



Reforming Banking with Technology

#THENEWYOU

Annual Report 2018



Reforming Banking with Technology

UBL is acknowledged as Pakistan's leading Progressive and Innovative Bank. These two intrinsic attributes of the Bank have propelled the institution to be at the forefront of digitization of banking in Pakistan.

In tune with the ever-changing needs of our evolving customers, we adapt and bring forth offerings inherent with cutting-edge technology. Offerings which not only cater to financial requirements of individuals and corporates but also proliferate financial inclusion and economic development in Pakistan.





Contents

Company Information	9	Annexure 'II' as referred to in notes 2.3 and 10.7 of the Bank's Unconsolidated and Consolidated Financial Statements	152
Chairman's Profile	10	Annexure 'III' as referred to in Note 11.6 of the Bank's Unconsolidated Financial Statements	158
Board of Directors	12	Independent Auditors' Report	159
Chairman's Review Report to the Members	22	Consolidated Statement of Financial Position	164
Directors' Report to the Members 2018	23	Consolidated Profit and Loss Account	165
Sustainability at UBL in 2018	39	Consolidated Statement of Comprehensive Income	166
President and CEO Review 2018	40	Consolidated Statement of Changes in Equity	167
Management Team	46	Consolidated Cash Flow Statement	168
Growth at a Glance	50	Notes to and forming part of the Consolidated Financial Statements	169
UBL International Network	54	Annexure 'III' as referred to in note 11.6 of the Group's Consolidated Financial Statements	246
Report of Shariah Board for the Financial Year-2018	56	Consolidated Statement of Financial Position	247
Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017 For the year ended December 31, 2018	60	Consolidated Profit and Loss Account	248
Independent Auditors' Review Report to the Members of United Bank Limited	62	Category of Shareholders	249
Annual Statement on Internal Controls 2018	63	Details of Mutual Funds & Modarabas	250
Disclosure in Annual Accounts	64	Pattern of Shareholding	251
Financial Statement 2018	66	Shares Trading (Sale / Purchase) during the year 2017	258
Auditors' Report to the Members	67	Notice of 59th Annual General Meeting	259
Unconsolidated Statement of Financial Position	73	Statement of Material Facts	264
Unconsolidated Profit and Loss Account	74	Form of Proxy	
Unconsolidated Statement of Comprehensive Income	75		
Unconsolidated Statement of Changes in Equity	76		
Unconsolidated Cash Flow Statement	77		
Notes to and forming part of the Unconsolidated Financial Statements	78		
Annexure 'I' as referred to in note 10.6 of the Bank's Unconsolidated and Consolidated Financial Statements	146		

Vision to Lead
Mission that Empowers
Values that Form our Core



Vision

To be a world class bank dedicated to excellence, and to surpass the highest expectations of our customers and all other stakeholders.

Mission

- Be the undisputed leader in financial services for our customers
- Most innovative and fastest growing bank in targeted businesses
- Continue to diversify across chosen geographies
- Achieve operational excellence with the highest level of compliance
- Consistently create leaders through inspired human capital
- Contribute positively to the communities we operate in

Values

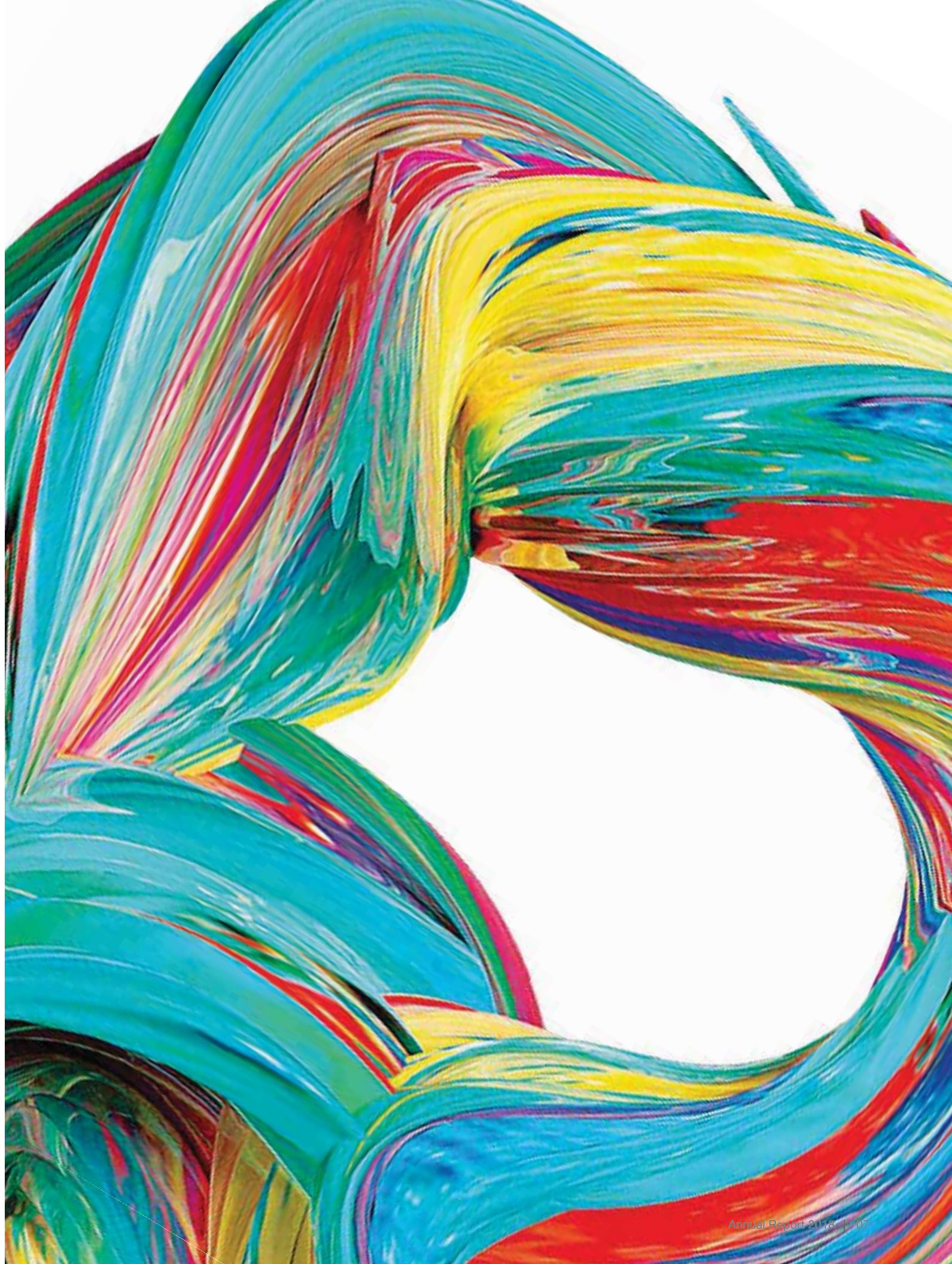
- Customer first
- Honesty of purpose
- Teamwork
- Excellence
- Meritocracy

Leader of Contemporary Banking

The banking industry stands on the verge of game-changing innovations. The race to the top becomes a function of how swiftly and completely one embraces and utilises technologies to fully facilitate the evolving requirements of customers.

We at UBL take pride in offering a range of tech-savvy products and services which cater to all financial needs of our customers and provide to them instant access to the Bank on a 24/7 basis. Through this customer-centric approach, UBL hopes to bring further stimulus to the already vibrant and fast emerging technology-based financial sector of Pakistan.







Company Information

Board of Directors

Sir Mohammed Anwar Pervez, OBE, HPk
Chairman/Non-Executive Director

Mr. Zameer Mohammed Choudrey, CBE, SI PK, FCA
Non-Executive Director

Mr. Haider Zameer Choudrey
Non-Executive Director

Mr. Rizwan Pervez
Non-Executive Director

Mr. Arshad Ahmad Mir
Non-Executive Director

Mr. Khalid A. Sherwani
Independent Director

Mr. Amar Zafar Khan
Independent Director

Mr. Tariq Rashid
Independent Director

Ms. Sima Kamil
President & CEO

Committees of the Board

Board Audit Committee (BAC)

Mr. Amar Zafar Khan
Chairman
Mr. Haider Zameer Choudrey
Member
Mr. Khalid A. Sherwani
Member
Mr. Rizwan Pervez
Member
Mr. Aqeel Ahmed Nasir
Secretary

Board Risk & Compliance Committee (BRCC)

Mr. Zameer Mohammed Choudrey
Chairman
Mr. Arshad Ahmad Mir
Member
Ms. Sima Kamil
Member
Mr. Imran Sarwar
Secretary

Chief Financial Officer

Mr. Aameer Karachiwalla

Company Secretary & Chief Legal Counsel

Mr. Aqeel Ahmed Nasir

Registered Office:

13th Floor, UBL Building, Jinnah Avenue,
Blue Area, Islamabad

UBL Head Office

I.I. Chundrigar Road, Karachi – 74000, Pakistan

Share Registrar

THK Associates (Pvt.) Limited
1st Floor, 40-C, P.E.C.H.S. Block-6, Karachi, Pakistan
Phone No.: 021-34168270
UAN: 021-111-000-322
Fax No.: 021-34168271

Board Human Resource & Compensation Committee (HRCC)

Mr. Arshad Ahmad Mir
Chairman
Mr. Khalid A. Sherwani
Member
Mr. Amar Zafar Khan
Member
Syed Zulfiqar Hussain
Secretary

Board IT Committee (BITC)

Mr. Tariq Rashid
Chairman
Mr. Haider Zameer Choudrey
Member
Ms. Sima Kamil
Member
Mr. Muhammad Faisal Anwar
Secretary

Auditors

M/s. KPMG Taseer Hadi & Co.,
Chartered Accountants

M/s. A.F. Ferguson & Co.,
Chartered Accountants

Legal Advisors

M/s. Mehmood Abdul Ghani & Co.,
Advocates

Contacts

UAN: 111-825-111
Contact Centre: 111-825-888
Website: www.ubldirect.com
Email: customer.services@ubl.com.pk

Chairman's Profile

Sir Mohammed Anwar Pervez, OBE HPk is the Chairman of the Board of Directors of United Bank Limited since December 2013. He is also the Chairman of Bestway Group and its subsidiaries, which include Batleys Limited, Well Pharmacy and Bestway Cement Limited. He is also Chairman of Bestway Northern Limited in UK.

Sir Anwar began his career in food business in 1963 when he opened a convenience store in London. He ventured into the wholesale business in 1976 and has been responsible for growing Bestway Group into the 7th largest family business in the UK.

Today, it is the 2nd largest wholesaler in the UK, the 3rd largest retail pharmacy in the UK, the largest cement producer in Pakistan and the 2nd largest private bank in Pakistan. The Group provides employment to over 33,600 globally.

Sir Anwar was awarded the Order of the British Empire (OBE) in 1992 and was conferred the title of Knight's Bachelor in 1999 by Her Majesty the Queen for his services to the food industry and various charitable causes in the UK. In 2000, he was awarded 'Hilal-e-Pakistan'.

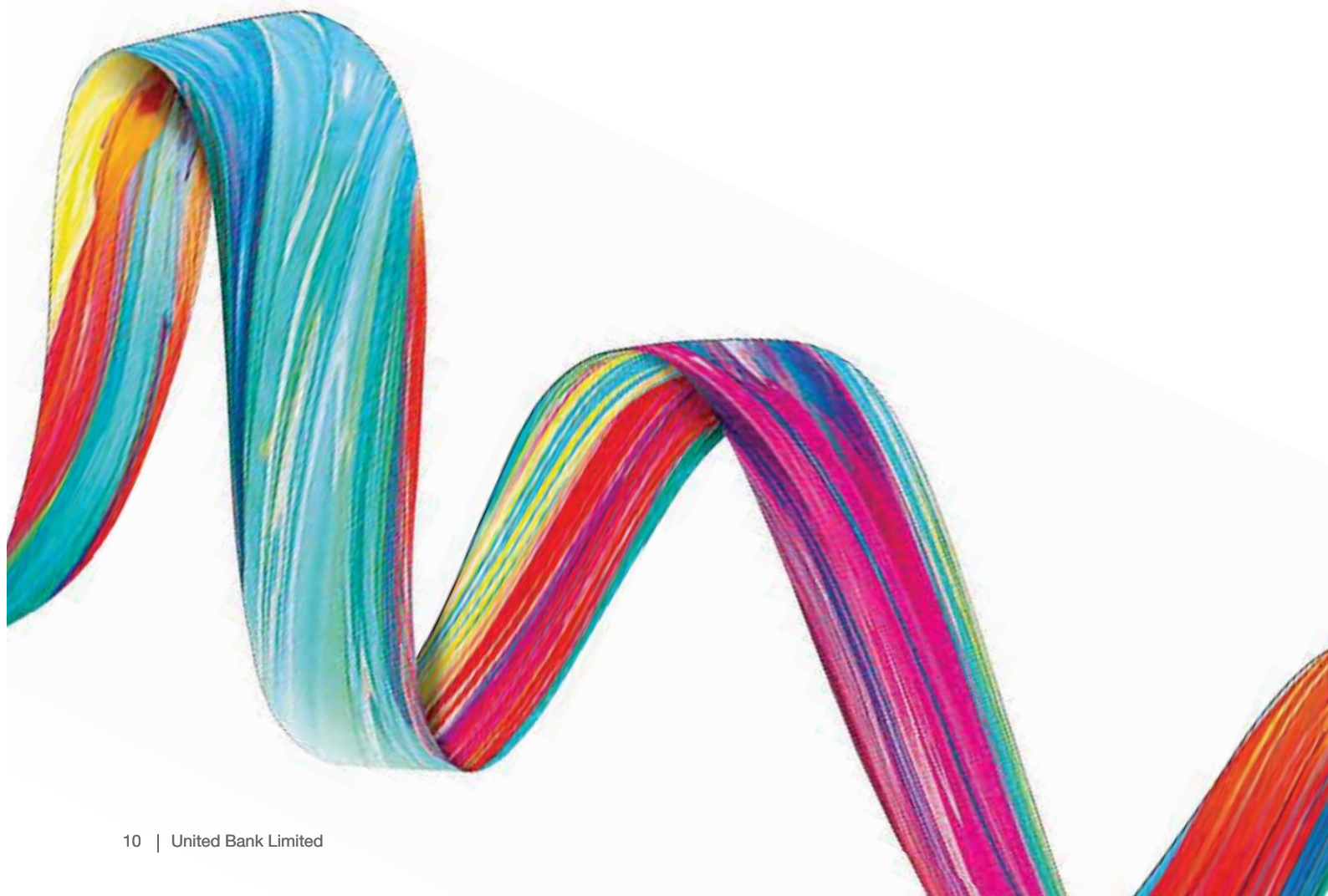
In 2005, Sir Anwar was voted winner of the prestigious 'Grocer Cup for Outstanding Business Achievement' by the Institute of Grocery Distribution, UK.

In 2006 he received 'Sitara-e-Essar' by the President of Pakistan. The same year he was chosen as the 'Master Entrepreneur – UK' at the Ernst & Young Entrepreneur of the Year 2006 Awards.

In 2011, Sir Anwar was awarded with an honorary Doctor of Laws degree by FC College Lahore.

In 2012, in recognition of his philanthropic services to the Community, the University of Bradford conferred on Sir Anwar Pervez an honorary Doctor of Laws degree.

He is the Chairman of Bestway Foundation UK and Patron-in-Chief of Bestway Foundation Pakistan.





Board of Directors

Zameer Mohammed Choudrey, CBE, SI PK, FCA

Director

Mr. Zameer Mohammed Choudrey has been a Member of the Board of Directors of United Bank Limited since October 2002. He is a Chairman of the Board Risk and Compliance Committee (BRCC). He is also a Director of UBL Insurers Limited.

He is the Chief Executive of Bestway Group, which is the 7th largest family business in UK with annual turnover of £3.3 billion. The Group is the 2nd largest wholesaler in the UK, the 3rd largest retail pharmacy in the UK, the largest cement producer in Pakistan and the 2nd largest private bank in Pakistan. The Group provides employment to over 33,600 globally.

Zameer is a Chartered Accountant by profession. He joined Bestway Group as a Financial Controller in 1984. In 1990, he was promoted as the Group Finance Director. In 1995, he was given additional responsibilities of business diversification both in UK and Pakistan and was promoted as Chief Executive of Bestway Cement Limited. He was appointed as the Group CEO in 2004.

He is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Institute of Directors. He is the Chairman of Conservative Friends of Pakistan.

Zameer is a trustee of Bestway Foundation UK and Chairman of Bestway Foundation Pakistan. He is also a trustee of Grocery Aid and Crimestoppers. Zameer is the Chair of British Asian Trust's UK Advisory Council and a member of HRH Prince of Wales Pakistan Recovery Fund International Leadership Team.

In 2014, Zameer was awarded an honorary degree by University of Kent in recognition of his philanthropic services to the community.

In December 2015, Zameer was appointed Commander of the Order of the British Empire (CBE) by Her Majesty the Queen for his services to the UK wholesale industry and various charitable causes in the UK and abroad.

In March 2018, the President of Pakistan awarded the Sitara-e-Imtiaz (Star of Excellence) to Zameer in recognition of his contributions to advancing Pakistan through his services and the wide array of philanthropic work.

Haider Zameer Choudrey

Director

Mr. Haider Zameer Choudrey has been a Director of United Bank Limited since March 2014. He is Member of the Board Audit Committee (BAC) and Board IT Committee (BITC) and has the distinction of being the youngest Director of any listed bank in Pakistan. He is a Chartered Accountant by profession.

He is the Finance Director of Bestway Group, which is the 7th largest family business in the UK with an annual turnover of over £3.3 billion.

After having distinguished himself at the world-renowned Eton College, Haider read Economics at Gonville & Caius College, University of Cambridge. He also received his Masters in Economics from University of Cambridge.

Haider is a member of the Institute of Chartered Accountants in England and Wales and previously trained with KPMG UK LLP, where he was an integral part of the Consumer Markets Audit; Corporate Tax & Corporate Finance Teams.

Haider has extensive experience in finance, strategy, digital, tax and transaction services. He has been involved in a variety of roles and projects at Bestway Group, including the acquisition and post-acquisition management of Well Pharmacy and Conviviality Retail.

Haider has been a Director of Bestway Cement Limited since 2016.

Haider is actively involved with the charitable work of the Bestway Foundation in the UK and Pakistan; and is part of the management team that is supervising the construction of two state of the art schools in Chakwal, Punjab.

Haider is a certified Director from the Pakistan Institute of Corporate Governance (PICG).





Board of Directors

Rizwan Pervez

Director

Mr. Rizwan Pervez has been a Member of the Board of Directors of United Bank Limited since March 2014. He is a Member of the Board Audit Committee (BAC). He is also a Director of UBL Insurers Ltd.

Rizwan graduated from the University of Pittsburgh, USA in 1990 with a BSc in Business Management.

He trained with a leading UK firm of Chartered Accountants and qualified in August 1995. Rizwan is a member of the Institute of Chartered Accountants in England and Wales.

He joined Bestway as a Financial Accountant in 1995 and was elected to the Board of Directors in January 2000 as Group Business Development Director. He was responsible for developing the Group's fascia and delivered business. Rizwan was instrumental in creating the "Best-One" symbol group and Bestway Direct, the Group's delivered wholesale operation.

In 2006, Rizwan was appointed Operations Director where he led and managed the integration of Bestway and Batleys wholesale operations which created the UK's largest independent wholesale group. In 2012, Rizwan was appointed the Group Marketing & PR Director. In 2014, he was appointed as Wholesale Operations Director. In 2016, he was appointed as Customer Liaison Director.

Rizwan has served as Governor of John Kelly Schools in North West London playing a leading role in the school's attainment of 'academy' status and establishing the school as a centre of excellence under its new name of The Crest Academy.

Rizwan is a Trustee of Bestway Foundation UK.

Rizwan is a certified Director from the Pakistan Institute of Corporate Governance (PICG).



Arshad Ahmad Mir

Director

Mr. Arshad Ahmad Mir, appointed as a Member of the Board of Directors with effect from 26 October 2009, has over four decades of extensive corporate experience in financial services, oil industry, management consultancy, manufacturing and wholesale distribution businesses.

He has served with major corporate entities in areas of general management, corporate planning, project management, compliance and consultancy. Geographical coverage of his corporate roles and responsibilities encompass Pakistan, Middle East, Africa, UK & Europe.

Arshad is a member of Institute of Chartered Accountants and Institute of Bankers UK. He has attended various management courses and conferences including the Advanced Management Programme of London Business School. He is a certified Director from Pakistan Institute of Corporate Governance (PICG).

He is also Chairman of the Board Human Resources & Compensation Committee (HRCC) and Member of Board Risk & Compliance Committee (BRCC).



Board of Directors

Khalid Ahmed Sherwani

Director

Mr. Khalid Ahmed Sherwani was appointed Member, Board of Directors as an Independent Director in October 2014. He is a seasoned professional with vast experience of corporate governance of over 70 years, gained in over two decades, serving as a Director on various Boards of Directors primarily in the financial services industry of Pakistan, including chairmanship of 5 BODs of public & private sector entities. He also has top management experience of 30 years in diverse areas in major commercial banks as SEVP, CIO, CFO and CEO.

Khalid had originally joined United Bank Limited in 1968 as a Trainee in its IT Division, became its IT Head in 1974 and rose to the position of Senior Executive Vice President in 1984. Thereafter, he oversaw the working of numerous banking functions of the Bank and played a pivotal role in its restructuring during 1996-2000.

He was appointed President/CEO of Allied Bank Limited, the 5th largest bank of Pakistan, in 2000 where he spearheaded restructuring and recapitalisation of the Bank and led its subsequent turnaround after being taken over by the new sponsors. He retired from Allied Bank in 2007 but was re-inducted by the sponsors as President/CEO in 2010 for a period of three-years for a fast pace growth in business & profitability of the Bank and to further fine tune its systems & controls.

He holds a Master's degree from the University of Karachi and is a Certified Director from the Pakistan Institute of Corporate Governance (PICG).

He is a Member of Board Human Resources & Compensation Committee (HRCC) and Board Audit Committee (BAC).



Amar Zafar Khan

Director

Mr. Amar Zafar Khan is a Chartered Accountant, with over 30 years' multi-functional experience at premium international financial institutions, including Price Water House, UK and Citibank NA, covering general management, directing turnarounds and developing new ventures/businesses in commercial banking, investment banking, domestic and cross-border corporate finance and securities trading. As an international staff member of Citibank, he has exposure to markets in Europe, the Middle East and Africa and has knowledge and experience of a wide spectrum of financing solutions. In 1992, he set up First Capital Securities Discount House, an IFC investment in Nigeria, as the pioneering Managing Director. This institution specialised in market making of Fixed Income securities aimed at liquefying the balance sheets of Nigerian banks. In 1999 he returned to Nigeria as Executive Director overseeing retail banking, investment banking and international operations of United Bank for Africa, one of Nigeria's largest banks.

Amar did his M.B.A. (Major in Marketing) from Cranfield School of Management, Bedford, UK. He is Fellow of the Institute of Chartered Accountants in England & Wales.

He was Chairman and CEO of United Bank Limited (UBL) from the year 2000 to 2004. At the government's invitation, he took the charge of this nationalised institution in order to accelerate the pace of commercialisation and achieve the objective of privatisation of the Bank. Amar was invited by the new owners to continue as CEO in order to build the momentum achieved and assist the new Board to settle in.

Previously, Amar was also appointed as Advisor and Director of UBL in 1996 by State Bank of Pakistan where he played a pivotal role in the multi-dimensional restructuring of the Bank.

He is the Chairman of Board Audit Committee (BAC) and member of Board Human Resource & Compensation Committee (HRCC). He is a Certified Director from the Pakistan Institute of Corporate Governance (PICG).

Amar has served on the Boards of various NGOs engaged in Healthcare, Population Control and Education. Aside from UBL, he serves on the Boards of two other listed companies.



Board of Directors

Tariq Rashid

Director

Mr. Tariq Rashid has more than 25 years' experience in Management & Information Technology at senior levels. He spearheaded the setup of the IT infrastructure of mobile operator Mobilink (now Jazz) since inception. He led the IT organisation of Mobilink through different phases of Telecom industry's life cycle i.e. infancy, growth and consolidation and served as VP & Chief Strategy Officer for more than 5 years. He also served as a Director of Information Technology at HQ of Telecommunication company in Egypt. He successfully led few large business/technology transformation initiatives during his career.

He served as a Director on the Board of Mobilink Microfinance Bank and headed the Risk Committee. He served as Director on the Board of Mobile Number Portability Database (Guarantee) Limited. He also served as President on the Board of International School of Islamabad (ISOI) for more than 4 years.

He is Chairman of the Board IT Committee (BITC) of UBL.

He holds an engineering degree from the University of Engineering & Technology, Lahore and post graduate certificate in Computers from National Academy of Higher Education. He attended different management programs abroad and locally from institutes like IMD, INSEAD, MIT and LUMS.



Sima Kamil

President and CEO

Ms. Sima Kamil, the President and CEO of UBL, has over 37 years' experience in diversified fields of banking, including branch banking, corporate banking and investment banking. She started her banking career from American Express Bank. She also worked with ANZ Grindlays and Standard Chartered Bank in Corporate Banking and Risk Management.

Ms. Kamil joined UBL in 2017. Before joining UBL, she was with Habib Bank Limited where she worked for 16 years. At Habib Bank, she worked in diversified fields at senior levels, including positions of Head of Corporate & Investment Banking and then Head of Branch Banking.

Ms. Kamil had been associated with microfinance as Director of the First Microfinance Bank for a number of years.

She is the Chairperson of UBL (Switzerland) AG and UBL Bank (Tanzania) Limited. She is also a Director on the Board of United Bank UK.

In addition to her professional commitments and assignments, Ms. Kamil has interest in social sector, primarily in education. She is Chairperson of the Board of Governors of Karachi Grammar School. She is also a Member on the Board of Directors of Karachi Education Initiative.

Ms. Kamil has a degree in business from Kingston University, UK and an MBA from City University, London.

She is a member of the Board Risk & Compliance Committee (BRCC) and Board IT Committee (BITC) of UBL. She is a certified director from Institute of Business Administration (IBA), Karachi.



Pioneer of All-Encompassing Security

Innovations that promote evolution of banking are the need of the hour. Our customers' essential requisite for security while undertaking financial transactions is of foremost importance to us.

To this end, UBL has led the banking industry in providing for its customers, multiple layers of security based on latest technologies, so that they feel safe and secure while banking with us. Our strong controls and authentication procedures have led to complete peace of mind for our customers.



Chairman's Review Report to the Members

It is a matter of immense pride for me that United Bank Limited (UBL) has achieved sound results in 2018 in the midst of challenges and was recognised yet again on the global stage as one of the leading banking franchises in the country. With our vast presence and an ever-growing customer base, we remain deeply ingrained in banking flows within the country.

2018 proved to be a difficult year for the economy as it came under stress from a spiraling current account deficit, pressure on FX reserves and widening fiscal imbalance. Rising inflation levels saw interest rates increase by a cumulative 450 bps over the last one year, while the PKR/USD exchange rate depreciated by 26%. As the country embarks upon structural reforms and with major international investment deals in the pipeline, the economy is poised to return on track to growth in the medium term.

Led by the domestic franchise, our business performance in 2018 remained sound. The Branch Banking Group built on its strong growth trajectory by adding 586,000 new current account relationships and growing the current deposits portfolio by 15%. We further enhanced our intermediation potential, expanding domestic performing advances by 24%. This was driven by robust growth across the Corporate, SME and Consumer lending segments. The domestic fee business also maintained its significant growth momentum as revenues climbed by 20% year on year. Apart from one-offs, our operating results were strong as we continue to deliver value for our customers and shareholders alike.

It gives me great pleasure to share that UBL has been declared 'Bank of the Year 2018 - Pakistan' by The Banker, an affiliate of the Financial Times, UK. The most prestigious title in the global banking industry, the award bears testament to UBL's pioneering efforts in broadening access to financial services and spearheading innovation in the local banking industry.

UBL remains at the forefront of bringing innovative banking solutions within the reach of the masses. Our digital transformation journey began in 2016, with the inauguration of the Digital Lab. In 2018, we carried out the launch of 'UBL Digital', our state of the art banking app. The app has been well received by our customers as, within a short span of time, its subscriber base touched 300,000 at the end of 2018.

The Bank has also successfully closed the issuance of its Additional Tier 1 (ADT-1) Term Finance Certificates (TFCs) of Rs. 10 billion. The largest such listed instrument to date, it will further strengthen our capital profile and provide a solid platform for future business expansion.

Given the challenging business environment in the GCC countries, our focus within the International operations was geared towards de-risking the balance sheet, maintaining adequate liquidity levels and optimising the funding mix.

Credit buildup remained constrained as we strengthened risk vigilance and aggressively pursued recovery efforts against non-performing accounts.

With its well-diversified business model, deep network penetration and significant capital strength, UBL is well-placed to capitalise on emerging opportunities. As Pakistan rises above its economic challenges to regain its footing, we are committed to playing our role in the country's development through investing in growth sectors and empowering the large unbanked population with digital financial services.

In conclusion, I would like to extend thanks to our shareholders for their trust in the UBL name, the regulators for their constant support and guidance, our management team for their commitment and above all, our dedicated employees for their untiring efforts in surpassing customer expectations.



Sir Mohammed Anwar Pervez, OBE, HPk
February 20, 2019

Directors' Report to the Members 2018

On behalf of the Board of Directors, I am pleased to present the 60th Annual Report of United Bank Limited (UBL) for the year ended December 31, 2018.

Performance Overview

In 2018, the Bank continued to build on the strengths of its branch banking business, with strong contribution by all regions across the country. The network of 1,364 branches (2017: 1,361) in Pakistan remains well penetrated across all target segments within the market. Our nationwide presence and active field force has delivered another year of very strong and profitable deposit mobilisation. Overall, the Domestic deposits stood at Rs. 1.1 trillion as at Dec'18 with 9% growth over last year (Dec'17: Rs. 1.02 trillion).

The Bank continued its active focus on acquisition of new to bank customers, particularly current accounts, by adding 586,000 new current account relationships during the year. We now have a well-diversified customer base of 3.13 million active branch banking customers (2017: 2.96 million). The current account deposit level stands at a very stable Rs. 508 billion (2017: Rs. 442 billion) as at Dec'18, with 15% growth over the year. Resultantly, current to total deposits ratio improved significantly from 43% in 2017 to 46% in 2018. This position bodes well to support future earnings, in view of the 425 bps increase in interest rates during 2018.

The Corporate Banking segment remains a very active participant in public and private sector expansion projects. We have built a well-diversified portfolio on the strength of our long-term relationships where we aim to contribute with a wide range of financing, trade, foreign exchange and financial advisory services. Overall, gross advances for the Bank have grown by 16% this year, which has improved the Advances to Deposits Ratio from 50% in Dec'17 to 53% in Dec'18. The growth in advances remains selective in order to maintain our focus on asset quality and to minimise risk of portfolio infection given the rising rate environment.

UBL's gross revenue stood at Rs. 81.3 billion in 2018, a growth of 3% against 2017. Net interest income was recorded at Rs. 56.2 billion, in line with the 2017 level. Non-funded income increased by 13% over the prior year to reach Rs. 25.1 billion led by strong growth in fee income, robust foreign exchange earnings, as well as capital gains on fixed income securities.

The Bank's administrative expenses closed at Rs. 38.8 billion in 2018. Excluding deposit protection premium amounting to Rs. 575 million that became effective during the current year, expenses grew by 8% year on year. The cost to income ratio, excluding this impact was measured at 47% compared to 45% in 2017.

A net provision charge of Rs. 12.9 billion was taken during the current year (2017: net provision charge of Rs. 2.4 billion),

mainly to build adequate coverage against the International loan portfolio. Asset quality stood at 8.8% as at Dec'18 as compared to 7.8% at Dec'17.

The unconsolidated profit before tax (PBT) stood at Rs. 25.0 billion in 2018 (2017: Rs. 39.9 billion). Apart from International provisions, profitability was also impacted by a one-off charge of Rs. 6.7 billion with respect to past service pension benefits (detailed disclosure in note 34 to the financial statements). Excluding this extraordinary item, the normalised PBT for 2018 was recorded at Rs. 31.6 billion.

Financial Results

UBL posted an unconsolidated profit after tax (PAT) of Rs. 15.2 billion during 2018 (2017: Rs. 25.2 billion). The unconsolidated earnings per share (EPS) were recorded at Rs. 12.44 compared to Rs. 20.57 for 2017. On a consolidated basis, PAT stood at Rs. 15.0 billion (2017: Rs. 26.0 billion). The consolidated EPS was recorded at Rs. 12.65 for 2018 (2017: Rs. 21.20).

Net Markup Income

UBL posted net interest income (NII) of Rs. 56.2 billion in 2018, being maintained largely in line with 2017. On an average basis, the balance sheet size grew from Rs. 1.7 trillion in 2017 to Rs. 1.8 trillion in 2018. The year witnessed a cumulative increase of 4.25% in the SBP policy rate, taking it from 5.75% at Dec'17 to 10.00% at Dec'18.

The asset base was primarily funded by strong growth in domestic core deposits, which on average stood 10% higher year on year in 2018 i.e. incremental deposit mobilisation of Rs. 84 billion in the year. Our strategy is geared towards aggressively tapping new to bank relationships, mainly within core deposits, while minimising high cost funding. The average current deposit portfolio (part of core deposits) grew by 15% over the previous year i.e. an additional mobilisation of Rs. 60.4 billion in deposit volumes. The average term deposits portfolio was reduced by 20% over last year. This enabled the Bank to maintain an efficient funding profile, thus absorbing the effects of a rising interest rate regime. The average CASA ratio improved from 82.8% in 2017 to 86.9% in 2018. The domestic cost of deposits increased marginally from 2.7% in 2017 to 3.0% in 2018, despite the impacts of the sharp increase in interest rates during 2018.

The average domestic advances portfolio was recorded at Rs. 485 billion, a significant growth of 35% over 2017. This was led by the Corporate Banking Group, which expanded its average portfolio by Rs. 97 billion to close 2018 at Rs. 407 billion. The credit expansion strategy is aimed at booking quality assets while maximising capital efficiencies. The Bank continued to enhance its penetration in the SME lending space as the average portfolio registered a 25% growth to close at Rs. 31 billion in 2018. The new asset acquisition trajectory also remained strong within Consumer lending as the average

Directors' Report to the Members 2018

portfolio grew by 36% year on year. This was driven by the aggressive build up within autos as the portfolio increased by 48%, on an average basis.

The Bank's Pakistan Investment Bonds (PIB) portfolio averaged Rs. 449 billion in 2018 (2017: Rs. 552 billion). There were maturities of Rs. 98 billion during the year, while the portfolio yielded a return of 8.3%. Incremental liquidity continues to be deployed towards the shorter end of the yield curve to take advantage of the rising interest rates. Our T-Bills holdings averaged Rs. 272 billion in 2018 (2017: Rs. 269 billion) with yields on the portfolio increasing by 97 bps over 2017 to 6.9% in the current year. The yield upside on the asset portfolio would be visible upon redeployment and repricing during 2019.

Non-Markup Income

UBL posted Non-Fund Income (NFI) of Rs. 25.1 billion, a growth of 13% against 2017, thus contributing 31% to the Bank's gross revenue in 2018 (2017: 28%). NFI is built up by a diverse range of fee based services across the Branch Banking and Corporate Banking Groups, as well as active trading within the FX and bonds market by the Bank's Treasury and Capital Markets Division.

Fees and commission income stood 10% higher year on year at Rs. 13.9 billion in 2018 and contributed 56% to the overall NFI (2017: 57%). This growth was primarily driven by the Domestic Bank, where fee revenues recorded a 20% increase over the previous year.

The Bank continues to maintain its leadership in home remittances with a market share of 29% in 2018 (2017: 26.5%) and earnings at Rs. 1.2 billion, a growth of 45% over the previous year. Commissions from ATM/Debit cards saw a growth of 28% as we issued 672,000 new debit cards in 2018 to take our active portfolio to over 1.9 million cards. Sales momentum remained strong within the bancassurance business as commission income recorded a 37% growth to close 2018 at Rs. 1.6 billion. Domestic Bank's commissions on cash management increased by 19% over last year to close at Rs. 535 million in 2018 with throughput volumes reaching Rs. 3.0 trillion. The aggressive acquisition drive across autos and credit cards led to commissions from consumer loans growing by 12% year on year to Rs. 830 million this year. Domestic Investment Banking fees also recorded a 17% growth to reach Rs. 704 million, contributed mainly by debt arrangement mandates within the power sector. Trade earnings at Bank level were maintained in line with the previous year at Rs. 1.0 billion.

The Bank realised capital gains of Rs. 4.6 billion in the current year (2017: Rs. 4.4 billion), primarily on its PIBs portfolio. Dividend earnings closed at Rs. 2.1 billion (2017: Rs. 2.4 billion), as our holdings in the energy and fertiliser stocks maintained

strong payouts. Foreign exchange income was recorded at Rs. 3.5 billion in 2018, with growth of 85% year on year owing to higher customer flows and proactive positioning in a volatile exchange rate environment.

Provisions and Loan Losses

UBL Domestic's non-performing loans (NPLs) closed at Rs. 27.9 billion at Dec'18, compared to Rs. 28.2 billion at Dec'17. A net provision charge of Rs. 1.7 billion was taken in 2018, but primarily against equity investments, against a net provision reversal of Rs. 2.3 billion in 2017. Driven by active recovery efforts by the Special Assets Management Division (SAM), the domestic asset quality improved from 6.0% at Dec'17 to 4.9% at Dec'18. Specific coverage for the Domestic Bank was enhanced from 90.7% at Dec'17 to 92.5% at Dec'18.

Economic slowdown in the GCC region persisted for much of 2018 with some signs of recovery near the end of the year as oil prices reversed their declining trend. However, the prevailing economic situation and evident cash flow constraints necessitated prudent loan loss recognitions, with NPLs increasing from Rs. 24.1 billion at Dec'17 to Rs. 40.6 billion at Dec'18. A net provision charge of Rs. 11.2 billion was taken for the year, as opposed to a charge of Rs. 4.8 billion in 2017. Resultantly, after taking appropriate valuations for collateral, specific coverage on International NPLs was increased from 58% at Dec'17 to 74% at Dec'18.

Overall, a net provision charge of Rs. 12.9 billion was taken for 2018 against a net provision charge of Rs. 2.4 billion in 2017. At the Bank level, asset quality was recorded at 8.8% at Dec'18 (Dec'17: 7.8%), while specific coverage improved to 82% at Dec'18 (Dec'17: 75%).

Cost Management

The Bank's administrative expenses were recorded at Rs. 38.8 billion in 2018, growing by 10% over 2017. During the current year, the Bank contributed Rs. 575 million as premium for deposit protection insurance. Excluding this impact, the expense base remained well controlled with an 8% increase over 2017. Employee compensations grew by 10% mainly due to performance awards and merit adjustments. Property expenses stood 8% higher compared to 2017, largely due to rent escalations across the network and relocation of branches to high visibility locations. IT related expenses increased by 16%, mainly due to higher networking charges for strengthening connectivity at branches and ATMs.

Balance Sheet Management

The Bank's average balance sheet size grew by 3.5% year on year to Rs. 1.8 trillion in 2018. Domestic deposits witnessed a 9% growth over Dec'17 to close 2018 at Rs. 1.1 trillion at Dec'18. Our deposit market share was recorded at 8.3% at Dec'18, largely in line with Dec'17. Instead of aggressive market share acquisition, our branch banking strategy seeks to

maintain an optimal deposit mix with focus on CASA expansion. This strategy will provide the Bank a sustainable low cost funding base, thus positioning it well to improve margins as a high interest rate regime improves yields across earning assets.

The Bank's net advances closed at Rs. 716 billion at Dec'18 (Dec'17: Rs. 628 billion), a growth of 14%. Domestic performing advances grew by 24% over Dec'17, with active buildup across the Corporate, SME and Consumer portfolios. Our strategy is centered on delivering RWA efficient credit growth while maintaining optimal asset quality and healthy relationship yields.

The investment portfolio closed at Rs. 786 billion at Dec'18 (Dec'17: Rs. 1.1 trillion). Funding is primarily deployed in treasury securities with Rs. 396 billion invested in PIBs at a yield of 8.3% and Rs. 243 billion in T-Bills. The Bank's equity holdings stood at Rs. 17.4 billion at Dec'18, invested at an average yield of 9.3% (Dec'17: 10.3%). The equities portfolio is diverse, built in blue chip corporates with a long-term view to earn a stable stream of dividend income.

Capital Ratios

Building capital synergies across both the domestic and international balance sheets remained a key focus for all lending segments in 2018.

The Bank's capital ratios remained strong with the Common Equity Tier 1 (CET-1) ratio improving by 112 bps to 12.4% at Dec'18 (Dec'17: 11.3%). Total Tier 1 Ratio closed Dec'18 at 13.4%. The overall Capital Adequacy Ratio (CAR) stood at 17.7% at Dec'18 (Dec'17: 15.4%).

The Bank has completed the process of issuing Additional Tier 1 (ADT-1) Term Finance Certificates (TFCs) amounting to Rs. 10 billion (inclusive of a greenshoe option of Rs. 3 billion). During the last quarter of 2018, the Pre-IPO of Rs. 9 billion was subscribed which thus forms part of the Tier 1 capital of the Bank as at Dec 31, 2018. In January 2019, the Bank carried out the initial public offering for the remaining Rs. 1 billion, thus closing the total issue of Rs. 10 billion.

The Board of Directors of UBL declared a final dividend of 30% (Rs. 3 per share) in their meeting in Karachi held on February 20, 2019, along with the results for the year ended December 31, 2018.

UBL Digital

UBL remains an industry leader in innovation with a focus on customer oriented product development that maintains our niche versus competition. We continue to build on our futuristic "Digital Strategy" seeking to transform our products, processes and customer interactions. For us, Digital is more than a channel; it encompasses experiential banking guided by human centric design principles. The end state is developing a wider payment ecosystem that enables customers to manage their end-to-end banking needs.

During the year, we launched our state of the art app, "UBL Digital". The app is equipped with enhanced security and unique features such as QR code payments, facial recognition

and augmented reality. In 2018, the Bank also launched digital client onboarding. With this facility, customers can request to open a UBL bank account; 'anytime, anywhere' through the UBL Digital App. A digital advisor from the nearest branch will visit the customer to complete the account opening process via a digital tablet. This initiative will provide further impetus to the Bank's new customer acquisition drive in addition to allowing it to further strengthen its presence within a vast underbanked segment.

Our branchless banking proposition, UBL Omni, continues to lead the way in banking the unbanked and increasing financial inclusion in Pakistan. Omni is a telco agnostic technology platform that has brought mobile banking within the reach of every customer. UBL Omni allows customers to open an Omni bank account at any Omni 'Dukan' using their CNIC and mobile phone number. With the acquisition of 1.2 million new customers in 2018, we now have a portfolio of over 2.3 million Omni account holders. During 2018, we also launched the first of its kind 'Selfie Account', a self-account opening feature via the UBL Omni mobile app.

Our Omni 'Dukan' network spans around 36,000 agents in more than 850 towns and cities. 2018 was the year of aggressive growth as throughput of domestic remittances increased by over 37% to reach Rs. 31 billion, while utility bill volumes increased by 35%. We continued to maintain our leadership position in G2P payments by working closely with the Government of Pakistan and multilateral agencies. Omni remains a strong proposition for the Bank that continues to provide new and upcoming services designed to serve a diversified and evolving customer base.

Economy Review

Economic progress in 2018 has been undermined by challenges around maintaining a stable foreign exchange reserves position, containing the fiscal deficit and the steady increase in the level of inflation. This has resulted in an expected slowdown in the rate of GDP growth for FY'19 to 4.0% from the earlier targeted level of 6.2% (FY'18: 5.8%). The low interest rate regime during the previous years, along with high aggregate demand had resulted in huge credit expansion. However, measures taken in the last one year in the form of monetary policy tightening and sharp devaluation are now impacting the rate of growth.

The current account deficit, although still at high levels, has reduced from USD 8.4 billion in H1 FY'18 to USD 8.0 billion in H1 FY'19. The trade deficit reduced from USD 17.7 billion in H1 FY'18 to USD 16.8 billion in H1 FY'19. This is in line with a 2% YoY increase in the level of exports to USD 11.2 billion in H1 FY'19 vs. last year and a 2.3% YoY reduction in the level of imports to USD 28.0 billion during H1 FY'19. Home remittances remained strong with growth of 10% (H1 FY'19 vs. H1 FY'18) and stood at USD 10.8 billion during H1 FY'19.

The huge current account deficit continued to strain FX reserves that reduced from USD 20.2 billion in Dec'17 to USD 13.8 billion at Dec'18, a decline of 31.8%. While the country's decision of formally entering into another IMF Programme remained under review, external support during the last quarter of 2018 eased the burden on the balance of payments position.

