

United Bank Limited

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018
(UNAUDITED)



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018**

Note	(Un-audited) June 30, 2018	(Audited) December 31, 2017 Restated ----- (Rupees in '000) -----
ASSETS		
	165,569,967	161,119,170
	40,968,344	35,549,112
	43,689,293	35,893,920
6	840,112,516	1,124,921,300
7	715,764,500	642,506,720
8	52,106,428	50,384,077
9	3,290,893	-
	59,486,651	54,986,201
	<u>1,920,988,592</u>	<u>2,105,360,500</u>
LIABILITIES		
	15,568,285	13,392,978
	299,943,198	517,082,159
10	1,395,836,645	1,366,157,914
11	-	-
	11,602	4,375
	-	2,980,466
	42,667,817	31,248,846
	<u>1,754,027,547</u>	<u>1,930,866,738</u>
NET ASSETS	<u>166,961,045</u>	<u>174,493,762</u>
REPRESENTED BY		
	12,241,798	12,241,798
	52,366,391	47,203,516
	71,777,245	76,410,128
	<u>136,385,434</u>	<u>135,855,442</u>
	5,074,387	4,810,519
	141,459,821	140,665,961
	25,501,224	33,827,801
	<u>166,961,045</u>	<u>174,493,762</u>
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The annexed notes from 1 to 26 form an integral part of these consolidated condensed interim financial statements.

Aameer Karachiwalla
Chief Financial Officer

Sima Kamil
President &
Chief Executive Officer

Amar Zafar Khan
Director

Arshad Ahmad Mir
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Chairman

**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

	Note	April-June 2018	April-June 2017	January - June 2018	January - June 2017
----- (Rupees in '000) -----					
Mark-up / return / interest earned	14	27,103,838	26,636,796	56,158,142	51,305,607
Mark-up / return / interest expensed	15	(12,346,296)	(11,914,110)	(27,095,623)	(22,487,513)
Net mark-up / return / interest income		14,757,542	14,722,686	29,062,519	28,818,094
(Provision) / reversal against loans and advances - net		(1,714,184)	453,099	(3,748,145)	396,834
Reversal of provision against lendings to financial institutions - net		64,549	7,260	122,149	8,260
Provision for diminution in value of investments - net		(721,662)	(137,480)	(740,295)	(188,888)
Bad debts written off directly		(26,185)	(8,945)	(40,251)	(24,920)
		(2,397,482)	313,934	(4,406,542)	191,286
Net mark-up / return / interest income after provisions		12,360,060	15,036,620	24,655,977	29,009,380
Non mark-up / interest income					
Fee, commission and brokerage income		4,253,949	3,701,481	7,694,571	7,039,730
Dividend income		239,845	227,456	810,755	779,624
Income from dealing in foreign currencies		950,718	497,634	1,550,144	959,939
Gain on sale of securities - net		1,511,614	1,597,643	4,735,514	3,996,614
Unrealized (loss) / gain on revaluation of investments classified as held for trading		(477)	8,133	(1,290)	2,490
Other income		211,792	225,198	372,849	415,390
Total non mark-up / interest income		7,167,441	6,257,545	15,162,543	13,193,787
		19,527,501	21,294,165	39,818,520	42,203,167
Non mark-up / interest expenses					
Administrative expenses	16	(10,752,822)	(9,533,840)	(20,262,638)	(18,850,819)
Other provisions / write offs - net		(412,018)	(13,320)	(338,980)	2,508
Workers' Welfare Fund		(160,361)	(243,197)	(286,898)	(478,129)
Other charges		(3,587)	(58,322)	(4,019)	(58,640)
Total non mark-up / interest expenses		(11,328,788)	(9,848,679)	(20,892,535)	(19,385,080)
		8,198,713	11,445,486	18,925,985	22,818,087
Share of income of associates		115,481	132,607	300,412	370,024
Profit before extraordinary / unusual item and taxation		8,314,194	11,578,093	19,226,397	23,188,111
Extraordinary / unusual item - Accrual in respect of pension liability	17	(2,000,000)	-	(8,404,635)	-
Profit before taxation		6,314,194	11,578,093	10,821,762	23,188,111
Taxation - Current		(3,409,854)	(4,366,463)	(5,700,667)	(8,495,148)
- Prior		(2,382)	(459,532)	(4,505)	(459,532)
- Deferred		450,071	(1,038,014)	995,430	(942,574)
		(2,962,165)	(5,864,009)	(4,709,742)	(9,897,254)
Profit after taxation		3,352,029	5,714,084	6,112,020	13,290,857
Attributable to:					
Equity shareholders of the Bank		3,408,571	5,719,824	6,193,752	13,239,324
Non-controlling interest		(56,542)	(5,740)	(81,732)	51,533
		3,352,029	5,714,084	6,112,020	13,290,857
----- (Rupees) -----					
Earnings per share - basic and diluted		2.78	4.67	5.06	10.81

The annexed notes from 1 to 26 form an integral part of these consolidated condensed interim financial statements.

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

	April-June 2018	April-June 2017	January - June 2018	January - June 2017
	----- (Rupees in '000) -----			
Profit / (loss) after taxation for the period attributable to:				
Equity shareholders of the Bank	3,408,571	5,719,824	6,193,752	13,239,324
Non-controlling interest	(56,542)	(5,740)	(81,732)	51,533
	<u>3,352,029</u>	<u>5,714,084</u>	<u>6,112,020</u>	<u>13,290,857</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	1,563,556	32,245	4,517,404	260,089
- Non-controlling interest	26,112	194,455	345,250	256,427
	1,589,668	226,700	4,862,654	516,516
	<u>1,589,668</u>	<u>226,700</u>	<u>4,862,654</u>	<u>516,516</u>
Other comprehensive income transferred to equity	<u>4,941,697</u>	<u>5,940,784</u>	<u>10,974,674</u>	<u>13,807,373</u>
<i>Items that may be reclassified to profit or loss in subsequent periods</i>				
Deficit arising on revaluation of available for sale securities	(6,964,508)	(4,420,475)	(13,425,591)	(4,041,827)
Related deferred tax reversal	2,379,450	1,557,130	4,997,509	1,596,308
	(4,585,058)	(2,863,345)	(8,428,082)	(2,445,519)
Total comprehensive income during the period - net of tax	<u><u>356,639</u></u>	<u><u>3,077,439</u></u>	<u><u>2,546,592</u></u>	<u><u>11,361,854</u></u>

