*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, 2019

- 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.

	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
<b>Net Assets</b>	<u>9,427,675</u>	<u>8,210,192</u>
<b>Percentage holding</b>	29.69%	29.69%
Group share of Net Assets	2,799,468	2,437,947
Government Grant	-	(351)
Goodwill	<u>135,123</u>	<u>135,123</u>
<b>Carrying amount of interest in associates</b>	<u>2,934,591</u>	<u>2,572,719</u>

- 9.9.1.5** United Bank Limited has divested its 25% shareholding in Oman United Exchange Company Limited to a local Omani business group. The transaction was completed on March 31, 2019.
- 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

	2019				2018			
	Assets	Liabilities	Revenue	Profit	Assets	Liabilities	Revenue	Profit / (loss)
	(Rupees in '000)				(Rupees in '000)			
UBL Liquidity Plus Fund	10,700,149	864,510	1,162,483	1,029,282	10,480,588	113,902	978,359	839,619
UBL Money Market Fund	4,653,720	372,498	400,015	351,207	1,688,067	22,064	118,939	100,138
UBL Stock Advantage Fund	6,457,825	163,765	1,136,731	610,693	6,478,894	203,139	(273,310)	(498,435)
UBL Financial Sector Fund	994,621	11,275	142,311	51,990	377,545	10,546	(47,336)	(57,293)
UBL Income opportunity Fund	667,517	15,860	101,192	83,002	2,236,876	7,964	95,065	90,711
UBL Cash Fund	319,423	990	12,118	11,768	-	-	-	-
Al Ameen Islamic Energy Fund	224,866	21,426	1,044	327	-	-	-	-
UBL Insurers Limited	5,754,807	4,088,854	1,769,967	307,875	4,795,524	3,412,698	1,412,471	241,327
Khushhali Bank Limited	81,714,191	72,286,516	1,027,104	202,318	70,461,754	62,251,562	8,846,637	2,431,676
Oman United Exchange Company, Muscat	-	-	-	-	309,105	35,481	181,955	(64,481)
DHA Cogen Limited	4,503,235	18,010,428	-	-	4,503,235	18,010,428	-	-

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**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  
Sukus  
Eurobonds

2019	2018
Cost	
---- (Rupees in '000) ----	
182,898,327	139,865,800
204,713,653	133,585,814
9,056,189	15,145,060
19,657,993	19,793,232
<u>416,326,162</u>	<u>308,389,906</u>

**9.10.1.2 Shares**

**Listed Companies**

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

1,083,609	2,180,204
954,589	861,004
337,311	337,311
5,282,498	5,661,660
594,497	593,890
666,558	579,373
5,697,831	5,975,088
41,654	665,808
543,544	543,543
36	36
353,314	595,323
<u>15,555,441</u>	<u>17,993,240</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 Limited  
World Bridge Connect Incorporation  
Techlogix International Limited  
Cinepax Limited  
Tri Star Shipping Company  
Pakistan Mortgage Refinance Co Limited

2019		2018	
Cost	Breakup value	Cost	Breakup value
----- (Rupees in '000) -----			
26,950	-	26,950	-
21,100	69,511	21,100	69,511
1,526	51,641	1,526	59,076
100	832,941	100	728,462
5,500	1,622,928	5,500	1,331,012
2,905	15,722	2,905	16,564
325	45	325	31
0.003	374	0.003	332
3,778	-	3,778	-
77,606	-	77,606	-
50,703	29,537	50,703	37,595
60,122	197,405	60,122	197,405
250	-	250	-
500,000	507,460	500,000	500,047
<u>750,865</u>	<u>3,327,564</u>	<u>750,865</u>	<u>2,940,035</u>

**9.10.1.3 Others**

Investment in REIT  
Preference Shares  
Mutual Funds

2019	2018
Cost	
----- (Rupees in '000) -----	
458,590	458,590
36,667	36,667
250,000	-

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**9.10.1.4 Non-Government Debt Securities**

**Listed**

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

**Unlisted**

- AAA
- AA+, AA, AA-
- Unrated

2019	2018
Cost	
----- (Rupees in '000) -----	
370,685	520,464
250,000	250,000
162,336	97,615
<u>783,021</u>	<u>868,079</u>
420,000	105,000
800,000	-
8,498	73,218
<u>1,228,498</u>	<u>178,218</u>

**9.10.2 Foreign Securities**

**9.10.2.1 Government Securities**

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

2019		2018	
Cost	Rating	Cost	Rating
----- (Rupees in '000) -----			
4,115,224	AA-	3,762,165	AA-
7,558,608	B	6,838,089	B+
3,562,863	BB-	3,415,357	B+
6,263,102	BB-	4,957,369	B
4,320,033	B+	2,834,954	B-
1,160,041	B+	2,236,569	B
1,520,018	B+	1,819,221	B
6,254,963	BB+	3,515,060	BBB-
289,052	B+	1,287,857	B+
4,133,659	BB-	3,044,348	BB-
6,851,601	AA	6,908,648	AA
-	-	2,659,053	AAA
-	-	1,061,703	AA+
1,024,056	CCC	924,364	B-
2,272,997	AA	20,241,612	AA
3,825,355	AAA	2,200,283	AAA
9,243,403	AAA	-	-
<u>62,394,975</u>		<u>67,706,652</u>	

**9.10.2.2 Non-Government Debt Securities**

**Listed**

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

2019	2018
Cost	
---- (Rupees in '000) ----	
674,429	611,172
4,272,729	3,177,868
1,320,410	3,085,094
6,725,303	5,317,795
825,277	823,059
2,762,422	2,660,293
<u>16,580,570</u>	<u>15,675,281</u>

**9.10.2.3 Equity Securities**

**Listed**

DP world - Bahrain

**Unlisted**

The Benefit Company B.S.C

27,886	25,007
3,285	2,947
<u>64,698</u>	<u>446,020</u>

**9.10.2.4 Preference Shares**

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

	2019	2018
	Cost	
	---- (Rupees in '000) ----	
<b>9.11.1 Domestic Securities</b>		
<b>9.11.1.1 Federal Government Securities - Government guaranteed</b>		
Pakistan Investment Bonds	206,994,945	275,079,334
Government of Pakistan Eurobonds	10,448,042	8,788,340
Government of Pakistan Sukuk	1,252,731	1,399,305
Bai Muajjal with Government of Pakistan	26,443,679	8,300,566
	<u>245,139,397</u>	<u>293,567,545</u>
<b>9.11.1.2 Non-Government Debt Securities</b>		
<b>Listed</b>		
- AA+, AA, AA-	<u>1,910,863</u>	<u>2,560,858</u>
<b>Unlisted</b>		
- AAA	8,740,830	10,018,430
- AA+, AA, AA-	1,706,407	2,345,018
- A+, A, A-	821,427	907,142
- Unrated	5,903,529	2,116,109
	<u>17,172,193</u>	<u>15,386,699</u>
<b>9.11.1.3 Others</b>		
CDC SAARC Fund	<u>336</u>	<u>302</u>
<b>9.11.2 Foreign Securities</b>		
<b>9.11.2.1 Government Securities</b>		
	2019	2018
	Cost Rating	Cost Rating
	----- (Rupees in '000) -----	
- Qatar	1,821,876 AA-	1,660,619 AA-
- Jordan	2,685,927 B+	2,064,107 B+
- Bahrain	2,354,816 BB-	1,656,666 B
- Egypt	3,469,278 B+	2,702,499 B-
- Kenya	1,802,397 B+	1,527,657 B
- Oman	2,755,189 BB+	1,390,286 BBB-
- Portugal	691,396 BB+	621,824 BBB-
- Sri Lanka	3,610,330 B	3,173,601 B+
- Tanzania	69,157 B+	1,479,863 B+
- Yemen	3,458,029 Unrated	2,885,435 Unrated
- Turkey	2,118,902 BB-	1,213,098 BB-
	<u>24,837,297</u>	<u>20,375,655</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**9.11.2.2 Non Government Debt Securities**

**Listed**

- BBB+, BBB, BBB-
- BB+, BB, BB-
- B+, B, B-
- Unrated

**Unlisted**

- Unrated

	2019	2018
	<b>Cost</b>	
	<b>---- (Rupees in '000) ----</b>	
	61,939	55,545
	460,440	414,174
	616,934	553,362
	162,679	173,595
	<u>1,301,992</u>	<u>1,196,676</u>
	19,643	301,197

**9.11.2.3 Other**

Recovery Note

	<u>59,157</u>	<u>428,009</u>
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**9.11.3** The market value of securities classified as held-to-maturity as at December 31, 2019 amounted to Rs. 286,750.415 million (December 31, 2018: Rs. 308,890.603 million).

**10. ADVANCES**

	Note	Performing		Non-performing		Total	
		2019	2018	2019	2018	2019	2018
		<b>----- (Rupees in '000) -----</b>					
Loans, cash credits, running finances, etc.	10.2	629,557,092	662,571,066	74,134,966	66,422,459	703,692,058	728,993,525
Islamic financings and related assets	10.7	9,027,259	22,595,094	94,043	97,156	9,121,302	22,692,250
Bills discounted and Purchased		46,023,954	60,902,866	3,218,030	2,983,692	49,241,984	63,886,558
<b>Advances - gross</b>		<u>684,608,305</u>	<u>746,069,026</u>	<u>77,447,039</u>	<u>69,503,307</u>	<u>762,055,344</u>	<u>815,572,333</u>
Provision against advances	10.4						
- Specific		-	-	(63,502,361)	(56,377,680)	(63,502,361)	(56,377,680)
- General		(3,618,520)	(4,642,931)	-	-	(3,618,520)	(4,642,931)
		<u>(3,618,520)</u>	<u>(4,642,931)</u>	<u>(63,502,361)</u>	<u>(56,377,680)</u>	<u>(67,120,881)</u>	<u>(61,020,611)</u>
<b>Advances - net of provision</b>		<u>680,989,785</u>	<u>741,426,095</u>	<u>13,944,678</u>	<u>13,125,627</u>	<u>694,934,463</u>	<u>754,551,722</u>

**10.1 Particulars of advances - gross**

	2019	2018
	<b>---- (Rupees in '000) ----</b>	
<b>10.1.1</b> In local currency	516,928,932	579,185,614
In foreign currencies	245,126,412	236,386,719
	<u>762,055,344</u>	<u>815,572,333</u>

**10.2 Includes Net Investment in finance lease as disclosed below:**

	2019				2018			
	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
	<b>----- (Rupees in '000) -----</b>							
Minimum lease payments	-	166,967	-	166,967	-	108,634	-	108,634
Financial charges for future periods	-	(58,339)	-	(58,339)	-	(31,273)	-	(31,273)
Present value of minimum lease payments	-	108,628	-	108,628	-	77,361	-	77,361



## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

**10.3** Advances include Rs. 77,447.039 million (2018: Rs. 69,503.307 million) which have been placed under non-performing status as detailed below:

Category of Classification	2019		2018	
	Non-Performing Loans	Provision	Non-Performing Loans	Provision
	(Rupees in '000)			
<b>Domestic</b>				
Other Assets Especially Mentioned*	322,139	8,561	89,546	1,113
Substandard	764,745	188,848	969,495	240,790
Doubtful	325,325	169,274	428,909	202,116
Loss	25,767,409	24,656,008	26,432,231	25,394,410
	27,179,618	25,022,691	27,920,181	25,838,429
<b>Overseas</b>				
Not past due but impaired**	6,763,366	3,086,501	3,623,373	3,064,280
Overdue by:				
Upto 90 days	2,804,905	647,984	7,986,841	2,731,329
91 to 180 days	1,643,198	987,640	2,152,622	2,090,614
181 to 365 days	5,518,289	4,967,136	2,327,966	2,000,233
> 365 days	33,537,663	28,790,409	25,492,324	20,652,795
	50,267,421	38,479,670	41,583,126	30,539,251
<b>Total</b>	<b>77,447,039</b>	<b>63,502,361</b>	<b>69,503,307</b>	<b>56,377,680</b>

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

\*\* Not past due but impaired category mainly represents restructured exposure which has not been declassified.

### 10.4 Particulars of provision against advances

Note	2019			2018		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	56,377,680	4,642,931	61,020,611	40,932,306	3,506,469	44,438,775
Impact on adoption of IFRS 9	-	-	-	-	1,322,147	1,322,147
Exchange adjustments	3,575,975	280,401	3,856,376	5,395,301	797,076	6,192,377
<b>Charge / (reversals)</b>						
Charge for the year	9,660,851	25,209	9,686,060	14,490,257	6,721	14,496,978
Reversals	(3,568,092)	(1,273,203)	(4,841,295)	(2,369,014)	(989,482)	(3,358,496)
	6,092,759	(1,247,994)	4,844,765	12,121,243	(982,761)	11,138,482
Transfers in - net	210,565	(56,818)	153,747	58,650	-	58,650
Amounts written off	(2,754,618)	-	(2,754,618)	(2,129,820)	-	(2,129,820)
Closing balance	63,502,361	3,618,520	67,120,881	56,377,680	4,642,931	61,020,611

**10.4.1** General provision represents provision amounting to Rs. 328.342 million (December 31, 2018: Rs. 303.132 million) against consumer finance portfolio as required by the Prudential Regulations issued by the SBP and Rs. 3,290.178 million (December 31, 2018: Rs. 4,339.799 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.

**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. 35.131 million (December 31, 2018: Rs. 20.009 million). The FSV benefit availed is not available for the distribution of cash or stock dividend to shareholders.

The Bank has also availed FSV benefit of certain mortgaged properties held as collateral against non-performing advances of overseas branches in accordance with the applicable regulation in the respective countries where the branches operate. Had the benefit not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 5,180.474 million (2018: Rs. 5,769.930 million) for the overseas branches.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
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**10.4.3 Particulars of provision against advances**

	2019			2018		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	23,712,429	382,342	24,094,771	25,749,531	303,132	26,052,663
In foreign currencies	39,789,932	3,236,178	43,026,110	30,628,149	4,339,799	34,967,948
	<u>63,502,361</u>	<u>3,618,520</u>	<u>67,120,881</u>	<u>56,377,680</u>	<u>4,642,931</u>	<u>61,020,611</u>

	Note	2019	2018
		(Rupees in '000)	
<b>10.5 Particulars of write-offs</b>			
<b>10.5.1</b> Against provisions	10.4	2,754,618	2,129,820
Directly charged to profit and loss account		149,591	130,830
		<u>2,904,209</u>	<u>2,260,650</u>
<b>10.5.2</b> - Write-offs of Rs. 500,000 and above			
Domestic	10.6	107,336	14,851
Overseas		2,742,502	875,344
		<u>2,849,838</u>	<u>890,195</u>
- Write-offs of below Rs. 500,000		54,371	128,868
Write-offs in subsidiaries		-	1,241,587
		<u>2,904,209</u>	<u>2,260,650</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 and is an integral part of these consolidated financial statements.

	Note	2019	2018
		(Rupees in '000)	
<b>11. FIXED ASSETS</b>			
Capital work-in-progress	11.1	541,722	944,233
Property and equipment	11.2	57,734,689	49,954,047
		<u>58,276,411</u>	<u>50,898,280</u>
<b>11.1 Capital work-in-progress</b>			
Civil works		370,308	585,087
Equipment		171,414	359,146
		<u>541,722</u>	<u>944,233</u>

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

### 11.2 Property and equipment

	2019									
	Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Leasehold Improve-ments	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Right-of-use Asset - Property	Total
	Rupees '000									
<b>At January 1, 2019</b>										
Cost / Revalued amount	6,433,625	21,767,359	8,160,119	6,944,070	4,959,090	2,442,434	13,585,230	482,725	-	64,774,652
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	7,524,004	6,698,213	2,036,584	1,003,811	4,223,009	191,883	-	49,876,713
<b>Year ended December 2019</b>										
Opening net book value	6,433,625	21,765,584	7,524,004	6,698,213	2,036,584	1,003,811	4,223,009	191,883	-	49,876,713
Impact of adoption of IFRS 16 at January 1, 2019	-	-	-	-	-	-	-	-	8,396,393	8,396,393
Additions	-	-	1,061	13,832	901,648	170,985	1,830,305	19,104	824,569	3,761,504
Movement in surplus during the year	-	-	300,597	-	-	-	-	-	-	300,597
Disposals	-	(252,050)	(134,168)	(18,454)	(29,668)	(111)	(27,015)	(11,977)	-	(473,443)
Depreciation charge	-	-	(120,709)	(264,096)	(427,938)	(186,321)	(1,749,116)	(58,011)	(2,112,273)	(4,918,464)
Exchange rate adjustments	-	34	717,117	395	1,157	5,502	29,577	738	36,869	791,389
Closing net book value	6,433,625	21,513,568	8,287,902	6,429,890	2,481,783	993,866	4,306,760	141,737	7,145,558	57,734,689
<b>At December 31, 2019</b>										
Cost / Revalued amount	6,433,625	21,515,547	9,131,960	6,924,511	5,865,596	2,650,850	15,432,002	369,444	9,169,956	77,493,491
Accumulated depreciation	-	(1,979)	(844,058)	(494,621)	(3,383,813)	(1,656,984)	(11,125,242)	(227,707)	(2,024,398)	(19,758,802)
Net book value	6,433,625	21,513,568	8,287,902	6,429,890	2,481,783	993,866	4,306,760	141,737	7,145,558	57,734,689
Rate of depreciation (percentage)	-	-	2 - 5	2.5 - 10	10 - 20	10 - 25	10 - 67	20 - 25	4 - 100	-
	2018									
	Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Leasehold Improve-ments	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Right-of-use Asset - Property	Total
	Rupees '000									
<b>At January 1, 2018</b>										
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
<b>Year ended December 2018</b>										
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)
Net Disposals (Book Value)	-	(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)
Net 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
<b>At December 31, 2018</b>										
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	-	-

### 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, 2019 amounts to Rs. 25,872.298 million.

The properties of UBL UK were last revalued by independent professional valuer, Quantum Valuation LLP, as at December 31, 2019. The total surplus arising against the revaluation of fixed assets as at December 31, 2019 amounts to Rs. 4,293.226 million.

