

United Bank Limited

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
(UN-AUDITED)



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2017**

	Note	(Un-audited) September 30, 2017 ----- (Rupees in '000) -----	(Audited) December 31, 2016
ASSETS			
Cash and balances with treasury banks		125,498,620	133,467,502
Balances with other banks		42,285,485	32,267,304
Lendings to financial institutions	6	42,161,227	35,484,586
Investments	7	1,122,413,356	838,262,274
Advances	8	600,402,866	537,782,146
Operating fixed assets	9	42,838,710	39,298,927
Deferred tax asset - net		-	-
Other assets		43,973,278	45,179,521
		2,019,573,542	1,661,742,260
LIABILITIES			
Bills payable		15,655,308	11,759,012
Borrowings	10	476,265,166	205,865,131
Deposits and other accounts	11	1,329,394,115	1,245,791,616
Subordinated loans		-	-
Liabilities against assets subject to finance lease		5,457	3,558
Deferred tax liability - net		3,348,851	5,230,571
Other liabilities		28,821,091	29,363,148
		1,853,489,988	1,498,013,036
NET ASSETS		166,083,554	163,729,224
REPRESENTED BY			
Share capital		12,241,798	12,241,798
Reserves		44,268,018	42,615,188
Unappropriated profit		74,152,575	68,939,008
Total equity attributable to the equity holders of the Bank		130,662,391	123,795,994
Non-controlling interest		4,607,450	4,227,693
		135,269,841	128,023,687
Surplus on revaluation of assets - net of deferred tax	12	30,813,713	35,705,537
		166,083,554	163,729,224
CONTINGENCIES AND COMMITMENTS	13		

The annexed notes from 1 to 23 form an integral part of these consolidated condensed interim financial statements.

Aameer Karachiwalla
Chief Financial Officer

Sima Kamil
President &
Chief Executive Officer

Amar Zafar Khan
Director

Arshad Ahmad Mir
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Chairman

**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

	Note	July- September 2017	July- September 2016	January - September 2017	January - September 2016
(Rupees in '000)					
Mark-up / return / interest earned	14	29,316,164	24,543,435	80,621,771	75,904,854
Mark-up / return / interest expensed	15	(14,757,515)	(10,489,431)	(37,245,028)	(31,496,516)
Net mark-up / return / interest income		14,558,649	14,054,004	43,376,743	44,408,338
(Provision) / reversal against loans and advances - net		(500,022)	556,137	(103,188)	(226,390)
Reversal of provision against lendings to financial institutions - net		-	-	8,260	-
Provision for diminution in value of investments - net		(21,079)	(265,208)	(209,967)	(957,890)
Bad debts written off directly		(111,717)	(12,728)	(136,637)	(58,098)
		(632,818)	278,201	(441,532)	(1,242,378)
Net mark-up / return / interest income after provisions		13,925,831	14,332,205	42,935,211	43,165,960
Non mark-up / interest income					
Fee, commission and brokerage income		3,430,790	3,258,677	10,470,520	10,661,213
Dividend income		252,251	213,995	1,031,875	1,489,897
Income from dealing in foreign currencies		575,952	464,702	1,535,891	1,562,135
Gain on sale of securities - net		298,428	508,411	4,295,042	5,279,297
Unrealized loss on revaluation of investments classified as held for trading		(23,397)	(11,659)	(20,907)	(2,903)
Other income		182,674	149,741	598,064	696,156
Total non mark-up / interest income		4,716,698	4,583,867	17,910,485	19,685,795
		18,642,529	18,916,072	60,845,696	62,851,755
Non mark-up / interest expenses					
Administrative expenses	16	(9,612,147)	(8,158,432)	(28,462,966)	(26,020,787)
Other provisions - net		(78,681)	(22,847)	(76,173)	(287,200)
Workers' Welfare Fund		(160,595)	(205,126)	(638,724)	(714,277)
Other charges		(399)	(26,003)	(59,039)	(56,253)
Total non mark-up / interest expenses		(9,851,822)	(8,412,408)	(29,236,902)	(27,078,517)
		8,790,707	10,503,664	31,608,794	35,773,238
Share of income / (loss) of associates		(27,454)	472,767	342,570	685,359
Profit before taxation		8,763,253	10,976,431	31,951,364	36,458,597
Taxation - Current		(2,853,831)	(4,025,227)	(11,348,979)	(13,032,797)
- Prior		386,920	4,633	(72,612)	(1,968,203)
- Deferred		(134,773)	194,682	(1,077,347)	293,561
		(2,601,684)	(3,825,912)	(12,498,938)	(14,707,439)
Profit after taxation		6,161,569	7,150,519	19,452,426	21,751,158
Attributable to:					
Equity shareholders of the Bank		6,110,393	7,065,712	19,349,717	21,529,731
Non-controlling interest		51,176	84,807	102,709	221,427
		6,161,569	7,150,519	19,452,426	21,751,158
Earnings per share - basic and diluted					
		4.99	5.77	15.81	17.59

The annexed notes from 1 to 23 form an integral part of these consolidated condensed interim financial statements.

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

	July- September 2017	July- September 2016	January - September 2017	January - September 2016
	----- (Rupees in '000) -----			
Profit after taxation for the period attributable to:				
Equity shareholders of the Bank	6,110,393	7,065,712	19,349,717	21,529,731
Non-controlling interest	51,176	84,807	102,709	221,427
	<u>6,161,569</u>	<u>7,150,519</u>	<u>19,452,426</u>	<u>21,751,158</u>
Other comprehensive income:				
<i>Items that are not to be reclassified to profit or loss in subsequent periods</i>	-	-	-	-
<i>Items that may be reclassified to profit or loss in subsequent periods</i>				
Exchange differences on translation of net investment in foreign branches and subsidiaries				
- Equity shareholders of the Bank	874,477	(344,933)	(279,826)	(1,499,236)
- Non-controlling interest	885,459	(201,900)	411,835	(675,524)
	<u>1,759,936</u>	<u>(546,833)</u>	<u>132,009</u>	<u>(2,174,760)</u>
	1,759,936	(546,833)	132,009	(2,174,760)
Other comprehensive income transferred to equity	<u>7,921,505</u>	<u>6,603,686</u>	<u>19,584,435</u>	<u>19,576,398</u>
<i>Items that may be reclassified to profit or loss in subsequent periods</i>				
(Deficit) / surplus arising on revaluation of available for sale securities	(15,056,668)	(1,877,227)	(7,601,753)	5,577,688
Related deferred tax reversal / (charge)	4,832,716	723,198	2,564,128	(1,545,390)
	<u>(10,223,952)</u>	<u>(1,154,029)</u>	<u>(5,037,625)</u>	<u>4,032,298</u>
Total comprehensive income during the period - net of tax	<u><u>(2,302,447)</u></u>	<u><u>5,449,657</u></u>	<u><u>14,546,810</u></u>	<u><u>23,608,696</u></u>

The annexed notes from 1 to 23 form an integral part of these consolidated condensed interim financial statements.

CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) **FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

	January - September 2017	January - September 2016
	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	31,951,364	36,458,597
Less: Dividend income	(1,031,875)	(1,489,897)
Share of income of associates	(342,570)	(685,359)
	<u>30,576,919</u>	<u>34,283,341</u>
Adjustments:		
Depreciation on operating fixed assets	1,583,182	1,256,808
Depreciation on Islamic financing against leased assets (Ijarah)	147,898	151,527
Amortization	321,785	288,218
Workers' Welfare Fund	638,724	714,277
Provision for retirement benefits	577,004	232,427
Provision for compensated absences	220,303	221,075
Provision against loans and advances - net	103,188	226,390
Reversal of provision against lendings to financial institutions - net	(8,260)	-
Provision for diminution in value of investments - net	209,967	957,890
Gain on sale of operating fixed assets - net	(32,430)	(23,223)
Loss / (gain) on sale of ijarah assets - net	118	(1,700)
Unrealized loss on revaluation of investments classified as held for trading	20,907	2,903
Bad debts written-off directly	136,637	58,098
Finance charges on leased assets	198	256
Other provisions - net	76,173	287,200
	<u>3,995,394</u>	<u>4,372,146</u>
	<u>34,572,313</u>	<u>38,655,487</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(6,668,381)	(6,597,529)
Held for trading securities	(45,633,899)	(27,132,491)
Advances	(63,008,561)	(54,817,319)
Other assets (excluding advance taxation)	5,144,540	8,285,717
	<u>(110,166,301)</u>	<u>(80,261,622)</u>
Increase / (decrease) in operating liabilities		
Bills payable	3,896,296	(2,637,393)
Borrowings	270,400,035	90,245,155
Deposits and other accounts	83,602,499	92,318,663
Other liabilities (excluding current taxation)	(1,337,957)	(4,189,743)
	<u>356,560,873</u>	<u>175,736,682</u>
	<u>280,966,885</u>	<u>134,130,547</u>
Payments on account of staff retirement benefits	(781,560)	(458,744)
Income taxes paid	(15,369,493)	(14,599,810)
Net cash inflow from operating activities	<u>264,815,832</u>	<u>119,071,993</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(240,470,286)	(29,381,031)
Net investments in held to maturity securities	(8,528,477)	(71,048,704)
Net investments in associates	2,495,367	1,971,848
Dividend income received	949,462	1,387,387
Investment in operating fixed assets	(5,114,171)	(4,504,707)
Sale proceeds from disposal of operating fixed assets	51,734	41,468
Sale proceeds from disposal of ijarah assets	57,163	62,785
Net cash outflow from investing activities	<u>(250,559,208)</u>	<u>(101,470,954)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payment in respect of leased obligation	1,701	(634)
Dividends paid to:		
- Equity shareholders of the Bank	(12,205,786)	(11,252,806)
- Non-controlling interest	(135,249)	-
Net cash outflow from financing activities	<u>(12,339,334)</u>	<u>(11,253,440)</u>
Exchange differences on translation of net investment in foreign branches and subsidiaries attributable to:		
- Equity shareholders of the Bank	(279,826)	(1,499,236)
- Non-controlling interest	411,835	(675,524)
Increase in cash and cash equivalents during the period	<u>2,049,299</u>	<u>4,172,839</u>
Cash and cash equivalents at the beginning of the period	<u>165,734,806</u>	<u>141,476,095</u>
Cash and cash equivalents at the end of the period	<u><u>167,784,105</u></u>	<u><u>145,648,934</u></u>

The annexed notes from 1 to 23 form an integral part of these consolidated condensed interim financial statements.

Aameer Karachiwalla
Chief Financial Officer

Sima Kamil
President &
Chief Executive Officer

Amar Zafar Khan
Director

Arshad Ahmad Mir
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Chairman

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

	Attributable to equity shareholders of the Bank						Non-controlling interest	Total	
	Share Capital	General reserve	Statutory reserve	Capital reserve - Exchange translation	Employees stock option reserve	Unappropri-riated profit			Sub total
(Rupees in '000)									
Balance as at January 01, 2016 (Audited)	12,241,798	3,000	24,479,375	17,141,392	1,050	59,955,027	113,821,642	5,223,744	119,045,386
Transactions with owners for the nine months ended September 30, 2016									
Final cash dividend - December 31, 2015 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, 2016 declared at Rs.3.0 per share	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Interim cash dividend - June 30, 2016 declared at Rs.3.0 per share	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Employees stock option reserve	-	-	-	-	(513)	-	(513)	-	(513)
Total comprehensive income for the nine months ended September 30, 2016	-	-	-	-	(513)	(12,241,797)	(12,242,310)	-	(12,242,310)
Profit after taxation for the nine months ended September 30, 2016	-	-	-	-	-	21,529,731	21,529,731	221,427	21,751,158
Other comprehensive income - net of tax	-	-	-	(1,499,236)	-	-	(1,499,236)	(675,524)	(2,174,760)
Total comprehensive income for the nine months ended September 30, 2016	-	-	-	(1,499,236)	-	21,529,731	20,030,495	(454,097)	19,576,398
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	38,730	38,730	775	39,505
Transfer to statutory reserve	-	-	2,163,614	-	-	(2,163,614)	-	-	-
Balance as at September 30, 2016 (Un-audited)	12,241,798	3,000	26,642,989	15,642,156	537	67,118,077	121,648,557	4,770,422	126,418,979
Transactions with owners for the three months ended December 31, 2016									
Interim cash dividend - September 30, 2016 declared at Rs.3.0 per share	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Employees stock option reserve	-	-	-	-	(537)	-	(537)	-	(537)
Total comprehensive income for the three months ended December 31, 2016	-	-	-	-	(537)	(3,672,539)	(3,673,076)	-	(3,673,076)
Transactions with owners for the three months ended December 31, 2016									
Profit after taxation for the three months ended December 31, 2016	-	-	-	-	-	6,253,027	6,253,027	(1,883)	6,251,144
Other comprehensive income - net of tax	-	-	-	(330,826)	-	(114,022)	(444,848)	(390,666)	(835,514)
Total comprehensive income for the three months ended December 31, 2016	-	-	-	(330,826)	-	6,139,005	5,808,179	(392,549)	5,415,630
Ordinary dividend relating to Non-controlling interest	-	-	-	-	-	-	-	(149,967)	(149,967)
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	12,334	12,334	(213)	12,121
Transfer to statutory reserves	-	-	657,869	-	-	(657,869)	-	-	-
Balance as at December 31, 2016 (Audited)	12,241,798	3,000	27,300,858	15,311,330	-	68,939,008	123,795,994	4,227,693	128,023,687
Transactions with owners for the nine months ended September 30, 2017									
Final cash dividend - December 31, 2016 declared subsequent to the year end at Rs.4.0 per share	-	-	-	-	-	(4,896,719)	(4,896,719)	-	(4,896,719)
Interim cash dividend - March 31, 2017 declared at Rs.3.0 per share	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Interim cash dividend - June 30, 2017 declared at Rs.3.0 per share	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Total comprehensive income for the nine months ended September 30, 2017	-	-	-	-	-	(12,241,797)	(12,241,797)	-	(12,241,797)
Profit after taxation for the nine months ended September 30, 2017	-	-	-	-	-	19,349,717	19,349,717	102,709	19,452,426
Other comprehensive income - net of tax	-	-	-	(279,826)	-	-	(279,826)	411,835	132,009
Total comprehensive income for the nine months ended September 30, 2017	-	-	-	(279,826)	-	19,349,717	19,069,891	514,544	19,584,435
Ordinary dividend relating to Non-controlling interest	-	-	-	-	-	-	-	(135,249)	(135,249)
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	38,303	38,303	462	38,765
Transfer to statutory reserves	-	-	1,932,656	-	-	(1,932,656)	-	-	-
Balance as at September 30, 2017 (Un-audited)	12,241,798	3,000	29,233,514	15,031,504	-	74,152,575	130,662,391	4,607,450	135,269,841

The annexed notes from 1 to 23 form an integral part of these consolidated condensed interim financial statements.

