

United Bank Limited

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

**FOR THE SIX MONTHS ENDED JUNE 30, 2017
(UN-AUDITED)**





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

	Note	(Un-audited) June 30, 2017 ----- (Rupees in '000) -----	(Audited) December 31, 2016 -----
ASSETS			
Cash and balances with treasury banks		155,618,315	133,467,502
Balances with other banks		27,093,990	32,267,304
Lendings to financial institutions	6	37,547,442	35,484,586
Investments	7	1,035,726,665	838,262,274
Advances	8	600,980,704	537,782,146
Operating fixed assets	9	42,065,392	39,298,927
Deferred tax asset - net		-	-
Other assets		49,104,524	45,179,521
		<u>1,948,137,032</u>	<u>1,661,742,260</u>
LIABILITIES			
Bills payable		17,585,492	11,759,012
Borrowings	10	399,924,000	205,865,131
Deposits and other accounts	11	1,327,687,785	1,245,791,616
Subordinated loans		-	-
Liabilities against assets subject to finance lease		5,273	3,558
Deferred tax liability - net		4,573,487	5,230,571
Other liabilities		31,858,099	29,363,148
		<u>1,781,634,136</u>	<u>1,498,013,036</u>
NET ASSETS		<u>166,502,896</u>	<u>163,729,224</u>
REPRESENTED BY			
Share capital		12,241,798	12,241,798
Reserves		44,199,691	42,615,188
Unappropriated profit		72,310,043	68,939,008
Total equity attributable to the equity holders of the Bank		<u>128,751,532</u>	<u>123,795,994</u>
Non-controlling interest		4,400,702	4,227,693
		<u>133,152,234</u>	<u>128,023,687</u>
Surplus on revaluation of assets - net of deferred tax	12	33,350,662	35,705,537
		<u>166,502,896</u>	<u>163,729,224</u>
CONTINGENCIES AND COMMITMENTS	13		

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

Aameer Karachiwalla
Chief Financial Officer

Sima Kamil
President &
Chief Executive Officer

Amar Zafar Khan
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Chairman


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

	Note	April-June 2017	April-June 2016	January - June 2017	January - June 2016
----- (Rupees in '000) -----					
Mark-up / return / interest earned	14	26,636,796	27,098,211	51,305,607	51,361,419
Mark-up / return / interest expensed	15	(11,914,110)	(10,823,808)	(22,487,513)	(21,007,085)
Net mark-up / return / interest income		14,722,686	16,274,403	28,818,094	30,354,334
Reversal / (provision) against loans and advances - net		453,099	846,120	396,834	(782,527)
Reversal of provision against lendings to financial institutions - net		7,260	-	8,260	-
Provision for diminution in value of investments - net		(137,480)	(547,459)	(188,888)	(692,682)
Bad debts written off directly		(8,945)	(23,869)	(24,920)	(45,370)
		313,934	274,792	191,286	(1,520,579)
Net mark-up / return / interest income after provisions		15,036,620	16,549,195	29,009,380	28,833,755
Non mark-up / interest income					
Fee, commission and brokerage income		3,701,481	3,755,398	7,039,730	7,402,536
Dividend income		227,456	845,001	779,624	1,275,902
Income from dealing in foreign currencies		497,634	445,683	959,939	1,097,433
Gain on sale of securities - net		1,597,643	826,217	3,996,614	4,770,886
Unrealized gain on revaluation of investments classified as held for trading		8,133	8,873	2,490	8,756
Other income		225,198	212,583	415,390	546,415
Total non mark-up / interest income		6,257,545	6,093,755	13,193,787	15,101,928
		21,294,165	22,642,950	42,203,167	43,935,683
Non mark-up / interest expenses					
Administrative expenses	16	(9,533,840)	(8,665,361)	(18,850,819)	(17,862,355)
Other (provisions) / reversals - net		(13,320)	(102,410)	2,508	(264,353)
Workers' Welfare Fund		(243,197)	(255,266)	(478,129)	(509,151)
Other charges		(58,322)	(1,633)	(58,640)	(30,250)
Total non mark-up / interest expenses		(9,848,679)	(9,024,670)	(19,385,080)	(18,666,109)
		11,445,486	13,618,280	22,818,087	25,269,574
Share of income of associates		132,607	18,576	370,024	212,592
Profit before taxation		11,578,093	13,636,856	23,188,111	25,482,166
Taxation - Current		(4,366,463)	(4,997,837)	(8,495,148)	(9,007,570)
- Prior		(459,532)	(1,700,092)	(459,532)	(1,972,836)
- Deferred		(1,038,014)	100,986	(942,574)	98,879
		(5,864,009)	(6,596,943)	(9,897,254)	(10,881,527)
Profit after taxation		5,714,084	7,039,913	13,290,857	14,600,639
Attributable to:					
Equity shareholders of the Bank		5,719,824	6,950,594	13,239,324	14,464,019
Non-controlling interest		(5,740)	89,319	51,533	136,620
		5,714,084	7,039,913	13,290,857	14,600,639
----- (Rupees) -----					
Earnings per share - basic and diluted		4.67	5.68	10.81	11.82

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Sima Kamil
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CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2017

	April-June 2017	April-June 2016	January - June 2017	January - June 2016
	----- (Rupees in '000) -----			
Profit after taxation for the period attributable to:				
Equity shareholders of the Bank	5,719,824	6,950,594	13,239,324	14,464,019
Non-controlling interest	(5,740)	89,319	51,533	136,620
	<u>5,714,084</u>	<u>7,039,913</u>	<u>13,290,857</u>	<u>14,600,639</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	32,245	(1,056,986)	260,089	(1,154,303)
- Non-controlling interest	194,455	(314,998)	256,427	(473,624)
	<u>226,700</u>	<u>(1,371,984)</u>	<u>516,516</u>	<u>(1,627,927)</u>
	226,700	(1,371,984)	516,516	(1,627,927)
Other comprehensive income transferred to equity	<u>5,940,784</u>	<u>5,667,929</u>	<u>13,807,373</u>	<u>12,972,712</u>
<i>Items that may be reclassified to profit or loss in subsequent periods</i>				
(Deficit) / surplus arising on revaluation of available for sale securities	(4,420,475)	4,783,278	(4,041,827)	7,454,915
Related deferred tax reversal / (charge)	1,557,130	(1,544,777)	1,596,308	(2,268,588)
	<u>(2,863,345)</u>	<u>3,238,501</u>	<u>(2,445,519)</u>	<u>5,186,327</u>
Total comprehensive income during the period - net of tax	<u><u>3,077,439</u></u>	<u><u>8,906,430</u></u>	<u><u>11,361,854</u></u>	<u><u>18,159,039</u></u>

