

United Bank Limited

UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2018
(UNAUDITED)



UNITED BANK LIMITED

DIRECTORS' REPORT TO THE MEMBERS



On behalf of the Board of Directors, I am pleased to present the financial statements of United Bank Limited (UBL) for the quarter ended March 31, 2018.

Performance Overview

UBL recorded strong balance sheet growth during the first quarter of 2018, with the average asset base expanding by 26% (Q1'18 vs. Q1'17). The growth was driven mainly by 19% year on year growth in average current deposits. Active mobilization of New to Bank (NTB) current account relationships continued with the addition of 149K NTB current accounts in Q1'18 (Q1'17: 116K). As a result, the domestic current to total deposits ratio improved from 42% in Mar'17 to 44.8% in Mar'18.

Gross revenues grew by 6% to close at Rs. 21.16 billion in Q1'18. Net Interest income stood at Rs. 13.85 billion during Q1'18, 1% higher than Q1'17. Non-funded income was recorded at Rs. 7.31 billion, a growth of 16% over Q1'17 backed by healthy revenue growth across major fee based products, pickup in FX revenues and realization of capital gains on the bond portfolio.

Administrative expenses remained well-managed with only 2% growth over the previous year. The cost to income ratio improved from 42.6% in Q1'17 to 40.9% in Q1'18.

Provisions amounting to Rs. 1.9 billion were taken during Q1'18 (Q1'17: Rs. 80 million), mainly within the International business to build buffer against higher portfolio infection. The asset quality was reported at 7.9%, at the same levels as Dec'17.

Unconsolidated profit before tax (PBT) stood at Rs. 4.07 billion for the quarter ended 31 March 2018 (Q1'17: Rs. 11.16 billion). Q1'18 profitability was impacted by a one-off provision of Rs. 6.40 billion with respect to past service pension benefits (detailed disclosure in note 17 to the financial statements). Excluding the impact of this one-off pension charge, the normalized PBT was recorded at Rs. 10.47 billion during Q1'18.

Financial Highlights

UBL posted profit after tax (PAT) amounting to Rs. 2.65 billion in Q1'18 (Q1'17: Rs. 7.26 billion). Earnings per share (EPS) were reported at Rs. 2.16 compared to Rs. 5.93 for Q1'17. On a consolidated basis, UBL recorded PAT of Rs. 2.76 billion (Q1'17: Rs. 7.58 billion).

Net Markup Income

Net markup income closed Q1'18 at Rs. 13.85 billion, largely in line with Q1'17. Active balance sheet buildup helped sustain core interest earnings despite a low interest rate environment, as the bank's average asset base grew from Rs. 1.54 trillion in Q1'17 to Rs. 1.91 trillion in Q1'18.

Overall, average deposits grew by 8% year on year to Rs. 1.2 trillion during Q1'18. The growth was primarily funded through a 19% year on year increase in average domestic current deposits. Our focus remains on optimizing the deposits profile by aggressively tapping NTB current accounts and shedding expensive deposits. Consequently, average current deposits reached Rs. 428 billion during Q1'18 and current to total deposits increased from 42% at Mar'17 to around 45% at Mar'18. Furthermore, domestic cost of deposits reduced from 2.77% in Q1'17 to 2.58% in Q1'18.

Average performing advances grew by 25% over Q1'17 led by the Corporate Banking Group that delivered a 35% growth in the average loan portfolio. Strong growth momentum was also witnessed in the SME segment, with a 32% year on year expansion in the average book size. Aggressive autos acquisition led to the Consumer loan book growing by 29%, on average, to nearly Rs. 12 billion during the first quarter.

Despite profit taking on PIBs during the current quarter, our PIBs portfolio stood at over Rs. 500 billion during Q1'18 yielding a return of 8.6%, thereby supporting overall margins.

Non-Markup Income

Non-markup income grew by 16% on a year on year basis to end Q1'18 at Rs. 7.31 billion, a strong contribution of over 34% to the Bank's overall revenues. Revenue streams are driven by a diversified fee based product offering as well as pro-active trading strategy of the Bank's Treasury and Capital Markets division.

Fee and commission revenues stood at Rs. 2.95 billion in Q1'18, a 6% growth over Q1'17. However, in line with our strong NTB acquisition focus, domestic fees were up 21% in Q1'2018 vs Q1'2017, with all major lines maintaining the growth momentum. With over 30% market share, we maintained our leadership in the home remittance space as commissions witnessed a significant 27% growth compared to Q1'17. Commissions from ATM / Debit cards also registered an increase of 34% over the corresponding quarter last year, with 184K new cards issued in Q1'18 against 154K new cards issued during Q1'17. Furthermore, the Bank brought forth its positive momentum in Bancassurance into 2018, growing revenues by 4% on a year on year basis to reach Rs. 277 million. Cash management commissions grew by 20% over the

previous year, as the Bank actively tapped new mandates in addition to deepening relationships with the existing clientele.

The Bank realized capital gains amounting to Rs. 3.07 billion (Q1'17: Rs. 2.34 billion), primarily on the fixed income bonds portfolio. Dividend income closed the quarter at Rs. 0.6 billion, up 3% from Q1'17 supported by sustained payouts from investments in the energy and power sectors. Foreign exchange income was recorded at Rs. 0.54 billion during Q1'18, an increase of 28% over Q1'17. This growth was driven by the Domestic Bank, which posted an increase of Rs. 337 million over Q1'17 as a result of being well-positioned to capture trading opportunities during the first quarter.

Provisions and loan losses

UBL recorded a net provision charge of Rs. 1.91 billion during the current quarter against a charge of Rs. 80 million in the corresponding period last year. Strong recoveries led to the level of domestic non-performing loans being reduced from Rs. 28.2 billion at Dec'17 to Rs. 27.6 billion at Mar'18. This also resulted in net provision reversals of Rs. 813 million in Q1'18 within the domestic bank (Q1'17: provision reversals of Rs. 95 million). However, in view of the anticipated stress in the lending portfolio within the GCC, prudent classification of loans resulted in the overall stock of International NPLs increasing by Rs. 2.3 billion during the quarter to reach Rs. 25.2 billion. Provision charge of Rs. 2.73 billion was taken against the International portfolio in Q1'18 (Q1'17: Rs. 174 million). At the Bank level, asset quality was maintained at Dec'17 levels of 7.9% while the specific coverage against non-performing loans improved from 75.8% at Dec'17 to 79.3% at Mar'18.

Cost management

Our cost base remains well-controlled as we are committed to maximizing operational efficiencies by building robust monitoring mechanisms and developing optimal structures that enhance synergies. The Bank's administrative expenses were reported at Rs. 8.65 billion for the quarter ended 31 March 2018, up only 2% over Q1'17. Personnel cost remained in line with Q1'17 while premises cost saw a 4% reduction primarily due to savings in utility expenses. The cost to income ratio improved to 40.9%, compared to 42.6% for Q1'17.

Balance Sheet Management

The bank's average asset base increased by 26% YoY to reach Rs. 1.91 trillion during the quarter under review (Q1'17: Rs. 1.52 trillion).

Domestic deposits stood at Rs. 1.05 trillion at Mar'18, marginally up compared to Dec'17. This growth was led by the Branch Banking Group, the mainstay of our domestic franchise. While maintaining our market share at the Dec'17 level of 8.4%, our emphasis has been on improving the CASA mix in order to reduce overall cost of deposits. Our strategy has a two-tiered focus on tapping NTB current deposits as well as deepening flows from existing customers. Consequently, the domestic CASA ratio increased from 83.2% at Mar'17 to 87.6% at Mar'18. Concerted efforts to maximize network performance also resulted in deposits per branch improving to Rs. 774 million at Mar'18 (Dec'17: Rs. 760 million).

