

United Bank Limited

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



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

	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
----- (Rupees in '000) -----			
ASSETS			
Cash and balances with treasury banks	6	241,547,490	187,915,671
Balances with other banks	7	50,208,092	41,747,060
Lendings to financial institutions	8	22,594,704	35,346,551
Investments	9	902,297,655	831,159,100
Advances	10	680,906,133	754,551,722
Fixed assets	11	58,678,345	50,898,280
Intangible assets	12	1,869,523	1,876,094
Deferred tax assets	13	5,651,123	6,685,952
Assets held for sale	14	4,303,337	-
Other assets	15	102,479,871	92,312,444
		2,070,536,273	2,002,492,874
LIABILITIES			
Bills payable	17	29,881,692	27,272,967
Borrowings	18	233,674,324	279,918,125
Deposits and other accounts	19	1,534,086,187	1,448,324,041
Liabilities against assets subject to finance lease	20	23,082	10,000
Subordinated debts	21	10,000,000	9,000,000
Deferred tax liabilities		-	-
Liabilities held for sale	14	4,120,718	-
Other liabilities	22	75,911,883	69,343,882
		1,887,697,886	1,833,869,015
NET ASSETS			
		182,838,387	168,623,859
REPRESENTED BY:			
Share capital		12,241,798	12,241,798
Reserves		68,831,132	60,078,870
Surplus on revaluation of assets	23	18,982,069	16,992,906
Unappropriated profit		75,922,513	73,749,955
Total equity attributable to the equity holders of the Bank		175,977,512	163,063,529
Non-controlling interest		6,860,875	5,560,330
		182,838,387	168,623,859
CONTINGENCIES AND COMMITMENTS			
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The annexed notes 1 to 43 form an integral part of these consolidated condensed interim financial statements.

Aameer Karachiwalla
Chief Financial Officer

Sima Kamil
President &
Chief Executive Officer

Amar Zafar Khan
Director

Arshad Ahmad Mir
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Chairman

CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2019

	Note	April - June 2019	April - June 2018	January - June 2019	January - June 2018
----- (Rupees in '000) -----					
Mark-up / return / interest earned	26	36,103,904	27,103,838	68,241,685	56,158,142
Mark-up / return / interest expensed	27	20,485,522	12,346,296	37,656,138	27,095,623
Net mark-up / interest income		15,618,382	14,757,542	30,585,547	29,062,519
Non mark-up / interest income					
Fee and commission income	28	3,968,195	4,253,949	8,099,318	7,694,571
Dividend income		413,192	239,845	639,614	810,755
Foreign exchange income		1,334,101	950,718	2,286,903	1,550,144
Income / (loss) from derivatives		33,944	15,578	85,426	(6,272)
Gain on securities - net	29	268,589	1,511,137	309,937	4,734,224
Other income	30	1,619,155	196,214	1,727,373	379,121
Total non mark-up / interest income		7,637,176	7,167,441	13,148,571	15,162,543
Total income		23,255,558	21,924,983	43,734,118	44,225,062
Non mark-up / interest expenses					
Operating expenses	31	11,139,601	10,752,822	20,902,009	20,262,638
Workers' Welfare Fund		172,581	160,361	356,662	286,898
Other charges	32	233	3,587	2,218	4,019
Total non mark-up / interest expenses		11,312,415	10,916,770	21,260,889	20,553,555
Share of profit of associates		105,153	115,481	348,724	300,412
Profit before provisions		12,048,296	11,123,694	22,821,953	23,971,919
Provisions and write-offs - net	33	2,794,920	2,809,500	3,677,940	4,745,522
Extra ordinary / unusual item - charge in respect of pension liability		-	2,000,000	-	8,404,635
Profit before taxation from continuing operations		9,253,376	6,314,194	19,144,013	10,821,762
Taxation	34	3,594,048	2,962,165	8,646,392	4,709,742
Profit after taxation from continuing operations		5,659,328	3,352,029	10,497,621	6,112,020
Discontinued operations					
Loss from discontinued operations - net of tax	14	(544,772)	-	(1,330,512)	-
Profit after taxation		5,114,556	3,352,029	9,167,109	6,112,020
Attributable to:					
Equity holders of the Bank					
from continuing operations		5,678,251	3,408,571	10,506,813	6,193,752
from discontinued operations		(544,772)	-	(1,330,512)	-
		5,133,479	3,408,571	9,176,301	6,193,752
Non-controlling interest		(18,923)	(56,542)	(9,192)	(81,732)
		5,114,556	3,352,029	9,167,109	6,112,020
----- (Rupees) -----					
Earnings per share - basic and diluted					
from continuing operations		4.64	2.78	8.58	5.06
from discontinued operations		(0.45)	-	(1.09)	-
	35	4.19	2.78	7.49	5.06

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

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

April - June 2019	April - June 2018	January - June 2019	January - June 2018
----- (Rupees in '000) -----			

Profit after tax for the period attributable to:

Equity holders of the Bank				
from continuing operations	5,678,251	3,408,571	10,506,813	6,193,752
from discontinued operations	(544,772)	-	(1,330,512)	-
	5,133,479	3,408,571	9,176,301	6,193,752
Non-controlling interest	(18,923)	(56,542)	(9,192)	(81,732)
	5,114,556	3,352,029	9,167,109	6,112,020

Other comprehensive income

**Items that may be reclassified to profit and loss account
in subsequent periods**

Effect of translation of net investment in foreign branches
and subsidiaries

Equity holders of the Bank	7,698,165	1,563,556	9,106,339	4,517,404
Non-controlling interest	575,546	172,482	767,010	345,250
	8,273,711	1,736,038	9,873,349	4,862,654

Movement in deficit on revaluation of investments - net of tax

Equity holders of the Bank	(687,930)	(4,271,868)	1,805,768	(8,176,261)
Non-controlling interest	37,629	(313,190)	292,056	(251,821)
	(650,301)	(4,585,058)	2,097,824	(8,428,082)
	7,623,410	(2,849,020)	11,971,173	(3,565,428)

**Items that will not be reclassified to profit and loss account
in subsequent periods**

Remeasurement gain on defined benefit obligations - net of tax	679,587	-	679,587	-
Movement in surplus on revaluation of fixed assets - net of tax				
Equity holders of the Bank	183,188	216,486	227,042	79,755
Non-controlling interest	147,842	(15,661)	251,797	69,340
	331,030	200,825	478,839	149,095
Movement in surplus on revaluation of non-banking assets - net of tax	(14,786)	6,686	(15,026)	(18,583)
	995,831	207,511	1,143,400	130,512
Total comprehensive income for the period	13,733,797	710,520	22,281,682	2,677,104

Attributable to:

Equity holders of the Bank				
from continuing operations	13,536,475	923,431	22,310,523	2,596,067
from discontinued operations	(544,772)	-	(1,330,512)	-
	12,991,703	923,431	20,980,011	2,596,067
Non-controlling interest	742,094	(212,911)	1,301,671	81,037
	13,733,797	710,520	22,281,682	2,677,104

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

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Director

Arshad Ahmad Mir
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Sir Mohammed Anwar Pervez, OBE, HPk
Chairman

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED JUNE 30, 2019

	Attributable to equity shareholders of the Bank									Non-controlling Interest	Total
	Share Capital	General reserve	Statutory reserve	Capital reserve - Exchange translation	Surplus/(Deficit) on revaluation of			Unappropriated profit	Sub total		
					Investments	Fixed Assets	Non Banking Assets				
(Rupees in '000)											
Balance as at December 31, 2017 - as restated	12,241,798	3,000	29,857,453	17,343,063	5,897,359	27,136,589	112,528	76,410,128	169,001,918	5,491,844	174,493,762
Change in accounting policy as at January 1, 2018	-	-	-	-	-	-	-	(1,640,563)	(1,640,563)	-	(1,640,563)
Balance as at January 01, 2018 - as restated	12,241,798	3,000	29,857,453	17,343,063	5,897,359	27,136,589	112,528	74,769,565	167,361,355	5,491,844	172,853,199
Total comprehensive income for the six months ended June 30, 2018											
Profit after taxation for the six months ended June 30, 2018	-	-	-	-	-	-	-	6,193,752	6,193,752	(81,732)	6,112,020
Other comprehensive income - net of tax	-	-	-	4,517,404	(8,176,261)	79,755	(18,583)	-	(3,597,685)	162,769	(3,434,916)
Total comprehensive income for the six months ended June 30, 2018	-	-	-	4,517,404	(8,176,261)	79,755	(18,583)	6,193,752	2,596,067	81,037	2,677,104
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	(29,007)	-	28,657	(350)	350	-
Transfer to statutory reserve	-	-	645,471	-	-	-	-	(645,471)	-	-	-
Transactions with owners for the six months ended June 30, 2018											
Final cash dividend - December 31, 2017 declared subsequent to the year end at Rs.4.0 per share	-	-	-	-	-	-	-	(4,896,719)	(4,896,719)	-	(4,896,719)
Interim cash dividend - March 31, 2018 declared subsequent to the period end at Rs.3.0 per share	-	-	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Balance as at June 30, 2018 (Un-audited) - as restated	12,241,798	3,000	30,502,924	21,860,467	(2,278,902)	27,187,337	93,945	71,777,245	161,387,814	5,573,231	166,961,045
Total comprehensive income for the six months ended December 31, 2018											
Profit after taxation for the six months ended December 31, 2018	-	-	-	-	-	-	-	9,289,299	9,289,299	(351,765)	8,937,534
Other comprehensive income - net of tax	-	-	-	6,861,881	(7,951,375)	(40,842)	11,911	(373,837)	(1,492,262)	340,021	(1,152,241)
Total comprehensive income for the six months ended December 31, 2018	-	-	-	6,861,881	(7,951,375)	(40,842)	11,911	8,915,462	7,797,037	(11,744)	7,785,293
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	-	-	-	-	-	(29,168)	-	28,744	(424)	424	-
Transfer to statutory reserve	-	-	850,598	-	-	-	-	(850,598)	-	-	-
Transactions with owners for the six months ended December 31, 2018											
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)
	-	-	-	-	-	-	-	(6,120,898)	(6,120,898)	-	(6,120,898)
Balance as at December 31, 2018	12,241,798	3,000	31,353,522	28,722,348	(10,230,277)	27,117,327	105,856	73,749,955	163,063,529	5,560,330	168,623,859
Total comprehensive income for the six months ended June 30, 2019											
Profit after taxation for the six months ended June 30, 2019	-	-	-	-	-	-	-	9,176,301	9,176,301	(9,192)	9,167,109
Other comprehensive income - net of tax	-	-	-	9,106,339	1,805,768	227,042	(15,026)	679,587	11,803,710	1,310,863	13,114,573
Total comprehensive income for the six months ended June 30, 2019	-	-	-	9,106,339	1,805,768	227,042	(15,026)	9,855,888	20,980,011	1,301,671	22,281,682
Ordinary dividend relating to Non-controlling shareholders	-	-	-	-	-	-	-	-	-	(1,540)	(1,540)
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	(28,621)	-	28,207	(414)	414	-
Transfer to statutory reserve	-	-	978,549	-	-	-	-	(978,549)	-	-	-
Transactions with owners for the six months ended June 30, 2019											
Final cash dividend - December 31, 2018 declared subsequent to the year end at Rs.3.0 per share	-	-	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Interim cash dividend - March 31, 2019 declared at Rs.2.5 per share	-	-	-	-	-	-	-	(3,060,449)	(3,060,449)	-	(3,060,449)
Realization of exchange translation reserve - Note 30.1	-			(1,332,626)					(1,332,626)	-	(1,332,626)
Balance as at June 30, 2019 (Un-audited)	12,241,798	3,000	32,332,071	36,496,061	(8,424,509)	27,315,748	90,830	75,922,513	177,310,138	6,860,875	182,838,387