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Director

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

**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

	January - June 2018	January - June 2017
	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	10,821,762	23,188,111
Less: Dividend income	(810,755)	(779,624)
Share of income of associates	(300,412)	(370,024)
	<u>9,710,595</u>	<u>22,038,463</u>
Adjustments:		
Depreciation on operating fixed assets	1,182,446	1,047,670
Depreciation on Islamic financing against leased assets (Ijarah)	96,272	97,272
Amortization	253,870	195,074
Workers' Welfare Fund	286,898	478,129
Provision for retirement benefits	8,850,990	372,396
Provision for compensated absences	64,120	149,359
Provision / (reversal) against loans and advances - net	3,748,145	(396,834)
Reversal of provision against lendings to financial institutions - net	(122,149)	(8,260)
Provision for diminution in value of investments - net	740,295	188,888
Gain on sale of operating fixed assets - net	(23,316)	(25,827)
Gain on sale of ijarah assets - net	(1,301)	(1,144)
Unrealised loss / (gain) on revaluation of investments classified as held for trading	1,290	(2,490)
Bad debts written-off directly	40,251	24,920
Other provisions - net	338,980	(2,508)
	<u>15,456,791</u>	<u>2,116,645</u>
	<u>25,167,386</u>	<u>24,155,108</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(7,673,224)	(2,054,596)
Held for trading securities	69,507,646	(20,426,035)
Advances	(77,171,769)	(62,960,457)
Other assets (excluding advance taxation)	(857,879)	(1,256,262)
	<u>(16,195,226)</u>	<u>(86,697,350)</u>
Increase / (decrease) in operating liabilities		
Bills payable	2,175,307	5,826,480
Borrowings	(217,138,961)	194,058,869
Deposits and other accounts	29,678,731	81,896,169
Other liabilities (excluding current taxation)	2,577,962	1,595,692
	<u>(182,706,961)</u>	<u>283,377,210</u>
	<u>(173,734,801)</u>	<u>220,834,968</u>
Payments on account of staff retirement benefits	(791,468)	(495,229)
Income taxes paid	(9,172,684)	(13,037,960)
Net cash (outflow) / inflow from operating activities	<u>(183,698,953)</u>	<u>207,301,779</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	172,614,266	(155,807,911)
Net investments in held to maturity securities	27,762,687	(26,492,380)
Net investments in associates	(896,608)	3,003,475
Dividend income received	718,418	602,291
Investment in operating fixed assets	(2,859,597)	(3,803,636)
Sale proceeds from disposal of operating fixed assets	33,958	47,894
Sale proceeds from disposal of ijarah assets	30,622	37,685
Net cash inflow / (outflow) from investing activities	<u>197,403,746</u>	<u>(182,412,582)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Liabilities against assets subject to finance lease	7,227	1,715
Dividends paid to:		
- Equity shareholders of the Bank	(8,704,645)	(8,294,680)
- Non-controlling interest	-	(135,249)
Net cash outflow from financing activities	<u>(8,697,418)</u>	<u>(8,428,214)</u>
	<u>5,007,375</u>	<u>16,460,983</u>
Exchange differences on translation of net investment in foreign branches and subsidiaries attributable to:		
- Equity shareholders of the Bank	4,517,404	260,089
- Non-controlling interest	345,250	256,427
Increase in cash and cash equivalents during the period	<u>9,870,029</u>	<u>16,977,499</u>
Cash and cash equivalents at the beginning of the period	<u>196,668,282</u>	<u>165,734,806</u>
Cash and cash equivalents at the end of the period	<u><u>206,538,311</u></u>	<u><u>182,712,305</u></u>

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**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

	Attributable to equity shareholders of the Bank					Non-controlling Interest	Total	
	Share Capital	General reserve	Statutory reserve	Capital reserve - Exchange translation	Unappropriated profit			Sub total
(Rupees in '000)								
Balance as at January 1, 2017 (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)
	-	-	-	-	(8,569,258)	(8,569,258)	-	(8,569,258)
Total comprehensive income for the six months ended June 30, 2017								
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 reserve	-	-	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
Transactions with owners for the six months ended December 31, 2017								
Interim cash dividend - June 30, 2017 declared at Rs.3.0 per share	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Interim cash dividend - September 30, 2017 declared at Rs.3.0 per share	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
	-	-	-	-	(7,345,078)	(7,345,078)	-	(7,345,078)
Total comprehensive income for the six months ended December 31, 2017								
Profit after taxation for the six months ended December 31, 2017	-	-	-	-	12,950,978	12,950,978	(45,246)	12,905,732
Other comprehensive income - net of tax	-	-	-	1,771,644	(58,029)	1,713,615	454,953	2,168,568
Total comprehensive income for the six months ended December 31, 2017	-	-	-	1,771,644	12,892,949	14,664,593	409,707	15,074,300
Ordinary dividend relating to Non-controlling shareholders	-	-	-	-	-	-	(244)	(244)
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	25,980	25,980	354	26,334
Transfer to statutory reserves	-	-	1,232,181	-	(1,232,181)	-	-	-
Balance as at December 31, 2017 as previously reported (Audited)	12,241,798	3,000	29,857,453	17,343,063	76,651,713	136,097,027	4,810,519	140,907,546
Change in accounting policy - refer note 4.1.1	-	-	-	-	(241,585)	(241,585)	-	(241,585)
Balance as at December 31, 2017 (Restated)	12,241,798	3,000	29,857,453	17,343,063	76,410,128	135,855,442	4,810,519	140,665,961
Change in accounting policy as at January 1, 2018 - refer note 4.1.2	-	-	-	-	(1,640,563)	(1,640,563)	-	(1,640,563)
Balance as at January 1, 2018 (Restated)	12,241,798	3,000	29,857,453	17,343,063	74,769,565	134,214,879	4,810,519	139,025,398
Transactions with owners for the six months ended June 30, 2018								
Final cash dividend - December 31, 2017 declared subsequent to the year end at Rs.4.0 per share	-	-	-	-	(4,896,719)	(4,896,719)	-	(4,896,719)
Interim cash dividend - March 31, 2018 declared at Rs.3.0 per share	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
	-	-	-	-	(8,569,258)	(8,569,258)	-	(8,569,258)
Total comprehensive income for the six months ended June 30, 2018								
Profit after taxation for the six months ended June 30, 2018	-	-	-	-	6,193,752	6,193,752	(81,732)	6,112,020
Other comprehensive income - net of tax	-	-	-	4,517,404	-	4,517,404	345,250	4,862,654
Total comprehensive income for the six months ended June 30, 2018	-	-	-	4,517,404	6,193,752	10,711,156	263,518	10,974,674
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	28,657	28,657	350	29,007
Transfer to statutory reserves	-	-	645,471	-	(645,471)	-	-	-
Balance as at June 30, 2018 (Un-audited)	12,241,798	3,000	30,502,924	21,860,467	71,777,245	136,385,434	5,074,387	141,459,821

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**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

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 1,363 (December 31, 2017: 1,361) branches inside Pakistan including 93 (December 31, 2017: 93) Islamic Banking branches and 2 (December 31, 2017: 2) branches in Export Processing Zones. The Bank also operates 18 (December 31, 2017: 18) branches outside Pakistan. The Bank is a subsidiary of Bestway (Holdings) Limited and Bestway (Holding) Limited is a wholly owned subsidiary of Bestway Group Limited which is incorporated in the United Kingdom.

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

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

2. BASIS OF PRESENTATION

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 Act, 2017.

Key financial figures of the Islamic Banking branches are disclosed in note 23 to these consolidated condensed interim financial statements.