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

	January - June 2017	January - June 2016
	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	23,188,111	25,482,166
Less: Dividend income	(779,624)	(1,275,902)
Share of income of associates	(370,024)	(212,592)
	<u>22,038,463</u>	<u>23,993,672</u>
Adjustments:		
Depreciation on operating fixed assets	1,047,670	832,960
Depreciation on Islamic financing against leased assets (Ijarah)	97,272	101,039
Amortization	195,074	187,324
Workers' Welfare Fund	478,129	509,151
Provision for retirement benefits	372,396	167,035
Provision for compensated absences	149,359	149,936
(Reversal) / provision against loans and advances - net	(396,834)	782,527
Reversal of provision against lendings to financial institutions - net	(8,260)	-
Provision for diminution in value of investments - net	188,888	692,682
Gain on sale of operating fixed assets - net	(25,827)	(22,510)
Gain on sale of ijarah assets - net	(1,144)	(1,238)
Unrealized gain on revaluation of investments classified as held for trading	(2,490)	(8,756)
Bad debts written-off directly	24,920	45,370
Other (reversal) / provisions - net	(2,508)	264,353
	<u>2,116,645</u>	<u>3,699,873</u>
	<u>24,155,108</u>	<u>27,693,545</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(2,054,596)	(11,717,087)
Held for trading securities	(20,426,035)	7,028,612
Advances	(62,960,457)	(43,138,560)
Other assets (excluding advance taxation)	(1,256,262)	(5,091,001)
	<u>(86,697,350)</u>	<u>(52,918,036)</u>
Increase / (decrease) in operating liabilities		
Bills payable	5,826,480	(1,175,558)
Borrowings	194,058,869	55,046,580
Deposits and other accounts	81,896,169	91,400,840
Other liabilities (excluding current taxation)	1,595,692	3,505,896
	<u>283,377,210</u>	<u>148,777,758</u>
	<u>220,834,968</u>	<u>123,553,266</u>
Payments on account of staff retirement benefits	(495,229)	(445,827)
Income taxes paid	(13,037,960)	(10,245,287)
Net cash inflow from operating activities	<u>207,301,779</u>	<u>112,862,152</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in securities	(179,296,816)	(114,718,123)
Dividend income received	602,291	1,101,325
Investment in operating fixed assets	(3,803,636)	(3,075,051)
Sale proceeds from disposal of operating fixed assets	47,894	37,361
Sale proceeds from disposal of ijarah assets	37,685	46,375
Net cash outflow from investing activities	<u>(182,412,582)</u>	<u>(116,608,113)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Liabilities against assets subject to finance lease	1,715	-
Dividends paid to:		
- Equity shareholders of the Bank	(8,294,680)	(7,998,024)
- Non-controlling interest	(135,249)	-
Net cash outflow from financing activities	<u>(8,428,214)</u>	<u>(7,998,024)</u>
	<u>16,460,983</u>	<u>(11,743,985)</u>
Exchange differences on translation of net investment in foreign branches and subsidiaries attributable to:		
- Equity shareholders of the Bank	260,089	(1,154,303)
- Non-controlling interest	256,427	(473,624)
Increase in cash and cash equivalents during the period	<u>16,977,499</u>	<u>(13,371,912)</u>
Cash and cash equivalents at the beginning of the period	<u>165,734,806</u>	<u>141,476,095</u>
Cash and cash equivalents at the end of the period	<u>182,712,305</u>	<u>128,104,183</u>

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Chief Executive Officer

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Director

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Chairman



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2017**

	Attributable to equity shareholders of the Bank						Non-controlling Interest	Total	
	Share Capital	General reserve	Statutory reserve	Capital reserve - Exchange translation	Employees stock option reserve	Unappropriated profit			Sub total
	(Rupees in '000)								
Balance as at January 1, 2016 (Audited)	12,241,798	3,000	24,479,375	17,141,392	1,050	59,955,027	113,821,642	5,223,744	119,045,386
Transactions with owners for the 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)
Total comprehensive income for the six months ended June 30, 2016	-	-	-	-	(466)	(8,569,258)	(8,569,724)	-	(8,569,724)
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 reserve	-	-	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
Transactions with owners for the six months ended December 31, 2016									
Interim cash dividend - June 30, 2016 declared at Rs.3.0 per share	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Interim cash dividend - September 30, 2016 declared at Rs.3.0 per share	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Employees stock option reserve	-	-	-	-	(584)	-	(584)	-	(584)
Total comprehensive income for the six months ended December 31, 2016	-	-	-	-	(584)	(7,345,078)	(7,345,662)	-	(7,345,662)
Profit after taxation for the six months ended December 31, 2016	-	-	-	-	-	13,318,739	13,318,739	82,924	13,401,663
Other comprehensive income - net of tax	-	-	-	(675,759)	-	(114,022)	(789,781)	(592,566)	(1,382,347)
Total comprehensive income for the six months ended December 31, 2016	-	-	-	(675,759)	-	13,204,717	12,528,958	(509,642)	12,019,316
Ordinary dividend relating to Non-controlling shareholders	-	-	-	-	-	-	-	(149,967)	(149,967)
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	25,221	25,221	23	25,244
Transfer to statutory reserves	-	-	1,358,931	-	-	(1,358,931)	-	-	-
Balance as at December 31, 2016 (Audited)	12,241,798	3,000	27,300,858	15,311,330	-	68,939,008	123,795,994	4,227,693	128,023,687
Transactions with owners for the six months ended June 30, 2017									
Final cash dividend - December 31, 2016 declared subsequent to the year end at Rs.4.0 per share	-	-	-	-	-	(4,896,719)	(4,896,719)	-	(4,896,719)
Interim cash dividend - March 31, 2017 declared at Rs.3.0 per share	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Total comprehensive income for the six months ended June 30, 2017	-	-	-	-	-	(8,569,258)	(8,569,258)	-	(8,569,258)
Profit after taxation for the six months ended June 30, 2017	-	-	-	-	-	13,239,324	13,239,324	51,533	13,290,857
Other comprehensive income - net of tax	-	-	-	260,089	-	-	260,089	256,427	516,516
Total comprehensive income for the six months ended June 30, 2017	-	-	-	260,089	-	13,239,324	13,499,413	307,960	13,807,373
Ordinary dividend relating to Non-controlling shareholders	-	-	-	-	-	-	-	(135,249)	(135,249)
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	25,383	25,383	298	25,681
Transfer to statutory reserves	-	-	1,324,414	-	-	(1,324,414)	-	-	-
Balance as at June 30, 2017 (Un-audited)	12,241,798	3,000	28,625,272	15,571,419	-	72,310,043	128,751,532	4,400,702	133,152,234

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

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**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2017**
1. STATUS AND NATURE OF BUSINESS

The Group consists of:

Holding Company

United Bank Limited (the Bank)

Subsidiary Companies

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

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

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

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

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

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

The Group is engaged in commercial banking, asset management, investment advisory and investments business. United Bank Limited (the Bank) is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's registered office and principal office are situated at UBL Building, Jinnah Avenue, Blue Area, Islamabad and at UBL Head Office, I. I. Chundrigar Road, Karachi respectively. The Bank operates 1,345 (December 31, 2016: 1,341) branches inside Pakistan including 47 (December 31, 2016: 47) Islamic Banking branches and 2 (December 31, 2016: 2) branches in Export Processing Zones. The Bank also operates 18 (December 31, 2016: 18) branches outside Pakistan. The Bank is a subsidiary of Bestway (Holdings) Limited which is incorporated in the United Kingdom.

