

United Bank Limited

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2016
(UN-AUDITED)



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2016**

	Note	(Un-audited) June 30, 2016 ----- (Rupees in '000) -----	(Audited) December 31, 2015
ASSETS			
Cash and balances with treasury banks		90,644,524	113,762,323
Balances with other banks	6	37,459,659	27,713,772
Lendings to financial institutions	7	37,630,828	25,913,741
Investments	8	865,385,495	752,989,747
Advances	9	530,371,696	488,061,033
Operating fixed assets	10	37,751,447	35,982,258
Deferred tax asset - net		-	-
Other assets		47,863,208	41,763,939
		<u>1,647,106,857</u>	<u>1,486,186,813</u>
LIABILITIES			
Bills payable		12,220,186	13,395,744
Borrowings	11	219,278,667	164,232,087
Deposits and other accounts	12	1,211,353,904	1,119,953,064
Subordinated loans		-	-
Liabilities against assets subject to finance lease		4,686	4,873
Deferred tax liability - net		6,727,677	4,515,165
Other liabilities		32,458,202	28,486,831
		<u>1,482,043,322</u>	<u>1,330,587,764</u>
NET ASSETS		<u><u>165,063,535</u></u>	<u><u>155,599,049</u></u>
REPRESENTED BY			
Share capital		12,241,798	12,241,798
Reserves		41,932,600	41,624,817
Unappropriated profit		64,413,079	59,955,027
Total equity attributable to the equity holders of the Bank		<u>118,587,477</u>	<u>113,821,642</u>
Non-controlling interest		4,887,279	5,223,744
		<u>123,474,756</u>	<u>119,045,386</u>
Surplus on revaluation of assets - net of deferred tax	13	41,588,779	36,553,663
		<u><u>165,063,535</u></u>	<u><u>155,599,049</u></u>
CONTINGENCIES AND COMMITMENTS			
	14		

The annexed notes from 1 to 28 form an integral part of these consolidated condensed interim financial statements.

Wajahat Husain
President &
Chief Executive Officer

Amin Uddin
Director

Zameer Mohammed Choudrey, CBE
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Chairman

**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2016**

	Note	April-June 2016	April-June 2015	January - June 2016	January - June 2015
----- (Rupees in '000) -----					
Mark-up / return / interest earned	15	27,098,211	24,285,688	51,361,419	47,930,237
Mark-up / return / interest expensed	16	(10,823,808)	(9,624,929)	(21,007,085)	(19,688,925)
Net mark-up / return / interest income		<u>16,274,403</u>	<u>14,660,759</u>	<u>30,354,334</u>	<u>28,241,312</u>
Reversal / (provision) against loans and advances - net		846,120	(1,214,714)	(782,527)	(1,959,905)
Provision for diminution in value of investments - net		(547,459)	(17,569)	(692,682)	(40,591)
Bad debts written off directly		(23,869)	(36,354)	(45,370)	(72,406)
		<u>274,792</u>	<u>(1,268,637)</u>	<u>(1,520,579)</u>	<u>(2,072,902)</u>
Net mark-up / return / interest income after provisions		<u>16,549,195</u>	<u>13,392,122</u>	<u>28,833,755</u>	<u>26,168,410</u>
Non mark-up / interest income					
Fee, commission and brokerage income		3,755,398	3,981,560	7,402,536	7,351,574
Dividend income	17	845,001	788,013	1,275,902	1,282,142
Income from dealing in foreign currencies	18	445,683	607,792	1,097,433	1,382,339
Gain on sale of securities - net	19	826,217	750,687	4,770,886	2,747,687
Unrealized gain / (loss) on revaluation of investments classified as held for trading		8,873	(188,510)	8,756	(266,805)
Other income	20	212,583	545,457	546,415	855,528
Total non mark-up / interest income		<u>6,093,755</u>	<u>6,484,999</u>	<u>15,101,928</u>	<u>13,352,465</u>
		<u>22,642,950</u>	<u>19,877,121</u>	<u>43,935,683</u>	<u>39,520,875</u>
Non mark-up / interest expenses					
Administrative expenses	21	(8,665,361)	(8,368,841)	(17,862,355)	(16,399,060)
Other provisions - net		(102,410)	(60,009)	(264,353)	(86,183)
Workers' Welfare Fund		(255,266)	(226,916)	(509,151)	(456,864)
Other charges		(1,633)	131	(30,250)	(63,566)
Total non mark-up / interest expenses		<u>(9,024,670)</u>	<u>(8,655,635)</u>	<u>(18,666,109)</u>	<u>(17,005,673)</u>
		<u>13,618,280</u>	<u>11,221,486</u>	<u>25,269,574</u>	<u>22,515,202</u>
Share of income of associates		18,576	224,773	212,592	460,139
Profit before taxation		<u>13,636,856</u>	<u>11,446,259</u>	<u>25,482,166</u>	<u>22,975,341</u>
Taxation - Current		(4,997,837)	(4,268,538)	(9,007,570)	(8,212,621)
- Prior		(1,700,092)	(1,622,541)	(1,972,836)	(1,623,490)
- Deferred		100,986	159,178	98,879	279,903
		<u>(6,596,943)</u>	<u>(5,731,901)</u>	<u>(10,881,527)</u>	<u>(9,556,208)</u>
Profit after taxation		<u><u>7,039,913</u></u>	<u><u>5,714,358</u></u>	<u><u>14,600,639</u></u>	<u><u>13,419,133</u></u>
Attributable to:					
Equity shareholders of the Bank		6,950,594	5,456,973	14,464,019	13,012,674
Non-controlling interest		89,319	257,385	136,620	406,459
		<u>7,039,913</u>	<u>5,714,358</u>	<u>14,600,639</u>	<u>13,419,133</u>
----- (Rupees) -----					
Earnings per share - basic and diluted		<u>5.68</u>	<u>4.46</u>	<u>11.82</u>	<u>10.63</u>

The annexed notes from 1 to 28 form an integral part of these consolidated condensed interim financial statements.

Wajahat Husain
President &
Chief Executive Officer

Amin Uddin
Director

Zameer Mohammed Choudrey, CBE
Director

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**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2016**

	April-June 2016	April-June 2015	January - June 2016	January - June 2015
	----- (Rupees in '000) -----			
Profit after taxation for the period attributable to:				
Equity shareholders of the Bank	6,950,594	5,456,973	14,464,019	13,012,674
Non-controlling interest	89,319	257,385	136,620	406,459
	<u>7,039,913</u>	<u>5,714,358</u>	<u>14,600,639</u>	<u>13,419,133</u>
Other comprehensive income:				
<i>Items that are not to be reclassified to profit or loss in subsequent periods</i>	-	-	-	-
<i>Items that may be reclassified to profit or loss in subsequent periods</i>				
Exchange differences on translation of net investment in foreign branches and subsidiaries				
- Equity shareholders of the Bank	(1,056,986)	319,914	(1,154,303)	723,008
- Non-controlling interest	(314,998)	289,188	(473,624)	111,912
	<u>(1,371,984)</u>	<u>609,102</u>	<u>(1,627,927)</u>	<u>834,920</u>
	(1,371,984)	609,102	(1,627,927)	834,920
Other comprehensive income transferred to equity	<u>5,667,929</u>	<u>6,323,460</u>	<u>12,972,712</u>	<u>14,254,053</u>
<i>Items that may be reclassified to profit or loss in subsequent periods</i>				
Surplus arising on revaluation of available for sale securities	4,783,278	(142,549)	7,454,915	7,552,970
Related deferred tax charge	(1,544,777)	19,324	(2,268,588)	(2,656,072)
	<u>3,238,501</u>	<u>(123,225)</u>	<u>5,186,327</u>	<u>4,896,898</u>
Total comprehensive income during the period - net of tax	<u><u>8,906,430</u></u>	<u><u>6,200,235</u></u>	<u><u>18,159,039</u></u>	<u><u>19,150,951</u></u>