3. STATEMENT OF COMPLIANCE

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

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

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

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

- 3.2** The SBP vide BSD Circular letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Moreover, SBP vide BPRD circular no. 4, dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standards (IFAS) 3, Profit and Loss Sharing on Deposits. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, International Financial Reporting Standard (IFRS) 7, Financial Instruments: Disclosures has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP. 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 repealed Companies Ordinance 1984 will not be applicable with respect to the investment in mutual funds established under Trust structure.
- 3.4** The Companies Ordinance, 1984 was repealed after enactment of the Companies Act, 2017, on May 30, 2017. The SECP vide its Circular No. 23 of 2017, dated October 04, 2017 allowed all those companies whose financial year closed on or before December 31, 2017, were required to prepare financial statements in accordance with the provisions of repealed Companies Ordinance, 1984. Accordingly, these consolidated condensed interim financial statements have been prepared in accordance with Companies Act, 2017. Change to the significant accounting policy, as a result of the enactment of the Companies Act, 2017, has been detailed in note 4.1.1. Moreover, for certain overseas branches, the Bank has changed its accounting policy and followed the requirements of IFRS 9 as more fully explained in note 4.1.2.
- 3.5** 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, 2017.

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

The following revised standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned below against the respective standard or interpretation:

- **IFRS 9 'Financial Instruments' - effective date: July 1, 2018**

The Bank is currently awaiting instructions from the SBP as applicability of IAS 39 was deferred by the SBP till further instructions. However, the SBP has instructed banks to prepare potential qualitative and quantitative impact assessments as a result of adoption of IFRS 9 using the performa financial statements for the year ended December 31, 2017. The Bank is required to submit its impact assessment to the SBP in due course of time. For certain overseas branches, the Bank has adopted IFRS 9 in respect of provision for impairment as more fully explained in note 4.1.2.

- **IFRS 15 'Revenue from contracts with customers' - effective date: July 1, 2018**

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 'Revenue' which covers contracts for goods and services and IAS 11 'Construction Contracts' which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. A new five-step process has been introduced which must be applied before revenue can be recognised. Entities will have a choice of full retrospective application, or prospective application with additional disclosures.

The Bank is currently in the process of assessing the potential impacts of changes required in revenue recognition policies upon adoption of the standard.

- **IFRS 16 'Leases' - effective date: January 1, 2019**

IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on statement of financial position. The standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting for lessors will not significantly change.

As at the reporting date, the Bank has non-cancellable operating lease commitments. However, the Bank is currently in the process of assessing the potential impacts of changes as a result of adoption of IFRS 16.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or will not have any significant effect on the Bank's operations and are therefore not detailed in these consolidated condensed interim financial statements.

3.7 Standards, interpretations and amendments to approved accounting standards that are effective in the current year.

There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2018 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these consolidated condensed interim financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT

4.1 The accounting policies adopted in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the consolidated financial statements of the Group for the year ended December 31, 2017, except for the following:

4.1.1 Surplus on revaluation of fixed assets - net of deferred tax

The Companies Ordinance, 1984 was repealed through the enactment of the Companies Act, 2017. However, as directed by the Securities and Exchange Commission of Pakistan vide Circular No. 23 dated October 4, 2017, the financial reporting requirements of the Companies Act, 2017 were only made applicable for reporting periods starting from January 1, 2018.

Consequently, the Bank has changed its policy for accounting for a deficit arising on revaluation of fixed assets. The Bank's previous accounting policy (as described in Note 5.5.1 of the annual consolidated financial statements), in accordance with the repealed Companies Ordinance, 1984, required that a deficit arising on revaluation of a particular property was to be adjusted against the total balance in the surplus account or, if no surplus existed, was to be charged to the profit and loss account as an impairment of the asset. The Companies Act, 2017 removed the specific provisions allowing the above treatment. A deficit arising on revaluation of a particular property is now to be accounted for in accordance with IFRS, which requires that such deficit cannot be adjusted against surplus in another property, but is to be taken to the profit and loss account as an impairment.

The effect of this change in accounting policy, which is applied with retrospective effect, is as follows:

	As at December 31, 2017		
	Previously	Change	Restated
	Rupees in '000		
Impact on Statement of Financial Position			
Unappropriated profit	76,651,713	(241,585)	76,410,128
Surplus on revaluation of fixed assets / non-banking assets	33,586,216	241,585	33,827,801

There is no impact on the consolidated condensed interim profit and loss account, consolidated condensed interim statement of comprehensive income and consolidated condensed interim cash flow statement.

The impact above relates to revaluation of fixed assets carried out as at December 31, 2017. There were no material impacts relating to periods prior to December 31, 2017.

4.1.2 Impairment on financial assets

As per the accounting policy of the Bank, the provision against balances with other banks, investments, lendings to financial institutions and advances of overseas branches and subsidiaries are made as per the requirement of the respective regulatory regimes. During the current year, IFRS – 9 became applicable for certain overseas branches of the Bank (i.e. branches in UAE, Bahrain and Qatar). Accordingly, in respect of such branches, the Bank has changed its accounting policy and has followed the requirements of IFRS – 9, while determining the provisioning requirements against balances with other banks, investments, lendings to financial institutions and advances. Under this standard, provision against balances with other banks, investments, lendings to financial institutions and advances is determined under expected credit loss model. Previously, this was determined under the incurred loss model.

The adoption of this standard by certain overseas branches resulted in additional provisioning requirement of Rs. 2.496 billion (net of deferred tax amounting to Rs. 1.640 billion) as at December 31, 2017. The amount of additional provision has been adjusted in the opening retained earnings as allowed under IFRS 9 and permitted by the State Bank of Pakistan. The impacts of change in policy can be summarised as follows:

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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	As at June 30, 2018	As at January 1, 2018
	----- (Rupees in '000) -----	
Impact on Statement of Financial Position		
Balances with other banks	71,633	92,056
Investments	905,649	871,640
Lendings to financial institutions	67,721	136,486
Advances	1,160,460	1,185,661
Other liabilities (provision against off balance sheet obligations)	605,865	211,244
	<u>2,811,328</u>	<u>2,497,087</u>
Less: related deferred tax	(965,439)	(856,524)
	<u>1,845,889</u>	<u>1,640,563</u>

**For the six
months ended
June 30, 2018
(Rupees in '000)**

Impact on Profit and Loss Account

- Profit before tax would have been higher by	<u>314,241</u>
	(Rupees)
- Earnings per share would have been higher by	<u>0.17</u>

There would be no impact on the cash flow statement.

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, 2017.

5. BASIS OF MEASUREMENT

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

5.2 Judgements and estimates

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, 2017.