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

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

2. BASIS OF PRESENTATION

The disclosures made in these consolidated condensed interim financial statements have been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular No. 2 dated May 12, 2004, International Accounting Standard 34, Interim Financial Reporting, provisions of and directives issued under the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan. In case where requirement differ, the provisions of or directives issued under the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 have been followed. The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the SECP vide its press release dated July 20, 2017, these unconsolidated condensed interim financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

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

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

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2017**
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.
- 3.2** The SBP vide BSD circular letter no. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Further, SBP vide BPRD circular no. 4, dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standards (IFAS) 3, Profit and Loss Sharing on Deposits. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, International Financial Reporting Standard (IFRS) 7, Financial Instruments: Disclosures has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP. Further, segment information is being disclosed in accordance with SBP's prescribed format as per BSD circular 4 dated February 17, 2006 which prevails over the requirements specified in IFRS 8.
- 3.3** SECP vide its notification SRO 633 (I)/2014 dated 10 July 2014, adopted IFRS 10 effective from the periods starting from 30 June 2014. However, vide its notification SRO 56 (I)/2016 dated 28 January 2016, it has been notified that the requirements of IFRS 10 and section 237 of the Companies Ordinance 1984 will not be applicable with respect to the investment in mutual funds established under Trust structure.
- 3.4** The disclosures made in these consolidated condensed interim financial statements have been limited based on a format prescribed by the SBP vide BSD Circular Letter No. 2 dated May 12, 2004 and IAS 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these consolidated condensed interim financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2016.

4. SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT

- 4.1** The accounting policies adopted in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the consolidated financial statements of the Group for the year ended December 31, 2016.
- 4.2** The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Group for the year ended December 31, 2016.

5. BASIS OF MEASUREMENT

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

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

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

	(Un-audited) June 30, 2017	(Audited) December 31, 2016
6. LENDINGS TO FINANCIAL INSTITUTIONS		----- (Rupees in '000) -----
Call money lendings	550,000	1,500,000
Repurchase agreement lendings	4,000,000	-
Bai Muajjal receivable from State Bank of Pakistan	3,109,215	-
Bai Muajjal receivable from other financial institutions	9,680,687	11,226,452
Other lendings to financial institutions	<u>21,006,977</u>	<u>23,564,197</u>
	<u>38,346,879</u>	<u>36,290,649</u>
Provision against lendings to financial institutions	<u>(799,437)</u>	<u>(806,063)</u>
	<u><u>37,547,442</u></u>	<u><u>35,484,586</u></u>

7. INVESTMENTS

	(Un-audited) June 30, 2017			(Audited) December 31, 2016		
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
7.1 Investments by types	----- (Rupees in '000) -----					
Held for trading securities						
Market Treasury Bills	9,224,934	-	9,224,934	8,120,078	-	8,120,078
Pakistan Investment Bonds	19,589,435	-	19,589,435	263,156	-	263,156
Term Finance Certificates	<u>20,287</u>	<u>-</u>	<u>20,287</u>	<u>26,608</u>	<u>-</u>	<u>26,608</u>
	28,834,656	-	28,834,656	8,409,842	-	8,409,842
Available for sale securities						
Market Treasury Bills	71,630,413	165,729,934	237,360,347	25,117,903	47,933,801	73,051,704
Pakistan Investment Bonds	92,965,645	166,191,379	259,157,024	184,088,469	96,854,633	280,943,102
Government of Pakistan Sukuk	15,056,342	-	15,056,342	7,233,271	-	7,233,271
Government of Pakistan Eurobonds	12,383,384	-	12,383,384	15,378,790	-	15,378,790
Ordinary shares of listed companies	16,762,817	-	16,762,817	16,007,143	-	16,007,143
Preference shares	372,529	-	372,529	372,636	-	372,636
Ordinary shares of unlisted companies	258,639	-	258,639	243,334	-	243,334
Investment in REIT	458,590	-	458,590	556,284	-	556,284
Term Finance Certificates	498,845	-	498,845	458,590	-	458,590
Foreign bonds - sovereign	40,334,511	-	40,334,511	33,743,383	-	33,743,383
Foreign bonds - others	<u>20,853,011</u>	<u>-</u>	<u>20,853,011</u>	<u>18,150,994</u>	<u>-</u>	<u>18,150,994</u>
	271,574,726	331,921,313	603,496,039	301,350,797	144,788,434	446,139,231
Held to maturity securities						
Market Treasury Bills	12,012,413	-	12,012,413	27,735,599	-	27,735,599
Pakistan Investment Bonds	327,546,151	-	327,546,151	289,522,875	-	289,522,875
Government of Pakistan Eurobonds	5,193,161	-	5,193,161	8,366,542	-	8,366,542
Government of Pakistan Sukuk	210,218	-	210,218	894,199	-	894,199
Term Finance Certificates	6,891,801	-	6,891,801	4,715,333	-	4,715,333
Sukuks	10,408,407	-	10,408,407	9,024,950	-	9,024,950
Participation Term Certificates	1,503	-	1,503	2,795	-	2,795
Debentures	2,266	-	2,266	2,266	-	2,266
Foreign bonds - sovereign	12,645,627	-	12,645,627	11,877,893	-	11,877,893
Foreign bonds - others	7,117,148	-	7,117,148	3,393,747	-	3,393,747
Recovery note	322,283	-	322,283	322,399	-	322,399
CDC SAARC Fund	<u>228</u>	<u>-</u>	<u>228</u>	<u>228</u>	<u>-</u>	<u>228</u>
	382,351,206	-	382,351,206	355,858,826	-	355,858,826
Associates						
United Growth and Income Fund	689,236	-	689,236	615,046	-	615,046
UBL Liquidity Plus Fund	11,468	-	11,468	11,738	-	11,738
UBL Money Market Fund	11,188	-	11,188	11,445	-	11,445
UBL Retirement Savings Fund	-	-	-	30,654	-	30,654
UBL Government Securities Fund	259,641	-	259,641	3,092,749	-	3,092,749
UBL Gold Fund	-	-	-	86,734	-	86,734
UBL Asset Allocation Fund	833,561	-	833,561	765,932	-	765,932
UBL Stock Advantage Fund	241,006	-	241,006	186,565	-	186,565
Al Ameen Islamic Cash Fund	359	-	359	12,862	-	12,862
Al Ameen Islamic Aggressive Income Fund	-	-	-	31,923	-	31,923
Al Ameen Islamic Sovereign Fund	377	-	377	59,360	-	59,360
Al Ameen Shariah Stock Fund	371,116	-	371,116	363,868	-	363,868
Al Ameen Islamic Asset Allocation Fund	224,925	-	224,925	128,665	-	128,665
Al Ameen Islamic Financial Planning Fund	485,068	-	485,068	611,598	-	611,598
UBL Insurers Limited	319,492	-	319,492	295,604	-	295,604
Khushhali Bank Limited	1,823,945	-	1,823,945	1,606,377	-	1,606,377
Oman United Exchange Company, Muscat	72,784	-	72,784	66,497	-	66,497
DHA Cogen Limited	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	5,344,166	-	5,344,166	7,977,617	-	7,977,617
Provision for diminution in value of investments	688,104,754	331,921,313	1,020,026,067	673,597,082	144,788,434	818,385,516
	<u>(2,578,875)</u>	<u>-</u>	<u>(2,578,875)</u>	<u>(2,434,908)</u>	<u>-</u>	<u>(2,434,908)</u>
Investments - net of provisions	685,525,879	331,921,313	1,017,447,192	671,162,174	144,788,434	815,950,608
Surplus on revaluation of available for sale securities	10,484,366	7,792,617	18,276,983	12,665,549	9,647,338	22,312,887
Surplus / (deficit) on revaluation of held for trading securities	2,490	-	2,490	(1,221)	-	(1,221)
Total Investments	<u><u>696,012,735</u></u>	<u><u>339,713,930</u></u>	<u><u>1,035,726,665</u></u>	<u><u>683,826,502</u></u>	<u><u>154,435,772</u></u>	<u><u>838,262,274</u></u>