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**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2016**

	January - June 2016	January - June 2015
	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	25,482,166	22,975,341
Less: Dividend income	(1,275,902)	(1,282,142)
Share of income of associates	(212,592)	(460,139)
	<u>23,993,672</u>	<u>21,233,060</u>
Adjustments:		
Depreciation	933,999	914,160
Amortization	187,324	231,981
Workers' Welfare Fund	509,151	456,864
Provision for retirement benefits	316,971	477,066
Provision against loans and advances - net	782,527	1,961,066
Provision for diminution in value of investments - net	692,682	40,591
Gain on sale of operating fixed assets	(23,748)	(17,658)
Unrealized (gain) / loss on revaluation of investments classified as held for trading	(8,756)	266,805
Bad debts written-off directly	45,370	72,406
Finance charges on leased assets	-	8
Other provisions -net	264,353	85,022
	<u>3,699,873</u>	<u>4,488,311</u>
	<u>27,693,545</u>	<u>25,721,371</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(11,717,087)	(361,226)
Held for trading securities	7,028,612	(30,129,955)
Advances	(43,138,560)	2,141,531
Other assets (excluding advance taxation)	(5,091,001)	(2,917,265)
	<u>(52,918,036)</u>	<u>(31,266,915)</u>
Increase / (decrease) in operating liabilities		
Bills payable	(1,175,558)	5,134,988
Borrowings	55,046,580	69,446,544
Deposits and other accounts	91,400,840	107,113,943
Other liabilities (excluding current taxation)	3,505,896	(2,873,716)
	<u>148,777,758</u>	<u>178,821,759</u>
	<u>123,553,266</u>	<u>173,276,215</u>
Payments on account of staff retirement benefits	(445,827)	(553,069)
Income taxes paid	(10,245,287)	(5,847,095)
Net cash inflow from operating activities	<u>112,862,152</u>	<u>166,876,051</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in securities	(114,718,123)	(120,134,484)
Dividend income received	1,101,325	1,109,007
Investment in operating fixed assets	(3,075,051)	(1,876,176)
Sale proceeds from disposal of operating fixed assets	83,736	55,870
Net cash outflow from investing activities	<u>(116,608,113)</u>	<u>(120,845,783)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payment in respect of leased obligation	-	(437)
Dividend paid to non-controlling interest	-	(107,672)
Dividends paid	(7,998,024)	(8,991,564)
Net cash outflow from financing activities	<u>(7,998,024)</u>	<u>(9,099,673)</u>
	<u>(11,743,985)</u>	<u>36,930,595</u>
Exchange differences on translation of net investment in foreign branches and subsidiaries		
- Equity shareholders of the Bank	(1,154,303)	723,008
- Non-controlling interest	(473,624)	111,912
Increase in cash and cash equivalents during the period	<u>(13,371,912)</u>	<u>37,765,515</u>
Cash and cash equivalents at the beginning of the period	<u>141,476,095</u>	<u>97,608,580</u>
Cash and cash equivalents at the end of the period	<u><u>128,104,183</u></u>	<u><u>135,374,095</u></u>

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**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2016**

	Attributable to equity shareholders of the Bank						Non-controlling Interest	Total	
	Share Capital	General reserve	Statutory reserve	Capital reserve -	Employees stock	Unappropriated			Sub total
	(Rupees in '000)								
Balance as at January 1, 2015 (Audited)	12,241,798	3,000	21,896,084	15,382,510	4,494	52,507,655	102,035,541	4,553,250	106,588,791
Transactions with owners for the six months ended June 30, 2015									
Final cash dividend - December 31, 2014 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, 2015 declared at Rs.3.0 per share	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Employees stock option reserve	-	-	-	-	(1,500)	-	(1,500)	-	(1,500)
	-	-	-	-	(1,500)	(8,569,258)	(8,570,758)	-	(8,570,758)
Total comprehensive income for the six months ended June 30, 2015									
Profit after taxation for the six months ended June 30, 2015	-	-	-	-	-	13,012,674	13,012,674	406,459	13,419,133
Other comprehensive income - net of tax	-	-	-	723,008	-	-	723,008	111,912	834,920
Total comprehensive income for the six months ended June 30, 2015	-	-	-	723,008	-	13,012,674	13,735,682	518,371	14,254,053
Ordinary dividend relating to Non-controlling shareholders	-	-	-	-	-	-	-	(107,672)	(107,672)
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	25,858	25,858	552	26,410
Transfer to statutory reserve	-	-	1,283,137	-	-	(1,283,137)	-	-	-
Balance as at June 30, 2015 (Un-audited)	12,241,798	3,000	23,179,221	16,105,518	2,994	55,693,792	107,226,323	4,964,501	112,190,824
Transactions with owners for the six months ended December 31, 2015									
Interim cash dividend - June 30, 2015 declared at Rs.3.0 per share	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Interim cash dividend - September 30, 2015 declared at Rs.3.5 per share	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Employees stock option reserve	-	-	-	-	(1,944)	-	(1,944)	-	(1,944)
	-	-	-	-	(1,944)	(7,345,078)	(7,347,022)	-	(7,347,022)
Total comprehensive income for the six months ended December 31, 2015									
Profit after taxation for the six months ended December 31, 2015	-	-	-	-	-	13,141,670	13,141,670	448,823	13,590,493
Other comprehensive income - net of tax	-	-	-	1,035,874	-	(260,413)	775,461	(189,588)	585,873
Total comprehensive income for the six months ended December 31, 2015	-	-	-	1,035,874	-	12,881,257	13,917,131	259,235	14,176,366
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	25,210	25,210	8	25,218
Transfer to statutory reserves	-	-	1,300,154	-	-	(1,300,154)	-	-	-
Balance as at December 31, 2015 (Audited)	12,241,798	3,000	24,479,375	17,141,392	1,050	59,955,027	113,821,642	5,223,744	119,045,386
Transactions with owners for the six months ended June 30, 2016									
Final cash dividend - December 31, 2015 declared subsequent to the year end at Rs.4.0 per share	-	-	-	-	-	(4,896,719)	(4,896,719)	-	(4,896,719)
Interim cash dividend - March 31, 2016 declared at Rs.3.0 per share	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Employees stock option reserve	-	-	-	-	(466)	-	(466)	-	(466)
	-	-	-	-	(466)	(8,569,258)	(8,569,724)	-	(8,569,724)
Total comprehensive income for the six months ended June 30, 2016									
Profit after taxation for the six months ended June 30, 2016	-	-	-	-	-	14,464,019	14,464,019	136,620	14,600,639
Other comprehensive income - net of tax	-	-	-	(1,154,303)	-	-	(1,154,303)	(473,624)	(1,627,927)
Total comprehensive income for the six months ended June 30, 2016	-	-	-	(1,154,303)	-	14,464,019	13,309,716	(337,004)	12,972,712
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	25,843	25,843	539	26,382
Transfer to statutory reserves	-	-	1,462,552	-	-	(1,462,552)	-	-	-
Balance as at June 30, 2016 (Un-audited)	12,241,798	3,000	25,941,927	15,987,089	584	64,413,079	118,587,477	4,887,279	123,474,756

The annexed notes from 1 to 28 form an integral part of these consolidated condensed interim financial statements.