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	----- (Rupees in '000) -----	
6. LENDINGS TO FINANCIAL INSTITUTIONS		
Call money lendings	17,700,000	585,000
Repurchase agreement lendings	5,351,000	6,931,953
Bai Muajjal receivable from State Bank of Pakistan	-	3,109,215
Other lendings to financial institutions	21,551,817	26,100,227
	<u>44,602,817</u>	<u>36,726,395</u>
Provision against lendings to financial institutions	(913,524)	(832,475)
	<u>43,689,293</u>	<u>35,893,920</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2018**
7. INVESTMENTS
7.1 Investments by types

Note	(Un-audited) June 30, 2018			(Audited) December 31, 2017		
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
(Rupees in '000)						
Held for trading securities						
Market Treasury Bills	34,233,593	1,352,482	35,586,075	59,117,369	45,383,907	104,501,276
Pakistan Investment Bonds	2,383	-	2,383	582,376	-	582,376
Term Finance Certificates	-	-	-	10,245	-	10,245
	34,235,976	1,352,482	35,588,458	59,709,990	45,383,907	105,093,897
Available for sale securities						
Market Treasury Bills	112,956,030	62,777,127	175,733,157	108,314,347	194,204,632	302,518,979
Pakistan Investment Bonds	18,112,785	153,077,642	171,190,427	23,830,510	205,729,962	229,560,472
Government of Pakistan Sukuk	18,758,227	-	18,758,227	19,102,273	-	19,102,273
Government of Pakistan Eurobonds	18,080,529	-	18,080,529	16,768,510	-	16,768,510
Ordinary shares of listed companies	17,582,638	-	17,582,638	18,362,340	-	18,362,340
Preference shares	426,917	-	426,917	391,315	-	391,315
Ordinary shares of unlisted companies	753,431	-	753,431	258,757	-	258,757
Investment in REIT	458,590	-	458,590	441,406	-	441,406
Term Finance Certificates	691,351	-	691,351	458,590	-	458,590
Foreign bonds - sovereign	49,983,015	-	49,983,015	38,492,705	-	38,492,705
Foreign bonds - others	17,790,298	-	17,790,298	18,150,879	-	18,150,879
	255,593,811	215,854,769	471,448,580	244,571,632	399,934,594	644,506,226
Held to maturity securities						
Market Treasury Bills	7,239,581	-	7,239,581	7,363,088	-	7,363,088
Pakistan Investment Bonds	279,305,401	-	279,305,401	311,766,517	-	311,766,517
Government of Pakistan Eurobonds	6,578,979	-	6,578,979	6,564,140	-	6,564,140
Government of Pakistan Sukuk	1,223,512	-	1,223,512	221,823	-	221,823
Term Finance Certificates	6,258,197	-	6,258,197	6,626,766	-	6,626,766
Sukuks	12,053,833	-	12,053,833	10,512,247	-	10,512,247
Participation Term Certificates	437	-	437	437	-	437
Debentures	2,266	-	2,266	2,266	-	2,266
Foreign bonds - sovereign	18,518,146	-	18,518,146	15,208,115	-	15,208,115
Foreign bonds - others	5,387,133	-	5,387,133	6,098,955	-	6,098,955
Recovery note	374,491	-	374,491	340,333	-	340,333
CDC SAARC Fund	264	-	264	240	-	240
Commercial Paper	227,224	-	227,224	227,224	-	227,224
	337,169,464	-	337,169,464	364,932,151	-	364,932,151
Associates						
United Growth and Income Fund	-	-	-	264,763	-	264,763
UBL Liquidity Plus Fund	702,201	-	702,201	93,371	-	93,371
UBL Money Market Fund	648,252	-	648,252	11,455	-	11,455
UBL Government Securities Fund	-	-	-	265,325	-	265,325
UBL Stock Advantage Fund	255,653	-	255,653	210,149	-	210,149
UBL Financial Planning Fund	-	-	-	37,036	-	37,036
UBL Financial Sector Fund	135,179	-	135,179	-	-	-
Al Ameen Islamic Cash Fund	-	-	-	367	-	367
Al Ameen Islamic Sovereign Fund	-	-	-	382	-	382
Al Ameen Shariah Stock Fund	-	-	-	320,894	-	320,894
Al Ameen Islamic Asset Allocation Fund	220,681	-	220,681	216,916	-	216,916
Al Ameen Islamic Financial Planning Fund	203,910	-	203,910	316,142	-	316,142
Al Ameen Islamic Financial Planning Fund II	-	-	-	45,123	-	45,123
UBL Insurers Limited	373,716	-	373,716	345,097	-	345,097
Khushhali Bank Limited	7.3 2,232,875	-	2,232,875	2,046,922	-	2,046,922
Oman United Exchange Company, Muscat	67,373	-	67,373	69,702	-	69,702
DHA Cogen Limited	7.2 -	-	-	-	-	-
	4,839,840	-	4,839,840	4,243,644	-	4,243,644
	631,839,091	217,207,251	849,046,342	673,457,417	445,318,501	1,118,775,918
Provision for diminution in value of investments	7.4 (4,776,825)	-	(4,776,825)	(3,149,523)	-	(3,149,523)
Investments - net of provisions	627,062,266	217,207,251	844,269,517	670,307,894	445,318,501	1,115,626,395
(Deficit) / surplus on revaluation of available for sale securities	(1,552,454)	(2,603,257)	(4,155,711)	3,311,811	5,980,887	9,292,698
(Deficit) / surplus on revaluation of held for trading securities	(1,241)	(49)	(1,290)	34	2,173	2,207
Total Investments	625,508,571	214,603,945	840,112,516	673,619,739	451,301,561	1,124,921,300

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.

7.3 This represents the Bank's subscription towards the paid-up capital of Khushhali Bank Limited. Pursuant to section 10 of the Khushhali Bank Ordinance, 2000 strategic investors including the Bank cannot sell or transfer their investment before a period of five years that has expired on October 10, 2005. Thereafter, such sale / transfer would be subject to the prior approval of the SBP. However these shares are still appearing as frozen as no approval has been obtained by the Bank to unfreeze these shares.

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7.4 This includes provision for impairment on account of adoption of IFRS 9, as more fully explained in note 4.1.2.

	Note	(Un-audited) June 30, 2018	(Audited) December 31, 2017
----- (Rupees in '000) -----			
8. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		494,582,521	413,891,656
Outside Pakistan		174,440,442	177,904,909
		<u>669,022,963</u>	<u>591,796,565</u>
Islamic financings and related assets	23.3	21,528,821	22,200,806
Bills discounted and purchased			
Payable in Pakistan		20,987,019	21,115,250
Payable outside Pakistan		55,141,468	51,126,252
		<u>76,128,487</u>	<u>72,241,502</u>
Advances - gross		<u>766,680,271</u>	<u>686,238,873</u>
Provision against advances			
Specific	8.1	(46,222,094)	(40,225,684)
General	8.2	(4,693,677)	(3,506,469)
Advances - net of provision		<u>715,764,500</u>	<u>642,506,720</u>

8.1 Advances include Rs. 58,088.219 million (December 31, 2017: Rs. 52,907.648 million) which have been placed under non-performing status as detailed below:

Category of Classification	June 30, 2018 (Un-audited)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
----- (Rupees in '000) -----									
Other Assets Especially									
Mentioned *	90,306	-	90,306	4,432	-	4,432	4,432	-	4,432
Substandard	2,241,603	2,223,350	4,464,953	553,902	513,758	1,067,660	553,902	513,758	1,067,660
Doubtful	575,142	3,360,833	3,935,975	285,593	1,542,322	1,827,915	285,593	1,542,322	1,827,915
Loss	24,862,588	24,734,397	49,596,985	23,822,285	19,499,802	43,322,087	23,822,285	19,499,802	43,322,087
	<u>27,769,639</u>	<u>30,318,580</u>	<u>58,088,219</u>	<u>24,666,212</u>	<u>21,555,882</u>	<u>46,222,094</u>	<u>24,666,212</u>	<u>21,555,882</u>	<u>46,222,094</u>
Category of Classification	December 31, 2017 (Audited)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
----- (Rupees in '000) -----									
Other Assets Especially									
Mentioned *	81,653	-	81,653	2,012	-	2,012	2,012	-	2,012
Substandard	1,062,286	4,417,061	5,479,347	258,707	942,062	1,200,769	258,707	942,062	1,200,769
Doubtful	1,452,224	6,910,333	8,362,557	783,804	2,475,262	3,259,066	783,804	2,475,262	3,259,066
Loss	25,596,353	13,387,738	38,984,091	24,512,775	11,251,062	35,763,837	24,512,775	11,251,062	35,763,837
	<u>28,192,516</u>	<u>24,715,132</u>	<u>52,907,648</u>	<u>25,557,298</u>	<u>14,668,386</u>	<u>40,225,684</u>	<u>25,557,298</u>	<u>14,668,386</u>	<u>40,225,684</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. 275.974 million (December 31, 2017: Rs. 247.323 million) against consumer finance portfolio as required by the Prudential Regulations issued by the SBP and Rs. 4,359.818 million (December 31, 2017: Rs. 2,881.358 million) pertaining to overseas advances to meet the requirements of the regulatory authorities of the respective countries in which the overseas branches and subsidiaries operate and on account of adoption of IFRS 9, as more fully explained in note 4.1.2. General provision also includes Rs. nil (December 31, 2017: Rs. 328.700 million) which is based on regulatory instructions. Further, the Bank carries provision of Rs. 57.885 million (December 31, 2017: Rs. 49.088 million) as a matter of prudence based on management estimates.

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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. 22.020 million (December 31, 2017: Rs. 24.540 million). The FSV benefit availed is not available for the distribution of cash or stock dividend to shareholders.

Note	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	----- (Rupees in '000) -----	

9. OPERATING FIXED ASSETS

Capital work-in-progress	2,034,702	4,467,036
Property and equipment	48,600,141	44,820,475
Intangible assets	1,471,585	1,096,566
9.1	<u>52,106,428</u>	<u>50,384,077</u>

9.1 Additions and disposals during the period amounted to Rs. 2,859.597 million (June 30, 2017: Rs.3,803.636 million) and Rs. 347.888 million (June 30, 2017: Rs. 131.131 million), respectively.

(Un-audited) June 30, 2018	(Audited) December 31, 2017
----- (Rupees in '000) -----	

10. BORROWINGS

Secured

Borrowings from the State Bank of Pakistan

Export refinance scheme	17,496,702	19,375,930
Refinance facility for modernization of SME	5,600	10,250
Long term financing facility	21,208,295	17,312,481

Repurchase agreement borrowings

Bai Muajjal payable to other financial institutions	38,710,597	36,698,661
	179,807,695	453,224,580
	34,936,846	-

253,455,138 489,923,241

Unsecured

Call borrowings	11,196,790	10,167,645
Overdrawn nostro accounts	597,108	577,014
Trading liabilities	4,271,645	-
Other borrowings	30,422,517	16,414,259

46,488,060 27,158,918

299,943,198 517,082,159

11. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	328,197,467	367,785,188
Savings deposits	412,160,280	388,150,655
Sundry deposits	39,619,532	29,508,244
Margin deposits	8,598,470	5,552,140
Current accounts - remunerative	6,981,918	6,014,299
Current accounts - non-remunerative	543,183,092	491,259,317

1,338,740,759 1,288,269,843

Financial Institutions

Remunerative deposits	35,087,789	57,065,974
Non-remunerative deposits	22,008,097	20,822,097

57,095,886 77,888,071

1,395,836,645 1,366,157,914

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FOR THE SIX MONTHS ENDED JUNE 30, 2018**

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
Note	----- (Rupees in '000) -----	
12. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX		Restated
Surplus / (deficit) arising on revaluation of assets - net of tax:		
Fixed assets / non-banking assets		
- Group's share	27,281,282	27,249,117
- Non-controlling interest	1,028,196	958,856
12.1	28,309,478	28,207,973
Available for sale securities		
- Group's share	(2,278,628)	5,896,699
- Non-controlling interest	(529,352)	(277,531)
12.2	(2,807,980)	5,619,168
(Deficit) / surplus arising on revaluation of assets of associates	(274)	660
	<u>25,501,224</u>	<u>33,827,801</u>
12.1 Surplus on revaluation of fixed assets / non-banking assets		
Surplus on revaluation of fixed assets / non-banking assets as at January 1	29,417,952	22,502,554
Transferred to retained earnings consequent to the change in accounting policy - refer note 4.1.1	-	241,585
Surplus on revaluation of fixed assets / non-banking assets as at January 1	29,417,952	22,744,139
Revaluation of fixed assets / non-banking assets during the period / year	-	6,399,394
Exchange adjustments	188,092	353,662
Reversal on disposal of non-banking asset	(38,875)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	-	(52,015)
Related deferred tax liability on incremental depreciation charged during the period / year	(29,007)	(27,228)
	(15,201)	(27,228)
	105,009	6,673,813
	29,522,961	29,417,952
Less: Related deferred tax liability on:		
Revaluation as at January 1	1,209,979	960,433
Revaluation of fixed assets / non-banking assets during the period / year	-	216,535
Exchange adjustments	32,311	60,239
Reversal on disposal of non-banking assets	(13,606)	-
Incremental depreciation charged during the period / year	(15,201)	(27,228)
	1,213,483	1,209,979
	<u>28,309,478</u>	<u>28,207,973</u>
	(Un-audited)	(Audited)
	June 30,	December 31,
	2018	2017
	----- (Rupees in '000) -----	
12.2 Surplus / (deficit) on revaluation of available for sale securities		
Market Treasury Bills	(5,799)	(3,034)
Pakistan Investment Bonds	(2,878,539)	6,285,489
Listed shares	2,511,511	1,780,430
REIT Investment	79,211	-
Term Finance Certificates, Sukuks, other bonds etc.	(140,240)	28,475
Foreign bonds	(3,698,103)	1,201,338
	(4,131,959)	9,292,698
Related deferred tax	1,323,979	(3,673,530)
	<u>(2,807,980)</u>	<u>5,619,168</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

13. CONTINGENCIES AND COMMITMENTS

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	------(Rupees in '000)-----	
13.1 Direct credit substitutes		
Contingent liabilities in respect of guarantees given favouring:		
Government	19,715,755	15,500,693
Banking companies and other financial institutions	1,255,093	1,064,067
Others	5,499,576	5,425,848
	<u>26,470,424</u>	<u>21,990,608</u>
13.2 Transaction-related contingent liabilities		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring:		
Government	105,007,174	128,096,424
Banking companies and other financial institutions	7,217,265	8,408,147
Others	50,821,353	57,090,192
	<u>163,045,792</u>	<u>193,594,763</u>
13.3 Trade-related contingent liabilities		
Contingent liabilities in respect of letters of credit opened favouring:		
Government	74,579,065	74,060,985
Banking companies and other financial institutions	10,710,204	8,732,484
Others	141,497,128	112,409,643
	<u>226,786,397</u>	<u>195,203,112</u>
13.4 Other contingencies		
13.4.1 Claims against the Group not acknowledged as debts	<u>12,180,993</u>	<u>12,918,162</u>

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. 1,458 million) and USD 13 million (Rs. 1,579 million) in favour of Ministry of Oil and Minerals, Yemen (MOM) against the counter SBLCs of a foreign bank. In March 2015, the counter party to the underlying performance agreement notified MOM of suspension of the SBLCs due to force majeure. In September 2015, MOM filed a law suit against UBL at the Preliminary Commercial Court in Sana'a, Yemen claiming payment of both SBLCs for the total sum of USD 25 million (Rs. 3,037 million).