Aameer Karachiwalla
Chief Financial Officer

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Director

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Director

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Chairman

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

1. STATUS AND NATURE OF BUSINESS

The Group consists of:

Holding Company

United Bank Limited (the Bank)

Subsidiary Companies

United National Bank Limited, United Kingdom (UBL UK) - 55% holding

UBL (Switzerland) AG, Switzerland (USAG) - 100% holding

UBL Bank (Tanzania) Limited, Tanzania (UBTL) - 100% holding

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

UBL Fund Managers Limited, Pakistan (UBLFM) - 98.87% holding

Al Ameen Financial Services (Pvt.) Limited (AFSL) - effective holding 98.87%

The Group is engaged in commercial banking, asset management, investment advisory and investments business. United Bank Limited (the Bank) is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's registered office and principal office are situated at UBL Building, Jinnah Avenue, Blue Area, Islamabad and at UBL Head Office, I. I. Chundrigar Road, Karachi respectively. The Bank operates 1,347 (December 31, 2016: 1,341) branches inside Pakistan including 47 (December 31, 2016: 47) Islamic Banking branches and 2 (December 31, 2016: 2) branches in Export Processing Zones. The Bank also operates 18 (December 31, 2016: 18) branches outside Pakistan. The Bank is a subsidiary of Bestway (Holdings) Limited which is incorporated in the United Kingdom.

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

Non-controlling interest represents National Bank of Pakistan's 45% share in the net asset value of UBL UK and a 1.13% share held by past and present employees of UBLFM in the net asset value of UBLFM.

2. BASIS OF PRESENTATION

The disclosures made in these consolidated condensed interim financial statements have been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular No. 2 dated May 12, 2004, International Accounting Standard 34 - Interim Financial Reporting, provisions of and directives issued under the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 have been followed. The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the SECP vide its circular number 23/2017 dated October 4, 2017, these consolidated condensed interim financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated condensed interim financial statements as such, but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon. The Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan and notified under the provisions of the Companies Ordinance, 1984.

Key financial figures of the Islamic Banking branches are disclosed in note 21 to these consolidated condensed interim financial statements.

3. STATEMENT OF COMPLIANCE

- 3.1 These consolidated condensed interim financial statements have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 - Interim Financial Reporting, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. In case where requirements differ, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.
- 3.2 The SBP vide BSD circular letter no. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39 - Financial Instruments: Recognition and Measurement and International Accounting Standard 40 - Investment Property for banking companies till further instructions. Further, SBP vide BPRD circular no. 4, dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standards (IFAS) 3, Profit and Loss Sharing on Deposits. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, International Financial Reporting Standard (IFRS) 7 - Financial Instruments: Disclosures has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP. Further, segment information is being disclosed in accordance with SBP's prescribed format as per BSD circular 4 dated February 17, 2006 which prevails over the requirements specified in IFRS 8.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

3.3 SECP vide its notification SRO 633 (I)/2014 dated 10 July 2014, adopted IFRS 10 effective from the periods starting from 30 June 2014. However, vide its notification SRO 56 (I)/2016 dated 28 January 2016, it has been notified that the requirements of IFRS 10 and section 237 of the Companies Ordinance 1984 will not be applicable with respect to the investment in mutual funds established under Trust structure.

3.4 The disclosures made in these consolidated condensed interim financial statements have been limited based on a format prescribed by the SBP vide BSD Circular Letter No. 2 dated May 12, 2004 and IAS 34 - Interim Financial Reporting. They do not include all the disclosures required for annual financial statements and these consolidated condensed interim financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2016.

4. SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT

4.1 The accounting policies adopted in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the consolidated financial statements of the Group for the year ended December 31, 2016.

4.2 The financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements of the Group for the year ended December 31, 2016.

5. BASIS OF MEASUREMENT

5.1 These consolidated condensed interim financial statements have been prepared under the historical cost convention except that certain operating fixed assets and non-banking assets acquired in satisfaction of claims have been stated at revalued amounts and certain investments and derivative financial instruments have been stated at fair value.

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

The significant judgments made by management in applying its accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements of the Group for the year ended December 31, 2016.

	(Un-audited) September 30, 2017 ----- (Rupees in '000) -----	(Audited) December 31, 2016
6. LENDINGS TO FINANCIAL INSTITUTIONS		
Call money lendings	7,585,000	1,500,000
Repurchase agreement lendings	3,985,497	-
Bai Muajjal receivable from State Bank of Pakistan	3,109,215	-
Bai Muajjal receivable from other financial institutions	5,160,936	11,226,452
Other lendings to financial institutions	23,123,572	23,564,197
	<u>42,964,220</u>	<u>36,290,649</u>
Provision against lendings to financial institutions	(802,993)	(806,063)
	<u>42,161,227</u>	<u>35,484,586</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