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

	January - June 2019	January - June 2018
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation including discontinuing operations	18,049,858	10,821,762
Less: Dividend income	(639,614)	(810,755)
Less: Share of profit of associates	(348,724)	(300,412)
	<u>17,061,520</u>	<u>9,710,595</u>
Adjustments:		
Depreciation on fixed assets	1,344,178	1,182,446
Depreciation on Islamic financing against leased assets (Ijarah)	105,115	96,272
Depreciation on right of use assets	1,018,176	-
Amortization	310,792	253,870
Workers' Welfare Fund	356,662	286,898
Provision for retirement benefits	542,116	8,850,990
Charge for compensated absences	87,325	64,120
Provision against loans and advances - net	2,136,665	3,748,145
Reversal of provision against lendings to financial institutions - net	-	(122,149)
Provision for diminution in value of investments - net	2,688,954	740,295
Interest expense on lease liability	503,459	-
Gain on sale of fixed assets - net	(33,292)	(23,316)
Gain on sale of ijarah assets - net	(629)	(1,301)
Bad debts written off directly	31,260	40,251
Unrealized loss on revaluation of investments classified as held for trading	8,641	1,290
Realization of exchange translation reserve - UBL New York branch	(1,332,626)	-
Other (reversals) / provisions and write-offs	(38,471)	338,980
	<u>7,728,325</u>	<u>15,456,791</u>
	<u>24,789,845</u>	<u>25,167,386</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	12,751,847	(7,673,224)
Held for trading securities	(32,512,858)	69,507,646
Advances	68,985,880	(77,171,769)
Other assets (excluding advance taxation)	(13,424,899)	(857,879)
	<u>35,799,970</u>	<u>(16,195,226)</u>
Increase / (decrease) in operating liabilities		
Bills payable	2,610,524	2,175,307
Borrowings	(44,017,903)	(217,138,961)
Deposits and other accounts	87,527,119	29,678,731
Other liabilities (excluding current taxation)	(415,265)	2,577,962
	<u>45,704,475</u>	<u>(182,706,961)</u>
	<u>106,294,290</u>	<u>(173,734,801)</u>
Payments on account of staff retirement benefits	(2,641,510)	(791,468)
Income taxes paid	(3,904,733)	(9,172,684)
Net cash flows generated from / (used in) operating activities	<u>99,748,047</u>	<u>(183,698,953)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(59,697,852)	172,614,266
Net investments in held to maturity securities	20,657,866	27,762,687
Net investments in associates	439,980	(896,608)
Dividend income received	483,293	718,418
Investment in fixed assets and intangible assets	(1,924,559)	(2,859,597)
Sale proceeds from disposal of fixed assets	145,373	33,958
Sale proceeds from disposal of ijarah assets	20,866	30,622
Exchange differences on translation of net investment in foreign branches and subsidiaries attributable to:		
- Equity holders of the Bank	9,106,339	4,517,404
- Non-controlling interest	767,010	345,250
Net cash flows (used in) / generated from investing activities	<u>(30,001,684)</u>	<u>202,266,400</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts of subordinated debts	1,000,000	-
Payment of lease liability against right of use assets	(1,653,486)	7,227
Dividends paid to:		
- Equity holders of the Bank	(6,198,959)	(8,704,645)
- Non-controlling interest	(1,540)	-
Net cash flows used in financing activities	<u>(6,853,985)</u>	<u>(8,697,418)</u>
Increase in cash and cash equivalents during the period	<u>62,892,378</u>	<u>9,870,029</u>
Cash and cash equivalents at the beginning of the period	229,662,731	196,668,282
Cash and cash equivalents at the end of the period	<u>292,555,109</u>	<u>206,538,311</u>

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Director

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Chairman

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

1. STATUS AND NATURE OF BUSINESS

The Group consists of:

Holding Company

- United Bank Limited (the Bank)

Subsidiary Companies

- United National Bank Limited, United Kingdom (UBL UK) - 55% holding
- UBL (Switzerland) AG, Switzerland (USAG) - 100% holding
- UBL Bank (Tanzania) Limited, Tanzania (UBTL) - 100% holding
- United Executors and Trustees Company Limited, Pakistan (UET) - 100% holding
- UBL Fund Managers Limited, Pakistan (UBLFM) - 98.87% holding
- Al Ameen Financial Services (Pvt.) Limited (AFSL) - effective holding 98.87%

The Group is engaged in commercial banking, asset management, investment advisory and investments business. United Bank Limited (the Bank) is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's registered office and principal office are situated at UBL Building, Jinnah Avenue, Blue Area, Islamabad and at UBL Head Office, I. I. Chundrigar Road, Karachi respectively. The Bank operates 1,361 (December 31, 2018: 1,364) branches inside Pakistan including 94 (December 31, 2018: 94) Islamic Banking branches and 2 (December 31, 2018: 2) branches in Export Processing Zones. The Bank also operates 14 (December 31, 2018: 15) branches outside Pakistan. The Bank is a subsidiary of Bestway (Holdings) Limited and Bestway (Holding) Limited is a wholly owned subsidiary of Bestway Group Limited which is incorporated in the United Kingdom.

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

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

2. BASIS OF PRESENTATION

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

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated condensed interim financial statements as such, but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon. However, the Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan and notified under the provisions of the Companies Act, 2017.

Key financial figures of the Islamic Banking branches are disclosed in note 40 to these consolidated condensed interim financial statements.

3. STATEMENT OF COMPLIANCE

- 3.1 These consolidated condensed interim financial statements of the Group have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962;
- Provisions of and directives issued under the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

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

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

- 3.2** The SBP vide BSD Circular letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Moreover, SBP vide BPRD circular no. 4, dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standards (IFAS) 3, Profit and Loss Sharing on Deposits. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, International Financial Reporting Standard (IFRS) 7, Financial Instruments: Disclosures has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.
- 3.3** SECP vide its notification SRO 633 (I)/2014 dated 10 July 2014, adopted IFRS 10 effective from the periods starting from 30 June 2014. However, vide its notification SRO 56 (I)/2016 dated 28 January 2016, it has been notified that the requirements of IFRS 10 and section 237 of the repealed Companies Ordinance 1984 will not be applicable with respect to the investment in mutual funds established under trust structure.
- 3.4** The disclosures made in these consolidated condensed interim financial statements have been limited based on a format prescribed by the SBP vide BPRD Circular Letter No. 5 dated March 22, 2019 and IAS 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these consolidated condensed interim financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2018.
- 3.5 Standards, interpretations and amendments to accounting and reporting standards that are not yet effective**

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

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT

4.1 The accounting policies adopted in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the consolidated financial statements of the Group for the year ended December 31, 2018, except for the following:

4.1.1 Impact of IFRS 16 - Leases

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

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

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

	June 30, 2019	January 01, 2019
	------(Rupees in '000)-----	
Total lease liability recognised	<u>7,181,069</u>	<u>7,577,402</u>

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

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

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

	June 30, 2019	January 01, 2019
	------(Rupees in '000)-----	
Land and building	<u>6,996,445</u>	<u>7,828,194</u>

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

Impact on Consolidated Condensed Interim Statement of Financial Position

Increase in fixed assets - right-of-use assets	6,996,445	7,828,194
Decrease in other assets - advances, deposits, advance rent and other prepayments	(195,487)	(250,792)
Increase in other assets - advance taxation	148,243	-
Increase in total assets	<u>6,949,201</u>	<u>7,577,402</u>
Increase in other liabilities - lease liability against right-of-use assets	<u>(7,181,069)</u>	<u>(7,577,402)</u>
Decrease in net assets	<u>(231,868)</u>	<u>-</u>

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

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

Impact on Consolidated Condensed Interim Profit and Loss account

Increase in mark-up expense - lease liability against right-of-use assets	(503,459)
(Increase) / decrease in administrative expenses:	-
- Depreciation on right-of-use assets	(1,018,176)
- Rent expense	1,141,524
Decrease in profit before tax	(380,111)
Decrease in tax	148,243
Decrease in profit after tax	(231,868)

Earnings per share for the six months ended June 30, 2019 are Re 0.19 per share lower as a result of the adoption of IFRS 16.

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

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

- Consolidated Condensed Interim Profit and Loss Account

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

- Consolidated Condensed Interim Statement of Comprehensive Income

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

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

5. BASIS OF MEASUREMENT

- 5.1** These consolidated condensed interim financial statements have been prepared under the historical cost convention except that certain operating fixed assets / non-banking assets acquired in satisfaction of claims have been stated at revalued amounts, certain investments and derivative financial instruments have been stated at fair value and net obligations in respect of defined benefit schemes and lease liability under IFRS 16 are carried at their present values.

5.2 Judgements and estimates

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

The significant judgments made by management in applying its accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements of the Group for the year ended December 31, 2018.