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During 2016, no major debate was held as all hearings of the commercial case were adjourned to subsequent dates, due to either non-appearance of legal counsel of MOM or non-submission of responses by MOM, as required by legal counsel of UBL. As per provisions of Yemeni procedural law, if 60 days lapse from the last hearing without the case being reinitiated/ followed up by the plaintiff, the case shall be considered as if not filed and all procedures have to be re-initiated afresh. In light of the foregoing provision of law, and non-follow up by MOM for over 60 days, UBL counsel submitted a motion to dismiss the case. On September 25, 2017 the Honourable judge presiding over the commercial case filed by MOM against UBL in Yemen accepted UBL's motion to drop the case. In light of the foregoing, the case filed by MOM against UBL in Yemen stands dismissed. Although the case against UBL Yemen has been dismissed by the Honourable judge, the said dismissal is on the basis of a procedural lapse by MOM in pursuing the case, and not on the actual merits. Hence MOM can reinitiate the case against UBL afresh.

The ICC Award has also been announced whereby ICC has accepted the request of counter party to declare Force Majeure as per the terms of the Production Sharing Agreement (PSA) between Reliance and MOM. In terms of the ICC Award, the PSA stands cancelled.

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 Group.

13.4.5 United Bank Limited and its New York Branch (NY Branch) have entered into a written agreement (WA 2018) with the Federal Reserve Bank of New York (FRBNY) effective 2 July 2018 upon termination of the earlier written agreement entered into on 28 October 2013 (WA 2013). This agreement was entered based on the findings of FRBNY in their most recent examination of NY Branch.

The WA 2018 directs UBL to take measures to strengthen the risk management and compliance function, corporate governance and oversight, compliance with Bank Secrecy Act (BSA) / Anti Money Laundering (AML) compliance, Customer Due Diligence and Suspicious Activity Monitoring and Reporting Program within the stipulated timelines. Bank is undertaking all steps to further strengthen its Compliance Framework to fully comply with the WA 2018. While the Bank seeks to comply with all the requirements, and at this stage there is no indication of any financial impact, it is not possible to ascertain the eventual outcome of these matters.

13.4.6 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 For contingencies relating to taxation refer note 18.

13.6 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, 2018	(Audited) December 31, 2017
	----- (Rupees in '000) -----	
13.7 Commitments in respect of forward foreign exchange contracts		
Purchase	<u>288,447,405</u>	<u>242,093,757</u>
Sale	<u>241,692,999</u>	<u>213,172,200</u>
13.8 Commitments in respect of derivatives		
Interest rate swaps	<u>2,927,752</u>	<u>4,358,641</u>
FX options - purchased	<u>109,750</u>	<u>83,368</u>
FX options - sold	<u>109,750</u>	<u>83,368</u>
Forward purchase of Government securities	<u>1,053,275</u>	<u>7,870,890</u>
Forward sale of Government securities	<u>-</u>	<u>1,478</u>
13.9 Commitments in respect of capital expenditure	<u>1,977,773</u>	<u>1,987,978</u>

13.10 UBL Bank (Tanzania) Limited (UBTL) is a wholly owned subsidiary of UBL (the Bank). The operating losses of UBTL in the last two years along with the adverse exchange movement in Tanzanian Shilling against Pak Rupee has resulted in a significant decline in net assets value of the subsidiary. Its capital is below the regulatory requirement. Management of UBTL has requested the Bank to inject additional capital and the Bank has approved capital injection of USD 9.4 million (Rs. 1,142.074 million). The Bank, after obtaining regulatory approval process for transfer of funds for capital injection, has injected USD 4.4 million (Rs. 508.992 million) in the current period. UBTL, is in process of obtaining approvals from its central bank for allowing it to increase authorized capital by USD 4.4 million.

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As at December 31, 2017, the Bank has also provided a comfort letter to the management of UBTL confirming its financial and operational support. Management expects UBTL to continue to operate as a going concern.

(Un-audited).....	
	January - June 2018	January - June 2017
	----- (Rupees in '000) -----	
14. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to customers	20,827,184	16,292,061
On lendings to financial institutions		
Call money lendings	165,566	99,392
Repurchase agreement lendings	286,940	217,083
Other lendings to financial institutions	810,249	826,445
	1,262,755	1,142,920
On investments in		
Held for trading securities	1,628,673	688,138
Available for sale securities	17,195,153	17,965,206
Held to maturity securities	14,907,179	15,124,656
	33,731,005	33,778,000
On deposits with financial institutions	337,198	92,626
	56,158,142	51,305,607
15. MARK-UP / RETURN / INTEREST EXPENSED		
On deposits	17,294,256	15,988,339
On securities sold under repurchase agreements	7,949,034	5,254,604
On other short term borrowings	1,605,696	1,014,167
On long term borrowings	246,637	230,403
	27,095,623	22,487,513
16. ADMINISTRATIVE EXPENSES		
Salaries, allowances etc.	7,752,381	7,111,634
Charge for compensated absences	64,120	149,359
Medical expenses	389,889	357,490
Contribution to defined contribution plan	237,451	185,757
Charge in respect of defined benefit obligations	208,904	186,639
Rent, taxes, insurance, electricity etc.	2,395,830	2,330,531
Depreciation on operating fixed assets	1,182,446	1,047,670
Depreciation on Islamic financing against leased assets (Ijarah)	96,272	97,272
Amortization	253,870	195,074
Outsourced service charges including sales commission	2,335,273	2,440,018
Communications	797,890	641,638
Banking service charges	833,612	598,476
Cash transportation charges	518,060	356,111
Stationery and printing	370,428	323,678
Legal and professional charges	443,080	335,116
Advertisement and publicity	383,843	490,544
Repairs and maintenance	958,079	880,193
Travelling	132,265	157,937
Office running expenses	230,264	282,186
Vehicle expenses	95,460	90,713
Entertainment	95,100	119,493
Cartage, freight and conveyance	40,817	48,749
Insurance expense	68,119	66,726
Auditors' remuneration	58,859	52,515
Training and seminars	64,688	73,211
Brokerage expenses	8,578	14,995
Subscriptions	96,813	76,793
Donations	3,768	750
Non-executive Directors' fees	37,149	20,981
Zakat paid by overseas branch	33,755	49,461
Miscellaneous expenses	75,575	69,109
	20,262,638	18,850,819

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17. EXTRA ORDINARY / UNUSUAL ITEM - (PENSION COST)

The extraordinary charge of Rs. 8.4 Billion represents the estimated amount of the cost of pension payable as per Honorable Supreme Court's Order increasing the minimum pension to Rs. 8,000 per month subject to 5% annual increase from January 1, 2019. Estimate is based on on-going life verification of both pensioners and retrenched employees. The estimate is also based on the payment of pension without taking effect of commutation. The Bank has sought clarification from the Honorable Supreme Court on the effect of commutation in calculation of minimum pension and the treatment of ex-employees who were separated under the Golden Handshake Scheme described as Retrenchment Scheme of 1997. The amount will be adjusted based on the guidance received from the Honorable Supreme Court.