Wajahat Husain
President &
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Chairman

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2016**
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 (JET) - 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. The Bank's registered office and principal office are situated at UBL Building, Jinnah Avenue, Blue Area, Islamabad and at State Life Building No. 1, I. I. Chundrigar Road, Karachi respectively. The Bank operates 1,318 (December 31, 2015: 1,312) branches inside Pakistan including 41 (December 31, 2015: 41) Islamic Banking branches and 1 (December 31, 2015: 1) branch in Karachi Export Processing Zone. The Bank also operates 18 (December 31, 2015: 18) branches outside Pakistan as at June 30, 2016. The Bank is a subsidiary of Bestway (Holdings) Limited which is incorporated in the United Kingdom.

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

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

2. BASIS OF PRESENTATION

The disclosures made in these consolidated condensed interim financial statements have been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular No. 2 dated May 12, 2004, International Accounting Standard 34, Interim Financial Reporting, provisions of and directives issued under the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan. In case where requirement differ, the provisions of or directives issued under the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 have been followed.

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

Key financial figures of the Islamic Banking branches are disclosed in note 25 to these consolidated condensed interim financial statements.

3. STATEMENT OF COMPLIANCE

- 3.1** These consolidated condensed interim financial statements have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. In case requirements differ, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2016**

- 3.2** The SBP vide BSD Circular letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, 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** The Securities and Exchange Commission of Pakistan (SECP) vide SRO 56 (1) / 2016 dated 28 January 2016, has notified that the requirements of IFRS 10 (Consolidated Financial Statements) and section 237 of the Companies Ordinance 1984 will not be applicable with respect to the investment in mutual funds established under Trust structure.
- 3.4** The disclosures made in these consolidated condensed interim financial statements have been limited based on a format prescribed by the SBP vide BSD Circular Letter No. 2 dated May 12, 2004 and IAS 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these consolidated condensed interim financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2015.

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, 2015 except for the following:

Non banking assets acquired in satisfaction of claims

Effective January 1, 2016, the Bank has changed its accounting policy for recording of non-banking assets acquired in satisfaction of claims to comply with the requirements of the 'Regulations for Debt Property Swap' (the regulations) issued by SBP vide its BPRD Circular No. 1 of 2016, dated January 1, 2016. In line with the guidance provided in the Regulations, the non-banking assets acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'surplus on revaluation of fixed assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to profit and loss account and not capitalised. Previously, Non-banking assets acquired in satisfaction of claims were carried at cost less impairment, if any. Had the accounting policy not been changed, Non banking assets (included in Other Assets in the statement of financial position) would have been lower by Rs. 117.427 million while surplus on revaluation of assets and deferred tax assets would have been lower by Rs 76.328 million and Rs 41.099 million respectively.

- 4.2** The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Group for the year ended December 31, 2015.

5. BASIS OF MEASUREMENT

- 5.1** These consolidated condensed interim financial statements have been prepared under the historical cost convention except that certain operating fixed assets and non banking assets acquired in satisfaction of claims have been stated at revalued amounts and certain investments and derivative financial instruments have been stated at fair value.
- 5.2** The preparation of these consolidated condensed interim financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in the application of its accounting policies. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The significant judgments made by management in applying its accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements of the Group for the year ended December 31, 2015.

6. BALANCES WITH OTHER BANKS

These include Rs. 3,467.205 million (December 31, 2015: 3,213.299 million) placed under Shariah permissible modes.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2016**

	Note	(Un-audited) June 30, 2016	(Audited) December 31, 2015
----- (Rupees in '000) -----			
7. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	7.1	7,850,000	1,300,000
Repurchase agreement lendings		7,230,127	976,841
Other lendings to financial institutions		<u>23,373,811</u>	<u>24,459,385</u>
		<u>38,453,938</u>	<u>26,736,226</u>
Provision against lendings to financial institutions		<u>(823,110)</u>	<u>(822,485)</u>
		<u><u>37,630,828</u></u>	<u><u>25,913,741</u></u>