7. INVESTMENTS

7.1 Investments by types

Note	(Un-audited) September 30, 2017			(Audited) December 31, 2016		
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
Held for trading securities						
----- (Rupees in '000) -----						
Market Treasury Bills	48,796,721	-	48,796,721	8,120,078	-	8,120,078
Pakistan Investment Bonds	5,205,828	-	5,205,828	263,156	-	263,156
Term Finance Certificates	20,285	-	20,285	26,608	-	26,608
	54,022,834	-	54,022,834	8,409,842	-	8,409,842
Available for sale securities						
Market Treasury Bills	104,132,173	242,151,990	346,284,163	25,117,903	47,933,801	73,051,704
Pakistan Investment Bonds	66,466,262	163,843,339	230,309,601	184,088,469	96,854,633	280,943,102
Government of Pakistan Eurobonds	13,339,130	-	13,339,130	15,378,790	-	15,378,790
Government of Pakistan Sukuk	18,967,621	-	18,967,621	7,233,271	-	7,233,271
Ordinary shares of listed companies	18,372,425	-	18,372,425	16,007,143	-	16,007,143
Preference shares	375,243	-	375,243	372,636	-	372,636
Ordinary shares of unlisted companies	258,650	-	258,650	243,334	-	243,334
Investment in REIT	458,590	-	458,590	556,284	-	556,284
Term Finance Certificates	498,821	-	498,821	458,590	-	458,590
Foreign bonds - sovereign	40,751,752	-	40,751,752	33,743,383	-	33,743,383
Foreign bonds - others	16,535,791	-	16,535,791	18,150,994	-	18,150,994
	280,156,458	405,995,329	686,151,787	301,350,797	144,788,434	446,139,231
Held to maturity securities						
Market Treasury Bills	8,404,765	-	8,404,765	27,735,599	-	27,735,599
Pakistan Investment Bonds	312,302,749	-	312,302,749	289,522,875	-	289,522,875
Government of Pakistan Eurobonds	5,755,799	-	5,755,799	8,366,542	-	8,366,542
Government of Pakistan Sukuk	211,223	-	211,223	894,199	-	894,199
Term Finance Certificates	6,764,000	-	6,764,000	4,715,333	-	4,715,333
Sukuks	10,406,435	-	10,406,435	9,024,950	-	9,024,950
Participation Term Certificates	436	-	436	2,795	-	2,795
Debentures	2,266	-	2,266	2,266	-	2,266
Foreign bonds - sovereign	14,615,609	-	14,615,609	11,877,893	-	11,877,893
Foreign bonds - others	5,524,998	-	5,524,998	3,393,747	-	3,393,747
Recovery note	324,895	-	324,895	322,399	-	322,399
CDC SAARC Fund	228	-	228	228	-	228
	364,313,403	-	364,313,403	355,858,826	-	355,858,826
Associates						
United Growth and Income Fund	746,583	-	746,583	615,046	-	615,046
UBL Liquidity Plus Fund	361,994	-	361,994	11,738	-	11,738
UBL Money Market Fund	11,319	-	11,319	11,445	-	11,445
UBL Retirement Savings Fund	-	-	-	30,654	-	30,654
UBL Government Securities Fund	262,268	-	262,268	3,092,749	-	3,092,749
UBL Gold Fund	-	-	-	86,734	-	86,734
UBL Asset Allocation Fund	806,011	-	806,011	765,932	-	765,932
UBL Stock Advantage Fund	217,958	-	217,958	186,565	-	186,565
UBL Financial Planning Fund	100,009	-	100,009	-	-	-
Al Ameen Islamic Cash Fund	363	-	363	12,862	-	12,862
Al Ameen Islamic Aggressive Income Fund	-	-	-	31,923	-	31,923
Al Ameen Islamic Sovereign Fund	378	-	378	59,360	-	59,360
Al Ameen Shariah Stock Fund	334,309	-	334,309	363,868	-	363,868
Al Ameen Islamic Asset Allocation Fund	218,689	-	218,689	128,665	-	128,665
Al Ameen Islamic Financial Planning Fund	444,776	-	444,776	611,598	-	611,598
UBL Insurers Limited	328,021	-	328,021	295,604	-	295,604
Khushhali Bank Limited	1,921,239	-	1,921,239	1,606,377	-	1,606,377
Oman United Exchange Company, Muscat	70,903	-	70,903	66,497	-	66,497
DHA Cogen Limited	-	-	-	-	-	-
	5,824,820	-	5,824,820	7,977,617	-	7,977,617
	704,317,515	405,995,329	1,110,312,844	673,597,082	144,788,434	818,385,516
Provision for diminution in value of investments	(2,595,433)	-	(2,595,433)	(2,434,908)	-	(2,434,908)
Investments - net of provisions	701,722,082	405,995,329	1,107,717,411	671,162,174	144,788,434	815,950,608
Surplus on revaluation of available for sale securities	9,273,741	5,443,111	14,716,852	12,665,549	9,647,338	22,312,887
Deficit on revaluation of held for trading securities	(20,907)	-	(20,907)	(1,221)	-	(1,221)
Total Investments	710,974,916	411,438,440	1,122,413,356	683,826,502	154,435,772	838,262,274

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

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

	Note	(Un-audited) September 30, 2017 ----- (Rupees in '000) -----	(Audited) December 31, 2016 ----- (Rupees in '000) -----
8. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		389,669,547	347,415,817
Outside Pakistan		171,633,967	164,210,159
		561,303,514	511,625,976
Islamic financing and related assets	21.4	6,205,158	7,371,974
Bills discounted and purchased			
Payable in Pakistan		24,347,041	16,677,528
Payable outside Pakistan		49,637,235	43,483,888
		73,984,276	60,161,416
Advances - gross		641,492,948	579,159,366
Provision against advances			
Specific	8.1	(37,795,930)	(38,080,944)
General	8.2	(3,294,152)	(3,296,276)
Advances - net of provision		600,402,866	537,782,146

8.1 Advances include Rs. 49,153.436 million (December 31, 2016: Rs. 46,044.942 million) which have been placed under non-performing status as detailed below:

Category of Classification	September 30, 2017 (Un-audited)			Provision required			Provision held		
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other Assets Especially									
Mentioned *	119,772	-	119,772	3,643	-	3,643	3,643	-	3,643
Substandard	441,086	3,698,914	4,140,000	105,984	1,059,847	1,165,831	105,984	1,059,847	1,165,831
Doubtful	1,567,334	6,539,887	8,107,221	840,319	2,096,238	2,936,557	840,319	2,096,238	2,936,557
Loss	26,700,991	10,085,452	36,786,443	25,618,994	8,070,905	33,689,899	25,618,994	8,070,905	33,689,899
	28,829,183	20,324,253	49,153,436	26,568,940	11,226,990	37,795,930	26,568,940	11,226,990	37,795,930
	(Rupees in '000)								
Category of Classification	December 31, 2016 (Audited)			Provision required			Provision held		
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other Assets Especially									
Mentioned *	126,711	-	126,711	3,576	-	3,576	3,576	-	3,576
Substandard	908,055	1,916,117	2,824,172	222,697	337,466	560,163	222,697	337,466	560,163
Doubtful	2,471,496	2,670,087	5,141,583	1,203,332	1,042,384	2,245,716	1,203,332	1,042,384	2,245,716
Loss	29,007,185	8,945,291	37,952,476	27,881,140	7,390,349	35,271,489	27,881,140	7,390,349	35,271,489
	32,513,447	13,531,495	46,044,942	29,310,745	8,770,199	38,080,944	29,310,745	8,770,199	38,080,944

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

8.2 General provision represents provision amounting to Rs. 229.354 million (December 31, 2016: Rs. 218.074 million) against consumer finance portfolio, Rs. 44.088 million (December 31, 2016: Rs.39.088 million) against advances to small enterprises as required by the Prudential Regulations issued by the SBP and Rs. 2,693.601 million (December 31, 2016: Rs.2,550.117 million) pertaining to overseas advances to meet the requirements of the regulatory authorities of the respective countries in which the overseas branches and subsidiaries operate. General provision also includes Rs. 327.109 million (December 31, 2016: Rs 488.997 million) which is based on regulatory instructions.

8.3 The Bank has availed the benefit of Forced Sale Value (FSV) of certain mortgaged properties held as collateral against non-performing advances as allowed under BSD Circular 1 of 2011. Had the benefit under the said circular not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 19.638 million (December 31, 2016: Rs. 56.375 million). The FSV benefit availed is not available for the distribution of cash or stock dividend to shareholders.