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

	(Un-audited) June 30, 2019 ----- (Rupees in '000) -----	(Audited) December 31, 2018
6. CASH AND BALANCES WITH TREASURY BANKS		
In hand		
Local currency	18,318,916	11,659,464
Foreign currency	6,561,131	4,182,154
	24,880,047	15,841,618
With State Bank of Pakistan in		
Local currency current accounts	62,606,011	46,699,046
Foreign currency current accounts	3,797,692	3,209,866
Foreign currency deposit account	10,883,404	8,304,054
	77,287,107	58,212,966
With other central banks in		
Foreign currency current accounts	40,473,020	34,761,763
Foreign currency deposit accounts	19,387,955	12,103,156
	59,860,975	46,864,919
With National Bank of Pakistan in local currency current accounts	74,987,453	66,936,342
Prize Bonds	4,531,908	59,826
	<u>241,547,490</u>	<u>187,915,671</u>
7. BALANCES WITH OTHER BANKS		
Inside Pakistan		
In current accounts	3,611	3,216
In deposit accounts	9,461,904	4,492,852
	9,465,515	4,496,068
Outside Pakistan		
In current accounts	17,112,740	11,914,322
In deposit accounts	23,629,837	25,336,670
	40,742,577	37,250,992
	<u>50,208,092</u>	<u>41,747,060</u>
8. LENDINGS TO FINANCIAL INSTITUTIONS		
Call / clean money lending	3,600,000	7,000,000
Repurchase agreement lendings (reverse repo)	12,780,000	23,500,000
Bai Muajjal receivable from other financial institutions	4,026,900	3,066,732
Other lendings to financial institutions	2,187,804	1,848,072
	22,594,704	35,414,804
Less: provision against lendings to financial institutions	-	(68,253)
Lendings to financial institutions - net of provision	<u>22,594,704</u>	<u>35,346,551</u>

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

9. INVESTMENTS

9. INVESTMENTS		(Un-audited)				(Audited)			
		June 30, 2019				December 31, 2018			
9. Investments by type	Note	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
(Rupees in '000)									
Held for trading securities									
Market Treasury Bills		134,088,595	-	(8,695)	134,079,900	99,942,759	-	954	99,943,713
Pakistan Investment Bonds		14,682	-	54	14,736	1,621,854	-	7,570	1,629,424
		134,103,277	-	(8,641)	134,094,636	101,564,613	-	8,524	101,573,137
Available for sale securities									
Market Treasury Bills		172,354,135	-	(38,110)	172,316,025	139,865,800	-	(22,440)	139,843,360
Pakistan Investment Bonds		159,332,342	-	(15,389,733)	143,942,609	133,585,814	-	(14,268,873)	119,316,941
Government of Pakistan Eurobonds		20,857,597	(256,910)	818,613	21,419,300	19,793,232	(203,676)	(867,162)	18,722,394
Government of Pakistan Sukuk		10,130,347	(48,813)	(166,580)	9,914,954	15,145,060	(49,844)	(176,154)	14,919,062
Sukuk		105,000	-	-	105,000	105,000	-	-	105,000
Ordinary shares of listed companies		18,176,784	(5,228,413)	600,370	13,548,741	18,018,247	(3,047,999)	1,747,978	16,718,226
Preference shares		550,749	(514,082)	-	36,667	482,687	(446,023)	-	36,664
Ordinary shares of unlisted companies		754,261	(122,121)	-	632,140	753,812	(121,989)	-	631,823
Investment in REIT		458,590	-	(34,603)	423,987	458,590	-	41,273	499,863
Investment in Mutual Fund		250,000	-	(24,117)	225,883				-
Term Finance Certificates		791,543	(97,278)	-	694,265	941,297	(97,278)	(891)	843,128
Foreign bonds - sovereign		70,211,527	(573,582)	1,074,745	70,712,690	67,706,652	(378,288)	(1,266,323)	66,062,041
Foreign bonds - others		18,314,252	(29,449)	(884,034)	17,400,769	15,675,281	(46,622)	(1,320,309)	14,308,350
		472,287,127	(6,870,648)	(14,043,449)	451,373,030	412,531,472	(4,391,719)	(16,132,901)	392,006,852
Held to maturity securities									
Market Treasury Bills		3,226,012	-	-	3,226,012	3,124,601	-	-	3,124,601
Pakistan Investment Bonds		231,526,677	-	-	231,526,677	275,079,334	-	-	275,079,334
Government of Pakistan Eurobonds		10,515,764	(153,931)	-	10,361,833	8,788,340	(127,994)	-	8,660,346
Government of Pakistan Sukuk		1,614,409	(12,972)	-	1,601,437	1,399,305	(11,264)	-	1,388,041
Bai Muajjal Government of Pakistan	40.2.1	24,872,153	-	-	24,872,153	8,300,566	-	-	8,300,566
Term Finance Certificates		5,510,542	(11,384)	-	5,499,158	6,023,053	(11,384)	-	6,011,669
Sukuks		16,126,223	(98,315)	-	16,027,908	11,921,801	(107,743)	-	11,814,058
Participation Term Certificates		436	(436)	-	-	437	(437)	-	-
Debentures		2,266	(2,266)	-	-	2,266	(2,266)	-	-
Foreign bonds - sovereign		17,807,309	(314,006)	-	17,493,303	17,251,054	(171,247)	-	17,079,807
Foreign bonds - others		1,726,046	(383,392)	-	1,342,654	1,497,873	(347,246)	-	1,150,627
Recovery note		493,321	(493,303)	-	18	428,009	(427,993)	-	16
CDC SAARC Fund		348	-	-	348	302	-	-	302
		313,421,506	(1,470,005)	-	311,951,501	333,816,941	(1,207,574)	-	332,609,367
Associates									
UBL Liquidity Plus Fund		-	-	-	-	11,700	-	-	11,700
UBL Money Market Fund		-	-	-	-	32,069	-	-	32,069
UBL Stock Advantage Fund		175,195	-	-	175,195	207,469	-	-	207,469
UBL Growth and Income Fund		667,668	-	-	667,668	-	-	-	-
UBL Financial Sector Fund		255,540	-	-	255,540	119,529	-	-	119,529
UBL Income Opportunity Fund		525,109	-	-	525,109	1,542,968	-	-	1,542,968
UBL Insurers Limited		445,427	-	-	445,427	414,884	-	-	414,884
Khushhali Bank Limited	9.4	2,809,549	-	-	2,809,549	2,572,719	-	-	2,572,719
Oman United Exchange Company, Muscat	9.5	-	-	-	-	68,406	-	-	68,406
DHA Cogen Limited	9.6	-	-	-	-	-	-	-	-
		4,878,488	-	-	4,878,488	4,969,744	-	-	4,969,744
Total Investments		924,690,398	(8,340,653)	(14,052,090)	902,297,655	852,882,770	(5,599,293)	(16,124,377)	831,159,100

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

	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
9.1.1 Investments given as collateral - at market value		----- (Rupees in '000) -----	
Market Treasury Bills		111,266,919	104,483,301
Pakistan Investment Bonds		2,925,920	55,064,705
Government of Pakistan Eurobonds		2,075,719	1,457,053
Government of Pakistan Sukkuk		1,219,890	-
Foreign bonds - sovereign		-	2,938,477
Foreign bonds - others		-	1,167,508
		<u>117,488,448</u>	<u>165,111,044</u>

9.2 Provision for diminution in value of investments

9.2.1	Opening balance	5,599,293	3,149,523
	Impact on adoption of IFRS 9	-	871,640
	Exchange adjustments	378,147	373,917
	Charge / (reversals)		
	Charge for the period / year	2,470,655	1,851,005
	Reversals for the period / year	(9,428)	(19,957)
		2,461,227	1,831,048
	Reversed on disposal	(98,014)	(599,110)
	Amounts written off	-	(27,725)
	Closing balance	<u>8,340,653</u>	<u>5,599,293</u>
	9.7		

9.2.2 Particulars of provision against debt securities

Category of classification	(Un-audited) June 30, 2019		(Audited) December 31, 2018	
	Non-Performing Investment (NPI)	Provision	Non-Performing Investment (NPI)	Provision
----- (Rupees in '000) -----				
Domestic				
Loss	1,864,194	209,545	2,136,944	219,107
Overseas				
Overdue by:				
> 365 days	840,450	840,450	729,205	729,179
Total	<u>2,704,644</u>	<u>1,049,995</u>	<u>2,866,149</u>	<u>948,286</u>

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

- 9.3** The market value of securities classified as held-to-maturity as at June 30, 2019 amounted to Rs. 296,223.137 million (December 31, 2018: Rs. 308,890.603 million).
- 9.4** This represents the Bank's subscription towards the paid-up capital of Khushhali Bank Limited. Pursuant to section 10 of the Khushhali Bank Ordinance, 2000 strategic investors including the Bank cannot sell or transfer their investment before a period of five years that has expired on October 10, 2005. Thereafter, such sale / transfer would be subject to the prior approval of the SBP. However these shares are still appearing as frozen as no approval has been obtained by the Bank to unfreeze these shares.
- 9.5** The Bank has divested its 25% shareholding in Oman United Exchange Company Limited to a local Omni business group. The transaction was completed on March 31, 2019.
- 9.6** As a result of exercise of a pledge in 2013, the Bank holds 20.99% of the issued and paid up capital of DHA Cogen Limited without any consideration having been paid. Consequently, DHA Cogen Limited is classified as an associated company.
- 9.7** Provision against investments includes collective impairment under IFRS 9 amounting to Rs. 1,426.043 million.
- 9.8** Investments include amounts aggregating to Rs. 1,536.840 million (December 31, 2018: Rs 1,792.177 million) which have been classified as loss in accordance with the requirements of Prudential Regulations prescribed by the SBP. Provision has however, not been made against them as these investments are secured by way of guarantee from the Government of Pakistan.

10. ADVANCES

Note	Performing		Non-performing		Total	
	(Un-audited) June 30, 2019	(Audited) December 31, 2018	(Un-audited) June 30, 2019	(Audited) December 31, 2018	(Un-audited) June 30, 2019	(Audited) December 31, 2018
	----- (Rupees in '000) -----					
Loans, cash credits, running finances, etc.	615,166,154	662,493,705	74,761,439	66,422,459	689,927,593	728,916,164
Net Investment in finance lease	109,855	77,361	-	-	109,855	77,361
Islamic financings and related assets	9,022,734	22,595,094	97,999	97,156	9,120,733	22,692,250
Bills discounted and purchased	46,453,453	60,902,866	3,138,561	2,983,692	49,592,014	63,886,558
Advances - gross	670,752,196	746,069,026	77,997,999	69,503,307	748,750,195	815,572,333
Provision against advances	10.3					
- Specific	-	-	(63,838,322)	(56,377,680)	(63,838,322)	(56,377,680)
- General	(4,005,740)	(4,642,931)	-	-	(4,005,740)	(4,642,931)
	(4,005,740)	(4,642,931)	(63,838,322)	(56,377,680)	(67,844,062)	(61,020,611)
Advances - net of provision	666,746,456	741,426,095	14,159,677	13,125,627	680,906,133	754,551,722

10.1 Particulars of advances - gross		(Un-audited) June 30, 2019	(Audited) December 31, 2018
		----- (Rupees in '000) -----	
10.1.1 In local currency		502,291,699	579,185,614
In foreign currencies		246,458,496	236,386,719
		748,750,195	815,572,333

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

10.2 Advances include Rs. 77,997.999 million (December 31, 2018: Rs. 69,503.307 million) which have been placed under non-performing status as detailed below:

Category of Classification	(Un-audited) June 30, 2019		(Audited) December 31, 2018	
	Non-Performing Loans	Provision	Non-Performing Loans	Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned*	253,909	2,850	89,546	1,113
Substandard	429,299	104,803	969,495	240,790
Doubtful	143,800	69,901	428,909	202,116
Loss	26,165,170	24,994,383	26,432,231	25,394,410
	26,992,178	25,171,937	27,920,181	25,838,429
Overseas				
Not past due but impaired**	5,681,315	3,110,779	3,623,373	3,064,280
Overdue by:				
Upto 90 days	5,338,238	3,124,852	7,986,841	2,731,329
91 to 180 days	5,953,991	3,173,444	2,152,622	2,090,614
181 to 365 days	5,809,831	4,782,163	2,327,966	2,000,233
> 365 days	28,222,446	24,475,147	25,492,324	20,652,795
	51,005,821	38,666,385	41,583,126	30,539,251
Total	77,997,999	63,838,322	69,503,307	56,377,680

* 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.