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
Freehold land	782,581	782,581
Leasehold land	3,331,039	3,318,680
Buildings on freehold land	3,423,335	3,472,062
Buildings on leasehold land	4,962,504	5,182,155
<b>11.4</b> Carrying amount of temporarily idle properties of the Group	<u>82,420</u>	<u>82,420</u>
<b>11.5</b> The cost of fully depreciated assets still in use		
Furniture and fixtures	679,284	604,267
Electrical, office and computer equipment	6,026,942	5,738,511
Vehicles	52,446	84,903
Building on freehold land	-	15,305
Building on leasehold land	-	42,114
Leasehold improvements	<u>1,271,817</u>	<u>1,070,576</u>
	<u>8,030,489</u>	<u>7,555,676</u>
<b>11.6</b> 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.

	Note	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
<b>12</b> INTANGIBLE ASSETS			
Capital work-in-progress		262,404	224,823
Intangible assets	12.1	<u>1,808,534</u>	<u>1,651,271</u>
		<u>2,070,938</u>	<u>1,876,094</u>
<b>12.1</b> At January 1			
Cost		5,831,215	4,537,089
Accumulated amortisation and impairment		<u>(4,179,944)</u>	<u>(3,440,523)</u>
Net book value		<u>1,651,271</u>	<u>1,096,566</u>
<b>Year ended December</b>			
Opening net book value		1,651,271	1,096,566
Additions		820,004	1,085,392
Disposals		(1,759)	(38,370)
Amortisation charge		(701,155)	(562,568)
Exchange rate adjustments		40,173	70,251
Closing net book value		<u>1,808,534</u>	<u>1,651,271</u>
<b>At December 31</b>			
Cost		6,845,905	5,831,215
Accumulated amortisation and impairment		<u>(5,037,371)</u>	<u>(4,179,944)</u>
Net book value		<u>1,808,534</u>	<u>1,651,271</u>
Rate of amortisation (percentage)		<u>10-33.33</u>	<u>10-33.33</u>
Useful life (in years)		<u>3 - 10</u>	<u>3 - 10</u>
<b>12.2</b> The cost of fully amortised assets still in use			
Software		<u>2,506,780</u>	<u>2,168,950</u>

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

13. DEFERRED TAX ASSETS		13.1	2019	2018
			----- (Rupees in '000) -----	----- (Rupees in '000) -----
Deferred tax assets			<u>1,723,553</u>	<u>6,685,952</u>

## 13.1 Movement in temporary differences during the year

	2019			
	At January 1, 2019	Recognised in profit and loss account	Recognised in OCI	At December 31, 2019
	----- (Rupees in '000) -----			
Deductible temporary differences on				
- Tax losses carried forward	233,360	-	(233,360)	-
- Post-retirement employee benefits	404,016	103,173	330,237	837,426
- Provision against advances, off-balance sheet etc.	2,292,249	999,627	-	3,291,876
- Surplus on revaluation of investments	4,960,471	43,339	(5,379,148)	(375,338)
- Workers' Welfare Fund	1,083,350	412,508	-	1,495,858
- Others	309,048	(864,398)	34,733	(520,617)
	<u>9,282,494</u>	<u>694,249</u>	<u>(5,247,538)</u>	<u>4,729,205</u>
Taxable temporary differences on				
- Surplus on revaluation of fixed assets / non-banking assets	(1,412,044)	32,786	39,953	(1,339,305)
- Share of profit from Associates	(680,832)	(241,282)	-	(922,114)
- Accelerated tax depreciation and others	(503,666)	(240,567)	-	(744,233)
	<u>(2,596,542)</u>	<u>(449,063)</u>	<u>39,953</u>	<u>(3,005,652)</u>
	<u>6,685,952</u>	<u>245,186</u>	<u>(5,207,585)</u>	<u>1,723,553</u>
	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	72,783	125,241	205,992	404,016
- Provision against advances, off-balance sheet etc.	1,107,929	1,184,320	-	2,292,249
- Workers' Welfare Fund	901,831	181,519	-	1,083,350
- Others	7,177	132	301,739	309,048
	<u>2,648,963</u>	<u>1,081,636</u>	<u>591,424</u>	<u>4,322,023</u>
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)
- Surplus on revaluation of investments	(2,983,824)	(217,383)	8,161,678	4,960,471
- Accelerated tax depreciation and others	(973,183)	-	469,517	(503,666)
	<u>(5,629,429)</u>	<u>(435,772)</u>	<u>8,429,130</u>	<u>2,363,929</u>
	<u>(2,980,466)</u>	<u>645,864</u>	<u>9,020,554</u>	<u>6,685,952</u>

## 14. DISCONTINUED OPERATION

UBL Bank (Tanzania) Limited ('UBTL') is a wholly owned subsidiary of United Bank Limited. UBTL sold materially all of its assets and liabilities at October 31, 2019, including the loans and advances and deposit book to EXIM Bank Tanzania Limited ('Exim'), in line with the Asset and Liabilities Purchase Agreement signed on May 22, 2019. The control of these assets and liabilities was transferred to Exim effective from November 1, 2019. The purchase consideration for the sale of assets and liabilities to Exim was Tanzanian Shillings (TZs) 3.3 billion (equivalent to Rs. 222.206 million) compared to the book value (fair value adjustments arising as a result of the transaction) of TZs 2.1 billion (equivalent to Rs. 142.095 million). The Banking operations of the subsidiary ceased on November 1, 2019. UBTL is in preparation for the winding up and voluntary liquidation.

### 14.1 Assets and liabilities under discontinued operation

	December 31, 2019
	Rupees in '000
<b>Assets</b>	
Balances with other banks	<u>236,450</u>
<b>Liabilities</b>	
Other liabilities	<u>17,936</u>

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14.2	Loss from discontinued operation		2019	2018
			Rupees in '000	
	Mark-up / return / interest earned		396,413	529,147
	Mark-up / return / interest expensed		148,114	224,732
	Net mark-up / interest income		248,299	304,415
	<b>Non mark-up / interest income</b>			
	Fee and commission income		44,227	27,470
	Foreign exchange loss		(9,811)	6,502
	Loss on securities - net		(10,539)	(878)
	Other income		33,074	-
	Total non mark-up / interest income		56,951	33,094
	<b>Total income</b>		305,250	337,509
	<b>Non mark-up / interest expenses</b>			
	Operating expenses		635,337	445,946
	Loss on fair value measurement		536,145	-
	Total non mark-up / interest expenses		1,171,482	445,946
	<b>Loss before provisions</b>		(866,232)	(108,437)
	Provisions and write-offs - net		93,370	55,824
	<b>Loss before taxation</b>		(959,602)	(164,261)
	Taxation		265,596	(46,454)
	<b>Loss after taxation for the year</b>		(1,225,198)	(117,807)
15.	OTHER ASSETS	Note	2019	2018
			----- (Rupees in '000) -----	
	Income / mark-up accrued in local currency - net of provision		28,748,779	22,185,596
	Income / mark-up accrued in foreign currency - net of provision		2,599,478	4,407,074
			31,348,257	26,592,670
	Advance taxation - net of provision for taxation	15.1	19,684,137	24,938,007
	Receivable from staff retirement fund		217,633	321,349
	Receivable from other banks against telegraphic transfers and demand drafts		201,592	88,354
	Unrealized gain on forward foreign exchange contracts		7,376,206	5,205,860
	Rebate receivable - net		2,142,484	1,055,900
	Unrealized gain on derivative financial instruments		15,216	5,868
	Suspense accounts		871,766	781,887
	Stationery and stamps on hand		287,314	99,757
	Non-banking assets acquired in satisfaction of claims		1,071,034	1,597,124
	Advances, deposits, advance rent and other prepayments		1,345,735	1,539,158
	Acceptances		17,366,169	28,157,111
	Others		3,418,433	2,842,330
			85,345,976	93,225,375
	Provision held against other assets	15.3	(1,271,877)	(1,086,072)
	Other assets - net of provision		84,074,099	92,139,303
	Surplus on revaluation of non-banking assets acquired in satisfaction of claims	24.3 & 15.2.2	11,341	173,141
	<b>Other assets - total</b>		84,085,440	92,312,444

**15.1** The Income Tax returns of the Bank have been filed up to the tax year 2019 (accounting year ended December 31, 2018) and were deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (Ordinance).

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

The income tax authorities have issued amended assessment orders for the tax years 2003 to 2019, and created additional tax demands (including disallowances of provisions made prior to Seventh Schedule) of Rs.11,610 million (2018: Rs.13,119 million), which have been fully paid as required under the law. The Bank has filed appeals before the various appellate forums against these amendments. Where the appellate authorities have allowed relief on certain issues, the assessing authorities have filed appeals before higher appellate forums. Where the appellate authorities have not allowed relief the Bank has filed appeals before higher appellate forums. The management of the Bank is confident that the appeals will be decided in favor of the Bank.

The tax returns for Azad Kashmir (AK) Branches have been filed upto the tax year 2019 (financial year 2018) and the tax returns of Gilgit Baltistan (GB) branches have been filed upto tax year 2019 (financial year 2018) under the provisions of section 120(1) read with section 114 of the Ordinance and in compliance with the terms of the agreement between banks and the Azad Kashmir Council in May 2005. The returns filed are considered as deemed assessment orders under the law.

The tax authorities have also carried out monitoring for Federal Excise Duty, Sales tax and withholding taxes covering period from year ended 2007 to 2017. Consequently various addbacks and demands were raised creating a total demand of Rs. 889 million (2018: Rs. 995 million). The Bank has filed appeals against all such demands and is confident that these would be decided in the favor of the Bank.

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

The Bank has received corrective tax assessment of QAR 1 million (Rs: 42.553 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, USAG, UBL FM and UET income tax returns have been filed up to the accounting year ended December 31, 2018 under the provisions of the laws prevailing in the respective countries and are deemed as assessed unless opened for reassessment by the tax authorities. Additionally, tax clearance has been issued for USAG, UBL UK, and UBL till the accounting year 2018, 2017 and 2016. There are no material tax contingencies in any of the subsidiaries.

	Note	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
<b>15.2 Market value of Non-banking assets acquired in satisfaction of claims</b>	15.2.2	<u>1,082,375</u>	<u>1,770,265</u>
<b>15.2.1</b>	During the current year, the valuation of non-banking assets acquired in satisfaction of the claims were carried out by M.J. Surveyors (Private) Limited and MYK Associates from among the approved list of valuer of Pakistan Banker's Association.		
<b>15.2.2 Non-banking assets acquired in satisfaction of claims</b>		<b>2019 ----- (Rupees in '000) -----</b>	<b>2018 ----- (Rupees in '000) -----</b>
Opening Balance		1,770,265	1,786,011
Additions		111,180	465,266
Revaluation		(10,689)	49,604
Disposals		(769,046)	(563,165)
Impairment		(39,595)	-
Exchange Impact		20,260	32,549
		<u>1,082,375</u>	<u>1,770,265</u>
<b>15.3 Provision held against other assets</b>			
Advances, deposits, advance rent and other prepayments		547,536	571,597
Non banking assets acquired in satisfaction of claims		85,200	104,512
Fraud and forgery		639,141	409,963
		<u>1,271,877</u>	<u>1,086,072</u>



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	Note	2019 ----- (Rupees in '000) -----	2018
<b>15.3.1 Movement of provision held against other assets</b>			
Opening balance		1,086,072	1,252,193
Exchange adjustments		2,930	2,112
<b>Charge / (reversals)</b>			
Charge for the year		326,810	169,957
Reversals		(72,670)	(163,434)
	36	254,140	6,523
Transfers in - net		(17,000)	15,892
Amounts written off		(54,265)	(190,648)
Closing balance		1,271,877	1,086,072
<b>16. CONTINGENT ASSETS</b>			
There were no contingent assets as at the statement of financial position date.			
<b>17. BILLS PAYABLE</b>			
In Pakistan		22,500,509	26,724,282
Outside Pakistan		428,711	548,685
		22,929,220	27,272,967
<b>18. BORROWINGS</b>			
<b>18.1 Particulars of borrowings</b>			
In local currency		138,528,835	238,184,708
In foreign currencies		31,876,225	41,733,417
		170,405,060	279,918,125
<b>18.2 Details of borrowings</b>			
<b>Secured</b>			
Borrowings from the State Bank of Pakistan under:			
Export refinance scheme	18.3	30,354,891	28,120,012
Refinance facility for modernization of SMEs	18.4	10,022	11,204
Long term financing facility	18.5	22,959,023	21,871,486
		53,323,936	50,002,702
Repurchase agreement borrowings	18.6	74,748,710	133,315,545
Bai Muajjal payable to other financial institutions		13,812,921	49,878,076
		141,885,567	233,196,323
<b>Unsecured</b>			
Call borrowings	18.7	4,680,579	18,936,178
Overdrawn nostro accounts		591,123	1,936,041
Money market deals	18.8	23,247,791	25,849,583
		28,519,493	46,721,802
		170,405,060	279,918,125
<b>18.3</b>	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 2020. These carry mark-up at rates ranging from 1.00% to 2.00% per annum (2018: 1.00% to 2.00% per annum).		



## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

- 18.4** 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 October 2024 and carry mark-up at rates of 5.00% per annum (2018: 2.00% to 6.25% per annum).
- 18.5** 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 September 2030. These carry mark-up at rates ranging from 2.00% to 9.70% (2018: 2.00% to 9.70% per annum).
- 18.6** 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 0.82% to 13.29% per annum (2018: 3.27% to 10.35% per annum). These borrowings are repayable latest by January 2020. The market value of securities given as collateral against these borrowings is given in note 9.2.1.
- 18.7** These are unsecured borrowings carrying mark-up at rates ranging from 1.75% to 12.52% per annum (2018: 2.0% to 10.25% per annum), and are repayable latest by April 2020.
- 18.8** These borrowings carry mark-up at rates ranging from 3.21% to 4.20% per annum (2018: 3.25% to 4.64% per annum), and are repayable latest by June 2020.

### 19. DEPOSITS AND OTHER ACCOUNTS

	2019			2018		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
----- (Rupees in '000) -----						
<b>Customers</b>						
Fixed deposits	141,228,719	235,996,785	377,225,504	126,191,096	231,511,195	357,702,291
Savings deposits	450,326,401	35,690,677	486,017,078	392,861,499	45,176,640	438,038,139
Sundry deposits	12,592,638	1,289,671	13,882,309	11,768,321	1,055,683	12,824,004
Margin deposits	2,825,918	2,960,268	5,786,186	2,962,920	3,404,673	6,367,593
Current accounts - remunerative	1,799,190	8,392,401	10,191,591	965,509	7,089,695	8,055,204
Current accounts - non-remunerative	449,952,467	119,035,082	568,987,549	449,938,039	106,392,768	556,330,807
	1,058,725,333	403,364,884	1,462,090,217	984,687,384	394,630,654	1,379,318,038
<b>Financial Institutions</b>						
Current deposits	26,897,943	4,743,731	31,641,674	21,804,360	3,840,911	25,645,271
Savings deposits	36,132,073	25,334	36,157,407	30,509,483	-	30,509,483
Term deposits	25,783,802	2,322,206	28,106,008	11,301,901	1,549,348	12,851,249
	88,813,818	7,091,271	95,905,089	63,615,744	5,390,259	69,006,003
	1,147,539,151	410,456,155	1,557,995,306	1,048,303,128	400,020,913	1,448,324,041

19.1 Composition of deposits	2019	2018
	----- (Rupees in '000) -----	
- Individuals	893,983,544	838,746,377
- Government (Federal and Provincial)	68,423,163	57,839,039
- Public Sector Entities	93,003,677	74,543,165
- Banking Companies	37,048,530	14,897,848
- Non-Banking Financial Institutions	58,856,559	53,483,504
- Private Sector	406,679,833	408,814,108
	<u>1,557,995,306</u>	<u>1,448,324,041</u>

This includes deposits eligible to be covered under insurance arrangements in accordance with DPC Circular No. 04 dated June 22, 2018 amounting to Rs. 858,296.718 million (2018: Rs. 813,924.260 million).