Directors' Report to the Members 2018

However, pressure remained on the exchange rate resulting in a 25.8% devaluation in the rupee over the year with the closing level in Dec'18 at PKR 138.86/USD.

Inflationary pressures have started to build up as average H1 FY'19 CPI stood at 6.0% year on year versus 3.8% in H1 FY'18. Rising inflation, combined with the deteriorating external and fiscal imbalances, resulted in an increase in the benchmark policy rate by a cumulative 450 basis points in the last one year, taking the policy rate to 10.25% in January 2019.

A more bearish sentiment prevailed in the stock market throughout the year as the KSE-100 Index closed at 37,067 points in Dec'18, a decline of 8.4% over the Dec'17 level. 2018 proved to be a difficult year for the stock market in view of sharp devaluation, while investors awaited more clarity on the macro economic outlook under the new government. Sell-off by global funds also led to the lower than expected performance of the Pakistani bourse as foreign investments recorded a net outflow of USD 537.1 million in CY'18 (CY'17: USD 487.1 million).

Banking sector deposits stood at Rs. 13.4 trillion at Dec'18, a growth of 8.0% over Dec'17. 2018 witnessed strong credit off take as advances grew by 13.7% over Dec'17 to Rs. 7.4 trillion at Dec'18. Industry NPLs stood at Rs. 636.7 billion at the end of Sep'18, increasing by 7.5% over Dec'17, resulting in the gross infection ratio improving by 40 bps to 8.0% (Dec'17: 8.40%).

UBL International

2018 was a difficult year for the business, owing to tepid economic conditions in the GCC region. The oil sector was constrained by range-bound prices coupled with OPEC supply cut agreements. In addition, the non-oil private sector was impacted by removal of subsidies, introduction of VAT and various energy price reforms.

UBL International's average deposits were recorded at USD 2.1 billion in 2018, down 6% over the previous year. Cost of deposits was maintained at the last year level of 2.2%, despite a 100 bps rise in the FED rate during the year. The average loan portfolio moved from USD 1.6 billion in 2017 to USD 1.3 billion, in line with the strategy to maintain a more liquid balance sheet and reduce risk-weighted assets. The investment portfolio, which comprises of mainly foreign fixed income securities, closed at USD 636 million (Dec'17: USD 708 million), generating a healthy yield of 6.5% (2017: 7.1%).

NPLs increased from USD 218 million at Dec'17 to USD 293 million at Dec'18 as a result of the economic slowdown and cash flow constraints in the UAE and Qatar. The Bank took a conservative and proactive stance towards assessing the risk of its credit portfolio and accounts were downgraded in a prudent manner in line with regulatory guidelines. Despite

challenging conditions, overseas branches continued to operate healthy liquidity ratios throughout 2018.

Our focus on growing low cost deposits would gain further momentum as we rebuild the balance sheet with a more efficient funding mix. We have restructured our Special Asset Management team in order to actively pursue recovery from non-performing accounts. Going ahead, we aim to consolidate the International business by growing selectively in territories offering an acceptable risk profile.

Subsidiaries Performance Overview

Highlights of the financial performance of our subsidiaries are as follows:

United National Bank Limited (UBL UK) is a 55% owned subsidiary of UBL. In 2018, UBL UK operations posted a net loss. This is mainly due to provisioning against investments and a de-risking strategy to free up capital, which entailed sale of securities below book values. Fee revenues from trade finance and remittances remained constrained, with NFI reducing by 79% compared to last year. NII was recorded at 3% higher compared to 2017. With a prudent asset acquisition strategy, the investment portfolio increased by 10% during the year while advances declined by 13%. The deposit base was maintained at close to the 2017 level.

UBL Switzerland AG is a wholly owned subsidiary of UBL. Its revenues are derived principally from the trade business. UBL Switzerland's profit before tax declined by 12% over the previous year, mainly due to lower commission earnings and increased swap costs. NII grew by 17% year on year. The balance sheet size remained broadly in line with 2017.

UBL Fund Managers Limited, Pakistan (UBLFM) is a 98.9% owned subsidiary of UBL. During 2018, UBLFM witnessed a 6% reduction in PBT compared to the prior year. The funds under management of UBLFM stood at Rs. 62 billion at the close of 2018 (2017: Rs. 65 billion).

UBL Bank (Tanzania) Limited (UBTL) was established in 2012 and is a wholly owned subsidiary of UBL. During the year, a capital injection of Rs. 509 million was made to meet minimum capital requirements. UBTL's loss before tax for 2018 reduced by 48% as compared to 2017. We are presently re-evaluating our business strategy and outlook for UBTL.

Credit Rating

JCR-VIS Credit Rating Company Limited (JCR-VIS) re-affirmed the entity ratings of UBL at 'AAA/A-1+' (Triple A/A-One Plus) on June 29, 2018. Outlook on the assigned ratings is 'Stable'. The ratings depict strong performance in key areas including asset quality, capital management and profitability. These are reflective of UBL's size and strength as a leading domestic

franchise and a well-diversified business model.

Awards and Recognition

The highlight of the year was UBL being declared as the 'Bank of the Year 2018 - Pakistan' at 'The Banker Awards' in London. The Banker, an affiliate of the Financial Times UK, is the world's leading financial publication. The most prestigious title in the global banking industry, the award recognises excellence in performance, adding customer value, innovation and leadership in society. The award is a testament to UBL's leading contribution in expanding the scope of financial services and spearheading innovation in the Pakistani banking industry.

Future Outlook

Led by expansion in core segments, a diversified business model and a constant drive to innovate, UBL seeks to build on its leadership position in the local banking industry. Our diversified liquidity and funding profile supports the lending portfolio which provides banking solutions to all large corporates, SME and mid-market customers. In view of the high interest rate environment, credit acquisition shall remain selective with focus on asset quality and efficient capital allocation. We are keen to strengthen our compliance standards in line with global best practices. We shall continue to make ourselves more agile while re-investing in people and infrastructure to improve service quality levels and maximise operational efficiencies. Branch Banking shall remain the cornerstone of our operations where we seek to invest more to scale up the acquisition of NTB customers and maximise network performance. At UBL, we value the relationships of all our customers that have been acquired through our wide reaching branch network. At every level and within every segment, our ambition is to be the best service bank for our customers.

Although today the branch network is key, we believe the local market has unlimited business growth potential with more than 80% of the Pakistani population remaining unbanked. We have strategically seized this opportunity over the last few years; as a result, we are the market leaders in branchless banking through UBL Omni. However, in the future, through our Digital Strategy, we are geared up to create an operating model that can be replicated to enhance coverage across all parts of the country, providing a bank account to every Pakistani citizen. This will evolve through technological investments, emerging as a data driven Bank and by creating integrated ecosystems.

UBL shall remain highly committed to our vision of a developed and prosperous Pakistan. We shall continue to support infrastructural development of educational institutes, while also contributing towards healthcare and community welfare. By serving worthy causes across Pakistan, UBL intends to strengthen and diversify its sustainability efforts in the coming years.

We believe in expanding the scope of banking services in Pakistan in order to play an active role in the development of an economy that is transitioning towards its true potential.

Corporate Governance

Directors' Statement

The Board of Directors is committed to ensuring that the requirements of corporate governance set by the Securities and Exchange Commission of Pakistan are fully met. The Bank has adopted good corporate governance practices and the Directors are pleased to report that:

- The financial statements, prepared by the management of the Bank, present fairly the state of affairs of the Bank, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Bank have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of the financial statements, except for the changes in accounting policies as described in Note 5.1 to the financial statements. Accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable to banks in Pakistan, have been followed in preparation of financial statements without any departure therefrom.
- The system of internal control in the Bank is sound in design and is effectively implemented and monitored.
- There are no significant doubts regarding the Bank's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance.
- Performance highlights for the last six years are attached to these unconsolidated financial statements.
- Profit amounting to Rs. 1.5 billion has been transferred to Statutory Reserve for the year 2018.
- Composition of the Board is given in paragraphs 1 and 2 of the Statement of Compliance with the Code of Corporate Governance.
- Details of Directors' training programmes are given in the Statement of Compliance with the Code of Corporate Governance.
- The Non-Executive Directors, including Independent Directors, are eligible for fees and logistic expenses for attending meetings of the Board and Board Committees as approved by the Board of Directors. Moreover, the fee paid to these directors is made part of the agenda for the Annual General Meeting to obtain post facto approval from the shareholders.

The Board has constituted the following four Committees with defined Terms of Reference (ToRs):

Board Audit Committee (BAC):

1. Mr. Amar Zafar Khan	Chairman
2. Mr. Haider Zameer Choudrey	Member
3. Mr. Khalid A. Sherwani	Member
4. Mr. Rizwan Pervez	Member
5. Mr. Aqeel Ahmed Nasir	Secretary

Board Risk and Compliance Committee (BRCC):

1. Mr. Zameer Mohammed Choudrey	Chairman
2. Mr. Arshad Ahmad Mir	Member
3. Ms. Sima Kamil	Member
4. Mr. Imran Sarwar	Secretary

Board Human Resource & Compensation Committee (HRCC):

1. Mr. Arshad Ahmad Mir	Chairman
2. Mr. Khalid A. Sherwani	Member

Directors' Report to the Members 2018

3. Mr. Amar Zafar Khan	Member
4. Mr. Syed Zulfiqar Hussain	Secretary

Board IT Committee (BITC):

1. Mr. Tariq Rashid	Chairman
2. Mr. Haider Zameer Choudrey	Member
3. Ms. Sima Kamil	Member
4. Mr. Muhammad Faisal Anwar	Secretary

The number of Board Committees' meetings held during the year and the number of meetings attended by the Directors is shown below:

	BAC	BRCC	HRCC	BITC
Number of meetings held	5	4	4	4
Number of meetings attended:				
Mr. Zameer Mohammed Choudrey, CBE	-	4	-	-
Mr. Haider Zameer Choudrey	5	-	-	4
Mr. Rizwan Pervez	4	-	1	-
Mr. Arshad Ahmad Mir	-	4	4	-
Mr. Khalid A. Sherwani	3	-	2	-
Mr. Amar Zafar Khan	5	-	3	-
Mr. Tariq Rashid	-	-	-	4
Ms. Sima Kamil	-	4	-	4

The Bank operates five funded retirement schemes which are the Provident Fund, Gratuity Fund, Pension Fund, Benevolent Fund and General Provident Fund.

The values of the investments of these funds, based on their latest audited financial statements as at December 31, 2017 are as follows:

	Rupees in '000
Employees' Provident Fund	3,732,673
Employees' Gratuity Fund	797,983
Staff Pension Fund	3,151,514
Staff General Provident Fund	1,091,639
Officers/Non-Officers' Benevolent Fund	489,328

Meetings of the Board

During the year under review, the Board of Directors met six times. The number of meetings attended by each Director during the year is shown below:

Name of the Director	Designation	Meetings Attended
Sir Mohammed Anwar Pervez, OBE, HPK	Chairman	6
Mr. Zameer Mohammed Choudrey, CBE	Director	6
Mr. Rizwan Pervez	Director	6
Mr. Haider Zameer Choudrey	Director	6
Mr. Arshad Ahmad Mir	Director	6
Mr. Khalid A. Sherwani	Director	4
Mr. Amar Zafar Khan	Director	6
Mr. Tariq Rashid	Director	6
Ms. Sima Kamil	President & CEO	6

Pattern of Shareholding

The pattern of shareholding as at December 31, 2018 is given below:

Shareholders	No. of Shares	% of Ordinary Shares
Bestway Group (BG)	752,514,602	61.47
General Public & Others	341,946,911	27.93
Banks, DFIs & NBFIs	29,521,040	2.41
Insurance Companies	57,983,211	4.74
Modarabas & Mutual Funds	41,219,943	3.37
International GDRs (non-voting shares)	992,266	0.08
Privatization Commission of Pakistan	1,714	0.00
TOTAL OUTSTANDING SHARES	1,224,179,687	100.00

The aggregate shares held by the following are:

	No. of Shares
a) Associated Companies, undertakings & related parties	
- Bestway (Holdings) Limited*	631,728,895
- Bestway Cement Limited	93,649,744
b) Modarabas & Mutual Funds**	41,219,943
c) Directors & CEO***	
-Sir Mohammed Anwar Pervez, OBE, HPK	12,765,368
-Mr. Zameer Mohammed Choudrey, CBE	2,348,870
-Mr. Haider Zameer Choudrey	2,000,000
-Mr. Rizwan Pervez	129,500
-Mr. Arshad Ahmad Mir	2,500
-Mr. Khalid A. Sherwani	2,500
-Mr. Amar Zafar Khan	-
-Mr. Tariq Rashid	-
-Ms. Sima Kamil	471
d) Executives	1,194,051
e) Public sector companies and corporations	118,628
f) Banks, DFIs, NBFIs, Insurance Companies	87,504,251

*The Bank is a subsidiary of Bestway (Holdings) Limited which is incorporated in the United Kingdom.

**Name wise detail of Modarabas & Mutual Funds is annexed with Categories of Shareholders.

***There were no shares held by the spouses or minor children of the Directors and CEO of the Bank.

Shareholders holding 5% or more voting rights	No. of Shares	%
Bestway (Holdings) Limited	631,728,895	51.60
Bestway Cement Limited	93,649,744	7.65

Trades in the shares of UBL carried out by Directors, Executives and their spouses and minor children are annexed along with the Pattern of Shareholding.

Risk Management Framework

The Bank's Risk and Credit Policy Group has the following verticals:

- Corporate, Commercial, SME and Financial Institutions Risk
- International Risk
- Consumer Credit
- Market and Treasury Risk
- Basel and Operational Risk
- Information Security
- Credit Policy and Research

The Bank's risk governance is exercised by two Committees:

- Risk Management Committee
- Portfolio Review Committee

The Risk Management Committee is chaired by the President and CEO and comprises of the Heads of all areas of Risk, Business and Credit Administration. The Committee is responsible for reviewing and undertaking strategic business decisions with a collective view on Credit Risk, Market Risk, Operational Risk and Capital.

The Portfolio Review Committee includes Heads of Credit Risk, Business, Credit Administration, Special Asset Management and is chaired by the President and CEO. The Committee reviews overall portfolio of problem credits including watch list accounts and NPLs in various segments. The committee is responsible for formulating remedial strategies and action plans aimed at improving portfolio health.

2018 was a challenging year for Pakistan's economy as it confronted a host of adverse factors that resulted in increasing inflationary pressure and government borrowings from the banking sector to finance the widening budget deficit. These factors include the Rupee devaluation, increase in the benchmark interest rate, and a widening trade and current account deficit based on stagnant exports and low foreign exchange reserves. These negatively affected the local borrowing segment's cost of doing business and debt servicing capacity. International lending also remained in focus demanding higher attention owing to lower economic growth in the Middle East affecting businesses and ultimately the banking sector.

The Bank revised its Policies in line with changing risk, regulatory and the internal control environment. During the year, various concentration limits were rationalised, and controls were enhanced.

The Bank's Credit Risk Management Division focused on risk mitigation measures such as rationalising exposures across industries, focusing on a forward-looking framework to proactively identify potential asset deterioration across all our businesses and enhanced scrutiny of classified assets.

Within Consumer products, the portfolio is showing steady growth with controlled delinquencies under a meticulous risk environment. Policies and processes have been aligned to maintain the risk and reward profile. International Consumer credit policies were also aligned with domestic risk framework to improve synergies. Additionally, various portfolio management techniques are used for NPL management and stress testing scenarios are also being used to further improve asset quality.

In line with the SBP Risk Governance Framework for Overseas Operations, the division is being managed from HO, with regional presence where required. During the year, several initiatives such as de-risking of high RWA assets, focus on cost efficiencies, proactive portfolio management, mapping of policies with domestic structure as well as gap analysis of local regulatory guidelines were also undertaken.

The Bank has a dedicated Market and Treasury Risk Function,

to measure and monitor all risks related to market movements such as Interest Rate, Equity, Foreign Exchange and Liquidity Risk and ensure the same remain well within the prescribed risk appetite of the Bank as approved by the Board.

It is UBL's policy to hold adequate liquidity buffers at all times in order to meet all its obligations in the normal course of business. In addition, the Liquidity Contingency Plan of the Bank is formulated in a manner to ensure that a comprehensive strategy is instituted in the Bank in times of a liquidity crisis.

The Bank has maintained its CAR well above the regulatory thresholds throughout the year under the prescribed Basel-III regulations. The Internal Capital Adequacy Assessment Process (ICAAP) Framework is reviewed annually and updated in case of any material change in the underlying long-term strategy of the bank.

The Operational Risk Management Framework is governed by comprehensive policies and procedures in line with the regulatory guidelines. The Framework is implemented to strengthen the overall control environment of the Bank. Operational Risk Assessment tools are used to assess, mitigate and monitor potential risk areas that may arise in the Bank's business and support functions. The Framework has also been strengthened through acquisition of a robust system.

UBL has established an extensive Information and Cyber Security (IS) Program to manage the security of its information assets. The sensitive information managed by UBL including the data entrusted to UBL by its customers, partners and staff are among the organisation's most valuable assets. Given the competitive nature of UBL's business and significant value of the data it manages, the Risk Group, in conjunction with business and technology, has taken measures to:

- Reduce information security risks and potential business impacts to an acceptable level through the introduction of a detailed Information Security Risk Assessment/Management programme and Vulnerability Assessment Process.
- Generate business value through the optimisation of security investments by self-developing secure tools and processes, Internal Penetration test process, Online IS awareness and trainings for all staff.
- Preserve and increase market share with a reputation of safeguarding information assets by introducing multiple IS initiatives such as advanced malware protection, end point protection and Next generation firewall etc.

Corporate Social Responsibility (CSR)

At the core of UBL's Sustainability philosophy is the desire to help the less fortunate by supporting causes that make a meaningful impact and empower communities. In 2018, UBL donated a record amount to projects that further strengthened and diversified its sustainability efforts. Supporting healthcare projects through infrastructural development of medical institutions and provision of life-saving equipment and ambulances were the core areas where the Bank focused its sustainability efforts. Other areas the Bank contributed towards included education and water conservation projects. In line with our commitment to create a positive impact on the environment, in 2018, we also launched an organisation wide "Go-Green" drive encouraging minimal use of paper.

Directors' Report to the Members 2018

Statement of Internal Controls

The Board is pleased to endorse the statement made by the management relating to Internal Controls over Financial Reporting (ICFR) and also the overall internal controls. The Statement on Internal Controls is included in the Annual Report.

Auditors

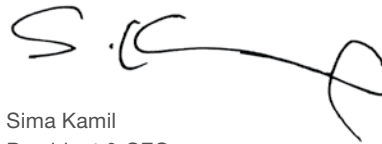
The present auditors, M/s. KPMG Taseer Hadi & Co., Chartered Accountants and M/s. A.F. Ferguson & Co., Chartered Accountants, retire and M/s. A.F. Ferguson & Co., Chartered Accountants being eligible, in accordance with the special approval as received from the State Bank of Pakistan, offer themselves for re-appointment in the forthcoming Annual General Meeting. The Board of Directors, on the recommendation of the Board Audit Committee, recommends M/s. A.F. Ferguson & Co., Chartered Accountants, for re-appointment as auditors of the Bank.

Conclusion

In conclusion, we would like to express our gratitude to our customers and shareholders for placing their confidence in us. We sincerely appreciate the untiring efforts of the entire UBL team that works relentlessly to surpass customer expectations. We would also like to extend our sincere thanks to the State

Bank of Pakistan, Securities and Exchange Commission of Pakistan and other regulatory bodies for their continued direction and support.

For and on behalf of the Board,



Sima Kamil
President & CEO



Amar Zafar Khan
Director

Karachi,
February 20th, 2019



Board of Directors

ارکان کوڈائریکٹرز کی رپورٹ

آڈیٹرز (Auditors)

موجودہ آڈیٹرز، میسرز KPMG Taseer Hadi & Co. چارٹرڈ اکاؤنٹنٹس اور میسرز A.F. Ferguson & Co. چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو رہے ہیں اور میسرز A.F. Ferguson & Co. چارٹرڈ اکاؤنٹنٹس اسٹیٹ بینک آف پاکستان سے خصوصی منظوری کے مطابق دوبارہ تقرری کے لئے اہل ہیں اور خود کو آئندہ سالانہ اجلاس عام میں دوبارہ تقرری کے لئے پیش کرتے ہیں۔ بورڈ آف ڈائریکٹرز، بورڈ آڈٹ کمیٹی کی سفارشات کے مطابق میسرز A.F. Ferguson & Co. چارٹرڈ اکاؤنٹنٹس کی بینک کے آڈیٹرز کے طور پر دوبارہ تقرری کی سفارش کرتے ہیں۔

اختتامیہ (Conclusion)

آخر میں ہم اپنے تمام کسٹمرز اور شیئرز ہولڈرز کے تہہ دل سے شکر گزار ہیں جنہوں نے یو بی ایل پر اعتماد کیا۔ ہم یو بی ایل کی پوری ٹیم کی انتھک کوششوں کو بھی سراہتے ہیں جنہوں نے کسٹمرز کے اعتماد پر پورا اترنے کے لئے کوئی کسر نہیں چھوڑی۔ ہم اسٹیٹ بینک آف پاکستان، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور دیگر ریگولیٹری اداروں کی جانب سے مسلسل راہنمائی اور معاونت پر ان کا بھی شکریہ ادا کرتے ہیں۔

برائے واز طرف بورڈ



سیما کامل

پریزیڈنٹ اور سی ای او



عام ظفر خان

ڈائریکٹر

کراچی

20 فروری، 2019

بینک نے پورے سال کے دوران بیسٹ III-ریگولیشن کے تحت ریگولیٹری تقاضوں سے بھی زیادہ اپنی CAR برقرار رکھی۔ انٹرنل کنٹرول ایڈویسی ایسیسمنٹ پروسس (ICAAP) فریم ورک کا سالانہ جائزہ لیا جاتا ہے اور بینک کی طویل مدتی حکمت عملی کے تحت درکار مادی تبدیلی کی صورت میں اپ ڈیٹ کیا جاتا ہے۔

آپریٹنگ ریسک مینجمنٹ فریم ورک پر جامع پالیسیوں اور طریقہ کار کے تحت اور ریگولیٹری گائیڈ لائنز کے مطابق عمل درآمد کیا جاتا ہے۔ فریم ورک پر عمل درآمد کا مقصد بینک کے مجموعی ماحول پر کنٹرول مستحکم کرنا ہے۔ آپریٹنگ ریسک ایسیسمنٹ ٹولز کو متوقع ریسک کا جائزہ لینے، کم کرنے اور نگرانی کرنے کے لئے استعمال کیا جاتا ہے جو بینک کی روزمرہ کاروباری سرگرمیوں اور معاون امور کی انجام دہی کے دوران رونما ہو سکتے ہیں۔ فریم ورک کو ایک جدید نظام کے حصول کے ذریعے مستحکم بنایا گیا۔

یو بی ایل نے اپنے انفارمیشن سسٹمز کی سکیورٹی کے انتظام کے لئے ایک جامع انفارمیشن اور سائبر سکیورٹی پروگرام قائم کیا ہے۔ یو بی ایل جو حساس ڈیٹا اور معلومات اپنے پاس رکھتا ہے اس میں کسٹمرز، پارٹنرز اور عملے کی جانب سے تفویض شدہ معلومات اور اعداد و شمار ہیں جو ادارے کے سب سے قیمتی اور اہم سسٹمز ہیں۔

یو بی ایل کا مسابقتی نوعیت کا کاروبار اور گراں قدر ڈیٹا جس کا بینک انتظام و انصرام کرتا ہے، ریسک مینجمنٹ گروپ نے کاروبار اور سائبر سکیورٹی کے حوالے سے درج ذیل اقدامات کئے ہیں:

- تفصیلی انفارمیشن سکیورٹی ریسک ایسیسمنٹ / مینجمنٹ پروگرام اور ولیمیریٹیٹی ایسیسمنٹ (VA) متعارف کرانے کے ذریعے انفارمیشن سکیورٹی ریسکس اور کاروبار پر ممکنہ اثرات کو قابل قبول حد تک کم کرنا۔
- خود اپنے طور پر محفوظ SDLC ٹولز اور پروسیجرز، انٹرنل پینیٹریشن ٹیسٹ پروسیجرز، تمام اسٹاف کو IS کی آن لائن آگاہی اور تربیت کی فراہمی کے ذریعے سکیورٹی انویسٹمنٹ کو زیادہ سے زیادہ کارآمد بنانے کے ذریعے کاروباری قدر حاصل کرنا۔
- کثیر اقسام کی IS اقدامات مثلاً جدید میلو میز پر وٹیشن، ISRA، VA، اینڈ پوائنٹ پروفیکشن اور نیٹس جزیئن فائر وال وغیرہ متعارف کرانے کے ذریعے معلومات کی حفاظت کی شہرت کے ساتھ مارکیٹ شیئر محفوظ کرنا اور اس میں اضافہ کرنا۔

کاروباری سماجی ذمہ داری (Corporate Social Responsibility) (CSR)

یو بی ایل کی اجتماعی اہلیت کے فلسفے کی بنیاد ہی پسماندہ طبقات کی اس طرح مدد کرنا ہے جس سے معاشرے پر مثبت اثرات پڑیں اور وہ باختیار ہو جائیں۔ 2018 میں یو بی ایل نے خاصی رقم فلاحی منصوبوں پر صرف کی جس سے مختلف شعبوں میں معاشرتی استحکام کی کوششوں کو مزید تقویت ملی۔ طبی اداروں میں بنیادی سہولیات کی بہتری کے ذریعے صحت عامہ کے منصوبوں کی مالی معاونت اور زندگی بچانے والے ساز و سامان اور ایمبولینسز کی فراہمی وہ قابل ذکر کام ہیں جہاں بینک نے توجہ مرکوز رکھی۔ اس کے علاوہ بینک نے فروغ تعلیم اور آرٹس تحفظ کے منصوبوں کے لئے فنڈز فراہم کئے۔ ماحول پر مثبت اثرات مرتب کرنے کے لئے 2018 میں ہم نے "Go-Green" کے نام سے ایک مہم شروع کی جس کا مقصد کاغذ کم سے کم استعمال کرنے کی حوصلہ افزائی کرنا تھا۔

اسٹیٹمنٹ برائے اندرونی انضباط (Statement of Internal Control)

بورڈ، مینجمنٹ کی طرف سے اندرونی انضباط برائے فنانسز رپورٹنگ (ICFR) اور مجموعی اندرونی انضباط سے متعلق اسٹیٹمنٹ کی بھروسہ مستوثبت کرتا ہے۔ اسٹیٹمنٹ برائے اندرونی انضباط سالانہ رپورٹ میں شامل ہے۔

درج ذیل کی تحویل میں موجود مجموعی شیئرز:

شیئرز کی تعداد	
(a) منسلک کمپنیاں، معاہدہ جات اور متعلقہ پارٹیاں	
بیسٹ وے (ہولڈنگز) لمیٹڈ *	631,728,895
بیسٹ وے سینٹ لمیٹڈ	93,649,744
(b) مضاربہ اور میوچل فنڈز **	41,219,943
(c) ڈائریکٹرز اور چیف ایگزیکٹو آفیسر ***	
سر محمد انور پرویز، OBE، ہلال پاکستان	12,765,368
جناب ضمیر محمد چوہدری، CBE	2,348,870
جناب حیدر ضمیر چوہدری	2,000,000
جناب رضوان پرویز	129,500
جناب ارشد احمد میر	2,500
جناب خالد اے شیروانی	2,500
جناب عامر ظفر خان	-
جناب طارق رشید	-
محترمہ سیما کمال	471
(d) ایگزیکٹوز	1,194,051
(e) پبلک سیکٹر کمپنیاں اور کارپوریٹیشنز	118,628
(f) بینکس، NBFIs، DFIs اور انشورنس کمپنیاں	87,504,251

* بینک بیسٹ وے (ہولڈنگز) لمیٹڈ کا ذیلی ادارہ ہے جو برطانیہ میں قائم شدہ ہے۔

** مضاربہ اور میوچل فنڈز بالفاظ نام تفصیلات شیئرز ہولڈرز کی کیلنگرز کے ساتھ منسلک ہیں۔

*** بینک کے ڈائریکٹرز اور CEO کے/کی شریک حیات اور نو عمر بچوں کی تحویل میں کوئی شیئرز نہیں ہیں۔

5 فیصد یا زائد دو ہنگ کے حقوق رکھنے والے شیئرز ہولڈرز		
بیسٹ وے (ہولڈنگز) لمیٹڈ	شیئرز کی تعداد	فیصد
631,728,895	51.60	
93,649,744	7.65	

یو بی ایل کی شیئرز کی تجارت جو اس کے ڈائریکٹرز، ایگزیکٹوز اور ان کے/کی شریک حیات اور نو عمر بچوں کی طرف سے کیا گیا لیکن دین پیرن آف شیئرز ہولڈنگ کے ہمراہ منسلک ہے۔

رиск مینجمنٹ فریم ورک (Risk Management Framework)

رиск اینڈ کریڈٹ پالیسی درج ذیل شعبوں پر مشتمل ہے:

- کارپوریٹ، کمرشل، ایس ایم ای اور مالیاتی اداروں کا رиск
- انٹرنیشنل رиск
- کنزرویٹو کریڈٹ
- مارکیٹ اینڈ ٹریڈی رиск
- Basel اینڈ آپریشنل رиск
- انفارمیشن سکیورٹی
- کریڈٹ پالیسی اور لیسرچ

بینک کے رиск کی گورننس دو کمیٹیاں کرتی ہیں

- رиск مینجمنٹ کمیٹی
- پورٹ فولیو ریسک کمیٹی

رиск مینجمنٹ کمیٹی کے سربراہ بینک کے صدر اور سی ای او کرتے ہیں اور جب کہ ممبران میں رиск، کاروباری اور کریڈٹ ایڈمنسٹریشن کے تمام شعبوں کے سربراہ شامل ہیں۔ رиск مینجمنٹ کمیٹی کریڈٹ رиск، مارکیٹ

رиск، آپریشنل رиск اور سیٹیل پرایک اجتماعی نکتہ نظر کے ساتھ جائزہ لینے اور اسٹرٹجک کاروباری فیصلے کرنے کی ذمہ دار ہے۔

پورٹ فولیو ریسک کمیٹی میں کریڈٹ رиск، کاروباری، کریڈٹ ایڈمنسٹریشن، سٹیشنل ایسٹ مینجمنٹ کے سربراہ شامل ہوتے ہیں اور کمیٹی کی سربراہی صدر اور سی ای او کرتے ہیں۔ ریسک کمیٹی کریڈٹ کے مسائل بشمول واپس لٹ اکاؤنٹس اور مختلف شعبوں میں این پی ایلز کا مجموعی پورٹ فولیو کا جائزہ لیتی ہے۔ یہ کمیٹی پورٹ فولیو کی حالت کو مد نظر رکھتے ہوئے مسائل حل کرنے کی حکمت عملی وضع کرنے اور لائحہ عمل کو مرتب کرنے کی ذمہ دار ہے۔

2018 کا سال پاکستانی معیشت کے لئے بڑا مشکل سال تھا جس کے دوران کئی پیچیدہ عوامل نے مہنگائی میں اضافے اور بینکوں سے قرضے لے کر حکومت نے بجٹ کے بڑھتے ہوئے خسارے پر قابو پانے کی کوشش کی۔ ان عوامل میں روپے کی قدر میں بار بار کمی، شرح سود میں اضافہ اور محدود کاشتکار برآمدات کی بنیاد پر بیرونی زرمبادلہ کے ذخائر اور تجارتی اور کرنٹ اکاؤنٹ خسارے میں بڑھتا ہوا فرق شامل ہے۔ ان مٹنی عوامل نے مقامی طور پر قرض لینے، کاروباری لاگت اور قرضوں کی ادائیگی کی استعداد کو بری طرح متاثر کیا۔ مشرق وسطیٰ میں سست معاشی ترقی کے باعث کاروبار اور بینکنگ سیکٹر خاصہ متاثر ہوا جس کی وجہ سے انٹرنیشنل قرضہ جات دینے کے لئے خصوصی توجہ درکار ہے۔

بدلتے رиск، ریگولیٹری اور بینک کے کنٹرولز کے ماحول کے مطابق، بینک نے پالیسی پر نظر ثانی کی ہے اور سال کے دوران کئی نئی حدود کا تعین کیا اور کنٹرول کو موثر بنایا گیا۔

بینک کے کریڈٹ رиск مینجمنٹ ڈویژن نے رиск کو کم کرنے کے اقدامات پر توجہ مرکوز رکھی جیسا کہ تمام صنعتوں میں ایکسپوزر (Exposure) کو مناسب بنانا، دورانہ پیش ضابطہ عمل پر خصوصی توجہ تاکہ مختلف کاروباری شعبوں کے اکاؤنٹس کی قدر میں متوقع تنزلی کا اندازہ لگانا اور غیر فعال اکاؤنٹس کی اضافی چھان بین کرنا۔

کنزرویٹو پورٹ فولیو مسلسل نمو ظاہر کر رہا ہے جس کے لئے حالات کے مطابق رиск سے نمٹنے کی پالیسیاں اور طریقہ کار وضع کیا گیا ہے۔ انٹرنیشنل کنزرویٹو کریڈٹ پالیسیوں کو بھی ڈومیسٹک رиск ضابطہ عمل سے ہم آہنگ کیا گیا ہے تاکہ بینک کی استعداد کو بہتر بنایا جاسکے۔ اس کے علاوہ این پی ایل مینجمنٹ کے لئے کئی طرح کی پورٹ فولیو مینجمنٹ کی تکنیکس استعمال کی گئی ہیں۔ ایسٹ کو ای کو بہتر بنانے کے لئے تناؤ کے آزمائشی منظر نامے بھی استعمال کئے گئے۔

بیرون ملک آپریشنز کے لئے اسٹیٹ بینک آف پاکستان کے رиск گورننس فریم ورک کے عین مطابق، ڈویژن کا انتظام و انصرام ہیڈ آفس سے چلایا جا رہا ہے اور ضرورت کے مطابق ریجن میں بھی موجودگی ہوتی ہے۔ سال کے دوران کئی اقدامات کئے گئے جن میں ہائی RWA اسٹیلس کو رиск سے بچانا، لاگتوں میں کمی پر توجہ، پیشگی فعال پورٹ فولیو مینجمنٹ، ڈومیسٹک اسٹریکچر کے ساتھ پالیسیوں کی ہم آہنگی کے ساتھ ساتھ مقامی ضابطوں کی گائیڈ لائنز کے تجزیوں میں کمی کو دور کرنے جیسے اقدامات شامل ہیں۔

بینک کا بھرپور مارکیٹ اور ٹریڈی رиск فٹنشن ہے جو مارکیٹ میں شرح سود، ایکویٹی، فارن ایکسچینج اور لیکویڈٹی رиск جیسے اتار چڑھاؤ سے وابستہ رиск کو ناپنا اور مانیٹر کرتا ہے اور اس بات کو یقینی بناتا ہے کہ رиск بینک کی جانب سے مقررہ حد کے اندر رہے جیسا کہ بورڈ نے منظوری دی ہے۔

یہ یو بی ایل کی پالیسی ہے کہ موزوں لیکویڈٹی ہدفز برقرار رکھے تاکہ معمول کے کاروبار کے دوران اپنی تمام ذمہ داریاں پوری کر سکے۔ علاوہ ازیں بینک کا لیکویڈٹی کا مٹنی چھٹی پلان اس انداز سے مرتب کیا گیا ہے جس سے بینک کے لئے لیکویڈٹی کے وقت جامع حکمت عملی وضع کرنا یقینی ہو جائے۔

ارکان کوڈائریکٹرز کی رپورٹ

بورڈ ہومن ریسورس اینڈ کمپنیشن کمیٹی (HRCC)

1. جناب ارشد احمد میر
2. جناب خالد اے شیروانی
3. جناب عامر ظفر خان
4. جناب سید ذوالفقار حسین

چیئر مین
ممبر
ممبر
سیکرٹری

بورڈ آئی ٹی کمیٹی (BITC)

1. جناب طارق رشید
2. جناب حمید رضا چوہدری
3. محترمہ سیما کمال
4. جناب محمد فیصل انور

چیئر مین
ممبر
ممبر
سیکرٹری

سال کے دوران بورڈ کمیٹی کے منعقدہ اجلاس کی تعداد اور ڈائریکٹرز کی طرف سے ان میں حاضری کی تعداد درج ذیل ہے:

BITC	HRCC	BRCC	BAC	
4	4	4	5	منعقدہ اجلاس کی تعداد
				اجلاس میں حاضری کی تعداد:
-	-	4	-	جناب حمید رضا چوہدری، CBE
4	-	-	5	جناب حمید رضا چوہدری
-	1	-	4	جناب رضوان پرویز
-	4	4	-	جناب ارشد احمد میر
-	2	-	3	جناب خالد اے شیروانی
-	3	-	5	جناب عامر ظفر خان
4	-	-	-	جناب طارق رشید
4	-	4	-	محترمہ سیما کمال

بینک فنڈ شدہ پانچ ریٹائرمنٹ کی اسکیمیں چلاتا ہے جو کہ پراویڈنٹ فنڈ، گریجویٹ فنڈ، پنشن فنڈ، ہیولڈیٹ فنڈ اور جنرل پراویڈنٹ فنڈ کے نام سے ہیں۔

31 دسمبر 2017 کے مطابق تازہ ترین آڈٹ شدہ مالی اسٹیٹمنٹ کی بنیاد پر ان فنڈز میں سرمایہ کاری کی ویلیوز درج ذیل ہیں:

Rupees in '000	
3,732,673	ملازمین کا پراویڈنٹ فنڈ
797,983	ملازمین کا گریجویٹ فنڈ
3,151,514	اسٹاف پنشن فنڈ
1,091,639	اسٹاف جنرل پراویڈنٹ فنڈ
489,328	آفیسرز/ان آفیسرز ہیولڈیٹ فنڈ

بورڈ کے اجلاس (Meetings of the Board)

زیر جائزہ سال کے دوران بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ سال کے دوران ہونے والے اجلاس میں ہر ڈائریکٹر کی حاضری کی تعداد درج ذیل ہے:

ڈائریکٹر کا نام	عہدہ	اجلاس میں حاضری
سر محمد انور پرویز، OBE، ہلال پاکستان	چیئر مین	6
جناب حمید رضا چوہدری، CBE	ڈائریکٹر	6
جناب رضوان پرویز	ڈائریکٹر	6
جناب حمید رضا چوہدری	ڈائریکٹر	6
جناب ارشد احمد میر	ڈائریکٹر	6
جناب خالد اے شیروانی	ڈائریکٹر	4
جناب عامر ظفر خان	ڈائریکٹر	6
جناب طارق رشید	ڈائریکٹر	6
محترمہ سیما کمال	پریزیڈنٹ اور چیف ایگزیکٹو آفیسر	6

شیئرز ہولڈنگ پیٹرن (Pattern of Shareholding)

31 دسمبر 2018 کے مطابق شیئرز ہولڈنگ پیٹرن ذیل میں دیا گیا ہے:

شیئرز ہولڈرز	شیئرز کی تعداد	آرڈری شیئرز کا فیصد
بیٹ وے گروپ (BG)	752,514,602	61.47
عوام الناس اور دیگر	341,946,911	27.93
بنکس، DFIs اور NBFIs	29,521,040	2.41
انشورنس کمپنیاں	57,983,211	4.74
مضارب اور میوچل فنڈز	41,219,943	3.37
انسٹیٹیوشنل GDRs (نان ووٹنگ شیئرز)	992,266	0.08
پرائیویٹائزیشن کمیشن آف پاکستان	1,714	0.00
مجموعی آؤٹ اسٹینڈنگ شیئرز	1,224,179,687	100.00

کریڈٹ ریٹنگز (Credit Ratings)

JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ (JCR-VIS) نے 29 جون 2018 کو یوٹائیٹلڈ بینک لمیٹڈ (UBL) کی اسٹیٹی ریٹنگز 'AAA/A-1+' (ٹرپل اے/اے ون پلس) کی توثیق کی ہے۔ تفویض کردہ ریٹنگز پر توقعات مستحکم ہیں۔ اس ریٹنگ سے اہم شعبوں بشمول ایسٹ کوالٹی، کمپنیل مینجمنٹ اور فنڈزیری میں بینک کی بہترین کارکردگی عیاں ہوتی ہے۔ اس سے مقامی طور پر یو بی ایل کے ساز اور مستحکم ادارے کے طور پر سرفہرست فرمایا اور بہترین برنس ماڈل کی عکاسی ہوتی ہے۔

انعامات اور اعترافات (Awards and Recognition)

سال کی سب سے بڑی خبریہ تقریب لندن میں ”دی بینکر“ ایوارڈ میں یو بی ایل کو دی بینک آف دی ایئر 2018 قرار دیا گیا۔ دی بینکر فنانشل ٹائمز یو کے کا ایک منسلک ادارہ اور دنیا کا ممتاز مالیاتی اخبار ہے۔ عالمی بینکنگ انڈسٹری میں یہ ایک نمایاں باکمال اعزاز ہے جس سے بینک کی حسن کارکردگی کا اعتراف ہوتا ہے، کسٹمر کی اقدار میں اضافہ، جدت پسندی اور لیڈر شپ نمایاں ہوتی ہے۔ یہ ایوارڈ یو بی ایل کی جانب سے مالیاتی خدمات کی وسعت اور پاکستان کی بینکنگ انڈسٹری میں جدت کو پروان چڑھانے میں قائدانہ کردار ادا کرنے کی توثیق ہے۔

مستقبل کی توقعات (Future Outlook)

کئی اہم شعبوں میں وسعت، متنوع کاروباری ماڈل اور جدت کی مسلسل جہد میں سرفہرست یو بی ایل اندرون ملک بینکاری کی صنعت میں اپنی قائدانہ پوزیشن بنانے رکھنے کا خواہشمند ہے۔ ہماری متنوع لیکویڈیٹی اور فنڈنگ پورٹ فولیو قرضوں کے پورٹ فولیو کو معاونت فراہم کرتا ہے جو کہ بڑے کاروباری اداروں (Large Corporates)، ایس ایم ایز (SMEs) اور مارکیٹ میں موجود کسٹمر کی بینکاری کی ضروریات کو پورا کرتا ہے۔ شرح سود میں اضافے کے ماحول میں، کریڈٹ ایکویزیشن میں ایسٹ کوالٹی اور موثر سرمایہ تخصیص کرنے پر توجہ مرکوز رکھی جائے گی۔ ہم چاہتے ہیں کہ ہم عالمی سطح پر رائج بہترین پریکٹسز کے مطابق کمپلائنس اسٹینڈرڈز (Compliance Standards) کو مزید تقویت دیں۔ اپنے اسٹاف اور بھولیات کی فراہمی میں سرمایہ کاری کرتے ہوئے خود کو زیادہ فعال بنانے کے لئے کوشاں ہیں تاکہ سروس کے معیار کی سطح بہتر ہو اور آپریشنل کارکردگی زیادہ سے زیادہ سامنے آئے۔ برانچ بینکنگ ہماری ترجیحات میں خاص اہمیت اختیار کئے رکھے گی اور ہم این ٹی بی کسٹمرز کے حصول اور نیٹ ورک پر فارمنس کو بلند ترین سطح پر لے جانے کے لئے سرمایہ کاری میں اضافے کے متعینی ہوں گے۔ یو بی ایل میں ہم تمام کسٹمرز کے ساتھ تعلقات کو قدر کی نگاہ سے دیکھتے ہیں جو ہمارے وسیع برانچ نیٹ ورک سے یو بی ایل کا حصہ بنے۔ ہر شعبے اور ہر سطح پر اپنے کسٹمرز کو بہترین خدمات فراہم کرنے والا بینک بننا ہماری اولین خواہش ہے۔

اگرچہ آج رائج نیٹ ورک بہت اہم ہے تاہم ہمارا یقین ہے کہ لوکل مارکیٹ میں اب بھی لامحدود کاروباری ترقی کے امکانات ہیں اور پاکستان میں 80 فیصد سے زیادہ آبادی ابھی تک بینکاری کی بھولتوں سے محروم ہے۔ ہم نے بہترین حکمت عملی کے ذریعے گزشتہ چند سال کے دوران اس موقع سے فائدہ اٹھایا جس کے نتیجے میں اب ہم یو بی ایل اونی کے ذریعے برانچ لیس بینکنگ میں مارکیٹ لیڈر ہیں۔ تاہم مستقبل میں ہماری ڈیجیٹل اسٹریٹیجی کے تحت ہم ایک ایسا ماڈل متعارف کرانے کی تیاری کر رہے ہیں جو ملک کے تمام حصوں میں اپنی کویتج میں اضافہ کرے گا اور ہر پاکستانی کو بینک اکاؤنٹ فراہم کیا جائے گا۔ یہ ہم ٹیکنالوجی کی انویسٹمنٹ کے ذریعے کریں گے جو Data Driven بینک ہوگا۔ اس کے لئے ہم مربوط ایکوسیستمز بنائیں گے۔