10.3 Particulars of provision against advances

	(Un-audited) June 30, 2019			(Audited) December 31, 2018		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	56,377,680	4,642,931	61,020,611	40,932,306	3,506,469	44,438,775
Impact on adoption of IFRS 9	-	-	-	-	1,322,147	1,322,147
Exchange adjustments	5,043,828	432,490	5,476,318	4,846,402	797,076	5,643,478
Charge / (reversals)						
Charge for the period / year	4,345,700	-	4,345,700	14,490,257	6,721	14,496,978
Reversals for the period / year	(1,733,664)	(1,020,417)	(2,754,081)	(2,310,364)	(989,482)	(3,299,846)
	2,612,036	(1,020,417)	1,591,619	12,179,893	(982,761)	11,197,132
Transfers out - net	(136,687)	(49,264)	(185,951)	-	-	-
Amounts written off	(58,535)	-	(58,535)	(1,580,921)	-	(1,580,921)
Closing balance	63,838,322	4,005,740	67,844,062	56,377,680	4,642,931	61,020,611

10.3.1 General provision represents provision amounting to Rs. 321.720 million (December 31, 2018: Rs. 303.132 million) against consumer finance portfolio as required by the Prudential Regulations issued by the SBP and Rs. 3,684.020 million (December 31, 2018: Rs. 4,339.796 million) pertaining to overseas advances to meet the requirements of the regulatory authorities of the respective countries in which the overseas branches and subsidiaries operate and on account of adoption of IFRS 9.

10.3.2 The Bank has availed the benefit of Forced Sale Value (FSV) of certain mortgaged properties held as collateral against non-performing advances as allowed under BSD Circular no. 1 of 2011. Had the benefit under the said circular not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 27.018 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. 5,649.299 million (December 31, 2018: Rs. 5,769.930 million) for the overseas branches.

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

10.3.3 Exposure amounting to Rs. 22,599.719 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 30 June 2019.

	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
		----- (Rupees in '000) -----	
11. FIXED ASSETS			
Capital work-in-progress	11.1	1,376,031	944,233
Property and equipment		50,305,869	49,954,047
Right-of-use Assets	4.1.1	6,996,445	-
		<u>58,678,345</u>	<u>50,898,280</u>
11.1 Capital work-in-progress			
Civil works		738,016	585,087
Equipment		638,015	359,146
		<u>1,376,031</u>	<u>944,233</u>
		(Un-audited) January - January - June 2019 June 2018 ----- (Rupees in '000) -----	
11.2 Additions to fixed assets			
The following additions have been made to fixed assets during the period:			
Capital work-in-progress		544,417	-
Property and equipment			
Leasehold land		-	233,774
Building on freehold land		1,330	2,042,797
Building on leasehold land		1,206	366,199
Leasehold Improvement		323,297	326,944
Furniture and fixture		83,364	296,416
Electrical office and computer equipment		560,430	1,329,853
Vehicles		2,374	38,541
		<u>972,001</u>	<u>4,634,524</u>
Total		<u>1,516,418</u>	<u>4,634,524</u>
11.3 Disposal of fixed assets			
Leasehold land		-	-
Building on leasehold land		-	-
Leasehold Improvement		9,063	2,104
Furniture and fixture		1,420	78,250
Electrical office and computer equipment		19,384	185,336
Vehicles		51,802	64,204
		<u>81,669</u>	<u>329,894</u>
		(Un-audited) (Audited) June 30, December 31, 2019 2018 ----- (Rupees in '000) -----	
12. INTANGIBLE ASSETS	Note		
Capital work-in-progress		329,973	224,823
Intangible assets		1,539,550	1,651,271
		<u>1,869,523</u>	<u>1,876,094</u>
13. DEFERRED TAX ASSETS			
Deferred tax assets	13.1	<u>5,651,123</u>	<u>6,685,952</u>

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

December 31, 2018 (Audited)			
At January 1, 2018	Recognised in profit and loss account	Recognised in OCI	At December 31, 2018
(Rupees in '000)			
Deductible temporary differences on			
- Tax losses carried forward	233,360	-	-
- Post retirement employee benefits	672,409	55,247	727,656
- Provision against advances, off balance sheet etc.	2,292,249	(450,250)	1,841,999
- Surplus on revaluation of investments	4,960,471	-	4,976,565
- Others	1,124,005	140,821	1,350,982
	9,282,494	(254,182)	8,897,202
Taxable temporary differences on			
- Surplus on revaluation of fixed assets / non-banking assets	(1,412,044)	16,393	(1,430,775)
- Post retirement employee benefits	-	-	(434,490)
- Share of profit from Associates	(680,832)	(164,722)	(845,554)
- Accelerated tax depreciation and others	(503,666)	(31,594)	(535,260)
	(2,596,542)	(179,923)	(3,246,079)
	<u>6,685,952</u>	<u>(434,105)</u>	<u>5,651,123</u>

December 31, 2018 (Audited)			
At January 1, 2018	Recognised in profit and loss account	Recognised in OCI	At December 31, 2018
(Rupees in '000)			
Deductible temporary differences on			
- Tax losses carried forward	559,243	(409,576)	233,360
- Post-retirement employee benefits	341,176	125,241	672,409
- Provision against advances, off-balance sheet etc.	1,107,929	1,184,320	2,292,249
- Surplus on revaluation of investments	(3,673,530)	-	4,960,471
- Others	640,615	181,651	1,124,005
	(1,024,567)	1,081,636	9,282,494
Taxable temporary differences on			
- Surplus on revaluation of fixed assets / non-banking assets	(1,209,979)	-	(1,412,044)
- Share of profit from Associates	(462,443)	(218,389)	(680,832)
- Accelerated tax depreciation and others	(283,477)	(217,383)	(503,666)
	(1,955,899)	(435,772)	(2,596,542)
	<u>(2,980,466)</u>	<u>645,864</u>	<u>6,685,952</u>

14. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

14.2 Assets and liabilities held for sale

(Un-audited)
June 30,
2019
Rupees in '000

Assets

Cash and balances with treasury banks	791,039
Balances with other banks	8,488
Lendings to financial institutions	-
Investments	1,137,379
Advances	2,366,431
	<u>4,303,337</u>

Liabilities

Bills payable	1,799
Borrowings from financial institutions	2,225,899
Deposits and other accounts	1,764,972
Other liabilities	128,048
	<u>4,120,718</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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	(Un-audited) June 30, 2019 Rupees in '000
14.3 Discontinued operations	
Mark-up / return / interest earned	235,877
Mark-up / return / interest expensed	93,054
Net mark-up / interest income	142,823
Non mark-up / interest income	
Fee and commission income	9,081
Foreign exchange loss	(5,263)
Loss on securities - net	(14,462)
Other income	1,556
Total non mark-up / interest income	(9,088)
Total income	133,735
Non mark-up / interest expenses	
Operating expenses	214,169
Total non mark-up / interest expenses	214,169
Loss before provisions	(80,434)
Provisions and write-offs - net	1,013,721
Loss before taxation	(1,094,155)
Taxation	236,357
Loss after taxation	(1,330,512)

	Note	(Un-audited) June 30, 2019 ----- (Rupees in '000) -----	(Audited) December 31, 2018
15. OTHER ASSETS			
Income / mark-up accrued in local currency - net of provision		25,345,194	22,185,596
Income / mark-up accrued in foreign currency - net of provision		5,548,138	4,407,074
		30,893,332	26,592,670
Advance taxation - net of provision for taxation	15.1	20,630,453	24,938,007
Receivable from staff retirement fund		1,371,431	321,349
Receivable from other banks against telegraphic transfers and demand drafts		-	88,354
Unrealized gain on forward foreign exchange contracts		13,759,396	5,205,860
Rebate receivable - net		1,579,983	1,055,900
Branch adjustment account		304,628	-
Unrealized gain on derivative financial instruments		32,705	5,868
Suspense accounts		557,439	781,887
Stationery and stamps on hand		152,177	99,757
Non-banking assets acquired in satisfaction of claims		1,632,961	1,597,124
Advances, deposits, advance rent and other prepayments		1,641,576	1,539,158
Acceptances		26,762,109	28,157,111
Others		4,130,446	2,842,330
		103,448,636	93,225,375
Provision held against other assets	15.2	(1,117,666)	(1,086,072)
Other assets - net of provision		102,330,970	92,139,303
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		148,901	173,141
Other assets - net of provision		102,479,871	92,312,444

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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- 15.1** The Income Tax returns of the Bank have been filed up to the tax year 2018 (accounting year ended December 31, 2017) and were deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (Ordinance) unless amended by the Commissioner of Inland Revenue.

The income tax authorities have issued amended assessment orders for the tax years 2003 to 2018, and created additional tax demands (including disallowances of provisions made prior to Seventh Schedule) of Rs.11,591 million (December 31 2018: Rs.13,119 million) , which have been fully paid as required under the law. The Bank has filed appeals before the various appellate forums against these amendments. Where the appellate authorities have allowed relief on certain issues, the assessing authorities have filed appeals before higher appellate forums. Where the appellate authorities have not allowed relief the Bank has filed appeals before higher appellate forums. The management of the Bank is confident that the appeals will be decided in favor of the Bank.

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

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

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

The Bank has received corrective tax assessment of QAR 1 M (Rs: 43.958 million) from the General tax Authority (GTA) in respect of tax year 2004 with no supporting calculations from GTA. Management has requested details for 2004 assessment from GTA, however to date no response has been received. Management is confident that the matters will be decided in favour of the Bank and the possibility of any outcome against it is remote.

For UBL UK, UBTL, UBL FM and UET income tax returns have been filed up to the accounting year ended December 31, 2018 and for USAG these returns have been filed up to the accounting year ended December 31, 2017 under the provisions of the laws prevailing in the respective countries and are deemed as assessed unless opened for reassessment by the tax authorities. Additionally, tax clearance has been issued for UBL UK, UBTL and USAG till the accounting year 2016, 2015 and 2017 respectively. There are no material tax contingencies in any of the subsidiaries.