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**20. 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 (2018: 12.39% per annum). The amount of future minimum lease payments, and the periods during which they become due are as follows:

	2019			2018		
	Minimum lease payments	Finance charges for future periods	Principal Outstanding	Minimum lease payments	Finance charges for future periods	Principal Outstanding
	----- (Rupees in '000) -----					
Not later than one year	5,180	832	4,348	4,955	733	4,222
Later than one year and not later than five years	15,549	802	14,747	6,748	970	5,778
	<u>20,729</u>	<u>1,634</u>	<u>19,095</u>	<u>11,703</u>	<u>1,703</u>	<u>10,000</u>

**21. SUBORDINATED DEBT**

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

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

<b>Issue Size</b>	Rs. 10,000 million
<b>Issue Date</b>	January 29, 2019
<b>Tenor</b>	Perpetual (i.e. no fixed or final redemption date)
<b>Rating</b>	"AA+" (Double A Plus) by JCR-VIS Credit Rating Company Limited
<b>Security</b>	Unsecured
<b>Mark-up rate</b>	The TFCs shall carry mark-up at the rate of 3 Month KIBOR + 1.55%.
<b>Mark-up payment frequency</b>	Profit / Mark-up shall be payable quarterly in arrears, on a non-cumulative basis
<b>Call option</b>	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.
<b>Lock-in clause</b>	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.
<b>Loss absorbency clause</b>	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.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
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	Note	2019 ----- (Rupees in '000) -----	2018
<b>22. OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		8,964,544	12,352,461
Mark-up / return / interest payable in foreign currency		2,195,349	2,403,423
		11,159,893	14,755,884
Accrued expenses		4,197,747	4,443,787
Branch adjustment account		227,951	848,267
Deferred income		942,005	617,099
Unearned commission and income on bills discounted		921,121	1,297,833
Provision against off-balance sheet obligations	22.1	632,785	842,545
Unrealized loss on forward foreign exchange contracts		6,979,761	3,743,347
Trading liability		6,120,767	3,750,654
Payable to staff retirement fund		736,313	972,584
Deferred liabilities	22.2	3,887,845	3,685,997
Unrealized loss on derivative financial instruments		18,155	82,047
Workers' Welfare Fund payable		3,878,370	3,130,511
Liabilities against ATM settlement		1,308,571	585,662
Insurance payable against consumer assets		449,263	410,466
Dividend payable		538,884	521,612
Acceptances		17,366,169	28,157,111
Charity fund balance		3,494	2,597
Lease Liability		7,826,864	-
Others		4,303,878	1,495,879
		<u>71,499,836</u>	<u>69,343,882</u>
<b>22.1 Provision against off-balance sheet obligations</b>			
Opening balance		842,545	73,692
Impact on adoption of IFRS 9		-	211,244
Exchange adjustments		82,610	94,309
Charge	36	288,288	463,300
Reversals		(240,850)	-
		47,438	463,300
Transfer out - net		(339,808)	-
		<u>632,785</u>	<u>842,545</u>
<b>22.2 Deferred liabilities</b>			
Provision for post retirement medical benefits	41.1.4	1,950,906	1,821,847
Provision for compensated absences		1,037,908	1,166,399
Deferred liability for outsourced services		272,635	207,963
Deferred liability - overseas		626,396	489,788
		<u>3,887,845</u>	<u>3,685,997</u>
<b>22.3</b>	The total cash outflow for leases during the year was Rs 2,195.458 million.		
<b>23. SHARE CAPITAL</b>			
<b>23.1 Authorized Capital</b>			
		2019	2018
		----- (Rupees in '000) -----	
		2,000,000,000	2,000,000,000
	Ordinary shares of Rs.10 each	<u>20,000,000</u>	<u>20,000,000</u>
<b>23.2 Issued, subscribed and paid-up capital</b>			
		2019	2018
		----- (Rupees in '000) -----	
		518,000,000	518,000,000
	Issued for cash	<u>706,179,687</u>	<u>706,179,687</u>
	Issued as bonus shares	<u>1,224,179,687</u>	<u>1,224,179,687</u>
	Fully paid-up ordinary shares of Rs.10 each	<u>5,180,000</u>	<u>5,180,000</u>
		<u>7,061,798</u>	<u>7,061,798</u>
		<u>12,241,798</u>	<u>12,241,798</u>

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

Holders of GDRs are entitled, subject to the provisions of the depository agreement, to receive dividends, if any, and rank pari passu with other equity shareholders in respect of such entitlement. However, the holders of GDRs have no voting rights or other direct rights of shareholders with respect to the ordinary shares underlying such GDRs. Subject to the terms and restrictions set out in the offering circular dated June 25, 2007, the deposited ordinary shares in respect of which the GDRs were issued may be withdrawn by the GDR holders from the depository facility. Upon withdrawal, the holders will rank pari passu with other ordinary shareholders in respect of voting powers. As at December 31, 2019, 248,067 (2018: 248,067) GDRs, representing 992,266 (2018: 992,266) shares were in issue.

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

Name of shareholders	2019		2018	
	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, 2019, Bestway Group (Bestway) held 61.48% (2018: 61.46%) shareholding (including GDRs) of the Bank.

23.5 Shares of the Bank held by its associates	Note	2019	2018
		----- (Number of shares) -----	
UBL Financial Sector Fund		479,400	-

24. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX		2019	2018
		----- (Rupees in '000) -----	Restated
Surplus / (deficit) arising on revaluation of assets - net of tax			
Fixed assets	24.1	27,184,005	27,117,327
Available for sale securities	24.2	189,650	(10,230,180)
Non-banking assets acquired in satisfaction of claims	24.3	31,071	105,856
Deficit arising on revaluation of assets of associates		(168)	(97)
		<u>27,404,558</u>	<u>16,992,906</u>

## 24.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets as at January 1		29,742,871	29,234,547
Revaluation against fixed assets during the year		227,612	74,294
Realised on disposal during the year		(263,135)	-
Exchange adjustments		548,326	522,604
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(55,691)	(58,175)
Related deferred tax liability on incremental depreciation charged during the year		(34,457)	(30,399)
		<u>422,655</u>	<u>508,324</u>
		30,165,526	29,742,871
Less: Related deferred tax liability on			
Revaluation as on January 1		1,344,759	1,139,102
Surplus realised on disposal of fixed assets during the year		(826)	-
Impact of change of deferred tax rate		77,907	-
Reversal of revaluation against fixed assets during the year		(179,746)	152,745
Exchange adjustments		111,803	83,311
Incremental depreciation charged on related assets		(34,457)	(30,399)
	13.1	<u>1,319,440</u>	<u>1,344,759</u>
		28,846,086	28,398,112
Share of Non-controlling interest		(1,662,081)	(1,280,785)
Group's share		<u>27,184,005</u>	<u>27,117,327</u>

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		2019	2018
		----- (Rupees in '000) -----	
<b>24.2</b>	<b>Surplus / (deficit) on revaluation of available for sale securities</b>		
Market Treasury Bills		149,496	(22,440)
Pakistan Investment Bonds		(6,674,197)	(14,268,873)
Listed shares		3,202,927	1,747,980
REIT Scheme		62,118	41,273
Term Finance Certificates, Sukuks, other bonds etc.		23,973	(136,173)
Foreign bonds		3,421,155	(3,494,668)
		185,472	(16,132,901)
Related deferred tax		(375,338)	4,960,471
		(189,866)	(11,172,430)
Share of Non controlling interest		379,516	942,250
Group's share		189,650	(10,230,180)
<b>24.3</b>	<b>Surplus on revaluation of non-banking assets</b>		
Surplus on revaluation of non-banking assets as at January 1		173,141	183,405
Revaluation of non-banking assets during the year		(7,822)	28,611
Realised on disposal during the year		(114,383)	(38,875)
		(122,205)	(10,264)
		50,936	173,141
Less: Related deferred tax liability on			
Revaluation as at January 1		67,285	70,877
Revaluation of non-banking assets during the year		(3,051)	10,014
Surplus realised on disposal of non-banking assets during the year		(44,369)	(13,606)
		19,865	67,285
		31,071	105,856
		<b>2019</b>	
		<b>UNBL</b>	<b>UBLFM</b>
		<b>45%</b>	<b>1.13%</b>
		----- (Rupees in '000) -----	
<b>25.</b>	<b>NON-CONTROLLING INTEREST</b>		
Assets		104,270,398	2,363,489
Liabilities		88,284,204	587,563
<b>Net assets</b>		15,986,194	1,775,926
<b>Net assets attributable to NCI</b>		7,193,787	20,068
<b>25.1</b>	<b>Key financial information</b>		
Income (Mark-up & Non-Markup)		3,810,124	996,682
Expenses (including provisions)		(3,918,951)	(808,304)
<b>Profit for the year</b>		(108,827)	188,378
<b>Other comprehensive income for the year</b>		3,783,813	-
<b>Total Comprehensive Income</b>		3,674,986	188,378
<b>(Loss) / profit allocated to NCI</b>		(48,972)	2,129
<b>OCI allocated to NCI</b>		1,702,716	-
Cashflows from operating activities		(7,983,629)	203,143
Cashflows from investing activities		8,657,618	3,156
Cashflows from financing activities		637,409	(200,866)
		1,311,398	5,433

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	Note	2019	2018 (Restated)
<b>26. CONTINGENCIES AND COMMITMENTS</b>		<b>----- (Rupees in '000) -----</b>	
- Guarantees	26.1	170,755,664	200,504,069
- Commitments	26.2	1,278,107,824	995,326,122
- Other contingent liabilities	26.3	15,089,090	15,624,099
		<u>1,463,952,578</u>	<u>1,211,454,290</u>
<b>26.1 Guarantees:</b>		<b>2019</b>	<b>2018</b>
		<b>----- (Rupees in '000) -----</b>	
Financial guarantees		41,444,410	22,982,305
Performance guarantees		129,311,254	177,521,764
		<u>170,755,664</u>	<u>200,504,069</u>
<b>26.2 Commitments:</b>			
Documentary credits and short-term trade-related transactions			
- letters of credit		168,383,418	182,425,343
Commitments in respect of:			
- forward foreign exchange contracts	26.2.2	962,345,777	650,576,446
- forward government securities transactions	26.2.3	14,307,720	15,946,089
- derivatives			
Interest rate swaps	26.2.4	316,500	1,674,764
FX options	26.2.4	122,594	1,159,752
- forward lending	26.2.5	130,389,022	129,068,240
- operating leases	26.2.6	190,863	12,546,885
Commitments for acquisition of:			
- operating fixed assets	26.2.7	2,031,196	1,928,603
- intangible	26.2.7	7,103	-
Others		13,631	-
		<u>1,278,107,824</u>	<u>995,326,122</u>
<b>26.2.1 Commitments to extend credit</b>			
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.			
<b>26.2.2 Commitments in respect of forward foreign exchange contracts</b>		<b>2019</b>	<b>2018</b>
		<b>----- (Rupees in '000) -----</b>	
Purchase		508,996,241	347,426,249
Sale		453,349,536	303,150,197
<b>26.2.3 Commitments in respect of forward government securities transactions</b>			
Purchase		3,043,541	13,619,209
Sale		11,264,179	2,326,880
<b>26.2.4 Commitments in respect of derivatives</b>			
Interest rate swaps		316,500	1,674,764
FX options - purchased		61,297	579,876
FX options - sold		61,297	579,876

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	Note	2019 ----- (Rupees in '000) -----	2018
<b>26.2.5 Commitments in respect of forward lending</b>			
Undrawn formal standby facilities, credit lines and other commitments to lend	26.2.5.1	71,503,628	65,695,154
Others		58,885,394	63,373,086
		<u>130,389,022</u>	<u>129,068,240</u>

**26.2.5.1** 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	2019 ----- (Rupees in '000) -----	2018
<b>26.2.6 Commitments in respect of operating leases</b>			
Not later than one year		48,366	1,960,629
Later than one year and not later than five years		69,053	6,564,894
Later than five years		73,444	4,021,362
		<u>190,863</u>	<u>12,546,885</u>
<b>26.2.7 Commitments in respect of capital expenditure</b>		<u>2,038,299</u>	<u>1,928,603</u>

**26.3 Other contingencies**

Claims against the Group not acknowledged as debts	26.3.1	<u>10,999,787</u>	<u>11,534,796</u>
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**26.3.1** 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.

**26.3.2** During 2016, penalties amounting to Rs. 4.089 billion were levied by the FE Adjudication Court of the State Bank of Pakistan relating to alleged contraventions of the requirements of foreign exchange regulations with respect to issuance and certification of E-Forms by the Bank to certain customers (exporters) who failed to submit the export documents there against. Consequently, foreign exchange on account of export proceeds have not been repatriated. The Bank maintains that it fully discharged its liability, in accordance with the law and has filed a civil suit in the High Court of Sindh challenging the levy of the penalty. The High Court has granted a stay on action being taken against the Bank. The management, based on the advice from legal counsel, is confident that the view of the Bank will prevail and the Bank will not be exposed to any loss on this account.

**26.3.3** 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.

**26.4** For contingencies relating to taxation, refer note 15.1.

**27. 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 by TMO on a daily basis.

**Liquidity risk**

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

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

**Operational risk**

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

The Group uses FX and Derivatives module of Treasury 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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### 27.1 Product analysis

2019										
Counterparties	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			61,297	-	-	-	-	-	61,297	-
Market making	316,500	(17,107)	-	-	-	-	9,223,670	14,850	9,540,170	(2,257)
	316,500	(17,107)	61,297	-	-	-	9,223,670	14,850	9,601,467	(2,257)
With FIs other than Banks										
Hedging	-	-	-	-	-	-	-	-	-	-
Market making	-	-	-	-	-	-	1,763,180	(488)	1,763,180	(488)
	-	-	-	-	-	-	1,763,180	(488)	1,763,180	(488)
With other entities										
Hedging	-	-	-	-	-	-	-	-	-	-
Market making	-	-	61,297	-	3,042,465	(94)	273,596	(100)	3,377,358	(194)
	-	-	61,297	-	3,042,465	(94)	273,596	(100)	3,377,358	(194)
Total										
Hedging	-	-	61,297	-	-	-	-	-	61,297	-
Market making	316,500	(17,107)	61,297	-	3,042,465	(94)	11,260,446	14,262	14,680,708	(2,939)
	316,500	(17,107)	122,594	-	3,042,465	(94)	11,260,446	14,262	14,742,005	(2,939)

2018										
Counterparties	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	-	-	-	-	-	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)

## 27.2 Maturity analysis of derivatives

Remaining maturity	2019					2018				
	Number of contracts	Notional principal	Unrealized			Number of contracts	Notional principal	Unrealized		
			(Loss)	Gain	Net			(Loss)	Gain	Net
			(Rupees in '000)					(Rupees in '000)		
Upto 1 month	13	14,425,505	(1,048)	15,216	14,168	24	6,534,882	(58,795)	-	(58,795)
1 to 3 months	-	-	-	-	-	35	10,460,026	-	4,698	4,698
3 to 6 months	-	-	-	-	-	7	1,469,197	(7,252)	1,170	(6,082)
6 months to 1 year	1	316,500	(17,107)	-	(17,107)	-	-	-	-	-
1 to 2 years	-	-	-	-	-	1	316,500	(16,000)	-	(16,000)
2 to 3 Years	-	-	-	-	-	-	-	-	-	-
	14	14,742,005	(18,155)	15,216	(2,939)	67	18,780,605	(82,047)	5,868	(76,179)

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	Note	2019 ----- (Rupees in '000) -----	2018
<b>28. MARK-UP / RETURN / INTEREST EARNED</b>			
Loans and advances		68,189,538	45,354,862
Investments		81,855,592	65,616,751
Lendings to financial institutions		5,990,798	4,962,970
Balances with banks		1,241,925	899,394
		<u>157,277,853</u>	<u>116,833,977</u>
<b>29. MARK-UP / RETURN / INTEREST EXPENSED</b>			
On deposits		67,611,116	38,067,233
On borrowings		18,674,154	19,190,454
On subordinated debt		1,339,041	265,010
Cost of foreign currency swaps against foreign currency deposits / borrowings		5,244,190	1,368,060
On lease liability against right of use assets		1,068,434	-
		<u>93,936,935</u>	<u>58,890,757</u>
<b>30. FEE AND COMMISSION INCOME</b>			
Branch banking customer fees		2,094,255	1,896,993
Consumer finance related fees		1,072,440	879,076
Card related fees (debit and credit cards)		2,385,761	1,667,045
Investment banking fees		390,261	776,778
Financial Institution rebate / commission		298,616	394,299
Corporate service charges / facility fee		644,616	588,696
Commission on trade		939,656	1,648,734
Commission on guarantees		556,635	743,482
Commission on cash management		783,970	739,476
Commission on remittances including home remittances - net		3,036,593	2,780,850
Commission on bancassurance		1,612,583	1,592,076
Commission on Benazir Income Support Program		609,932	569,417
Management Fee		800,997	954,640
Others		405,580	627,721
		<u>15,631,895</u>	<u>15,859,283</u>
<b>31. GAIN ON SECURITIES - NET</b>			
Realised	31.1	224,056	3,877,310
Unrealised - held for trading		(7,386)	8,524
		<u>216,670</u>	<u>3,885,834</u>
<b>31.1 Realised gain / (loss) on:</b>			
Federal Government securities		864,370	4,074,332
Shares		(1,014,879)	405,396
Foreign securities		381,560	(602,290)
Other securities		(6,995)	(128)
		<u>224,056</u>	<u>3,877,310</u>
<b>32. OTHER INCOME</b>			
Charges recovered		288,777	407,138
Rent on properties		178,395	254,956
Gain on sale of operating fixed assets - net		120,056	42,662
Gain on sale of Ijarah assets		861	1,754
(Loss) / gain on sale of non-banking assets	32.1	(54,649)	37,401
(Loss) / gain on trading liabilities - net		(13,639)	270,245
Realization of exchange translation reserve - UBL New York branch	32.2	1,332,626	-
		<u>1,852,427</u>	<u>1,014,156</u>
<b>32.1 (Loss) / gain on Disposal of Non-banking assets acquired in satisfaction of claims</b>			
Disposal Proceeds		714,397	568,592
Less:			
- Cost		654,662	619,701
- Surplus / (impairment)		114,384	(88,510)
		<u>769,046</u>	<u>531,191</u>
Net (loss) / gain		<u>(54,649)</u>	<u>37,401</u>

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**32.2** The Bank voluntarily closed its New York Branch (NY Branch) on January 28, 2019 and surrendered the license to the New York State Department of Financial Services (NYDFS). Further, the Federal Reserve Bank of New York (FRBNY) has informed the Bank that Written Agreement dated July 2, 2018 signed by and among FRBNY, UBL and NY Branch has been terminated. The termination of Written Agreement marks the completion of UBL NY Branch winding down process. As a result, the assets of New York Branch were liquidated during the current period and exchange translation reserve previously recognised as "Capital Reserve" in respect of UBL NY Branch has been reclassified to unconsolidated profit and loss account in accordance with paragraph 48 of IAS 21 "Effect of changes in foreign exchange rates".