8.4 Exposure amounting to Rs. 10,313.300 million relating to certain facilities of Power Holding (Pvt.) Limited, which is a government guaranteed loan, has not been classified as non-performing, pursuant to a relaxation given by SBP in this respect. The relaxation is valid upto October 31, 2017.

	Note	(Un-audited) September 30, 2017 ----- (Rupees in '000) -----	(Audited) December 31, 2016 ----- (Rupees in '000) -----
9. OPERATING FIXED ASSETS			
Capital work-in-progress		3,985,774	3,005,182
Property and equipment		37,841,324	35,203,552
Intangible assets		1,011,612	1,090,193
	9.1	42,838,710	39,298,927

9.1 Additions and disposals during the period amounted to Rs. 5,114.171 million (September 30, 2016: Rs.4,504.707 million) and Rs. 180.567 million (September 30, 2016: Rs. 90.727 million), respectively.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

Note	(Un-audited) September 30, 2017	(Audited) December 31, 2016
	----- (Rupees in '000) -----	

10. BORROWINGS

Secured

Borrowings from the State Bank of Pakistan

Export refinance scheme

Long term financing facility

Long term financing under export oriented projects

14,266,882	14,702,567
12,574	19,550
15,797,760	11,955,687
30,077,216	26,677,804
414,574,895	154,967,594
444,652,111	181,645,398

Repurchase agreement borrowings

Unsecured

Call borrowings

Overdrawn nostro accounts

Trading liabilities

Bai Muajjal payable to other financial institutions

Other borrowings

11,608,710	14,381,809
1,284,890	318,275
279,835	-
4,960,218	-
13,479,402	9,519,649
31,613,055	24,219,733
476,265,166	205,865,131

11. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits

Savings deposits

Sundry deposits

Margin deposits

Current accounts - remunerative

Current accounts - non-remunerative

363,674,104	329,853,639
388,732,993	373,194,772
32,795,500	22,534,114
5,691,195	4,414,357
6,122,935	10,521,315
467,181,841	435,035,205
1,264,198,568	1,175,553,402

Financial Institutions

Remunerative deposits

Non-remunerative deposits

50,018,108	57,423,288
15,177,439	12,814,926
65,195,547	70,238,214
1,329,394,115	1,245,791,616

12. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX

Surplus / (deficit) arising on revaluation of assets - net of tax:

Fixed assets / non-banking assets

- Group's share

- Non-controlling interest

20,780,907	20,714,664
907,015	827,457
21,687,922	21,542,121

Available for sale securities

- Group's share

- Non-controlling interest

9,448,555	14,601,472
(320,399)	(441,409)
9,128,156	14,160,063

Surplus on revaluation of assets of associates

(2,365)	3,353
30,813,713	35,705,537

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

(Un-audited) (Audited)
September 30, December 31,
2017 2016
----- (Rupees in '000) -----

12.1 Surplus on revaluation of fixed assets / non-banking assets

Surplus on revaluation of fixed assets / non-banking assets at January 1	22,502,554	22,883,840
Revaluation of non-banking assets during the period / year	-	169,861
Exchange adjustments	214,421	(472,395)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(38,765)	(51,626)
Related deferred tax liability on incremental depreciation charged during the period / year	(20,320)	(27,126)
	<u>155,336</u>	<u>(381,286)</u>
	22,657,890	22,502,554
Less: Related deferred tax liability on:		
Revaluation as on January 1	960,433	1,089,359
Revaluation of non-banking assets during the period / year	-	(7,174)
Exchange adjustments	36,541	(94,626)
Reversal on transfer to fixed assets	(6,686)	-
Incremental depreciation charged during the period / year	(20,320)	(27,126)
	<u>969,968</u>	<u>960,433</u>
	<u>21,687,922</u>	<u>21,542,121</u>

12.2 Surplus / (deficit) on revaluation of available for sale securities

Market Treasury Bills	(43,278)	(9,729)
Pakistan Investment Bonds	8,676,136	14,625,102
Listed shares	4,547,793	7,432,242
REIT Investment	(2,918)	(5,420)
Term Finance Certificates, Sukuks, other bonds, etc.	22,571	104,054
Foreign bonds	1,516,548	166,638
	<u>14,716,852</u>	<u>22,312,887</u>
Related deferred tax liability	(5,588,696)	(8,152,824)
	<u>9,128,156</u>	<u>14,160,063</u>

13. CONTINGENCIES AND COMMITMENTS

13.1 Direct credit substitutes

Contingent liabilities in respect of guarantees given favouring:		
Government	12,348,397	10,418,980
Banking companies and other financial institutions	1,018,047	1,320,355
Others	4,674,118	6,209,086
	<u>18,040,562</u>	<u>17,948,421</u>

13.2 Transaction-related contingent liabilities

Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring:		
Government	124,206,571	114,871,452
Banking companies and other financial institutions	7,921,037	7,068,771
Others	49,613,660	38,194,938
	<u>181,741,268</u>	<u>160,135,161</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

	Note	(Un-audited) September 30, 2017 ----- (Rupees in '000) -----	(Audited) December 31, 2016
13.3 Trade-related contingent liabilities			
Contingent liabilities in respect of letters of credit opened favouring:			
Government		60,089,895	63,407,320
Banking companies and other financial institutions		7,856,949	6,512,864
Others		139,877,556	104,964,788
		<u>207,824,400</u>	<u>174,884,972</u>

13.4 Other contingencies

Claims against the Group not acknowledged as debts	13.4.1	<u>13,091,067</u>	<u>12,490,082</u>
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- 13.4.1** 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.

- 13.4.2** On November 10, 2016, a judgement was passed by the Supreme Court (SC) declaring the insertions of amendments in WWF Ordinance through Finance Act 2008 as unlawful. The Board of Directors of UBL FM in their meeting held on May 29, 2013, had resolved that accumulated unrecorded WWF provision from the date of its application till May 29, 2013 on all the funds under management amounting to Rs. 296.124 million will be borne by the Holding Company in case the said accumulated amount is required to be paid to the Government authorities. The tax department has filed review petition against the order of the SC which is currently pending.

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

- 13.4.4** United Bank Limited Yemen ("UBL") issued two Standby Letters of Credit (SBLCs) for USD 12 million (Rs. 1,264.913 million) and USD 13 million (Rs. 1,370.322 million) in favor of Ministry of Oil and Minerals, Yemen (MOM) against the counter SBLCs of a foreign bank. In March 2015, the counter party to the underlying performance agreement notified MOM of suspension of the SBLCs due to force majeure. In September 2015, MOM filed a law suit against UBL at the Preliminary Commercial Court in Sana'a, Yemen claiming payment of both SBLCs for the total sum of USD 25 million (Rs. 2,635.235 million).