یو بی ایل ترقی یافتہ اور خوشحال پاکستان کے ہمارے خواب سے وابستہ رہے گا۔ ہم تعلیمی اداروں کے انفراسٹرکچر کی ترقی کے لیے مسلسل معاونت جاری رکھیں گے جب کہ صحت عامہ کی خدمات کی فراہمی اور سماجی بھلائی میں پیش پیش ہوں گے۔ یو بی ایل پاکستان میں فلاحی کاموں کے ساتھ آئندہ برسوں میں پائیدار ترقی کی کوششوں کو متنوع اور مستحکم بنانے کا ارادہ رکھتا ہے۔

ہم پاکستان میں بینکاری کی خدمات کو وسعت دینے پر یقین رکھتے ہیں تاکہ پاکستان کی معاشی ترقی میں فعال کردار ادا کر سکیں جو اپنی حقیقی استعداد کے مطابق استحکام کی جانب گامزن ہے۔

کارپوریٹ گورننس (Corporate Governance)

ڈائریکٹرز کا بیانیہ (Directors' Statement)

بورڈ آف ڈائریکٹرز یہ یقینی بنانے کا عہد کرتے ہیں کہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی طرف سے طے کردہ کارپوریٹ گورننس کے تقاضوں کی پوری طرح تکمیل کی گئی، بینک نے کارپوریٹ گورننس پریکٹسز کو عمدگی سے اختیار کیا ہے اور ڈائریکٹرز بخوشی یہ اطلاع دیتے ہیں کہ:

- بینک کی انتظامیہ کی طرف سے تیار کردہ مالیاتی گوشوارے منصفانہ طور پر بینک کے معاملات کی صورت حال، سرگرمیوں کے نتائج، کشش فلو اور ایکویٹی میں تبدیلیاں پیش کرتے ہیں۔
- بینک کی طرف سے اکاؤنٹس کے درست کھاتے میٹینین رکھے گئے ہیں۔
- مالیاتی گوشواروں کی تیاری میں مستطاب مناسب اکاؤنٹنگ پالیسیز کا اطلاق کیا گیا ہے۔ مساوائے ان اکاؤنٹنگ کی پالیسیوں کے جو فنانشل اسٹیٹمنٹس کے نوٹ 5.1 میں بیان کردہ ہیں۔ اکاؤنٹس کے تخمینے موزوں اور محتاط اندازے پر مبنی ہیں۔
- مالیاتی گوشواروں کی تیاری میں انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز (IFRS)، جیسا کہ پاکستان میں قابل اطلاق ہیں، کی کسی بھی پہلو تہی کے بغیر کی گئی ہے۔
- بینک میں اندرونی انضباط کا نظام درست طرز پر یزائن کیا گیا ہے اور اس کا موثر اطلاق اور نگرانی کی گئی ہے۔
- بینک کے کاروبار جاری رکھنے کی اہلیت پر کوئی قابل ذکر خدشات نہیں ہیں۔
- کارپوریٹ گورننس کی بہترین روایات سے کسی قسم کا مادی انحراف نہیں کیا گیا ہے۔
- گزشتہ 6 سالوں کی کارکردگی کی جھلکیاں ان غیر متعلقہ مالیاتی گوشواروں کے ساتھ منسلک ہے۔
- سال 2018 کے لئے 1.5 بلین روپے کا منافع Statutory ریزرو میں منتقل کیا جا چکا ہے۔
- بورڈ کی تشکیل کو ڈائریکٹرز کارپوریٹ گورننس کے ساتھ قیام کی اسٹینڈنس کے پیراگراف نمبر 1 اور 2 میں دی گئی ہیں۔
- ڈائریکٹرز کے ٹریڈنگ پروگرام کی تفصیلات کو ڈائریکٹرز کارپوریٹ گورننس کے ساتھ قیام کی اسٹینڈنس میں دی گئی ہیں۔
- نان ایگزیکٹو ڈائریکٹرز، بشمول آزاد ڈائریکٹرز بھی بورڈ اور کمیٹیوں کے اجلاس میں شرکت کرنے پر فیس اور سفری اخراجات حاصل کرنے کے اہل ہیں جیسا کہ بورڈ آف ڈائریکٹرز سے منظور شدہ ہے۔ مزید یہ کہ ان ڈائریکٹرز کو آدھ فی سالانہ اجلاس عام کے ایجنڈے کا حصہ بنائی جائے گی تاکہ شیئر ہولڈرز سے بعد میں منظوری لی جاسکے۔

بورڈ نے طے شدہ ٹرمز آف ریفرنس (TORs) کے ساتھ درج ذیل چار کمیٹیاں تشکیل دی ہیں۔

بورڈ آف کمیٹی (BAC)

1. جناب عام ظفر خان
2. جناب حیدر حمید چوہدری
3. جناب خالد اے شیروانی
4. جناب رضوان پرویز
5. جناب عقیل احمد ناصر

چیئرمین
ممبر
ممبر
ممبر
سیکرٹری

بورڈ ریسک اینڈ کمپلائنس کمیٹی (BRCC)

1. جناب ضیہ محمد چوہدری CBE
2. جناب ارشد احمد میر
3. محترمہ سہما کل
4. جناب عمران سرور

چیئرمین
ممبر
ممبر
سیکرٹری

ارکان کوڈائریکٹرز کی رپورٹ

28.0 ارب امریکی ڈالر رہی۔ ہوم ریجینٹس 10 فیصد سال پہ سال اضافے کے باعث بہتر ہیں اور یہ H1 مالی سال 2019 کے دوران 10.8 ارب امریکی ڈالر رہی۔

کرنٹ اکاؤنٹ کا بڑا خسارہ غیر ملکی زرمبادلہ پر اثر انداز ہوتا رہا جو دسمبر 2017 میں 20.2 ارب امریکی ڈالر کے مقابلے میں 31.8 فیصد کم ہو کر دسمبر 2018 میں 13.8 ارب امریکی ڈالر رہ گیا۔ جبکہ ملک کاری طور پر آئی ایم ایف کے ایک دوسرے پروگرام میں رخ کرنے کا فیصلہ زیر غور رہا، 2018 کی آخری سہ ماہی میں بیرونی معاونت نے نیٹلس آف پے منٹ کی صورتحال کو آسان بنادیا۔ تاہم، ایکسچینج ریٹ پر دباؤ برقرار رہا اور ایک سال کے عرصہ میں ڈالر کے مقابلے میں روپے کی قدر میں 25.8 فیصد کمی دیکھنے میں آئی جو دسمبر 2018 میں فی امریکی ڈالر 138.86 روپے رہا۔

افراط زر کا دباؤ تدریج بڑھتا رہا اور مالی سال 2019 کے دوران اوسط کنزرویٹو پرائس انڈیکس سال پہ سال کی بنیاد پر 6.0 فیصد رہا جو مالی سال 2018 میں 3.8 فیصد تھا۔ بڑھتے افراط زر کے ساتھ بگڑتے ہوئے مالیاتی عدم توازن کے باعث گزشتہ ایک سال میں بیٹج مارک پالیسی ریٹ میں مجموعی طور پر 450 پوائنٹس کا اضافہ ہوا اور پالیسی ریٹ جنوری 2019 میں 10.25 فیصد کی سطح پر پہنچ گیا۔

اسٹاک مارکیٹ بھی پورا سال تنزلی کا شکار رہی پاکستان اسٹاک ایکسچینج (KSE-100) انڈیکس دسمبر 2018 میں 37,067 کی سطح پر بند ہوا جو دسمبر 2017 کے مقابلے میں 8.4 فیصد کم رہا۔ ڈیولپمنٹیشن کی وجہ سے سال 2018 اسٹاک مارکیٹ کیلئے ایک مشکل ترین سال رہا جبکہ سرمایہ کاری حکومت کے جانب سے زیادہ تر میکرو اکنامک آؤٹ لک (Macro Economic Outlook) پر وضاحت کے منتظر رہے۔ گلوبل فنڈز کی جانب سے فروخت کی وجہ سے بھی پاکستان کی حصص مارکیٹ کی کارکردگی توقع سے کم رہی جبکہ غیر ملکی سرمایہ کاری کا نیٹ آؤٹ فل سال 2018 میں 537.1 ملین امریکی ڈالر رہا (سال 2017 کے دوران 487.1 ملین امریکی ڈالر)۔

دسمبر 2018 میں بینکنگ سیکٹر ڈپازٹ 13.4 ٹریلین روپے رہے جو دسمبر 2017 کے مقابلے میں 8.0 فیصد اضافہ ہے۔ 2018 میں قرضہ جات کی فراہمی میں بہترین اضافہ ہوا جیسا کہ دسمبر 2017 کے مقابلے میں ایڈوانسز 13.7 فیصد سے بڑھ کر دسمبر 2018 کو 7.4 ٹریلین روپے ہو گئے۔ ستمبر 2018 کے اختتام پر انڈسٹری کے غیر فعال قرضہ جات (NPLs) 636.7 ارب روپے رہے جو دسمبر 2017 کے مقابلے میں 7.5 فیصد زیادہ تھے۔ اس کے نتیجے میں گراس انفلکشن ریٹ 40bps سے بہتر ہو کر 8.0 فیصد ہو گیا (دسمبر 2017 میں 8.40 فیصد)۔

یو بی ایل انٹرنیشنل (UBL International)

خلیج تعاون کونسل (GCC) ریجن کی موجودہ سست روی کا شکار معاشی صورتحال کے باعث 2018 کا روبرار کے لئے ایک مشکل سال تھا۔ آئل سیکٹر محدود قیمتوں اور OPEC کی جانب سے سپلائی میں کمی کے معاہدوں کے باعث متاثر ہوا۔ علاوہ ازیں، نان آئل پرائیویٹ سیکٹر پر بھی سبسڈی کے خاتمے، ویلیو ایڈڈ ٹیکس کے آغاز اور زرعی کی قیمتوں میں اصلاحات سے فرق پڑا۔

یو بی ایل انٹرنیشنل کے مجموعی اوسط ڈپازٹس 2.1 ارب ڈالر رہے جو گزشتہ سال کے مقابلے میں 6 فیصد کم ہیں۔ ڈپازٹ کی لاگت کو کچھلے سال کی سطح یعنی 2.2 فیصد پر برقرار رکھا گیا۔ جبکہ سال کے دوران FED Rates میں 100bps کا اضافہ ہوا۔ اوسط لون پورٹ فولیو 2017 میں 1.6 ارب امریکی ڈالر کے مقابلے میں 1.3 ارب امریکی ڈالر رہا جو زیادہ تر لیونیٹی بینکس شیڈ کو برقرار رکھنے اور رسک کی بنیاد پر اثاثہ

جات کو کم کرنے کیلئے تھا۔ انویسٹمنٹ کا پورٹ فولیو بنیادی طور پر غیر ملکی فیکسڈ انکم سیکورٹیز پر مشتمل ہے، 636 ملین امریکی ڈالر رہا (دسمبر 2017 میں 708 ملین امریکی ڈالر) جس پر شرح آمدن 6.5 فیصد رہی (2017 میں 7.1 فیصد)۔

معاشی تنزلی اور متحدہ عرب امارات اور قطر میں کیش فلو کی مشکلات کے نتیجے میں نان پرفارمنگ لون دسمبر 2017 میں 218 ملین امریکی ڈالر کے مقابلے میں دسمبر 2018 میں 293 ملین امریکی ڈالر ہو گیا۔ بینک نے انتہائی فعال اور محتاط طریقہ کار سے کریڈٹ پورٹ فولیو کے رسک کا تجزیہ کیا اور اکاؤنٹ کو انتہائی احتیاط سے ڈاؤن گریڈ کیا جو ریگولیٹری گائیڈ لائنز کے مطابق تھے۔ مشکل صورتحال کے باوجود اور سیز براؤنچوں میں سال 2018 کے دوران لیونیٹی بینک ریٹھو معقول رہے۔

ہماری توجہ کم لاگت والے ڈپازٹ کو بڑھانے پر مرکوز رہی جو وقت کے ساتھ بڑھتی رہے گی اور ہم مؤثر فنڈنگ کس کے ساتھ اپنی بینکس شیڈ کو مزید تقویت دیں گے۔ ہم نے اسٹیشن ایسٹ منیجمنٹ ٹیم منظم کی ہے تاکہ نان پرفارمنگ اکاؤنٹس سے سرگرم طور پر وصولیاں کی جاسکیں۔ مستقبل میں ہم بین الاقوامی کاروبار کو منتخب شدہ ممالک میں پھیلائیں گے جس میں رسک پر وفاق قابل قبول حد تک ہو۔

ذیلی اداروں کی کارکردگی کا جائزہ (Subsidiaries Performance Overview)

ہمارے ذیلی اداروں کی مالیاتی کارکردگی کی جھلکیاں درج ذیل ہیں:

یونیٹڈ بینک لیمیٹڈ UBL کے (UBL UK) یو بی ایل 55 فیصد ملکیتی ذیلی ادارہ ہے۔ سال 2018 میں UBL UK کے آپریشنز میں خسارہ ہوا۔ اس کی بڑی وجہ انویسٹمنٹ کے لئے پروویژن اور (de-risking) کی حکمت عملی اختیار کر کے سرمائے کا حصول تھا اس مقصد کے لئے کچھ سیکورٹیز کو موجودہ مالیت سے کم قیمت پر فروخت کیا گیا۔ تجارتی سرمائے اور قوم کی ترسیل سے حاصل ہونے والی فیس کارپوریٹ بھی محدود رہا جب کہ نان فنڈ آمدنی (NFI) میں بھی 79 فیصد کمی گزشتہ سال کی نسبت ریکارڈ کی گئی۔ 2017 کی نسبت NII میں 3 فیصد اضافہ ریکارڈ کیا گیا۔ دانشمندانہ ایسٹ ایکویزیشن اسٹریٹیجی کے تحت انویسٹمنٹ پورٹ فولیو میں 10 فیصد اضافہ اور ایڈوانسز میں 13 فیصد کمی ریکارڈ کی گئی۔ تاہم ڈپازٹ کی سطح 2017 کی سطح سے قریب رہی۔

یو بی ایل سوئٹزرلینڈ (AG) یو بی ایل کا ملکی ملکیتی ذیلی ادارہ ہے۔ اس کی آمدن بنیادی طور پر ٹریڈ برنس سے حاصل کی جا رہی ہے۔ USAG کے قبل از ٹیکس منافع میں گزشتہ سال کے مقابلے میں 12 فیصد کمی ریکارڈ کی گئی، جس کا بنیادی محرک کمیشن میں کمی اور Swap Cost میں اضافہ ہے نیٹ انٹرنسٹ آمدنی NII میں سال پہ سال بنیاد پر تقریباً 17 فیصد اضافہ ہوا۔ جب کہ بینکس شیڈ 2017 کے مطابق رہی۔

یو بی ایل فنڈ نیچرز لیمیٹڈ، پاکستان (UBLFM) یو بی ایل کا 98.9 فیصد ملکیتی ذیلی ادارہ ہے جس نے گزشتہ سال کے مقابلے میں PBT میں 6 فیصد کمی دکھائی ہے۔ سال 2018 کے اختتام پر (UBLFM) کے زیر انتظام فنڈز 62 ارب روپے رہے (2017 میں 65 ارب روپے)۔

یو بی ایل بینک تنزانیہ لیمیٹڈ (UBTL) کو 2012 میں قائم کیا گیا اور یہ یو بی ایل کا ملکی ملکیتی ذیلی ادارہ ہے۔ سال کے دوران بینک کے سرمائے کی کم سے کم حد پوری کرنے کے لئے 509 ملین روپے کا سرمایہ فراہم کیا گیا۔ یو بی ایل نے قبل از ٹیکس خسارہ میں 2017 کی نسبت 2018 میں 48 فیصد کمی دکھائی۔ ہم یو بی ایل کے لئے اپنی کاروباری حکمت عملی اور کاروباری منظر نامے کے لئے از سر نو جائزہ لے رہے ہیں۔

بیلنس شیٹ کا نظم و نسق (Balance Sheet Management)

بینک کی اوسط بیلنس شیٹ میں سال بہ سال کی بنیاد پر 3.5 فیصد کی شرح سے اضافہ ہوا اور 2018 میں بینک کی بیلنس شیٹ 1.8 ٹریلین روپے ریکارڈ کی گئی۔ دسمبر 2017 کے مقابلے میں ڈومیسٹک ڈپازٹس میں 9 فیصد اضافہ ریکارڈ کیا گیا اور دسمبر 2018 کے اختتام پر ڈپازٹس 1.1 ٹریلین روپے ریکارڈ کئے گئے۔ ڈپازٹ مارکیٹ شیئر کی سطح گزشتہ سال کی طرح دسمبر 2018 کے اختتام پر 8.3 فیصد رہی۔ مارکیٹ شیئر کو بھر پورا انداز میں حاصل کرنے کی بجائے ہماری برانچ بینکنگ کی حکمت عملی میں زیادہ سے زیادہ ڈپازٹس کس پر توجہ دے کر CASA میں اضافہ کرنا ہے۔ اس حکمت عملی سے بینک کو کم لاگتی فنڈنگ کی پائیدار بنیاد فراہم ہوگی۔ اس طرح بڑھتے ہوئے شرح سود کے ماحول میں اثاثوں پر ملنے والے منافع میں بہتری کے باعث بینک اپنے شرح منافع کو بہتر بنانے کی پوزیشن میں ہوگا۔

بینک کے نیٹ ایڈوانسز دسمبر 2018 میں 14 فیصد نمو کے ساتھ 716 ارب روپے ریکارڈ کئے گئے جو دسمبر 2017 میں 628 ارب روپے تھے۔ کارپوریٹ (Corporate)، ایس ایم ای (SME) اور کنزیومر (Consumer) پورٹ فولیو میں فعال بڑھوتری کے سبب پریڈومینٹ فارمنگ ایڈوانسز میں دسمبر 2017 کی نسبت 24 فیصد اضافہ ہوا۔ ہماری حکمت عملی کامرکزی کٹے RWA کی بہتری کے ساتھ کریڈٹ گروتھ کو تقویت دیتے ہوئے موزوں ایسٹ کوالٹی اور بہترین آمدنی کو فروغ دیتا ہے۔

بینک کا انویسٹمنٹ پورٹ فولیو دسمبر 2018 کے اختتام تک 786 ارب روپے تھا (دسمبر 2017 میں 1.1 ٹریلین روپے)۔ بنیادی طور پر فنڈنگ ٹریڈری سکیورٹیز میں کی گئی جیسا کہ 396 ارب روپے PIBs میں 8.3 فیصد کی شرح آمدن کے ساتھ اور 243 ارب روپے ٹریزری بلز (Treasury Bills) میں لگائے گئے۔ بینک کی ایکویٹی ہولڈنگز دسمبر 2018 میں 17.4 ارب روپے ریکارڈ کی گئی جس پر ڈیویڈنڈ آمدن کی اوسط شرح 9.3 فیصد رہی جو 2017 میں 10.3 فیصد تھی۔ ایکویٹی کا پورٹ فولیو بڑا متنوع ہے اور بلیو چپ کارپوریشن کے ساتھ بنایا گیا ہے تاکہ طویل مدت تک ڈیویڈنڈ کی مستحکم آمدنی کا ذریعہ بنائے۔

کپیتل ریشوز (Capital Ratios)

2018 کے دوران قرضہ دینے والے تمام شعبوں کی توجہ ڈومیسٹک اور انٹرنیشنل بیلنس شیٹ میں (Capital Synergies) کو فروغ دینے پر مرکوز رہی۔ دسمبر 2018 میں بینک کے سرمائے کی شرح بہت اچھی رہی اور کارمن ایکویٹی ٹیر 1 (CET-1) کی شرح 112bps سے بہتر ہو کر 12.4 فیصد ہو گئی (دسمبر 2017 میں 11.3 فیصد)۔ ٹیر 1 Ratio کی شرح دسمبر 2018 کے اختتام پر 13.4 فیصد رہی۔ مجموعی کپیتل ایڈویسی کی شرح (CAR) دسمبر 2018 میں 17.7 فیصد ریکارڈ کی گئی جو دسمبر 2017 میں 15.4 فیصد تھی۔

بینک نے 10 ارب روپے مالیت کے اضافی ٹیر 1 (ADT-1) کے ٹرم فنانس سرٹیفیکیشن (TFCs) جاری کئے (جس میں 3 ارب روپے کا گرین شو (Green Shoe) آپشن بھی شامل ہے)۔ سال 2018 کی آخری سہ ماہی کے دوران 9 ارب روپے کے Pre-IPO فروخت کئے گئے اور یہ 31 دسمبر 2018 کو بینک کے ٹیر 1 (Tier-1) کپیتل کا حصہ بنے۔ جنوری 2019 میں بینک نے بتایا ایک ارب روپے کی ابتدائی پبلک آفرنگ (IPO) بھی پیش کریں اور اس طرح 10 ارب روپے کا کل اجراء مکمل ہوا۔

یو بی ایل کے بورڈ آف ڈائریکٹرز نے 20 فروری 2019 کو کراچی میں منعقدہ اجلاس میں 30 فیصد حتمی ڈیویڈنڈ (3 روپے فی شیئر) کے ساتھ 31 دسمبر 2018 کو ختم ہونے والے سال کے نتائج کا اعلان کیا ہے۔

یو بی ایل ڈیجیٹل (UBL Digital)

نئی جہتوں کے ساتھ ساتھ کنزیومر اور بزنس پروڈکٹ ڈیولپمنٹ پر بھرپور توجہ کے ساتھ UBL اینیلائڈ سٹری

لیڈر ہے جو مقابلے کی فضا میں اپنی منفرد شناخت بنا رہا ہے۔ ہم اپنی مستقبل کی ڈیجیٹل اسٹریٹیجی پر سفر جاری رکھتے ہوئے اپنی مصنوعات، طریقہ کار اور صارفین کے تعامل کو بہتر بنا رہے ہیں۔ ہمارے لئے ڈیجیٹل محض ایک چینل سے کہیں بڑھ کر ہے جو انسانی سوچ و فکر سے ہم آہنگ تجرباتی بینکنگ کا محرک ہے۔ جس کا مقصد انجیل کا ایسا وسیع طریقہ کار وضع کرنا ہے جو صارفین کو اس قابل بنائے کہ وہ اپنی تمام بینکنگ ضروریات کو بخوبی پورا کر سکیں۔

سال کے دوران ہم نے اپنی جدید ترین ڈیجیٹل ایپ UBL Digital کا آغاز کیا۔ یہ ایپ اضافی سکیورٹی اور منفرد خصوصیات جیسا کہ QR کوڈ، بیمنٹ، چہرے کی شناخت (Facial Recognition) اور Augmented Reality کی خصوصیات کی حامل ہے۔ 2018 میں بینک نے ڈیجیٹل کلائنٹ آن بورڈنگ کا بھی آغاز کیا۔ اس سہولت کے ساتھ صارف ”کسی بھی وقت، کسی بھی جگہ“ یو بی ایل ڈیجیٹل ایپ کے ذریعے ایک یو بی ایل اکاؤنٹ کھولنے کی درخواست کر سکتا ہے۔ قریب ترین برانچ سے ڈیجیٹل ایڈوانسز صارف کے پاس ڈیجیٹل ٹیلیٹ کے ذریعے اکاؤنٹ کھولنے کے عمل کو مکمل کرنے کیلئے آئے گا۔ اس اقدام سے بینک کے نئے صارفین (NTB) کے حصول کی ہم کو تقویت ملے گی اور UBL کو بینکاری سے محروم طبقات تک اپنا دائرہ کار بڑھانے میں مدد ملے گی۔

ہماری برانچ لیس بینکنگ ”یو بی ایل اوٹھی“ ہے جو بینکنگ سے محروم طبقے کو بینکنگ خدمات فراہم کرنے کے ساتھ پاکستان میں مالیاتی شمولیت کے لیڈر کی حیثیت سے اپنی پوزیشن برقرار رکھے ہوئے ہے۔ اوٹھی ٹیلیو ایکٹنا سبک ٹینا یو بی ایل ایسا پلیٹ فارم ہے جس نے موبائل بینکنگ کو ہر صارف کی پہنچ میں کر دیا ہے۔ یو بی ایل اوٹھی صارفین کو اس قابل بناتا ہے کہ وہ اپنا کمپیوٹر یا ڈیجیٹل شناختی کارڈ اور موبائل نمبر استعمال کرتے ہوئے کسی بھی ”اوٹھی“ ”دکان“ سے اپنا اوٹھی اکاؤنٹ کھول سکتے ہیں۔ 2018 میں 18 لاکھ نئے صارفین حاصل کرنے کے ساتھ ہمارے پاس اب 23 لاکھ اوٹھی اکاؤنٹ ہولڈر ہو گئے ہیں۔ 2018 کے دوران، ہم نے اپنی نوعیت کا پہلا ”سلیفی اکاؤنٹ“ متعارف کرایا ہے۔ یہ یو بی ایل اوٹھی موبائل ایپ کے ذریعے اپنا اکاؤنٹ کھولنے کا منہجہ ہے۔

اوٹھی ”دکان“ 850 سے زائد قصبوں اور شہروں میں 36000 ایجنٹس کا پھیلا ہوا نیٹ ورک ہے۔ سال 2018 بھر پور ترقی کا سال رہا کیونکہ اس سال ڈومیسٹک ریمٹنس 37 فیصد تک اضافے کے ساتھ 31 ارب روپے ہو گئی جبکہ یو بی ایل کا حجم 35 فیصد بڑھا۔ ہم حکومت پاکستان اور ملٹی لیٹرل انجینیر کے ساتھ کام کرنے کے نتیجے میں G2P ریمٹنس کے حوالے سے اپنی لیڈر شپ برقرار رکھنے میں کامیاب رہے۔ بینک کے حوالے سے اوٹھی ایک مضبوط ترین شعبہ رہا جو صارفین کیلئے تیار کردہ ایسی نئی خدمات فراہم کرے گا جو مختلف صارفین کی بدلتی ہوئی ضروریات کے عین مطابق ہوں گی۔

معاشی جائزہ (Economy Review)

سال 2018 میں جو مشکلات معاشی صورتحال کے آڑے رہیں وہ غیر ملکی زرمبادلہ کی صورتحال کو مستحکم رکھنا، بشمول مالیاتی خسارے اور افراط زر میں اضافہ کے گرجھوٹی رہیں۔ یہ صورتحال متوقع طور پر مالی سال 2019 کی جی ڈی پی ترقی میں سست روی کا موجب بنی۔ جو پہلے کے طے شدہ ہدف 6.2 فیصد (مالی سال 2018 میں 5.8 فیصد) کے مقابلے میں صرف 4.0 فیصد رہنے کا امکان ہے۔ گزشتہ سالوں میں سب سے کم ترین شرح سود اور سب سے زیادہ مجموعی مانگ سے کریڈٹ میں اضافہ ہوا۔ تاہم، مانیٹری پالیسی کی صورت میں گزشتہ ایک سال کے دوران اٹھانے جانے والے اقدامات اور تخفیف زر سے ترقی کی شرح میں فرق آیا ہے۔

اگرچہ اب بھی بلند سطح پر رہنے کے باوجود کرنٹ اکاؤنٹ کا خسارہ H1 مالی سال 2018 میں 8.4 ارب امریکی ڈالر سے کم ہو کر H1 مالی سال 2019 میں 8.0 ارب ڈالر رہ گیا ہے۔ تجارتی خسارہ H1 مالی سال 2018 میں 17.7 ارب امریکی ڈالر سے کم ہو کر H1 مالی سال 2019 میں 16.8 ارب امریکی ڈالر رہ گیا ہے۔ یہ سال بہ سال کی بنیاد پر 2 فیصد ایکسپورٹ میں اضافہ کے باعث ہے جو H1 مالی سال 2019 میں 11.2 ارب ڈالر رہی اور 2.3 فیصد سال بہ سال کی کمی سے ایکسپورٹس H1 مالی سال 2019 کے دوران

ارکان کوڈائریکٹرز کی رپورٹ

سال 2018 کے دوران بینک نے ایس ایم ای سیکنڈ میں اپنی موجودگی بڑھانے کی پالیسی جاری رکھتے ہوئے اپنے اوسط پورٹ فولیو میں 25 فیصد اضافہ کرتے ہوئے مجموعی حجم 31 ارب روپے کے قریب برقرار رکھا۔ سال بہ سال کی بنیاد پر کنزرویٹو لون پورٹ فولیو میں 36 فیصد اضافہ نئے ایسٹ کے حصول کے بڑھتے ہوئے رجحان کو ظاہر کرتا ہے۔ اس میں سب سے بڑا کردار گارڈیوں کے لئے قرضوں میں بھرپور اضافہ ہے جس کے اوسط پورٹ فولیو میں 48 فیصد اضافہ ہوا۔

2018 میں بینک کا پاکستان انویسٹمنٹ بانڈز (پی آئی بی) پورٹ فولیو اوسط 449 ارب روپے (2017 میں 552 ارب روپے)۔ سال کے دوران 98 ارب روپے کی پیچورٹیز ہوئیں جب کہ پورٹ فولیو سے 8.3 فیصد منافع حاصل ہوا۔ شرح سود میں اضافے سے فائدہ اٹھانے کے لئے اضافی لیکچوڈ پٹی کو قلیل مدتی سیکورٹیز میں انویسٹ کیا گیا۔ 2018 کے دوران ہمارے ٹی بلز ہولڈنگز کی اوسط 272 ارب روپے رہی (2017 میں 269 ارب روپے) جب کہ 2017 کے مقابلے میں پورٹ فولیو پر آمدن کی شرح 97bps سے زیادہ رہی جو موجودہ سال 6.9 فیصد رہی۔ 2019 کے دوران ری انویسٹمنٹ اور ری پرائسنگ کی بدولت اثاثوں کی شرح آمدن میں اضافہ دیکھا جائے گا۔

نان مارک اپ آمدنی (Non-Markup Income)

یو بی ایل نے نان فنڈ اکم (NFI) میں 2017 کے مقابلے میں 13 فیصد اضافہ کے ساتھ 25.1 ارب روپے ریکارڈ کی۔ اس طرح بینک کے کل ریونیو میں 2018 کے دوران اس شعبے کا حصہ 31 فیصد رہا جو گزشتہ سال 28 فیصد تھا۔ NFI برانچ بینکنگ اور کارپوریٹ بینکنگ گروپس کی فراہم کردہ مختلف خدمات کی بنیاد کے علاوہ ایف ایکس، کمپیٹل مارکیٹ اور بینک کے ٹریڈری ڈویژن کی جانب سے بانڈز مارکیٹ کی فیس سے اکٹھی ہوئی ہے۔

2018 میں فیس اور کمیشن کی مددیں بینک کی آمدنی 10 فیصد اضافے کے ساتھ 13.9 ارب روپے ہوئی اور کل نان فنڈ آمدن 56 فیصد رہی (2017 میں 57 فیصد)۔ فیس میں یہ اضافہ زیادہ تر ڈومیسٹک بینک میں حاصل ہوا جہاں گزشتہ سال کی نسبت 20 فیصد اضافہ ریکارڈ کیا گیا۔

بینک نے ترسیلات زر کے معاملے میں بھی لیڈر شپ برقرار رکھی اور 2018 کے دوران بینک کا مارکیٹ شیئر 29 فیصد رہا (2017 میں 26.5 فیصد رہا)۔ جب کہ بینک نے ترسیلات زر سے ایک ارب بیس کروڑ روپے کمایا جو گزشتہ سال کی نسبت 45 فیصد زیادہ ہے۔ اے ای ایم اور ڈی بیٹ کارڈ کے کمیشن میں 28 فیصد اضافہ ہوا جس کی وجہ 2018 کے دوران 672,000 نئے کارڈز کا اجراء تھا۔ اس طرح ہمارے جاری کردہ کارڈز کی تعداد 19 لاکھ سے زائد ہو گئی۔ بینک الیٹورس بزنس میں بھی زبردست میلز کارجیاں برقرار رہا اور 2018 کے دوران کمیشن کی آمدنی میں 37 فیصد اضافہ ریکارڈ کیا گیا اور یہ 1.6 ارب روپے ہو گئی۔ ڈومیسٹک بینک کیش بینجمنٹ پر بینک کے کمیشن میں گزشتہ سال کی نسبت 19 فیصد اضافہ ہوا اور یہ آمدنی 635 ملین روپے کے قریب پہنچ گئی۔ کیش بینجمنٹ کا کل حجم 3.0 ٹریلین روپے تک پہنچ گیا۔ گاڑیوں اور کریڈٹ کارڈز کے حصول کی بھرپور مہم کے نتیجے میں کنزرویٹو لونز پر کمیشن سال بہ سال 12 فیصد اضافے کے ساتھ 830 ملین روپے ریکارڈ کیا گیا۔ ڈومیسٹک انویسٹمنٹ بینکنگ فیس میں بھی 17 فیصد اضافہ ریکارڈ کیا گیا اور یہ 704 ملین روپے رہی۔ جو کہ بنیادی طور پر پاور سیکنڈ میں (Debt Arrangement Mandate) کی وجہ سے حاصل ہوئی۔ بینک کے تجارتی منافع جات کی سطح گزشتہ سال کے برابر یعنی 1 ارب روپے برقرار رہی۔

رواں سال کے دوران بینک نے کمپیٹل گینز کی مدد میں 4.6 ارب روپے حاصل کئے جو گزشتہ سال 4.4 ارب روپے تھے۔ جو بنیادی طور پر پی آئی بی پورٹ فولیو سے حاصل ہوا۔ بجلی اور کھاد کے اسٹاکس میں ہماری ہولڈنگز نے بڑا منافع کمایا، جس کی بدولت ڈیویڈنڈ 2.1 ارب روپے رہا جو 2017 میں 2.4 ارب روپے تھا۔ 2018 کے دوران فارن ایکسیج سے حاصل ہونے والی آمدنی 3.5 ارب روپے تھی جو سال بہ سال کی بنیاد پر 85 فیصد اضافہ ہے جس کی وجہ سال بہ سال کنسرویٹو تعداد میں اضافہ اور غیر مستحکم ایکسیج ریٹ کے ماحول میں بہترین پوزیشننگ تھی۔

قرضہ پر ممکنہ نادر ہنگی اور خسارے کے لئے مختص رقوم (Provisions and Loan Losses)

دسمبر 2018 میں ڈومیسٹک بینک کے غیر فعال قرضہ جات (NPLs) 27.9 ارب روپے تھے جو دسمبر 2017 میں 28.2 ارب روپے تھے۔ سال 2018 میں 1.7 ارب روپے کا نیٹ پروویژن چارج ریکارڈ کیا گیا جو بنیادی طور پر ایکویٹی انویسٹمنٹ کے لئے تھا۔ جبکہ 2017 میں 2.3 ارب روپے کا نیٹ پروویژن ریورس ریکارڈ کیا گیا تھا۔ اسٹیل اسٹیلس بینجمنٹ ڈویژن (SAM) کی وصولی کی بھرپور کوششوں کی بنا پر ڈومیسٹک ایسٹ کوالٹی دسمبر 2017 میں 6.0 فیصد سے بہتر ہو کر دسمبر 2018 میں 4.9 فیصد ہو گئی۔ ڈومیسٹک بینک میں غیر فعال قرضوں کی مخصوص کوریج 2017 میں 90.7 فیصد سے بڑھ کر 2018 میں 92.5 فیصد تک پہنچ گئی۔

خلیج تعاون کونسل (GCC) کے ملکوں میں اقتصادی موسموں 2018 کے دوران زیادہ تر سستی کا شکار رہی جس میں سال کے اختتام تک تیل کی قیمتوں میں کمی کا رجحان ختم ہوا اور ان ملکوں میں کچھ معاشی نمو کی ریکوری شروع ہوئی۔ تاہم موجودہ اقتصادی صورتحال اور کیش فلو میں مشکلات کے سبب غیر فعال قرضوں پر احتیاطی طور پر نقصان ریکارڈ کرنا پڑا جیسا کہ غیر فعال قرضے (NPLs) دسمبر 2017 میں 24.1 ارب روپے سے بڑھ کر دسمبر 2018 میں 40.6 ارب روپے ہو گئے۔ سال کے دوران 11.2 ارب روپے کا نیٹ پروویژن چارج ریکارڈ کیا گیا۔ جب کہ 2017 میں یہ چارج صرف 4.8 ارب روپے تھا۔ اس کے نتیجے میں collateral کی مالیت کو مد نظر رکھتے ہوئے انٹرنیشنل غیر فعال قرضوں (NPLs) پر مخصوص کوریج دسمبر 2017 میں 58 فیصد سے بڑھ کر دسمبر 2018 میں 74 فیصد کر دی گئی۔

2018 کے دوران مجموعی طور پر 12.9 ارب روپے کا نیٹ پروویژن چارج ریکارڈ کیا گیا جو 2017 میں 2.4 ارب روپے تھا۔ بینک کی سطح پر دسمبر 2018 میں ایسٹ کوالٹی 8.8 فیصد ریکارڈ کی گئی جو کہ گزشتہ سال 2017 میں 7.8 فیصد تھی۔ جب کہ مخصوص کوریج دسمبر 2018 میں بہتر ہو کر 82 فیصد ہو گئی (دسمبر 2017 میں 75 فیصد)۔

اخراجات کا نظم و نسق (Cost Management)

بینک کے انتظامی اخراجات سال 2018 کے دوران 38.8 ارب روپے ریکارڈ کئے گئے جو 2017 کے مقابلے میں 10 فیصد زیادہ تھے۔ سال رواں کے دوران بینک نے 575 ملین روپے ڈپازٹس پر ویکیشن انشورنس پریمیم کے طور پر ادا کئے۔ اس کے علاوہ اخراجات قابو میں رہے اور گزشتہ سال کی نسبت اخراجات میں صرف 8 فیصد اضافہ ہوا۔ افرادی لاگت میں سال بہ سال 10 فیصد ہوا جو بنیادی طور پر فنانس ایوارڈز اور میرٹ ایڈجسٹمنٹ کے باعث ہوا۔ پراپرٹی کے اخراجات 2017 کی نسبت 8 فیصد زیادہ رہے جس کی بڑی وجہ پورے نیٹ ورک میں کراپوں میں اضافہ اور بعض برانچوں کی زیادہ اہم مقامات پر منتقلی ہے۔ برانچ اور اسے ٹی ایگز پر کمیٹیوٹی کو بہتر بنانے کی مددیں نیٹ ورکنگ کے زیادہ اخراجات کے سبب انفارمیشن ٹیکنالوجی سے متعلق اخراجات میں 16 فیصد اضافہ ہوا۔

ارکان کوڈائریکٹرز کی رپورٹ

بورڈ آف ڈائریکٹرز کی طرف سے 31 دسمبر 2018 کو ختم ہونے والے سال کے لیے یونائیٹڈ بینک لمیٹڈ کی 60 ویں سالانہ رپورٹ پیش کرنا میرے لیے باعث مسرت ہے۔

موجودہ سال کے دوران 12.9 ارب روپے کا نیٹ پروویژن چارج ریکارڈ کیا گیا (2017 میں 2.4 ارب روپے) جس کا مقصد انٹرنیشنل لون پورٹ فولیو کے لئے کوئٹہ کو بہتر کرنا تھا۔ ایسٹ کوالٹی دسمبر 2018 میں 8.8 فیصد رہی جو کہ دسمبر 2017 میں 7.8 فیصد تھی۔

کارکردگی کا جائزہ (Performance Overview)

2018 میں بھی بینک نے اپنی برانچ بینکنگ کے کاروبار کو مستحکم بنانے کا سلسلہ جاری رکھا اور ملک بھر میں تمام رجسٹرڈ کارکردگی بہت عمدہ رہی۔ یو بی ایل کی پاکستان میں 1364 برانچیں (2017 میں 1361) مارکیٹ کے تمام ہدف شدہ طبقات میں بہترین موجودگی کی حامل ہیں۔ ہمارے ملک گیر نیٹ ورک اور متحرک افرادی قوت نے بہترین نتائج کے ساتھ اس سال بھی پورے منافع بخش ڈپازٹ کا حصول ممکن بنایا۔ دسمبر 2018 میں مجموعی طور پر ڈومیسٹک ڈپازٹس 9 فیصد اضافے کے ساتھ 1.1 ٹریلین روپے کی سطح پر رہے (دسمبر 2017 میں 1.02 ٹریلین روپے)۔

مالیاتی نتائج (Financial Results)

یو بی ایل نے سال 2018 کے دوران 15.2 ارب روپے کا غیر مجموعی بعد از ٹیکس منافع کمایا جو سال 2017 کے دوران 25.2 ارب روپے تھا۔ 2017 میں غیر مجموعی فی شیئر منافع 20.57 روپے کے مقابلے میں 12.44 روپے ریکارڈ کیا گیا۔ مجموعی بنیاد پر بعد از ٹیکس منافع 15 ارب روپے رہا (2017 میں 26 ارب روپے) 2018 میں مجموعی بنیاد پر فی شیئر آمدنی 12.65 روپے ریکارڈ کی گئی (2017 میں 21.20 روپے)۔

نیٹ مارک اپ آمدنی (Net Markup Income)

بینک نے 2018 میں اپنی نیٹ مارک اپ آمدنی 56.2 ارب روپے برقرار رکھی جو کہ کم و بیش 2017 کے رجحان کے مطابق ہے۔ اوسط کی بنیاد پر بیٹلن شیٹ کا سائز جو 2017 میں 1.7 ٹریلین روپے تھا بڑھ کر 2018 میں 1.8 ٹریلین روپے ہو گیا۔ سال کے دوران مجموعی طور پر اسٹیٹ بینک آف پاکستان کے پالیسی ریٹ میں 4.25 فیصد اضافہ ہوا اور یہ دسمبر 2017 میں 5.75 فیصد سے بڑھ کر دسمبر 2018 میں 10 فیصد تک پہنچ گیا۔

انٹاؤن کی فنڈنگ بنیادی طور پر ڈومیسٹک کورڈپازٹس (Domestic Core Deposits) میں عمدہ نمو کی بدولت ہوئی جن کی اوسط میں سال بہ سال کی بنیاد پر 2018 میں 10 فیصد اضافہ ہوا، یعنی سال کے دوران 84 ارب روپے کے اضافی ڈپازٹس حاصل کئے گئے۔ ہماری حکمت عملی ہے کہ بینک میں نئے ڈپازٹس حاصل کئے جائیں جو بنیادی طور پر کورڈپازٹس ہوں جبکہ ڈپازٹس کی لاگت کو بھی کم سے کم سطح پر رکھا جائے۔ اوسط کرنٹ ڈپازٹس پورٹ فولیو میں (جو کورڈپازٹس کا حصہ ہے) گزشتہ سال کی نسبت 15 فیصد اضافہ ہوا اور ڈپازٹ کے حجم میں 60.4 ارب روپے کا اضافہ ریکارڈ کیا گیا۔ اوسط ٹرم ڈپازٹ پورٹ فولیو میں گزشتہ سال کی نسبت 20 فیصد کمی ہوئی۔ اس سے بینک کو ایک مؤثر فنڈ پروفائل برقرار رکھنے میں مدد ملی۔ اس طرح بینک نے شرح سود میں اضافے کے بوجھ کو برداشت کیا۔ اوسط CASA کا تناسب 2017 میں 82.8 فیصد سے بہتر ہو کر 2018 میں 86.9 فیصد ہو گیا۔ سال 2018 میں شرح سود میں تیزی سے اضافے کے اثرات کے باوجود ڈومیسٹک ڈپازٹس کی لاگت 2.7 فیصد سے معمولی اضافہ کے ساتھ 2018 میں بڑھ کر 3.0 فیصد ہو گئی۔

اوسط ڈومیسٹک ایڈوانسرز کا پورٹ فولیو 484 ارب روپے ریکارڈ کیا گیا جو 2017 کے مقابلے میں 35 فیصد سے زائد ہے۔ یہ اضافہ کارپوریٹ بینکنگ گروپ کی بدولت ہوا جس کے اوسط پورٹ فولیو میں 97 ارب روپے کا اضافہ سال 2018 کے اختتام تک ہوا اور اب اس کا کل حجم 407 ارب روپے ہے۔ کریڈٹ میں وسعت کی حکمت عملی میں کوآپریٹو ایسٹنس کی بکنگ پر توجہ دیتے ہوئے سرمائے کی کارکردگی میں زیادہ سے زیادہ اضافہ ممکن بنایا گیا ہے۔

بینک نے سٹے کسٹمرز، خاص طور پر کرنٹ اکاؤنٹس کے حصول پر مسلسل توجہ مرکوز کئے رکھی اور 586,000 کرنٹ اکاؤنٹ کسٹمرز کا سال کے دوران اضافہ ہوا۔ اب ہمارے پاس متنوع قسم کے 3.13 ملین فعال برانچ بینکنگ کے کسٹمرز کی مضبوط بنیاد موجود ہے (2017 میں 2.96 ملین)۔ دسمبر 2018 میں کرنٹ اکاؤنٹ ڈپازٹس پورے سال کے دوران 15 فیصد اضافے کے ساتھ 508 ارب روپے (2017 میں 442 ارب روپے) کی بہت مستحکم سطح پر رہے نتیجتاً کرنٹ اکاؤنٹس اور مجموعی ڈپازٹس کا باہمی تناسب 2017 کے 43 فیصد کے مقابلے میں بہتر ہو کر 2018 میں 46 فیصد رہا۔ 2018 کے دوران شرح سود میں 425bps اضافے کے پیش نظر یہ پوزیشن مستقبل کی آمدنی پر اچھے اثرات مرتب کرے گی۔

سرکاری اور نجی شعبے کے منصوبوں میں شرکت کے سبب کارپوریٹ بینکنگ کا شعبہ بہت فعال رہا۔ ہم نے اپنے طویل مدتی تعلقات کی مضبوطی سے اپنے پورٹ فولیو کو بہت متنوع بنالیا ہے، ہمارا نصب العین وسیع پیمانے پر فنانسنگ، تجارت، فارن ایکسچینج اور مالیاتی مشاورتی خدمات کی فراہمی میں کردار ادا کرنا ہے۔ مجموعی طور پر بینک کے ایڈوانسرز میں اس سال 16 فیصد اضافہ ہوا جس سے ایڈوانسرز اور ڈپازٹس کا باہمی تناسب دسمبر 2017 میں 50 فیصد سے بہتر ہو کر دسمبر 2018 میں 53 فیصد ہو گیا۔ بڑھتی ہوئی شرح سود کے ماحول میں ایسٹ کوالٹی پر زیادہ توجہ دینے اور پورٹ فولیو میں انفیکشن کم سے کم سطح پر رکھنے کے لئے نمونوں پیش رفت بہت چنیدہ نوعیت کی رہی۔

یو بی ایل کارپوریٹ مجموعی طور پر 2017 کے مقابلے میں 3 فیصد اضافے کے ساتھ 2018 میں 81.3 ارب روپے رہا۔ نیٹ انٹرسٹ آمدنی 56.2 ارب روپے ریکارڈ کی گئی جو 2017 کی سطح کے مطابق ہے۔ گزشتہ سال کی نسبت غیر فنڈڈ آمدنی 13 فیصد اضافے کے ساتھ 25.1 ارب روپے تک پہنچ گئی جس میں قوی حصہ فیس سے حاصل شدہ آمدنی، زربادلہ کے ذخائر سے کثیر آمدنی کے ساتھ ساتھ قلمی انکم سیکورٹیز پر کپیتل گینز میں اضافہ بھی شامل ہے۔

سال 2018 کے دوران بینک کے انتظامی اخراجات 38.8 ارب روپے رہے۔ ڈپازٹس پر کمیشن پیمائیم کی مد میں 575 ملین روپے کے اخراجات جو کہ سال رواں کے دوران مؤثر ہوئے، کے علاوہ سال بہ سال کی بنیاد پر اخراجات میں 8 فیصد اضافہ ہوا۔ اس اثر کے علاوہ 2017 میں 45 فیصد کے مقابلے میں لاگت اور آمدنی کا تناسب 47 فیصد ریکارڈ کیا گیا۔

Sustainability at UBL in 2018

UBL has always strived to consolidate itself as a conscientious and respected corporate citizen. The Bank recognises its obligation to continuously improve its processes, systems, products and services to create value for the communities it operates in. Through a transparent and prudent Sustainability Agenda, UBL aims to encourage a positive impact via projects aimed towards the betterment of the environment, consumers, employees, communities and all its stakeholders.