<b>33. OPERATING EXPENSES</b>	<b>Note</b>	<b>2019</b>	<b>2018</b>
		<b>----- (Rupees in '000) -----</b>	
<b>Total compensation expense</b>	33.1	16,681,503	17,450,160
<b>Property expense</b>			
Rent and taxes	33.8	1,416,403	3,324,687
Insurance		203,051	220,100
Utilities cost		1,734,851	1,600,239
Security (including guards)		987,716	1,138,716
Repair and maintenance (including janitorial charges)		253,487	495,007
Depreciation		818,668	711,265
Depreciation - Right of Use Assets		2,112,273	-
Others		52,579	53,294
		7,579,028	7,543,308
<b>Information technology expenses</b>			
Software maintenance		1,320,897	825,128
Hardware maintenance		438,060	384,662
Depreciation		770,821	652,663
Amortisation	12.1	701,155	561,139
Network charges		743,049	725,337
		3,973,982	3,148,929
<b>Other operating expenses</b>			
Directors' fees and allowances		96,075	64,348
Fees and allowances to Shariah Board		6,855	4,753
Legal and professional charges		1,293,810	1,068,556
Outsourced service costs including sales commission		3,900,348	3,773,344
Travelling and conveyance		283,983	339,330
Clearing charges		216,365	186,221
Depreciation others		1,216,702	1,076,609
Depreciation on Islamic financing against leased assets		227,783	186,623
Training and development		174,897	145,959
Postage and courier charges		396,138	322,752
Communication		534,188	492,476
Stationery and printing		722,049	735,131
Marketing, advertisement and publicity		795,293	758,265
Auditors' remuneration	33.6	103,509	124,143
Donations	33.7	129,497	203,790
Insurance (including deposit protection)		1,445,485	698,421
Cash transportation and sorting charges		820,254	1,037,377
Entertainment		180,327	197,209
Vehicle expenses		108,291	159,615
Subscription		214,376	123,026
Office running expenses		179,485	187,210
Banking service charges		1,886,427	1,351,302
Repairs and maintenance		578,158	527,410
Cartage, freight and conveyance		62,726	83,482
Miscellaneous expenses		36,054	57,299
		15,609,075	13,904,651
		43,843,588	42,047,048

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	Note	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
<b>33.1 Total compensation expense</b>			
Fees and Allowances etc		2,599,093	3,255,271
Managerial remuneration			
i) Fixed		7,375,044	7,467,262
ii) Variable		18,373	-
of which;			
a) Cash Bonus / Awards etc.	33.2	984,809	1,122,893
b) Bonus & Awards in Shares etc.		-	-
Charge for defined benefit plan		563,113	325,153
Contribution to defined contribution Plan		498,894	462,523
Charge for compensated absences		33,383	141,698
Rent & house maintenance		2,145,347	2,123,595
Utilities		1,138,876	1,130,981
Medical		822,453	833,344
Conveyance		382,713	269,276
Group assurance premium		71,223	79,048
Others		17,141	6,232
<b>Sub-total</b>		16,650,462	17,217,276
Sign-on Bonus	33.3	-	36,705
Severance Allowance	33.4	31,041	196,179
<b>Grand Total</b>		<b>16,681,503</b>	<b>17,450,160</b>

**33.2** 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. 1,293.486 million (2018: Rs. 1,361.129 million).

**33.3** Sign on bonus is paid to Nil (2018: 15) employees. For 2018, bonus amounting to Rs. 30.675 million was paid to 8 employee identified as Material Risk Controllers (MRCs) and Material Risk Takers (MRTs).

**33.4** Severance allowance is paid to 10 (2018: 103) employees. Allowance amounting to Re. Nil (2018: Rs. 19.849 million) was paid to employees identified as MRTs and MRCs.

**33.5** Total cost for the year included in Other Operating Expenses relating to outsourced activities is Rs 3,973 million (2018: Rs 3,909 million). This cost includes outsourced service costs, which are disclosed specifically in note 33. Of the total cost of Rs 3,973 million (2018: 3,909 million), Rs 3,582 million (2018: Rs 3,424 million) pertains to the payment to companies incorporated in Pakistan and Rs 391 million (2018: Rs 485 million) pertains to payment to companies incorporated outside Pakistan. The material outsourcing arrangements along with their nature of services are as follows:

Name of service provider	Type of service	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
Paradise Press (Private) Limited	Cheque printing	40,652	43,108
Apex Printry (Private) Limited	Cheque printing	43,254	43,156
Printlink	Cheque printing	37,140	37,943
E-Access (Private) Limited	POS service management and card hosting	36,894	27,382

**33.6 Auditors' remuneration**

	2019		
	A.F. Ferguson & Co.	Overseas Auditors	Total
	----- (Rupees in '000) -----		
Audit fee - Bank	10,500	48,050	58,550
Audit fee - subsidiaries	1,574	31,717	33,291
Fee for tax and other certifications	7,326	888	8,214
Out of pocket expenses	3,200	254	3,454
	<b>22,600</b>	<b>80,909</b>	<b>103,509</b>

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	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	21,143	22,152
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>69,793</u>	<u>124,143</u>

**33.7 Details of donations**

	2019	2018
	(Rupees in '000)	
<b>Donations individually exceeding Rs. 0.5 million</b>		
Abdul Sattar Edhi Foundation	33,000	30,000
Shaukat Khanum Memorial Trust	33,000	32,000
Sahara for Life Trust	10,000	-
Lahore University of Management Sciences	10,000	10,000
SOS Children's Village Pakistan	9,980	980
Forman Christian College	5,000	5,000
Shalamar Hospital	5,000	5,000
IBA - National Talent Hunt Program	3,880	-
Bahauddin Zakariya University	3,840	3,840
The Citizens Foundation	2,800	-
Zindagi Trust	2,500	-
Center of Excellence in Journalism (IBA)	2,000	-
Kashmir Education Foundation	1,710	-
Nasra Schools	1,482	-
People's Primary Healthcare Initiative	1,300	-
Chal Foundation	1,000	-
Hisaar Foundation	1,000	1,000
Marie Adelaide Leprosy Center	850	850
Diamer Bhasha Dam Fund Contribution	-	67,757
Namal Educational Foundation	-	30,000
National University of Science	-	12,500
Education Trust	-	2,696
Pak Suzuki Motor Company (Ambulance donated to Hospital)	-	1,418
<b>Donations individually not exceeding Rs. 0.5 million</b>	<u>1,155</u>	<u>749</u>
	<u>129,497</u>	<u>203,790</u>

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

**33.8** This includes expense in respect of short term leases, low value assets and expenses relating to variable lease payments not included in lease liabilities amounting to Rs. 29.312 million, Rs. 0.007 million and Rs. nil respectively.

**34. 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.

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. 4,503 million pertaining to years 2014 onwards has been maintained in respect of Sindh WWF.

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	Note	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
<b>35. OTHER CHARGES</b>			
Penalties imposed by the SBP		39,233	94,754
Other penalties		876	20,044
		<u>40,109</u>	<u>114,798</u>
<b>36. PROVISIONS AND WRITE-OFFS - NET</b>			
Provision against loans and advances - net	10.4	4,844,765	11,138,482
Provision for diminution in value of investments - net	9.3.1	2,392,687	1,231,938
Bad debts written off directly		149,591	76,056
Provision against other assets - net	15.3.1	254,140	6,523
Provision against off-balance sheet obligations - net	22.1	47,438	463,300
Recovery of written off / charged off bad debts		(526,059)	(544,762)
Other provisions / write-offs		150,981	75,072
		<u>7,313,543</u>	<u>12,446,609</u>
<b>37. TAXATION</b>			
Current		14,969,071	10,358,400
Prior years		733,273	625,393
Deferred		(245,186)	(599,410)
		<u>15,457,158</u>	<u>10,384,383</u>
<b>37.1 Relationship between tax expense and accounting profit</b>			
Accounting profit for the year		<u>35,730,654</u>	<u>25,551,744</u>
Tax on income @ 35% (2018: 35%)		12,505,729	8,943,110
Super tax @ 4% (2018: 4%)		1,369,675	998,667
Tax effect of items that are either not included in determining taxable profit or taxed at reduced rates (permanent differences)		(201,686)	140,230
Tax - prior years (net of deferred tax)		1,614,326	(28,775)
Others		169,114	331,151
Tax charge		<u>15,457,158</u>	<u>10,384,383</u>
<b>38. EARNINGS PER SHARE</b>			
Profit after tax attributable to equity shareholders of the Bank		<u>19,095,141</u>	<u>15,483,051</u>
		----- (Number of shares) -----	
Weighted average number of ordinary shares		<u>1,224,179,687</u>	<u>1,224,179,687</u>
		----- (Rupees) -----	
<b>Earnings per share - basic and diluted</b>		<u>15.60</u>	<u>12.65</u>
<b>38.1</b>	There were no convertible dilutive potential ordinary shares outstanding as at December 31, 2019 and 2018.		

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	Note	2019 ----- (Rupees in '000) -----	2018
<b>39. CASH AND CASH EQUIVALENTS</b>			
Cash and balances with treasury banks	6	243,370,701	187,915,671
Balances with other banks	7	42,722,227	41,747,060
Balances with other banks - discontinued operation	14	236,450	-
		<u>286,329,378</u>	<u>229,662,731</u>

**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, 2019	27,272,967	279,918,125	1,448,324,041	9,000,000	69,353,882	12,241,798	60,078,870	27,404,558	77,335,249
<b>Changes from financing cash flows</b>									
Dividend Paid	-	-	-	-	-	-	-	-	(13,448,704)
<b>Other Changes</b>	-	-	-	-	7,483,030	-	(1,332,626)	(10,788,344)	(3,208,602)
<b>Liability-related</b>									
Changes in bills payable	(4,343,747)	-	-	-	-	-	-	-	-
Changes in borrowings	-	(109,513,065)	-	-	-	-	-	-	-
Changes in deposits and other accounts	-	-	109,671,265	-	-	-	-	-	-
Changes in subordinated loans	-	-	-	1,000,000	-	-	-	-	-
Changes in other liabilities	-	-	-	-	-	-	-	-	-
- Cash based	-	-	-	-	(5,300,709)	-	-	-	-
- Dividend payable	-	-	-	-	(17,272)	-	-	-	(17,272)
- Non-cash based	-	-	-	-	-	-	-	-	-
Transfer of profit to reserve	-	-	-	-	-	-	1,935,261	-	(1,935,261)
<b>Total Liability related other changes</b>	(4,343,747)	(109,513,065)	109,671,265	1,000,000	(5,317,981)	-	1,935,261	-	(1,952,533)
<b>Total Equity related other changes</b>	-	-	-	-	-	-	5,994,906	10,788,344	18,609,839
<b>Balance as at December 31, 2019</b>	<u>22,929,220</u>	<u>170,405,060</u>	<u>1,557,995,306</u>	<u>10,000,000</u>	<u>71,518,931</u>	<u>12,241,798</u>	<u>66,676,411</u>	<u>27,404,558</u>	<u>77,335,249</u>

	2019 ----- (Number) -----	2018
<b>40. STAFF STRENGTH</b>		
Permanent	11,498	11,956
On contract	51	72
Group's own staff strength	<u>11,549</u>	<u>12,028</u>
Outsourced	2,221	2,569
Total	<u>13,770</u>	<u>14,597</u>

**40.1** Number of employees working domestically 13,657 (2018: 14,073) and abroad 113 (2018: 524).

**41. DEFINED BENEFIT PLANS**

**41.1 The Bank (Holding Company)**

**41.1 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, 2019.



## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

### 41.1.2 Number of Employees under the scheme

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

	2019 ----- (Number) -----	2018 ----- (Number) -----
Pension fund	7,064	10,582
Gratuity fund	9,856	10,066
Benevolent fund	3,383	3,760
Employee compensated absences	1,417	1,716
Post-retirement medical benefit scheme	8,503	9,652

The pension fund, benevolent fund and post-retirement medical benefit schemes include 2,162 (2018: 3,108), 942 (2018: 900) and 2,501 (2018: 3,109) 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, 2019 using the following significant assumptions:

	2019 ----- Per annum -----	2018 ----- Per annum -----
Discount rate / expected rate of return on plan assets	11.25%	13.25%
Expected rate of salary increase	9.25%	11.25%
Expected rate of increase in pension	5.00%	5.00%
Expected rate of increase in medical benefit	5.25%	7.25%

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

Note	2019				2018			
	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	10,098,497	911,763	329,300	1,950,906	8,986,977	831,363	321,682	1,821,847
Fair value of plan assets	(9,318,843)	(968,544)	(424,706)	-	(8,168,441)	(805,576)	(461,597)	-
(Receivable) / payable	779,654	(56,781)	(95,406)	1,950,906	818,536	25,787	(139,915)	1,821,847

### 41.1.5 Movement in defined benefit obligations

Obligations at the beginning of the year	8,986,977	831,363	321,682	1,821,847	2,698,870	728,822	429,243	1,463,703
Service cost	19,957	145,775	4,463	687	6,664,292	128,450	6,340	1,639
Interest cost	989,305	112,796	39,045	235,459	123,457	61,861	33,128	117,080
Benefits paid by the Bank	(730,840)	(139,740)	(62,976)	(129,591)	(791,299)	(119,044)	(47,622)	(125,095)
Return allocated to other funds	73,834	-	-	-	56,192	-	-	-
Re-measurement loss / (gain)	759,264	(38,431)	27,086	22,504	235,465	31,274	(99,407)	364,520
Obligations at the end of the year	10,098,497	911,763	329,300	1,950,906	8,986,977	831,363	321,682	1,821,847

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	Note	2019				2018			
		Pension fund	Gratuity fund	Benevolent fund	Post-retirement medical benefit	Pension fund	Gratuity fund	Benevolent fund	Post-retirement medical benefit
----- (Rupees in '000) -----									
Fair value at the beginning of the year		8,168,441	805,576	461,597	-	3,176,096	711,571	494,386	-
Interest income on plan assets		1,034,319	109,585	56,465	-	260,509	60,493	38,294	-
Contribution by the Bank		849,453	180,780	1,840	-	5,900,000	145,585	2,165	-
Contribution by the employees		-	-	1,840	-	-	-	2,165	-
Amount paid by the fund to the Bank		(645,000)	(129,306)	(97,748)	-	(1,121,594)	(139,095)	(65,489)	-
Re-measurements gain / (loss)		(88,370)	1,909	712	-	(46,570)	27,022	(9,924)	-
Fair value at the end of the year		9,318,843	968,544	424,706	-	8,168,441	805,576	461,597	-

#### 41.1.7 Movement in (receivable) / payable under defined benefit schemes

Opening balance	818,536	25,787	(139,915)	1,821,847	(477,226)	17,251	(65,143)	1,463,703
Mark-up receivable on Bank's balance with the fund	(8,944)	(189)	(5,368)	-	(22,804)	(297)	(3,396)	-
Charge / (reversal) for the year	48,777	148,986	(14,797)	236,146	6,583,432	129,818	(991)	118,719
Contribution by the Bank	(849,453)	(180,780)	(1,840)	-	(5,900,000)	(145,585)	(2,165)	-
Amount paid by the Fund to the Bank	645,000	129,306	97,748	-	1,121,594	139,095	65,489	-
Benefits paid by the Bank	(730,840)	(139,740)	(62,976)	(129,591)	(791,299)	(119,044)	(47,622)	(125,095)
Remeasurement loss / (gain) recognised in OCI during the year	856,578	(40,151)	31,742	22,504	304,839	4,549	(86,087)	364,520
Closing balance	779,654	(56,781)	(95,406)	1,950,906	818,536	25,787	(139,915)	1,821,847