During the course of the last year, no major debate was held as all hearings of the commercial case were adjourned to subsequent dates, due to either non-appearance of legal counsel of MOM or non-submission of responses by MOM, as required by legal counsel of UBL. As per provisions of Yemeni procedural law, if 60 days lapse from the last hearing without the case being reinitiated/ followed up by the plaintiff, the case shall be considered as if not filed and all procedures have to be re-initiated afresh. In light of the foregoing provision of law, and non-follow up by MOM for over 60 days, UBL counsel submitted a motion to dismiss the case. On September 25, 2017 the Honorable judge presiding over the commercial case filed by MOM against UBL in Yemen, accepted UBL's motion to drop the case. In light of the foregoing, the case filed by MOM against UBL in Yemen stands dismissed. Although the case against UBL, Yemen has been dismissed by the Honorable judge, the said dismissal is on the basis of a procedural lapse by MOM in pursuing the case, and not on the actual merits. Hence MOM can reinitiate the case against UBL afresh.

Based on the legal advice of the Bank's legal counsel in Yemen and in view of facts surrounding the matter, management is of the view that it is unlikely that there will be any financial impact on the Bank.

- 13.4.5** Punjab revenue authority issued show cause notice to UBL Fund Managers Limited requiring them to pay sales tax under Punjab sales tax on service act 2012 on management fee earned in Punjab from May 22, 2013. The Company has filed a petition on July 8, 2014 in the High Court of Sindh. A favorable outcome of this petition is expected.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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13.5 Commitments to extend credit

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

	(Un-audited) September 30, 2017	(Audited) December 31, 2016
	----- (Rupees in '000) -----	

13.6 Commitments in respect of forward foreign exchange contracts

Purchase	257,780,213	216,641,748
Sale	221,376,302	193,057,693

13.7 Commitments in respect of derivatives

Interest rate swaps	5,235,053	6,986,094
Cross currency swaps	-	522,051
FX options - purchased	191,087	213,081
FX options - sold	191,087	213,081
Forward purchase of Government securities	13,773,763	4,998,400
Forward sale of Government securities	2,995,200	3,553,866

13.8 Commitments in respect of capital expenditure

	1,549,326	2,755,836
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13.9 For contingencies relating to taxation refer note 17.

.....(Un-audited).....

	January - September 2017	January - September 2016
	----- (Rupees in '000) -----	

14. MARK-UP / RETURN / INTEREST EARNED

On loans and advances to customers	25,536,223	23,723,415
On lendings to financial institutions		
Call money lendings	129,519	124,236
Repurchase agreement lendings	364,828	115,632
Other lendings to financial institutions	1,163,202	536,869
	1,657,549	776,737
On investments		
Held for trading securities	1,336,097	647,843
Available for sale securities	29,170,319	27,586,603
Held to maturity securities	22,717,592	22,978,713
	53,224,008	51,213,159
On deposits with financial institutions	203,991	191,543
	80,621,771	75,904,854

15. MARK-UP / RETURN / INTEREST EXPENSED

On deposits	24,447,040	22,657,806
On securities sold under repurchase agreements	10,751,584	7,342,742
On other short term borrowings	1,703,640	1,198,897
On long term borrowings	342,764	297,071
	37,245,028	31,496,516

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

.....(Un-audited).....
January - January -
September September
2017 2016
----- (Rupees in '000) -----

16. ADMINISTRATIVE EXPENSES

Salaries, allowances etc.	10,728,439	9,913,448
Charge for compensated absences	220,303	221,075
Medical expenses	530,055	454,981
Contribution to defined contribution plan	298,434	274,900
Charge / (reversal) in respect of defined benefit obligations	278,570	(42,473)
Rent, taxes, insurance, electricity etc.	3,506,981	3,199,396
Depreciation on operating fixed assets	1,583,182	1,256,808
Depreciation on Islamic financing against leased assets (Ijarah)	147,898	151,527
Amortization	321,785	288,218
Outsourced service charges including sales commission	3,464,184	3,628,379
Communications	995,918	902,439
Banking service charges	934,960	833,987
Cash transportation charges	591,246	472,082
Stationery and printing	458,359	454,184
Legal and professional charges	475,829	355,500
Advertisement and publicity	719,965	433,152
Repairs and maintenance	1,311,989	1,242,419
Travelling	213,193	207,816
Office running expenses	638,324	561,663
Vehicle expenses	143,709	132,716
Entertainment	168,791	189,862
Cartage, freight and conveyance	74,230	77,044
Insurance expense	101,899	106,709
Auditors' remuneration	77,790	79,986
Training and seminars	98,690	80,442
Brokerage expenses	20,329	15,716
Subscriptions	111,985	120,131
Donations	56,970	65,943
Non-executive Directors' fees	37,115	32,282
Zakat paid by overseas branch	71,912	210,827
Miscellaneous expenses	79,932	99,628
	<u>28,462,966</u>	<u>26,020,787</u>

17. TAXATION

17.1 The Income Tax returns of the Bank have been filed up to the tax year 2016 (accounting year ended December 31, 2015) and were deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (Ordinance) unless amended by the Commissioner of Inland Revenue.

The income tax authorities have issued amended assessment orders for the tax years 2003 to 2016, and created additional tax demands (including disallowances of provisions made prior to Seventh Schedule) of Rs.11,640 million (December 31, 2016: Rs. 13,723 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 2016 (financial year 2015) under the provisions of section 120(1) read with section 114 of the Ordinance and in compliance with the terms of the agreement between banks and the Azad Kashmir Council in May 2005. The returns filed are considered as deemed assessment orders under the law.

The tax authorities have also carried out monitoring for Federal Excise Duty, Sales tax and withholding taxes covering period from year ended 2007 to 2016. Consequently various addbacks and demands were raised creating a total demand of Rs. 971 million (December 31, 2016: Rs. 1,245 million) . The Bank has filed appeals against all such demands and is confident that these would be decided in the favor of the Bank.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

The tax returns for UAE, Yemen and Qatar branches have been filed upto the year ended December 31, 2016 and for USA branch upto the year ended December 31, 2015 under the provisions of the laws prevailing in the respective countries, and are deemed as assessed unless opened for reassessment.

The income tax returns for UBTL have been filed upto the accounting year ended December 31, 2016, for UBL UK, UBLFM and UET up to the accounting year ended December 31, 2015 and for USAG upto the accounting year ended December 31, 2014 under the provisions of the laws prevailing in respective countries and are deemed as assessed unless opened for reassessment by the tax authorities. Additionally, tax clearance has been issued for UBTL till the accounting year 2015 and for UBL UK and USAG till the accounting year 2014. There are no material tax contingencies in any of the subsidiaries.

18. 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 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.