The Bank's net advances portfolio grew by 3% over Dec'17. The domestic loan book expanded by 8% over Dec'17 with aggressive build up across the Corporate, Consumer and SME businesses. Our loan growth strategy centers on targeting quality credit while maximizing relationship yields and maintaining an optimal RWA profile.

Investments closed at Rs. 826 billion in Mar'18 (Dec'17: Rs. 1.09 trillion). Liquidity is primarily deployed in treasury securities with Rs. 463 billion invested in Pakistan Investment Bonds generating a yield of over 8.6%. The Bank maintains a well-diversified equity book of Rs. 17.4 billion at Mar'18, aimed at generating a healthy dividend yield of 12.9% (Q1'17: 14.1%)

Capital Ratios

UBL's capital ratios remained strong with the Tier-1 and the overall capital adequacy recorded at 11.7% and 16.0% at Mar'18 respectively (Dec'17: 11.3% and 15.4%).

The Board of Directors of UBL declared an interim dividend of 30% (Rs. 3 per share) in their meeting in Islamabad on 18 April 2018, along with the results for the quarter ended 31 March 2018.

Economy Review

Political uncertainty and concerns on the external account notwithstanding, the economy maintained its upward trajectory in the first quarter of 2018. Strong economic growth has been backed by the agriculture sector, with positive momentum in large-scale manufacturing, improved energy supply and smooth progress on the China-Pakistan Economic Corridor (CPEC).

The country's trade deficit worsened during 8M FY'18 to around USD 24.3 billion, an increase of 20.7% over 8M FY'17. Exports witnessed a 11.6% growth year on year over this period; however, this was more than offset by a 17.1% growth in imports. Resultantly, the current account deficit widened by 50% year on year from USD 7.2 billion last year to USD 10.8 billion in 8M FY'18. Country remittance volumes also remained relatively subdued, up only 3.4% year on year to USD 12.8 billion during 8M FY'18. Despite headwinds to the current account, the financial account supported the balance of payments position.

FX reserves continued to erode, down from an all-time high of USD 24 billion in Oct'16 to below USD 18 billion in Mar'18. Given mounting pressures on the external account and FX reserves, the USD-PKR parity depreciated by 5% to close Mar'18 at Rs. 115.5 / USD.

Inflation levels continue to be under control, with the average CPI during 9M FY'18 at 3.8%, compared to 4.01% during the same period last year, a result of relatively weak food prices. In view of well-anchored inflation expectations, the State Bank of Pakistan, in its monetary policy statement announced on March 30, 2018, maintained the policy rate at 6.0%, after having raised the rate by 25 bps in January this year. The Pakistan Stock Exchange (PSX) generated a return of 12.57% in Q1'18, ending the quarter at 45,560 points.

Deposits for the banking sector grew marginally by 1.7% during Q1'18. Active buildup in private sector credit amid the low interest environment resulted in overall industry advances growing by 4.3% during the aforementioned period. Non-performing loans for the banking industry declined to Rs. 593 billion at the end of Dec' 17 with the gross infection ratio improving to 8.4% in Dec' 17 from 9.2% in Sep' 17

UBL International

Economic challenges continue to surround the GCC region in the backdrop of low oil prices, sluggish growth and fiscal tightening. Within International, credit expansion remains minimal with focus on maintaining quality assets. We have strengthened our risk management framework and are gearing up recovery efforts by strengthening the Special Assets Management division. Our strategy is to grow the balance sheet organically through active core deposits buildup with a view to drive down our cost of deposits. UBL International maintained its average deposits portfolio at USD 2.25 billion during Q1'18 (Q1'17: USD 2.12 billion). Cost of deposits were recorded at 2.2% in Q1'18, in line with the Q1'17 level despite the increase in LIBOR. The gross advances portfolio stood at USD 1.55 billion (Dec'17: USD 1.71 billion). The NPLs stock increased by USD 11 million over Dec'17 to close at USD 218 million at Mar'18. A provision charge of USD 24.5 million was taken within International in order to build coverage

UNITED BANK LIMITED

DIRECTORS' REPORT TO THE MEMBERS



at prudent levels. The investment portfolio, consisting primarily of foreign bonds, closed at USD 676 million (Dec'17: USD 708 million) at a yield of 6.4%. (Dec'17: 7.1%).

Credit Rating

JCR-VIS Credit Rating Company Limited (JCR-VIS) re-affirmed the entity ratings of United Bank Limited (UBL) at 'AAA/A-1+' (Triple A/A-One Plus) on June 30, 2017. Outlook on the assigned ratings is 'Stable'.

Future Outlook

At UBL, we remain committed to spearheading Pakistan's economic growth through promoting easier access to financial services and deeper penetration in segments at the forefront of the country's development. We shall continue to maximize value for our shareholders by targeting a larger current deposits market share to optimize the deposits profile and bring efficiencies to cost of deposits. It is our priority to build on our lead in the intermediation space by actively tapping new power and infrastructure financing mandates as well as partnering with our Corporate clientele to drive their business aspirations. Innovation lies at the core of our identity as we strive to raise the bar in delivering state of the art digital offerings. It is our priority to build a strong compliance culture across all customer facing and support functions.

Acknowledgements

In the end, we would like to express sincere appreciation to our shareholders and customers for their continued trust in the UBL brand. We greatly acknowledge and value the persistent efforts and commitment of our dedicated employees. We would also like to extend our gratitude to the Government of Pakistan, the State Bank of Pakistan, the Securities & Exchange Commission and other regulatory bodies for their direction and consistent support.

For and on behalf of the Board,

Sir Mohammed Anwar Pervez, OBE, HPk

Chairman
Islamabad
18 April 2018

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2018**

	Note	(Un-audited) March 31, 2018	(Audited) December 31, 2017
------(Rupees in '000)-----			
ASSETS			
Cash and balances with treasury banks		147,315,628	157,582,687
Balances with other banks		23,886,052	19,516,198
Lendings to financial institutions	6	52,672,490	33,664,174
Investments	7	825,769,719	1,091,786,626
Advances	8	624,275,785	604,562,193
Operating fixed assets	9	46,759,861	46,204,564
Deferred tax asset - net		227,472	-
Other assets		49,839,181	54,065,004
		1,770,746,188	2,007,381,446
LIABILITIES			
Bills payable		13,180,280	13,388,316
Borrowings	10	263,660,410	512,650,465
Deposits and other accounts	11	1,301,388,124	1,289,247,251
Subordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liability - net		-	2,611,941
Other liabilities		37,354,787	30,176,426
		1,615,583,601	1,848,074,399
NET ASSETS		<u>155,162,587</u>	<u>159,307,047</u>
REPRESENTED BY:			
Share capital		12,241,798	12,241,798
Reserves		46,217,598	43,846,877
Unappropriated profit		68,651,679	71,153,991
		<u>127,111,075</u>	<u>127,242,666</u>
Surplus on revaluation of assets - net of deferred tax	12	28,051,512	32,064,381
		<u>155,162,587</u>	<u>159,307,047</u>
CONTINGENCIES AND COMMITMENTS	13		

The annexed notes from 1 to 25 form an integral part of these unconsolidated 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

**UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018**

	Note	March 31, 2018 ----- (Rupees in '000) -----	March 31, 2017 ----- (Rupees in '000) -----
Mark-up / return / interest earned	14	28,146,657	23,888,226
Mark-up / return / interest expensed	15	(14,291,835)	(10,176,113)
Net mark-up / return / interest income		13,854,822	13,712,113
Provision against loans and advances - net		(2,010,470)	(29,175)
Reversal of provision against lendings to financial institutions - net		57,600	1,000
Provision for diminution in value of investments - net		(18,633)	(51,408)
Bad debts written off directly		(13,905)	(15,975)
		(1,985,408)	(95,558)
Net mark-up / return / interest income after provisions		11,869,414	13,616,555
Non mark-up / return / interest income			
Fee, commission and brokerage income		2,946,665	2,786,924
Dividend income		570,910	552,168
Income from dealing in foreign currencies		535,561	418,213
Gain on sale of securities - net		3,067,094	2,340,505
Unrealized loss on revaluation of investments classified as held for trading		(705)	(5,599)
Other income		189,762	183,345
Total non mark-up / return / interest income		7,309,287	6,275,556
		19,178,701	19,892,111
Non mark-up / return / interest expenses			
Administrative expenses	16	(8,654,926)	(8,519,662)
Other provisions / write offs - net		73,038	15,828
Workers' Welfare Fund		(123,827)	(232,298)
Other charges		(432)	(318)
Total non mark-up / return / interest expenses		(8,706,147)	(8,736,450)
Profit before extra ordinary / unusual item and taxation		10,472,554	11,155,661
Extra ordinary / unusual item - (pension cost)	17	(6,404,635)	-
Profit before taxation		4,067,919	11,155,661
Taxation - Current		(2,209,199)	(4,002,631)
- Prior		172,200	-
- Deferred		614,333	102,115
		(1,422,666)	(3,900,516)
Profit after taxation		2,645,253	7,255,145
		----- (Rupees) -----	----- (Rupees) -----
Earnings per share - basic and diluted		2.16	5.93

The annexed notes from 1 to 25 form an integral part of these unconsolidated condensed interim financial statements.

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018**

	March 31, 2018	March 31, 2017
	----- (Rupees in '000) -----	
Profit after taxation	2,645,253	7,255,145
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	2,106,196	106,731
	2,106,196	106,731
Other comprehensive income transferred to equity	4,751,449	7,361,876
<i>Items that may be reclassified to profit or loss in subsequent periods</i>		
Deficit arising on revaluation of available for sale securities	(6,113,871)	(129,325)
Related deferred tax reversal	2,139,855	39,178
	(3,974,016)	(90,147)
Total comprehensive income during the period - net of tax	777,433	7,271,729

The annexed notes from 1 to 25 form an integral part of these unconsolidated 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

**UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018**

	March 31, 2018	March 31, 2017
	------(Rupees in '000)-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	4,067,919	11,155,661
Less: Dividend income	(570,910)	(552,168)
	<u>3,497,009</u>	<u>10,603,493</u>
Adjustments:		
Depreciation on operating fixed assets	528,079	470,557
Depreciation on Islamic financing against leased assets (Ijarah)	50,012	46,701
Amortization	90,382	76,910
Workers' Welfare Fund	123,827	232,298
Provision for retirement benefits	6,582,031	156,363
Provision for compensated absences	43,550	104,251
Provision against loans and advances - net	2,010,470	29,175
Reversal of provision against lendings to financial institutions - net	(57,600)	(1,000)
Provision for diminution in value of investments - net	18,633	51,408
Gain on sale of operating fixed assets - net	(11,436)	(23,973)
Gain on sale of ijarah assets	(945)	(1,022)
Unrealized loss on revaluation of investments classified as held for trading	705	5,599
Bad debts written-off directly	13,905	15,975
Other provisions / write offs - net	(73,038)	(15,828)
	<u>9,318,575</u>	<u>1,147,414</u>
	12,815,584	11,750,907
(Increase) / decrease in operating assets		
Lendings to financial institutions	(18,950,716)	(17,828,697)
Held for trading securities	22,359,597	(30,475,895)
Advances	(21,804,091)	11,701,633
Other assets (excluding advance taxation)	5,033,858	7,754,065
	(13,361,352)	(28,848,894)
Increase / (decrease) in operating liabilities		
Bills payable	(208,036)	(422,362)
Borrowings	(248,990,055)	47,797,612
Deposits and other accounts	12,140,873	2,841,001
Other liabilities (excluding current taxation)	(3,690,697)	(3,559,504)
	(240,747,915)	46,656,747
	(241,293,683)	29,558,760
Payments on account of staff retirement benefits	(120,907)	(115,695)
Income taxes paid	(2,833,572)	(4,443,311)
Net cash (outflow) / inflow from operating activities	(244,248,162)	24,999,754
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	189,259,349	(48,140,394)
Net investments in held to maturity securities	48,163,330	15,226,797
Net investments in subsidiaries and associates	101,422	2,714,175
Dividend income received	117,353	185,815
Investment in operating fixed assets	(1,033,236)	(1,960,657)
Sale proceeds from disposal of operating fixed assets	20,483	40,106
Sale proceeds from disposal of ijarah assets	17,057	28,459
Net cash inflow / (outflow) from investing activities	236,645,758	(31,905,699)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	(400,997)	(7,478)
Net cash outflow from financing activities	(400,997)	(7,478)
Exchange differences on translation of net investment in foreign branches	2,106,196	106,731
Decrease in cash and cash equivalents during the period	(5,897,205)	(6,806,692)
Cash and cash equivalents at beginning of the period	177,098,885	146,427,855
Cash and cash equivalents at end of the period	<u>171,201,680</u>	<u>139,621,163</u>

The annexed notes from 1 to 25 form an integral part of these unconsolidated condensed interim financial statements.

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2018**

	Share capital	Statutory reserve	Capital reserve - Exchange translation	Unappropriated profit	Total
(Rupees in '000)					
Balance as at January 01, 2017 (Audited)	12,241,798	27,197,615	13,256,890	64,246,270	116,942,573
Transactions with owners for the quarter ended March 31, 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)
Total comprehensive income for the quarter ended March 31, 2017					
Profit after taxation for the quarter ended March 31, 2017	-	-	-	7,255,145	7,255,145
Other comprehensive income - net of tax	-	-	106,731	-	106,731
Total comprehensive income for the quarter ended March 31, 2017	-	-	106,731	7,255,145	7,361,876
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	12,595	12,595
Transfer to statutory reserve	-	725,515	-	(725,515)	-
Balance as at March 31, 2017 (Un-audited)	<u>12,241,798</u>	<u>27,923,130</u>	<u>13,363,621</u>	<u>65,891,776</u>	<u>119,420,325</u>
Transactions with owners for the nine months ended December 31, 2017					
Interim cash dividend - March 31, 2017 declared at Rs. 3.0 per share	-	-	-	(3,672,539)	(3,672,539)
Interim cash dividend - June 30, 2017 declared at Rs. 3.0 per share	-	-	-	(3,672,539)	(3,672,539)
Interim cash dividend - September 30, 2017 declared at Rs. 3.0 per share	-	-	-	(3,672,539)	(3,672,539)
Total comprehensive income for the nine months ended December 31, 2017					
Profit after taxation for the nine months ended December 31, 2017	-	-	-	18,166,087	18,166,087
Other comprehensive income - net of tax	-	-	743,518	(107,618)	635,900
Total comprehensive income for the nine months ended December 31, 2017	-	-	743,518	18,058,469	18,801,987
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	37,971	37,971
Transfer to statutory reserve	-	1,816,608	-	(1,816,608)	-
Balance as at December 31, 2017 (Audited)	<u>12,241,798</u>	<u>29,739,738</u>	<u>14,107,139</u>	<u>71,153,991</u>	<u>127,242,666</u>
Transactions with owners for the quarter ended March 31, 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)
Total comprehensive income for the quarter ended March 31, 2018					
Profit after taxation for the quarter ended March 31, 2018	-	-	-	2,645,253	2,645,253
Other comprehensive income - net of tax	-	-	2,106,196	-	2,106,196
Total comprehensive income for the quarter ended March 31, 2018	-	-	2,106,196	2,645,253	4,751,449
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	13,679	13,679
Transfer to statutory reserve	-	264,525	-	(264,525)	-
Balance as at March 31, 2018 (Un-audited)	<u>12,241,798</u>	<u>30,004,263</u>	<u>16,213,335</u>	<u>68,651,679</u>	<u>127,111,075</u>

Appropriations recommended by the Board of Directors subsequent to the quarter ended March 31, 2018 are disclosed in note 24 to these unconsolidated condensed interim financial statements.