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

	Note	(Un-audited) June 30, 2017	(Audited) December 31, 2016
----- (Rupees in '000) -----			
8. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		391,965,709	347,415,817
Outside Pakistan		173,298,501	164,210,159
		<u>565,264,210</u>	<u>511,625,976</u>
Islamic financings and related assets	21.4	6,289,843	7,371,974
Bills discounted and purchased			
Payable in Pakistan		22,341,597	16,677,528
Payable outside Pakistan		48,081,441	43,483,888
		<u>70,423,038</u>	<u>60,161,416</u>
Advances - gross		<u>641,977,091</u>	<u>579,159,366</u>
Provision against advances			
Specific	8.1	(37,613,424)	(38,080,944)
General	8.2	(3,382,963)	(3,296,276)
Advances - net of provision		<u>600,980,704</u>	<u>537,782,146</u>

8.1 Advances include Rs. 45,676.888 million (December 31, 2016: Rs. 46,044.942 million) which have been placed under non-performing status as detailed below:

Category of Classification	June 30, 2017 (Un-audited)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
----- (Rupees in '000) -----									
Other Assets Especially									
Mentioned *	91,427	-	91,427	3,435	-	3,435	3,435	-	3,435
Substandard	547,979	3,531,141	4,079,120	132,500	826,445	958,945	132,500	826,445	958,945
Doubtful	1,952,337	2,221,100	4,173,437	1,148,246	930,974	2,079,220	1,148,246	930,974	2,079,220
Loss	27,615,914	9,716,990	37,332,904	26,558,584	8,013,240	34,571,824	26,558,584	8,013,240	34,571,824
	<u>30,207,657</u>	<u>15,469,231</u>	<u>45,676,888</u>	<u>27,842,765</u>	<u>9,770,659</u>	<u>37,613,424</u>	<u>27,842,765</u>	<u>9,770,659</u>	<u>37,613,424</u>
Category of Classification	December 31, 2016 (Audited)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
----- (Rupees in '000) -----									
Other Assets Especially									
Mentioned *	126,711	-	126,711	3,576	-	3,576	3,576	-	3,576
Substandard	908,055	1,916,117	2,824,172	222,697	337,466	560,163	222,697	337,466	560,163
Doubtful	2,471,496	2,670,087	5,141,583	1,203,332	1,042,384	2,245,716	1,203,332	1,042,384	2,245,716
Loss	29,007,185	8,945,291	37,952,476	27,881,140	7,390,349	35,271,489	27,881,140	7,390,349	35,271,489
	<u>32,513,447</u>	<u>13,531,495</u>	<u>46,044,942</u>	<u>29,310,745</u>	<u>8,770,199</u>	<u>38,080,944</u>	<u>29,310,745</u>	<u>8,770,199</u>	<u>38,080,944</u>

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

8.2 General provision represents provision amounting to Rs. 224.255 million (December 31, 2016: Rs. 218.074 million) against consumer finance portfolio, Rs. 44.088 million (December 31, 2016: Rs.39.088 million) against advances to small enterprises as required by the Prudential Regulations issued by the SBP and Rs. 2,624.430 million (December 31, 2016: Rs.2,550.117 million) pertaining to overseas advances to meet the requirements of the regulatory authorities of the respective countries in which the overseas branches and subsidiaries operate. General provision also includes Rs. 490.190 million (December 31, 2016: Rs 488.997 million) which is based on regulatory instructions.

8.3 The Bank has availed the benefit of Forced Sale Value (FSV) of certain mortgaged properties held as collateral against non-performing advances as allowed under BSD Circular 1 of 2011. Had the benefit under the said circular not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 29.837 million (December 31, 2016: Rs. 56.375 million). The FSV benefit availed is not available for the distribution of cash or stock dividend to shareholders.

8.4 Exposure amounting to Rs. 6,656 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 August 31, 2017.

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Note	(Un-audited) June 30, 2017 ----- (Rupees in '000) -----	(Audited) December 31, 2016 ----- (Rupees in '000) -----
9. OPERATING FIXED ASSETS		
Capital work-in-progress	3,380,496	3,005,182
Property and equipment	37,665,854	35,203,552
Intangible assets	1,019,042	1,090,193
9.1	<u>42,065,392</u>	<u>39,298,927</u>

9.1 Additions and disposals during the period amounted to Rs. 3,803.636 million (June 30, 2016: Rs.3,140.359 million) and Rs. 131.131 million (June 30, 2016: Rs. 81.811 million), respectively.