#### 41.1.8 Charge for defined benefit plans

#### 41.1.8.1 Cost recognised in profit and loss

Current service cost		19,957	145,775	4,463	687	7,076	128,450	6,340	1,639
Past service cost		-	-	-	-	6,657,216	-	-	-
Net interest on defined benefit asset / (liability)		(45,014)	3,211	(17,420)	235,459	(137,052)	1,368	(5,166)	117,080
Return allocated to other funds	41.1.8.2	73,834	-	-	-	56,192	-	-	-
Employees' contribution		-	-	(1,840)	-	-	-	(2,165)	-
		<u>48,777</u>	<u>148,986</u>	<u>(14,797)</u>	<u>236,146</u>	<u>6,583,432</u>	<u>129,818</u>	<u>(991)</u>	<u>118,719</u>

**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.

		2019				2018			
		Pension fund	Gratuity fund	Benevolent fund	Post-retirement medical benefit	Pension fund	Gratuity fund	Benevolent fund	Post-retirement medical benefit
		(Rupees in '000)							
<b>41.1.9</b>	<b>Re-measurements recognised in OCI during the year</b>								
	Loss / (gain) on obligation								
	- Financial assumptions	1,401,522	(10,623)	28,103	399,959	19,563	24,101	(89,035)	364,520
	- Experience adjustments	(642,258)	(27,808)	(1,017)	(377,455)	215,902	7,173	(10,372)	-
	Return on plan assets over interest income	88,370	(1,909)	(712)	-	46,570	(27,022)	9,924	-
	Adjustment for mark-up	8,944	189	5,368	-	22,804	297	3,396	-
	Total re-measurements recognised in OCI	856,578	(40,151)	31,742	22,504	304,839	4,549	(86,087)	364,520

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

## 41.1.10 Components of plan assets

	2019			2018		
	Pension fund	Gratuity fund	Benevolent fund	Pension fund	Gratuity fund	Benevolent fund
	(Rupees in '000)					
Cash and cash equivalents - net of current liabilities	801,016	151,344	106,984	15,550	7,129	3,181
Quoted securities						
Ordinary shares	116,441	7,137	16,321	86,811	5,342	13,267
Term finance certificates	53,203	26,873	20,232	2,768,708	238,193	58,940
Mutual Funds units	-	35,077	-	-	18,279	-
Pakistan Investment Bonds	4,512,007	314,689	134,818	2,900,447	526,873	144,615
Market Treasury Bills	3,446,115	433,424	-	1,934,034	-	-
Special Savings Certificates	-	-	140,151	412,131	9,760	241,594
Term deposit	390,061	-	6,200	50,760	-	-
	<u>9,318,843</u>	<u>968,544</u>	<u>424,706</u>	<u>8,168,441</u>	<u>805,576</u>	<u>461,597</u>

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

## 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 change in each assumption is summarized below:

	2019			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit
	(Rupees in '000)			
Increase in discount rate by 1 %	(752,658)	(59,797)	(13,876)	(205,555)
Decrease in discount rate by 1 %	879,718	67,999	15,339	249,124
Increase in expected future increment in salary by 1%	-	73,135	1,169	-
Decrease in expected future increment in salary by 1%	-	(65,251)	1,169	-
Increase in expected future increment in pension by 1%	881,339	-	-	-
Decrease in expected future increment in pension by 1%	(765,644)	-	-	-
Increase in expected future increment in medical benefit by 1%	-	-	-	225,732
Decrease in expected future increment in medical benefit by 1%	-	-	-	(192,458)

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, 2020, would be as follows:

	2020			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit
	(Rupees in '000)			
Expected contribution	-	146,783	-	-
Expected charge / (reversal) for the year	112,565	146,783	(7,767)	214,494

## 41.1.13 Maturity profile

	2019			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit
The weighted average duration of the obligation (in years)	8.02	6.98	4.27	7.95

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

### 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 10.7 billion. Almost 84% 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 and investment in corporate bonds of around 1% respectively.

#### 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 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, post-retirement 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.

#### 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.

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

- 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, 2019 are as follows:

	2019	2018
	----- Per annum -----	
Discount rate	2.00%	2.75%
Rate of revaluation of pension in deferment	2.00%	2.75%
Expected rate of pension increase	3.00%	3.00%
Retail price inflation	3.10%	3.40%
Consumer price inflation	2.30%	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.

	2019		2018	
	Return	Rupees in '000	Return	Rupees in '000
Insurance policy	2.30%	1,276,423	2.60%	1,052,355
Market value of assets		1,276,423		1,052,355
Present value of defined benefit obligation		(1,312,433)		(1,025,821)
Gross pension liability		<u>(36,010)</u>		<u>26,534</u>

41.2.2	Movement in surplus / (deficit) during the year	2019	2018
		----- (Rupees in '000) -----	
	Obligation at the beginning of the year	26,534	(24,003)
	Interest expense	956	(9,735)
	Employer contribution	8,222	6,490
	Remeasurement gain	(71,700)	53,705
	Exchange adjustment	(22)	77
	Obligation at the end of the year	<u>(36,010)</u>	<u>26,534</u>

No Directors were members of the defined benefit scheme during the year or as at December 31, 2019

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
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	2019	2018
	----- (Rupees in '000) -----	
<b>41.2.3 Analysis of the amount credited / (debited) to net interest income</b>		
Expected return on pension scheme assets	30,974	23,040
Interest on pension scheme liabilities	(30,018)	(23,526)
Net expense	<u>956</u>	<u>(486)</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:

	2019 Rupees in '000
Increase in discount rate by 1 %	135,088
Decrease in discount rate by 1 %	(179,033)
Increase in expected inflation rate by 1%	(22,583)
Decrease in expected inflation rate by 1%	2,848
Increase in life expectancy by 1 year	(29,907)
Decrease in life expectancy by 1 year	29,296

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, 2019. The main assumptions used in the actuarial valuation are as follows:

	2019	2018
	----- Per annum -----	
Discount rate	11.25%	12.75%
Expected rate of return on plan assets	9.00%	9.00%
Expected rate of salary increase	11.25%	12.75%

	2019	2018
	----- (Rupees in '000) -----	
<b>41.3.2 Reconciliation of payable to defined benefit plan</b>		
Present value of defined benefit obligations	69,982	55,624
Fair value of plan assets	(54,276)	(54,726)
Payable	<u>15,706</u>	<u>898</u>

	2019	2018
	----- (Rupees in '000) -----	
<b>41.3.3 Movement in defined benefit obligation</b>		
Obligation at the beginning of the year	55,624	48,483
Current service cost	13,615	14,109
Interest cost	7,645	4,150
Benefits paid	(7,702)	(9,193)
Remeasurement gain / (loss)	800	(1,925)
Obligation at the end of the year	<u>69,982</u>	<u>55,624</u>

	2019	2018
	----- (Rupees in '000) -----	
<b>41.3.4 Movement in the fair value of plan assets</b>		
Fair value of plan assets at the beginning of the year	54,726	48,987
Return on plan assets	7,537	4,187
Contributions to the plan	-	14,725
Benefits paid	(7,702)	(9,193)
Remeasurement gain	(285)	(3,980)
	<u>54,276</u>	<u>54,726</u>

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	2019	2018
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
<b>41.3.5 Composition of plan assets</b>		
Debt securities	2,868	29,730
PIB / T-Bills	32,877	-
Cash	2,058	14,944
Mutual funds	2,719	2,086
Equity securities	13,754	7,966
	<u>54,276</u>	<u>54,726</u>
<b>41.3.6 Charge for defined benefit plan</b>		
Current service cost	13,615	14,109
Interest cost	7,645	4,150
Return on plan assets	(7,537)	(4,187)
	<u>13,723</u>	<u>14,072</u>
Actual return on plan assets	<u>6,354</u>	<u>210</u>
<b>41.3.7 Movement in net liability recognised</b>		
Opening net payable	898	(504)
Expense recognised	13,723	14,072
Contribution to the fund made during the year	-	(14,725)
Remeasurement gain - net	1,085	2,055
Closing net payable	<u>15,706</u>	<u>898</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, 2019, would be Rs. 13.723 million and Rs. 14.072 million respectively. The weighted average duration of the obligation as of December 31, 2019 is 9 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:

	2019 Rupees in '000
Increase in discount rate by 1 %	64,101
Decrease in discount rate by 1 %	51,025
Increase in salary increment rate by 1%	76,421
Decrease in salary increment rate by 1%	60,657

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 9,856 (2018: 10,039) 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

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



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### 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

#### 43.1

Items	2019						
	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Executives (other than CEO)	Non- Executives				
	(Rupees in '000)						
Fees and Allowances etc.	11,710	-	84,365	6,855	-	24,232	-
Managerial Remuneration							
i) Fixed	-	-	-	-	60,000	592,741	647,202
ii) Total Variable	-	-	-	-	1,600	34,964	252,375
of which							
a) Cash Bonus / Awards	-	-	-	-	20,250	77,378	120,868
b) Bonus & Awards in Shares	-	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	5,000	10,133	25,280
Contribution to defined contribution plan	-	-	-	-	2,315	31,397	25,184
Rent & house maintenance	-	-	-	-	3,055	84,035	150,603
Utilities	-	-	-	-	1,140	35,406	106,458
Medical	-	-	-	-	-	23,353	33,994
Conveyance	-	-	-	-	453	9,359	10,008
Others	-	-	-	-	1,113	51,208	20,770
Total	11,710	-	84,365	6,855	94,926	974,206	1,392,742
Number of Persons	1	-	7	3	1	45	118
Items	2018						
	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Executives (other than CEO)	Non- Executives				
	(Rupees in '000)						
Fees and Allowances etc.	6,224	-	58,124	6,911	-	18,496	-
Managerial Remuneration							
i) Fixed	-	-	-	-	55,000	689,684	518,286
ii) Total Variable	-	-	-	-	1,600	14,428	183,057
of which							
a) Cash Bonus / Awards	-	-	-	-	67,500	234,869	206,260
b) Bonus & Awards in Shares	-	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	4,583	5,608	21,640
Contribution to defined contribution plan	-	-	-	-	2,020	38,894	23,360
Rent & house maintenance	-	-	-	-	2,987	77,721	131,761
Utilities	-	-	-	-	1,423	32,822	75,245
Medical	-	-	-	-	-	18,993	27,827
Conveyance	-	-	-	-	363	22,601	6,623
Others	-	-	-	-	2,421	76,387	-
Total	6,224	-	58,124	6,911	137,897	1,230,503	1,194,059
Number of Persons	1	-	7	3	1	61	114

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

### 43.2 Remuneration paid to Directors for participation in Board and Committee Meetings

2019									
Sr. No.	Name of Meetings	Name of Directors							
		Sir Mohammad Anwar Pervez, OBE, HPK	Lord Zameer M. Choudrey, CBE, SI Pk	Mr. Haider Zameer Choudrey	Mr. Arshad Ahmad Mir	Mr. Rizwan Pervez	Mr. Khalid Ahmed Sherwani	Mr. Amar Zafar Khan	Mr. Tariq Rashid
(Number of meetings attended)									
1	Board Meetings	6	6	6	5	6	6	6	6
2	Board Audit Committee (BAC)	-	-	5	-	5	5	5	-
3	Board Human Resource & Compensation Committee (HRCC)	-	-	-	4	-	4	4	-
4	Board Risk & Compliance Committee (BRCC)	-	4	-	4	-	-	-	-
5	Board IT Committee (BITC)	-	-	5	-	-	-	-	5
6	Board Nomination Committee (BNC) *	-	-	-	-	-	-	-	-
Total meetings attended		6	10	16	13	11	15	15	11
Meeting fees and allowances paid (Rs in 000's)		11,710	11,753	11,753	9,651	11,710	13,622	12,945	12,931
Total meeting fees and allowances paid (Rs in 000's)		96,075							

\*The BNC was constituted in the Board Meeting of October 2019.

		2018								
Sr. No.	Name of Director	Meeting Fees and Allowances Paid								
		For Board Committees								
		For Board Meetings	Board Audit Committee (BAC)	Board Human Resource & Compensation Committee (HRCC)	Board Risk & Compliance Committee (BRCC)	Board IT Committee (BITC)	GCC **	UBL NY **	Allowance	Total Amount Paid
----- (Rupees in '000) -----										
1	Sir Mohammed Anwar Pervez, OBE, HPk	5,813	-	-	-	-	-	-	411	6,224
2	Lord Zameer M. Choudrey, CBE, SI Pk	5,720	-	-	1,188	-	-	-	237	7,145
3	Mr. Haider Zameer Choudrey	5,720	1,188	-	-	1,188	-	-	237	8,333
4	Mr. Arshad Ahmad Mir	5,660	-	1,187	1,187	-	1,156	2,319	422	11,931
5	Mr. Rizwan Pervez	5,813	609	579	-	-	-	-	410	7,411
6	Mr. Khalid Ahmed Sherwani	3,842	553	553	-	-	-	-	98	5,046
7	Mr. Amar Zafar Khan	4,998	1,130	578	-	-	1,157	1,132	388	9,383
8	Mr. Tariq Rashid	5,716	-	-	-	1,213	-	1,820	126	8,875
Total Amount Paid		43,282	3,480	2,897	2,375	2,401	2,313	5,271	2,329	64,348

\*\* These are special committees of the Board and were not functional during the year ended December 31, 2019.

The directors' fee for the year ended December 31, 2019 is based on their attendance per set of meetings which includes Board meetings and / or committee(s) meeting(s) before or after the regular Board meeting. The amount disclosed for each director in note 43.2 can therefore not be distributed for each type of meeting.

### 43.3 Remuneration paid to Shariah Board Members

Items	2019			2018		
	Chairman	Resident Member	Non-Resident Member(s)	Chairman	Resident Member	Non-Resident Member(s)
(Rupees in '000)						
Meeting Fees and Allowances	2,540	1,775	2,540	2,377	2,157	2,377
Total Number of Persons	1	1	1	1	1	1

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

## 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:

	2019				
	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)	481,948,693	-	481,948,693	-	481,948,693
Foreign Bonds - Sovereign	64,182,976	-	64,182,976	-	64,182,976
Foreign Bonds - others	16,299,524	-	16,299,524	-	16,299,524
Ordinary shares of listed companies	13,410,757	13,410,757	-	-	13,410,757
Debt securities (TFCs)	694,241	-	694,241	-	694,241
Investment in REIT	520,708	520,708	-	-	520,708
- Investments (HTM, unlisted ordinary shares, preference shares and associates)	297,504,838	-	-	-	-
	874,561,737	13,931,465	563,125,434	-	577,056,899
Off-balance sheet financial instruments					
Forward purchase and sale of foreign exchange contracts	962,345,777	-	396,445	-	396,445
Interest rate swaps	316,500	-	-	-	-
FX options - purchased and sold (net)	122,594	-	-	-	-
Forward purchase of government securities	3,043,541	-	-	-	-
Forward sale of government securities	11,264,179	-	-	-	-

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

	2018				
	Carrying / Notional value	Fair value			
		Level 1	Level 2	Level 3	Total
		----- (Rupees in '000) -----			
<b>On-balance sheet financial instruments</b>					
<b>Financial assets measured at fair value</b>					
- Investments					
Government Securities (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
<b>Financial assets not measured at fair value</b>					
- Investments (HTM, unlisted ordinary shares, preference shares and associates)	338,352,598	-	-	-	-
	831,159,100	17,218,089	475,588,413	-	492,806,502
<b>Off-balance sheet financial instruments</b>					
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)

## 44.2 Fair Value of non-financial assets

Fair Value of non-financial assets	2019				
	Carrying / Notional value	Fair value			
		Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----				
Fixed Assets	42,664,985	-	-	42,664,985	42,664,985
Non-banking assets acquired in satisfaction of claims	1,082,375	-	-	1,082,375	1,082,375
	<b>43,747,360</b>	-	-	<b>43,747,360</b>	<b>43,747,360</b>

	2018				
	Carrying / Notional value	Fair value			
		Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----				
Fixed Assets	42,498,760	-	-	42,498,760	42,498,760
Non-banking assets acquired in satisfaction of claims	1,770,265	-	-	1,770,265	1,770,265
	<b>44,269,025</b>	-	-	<b>44,269,025</b>	<b>44,269,025</b>