	(Un-audited) June 30, 2019 ----- (Rupees in '000) -----	(Audited) December 31, 2018
15.2 Provision held against other assets		
Advances, deposits, advance rent and other prepayments	574,698	571,597
Non banking assets acquired in satisfaction of claims	85,200	104,512
Receivable from insurance companies against fraud and forgery	457,768	409,963
	<u>1,117,666</u>	<u>1,086,072</u>
16. CONTINGENT ASSETS		
There were no contingent assets as at the statement of financial position date.		
17. BILLS PAYABLE		
In Pakistan	28,270,558	26,724,282
Outside Pakistan	1,611,134	548,685
	<u>29,881,692</u>	<u>27,272,967</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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	(Un-audited) June 30, 2019	(Audited) December 31, 2018
	----- (Rupees in '000) -----	

18. BORROWINGS

18.1 Details of borrowings

Secured

Borrowings from the State Bank of Pakistan under:

Export refinance scheme

Refinance facility for modernization of SMEs

Long term financing facility

Repurchase agreement borrowings

Bai Muajjal payable to other financial institutions

Unsecured

Call borrowings

Overdrawn nostro accounts

Money market deals

29,115,266	28,120,012
8,588	11,204
23,498,610	21,871,486
52,622,464	50,002,702
126,758,885	133,315,545
21,885,428	49,878,076
201,266,777	233,196,323
7,031,977	18,936,178
434,890	1,936,041
24,940,680	25,849,583
32,407,547	46,721,802
233,674,324	279,918,125

19. DEPOSITS AND OTHER ACCOUNTS

	June 30, 2019 (Un-audited)			December 31, 2018 (Audited)		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	----- (Rupees in '000) -----					
Customers						
Fixed deposits	90,555,396	263,953,803	354,509,199	126,191,096	231,511,195	357,702,291
Savings deposits	424,401,736	40,706,452	465,108,188	392,861,499	45,176,640	438,038,139
Sundry deposits	17,875,428	1,288,684	19,164,112	11,768,321	1,055,683	12,824,004
Margin deposits	2,665,887	4,236,472	6,902,359	2,962,920	3,404,673	6,367,593
Current accounts - remunerative	3,072,961	7,364,490	10,437,451	965,509	7,089,695	8,055,204
Current accounts - non-remunerative	490,497,211	123,499,634	613,996,845	449,938,039	106,392,768	556,330,807
	1,029,068,619	441,049,535	1,470,118,154	984,687,384	394,630,654	1,379,318,038
Financial Institutions						
Current deposits	15,048,286	8,453,400	23,501,686	21,804,360	3,840,911	25,645,271
Savings deposits	22,182,270	-	22,182,270	30,509,483	-	30,509,483
Term deposits	16,485,098	1,798,979	18,284,077	11,301,901	1,549,348	12,851,249
	53,715,654	10,252,379	63,968,033	63,615,744	5,390,259	69,006,003
	1,082,784,273	451,301,914	1,534,086,187	1,048,303,128	400,020,913	1,448,324,041

19.1 Total Deposits include eligible deposits under deposit protection mechanism amounting to Rs. 842,337.454 million (December 31, 2018; Rs. 813,924.260 million).

20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	June 30, 2019 (Un-audited)		
	Minimum lease payments	Finance charges for future periods	Principal Outstanding
	----- (Rupees in '000) -----		
Not later than one year	8,305	942	7,363
Later than one year and not later than five years	14,217	1,086	13,131
Over five years	2,588	-	2,588
	25,110	2,028	23,082
	December 31, 2018 (Audited)		
	Minimum lease payments	Finance charges for future periods	Principal Outstanding
	----- (Rupees in '000) -----		
Not later than one year	4,955	733	4,222
Later than one year and not later than five years	6,748	970	5,778
	11,703	1,703	10,000

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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21. SUBORDINATED DEBTS

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

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

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

22. OTHER LIABILITIES

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

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

Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
	----- (Rupees in '000) -----	
	10,613,369	12,352,461
	2,246,422	2,403,423
	12,859,791	14,755,884
	3,606,246	4,443,787
	14,233	-
	-	848,267
	575,229	617,099
	1,175,617	1,297,833
22.1	368,480	842,545
	7,166,492	3,743,347
	3,209,742	3,750,654
	-	972,584
	3,696,594	3,685,997
	19,972	82,047
	3,487,171	3,130,511
	454,702	410,466
	1,057,181	521,612
	26,762,109	28,157,111
	2,922	2,597
	7,181,069	-
	4,274,333	2,081,541
	<u>75,911,883</u>	<u>69,343,882</u>

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FOR THE SIX MONTHS ENDED JUNE 30, 2019**

	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
		----- (Rupees in '000) -----	
22.1 Provision against off-balance sheet obligations			
Opening balance		842,545	73,692
Impact on adoption of IFRS 9		-	211,244
Exchange adjustments		57,322	94,309
(Reversal) charge for the period / year		(126,747)	463,300
Transfers out - net		(404,640)	-
		<u>368,480</u>	<u>842,545</u>
23. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX			
Surplus / (deficit) arising on revaluation of assets - net of tax			
Fixed assets	23.1	27,315,748	27,117,327
Available for sale securities	23.2	(8,422,318)	(10,230,180)
Non-banking assets acquired in satisfaction of claims	23.3	90,830	105,856
Deficit arising on revaluation of assets of associates		(2,191)	(97)
		<u>18,982,069</u>	<u>16,992,906</u>
23.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1			
		29,742,871	29,234,547
Revaluation against fixed assets during the year		-	74,294
Exchange adjustments		524,494	522,604
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(28,621)	(58,175)
Related deferred tax liability on incremental depreciation charged during the period / year		(17,710)	(30,399)
		<u>478,163</u>	<u>508,324</u>
		30,221,034	29,742,871
Less: Related deferred tax liability			
Revaluation as on January 1		1,344,759	1,139,102
Super Tax		76,231	-
Revaluation of fixed assets during the period / year		(140,305)	152,745
Exchange adjustments		109,729	83,311
Incremental depreciation charged on related assets		(17,710)	(30,399)
		<u>1,372,704</u>	<u>1,344,759</u>
		28,848,330	28,398,112
Share of Non-controlling interest		(1,532,582)	(1,280,785)
Group's share		<u>27,315,748</u>	<u>27,117,327</u>
23.2 (Deficit) / surplus on revaluation of available for sale securities			
Market Treasury Bills		(38,110)	(22,440)
Pakistan Investment Bonds		(15,389,733)	(14,268,873)
Listed shares		590,966	1,747,980
REIT Scheme		(34,603)	41,273
Term Finance Certificates, Sukuks, other bonds etc.		(246,545)	(136,173)
Foreign bonds		1,068,948	(3,494,668)
		<u>(14,049,077)</u>	<u>(16,132,901)</u>
Related deferred tax		4,976,565	4,960,471
		<u>(9,072,512)</u>	<u>(11,172,430)</u>
Share of Non-controlling interest		650,194	942,250
Group's share		<u>(8,422,318)</u>	<u>(10,230,180)</u>

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

	Note	(Un-audited) June 30, 2019 ----- (Rupees in '000) -----	(Audited) December 31, 2018
23.3 Surplus on revaluation of non-banking assets			
Surplus on revaluation of non-banking assets as at January 1		173,141	183,405
Revaluation of non-banking assets during the period / year		20,564	28,611
Reversal on disposal / transfer of non-banking assets		(44,804)	(38,875)
		(24,240)	(10,264)
		148,901	173,141
Less: Related deferred tax liability			
Revaluation as at January 1		67,285	70,877
Revaluation of non-banking assets during the period / year		8,020	10,014
Reversal on disposal / transfer of non-banking assets		(17,234)	(13,606)
		58,071	67,285
		90,830	105,856
24. CONTINGENCIES AND COMMITMENTS			
- Guarantees	24.1	185,408,530	200,504,069
- Commitments	24.2	1,203,996,347	982,779,237
- Other contingent liabilities	24.3	15,569,574	15,592,385
		1,404,974,451	1,198,875,691
24.1 Guarantees			
Financial guarantees		37,809,675	22,982,305
Performance guarantees		147,598,855	177,521,764
		185,408,530	200,504,069
24.2 Commitments			
Documentary credits and short-term trade-related transactions			
- letters of credit		199,127,591	182,425,343
Commitments in respect of:			
- forward foreign exchange contracts	24.2.2	773,298,146	650,576,446
- forward government securities transactions	24.2.3	79,390,337	15,946,089
- derivatives			
Interest rate swaps	24.2.4	316,500	1,674,764
FX options	24.2.4	1,677,224	1,159,752
- forward lending	24.2.5	149,221,717	129,068,240
Commitments for acquisition of:			
- operating fixed assets	24.2.6	964,832	1,928,603
		1,203,996,347	982,779,237

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

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

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

24.2.2 Commitments in respect of forward foreign exchange contracts

Purchase		419,300,256	347,426,249
Sale		353,997,890	303,150,197

24.2.3 Commitments in respect of forward government securities transactions

Forward purchase of government securities		79,390,337	13,619,209
Forward sale of government securities		-	2,326,880

24.2.4 Commitments in respect of derivatives

Interest rate swaps		316,500	1,674,764
FX options - purchased		838,612	579,876
FX options - sold		838,612	579,876

24.2.5 Commitments in respect of forward lending

Undrawn formal standby facilities, credit lines and other commitments to lend	24.2.5.1	78,780,940	65,695,154
Others		70,440,777	63,373,086
		149,221,717	129,068,240

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

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

24.2.6 Commitments in respect of capital expenditure		964,832	1,928,603
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24.3 Other contingent liabilities

Claims against the Group not acknowledged as debts	24.3.1	11,511,985	11,534,796
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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2019

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

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

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

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

24.4 For contingencies relating to taxation, refer note 15.1.

25. DERIVATIVE INSTRUMENTS

25.1 Product analysis

Counterparties	June 30, 2019 (Un-Audited)									
	Interest rate swaps		FX options		Forward purchase contracts of government securities		Forward sale contracts of government securities		Total	
	Notional principal	Mark to Market Gain / (loss)	Notional principal	Mark to Market Gain	Notional principal	Mark to Market loss	Notional principal	Mark to Market loss	Notional principal	Mark to Market Gain / (loss)
(Rupees in 000)										
Total										
Hedging	-	-	838,612	-	-	-	-	-	838,612	-
Market making	316,500	(19,991)	838,612	-	79,390,337	32,724	-	-	80,545,449	12,733
	316,500	(19,991)	1,677,224	-	79,390,337	32,724	-	-	81,384,061	12,733

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

Note (Un-audited) (Un-audited)
January - January -
June 2019 June 2018

26. MARK-UP / RETURN / INTEREST EARNED

----- (Rupees in '000) -----

Loans and advances	31,373,082	20,827,184
Investments	32,018,388	33,731,005
Lendings to financial institutions	4,171,602	1,262,755
Balances with banks	678,613	337,198
	68,241,685	56,158,142

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

	Note	(Un-audited) January - June 2019	(Un-audited) January - June 2018 (Restated)
		----- (Rupees in '000) -----	
27. MARK-UP / RETURN / INTEREST EXPENSED			
On deposits		29,035,145	17,294,256
Borrowings		5,679,851	9,188,583
Subordinated Debt		591,819	-
Cost of foreign currency swaps against foreign currency deposits / borrowings		1,845,864	612,784
On lease liability against right of use assets		503,459	-
		<u>37,656,138</u>	<u>27,095,623</u>
28. FEE AND COMMISSION INCOME			
Branch banking customer fee		1,039,960	920,281
Consumer finance related fee		508,400	380,545
Card related fees (debit and credit cards)		1,191,360	1,065,081
Investment banking fee		163,070	422,879
Financial Institution rebate / commission		161,021	198,384
Corporate service charges / facility fee		427,552	343,036
Commission on trade		472,662	550,482
Commission on guarantees		447,646	364,148
Commission on cash management		382,502	363,717
Commission on remittances including home remittances - net		1,556,815	1,301,919
Commission on bancassurance		685,942	616,126
Commission on Benazir Income Support Program		374,057	360,393
Management fee		434,316	465,177
Others		254,015	342,403
		<u>8,099,318</u>	<u>7,694,571</u>
29. GAIN ON SECURITIES - NET			
Realised	29.1	318,577	4,747,443
Unrealised - held for trading		(8,640)	(13,219)
		<u>309,937</u>	<u>4,734,224</u>
29.1 Realised gain on:			
Federal Government Securities		76,879	3,952,463
Shares		126,730	379,696
Foreign Securities		119,857	415,284
Other Securities		(4,889)	-
		<u>318,577</u>	<u>4,747,443</u>
30. OTHER INCOME			
Charges recovered		138,756	163,420
Rent on properties		137,019	115,174
Gain on sale of operating fixed assets - net		33,292	24,617
Gain on sale of Ijarah assets		629	1,301
Income from sale of non-banking asset		32,747	39,161
Gain on trading liabilities - net		52,304	35,448
Realization of exchange translation reserve - UBL New York branch	30.1	1,332,626	-
		<u>1,727,373</u>	<u>379,121</u>