At the heart of UBL's Sustainability philosophy is the desire to help the less fortunate by supporting causes and empowering communities. As part of its Sustainability Agenda, UBL focuses on the sectors of Education, Healthcare, Literature & Arts, Water Scarcity and Natural Disaster Relief. The Bank works both independently as well as in partnership with specialist organisations, to empower disadvantaged sections of the society through economic regeneration and employment creation.

In 2018, UBL focused its sustainability efforts towards areas of healthcare, education and water conservation.

UBL's Sustainability Agenda is strongly focused on healthcare with the objective of reducing any and every barrier to its access. The Bank donates to healthcare facilities across Pakistan in order to ensure that no patient in need of medical treatment is turned away. In 2018, UBL's Sustainability spend on healthcare projects more than doubled in terms of Rupee value as compared to last year and was almost 50% of the entire donations of 2018. Projects involved donations for purchase of critical medical equipment and emergency vehicles, infrastructural projects for medical institutions and patient welfare.

Beneficiaries in the healthcare sector included Edhi Foundation, Shaukat Khanum Hospital, Shalamar Hospital, Marie Adelaide Leprosy Center and Gwadar District Hospital, among others.

Provision of opportunities for higher education through scholarships and endowment funds remained UBL's top priority in the education sector. UBL was able to provide higher education opportunities to more than 200 students in 2018. Educational institutions like LUMS, FCC, Bahauddin Zakariya University, Nasra Schools and SOS Children's Village Pakistan were some of the educational institutions who were recipients of UBL's donations during the year.

In 2018 UBL enhanced its sustainability efforts towards water conservation projects. Water scarcity is reaching alarming levels in Pakistan and is an area which desperately needs attention and investment. UBL worked in association with NGOs like Hisaar Foundation for water sustainability projects. Linking with such specialist institutions and investing Sustainability funds in projects working towards alleviating the shortage will be a strong focus area in the years to come.

2018 saw a substantial enrichment in UBL's Sustainability activities, with donations to worthy causes increasing by almost 85% from the previous year. Carrying forward the momentum, the Bank begins 2019 with an even stronger affirmation towards enriching lives of and building a brighter future for a diverse and more extensive recipient base.

President and CEO Review 2018

Introduction

2018 proved to be a challenging year for the economy. Pressures mounted from a deteriorating current account balance, widening fiscal deficit and lower foreign exchange reserves, thus reducing the pace of economic growth. However, recent developments have been encouraging, re-affirming faith in Pakistan's growth story. Firstly, the current account deficit, although still elevated, is showing signs of receding as the trade deficit narrowed with steady build up in home remittances. Secondly, with a potential entry in the IMF program, the country will embark upon comprehensive structural reforms that will instill fiscal discipline and lay the foundations for sustainable progress. Furthermore, FDI flows are set to return to Pakistan with MoUs signed with friendly countries and more in the pipeline within power and infrastructure projects. Progress on the China Pakistan Economic Corridor is underway and remains a key determinant for long-term development and attaining a strategic position as a regional trade hub.

We believe that Pakistan has immense growth potential. Credit penetration remains low, particularly in the individual and mid-market segments with a huge unbanked population. Our strategy is directed towards growing core business segments by leveraging our strengths and investing in technology based solutions for the future. Given our widespread coverage, diversified business model and an appetite to grow, UBL is ideally placed to play a leading role in the country's economic revival.

UBL is the second largest private sector bank in the country with an asset base of Rs. 1.9 trillion (USD: 13.6 billion) at Dec'18. A premier Retail Bank operation, our network spans 1,379 branches globally. Our deposit base stood at Rs. 1.4 trillion, advances portfolio at Rs. 716 billion and total investments at Rs. 786 billion at the end of Dec'18.

The Branch Banking Group is a leading retail franchise in the country. With a domestic deposits market share of 8.3%, we serve over 5 million customers. Our network extends to all major cities, while we also serve remote towns and villages through our branchless banking proposition, 'UBL Omni.' With around half of our network present in rural areas, we have played a pivotal role in promoting financial inclusion in Pakistan. Our product suite is holistic, ranging from basic liability accounts to priority offerings, bancassurance, home remittances and cash management. We are an active player in the SME and Consumer lending segments. In addition, we also offer a wide range of Islamic Banking solutions through our 94 dedicated Islamic branches and 158 Islamic Banking Windows.

The Corporate and Investment Banking Group is a key strategic partner to large corporate and public sector clientele. We have been key in financing major energy and infrastructure projects in the country. Our portfolio remains well diversified, where asset writing is directed towards maintaining stable relationship yields and ensuring that capital is allocated efficiently. The Digital

Banking Group is geared towards transforming UBL into a Bank of the Future by creating innovative solutions that re-define customer experiences. The Treasury and Capital Markets Division maintains a strong contribution to the bottom line through proactive positioning and trading activities.

The constrained economic environment in the GCC impacted UBL International's performance in 2018. In line with our de-risking strategy, credit growth remained restricted with stringent underwriting standards while we significantly reduced risk-weighted assets. Our business model is centered around FI lending, trade and treasury investments. Reviving the Retail Banking function is a key priority in order to build stable core deposits base for organic balance sheet expansion. Proactive monitoring of stressed accounts is being carried out along-with aggressive recovery efforts against non-performing loans. The focus is on maintaining strict cost discipline, supported by a lean operating model.



Financial Highlights for 2018

UBL posted a standalone Profit Before Tax (PBT) of Rs. 25.0 billion in 2018 compared to Rs. 39.9 billion in 2017. This was a challenging year for the Bank as profitability came under pressure from an increase in NPLs across International operations. Bottom line was also impacted by an extraordinary pension charge of Rs. 6.7 billion on account of past service pension benefits. Excluding the impact of this one-off cost, the normalised PBT for 2018 stood at Rs. 31.6 billion.

Capital levels remain strong, maintained well above the regulatory requirements. The Capital Adequacy Ratio (CAR) improved from 15.4% at Dec'17 to 17.7% at the end of Dec'18. CET-1 CAR was recorded at 12.4% at Dec'18 (Dec'17: 11.3%). Tier-1 CAR closed at 13.4% at Dec'18 compared to 11.3% at Dec'17. Dividend payouts remain strong as the Bank distributed Rs. 13.5 billion (Rs. 11 per share) in dividends during 2018.

During 2018, the Bank successfully closed the Pre-IPO of its Additional Tier 1 (ADT-1) Term Finance Certificates (TFCs) amounting to Rs. 9 billion. In Jan'19, UBL concluded the Initial Public Offering of the instrument. The IPO was met with a positive response, being oversubscribed by over 60%. With the

successful completion of the IPO, the total issue size of Rs. 10 billion now stands closed. The largest listed instrument of its kind to date, the TFCs will further strengthen our capital position and create room for future balance sheet expansion.

Balance sheet strength backed by core deposits buildup

The asset base closed Dec'18 at Rs. 1.9 billion, largely in line with the previous year. At the Bank level, deposits stood at Rs. 1.4 trillion at Dec'18 end, increasing by 7% over the previous year.

The strength of our balance sheet is driven by the domestic Branch Banking franchise. Domestic deposits grew by 9% year on year to touch Rs. 1.1 trillion in Dec'18. Our strategy is directed to maintaining optimal CASA levels through active customer acquisition across current accounts and shedding of high cost deposits. On average, current deposits were recorded 15% higher year on year at Rs. 454 billion during 2018, with incremental volumes of over Rs. 60 billion. Average non-core expensive deposits were reduced by 27% against 2017. As a result, the average CASA ratio improved from 83% in 2017 to 87% in 2018.

In view of liquidity constraints in the GCC markets, the focus within UBL International has been on maintaining stable funding while minimising cost of deposits. International deposits ended 2018 at USD 1.9 billion against USD 2.3 billion in 2017. Cost of deposits was recorded at 2.2% in 2018, at par with 2017. This is despite an increase of 100 bps in the USD FED rate during the year.

At the Domestic level, average performing advances grew by 35% from Rs. 360 billion in 2017 to Rs. 485 billion in 2018. The Corporate Banking Group delivered strong growth of over 31% in average performing advances led by public sector disbursements. We continued to build on our momentum in the SME and Consumer lending segments, recording a growth of 25% and 36% in the average portfolio respectively. Within International, asset booking remained selective in line with our de-risking strategy.

UBL's net investments closed at Rs. 786 billion (Dec'17: Rs. 1.1 trillion). Funds are primarily deployed in treasury securities within Domestic Bank, including Rs. 410 billion in Pakistan Investment Bonds (PIBs) and Rs. 243 billion in Treasury Bills. Our portfolio of fixed income foreign bonds stood at USD 635 million at Dec'18 (Dec'17: USD 708 million). Our listed equities portfolio closed at Rs. 16.7 billion at Dec'18, consisting of long-term positions built with a view to earn the bank a stable stream of dividend income.

Net interest earnings sustained at the 2017 level

UBL's net interest income (NII) was recorded at Rs. 56.2 billion in 2018, maintained at the previous year's level. Net interest margins (NIMs) stood at 3.8% in 2018, a reduction of 12 bps from last year. 2018 witnessed a cumulative increase of 425 bps in the SBP's benchmark interest rate. Margins were supported by a 15% growth in average domestic current accounts. The high rate regime notwithstanding, cost of deposits was contained at 3.0%, increasing by only 28 bps

versus last year. On a year on year basis, the average domestic loan portfolio recorded a strong growth of 35%, with yields improving by 74 bps over 2017 to 7.7% for the current year. NIMs stand to improve from next year onwards in view of further repricing in the loan portfolio, maturities of close to Rs. 100 billion in PIBs to be invested at higher yields and as a result of balance sheet growth through deposit mobilisation.

Revenue growth led by NFI diversification – Banca leads with 37% growth

Non Fund Income (NFI) was recorded at Rs 25.1 billion in 2018, reflecting a 13% growth over the previous year and contributing 31% to the Bank's gross revenue (2017: 28%). 2018 marked a successful year for the Domestic fee franchise as earnings stood 20% higher year on year.

In 2018, we further strengthened the sales momentum in Bancassurance as commission income grew by 37% to reach Rs. 1.6 billion in 2018. Commissions from ATM / Debit cards increased by 28% with 672,000 new cards issued during the year, taking the active card base to over 1.9 million cards. UBL built on its market leadership position in the home remittances business as its market share improved from 26.5% in 2017 to nearly 29% in 2018. As a result, commissions from home remittances grew by 45% year on year to Rs. 1.2 billion in 2018. UBL Omni maintained its strong contribution to overall fees with revenues of Rs. 836 million in 2018. Strong buildup across autos and credit cards led to a 12% growth in consumer related fees, which stood at Rs. 830 million in 2018. Trade revenue was recorded at Rs. 1.0 billion at Bank level, in line with 2017. Domestic cash management commissions grew by 19% year on year as transaction throughput touched Rs. 3 trillion in 2018. Domestic Investment Banking fees saw a 17% growth to end 2018 at Rs. 704 million, led mainly by debt arrangement mandates in the power sector.



Dividend income was recorded at Rs. 2.1 billion in 2018 (2017: Rs. 2.4 billion), supported by stable payouts from our holdings in the power and fertiliser sectors. FX income witnessed a strong growth of 85% over the previous year to reach Rs. 3.5 billion in 2018. This was the result of aggressive client coverage across Corporates and SMEs, along with active trading amid the more volatile exchange rate environment. Capital gains amounting to Rs. 4.6 billion were realised (2017: 4.4 billion), primarily on fixed income securities.

President and CEO Review 2018

Cost growth in line with reinvestment in branch network and volumes growth

Administrative expenses amounted to Rs. 38.8 billion in 2018, a growth of 10% over the previous year. During 2018, the Bank contributed Rs. 575 million as insurance premium for deposit protection. Excluding this impact, expense growth remained well contained at 8% year on year, while cost to income ratio was measured at 47.0% (2017: 45.0%).

Employee compensations, the largest component of the expense base, increased by 10% largely due to merit increments and hirings within the retail network. Property expenses stood 8% higher year on year resulting from rent escalation across the estate and relocation of branches to high visibility locations. IT expenses saw an increase of 16% over the previous year in line with investment in platforms and building on our digital strategy.

Prudent loan loss classifications within International lead to higher provisioning expense

Prudent loan loss recognition in International operations amid the concerning economic slowdown within the GCC, resulted in NPLs increasing from Rs. 24.1 billion at Dec'17 to Rs. 40.6 billion at Dec'18. UBL International recorded a provision expense of Rs. 11.2 billion in 2018 (2017: Rs. 4.8 billion). Consequently, specific coverage improved from 58% at Dec'17 to 74% at Dec'18.

The Domestic Bank recorded a net provision charge of Rs. 1.7 billion in 2018 against a net reversal of Rs. 2.3 billion in the previous year. The charge related primarily to impairment on the Bank's equity holdings. Sustained recovery efforts driven by the Special Assets Management Division resulted in non-performing loans reducing from Rs. 28.2 billion at Dec'17 to Rs. 27.9 billion at Dec'18. Resultantly, asset quality for Domestic Bank improved to 4.9% at Dec'18 (Dec'17: 6.0%).

Branch Banking Group

A leading domestic franchise with wide network penetration

The Branch Banking Group is a key pillar of the UBL franchise. We are a leading player in the Pakistani banking space, with a market share of 8.3%. We pride ourselves in being the trusted financial partner of over 5 million customers, a base that continues to grow by the day. We remain one of the few banks in the country that maintain a deposits size portfolio over the Rs. 1 trillion level. Rather than aggressive market share acquisition, our strategy is to maintain a healthy deposit mix led by new to bank (NTB) CASA relationships. Our distribution teams maintain an active focus on deepening and cross sell to deliver a complete solution to customer requirements.



Strong current deposits momentum supported by NTB relationships

2018 witnessed strong current account acquisitions momentum as we added 586,000 new to bank current accounts. Emphasis this year has been on maximising network performance to fully leverage our potential. During the year, we realigned our sales and distribution structure by putting in place a leaner network model with increased autonomy for Branch Managers. Robust productivity benchmarks were put in place in line with the location and profile of each branch.

Key performance indicators (KPIs) were improved further to shift from a liability only focus to build cross sell targets across the network. In addition, we also modified the remuneration structure for our sales teams with more direct, performance driven compensation.

The Bank continues to invest heavily in its branch network. In 2018, our focus remained on network relocations rather than expansion. As part of this strategy, we relocated 34 branches to enhance visibility at prime locations. In addition, we renovated 89 branches to improve the look and feel of our branches and provide modern, efficient service standards for our customers.

The Islamic Banking business extended its strong growth trajectory in 2018 as its balance sheet grew by 21% over last year to end 2018 at Rs. 77.5 billion. Going forward, we seek to build our niche in this segment by consolidating the existing network, enhancing penetration across SMEs and continuous product innovation in order to cater to the needs of this fast growing segment.

Revenue diversification with robust earnings across major fee businesses

2018 was another successful year for the bancassurance business. Commission revenues increased from Rs. 1.2 billion in 2017 to Rs. 1.6 billion in 2018 i.e. an increase of 37%. Premium volumes grew by 55% year on year to Rs. 3.4 billion in 2018 as we further deepened our relationships with leading insurance companies. As result, our market share improved from 15% in 2017 to 21% in 2018.

Fee income from ATM / Debit Cards stood 28% higher year on year at Rs. 1.6 billion in 2018. Maintaining a strong focus on enhancing card penetration across new as well as existing customers, we issued 672,000 new debit cards during the year, taking our debit cards portfolio to 1.9 million active cards at the end of Dec'18. Furthermore, we deployed 73 new ATMs in 2018 to reach a network size of 1,451 ATMs as at Dec'18.

Expanding our footprint in Consumer and SME Financing

The Consumer Banking business brought forth its strong growth stride from previous years. The overall portfolio averaged at Rs. 14 billion in 2018, an increase of 36% compared to 2017. Autos financing led the acquisition momentum as the average portfolio grew by 48% to reach Rs. 9.7 billion in 2018. Credit card loans averaged at Rs. 2.2 billion in 2018, reflecting a growth of 10% over last year as we continue to enhance the overall value proposition for our customers.

UBL operates one of the largest network of dedicated centres to service Small and Medium Enterprises (SMEs) in major trading hubs across Pakistan. During 2018, we widened our footprint by launching Supply Chain Financing to target vendors and suppliers of major Corporate relationships. In addition, we also enhanced the product offering with the introduction of Fleet Financing facilities. As a result of these initiatives, average SME advances witnessed a 25% year on year growth to close 2018 at Rs. 31 billion.

Corporate and Investment Banking Group (CIBG)

Strong credit growth with consistent improvement in asset quality

UBL's loan book is driven by the Corporate Banking Group (CBG). CBG continued to play a key role in major private and public sector expansion projects in 2018. The Group has built a quality portfolio across diverse industries including fertilisers, chemicals, engineering, telecom and pharmaceuticals.

CBG's performing advances closed at Rs. 442 billion at Dec'18, a growth of 27% compared to Dec'17. Disbursements of close to Rs. 140 billion were made during the year, primarily to support major power projects in the country in collaboration with entities including K-Electric, Siddiqsons Energy, WAPDA, National Power Parks and NTDC. Credit expansion is led by a two-tiered focus on maintaining optimal asset quality and efficient deployment of capital through yield enhancements at the relationship level.

Market leading position in cash management

The Transaction Banking Group (TBG) is a key partner to large corporate and public sector organisations in meeting their cash management needs. Our market leading position is built upon our superior technological platform and widespread network coverage. 2018 was another year of solid performance for TBG as the transaction throughput was recorded at over Rs. 2.5 trillion compared to Rs. 1.5 trillion in 2017 i.e. a growth

of 68%. The business acquired 86 new mandates during the year including 18 Employee Banking mandates. The core focus for relationship teams was scaling up coverage by increasing wallet share from existing customers in addition to acquiring new relationships.

Investment Banking Group (IBG) maintaining strong contribution to bottom line

UBL has one of the largest Investment Banking business in Pakistan. Investment Banking revenues witnessed a 17% growth in 2018. The Debt Capital Markets and Syndications Unit closed 4 GoP backed deals during the year, with UBL participation of Rs. 37 billion. The Group also successfully completed a USD 225 million GoP funding transaction where UBL participated to the extent of USD 40 million. Project Finance and Advisory concluded the largest ever project financing undertaken by domestic banks, Lucky Electric's 660 megawatts Thar-coal fired IPP. UBL is also the exclusive financial advisor and mandated lead arranger for the 330 megawatts Siddiqsons Energy Thar-coal fired IPP.



IBG is at the forefront in steering the Bank's China Business Initiative. The landmark achievement this year was that the Bank entered into a USD 200 million financing agreement with the China Development Bank (CBD). The facility will be instrumental in providing long-term USD liquidity for major infrastructure and power projects in Pakistan, in addition to easing the burden on the country's foreign exchange reserves. Furthermore, we continue to enhance our product offering to cater to the needs of Chinese businesses. During the year, we launched the 'UBL Unizar Chinese Yuan (CNY) Account' for Chinese Companies operating in Pakistan.

Treasury and Capital Markets (TCM)

UBL is a dominant player in Pakistan's financial markets given its balance sheet size and market positioning. The Bank is among the top primary dealers and a leading market maker with an active role in deepening the GoP debt market. UBL is also one of the first authorised derivative dealers to be appointed by the SBP in Pakistan. TCM maintained its strong contribution to the Bank's earnings in 2018. The PIBs portfolio, which was built strategically over the past few years, yielded a return of 8.3% return during the year. In view of the high interest rate environment, we have shifted our portfolio mix towards the shorter end of the curve. Our Treasury Bills portfolio averaged at Rs. 272 billion in 2018, was invested at a yield of 6.9% (2017: 5.9%). UBL holds one of the largest equity books in the industry. Our portfolio is well-diversified comprising investments in top tier corporates in the oil and

President and CEO Review 2018

gas, fertiliser, power and cement sectors. The dividend yield stood at 9.3% (2017: 10.3%). 2018 was a difficult year for the stock market, with sentiment dampened by economic headwinds, political uncertainty and the exodus of foreign investors. However, the Capital Markets Division continued to diversify revenue streams, earning a combined Rs. 2 billion in dividends and capital gains.

The Bank actively participates in the FX market with significant volumes generated from corporates, SMEs and individuals across its large branch network. The Corporate and Institutional Sales Desk continues to expand coverage by actively tapping new customers and market segments as well as pursuing aggressive cross sell strategies across the client base. Proactive positioning within a volatile exchange rate environment helped the FX Desk more than double its revenues year on year to record a total Rs. 2.9 billion in exchange earnings in 2018.

Digital Banking Group

UBL has established itself as an industry leader in innovation. Our vision is to transform the way banking is done by developing unique customer experiences and futuristic technologies that aim to make banking easier and accessible for the mass market. 2018 marked the roll out of the 'UBL Digital' app. The app is equipped with improved security and



state of the art features such as QR code payments, facial recognition and augmented reality. It empowers customers to create their own personal payment preferences and transactional limits. Backed by an effective ad campaign, the app has gained wide acceptance among our customers. Within a short time of its launch, the app subscriber base stood at over 300,000 at Dec'18, which is 10% of our active customer base.

Another milestone achieved this year was the launch of digital client on boarding via 'UBL Digital'. This unique proposition makes the account opening process paperless, enabling customers to open an account at their own convenience,

without the need to visit a branch. This initiative will serve to bring digital financial services within the reach of the larger population along-with providing impetus to the Bank's NTB customer acquisition drive.

UBL's branchless banking product, 'UBL Omni', is a leader in banking the unbanked and increasing financial inclusion in the country. Customers across Pakistan can open a UBL Omni bank account at any UBL Omni 'Dukaan' using their CNIC and mobile phone number. Our coverage is vast, extending to over 36,000 Omni agents in more than 850 cities and towns. 2018 saw aggressive volumes growth as we captured market share from competition. The domestic remittances throughput grew by over 37% over the previous year while utility bills payments grew by 35%. We continue to maintain our leadership in G2P payments, with disbursements of Rs. 23 billion during the year.

Active NTB focus driven by digital client onboarding resulted in over 1.2 million new accounts being opened this year, taking the overall customer base to over 2.3 million. In 2018, we also introduced the 'Selfie Account', a self-account opening feature through the UBL Omni Mobile app. This feature allows customers to instantly open a UBL Omni branchless banking account via the Omni Mobile App and transact through the app.

International

Difficult business environment in 2018 - focus on de-risking and reorganisation

2018 was another challenging year for the International business. Sluggish economic activity in the GCC region, stiff competition among a large number of banks and monetary tightening created a testing operating environment. Retail and real estate sectors in the region remained under pressure, as did small-to-mid-sized enterprises. As a result, a spike in non-performing loans was seen in 2018. The Bank took a proactive, conservative stance towards providing for loan losses, with a view to building adequate coverage, which negatively impacted the International segment's profitability.

The focus in 2018 was on de-risking the International balance sheet with limited Corporate asset writing and liquidity deployment within sovereign securities. As liquidity tighten in the GCC markets, the priority was to build a sustainable low cost deposits. We have put in place stringent underwriting standards and improved our risk vigilance of the existing portfolio to curtail new NPLs formation. In addition, we have also created a separate Special Assets Management structure within International to aggressively pursue recoveries against NPLs. In order to drive increased cost efficiencies, the organisational structure was also streamlined with rationalisation of branches, headcounts and businesses. During the year, we also scaled down our International footprint with a view to maintaining presence in core markets

that have synergies with the wider UBL network.

Human Resource (HR)

At UBL, we strive towards continuous value addition by investing in our people. Organisational reengineering was the key focus in 2018 as we seek to develop a leaner, more agile structure with increased empowerment at all levels. Rigorous objective setting, performance management and merit based reward processes have also served to drive business performance. During the year, a very well structured Branch Management Development program was deployed in collaboration with Institute of Bankers Pakistan (IBP) to upgrade the skillset of our branch network staff across the country. Talent acquisition and development programs are serving the Bank's strategic objective of ensuring there is adequate succession planning at all levels.



Sustainability

At the heart of UBL's Sustainability philosophy is the desire to help the less fortunate by supporting causes that make a meaningful impact and empower communities. In 2018, UBL donated to projects that further strengthened and diversified our sustainability efforts. Supporting healthcare projects through infrastructural development of medical institutions and provision of life-saving equipment and ambulances were the core areas where the Bank focused its sustainability efforts. Education and water conservation projects were some of the other areas where the bank focused its sustainability efforts.

Conclusion

UBL prides itself in being one of the premier banking institutions in the country. Going forward, our strategy is to leverage our scale and strength by growing our core segments and maximising business efficiencies. Branch Banking shall remain the core driver of our franchise where we are keen to invest more and accelerate new customer acquisitions. Our priority is to optimise the deposit mix with sustainable CASA levels as opposed to aggressive market share buildup. Maximising network performance is key with robust productivity benchmarks across all regions. We shall continue to capitalise on our large rural presence and strength of the Omni franchise to provide easy access to banking services to the large unbanked population. Looking ahead, in view of the high interest rate environment we shall remain conservative on asset acquisition, with a focus on maintaining portfolio quality.

Credit expansion will be concentrated mainly in new power and infrastructure projects in the country. Efficient capital deployment shall be imperative as we seek to enhance overall

relationship yields by growing fee-based services. Within UBL International, we shall continue with our de-risking strategy. Credit acquisition will remain selective with focus on trade and treasury investments. In addition, we shall revitalise the Retail franchise to build core deposits and reduce concentration.

We are committed to building on our technological leadership by developing next generation payment solutions that re-define customer experience. As we enter into the next phase of our digital transformation journey, the objective next year is to double the app penetration from the existing 10% of the active customers by strengthening momentum in digital onboarding as well as migrating existing customers to this new platform.

We shall strive to optimise our structure and processes with a view to achieving a more agile organisation that maximises synergies. UBL is strongly committed to continual improvement in service quality levels to exceed customer expectations, while strengthening the compliance and risk culture in line with international best practices. Our employees are our most valuable asset and we will continue to invest in their development to foster the leaders of tomorrow.

To conclude, I would like to express my gratitude to our customers for their trust in the UBL brand. I would also like to take this opportunity to extend my appreciation for the hard work and dedication of my colleagues. I would also like to thank our shareholders for their continued patronage, the Board of Directors, the State Bank of Pakistan, the SECP and other regulatory bodies for their guidance and support.

Sima Kamil
President and CEO
20 February 2019

Management Team



1. Tauqeer Mazhar

Group Head - Branch Banking

2. Sima Kamil

President & CEO

3. Aslam Sadruddin

Group Executive - Operations

4. Sharjeel Shahid

Group Executive - Digital Banking

5. Sajid Hussain

Group Executive - Compliance

6. Aameer M. Karachiwalla

Chief Financial Officer

7. Irfan Farooq Memon

Group Head - Audit &
Risk Review

8. Muhammad Faisal Anwar

Chief Information Officer



9. Furrukh Zaeem
Global Head - Treasury
& Capital Markets

10. Farooq Ahmed Khan
Head - Corporate &
Investment Banking

11. Zia Ijaz
Group Executive - Head
of International

12. Tanveer Farhan Mahmood
Head - Islamic Banking

13. Sadia Saeed
Group Executive -
Human Resources

14. Aqeel Ahmed Nasir
Chief Legal Counsel &
Company Secretary

15. Shahid Mahmood Khan
Group Head - Special
Assets Management

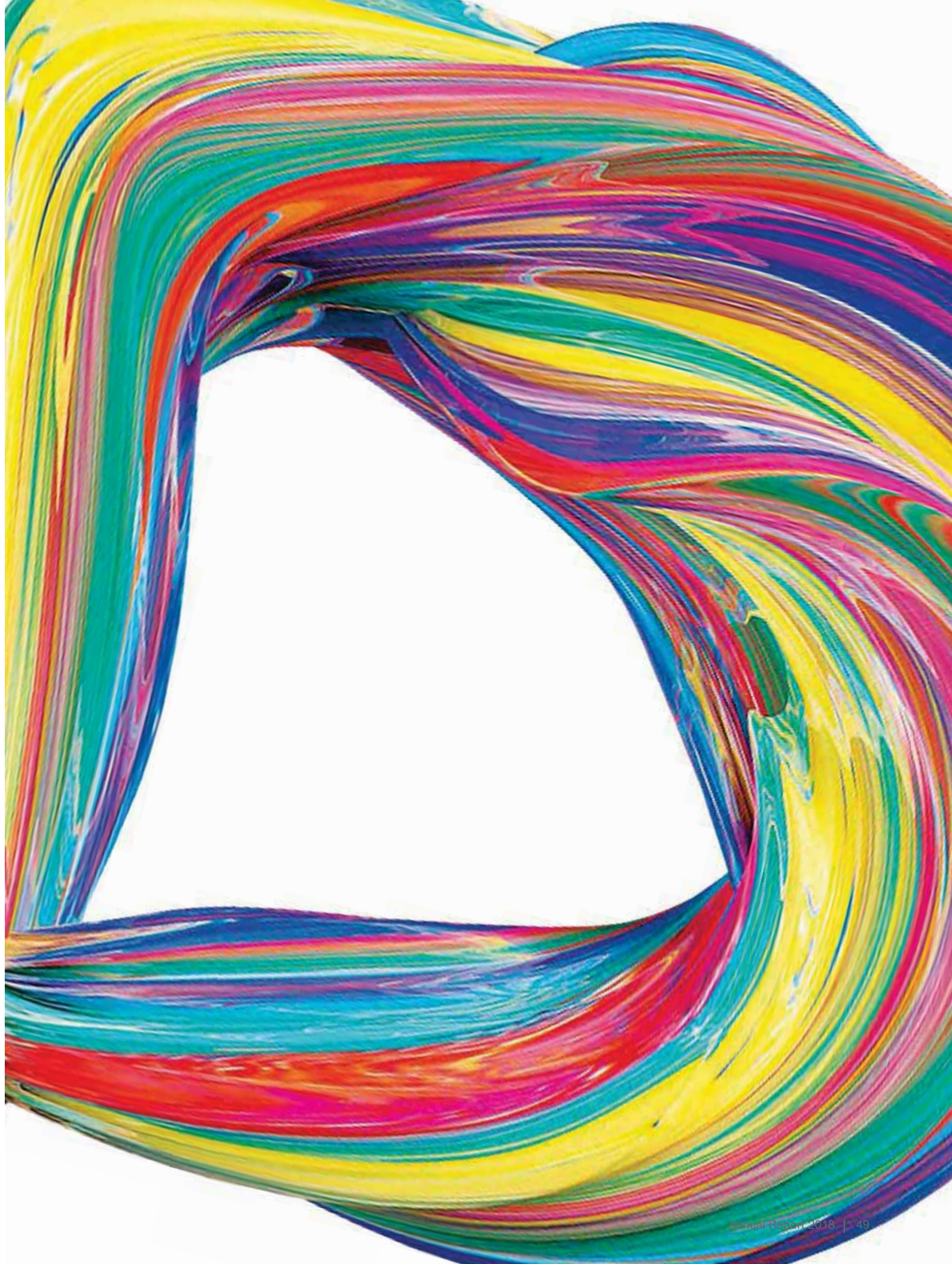
16. Imran Sarwar
Group Executive - Risk
& Credit Policy

Trailblazer of Digital Payments

The future is digital and UBL leads the way in providing its customers with the convenience of cashless spending. With technological breakthroughs we have been able to provide to our customers utmost digital expediency.

No longer do they need to carry cash for making payments – UBL provides them with multiple options through its bouquet of digital payment products. Our innovative technologies work 24/7 to make lives simpler, easier and secure for our customers.





Growth at a Glance

Six Years Financial Summary					Standalone	
December 31	2018	2017	2016	2015	Rs. in million	
					2014	2013
Balance Sheet						
Assets						
Cash and balances with treasury and other banks	206,813	177,099	146,428	128,870	87,573	114,388
Lendings to financial institutions	33,942	10,868	25,711	24,095	21,872	28,835
Investments - gross	792,857	1,095,555	808,959	721,651	499,060	425,253
Advances - gross	776,272	670,056	559,093	497,032	479,998	436,749
Operating fixed assets	47,556	46,205	35,582	31,630	30,303	24,608
Other assets	98,977	79,617	67,812	41,124	40,067	27,317
Total assets - gross	1,956,417	2,079,400	1,643,585	1,444,402	1,158,874	1,057,150
Provisions against non-performing advances	(60,336)	(42,697)	(40,525)	(41,618)	(45,734)	(45,936)
Provisions against diminution in value of investments	(6,482)	(3,769)	(2,428)	(2,133)	(1,726)	(1,476)
Total assets - net of provisions	1,889,599	2,032,934	1,600,632	1,400,651	1,111,414	1,009,739
Liabilities & Equity						
Deposits & other accounts	1,366,060	1,272,788	1,167,124	1,051,235	895,083	827,848
Borrowings from financial institutions	268,124	512,650	201,550	163,132	53,065	40,574
Subordinated loans	9,000	-	-	-	-	665
Bills payable	27,249	29,848	24,520	13,392	9,554	16,591
Other liabilities	67,896	58,341	55,651	30,757	28,196	23,147
Total liabilities	1,738,329	1,873,627	1,448,845	1,258,516	985,898	908,825
Net assets	151,270	159,307	151,787	142,135	125,516	100,914
Share capital	12,242	12,242	12,242	12,242	12,242	12,242
Reserves	54,439	43,847	40,455	38,402	34,130	33,681
Unappropriated profit	68,002	70,912	64,246	55,223	48,217	42,635
Equity - Tier I	134,683	127,001	116,943	105,867	94,589	88,558
Surplus on revaluation of assets - net of deferred tax	16,587	32,306	34,844	36,268	30,927	12,356
Total equity	151,270	159,307	151,787	142,135	125,516	100,914
Total liabilities & equity	1,889,599	2,032,934	1,600,632	1,400,651	1,111,414	1,009,739
Profitability						
Markup / return / interest earned	113,198	107,206	98,219	94,353	82,735	72,846
Markup / return / interest expensed	(56,964)	(50,781)	(41,177)	(38,511)	(37,769)	(34,910)
Net markup / return / interest income	56,234	56,425	57,042	55,842	44,967	37,936
Fee, commission, brokerage and exchange income	17,396	14,496	14,020	14,474	14,418	12,205
Capital gains & dividend income	6,709	6,762	8,629	6,442	3,806	4,845
Other income	967	904	960	1,070	1,071	1,064
Total non interest income	25,072	22,162	23,609	21,986	19,296	18,114
Gross income	81,306	78,587	80,651	77,828	64,263	56,050
Administrative expenses and other charges	(43,222)	(36,109)	(32,809)	(31,776)	(29,597)	(26,718)
Profit before donations and provisions	38,084	42,478	47,842	46,052	34,666	29,332
Donations	(203)	(110)	(87)	(167)	(112)	(77)
Provisions	(12,914)	(2,450)	(1,740)	(3,710)	(1,156)	(1,448)
Profit before taxation	24,967	39,918	46,015	42,175	33,398	27,807
Taxation	(9,741)	(14,739)	(18,285)	(16,448)	(11,469)	(9,193)
Profit after taxation	15,226	25,179	27,730	25,727	21,930	18,614
Cash Flow Statement - Summary						
Cash flow from operating activities	(244,642)	253,459	130,777	266,960	49,134	95,737
Cash flow from investing activities	271,086	(208,158)	(96,241)	(211,420)	(59,936)	(73,236)
Cash flow from financing activities	(5,800)	(15,480)	(16,257)	(15,942)	(14,266)	(20,267)
Cash and cash equivalents at the beginning of the year	177,099	146,428	128,870	87,573	114,388	109,396
Effect of exchange rate changes on cash and cash equivalents	9,070	850	(721)	1,699	(1,747)	2,758
Cash and cash equivalents at the end of the year	206,813	177,099	146,428	128,870	87,573	114,388

December 31	2018	2017	2016	2015	2014	2013
Financial Ratios						
Return on equity (RoE)	11.6%	20.6%	24.9%	25.7%	23.9%	22.3%
Return on assets (RoA)	0.8%	1.4%	1.8%	2.0%	2.1%	2.0%
Profit before tax ratio	30.7%	50.8%	57.1%	54.2%	52.0%	49.6%
Gross spread ratio	49.7%	52.6%	58.1%	59.2%	54.4%	52.1%
Return on capital employed (RoCE)	11.3%	20.6%	24.9%	25.7%	23.9%	21.0%
Advances to deposits ratio (ADR) - gross	53.2%	49.8%	45.6%	45.2%	51.3%	50.7%
Advances to deposits ratio (ADR) - net	48.7%	46.4%	42.1%	41.3%	46.2%	45.1%
Income to expense ratio	1.88	2.18	2.46	2.45	2.17	2.10
Cost to revenue ratio	47.8%	45.0%	39.6%	39.7%	45.2%	46.5%
Growth in gross income	3.5%	-2.6%	3.6%	21.1%	14.7%	0.6%
Growth in net profit after tax	-39.5%	-9.2%	7.8%	17.3%	17.8%	4.0%
Total assets to shareholders' funds	12.5	12.8	10.5	9.9	8.9	10.0
Intermediation cost ratio	3.3%	3.0%	3.0%	3.3%	3.4%	3.5%
Asset quality (NPL ratio)	8.8%	7.8%	8.0%	9.4%	11.2%	12.1%
Net infection ratio	1.1%	1.5%	0.8%	1.1%	1.9%	1.7%
Weighted average cost of debt	4.1%	4.2%	4.4%	5.0%	5.6%	5.6%
Capital adequacy ratio (CAR)	17.7%	15.4%	15.1%	14.6%	13.9%	13.3%

Share Information

Cash dividend per share - Rs.	11.00	13.00	13.00	13.00	11.50	10.00
Dividend yield (based on cash dividend)	5.9%	5.4%	8.4%	7.4%	8.7%	12.0%
Dividend payout ratio (total payout)	88.4%	63.2%	57.4%	61.9%	64.2%	65.8%
Earning per share (EPS) - Rs.	12.44	20.57	22.65	21.02	17.91	15.21
Price earnings ratio	9.86	9.14	10.55	7.37	9.86	8.72
Market value per share - at the end of the year - Rs.	122.64	187.97	238.90	154.95	176.71	132.55
Market value per share - highest during the year - Rs.	219.70	283.00	243.72	186.75	198.39	154.21
Market value per share - lowest during the year - Rs.	121.85	162.01	137.31	141.25	130.36	81.24
Breakup value per share - without surplus on revaluation of assets - Rs.	110.02	103.74	95.53	86.48	77.27	72.34
Breakup value per share - with surplus on revaluation of assets - Rs.	123.57	130.13	123.99	116.10	102.53	82.43

Other Information

Non-performing advances (NPLs) - Rs in million	68,562	52,247	44,567	46,833	53,853	52,630
Import business - Rs in million	936,749	720,496	575,991	607,496	655,881	641,866
Export business - Rs in million	202,748	294,428	255,287	220,701	259,259	249,006
Number of employees	13,931	14,771	14,153	14,623	13,382	13,270
Number of branches - Domestic	1,364	1,361	1,341	1,312	1,295	1,283
Number of branches - International	15	18	18	18	18	18
Number of branches - Total	1,379	1,379	1,359	1,330	1,313	1,301

Growth at a Glance

Balance Sheet

December 31	2018	2017	2016	2015	2014	2013
Vertical Analysis						
Assets						
Cash and balances with treasury and other banks	10.9%	8.7%	9.1%	9.2%	7.9%	11.3%
Lendings to financial institutions	1.8%	0.5%	1.6%	1.7%	2.0%	2.9%
Investments - net	41.6%	53.7%	50.4%	51.4%	44.7%	42.0%
Advances - net	37.9%	30.9%	32.4%	32.5%	39.1%	38.7%
Operating fixed assets	2.5%	2.3%	2.2%	2.3%	2.7%	2.4%
Other assets	5.2%	3.9%	4.2%	2.9%	3.6%	2.7%
Total assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Liabilities & Equity						
Deposits & other accounts	72.3%	62.6%	72.9%	75.1%	80.5%	82.0%
Borrowings from financial institutions	14.2%	25.2%	12.6%	11.6%	4.8%	4.0%
Subordinated loans	0.5%	0.0%	0.0%	0.0%	0.0%	0.1%
Bills payable	1.4%	1.5%	1.5%	1.0%	0.9%	1.6%
Other liabilities	3.6%	2.9%	3.5%	2.2%	2.5%	2.3%
Total liabilities	92.0%	92.2%	90.5%	89.9%	88.7%	90.0%
Share capital	0.6%	0.6%	0.8%	0.9%	1.1%	1.2%
Reserves	2.9%	2.2%	2.5%	2.7%	3.1%	3.3%
Unappropriated profit	3.6%	3.5%	4.0%	3.9%	4.3%	4.2%
Equity - Tier I	7.1%	6.2%	7.3%	7.6%	8.5%	8.8%
Surplus on revaluation of assets - net of deferred tax	0.9%	1.6%	2.2%	2.6%	2.8%	1.2%
Total equity	8.0%	7.8%	9.5%	10.1%	11.3%	10.0%