7.1 These represent lendings under Shariah permissible modes.

8. INVESTMENTS
8.1 Investments by types

	Note	(Un-audited) June 30, 2016			(Audited) December 31, 2015		
		Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
----- (Rupees in '000) -----							
Held for trading securities							
Market Treasury Bills		867,865	-	867,865	9,757,289	-	9,757,289
Pakistan Investment Bonds		4,208,662	-	4,208,662	2,285,349	-	2,285,349
Ordinary shares of listed companies		-	-	-	19,234	-	19,234
Term Finance Certificates		26,610	-	26,610	50,837	-	50,837
Sukuks		-	-	-	10,284	-	10,284
		<u>5,103,137</u>	<u>-</u>	<u>5,103,137</u>	<u>12,122,993</u>	<u>-</u>	<u>12,122,993</u>
Available for sale securities							
Market Treasury Bills		59,009,659	6,242,567	65,252,226	55,599,133	894,235	56,493,368
Pakistan Investment Bonds		142,502,757	160,911,262	303,414,019	153,364,754	111,285,139	264,649,893
Government of Pakistan Sukuk		6,505,689	-	6,505,689	9,909,514	-	9,909,514
Government of Pakistan Eurobonds		15,425,557	-	15,425,557	16,175,144	-	16,175,144
Ordinary shares of listed companies		18,772,140	-	18,772,140	19,310,585	-	19,310,585
Preference shares		410,080	-	410,080	434,765	-	434,765
Ordinary shares of unlisted companies		243,339	-	243,339	243,337	-	243,337
Investment in REIT		458,590	-	458,590	458,590	-	458,590
Term Finance Certificates		613,723	-	613,723	1,371,162	-	1,371,162
Foreign bonds - sovereign		38,869,029	-	38,869,029	32,324,780	-	32,324,780
Foreign bonds - others		19,185,305	-	19,185,305	26,404,993	-	26,404,993
		<u>301,995,868</u>	<u>167,153,829</u>	<u>469,149,697</u>	<u>315,596,757</u>	<u>112,179,374</u>	<u>427,776,131</u>
Held to maturity securities							
Market Treasury Bills		39,486,527	-	39,486,527	34,543,790	-	34,543,790
Pakistan Investment Bonds		277,452,799	-	277,452,799	220,168,425	-	220,168,425
Government of Pakistan Eurobonds		8,334,242	-	8,334,242	9,041,947	-	9,041,947
Government of Pakistan Sukuk		211,760	-	211,760	210,459	-	210,459
Other Federal Government Securities		5,391,120	-	5,391,120	5,391,120	-	5,391,120
Term Finance Certificates		5,251,611	-	5,251,611	5,402,573	-	5,402,573
Sukuks		6,270,607	-	6,270,607	4,234,531	-	4,234,531
Participation Term Certificates		2,795	-	2,795	2,795	-	2,795
Debentures		2,266	-	2,266	2,266	-	2,266
Foreign bonds - sovereign		8,281,846	-	8,281,846	2,974,077	-	2,974,077
Foreign bonds - others		4,098,703	-	4,098,703	803,255	-	803,255
Recovery note		323,129	-	323,129	322,839	-	322,839
CDC SAARC Fund		228	-	228	228	-	228
		<u>355,107,633</u>	<u>-</u>	<u>355,107,633</u>	<u>283,098,305</u>	<u>-</u>	<u>283,098,305</u>
Associates							
United Growth and Income Fund		478,606	-	478,606	479,035	-	479,035
UBL Liquidity Plus Fund		11,449	-	11,449	11,755	-	11,755
UBL Money Market Fund		11,185	-	11,185	11,474	-	11,474
UBL Retirement Savings Fund		315,579	-	315,579	290,427	-	290,427
UBL Principal Protected Fund - III		-	-	-	245,308	-	245,308
UBL Government Securities Fund		3,008,402	-	3,008,402	3,033,104	-	3,033,104
UBL Gold Fund		97,994	-	97,994	83,247	-	83,247
UBL Asset Allocation Fund		574,228	-	574,228	557,764	-	557,764
UBL Stock Advantage Fund		149,662	-	149,662	220,801	-	220,801
Al Ameen Islamic Cash Fund		14,724	-	14,724	1,012,287	-	1,012,287
Al Ameen Islamic Aggressive Income Fund		31,145	-	31,145	31,569	-	31,569
Al Ameen Islamic Sovereign Fund		59,561	-	59,561	57,515	-	57,515
Al Ameen Islamic Retirement Savings Fund		258,999	-	258,999	241,725	-	241,725
Al Ameen Shariah Stock Fund		242,190	-	242,190	242,645	-	242,645
Al Ameen Islamic Principal Preservation Fund - III		-	-	-	117,560	-	117,560
Al Ameen Islamic Principal Preservation Fund - IV		117,956	-	117,956	112,882	-	112,882
Al Ameen Islamic Principal Preservation Fund - V		102,350	-	102,350	100,454	-	100,454
Al Ameen Islamic Asset Allocation Fund		113,305	-	113,305	115,004	-	115,004
Al Ameen Islamic Financial Planning Fund		325,522	-	325,522	201,376	-	201,376
UBL Insurers Limited		277,682	-	277,682	253,662	-	253,662
Khushhali Bank Limited		1,438,571	-	1,438,571	1,305,528	-	1,305,528
Oman United Exchange Company, Muscat		64,582	-	64,582	76,819	-	76,819
DHA Cogen Limited	8.2	-	-	-	-	-	-
		<u>7,693,692</u>	<u>-</u>	<u>7,693,692</u>	<u>8,801,941</u>	<u>-</u>	<u>8,801,941</u>
Provision for diminution in value of investments		669,900,330	167,153,829	837,054,159	619,619,996	112,179,374	731,799,370
		<u>(2,856,998)</u>	<u>-</u>	<u>(2,856,998)</u>	<u>(2,550,531)</u>	<u>-</u>	<u>(2,550,531)</u>
Investments - net of provisions		<u>667,043,332</u>	<u>167,153,829</u>	<u>834,197,161</u>	<u>617,069,465</u>	<u>112,179,374</u>	<u>729,248,839</u>
Surplus on revaluation of available for sale securities		20,329,603	10,849,975	31,179,578	12,486,378	11,238,285	23,724,663
Surplus on revaluation of held for trading securities		8,756	-	8,756	16,245	-	16,245
Total Investments		<u><u>687,381,691</u></u>	<u><u>178,003,804</u></u>	<u><u>865,385,495</u></u>	<u><u>629,572,088</u></u>	<u><u>123,417,659</u></u>	<u><u>752,989,747</u></u>

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

	Note	(Un-audited) June 30, 2016	(Audited) December 31, 2015
----- (Rupees in '000) -----			
9. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		347,485,702	320,165,944
Outside Pakistan		151,781,914	151,272,169
		<u>499,267,616</u>	<u>471,438,113</u>
Islamic financings and related assets	9.4 & 25.3	7,059,640	7,156,500
Bills discounted and purchased			
Payable in Pakistan		16,114,842	14,989,155
Payable outside Pakistan		51,092,535	37,150,419
		<u>67,207,377</u>	<u>52,139,574</u>
Advances - gross		573,534,633	530,734,187
Provision against advances			
Specific	9.1	(38,484,270)	(38,477,438)
General	9.2	(4,678,667)	(4,195,716)
Advances - net of provision		<u>530,371,696</u>	<u>488,061,033</u>

9.1 Advances include Rs. 47,900.991 million (December 31, 2015: Rs. 48,170.641 million) which have been placed under non-performing status as detailed below:

Category of Classification	June 30, 2016 (Un-audited)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
----- (Rupees in '000) -----									
Other Assets Especially Mentioned *	67,934	-	67,934	1,435	-	1,435	1,435	-	1,435
Substandard	3,723,095	915,936	4,639,031	348,130	205,066	553,196	348,130	205,066	553,196
Doubtful	1,058,831	2,403,755	3,462,586	526,079	854,423	1,380,502	526,079	854,423	1,380,502
Loss	29,980,829	9,750,611	39,731,440	28,770,443	7,778,694	36,549,137	28,770,443	7,778,694	36,549,137
	<u>34,830,689</u>	<u>13,070,302</u>	<u>47,900,991</u>	<u>29,646,087</u>	<u>8,838,183</u>	<u>38,484,270</u>	<u>29,646,087</u>	<u>8,838,183</u>	<u>38,484,270</u>

Category of Classification	December 31, 2015 (Audited)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
----- (Rupees in '000) -----									
Other Assets Especially Mentioned *	38,294	-	38,294	427	-	427	427	-	427
Substandard	3,990,022	1,020,773	5,010,795	322,240	115,651	437,891	322,240	115,651	437,891
Doubtful	1,145,884	3,502,367	4,648,251	568,637	1,595,034	2,163,671	568,637	1,595,034	2,163,671
Loss	30,734,704	7,738,597	38,473,301	29,925,554	5,949,895	35,875,449	29,925,554	5,949,895	35,875,449
	<u>35,908,904</u>	<u>12,261,737</u>	<u>48,170,641</u>	<u>30,816,858</u>	<u>7,660,580</u>	<u>38,477,438</u>	<u>30,816,858</u>	<u>7,660,580</u>	<u>38,477,438</u>

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

9.2 General provision represents provision amounting to Rs. 242.955 million (December 31, 2015: Rs. 239.300 million) against consumer finance portfolio and Rs. 41.483 million (December 31, 2015: Rs.37.942 million) against advances to small enterprises as required by the Prudential Regulations issued by the SBP and Rs. 2,507.208 million (December 31, 2015: Rs.2,644.986 million) pertaining to overseas advances to meet the requirements of the regulatory authorities of the respective countries in which the overseas branches and subsidiaries operate. General provision also includes an amount of Rs.1,887.021 million (December 31, 2015: Rs.1,273.489 million), which the Group carries as a matter of prudence given the current economic environment, and is based on management estimates and regulatory instructions.