The annexed notes from 1 to 25 form an integral part of these unconsolidated condensed interim financial statements.

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018**

1. STATUS AND NATURE OF 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 1,362 (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.

2. BASIS OF PRESENTATION

The disclosures made in these unconsolidated 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 Act, 2017, 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 Act, 2017, Banking Companies Ordinance, 1962 have been followed.

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated 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 unconsolidated condensed interim financial statements.

3. STATEMENT OF COMPLIANCE

3.1 These unconsolidated condensed interim financial statements of the Bank 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 Act, 2017, 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 Act, 2017, 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, 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.

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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- 3.4 The disclosures made in these unconsolidated 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 unconsolidated condensed interim financial statements should be read in conjunction with the unconsolidated financial statements of the Bank for the year ended December 31, 2017.
- 3.5 These unconsolidated condensed interim financial statements represent the separate condensed interim financial statements of the Bank. The consolidated condensed interim financial statements of the Bank and its subsidiary companies are presented separately.

4. SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT

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

Surplus on revaluation of fixed assets - net of deferred tax

Upto December 31, 2017, surplus / (deficit) on revaluation of fixed assets were being measured under the repealed Companies Ordinance, 1984. The surplus arising on the revaluation is credited to the surplus on revaluation of fixed assets account. Any deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the surplus account. With effect from January 1, 2018 the Bank has revised its accounting policy in respect of measurement of 'surplus / (deficit) on revaluation of fixed assets' which are now accounted for in accordance with Companies Act, 2017. The revaluation is measured on individual assets where the surplus is taken to the surplus on revaluation of fixed assets account. The deficit on revaluation of the asset is charged to profit and loss account after netting of any surplus already recorded on that asset. The management of the Bank believes that the impact of change in policy is not material, therefore no adjustments are being taken.

- 4.2 The financial risk management objectives and policies are consistent with those disclosed in the financial statements of the Bank for the year ended December 31, 2017.

5. BASIS OF MEASUREMENT

- 5.1 These unconsolidated 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 The preparation of these unconsolidated 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 unconsolidated financial statements of the Bank for the year ended December 31, 2017.

	(Un-audited) March 31, 2018	(Audited) December 31, 2017
	----- (Rupees in '000) -----	
6. LENDINGS TO FINANCIAL INSTITUTIONS		
Call money lendings	11,085,000	585,000
Repurchase agreement lendings	13,086,982	6,931,953
Bai Muajjal receivable from State Bank of Pakistan	3,109,215	3,109,215
Bai Muajjal receivable from other financial institutions	2,606,022	-
Other lendings to financial institutions	23,592,703	23,870,481
	<u>53,479,922</u>	<u>34,496,649</u>
Provision against lendings to financial institutions	<u>(807,432)</u>	<u>(832,475)</u>
	<u>52,672,490</u>	<u>33,664,174</u>

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7. INVESTMENTS	Note	(Un-audited) March 31, 2018			(Audited) December 31, 2017		
		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
7.1 Investments by type		(Rupees in '000)					
Held for trading securities							
Market Treasury Bills		48,044,319	34,602,538	82,646,857	59,117,369	45,383,907	104,501,276
Pakistan Investment Bonds		76,493	-	76,493	582,376	-	582,376
		48,120,812	34,602,538	82,723,350	59,699,745	45,383,907	105,083,652
Available for sale securities							
Market Treasury Bills		25,769,106	116,973,208	142,742,314	108,314,347	194,204,632	302,518,979
Pakistan Investment Bonds		196,673,181	3,428,668	200,101,849	23,830,510	205,729,962	229,560,472
Government of Pakistan Sukuk		19,231,009	-	19,231,009	19,102,273	-	19,102,273
Government of Pakistan Eurobonds		15,226,561	-	15,226,561	14,591,647	-	14,591,647
Ordinary shares of listed companies		17,422,580	-	17,422,580	18,362,304	-	18,362,304
Preference shares		407,663	-	407,663	391,315	-	391,315
Ordinary shares of unlisted companies		258,615	-	258,615	258,507	-	258,507
Investment in REIT		458,590	-	458,590	458,590	-	458,590
Term Finance Certificates		691,381	-	691,381	441,406	-	441,406
Foreign bonds - sovereign		28,566,636	-	28,566,636	25,512,258	-	25,512,258
Foreign bonds - others		7,243,044	-	7,243,044	10,450,615	-	10,450,615
		311,948,366	120,401,876	432,350,242	221,713,772	399,934,594	621,648,366
Held to maturity securities							
Market Treasury Bills		6,431,958	-	6,431,958	6,601,781	-	6,601,781
Pakistan Investment Bonds		263,162,442	-	263,162,442	311,766,517	-	311,766,517
Government of Pakistan Eurobonds		5,819,684	-	5,819,684	5,574,671	-	5,574,671
Term Finance Certificates		6,166,703	-	6,166,703	6,626,766	-	6,626,766
Sukuks		10,369,390	-	10,369,390	10,512,247	-	10,512,247
Participation Term Certificates		436	-	436	437	-	437
Debentures		2,267	-	2,267	2,266	-	2,266
Foreign bonds - sovereign		10,708,985	-	10,708,985	9,784,641	-	9,784,641
Foreign bonds - others		1,334,751	-	1,334,751	1,279,617	-	1,279,617
Recovery note		356,011	-	356,011	340,333	-	340,333
CDC SAARC Fund		251	-	251	240	-	240
Commercial Paper		227,224	-	227,224	227,224	-	227,224
		304,580,102	-	304,580,102	352,716,740	-	352,716,740
Associates							
UBL Liquidity Plus Fund		10,079	-	10,079	10,079	-	10,079
UBL Money Market Fund		9,850	-	9,850	9,850	-	9,850
Al Ameen Islamic Asset Allocation Fund		216,000	-	216,000	216,000	-	216,000
Al Ameen Islamic Financial Planning Fund		200,000	-	200,000	301,751	-	301,751
UBL Insurers Limited		240,001	-	240,001	240,000	-	240,000
Khushhali Bank Limited		832,485	-	832,485	832,485	-	832,485
Oman United Exchange Company, Muscat		14,480	-	14,480	14,152	-	14,152
DHA Cogen Limited	7.2	-	-	-	-	-	-
		1,522,895	-	1,522,895	1,624,317	-	1,624,317
Subsidiaries							
United National Bank Limited (UBL UK)		2,855,223	-	2,855,223	2,855,223	-	2,855,223
UBL (Switzerland) AG		589,837	-	589,837	589,837	-	589,837
UBL Fund Managers Limited		100,000	-	100,000	100,000	-	100,000
UBL Bank (Tanzania) Limited		1,322,014	-	1,322,014	1,322,014	-	1,322,014
United Executors and Trustees Company Limited		30,100	-	30,100	30,100	-	30,100
		4,897,174	-	4,897,174	4,897,174	-	4,897,174
Provision for diminution in value of investments		671,069,349	155,004,414	826,073,763	640,651,748	445,318,501	1,085,970,249
		(3,772,213)	-	(3,772,213)	(3,768,660)	-	(3,768,660)
Investments - net of provisions		667,297,136	155,004,414	822,301,550	636,883,088	445,318,501	1,082,201,589
Surplus / (deficit) on revaluation of available for sale securities		3,507,638	(38,764)	3,468,874	3,601,858	5,980,887	9,582,745
(Deficit) / surplus on revaluation of held for trading securities		(425)	(280)	(705)	119	2,173	2,292
Total investments		670,804,349	154,965,370	825,769,719	640,485,065	451,301,561	1,091,786,626