Horizontal Analysis

Assets						
Cash and balances with treasury and other banks	180.8%	154.8%	128.0%	112.7%	76.6%	100.0%
Lendings to financial institutions	117.7%	37.7%	89.2%	83.6%	75.9%	100.0%
Investments - net	185.6%	257.6%	190.3%	169.8%	117.4%	100.0%
Advances - net	183.2%	160.5%	132.7%	116.5%	111.1%	100.0%
Operating fixed assets	193.3%	187.8%	144.6%	128.5%	123.1%	100.0%
Other assets	362.3%	291.5%	248.2%	150.5%	146.7%	100.0%
Total assets	187.1%	201.3%	158.5%	138.7%	110.1%	100.0%
Liabilities & Equity						
Deposits & other accounts	165.0%	153.7%	141.0%	127.0%	108.1%	100.0%
Borrowings from financial institutions	660.8%	1263.5%	496.7%	402.1%	130.8%	100.0%
Subordinated loans	1352.7%	0.0%	0.0%	0.0%	0.0%	100.0%
Bills payable	164.2%	179.9%	147.8%	80.7%	57.6%	100.0%
Other liabilities	293.3%	252.0%	240.4%	132.9%	121.8%	100.0%
Total liabilities	191.3%	206.2%	159.4%	138.5%	108.5%	100.0%
Share capital	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Reserves	161.6%	130.2%	120.1%	114.0%	101.3%	100.0%
Unappropriated profit	159.5%	166.3%	150.7%	129.5%	113.1%	100.0%
Equity - Tier I	152.1%	143.4%	132.1%	119.5%	106.8%	100.0%
Surplus on revaluation of assets - net of deferred tax	134.2%	261.5%	282.0%	293.5%	250.3%	100.0%
Total equity	149.9%	157.9%	150.4%	140.8%	124.4%	100.0%

Profit and Loss Account

December 31	2018	2017	2016	2015	2014	2013
Vertical Analysis						
Interest / Return / Non Interest Income Earned						
Markup / return / interest earned	81.9%	82.9%	80.6%	81.1%	81.1%	80.1%
Fee, commission, brokerage and exchange income	12.6%	11.2%	11.5%	12.4%	14.1%	13.4%
Capital gains & dividend income	4.9%	5.2%	7.1%	5.5%	3.7%	5.3%
Other income	0.7%	0.7%	0.8%	0.9%	1.0%	1.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Interest / Return / Non Interest Expense						
Markup / return / interest expensed	41.2%	39.3%	33.8%	33.1%	37.0%	38.4%
Operating expenses	31.4%	28.0%	27.0%	27.5%	29.1%	29.5%
Provisions	9.3%	1.9%	1.4%	3.2%	1.1%	1.6%
Taxation	7.0%	11.4%	15.0%	14.1%	11.2%	10.1%
Total expense - percentage of total income	89.0%	80.5%	77.2%	77.9%	78.5%	79.5%
Profit after taxation	11.0%	19.5%	22.8%	22.1%	21.5%	20.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Horizontal Analysis

Interest / Return / Non Interest Income Earned						
Markup / return / interest earned	155.4%	147.2%	134.8%	129.5%	113.6%	100.0%
Fee, commission, brokerage and exchange income	142.5%	118.8%	114.9%	118.6%	118.1%	100.0%
Capital gains & dividend income	138.5%	139.6%	178.1%	133.0%	78.6%	100.0%
Other income	90.9%	85.0%	90.2%	100.6%	100.7%	100.0%
Total	152.0%	142.2%	133.9%	127.9%	112.2%	100.0%
Interest / Return / Non Interest Expense						
Markup / return / interest expensed	163.2%	145.5%	118.0%	110.3%	108.2%	100.0%
Operating expenses	162.1%	135.2%	122.8%	119.2%	110.9%	100.0%
Provisions	891.7%	169.2%	120.1%	256.2%	79.8%	100.0%
Taxation	106.0%	160.3%	198.9%	178.9%	124.8%	100.0%
Total	170.1%	144.0%	130.1%	125.2%	110.7%	100.0%
Profit after taxation	81.8%	135.3%	149.0%	138.2%	117.8%	100.0%

Statement of Value Added

	2018		2017	
	Rs. in million	%	Rs. in million	%
Mark-up / return / interest earned - net of provisions	100,284	102.8%	104,756	100.0%
Fee, commission, brokerage and exchange income	17,396	17.8%	14,496	13.8%
Capital gains & dividend income	6,709	6.9%	6,762	6.5%
Other income	967	1.0%	904	0.9%
	125,356	128.5%	126,918	121.1%
Administrative expenses	27,817	28.5%	22,124	21.1%
Value added	97,539	100.0%	104,794	100.0%

Distributed as follows:

To employees - as remuneration	15,405	15.8%	13,985	13.3%
To government - as income tax	9,741	10.0%	14,739	14.1%
To depositors - as profit on investments	36,394	37.3%	31,676	30.2%
To institutions & individuals - as profit on borrowings	20,570	21.1%	19,105	18.2%
To society - as donations	203	0.2%	110	0.1%
To shareholders - as dividends / bonus	14,690	15.1%	15,914	15.2%
Retained in business - as reserves and retained profits	536	0.5%	9,265	8.8%
	97,539	100%	104,794	100%

UBL International Network

INTERNATIONAL BRANCHES

UAE

Deira Branch

Mohd & Obaid Al Mullah Building,
Murshid Bazar, Shiktaul Khail Road,
P.O. Box: 1000, Deira, Dubai – UAE
Tel: 00971-4-6085350 & 00971-4-6085351

Bur Dubai Branch

Bank Street Building,
Khalid Bin Waleed Street,
P. O. Box: 1367, Dubai – UAE
Tel: 00971-4-6085200 & 00971-4-6085201
Fax: 00971-4-3510607

Al-Barsha Branch

Al Faraidooni Building,
Sheikh Zayed Road Barsha 1,
P.O. Box: 3846, Dubai – UAE
Tel: 00971-4-6085300 & 00971-4-6085301
Fax: 00971-4-3403645

Sharjah Branch

Al Majaz Building,
King Faisal Street,
P.O. Box: 669, Sharjah – UAE
Tel: 00971-6-5979121 & 00971-6-5979122
Fax: 00971-6-5721200

Khalifa Main Branch

Hamad Suhail Al Khaili Building,
Shk Khalifa Street,
P.O. Box: 3052, Abu Dhabi – UAE
Tel: 00971-2-5996500
Fax: 00971-2-6719900

Musaffah Branch

Rashid Mohd. Abdullah Al Mazroui Building,
Block M14, Street 17, Musaffah Industrial Road,
P.O. Box: 237, Abu Dhabi – UAE
Tel: 00971-2-5996400 & 00971-2-5996401

Sheikh Hamdan Road Branch

Ghamran Buti Al Qubaisi Building,
Opp. Hamdan Center,
Sheikh Hamdan Bin Mohamed Street,
P.O. Box: 2340, Abu Dhabi – UAE
Tel: 00971-2-5996450 & 00971-2-5996458

QATAR

Corniche Branch

Sh. Jassim Bin Jaber Al-Thani Building,
Abdullah Bin Jassim Street,
P.O. Box: 242, Doha - Qatar
Telephone: 00974-44254444

Salwa Branch

Qatar General Insurance Building,
Salwa Road
P.O. Box: 242, Doha - Qatar
Telephone: 00974-44254464

BAHRAIN

Manama Branch

Building 117, Road 385, Block 304, Government Avenue,
PO Box: 546, Manama - Kingdom of Bahrain
Telephone: 00973 17 155055

Muharraq Branch

Shop 1127, Road 10, Area 215,
PO Box: 546, Muharraq, Kingdom of Bahrain
Tel: 00971-17-343488

YEMEN

Sana'a Branch

Dr. Mohammad Ahmed Othman Al-Absi Building,
Al-Zubairi Street,
P.O. Box: 1295, Sana'a – Republic of Yemen
Telephone: +967 1 407540 (Gen.) / +967 1 409947 (Dir.)
Fax: +967 1 408211

Hodeidah Branch

Essam Al-Shami Building,
Shahrah-e-Meena,
P.O. Box: 3927, Hodeidah – Republic of Yemen
Telephone: + 967 3 225560 (Gen.) / +967 3 201494 (Dir.)
Fax: +967 3 201153

Aden Branch

Aden Mall, Crater,
P.O. Box: 104, Aden - Republic of Yemen
Telephone: +967 2 269191 (Gen.) / +967 2 269063 (Dir.)
Fax: +967 2 269065

ASSOCIATE COMPANY

SULTANATE OF OMAN

Ruwi

Postal Code: 100, P.O. Box: 889,
Muscat – Sultanate of Oman
Telephone: +968-24794305, +968-24782048
Fax: +968-24794344

Salalah

Postal Code: 211, P.O. Box: 2052,
Salalah – Sultanate of Oman
Telephone: +968-23290323
Fax: +968-23290323

Sohar

Postal Code: 327, P.O. Box: 62,
Sohar – Sultanate of Oman
Telephone: +968-26847021
Fax: +968-26847022

Al Ghoubra

Postal Code: 100, P. O. Box: 889,
Muscat – Sultanate of Oman
Telephone: +968-24495645
Fax: +968-24495642

Industrial Area - Salalah

Postal Code: 211, P. O. Box: 2052,
Salalah – Sultanate of Oman
Telephone: +968-23213264
Fax: +968-23211260

Barka

Postal Code: 100, P. O. Box: 889,
Muscat – Sultanate of Oman
Telephone: +968-26884864
Fax: +968-26884891

Duqum

Telephone: +968-25215105
Fax: +968-25215105

REPRESENTATIVE OFFICES

CHINA

Room No.: 2110, The Exchange Beijing,
No.118, Jianguo Road,
Chaoyang District, Beijing,
100022, Peoples Republic of China
Tel: +86-10-65675560, +86-10-65675579
Fax: +86-10-65675560

OBU-EPZ

EPZ Branch Karachi,
Export Promotion Zone, Landhi Industrial Area,
Mehran Highway, Landhi, Karachi.
Tel: 0092-21-35082301-3
Fax: 0092-21-35082305

EPZ Branch, Sambrial (Sialkot)
Plot No.: 261-A, EPZ Sialkot, Wazirabad Road,
Sambrial, District Sialkot
Tel: 0092-52-6523388

SUBSIDIARIES

UNITED KINGDOM

London

2 Brook Street,
London, W1S 1BQ

Birmingham

391-393 Stratford Road,
Birmingham, B11 4JZ

Manchester

Unit 4, Cheetham Hill Shopping Centre,
40 Bury Old Road,
Manchester, M8 5EL

3-5 Oak Lane, Bradford

This branch will close from 28th March 2019
3-5 Oak Lane, Bradford, BD9 4PU

82 Ilford Lane, Ilford

This branch will close from 26th April 2019
82 Ilford Lane, Ilford, IG1 2LA
General Enquiry: 0121 753 6000

SWITZERLAND

UBL Switzerland AG

Postfach | Feldeggstrasse 55, CH-8034
Zurich, Switzerland
Tel: 0041-43-4991920
Fax: 0041-43-4991933

TANZANIA

UBL Bank (Tanzania) Ltd

Dar-es-Salaam

Diplomat House 26 Mkwepu/Kaluta Street,
P.O Box: 5887, Dar es Salaam, Tanzania
Tel: +255 22 2180962
Fax: 00255-22-2136292

Report of Shariah Board for the Financial Year-2018

In the name of Allah, The Most Beneficent, The Most Merciful.

The year under review was the 12th year of Islamic Banking Operations of UBL Ameen (Islamic Banking Division of United Bank Limited). During the year UBL Ameen witnessed exponential growth in terms of business profitability and market penetration. Ameen business recorded a Profit Before Tax (PBT) of PKR 846 Million in comparison with Profit Before Tax (PBT) of PKR 247 Million last year, thereby registering a growth of 243%.

Shariah Compliance remained the key player in all activities in order to achieve the optimum level of satisfaction. The Shariah Compliance Department worked under the supervision of Shariah Board and contributed as an effective conduit between Management and the Shariah Board. The BOD and the Executive Management are ultimately responsible and accountable for ensuring full conformity of the UBL Ameen operations with Shariah principles while Shariah Board is responsible for all its Shariah related decisions.

Shariah Board hereby submits its report on the overall Shariah compliance environment of UBL Ameen and major developments that took place during the year.

Shariah Board Meetings

In line with Shariah Governance Framework of State Bank of Pakistan, Shariah Board shall meet at least on quarterly basis.

Hence, fifteen (15) Shariah Board meetings were held till date out of which four (4) meetings were made in 2018. Minutes of meetings were subsequently submitted to Islamic Banking Department of State Bank of Pakistan.

The meetings of Shariah Board were chaired by Chairman Shariah Board. Apart from mandatory quarterly meetings, monthly meetings were also held to discuss and guide on matters related to Product Development, Training, Shariah Compliance and Shariah Audit.

Products & Services

On Asset side, to cater financing needs of corporate customers, Ameen Istisna was successfully launched during the year. Istisna is a Short Term/Working Capital Finance product based on Shariah concept of Istisna (order to manufacture), whereby the Bank orders the customer to manufacture the specified goods and then separately sell it in the market as a Wakeel (agent) of the Bank. Ameen Istisna can also be used for extending Ameen Islamic Export Refinance.

On Liabilities side, during the year existing liability products were modified and updated after review and approval from Shariah Board.

Bancatakaful portfolio crossed PKR 1.0 Billion mark and contributed 35% of the total Bancatakaful business in the Bank.

On Consumer Side, the portfolio of Ameen Drive Diminishing Musharakah has reached 1100+ vehicles.

UBL Ameen Branch Network

The number of dedicated Islamic Banking Branches has now reached to 94 branches with an aim to reach 100 branches by the end of 2019. While Islamic Banking Windows (IBWs) are being

operated from 158 UBL branches.

Shariah Compliance Department:

The Shariah Compliance Department (SCD) of UBL Ameen constitutes of Head Shariah Compliance & three supporting staff.

SCD carried its legacy of close surveillance of all matters of UBL Ameen Islamic Banking which are directly or indirectly related to Shariah.

During the year, 69 visits were made by Shariah Compliance Department to Ameen Branches and Islamic Banking Windows. Report of each visit was shared with Ameen District Management and Head of Islamic Banking for rectification and compliance.

Shariah Compliance Department submitted its consolidated quarterly reports to Shariah Board for ratification. Reports consisted details of all Shariah reviews and opinions given by RSBM during the year. Later on, RSBM rulings were ratified by Shariah Board in the subsequent Shariah Board meetings.

For review of corporate transactions, Shariah Compliance Process is categorised in three major stages:

- 1) Pre Disbursement Stage in which process flows and structures of the transactions are finalised in accordance with Shariah guidelines. Further, all related legal and financing agreements are reviewed before disbursement.
- 2) Disbursement Stage in which transactional documents like Purchase Requisitions etc. are reviewed till the issuance of Pay Order or credit of funds to suppliers accounts. In few cases, where funds are credited to customers account for onward payment to suppliers, explicit reasons are being recorded in compliance with SBP - IBD Circular no. 01 of 2012.
- 3) Post Disbursement Stage in which transactional documents, offers and acceptances between UBL Ameen and customers, invoices and other parameters are being checked to confirm Shariah compliance at each stage.

Corporate & SME Banking

During the year, total 684 corporate transactions were executed. Transactions were reviewed by Shariah Compliance Department and found to be in accordance with Shariah guidelines.

Ameen Treasury

UBL Ameen has a separate and independent Treasury Department. During the year, 283 deals were executed under Ameen Treasury Products namely, Musharakah, Wakalah, Mudarabah and GOP Ijarah Sukuk. Treasury deals were reviewed by Shariah Compliance Department. All Product manuals were updated and consequently vetted by Shariah Board. Furthermore, 15 deals were executed under SBP's approved product "Bai Muajjal".

Consumer Banking

UBL Ameen's Consumer Department experienced 46% growth as disbursements were made for 631 cases approved during the year under Ameen Car Financing product in comparison with 432 cases in year 2017.

All cases in 2018 were executed under Diminishing Musharakah

model. While, Ameen Drive Product Manual based on Ijarah and Diminishing Musharakah was updated and reviewed by Shariah Board.

Profit Distribution & Pool Management

During the year, Profit distribution mechanism, i.e. Pool Calculations and Weightages were discussed with the Shariah Compliance Department on monthly basis and were subsequently vetted by SCD. Internal Shariah Audit Unit (ISAU) conducted its post disbursement audit on quarterly basis and presented its report to Shariah Board.

Training

During the year 2018, 28 training sessions were conducted and more than 500 staff members were trained from UBL and UBL Ameen on basic concepts of Islamic Banking, Islamic Banking Products & Services and Islamic Branch Operations.

Trainings were conducted by Shariah Compliance Department, Shariah Board Members and Executives from Product & Operations Department. Further, to abreast the staff with expertise and skills, selected staff were trained through Centre of Excellence for Islamic Finance and NIBAF, SBP.

In order to further reinforce training culture across the Bank, Islamic Banking Training presentations were made available on Learning Management System through e-learning module. Management aimed to further enhance this initiative in year 2019 and embed the same as an integral part of performance appraisals for all the Islamic Banking staff.

Internal Shariah Audit Unit (ISAU)

Internal Shariah Audit Unit performed all tasks in line with Shariah Governance Framework and sought guidance and consultation from Shariah Board of UBL Ameen. Audit covered all business related functions like Treasury, Consumer, Corporate, Profit and Loss distribution very extensively. Reports were discussed with Shariah Board for opinion and subsequent submission to UBL Ameen Management for necessary actions wherever required.

Charity Collections & Disbursement

During the year, charity of PKR 2.87 Million was received and charity of PKR 500,000/- was distributed to the charitable organisation after detailed screening and due diligence. No transaction was found to be null and void. Hence, amount credited in charity account was only due to late payments.

Shariah Opinion

To form our opinion as expressed in this report, the Shariah Compliance Department of the Bank carried out reviews of each class of transactions, the relevant documentation and process flows. Further, we have also reviewed reports from Internal Shariah Audit and SBP inspection teams. Based on above, we are of the view that:

- i. UBL Ameen has overall complied with Shariah rules and principles in the light of Fatawa, rulings and guidelines issued by Shariah Board.
- ii. UBL Ameen has overall complied with directives, regulations, instructions and guidelines related to Shariah compliance issued by SBP in accordance with the rulings of SBP's Shariah Board.
- iii. UBL Ameen has a satisfactory mechanism in place to ensure Shariah Compliance in their overall operations.
- iv. UBL Ameen has a proper system in place to ensure that any earnings realised from sources or by means prohibited by Shariah have been credited to charity account and are being properly utilised.

- v. UBL Ameen has complied with the SBP instructions on Profit and Loss distribution and Pool Management.
- vi. The level of awareness, capacity & sensitisation of the staff and the management in appreciating the importance of Shariah Compliance in the products and processes of the Bank is satisfactory.

Recommendations:

For further enhancement, Shariah Board recommends the following:

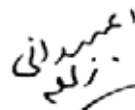
- a. Hiring of resources in Corporate, SME & Consumer teams for increased deployment of funds in commercial sector which will not only increase the revenue generating assets but also improve the Advances to Deposit ratio.
- b. While appreciating other staff facilities which have been made available according to Shariah, we recommend that Provident Fund of Islamic banking staff should also be in compliance with Shariah principles as already recommended by Shariah Board.
- c. Hiring of Shariah Scholars in Product Development Department should be in accordance with the Shariah Governance Framework issued by SBP.
- d. Hiring of resources in Shariah Compliance Department for Islamic Banking training should be in accordance with SBP guidelines.
- e. Products and Services offered by other Islamic Banking Institutions should be compared with existing offerings and made available keeping in view the business potential.
- f. It was observed that in some instances conventional account Opening Forms were used for opening of accounts in Islamic branches. Although, the same was rectified later on, however, considering the sensitivity of the matter, the Bank is advised to be very careful in this regard and take appropriate measures to eliminate such observations.

Conclusion

The Shariah Board of UBL Ameen is satisfied with overall performance and operations of UBL Ameen – Islamic Banking Division of United Bank Limited and hope that the management will keep this momentum of profitability, Shariah Compliance and market penetration and thus play pivotal role in sound and manifold growth of Islamic Banking countrywide.



Dr. Mufti Muhammad Zubair Usmani
Chairman Shariah Board



Dr. Mufti Ejaz Ahmed Samadani
Member Shariah Board

Date of Report: January 15, 2019

منافع کی تقسیم اور اس کا انتظام و انصرام: (Profit Distribution Mechanism)

اسلافغ کی تقسیم اور شرح منافع کے حوالے سے شریعہ کمپائمنس ڈیپارٹمنٹس (SCD) نے مابعد بنیادوں پر جائزہ لیا اور اس کی توثیق کی۔ انٹرنل شریعہ آڈٹ یونٹ نے سماجی بنیاد پر بعد از فراہمی نفع آڈٹ کیا اور اپنی رپورٹ شریعہ بورڈ کو پیش کی۔

ٹریٹنگ:

2018 کے دوران 28 تربیتی نشستیں منعقد کی گئیں اور یو بی ایل اور یو بی ایل امین سے تعلق رکھنے والے 500 سے زائد اسلاف ممبران کو اسلاف مینٹنگ کے بنیادی نظریات، اسلاف مینٹنگ پروڈکٹس اور خدمات اور اسلاف مارج آپریشنز کے بنیادی تصورات پر تربیت فراہم کی گئی۔

شریعی کمپائمنس ڈیپارٹمنٹ (SCD)، شریعہ بورڈ کے ممبران اور پروڈکٹ اور آپریشنز ڈیپارٹمنٹ کے ایگزیکٹوز کی طرف سے ٹریٹنگ فراہم کی گئی۔ اس کے علاوہ منتخب عمل کو SBP اور NIBAF اور سینٹر آف ایکسیلنس فار اسلاف مینٹنگ کے ذریعے اپنی مہارتوں کو بہتر بنانے کے لئے تربیت دی گئی۔

بینک میں تربیتی کلچر کو فروغ دینے کے لئے اسلامی بینکاری کے تربیتی سیشنز لرننگ مینجمنٹ سسٹم پر بذریعہ ای لرننگ ماڈیول (E-Learning Module) بھی پیش کئے گئے۔ انتظامیہ سال 2019 میں اس اقدام کو مزید بہتر بنانے اور اس کو اسلاف مینٹنگ کے سارے عملے کے لئے ان کی کارکردگی کے جائزے کا لازمی حصہ بنادینے کا عزم کرتی ہے۔

انٹرنل شریعہ آڈٹ یونٹ (ISAU)

انٹرنل شریعہ آڈٹ یونٹ نے شریعہ گورننس فریم ورک کے مطابق تمام تفویض شدہ کاموں کو انجام دیا اور یو بی ایل امین کے شریعہ بورڈ سے راہنمائی حاصل کی اور مشاورت کی۔ آڈٹ میں تمام کاروباری امور جیسے ٹریڈری، کنزرویٹو مینٹنگ، کارپوریٹ، منافع اور نقصان کی تقسیم کے تمام معاملات کا احاطہ کیا گیا۔ ان رپورٹس کو شریعہ بورڈ کے ساتھ زیر بحث لاکر شریعہ بورڈ کی رائے لی گئی اور اس کے بعد یو بی ایل امین مینجمنٹ کے پاس رپورٹس جمع کرائی گئیں تاکہ جہاں بھی ضرورت ہو، ایکشن لیا جاسکے۔

چربیائی:

دوران سال 28 لاکھ 70 ہزار روپے کی چربیائی اکٹھی کی گئی جس میں سے 500,000 روپے مکمل چھان بین اور منوٹرنگرانی کے بعد چربیائی اداروں میں تقسیم کئے گئے۔ یہ چربیائی تاخیری ادائیگیوں میں کلائنٹ کے التزام بالصدق (Undertaking to pay charity) کی وجہ سے اکٹھی ہوتی تھی۔

شرعی رائے:

اپنی رائے قائم کرنے کے لئے بینک کے شریعہ بورڈ نے شریعہ کمپائمنس ڈیپارٹمنٹ کے علاوہ انٹرنل شریعہ آڈٹ اور اسٹیٹ بینک آف پاکستان کی معاونٹیوں کی رپورٹس کا بھی جائزہ لیا۔ ان حقائق کی روشنی میں ہم سمجھتے ہیں کہ:

- یو بی ایل امین نے بحیثیت مجموعی شریعہ بورڈ کے جاری کردہ فتاویٰ، فیصلوں اور ہدایات کی روشنی میں شرعی قوانین اور اصولوں کی تعمیل کی ہے۔
- یو بی ایل امین نے بحیثیت مجموعی شریعہ کمپائمنس سے متعلق اسٹیٹ بینک آف پاکستان کی ہدایات، قواعد و ضوابط، دستور عمل کی تعمیل کی ہے۔
- یو بی ایل امین کے پاس بحیثیت مجموعی اپنی کاروباری سرگرمیوں کے دوران شریعہ کمپائمنس یقینی بنانے کے لئے اطمینان بخش طریقہ کار موجود ہے۔
- یو بی ایل امین کے پاس یہ یقینی بنانے کے لئے ایک مناسب سسٹم موجود ہے کہ شریعت کی رو سے ممنوعہ ذرائع یا طریقوں سے حاصل شدہ آمدن یا چربیائی اکاؤنٹس میں جمع کرا دی گئی ہیں اور مناسب طریقے سے استعمال میں لائی جا رہی ہیں۔
- یو بی ایل امین نے نفع و نقصان کی تقسیم اور پول کے انتظام و انصرام پر اسٹیٹ بینک آف پاکستان کی ہدایات کی تعمیل کی ہے۔
- پروڈکٹس اور بینک کی کاروباری سرگرمیوں میں شریعت کی تعمیل کے حوالے سے اسلاف اور انتظامیہ کی آگاہی، اہلیت اور حساسیت کی سطح اطمینان بخش ہے۔

سفارشات:

مزید بہتری کے لئے شریعہ بورڈ درج ذیل سفارشات کرتا ہے:

- کمرشل بینک میں فنڈز کے استعمال میں اضافے کے لئے کارپوریٹ، ایس ایم ای (SME) اور کنزرویٹو ٹیموں میں مزید

- بھرتیاں کی جائیں جس سے نہ صرف آمدنی پیدا کرنے والے اثاثوں میں اضافہ ہوگا بلکہ ڈپازٹس کے مقابلے میں ایڈوانسز کا تناسب بھی بہتر ہوگا۔
- شریعی کمپائمنس کے حوالے سے عمل کو شریعت کے مطابق فراہم کردہ دیگر سہولیات قابل تفریف ہیں تاہم اسلامی بینکاری کے عمل کو فراہم کردہ پروویڈنٹ فنڈ (Provident Fund) کو بھی شرعی اصولوں کے مطابق بنایا جائے جیسا کہ شریعہ بورڈ نے قبل ازیں سفارش کی ہے۔
- اسٹیٹ بینک آف پاکستان کے جاری کردہ شریعہ گورننس فریم ورک کے مطابق پروڈکٹ ڈیپلٹمنٹ ڈیپارٹمنٹ کے شعبے میں شریعہ اسٹاک لرنز کی تقرری عمل میں لائی جائے۔
- اسٹیٹ بینک آف پاکستان کی گائیڈ لائنز کے مطابق اسلاف کی اسلامی بینکاری کی تربیت کے لئے SCD میں مزید افراد کی تقرری کی جائے۔
- اسلامی بینکاری کے دیگر اداروں کی جانب سے فراہم کردہ مصنوعات اور خدمات کا موجودہ پیش کردہ خدمات و مصنوعات سے تقابلی جائزہ لیا جائے اور کاروباری امکانات کو مد نظر رکھتے ہوئے انہیں تیار کر کے پیش کیا جائے۔
- بعض اوقات مشاہدے میں آیا ہے کہ اسلامی برانچز میں بھی اکاؤنٹس کھولنے کے لئے روایتی اکاؤنٹ اوپننگ فارم استعمال کیا جاتا ہے۔ اگرچہ بعد میں اس کو ٹھیک کر لیا گیا، تاہم معاملے کی حساسیت کی پیش نظر بینک کو مشورہ دیا جاتا ہے کہ اس سلسلے میں، بہت محتاط رہے اور مناسب اقدامات اٹھائے تاکہ ایسی غلطیوں کا خاتمہ ہو سکے۔

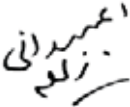
حرف آخر:

یو بی ایل امین کا شریعہ بورڈ یو بی ایل بینک لمیٹڈ کے اسلامی مینٹنگ ڈویژن، یو بی ایل امین کی مجموعی کارکردگی اور آپریشنز سے مطمئن ہے اور امید کرتا ہے کہ انتظامیہ شریعہ کمپائمنس، مارکیٹ میں رسائی اور منافع کی رفتار برقرار رکھے گی اور ملک بھر میں اسلامی بینکاری کے انتظام اور اس میں کی گئی ترقی میں مرکزی کردار ادا کرے گی۔



ڈاکٹر مفتی محمد زبیر چربیائی

چیرمین شریعہ بورڈ



ڈاکٹر مفتی اعجاز احمد صدیقی

ممبر شریعہ بورڈ

رپورٹ کی تاریخ: 15 جنوری 2019

شریعی بورڈ کی رپورٹ برائے مالی سال 2018

بسم اللہ الرحمن الرحیم

زیر جائزہ سال یو بی ایل این (یونائیٹڈ بینک لمیٹڈ کا اسلامک بینکنگ ڈویژن) کے اسلامک بینکنگ آپریٹرز کا بارہواں سال تھا۔ اس سال کاروباری منافع اور مارکیٹ میں رسائی میں نمایاں اضافہ ہوا۔ یو بی ایل این نے گزشتہ سال 247 ملین روپے کے منافع کے مقابلے میں اس سال 846 ملین روپے کا قبل ازینکس منافع ریکارڈ کیا، جس کے باعث رجسٹرڈ شدہ گتھ 243 فیصد رہی۔

شرعی اعتبار سے اطمینان کا درجہ پانے کے لیے تمام سرگرمیوں میں شریعی کی پاسداری توجہ کا کلیدی مرکز رہی۔ شریعی کمپلائنس ڈیپارٹمنٹ نے شریعی بورڈ کی نگرانی میں کام کیا اور انتظامیہ اور شریعی بورڈ کے درمیان مؤثر رابطے کے طور پر خدمات انجام دیں۔ بورڈ آف ڈائریکٹرز اور ایگزیکٹو مینجمنٹ اس بات کو یقینی بنانے کے لیے کئی طور پر ذمہ دار ہیں کہ یو بی ایل این کی تمام عملی سرگرمیاں ہمہ وقت شرعی اصولوں کے مطابق سرانجام پائیں، جب کہ شریعی بورڈ اس کے شریعت سے متعلق تمام فیصلوں کے لیے ذمہ دار ہے۔

شریعی بورڈ یو بی ایل این کے مجموعی شریعی کمپلائنس ماحول اور سال کے دوران ردفا ہونے والی اہم سرگرمیوں پر اپنی یہ رپورٹ جمع کرواتا ہے۔

شریعی بورڈ کے اجلاس:

اسٹیٹ بینک آف پاکستان کے شریعی گورنرز فریم ورک کے مطابق شریعی بورڈ سہ ماہی میں کم از کم ایک اجلاس منعقد کرنے کا پابند ہے۔

چنانچہ شریعی بورڈ کے قیام سے اب تک کل پندرہ (15) اجلاس منعقد ہو چکے ہیں، جن میں سے چار اجلاس 2018 میں منعقد ہوئے تھے۔ اجلاسوں کی کارروائیاں بعد ازاں اسٹیٹ بینک آف پاکستان کے اسلامک بینکنگ ڈیپارٹمنٹ میں جمع کردی گئی ہیں۔

ان اجلاسوں کی صدارت چیئرمین شریعی بورڈ نے کی تھی۔ لازمی سہ ماہی اجلاسوں کے علاوہ، پروڈکٹ ڈیولپمنٹ، مریٹنگ، شریعی کمپلائنس اور شریعی ڈسٹ سے متعلق معاملات پر تبادلہ خیالات اور راہنمائی کے لیے بھی ماہانہ اجلاس منعقد کیے گئے۔

پروڈکٹس اور خدمات:

Assets کے حوالے سے کارپوریٹ صارفین کی مالیاتی ضروریات کو پورا کرنے کے لیے اس سال اینتھن اسحقناغ کا کامیابی سے اجراء ہوا ہے۔ اسحقناغ ایک مختصر المدت اور کنگ کیپٹل فنانس ہے جس میں بینک صارف کو آرڈر کرتا ہے کہ وہ بینک کے لئے مخصوص اشیاء تیار کرے اور پھر بینک (اشیاء کی تیار کی بعد) ایک علیحدہ معاہدے کے ذریعے اسے وکیل بنا کر آرڈر کرتا ہے کہ وہ اشیاء بازار میں فروخت کرے۔ اینتھن اسحقناغ کو اینتھن اسلامک ایکسپورٹری فنانس کی توسیع کے لئے بھی استعمال کیا جاسکتا ہے۔

Liabilities کے حوالے سے شریعی بورڈ کے جائزے اور منظوری کے بعد اس سال موجودہ Liability پروڈکٹس کو بہتر بنایا گیا ہے اور اپ ڈیٹ کیا گیا ہے۔

بینکا کافل نے 1.0 ملین روپے کی حد کو بڑھ کر لیا ہے اور بینک میں کل برنس کا 35 فیصد شامل کیا ہے۔

صارفین کے حوالے سے شرکت متناقصہ کے تصور پر مبنی اینتھن ڈرائیو برنس 1100 گاڑیوں سے تجاوز کر چکا ہے۔

یو بی ایل این برانچ نیٹ ورک:

اسلامک بینکنگ کی برانچوں کی تعداد 94 تک پہنچ چکی ہے اور انتظامیہ اس بات کا عزم رکھتی ہے کہ سال 2019 کے اختتام تک یہ تعداد 100 تک پہنچ جائے۔

جبکہ اسلامک بینکنگ وٹوڈ کی خدمات، یو بی ایل این 158 برانچوں سے فراہم کی جا رہی ہیں۔

شریعی کمپلائنس ڈیپارٹمنٹ:

یو بی ایل این کا شریعی کمپلائنس ڈیپارٹمنٹ (SCD)، شریعی کمپلائنس کے سربراہ اور تین کئی معاون اسٹاف پر مشتمل ہے۔

شریعی کمپلائنس ڈیپارٹمنٹ نے یو بی ایل این اسلامک بینکنگ کے ایسے تمام معاملات کی نگرانی کی روایت برقرار رکھی جو شریعت سے براہ راست یا بالواسطہ تعلق رکھتے ہیں۔

اس سال شریعی کمپلائنس ڈیپارٹمنٹ کی طرف سے یو بی ایل این کی برانچوں اور وٹوڈز کے 69 دورے کیے گئے۔ اصلاح اور تعمیل کے لیے ہر دورے کی رپورٹ میں یو بی ایل این ڈسٹرکٹ مینجمنٹ اور اسلامک بینکنگ کے سربراہ کو بھی شریک کیا گیا۔ شریعی کمپلائنس ڈیپارٹمنٹ نے اپنی تیار کردہ سہ ماہی رپورٹس توثیق کے لیے شریعی بورڈ کے پاس جمع کرائیں۔ یہ رپورٹس ریڈیڈنٹ شریعی بورڈ ممبر کے تمام جائزوں کی تفصیلات اور سال کے دوران دی جانے والی تجاویز پر مشتمل تھیں۔

کارپوریٹ ٹرانزیکشنز کے جائزے کے لیے شریعی کمپلائنس کے طریقہ کار کی تین مراحل میں درجہ بندی کی گئی ہے:

1) عقد (Transaction) ہونے سے پہلے کا مرحلہ: جس میں لین دین کے طریقہ کار اور لین دین کی ساخت کو شرعی راہنمائی کے مطابق حتمی شکل دی جاتی ہے۔ مزید برآں رقم کی فراہمی سے پہلے تمام متعلقہ قانونی اور مالیاتی معاہدوں کا جائزہ لیا جاتا ہے۔

2) عقد (Transaction) ہونے کے دوران: جس میں بے آرڈر کے اجراء یا سیلانیز کے اکاؤنٹس میں رقم کی منتقلی تک لین دین کی دستاویزات مثلاً خریداری کی درخواستوں وغیرہ کا جائزہ لیا جاتا ہے۔ چند معاملات میں سیلانیز کو آگے ادائیگی کے لیے رقم کسٹمر کے اکاؤنٹ میں منتقل کی جاتی ہیں 2012 کے SBP کے IBD سرکل نمبر 01 کی تعمیل کرتے ہوئے اس کی وجوہات ریکارڈ کی جاتی ہیں۔

3) عقد ہونے کے بعد کا مرحلہ: جس میں ہر مرحلے پر شریعی کمپلائنس کی تصدیق کے لیے لین دین کی دستاویزات، یو بی ایل این اور صارفین کے مابین ایجاب و قبول کی دستاویزات، رسیدوں اور دیگر پہلوؤں کی جانچ پڑتال کی جاتی ہے۔

کارپوریٹ اور ایس ایم ای بینکنگ:

اس سال کے دوران مجموعی طور پر 684 کاروباری ٹرانزیکشنز سرانجام دی گئیں اور شریعی کمپلائنس ڈیپارٹمنٹ نے ہر ٹرانزیکشن کا جائزہ لیا اور انہیں شرعی اصولوں کے مطابق پایا۔

اینٹری پریژری:

یو بی ایل این ایک علیحدہ اور خود مختار ٹریڈری ڈیپارٹمنٹ کا حامل ہے، اس سال کے دوران یو بی ایل این ٹریڈری کی پروڈکٹس، بعنوان مشارکہ، کالہ اور مضارہ اور حکومت پاکستان کے جاری کردہ اجارہ ملک کے تحت کل 283 بیلز انجام پائیں، ہر ڈیل کا شریعی کمپلائنس ڈیپارٹمنٹ نے جائزہ لیا، تمام پروڈکٹ مینوئلز (Product Manuals) کی تجدید کی گئی اور بعد ازاں شریعی بورڈ کی طرف سے توثیق کرائی گئی۔

اس کے علاوہ SBP کی منظور شدہ پروڈکٹ "بیج موجدل" کے تحت 15 ڈیلز بھی انجام پائیں۔

کنز یومر بینکنگ:

یو بی ایل این کے کنز یومر ڈیپارٹمنٹ کی کارکردگی میں 46 فیصد اضافہ ہوا۔ 2017 میں 432 صارفین کے مقابلے میں اینٹ کار فنانسنگ پروڈکٹ کے تحت اس سال کل 631 صارفین کو بھرت فراہم کی گئی۔

2018 میں تمام کیسز شرکت متناقصہ ماڈل (Model) کے تحت انجام دیے گئے، جبکہ اجارہ اور شرکت متناقصہ کے تصور پر مبنی اینٹ ڈرائیو پروڈکٹ مینوئل کی تجدید کی گئی اور شریعی بورڈ نے اس کا جائزہ لیا۔

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017

For the year ended December 31, 2018

The Bank has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017 in the following manner:

1. The total number of directors are Nine (9) as per the following:
 - a. Male: 8
 - b. Female: 1

2. The composition of the Board is as follows:

Category	Names
Independent Directors	Mr. Khalid A. Sherwani Mr. Amar Zafar Khan Mr. Tariq Rashid
Non-Executive Directors	Sir Mohammed Anwar Pervez, OBE, HPk Mr. Zameer Mohammed Choudrey, CBE, SI PK, FCA Mr. Rizwan Pervez Mr. Haider Zameer Choudrey Mr. Arshad Ahmad Mir
Executive Director	Ms. Sima Kamil, President & CEO

3. The Directors have confirmed that none of them is serving as a Director on more than five listed companies, including this Bank and excluding the listed subsidiaries of listed holding companies where applicable.
4. The Bank has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
5. The Board has developed a Vision / Mission Statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board / shareholders as empowered by the relevant provisions of the Companies Act, 2017 and these Regulations.
7. The meetings of the Board were presided over by the Chairman. The Board has complied with the requirements of the Companies Act, 2017 and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
8. The Board of Directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Board has arranged Directors' Training program for Mr. Tariq Rashid, an independent director. All the other directors have either attended the required training in prior years or are exempted.

10. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. The CFO and CEO duly endorsed the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below:

a. BOARD AUDIT COMMITTEE (BAC):

i. Mr. Amar Zafar Khan	Independent Director	Chairman
ii. Mr. Haider Zameer Choudrey	Non-Executive Director	Member
iii. Mr. Khalid A. Sherwani	Independent Director	Member
iv. Mr. Rizwan Pervez	Non-Executive Director	Member

b. BOARD HUMAN RESOURCE & COMPENSATION COMMITTEE (HRCC):

i. Mr. Arshad Ahmad Mir	Non-Executive Director	Chairman
ii. Mr. Khalid A. Sherwani	Independent Director	Member
iii. Mr. Amar Zafar Khan	Independent Director	Member

c. BOARD RISK & COMPLIANCE COMMITTEE (BRCC):

i. Mr. Zameer Mohammed Choudrey	Non-Executive Director	Chairman
ii. Mr. Arshad Ahmad Mir	Non-Executive Director	Member
iii. Ms. Sima Kamil	President & CEO	Member

d. BOARD IT COMMITTEE (BITC):

i. Mr. Tariq Rashid	Independent Director	Chairman
ii. Mr. Haider Zameer Choudrey	Non-Executive Director	Member
iii. Ms. Sima Kamil	President & CEO	Member

13. The Terms of Reference of the aforesaid committees have been formed, documented and advised to the **committees** for compliance.

14. The frequency of meetings of the committees during the financial year ended December 31, 2018 were as per following:

a. Board Audit Committee (BAC)	Five meetings including four quarterly meetings.
b. Board Human Resource & Compensation Committee (HRCC):	Four quarterly meetings.
c. Board Risk and Compliance Committee (BRCC):	Four quarterly meetings.
d. Board IT Committee (BITC):	Four quarterly meetings.

15. The Board has set up an effective internal audit function which is considered suitably qualified, experienced for the purpose and conversant with the policies and procedures of the Bank
16. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.



Sir Mohammed Anwar Pervez, OBE, HPk
Chairman
Karachi

Date: February 20, 2019

Independent Auditors' Review Report to the Members of United Bank Limited

Review Report on the Statement of Compliance Contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of United Bank Limited ("the Bank") for the year ended December 31, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Bank. Our responsibility is to review whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

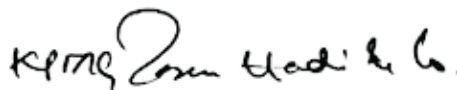
The Regulations require the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Bank's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the Regulations as applicable to the Bank for the year ended December 31, 2018.



A.F. Ferguson & Co.
Chartered Accountants

Dated: February 28, 2019
Karachi



KPMG Taseer Hadi & Co.
Chartered Accountants

Annual Statement on Internal Controls 2018

The Internal Control System comprises of various inter-related components including the Control Environment, Risk Assessment, Control Activities, Information & Communication and Monitoring.

It is the responsibility of the Bank's management to establish an Internal Control System to maintain an adequate and effective Internal Control Environment. An Internal Control System is a set of processes designed to identify and mitigate the risk of failure and achieve overall business objectives of the Bank.

Internal controls and policies are designed to provide reasonable assurance regarding the effectiveness and efficiency of the Bank's operations, reliability of financial information and compliance with applicable laws and regulations.

Management ensures an efficient and effective Internal Control System by carrying out risk assessment, identifying controls, reviewing pertinent policies/procedures establishing relevant control procedures and monitoring systems.

Evaluation

The Bank's Internal Control System has been designed to provide reasonable assurance to the shareholders and Board of Directors; however, these systems may not entirely eliminate the risk of misreporting and failure of certain controls under a changing environment.

Evaluation of the Bank's Internal Control System comprises of different levels of monitoring activities i.e. Line Management, Compliance Group and Audit & Risk Review Group. Line Management's role has been enhanced to include onsite reviews of processes in branches to identify gaps in execution with special emphasis on the implementation of regulatory instructions in addition to day to day monitoring of control breaches for prompt corrective actions. Keeping in view the changing risk environment and Bank's increased focus on controls and compliance matters, an Internal Control Division is

operating within Operations Group for monitoring branch related operations.

Compliance Group ensured regulatory compliance across the Bank on an on-going basis. Audit & Risk Review Group continued to perform audit and review activities to evaluate the implementation of controls and ensure the existence of a healthy control environment throughout the Bank.

All significant and material findings of the internal & external auditors and regulators were addressed on a priority basis by the management and their status was reported periodically to the Board Audit Committee and Risk & Compliance Committee, they ensured that management has taken appropriate corrective actions and has put in place a system to minimise repetition to ensure strengthening of the control environment.

The Bank endeavours to follow the State Bank of Pakistan's guidelines on Internal Controls. The Bank is continuously making efforts to ensure that an effective and efficient Internal Control System remains active and implemented through consistent and continuous monitoring that would help in further improving the overall control environment.

Based upon the results achieved from reviews and audits conducted during the year, management considers that the existing Internal Control System is adequate and has been effectively implemented and monitored, though room for improvement always exists.




Irfan Memon
Group Head – Audit &
Risk Review



Sajid Hussain
Group Executive – Compliance



Aameer Karachiwalla
Chief Financial Officer



Sima Kamil
President & CEO

Disclosure in Annual Accounts

Complaint Management and BPR unit (under Service Quality) is responsible for Complaint Management at UBL. We ensure that;

- Complaints are treated fairly.
- Complaints are resolved within shortest possible time.
- Complaint handling mechanism is visible and accessible.
- Complaints are handled with impartiality and transparency.
- Customers have access to channels for lodging complaints/grievances within the Bank and their rights to alternative forum, in case they are not fully satisfied with the response of the Bank to their complaints.