18. TAXATION

18.1 The Income Tax returns of the Bank have been filed up to the tax year 2017 (accounting year ended December 31, 2016) 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 2017, and created additional tax demands (including disallowances of provisions made prior to Seventh Schedule) of Rs.12,608 million (December 31, 2017: Rs.12,928 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 favour of the Bank.

The tax returns for Azad Kashmir (AK) and Gilgit Baltistan (GB) Branches have been filed upto the tax year 2017 (financial year 2016) 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. 920 million (December 31, 2017: Rs. 919 million). The Bank has filed appeals against all such demands and is confident that these would be decided in the favour of the Bank.

The tax returns for UAE, Yemen and Qatar branches have been filed upto the year ended December 31, 2017 and for USA branch upto the year ended December 31, 2016 under the provisions of the laws prevailing in the respective countries, and are deemed as assessed unless opened for reassessment.

For UBL UK, UBTL, UBL FM and UET income tax returns have been filed up to the accounting year ended December 31, 2016 and for USAG these 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, UBTL and USAG till the accounting year 2016, 2015 and 2014 respectively. There are no material tax contingencies in any of the subsidiaries.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

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

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

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19.2 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.

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

Debt Securities

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

Derivatives

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

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

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

20. RISK MANAGEMENT

The SBP has introduced two liquidity standards through its guidelines on Basel III: Liquidity Standards. These are the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The objective of LCR is to ensure that Banks have an adequate stock of unencumbered high quality liquid assets (HQLA) to survive a significant stress scenario. The objective of NSFR is to reduce funding risk over a longer time horizon by requiring Banks to fund their activities with sufficiently stable sources of funding on an ongoing basis.

	(Unaudited) June 30, 2018	(Unaudited) March 31, 2018	(Audited) December 31, 2017
----- Total Adjusted Value ----- ----- (Rupees in '000) -----			
20.1 Liquidity Coverage Ratio			
Total HQLA	391,016,572	395,007,330	414,579,250
Total Net Cash Outflows	219,245,849	230,129,186	255,636,947
Liquidity Coverage Ratio (%)	<u>178.35%</u>	<u>171.65%</u>	<u>162.18%</u>
Minimum Requirement (%)	<u>90.00%</u>	<u>90.00%</u>	<u>90.00%</u>
		(Unaudited) June 30, 2018	(Audited) December 31, 2017
----- Total Weighted Value ----- ----- (Rupees in '000) -----			
20.2 Net Stable Funding Ratio			
Total Available Stable Funding (ASF)		1,528,770,648	1,128,634,708
Total Required Stable Funding (RSF)		1,132,557,955	1,086,955,065
Net Stable Funding Ratio (%)		<u>134.98%</u>	<u>103.83%</u>
Minimum Requirement (%)		<u>100.00%</u>	<u>100.00%</u>

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21. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

For the six months ended June 30, 2018 (Un-audited)							
Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment elimination	
(Rupees in '000)							
Total income	444,287	15,412,507	19,183,941	7,363,893	553,438	1,567,408	-
Total expenses	(66,643)	(1,215,739)	(16,452,306)	(6,496,897)	(299,848)	(9,172,279)	-
Profit / (loss) before tax	377,644	14,196,768	2,731,635	866,996	253,590	(7,604,871)	-
Segment return on assets (ROA)	135.6%	1.2%	0.2%	0.2%	21.3%	-	-
Segment cost of funds	1.0%	5.2%	2.4%	4.3%	-	-	-

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 / (loss) 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%	-	-	-

As at June 30, 2018 (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)	518,635	903,747,358	1,115,475,534	698,602,657	2,120,261	154,569,820	(907,823,579)
Segment non performing loans (NPLs)	-	826,845	7,888,472	49,322,801	-	50,101	-
Segment provision held against NPLs	-	800,021	7,139,739	38,256,237	-	26,097	-
Segment liabilities	288,274	853,931,642	1,149,475,473	642,839,805	558,863	14,757,069	(907,823,579)

As at December 31, 2017 (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)	1,349,731	1,230,568,302	1,244,901,502	625,655,607	1,591,685	135,167,850	(1,093,648,494)
Segment non performing loans (NPLs)	674,163	1,003,160	10,312,357	40,851,377	-	66,591	-
Segment provision held against NPLs	515,863	1,002,844	8,425,423	30,249,465	-	32,089	-
Segment liabilities	222,650	1,171,670,458	1,266,885,379	574,811,057	182,495	10,743,193	(1,093,648,494)

Segment assets and liabilities include inter segment balances.

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

22. 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:

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	As at June 30, 2018 (Un-audited)				As at December 31, 2017 (Audited)			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
------(Rupees in '000)-----								
Investments								
Opening balance	-	-	4,243,644	3,895,328	-	-	7,977,617	3,895,328
Investment made during the period / year	-	-	3,746,873	-	-	-	1,365,953	-
Investment redeemed / disposed off during the period / year	-	-	(3,272,986)	-	-	-	(5,399,374)	-
Equity method adjustments	-	-	272,309	-	-	-	299,448	-
Closing balance	-	-	4,989,840	3,895,328	-	-	4,243,644	3,895,328
Provision for diminution in value of investments	-	-	-	98,414	-	-	-	98,414
Advances								
Opening balance	5,303	205,368	2,155,149	2,626,106	2,339	367,645	2,155,149	16,907,691
Addition during the period / year	4,501	119,407	-	851,143	11,574	149,324	-	65,331,493
Repaid during the period / year	(9,118)	(74,609)	-	(974)	(8,610)	(296,736)	-	(79,612,942)
Transfer out - net	-	(76,307)	-	(23)	-	(14,865)	-	(136)
Closing balance	686	173,859	2,155,149	3,476,252	5,303	205,368	2,155,149	2,626,106
Provision held against advances	-	-	2,155,149	-	-	-	2,155,149	-
Other Assets								
Interest mark-up accrued	-	-	-	55,106	26	8	-	82,071
Receivable from staff retirement funds	-	-	-	804,216	-	-	-	632,808
Prepaid insurance	-	-	121,330	-	-	-	13,201	-
Remuneration receivable from management of funds	-	-	84,983	-	-	-	85,289	-
Sales load receivable	-	-	13,703	-	-	-	26,527	-
Formation cost receivable	-	-	4,317	-	-	-	5,286	-
Other receivable	-	-	67,298	30,164	-	-	46,736	30,164
Provision against other assets	-	-	-	30,164	-	-	-	30,164
Borrowings								
Opening balance	-	-	474,532	-	-	-	-	167,100
Borrowings during the period / year	-	-	2,364,689	43,200	-	-	474,532	512,650
Settled during the period / year	-	-	(2,839,221)	-	-	-	-	(679,750)
Closing balance	-	-	-	43,200	-	-	474,532	-
Deposits and other accounts								
Opening balance	5,700,563	66,247	7,426,100	3,072,390	7,714,425	241,070	8,882,657	2,196,112
Received during the period / year	38,150,987	1,037,705	85,489,192	84,104,672	30,436,836	1,716,576	260,733,762	176,336,654
Withdrawn during the period / year	(40,026,385)	(928,253)	(81,727,033)	(84,882,771)	(32,458,694)	(1,772,424)	(255,237,324)	(174,752,255)
Transfer in / (out) - net	-	(36,369)	-	(931)	7,996	(118,975)	(6,952,995)	(708,121)
Closing balance	3,825,165	139,330	11,188,259	2,293,360	5,700,563	66,247	7,426,100	3,072,390
Other Liabilities								
Interest / mark-up payable on deposits and borrowings	6,375	53	28,398	18,435	40,412	47	42,810	27,740
Payable to staff retirement fund	-	-	-	8,443,302	-	-	-	44,538
Unearned income	-	-	-	4,585	-	-	-	11,462
Contingencies and Commitments								
Letter of guarantee	-	-	15,210	-	-	-	24,884	-
------(Rupees in '000)-----								
	For the six months ended June 30, 2018 (Un-audited)				For the six months ended June 30, 2017 (Un-audited)			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
Mark-up / return / interest earned	-	5,974	3,646	55,109	21	4,057	9,846	268,968
Commission / charges recovered	60	314	82,534	6,842	424	134	25,891	13,169
Dividend income	-	-	26,833	362,457	-	-	156,874	386,695
Net gain on sale of securities	-	-	72,350	-	-	-	217,153	-
Remuneration from management of funds	-	-	449,979	-	-	-	496,414	-
Sales load	-	-	65,674	-	-	-	100,702	-
Other income	-	-	7,228	6,879	-	-	8,055	6,254
Mark-up / return / interest expense	108,871	1,593	245,139	58,704	58,704	1,542	197,031	18,534
Remuneration paid	-	837,872	-	-	-	994,732	-	-
Post employment benefits	-	21,526	-	-	-	39,520	-	-
Non-executive directors' fee	37,149	-	-	-	20,981	-	-	-
Net charge for defined contribution plans	-	-	-	237,451	-	-	-	185,757
Net charge / (reversal) for defined benefit plans	-	-	-	8,481,528	-	-	-	62,737
Other expenses	-	-	-	61,879	-	-	7,990	64,178
Insurance premium paid	-	-	308,097	-	-	-	397,134	-
Insurance claims settled	-	-	96,635	-	-	-	50,742	-

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23. ISLAMIC BANKING BUSINESS

23.1 The Bank operates 93 (December 31, 2017: 93) Islamic Banking branches and 156 (December 31, 2017: 156) 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, 2018	(Audited) December 31, 2017
----- (Rupees in '000) -----			
ASSETS			
Cash and balances with treasury banks		6,462,822	5,428,040
Balances with other banks		6,666,953	6,551,518
Due from financial institutions		17,700,000	3,694,215
Investments		26,770,063	25,401,968
Islamic financing and related assets	23.3	21,435,439	22,110,626
Operating fixed assets		331,072	299,950
Other assets		486,779	421,843
Total Assets		79,853,128	63,908,160
LIABILITIES			
Bills payable		374,637	400,973
Due to financial institutions		125,000	1,500,000
Deposits and other accounts			
Current accounts - non remunerative		30,076,823	25,163,438
Current accounts - remunerative		1,106,979	1,293,692
Saving accounts		12,578,721	11,839,659
Term deposits		8,911,270	982,345
Deposits from financial institutions - remunerative		22,596,538	20,462,360
Deposits from financial institutions - non remunerative		36,422	34,505
		75,306,753	59,775,999
Due to Head Office		1,732,266	61,035
Other liabilities		347,792	327,658
		77,886,448	62,065,665
NET ASSETS		1,966,680	1,842,495
REPRESENTED BY			
Islamic Banking Fund		2,181,000	2,181,000
Accumulated losses		(73,150)	(362,502)
		2,107,850	1,818,498
(Deficit) / surplus on revaluation of assets		(141,170)	23,997
		1,966,680	1,842,495

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

23.2 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 2018	January-June 2017
	----- (Rupees in '000) -----	
Return earned	1,918,137	1,262,821
Return expensed	(926,903)	(808,513)
	<u>991,234</u>	<u>454,308</u>
Provision against loans and advances - net	(3,202)	(1,161)
Net return after provisions	<u>988,032</u>	<u>453,147</u>
Other Income		
Fee, commission and brokerage income	68,162	44,459
Gain / (loss) from dealing in foreign currencies	219	(359)
Loss on sale of securities - net	-	(438)
Other income	11,760	7,830
Total other income	<u>80,141</u>	<u>51,492</u>
	1,068,173	504,639
Other Expenses		
Administrative expenses	(776,014)	(430,278)
Other provisions - net	(2,807)	(1)
Total other expenses	<u>(778,821)</u>	<u>(430,279)</u>
Net profit for the period	289,352	74,360
Accumulated losses brought forward	(362,502)	(609,289)
Accumulated losses carried forward	<u>(73,150)</u>	<u>(534,929)</u>
Remuneration to Shariah Board and Advisor	<u>3,724</u>	<u>3,386</u>
	(Un-audited)	(Audited)
	June 30,	December 31,
	2018	2017
	----- (Rupees in '000) -----	
23.3 Islamic financing and related assets		
Financings		
Murabaha	643,620	720,017
Musharaka running finance	-	15,000,000
Ijarah	386,934	490,963
Islamic Export Refinance scheme - Murabaha	126,849	-
Diminishing Musharaka	18,874,225	4,358,154
	<u>20,031,628</u>	<u>20,569,134</u>
Advances		
Advances against Ijarah	126,576	53,539
Advances for Diminishing Musharaka	885,170	1,255,734
Advances for Murabaha	64,460	88,165
	<u>1,076,206</u>	<u>1,397,438</u>
Profit and other receivables against financings and advances	420,987	234,234
Gross Islamic financing and related assets	<u>21,528,821</u>	<u>22,200,806</u>
Provision against financings and advances	(93,382)	(90,180)
	<u>21,435,439</u>	<u>22,110,626</u>
23.4 Charity Fund		
Opening Balance	121	648
Addition during the period / year	1,256	793
Payments during the period / year	-	(1,320)
Closing Balance	<u>1,377</u>	<u>121</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

24. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on August 02, 2018 has declared an interim cash dividend in respect of the quarter ended June 30, 2018 of Rs. 3.0 per share (June 30, 2017: Rs. 3.0 per share). The consolidated condensed interim financial statements for the six months ended June 30, 2018 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

25. DATE OF AUTHORIZATION

These consolidated condensed interim financial statements were authorised for issue on August 02, 2018 by the Board of Directors of the Bank.

26. GENERAL

26.1 Comparatives

Comparative information has been reclassified, rearranged or additionally incorporated in these consolidated condensed interim financial statements for the purposes of better presentation.

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

Aameer Karachiwalla
Chief Financial Officer

Sima Kamil
President &
Chief Executive Officer

Amar Zafar Khan
Director

Arshad Ahmad Mir
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Chairman