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

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

	(Un-audited) January - June 2019	(Un-audited) January - June 2018 (Restated)
	----- (Rupees in '000) -----	
31. OPERATING EXPENSES		
Total compensation expense	8,276,536	8,656,821
Property expense		
Rent and taxes	552,213	1,537,611
Insurance	100,056	101,919
Utilities cost	707,651	689,706
Security (including guards)	471,915	610,916
Repair and maintenance (including janitorial charges)	170,154	241,302
Depreciation	407,942	340,751
Depreciation - Right of Use Assets	1,018,176	-
Others	37,859	27,381
	3,465,966	3,549,586
Information technology expenses		
Software maintenance	597,224	463,063
Hardware maintenance	203,455	186,658
Depreciation	350,434	304,209
Amortisation	310,792	253,870
Network charges	362,591	343,076
	1,824,496	1,550,876
Other operating expenses		
Directors' fees and allowances	39,565	37,149
Fees and allowances to Shariah Board	2,400	2,383
Legal and professional charges	324,985	440,697
Outsourced service costs including sales commission	1,933,746	1,695,051
Travelling and conveyance	114,741	132,265
Clearing charges	93,510	88,058
Depreciation others	585,802	537,486
Depreciation on Islamic financing against leased assets	105,115	96,272
Training and development	44,874	64,688
Postage and courier charges	162,639	188,085
Communication	232,724	266,728
Stationery and printing	333,411	370,428
Marketing, advertisement and publicity	476,797	383,843
Auditors' remuneration	78,844	58,859
Donations	89,891	3,768
Insurance	70,784	63,575
Deposit Protection Premium	651,139	-
Cash transportation and sorting charges	478,990	517,908
Entertainment	86,071	94,580
Vehicle expenses	49,498	95,216
Subscription	105,972	96,097
Office running expenses	79,346	81,480
Banking service charges	854,246	744,848
Repairs and maintenance	229,479	234,735
Cartage, freight and conveyance	32,175	40,704
Zakat paid by overseas branch	2,599	33,755
Brokerage expenses	8,490	8,578
Miscellaneous expenses	67,178	128,119
	7,335,011	6,505,355
	20,902,009	20,262,638
32. OTHER CHARGES		
Penalties imposed by the SBP	2,022	3,354
Other penalties	196	665
	2,218	4,019

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

	Note	(Un-audited) January - June 2019	(Un-audited) January - June 2018
33. PROVISIONS AND WRITE-OFFS - NET		----- (Rupees in '000) -----	
Provision against loans and advances - net	10.3	1,591,619	3,748,145
Reversal of provision against lendings to financial institutions - net		-	(122,149)
Provision for diminution in value of investments - net	9.2.1	2,461,227	740,295
Bad debts written off directly		31,260	40,251
Reversal of provision against other assets - net		(4,429)	-
Provision against off-balance sheet obligations	22.1	(126,747)	-
Recovery of written off / charged off bad debts		(104,421)	-
(Other reversal) / other provisions & write-offs		(170,569)	338,980
		<u>3,677,940</u>	<u>4,745,522</u>
34. TAXATION			
Current		6,619,858	5,700,667
Prior years		1,592,429	4,505
Deferred		434,105	(995,430)
		<u>8,646,392</u>	<u>4,709,742</u>
		(Un-audited) June 2019	(Un-audited) June 2018
35. EARNINGS PER SHARE		----- (Rupees in '000) -----	
Profit after tax attributable to equity shareholders of the Bank		<u>9,176,301</u>	<u>6,193,752</u>
		----- (Number of shares) -----	
Weighted average number of ordinary shares		<u>1,224,179,687</u>	<u>1,224,179,687</u>
		----- (Rupees) -----	
Earnings per share - basic and diluted		<u>7.49</u>	<u>5.06</u>
35.1	There were no convertible dilutive potential ordinary shares outstanding as at June 30, 2019 and June 30, 2018.		
36. FAIR VALUE OF FINANCIAL INSTRUMENTS			
The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.			
The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.			
In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short-term in nature or, in the case of customer loans and deposits, are frequently repriced.			
36.1	The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:		
Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.			
Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).			
Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).			

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

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

		June 30, 2019 (Un-audited)				
		Carrying /	Fair value			
		Notional	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)	481,687,524	-	481,687,524	-	481,687,524
	Foreign Bonds - Sovereign	70,712,690	-	70,712,690	-	70,712,690
	Foreign Bonds - others	17,400,769	-	17,400,769	-	17,400,769
	Ordinary shares of listed companies	13,548,741	13,548,741	-	-	13,548,741
	Investment in Mutual Fund	225,883	-	225,883	-	225,883
	Debt securities (TFCs and Sukuks)	799,265	-	799,265	-	799,265
	Investment in REIT	423,987	423,987	-	-	423,987
		584,798,859	13,972,728	570,826,131	-	584,798,859
- Investments (HTM, unlisted ordinary shares, preference shares and associates)		317,498,796	-	-	-	-
		902,297,655	13,972,728	570,826,131	-	584,798,859
Off-balance sheet financial instruments						
Forward purchase and sale of foreign exchange contracts		773,298,146	-	6,592,904	-	6,592,904
Interest rate swaps		316,500	-	(19,991)	-	(19,991)
FX options - purchased and sold (net)		1,677,224	-	-	-	-
Forward purchase of government securities		79,390,337	-	32,724	-	32,724
Forward sale of government securities		-	-	-	-	-

36.2 Fair Value of non-financial assets

		June 30, 2019 (Un-audited)				
		Carrying /	Fair value			
		Notional value	Level 1	Level 2	Level 3	Total
		------(Rupees in '000)-----				
Fixed Assets		45,160,291	-	-	45,160,291	45,160,291
Non-banking assets acquired in satisfaction of claims		1,781,862	-	-	1,781,862	1,781,862
		46,942,153	-	-	46,942,153	46,942,153
		December 31, 2018 (Audited)				
		Carrying /	Fair value			
		Notional value	Level 1	Level 2	Level 3	Total
		------(Rupees in '000)-----				
Fixed Assets		44,535,337	-	-	44,535,337	44,535,337
Non-banking assets acquired in satisfaction of claims		1,770,265	-	-	1,770,265	1,770,265
		46,305,602	-	-	46,305,602	46,305,602

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

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

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

Debt Securities

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

Units of mutual fund

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

Derivatives

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

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

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

37. SEGMENT INFORMATION

37.1 Segment details with respect to business activities

	For the six months ended June 30, 2019 (Un-audited)							
	Corporate / Commercial Banking	Treasury	Branch Banking	Islamic Banking	International branch operations	Subsidiaries	Others	Total
Profit and Loss	(Rupees in '000)							
Net mark-up / return / profit (loss)	21,314,310	23,253,355	(19,713,299)	1,550,232	4,492,447	662,763	(974,261)	30,585,547
Inter segment (expense) / revenue - net	(18,497,541)	(27,608,236)	43,352,145	-	-	-	2,753,632	-
Non mark-up / return / interest income	1,241,425	2,574,976	4,794,457	123,574	1,638,891	1,396,989	1,726,983	13,497,295
Total Income	4,058,194	(1,779,905)	28,433,303	1,673,806	6,131,338	2,059,752	3,506,354	44,082,842
Segment direct expenses	707,468	103,520	11,911,642	785,942	2,988,905	1,692,846	3,070,566	21,260,889
Inter segment expense allocation	293,522	37,177	2,263,694	-	337,204	-	(2,931,597)	-
Total expenses	1,000,990	140,697	14,175,336	785,942	3,326,109	1,692,846	138,969	21,260,889
Provision reversals / (charge)	484,576	(2,145,281)	269,576	(5,828)	(2,325,215)	50,285	(6,053)	(3,677,940)
Profit before taxation from continuing operations	3,541,780	(4,065,883)	14,527,543	882,036	480,014	417,191	3,361,332	19,144,013

	For the six months ended June 30, 2018 (Un-audited)							
	Corporate / Commercial Banking	Treasury	Branch Banking	Islamic Banking	International branch operations	Subsidiaries	Others	Total
Profit and Loss	(Rupees in '000)							
Net mark-up / return / profit (loss)	13,060,741	19,369,092	(9,502,308)	991,234	4,011,695	1,006,942	125,123	29,062,519
Inter segment (expense) / revenue - net	(10,490,959)	(13,922,715)	23,360,122	-	-	-	1,053,552	-
Non mark-up / return / interest income	1,666,713	6,171,515	4,547,319	80,141	1,283,103	1,335,128	379,036	15,462,955
Total Income	4,236,495	11,617,892	18,405,133	1,071,375	5,294,798	2,342,070	1,557,711	44,525,474
Segment direct expenses	841,040	357,447	11,133,511	776,014	3,393,352	1,750,789	10,706,037	28,958,190
Inter segment expense allocation	277,568	32,175	1,983,255	-	315,620	-	(2,608,618)	-
Total expenses	1,118,608	389,622	13,116,766	776,014	3,708,972	1,750,789	8,097,419	28,958,190
Provision reversals / (charge)	510,005	(405,318)	360,269	(6,009)	(5,075,844)	(213,420)	84,795	(4,745,522)
Profit before taxation from continuing operations	3,627,892	10,822,952	5,648,636	289,352	(3,490,018)	377,861	(6,454,913)	10,821,762