9.3 The Bank has availed the benefit of Forced Sale Value (FSV) of certain mortgaged properties held as collateral against non-performing advances as allowed under BSD Circular 1 of 2011. Had the benefit under the said circular not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 99.287 million (December 31, 2015: Rs. 96.346 million). The FSV benefit availed is not available for the distribution of cash or stock dividend to shareholders.

9.4 These represent financing and related assets placed under Shariah permissible modes.

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FOR THE SIX MONTHS ENDED JUNE 30, 2016**

	Note	(Un-audited) June 30, 2016 ----- (Rupees in '000) -----	(Audited) December 31, 2015 ----- (Rupees in '000) -----
10. OPERATING FIXED ASSETS			
Capital work-in-progress		6,160,546	4,129,203
Property and equipment		30,597,258	30,756,065
Intangible assets		993,643	1,096,990
	10.1	37,751,447	35,982,258

10.1 Additions and disposals during the period amounted to Rs.3,140.359 million (June 30, 2015: Rs.1,707.804 million) and Rs. 81.811 million (June 30, 2015: Rs. 96.549 million), respectively.

	(Un-audited) June 30, 2016 ----- (Rupees in '000) -----	(Audited) December 31, 2015 ----- (Rupees in '000) -----
11. BORROWINGS		
Secured		
Borrowings from the State Bank of Pakistan		
Export refinance scheme	11,514,005	14,426,586
Refinance facility for modernization of SME	-	29,961
Long term financing facility	10,115,012	7,174,502
Long term financing under export oriented projects	547	31,355
	21,629,564	21,662,404
Repurchase agreement borrowings	178,229,022	122,771,194
	199,858,586	144,433,598
Unsecured		
Call borrowings	8,690,255	4,363,583
Overdrawn nostro accounts	569,236	1,291,477
Trading liabilities	941,919	-
Other borrowings	9,218,671	14,143,429
	19,420,081	19,798,489
	219,278,667	164,232,087

12. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	343,003,241	309,246,150
Savings deposits	339,403,266	360,619,326
Sundry deposits	24,932,415	8,294,940
Margin deposits	6,218,548	5,633,939
Current accounts - remunerative	12,195,118	9,064,575
Current accounts - non-remunerative	430,634,573	374,535,953
	1,156,387,161	1,067,394,883
Financial Institutions		
Remunerative deposits	40,697,292	39,755,022
Non-remunerative deposits	14,269,451	12,803,159
	54,966,743	52,558,181
	1,211,353,904	1,119,953,064

12.1 Deposits include Rs. 42,458.768 million (December 31, 2015: 31,086.185 million) placed under permissible Shariah modes.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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	(Un-audited) June 30, 2016 ----- (Rupees in '000) -----	(Audited) December 31, 2015
13. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX		
Surplus / (deficit) arising on revaluation of assets - net of tax:		
Fixed assets / non-banking assets		
- Group's share	20,766,769	20,826,471
- Non-controlling interest	877,318	968,010
	13.1 21,644,087	21,794,481
Securities		
- Group's share	20,354,641	15,606,270
- Non-controlling interest	(395,610)	(833,566)
	13.2 19,959,031	14,772,704
Deficit arising on revaluation of assets of associates	(14,339)	(13,522)
	<u>41,588,779</u>	<u>36,553,663</u>
13.1 Surplus on revaluation of fixed assets / non-banking assets		
Surplus on revaluation of fixed assets at January 1	22,883,840	21,574,409
Revaluation of fixed assets / non-banking assets during the period / year	117,427	1,415,912
Exchange adjustments	(250,512)	(27,412)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(26,382)	(51,628)
Related deferred tax liability on incremental depreciation charged during the period / year	(13,561)	(27,441)
	<u>(173,028)</u>	<u>1,309,431</u>
	22,710,812	22,883,840
Less: Related deferred tax liability on:		
Revaluation as on January 1	1,089,359	837,302
Revaluation of fixed assets / non-banking assets during the period / year	41,099	281,525
Exchange adjustments	(50,172)	(2,027)
Incremental depreciation charged during the period / year	(13,561)	(27,441)
	<u>1,066,725</u>	<u>1,089,359</u>
	<u>21,644,087</u>	<u>21,794,481</u>
13.2 Surplus / (deficit) on revaluation of available for sale securities		
Market Treasury Bills	31,242	9,099
Pakistan Investment Bonds	23,316,248	19,041,613
Listed shares	7,292,205	6,090,148
Investment in REIT	(8,338)	(11,256)
Term Finance Certificates, Sukuks, other bonds, etc.	31,563	18,406
Foreign bonds	516,658	(1,423,347)
	13.3 31,179,578	23,724,663
Related deferred tax liability	(11,220,547)	(8,951,959)
	<u>19,959,031</u>	<u>14,772,704</u>
13.3 This includes surplus of Rs. 27.346 million (December 31, 2015: 52.550 million) on revaluation of available for sale securities placed as per arrangements permissible under Shariah.		

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2016**

	Note	(Un-audited) June 30, 2016 ----- (Rupees in '000) -----	(Audited) December 31, 2015
14. CONTINGENCIES AND COMMITMENTS			
14.1 Direct credit substitutes			
Contingent liabilities in respect of guarantees given favouring:			
Government		12,046,680	11,938,559
Banking companies and other financial institutions		2,535,778	2,487,693
Others		6,674,890	2,711,258
		21,257,348	17,137,510
14.2 Transaction-related contingent liabilities			
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring:			
Government		120,124,555	99,691,998
Banking companies and other financial institutions		3,848,004	7,892,097
Others		33,071,815	39,464,635
		157,044,374	147,048,730
14.3 Trade-related contingent liabilities			
Contingent liabilities in respect of letters of credit opened favouring:			
Government		87,921,814	39,915,813
Banking companies and other financial institutions		7,816,310	4,698,582
Others		95,532,267	99,491,379
		191,270,391	144,105,774
14.4 Other contingencies			
Claims against the Group not acknowledged as debts	14.4.1	12,421,746	12,363,192
Contingency in respect of Workers' Welfare Fund	14.4.2	296,124	296,124
14.4.1 These mainly represent counter claims filed by the borrowers for restricting the Bank from disposal of assets (such as mortgaged / pledged assets kept as security).			
Based on legal advice and / or internal assessments, management is confident that the matters will be decided in favour of the Group and the possibility of any outcome against the Group is remote and accordingly no provision has been made in these financial statements.			
14.4.2 WWF provision of Rs. 296.124 million relating to funds from the date of application till 29 May 2013 is to be borne by UBL Fund Manager (Subsidiary Company) if such amount is required to be paid to the Government authorities. Management based on opinion of its lawyers is expecting a favorable outcome of the petition filed against chargeability of WWF over its funds.			
14.4.3 During the period Rs. 4.058 billion penalties 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 remittance of foreign exchange by certain customers in connection with export transactions pertaining to E-Forms certified by the Bank. The Bank maintains that it fully discharged its liability, in accordance with the law, by reporting the customers' transactions to the State Bank of Pakistan 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 Bank will not be exposed to any loss on this account.			