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.

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	Note	(Un-audited) March 31, 2018	(Audited) December 31, 2017
----- (Rupees in '000) -----			
8. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		446,057,937	413,891,656
Outside Pakistan		<u>136,752,710</u>	<u>143,317,174</u>
		582,810,647	557,208,830
Islamic financings and related assets	23.4	21,278,829	22,200,806
Bills discounted and purchased			
Payable in Pakistan		22,447,106	21,115,250
Payable outside Pakistan		<u>42,707,954</u>	<u>46,027,549</u>
		65,155,060	67,142,799
Advances - gross		669,244,536	646,552,435
Provision against advances			
Specific	8.1	(41,864,821)	(38,734,988)
General	8.2	<u>(3,103,930)</u>	<u>(3,255,254)</u>
Advances - net of provision		<u>624,275,785</u>	<u>604,562,193</u>

8.1 Advances include Rs. 52,822.558 million (December 31, 2017: Rs. 51,072.827 million) which have been placed under non-performing status as detailed below:

Category of Classification	March 31, 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*	119,176	-	119,176	4,880	-	4,880	4,880	-	4,880
Substandard	2,089,142	3,600,950	5,690,092	519,767	647,495	1,167,262	519,767	647,495	1,167,262
Doubtful	156,497	2,755,158	2,911,655	66,479	1,297,677	1,364,156	66,479	1,297,677	1,364,156
Loss	<u>25,257,434</u>	<u>18,844,201</u>	<u>44,101,635</u>	<u>24,334,737</u>	<u>14,993,786</u>	<u>39,328,523</u>	<u>24,334,737</u>	<u>14,993,786</u>	<u>39,328,523</u>
	<u>27,622,249</u>	<u>25,200,309</u>	<u>52,822,558</u>	<u>24,925,863</u>	<u>16,938,958</u>	<u>41,864,821</u>	<u>24,925,863</u>	<u>16,938,958</u>	<u>41,864,821</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	4,209,307	5,271,593	258,707	803,453	1,062,160	258,707	803,453	1,062,160
Doubtful	1,452,224	6,517,005	7,969,229	783,804	2,308,654	3,092,458	783,804	2,308,654	3,092,458
Loss	<u>25,596,353</u>	<u>12,153,999</u>	<u>37,750,352</u>	<u>24,512,775</u>	<u>10,065,583</u>	<u>34,578,358</u>	<u>24,512,775</u>	<u>10,065,583</u>	<u>34,578,358</u>
	<u>28,192,516</u>	<u>22,880,311</u>	<u>51,072,827</u>	<u>25,557,298</u>	<u>13,177,690</u>	<u>38,734,988</u>	<u>25,557,298</u>	<u>13,177,690</u>	<u>38,734,988</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. 257.118 million (December 31, 2017: Rs. 247.323 million) against consumer finance portfolio, Rs. 49.088 million (December 31, 2017: Rs. 49.088 million) against advances to small enterprises as required by the Prudential Regulations issued by the SBP and Rs. 2,797.724 million (December 31, 2017: Rs. 2,630.143 million) pertaining to overseas advances to meet the requirements of the regulatory authorities of the respective countries in which the overseas branches operate. General provision also includes Rs. nil (December 31, 2017: Rs. 328.700 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. 25.603 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) March 31, 2018	(Audited) December 31, 2017
----- (Rupees in '000) -----			
9. OPERATING FIXED ASSETS			
Capital work-in-progress		4,653,071	4,420,500
Property and equipment		41,104,697	40,797,947
Intangible assets		<u>1,002,093</u>	<u>986,117</u>
	9.1	<u>46,759,861</u>	<u>46,204,564</u>

9.1 Additions and disposals during the period amounted to Rs. 1,033.236 million (March 31, 2017: Rs. 1,960.657 million) and Rs. 127.191 million (March 31, 2017: Rs. 106.858 million), respectively.

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	Note	(Un-audited) March 31, 2018	(Audited) December 31, 2017
------(Rupees in '000)-----			
10. BORROWINGS			
Secured			
Borrowings from the State Bank of Pakistan under:			
Export refinance scheme		18,753,676	19,375,930
Refinance facility for modernization of SME		7,925	10,250
Long term financing facility		18,604,532	17,312,481
		37,366,133	36,698,661
Repurchase agreement borrowings		157,554,718	450,489,798
		194,920,851	487,188,459
Unsecured			
Call borrowings		8,368,781	9,713,596
Overdrawn nostro accounts		1,796,553	1,196,470
Trading liabilities		1,263,760	-
Bai Muajjal payable to other financial institutions		34,936,846	-
Other borrowings		22,373,619	14,551,940
		68,739,559	25,462,006
		263,660,410	512,650,465
11. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		280,538,489	318,615,028
Savings deposits		402,144,762	385,426,820
Sundry deposits		43,536,613	29,461,274
Margin deposits		5,234,816	5,488,869
Current accounts - remunerative		6,445,022	5,890,387
Current accounts - non-remunerative		479,006,395	471,084,661
		1,216,906,097	1,215,967,039
Financial Institutions			
Remunerative deposits		71,685,696	56,802,291
Non-remunerative deposits		12,796,331	16,477,921
		84,482,027	73,280,212
		1,301,388,124	1,289,247,251
12. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX			
Surplus arising on revaluation of assets - net of tax:			
Fixed assets / non-banking assets	12.1	25,796,744	25,835,597
Available for sale securities	12.2	2,254,768	6,228,784
		28,051,512	32,064,381
12.1 Surplus on revaluation of fixed assets / non-banking assets			
Surplus on revaluation of fixed assets / non-banking assets as at January 1		26,607,780	20,286,217
Revaluation of fixed assets / non-banking assets during the period / year		-	6,399,394
Exchange adjustments		114	(37)
Reversal on disposal of non banking assets		(38,875)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax		(13,679)	(50,566)
Related deferred tax liability on incremental depreciation charged during the period / year		(7,366)	(27,228)
		(59,806)	6,321,563
		26,547,974	26,607,780
Less: Related deferred tax liability on:			
Revaluation as at January 1		772,183	582,889
Revaluation of fixed assets / non-banking assets during the period / year		-	216,535
Exchange adjustments		19	(13)
Reversal on disposal of non banking assets		(13,606)	-
Incremental depreciation charged on related assets		(7,366)	(27,228)
		751,230	772,183
		25,796,744	25,835,597
12.2 Surplus / (deficit) on revaluation of available for sale securities			
Market Treasury Bills		(715)	(3,034)
Pakistan Investment Bonds		91,016	6,285,489
Listed shares		3,745,780	1,780,418
REIT Investment		82,963	-
Term Finance Certificates, Sukuks, other bonds, etc.		(182,909)	28,475
Foreign bonds		(267,261)	1,491,397
		3,468,874	9,582,745
Related deferred tax liability		(1,214,106)	(3,353,961)
		2,254,768	6,228,784