UBL has a robust mechanism in place for handling complaints. Customers have complete access to register their grievances through the following modes (but not limited to) - email, letter, fax, website, IP Hotlines, 24/7 helpline, State Bank of Pakistan, Banking Mohtasib & President Secretariat. All complaints received are logged into a centralised Complaint Management & Tracking System (CMTS).

Complaint trends and closure analysis reports are shared with the Board, Senior Management & Business owners on quarterly basis. Based on these findings, remedial measures are taken. Status of open complaints and their aging is also shared with pertinent stakeholders on a weekly basis in the form of Complaint Tracker.

UBL regards complaints as an important feedback for improvement. Our signature Service Pledge System (SPS) has monitoring of Complaint Management Calls as an important pillar. Middle and senior management members directly contact customers who have logged complaints to confirm whether their complaints have been resolved as per their satisfaction.

Complaint lodgment procedure has been made public as placards were displayed at branches, as ATM screen messages and at UBL website. We also have automated messages that are communicated to customers on complaint lodgment and resolution via SMS/email through our CMTS.

The Bank is continuously striving for improvement in processes to avoid recurrence of instances. Escalation mechanisms help to rectify issues on a fast pace. Key highlights of year 2018 were as under:

- Complaint volume of 174,721 managed successfully.
- 95% complaints were resolved within the timelines provided to our customers.
- 99% resolutions were provided in 15 days' time (excluding Visa/Mastercard & fraud related issues).
- Average complaint resolution time stood at 4.7 days. Furthermore, this resolution time remained 3.4 days excluding off-us transactions.



#THENEWYOU

Financial Statements 2018

INDEPENDENT AUDITORS' REPORT

To the members of United Bank Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of United Bank Limited (the Bank), which comprise the unconsolidated statement of financial position as at December 31, 2018, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for 96 branches which have been audited by us and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2018 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key Audit Matters:

S.No.	Key Audit Matters	How the matter was addressed in our audit
1	Provision against advances (Refer note 10 to the unconsolidated financial statements)	
	The Bank makes provision against advances on a time based criteria that involves ensuring all non-performing loans and advances are classified in accordance with the ageing criteria specified in the Prudential Regulations (PRs) issued by the State Bank of Pakistan (SBP).	Our audit procedures to verify provision against advances, amongst others, included the following: <ul style="list-style-type: none"> ▪ We reviewed the design and tested the operating effectiveness of key controls established by the Bank to identify loss events and for determining the extent of provisioning required against non-performing advances.

S.No.	Key Audit Matters	How the matter was addressed in our audit
	<p>In addition to the above time based criteria the PRs require a subjective evaluation of the credit worthiness of borrowers to determine the classification of advances.</p> <p>The PRs also require the creation of general provision for the consumer portfolio.</p> <p>Provision against advances of overseas branches is made as per the requirements of the respective regulatory regimes.</p> <p>The Bank has recognized a net provision against advances amounting to Rs. 11,337.236 million in the unconsolidated profit and loss account in the current year. As at December 31, 2018, the Bank holds a provision of Rs 60,335.610 million against advances.</p> <p>The determination of provision against advances based on the above criteria remains a significant area of judgement and estimation. Because of the significance of the impact of these judgements / estimations and the materiality of advances relative to the overall unconsolidated statement of financial position of the Bank, we considered the area of provision against advances as a key audit matter.</p>	<p>The testing of controls included testing of:</p> <ul style="list-style-type: none"> automated (IT system based) controls over correct classification of non-performing advances on time based criteria; controls over monitoring of advances with higher risk of default and correct classification of non-performing advances on subjective criteria; controls over accurate computation and recording of provisions; and controls over the governance and approval process related to provisions, including continuous reassessment by the management. <ul style="list-style-type: none"> In accordance with the regulatory requirement, we sampled and tested at least sixty percent of the total advances portfolio and performed the following substantive procedures for sample loan accounts: <ul style="list-style-type: none"> verified repayments of advances / mark-up installments and checked that non-performing advances have been correctly classified and categorized based on the number of days overdue. examined watch list accounts and, based on review of the individual facts and circumstances, discussions with management and our assessment of financial conditions of the borrowers, formed a judgement as to whether classification of these accounts as performing was appropriate. We checked the accuracy of specific provision made against non-performing advances and of general provision made against consumer finance by recomputing the provision amount in accordance with the criteria prescribed under the PRs; Where the management has not identified indicators displaying impairment, we reviewed the credit history, account movement, financial ratios, report on security maintained and challenged the management's assessment based on our review of the credit file ; and We issued instructions to auditors of those overseas branches which were selected for audit, highlighting 'Provision against advances' as a significant risk. The auditors of those branches performed audit procedures to check compliance with regulatory requirements and reported the results thereof to us.
2	<p>Valuation of investments</p> <p>(Refer note 9 to the unconsolidated financial statements)</p>	
	<p>The carrying value of investments held by the Bank amounted to Rs. 786,375.326 million, which constitutes 41.62% of the Bank's total assets as at December 31, 2018.</p>	<p>Our audit procedures to verify valuation of investments, amongst others, included the following:</p> <ul style="list-style-type: none"> Assessed the design and tested the operating effectiveness of key controls in place relating to valuation of investments;

S.No.	Key Audit Matters	How the matter was addressed in our audit
	<p>The significant portion of the investments comprise of equity, debt and government securities. In addition, investments by the Bank also include investment in subsidiaries and associates as at December 31, 2018 amounting to Rs. 4,523.579 million and Rs. 1,088.432 million respectively.</p> <p>Investments are carried at cost / amortised cost or fair value in accordance with the Bank's accounting policy relating to their recognition. Provision against investments is made based on impairment policy of the Bank which includes both objective and subjective factors.</p> <p>We identified assessing the carrying value of the investment as a key audit matter because of its significance to the unconsolidated financial statements and because assessing the key impairment assumptions involves a significant degree of management judgment.</p>	<ul style="list-style-type: none"> ▪ Checked on a test basis the valuation of investments in the portfolio, as recorded in the general ledger, to supporting documents, externally quoted market prices and break-up values; ▪ Obtained independent confirmations for verifying the existence of the investment portfolio as at December 31, 2018 and reconciled it with the books and records of the Bank. Where such confirmations were not available, alternate procedures were performed; ▪ Evaluated the Bank's assessment of available for sale and held to maturity financial assets for any additional impairment in accordance with the accounting and reporting standards as applicable in Pakistan and performed an independent assessment of the assumptions and conclusions; and ▪ Considered the Bank's disclosures of investments in accordance with the requirements of the accounting and reporting standards as applicable in Pakistan.
3	<p>Retirement benefit obligations (Refer note 39 to the unconsolidated financial statements)</p>	
	<p>The Bank operates various defined retirement benefit schemes for its employees.</p> <p>Uncertainty arises as a result of estimates made in respect of verification of employees, long term trends and market conditions, including demographic and financial variables, to determine the value based on the Bank's expectations of the future. As a result, the actual liability may be significantly different to that recognised on the unconsolidated statement of financial position since small changes to the assumptions used materially affects the valuation.</p> <p>The provision for employee retirement benefits includes liability in respect of pension payable to eligible employees. During the year, the Honorable Supreme Court of Pakistan announced a judgement based on a proposal submitted by banks, including United Bank Limited, in which it raised the minimum monthly pension of employees. In accordance with the judgement of the Honorable Supreme Court of Pakistan, the Bank has commenced pension payments from the date of the judgement.</p> <p>We focused on this area as a key audit matter because the judgement of the Honorable Supreme Court of Pakistan in relation to pension was a significant development during the year. Also, the whole subject of valuation of retirement benefit obligations is complex and requires significant judgment in choosing appropriate actuarial assumptions including the involvement of management's experts.</p>	<p>Our audit procedures to assess the determination of defined retirement benefit obligations, amongst others, included the following:</p> <ul style="list-style-type: none"> ▪ Tested the fair value of the scheme's assets; ▪ Independently verified, on a test basis, the Bank's data used by the actuary in the calculation; ▪ Engaged an independent actuarial expert to assess the reasonableness of management's key assumptions and actuarial calculations; ▪ Reviewed Board minutes where the pension matter was specifically discussed to assess appropriateness of conclusions reached; and ▪ Assessed the disclosure made on this matter in the unconsolidated financial statements to determine whether it complied with the accounting and reporting standards as applicable in Pakistan.

S.No.	Key Audit Matters	How the matter was addressed in our audit
4	Change in format of the financial statements (Refer note 5.1.3 to the unconsolidated financial statements)	
	<p>The State Bank of Pakistan (SBP) has amended the format of annual financial statements of banks. All banks are directed to prepare their annual financial statements on the revised format effective from the accounting year ending December 31, 2018. Accordingly, the Bank has prepared these unconsolidated financial statements on the new format prescribed by the SBP.</p> <p>As part of this transition to the new requirements, the management performed a gap analysis to identify differences between the previous and current format. The adoption of new format required certain recognition requirements, reclassification of comparative information and also introduced additional disclosure requirements.</p> <p>In view of the significant impact of the first time adoption of the revised format on these unconsolidated financial statements, we considered this as a key audit matter.</p>	<p>Our audit procedures to ensure compliance with the requirements of the SBP's amended format of annual financial statements for banks, amongst others, included the following:</p> <ul style="list-style-type: none"> considered the management's process to identify the changes required in the unconsolidated financial statements to comply with the new format; and obtained relevant underlying supports relating to changes required in the unconsolidated financial statements consequent to the adoption of the new format to assess their appropriateness and verified them on a test basis.

Information Other than the Unconsolidated and Consolidated Financial Statements and Auditors' Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the unconsolidated and consolidated financial statements and our auditors' reports thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of directors is responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee

that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
- b) the unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated cash flow statement together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

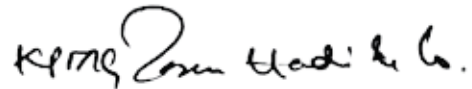
- c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

We confirm that for the purpose of our audit we have covered more than sixty per cent of the total loans and advances of the Bank.

The engagement partners on the audit resulting in this independent auditors' report are Salman Hussain (A. F. Ferguson & Co.) and Ameen Malik (KPMG Taseer Hadi & Co.).



A. F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: February 28, 2019






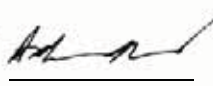
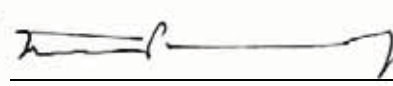
KPMG Taseer Hadi & Co.
Chartered Accountants
Karachi
Dated: February 28, 2019

Unconsolidated Statement of Financial Position

As at December 31, 2018

	Note	2018	2017 Restated	2016 Restated
		(Rupees in '000)		
ASSETS				
Cash and balances with treasury banks	6	183,467,358	157,582,687	131,506,861
Balances with other banks	7	23,345,698	19,516,198	14,920,994
Lendings to financial institutions	8	33,941,546	10,867,531	25,710,707
Investments	9	786,375,326	1,091,786,626	806,531,246
Advances	10	715,936,731	627,358,836	518,568,504
Fixed assets	11	45,799,099	45,208,373	34,556,202
Intangible assets	12	1,757,033	996,191	1,025,556
Deferred tax assets	13	7,807,084	-	-
Other assets	14	91,169,271	79,617,492	67,812,320
		1,889,599,146	2,032,933,934	1,600,632,390
LIABILITIES				
Bills payable	16	27,249,136	29,847,743	24,519,507
Borrowings	17	268,124,033	512,650,465	201,549,619
Deposits and other accounts	18	1,366,060,048	1,272,787,824	1,167,123,963
Liabilities against assets subject to finance lease		-	-	-
Subordinated debts	19	9,000,000	-	-
Deferred tax liabilities	13	-	2,611,941	4,691,544
Other liabilities	20	67,895,981	55,728,914	50,960,896
		1,738,329,198	1,873,626,887	1,448,845,529
NET ASSETS		151,269,948	159,307,047	151,786,861
REPRESENTED BY:				
Share capital	21	12,241,798	12,241,798	12,241,798
Reserves		54,439,238	43,846,877	40,454,505
Surplus on revaluation of assets	22	16,587,066	32,305,966	34,844,288
Unappropriated profit		68,001,846	70,912,406	64,246,270
		151,269,948	159,307,047	151,786,861
CONTINGENCIES AND COMMITMENTS				
	23			

The annexed notes 1 to 51 and annexures I, II and III form an integral part of these unconsolidated 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 Profit and Loss Account

For the year ended December 31, 2018

	Note	2018	2017 Restated
		----- (Rupees in '000) -----	
Mark-up / return / interest earned	25	113,198,299	107,205,820
Mark-up / return / interest expensed	26	56,964,028	50,781,440
Net mark-up / interest income		<u>56,234,271</u>	<u>56,424,380</u>
Non mark-up / interest income			
Fee and commission income	27	13,930,970	12,617,676
Dividend income		2,086,932	2,360,881
Foreign exchange income		3,465,387	1,878,141
(Loss) / income from derivatives		(87,716)	32,793
Gain on securities - net	28	4,621,949	4,400,852
Other income	29	1,054,287	871,799
Total non mark-up / interest income		<u>25,071,809</u>	<u>22,162,142</u>
Total income		<u>81,306,080</u>	<u>78,586,522</u>
Non mark-up / interest expenses			
Operating expenses	30	38,826,761	35,349,864
Workers' Welfare Fund	31	(2,173,437)	808,704
Other charges	32	114,798	59,688
Total non mark-up / interest expenses		<u>36,768,122</u>	<u>36,218,256</u>
Profit before provisions		<u>44,537,958</u>	<u>42,368,266</u>
Provisions and write-offs- net	33	12,914,078	2,449,810
Extra ordinary / unusual item - charge in respect of pension liability	34	6,657,216	-
Profit before taxation		<u>24,966,664</u>	<u>39,918,456</u>
Taxation	35	9,740,569	14,738,809
Profit after taxation		<u>15,226,095</u>	<u>25,179,647</u>
		----- (Rupees) -----	
Earnings per share - basic and diluted	36	<u>12.44</u>	<u>20.57</u>

The annexed notes 1 to 51 and annexures I, II and III form an integral part of these unconsolidated 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 Statement of Comprehensive Income

For the year ended December 31, 2018

	2018 ----- (Rupees in '000) -----	2017 Restated -----
Profit after taxation for the year	15,226,095	25,179,647
Other comprehensive income		
<i>Items that may be reclassified to profit and loss account in subsequent periods</i>		
Effect of translation of net investment in foreign branches	9,069,751	850,249
Movement in deficit on revaluation of investments - net of tax	(15,299,497)	(8,912,176)
	(6,229,746)	(8,061,927)
<i>Items that will not be reclassified to profit and loss account in subsequent periods</i>		
Remeasurement loss on defined benefit obligations - net of tax	(389,657)	(107,618)
Movement in surplus on revaluation of fixed assets - net of tax	(356,275)	6,422,302
Movement in surplus on revaluation of non-banking assets - net of tax	(6,672)	2,118
	(752,604)	6,316,802
Total comprehensive income for the year	<u>8,243,745</u>	<u>23,434,522</u>

The annexed notes 1 to 51 and annexures I, II and III form an integral part of these unconsolidated 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 Statement of Changes in Equity

For the year ended December 31, 2018

	Share capital	Capital reserve - exchange translation	Statutory reserve	Surplus / (Deficit) on revaluation			Unappropriated profit	Total
				Investments	Fixed assets	Non-banking assets		
(Rupees in '000)								
Balance as at December 31, 2016 - as previously reported	12,241,798	13,256,890	27,197,615	-	-	-	64,246,270	116,942,573
Reclassification of surplus to equity (note 22)	-	-	-	15,140,960	19,592,918	110,410	-	34,844,288
Balance as at December 31, 2016 - as restated	12,241,798	13,256,890	27,197,615	15,140,960	19,592,918	110,410	64,246,270	151,786,861
Total comprehensive income for the year ended December 31, 2017 - as restated								
Profit after taxation for the year ended December 31, 2017 - as restated	-	-	-	-	-	-	25,179,647	25,179,647
Other comprehensive income - net of tax - as restated	-	850,249	-	(8,912,176)	6,422,302	2,118	(107,618)	(1,745,125)
Total comprehensive income for the year ended December 31, 2017 - as restated	-	850,249	-	(8,912,176)	6,422,302	2,118	25,072,029	23,434,522
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	(50,566)	-	50,566	-
Transfer to statutory reserve	-	-	2,542,123	-	-	-	(2,542,123)	-
Transactions with owners for the year ended December 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)
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)
	-	-	-	-	-	-	(15,914,336)	(15,914,336)
Balance as at December 31, 2017 - Restated	12,241,798	14,107,139	29,739,738	6,228,784	25,964,654	112,528	70,912,406	159,307,047
Change in accounting policy as at January 1, 2018 - note 5.1.2	-	-	-	-	-	-	(1,590,688)	(1,590,688)
Balance as at January 1, 2018 - Restated	12,241,798	14,107,139	29,739,738	6,228,784	25,964,654	112,528	69,321,718	157,716,359
Total comprehensive income for the year ended December 31, 2018								
Profit after taxation for the year ended December 31, 2018	-	-	-	-	-	-	15,226,095	15,226,095
Other comprehensive income - net of tax	-	9,069,751	-	(15,299,497)	(356,275)	(6,672)	(389,657)	(6,982,350)
Total comprehensive income for the year ended December 31, 2018	-	9,069,751	-	(15,299,497)	(356,275)	(6,672)	14,836,438	8,243,745
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	(56,456)	-	56,456	-
Transfer to statutory reserve	-	-	1,522,610	-	-	-	(1,522,610)	-
Transactions with owners for the year ended December 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)
Interim cash dividend - March 31, 2018 declared at Rs.3.0 per share	-	-	-	-	-	-	(3,672,539)	(3,672,539)
Interim cash dividend - June 30, 2018 declared at Rs.3.0 per share	-	-	-	-	-	-	(3,672,539)	(3,672,539)
Interim cash dividend - September 30, 2018 declared at Rs.2.0 per share	-	-	-	-	-	-	(2,448,359)	(2,448,359)
	-	-	-	-	-	-	(14,690,156)	(14,690,156)
Balance as at December 31, 2018	12,241,798	23,176,890	31,262,348	(9,070,713)	25,551,923	105,856	68,001,846	151,269,948

The annexed notes 1 to 51 and annexures I, II and III form an integral part of these unconsolidated 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 Cash Flow Statement

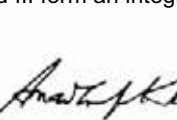
For the year ended December 31, 2018

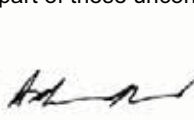
Note	2018	2017 Restated
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	24,966,664	39,918,456
Less: Dividend income	2,086,932	2,360,881
	22,879,732	37,557,575
Adjustments:		
Depreciation on fixed assets	2,361,430	2,034,205
Depreciation on Islamic financing against leased assets (Ijarah)	186,623	197,824
Amortization	486,876	373,007
Workers' Welfare Fund	(2,173,437)	808,704
Provision for retirement benefits	7,265,202	672,894
Provision for compensated absences	141,698	24,687
Provision against loans and advances - net	10,795,175	1,173,304
Reversal of provision against lendings to financial institutions - net	(57,600)	(8,260)
Provision for diminution in value of investments - net	1,555,551	1,339,258
Reversal of provision in respect of investments disposed off during the year	(60,438)	(49,101)
Provision / (reversal of provision) against off balance sheet items	463,300	(599,097)
Gain on sale of operating fixed assets - net	(43,565)	(57,935)
Gain on sale of ijarah assets - net	(1,754)	(96)
Bad debts written-off directly	76,056	92,992
Unrealized gain on revaluation of investments classified as held for trading	(8,524)	(2,292)
Other provisions / write-offs- net	6,523	303,659
	20,993,116	6,303,753
	43,872,848	43,861,328
(Increase) / decrease in operating assets		
Lendings to financial institutions	(23,016,415)	14,851,436
Held for trading securities	3,512,807	(96,810,953)
Advances	(98,353,633)	(110,326,616)
Other assets (excluding advance taxation)	(5,224,737)	(1,804,722)
	(123,081,978)	(194,090,855)
(Decrease) / increase in operating liabilities		
Bills payable	(2,598,607)	1,631,894
Borrowings	(244,526,432)	311,100,846
Deposits and other accounts	93,272,224	109,360,203
Other liabilities (excluding current taxation)	12,483,874	2,512,487
	(141,368,941)	424,605,430
	(220,578,071)	274,375,903
Payments on account of staff retirement benefits	(6,444,103)	(1,122,778)
Income taxes paid	(17,619,538)	(19,794,270)
Net cash flows (used in) / from operating activities	(244,641,712)	253,458,855
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	249,422,991	(199,987,800)
Net investments in held to maturity securities	23,612,252	(7,507,546)
Net investments in subsidiaries and associates	290,067	3,475,252
Dividend income received	2,114,435	2,395,626
Investment in fixed assets and intangible assets	(4,550,495)	(6,686,963)
Sale proceeds from disposal of fixed assets	128,490	81,029
Sale proceeds from disposal of ijarah assets	67,966	72,260
Effect of translation of net investment in foreign branches	9,069,751	850,249
Net cash flows from / (used in) investing activities	280,155,457	(207,307,893)
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts of subordinated debts	9,000,000	-
Dividends paid	(14,799,574)	(15,479,932)
Net cash flows used in financing activities	(5,799,574)	(15,479,932)
Increase in cash and cash equivalents	29,714,171	30,671,030
Cash and cash equivalents at the beginning of the year	177,098,885	146,427,855
Cash and cash equivalents at the end of the year	206,813,056	177,098,885

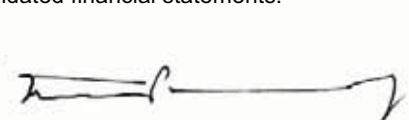
The annexed notes 1 to 51 and annexures I, II and III form an integral part of these unconsolidated financial statements.


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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 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 1,364 (December 31, 2017: 1,361) branches inside Pakistan including 94 (December 31, 2017: 93) Islamic Banking branches and 2 (December 31, 2017: 2) branches in Export Processing Zones. The Bank also operates 15 (December 31, 2017: 18) branches outside Pakistan. The Bank is a subsidiary of Bestway (Holdings) Limited and Bestway (Holdings) 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 (PSX). 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

2.1 These unconsolidated financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BSD Circular No. 02, dated 25 January 2018.

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

2.3 Key financial figures of the Islamic Banking branches are disclosed in annexure II to these unconsolidated financial statements.

3. STATEMENT OF COMPLIANCE

3.1 These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are 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 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever 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 shall prevail.

3.2 The SBP, vide BSD Circular letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Moreover, SBP vide BPRD circular no. 4, dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standards (IFAS) 3, Profit and Loss Sharing on Deposits. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, 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 financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

3.3 The SECP vide its notification SRO 633 (I)/2014 dated 10 July 2014, adopted IFRS 10 effective from the periods starting from June 30, 2014. However, vide its notification SRO 56 (I)/2016 dated January 28, 2016, it has been notified that the requirements of IFRS 10 and section 228 of the Companies Act, 2017 will not be applicable with respect to the investment in mutual funds established under trust structure.

3.4 These unconsolidated financial statements represent the separate financial statements of the Bank. The consolidated financial statements of the Bank and its subsidiaries are presented separately.

3.5 Standards, interpretations and amendments to accounting and reporting standards that are not yet effective

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

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
- IFRS 15 - Revenue from contracts with customers	July 1, 2018
- IFRS 11 - Joint Venture - (Amendments)	January 1, 2019
- IFRS 16 - Leases	January 1, 2019
- IAS 19 - Employee Benefits - (Amendments)	January 1, 2019
- IAS 28 - Investments in Associates and Joint Ventures - (Amendments)	January 1, 2019
- IFRIC 23 - Uncertainty over Income Tax Treatments	January 1, 2019
- IFRS 3 - Business Combinations - (Amendments)	January 1, 2020
	Effective date (periods ending on or after)
- IFRS 9 - Financial Instruments: Classification and Measurement	June 30, 2019

IFRS 16 replaces existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC-15 'Operating Leases - Incentive' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

On adoption of IFRS 16, the Bank shall recognize a 'right of use asset' with a corresponding liability for lease payments. The Bank is in the process of assessing the full impact of this standard.

IFRS 9: 'Financial Instruments' addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'Expected Credit Losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL has impact on all assets of the Bank which are exposed to credit risk. As detailed in note 5.1.2, the Bank has already adopted IFRS 9 in respect of certain overseas branches.

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

The Bank expects that adoption of the remaining interpretations and amendments will not affect its financial statements in the period of initial application.

3.6 Standards, interpretations and amendments to accounting and reporting standards that are effective in the current year

The State Bank of Pakistan (SBP) through its BPRD Circular No. 02 of 2018 dated January 25, 2018 has amended the format of annual financial statements of banks. All banks are directed to prepare their annual financial statements on the revised format effective from the accounting year ending December 31, 2018. Accordingly, the Bank has prepared these financial statements on the new format prescribed by the State Bank of Pakistan. The adoption of new format required certain recognition requirements, reclassification of comparative information and also introduced additional disclosure requirements. Accordingly a third statement of financial position has been presented at the beginning of the preceding period (i.e. December 31, 2016) in accordance with the requirement of International Accounting Standard 1 – Presentation of Financial Statements.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

During the current year, IFRS 9, Financial Instruments: Classification and Measurement, became applicable for certain overseas branches of the Bank. The impact of the adoption of IFRS 9 on the Bank's financial statements is disclosed in note 5.1.2.

In addition, there are certain other new standards and interpretations of and amendments to existing accounting standards that have become applicable to the Bank for accounting periods beginning on or after January 1, 2018. These are considered either to not be relevant or to not have any significant impact on the Bank's financial statements.

4. BASIS OF MEASUREMENT

4.1 Accounting convention

These unconsolidated financial statements have been prepared under the historical cost convention except that certain 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.

4.2 Critical accounting estimates and judgments

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

Significant accounting estimates and areas where judgments were made by management in the application of accounting policies are as follows:

- i) classification of investments (notes 5.4 and 9)
- ii) provision against investments (notes 5.4 and 9.3), lendings to financial institutions (note 8.6) and advances (notes 5.5 and 10.4)
- iii) income taxes (notes 5.9 and 35)
- iv) staff retirement benefits (notes 5.11 and 40)
- v) fair value of derivatives (note 5.16.2)
- vi) fixed assets and intangible assets - revaluation, depreciation and amortization (notes 5.6, 11 and 12)
- vii) impairment (note 5.8)
- viii) valuation of non-banking assets acquired in satisfaction of claims (note 5.7)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unconsolidated financial statements are consistent with those of the previous financial year, except for changes explained in note 5.1:

5.1 Change in accounting policies

- 5.1.1** 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.

Consequent to the enactment of the Companies Act, 2017 the Bank has changed its policy for accounting for a deficit arising on revaluation of fixed assets. The Bank's previous accounting policy, 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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

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

	As at December 31, 2017		
	Previously stated	Change	Restated
	(Rupees in '000)		
Impact on Statement of Financial Position			
Unappropriated profit	71,153,991	(241,585)	70,912,406
Surplus on revaluation of fixed assets / non-banking assets	25,835,597	241,585	26,077,182
Impact on Profit and Loss Account			
Provisions and write-offs - net	2,208,225	241,585	2,449,810
Profit after taxation	25,421,232	(241,585)	25,179,647
Earnings per share - basic and diluted (in rupees)	20.77	(0.20)	20.57
Impact on Statement of Comprehensive Income	17,251,687	(241,585)	17,010,102
Impact on Cash Flow Statement			
Profit before taxation	40,160,041	(241,585)	39,918,456
Other provisions / write-offs- net	45,888	241,585	287,473

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.

- 5.1.2** 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 is 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. 2,447 million (net of deferred tax amounting to Rs. 1,590 million) 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 summarized as follows:

	As at January 1, 2018		
	Provision required under IFRS-9	Already recorded	Incremental impact
	(Rupees in '000)		
Impact on Statement of Financial Position			
Balances with other banks	92,056	-	92,056
Investments	871,640	-	871,640
Advances	4,087,578	2,815,306	1,272,272
Other liabilities (provision against off balance sheet obligations)	211,244	-	211,244
	5,262,518	2,815,306	2,447,212
Less: related deferred tax	(1,841,881)	(985,357)	(856,524)
	3,420,637	1,829,949	1,590,688

- 5.1.3** The State Bank of Pakistan (SBP) through its BPRD Circular No. 02 of 2018 dated January 25, 2018 has amended the format of annual financial statements of banks. All banks are directed to prepare their annual financial statements on the revised format effective from the accounting year ending December 31, 2018. Accordingly, the Bank has prepared these financial statements on the new format prescribed by the State Bank of Pakistan. The adoption of new format required certain recognition requirements, reclassification of comparative information and also introduced additional disclosure requirements. Accordingly, a third statement of financial position has been presented at the beginning of the preceding period (i.e. December 31, 2016) in accordance with the requirement of International Accounting Standard 1 – Presentation of Financial Statements. The adoption of revised format has resulted in following significant changes:

- Acceptances amounting to Rs 28,157.111 million (2017: Rs 25,670.558 million, 2016: Rs 23,081.367 million) which were previously shown as part of contingencies and commitments are now recognized on balance sheet both as assets and liabilities. They are included in Other Assets (note 14) and Other Liabilities (note 20);

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

- Surplus on revaluation of fixed assets, non-banking assets and investments which was previously shown below equity have now been included as part of equity (note 22). These surplus aggregate to Rs 16,587.066 million as at December 31, 2018 (2017: Rs 32,305.966 million, 2016: Rs 34,844.288 million); and
- Intangibles (note 12) amounting to Rs 1,757.033 million (2017: Rs 996.191 million, 2016: Rs 1,025.556 million) were previously shown as part of fixed assets (note 11) are now shown separately on the unconsolidated statement of financial position.
- Provision against advances, investments, bad debts written off directly and reversal of provision against lendings to financial institution amounting to Rs 1,173.304 million, Rs 1,339.258 million, Rs 92.992 million and Rs 8.260 million respectively which were previously shown separately in the unconsolidated profit and loss account have now been shown as part of other provisions / write-offs in note 33.

5.2 Cash and cash equivalents

Cash and cash equivalents for the purpose of the cash flow statement consist of cash and balances with treasury banks and balances with other banks.

5.3 Lendings to / borrowings from financial institutions

The Bank enters into transactions of reverse repos, repos and other short term money market lendings to financial institution at contracted rates for a specified period of time. Further, other long term lendings to Financial institution are classified in advances. These are recorded as under:

5.3.1 Purchase under resale agreements

Securities purchased under agreement to resell (reverse repo) are included in lendings to financial institutions. The differential between the purchase price and the resale price is amortized over the period of the agreement and recorded as income.

Securities held as collateral are not recognized in the unconsolidated financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability under borrowings from financial institutions.

5.3.2 Sale under repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in the unconsolidated financial statements as investments and the counterparty liability is included in borrowings from financial institutions. The differential between the sale price and the repurchase price is amortized over the period of the agreement and recorded as an expense.

5.3.3 Bai Muajjal

The securities sold under Bai Muajjal agreement are derecognized on the date of disposal. Receivable against such sale is recognized at the agreed sale price. The difference between the sale price and the carrying value on the date of disposal is taken to income on straight line basis.

5.4 Investments

Investments of the Bank, other than investments in subsidiaries and associates, are classified as held for trading, held to maturity and available for sale.

Held for trading

These are securities which are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements and dealer's margin, or are securities included in a portfolio in which a pattern of short term profit taking exists.

Held to maturity

These are securities with fixed or determinable payments and fixed maturities, in respect of which the Bank has the positive intent and ability to hold to maturity.

Available for sale

These are investments, other than those in subsidiaries and associates, that do not fall under the held for trading or held to maturity categories.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

Initial measurement

All “regular way” purchases and sales of investments are recognized on the trade date, i.e., the date that the Bank commits to purchase or sell the investment. Regular way purchases or sales are purchases or sales of investments that require delivery of investments within the time frame generally established by regulation or convention in the market place.

Investments are initially recognized at fair value which, in the case of investments other than held for trading, includes transaction costs associated with the investments. Transaction costs on investments held for trading are expensed as incurred.

Subsequent measurement

Held for trading

These are measured at subsequent reporting dates at fair value. Gains and losses on re-measurement are included in the profit and loss account.

Held to maturity

These are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.

Available for sale

Quoted securities classified as available for sale investments are measured at subsequent reporting dates at fair value. Any surplus or deficit arising thereon is kept in a separate account shown in the statement of financial position as part of the equity and is taken to the profit and loss account when realized upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. The break-up value of these securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. A decline in the carrying value is charged to the profit and loss account. A subsequent increase in the carrying value, upto the cost of the investment, is credited to the profit and loss account. Investments in other unquoted securities are valued at cost less impairment, if any.

Provisions for diminution in the value of term finance certificates and Sukuks are made as per the ageing criteria prescribed by the Prudential Regulations issued by the SBP. Provisions for diminution in the value of other securities are made for impairment, if any.

Investments in Subsidiaries and Associates

Investments in subsidiaries and associates are valued at cost less impairment, if any. A reversal of an impairment loss on subsidiaries and associates is recognized in the profit and loss account as it arises provided the increased carrying value does not exceed cost.

Gains and losses on disposal of investments in subsidiaries and associates are included in the profit and loss account.

5.5 Advances

Advances are stated net of specific and general provisions which are charged to the profit and loss account. Specific provisions against domestic advances and general provision against domestic consumer loans portfolio are determined on the basis of the Prudential Regulations and other directives issued by the SBP. General and specific provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries. If circumstances warrant, the Bank, from time to time, makes general provisions against weaknesses in its portfolio on the basis of management's estimation.

Advances are written off when there is no realistic prospect of recovery. The amount so written-off is a book entry and does not necessarily prejudice the Bank's right of recovery against the customer.

The Bank determines write-offs in accordance with the criteria prescribed by the SBP vide BPRD Circular No. 06 dated June 05, 2007.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

5.5.1 Finance Lease receivables

Leases, where the Bank transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance lease. A receivable is recognized at an amount equal to the present value of the minimum lease payments including guaranteed residual value, if any. Finance lease receivables are included in advances.

5.5.2 Islamic financings and related assets

Receivables under Murabaha financing represent cost price plus an agreed mark-up on deferred sale arrangement. Mark-up income is recognized on a straight line basis over the period of the instalments.

Ijarah financing represents arrangements whereby the Bank (being the owner of assets) transfers its usufruct to its customers for an agreed period at an agreed consideration. Assets leased out under Ijarah are stated at cost less accumulated depreciation and accumulated impairment losses, if any. These are depreciated over the term of the lease. Ijarah income is recognized on an accrual basis.

Diminishing Musharaka is partnership agreement between the Bank and its customer for financing vehicle or plant and machinery. The receivable is recorded to the extent of Bank's share in the purchase of asset. Income is recognized on accrual basis.

5.6 Fixed assets and depreciation

5.6.1 Tangible

Property and equipment, other than land (which is not depreciated) and capital work-in-progress, are stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses, if any. Land is carried at revalued amount less impairment losses while capital work-in-progress is stated at cost less impairment losses. The cost and the accumulated depreciation of property and equipment of foreign branches include exchange differences arising on currency translation at the year-end rates of exchange.

Depreciation is calculated so as to write off the depreciable amount of the assets over their expected useful lives at the rates specified in note 11.2 to these unconsolidated financial statements. The depreciation charge for the year is calculated on a straight line basis after taking into account the residual value, if any. The residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date.

Depreciation on additions is charged from the month the asset is available for use. No depreciation is charged in the month of disposal.

Land and buildings are revalued by independent, professionally qualified valuers with sufficient regularity to ensure that their net carrying amount does not differ materially from their fair value. An increase arising on revaluation is credited to the surplus on revaluation of fixed assets account. A decrease arising on revaluation of fixed assets is adjusted against the surplus of that asset or, if no surplus exists, is charged to the profit and loss account as an impairment of the asset. A surplus arising subsequently on an impaired asset is reversed through the profit and loss account up to the extent of the original impairment.

Surplus on revaluation of fixed assets (net of associated deferred tax) to the extent of the incremental depreciation charged on the related assets is transferred to unappropriated profit.

Gains and losses on sale of fixed assets are included in the profit and loss account, except that the related surplus on revaluation of fixed assets (net of deferred tax) is transferred directly to unappropriated profit.

Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Normal repairs and maintenance are charged to the profit and loss account as and when incurred.

5.6.2 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. The cost and the accumulated amortization of intangible assets of foreign branches include exchange differences arising on currency translation at the year-end rates of exchange. Amortization is calculated so as to write off the amortizable amount of the assets over their expected useful lives at the rates specified in note 12.1 to these unconsolidated financial statements. The amortization charge for the year is calculated on a straight line basis after taking into account the residual value, if any. The residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date. Amortization on additions is charged from the month the asset is available for use. No amortization is charged in the month of disposal.

Gains and losses on sale of intangible assets are included in the profit and loss account.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

5.7 Non-banking assets acquired in satisfaction of claims

Non-banking assets acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'surplus on revaluation of non-banking assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property are charged to the profit and loss account and not capitalised.

5.8 Impairment

Impairment of available for sale equity investments

Available for sale equity investments are impaired when there has been a significant or prolonged decline in their fair value below their cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates, among other factors, the normal volatility in share price.

Impairment of investments in subsidiaries and associates

The Bank considers that a decline in the recoverable value of the investment in a subsidiary or an associate below its cost may be evidence of impairment. Recoverable value is calculated as the higher of fair value less costs to sell and value in use. An impairment loss is recognized when the recoverable value falls below the carrying value and is charged to the profit and loss account. A subsequent reversal of an impairment loss, upto the cost of the investment in the subsidiary or the associate, is credited to the profit and loss account.

Impairment in non-financial assets (excluding deferred tax)

The carrying amounts of non-financial assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is charged to the profit and loss account except for an impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the revaluation surplus.

5.9 Taxation

5.9.1 Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws and at the prevailing rates for taxation on income earned by the Bank. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

5.9.2 Deferred

Deferred tax is recognized using the balance sheet method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is calculated at the rates that are expected to apply to the period when the differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

The Bank also recognizes deferred tax asset / liability on the deficit / surplus on revaluation of fixed assets / non-banking assets acquired in satisfaction of claims and securities which is adjusted against the related deficit / surplus in accordance with the requirements of IAS 12, Income Taxes.

5.10 Provisions

Provisions are recognized when the Bank has a legal or constructive obligation as a result of past events which makes it probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Provision against identified non-funded losses is recognized when intimated and reasonable certainty exists that the Bank will be required to settle the obligation. The provision is charged to the profit and loss account net of expected recovery and the obligation is classified under other liabilities.

Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimate.

5.11 Staff retirement and other benefits

5.11.1 Staff retirement benefit schemes

The Bank operates the following staff retirement schemes for its employees:

- a) For new employees and for those who opted for the below mentioned conversion option introduced in 2001, the Bank operates:
 - an approved contributory provident fund (defined contribution scheme); and
 - an approved gratuity scheme (defined benefit scheme).
- b) For employees who have not opted for the conversion option introduced in 2001, the Bank operates:
 - an approved non-contributory provident fund in lieu of the contributory provident fund; and
 - an approved funded pension scheme, introduced in 1975 (defined benefit scheme).

In 2001, the Bank modified the pension scheme and introduced a conversion option for employees covered under option (b) above to move to option (a). This conversion option ceased on December 31, 2003.

The Bank also operates benevolent fund for all its eligible employees (defined benefit scheme).

Annual contributions towards defined benefit schemes are made on the basis of actuarial advice using the Projected Unit Credit Method.

For the defined contribution scheme, the Bank pays contributions to the fund on a periodic basis. The Bank has no further payment obligation once the contributions have been paid. The contributions are recognized as an expense when the obligation to make payments to the fund has been established. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

5.11.2 Other benefits

a) Employees' compensated absences

The Bank makes provisions for compensated vested and non-vested absences accumulated by its eligible employees on the basis of actuarial advice under the Projected Unit Credit Method.

b) Post-retirement medical benefits (defined benefit scheme)

The Bank provides post-retirement medical benefits to eligible retired employees. Provision is made on the basis of actuarial advice under the Projected Unit Credit Method.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

5.11.3 Remeasurement of defined benefit obligations

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income when they occur with no subsequent recycling through the profit and loss account.

Remeasurement gains and losses pertaining to long term compensated absences are recognized in the profit and loss account immediately.

5.12 Subordinated debts

Subordinated debts are initially recorded at the amount of proceeds received. Mark-up accrued on subordinated debts is recognized separately as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

5.13 Borrowings / deposits

- a) Borrowings / deposits are recorded at the amount of proceeds received.
- b) The cost of borrowings / deposits is recognized on an accrual basis as an expense in the period in which it is incurred.

5.14 Revenue recognition

Revenue is recognized to the extent that the economic benefits associated with a transaction will flow to the Bank and the revenue can be reliably measured. The following recognition criteria must be met before revenue is recognized.

5.14.1 Advances and investments

Mark-up / return / interest on performing advances and investments is recognized on a time proportionate basis over the term of the advances and investments that takes into account the effective yield of the asset. Where debt securities are purchased at a premium or discount, such premium / discount is amortized through the profit and loss account over the remaining period of maturity of the debt securities.

Interest or mark-up recoverable on non-performing or classified advances and investments is recognized on a receipt basis.

Lease financing

Income from lease financing is accounted for using the financing method. Under this method, the unearned lease income (defined as the sum of total lease rentals and estimated residual value less the cost of the leased assets) is deferred and taken to income over the term of the lease so as to produce a constant periodic rate of return on the outstanding net investment in the lease. Gains or losses on termination of lease contracts are recognized through the profit and loss account when these are realised. Unrealised lease income and other fees on classified leases are recognized on a receipt basis.

5.14.2 Dividend income

Dividend income is recognized when the right to receive the dividend is established.

5.14.3 Fee, brokerage and commission income

Fee, brokerage and commission income is recognized on an accrual basis.

5.14.4 Grants

Grants received are recorded as income when the right to receive the grant, based on the related expenditure having been incurred, has been established.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

5.15 Foreign currencies

5.15.1 Functional and presentation currency

Items included in these unconsolidated financial statements are measured using the currency of the primary economic environment in which the Bank operates. These unconsolidated financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

5.15.2 Foreign currency transactions

Transactions in foreign currencies are translated to rupees at the foreign exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the statement of financial position date. Forward foreign exchange contracts and foreign bills purchased are valued in rupees at the forward foreign exchange rates applicable to their respective maturities.

Non-monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the date of initial recognition of the non-monetary assets / liabilities.

5.15.3 Foreign operations

The assets and liabilities of foreign operations are translated to rupees at exchange rates prevailing at the statement of financial position date. The results of foreign operations are translated at the average rates of exchange for the year.

5.15.4 Translation gains and losses

Translation gains and losses are taken to the profit and loss account, except those arising on translation of the net investment in foreign branches which are taken to capital reserves (Exchange Translation Reserve) until the disposal of the net investment, at which time these are recognized in the profit and loss account.

5.15.5 Contingencies and commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in these unconsolidated financial statements at contracted rates. Contingent liabilities / commitments denominated in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the statement of financial position date.

Provision for claims under guarantees

A provision for claims under guarantees is recognized when intimated and reasonable certainty exists that the Bank will settle the obligation. The charge to the profit and loss account is stated net of expected recoveries and the obligation is recognized in other liabilities.

5.16 Financial instruments

5.16.1 Financial assets and liabilities

Financial assets and liabilities carried on the statement of financial position include cash and bank balances, lendings to financial institutions, investments, advances, certain receivables, bills payable, borrowings from financial institutions, deposits, subordinated loans and certain payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy notes associated with them.

5.16.2 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when their fair value is positive and liabilities when their fair value is negative. Any change in the fair value of derivative financial instruments during the period is taken to the profit and loss account.

5.16.3 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the unconsolidated financial statements when there is a legally enforceable right to set off and the Bank intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

5.17 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing particular products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), and is subject to risks and rewards that are different from those of other segments.

5.17.1 Business segments

(a) Corporate / Commercial Banking

Includes project, trade and working capital finance, import and export, factoring, leasing, lending, deposits and guarantees. It also include services provided in connection with mergers and acquisitions and the underwriting / arrangement of debt and equity instruments through syndications, Initial Public Offerings and private placements.

(b) Treasury

Includes fixed income, equity, foreign exchange, credit, funding, own position securities, lending and borrowings and derivatives for hedging and market making.

(c) Branch Banking

Includes deposits, lending and banking services to private individuals and small businesses including credit cards and branchless banking.

(d) Islamic Banking

Represents branch operations of Islamic banking window of the Bank.

(e) International Branch Operations

Represents Bank's operations in 5 countries including two branches in export processing zones in Karachi and Sialkot.