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2016**

14.4.4 United Bank Limited Yemen (UBL) issued two Standby Letters of Credit (SBLCs) for USD 12 million (Rs. 1,258.013 million) and USD 13 million (Rs. 1,362.847 million) in favor of Ministry of Oil and Minerals Yemen (MOM) against the counter SBLCs of a foreign bank. In March 2015, counter party to performance agreement notified MOM of suspension of SBLCs because of force majeure. In September 2015, MOM filed a law suit against UBL at the Preliminary Commercial Court in Sana'a claiming the payment of both SBLC's for the sum of USD 25 million (Rs. 2,620.860 million) under both the SBLCs.

UBL management is pursuing the matter in the courts in Yemen and based on the legal advice of the Bank's legal counsel in Yemen, the management is of the view that it is unlikely that there will be any financial impact on the Bank.

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

14.5 Commitments to extend credit

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

	Note	(Un-audited) June 30, 2016 ----- (Rupees in '000) -----	(Audited) December 31, 2015
14.6 Commitments in respect of forward foreign exchange contracts			
Purchase		201,840,224	239,440,820
Sale		185,365,185	224,577,811
14.7 Commitments in respect of derivatives			
Interest rate swaps		8,491,384	10,462,192
Cross currency swaps		521,203	508,129
FX options - purchased		240,696	370,073
FX options - sold		240,696	370,073
Forward purchase of Government securities		1,524,824	-
Forward sale of Government securities		-	10,483,778
14.8 Commitments in respect of capital expenditure		2,576,421	2,411,095
14.9 For contingencies relating to taxation refer note 22.			
15. MARK-UP / RETURN / INTEREST EARNED	(Un-audited).....	
	Note	January - June 2016	January - June 2015
		----- (Rupees in '000) -----	
On loans and advances to customers		15,786,872	18,598,967
On lendings to financial institutions			
Call money lendings		60,488	54,577
Repurchase agreement lendings		67,845	212,824
Other lendings to financial institutions		433,261	462,851
		561,594	730,252
On investments in			
Held for trading securities		270,649	434,855
Available for sale securities		18,909,979	17,352,508
Held to maturity securities		15,713,391	10,769,137
		34,894,019	28,556,500
On deposits with financial institutions	15.1	118,934	44,518
		51,361,419	47,930,237
15.1 Out of these, Rs. 73.345 million (June 30, 2015: 73.601 million) represent profit from placements permissible under Shariah.			

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2016**

(Un-audited).....	
	January - June 2016	January - June 2015
	----- (Rupees in '000) -----	
16. MARK-UP / RETURN / INTEREST EXPENSED		
On deposits	14,836,197	15,966,854
On securities sold under repurchase agreements	5,162,284	2,151,503
On other short term borrowings	811,133	1,324,478
On long term borrowings	197,471	246,090
	<u>21,007,085</u>	<u>19,688,925</u>
17. DIVIDEND INCOME		
Listed shares		
Kot Addu Power Company Limited	337,544	317,688
The Hub Power Company Limited	305,516	152,758
Fauji Fertilizer Bin Qasim Limited	142,432	107,998
Fauji Fertilizer Company Limited	93,543	153,264
Nishat Chuncan Power Limited	75,412	113,939
National Bank Of Pakistan Limited	63,750	46,750
Soneri Bank Limited	41,875	31,500
Pakistan Oilfields Limited	28,695	18,719
Bank Al-Habib Limited	28,000	24,000
Engro Corporation Limited	22,800	8,800
Fauji Cement Company Limited	21,875	15,000
Engro Fertilizers Limited	19,257	18,000
Bank Al-Falah Limited	18,800	35,400
Gharibwal Cement Limited	18,750	-
Pakistan State Oil Limited	8,250	6,300
Pakistan Petroleum Limited	7,594	13,114
Oil and Gas Development Company Limited	5,750	7,775
Saif Power Limited	4,950	15,300
Kohinoor Textile Mills Limited	1,950	-
Pioneer Cement Limited	969	12,375
MCB Bank Limited	860	-
Synthetic Products	150	-
DP World	218	165
Askari Bank Limited	-	10,000
Fatima Fertilizer Company Limited	-	61,600
Pakistan Telecommunication Company Limited	-	54,422
Unlisted shares		
National Investment Trust Limited	21,780	31,680
The Benefit Company	5,182	1,746
National Institutional Facilitation Technologies (Pvt) Limited	-	23,849
	<u>1,275,902</u>	<u>1,282,142</u>
18. INCOME FROM DEALING IN FOREIGN CURRENCIES		
Gain / (loss) realised from dealing in:		
Foreign currencies	492,934	2,045,603
Derivative financial instruments	604,499	(663,264)
	<u>1,097,433</u>	<u>1,382,339</u>
19. GAIN ON SALE OF SECURITIES - NET		
These include gain of Rs. 4.299 million (June 30, 2015: 5.204 million) earned on sale of investments as per arrangements permissible under Shariah.		

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FOR THE SIX MONTHS ENDED JUNE 30, 2016**

	(Un-audited).....	
		January - June 2016	January - June 2015
		----- (Rupees in '000) -----	
20.	OTHER INCOME		
	Charges recovered	206,085	413,490
	Rent on properties	122,442	109,147
	Income from dealing in derivatives	102,645	132,468
	Gain on sale of operating fixed assets - net	23,748	17,658
	Gain on trading liabilities - net	91,495	182,765
		<u>546,415</u>	<u>855,528</u>
21.	ADMINISTRATIVE EXPENSES		
	Salaries, allowances etc.	6,852,415	6,065,849
	Charge for compensated absences	149,936	130,427
	Medical expenses	303,120	261,909
	Contribution to defined contribution plan	183,128	159,286
	(Reversal) / charge in respect of defined benefit obligations	(16,093)	187,353
	Rent, taxes, insurance, electricity etc.	2,086,230	2,031,314
	Depreciation	933,999	914,160
	Amortization	187,324	231,981
	Outsourced service charges including sales commission	2,451,542	2,217,241
	Communications	643,170	626,348
	Banking service charges	547,683	524,621
	Cash transportation charges	309,353	284,739
	Stationery and printing	322,394	315,254
	Legal and professional charges	242,386	170,337
	Advertisement and publicity	412,658	281,713
	Repairs and maintenance	859,521	832,245
	Travelling	164,264	155,142
	Office running expenses	363,626	295,229
	Vehicle expenses	84,980	90,089
	Entertainment	131,240	108,595
	Cartage, freight and conveyance	54,808	48,767
	Insurance expense	74,692	32,105
	Auditors' remuneration	50,015	54,840
	Training and seminars	50,329	56,111
	Brokerage expenses	11,329	15,561
	Subscriptions	83,275	61,122
	Donations	57,483	71,773
	Non-executive Directors' fees	24,253	27,907
	Zakat paid by overseas branch	146,381	42,860
	Miscellaneous expenses	96,914	104,182
		<u>17,862,355</u>	<u>16,399,060</u>
22.	TAXATION		
22.1	The Income Tax returns of the Bank have been filed up to the tax year 2015 (accounting year ended December 31, 2014) 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 2015, and created additional tax demands of Rs.12,499 million (including disallowances of provisions made prior to Seventh Schedule), which have been fully paid as required under the law. The Bank has filed appeals before the various appellate forums against these amendments. Where the appellate authorities have allowed relief on certain issues, the assessing authorities have filed appeals before higher appellate forums. Where the appellate authorities have not allowed relief the Bank has filed appeals before higher appellate forums. The management of the Bank is confident that the appeals will be decided in favor of the Bank.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2016**

Under the Seventh Schedule to the Ordinance, banks are allowed to claim provisions against advances up to 5% of total advances for consumer and small and medium enterprises and up to 1% of total advances for remaining advances. Amounts above these limits are allowed to be claimed in future years. The Bank has booked a deferred tax asset of Rs.1,140 million (December 31, 2015: Rs.1,140 million) in respect of provisions in excess of the above mentioned limits.