18.1 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:

	Carrying / Notional value	September 30, 2017			
		Fair value			
		Level 1	Level 2	Level 3	Total
On balance sheet financial instruments					
Financial assets measured at fair value					
------(Rupees in '000)-----					
- Investments					
Government Securities (Tbills, PIBs, GoP Sukuks and Eurobonds)	672,394,553	-	672,394,553	-	672,394,553
Foreign Bonds - Sovereign and others	57,945,431	-	57,945,431	-	57,945,431
Ordinary shares of listed companies	21,612,245	21,612,245	-	-	21,612,245
Debt securities (TFCs)	425,220	-	425,220	-	425,220
Investment in REIT	455,672	455,672	-	-	455,672
Investment in Associates	5,824,820	-	5,824,820	-	5,824,820
	758,657,941	22,067,917	736,590,024	-	758,657,941
Financial assets not measured at fair value					
- Cash and balances with treasury banks	125,498,620	-	-	-	-
- Balances with other banks	42,285,485	-	-	-	-
- Lending to financial institutions	42,161,227	-	-	-	-
- Advances	600,402,866	-	-	-	-
- Other assets	23,662,766	-	-	-	-
- Investments (HTM, unlisted ordinary shares, preference shares)	363,755,415	-	-	-	-
	1,956,424,320	22,067,917	736,590,024	-	758,657,941
Financial liabilities not measured at fair value					
- Bills Payable	15,655,308	-	-	-	-
- Borrowings	476,265,166	-	-	-	-
- Deposits and other accounts	1,329,394,115	-	-	-	-
- Other liabilities	21,184,659	-	-	-	-
	1,842,499,248	-	-	-	-

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

	September 30, 2017				
	Carrying / Notional value	Fair value			
		Level 1	Level 2	Level 3	Total
		----- (Rupees in '000) -----			
Off balance sheet financial instruments					
Forward purchase and sale of foreign exchange contracts	479,156,515	-	842,737	-	842,737
Interest rate swaps	5,235,053	-	120,223	-	120,223
Cross currency swaps	-	-	-	-	-
FX options - purchased and sold	382,174	-	-	-	-
Forward purchase of government securities	13,773,763	-	(6,427)	-	(6,427)
Forward sale of government securities	2,995,200	-	909	-	909

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

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

Debt Securities

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

Derivatives

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

Operating fixed assets and non-banking assets acquired in satisfaction of claims

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

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

19. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

For the nine months ended September 30, 2017 (Un-audited)

	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment elimination
	(Rupees in '000)						
Total income	257,041	22,944,548	24,442,358	11,006,604	988,373	1,990,874	-
Total expenses	(54,671)	(821,755)	(22,482,027)	(4,690,782)	(487,886)	(1,141,313)	-
Profit before tax	202,370	22,122,793	1,960,331	6,315,822	500,487	849,561	-
Segment return on assets (ROA)	57.5%	1.8%	0.2%	1.0%	42.6%	-	-
Segment cost of funds	0.6%	4.7%	2.5%	4.1%	-	-	-

For the Nine months ended September 30, 2016 (Un-audited)

	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment elimination
	(Rupees in '000)						
Total income	503,121	28,090,514	23,004,396	10,815,539	743,012	1,621,987	-
Total expenses	(75,219)	(2,332,985)	(19,973,837)	(4,010,228)	(474,451)	(1,454,175)	-
Profit before tax	427,902	25,757,529	3,030,559	6,805,311	268,561	167,812	-
Segment return on assets (ROA)	115.7%	2.7%	0.3%	1.2%	21.4%	-	-
Segment cost of funds	0.0%	4.6%	2.6%	4.1%	-	-	-

As at September 30, 2017 (Un-audited)

	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment elimination
	(Rupees in '000)						
Segment assets (gross of NPL provisions)	1,043,148	1,200,769,411	1,162,800,352	620,904,477	2,047,378	128,015,766	(1,058,211,060)
Segment non performing loans (NPLs)	644,000	1,140,535	10,487,467	36,815,706	-	65,728	-
Segment provision held against NPLs	492,000	1,137,206	8,240,675	27,883,064	-	42,985	-
Segment liabilities	424,745	1,137,880,225	1,191,592,587	572,409,503	613,801	8,780,187	(1,058,211,060)

As at December 31, 2016 (Audited)

	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment elimination
	(Rupees in '000)						
Segment assets (gross of NPL provisions)	1,121,938	940,381,710	1,092,053,721	542,138,463	1,455,741	110,454,439	(987,782,808)
Segment non performing loans (NPLs)	674,671	1,603,361	11,703,125	31,998,971	-	64,814	-
Segment provision held against NPLs	507,379	1,584,978	9,100,204	26,851,681	-	36,702	-
Segment liabilities	233,008	859,587,557	1,123,240,517	496,531,403	206,715	5,996,644	(987,782,808)

Segment assets and liabilities include inter segment balances.

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

20. RELATED PARTY TRANSACTIONS

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

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

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

	As at September 30, 2017 (Un-audited)				As at December 31, 2016 (Audited)			
	Directors	Key Management Personnel	Associates	Other related parties	Directors	Key Management Personnel	Associates	Other related parties
	------(Rupees in '000)-----							
Lendings to financial institutions	-	-	100,000	-	-	-	375,000	-
Investments								
Opening balance	-	-	7,977,617	3,895,328	-	-	8,801,941	3,917,746
Investment made during the period / year	-	-	1,135,634	-	-	-	1,324,688	-
Investment redeemed / disposed off during the period / year	-	-	(3,472,821)	-	-	-	(2,883,497)	(22,418)
Equity method adjustments	-	-	87,096	-	-	-	734,485	-
Closing balance	-	-	5,727,526	3,895,328	-	-	7,977,617	3,895,328
Provision for diminution in value of investments	-	-	-	114,844	-	-	-	114,844
Advances								
Opening balance	2,339	367,645	2,155,149	16,907,692	706	404,436	2,155,149	7,907,012
Addition during the period / year	4,561	72,822	-	46,774,354	18,822	126,368	-	59,472,461
Repaid during the period / year	(6,909)	(275,010)	-	(58,315,739)	(17,189)	(186,873)	-	(50,471,781)
Transfer in / (out) - net	24	11,224	-	(134)	-	23,714	-	-
Closing balance	15	176,681	2,155,149	5,366,173	2,339	367,645	2,155,149	16,907,692
Provision held against advances	-	-	2,155,149	-	-	-	2,155,149	-
Other Assets								
Interest mark-up accrued	-	-	3,888	93,787	7	67	4,144	235,602
Receivable from staff retirement funds	-	-	-	400,294	-	-	-	376,634
Prepaid insurance	-	-	115,469	-	-	-	5,236	-
Remuneration receivable from management of funds	-	-	90,499	-	-	-	86,615	-
Sales load receivable	-	-	12,020	-	-	-	12,267	-
Formation cost receivable	-	-	6,624	-	-	-	2,363	-
Other receivable	-	-	112,384	30,164	-	-	10,655	30,164
Provision against other assets	-	-	-	30,164	-	-	-	30,164
Borrowings								
Opening balance	-	-	-	167,100	-	-	-	-
Borrowings during the period / year	-	-	-	512,650	-	-	-	167,100
Settled during the period / year	-	-	-	(473,350)	-	-	-	-
Closing balance	-	-	-	206,400	-	-	-	167,100
Deposits and other accounts								
Opening balance	8,666,368	241,070	8,882,657	1,244,169	7,934,549	134,394	6,658,891	1,822,423
Received during the period / year	18,781,345	1,067,238	209,143,635	128,108,535	25,536,998	1,563,279	129,962,337	114,808,246
Withdrawn during the period / year	(23,565,415)	(1,199,866)	(201,295,163)	(125,721,190)	(24,805,179)	(1,452,113)	(127,738,571)	(115,386,860)
Transfer in / (out) - net	11,542	(32,475)	-	(334,783)	-	(4,490)	-	360
Closing balance	3,893,840	75,967	16,731,129	3,296,731	8,666,368	241,070	8,882,657	1,244,169
Other Liabilities								
Interest / mark-up payable on deposits	42,603	199	18,255	20,850	86,513	35	29,777	4,374
Interest / mark-up payable on borrowings	-	-	-	66	-	-	-	80
Payable to staff retirement fund	-	-	-	151,790	-	-	-	130,015
Unearned income	-	-	-	1,042	-	-	-	10,420
Contingencies and Commitments								
Letter of guarantee	-	-	23,757	-	-	-	23,574	-
Forward foreign exchange contracts purchase	-	-	63,222	-	-	-	-	198,737
Forward foreign exchange contracts sale	-	-	63,246	-	-	-	-	203,148
Cross Currency Swaps	-	-	-	-	-	-	522,051	-