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	(Un-audited) March 31, 2018	(Audited) December 31, 2017
	------(Rupees in '000)-----	
13. CONTINGENCIES AND COMMITMENTS		
13.1 Direct credit substitutes		
Contingent liabilities in respect of guarantees given favouring:		
Government	19,178,702	15,500,693
Banking companies and other financial institutions	788,127	929,470
Others	3,922,267	5,425,848
	<u>23,889,096</u>	<u>21,856,011</u>
13.2 Transaction-related contingent liabilities		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring:		
Government	101,724,368	128,096,424
Banking companies and other financial institutions	7,871,084	8,408,147
Others	48,479,087	57,086,219
	<u>158,074,539</u>	<u>193,590,790</u>
13.3 Trade-related contingent liabilities		
Contingent liabilities in respect of letters of credit opened favouring:		
Government	78,775,437	74,060,985
Others	117,003,522	112,328,937
	<u>195,778,959</u>	<u>186,389,922</u>
13.4 Other contingencies		
13.4.1 Claims against the Bank not acknowledged as debts	<u>10,491,838</u>	<u>12,743,798</u>

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

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

- 13.4.2** Penalties amounting to Rs. 4.058 billion have been levied by the FE Adjudication Court of the State Bank of Pakistan relating to alleged contraventions of the requirements of foreign exchange regulations with respect to issuance and certification of E-Forms by the Bank to certain customers (exporters) who failed to submit the export documents 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.

- 13.4.3** United Bank Limited Yemen ("UBL") issued two Standby Letters of Credit (SBLCs) for USD 12 million (Rs. 1,386 million) and USD 13 million (Rs. 1,501 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. 2,887 million).

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 Reliance 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 Bank.

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13.4.4 UBL & its New York Branch have entered into a Written Agreement in 2013 with the Federal Reserve Bank of New York (FRBNY) to address certain compliance and risk management matters relating primarily to compliance with Anti Money Laundering Regulations including the Banking Secrecy Act. Management is in the process of addressing the matters highlighted in the Written Agreement and in the subsequent inspections. While the Bank seeks to comply with all possible laws and regulations and at this stage there is no indication of any financial impact, it is not possible to ascertain the eventual outcome of these matters.

13.5 For contingencies relating to taxation refer note 18.

13.6 Commitments to extend credit

The Bank 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) March 31, 2018	(Audited) December 31, 2017
	------(Rupees in '000)-----	
13.7 Commitments in respect of forward foreign exchange contracts		
Purchase	228,607,054	210,187,425
Sale	<u>186,396,374</u>	<u>180,864,234</u>
13.8 Commitments in respect of derivatives		
Interest rate swaps	4,147,125	4,358,641
FX Options - purchased	<u>95,744</u>	<u>83,368</u>
FX Options - sold	<u>95,744</u>	<u>83,368</u>
Forward purchase of Government securities	<u>8,639,286</u>	<u>7,870,890</u>
Forward sale of Government securities	<u>49,926</u>	<u>1,478</u>
13.9 Commitments in respect of capital expenditure	<u>1,747,663</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. As at March 31, 2018, 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. 1,085.699 million). The Bank has started the regulatory approval process for transfer of funds for capital injection.

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.

	March 31, 2018	March 31, 2017
	------(Rupees in '000)-----	
14. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to customers	9,339,810	7,433,683
On lendings to financial institutions		
Call money lendings	31,446	49,508
Repurchase agreement lendings	112,285	81,832
Bai Muajjal with other financial institutions	11,209	147,627
Other lendings to financial institutions	<u>311,861</u>	<u>226,170</u>
	466,801	505,137
On investments in		
Held for trading securities	1,378,083	139,125
Available for sale securities	9,137,841	8,344,092
Held to maturity securities	<u>7,646,039</u>	<u>7,408,353</u>
	18,161,963	15,891,570
On deposits with financial institutions	178,083	57,836
	<u>28,146,657</u>	<u>23,888,226</u>

15. MARK-UP / RETURN / INTEREST EXPENSED

On deposits	7,975,595	7,471,540
On securities sold under repurchase agreements	5,562,989	2,166,266
On other short term borrowings	634,472	426,817
On long term borrowings	<u>118,779</u>	<u>111,490</u>
	<u>14,291,835</u>	<u>10,176,113</u>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018**

	March 31, 2018	March 31, 2017
	----- (Rupees in '000) -----	
16. ADMINISTRATIVE EXPENSES		
Salaries, allowances etc.	3,158,581	3,103,930
Charge for compensated absences	43,550	104,251
Medical expenses	194,957	158,838
Contribution to defined contribution plan	74,801	64,385
Charge in respect of defined benefit obligations	102,595	91,978
Rent, taxes, insurance, electricity etc.	1,041,053	1,127,557
Depreciation on operating fixed assets	528,079	470,557
Depreciation on Islamic financing against leased assets (Ijarah)	50,012	46,701
Amortization	90,382	76,910
Outsourced service charges including sales commission	1,176,069	1,105,241
Communications	342,705	279,678
Banking service charges	356,857	257,739
Cash transportation charges	257,544	159,916
Stationery and printing	157,685	143,430
Legal and professional charges	156,450	180,280
Advertisement and publicity	127,775	210,435
Repairs and maintenance	388,024	386,733
Travelling	49,783	59,189
Office running expenses	120,357	197,470
Vehicle expenses	48,440	41,866
Entertainment	47,653	55,959
Cartage, freight and conveyance	18,911	22,215
Insurance expense	16,680	25,463
Auditors' remuneration	21,210	16,880
Training and seminars	25,364	30,862
Brokerage expenses	3,638	7,705
Subscriptions	26,626	25,614
Donations	3,418	750
Non-executive Directors' fees	6,938	8,059
Zakat paid by overseas branch	16,275	24,729
Miscellaneous expenses	2,514	34,342
	<u>8,654,926</u>	<u>8,519,662</u>

17. Extra ordinary / unusual item - (pension cost)

The extraordinary charge of Rs. 6.4 Billion represents the actuarial estimate 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. The estimate may change based on the ongoing verification process and the commutation received by the employees at the time of separation in accordance with the service rules of the Bank.

18. TAXATION

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 (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. 919 million (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 branches have been filed upto the year ended December 31, 2017 and other overseas branches 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.

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018**
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.