The tax returns for Azad Kashmir (AK) Branches have been filed upto the tax year 2015 (financial year 2014) 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 2014. Consequently various addbacks and demands were raised creating a total demand of Rs. 1,245 million. The Bank has filed appeals against all such demands and is confident that these would be decided in the favor of the Bank.

The tax returns for UAE, Yemen and Qatar branches have been filed upto the year ended December 31, 2015 and for USA branch upto the year ended December 31, 2014 under the provisions of the laws prevailing in the respective countries, and are deemed as assessed unless opened for reassessment.

For all the subsidiaries income tax returns have been filed up to the accounting year ended December 31, 2014 under the provisions of the laws prevailing in the respective countries and are deemed as assessed unless opened for reassessment by the tax authorities. Additionally, tax clearance has been issued for UBL UK till the accounting year 2013 and for UBL (Switzerland) AG and UBL (Tanzania) Bank Limited till the accounting year 2014. There are no material tax contingencies in any of the subsidiaries

23. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES
For the six months ended June 30, 2016 (Un-audited)

	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment elimination
(Rupees in '000)							
Total income	392,244	20,335,803	15,640,394	7,468,702	447,586	1,339,998	-
Total expenses	(56,481)	(1,507,122)	(13,383,844)	(2,571,147)	(298,689)	(2,325,278)	-
Profit before tax	335,763	18,828,681	2,256,550	4,897,555	148,897	(985,280)	-
Segment return on assets (ROA)	160.0%	2.6%	0.3%	1.3%	17.6%	-	-
Segment cost of funds	0.0%	4.7%	2.6%	4.1%	-	-	-

For the six months ended June 30, 2015 (Un-audited)

	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment elimination
(Rupees in '000)							
Total income	348,652	13,320,481	19,093,650	7,195,682	540,484	1,554,967	-
Total expenses	(51,298)	(862,354)	(12,604,514)	(3,177,562)	(369,766)	(2,013,081)	-
Profit before tax	297,354	12,458,127	6,489,136	4,018,120	170,718	(458,114)	-
Segment return on assets (ROA)	115.5%	2.2%	1.0%	1.2%	22.2%	-	-
Segment cost of funds	0.0%	6.0%	3.4%	5.4%	-	-	-

As at June 30, 2016 (Un-audited)

	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment elimination
(Rupees in '000)							
Segment assets (gross of NPL provisions)	858,917	954,467,686	1,069,007,186	525,273,759	1,211,052	116,393,671	(981,621,144)
Segment non performing loans (NPLs)	676,192	1,759,295	13,064,839	32,358,412	-	42,253	-
Segment provision held against NPLs	508,552	1,759,295	10,521,753	25,624,149	-	70,522	-
Segment liabilities	132,600	868,720,303	1,102,710,296	486,124,874	139,543	5,836,850	(981,621,144)

As at December 31, 2015 (Audited)

	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment elimination
(Rupees in '000)							
Segment assets (gross of NPL provisions)	933,876	860,007,414	993,648,190	468,304,820	1,287,306	98,693,150	(898,210,505)
Segment non performing loans (NPLs)	675,575	1,866,135	14,982,016	30,415,533	-	231,382	-
Segment provision held against NPLs	508,071	1,846,111	11,607,679	24,439,842	-	75,735	-
Segment liabilities	133,013	779,801,690	1,011,708,852	431,515,726	217,351	5,421,637	(898,210,505)

Segment assets and liabilities include inter segment balances.

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

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2016**
24. RELATED PARTY TRANSACTIONS

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

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

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

	As at June 30, 2016 (Un-audited)				As at December 31, 2015 (Audited)			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
	(Rupees in '000)							
Lendings to financial institutions								
Other lendings to financial institution	-	-	300,000	-	-	-	400,000	-
Investments								
Opening balance	-	-	8,801,941	3,917,745	-	-	10,032,839	3,917,745
Investment made during the period / year	-	-	491,299	-	-	-	3,897,046	-
Investment redeemed / disposed off during the period / year	-	-	(1,784,769)	(22,417)	-	-	(5,518,844)	-
Equity method adjustments	-	-	185,221	-	-	-	390,900	-
Closing balance	-	-	7,693,692	3,895,328	-	-	8,801,941	3,917,745
Provision for diminution in value of investments	-	-	-	114,934	-	-	-	114,934
Advances								
Opening balance	706	404,436	2,155,149	7,907,012	368	249,996	2,155,149	9,394,005
Addition during the period / year	6,063	60,275	-	37,718,329	4,181	273,325	-	44,320,432
Repaid during the period / year	(6,328)	(99,616)	-	(33,126,401)	(3,843)	(89,807)	-	(45,807,425)
Transfer out - net	-	(6,993)	-	-	-	(29,078)	-	-
Closing balance	441	358,102	2,155,149	12,498,940	706	404,436	2,155,149	7,907,012
Provision held against advances	-	-	2,155,149	-	-	-	2,155,149	-
Other Assets								
Interest mark-up accrued	10	58	5,951	127,547	-	56	8,187	92,060
Receivable from staff retirement funds	-	-	-	242,609	-	-	-	211,687
Prepaid insurance	-	-	114,310	-	-	-	44	-
Remuneration receivable from management of funds	-	-	64,144	-	-	-	63,035	-
Sales load receivable	-	-	24,451	-	-	-	6,189	-
Formation cost receivable	-	-	1,100	-	-	-	1,000	-
Other receivable	-	-	38,658	30,164	-	-	8,817	30,164
Provision against other assets	-	-	-	30,164	-	-	-	30,164
Borrowings								
Opening balance	-	-	-	-	-	-	-	-
Borrowings during the period	-	-	-	73,400	-	-	-	-
Closing balance	-	-	-	73,400	-	-	-	-
Deposits and other accounts								
Opening balance	7,934,549	134,394	6,658,891	1,822,423	7,920,019	180,520	2,501,595	204,907
Received during the period / year	8,403,883	578,272	60,644,797	61,229,142	22,932,144	1,181,278	130,029,100	140,642,028
Withdrawn during the period / year	(8,824,937)	(595,250)	(61,650,423)	(61,120,002)	(22,917,614)	(1,140,365)	(125,871,804)	(139,317,293)
Transfer out - net	-	(2,513)	-	-	-	(87,039)	-	292,781
Closing balance	7,513,495	114,903	5,653,265	1,931,563	7,934,549	134,394	6,658,891	1,822,423
Other Liabilities								
Interest / return / mark-up payable on deposits	45,886	30	1,938	4,338	46,187	256	4,621	710
Interest / return / mark-up payable on borrowings	-	-	-	21	-	-	-	-
Payable to staff retirement fund	-	-	-	42,583	-	-	-	188,136
Unearned income	-	-	-	4,168	-	-	-	10,420
Contingencies and Commitments								
Letter of guarantee	-	-	28,880	-	-	-	43,362	-
Forward foreign exchange contracts purchase	-	-	-	-	-	-	-	27,061
Forward foreign exchange contracts sale	-	-	-	310,880	-	-	-	412,487
Cross Currency Swaps	-	-	521,203	-	-	-	508,129	-
	For the six months ended June 30, 2016 (Un-audited)				For the six months ended June 30, 2015 (Un-audited)			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
	(Rupees in '000)							
Mark-up / return / interest earned	3	4,673	11,805	154,309	-	4,666	23,963	408,096
Commission / charges recovered	108	299	7,819	123	34	85	2,370	585
Dividend income	-	-	13,033	359,324	-	-	457,280	373,217
Net gain on sale of securities	-	-	71,413	-	-	-	219,665	-
Remuneration from management of funds	-	-	334,790	-	-	-	339,211	-
Sales load	-	-	49,526	-	-	-	96,241	-
Other income	-	2,621	3,465	6,254	-	5,488	3,874	-
Mark-up / return / interest expense	112,160	523	132,919	22,103	106,626	1,030	92,659	12,205
Remuneration paid	-	850,020	-	-	-	587,077	-	-
Post employment benefits	-	39,344	-	-	-	26,494	-	-
Non-executive directors' fee	24,253	-	-	-	27,907	-	-	-
Net charge for defined contribution plans	-	-	-	183,128	-	-	-	159,393
Net charge / (reversal) for defined benefit plans	-	-	-	(145,396)	-	-	-	64,987
Other expenses	-	-	52,653	59,230	-	-	13,751	61,921
Insurance premium paid	-	-	227,453	-	-	-	241,480	-
Insurance claims settled	-	-	38,705	-	-	-	81,930	-