(f) Others

Others includes functions which cannot be classified in any of the above segments.

5.17.2 Geographical segments

The Bank operates in following geographical regions:

- Pakistan
- Middle East
- United States of America
- Export Processing Zones in Karachi and Sialkot

5.18 Dividends and appropriations to reserves

Dividends and appropriations to reserves are recorded in the year in which these are approved, except appropriations required by law which are recorded in the period to which they pertain.

5.19 Earnings per share

The Bank presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year.

5.20 Acceptances

Acceptances comprise undertakings by the Bank to pay bill of exchange drawn on customers. Acceptances are recognized as financial liability in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

	Note	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		11,659,464	9,133,747
Foreign currency		4,042,891	4,617,292
		15,702,355	13,751,039
With State Bank of Pakistan in			
Local currency current accounts	6.1	46,699,046	47,566,242
Foreign currency current accounts	6.2	3,209,866	2,603,208
Foreign currency deposit account	6.3	8,304,054	7,374,423
		58,212,966	57,543,873
With other central banks in			
Foreign currency current accounts	6.4	30,452,713	30,652,807
Foreign currency deposit accounts	6.5	12,103,156	7,272,440
		42,555,869	37,925,247
With National Bank of Pakistan in local currency current accounts		66,936,342	48,257,470
Prize Bonds		59,826	105,058
		<u>183,467,358</u>	<u>157,582,687</u>

- 6.1** This represents current accounts maintained with the SBP under the Cash Reserve Requirement of section 22 of the Banking Companies Ordinance, 1962.
- 6.2** This represents a US Dollar settlement account maintained with the SBP and current accounts maintained with the SBP to comply with statutory requirements.
- 6.3** This represents account maintained with the SBP to comply with the Special Cash Reserve requirement. The return on this account is declared by the SBP on a monthly basis and as at December 31, 2018, it carries mark-up at the rate of 1.35% (2017: 0.37%) per annum.
- 6.4** Deposits with other central banks are maintained to meet the minimum cash reserves and capital requirements pertaining to the foreign branches of the Bank.
- 6.5** These represent placements with overseas central banks and carry mark-up at rates ranging from 2.24% to 2.50% (2017: 1.22% to 1.50%) per annum.

	Note	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
7. BALANCES WITH OTHER BANKS			
In Pakistan			
In deposit accounts	7.1	4,600,007	6,000,007
		4,600,007	6,000,007
Outside Pakistan			
In current accounts		5,866,022	7,280,182
In deposit accounts	7.2	12,879,669	6,236,009
		18,745,691	13,516,191
		<u>23,345,698</u>	<u>19,516,198</u>

- 7.1** These carry mark-up at rates ranging from 9.80% to 10.49% (2017: 5.60% to 5.7%) per annum.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

- 7.2 These carry mark-up at rates ranging from 0.13% to 5.86% (2017: 0.13% to 5.25%) per annum and include balances amounting to Rs. 277.724 million (2017: Rs.220.834 million), maintained with an overseas bank against the statutory reserves requirement of a foreign branch.

	Note	2018 ----- (Rupees in '000) -----	2017
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call / clean money lending	8.2	7,000,000	585,000
Repurchase agreement lendings (reverse repo)	8.3	23,500,000	6,931,953
Bai Muajjal receivable			
- with State Bank of Pakistan		-	3,109,215
- with other financial institutions	8.4	3,066,732	-
Other lendings to financial institutions	8.5	443,067	367,216
		<u>34,009,799</u>	<u>10,993,384</u>
Less: provision against lendings to financial institutions	8.6	(68,253)	(125,853)
Lendings to Financial Institutions - net of provision		<u>33,941,546</u>	<u>10,867,531</u>

8.1 Particulars of lendings to financial institutions - gross

In local currency	33,634,872	10,694,308
In foreign currencies	374,927	299,076
	<u>34,009,799</u>	<u>10,993,384</u>

- 8.2 These represents unsecured lendings carrying mark-up at the rate of 9.00% to 9.70% per annum (2017: 5.75% per annum) and is due to mature by January 2019.

8.3 Securities held as collateral against repurchase agreement lendings (reverse repo)

	2018			2017		
	Held by Bank	Further given as collateral / sold	Total	Held by Bank	Further given as collateral / sold	Total
	----- (Rupees in '000) -----					
Pakistan Investment Bonds	5,000,000	18,500,000	23,500,000	-	-	-
Market Treasury Bills	-	-	-	6,931,953	-	6,931,953
Total	<u>5,000,000</u>	<u>18,500,000</u>	<u>23,500,000</u>	<u>6,931,953</u>	<u>-</u>	<u>6,931,953</u>

- 8.3.1 The market value of securities held as collateral against repurchase agreement lendings amounted to Rs. 23,496.797 million (2017: Rs. 6,930.423 million).

- 8.4 These represents Bai Muajjal agreements entered into with various financial institutions whereby the Bank has sold sukuks having carrying value of Rs. 2,992.934 million (2017: Rs. Nil) on deferred payment basis. The average return on these transactions is 10.0% per annum (2017: Nil).

- 8.5 Lendings pertaining to overseas operations carry mark-up at rates 4.25% per annum (2017: 2.61% to 6.02% per annum) and are due to mature latest by January 2019.

8.6 Category of classification

	2018		2017	
	Classified Lendings	Provision held	Classified Lendings	Provision held
	----- (Rupees in '000) -----			
Domestic				
Loss	68,253	68,253	125,853	125,853

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

9. INVESTMENTS

9.1 Investments by type

Note	2018				2017			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
(Rupees in '000)								
Held for trading securities								
Market Treasury Bills	99,942,759	-	954	99,943,713	104,501,276	-	1,563	104,502,839
Pakistan Investment Bonds	1,621,854	-	7,570	1,629,424	582,376	-	729	583,105
	101,564,613	-	8,524	101,573,137	105,083,652	-	2,292	105,085,944
Available for sale securities								
Market Treasury Bills	139,865,800	-	(22,440)	139,843,360	302,518,979	-	(3,034)	302,515,945
Pakistan Investment Bonds	133,585,814	-	(14,268,873)	119,316,941	229,560,472	-	6,285,489	235,845,961
Government of Pakistan Eurobonds	17,736,778	(203,676)	(701,525)	16,831,577	14,591,647	-	538,229	15,129,876
Government of Pakistan Sukuk	15,145,060	(49,844)	(176,154)	14,919,062	19,102,273	-	56,993	19,159,266
Sukuks	105,000	-	-	105,000	-	-	-	-
Ordinary shares of listed companies	18,018,211	(3,047,963)	1,747,978	16,718,226	18,362,304	(1,824,076)	1,780,418	18,318,646
Preference shares	482,687	(446,023)	-	36,664	391,315	(354,688)	-	36,627
Ordinary shares of unlisted companies	753,562	(121,751)	-	631,811	258,507	(128,508)	-	129,999
Investment in REIT	458,590	-	41,273	499,863	458,590	-	-	458,590
Term Finance Certificates	941,297	(97,278)	(891)	843,128	441,406	(97,616)	4,479	348,269
Foreign bonds - sovereign	35,080,096	(378,288)	(459,301)	34,242,507	25,512,258	(2,107)	789,539	26,299,690
Foreign bonds - others	6,997,292	(46,622)	(110,867)	6,839,803	10,450,615	-	130,632	10,581,247
	369,170,187	(4,391,445)	(13,950,800)	350,827,942	621,648,366	(2,406,995)	9,582,745	628,824,116
Held to maturity securities								
Market Treasury Bills	2,885,435	-	-	2,885,435	6,601,781	-	-	6,601,781
Pakistan Investment Bonds	275,079,334	-	-	275,079,334	311,766,517	-	-	311,766,517
Government of Pakistan Eurobonds	8,251,048	(127,994)	-	8,123,054	5,574,671	-	-	5,574,671
Government of Pakistan Sukuk	719,499	(11,264)	-	708,235	-	-	-	-
Bai Muajjal with Government of Pakistan	8,300,566	-	-	8,300,566	-	-	-	-
Term Finance Certificates	6,023,053	(11,384)	-	6,011,669	6,626,766	(41,851)	-	6,584,915
Sukuks	11,921,801	(107,743)	-	11,814,058	10,512,247	(117,841)	-	10,394,406
Participation Term Certificates	437	(437)	-	-	437	(437)	-	-
Debentures	2,266	(2,266)	-	-	2,266	(2,266)	-	-
Foreign bonds - sovereign	14,460,187	(171,247)	-	14,288,940	9,784,641	-	-	9,784,641
Foreign bonds - others	1,497,873	(347,246)	-	1,150,627	1,279,617	(239,524)	-	1,040,093
Recovery note	428,008	(427,992)	-	16	340,333	(340,333)	-	-
CDC SAARC Fund	302	-	-	302	240	-	-	240
Commercial Paper	-	-	-	-	227,224	-	-	227,224
	329,569,809	(1,207,573)	-	328,362,236	352,716,740	(742,252)	-	351,974,488
Associates								
UBL Liquidity Plus Fund	-	-	-	-	10,079	-	-	10,079
UBL Money Market Fund	-	-	-	-	9,850	-	-	9,850
Al Ameen Islamic Asset Allocation Fund	-	-	-	-	216,000	-	-	216,000
Al Ameen Islamic Financial Planning Fund	-	-	-	-	301,751	-	-	301,751
UBL Insurers Limited	240,000	-	-	240,000	240,000	-	-	240,000
Khushhali Bank Limited	832,485	-	-	832,485	832,485	-	-	832,485
Oman United Exchange Company, Muscat	15,998	(51)	-	15,947	14,152	-	-	14,152
DHA Cogen Limited	-	-	-	-	-	-	-	-
	1,088,483	(51)	-	1,088,432	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	1,831,006	(882,587)	-	948,419	1,322,014	(619,413)	-	702,601
United Executors and Trustees Company Limited	30,100	-	-	30,100	30,100	-	-	30,100
	5,406,166	(882,587)	-	4,523,579	4,897,174	(619,413)	-	4,277,761
Total Investments	806,799,258	(6,481,656)	(13,942,276)	786,375,326	1,085,970,249	(3,768,660)	9,585,037	1,091,786,626

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

	2018				2017			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
(Rupees in '000)								
9.2 Investments by segment								
Federal Government Securities								
Market Treasury Bills	239,808,559	-	(21,486)	239,787,073	407,020,255	-	(1,471)	407,018,784
Pakistan Investment Bonds	410,287,002	-	(14,261,303)	396,025,699	541,909,365	-	6,286,218	548,195,583
Government of Pakistan Sukuk	15,864,559	(61,108)	(176,154)	15,627,297	19,102,273	-	56,993	19,159,266
Government of Pakistan Eurobonds	25,987,826	(331,670)	(701,525)	24,954,631	20,166,318	-	538,229	20,704,547
Bai Muajjal Government of Pakistan	8,300,566	-	-	8,300,566	-	-	-	-
	700,248,512	(392,778)	(15,160,468)	684,695,266	988,198,211	-	6,879,969	995,078,180
Ordinary shares								
Listed companies	18,018,211	(3,047,963)	1,747,978	16,718,226	18,362,304	(1,824,076)	1,780,418	18,318,646
Unlisted companies	753,562	(121,751)	-	631,811	258,507	(128,508)	-	129,999
	18,771,773	(3,169,714)	1,747,978	17,350,037	18,620,811	(1,952,584)	1,780,418	18,448,645
Preference shares	482,687	(446,023)	-	36,664	391,315	(354,688)	-	36,627
Investment in REIT	458,590	-	41,273	499,863	458,590	-	-	458,590
Non-Government Debt Securities								
Listed companies	3,493,655	(97,278)	(891)	3,395,486	3,494,089	(98,408)	4,479	3,400,160
Unlisted companies	15,500,199	(121,830)	-	15,378,369	14,316,257	(161,603)	-	14,154,654
	18,993,854	(219,108)	(891)	18,773,855	17,810,346	(260,011)	4,479	17,554,814
Foreign Securities								
Market Treasury Bills	2,885,435	-	-	2,885,435	6,601,781	-	-	6,601,781
Sovereign bonds	49,540,283	(549,535)	(459,301)	48,531,447	35,296,899	(2,107)	789,539	36,084,331
CDC SAARC Fund	302	-	-	302	240	-	-	240
Recovery note	428,008	(427,992)	-	16	340,333	(340,333)	-	-
Other Bonds	8,495,165	(393,868)	(110,867)	7,990,430	11,730,232	(239,524)	130,632	11,621,340
	61,349,193	(1,371,395)	(570,168)	59,407,630	53,969,485	(581,964)	920,171	54,307,692
Associates								
UBL Liquidity Plus Fund	-	-	-	-	10,079	-	-	10,079
UBL Money Market Fund	-	-	-	-	9,850	-	-	9,850
Al Ameen Islamic Asset Allocation Fund	-	-	-	-	216,000	-	-	216,000
Al Ameen Islamic Financial Planning Fund	-	-	-	-	301,751	-	-	301,751
UBL Insurers Limited	240,000	-	-	240,000	240,000	-	-	240,000
Khushhali Bank Limited	832,485	-	-	832,485	832,485	-	-	832,485
Oman United Exchange Company, Muscat	15,998	(51)	-	15,947	14,152	-	-	14,152
DHA Cogen Limited	-	-	-	-	-	-	-	-
	1,088,483	(51)	-	1,088,432	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	1,831,006	(882,587)	-	948,419	1,322,014	(619,413)	-	702,601
United Executors and Trustees Company Limited	30,100	-	-	30,100	30,100	-	-	30,100
	5,406,166	(882,587)	-	4,523,579	4,897,174	(619,413)	-	4,277,761
Total Investments	806,799,258	(6,481,656)	(13,942,276)	786,375,326	1,085,970,249	(3,768,660)	9,585,037	1,091,786,626

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

	Note	2018 ----- (Rupees in '000) -----	2017
9.2.1 Investments given as collateral - at market value			
Market Treasury Bills		104,483,301	239,588,138
Pakistan Investment Bonds		55,064,705	211,713,424
Government of Pakistan Eurobonds		1,457,053	-
Foreign bonds - sovereign		2,938,477	-
Foreign bonds - others		1,167,508	-
		<u>165,111,044</u>	<u>451,301,562</u>

9.3 Provision for diminution in value of investments

9.3.1	Opening balance		3,768,660	2,428,208
	Impact on adoption of IFRS 9	5.1.2	871,640	-
	Exchange adjustments		373,968	51,363
	Charge / (reversals)			
	Charge for the year		1,567,939	1,370,128
	Reversals for the year		(12,388)	(30,870)
			1,555,551	1,339,258
	Reversal on disposal		(60,438)	(49,101)
	Amounts written off		(27,725)	(1,068)
	Closing balance	9.11	<u>6,481,656</u>	<u>3,768,660</u>

9.3.2 Particulars of provision against debt securities

Category of classification	2018		2017	
	Non performing investment (NPI)	Provision	Non performing investment (NPI)	Provision
	----- (Rupees in '000) -----			
Domestic				
Loss	2,136,944	219,107	2,563,729	259,952
Overseas				
Not past due but impaired	-	-	41,280	2,212
Overdue by:				
> 365 days	729,205	729,179	579,811	579,811
Total	<u>2,866,149</u>	<u>948,286</u>	<u>3,184,820</u>	<u>841,975</u>

	2018 ----- (Rupees in '000) -----	2017
9.4 Bai Muajjal with Government of Pakistan		
Bai Muajjal Investment	11,420,000	-
Less: Deferred Income	(3,119,434)	-
Bai Muajjal Investment - net	<u>8,300,566</u>	<u>-</u>

9.5 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows;

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

	2018	2017
	Cost	
	----- (Rupees in '000) -----	
9.5.1 Domestic Securities		
9.5.1.1 Federal Government Securities - Government guaranteed		
Market Treasury Bills	139,865,800	302,518,979
Pakistan Investment Bonds	133,585,814	229,560,472
Sukuk	15,145,060	19,102,273
Eurobonds	17,736,778	14,591,647
	<u>306,333,452</u>	<u>565,773,371</u>

9.5.1.2 Shares

Listed Companies

Cement	2,180,204	1,842,819
Chemical	861,004	915,931
Commercial Banks	337,311	337,311
Fertilizer	5,661,660	5,661,660
Oil & Gas Exploration Companies	593,890	1,555,238
Oil & Gas Marketing Companies	579,373	579,373
Power Generation & Distribution	5,975,088	6,196,611
Technology & Communication	665,808	658,156
Textile Composite	543,543	-
Textile Spinning	595,323	595,321
	<u>17,993,204</u>	<u>18,342,420</u>

Unlisted Companies

	2018		2017	
	Cost	Breakup value	Cost	Breakup value
	----- (Rupees in '000) -----			
SME Bank Limited	26,950	-	26,950	138
First Women Bank	21,100	69,511	21,100	73,542
N.I.F.T	1,526	59,076	1,527	55,793
NIT (Equity)	100	728,462	100	746,007
Passco	5,500	1,331,012	5,500	1,256,081
Swift (Belgium)	2,905	16,564	2,905	12,396
Vis Credit Information Services	325	31	325	27
Mastercard International	0.003	332	0.003	267
Kay Textile Mills Limited	3,778	-	3,778	-
World Bridge Connect Incorporation	77,606	-	77,606	-
Techlogix International Limited.	50,703	37,595	50,703	29,894
Cinepax Limited	60,122	197,405	50,372	167,411
Pakistan Mortgage Refinance Co Limited	500,000	500,047	15,300	15,735
	<u>750,615</u>	<u>2,940,035</u>	<u>256,166</u>	<u>2,357,291</u>

9.5.1.3 Others

	2018	2017
	Cost	
	----- (Rupees in '000) -----	
Investment in REIT	458,590	458,590
Preference Shares	36,667	36,667

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

	2018	2017
	Cost	
	----- (Rupees in '000) -----	
9.5.1.4 Non Government Debt Securities		
Listed		
- AA+, AA, AA-	520,464	120,783
- A+, A, A-	250,000	149,790
- Unrated	97,615	97,615
	<u>868,079</u>	<u>368,188</u>
Unlisted		
- AAA	105,000	-
- Unrated	73,218	73,218
	<u>178,218</u>	<u>73,218</u>

9.5.2 Foreign Securities

9.5.2.1 Government Securities

	2018		2017	
	Cost	Rating	Cost	Rating
	----- (Rupees in '000) -----			
- Qatar	3,762,165	AA-	2,770,873	BBB+
- Srilanka	5,266,294	B	4,248,655	B
- Jordan	2,855,218	B+	1,870,069	B+
- Bahrain	4,459,441	B	3,559,732	BB+
- Angola	-	-	316,848	B+
- Egypt	2,834,954	B-	1,703,546	B
- Kenya	1,990,068	B	1,587,223	B
- Nigeria	1,369,568	B	1,091,132	B+
- Oman	2,504,189	BBB-	885,139	BBB+
- Portugal	-	-	495,775	Unrated
- Tanzania	777,980	B+	1,041,969	B
- Turkey	3,044,348	BB-	2,488,633	BB+
- United Arab Emirates	6,215,871	AA	3,121,794	A+
- Vietnam	-	-	330,870	B+
	<u>35,080,096</u>		<u>25,512,258</u>	

	2018	2017
	Cost	
	----- (Rupees in '000) -----	
9.5.2.2 Non Government Debt Securities		

Listed		
- AA+, AA, AA-	611,172	214,582
- A+, A, A-	-	497,560
- BBB+, BBB, BBB-	3,177,868	6,541,933
- BB+, BB, BB-	411,955	892,057
- B+, B, B-	553,894	376,377
- Unrated	2,242,403	1,928,106
	<u>6,997,292</u>	<u>10,450,615</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

9.5.2.3 Equity Securities

Listed

DP world - Bahrain

Unlisted

The Benefit Company B.S.C

2018	2017
Cost	
----- (Rupees in '000) -----	
25,007	19,884
<u>25,007</u>	<u>19,884</u>
2,947	2,341
<u>2,947</u>	<u>2,341</u>
446,020	354,648

9.5.2.4 Preference Shares

9.6 Particulars relating to Held to Maturity securities are as follows:

9.6.1 Domestic Securities

9.6.1.1 Federal Government Securities - Government guaranteed

Pakistan Investment Bonds
Sukuk
Bai Muajjal
Eurobonds

275,079,334	311,766,517
719,499	-
8,300,566	-
8,251,048	5,574,671
<u>292,350,447</u>	<u>317,341,188</u>

9.6.1.2 Non Government Debt Securities

Listed

- AAA
- AA+, AA, AA-
- A+, A, A-

-	2,250,000
2,560,858	661,390
-	149,790
<u>2,560,858</u>	<u>3,061,180</u>

Unlisted

- AAA
- AA+, AA, AA-
- A+, A, A-
- Unrated

10,018,430	8,522,230
2,345,018	2,224,643
907,142	942,857
2,116,109	2,390,806
<u>15,386,699</u>	<u>14,080,536</u>

9.6.1.3 Others

CDC SAARC Fund

302	240
-----	-----

9.6.2 Foreign Securities

9.6.2.1 Government Securities

- Qatar
- Jordan
- Bahrain
- Egypt
- Kenya
- Oman
- Portugal
- Sri Lanka
- Tanzania
- Yemen
- Turkey

2018		2017	
Cost	Rating	Cost	Rating
----- (Rupees in '000) -----			
1,660,619	AA-	1,065,503	BBB+
2,064,107	B+	1,209,330	B+
1,656,666	B	1,319,611	BB+
2,141,390	B-	1,703,899	B
1,179,216	B	938,340	B
1,390,286	BBB-	-	-
621,824	BBB-	495,775	unrated
2,413,143	B	1,923,581	B
119,838	B+	154,928	B
2,885,435	unrated	6,601,781	unrated
1,213,098	BB-	973,674	BB+
<u>17,345,622</u>		<u>16,386,422</u>	

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

9.6.2.2 Non Government Debt Securities

Listed

- BBB+, BBB, BBB-
- BB+, BB, BB-
- B+, B, B-
- Unrated

Unlisted

- Unrated

2018	2017
Cost	
----- (Rupees in '000) -----	
55,545	324,653
414,174	578,955
553,362	136,516
173,595	-
<u>1,196,676</u>	<u>1,040,124</u>
301,197	239,493
<u>301,197</u>	<u>239,493</u>

9.6.2.3 Others

Commercial Paper

Recovery Note

-	227,224
<u>428,008</u>	<u>340,333</u>

9.6.3 The market value of securities classified as held-to-maturity as at December 31, 2018 amounted to Rs. 304,643.471 million (December 31, 2017: Rs. 359,923.968 million).

9.7 Investments include securities which are held by the Bank to comply with the statutory liquidity requirements as set out under Section 29 of the Banking Companies Ordinance, 1962.

9.8 Investments include Rs. 118.000 million (2017: Rs. 282.000 million) held by the State Bank of Pakistan as pledge against demand loan, TT / DD discounting facilities and foreign exchange exposure limit sanctioned to the Bank and Rs. 5.000 million (2017: Rs. 5.000 million) held by the Controller of Military Accounts (CMA) under Regimental Fund Arrangements.

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

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

9.11 Provision against investments includes collective impairment under IFRS 9 amounting to Rs: 1,034.995 million.

9.12 Investments include amounts aggregating to Rs. 1,792.177 million (2017: Rs 2,175.182 million) which have been classified as loss in accordance with the requirements of Prudential Regulations prescribed by the SBP. Provision has however, not been made against them as these investments are secured by way of guarantee from the Government of Pakistan.

9.13 Summary of financial position and performance of associates and subsidiaries

	Country of Incorporation	% Holding	2018				2017			
			Assets	Liabilities	Revenue	Profit / (loss)	Assets	Liabilities	Revenue	Profit / (loss)
			----- (Rupees in '000) -----							
Associates										
UBL Liquidity Plus Fund	Pakistan	0%	-	-	-	-	6,683,601	75,089	279,725	173,339
UBL Money Market Fund	Pakistan	0%	-	-	-	-	724,871	17,787	46,997	38,542
Al Ameen Islamic Asset Allocation Fund	Pakistan	0%	-	-	-	-	7,859,580	85,572	(67,124)	263,886
Al Ameen Islamic Financial Planning Fund	Pakistan	0%	-	-	-	-	9,514,590	100,333	(561,808)	(825,416)
UBL Insurers Limited	Pakistan	30%	4,795,524	3,412,698	1,412,471	241,327	4,180,839	3,026,792	1,062,464	169,206
Khushhali Bank Limited	Pakistan	30%	70,461,754	62,251,562	8,846,637	2,431,676	58,978,610	52,538,695	6,971,272	1,876,462
Oman United Exchange Company, Muscat	Oman	25%	309,105	35,481	181,955	(64,481)	371,264	92,455	166,714	(26,307)
Subsidiaries										
United National Bank Limited (UBL UK)	UK	55%	87,359,241	75,046,256	1,864,531	(1,011,476)	76,936,191	64,779,488	2,540,816	3,461
UBL (Switzerland) AG	Switzerland	100%	29,245,692	24,223,245	857,523	305,419	23,682,133	19,760,308	765,161	300,035
UBL Fund Managers Limited	Pakistan	99%	2,355,016	565,459	1,164,191	407,587	1,749,997	184,435	1,277,396	418,550
UBL Bank (Tanzania) Limited	Tanzania	100%	6,299,342	4,952,565	337,509	(117,808)	5,140,724	4,362,746	343,244	(196,198)
United Executors and Trustees Company Limited	Pakistan	100%	119,263	282	6,545	4,350	114,889	247	4,807	3,257

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

10. ADVANCES	Note	Performing		Non-performing		Total	
		2018	2017	2018	2017	2018	2017
		(Rupees in '000)					
Loans, cash credits, running finances, etc.		628,104,826	531,344,222	65,480,873	49,367,873	693,585,699	580,712,095
Net investment in finance lease	10.2	77,361	-	-	-	77,361	-
Islamic financings and related assets	10.7	22,595,094	22,106,385	97,156	94,421	22,692,250	22,200,806
Bills discounted and purchased		56,933,339	64,358,402	2,983,692	2,784,397	59,917,031	67,142,799
Advances - gross		707,710,620	617,809,009	68,561,721	52,246,691	776,272,341	670,055,700
Provision against advances	10.4	-	-	(55,893,025)	(39,441,610)	(55,893,025)	(39,441,610)
- Specific		(4,442,585)	(3,255,254)	-	-	(4,442,585)	(3,255,254)
- General		(4,442,585)	(3,255,254)	(55,893,025)	(39,441,610)	(60,335,610)	(42,696,864)
Advances - net of provision		703,268,035	614,553,755	12,668,696	12,805,081	715,936,731	627,358,836

10.1 Particulars of advances - gross		2018	2017
		(Rupees in '000)	
10.1.1 In local currency		579,185,614	443,712,686
In foreign currencies		197,086,727	226,343,014
		776,272,341	670,055,700

10.2 Net Investment in finance lease		2018				2017			
		Not later than one year	Later than one and upto five years	More than five years	Total	Not later than one year	Later than one and upto five years	More than five years	Total
		(Rupees in '000)							
Minimum lease payments	-	108,634	-	-	108,634	-	-	-	-
Financial charges for future periods	-	(31,273)	-	-	(31,273)	-	-	-	-
Present value of minimum lease payments	-	77,361	-	-	77,361	-	-	-	-

10.3 Advances include Rs. 68,561.721 million (December 31, 2017: Rs. 52,246.691 million) which have been placed under non-performing status as detailed below:

Category of Classification	2018		2017	
	Non-Performing Loans	Provision	Non-Performing Loans	Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	89,546	1,113	81,653	2,012
Substandard	969,495	240,790	1,062,286	258,707
Doubtful	428,909	202,116	1,452,224	783,804
Loss	26,432,231	25,394,410	25,596,353	24,512,775
	27,920,181	25,838,429	28,192,516	25,557,298
Overseas				
Not past due but impaired	3,623,373	3,073,362	4,061,438	2,132,525
Overdue by:				
Upto 90 days	7,986,841	2,722,248	1,938,276	750,984
91 to 180 days	2,057,618	2,027,258	1,396,595	401,056
181 to 365 days	2,090,931	1,904,536	3,274,572	1,010,167
> 365 days	24,882,777	20,327,192	13,383,294	9,589,580
	40,641,540	30,054,596	24,054,175	13,884,312
Total	68,561,721	55,893,025	52,246,691	39,441,610

10.4 Particulars of provision against advances		2018			2017		
Note		Specific	General	Total	Specific	General	Total
		(Rupees in '000)					
Opening balance		39,441,610	3,255,254	42,696,864	38,066,024	3,128,774	41,194,798
Impact on adoption of IFRS 9	5.1.2	-	1,272,272	1,272,272	-	-	-
Exchange adjustments		4,669,656	753,690	5,423,346	544,930	(56,686)	488,244
Charge / (reversals)							
Charge for the year		14,490,257	6,721	14,496,978	5,588,802	183,166	5,771,968
Reversals	33	(2,314,390)	(845,352)	(3,159,742)	(3,944,846)	-	(3,944,846)
		12,175,867	(838,631)	11,337,236	1,643,956	183,166	1,827,122
Amounts written off	10.5	(394,108)	-	(394,108)	(813,300)	-	(813,300)
Closing balance		55,893,025	4,442,585	60,335,610	39,441,610	3,255,254	42,696,864

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

10.4.1 General provision represents provision amounting to Rs. 303.132 million (December 31, 2017: Rs. 247.323 million) against consumer finance portfolio as required by the Prudential Regulations issued by the SBP and Rs. 4,139.453 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 and on account of adoption of IFRS 9, as explained in note 5.1.2. 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. Nil (December 31, 2017: Rs. 49.088 million) as a matter of prudence based on management estimates.

10.4.2 The Bank has availed the benefit of Forced Sale Value (FSV) of certain mortgaged properties held as collateral against non-performing advances as allowed under BSD Circular 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. 20.009 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.

10.4.3 Particulars of provision against advances

	2018			2017		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
In local currency	25,749,531	303,132	26,052,663	25,185,167	296,411	25,481,578
In foreign currencies	30,143,494	4,139,453	34,282,947	14,256,443	2,958,843	17,215,286
	<u>55,893,025</u>	<u>4,442,585</u>	<u>60,335,610</u>	<u>39,441,610</u>	<u>3,255,254</u>	<u>42,696,864</u>

	Note	2018	2017
		----- (Rupees in '000) -----	----- (Rupees in '000) -----
10.5 Particulars of write-offs			
10.5.1 Against provisions	10.4	394,108	813,300
Directly charged to profit and loss account		<u>76,056</u>	<u>92,992</u>
		<u>470,164</u>	<u>906,292</u>
10.5.2 Domestic			
- Write-offs of Rs. 500,000 and above	10.6	14,851	607,829
- Write-offs of below Rs. 500,000		<u>128,868</u>	<u>275,139</u>
		143,719	882,968
Overseas		<u>326,445</u>	<u>23,324</u>
		<u>470,164</u>	<u>906,292</u>

10.6 Details of loan write-offs of Rs. 500,000 and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written off loans or any other financial relief of five hundred thousand rupees or above allowed to a person during the year ended December 31, 2018 is given in annexure I to the unconsolidated financial statements (except in case of overseas branches write-offs which is restricted by overseas regulatory authorities). This includes amounts charged off without prejudice to the Bank's right to recovery.

10.7 Information related to Islamic financing and related assets is given in annexure II and is an integral part of these unconsolidated financial statements.

	Note	2018	2017
		----- (Rupees in '000) -----	----- (Rupees in '000) -----
11. FIXED ASSETS			
Capital work-in-progress	11.1	944,233	4,410,426
Property and equipment	11.2	<u>44,854,866</u>	<u>40,797,947</u>
		<u>45,799,099</u>	<u>45,208,373</u>
11.1 Capital work-in-progress			
Civil works		585,087	3,662,319
Equipment		<u>359,146</u>	<u>748,107</u>
		<u>944,233</u>	<u>4,410,426</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

11.2 Property and Equipment

At January 1, 2018

Cost / Revalued amount	6,433,625	21,883,262	747,940	5,710,714	3,976,660	1,784,844	11,266,534	482,623	52,286,202
Accumulated depreciation	-	(1,410)	-	(4,734)	(2,364,485)	(1,089,944)	(7,757,644)	(270,038)	(11,488,255)
Net book value	6,433,625	21,881,852	747,940	5,705,980	1,612,175	694,900	3,508,890	212,585	40,797,947

Year ended December 2018

Opening net book value	6,433,625	21,881,852	747,940	5,705,980	1,612,175	694,900	3,508,890	212,585	40,797,947
Additions	-	244,774	2,042,243	1,246,377	743,162	363,888	2,076,798	68,484	6,785,726
Movement in surplus during the year	-	(348,300)	-	(15,849)	-	-	-	-	(364,149)
Disposals	-	(12,800)	-	(439)	(20,742)	(9,565)	(11,344)	(28,281)	(83,171)
Depreciation charge	-	-	(75,689)	(230,898)	(359,322)	(151,732)	(1,479,120)	(64,669)	(2,361,430)
Exchange rate adjustments	-	58	-	2,054	21,493	3,257	49,573	3,508	79,943
Closing net book value	6,433,625	21,765,584	2,714,494	6,707,225	1,996,766	900,748	4,144,797	191,627	44,854,866

At December 31, 2018

Cost / Revalued amount	6,433,625	21,767,359	2,790,183	6,944,070	4,811,411	2,078,963	13,142,926	453,509	58,422,046
Accumulated depreciation	-	(1,775)	(75,689)	(236,845)	(2,814,645)	(1,178,215)	(8,998,129)	(261,882)	(13,567,180)
Net book value	6,433,625	21,765,584	2,714,494	6,707,225	1,996,766	900,748	4,144,797	191,627	44,854,866

Rate of depreciation (percentage)

-	-	5	2.5 - 5	10-20	10-25	10-33.33	20-25	-
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2017								
Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Leasehold Improve-ments	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total

(Rupees in '000)

At January 1, 2017

Cost / Revalued amount	5,025,317	16,240,938	862,552	4,865,948	3,323,255	1,558,198	10,644,148	540,563	43,060,919
Accumulated depreciation	-	(1,337)	(86,146)	(146,370)	(2,014,261)	(1,013,634)	(7,818,559)	(300,700)	(11,381,007)
Net book value	5,025,317	16,239,601	776,406	4,719,578	1,308,994	544,564	2,825,589	239,863	31,679,912

Year ended December 2017

Opening net book value	5,025,317	16,239,601	776,406	4,719,578	1,308,994	544,564	2,825,589	239,863	31,679,912
Additions	-	1,302,649	-	580,770	640,896	281,676	1,932,760	45,910	4,784,661
Movement in surplus on assets revalued during the year	1,408,308	4,353,002	14,661	590,178	-	-	-	-	6,366,149
Net Disposals (Book Value)	-	(13,413)	-	-	(1,860)	(393)	(3,119)	(4,291)	(23,076)
Depreciation charge	-	-	(43,128)	(184,970)	(338,896)	(134,120)	(1,263,895)	(69,196)	(2,034,205)
Net Exchange rate adjustments	-	13	-	424	3,041	3,173	17,555	299	24,505
Closing net book value	6,433,625	21,881,852	747,940	5,705,980	1,612,175	694,900	3,508,890	212,585	40,797,947

At December 31, 2017

Cost / Revalued amount	6,433,625	21,883,262	747,940	5,710,714	3,976,660	1,784,844	11,266,534	482,623	52,286,202
Accumulated depreciation	-	(1,410)	-	(4,734)	(2,364,485)	(1,089,944)	(7,757,644)	(270,038)	(11,488,255)
Net book value	6,433,625	21,881,852	747,940	5,705,980	1,612,175	694,900	3,508,890	212,585	40,797,947

Rate of depreciation (percentage)

-	-	5	2.5 - 5	10-20	10-25	10-33.33	20-25	-
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11.3 Revaluation of properties

The properties of the Bank were last revalued by independent professional valuers as at December 31, 2017. The revaluation was carried out by M/s. Engineering Pakistan Int'l (Pvt) Ltd., M/s. M. J. Surveyors (Pvt) Ltd., M/s Harvester Services (Pvt) Ltd., and M/s Iqbal A. Nanjee & Co. (Pvt) Ltd. on the basis of professional assessment of present market values which resulted in an increase in surplus by Rs. 6,366.149 million. The total surplus arising against revaluation of fixed assets as at December 31, 2018 amounts to Rs. 26,218.945 million. Had there been no revaluation, the carrying amount of the revalued assets at December 31 would have been as follows:

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

		2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
	Freehold land	745,657	745,657
	Leasehold land	3,318,680	3,187,670
	Buildings on freehold land	2,118,567	171,269
	Buildings on leasehold land	5,219,079	4,240,426
11.4	Carrying amount of temporarily idle property of the Bank	<u>82,420</u>	<u>62,572</u>
11.5	The cost of fully depreciated assets still in use		
	Furniture and fixtures	474,846	404,536
	Electrical, office and computer equipment	5,035,350	4,664,786
	Vehicles	84,903	84,442
	Leasehold improvements	950,409	558,445
		<u>6,545,508</u>	<u>5,712,209</u>
11.6	Details of disposal of operating fixed assets		
	The information relating to operating fixed assets disposed off during the year is given in annexure III and is an integral part of these unconsolidated financial statements.		
12	INTANGIBLE ASSETS	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
	Capital work-in-progress	211,160	10,074
	Intangible assets	<u>1,545,873</u>	<u>986,117</u>
		<u>1,757,033</u>	<u>996,191</u>
12.1	At January 1		
	Cost	3,889,095	4,011,668
	Accumulated amortisation and impairment	<u>(2,902,978)</u>	<u>(3,034,492)</u>
	Net book value	<u>986,117</u>	<u>977,176</u>
	Year ended December		
	Opening net book value	986,117	977,176
	Additions	1,029,876	387,043
	Disposals	(38,370)	(18)
	Amortisation charge	(486,876)	(373,007)
	Exchange rate adjustments	55,126	(5,077)
	Closing net book value	<u>1,545,873</u>	<u>986,117</u>
	At December 31		
	Cost	5,015,073	3,889,095
	Accumulated amortisation and impairment	<u>(3,469,200)</u>	<u>(2,902,978)</u>
	Net book value	<u>1,545,873</u>	<u>986,117</u>
	Rate of amortisation (percentage)	<u>10-33.33</u>	<u>10-33.33</u>
	Useful life (in years)	<u>3 - 10</u>	<u>3 - 10</u>
	Note	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
12.2	The cost of fully amortised assets still in use		
	Software	<u>1,669,964</u>	<u>1,606,098</u>
13.	DEFERRED TAX ASSETS / (LIABILITIES)		
	Deferred tax assets / (liabilities)	13.1 <u>7,807,084</u>	<u>(2,611,941)</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

13.1 Movement in temporary differences during the year

2018			
At January 1, 2018	Recognized in profit and loss account	Recognised in OCI	At December 31, 2018
(Rupees in '000)			
Deductible temporary differences on			
- Tax losses carried forward	115,854	(115,854)	-
- Post retirement employee benefits	337,102	125,373	672,290
- Provision against advances, off balance sheet etc.	1,107,929	-	2,292,249
- Surplus on revaluation of investment	(3,353,961)	8,234,048	4,880,087
- Others	643,024	779,311	1,603,854
	(1,150,052)	9,223,174	9,448,480
Taxable temporary differences on			
- Surplus on revaluation of fixed assets / non-banking assets	(772,183)	37,876	(734,307)
- Accelerated tax depreciation	(689,706)	-	(907,089)
	(1,461,889)	37,876	(1,641,396)
	<u>(2,611,941)</u>	<u>9,261,050</u>	<u>7,807,084</u>
2017			
At January 1, 2017	Recognized in profit and loss account	Recognised in OCI	At December 31, 2017
(Rupees in '000)			
Deductible temporary differences on			
- Tax losses carried forward	-	115,854	115,854
- Post retirement employee benefits	345,077	(7,975)	337,102
- Provision against advances, off balance sheet etc.	2,261,466	-	1,107,929
- Others	2,007,351	(123,468)	643,024
	4,613,894	(123,468)	2,203,909
Taxable Temporary Differences on			
- Surplus on revaluation of fixed assets / non-banking assets	(582,889)	(216,522)	(772,183)
- Surplus on revaluation of investment	(8,152,824)	4,798,863	(3,353,961)
- Accelerated tax depreciation	(569,725)	-	(689,706)
	(9,305,438)	4,582,341	(4,815,850)
	<u>(4,691,544)</u>	<u>4,458,873</u>	<u>(2,611,941)</u>

	Note	2018	2017 Restated
14. OTHER ASSETS		----- (Rupees in '000) -----	
Income / mark-up accrued in local currency - net of provision		22,186,193	22,795,970
Income / mark-up accrued in foreign currency - net of provision		4,292,424	3,181,113
		26,478,617	25,977,083
Advance taxation - net of provision for taxation	14.1	24,824,271	18,151,744
Receivable from staff retirement fund		321,349	632,808
Receivable from other banks against telegraphic transfers and demand drafts		88,354	270,941
Unrealized gain on forward foreign exchange contracts		5,114,010	2,336,596
Rebate receivable - net		1,055,900	529,870
Unrealized gain on derivative financial instruments		5,868	76,884
Suspense accounts		607,698	488,272
Stationery and stamps on hand		98,828	100,024
Non-banking assets acquired in satisfaction of claims		1,369,282	1,447,551
Advances, deposits, advance rent and other prepayments		1,320,756	1,156,901
Acceptances	5.1.3	28,157,111	25,670,558
Others		2,640,158	3,847,048
		92,082,202	80,686,280
Provision held against other assets	14.4	(1,086,072)	(1,252,193)
Other assets - net of provisions		90,996,130	79,434,087
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	22.2	173,141	183,405
Other assets - total		91,169,271	79,617,492

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

- 14.1** The Income Tax returns of the Bank have been filed up to the tax year 2018 (accounting year ended December 31, 2017) and were deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (Ordinance) unless amended by the Commissioner of Inland Revenue.

The income tax authorities have issued amended assessment orders for the tax years 2003 to 2018, and created additional tax demands (including disallowances of provisions made prior to Seventh Schedule) of Rs.13,119 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 2018 (financial year 2017) under the provisions of section 120(1) read with section 114 of the Ordinance and in compliance with the terms of the agreement between banks and the Azad Kashmir Council in May 2005. The returns filed are considered as deemed assessment orders under the law.

The tax authorities have also carried out monitoring for Federal Excise Duty, Sales tax and withholding taxes covering period from year ended 2007 to 2017. Consequently, various addbacks and demands were raised creating a total demand of Rs. 995 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, 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.

The Bank has received corrective tax assessment of QAR 1 M (Rs: 38.138 million) from the General tax Authority (GTA) in respect of tax year 2004 with no supporting calculations from GTA. Management has requested details for 2004 assessment from GTA, however to date no response has been received. Management is confident that the matters will be decided in favour of the Bank and the possibility of any outcome against it is remote.

	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
14.2 Market value of Non-banking assets acquired in satisfaction of claims	<u>1,542,423</u>	<u>1,630,956</u>

- 14.2.1** The valuation of non-banking assets acquired in satisfaction of the claims were carried out by Joseph Lobo, M.J. Surveyors (Private) Limited and Engineering Pakistan (Private) Limited from among the approved list of valuer of Pakistan Banker's Association as at August 2018.