**44.3** 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.

**44.4** 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.

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

## 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.

## 45. SEGMENT INFORMATION

### 45.1 Segment details with respect to business activities

	2019							
	Corporate / Commercial Banking	Treasury	Branch Banking	Islamic Banking	International branch operations	Subsidiaries	Others	Total
	(Rupees in '000)							
<b>Profit &amp; Loss</b>								
Net mark-up / return / profit	45,777,713	44,777,720	(39,525,612)	3,051,974	8,769,288	1,566,422	(1,076,587)	63,340,918
Inter segment (expense) / revenue - net	(39,563,831)	(58,653,192)	92,498,666	-	-	-	5,718,357	-
Non mark-up / return / interest income	2,409,533	4,293,079	9,651,040	277,344	3,102,710	2,571,531	2,029,598	24,334,835
<b>Total Income</b>	<b>8,623,415</b>	<b>(9,582,393)</b>	<b>62,624,094</b>	<b>3,329,318</b>	<b>11,871,998</b>	<b>4,137,953</b>	<b>6,671,368</b>	<b>87,675,753</b>
Segment direct expenses	1,448,076	80,141	22,768,523	1,768,187	5,733,975	3,642,390	9,190,264	44,631,556
Inter segment expense allocation	612,577	74,362	5,177,871	-	740,244		(6,605,054)	-
<b>Total expenses</b>	<b>2,060,653</b>	<b>154,503</b>	<b>27,946,394</b>	<b>1,768,187</b>	<b>6,474,219</b>	<b>3,642,390</b>	<b>2,585,210</b>	<b>44,631,556</b>
Reversals / (Provisions)	386,833	(2,249,649)	419,250	(9,567)	(6,010,178)	99,925	49,843	(7,313,543)
<b>Profit / (loss) before tax</b>	<b>6,949,595</b>	<b>(11,986,545)</b>	<b>35,096,950</b>	<b>1,551,564</b>	<b>(612,399)</b>	<b>595,488</b>	<b>4,136,001</b>	<b>35,730,654</b>
<b>Balance Sheet</b>								
Cash & Bank balances	81,168	81,316,916	102,634,796	13,897,123	52,400,729	34,987,958	774,238	286,092,928
Investments	5,709,986	674,283,210	-	46,726,238	108,281,811	35,466,122	4,094,370	874,561,737
Net inter segment lending	6,033,205	-	974,558,425	-	-	-	54,818,509	1,035,410,139
Lendings to financial institutions	-	9,450,000	-	10,796,576	-	1,509,828	-	21,756,404
Advances - performing	447,169,096	18,964	35,585,623	9,013,624	125,319,182	58,139,824	5,743,472	680,989,785
Advances - non-performing net of provision	1,385,177	44,946	698,152	3,751	11,212,859	574,868	24,925	13,944,678
Others	25,309,421	23,500,715	14,126,968	8,306,009	14,826,734	6,911,760	53,174,735	146,156,342
<b>Total Assets</b>	<b>485,688,053</b>	<b>788,614,751</b>	<b>1,127,603,964</b>	<b>88,743,321</b>	<b>312,041,315</b>	<b>137,590,360</b>	<b>118,630,249</b>	<b>3,058,912,013</b>
Borrowings	52,023,960	95,592,358	-	1,299,975	5,567,707	15,921,060	-	170,405,060
Subordinated debt	-	-	-	-	-	-	10,000,000	10,000,000
Deposits & other accounts	60,853,339	131,140	1,073,376,469	81,432,150	250,441,596	91,143,714	616,898	1,557,995,306
Net inter segment borrowing	340,389,787	694,764,203	50,718	-	205,431	-	-	1,035,410,139
Others	28,237,437	7,443,210	29,480,520	2,482,320	7,619,847	1,369,787	17,815,030	94,448,151
<b>Total Liabilities</b>	<b>481,504,523</b>	<b>797,930,911</b>	<b>1,102,907,707</b>	<b>85,214,445</b>	<b>263,834,581</b>	<b>108,434,561</b>	<b>28,431,928</b>	<b>2,868,258,656</b>
Equity	4,183,416	(9,316,160)	18,670,613	3,528,876	52,573,508	21,802,989	99,428,629	190,871,871
<b>Total Equity &amp; liabilities</b>	<b>485,687,939</b>	<b>788,614,751</b>	<b>1,121,578,320</b>	<b>88,743,321</b>	<b>316,408,089</b>	<b>130,237,550</b>	<b>127,860,557</b>	<b>3,059,130,527</b>
<b>Contingencies and Commitments</b>	<b>385,615,006</b>	<b>582,249,607</b>	<b>11,794,242</b>	<b>170,513</b>	<b>405,700,848</b>	<b>76,351,544</b>	<b>2,070,818</b>	<b>1,463,952,578</b>

### Segment details with respect to business activities

	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	1,708,949	-	57,943,220
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	9,078,404	9,983,805	206,059	2,045,808	1,521,021	930,617	26,710,881
Total Income	6,995,287	14,839,376	43,533,165	2,463,033	10,577,284	3,229,970	3,015,986	84,654,101
Segment direct expenses	1,171,679	565,182	24,150,372	1,514,278	6,962,460	3,230,408	9,061,369	46,655,748
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	3,230,408	3,608,415	46,655,748
Reversals / (Provisions)	(408,496)	(1,168,771)	468,714	(7,276)	(11,568,920)	143,855	94,285	(12,446,609)
Profit / (loss) before tax	4,981,272	13,043,270	15,650,750	845,691	(8,614,512)	143,417	(498,144)	25,551,744

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

	2018						
	Corporate / Commercial Banking	Treasury	Branch Banking	Islamic Banking	International branch operations	Subsidiaries	Others
	(Rupees in '000)						
<b>Balance Sheet</b>							
Cash & Bank balances	25,660	51,299,328	78,569,366	13,483,155	55,969,812	28,621,101	1,694,309
Investments	7,213,391	653,902,739	-	30,746,758	88,243,845	47,339,783	3,712,584
Net inter segment lending	2,249,966	-	880,425,313	-	-	-	37,278,794
Lendings to financial institutions	-	23,500,000	-	10,066,732	374,814	1,405,005	-
Advances - performing	449,219,279	26,411	65,893,889	22,580,996	160,439,336	38,158,060	5,108,124
Advances - non-performing net of provision	1,777,079	-	262,540	15,068	10,587,435	456,931	26,574
Others	27,761,067	21,514,992	12,412,517	625,250	19,888,705	5,986,891	63,583,348
<b>Total Assets</b>	<b>488,246,442</b>	<b>750,243,470</b>	<b>1,037,563,625</b>	<b>77,517,959</b>	<b>335,503,947</b>	<b>121,967,771</b>	<b>111,403,733</b>
Borrowings	45,688,288	195,175,727	4,171,413	143,000	21,580,910	13,158,787	-
Subordinated debt	-	-	-	-	-	-	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
Net inter segment borrowing	377,589,646	541,875,733	-	488,694	-	-	-
Others	24,033,549	11,894,358	34,259,041	922,413	13,325,755	1,547,511	10,644,222
<b>Total Liabilities</b>	<b>485,550,136</b>	<b>748,980,988</b>	<b>1,031,789,293</b>	<b>74,989,052</b>	<b>294,478,806</b>	<b>96,970,291</b>	<b>21,064,522</b>
Equity	2,696,306	(102,213)	7,152,259	2,528,907	45,418,639	17,353,911	93,576,050
<b>Total Equity &amp; liabilities</b>	<b>488,246,442</b>	<b>748,878,775</b>	<b>1,038,941,552</b>	<b>77,517,959</b>	<b>339,897,445</b>	<b>114,324,202</b>	<b>114,640,572</b>
<b>Contingencies and Commitments</b>	<b>415,595,186</b>	<b>246,204,352</b>	<b>21,489,804</b>	<b>340,262</b>	<b>426,945,992</b>	<b>86,457,682</b>	<b>14,421,012</b>

## 45.2. Geographical segment analysis

	2019					
	Pakistan Operations	United States of America	Export Processing Zones	Middle East	Europe	Africa
	(Rupees in '000)					
<b>Profit &amp; Loss</b>						
Net mark-up / return / profit	53,011,184	-	232,825	8,536,463	1,560,446	-
Inter segment (expense) / revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	19,718,083	-	50,950	3,051,760	1,514,042	-
<b>Total Income</b>	<b>72,729,267</b>	<b>-</b>	<b>283,775</b>	<b>11,588,223</b>	<b>3,074,488</b>	<b>-</b>
Segment direct expenses	35,927,041	-	26,479	5,707,496	2,970,540	-
Inter segment expense allocation	(740,244)	-	2,729	737,515	-	-
<b>Total expenses</b>	<b>35,186,797</b>	<b>-</b>	<b>29,208</b>	<b>6,445,011</b>	<b>2,970,540</b>	<b>-</b>
Reversals / (Provisions)	(1,403,453)	-	-	(6,010,178)	100,088	-
<b>Profit / (loss) before tax</b>	<b>36,139,017</b>	<b>-</b>	<b>254,567</b>	<b>(866,966)</b>	<b>204,036</b>	<b>-</b>
<b>Balance Sheet</b>						
Cash & Bank balances	198,707,716	-	57,847	52,342,883	34,984,482	-
Investments	732,869,714	-	4,673,811	103,608,000	33,410,212	-
Net inter segment lending	1,035,410,139	-	-	-	-	-
Lendings to financial institutions	20,246,576	-	-	-	1,509,828	-
Advances - performing	497,530,779	-	38,323	125,280,859	58,139,824	-
Advances - non-performing net of prov	2,156,951	-	-	11,212,859	574,868	-
Others	124,829,995	-	2,396,396	12,430,338	6,499,613	-
<b>Total Assets</b>	<b>2,611,751,870</b>	<b>-</b>	<b>7,166,377</b>	<b>304,874,939</b>	<b>135,118,827</b>	<b>-</b>
Borrowings	149,316,250	-	-	5,567,707	15,521,103	-
Subordinated debt	10,000,000	-	-	-	-	-
Deposits & other accounts	1,216,408,782	-	5,592,357	244,850,452	91,143,715	-
Net inter segment borrowing	1,035,204,708	-	112,723	92,708	-	-
Others	85,624,195	-	158,794	7,461,053	1,204,109	-
<b>Total Liabilities</b>	<b>2,496,553,935</b>	<b>-</b>	<b>5,863,874</b>	<b>257,971,920</b>	<b>107,868,927</b>	<b>-</b>
Equity	118,278,817	-	1,302,503	51,271,005	20,019,546	-
<b>Total Equity &amp; liabilities</b>	<b>2,614,832,752</b>	<b>-</b>	<b>7,166,377</b>	<b>309,242,925</b>	<b>127,888,473</b>	<b>-</b>
<b>Contingencies and Commitments</b>	<b>981,900,186</b>	<b>-</b>	<b>115,880</b>	<b>405,584,968</b>	<b>76,351,544</b>	<b>-</b>

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

### Geographical segment analysis

	2018						
	Pakistan Operations	United States of America	Export Processing Zones	Middle East	Europe	Africa	Total
	(Rupees in '000)						
<b>Profit &amp; Loss</b>							
Net mark-up / return / profit	47,695,852	53,126	152,391	8,325,959	1,715,892	-	57,943,220
Inter segment (expense) / revenue - net	-	-	-	-	-	-	-
Non mark-up / return / interest income	24,197,582	10,769	40,131	1,994,908	467,491	-	26,710,881
<b>Total Income</b>	<b>71,893,434</b>	<b>63,895</b>	<b>192,522</b>	<b>10,320,867</b>	<b>2,183,383</b>	<b>-</b>	<b>84,654,101</b>
Segment direct expenses	(37,024,290)	(1,067,600)	(17,600)	(5,877,260)	(2,668,998)	-	(46,655,748)
Inter segment expense allocation	660,416	-	(1,408)	(659,008)	-	-	-
<b>Total expenses</b>	<b>(36,363,874)</b>	<b>(1,067,600)</b>	<b>(19,008)</b>	<b>(6,536,268)</b>	<b>(2,668,998)</b>	<b>-</b>	<b>(46,655,748)</b>
Reversals / (Provisions)	(1,021,544)	(68,015)	-	(11,500,905)	143,855	-	(12,446,609)
<b>Profit / (loss) before tax</b>	<b>34,508,016</b>	<b>(1,071,720)</b>	<b>173,514</b>	<b>(7,716,306)</b>	<b>(341,760)</b>	<b>-</b>	<b>25,551,744</b>
<b>Balance Sheet</b>							
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
<b>Total Assets</b>	<b>2,467,829,189</b>	<b>2,775,611</b>	<b>4,712,729</b>	<b>327,633,702</b>	<b>113,273,900</b>	<b>6,221,816</b>	<b>2,922,446,947</b>
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
<b>Total Liabilities</b>	<b>2,364,072,016</b>	<b>437,252</b>	<b>3,982,804</b>	<b>288,506,014</b>	<b>93,427,247</b>	<b>3,397,755</b>	<b>2,753,823,088</b>
Equity	104,523,012	2,338,359	729,925	42,350,355	17,335,431	1,346,777	168,623,859
<b>Total Equity &amp; liabilities</b>	<b>2,468,595,028</b>	<b>2,775,611</b>	<b>4,712,729</b>	<b>330,856,369</b>	<b>110,762,678</b>	<b>4,744,532</b>	<b>2,922,446,947</b>
<b>Contingencies and Commitments</b>	<b>704,450,684</b>	<b>-</b>	<b>2,209,348</b>	<b>418,336,575</b>	<b>86,434,599</b>	<b>23,084</b>	<b>1,211,454,290</b>

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

#### 46 TRUST ACTIVITIES

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

#### 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, 2019

## 47.1 RELATED PARTY TRANSACTIONS

	2019				2018			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
	(Rupees in '000)							
<b>Investments</b>								
Opening balance	-	-	5,119,744	4,183,880	-	-	4,243,644	3,895,328
Investment made during the year	-	-	13,864,341	-	-	-	6,148,157	510,075
Investment redeemed / disposed off during the year	-	-	(13,491,052)	(240,353)	-	-	(5,699,007)	(221,523)
Equity method adjustments	-	-	620,401	-	-	-	426,950	-
Closing balance	-	-	6,113,434	3,943,527	-	-	5,119,744	4,183,880
Provision for diminution in value of investments	-	-	-	1,126,954	-	-	-	91,007
<b>Advances</b>								
Opening balance	2,221	280,911	2,155,149	6,747,749	5,303	205,368	2,155,149	2,626,106
Addition during the year	15,958	148,343	-	6,591,282	13,479	245,272	-	4,123,007
Repaid during the year	(13,555)	(88,857)	-	(623,033)	(16,561)	(121,668)	-	(1,341)
Transfer out	-	(52,779)	-	-	-	(48,061)	-	(23)
Closing balance	4,624	287,618	2,155,149	12,715,998	2,221	280,911	2,155,149	6,747,749
Provision held against advances	-	-	2,155,149	-	-	-	2,155,149	-
<b>Other Assets</b>								
Interest mark-up accrued	-	-	7,289	325,704	-	-	3,646	143,767
Receivable from staff retirement funds	-	-	-	217,633	-	-	-	321,349
Prepaid insurance	-	-	2,167	-	-	-	107,566	-
Remuneration receivable from management of funds	-	-	79,080	-	-	-	87,358	-
Sales load receivable	-	-	27,408	-	-	-	19,154	-
Formation cost receivable	-	-	-	-	-	-	7,039	-
Other receivable	-	-	1,505	30,164	-	-	59,146	30,164
Provision against other assets	-	-	-	30,164	-	-	-	30,164
<b>Borrowings</b>								
Opening balance	-	-	-	12,400	-	-	474,532	-
Borrowings during the year	-	-	-	579,400	-	-	2,364,689	244,000
Settled during the year	-	-	-	(591,800)	-	-	(2,839,221)	(231,600)
Closing balance	-	-	-	-	-	-	-	12,400
<b>Deposits and other accounts</b>								
Opening balance	6,245,368	165,303	11,638,646	8,491,509	5,700,563	66,247	7,426,100	3,072,390
Received during the year	38,666,070	915,992	160,641,938	267,658,066	60,624,991	1,629,709	160,790,083	163,877,912
Withdrawn during the year	(36,231,988)	(996,873)	(165,777,647)	(264,802,479)	(60,080,186)	(1,594,450)	(156,547,356)	(158,455,252)
Transfer in / (out) - net	-	(13,313)	(4)	-	-	63,797	(30,181)	(3,541)
Closing balance	8,679,450	71,109	6,502,933	11,347,096	6,245,368	165,303	11,638,646	8,491,509
<b>Other Liabilities</b>								
Interest / mark-up payable on deposits and borrowings	35,257	-	72,233	94,554	40,343	67	53,416	49,821
Payable to staff retirement fund	-	-	-	736,313	-	-	-	972,584
Unearned income	-	-	-	13,869	-	-	-	12,608
	2019				2018			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
	(Rupees in '000)							
<b>Income</b>								
Mark-up / return / interest earned	-	15,660	57,978	822,220	-	12,528	10,096	146,301
Commission / charges recovered	425	3,995	12,617	22,937	92	694	88,347	17,393
Dividend received	-	-	91,518	373,764	-	-	45,186	779,246
Net gain on sale of securities	-	-	64,370	28,515	-	-	94,616	-
Remuneration from management of fund	-	-	800,997	-	-	-	922,809	-
Sales load	-	-	57,898	-	-	-	96,871	-
Subscription fee	-	-	-	-	-	-	16,187	-
Other income	-	989	6,157	22,827	-	942	100	234,406
Switch revenue	-	-	-	249,124	-	-	-	-
<b>Expenses</b>								
Mark-up / return / interest paid	155,289	1,682	767,200	387,628	161,640	2,151	609,869	158,220
Remuneration paid	-	852,955	-	-	-	1,451,096	-	-
Post employment benefits	-	22,807	-	-	-	68,435	-	-
Non-executive directors' fee	96,075	-	-	-	64,348	-	-	-
Net charge for defined contribution plans	-	-	-	498,894	-	-	-	479,403
Net charge for defined benefit plans	-	-	-	241,654	-	-	-	6,736,263
Clearing charges	-	-	-	129,727	-	-	-	114,171
Seminar and Membership fees	-	-	-	13,845	-	-	-	9,405
Membership, Subscription, Sponsorship and maintenance charges	-	-	-	14,534	-	-	-	7,309
Custody charges	-	-	-	6,401	-	-	-	5,775
Other expenses	-	-	63,634	49,363	-	-	-	4,960
Insurance premium paid	-	2,735	348,690	-	-	-	557,449	-
Insurance claims settled	-	-	330,415	-	-	-	395,987	-