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

As at June 30, 2019 (Un-audited)								
	Corporate / Commercial Banking	Treasury	Branch Banking	Islamic Banking	International branch operations	Subsidiaries	Others	Total
(Rupees in '000)								
Balance Sheet								
Cash and Bank balances	150,064	72,507,230	95,948,979	18,450,653	67,619,482	33,278,912	3,800,262	291,755,582
Investments	6,664,713	696,963,063	-	45,435,834	103,178,047	46,135,474	3,920,524	902,297,655
Net inter segment lending	5,957,132	-	909,761,253	832,634	6,675,790	-	57,948,857	981,175,666
Lendings to financial institutions	-	12,780,000	-	7,626,900	-	2,187,804	-	22,594,704
Advances - performing	429,640,453	25,630	35,746,038	9,018,925	147,962,232	38,837,591	5,515,587	666,746,456
Advances - non-performing (net of provision)	1,129,193	43,830	620,472	-	12,098,377	241,059	26,746	14,159,677
Assets held for sale	-	-	-	-	-	4,303,337	-	4,303,337
Others	32,159,769	33,905,345	13,058,871	1,578,240	17,929,990	6,440,588	63,606,059	168,678,862
Total Assets	475,701,324	816,225,098	1,055,135,613	82,943,186	355,463,918	131,424,765	134,818,035	3,051,711,939
Borrowings	51,220,397	160,342,264	107,056	1,289,981	11,044,830	9,669,796	-	233,674,324
Subordinated debts	-	-	-	-	-	-	10,000,000	10,000,000
Deposits and other accounts	64,436,919	388,593	1,019,248,071	76,503,808	286,139,912	86,620,780	748,104	1,534,086,187
Net inter segment borrowing	324,788,790	656,193,375	193,501	-	-	-	-	981,175,666
Liabilities held for sale	-	-	-	-	-	4,120,718	-	4,120,718
Others	33,116,459	10,832,601	29,690,444	1,835,005	10,523,301	1,671,081	18,147,766	105,816,657
Total Liabilities	473,562,565	827,756,833	1,049,239,072	79,628,794	307,708,043	102,082,375	28,895,870	2,868,873,552
Equity	2,138,757	(11,517,326)	6,370,496	3,314,392	53,298,799	23,325,521	105,907,748	182,838,387
Total Equity and liabilities	475,701,322	816,239,507	1,055,609,568	82,943,186	361,006,842	125,407,896	134,803,618	3,051,711,939
Contingencies and Commitments	434,519,741	375,289,619	14,094,912	293,837	497,191,993	82,618,171	966,178	1,404,974,451
As at December 31, 2018 (Audited)								
	Corporate / Commercial Banking	Treasury	Branch Banking	Islamic Banking	International branch operations	Subsidiaries	Others	Total
(Rupees in '000)								
Balance Sheet								
Cash and Bank balances	25,660	51,299,328	78,569,366	13,483,155	55,969,812	28,621,101	1,694,309	229,662,731
Investments	7,213,391	653,902,739	-	30,746,758	88,243,845	47,339,783	3,712,584	831,159,100
Net inter segment lending	2,249,966	-	880,425,313	-	-	-	37,278,794	919,954,073
Lendings to financial institutions	-	23,500,000	-	10,066,732	374,814	1,405,005	-	35,346,551
Advances - performing	449,219,279	26,411	65,893,889	22,580,996	160,439,336	38,158,060	5,108,124	741,426,095
Advances - non-performing (net of provision)	1,777,079	-	262,540	15,068	10,587,435	456,931	26,574	13,125,627
Others	27,761,067	21,514,992	12,412,517	625,250	19,888,705	5,986,891	63,583,348	151,772,770
Total Assets	488,246,442	750,243,470	1,037,563,625	77,517,959	335,503,947	121,967,771	111,403,733	2,922,446,947
Borrowings	45,688,288	195,175,727	4,171,413	143,000	21,580,910	13,158,787	-	279,918,125
Subordinated debts	-	-	-	-	-	-	9,000,000	9,000,000
Deposits and other accounts	38,238,653	35,170	993,358,839	73,434,945	259,572,141	82,263,993	1,420,300	1,448,324,041
Net inter segment borrowing	377,589,646	541,875,733	-	488,694	-	-	-	919,954,073
Others	24,033,549	11,894,358	34,259,041	922,413	13,325,755	1,547,511	10,644,222	96,626,849
Total Liabilities	485,550,136	748,980,988	1,031,789,293	74,989,052	294,478,806	96,970,291	21,064,522	2,753,823,088
Equity	2,696,306	(102,213)	7,152,259	2,528,907	45,418,639	17,353,911	93,576,050	168,623,859
Total Equity and liabilities	488,246,442	748,878,775	1,038,941,552	77,517,959	339,897,445	114,324,202	114,640,572	2,922,446,947
Contingencies and Commitments	415,595,186	246,204,352	21,489,804	340,262	426,945,992	86,376,266	1,923,829	1,198,875,691

38. RELATED PARTY TRANSACTIONS

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

The Group enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

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

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

38.1 RELATED PARTY TRANSACTIONS

	June 30, 2019 (Un-audited)				December 31, 2018 (Audited)			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
(Rupees in '000)								
Investments								
Opening balance	-	-	5,119,744	4,183,880	-	-	4,243,644	3,895,328
Investment made during the period / year	-	-	1,704,913	-	-	-	6,148,157	510,075
Investment redeemed / disposed off during the period / year	-	-	(2,083,048)	(240,353)	-	-	(5,699,007)	(221,523)
Equity method adjustments	-	-	286,879	-	-	-	426,950	-
Closing balance	-	-	5,028,488	3,943,527	-	-	5,119,744	4,183,880
Provision for diminution in value of investments	-	-	-	91,143	-	-	-	91,007
Advances								
Opening balance	2,221	280,911	2,155,149	6,747,749	5,303	205,368	2,155,149	2,626,106
Addition during the period / year	3,841	67,977	-	358	13,479	245,272	-	4,123,007
Repaid during the period / year	(5,798)	(9,289)	-	(1,259,751)	(16,561)	(121,668)	-	(1,341)
Transfer out	-	-	-	-	-	(48,061)	-	(23)
Closing balance	264	339,599	2,155,149	5,488,356	2,221	280,911	2,155,149	6,747,749
Provision held against advances	-	-	2,155,149	-	-	-	2,155,149	-
Other Assets								
Interest mark-up accrued	-	-	550	200,098	-	-	3,646	143,767
Receivable from staff retirement funds	-	-	-	1,505,374	-	-	-	321,349
Prepaid insurance	-	-	162,576	-	-	-	107,566	-
Remuneration receivable from management of funds	-	-	77,100	-	-	-	87,358	-
Sales load receivable	-	-	9,616	-	-	-	19,154	-
Formation cost receivable	-	-	5,843	-	-	-	7,039	-
Dividend receivable	-	-	-	104,215	-	-	-	-
Other receivable	-	-	42,967	30,164	-	-	59,146	30,164
Provision against other assets	-	-	-	30,164	-	-	-	30,164
Borrowings								
Opening balance	-	-	-	12,400	-	-	474,532	-
Borrowings during the year	-	-	-	514,800	-	-	2,364,689	244,000
Settled during the year	-	-	-	(527,200)	-	-	(2,839,221)	(231,600)
Closing balance	-	-	-	-	-	-	-	12,400
Deposits and other accounts								
Opening balance	6,375,281	165,303	11,638,646	8,254,030	5,700,563	66,247	7,426,100	3,072,390
Received during the period / year	42,206,670	597,869	77,202,039	166,895,475	60,624,991	1,629,709	160,790,083	163,877,912
Withdrawn during the period / year	(40,234,650)	(615,110)	(84,244,493)	(166,196,016)	(59,950,273)	(1,594,450)	(156,547,356)	(158,692,731)
Transfer (out) / in - net	-	-	(422)	4,125	-	63,797	(30,181)	(3,541)
Closing balance	8,347,301	148,062	4,595,770	8,957,614	6,375,281	165,303	11,638,646	8,254,030
Other Liabilities								
Interest / mark-up payable on deposits and borrowings	63,804	77	26,955	94,085	40,343	67	53,416	49,821
Payable to staff retirement fund	-	-	-	-	-	-	-	972,584
Unearned income	-	-	-	5,043	-	-	-	12,608
Contingencies and Commitments								
Forward foreign exchange contracts purchase	-	-	-	-	-	-	-	-
Forward foreign exchange contracts sale	-	-	-	-	-	-	-	-

	June 30, 2019 (Un-audited)				June 30, 2018 (Un-audited)			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
(Rupees in '000)								
Income								
Mark-up / return / interest earned	-	8,251	7,696	1,946	-	5,974	3,646	55,109
Commission / charges recovered	64	645	3,925	2,794	60	314	82,534	6,842
Dividend income	-	-	-	134,775	-	-	26,833	362,457
Net gain on sale of securities	-	-	24,876	28,515	-	-	72,350	-
Remuneration from management of fund	-	-	-	-	-	-	449,979	-
Sales load	-	-	27,004	-	-	-	65,674	-
Other income	-	-	5,939	-	-	-	7,228	6,879
Switch revenue	-	-	-	137,164	-	-	-	-
Expenses								
Mark-up / return / interest paid	117,147	746	406,458	146,399	108,871	1,593	245,139	58,704
Remuneration paid	-	487,997	-	-	-	837,872	-	-
Post employment benefits	-	10,125	-	-	-	21,526	-	-
Non-executive directors' fee	40,241	-	-	-	37,149	-	-	-
Net charge for defined contribution plans	-	-	-	260,698	-	-	-	237,451
Net charge for defined benefit plans	-	-	-	145,581	-	-	-	8,481,528
Other expenses	-	-	-	-	-	-	-	-
Clearing charges	-	-	-	68,451	-	-	-	52,301
Seminar and Membership fees	-	-	-	3,421	-	-	-	5,578
Membership, Subscription, Sponsorship and maintenance charges	-	-	-	13,231	-	-	-	4,000
Custody charges	-	-	-	3,112	-	-	-	-
Insurance premium paid	-	-	260,437	-	-	-	308,097	-
Insurance claims settled	-	-	123,197	-	-	-	96,635	-

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

39. CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS

	(Un-audited) June 30, 2019	(Audited) December 31, 2018
	----- (Rupees in '000) -----	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	12,241,798	12,241,798
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	120,270,600	116,182,214
Eligible Additional Tier 1 (ADT 1) Capital	9,996,352	8,305,439
Total Eligible Tier 1 Capital	130,266,952	124,487,653
Eligible Tier 2 Capital	36,434,155	40,708,238
Total Eligible Capital (Tier 1 + Tier 2)	166,701,107	165,195,891
Risk Weighted Assets (RWAs):		
Credit Risk	784,541,642	795,066,075
Market Risk	33,401,600	30,089,441
Operational Risk	147,604,598	147,604,598
Total	965,547,840	972,760,114
Common Equity Tier 1 Capital Adequacy Ratio	12.46%	11.94%
Tier 1 Capital Adequacy Ratio	13.49%	12.80%
Total Capital Adequacy Ratio	17.26%	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 June 30, 2019 stood at Rs. 12,241.798 million (December 31, 2018: Rs. 12,241.798 million) and is in compliance with SBP requirements. Banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10.0%, capital conservation buffer of 1.90% and High Loss Absorbency Requirement of 1.5% of the risk weighted exposures of the Bank. Further, under Basel III instructions, banks are also required to maintain a Common Equity Tier 1 (CET 1) ratio and Tier 1 ratio of 6.0% and 7.5%, respectively, as at June 30, 2019. As at June 30, 2019, the Bank is fully compliant with prescribed ratios as the Bank's CAR is 17.26% whereas CET 1 and Tier 1 ratios stood at 12.46% and 13.49% respectively. The Bank and its individually regulated operations have complied with all capital requirements throughout the period / year.