Note	(Un-audited) June 30, 2017 ----- (Rupees in '000) -----	(Audited) December 31, 2016 ----- (Rupees in '000) -----
10. BORROWINGS		
Secured		
Borrowings from the State Bank of Pakistan		
Export refinance scheme	13,226,392	14,702,567
Long term financing facility	14,899	19,550
Long term financing under export oriented projects	14,925,964	11,955,687
	28,167,255	26,677,804
Repurchase agreement borrowings	345,318,192	154,967,594
	<u>373,485,447</u>	<u>181,645,398</u>
Unsecured		
Call borrowings	11,675,378	14,381,809
Overdrawn nostro accounts	537,616	318,275
Trading liabilities	1,521,672	-
Bai Muajjal payable to other financial institutions	3,973,577	-
Other borrowings	8,730,310	9,519,649
	26,438,553	24,219,733
	<u>399,924,000</u>	<u>205,865,131</u>

11. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	366,434,099	329,853,639
Savings deposits	383,113,407	373,194,772
Sundry deposits	32,128,780	22,534,114
Margin deposits	6,032,165	4,414,357
Current accounts - remunerative	7,501,661	10,521,315
Current accounts - non-remunerative	481,919,160	435,035,205
	<u>1,277,129,272</u>	<u>1,175,553,402</u>
Financial Institutions		
Remunerative deposits	33,108,878	57,423,288
Non-remunerative deposits	17,449,635	12,814,926
	50,558,513	70,238,214
	<u>1,327,687,785</u>	<u>1,245,791,616</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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	(Un-audited) June 30, 2017 ----- (Rupees in '000) -----	(Audited) December 31, 2016
12. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX		
Surplus / (deficit) arising on revaluation of assets - net of tax:		
Fixed assets / non-banking assets		
- Group's share	20,756,281	20,714,664
- Non-controlling interest	876,484	827,457
	12.1 21,632,765	21,542,121
Available for sale securities		
- Group's share	11,925,636	14,601,472
- Non-controlling interest	(205,169)	(441,409)
	12.2 11,720,467	14,160,063
(Deficit) / surplus arising on revaluation of assets of associates	(2,570)	3,353
	<u>33,350,662</u>	<u>35,705,537</u>
12.1 Surplus on revaluation of fixed assets / non-banking assets		
Surplus on revaluation of fixed assets / non-banking assets at January 1	22,502,554	22,883,840
Revaluation of non-banking assets during the period / year	-	169,861
Exchange adjustments	132,160	(472,395)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(25,681)	(51,626)
Related deferred tax liability on incremental depreciation charged during the period / year	(13,472)	(27,126)
	93,007	(381,286)
	22,595,561	22,502,554
Less: Related deferred tax liability on:		
Revaluation as on January 1	960,433	1,089,359
Revaluation of non-banking assets during the period / year	-	(7,174)
Exchange adjustments	22,521	(94,626)
Reversal on transfer to fixed assets	(6,686)	-
Incremental depreciation charged during the period / year	(13,472)	(27,126)
	962,796	960,433
	<u>21,632,765</u>	<u>21,542,121</u>
12.2 Surplus / (deficit) on revaluation of available for sale securities		
Mark Market Treasury Bills	(54,337)	(9,729)
Pakis: Pakistan Investment Bonds	11,690,477	14,625,102
Liste Listed shares	5,116,815	7,432,242
REIT Investment	34,603	(5,420)
Term Term Finance Certificates, Sukuks, other bonds etc.	156,028	104,054
Forei Foreign bonds	1,333,397	166,638
	18,276,983	22,312,887
Related deferred tax liability	(6,556,516)	(8,152,824)
	<u>11,720,467</u>	<u>14,160,063</u>
13. CONTINGENCIES AND COMMITMENTS		
13.1 Direct credit substitutes		
Contingent liabilities in respect of guarantees given favouring:		
Government	9,158,866	10,418,980
Banking companies and other financial institutions	974,096	1,320,355
Others	4,560,100	6,209,086
	<u>14,693,062</u>	<u>17,948,421</u>

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

	Note	(Un-audited) June 30, 2017 ----- (Rupees in '000) -----	(Audited) December 31, 2016
13.2 Transaction-related contingent liabilities			
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring:			
Government		123,535,637	114,871,452
Banking companies and other financial institutions		7,922,365	7,068,771
Others		<u>45,024,866</u>	<u>38,194,938</u>
		<u>176,482,868</u>	<u>160,135,161</u>
13.3 Trade-related contingent liabilities			
Contingent liabilities in respect of letters of credit opened favouring:			
Government		63,418,981	63,407,320
Banking companies and other financial institutions		14,547,941	6,512,864
Others		<u>129,966,905</u>	<u>104,964,788</u>
		<u>207,933,827</u>	<u>174,884,972</u>
13.4 Other contingencies			
Claims against the Group not acknowledged as debts	13.4.1	<u>11,954,706</u>	<u>12,490,082</u>
13.4.1 These mainly represent counter claims filed by the borrowers for restricting the Group from disposal of assets (such as mortgaged / pledged assets kept as security).			
Based on legal advice and / or internal assessments, management is confident that the matters will be decided in favour of the Group and the possibility of any outcome against the Group is remote and accordingly no provision has been made in these consolidated financial statements.			
13.4.2 On November 10, 2016, a judgement was passed by the Supreme Court (SC) declaring the insertions of amendments in WWF Ordinance through Finance Act 2008 as unlawful. The Board of Directors of UBL FM in their meeting held on May 29, 2013, had resolved that accumulated unrecorded WWF provision from the date of its application till May 29, 2013 on all the funds under management amounting to Rs. 296.124 million will be borne by the Holding Company in case the said accumulated amount is required to be paid to the Government authorities. The tax department has filed review petition against the order of the SC which is currently pending.			
13.4.3 Penalties amounting to Rs. 4.058 billion have been levied by the FE Adjudication Court of the State Bank of Pakistan relating to alleged contraventions of the requirements of foreign exchange regulations with respect to issuance and certification of E-Forms by the Bank to certain customers (Exporters) who failed to submit the export documents thereagainst, consequently Foreign Exchange on account of Export Proceeds have not been repatriated. The Bank maintains that it fully discharged its liability, in accordance with the law and has filed a civil suit in the High Court of Sindh challenging the levy of the penalty. The High Court has granted a stay on action being taken against the Bank. The management, based on the advice from legal counsel, is confident that the view of the Bank will prevail and the Bank will not be exposed to any loss on this account.			
13.4.4 United Bank Limited Yemen (UBL) issued two Standby Letters of Credit (SBLCs) for USD 12 million (Rs. 1,258.248 million) and USD 13 million (Rs. 1,363.102 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 SBLCs for the sum of USD 25 million (Rs. 2,621.350 million).			

UBL management is pursuing the matter in the Court in Yemen and so far no major debate has been held as hearing has been adjourned to subsequent dates due to either non-appearance of legal counsel of Ministry of Oil and Mineral and non-submission of responses required by legal counsel of UBL. The case is still in the Court schedule however no summon is received for next hearing.