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**48. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS**

	2019	2018
	Rupees in '000	
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	12,241,798	12,241,798
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	124,263,319	116,182,214
Eligible Additional Tier 1 (ADT 1) Capital	10,530,346	8,305,439
Total Eligible Tier 1 Capital	134,793,665	124,487,653
Eligible Tier 2 Capital	35,945,443	40,708,238
Total Eligible Capital (Tier 1 + Tier 2)	170,739,108	165,195,891
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	729,515,624	795,066,075
Market Risk	67,581,408	30,089,441
Operational Risk	153,434,017	147,604,598
Total	950,531,049	972,760,114
Common Equity Tier 1 Capital Adequacy ratio	13.07%	11.94%
Tier 1 Capital Adequacy Ratio	14.18%	12.80%
Total Capital Adequacy Ratio	17.96%	16.98%

The SBP through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid-up capital (net of accumulated losses) for Banks to be raised to Rs.10,000 million by the year ending December 31, 2015. The paid-up capital of the Bank as at December 31, 2019 stood at Rs.12,241.798 million (2018: Rs.12,241.798 million) and is in compliance with SBP requirements. Banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10.0% plus capital conservation buffer of 2.5% and High Loss Absorbency Requirement of 1.5% of the risk weighted exposures of the Bank. Further, under Basel III instructions, Banks are also required to maintain a Common Equity Tier 1 (CET 1) ratio and Tier 1 ratio of 6.0% and 7.5%, respectively, as at December 31, 2019. As at December 31, 2019 the Bank is fully compliant with prescribed ratios as the Bank's CAR is 17.96% whereas CET 1 and Tier 1 ratios stood at 13.07% and 14.18% 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 Systemically Important Banks (D-SIBs) introduced vide BPRD Circular No. 04 of 2018 dated April 13, 2018, UBL has been designated as a D-SIB. In line with this framework, the Bank is required to meet the Higher Loss Absorbency (HLA) capital charge of 1.5%, in the form of Additional CET 1 capital, on a standalone as well as consolidated level during 2019. As per SBP's designation of D-SIBs for the year 2019, the HLA capital charge required to be maintained by UBL has been reduced from 1.5% to 1.0%. The revised HLA capital charge will be applicable from March 31, 2020 and will remain effective till next D-SIB designation is announced by the State Bank of

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.

	2019	2018
	Rupees in '000	
<b>Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	134,793,665	124,487,653
Total Exposures	2,526,630,560	2,550,548,720
Leverage Ratio	5.33%	4.88%
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	530,445,724	404,144,218
Total Net Cash Outflow	206,983,969	212,338,866
Liquidity Coverage Ratio	256.27%	190.33%
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	1,597,891,244	1,489,318,075
Total Required Stable Funding	1,170,120,900	1,181,920,887
Net Stable Funding Ratio	136.56%	126.01%

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, 2019

### 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 risks.

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

	2019	2018	2019	2018	2019	2018
Credit risk by public / private sector	Gross lendings		Non-performing lendings		Provision held	
	(Rupees in '000)					
Public / Government	4,800,000	4,800,000	-	-	-	-
Private	16,956,404	30,614,804	-	68,253	-	68,253
	21,756,404	35,414,804	-	68,253	-	68,253

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

## 49.1.2 Investment in debt securities

Credit risk by industry sector	2019	2018	2019	2018	2019	2018
	Gross investments		Non-performing investments		Provision held	
	(Rupees in '000)					
Airlines	391,504	1,792,177	391,504	1,792,177	-	-
Textile	529,262	229,264	228,922	229,264	103,088	103,090
Chemical and Pharmaceuticals	194,104	110,645	91,288	110,645	91,288	110,645
Automobile and transportation equipment	6,180,479	-	-	-	-	-
Electronics and electrical appliances	-	2,549	-	2,549	-	2,549
Exports/Imports	773,421	-	-	-	-	-
Fertilizers	17,362,227	-	-	-	-	-
Construction	1,815,899	424,739	-	-	-	-
Insurance	1,607,579	-	-	-	-	-
Power (electricity), Gas, Water, Sanitary	24,462,115	14,827,903	-	-	-	-
Telecommunication	837,100	-	-	-	-	-
Financial	770,901,869	770,631,700	78,784	301,197	78,784	301,172
Others	34,090,968	40,180,411	2,309	430,317	2,309	430,830
	<u>859,146,527</u>	<u>828,199,388</u>	<u>792,807</u>	<u>2,866,149</u>	<u>275,469</u>	<u>948,286</u>
Credit risk by public / private sector	2019	2018	2019	2018	2019	2018
	Gross investments		Non-performing investments		Provision held	
	(Rupees in '000)					
Public / Government	823,375,824	768,972,688	391,504	2,175,183	-	-
Private	35,770,703	59,226,700	401,303	690,966	275,469	948,286
	<u>859,146,527</u>	<u>828,199,388</u>	<u>792,807</u>	<u>2,866,149</u>	<u>275,469</u>	<u>948,286</u>

## 49.1.3 Advances

Credit risk by industry sector	2019	2018	2019	2018	2019	2018
	Gross advances		Non-performing advances		Provision held	
	(Rupees in '000)					
Chemical and pharmaceuticals	12,846,614	15,625,380	127,834	112,284	120,009	112,284
Agri business	9,637,263	10,435,056	716,680	461,798	316,451	347,506
Textile spinning	19,088,233	18,505,029	3,810,771	3,945,619	3,810,771	3,945,619
Textile weaving	7,819,768	8,518,471	421,724	418,026	356,813	417,764
Textile composite	32,023,671	33,893,395	3,910,358	3,963,152	3,910,358	3,961,202
Textile others	18,525,815	19,153,131	2,402,729	2,565,120	2,395,346	2,461,777
Cement	7,919,680	6,608,055	278,426	-	136,211	-
Sugar	5,626,661	10,106,270	180,729	426,992	180,729	426,992
Shoes and leather garments	2,045,615	2,351,335	2,320,414	2,214,605	2,281,613	2,214,700
Automobile and transportation equipment	16,857,339	18,199,891	122,851	130,307	122,105	128,250
Financial	49,738,983	72,320,683	3,459,784	3,400,989	3,459,718	3,461,379
Electronics and electrical appliances	13,708,661	14,230,576	8,243,692	7,348,585	6,230,582	5,356,833
Production and transmission of energy	193,356,305	226,994,888	4,890,901	5,185,374	4,925,046	4,710,194
Paper and allied	2,000,326	3,440,410	625,182	707,669	614,656	706,138
Surgical and metal	42,987	207,652	-	-	-	-
Contractors	9,971,659	5,107,914	842,215	-	679,587	-
Wholesale traders	35,673,686	38,943,401	8,069,156	6,255,138	7,977,518	6,239,271
Fertilizer dealers	14,811,984	14,480,378	53,298	47,698	46,548	46,675
Sports goods	272,124	691,643	5,100	-	5,100	-
Food industries	81,992,107	87,493,084	7,479,545	8,090,259	5,475,103	6,139,973
Airlines	7,495,899	8,076,546	1,429,361	-	1,429,288	-
Cables	1,175,344	994,870	646,792	-	646,792	-
Construction	27,603,129	32,446,269	6,796,071	3,191,872	3,363,017	2,889,321
Engineering	20,368,902	22,793,296	1,109,848	1,117,263	39,379	49,720
Glass and allied	386,633	598,019	-	-	-	-
Hotels	2,111,627	1,420,315	616,777	596,050	616,777	596,050
Polyester and fiber	4,498,424	4,541,352	1,577,051	1,577,051	1,577,051	1,577,051
Telecommunication	20,027,491	17,805,208	2,815,881	-	2,827,769	-
Individuals	69,625,877	42,705,370	8,564,083	9,503,456	5,282,435	3,814,688
Others	74,802,537	76,884,446	5,929,786	8,244,000	4,675,589	6,774,293
	<u>762,055,344</u>	<u>815,572,333</u>	<u>77,447,039</u>	<u>69,503,307</u>	<u>63,502,361</u>	<u>56,377,680</u>

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

Credit risk by public / private sector	2019	2018	2019	2018	2019	2018
	Gross advances		Non-performing advances		Provision held	
	(Rupees in '000)					
Public / Government	331,031,291	331,031,291	1,089,630	1,089,630	22,313	22,313
Private	431,024,053	484,541,042	76,357,409	68,413,677	63,480,048	56,355,367
	762,055,344	815,572,333	77,447,039	69,503,307	63,502,361	56,377,680

## 49.1.4 Contingencies and Commitments

	2019	2018
	Rupees in '000	
<b>Credit risk by industry sector</b>		
Agri business	5,468,525	84,806
Airlines	1,799,768	444,064
Automobile and transportation equipment	1,969,736	5,442,636
Cables	359,209	416,415
Cement	5,557,937	9,657,312
Chemical and pharmaceuticals	3,534,842	3,832,528
Construction	12,048,828	20,745,074
Containers and ports	1,154,416	1,092,000
Contractors	2,649,175	19,364,259
Electronics and electrical appliances	398,469	3,089,509
Engineering	8,274,367	19,369,801
Financial	3,179,706	798,006,934
Textile spinning	1,075,399,609	5,472,684
Textile weaving	7,336,979	4,428,557
Textile composite	287,000	5,075,008
Textile others	69,740	4,538,228
Sugar	15,431,641	1,700,230
Shoes and leather garments	2,638,436	95,932
Production and transmission of energy	3,819,949	132,743,634
Paper and allied	142,488,054	3,304,861
Surgical and metal	56,330	-
Wholesale traders	99,262	6,017,812
Fertilizer dealers	155,994	5,133,758
Food industries	14,700,186	10,004,607
Glass and allied	673,835	380,484
Hotels	6,143,341	153,631
Polyester and fiber	2,261,400	6,498,849
Telecommunication	1,614,426	11,070,166
Individuals	1,270,211	3,725,963
Others	143,111,207	129,564,548
	<u>1,463,952,578</u>	<u>1,211,454,290</u>
<b>Credit risk by public / private sector</b>		
Public / Government	426,665,080	503,906,705
Private	1,037,287,498	707,547,585
	<u>1,463,952,578</u>	<u>1,211,454,290</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 307.757 million (2018: 329,887 million) are as following:

	2019	2018
	Rupees in '000	
Funded	175,759,229	202,225,292
Non Funded	131,997,318	127,661,689
Total Exposure	<u>307,756,547</u>	<u>329,886,981</u>

The sanctioned limits against these top 10 exposures aggregated to Rs 322,710 million (2018: Rs 377,954 million).

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

### 49.1.6 Advances - Province / Region-wise Disbursement & Utilization

Province / Region	2019					
	Disburse- ments	Utilization				
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad AJK including Gilgit- Baltistan
	(Rupees in '000)					
Punjab	163,251,257	163,251,257	-	-	-	-
Sindh	221,221,535	-	221,221,535	-	-	-
KPK including FATA	1,409,927	-	-	1,409,927	-	-
Balochistan	869,842	-	-	-	869,842	-
Islamabad	120,402,344	-	-	-	-	120,402,344
AJK including Gilgit-Baltistan	151,138	-	-	-	-	151,138
Total	507,306,043	163,251,257	221,221,535	1,409,927	869,842	120,402,344
						151,138

  

Province / Region	2018					
	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

### 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.



## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

- 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

	2019			2018		
	Banking book	Trading book	Total	Banking book	Trading book	Total
(Rupees in '000)						
Cash and balances with treasury banks	243,370,701	-	243,370,701	187,915,671	-	187,915,671
Balances with other banks	42,722,227	-	42,722,227	41,747,060	-	41,747,060
Lendings to financial institutions	21,756,404	-	21,756,404	35,346,551	-	35,346,551
Investments	481,922,148	392,639,589	874,561,737	729,585,963	101,573,137	831,159,100
Advances	694,934,463	-	694,934,463	754,551,722	-	754,551,722
Fixed assets	58,276,411	-	58,276,411	50,898,280	-	50,898,280
Intangible assets	2,070,938	-	2,070,938	1,876,094	-	1,876,094
Deferred tax assets	1,723,553	-	1,723,553	6,685,952	-	6,685,952
Assets classified as held for sale	236,450	-	236,450	-	-	-
Other assets	84,085,440	-	84,085,440	92,312,444	-	92,312,444
	<u>1,631,098,735</u>	<u>392,639,589</u>	<u>2,023,738,324</u>	<u>1,900,919,737</u>	<u>101,573,137</u>	<u>2,002,492,874</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.

	2019				2018			
	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	1,549,598,145	1,324,042,745	(53,586,673)	171,968,727	1,532,411,442	1,332,445,342	(45,447,911)	154,518,189
US Dollar	258,417,224	178,391,299	(81,396,583)	(1,370,658)	210,730,070	117,600,788	(87,762,976)	5,366,306
Pound Sterling	71,297,070	77,190,868	20,344,001	14,450,203	51,697,946	70,657,807	26,749,191	7,789,330
Japanese Yen	140,649	116,872	(18,246)	5,531	27,226	8,821	(12,606)	5,799
Euro	4,002,248	9,188,690	5,327,214	140,772	3,070,085	10,644,026	6,396,344	(1,177,597)
UAE Dirham	95,773,140	183,810,055	89,194,894	1,157,979	123,875,311	211,071,317	80,270,598	(6,925,408)
Bahraini Dinar	15,484,445	25,325,947	10,065,814	224,312	13,536,697	25,327,298	12,252,900	462,299
Qatari Riyal	18,613,184	27,147,501	9,359,104	824,787	24,369,574	28,332,023	4,809,866	847,417
Other Currencies	10,412,219	7,652,476	710,475	3,470,218	42,774,523	37,781,593	2,744,594	7,737,524
	<u>2,023,738,324</u>	<u>1,832,866,453</u>	<u>-</u>	<u>190,871,871</u>	<u>2,002,492,874</u>	<u>1,833,869,015</u>	<u>-</u>	<u>168,623,859</u>



**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
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	2019		2018	
	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	154,329	-	63,681	-
-1% change	(154,329)	-	(63,681)	-

#### 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.

	2019		2018	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 5% change in equity prices on,				
Other comprehensive income				
+5% change	-	709,219	860,904	-
-5% change	-	(709,219)	(860,904)	-

#### 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.

	2019		2018	
	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	(817,943)	(141,853)	(462,310)	(127,412)
-1% change	875,384	141,853	519,594	127,412
- Other comprehensive income				
+1% change	(4,639,066)	(1,630,607)	(6,346,952)	-
-1% change	4,639,066	1,630,607	6,346,952	-

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

## 49.2.5 Mismatch of interest rate sensitive assets and liabilities

		2019										Non-interest bearing financial instruments
Effective yield / interest rate	Total	Exposed to yield / interest rate risk										
		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	0.26%	243,370,701	18,775,252	-	-	-	-	-	-	-	-	224,595,449
Balances with other banks	3.92%	42,722,227	14,235,010	4,114,633	414,242	-	-	-	-	-	-	23,958,342
Lendings to financial institutions	11.10%	21,756,404	21,524,157	-	-	-	232,247	-	-	-	-	-
Investments	9.65%	874,561,737	132,620,728	176,258,597	75,364,095	82,406,608	130,994,342	97,829,747	59,685,713	92,959,094	5,719,743	20,723,070
Advances												
Performing	10.39%	680,989,785	215,006,227	214,441,134	187,624,344	27,097,774	4,584,859	1,936,494	24,338,798	2,158,272	3,801,883	-
Non-performing		13,944,678	-	-	-	-	-	-	-	-	-	13,944,678
Other assets		60,391,067	-	-	-	-	-	-	-	-	-	60,391,067
		1,937,736,599	402,161,374	394,814,364	263,402,681	109,504,382	135,811,448	99,766,241	84,024,511	95,117,366	9,521,626	343,612,606
Liabilities												
Bills payable		22,929,220	-	-	-	-	-	-	-	-	-	22,929,220
Borrowings	8.79%	170,405,060	80,516,873	41,240,233	7,405,589	16,077,188	24,576,902	-	-	-	-	588,275
Deposits and other accounts	4.89%	1,557,995,306	106,138,117	631,620,349	65,878,882	30,552,709	56,857,711	12,737,653	16,067,264	33,300,703	4,234,301	600,607,617
Liabilities against assets subject to finance lease	12.39%	19,095	19,095	-	-	-	-	-	-	-	-	-
Subordinated loans	13.51%	10,000,000	-	10,000,000	-	-	-	-	-	-	-	-
Other liabilities		26,581,656	-	-	-	-	-	-	-	-	-	26,581,656
		1,787,930,337	186,674,085	682,860,582	73,284,471	46,629,897	81,434,613	12,737,653	16,067,264	33,300,703	4,234,301	650,706,768
On-balance sheet gap		149,806,262	215,487,289	(288,046,218)	190,118,210	62,874,485	54,376,835	87,028,588	67,957,247	61,816,663	5,287,325	(307,094,162)
Net non financial assets		41,065,609										
Total net assets		190,871,871										
Off-balance sheet financial instruments												
Interest Rate Derivatives - Long position		316,500	-	316,500	-	-	-	-	-	-	-	-
Interest Rate Derivatives - Short position		(316,500)	-	(316,500)	-	-	-	-	-	-	-	-
FX Options - Long position		61,297	61,297	-	-	-	-	-	-	-	-	-
FX Options - Short position		(61,297)	(61,297)	-	-	-	-	-	-	-	-	-
Forward Purchase of Government Securities		3,043,541	-	3,043,541	-	-	-	-	-	-	-	-
Forward Sale of Government Securities		(11,264,179)	(2,008,835)	-	-	(9,208,510)	-	(46,834)	-	-	-	-
Foreign currency forward purchases		508,996,241	224,824,756	149,166,343	107,694,181	27,310,961	-	-	-	-	-	-
Foreign currency forward sales		(453,349,536)	(214,401,442)	(121,636,949)	(98,569,424)	(18,741,721)	-	-	-	-	-	-
Off-balance sheet Gap		47,426,067	8,414,479	30,572,935	9,124,757	(639,270)	-	(46,834)	-	-	-	-
Total Yield / Interest Rate Risk Sensitivity Gap		197,232,329	223,901,768	(257,473,283)	199,242,967	62,235,215	54,376,835	86,981,754	67,957,247	61,816,663	5,287,325	(307,094,162)
Cumulative Yield / Interest Rate Risk Sensitivity Gap			223,901,768	(33,571,515)	165,671,452	227,906,667	282,283,502	369,265,256	437,222,503	499,039,166	504,326,491	197,232,329