Furthermore, under the SBP's Framework for Domestic Systematically Important Banks (D-SIBs) introduced vide BPRD Circular No. 04 of 2018 dated April 13, 2018, UBL has been designated as a D-SIB. Under this framework, the Bank is required to meet the Higher Loss Absorbency (HLA) capital charge of 1.5%, in the form of Additional CET 1 capital, on a standalone as well as consolidated level during 2019. As per SBP's designation of D-SIBs for the year 2019, the LHA 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 Pakistan.

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

	(Un-audited) June 30 2019	(Audited) December 31 2018
	----- (Rupees in '000) -----	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	130,266,952	124,487,653
Total Exposures	2,650,323,336	2,550,548,720
Leverage Ratio	4.92%	4.88%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	496,752,377	404,144,218
Total Net Cash Outflow	196,043,268	212,338,866
Liquidity Coverage Ratio	253.39%	190.33%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	1,480,513,218	1,489,318,075
Total Required Stable Funding	1,102,607,051	1,181,920,887
Net Stable Funding Ratio	134.27%	126.01%

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

40. ISLAMIC BANKING BUSINESS

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

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

		(Un-audited) June 30, 2019	(Audited) December 31, 2018
	Note	----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks		7,683,867	8,000,891
Balances with other banks		10,766,786	5,482,264
Due from financial institutions	40.1	7,626,900	10,066,732
Investments	40.2	45,435,834	30,746,758
Islamic financing and related assets	40.3	9,018,925	22,596,064
Fixed assets		994,600	337,390
Intangible assets		8,511	2,468
Due from Head Office		832,634	-
Other assets		575,129	285,392
Total Assets		82,943,186	77,517,959
LIABILITIES			
Bills payable		688,767	430,122
Due to financial institutions		1,289,981	143,000
Deposits and other accounts	40.4	76,503,808	73,434,945
Due to Head Office		-	488,694
Other liabilities		1,146,238	492,291
Total Liabilities		79,628,794	74,989,052
NET ASSETS		3,314,392	2,528,907
REPRESENTED BY			
Islamic Banking Fund		2,181,000	2,181,000
Deficit on revaluation of assets		(231,833)	(135,282)
Accumulated profit		1,365,225	483,189
		3,314,392	2,528,907
CONTINGENCIES AND COMMITMENTS			
	40.5		

The profit and loss account of the Bank's Islamic Banking branches for the six months ended June 30 is as follows:

		----- (Un-audited) -----	
		January - June 2019	January - June 2018
		----- (Rupees in '000) -----	
Profit / return earned	40.6	3,564,688	1,918,137
Profit / return expensed	40.7	(2,014,456)	(926,903)
Net profit / return		1,550,232	991,234
Other income			
Fee and Commission Income		113,821	68,162
Foreign Exchange Income		288	219
Loss on securities		(4,888)	-
Other Income		14,353	11,760
Total Other Income		123,574	80,141
Total Income		1,673,806	1,071,375
Operating expenses		785,942	778,821
Profit before provisions		887,864	292,554
Provisions and write-offs - net		(5,828)	(3,202)
Profit for the period		882,036	289,352

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

40.1 Due from Financial Institutions

	June 30, 2019 (Un-Audited)			December 31, 2018 (Audited)		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	(Rupees in '000)					
Call money lending	3,600,000	-	3,600,000	7,000,000	-	7,000,000
Bai Muajjal Receivable from other Financial Institutions	4,026,900	-	4,026,900	3,066,732	-	3,066,732
	7,626,900	-	7,626,900	10,066,732	-	10,066,732

40.2 Investments by segments

	June 30, 2019 (Un-Audited)				December 31, 2018 (Audited)			
	Cost / Amortised cost	Provision for diminution	Deficit	Carrying Value	Cost / Amortised cost	Provision for diminution	Deficit	Carrying Value
	(Rupees in '000)							
Federal Government Securities								
-Ijarah Sukuks	5,901,733	-	(231,833)	5,669,900	11,910,472	-	(135,282)	11,775,190
-Bai muajjal with Govt. of Pakistan	24,872,153	-	-	24,872,153	8,300,566	-	-	8,300,566
	30,773,886	-	(231,833)	30,542,053	20,211,038	-	(135,282)	20,075,756
Non Government Debt Securities								
-Listed	150,000	-	-	150,000	150,000	-	-	150,000
-Unlisted	14,743,781	-	-	14,743,781	10,521,002	-	-	10,521,002
	14,893,781	-	-	14,893,781	10,671,002	-	-	10,671,002
Total Investments	45,667,667	-	(231,833)	45,435,834	30,882,040	-	(135,282)	30,746,758

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

40.2.1 Bai Muajjal with Government of Pakistan

Bai Muajjal Investment	33,031,000	11,420,000
Less: Deferred Income	(8,158,847)	(3,119,434)
Bai Muajjal Investment - net	24,872,153	8,300,566

40.3 Islamic financing and related assets

Ijarah	598,272	446,792
Murabaha	599,265	742,302
Diminishing Musharaka	5,683,558	19,902,278
Islamic Export Refinance scheme - Murabaha	1,294,256	126,849
Advances against Islamic assets		
Advances against Ijara	78,087	215,091
Advances for Diminishing Musharika	418,652	520,448
Advances for Murabaha	79,807	101,115
Advances for Murabaha - IERS	-	18,000
Advances for Istisna	160,115	48,321
Inventory related to Islamic financing		
Istisna	105,000	13,411
Profit and other receivables against financings	103,721	557,643
Gross Islamic financing and related assets	9,120,733	22,692,250
Less: Provision against Islamic financings		
- Specific	(84,990)	(82,088)
- General	(16,818)	(14,098)
	(101,808)	(96,186)
Islamic financing and related assets - net of provision	9,018,925	22,596,064

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

40.4 Deposits and other accounts	(Un-audited) June 30, 2019	(Audited) December 31, 2018
	----- (Rupees in '000) -----	
Customers		
Current deposits	37,245,189	31,434,627
Savings deposits	13,246,765	14,925,879
Term deposits	4,442,504	6,776,543
	<u>54,934,458</u>	<u>53,137,049</u>
Financial Institutions		
Current deposits	1,662,725	1,768,824
Savings deposits	8,162,138	11,144,072
Term deposits	11,744,487	7,385,000
	<u>21,569,350</u>	<u>20,297,896</u>
	<u>76,503,808</u>	<u>73,434,945</u>
40.5 Contingencies and commitments		
- Guarantees	60,119	56,416
- Commitments	477,117	406,643
	<u>537,236</u>	<u>463,059</u>
	----- (Un-audited) -----	
	January - June 2019	January - June 2018
40.6 Profit / Return Earned on Financing, Investments and Placements	----- (Rupees in '000) -----	
Profit earned on:		
Financing	501,252	622,640
Investments	2,176,443	757,269
Placements	759,226	425,547
Rental Income from Ijarah	127,767	112,681
	<u>3,564,688</u>	<u>1,918,137</u>
40.7 Profit on Deposits and other Dues Expensed		
Deposits and other accounts	1,951,983	916,516
Due to Financial Institutions	14,180	10,387
Others	48,293	-
	<u>2,014,456</u>	<u>926,903</u>
	(Un-audited) June 30, 2019	(Audited) December 31, 2018
40.8 Islamic Banking Business Unappropriated Profit	----- (Rupees in '000) -----	
Opening Balance	483,189	(362,502)
Add: Islamic Banking profit for the period / year	882,036	845,691
Closing Balance	<u>1,365,225</u>	<u>483,189</u>
40.9 Disclosures for profit and loss distribution and pool management		

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

Ameen Daily Munafa Account (ADMA) Pool

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

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

Special Pool(s)

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

Islamic Export Refinance Pool(s)

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

Treasury Pool(s)

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

General Pool

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

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

The Bank managed following pools during the period.

June 30, 2019 (Un-audited)									
No of Pools	Nature of Pool	Profit rate and weightages announcement period	Average profit rate earned	Profit Sharing ratio	Mudarib fee / Musharkah share / Wakala Fee	Average profit rate / return distributed	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib share transferred through Hiba	
			%	%	Rupees in '000	%	%	Rupees in '000	
ADMA Pools	6	Mudarbaha	Monthly	5.03%	50.00%	3,958	3%	11.35%	449
Special Pools	70	Mudarbaha	Monthly	10.80%	7.80%	101,927	10.10%	17.38%	17,713
IERS Pools	19	Musharkah	Monthly	3.95%	73.97%	29,804	2.00%	0.00%	-
General Pools	6	Mudarbaha	Monthly	10.95%	50.00%	586,111	6.73%	22.86%	133,972
Treasury Pools	2	Musharkah	As required	12.93%	25.77%	1,278,366	9.60%	0.00%	-
June 30, 2018 (Un- audited)									
No of Pools	Nature of Pool	Profit rate and weightages announcement period	Average profit rate earned	Profit Sharing ratio	Mudarib fee / Musharkah share / Wakala Fee	Average profit rate / return distributed	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib share transferred through Hiba	
			%	%	Rupees in '000	%	%	Rupees in '000	
ADMA Pools	6	Mudarbaha	Monthly	4.44%	50.00%	3,892	2.84%	24.72%	962
Special Pools	50	Mudarbaha	Monthly	6.34%	19.80%	138,164	5.48%	35.77%	49,420
IERS Pools	4	Musharkah	Monthly	3.46%	71.30%	2,077	2.00%	0.00%	-
Treasury Pools	3	Wakalah	As required	7.27%	17.78%	212	5.97%	0.00%	-
Treasury Pools	2	Mudarbaha	As required	7.17%	25.46%	325	5.86%	0.00%	-
Treasury Pools	10	Musharkah	As required	7.40%	17.23%	1,180	6.12%	0.00%	-
General Pools	6	Mudarbaha	Monthly	5.42%	50.00%	75,265	3.04%	12.45%	9,372

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

	(Un-audited) June 30, 2019	(Audited) December 31, 2018
	-----Rupees in '000-----	
40.10 Deployment of Mudaraba based deposits by class of business		
Chemical and pharmaceuticals	876,906	650,754
Agri business	426,603	1,226,202
Textile	1,407,658	365,599
Financial	17,974,783	15,486,630
Food industries	579,735	516,697
Plastic	79,177	169,124
Individuals	1,314,883	1,134,008
Production and Transmission of energy	16,295,966	26,712,710
Government of Pakistan Securities	30,542,053	20,023,620
Others	2,220,703	1,768,268
	<u>71,718,467</u>	<u>68,053,612</u>

41. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on August 07, 2019 has declared an interim cash dividend in respect of the quarter ended June 30, 2019 of Rs. 2.5 per share (June 30, 2018: Rs. 3.0 per share). The consolidated condensed interim financial statements for the quarter ended June 30, 2019 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

42. GENERAL

42.1 Comparatives

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

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

43. DATE OF AUTHORIZATION

These consolidated condensed interim financial statements were authorised for issue on August 07, 2019 by the Board of Directors of the Bank.

Aameer Karachiwalla
Chief Financial Officer

Sima Kamil
President &
Chief Executive Officer

Amar Zafar Khan
Director

Arshad Ahmad Mir
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Chairman