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

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

13.5 Commitments to extend credit

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

	(Un-audited) June 30, 2017	(Audited) December 31, 2016
	----- (Rupees in '000) -----	
13.6 Commitments in respect of forward foreign exchange contracts		
Purchase	<u>242,815,469</u>	<u>216,641,748</u>
Sale	<u>238,870,842</u>	<u>193,057,693</u>
13.7 Commitments in respect of derivatives		
Interest rate swaps	<u>5,459,989</u>	<u>6,986,094</u>
Cross currency swaps	<u>-</u>	<u>522,051</u>
FX options - purchased	<u>180,764</u>	<u>213,081</u>
FX options - sold	<u>180,764</u>	<u>213,081</u>
Forward purchase of Government securities	<u>999,667</u>	<u>4,998,400</u>
Forward sale of Government securities	<u>2,099,315</u>	<u>3,553,866</u>
13.8 Commitments in respect of capital expenditure	<u>1,411,817</u>	<u>2,755,836</u>
13.9 For contingencies relating to taxation refer note 17.		
(Un-audited).....	
	January - June 2017	January - June 2016
	----- (Rupees in '000) -----	
14. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to customers	16,292,061	15,786,872
On lendings to financial institutions		
Call money lendings	<u>99,392</u>	<u>60,488</u>
Repurchase agreement lendings	<u>217,083</u>	<u>67,845</u>
Other lendings to financial institutions	<u>826,445</u>	<u>433,261</u>
	1,142,920	561,594
On investments in		
Held for trading securities	<u>688,138</u>	<u>270,649</u>
Available for sale securities	<u>17,965,206</u>	<u>18,909,979</u>
Held to maturity securities	<u>15,124,656</u>	<u>15,713,391</u>
	33,778,000	34,894,019
On deposits with financial institutions	<u>92,626</u>	<u>118,934</u>
	<u>51,305,607</u>	<u>51,361,419</u>
15. MARK-UP / RETURN / INTEREST EXPENSED		
On deposits	15,988,339	14,836,197
On securities sold under repurchase agreements	5,254,604	5,162,284
On other short term borrowings	1,014,167	811,133
On long term borrowings	<u>230,403</u>	<u>197,471</u>
	<u>22,487,513</u>	<u>21,007,085</u>

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

(Un-audited).....	
	January - June 2017	January - June 2016
	----- (Rupees in '000) -----	
16. ADMINISTRATIVE EXPENSES		
Salaries, allowances etc.	7,111,634	6,852,415
Charge for compensated absences	149,359	149,936
Medical expenses	357,490	303,120
Contribution to defined contribution plan	185,757	183,128
Charge / (reversal) in respect of defined benefit obligations	186,639	(16,093)
Rent, taxes, insurance, electricity etc.	2,330,531	2,086,230
Depreciation on operating fixed assets	1,047,670	832,960
Depreciation on Islamic financing against leased assets (Ijarah)	97,272	101,039
Amortization	195,074	187,324
Outsourced service charges including sales commission	2,301,078	2,451,542
Communications	641,638	643,170
Banking service charges	598,476	547,683
Cash transportation charges	348,336	309,353
Stationery and printing	329,667	322,394
Legal and professional charges	335,116	242,386
Advertisement and publicity	490,544	412,658
Repairs and maintenance	880,193	859,521
Travelling	157,937	164,264
Office running expenses	422,912	363,626
Vehicle expenses	90,713	84,980
Entertainment	119,493	131,240
Cartage, freight and conveyance	48,749	54,808
Insurance expense	66,726	74,692
Auditors' remuneration	52,515	50,015
Training and seminars	73,211	50,329
Brokerage expenses	14,995	11,329
Subscriptions	76,793	83,275
Donations	750	57,483
Non-executive Directors' fees	20,981	24,253
Zakat paid by overseas branch	49,461	146,381
Miscellaneous expenses	69,109	96,914
	<u>18,850,819</u>	<u>17,862,355</u>

17. TAXATION

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

The income tax authorities have issued amended assessment orders for the tax years 2003 to 2016, and created additional tax demands (including disallowances of provisions made prior to Seventh Schedule) of Rs.13,723 million (December 31, 2016: Rs. 13,723 million), which have been fully paid as required under the law. The Bank has filed appeals before the various appellate forums against these amendments. Where the appellate authorities have allowed relief on certain issues, the assessing authorities have filed appeals before higher appellate forums. Where the appellate authorities have not allowed relief the Bank has filed appeals before higher appellate forums. The management of the Bank is confident that the appeals will be decided in favor of the Bank.

The tax returns for Azad Kashmir (AK) Branches have been filed upto the tax year 2016 (financial year 2015) under the provisions of section 120(1) read with section 114 of the Ordinance and in compliance with the terms of the agreement between banks and the Azad Kashmir Council in May 2005. The returns filed are considered as deemed assessment orders under the law.

The tax authorities have also carried out monitoring for Federal Excise Duty, Sales tax and withholding taxes covering period from year ended 2007 to 2016. Consequently various addbacks and demands were raised creating a total demand of Rs. 1,341 million (December 31, 2016: Rs. 1,245 million) . The Bank has filed appeals against all such demands and is confident that these would be decided in the favor of the Bank.

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

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For all the subsidiaries income tax returns have been filed up to the accounting year ended December 31, 2015 under the provisions of the laws prevailing in the respective countries and are deemed as assessed unless opened for reassessment by the tax authorities. Additionally, tax clearance has been issued for UBL UK till the accounting year 2014 and for UBL (Switzerland) AG and UBL (Tanzania) Bank Limited till the accounting year 2015. There are no material tax contingencies in any of the subsidiaries.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost.

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

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

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

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

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

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

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

	June 30, 2017				
	Carrying / Notional value	Fair value			Total
	Level 1	Level 2	Level 3		
	------(Rupees in '000)-----				
On balance sheet financial instruments					
Financial assets measured at fair value					
- Investments					
Government Securities (Tbills, PIBs, GoP Sukuks and Eurobonds)	566,338,985	-	566,338,985	-	566,338,985
Foreign Bonds - Sovereign	41,369,138	-	41,369,138	-	41,369,138
Foreign Bonds - others	20,717,201	-	20,717,201	-	20,717,201
Ordinary shares of listed companies	20,588,585	20,588,585	-	-	20,588,585
Debt securities (TFCs)	426,952	-	426,952	-	426,952
Investment in REIT	493,193	493,193	-	-	493,193
Investment in Associates	5,344,166	-	5,344,166	-	5,344,166
Financial assets not measured at fair value					
- Cash and balances with treasury banks	155,618,315	-	-	-	-
- Balances with other banks	27,093,990	-	-	-	-
- Lending to financial institutions	37,547,442	-	-	-	-
- Advances	600,980,704	-	-	-	-
- Other assets	29,917,465	-	-	-	-
- Investments (HTM, unlisted ordinary shares, preference shares)	380,448,445	-	-	-	-
	1,886,884,581	21,081,778	634,196,442	-	655,278,220
Financial liabilities not measured at fair value					
- Bills Payable	17,585,492	-	-	-	-
- Borrowings	399,924,000	-	-	-	-
- Deposits and other accounts	1,327,687,785	-	-	-	-
- Other liabilities	22,338,165	-	-	-	-
	1,767,535,442	-	-	-	-
Off balance sheet financial instruments					
Forward purchase and sale of foreign exchange contracts	481,686,311	-	930,449	-	930,449
Interest rate swaps	5,459,989	-	131,565	-	131,565
Cross currency swaps	-	-	-	-	-
FX options - purchased and sold	361,528	-	-	-	-
Forward purchase of government securities	999,667	-	(2,930)	-	(2,930)
Forward sale of government securities	2,099,315	-	1,371	-	1,371