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2016**
25. ISLAMIC BANKING BUSINESS

25.1 The bank operates 41 (2015: 41) Islamic Banking branches and 141 (2015: 141) Islamic Banking windows. The statement of Financial position of the Bank's Islamic Banking branches as at June 30 is as follows:

	Note	(Un-audited) June 30, 2016	(Audited) December 31, 2015
----- (Rupees in '000) -----			
ASSETS			
Cash and balances with treasury banks		1,509,874	1,646,846
Balances with other banks		3,467,205	3,213,299
Due from financial institutions		7,850,000	1,300,000
Investments		14,882,847	17,247,343
Islamic financing and related assets	25.3	6,973,830	7,070,382
Operating fixed assets		156,718	151,283
Due from Head Office		9,319,650	2,146,205
Other assets		119,347	160,736
Total Assets		44,279,471	32,936,094
LIABILITIES			
Bills payable		260,672	197,090
Deposits and other accounts			
Current accounts - non remunerative		9,803,889	5,431,588
Current accounts - remunerative		4,272,260	1,870,337
Saving accounts		2,668,850	2,904,770
Term deposits		995,787	1,392,031
Deposits from financial institutions - remunerative		24,667,975	19,457,452
Deposits from financial institutions - non remunerative		50,007	30,007
		42,458,768	31,086,185
Due to Head Office		-	-
Other liabilities		388,843	452,259
		43,108,283	31,735,534
NET ASSETS		1,171,188	1,200,560
REPRESENTED BY			
Islamic Banking Fund		1,681,000	1,681,000
Accumulated losses		(537,158)	(532,990)
		1,143,842	1,148,010
Surplus on revaluation of assets		27,346	52,550
		1,171,188	1,200,560

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2016**

25.2 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 2016	January-June 2015
	----- (Rupees in '000) -----	
Return earned	974,351	842,833
Return expensed	(606,292)	(620,995)
	<u>368,059</u>	<u>221,838</u>
Reversal of provision against loans and advances - net	309	1,161
Net return after provisions	<u>368,368</u>	<u>222,999</u>
Other Income		
Fee, commission and brokerage income	22,341	11,141
(Loss) / income from dealing in foreign currencies	(3,647)	182
Gain on sale of securities - net	4,299	5,204
Other income	2,705	1,597
Total other income	<u>25,698</u>	<u>18,124</u>
	394,066	241,123
Other Expenses		
Administrative expenses	(398,149)	(293,116)
Other provisions - net	(85)	-
Total other expenses	<u>(398,234)</u>	<u>(293,116)</u>
Net loss for the period	(4,168)	(51,993)
Accumulated losses brought forward	(532,990)	(276,733)
Accumulated losses carried forward	<u>(537,158)</u>	<u>(328,726)</u>
Remuneration to Shariah Board and Advisor	<u>2,928</u>	<u>848</u>
	(Un-audited)	(Audited)
	June 30,	December 31,
	2016	2015
	----- (Rupees in '000) -----	
25.3 Islamic financing and related assets		
Financings		
Murabaha	269,878	259,138
Ijarah	635,934	714,570
Diminishing Musharaka	5,887,361	6,077,784
	<u>6,793,173</u>	<u>7,051,492</u>
Advances		
Advances against Ijarah	139,293	7,886
Advances for Diminishing Musharaka	19,767	8,082
Advances for Murabaha	38,511	27,598
	<u>197,571</u>	<u>43,566</u>
Profit and other receivables against financings and advances	68,896	61,442
Gross Islamic financing and related assets	<u>7,059,640</u>	<u>7,156,500</u>
Provision against financings and advances	(85,810)	(86,118)
	<u>6,973,830</u>	<u>7,070,382</u>
25.4 Charity Fund		
Opening Balance	2,342	5,102
Addition during the period I year	798	2,240
Payments during the period I year	(3,098)	(5,000)
Closing Balance	<u>42</u>	<u>2,342</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2016**
26. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on July 26, 2016 has declared a cash dividend in respect of the six months ended June 30, 2016 of Rs. 3.0 per share (June 30, 2015: Rs. 3.0 per share). The consolidated condensed interim financial statements for the six months ended June 30, 2016 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

27. DATE OF AUTHORIZATION

These consolidated condensed interim financial statements were authorised for issue on July 26, 2016 by the Board of Directors of the Group.

28. GENERAL
28.1 Comparatives

SBP has issued circular regarding the classification of Islamic financing and related assets. Accordingly, prior year numbers have been reclassified as follows:

- Bai Muajjal of Rs. 5,391.120 million has been reclassified from Lending to financial institutions to Investments.
- Assets given on Ijarah of Rs. 695.380 million (net) have been reclassified from Operating fixed assets to Advances.
- Islamic receivables carried in Other assets of Rs. 87.510 million have been reclassified to Advances.

No other major reclassifications were made during the period.

Wajahat Husain
President &
Chief Executive Officer

Amin Uddin
Director

Zameer Mohammed Choudrey, CBE
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Chairman