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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	5,596,807
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	4,401,291
Non-performing		13,125,627	-	-	-	-	-	-	-	-	-
Other assets		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	10.16%	9,000,000	-	9,000,000	-	-	-	-	-	-	-
Other liabilities		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	9,998,098
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	9,998,098
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	551,005,392
											175,859,456

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

### 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.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
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2019										
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)										
<b>Assets</b>										
Cash and balances with treasury banks	243,370,701	142,251,615	5,666,087	5,552,991	8,038,669	11,182,841	8,580,896	13,607,338	36,689,021	11,801,243
Balances with other banks	42,722,227	23,766,688	10,311,479	7,716,781	927,279	-	-	-	-	-
Lendings to financial institutions	21,756,404	21,524,156	-	-	-	232,248	-	-	-	-
Investments	874,561,737	165,963,320	106,960,278	43,446,348	87,351,348	116,424,350	80,484,853	59,733,731	204,348,089	9,849,420
Advances - Performing	680,989,785	146,149,885	92,358,928	77,806,365	65,857,826	55,360,785	51,575,072	105,470,884	67,933,593	18,476,447
- Non-performing	13,944,678	-	-	-	-	-	-	-	-	13,944,678
Operating fixed assets	58,276,411	6,386,121	362,763	596,288	936,068	2,007,987	2,412,223	3,296,325	5,209,865	37,068,771
Intangible assets	2,070,938	95,391	1,008	367,921	188,794	305,682	469,543	285,842	356,757	-
Deferred tax asset - net	1,723,553	-	-	-	430,888	430,888	430,888	430,889	-	-
Assets classified as held for sale	236,450	-	-	-	236,450	-	-	-	-	-
Other assets	84,085,440	16,129,345	19,291,079	6,293,590	24,897,473	4,091,264	3,899,797	2,691,055	5,493,455	1,298,382
	2,023,738,324	522,266,521	234,951,622	141,780,284	188,864,795	190,036,045	147,853,272	185,516,064	320,030,780	92,438,941
<b>Liabilities</b>										
Bills payable	22,929,220	7,815,283	5,719,262	5,605,105	3,789,570	-	-	-	-	-
Borrowings	170,405,060	72,570,699	37,241,931	21,959,335	15,983,962	530,363	242,987	2,293,306	19,564,718	17,759
Deposits and other accounts	1,557,995,306	211,814,178	155,568,524	115,173,509	160,453,780	150,309,222	117,925,901	163,162,006	365,286,013	118,302,173
Liabilities against assets subject to finance lease	19,095	19,095	-	-	-	-	-	-	-	-
Subordinated loans	10,000,000	-	-	-	-	-	-	-	10,000,000	-
Deferred tax liability	-	-	-	-	-	-	-	-	-	-
Liabilities directly associated with assets classified as held for sale	17,936	-	-	-	17,936	-	-	-	-	-
Other liabilities	71,499,836	31,342,928	10,915,096	7,570,412	5,436,958	2,370,122	3,088,462	3,336,709	3,422,863	4,016,286
	1,832,866,453	323,562,183	209,444,813	150,308,361	185,682,206	153,209,707	121,257,350	168,792,021	398,273,594	122,336,218
<b>Net assets</b>	190,871,871	198,704,338	25,506,809	(8,528,077)	3,182,589	36,826,338	26,595,922	16,724,043	(78,242,814)	(29,897,277)
<b>Represented by:</b>										
Share capital	12,241,798									
Reserves	66,676,411									
Surplus on revaluation of assets	27,404,558									
Unappropriated profit	77,335,249									
Non-controlling interest	7,213,855									
	190,871,871									

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FOR THE YEAR ENDED DECEMBER 31, 2019**

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)										
<b>Assets</b>										
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
<b>Liabilities</b>										
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
<b>Net assets</b>	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
<b>Represented by:</b>										
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									

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

2019													
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)													
<b>Assets</b>													
Cash and balances with treasury banks	243,370,701	7,508,933	-	-	235,861,768	-	-	-	-	-	-	-	-
Balances with other banks	42,722,227	21,843,791	5,256,950	1,506,565	1,964,263	3,539,300	-	7,684,081	382,596	544,681	-	-	-
Lendings to financial institutions	21,756,404	-	2,277,580	7,738,865	11,507,712	-	-	-	-	232,247	-	-	-
Investments	874,561,737	46,710,311	2,154,480	-	117,098,529	20,879,545	86,080,733	43,446,348	81,147,763	6,203,585	116,424,350	80,484,853	59,733,731
Advances	694,934,463	477,127	37,297	-	145,635,461	3,155,796	89,203,132	77,806,365	1,640,372	64,217,454	55,360,785	51,575,072	105,470,884
Operating fixed assets	58,276,411	5,792,485	-	-	593,636	-	362,763	596,288	-	936,068	2,007,987	2,412,223	3,296,325
Intangible Assets	2,070,938	95,385	-	-	6	-	1,008	367,921	-	188,794	305,682	469,543	285,842
Deferred tax assets	1,723,553	-	-	-	1,723,553	-	-	-	-	-	-	-	-
Assets classified as held for sale	236,450	-	-	-	-	-	-	-	236,450	-	-	-	-
Other assets	84,085,440	1,250,638	1,670	-	14,877,037	-	19,291,079	6,293,590	14,114	24,883,359	4,091,264	3,899,797	2,691,055
	2,023,738,324	83,678,670	9,727,977	9,245,430	529,261,965	27,574,641	194,938,715	136,194,593	83,184,845	97,210,391	178,422,315	138,841,488	171,477,837
													363,979,457
<b>Liabilities</b>													
Bills payable	22,929,220	2,624	-	-	22,926,596	-	-	-	-	-	-	-	-
Borrowings	170,405,060	752,368	71,035,629	2,556,371	3,114,315	17,816,644	14,537,304	21,959,335	15,937,067	46,895	530,363	242,987	2,293,306
Deposits and other accounts	1,557,995,306	1,153,962,216	22,945,217	47,956,308	27,342,396	26,847,462	65,976,506	53,681,347	28,357,730	43,078,232	26,473,785	13,360,155	33,552,927
Liabilities against assets subject to													
finance lease	19,095	19,095	-	-	-	-	-	-	-	-	-	-	-
Subordinated debts	10,000,000	-	-	-	-	-	-	-	-	-	-	-	10,000,000
Liabilities directly associated with													
assets classified as held for sale	17,936	-	-	-	-	-	-	-	17,936	-	-	-	-
Other liabilities	71,499,836	1,148,525	6,300	1,001	30,196,409	9,092	10,896,698	7,570,412	-	5,436,958	2,370,122	3,088,462	3,336,709
	1,832,866,453	1,155,884,828	93,987,146	50,513,680	83,579,716	44,673,198	91,410,508	83,211,094	44,294,797	48,580,021	29,374,270	16,691,604	39,182,942
													51,482,649
<b>Net assets</b>	<b>190,871,871</b>	<b>(1,072,206,158)</b>	<b>(84,259,169)</b>	<b>(41,268,250)</b>	<b>445,682,249</b>	<b>(17,098,557)</b>	<b>103,528,207</b>	<b>52,983,499</b>	<b>38,890,048</b>	<b>48,630,370</b>	<b>149,048,045</b>	<b>122,149,884</b>	<b>132,294,895</b>
													312,496,808
<b>Represented by:</b>													
Share capital	12,241,798												
Reserves	66,676,411												
Unappropriated profit	77,335,249												
Surplus on revaluation of assets	27,404,558												
Non-controlling interest	7,213,855												
	<u>190,871,871</u>												



**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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)													
<b>Assets</b>													
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
<b>Liabilities</b>													
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	10,000	-	-	-	-	-	-	-	-	-	-	-	10,000
Subordinated debts	9,000,000	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	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
<b>Net assets</b>	<b>168,623,859</b>	<b>(1,037,496,445)</b>	<b>51,025,040</b>	<b>(28,790,233)</b>	<b>287,156,023</b>	<b>12,949,711</b>	<b>40,167,865</b>	<b>57,433,656</b>	<b>15,349,776</b>	<b>56,623,008</b>	<b>180,984,867</b>	<b>113,120,230</b>	<b>170,846,868</b>
													249,253,493
<b>Represented by:</b>													
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												
	<u>168,623,859</u>												

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

- 50.1** The Board of Directors in its meeting held on February 19, 2020 has proposed a cash dividend in respect of 2019 of Rs. 4 per share (2018: Rs. 3 per share). In addition, the Directors have also announced a bonus issue of Nil (2018: Nil). These appropriations will be approved in the forthcoming Annual General Meeting. The consolidated financial statements for the year ended December 31, 2019 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2020.

**51. GENERAL**

- 51.1** Comparative Information has been reclassified, rearranged or additionally incorporated in these consolidated financial statements for the purposes of better presentation.
- 51.2** Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

**52. DATE OF AUTHORIZATION**

These consolidated financial statements were authorized for issue on February 19, 2020 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 2019

	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	272,000	1,496	270,504	272,000	Sale	Mr. Muhammad Hanif
Land & Building	212,450	78,282	134,168	174,107	Sale	Agecroft Investment Company
Leasehold Improvements						
HO Departments	13,253	11,462	1,791	-	Write Off	
Branch	3,388	2,484	904	-	Write Off	
	501,091	93,724	407,367	446,107		
Vehicles						
Toyota Prado	9,894	8,905	989	1,979	Buy Back	UBL President (Sima Kamil)
Toyota Prado	6,943	6,249	694	5,053	Auction	Mr. Syed Riaz Ahmed
Toyota Hiace Van	1,940	1,746	194	1,660	Auction	Mr. Muhammad Javed
Toyota Corolla	1,792	1,075	717	1,550	Insurance	UBL Insurers
Toyota Corolla	1,786	1,608	179	1,451	Auction	Augmentech Business Solutions
Toyota Corolla	1,761	1,585	176	1,277	Auction	Yasir Motors
Toyota Corolla	1,761	1,585	176	1,338	Auction	Augmentech Business Solutions
Toyota Corolla	1,761	1,585	176	1,371	Auction	Augmentech Business Solutions
Toyota Corolla	1,761	1,585	176	1,384	Auction	Augmentech Business Solutions
Toyota Corolla	1,761	1,585	176	1,381	Auction	Augmentech Business Solutions
Toyota Corolla	1,736	1,562	174	1,461	Auction	Augmentech Business Solutions
Toyota Corolla	1,736	1,562	174	1,461	Auction	Augmentech Business Solutions
Toyota Corolla	1,715	1,544	172	1,264	Auction	Mr. Syed Riaz Ahmed
Toyota Corolla	1,715	1,544	172	1,260	Auction	Mr. Fawad Ahmed
Toyota Corolla	1,715	1,544	172	1,300	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,694	1,271	424	1,300	Insurance	UBL Insurers
Toyota Corolla	1,663	1,496	166	1,325	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,663	1,496	166	1,350	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,649	1,649	-	1,371	Auction	Augmentech Business Solutions
Toyota Corolla	1,649	1,484	165	1,375	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,649	1,484	165	1,300	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,649	1,484	165	1,375	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,649	1,484	165	1,300	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,649	1,484	165	1,325	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,649	1,484	165	1,340	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,649	1,484	165	1,280	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,649	1,484	165	1,301	Auction	Augmentech Business Solutions
Toyota Corolla	1,649	1,484	165	1,334	Auction	Mr. Zahid Qadri
Toyota Corolla	1,649	1,484	165	1,128	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,608	1,607	-	1,000	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,607	1,446	161	1,335	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,595	1,435	159	1,210	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,594	1,435	159	1,331	Auction	Augmentech Business Solutions
Toyota Corolla	1,594	1,435	159	1,414	Auction	Mr. Anwar ul Hassan Khan
Toyota Corolla	1,594	1,435	159	1,401	Auction	Augmentech Business Solutions
Toyota Corolla	1,594	1,435	159	1,425	Auction	Augmentech Business Solutions
Toyota Corolla	1,579	1,421	158	1,210	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,569	1,412	157	1,235	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,569	1,412	157	1,240	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,524	1,372	152	1,350	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,515	1,364	152	1,089	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,511	1,359	151	1,225	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,509	1,358	151	1,175	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,453	1,308	145	1,050	Auction	Augmentech Business Solutions Pvt Ltd
Suzuki Cultus VXRi	1,084	976	108	309	Auction	Asadullah Odho
Suzuki Cultus VXRi	1,084	976	108	820	Auction	Mr. Muhammad Azim Afridi
Suzuki Cultus VXRi	1,083	975	108	660	Auction	Mr. Muhammad Aslam
Suzuki Cultus VXRi	1,079	938	140	356	Auction	Mr. Shahzad Sarwar

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

## Disposals of operating fixed assets during the year 2019

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	(Rupees in '000)					
Suzuki Cultus VXRI	1,074	966	107	762	Auction	Mr. Jawed
Suzuki Cultus VXRI	1,045	940	104	313	Auction	Muhammad Ashfaq
Suzuki Cultus VXRI	1,043	829	214	963	Auction	Mr. Muhammad Azim Afridi
Suzuki Cultus VXRI	1,043	829	214	1,010	Auction	Mr. Muhammad Azim Afridi
Suzuki Cultus VXRI	1,025	923	103	825	Auction	Mr. Muhammad Azim Afridi
Suzuki Cultus VXRI	1,014	913	101	735	Auction	Mr. Muhammad Umer
Mercedes E300	7,617	7,617	-	2,800	Auction	Swapan Chakravorty
Honda CRV	5,065	5,065	-	-	Write Off	
	<b>109,607</b>	<b>99,197</b>	<b>10,409</b>	<b>71,837</b>		

## Electrical, office and computer equipment

Generator	1,291	797	496	647	Insurance	UBL Insurers
Generator	1,396	675	721	954	Insurance	UBL Insurers
Generator	1,645	1,590	55	510	Insurance	UBL Insurers
Atm Machine	3,272	3,272	-	55	Negotiation	NCR Corporation
Atm Machine	3,208	3,208	-	55	Negotiation	NCR Corporation
Atm Machine	1,064	1,064	-	70	Negotiation	NCR Corporation
Atm Machine	1,064	1,064	-	70	Negotiation	NCR Corporation
Atm Machine	1,064	1,064	-	70	Negotiation	NCR Corporation
Atm Machine	1,064	1,064	-	70	Negotiation	NCR Corporation
Atm Machine	1,064	1,064	-	70	Negotiation	NCR Corporation
Atm Machine	1,014	1,014	-	65	Negotiation	NCR Corporations
Atm Machine	1,014	1,014	-	70	Negotiation	NCR Corporation
Atm Machine	1,014	1,014	-	70	Negotiation	NCR Corporation
Atm Machine	1,014	1,014	-	70	Negotiation	NCR Corporation
Atm Machine	1,013	506	506	76	Negotiation	NCR Corporation
Atm Machine	1,004	606	397	70	Negotiation	NCR Corporation
Atm Machine	975	630	345	630	Insurance	UBL Insurers
Atm Machine	975	630	345	595	Insurance	UBL Insurers
Atm Machine	953	556	397	76	Negotiation	NCR Corporation
Atm Machine	953	536	417	76	Negotiation	NCR Corporation
	<b>26,061</b>	<b>22,382</b>	<b>3,679</b>	<b>4,369</b>		

## Items having book value of less

than Rs. 250,000 and cost of less than Rs. 1,000,000

Others	126,111	122,945	2,807	17,203
VDI Project	13,699	-	13,699	-

<b>Total</b>	<b>776,569</b>	<b>338,248</b>	<b>437,961</b>	<b>539,516</b>
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