	For the nine months ended September 30, 2017 (Un-audited)				For the nine months ended September 30, 2016 (Un-audited)			
	Directors	Key Management Personnel	Associates	Other related parties	Directors	Key Management Personnel	Associates	Other related parties
	------(Rupees in '000)-----							
Mark-up / return / interest earned	22	5,539	11,831	399,859	10	5,902	17,708	263,274
Commission / charges recovered	465	299	38,850	10,057	159	425	31,370	8,695
Dividend received	-	-	156,874	386,695	-	-	309,761	359,324
Net gain on sale of securities	-	-	217,153	-	-	-	456,012	-
Remuneration from management of funds	-	-	744,727	-	-	-	595,286	-
Sales load	-	-	151,092	-	-	-	95,915	-
Other income	-	-	11,283	9,381	-	2,621	3,553	9,380
Mark-up / return / interest expense	89,426	2,484	368,651	43,093	115,056	1,058	194,981	26,092
Remuneration paid	-	1,264,112	-	-	-	1,061,338	-	-
Post employment benefits	-	50,576	-	-	-	48,683	-	-
Non-executive directors' fee	37,115	-	-	-	32,282	-	-	-
Net charge for defined contribution plans	-	-	-	298,434	-	-	-	274,900
Net charge / (reversal) for defined benefit plans	-	-	-	94,211	-	-	-	(215,568)
Other expenses	-	-	2,552	95,460	-	-	52,676	89,005
Insurance premium paid	-	-	410,389	-	-	-	227,453	-
Insurance claims settled	-	-	219,540	-	-	-	76,215	-

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

21. ISLAMIC BANKING BUSINESS

21.1 The Bank operates 47 (December 31, 2016: 47) Islamic Banking branches and 160 (December 31, 2016: 141) Islamic Banking windows. The statement of Financial position of the Bank's Islamic Banking branches as at September 30 is as follows:

	Note	(Un-audited) September 30, 2017	(Audited) December 31, 2016
----- (Rupees in '000) -----			
ASSETS			
Cash and balances with treasury banks		3,778,878	2,327,107
Balances with other banks		3,259,491	2,862,278
Due from financial institutions	21.3	15,855,151	12,726,452
Investments		25,299,706	13,104,677
Islamic financing and related assets	21.4	6,116,449	7,284,386
Operating fixed assets		171,780	155,843
Due from Head Office		-	9,365,555
Other assets		420,614	143,903
		54,902,069	47,970,201
LIABILITIES			
Bills payable		680,606	238,126
Deposits and other accounts			
Current accounts - non remunerative		12,312,308	9,752,775
Current accounts - remunerative		1,353,150	2,520,018
Saving accounts		6,111,294	2,994,848
Term deposits		2,154,066	1,299,848
Deposits from financial institutions - remunerative		29,907,626	28,773,229
Deposits from financial institutions - non remunerative		39,227	-
		51,877,671	45,340,718
Due to Head Office		193,692	-
Other liabilities		372,826	721,401
		53,124,795	46,300,245
NET ASSETS		1,777,274	1,669,956
REPRESENTED BY			
Islamic Banking Fund		2,181,000	2,181,000
Accumulated losses		(422,504)	(609,289)
		1,758,496	1,571,711
Surplus on revaluation of assets		18,778	98,245
		1,777,274	1,669,956

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

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

	----- (Un-audited) -----	
	January - September 2017	January - September 2016
	----- (Rupees in '000) -----	
Return earned	2,042,399	1,502,761
Return expensed	(1,254,345)	(967,936)
	788,054	534,825
(Provision) / reversal against loans and advances - net	(1,122)	128
Net return after provisions	786,932	534,953
Other Income		
Fee, commission and brokerage income	54,253	31,139
Gain / (loss) from dealing in foreign currencies	121	(5,163)
(Loss) / gain on sale of securities - net	(438)	4,299
Other income	7,506	4,122
Total other income	61,442	34,397
	848,374	569,350
Other Expenses		
Administrative expenses	(661,588)	(607,072)
Other provisions - net	(1)	(69)
Total other expenses	(661,589)	(607,141)
Net profit / (loss) for the period	186,785	(37,791)
Accumulated losses brought forward	(609,289)	(532,990)
Accumulated losses carried forward	(422,504)	(570,781)
Remuneration to Shariah Board and Advisor	4,960	4,668

- 21.3** This includes Bai Muajjal agreements entered into with SBP and various financial institutions whereby the Bank sold sukuks having carrying value of Rs. 8,037.331 million (December 31, 2016: Rs. 11,073.312 million) on deferred payment basis. The average return on these transactions is 5.63%. The balances are due to mature latest by June 2018.

	(Un-audited) September 30, 2017	(Audited) December 31, 2016
	----- (Rupees in '000) -----	
21.4 Islamic financing and related assets		
Financings		
Murabaha	267,563	242,391
Ijarah	555,772	620,848
Diminishing Musharaka	4,391,403	6,203,709
	5,214,738	7,066,948
Advances		
Advances against Ijarah	50,757	120,828
Advances for Diminishing Musharaka	810,085	87,892
Advances for Murabaha	58,496	21,998
	919,338	230,718
Profit and other receivables against financings and advances	71,082	74,308
Gross Islamic financing and related assets	6,205,158	7,371,974
Provision against financings and advances	(88,709)	(87,588)
	6,116,449	7,284,386
21.5 Charity Fund		
Opening Balance	648	2,342
Addition during the period / year	681	1,404
Payments during the period / year	-	(3,098)
Closing Balance	1,329	648

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

22. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on October 19, 2017 has declared an interim cash dividend in respect of the quarter ended September 30, 2017 of Rs. 3.0 per share (September 30, 2016: Rs. 3.0 per share). The consolidated condensed interim financial statements for the nine months ended September 30, 2017 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

23. DATE OF AUTHORIZATION

These consolidated condensed interim financial statements were authorised for issue on October 19, 2017 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