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

	Carrying / Notional value	December 31, 2016			Total
		Fair value			
		Level 1	Level 2	Level 3	
------(Rupees in '000)-----					
On balance sheet financial instruments					
Financial assets measured at fair value					
- Investments					
Government Securities (Tbills, PIBs, GoP Sukuks and Eurobonds)	399,604,148	-	399,604,148	-	399,604,148
Foreign Bonds - Sovereign	33,743,383	-	33,743,383	-	33,743,383
Foreign Bonds - others	18,317,632	-	18,317,632	-	18,317,632
Ordinary shares of listed companies	22,220,692	22,220,692	-	-	22,220,692
Debt securities (TFCs)	583,011	-	583,011	-	583,011
Investment in REIT	453,170	453,170	-	-	453,170
Investment in Associates	7,977,617	-	7,977,617	-	7,977,617
Financial assets not measured at fair value					
- Cash and balances with treasury banks	133,467,502	-	-	-	-
- Balances with other banks	32,267,304	-	-	-	-
- Lending to financial institutions	35,484,586	-	-	-	-
- Advances	537,782,146	-	-	-	-
- Other assets	29,050,873	-	-	-	-
- Investments (HTM, unlisted ordinary shares, preference shares)	355,362,621	-	-	-	-
	<u>1,606,314,685</u>	<u>22,673,862</u>	<u>460,225,791</u>	<u>-</u>	<u>482,899,653</u>
Financial liabilities not measured at fair value					
- Bills Payable	11,759,012	-	-	-	-
- Borrowings	205,865,131	-	-	-	-
- Deposits and other accounts	1,245,791,616	-	-	-	-
- Other liabilities	23,220,387	-	-	-	-
	<u>1,486,636,146</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Off balance sheet financial instruments					
Forward purchase and sale of foreign exchange contracts	409,699,441	-	(746,629)	-	(746,629)
Interest rate swaps	6,986,094	-	197,083	-	197,083
Cross currency swaps	522,051	-	5,459	-	5,459
FX options - purchased and sold	426,162	-	-	-	-
Forward purchase of government securities	4,998,400	-	(2,391)	-	(2,391)
Forward sale of government securities	3,553,866	-	1,717	-	1,717

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

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

18.3

Debt Securities

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

Derivatives

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

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

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

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2017**
19. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES
For the six months ended June 30, 2017 (Un-audited)

	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment elimination
	(Rupees in '000)						
Total income	108,382	16,940,726	15,788,269	7,354,116	711,564	1,478,848	-
Total expenses	(28,162)	(666,659)	(14,841,212)	(2,239,116)	(329,226)	(1,089,419)	-
Profit before tax	80,220	16,274,067	947,057	5,115,000	382,338	389,429	-
Segment return on assets (ROA)	38.1%	2.1%	0.1%	1.3%	50.8%	-	-
Segment cost of funds	2.1%	4.5%	2.6%	3.9%	-	-	-

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)	(4,016,110)	(298,689)	(880,315)	-
Profit before tax	335,763	18,828,681	2,256,550	3,452,592	148,897	459,683	-
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%	-	-	-

As at June 30, 2017 (Un-audited)

	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment elimination
	(Rupees in '000)						
Segment assets (gross of NPL provisions)	1,036,197	1,124,239,329	1,170,846,554	592,979,678	1,537,410	130,545,300	(1,035,434,012)
Segment non performing loans (NPLs)	640,169	1,350,941	11,721,085	31,898,081	-	66,612	-
Segment provision held against NPLs	489,891	1,350,522	8,701,629	26,990,968	-	80,414	-
Segment liabilities	494,163	1,059,147,800	1,197,230,352	552,308,088	246,687	7,641,058	(1,035,434,012)

As at December 31, 2016 (Audited)

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

Segment assets and liabilities include inter segment balances.

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

20. RELATED PARTY TRANSACTIONS

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

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

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

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

	As at June 30, 2017 (Un-audited)				As at December 31, 2016 (Audited)			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
------(Rupees in '000)-----								
Lendings to financial institutions	-	-	100,000	-	-	-	375,000	-
Investments								
Opening balance	-	-	7,977,617	3,895,328	-	-	8,801,941	3,917,746
Investment made during the period / year	-	-	629,751	-	-	-	1,324,688	-
Investment redeemed / disposed off during the period / year	-	-	(3,473,782)	-	-	-	(2,883,497)	(22,418)
Equity method adjustments	-	-	210,580	-	-	-	734,485	-
Closing balance	-	-	5,344,166	3,895,328	-	-	7,977,617	3,895,328
Provision for diminution in value of investments	-	-	-	114,844	-	-	-	114,844
Advances								
Opening balance	2,339	367,645	2,155,149	16,907,692	706	404,436	2,155,149	7,907,012
Addition during the period / year	4,262	45,029	-	16,197,723	18,822	126,368	-	59,472,461
Repaid during the period / year	(6,332)	(245,794)	-	(26,412,761)	(17,189)	(186,873)	-	(50,471,781)
Transfer out - net	24	595	-	-	-	23,714	-	-
Closing balance	293	167,475	2,155,149	6,692,654	2,339	367,645	2,155,149	16,907,692
Provision held against advances	-	-	2,155,149	-	-	-	2,155,149	-
Other Assets								
Interest mark-up accrued	-	-	-	154,494	7	67	4,144	235,602
Receivable from staff retirement funds	-	-	-	381,912	-	-	-	376,634
Prepaid insurance	-	-	225,599	-	-	-	5,236	-
Remuneration receivable from management of funds	-	-	96,280	-	-	-	86,615	-
Sales load receivable	-	-	26,078	-	-	-	12,267	-
Formation cost receivable	-	-	6,624	-	-	-	2,363	-
Other receivable	-	-	199,905	30,164	-	-	10,655	30,164
Provision against other assets	-	-	-	30,164	-	-	-	30,164
Borrowings								
Opening balance	-	-	-	167,100	-	-	-	-
Borrowings during the period / year	-	-	-	455,950	-	-	-	167,100
Settled during the period / year	-	-	-	(423,400)	-	-	-	-
Closing balance	-	-	-	199,650	-	-	-	167,100
Deposits and other accounts								
Opening balance	8,666,368	241,070	8,882,657	1,244,169	7,934,549	134,394	6,658,891	1,822,423
Received during the period / year	16,421,476	744,890	151,608,669	78,481,723	25,536,998	1,563,279	129,962,337	114,808,246
Withdrawn during the period / year	(20,673,736)	(782,094)	(146,926,722)	(75,978,492)	(24,805,179)	(1,452,113)	(127,738,571)	(115,386,860)
Transfer in / (out) - net	11,537	(27,430)	-	(330,643)	-	(4,490)	-	360
Closing balance	4,425,645	176,436	13,564,604	3,416,757	8,666,368	241,070	8,882,657	1,244,169
Other Liabilities								
Interest / mark-up payable on deposits	21,539	36	9,944	12,241	86,513	35	29,777	4,374
Interest / mark-up payable on borrowings	-	-	-	32	-	-	-	80
Payable to staff retirement fund	-	-	-	143,952	-	-	-	130,015
Unearned income	-	-	-	4,168	-	-	-	10,420
Contingencies and Commitments								
Letter of guarantee	-	-	23,631	-	-	-	23,574	-
Forward foreign exchange contracts purchase	-	-	62,922	-	-	-	-	198,737
Forward foreign exchange contracts sale	-	-	62,912	-	-	-	-	203,148
Cross Currency Swaps	-	-	-	-	-	-	522,051	-
------(Rupees in '000)-----								
	For the six months ended June 30, 2017 (Un-audited)				For the six months ended June 30, 2016 (Un-audited)			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
------(Rupees in '000)-----								
Mark-up / return / interest earned	21	4,057	9,846	268,968	3	4,673	11,805	154,309
Commission / charges recovered	424	134	25,891	13,169	108	299	21,063	5,827
Dividend income	-	-	156,874	386,695	-	-	13,033	359,324
Net gain on sale of securities	-	-	217,153	-	-	-	71,413	-
Remuneration from management of funds	-	-	496,414	-	-	-	334,790	-
Sales load	-	-	100,702	-	-	-	49,526	-
Other income	-	-	8,055	6,254	-	2,621	3,465	6,254
Mark-up / return / interest expense	58,704	1,542	197,031	18,534	112,160	523	132,919	22,103
Remuneration paid	-	994,732	-	-	-	850,020	-	-
Post employment benefits	-	39,520	-	-	-	39,344	-	-
Non-executive directors' fee	20,981	-	-	-	24,253	-	-	-
Net charge for defined contribution plans	-	-	-	185,757	-	-	-	183,128
Net charge / (reversal) for defined benefit plans	-	-	-	62,737	-	-	-	(145,396)
Other expenses	-	-	7,990	64,178	-	-	52,653	59,230
Insurance premium paid	-	-	397,134	-	-	-	227,453	-
Insurance claims settled	-	-	50,742	-	-	-	38,705	-