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

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

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

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

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

	March 31, 2018				
	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 (T-bills, PIBs, GoP Sukuks and Eurobonds)	459,620,198	-	459,620,198	-	459,620,198
Foreign Bonds - Sovereign	28,780,359	-	28,780,359	-	28,780,359
Foreign Bonds - others	7,002,328	-	7,002,328	-	7,002,328
Ordinary shares of listed companies	19,383,907	19,383,907	-	-	19,383,907
Debt securities (TFCs)	369,005	-	369,005	-	369,005
Investment in REIT	541,553	541,553	-	-	541,553
	515,697,350	19,925,460	495,771,890	-	515,697,350
Financial assets not measured at fair value					
- Investments (HTM, unlisted ordinary shares, preference shares, subsidiaries and associates)					
	310,072,369	-	-	-	-
	825,769,719	19,925,460	495,771,890	-	515,697,350
Off balance sheet financial instruments					
Forward purchase and sale of foreign exchange contracts	415,003,428	-	1,913,286	-	1,913,286
Interest rate swaps	4,147,125	-	62,928	-	62,928
FX options - purchased and sold	191,488	-	-	-	-
Forward purchase of government securities	8,639,286	-	(19,213)	-	(19,213)
Forward sale of government securities	49,926	-	2,360	-	2,360

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018**

	December 31, 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 (T-bills, PIBs, GoP Sukuks and Eurobonds)	677,712,990	-	677,712,990	-	677,712,990
Foreign Bonds - Sovereign	26,301,802	-	26,301,802	-	26,301,802
Foreign Bonds - others	10,579,141	-	10,579,141	-	10,579,141
Ordinary shares of listed companies	18,318,646	18,318,646	-	-	18,318,646
Debt securities (TFCs)	372,265	-	372,265	-	372,265
Investment in REIT	458,590	458,590	-	-	458,590
	<u>733,743,434</u>	<u>18,777,236</u>	<u>714,966,198</u>	<u>-</u>	<u>733,743,434</u>
Financial assets not measured at fair value					
- Investments (HTM, unlisted ordinary shares, preference shares, subsidiaries and associates)					
	358,043,192	-	-	-	-
	<u>1,091,786,626</u>	<u>18,777,236</u>	<u>714,966,198</u>	<u>-</u>	<u>733,743,434</u>
Off balance sheet financial instruments					
Forward purchase and sale of foreign exchange contracts	391,051,659	-	1,473,697	-	1,473,697
Interest rate swaps	4,358,641	-	74,865	-	74,865
FX options - purchased and sold	166,736	-	-	-	-
Forward purchase of government securities	7,870,890	-	(1,155)	-	(1,155)
Forward sale of government securities	1,478	-	(2)	-	(2)

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 unconsolidated financial statements.

20. Risk Management

**(Un-audited)
March 31,
2018
(Rupees in '000)**

20.1 Liquidity Coverage Ratio

High quality liquid assets	395,007
Net cash outflows	227,000
Liquidity Coverage ratio (%)	174.01%

20.2 Net Stable Funding Ratio

Available stable funding	1,187,958
Required stable funding	1,047,573
Net Stable Funding Ratio (%)	113.40%

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018**
21. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

For the three months ended March 31, 2018 (Un-audited)						
Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination	
(Rupees in '000)						
Total income	50,406	8,298,339	8,827,994	3,300,915	686,455	-
Total expenses	(28,259)	(314,679)	(7,227,941)	(3,639,443)	(5,885,868)	-
Profit / (loss) before tax	22,147	7,983,660	1,600,053	(338,528)	(5,199,413)	-
Segment return on assets (ROA)	13.1%	1.8%	0.3%	-0.20%	-	-
Segment cost of funds	2.0%	4.9%	2.4%	4.2%	-	-

For the three months ended March 31, 2017 (Un-audited)						
Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination	
(Rupees in '000)						
Total income	71,328	8,633,141	7,412,720	3,225,772	644,708	-
Total expenses	(21,205)	(318,403)	(7,062,006)	(1,035,598)	(394,796)	-
Profit before tax	50,123	8,314,738	350,714	2,190,174	249,912	-
Segment return on assets (ROA)	43.0%	2.4%	0.1%	1.2%	-	-
Segment cost of funds	1.7%	4.7%	2.6%	3.9%	-	-

As at March 31, 2018 (Un-audited)						
Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination	
(Rupees in '000)						
Segment assets (gross of NPL provisions)	973,582	899,649,712	1,102,455,857	626,526,932	164,726,380	(981,721,454)
Segment non performing loans (NPLs)	705,196	826,845	6,092,570	45,158,981	38,966	-
Segment provision held against NPLs	539,631	814,145	5,717,333	34,769,408	24,304	-
Segment liabilities	419,800	891,607,205	1,096,127,143	592,043,550	17,107,357	(981,721,454)

As at December 31, 2017 (Audited)						
Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination	
(Rupees in '000)						
Segment assets (gross of NPL provisions)	1,349,731	1,191,478,552	1,218,457,287	590,868,153	138,689,396	(1,094,726,686)
Segment non performing loans (NPLs)	674,163	1,003,160	8,893,156	40,435,757	66,591	-
Segment provision held against NPLs	515,863	1,002,844	7,184,741	29,999,451	32,089	-
Segment liabilities	222,650	1,166,049,759	1,209,395,877	556,587,922	10,544,895	(1,094,726,686)

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

The Bank 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 unconsolidated condensed interim financial statements, are as follows:

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018**

	As at March 31, 2018 (Un-audited)					As at December 31, 2017 (Audited)				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
----- (Rupees in '000) -----										
Balances with banks										
In current accounts	-	-	1,110,191	-	-	-	-	826,843	-	-
In deposit accounts	-	-	4,676,046	-	-	-	-	2,150,574	-	-
	-	-	5,786,237	-	-	-	-	2,977,417	-	-
Lendings to financial institutions	-	-	325,644	-	-	-	-	299,076	-	-
Investments										
Opening balance	-	-	4,897,174	1,624,317	3,895,328	-	-	4,897,174	5,718,982	3,895,328
Investment made during the period / year	-	-	-	-	-	-	-	-	123,171	-
Investment redeemed / disposed off during the period / year	-	-	-	(101,422)	(29,420)	-	-	-	(4,217,836)	-
Closing balance	-	-	4,897,174	1,522,895	3,865,908	-	-	4,897,174	1,624,317	3,895,328
Investment in debt securities	-	-	-	150,000	-	-	-	-	-	-
Provision for diminution in value of investments	-	-	619,412	-	98,414	-	-	619,412	-	98,414
Advances										
Opening balance	5,303	133,559	-	2,155,149	2,626,106	2,339	94,142	-	2,155,149	16,907,692
Addition during the period / year	2,991	15,497	-	-	13,530	11,574	132,389	-	-	65,331,493
Repaid during the period / year	(7,421)	(19,243)	-	-	(216,710)	(8,610)	(78,107)	-	-	(79,612,943)
Transfer in / (out) - net	-	(25,134)	-	-	16	-	(14,865)	-	-	(136)
Closing balance	873	104,679	-	2,155,149	2,422,942	5,303	133,559	-	2,155,149	2,626,106
Provision held against advances	-	-	-	2,155,149	-	-	-	-	2,155,149	-
Other Assets										
Interest mark-up accrued	-	-	3,492	455	41,979	26	8	1,320	-	82,071
Receivable from staff retirement funds	-	-	-	-	155,676	-	-	-	-	632,808
Prepaid insurance	-	-	-	178,084	-	-	-	-	13,201	-
Other receivable	-	-	15,261	6,404	30,164	-	-	13,029	3,178	30,164
Provision against other assets	-	-	-	-	30,164	-	-	-	-	30,164
Borrowings										
Opening balance	-	-	1,328,813	474,532	-	-	-	463,422	-	167,100
Borrowings during the period / year	-	-	958,331	-	-	-	-	3,285,075	474,532	512,650
Settled during the period / year	-	-	(796,394)	(474,532)	-	-	-	(2,419,684)	-	(679,750)
Closing balance	-	-	1,490,750	-	-	-	-	1,328,813	474,532	-
Overdrawn Nostros	-	-	2,628	-	-	-	-	619,456	-	-
Deposits and other accounts										
Opening balance	5,700,563	39,106	469,482	7,421,238	3,073,247	7,714,425	159,946	295,565	8,882,222	2,196,112
Received during the period / year	18,419,040	302,080	4,786,111	39,538,020	29,943,326	30,436,836	1,499,352	28,701,550	260,729,404	176,337,511
Withdrawn during the period / year	(20,630,578)	(284,021)	(4,969,180)	(37,702,720)	(30,918,515)	(32,458,694)	(1,501,217)	(28,527,633)	(255,237,393)	(174,752,255)
Transfer in / (out) - net	-	(11,735)	-	-	(7,679)	7,996	(118,975)	-	(6,952,995)	(708,121)
Closing balance	3,489,025	45,430	286,413	9,256,538	2,090,379	5,700,563	39,106	469,482	7,421,238	3,073,247
Other Liabilities										
Interest / return / mark-up payable on deposits and borrowings	25,280	113	11,124	9,406	9,051	40,412	47	1,919	42,810	27,740
Payable to staff retirement fund	-	-	-	-	5,942,311	-	-	-	-	17,251
Unearned income	-	-	565	-	8,024	-	-	903	-	11,462
Contingencies and Commitments										
Letter of guarantee	-	-	72,961	14,459	-	-	-	240,856	24,884	-
Forward foreign exchange contracts purchase	-	-	226,041	-	-	-	-	2,786,626	-	-
Forward foreign exchange contracts sale	-	-	222,102	-	-	-	-	2,760,430	-	-
Cross Currency Swaps	-	-	-	-	-	-	-	-	-	-
----- (Rupees in '000) -----										
	For the three months ended March 31, 2018 (Un-audited)					For the three months ended March 31, 2017 (Un-audited)				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
----- (Rupees in '000) -----										
Mark-up / return / interest earned	-	166	23,627	455	38,966	5	1,178	15,825	4,896	267,044
Commission / charges recovered	31	154	163	9,755	3,603	25	56	147	6,280	3,632
Dividend income	-	-	-	-	342,730	-	-	-	-	341,515
Net gain on sale of securities	-	-	-	18,344	11,754	-	-	-	151,497	-
Other income	-	-	38,858	3,232	3,439	-	-	1,525	2,793	3,127
Mark-up / return / interest paid	36,165	354	12,459	105,346	11,271	29,343	511	13,328	83,194	5,623
Remuneration paid	-	314,063	-	-	-	-	413,228	-	-	-
Post employment benefits	-	4,908	-	-	-	-	5,855	-	-	-
Non-executive directors' fee	7,285	-	-	-	-	8,059	-	-	-	-
Net charge for defined contribution plans	-	-	-	-	74,801	-	-	-	-	64,385
Net charge for defined benefit plans	-	-	-	-	6,436,597	-	-	-	-	29,919
Other expenses	-	-	1,961	-	29,552	-	-	-	6,855	25,365
Insurance premium paid	-	-	-	226,179	-	-	-	-	384,547	-
Insurance claims settled	-	-	-	52,381	-	-	-	-	28,738	-

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018**
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 March 31 is as follows:

	Note	(Un-audited) March 31, 2018	(Audited) December 31, 2017
----- (Rupees in '000) -----			
ASSETS			
Cash and balances with treasury banks		4,019,418	5,428,040
Balances with other banks		623,494	6,551,518
Due from financial institutions	23.3	16,800,237	3,694,215
Investments		25,050,980	25,401,968
Islamic financing and related assets	23.4	21,188,177	22,110,626
Operating fixed assets		319,571	299,950
Due from Head Office		-	-
Other assets		428,727	421,843
Total Assets		68,430,604	63,908,160
LIABILITIES			
Bills payable		373,179	400,973
Due to financial institutions		125,000	1,500,000
Deposits and other accounts			
Current accounts - non remunerative		26,740,653	25,163,438
Current accounts - remunerative		1,218,606	1,293,692
Saving accounts		14,383,679	11,839,659
Term deposits		8,246,226	982,345
Deposits from financial institutions - remunerative		15,022,404	20,462,360
Deposits from financial institutions - non remunerative		41,850	34,505
		65,653,418	59,775,999
Due to Head Office		222,149	61,035
Other liabilities		287,602	327,658
		66,661,348	62,065,665
NET ASSETS		1,769,256	1,842,495
REPRESENTED BY			
Islamic Banking Fund		2,181,000	2,181,000
Accumulated losses		(227,260)	(362,502)
		1,953,740	1,818,498
(Deficit) / surplus on revaluation of assets		(184,484)	23,997
		1,769,256	1,842,495

23.2 The profit and loss account of the Bank's Islamic Banking branches for the three months ended March 31 is as follows:

	----- (Un-audited) -----	
	March 31, 2018	March 31, 2017
----- (Rupees in '000) -----		
Return earned	872,625	583,311
Return expensed	(396,928)	(398,434)
	475,697	184,877
Provision against loans and advances - net	(271)	(552)
Net return after provisions	475,426	184,325
Other Income		
Fee, commission and brokerage income	35,042	33,779
Income / (Loss) from dealing in foreign currencies	127	(575)
Other income	4,607	3,122
Total other income	39,776	36,326
	515,202	220,651
Other Expenses		
Administrative expenses	(379,945)	(204,998)
Other provisions - net	(15)	(1)
Total other expenses	(379,960)	(204,999)
Net profit for the period	135,242	15,652
Accumulated losses brought forward	(362,502)	(609,289)
Accumulated losses carried forward	(227,260)	(593,637)
Remuneration to Shariah Board and Advisor	2,003	1,482

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018**

23.3 This includes Bai Muajjal arrangements entered into with SBP and with various financial institutions whereby the bank sold sukuks having carrying value of Rs. 5,514.672 million (December 31, 2017: 2,948.799 million) on deferred payment basis. The average return on these transactions is 5.80% per annum (December 31, 2017: 5.44% per annum). The balances are due to mature latest by June 2018.

	(Un-audited) March 31, 2018	(Audited) December 31, 2017
	----- (Rupees in '000) -----	
23.4 Islamic financing and related assets		
Financings		
Murabaha	671,679	720,017
Musharaka running finance	-	15,000,000
Ijarah	443,052	490,963
Islamic Export Refinance scheme-Murabaha	127,466	-
Diminishing Musharaka	18,716,025	4,358,154
	19,958,222	20,569,134
Advances		
Advances and receivables against Ijarah	119,973	53,539
Advances for Diminishing Musharaka	902,843	1,255,734
Advances for Murabaha	27,174	88,165
	1,049,990	1,397,438
Profit and other receivable against islamic financing	270,617	234,234
Gross Islamic financing and related assets	21,278,829	22,200,806
Provision against financings and advances	(90,652)	(90,180)
	<u>21,188,177</u>	<u>22,110,626</u>
23.5 Charity Fund		
Opening balance	121	648
Addition during the period / year	674	793
Payments during the period / year	-	(1,320)
Closing balance	<u>795</u>	<u>121</u>

24. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on April 18, 2018 has declared an interim cash dividend in respect of the quarter ended March 31, 2018 of Rs. 3.0 per share (March 31, 2017: Rs. 3.0 per share). The unconsolidated condensed interim financial statements for the quarter ended March 31, 2018 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

25. DATE OF AUTHORIZATION

These unconsolidated condensed interim financial statements were authorised for issue on April 18, 2018 by the Board of Directors of the Bank.