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2017**
21. ISLAMIC BANKING BUSINESS

21.1 The Bank operates 47 (December 31, 2016: 47) Islamic Banking branches and 143 (December 31, 2016: 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, 2017	(Audited) December 31, 2016
----- (Rupees in '000) -----			
ASSETS			
Cash and balances with treasury banks		2,571,190	2,327,107
Balances with other banks		3,068,995	2,862,278
Due from financial institutions	21.3	13,339,902	12,726,452
Investments		21,524,088	13,104,677
Islamic financing and related assets	21.4	6,201,095	7,284,386
Operating fixed assets		164,623	155,843
Due from Head Office		74,210	9,365,555
Other assets		227,354	143,903
Total Assets		47,171,457	47,970,201
LIABILITIES			
Bills payable		172,343	238,126
Due to financial institutions		500,000	-
Deposits and other accounts			
Current accounts - non remunerative		11,748,378	9,752,775
Current accounts - remunerative		1,515,934	2,520,018
Saving accounts		7,566,777	2,994,848
Term deposits		1,159,640	1,299,848
Deposits from financial institutions - remunerative		22,290,070	28,773,229
Deposits from financial institutions - non remunerative		-	-
		44,280,799	45,340,718
Due to Head Office		-	-
Other liabilities		421,645	721,401
		45,374,787	46,300,245
NET ASSETS		1,796,670	1,669,956
REPRESENTED BY			
Islamic Banking Fund		2,181,000	2,181,000
Accumulated losses		(534,929)	(609,289)
		1,646,071	1,571,711
Surplus on revaluation of assets		150,599	98,245
		1,796,670	1,669,956

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

21.2 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 2017	January-June 2016
	----- (Rupees in '000) -----	
Return earned	1,262,821	974,351
Return expensed	(808,513)	(606,292)
	<u>454,308</u>	<u>368,059</u>
(Provision) / reversal against loans and advances - net	(1,161)	309
Net return after provisions	<u>453,147</u>	<u>368,368</u>
Other Income		
Fee, commission and brokerage income	44,459	22,341
Loss from dealing in foreign currencies	(359)	(3,647)
(Loss) / gain on sale of securities - net	(438)	4,299
Other income	7,830	2,705
Total other income	<u>51,492</u>	<u>25,698</u>
	504,639	394,066
Other Expenses		
Administrative expenses	(430,278)	(398,149)
Other provisions - net	(1)	(85)
Total other expenses	<u>(430,279)</u>	<u>(398,234)</u>
Net profit / (loss) for the period	<u>74,360</u>	<u>(4,168)</u>
Accumulated losses brought forward	(609,289)	(532,990)
Accumulated losses carried forward	<u>(534,929)</u>	<u>(537,158)</u>
Remuneration to Shariah Board and Advisor	<u>3,386</u>	<u>2,928</u>

21.3 This includes Bai Muajjal agreements entered into with SBP and various financial institutions whereby the Bank sold sukuks having carrying value of Rs. 12,490.815 million (December 31, 2016: Rs. 11,073.312 million) on deferred payment basis. The average return on these transactions is 5.637%. The balances are due to mature latest by June 2018.

	(Un-audited) June 30, 2017	(Audited) December 31, 2016
	----- (Rupees in '000) -----	
21.4 Islamic financing and related assets		
Financings		
Murabaha	358,287	242,391
Ijarah	627,139	620,848
Diminishing Musharaka	4,113,325	6,203,709
	<u>5,098,751</u>	<u>7,066,948</u>
Advances		
Advances against Ijarah	-	120,828
Advances for Diminishing Musharaka	1,099,070	87,892
Advances for Murabaha	35,222	21,998
	<u>1,134,292</u>	<u>230,718</u>
Profit and other receivables against financings and advances	56,800	74,308
Gross Islamic financing and related assets	<u>6,289,843</u>	<u>7,371,974</u>
Provision against financings and advances	(88,748)	(87,588)
	<u>6,201,095</u>	<u>7,284,386</u>
21.5 Charity Fund		
Opening Balance	648	2,342
Addition during the period / year	499	1,404
Payments during the period / year	-	(3,098)
Closing Balance	<u>1,147</u>	<u>648</u>

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

22. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on July 27, 2017 has declared an interim cash dividend in respect of the quarter ended June 30, 2017 of Rs. 3.0 per share (June 30, 2016: Rs. 3.0 per share). The consolidated condensed interim financial statements for the six months ended June 30, 2017 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

23. DATE OF AUTHORIZATION

These consolidated condensed interim financial statements were authorised for issue on July 27, 2017 by the Board of Directors of the Bank.

Aameer Karachiwalla
Chief Financial Officer

Sima Kamil
President &
Chief Executive Officer

Amar Zafar Khan
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Chairman