	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
14.2.2 Non-banking assets acquired in satisfaction of claims		
Opening balance	1,630,956	2,343,457
Additions	316,320	57,600
Transfer to fixed assets	-	(740,760)
Revaluation	49,604	(33,752)
Disposals	(454,457)	-
Exchange impact	-	4,411
Closing balance	<u>1,542,423</u>	<u>1,630,956</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
14.3 Gain on disposal of Non-banking assets acquired in satisfaction of claims		
Disposal proceeds	461,885	-
Less:		
- Cost	512,993	-
- Impairment	(88,509)	-
	424,484	-
Net gain	37,401	-
14.4 Provision held against other assets		
Advances, deposits, advance rent and other prepayments	571,597	695,685
Non-banking assets acquired in satisfaction of claims	104,512	104,512
Fraud and forgery	409,963	451,996
	1,086,072	1,252,193
14.4.1 Movement of provision held against other assets		
Opening balance	1,252,193	1,179,861
Exchange adjustments	2,112	204
Charge / (reversals)		
Charge for the year	169,957	110,799
Reversals	(163,434)	(48,725)
	6,523	62,074
Transfers in - net	15,892	38,647
Amounts written off	(190,648)	(28,593)
Closing balance	1,086,072	1,252,193
15. CONTINGENT ASSETS		
There were no contingent assets as at the statement of financial position date.		
16. BILLS PAYABLE		
In Pakistan	26,724,282	29,427,939
Outside Pakistan	524,854	419,804
	27,249,136	29,847,743
17. BORROWINGS		
17.1 Particulars of borrowings		
In local currency	237,784,864	489,038,459
In foreign currencies	30,339,169	23,612,006
	268,124,033	512,650,465

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

	Note	2018	2017
		----- (Rupees in '000) -----	
17.2 Details of borrowings			
Secured			
Borrowings from the State Bank of Pakistan under:			
Export refinance scheme	17.3	28,120,012	19,375,930
Refinance facility for modernization of SME	17.4	11,204	10,250
Long term financing facility	17.5	21,871,486	17,312,481
		50,002,702	36,698,661
Repurchase agreement borrowings	17.6	131,492,844	450,489,798
Bai Muajjal payable to other financial institutions		49,878,076	-
		231,373,622	487,188,459
Unsecured			
Call borrowings	17.7	18,850,439	9,713,596
Overdrawn nostro accounts		1,836,701	1,196,470
Money market deals	17.8	16,063,271	14,551,940
		36,750,411	25,462,006
		268,124,033	512,650,465

- 17.3** The Bank has entered into an agreement with the SBP for extending export finance to customers. As per the terms of the agreement, the Bank has granted the SBP the right to recover the outstanding amounts from the Bank at the date of maturity of the finances by directly debiting the Bank's current account maintained with the SBP. These borrowings are repayable within six months, latest by June 2019. These carry mark-up at rates ranging from 1.00% to 2.00% per annum (2017: 1.00% to 2.00% per annum).
- 17.4** These borrowings have been obtained from the SBP under a scheme to finance modernization of Small and Medium Enterprises by providing financing facilities for setting up of new units, purchase of new plant and machinery for Balancing, Modernization and Replacement (BMR) of existing units and financing for import / local purchase of new generators upto a maximum capacity of 500 KVA. These borrowings are repayable latest by February 2021 and carry mark-up at rates ranging from 2.00% to 6.25% per annum (2017: 6.25% per annum).
- 17.5** These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings are repayable latest by January 2029. These carry mark-up at rates ranging from 2.00% to 9.70% (2017: 2.00% to 9.70% per annum).
- 17.6** These repurchase agreement borrowings are secured against Pakistan Investment Bonds, Treasury Bills, Government of Pakistan Eurobonds, Foreign Bonds Sovereign and Foreign Bonds Others and carry mark-up at rates ranging from 3.27% to 10.35% per annum (2017: 5.75% to 5.85% per annum). These borrowings are repayable latest by February 2019. The market value of securities given as collateral against these borrowings is given in note 9.2.1.
- 17.7** These are unsecured borrowings carrying mark-up at rates ranging from 2.0% to 10.25% per annum (2017: 0.1% to 5.8% per annum), and are repayable latest by March 2019.
- 17.8** These borrowings carry mark-up at rates ranging from 3.25% to 4.64% per annum (2017: 2.57% to 4.80% per annum), and are repayable latest by June 2019.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

18. DEPOSITS AND OTHER ACCOUNTS

	2018			2017		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	Restated					
	(Rupees in '000)					
Customers						
Fixed deposits	126,191,096	172,243,714	298,434,810	132,020,685	186,594,343	318,615,028
Savings deposits	393,093,910	42,398,195	435,492,105	354,681,133	30,745,687	385,426,820
Sundry deposits	11,768,321	990,212	12,758,533	11,895,126	1,106,721	13,001,847
Margin deposits	2,962,920	3,378,441	6,341,361	2,491,467	2,997,402	5,488,869
Current accounts - remunerative	965,509	6,200,072	7,165,581	1,335,274	4,555,113	5,890,387
Current accounts - non-remunerative	449,939,963	88,903,450	538,843,413	396,153,734	74,930,927	471,084,661
	984,921,719	314,114,084	1,299,035,803	898,577,419	300,930,193	1,199,507,612
Financial Institutions						
Current deposits	21,804,360	936,185	22,740,545	10,951,716	5,526,205	16,477,921
Savings deposits	30,509,483	-	30,509,483	44,373,428	-	44,373,428
Term deposits	12,065,814	1,708,403	13,774,217	12,421,333	7,530	12,428,863
	64,379,657	2,644,588	67,024,245	67,746,477	5,533,735	73,280,212
	<u>1,049,301,376</u>	<u>316,758,672</u>	<u>1,366,060,048</u>	<u>966,323,896</u>	<u>306,463,928</u>	<u>1,272,787,824</u>

18.1 Composition of deposits

	2018	2017
	(Rupees in '000)	
- Individuals	778,733,724	792,868,836
- Government (Federal and Provincial)	54,177,500	44,381,555
- Public Sector Entities	74,367,728	80,907,210
- Banking Companies	13,552,439	15,885,726
- Non-Banking Financial Institutions	53,471,806	57,394,486
- Private Sector	391,756,851	281,350,011
	<u>1,366,060,048</u>	<u>1,272,787,824</u>

This includes deposits eligible to be covered under insurance arrangements in accordance with DPC Circular No. 04 dated June 22, 2018 amounting to Rs 813,924.260 million (2017: Rs 718,356.599 million).

19 SUBORDINATED DEBTS

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

During 2018, the Bank completed the Pre-IPO with subscription amounting to Rs. 9,000 million. In January 2019, the Bank proceeded with the initial public offering amounting to Rs. 1,000 million, thus closing the total issue size of Rs. 10,000 million.

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

Issue Size	Up to Rs. 7,000 million with an upside option / green shoe option of an additional Rs. 3,000 million aggregating to Rs. 10,000 million
Rating	"AA+" (Double A Plus) by JCR-VIS Credit Rating Company Limited
Tenor	Perpetual (i.e. no fixed or final redemption date)
Security	The TFCs shall be unsecured and subordinated to all other indebtedness of the Bank, including depositors and general creditors. However, they shall rank senior to the claims of ordinary shareholders.
Mark-up rate	The TFCs shall carry mark-up at the rate of 3 Month KIBOR + 1.55%.
Mark-up payment frequency	Profit / Mark-up shall be payable quarterly in arrears, on a non-cumulative basis
Call option	The Bank may, at its sole discretion, call the TFCs, at any time after five years from the Issue Date subject to the prior approval of the SBP
Lock-in clause	Mark-up on the TFCs shall only be paid from the current year's earnings and if the Bank is fully compliant with SBP's Minimum Capital Requirement (MCR), Capital Adequacy Ratio (CAR) and Liquidity Ratio (LR) requirements
Loss absorbency clause	The TFCs shall, at the discretion of the SBP, be either permanently converted into ordinary shares or permanently written off (partially or in full) pursuant to the loss absorbency clause as stipulated in the "Instructions for Basel III Implementation in Pakistan" issued vide BPRD Circular No. 6 dated August 15, 2013.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

	Note	2018	2017 Restated
		----- (Rupees in '000) -----	
20. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		12,345,658	12,542,134
Mark-up / return / interest payable in foreign currencies		2,368,783	1,763,565
		14,714,441	14,305,699
Accrued expenses		4,105,975	4,274,091
Branch adjustment account		848,267	903,256
Deferred income		617,099	636,710
Unearned commission and income on bills discounted		1,168,936	1,461,167
Provision against off - balance sheet obligations	20.1	833,397	65,982
Unrealized loss on forward foreign exchange contracts		3,485,261	862,899
Trading liability		3,750,654	-
Payable to staff retirement fund		962,984	17,251
Deferred liabilities	20.2	3,685,997	3,380,920
Unrealized loss on derivative financial instruments		82,047	3,176
Workers' Welfare Fund payable		3,095,285	2,576,660
Insurance payable against consumer assets		410,466	331,840
Dividend payable		521,612	631,030
Acceptances		28,157,111	25,670,558
Charity fund balance		2,597	120,939
Others		1,453,852	486,736
		<u>67,895,981</u>	<u>55,728,914</u>
20.1 Provision against off-balance sheet obligations			
Opening balance		65,982	676,021
Impact on adoption of IFRS 9	5.1.2	211,244	-
Exchange adjustments		92,871	(10,942)
Charge for the year		463,300	-
Reversals		-	(599,097)
	33	463,300	(599,097)
Closing balance		<u>833,397</u>	<u>65,982</u>
20.2 Deferred liabilities			
Provision for post retirement medical benefits	39.5	1,821,847	1,463,703
Provision for compensated absences		1,166,399	1,225,727
Deferred liability for outsourced services		207,963	169,466
Deferred liability - overseas		489,788	522,024
		<u>3,685,997</u>	<u>3,380,920</u>
21 SHARE CAPITAL			
21.1 Authorized Capital			
		2018 (Number of shares)	2017 (Number of shares)
		<u>2,000,000,000</u>	<u>2,000,000,000</u>
		Ordinary shares of Rs. 10 each	
		<u>20,000,000</u>	<u>20,000,000</u>
21.2 Issued, subscribed and paid-up capital			
		2018 (Number of shares)	2017 (Number of shares)
		<u>518,000,000</u>	<u>518,000,000</u>
		<u>706,179,687</u>	<u>706,179,687</u>
		<u>1,224,179,687</u>	<u>1,224,179,687</u>
		Fully paid-up ordinary shares of Rs. 10 each	
		Issued for cash	
		518,000,000	518,000,000
		Issued as bonus shares	
		706,179,687	706,179,687
		<u>1,224,179,687</u>	<u>1,224,179,687</u>
21.3			
In 2007, the Bank was admitted to the official list of the UK Listing Authority and to the London Stock Exchange Professional Securities Market for trading of Global Depository Receipts (GDRs), each representing four ordinary shares issued by the Bank. The GDRs constitute an offering in the United States only to qualified institutional buyers in reliance on Rule 144A under the U.S Securities Act of 1933 and an offering outside the United States in reliance on Regulation S.			

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

Holders of GDRs are entitled, subject to the provisions of the depository agreement, to receive dividends, if any, and rank pari passu with other equity shareholders in respect of such entitlement. However, the holders of GDRs have no voting rights or other direct rights of shareholders with respect to the ordinary shares underlying such GDRs. Subject to the terms and restrictions set out in the offering circular dated June 25, 2007, the deposited ordinary shares in respect of which the GDRs were issued may be withdrawn by the GDR holders from the depository facility. Upon withdrawal, the holders will rank pari passu with other ordinary shareholders in respect of voting powers. As at December 31, 2018, 248,067 (2017: 1,318,827) GDRs, representing 992,266 (2017: 5,275,310) shares were in issue.

21.4 Major shareholders (holding more than 5% of total paid-up capital)

Name of shareholder	2018		2017	
	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
Bestway (Holdings) Limited	631,728,895	51.60%	631,728,895	51.60%
Bestway Cement Limited	93,649,744	7.65%	93,649,744	7.65%

As at December 31, 2018, Bestway Group (Bestway) held 61.46% (2017: 61.46%) shareholding (including GDRs) of the Bank.

21.5 Shares of the Bank held by its associates

	2018	2017
	----- (Number of shares) -----	
UBL Asset Allocation Fund	-	225,900
UBL Stock Advantage Fund	-	1,645,800
	<u>-</u>	<u>1,871,700</u>

22. SURPLUS ON REVALUATION OF ASSETS

	Note	2018	2017
			Restated
		----- (Rupees in '000) -----	
Surplus / (deficit) arising on revaluation of assets			
Fixed assets	22.1	26,218,945	26,665,960
Available for sale securities	9.1	(13,950,800)	9,582,745
Non-banking assets acquired in satisfaction of claims	22.2	173,141	183,405
		<u>12,441,286</u>	<u>36,432,110</u>
Less: Deferred tax liability / (asset) on revaluation of:			
Fixed assets	22.1	667,022	701,306
Available for sale securities		(4,880,087)	3,353,961
Non-banking assets acquired in satisfaction of claims	22.2	67,285	70,877
		<u>(4,145,780)</u>	<u>4,126,144</u>
		<u>16,587,066</u>	<u>32,305,966</u>

22.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets as at January 1		26,665,960	20,116,356
(Reversal of revaluation) / revaluation against fixed assets during the year		(364,149)	6,627,435
Exchange adjustments		3,989	(37)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(56,456)	(50,566)
Related deferred tax liability on incremental depreciation charged during the year		(30,399)	(27,228)
		<u>(447,015)</u>	<u>6,549,604</u>
		<u>26,218,945</u>	<u>26,665,960</u>
Less: Related deferred tax liability on			
Revaluation as at January 1		701,306	523,438
(Reversal of revaluation) / revaluation against fixed assets during the year		(5,548)	205,109
Exchange adjustments		1,663	(13)
Incremental depreciation charged on related assets		(30,399)	(27,228)
		<u>667,022</u>	<u>701,306</u>
		<u>25,551,923</u>	<u>25,964,654</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

		2018	2017 Restated
		----- (Rupees in '000) -----	
22.2 Surplus on revaluation of non-banking assets			
Surplus on revaluation of non-banking assets as at January 1		183,405	169,861
Revaluation of non-banking assets during the year		28,611	32,647
Reversal on disposal / transfer of non-banking assets		(38,875)	(19,103)
		(10,264)	13,544
		173,141	183,405
Less: Related deferred tax liability on			
Revaluation as at January 1		70,877	59,451
Revaluation of non-banking assets during the year		10,014	11,426
Reversal on disposal of non-banking assets		(13,606)	-
		67,285	70,877
		105,856	112,528
23. CONTINGENCIES AND COMMITMENTS	Note	2018	2017
		----- (Rupees in '000) -----	
Guarantees	23.1	202,634,998	215,451,657
Commitments	23.2	900,687,906	714,336,903
Other contingent liabilities	23.3	15,576,591	19,561,817
		1,118,899,495	949,350,377
23.1 Guarantees:			
Financial guarantees		32,658,652	21,856,011
Performance guarantees		160,269,664	173,555,612
Others guarantees		9,706,682	20,040,034
		202,634,998	215,451,657
23.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit		167,201,689	160,714,926
Commitments in respect of:			
- forward foreign exchange contracts	23.2.2	583,708,769	391,051,659
- forward government securities transactions	23.2.3	15,946,089	7,872,368
- derivatives	23.2.4		
Interest rate swaps		1,674,764	4,358,641
FX options		1,159,752	166,736
- forward lending	23.2.5	129,068,240	148,184,595
Commitments for acquisition of:			
- operating fixed assets	23.2.6	1,928,603	1,987,978
		900,687,906	714,336,903
23.2.1 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.			
23.2.2 Commitments in respect of forward foreign exchange contracts			
Purchase		313,860,505	210,187,425
Sale		269,848,264	180,864,234
23.2.3 Commitments in respect of forward government securities transactions			
Purchase		13,619,209	7,870,890
Sale		2,326,880	1,478

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

	Note	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
23.2.4 Commitments in respect of derivatives			
Interest rate swaps		<u>1,674,764</u>	<u>4,358,641</u>
FX options - purchased		<u>579,876</u>	<u>83,368</u>
FX options - sold		<u>579,876</u>	<u>83,368</u>
23.2.5 Commitments in respect of forward lending			
Undrawn formal standby facilities, credit lines and other commitments to lend	23.2.5.1	65,695,154	60,533,842
Others		<u>63,373,086</u>	<u>87,650,753</u>
		<u>129,068,240</u>	<u>148,184,595</u>

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

	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
23.2.6 Commitments in respect of capital expenditure	<u>1,928,603</u>	<u>1,987,978</u>
23.3 Other contingencies		
23.3.1 Claims against the Bank not acknowledged as debts	<u>11,519,002</u>	<u>15,504,228</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.

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

23.3.3 For contingencies relating to taxation, refer note 14.1.

23.3.4 For matter relating to New York branch, refer note 48.

24. DERIVATIVE INSTRUMENTS

Derivatives are a type of financial contract, the value of which is determined by reference to one or more underlying assets or indices. The major categories of such contracts include forwards, futures, swaps and options. Derivatives also include structured financial products that have one or more of the characteristics of forwards, futures, swaps and options.

The Bank, as an Authorized Derivative Dealer (ADD), is an active participant in the Pakistan derivatives market and offers a wide variety of derivatives products covering both hedging and market making to satisfy customers' needs. Where required, specific approval is sought from the SBP for each transaction.

The authority for approving policies lies with the Board of Directors (BoD) and the Board Risk and Compliance Committee (BRCC). The Risk Management Committee (RMC) is responsible for ensuring compliance with these policies.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

With regard to derivatives, the RMC is authorized to:

- Review the derivatives business with reference to market risk exposure and assign various limits in accordance with the risk appetite of the Bank.
- Review the Derivatives Business Policy and recommend approval to the BRCC / BoD.
- Review and approve derivatives product programs.
- Authorize changes in procedures and processes regarding derivatives and structured products.

Overall responsibility for derivatives trading activity lies with the Treasury and Capital Markets Group. Measurement and monitoring of market and credit risk exposure and limits and its reporting to senior management and the BoD is done by Treasury Middle Office (TMO), which also coordinates with the business regarding approvals for derivatives risk limits. Treasury Operations records derivatives activity in the Bank's books, and handles its reporting to the SBP.

Derivatives risk management

There are a number of risks undertaken by the Bank, which need to be monitored and assessed.

Credit risk

Credit risk refers to the risk of non-performance or default by a party to a derivatives transaction, resulting in an adverse impact on the Bank's profitability. Credit risk associated with derivatives transactions is categorized into settlement risk and pre-settlement risk. Credit proposals for derivatives transactions are approved by the Credit Committee. The credit exposure of each counterparty is estimated and monitored against approved counterparty limits by TMO on a daily basis.

Market risk

The Bank, as a policy, hedges back-to-back all options transactions. In addition, the Bank does not carry any exchange risk on its Cross Currency Swaps portfolio as it hedges the exposure in the interbank market. To manage the interest rate risk of Interest Rate Derivatives, the Bank has implemented various limits which are monitored and reported by TMO on a daily basis.

Liquidity risk

Derivatives transactions, usually being non-funded in nature, do not carry a specific funding liquidity risk.

The liquidity risk arises from the fact that in Pakistan, interest rate derivatives generally have a uni-directional demand, and no perfect hedge is available. The Bank mitigates its risk by limiting the portfolio in terms of tenor, notional and sensitivity limits, and can also hedge its risk by taking on and off balance sheet positions in the interbank market, where available.

Operational risk

The staff involved in the trading, settlement and risk management of derivatives is carefully trained to deal with the complexities involved in the process. Adequate systems and controls are in place to carry out derivatives transactions smoothly. Each transaction is processed in accordance with the product program or a transaction memo, which contains detailed guidance on the accounting and operational aspects of the transaction to further mitigate operational risk. In addition, TMO and the Compliance and Control Department are assigned the responsibility of monitoring any deviation from policies and procedures. The Bank's Audit and Inspection Group also reviews this function, with a regular review of systems, transactional processes, accounting practices and end-user roles and responsibilities.

The Bank uses FX and Derivatives module of Treasury System which provides an end-to-end valuation solution, supports the routine transactional process and provides analytical tools to measure various risk exposures, carry out stress tests and sensitivity analysis.

TMO produces various reports on a periodic basis which are reviewed by senior management. These reports provide details of the derivatives business profile such as outstanding positions, profitability, risk exposures and the status of compliance with limits.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

24.1 Product analysis

2018									
Counterparties	Interest rate swaps		FX options		Forward purchase contracts of government securities		Forward sale contracts of government securities		Total
	Notional principal	Mark to Market Gain / (Loss)	Notional principal	Mark to Market Gain / (Loss)	Notional principal	Mark to Market Gain / (Loss)	Notional principal	Mark to Market Gain / (Loss)	Notional principal / Mark to Market Gain / (Loss)
(Rupees in '000)									
With banks for									
Hedging	179,132	1,170	579,876	-	-	-	-	-	759,008 / 1,170
Market making	316,500	(16,000)	-	-	3,809,653	(58,123)	-	-	4,126,153 / (74,123)
	495,632	(14,830)	579,876	-	3,809,653	(58,123)	-	-	4,885,161 / (72,953)
With FIs other than Banks									
Hedging	-	-	-	-	-	-	-	-	- / -
Market making	-	-	-	-	-	-	2,326,880	(672)	2,326,880 / (672)
	-	-	-	-	-	-	2,326,880	(672)	2,326,880 / (672)
With other entities									
Hedging	-	-	-	-	-	-	-	-	- / -
Market making	1,179,132	(7,252)	579,876	-	9,809,556	4,698	-	-	11,568,564 / (2,554)
	1,179,132	(7,252)	579,876	-	9,809,556	4,698	-	-	11,568,564 / (2,554)
Total									
Hedging	179,132	1,170	579,876	-	-	-	-	-	759,008 / 1,170
Market making	1,495,632	(23,252)	579,876	-	13,619,209	(53,425)	2,326,880	(672)	18,021,597 / (77,349)
	1,674,764	(22,082)	1,159,752	-	13,619,209	(53,425)	2,326,880	(672)	18,780,605 / (76,179)

2017									
Counterparties	Interest rate swaps		FX options		Forward purchase contracts of government securities		Forward sale contracts of government securities		Total
	Notional principal	Mark to Market Gain / (Loss)	Notional principal	Mark to Market Gain / (Loss)	Notional principal	Mark to Market Gain / (Loss)	Notional principal	Mark to Market Gain / (Loss)	Notional principal / Mark to Market Gain / (Loss)
(Rupees in '000)									
With banks for									
Hedging	413,071	2,597	83,368	-	-	-	-	-	496,439 / 2,597
Market making	316,499	5,432	-	-	7,870,890	(1,155)	1,478	(2)	8,188,867 / 4,275
	729,570	8,029	83,368	-	7,870,890	(1,155)	1,478	(2)	8,685,306 / 6,872
With FIs other than Banks									
Hedging	-	-	-	-	-	-	-	-	- / -
Market making	-	-	-	-	-	-	-	-	- / -
	-	-	-	-	-	-	-	-	- / -
With other entities									
Hedging	-	-	-	-	-	-	-	-	- / -
Market making	3,629,071	66,836	83,368	-	-	-	-	-	3,712,439 / 66,836
	3,629,071	66,836	83,368	-	-	-	-	-	3,712,439 / 66,836
Total									
Hedging	413,071	2,597	83,368	-	-	-	-	-	496,439 / 2,597
Market making	3,945,570	72,268	83,368	-	7,870,890	(1,155)	1,478	(2)	11,901,306 / 71,111
	4,358,641	74,865	166,736	-	7,870,890	(1,155)	1,478	(2)	12,397,745 / 73,708

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

24.2 Maturity analysis of derivatives

		2018			
Remaining maturity	No. of contracts	Notional principal	Mark to Market		
			Negative	Positive	Net
			(Rupees in '000)		
Upto 1 month	24	6,534,882	(58,795)	-	(58,795)
1 to 3 months	35	10,460,026	-	4,698	4,698
3 to 6 months	7	1,469,197	(7,252)	1,170	(6,082)
6 months to 1 year	-	-	-	-	-
1 to 2 years	1	316,500	(16,000)	-	(16,000)
2 to 3 Years	-	-	-	-	-
	67	18,780,605	(82,047)	5,868	(76,179)

		2017			
Remaining maturity	No. of contracts	Notional principal	Mark to Market		
			Negative	Positive	Net
			(Rupees in '000)		
Upto 1 month	11	7,962,602	(3,176)	2,018	(1,157)
1 to 3 months	8	76,502	-	-	-
3 to 6 months	3	216,000	-	6,807	6,807
6 months to 1 year	-	-	-	-	-
1 to 2 years	3	3,826,141	-	62,626	62,626
2 to 3 Years	1	316,500	-	5,432	5,432
	26	12,397,745	(3,176)	76,883	73,708

	Note	2018	2017
		----- (Rupees in '000) -----	
25. MARK-UP / RETURN / INTEREST EARNED			
Loans and advances		45,899,206	33,413,547
Investments		63,890,253	71,456,834
Lendings to financial institutions		2,549,956	2,030,253
Balances with banks		858,884	305,186
		<u>113,198,299</u>	<u>107,205,820</u>
26. MARK-UP / RETURN / INTEREST EXPENSED			
On deposits		36,394,085	31,676,334
On borrowings		20,304,933	19,105,106
On subordinated debt		265,010	-
		<u>56,964,028</u>	<u>50,781,440</u>
27. FEE AND COMMISSION INCOME			
Branch banking customer fees		1,797,289	1,619,109
Consumer finance related fees		830,332	739,652
Card related fees (debit and credit cards)		1,621,106	1,278,625
Investment banking fees		776,778	720,237
Financial Institution rebate / commission		394,299	268,242
Corporate service charges / facility fee		588,696	861,551
Commission on trade		1,031,019	1,089,662
Commission on guarantees		742,833	804,280
Commission on cash management		739,476	636,371
Commission on remittances including home remittances - net		2,736,404	2,165,991
Commission on bancassurance		1,592,076	1,162,456
Commission on Benazir Income Support Program		569,417	750,582
Others		511,245	520,918
		<u>13,930,970</u>	<u>12,617,676</u>
28. GAIN ON SECURITIES - NET			
Realised	28.1	4,613,425	4,398,560
Unrealised - held for trading		8,524	2,292
		<u>4,621,949</u>	<u>4,400,852</u>
28.1 Realised gain on:			
Federal Government securities		4,072,041	3,631,305
Shares		405,396	209,673
Foreign securities		104,024	227,215
Associates		31,964	330,367
		<u>4,613,425</u>	<u>4,398,560</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

	Note	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
29. OTHER INCOME			
Charges recovered		491,372	537,162
Rent on properties		209,950	210,772
Gain on sale of operating fixed assets - net		43,565	57,935
Gain on sale of Ijarah assets - net		1,754	96
Gain on disposal of non-banking assets - net	14.3	37,401	-
Gain on trading liabilities - net		270,245	65,834
		<u>1,054,287</u>	<u>871,799</u>
30. OPERATING EXPENSES			
Total compensation expense	30.1	15,405,098	13,984,644
Property expense			
Rent and taxes		3,185,854	2,728,013
Insurance		206,649	226,373
Utilities cost		1,599,415	1,500,692
Security		1,138,716	1,236,410
Repair and maintenance		439,216	416,482
Depreciation		665,908	566,993
Others		30,868	25,632
		7,266,626	6,700,595
Information technology expenses			
Software maintenance		821,051	815,462
Hardware maintenance		192,034	214,753
Depreciation		623,908	534,332
Amortisation	12.1	486,876	373,007
Network charges		690,779	486,856
		2,814,648	2,424,410
Other operating expenses			
Directors' fees and allowances		64,348	48,721
Fees and allowances to Shariah Board		4,753	4,140
Legal and professional charges		907,500	603,661
Outsourced service costs including sales commission		3,757,466	3,620,164
Travelling and conveyance		304,323	294,686
Clearing charges		186,221	197,695
Depreciation others		1,071,614	932,880
Depreciation on Islamic financing against leased assets		186,623	197,824
Training and development		137,704	151,089
Postage and courier charges		322,752	362,920
Communication		438,028	455,728
Stationery and printing		720,004	653,370
Marketing, advertisement and publicity		688,251	1,070,901
Donations	30.3	203,417	109,929
Auditors' remuneration	30.4	102,458	76,887
Insurance (including deposit protection)		689,703	109,493
Cash transportation and sorting charges		1,037,377	890,061
Entertainment		182,719	203,098
Vehicle expenses		159,615	202,054
Subscription		42,092	81,057
Office running expenses		187,210	238,704
Banking service charges		1,299,550	1,019,158
Repairs and maintenance		471,704	436,077
Cartage, freight and conveyance		80,710	92,311
Zakat paid by overseas branch		27,748	75,828
Brokerage expenses		18,960	25,410
Miscellaneous expenses		47,539	86,369
		<u>13,340,389</u>	<u>12,240,215</u>
		<u>38,826,761</u>	<u>35,349,864</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

30.1 This includes accrual of employee benefits in the form of awards / bonus to all permanent staff including the Chief Executive Officer and is determined on the basis of employees' evaluation and the Bank's performance during the year. The aggregate benefit determined in respect of all permanent staff amounted to Rs. 1,242.060 million (2017: Rs.1,353.989 million).

30.2 Total cost for the year included in Other Operating Expenses relating to outsourced activities is Rs 3,909 million (2017: Rs 3,772 million). Out of this cost, Rs 3,424 million (2017: Rs 3,241 million) pertains to the payment to companies incorporated in Pakistan and Rs 485 million (2017: Rs 531 million) pertains to payment to companies incorporated outside Pakistan. This includes payments other than outsourced services costs, which are disclosed above. Details of major outsourced services costs are as follows:

Name of service provider	Type of service	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
Paradise Press (Private) Limited	Cheque printing	43,108	42,534
Apex Printry (Private) Limited	Cheque printing	43,156	43,352
Printlink	Cheque printing	37,943	38,827
E-Access (Private) Limited	POS service management and card hosting	27,382	26,765

30.3 Details of donations 2018
----- (Rupees in '000) ----- 2017
----- (Rupees in '000) -----

Donations individually exceeding Rs.0.5 million

Diamer Bhasha Dam Fund Contribution	67,757	-
Abdul Sattar Edhi Foundation	30,000	-
Shaukat Khanum Memorial Trust	32,000	-
Namal Educational Foundation	30,000	50,000
Memon Medical Institute Hospital	-	15,000
National University of Science	12,500	-
Lahore University of Management Sciences	10,000	10,000
Murshid Hospital & Healthcare Center	-	7,000
Shalamar Hospital	5,000	5,000
Forman Christian College	5,000	5,000
Hilal-e-Ahmer	-	4,975
Bahauddin Zakariya University	3,840	3,840
Education Trust	2,696	-
NFC Institute of Engineering & Technology	-	1,554
Pak Suzuki Motor Company (Ambulance donated to Hospital)	1,418	-
Nasra Schools	-	1,260
District Hospital, Gwadar	-	1,195
Akhuwat	-	1,000
Hisaar Foundation	1,000	1,000
SOS Children's Village Pakistan	980	980
Marie Adelaide Leprosy Center	850	850
Donations individually not exceeding Rs. 0.5 million	376	1,275
	203,417	109,929

30.3.1 Donations were not made to any donee in which a Director or his spouse had any interest.

30.4 Auditors' remuneration

	2018			
	KPMG Taseer Hadi & Co.	A. F. Ferguson & Co.	Overseas Auditors	Total
	----- (Rupees in '000) -----			
Audit fee	8,051	8,051	47,647	63,749
Fee for audit of EPZ branch	348	-	-	348
Fee for tax and other certifications	9,103	21,180	1,470	31,753
Out of pocket expenses	3,444	3,164	-	6,608
	20,946	32,395	49,117	102,458

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

	2017			
	KPMG Taseer Hadi & Co.	A. F. Ferguson & Co.	Overseas Auditors	Total
	(Rupees in '000)			
Audit fee	8,051	8,051	27,007	43,109
Fee for audit of EPZ branch	250	-	-	250
Fee for tax and other certifications	9,925	5,657	9,064	24,646
Out of pocket expenses	4,629	3,623	630	8,882
	<u>22,855</u>	<u>17,331</u>	<u>36,701</u>	<u>76,887</u>

31. WORKERS' WELFARE FUND

The Bank has made provision for Sindh Workers' Welfare Fund (SWWF) based on profit for the years ended December 31, 2014 and onwards.

The Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of Workers' Welfare Fund (WWF) were not lawful. The Federal Board of Revenue has filed review petitions against this order which are currently pending. During the year, tax authorities have allowed relief to the Bank in certain years for WWF. Further the management of the Bank obtained a legal opinion which confirmed that review petitions filed against the Supreme Court of Pakistan judgement have not been taken up for adjudication and the provision in respect of WWF can be reversed. The Sindh Workers' Welfare Fund was levied from the year ended December 31, 2014 consequent to the 18th amendment in the constitution. Accordingly, the provision for WWF charged till December 31, 2013 amounting to Rs. 2,692 million has been reversed in the profit and loss account for the year ended December 31, 2018 and provision amounting to Rs. 3,763 million pertaining to years 2014 onwards has been maintained in respect of Sindh WWF.

	2018	2017
	(Rupees in '000)	
Penalties imposed by the SBP	94,754	59,431
Other penalties	20,044	257
	<u>114,798</u>	<u>59,688</u>

	Note	2018	2017 Restated
		(Rupees in '000)	
Provision against loans and advances - net	10.4	11,337,236	1,827,122
Reversal of provision against lendings to financial institutions - net		(57,600)	(8,260)
Provision for diminution in value of investments - net	9.3	1,555,551	1,339,258
Bad debts written off directly	10.5	76,056	92,992
Provision against other assets - net	14.4.1	6,523	62,074
Provision / (reversal of provision) against off - balance sheet obligations	20.1	463,300	(599,097)
Recovery of written-off / charged off bad debts		(542,061)	(653,818)
Deficit on revaluation of assets	5.1.1	-	241,585
Other provisions / write-offs		75,073	147,954
		<u>12,914,078</u>	<u>2,449,810</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

34. EXTRAORDINARY / UNUSUAL ITEM - CHARGE IN RESPECT OF PENSION LIABILITY

On February 13, 2018 the Honourable Supreme Court of Pakistan announced a judgement based on a proposal submitted by banks including UBL, in which it raised the minimum monthly pension of employees. Based on legal advice and in accordance with the Honourable Supreme Court's order, the change in scheme is prospectively applied from the date of the judgement and the payments to eligible persons are being made accordingly. The bank has recognised an amount of Rs. 6,657.216 million as past service cost in this respect (note 39.8)

	2018	2017
	----- (Rupees in '000) -----	
35. TAXATION		
Current	10,244,376	14,396,887
Prior years	654,168	(2,037,348)
Deferred	(1,157,975)	2,379,270
	<u>9,740,569</u>	<u>14,738,809</u>

35.1 Relationship between tax expense and accounting profit

Accounting profit for the year	<u>24,966,664</u>	<u>39,918,456</u>
Tax on income @ 35% (2017: 35%)	8,738,332	13,971,460
Super tax @ 4% (2017 : 0%)	998,667	-
Tax effect of items that are either not included in determining taxable profit or taxed at reduced rates (permanent differences)	12,595	20,831
Tax - prior years (net of deferred tax)	-	721,583
Others	(9,025)	24,935
Tax charge	<u>9,740,569</u>	<u>14,738,809</u>

	2018	2017
	----- (Rupees in '000) -----	
36. EARNINGS PER SHARE		
Profit after taxation for the year	<u>15,226,095</u>	<u>25,179,647</u>
	----- (Number of shares) -----	
Weighted average number of ordinary shares	<u>1,224,179,687</u>	<u>1,224,179,687</u>
	----- (Rupees) -----	
Earnings per share - basic and diluted	<u>12.44</u>	<u>20.57</u>

There were no convertible dilutive potential ordinary shares outstanding as at December 31, 2018 and 2017.

	Note	2018	2017
		----- (Rupees in '000) -----	
37. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	183,467,358	157,582,687
Balances with other banks	7	23,345,698	19,516,198
		<u>206,813,056</u>	<u>177,098,885</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

37.1 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities					Equity			
	Bills payable	Borrowings	Deposits and other accounts	Subordinated loans	Other liabilities	Share capital	Reserves	Surplus on revaluation of assets - net of deferred tax	Unappropriated profit
	(Rupees in '000)								
Balance as at January 1, 2018	29,847,743	512,650,465	1,272,787,824	-	55,728,914	12,241,798	43,846,877	32,305,966	70,912,406
Change in accounting policy as at January 1, 2018	-	-	-	-	-	-	-	-	(1,590,688)
Balance as at January 1, 2018 (Restated)	29,847,743	512,650,465	1,272,787,824	-	55,728,914	12,241,798	43,846,877	32,305,966	69,321,718
Changes from financing cash flows									
Dividend Paid	-	-	-	-	-	-	-	-	(14,799,574)
Other Changes	-	-	-	-	-	-	-	-	-
Liability-related									
Changes in bills payable	(2,598,607)	-	-	-	-	-	-	-	-
Changes in borrowings	-	(244,526,432)	-	-	-	-	-	-	-
Changes in deposits and other accounts	-	-	93,272,224	-	-	-	-	-	-
Changes in subordinated loans	-	-	-	9,000,000	-	-	-	-	-
Changes in other liabilities	-	-	-	-	-	-	-	-	-
- Cash based	-	-	-	-	12,483,874	-	-	-	-
- Dividend payable	-	-	-	-	109,418	-	-	-	109,418
- Non-cash based	-	-	-	-	(426,225)	-	-	-	-
Transfer of profit to reserve	-	-	-	-	-	-	1,522,610	-	(1,522,610)
Total Liability related other changes	(2,598,607)	(244,526,432)	93,272,224	9,000,000	12,167,067	-	1,522,610	-	(1,413,192)
Total Equity related other changes	-	-	-	-	-	-	9,069,751	(15,718,900)	14,892,894
Balance as at December 31, 2018	27,249,136	268,124,033	1,366,060,048	9,000,000	67,895,981	12,241,798	54,439,238	16,587,066	68,001,846

38. STAFF STRENGTH

	2018	2017
	(Number)	(Number)
Permanent	11,403	11,035
On contract	18	50
Bank's own staff strength	11,421	11,085
Outsourced	2,510	3,686
Total	13,931	14,771

38.2 Number of employees working domestically are 13,549 (2017: 14,171) and abroad are 382 (2017: 600).

39. DEFINED BENEFIT PLANS

39.1 General description

The Bank operates a funded pension scheme established in 1975. The Bank also operates a funded gratuity scheme for new employees and for those employees who have not opted for the pension scheme. The Bank also operates a benevolent fund scheme and provides post retirement medical benefits to eligible retired employees. The benevolent fund scheme and the post-retirement medical scheme cover all regular employees of the Bank who joined the Bank pre-privatization. The liabilities of the Bank in respect of these schemes are determined based on actuarial valuations carried out using the Projected Unit Credit Method. Actuarial valuations of the defined benefit schemes are carried out every year and the latest valuation was carried out as at December 31, 2018.

39.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2018	2017
	(Number)	(Number)
- Pension fund	10,582	6,798
- Gratuity fund	10,066	9,394
- Benevolent fund	3,760	4,051
- Post-retirement medical benefit scheme	9,652	9,804

The pension fund, benevolent fund and post-retirement medical benefit schemes include 9,512 (2017: 5,600), 2055 (2017: 2,124) and 8,133 (2017: 8,064) members respectively who have retired or whose widows are receiving the benefits.

39.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2018 using the following significant assumptions:

	2018	2017
	Per annum	Per annum
Discount rate / expected rate of return on plan assets	13.25%	8.25%
Expected rate of salary increase	11.25%	6.25%
Expected rate of increase in pension	5.00%	2.25%
Expected rate of increase in medical benefit	7.25%	2.25%

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

39.4 Reconciliation of (receivable from) / payable to defined benefit plans

Note	2018				2017			
	Pension fund	Gratuity fund	Benevolent fund	Post - retirement medical benefit	Pension fund	Gratuity fund	Benevolent fund	Post - retirement medical benefit
	(Rupees in '000)							
Present value of obligations	8,986,977	831,363	321,682	1,821,847	2,698,870	728,822	429,243	1,463,703
Fair value of plan assets	(8,168,441)	(805,576)	(461,597)	-	(3,176,096)	(711,571)	(494,386)	-
(Receivable) / payable	<u>818,536</u>	<u>25,787</u>	<u>(139,915)</u>	<u>1,821,847</u>	<u>(477,226)</u>	<u>17,251</u>	<u>(65,143)</u>	<u>1,463,703</u>

39.5 Movement in defined benefit obligations

Obligations at the beginning of the year	2,698,870	728,822	429,243	1,463,703	2,932,255	652,457	453,193	1,328,199
Service cost	6,664,292	128,450	6,340	1,639	8,196	106,921	6,630	4,250
Interest cost	123,457	61,861	33,128	117,080	123,653	52,899	35,702	111,493
Benefits paid by the Bank	(791,299)	(119,044)	(47,622)	(125,095)	(456,036)	(131,663)	(69,152)	(138,529)
Return allocated to other funds	56,192	-	-	-	98,242	-	-	-
Re-measurement loss / (gain)	235,465	31,274	(99,407)	364,520	(7,440)	48,208	2,870	158,290
Obligations at the end of the year	<u>8,986,977</u>	<u>831,363</u>	<u>321,682</u>	<u>1,821,847</u>	<u>2,698,870</u>	<u>728,822</u>	<u>429,243</u>	<u>1,463,703</u>

39.6 Movement in fair value of plan assets

Fair value at the beginning of the year	3,176,096	711,571	494,386	-	3,077,541	711,805	501,671	-
Interest income on plan assets	260,509	60,493	38,294	-	233,079	57,468	39,434	-
Contribution by the Bank	5,900,000	145,585	2,165	-	1,595	103,679	2,468	-
Contribution by the employees	-	-	2,165	-	-	-	2,468	-
Amount paid by the fund to the Bank	(1,121,594)	(139,095)	(65,489)	-	(179,066)	(163,857)	(56,965)	-
Re-measurements gain / (loss)	(46,570)	27,022	(9,924)	-	42,947	2,476	5,310	-
Fair value at the end of the year	<u>8,168,441</u>	<u>805,576</u>	<u>461,597</u>	<u>-</u>	<u>3,176,096</u>	<u>711,571</u>	<u>494,386</u>	<u>-</u>

39.7 Movement in (receivable) / payable under defined benefit schemes

Opening balance	(477,226)	17,251	(65,143)	1,463,703	(145,286)	(59,348)	(48,478)	1,328,199
Mark-up receivable on Bank's balance with the fund	(22,804)	(297)	(3,396)	-	(12,645)	(658)	(1,068)	-
Charge / (reversal) for the year	6,583,432	129,818	(991)	118,719	(2,988)	102,352	430	115,743
Contribution by the Bank	(5,900,000)	(145,585)	(2,165)	-	(1,595)	(103,679)	(2,468)	-
Amount paid by the Fund to the Bank	1,121,594	139,095	65,489	-	179,066	163,857	56,965	-
Benefits paid by the Bank	(791,299)	(119,044)	(47,622)	(125,095)	(456,036)	(131,663)	(69,152)	(138,529)
Re-measurement loss / (gain) recognized in OCI during the year	304,839	4,549	(86,087)	364,520	(37,742)	46,390	(1,372)	158,290
Closing balance	<u>818,536</u>	<u>25,787</u>	<u>(139,915)</u>	<u>1,821,847</u>	<u>(477,226)</u>	<u>17,251</u>	<u>(65,143)</u>	<u>1,463,703</u>

39.8 Charge for defined benefit plans

39.8.1 Cost recognized in profit and loss

Current service cost	7,076	128,450	6,340	1,639	8,196	106,921	6,630	4,250
Past service cost	6,657,216	-	-	-	-	-	-	-
Net interest on defined benefit asset / (liability)	(137,052)	1,368	(5,166)	117,080	(109,426)	(4,569)	(3,732)	111,493
Return allocated to other funds	56,192	-	-	-	98,242	-	-	-
Employees' contribution	-	-	(2,165)	-	-	-	(2,468)	-
	<u>6,583,432</u>	<u>129,818</u>	<u>(991)</u>	<u>118,719</u>	<u>(2,988)</u>	<u>102,352</u>	<u>430</u>	<u>115,743</u>

39.8.1.1 This represents return allocated to those employees who exercised the conversion option offered in the year 2001, as referred to in note 5.11.1.

39.8.2 Re-measurements recognized in OCI during the year

	2018				2017			
	Pension fund	Gratuity fund	Benevolent fund	Post - retirement medical benefit	Pension fund	Gratuity fund	Benevolent fund	Post - retirement medical benefit
	(Rupees in '000)							
Loss / (gain) on obligation								
- Financial assumptions	19,563	24,101	(89,035)	364,520	(1,877)	1,099	(2,748)	(1,704)
- Experience adjustment	215,902	7,173	(10,372)	-	(5,563)	47,109	5,618	159,994
Return on plan assets over interest income	46,570	(27,022)	9,924	-	(42,947)	(2,476)	(5,310)	-
Adjustment for markup	22,804	297	3,396	-	12,645	658	1,068	-
Total re-measurements recognized in OCI	<u>304,839</u>	<u>4,549</u>	<u>(86,087)</u>	<u>364,520</u>	<u>(37,742)</u>	<u>46,390</u>	<u>(1,372)</u>	<u>158,290</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

39.9 Components of plan assets

	2018			2017		
	Pension fund	Gratuity fund	Benevolent fund	Pension fund	Gratuity fund	Benevolent fund
	(Rupees in '000)					
Cash and cash equivalents - net of current liabilities	15,550	7,129	3,181	15,421	6,018	2,403
Quoted securities						
Ordinary shares	86,811	5,342	13,267	133,055	8,098	20,458
Term finance certificates	2,768,708	238,193	58,940	72,289	143,061	8,178
Mutual Funds Units	-	18,279	-	-	18,275	-
Pakistan Investment Bonds	2,900,447	526,873	144,615	1,414,048	446,196	192,907
Market Treasury Bills	1,934,034	-	-	-	-	-
Special Savings Certificates	412,131	9,760	241,594	1,541,283	89,923	270,440
Term deposit	50,760	-	-	-	-	-
	<u>8,168,441</u>	<u>805,576</u>	<u>461,597</u>	<u>3,176,096</u>	<u>711,571</u>	<u>494,386</u>

39.9.1 The funds primarily invests in government securities and accordingly do not carry any significant credit risk. These are subject to interest rate risk based on market movements. Investment in term finance certificates are subject to credit risk and interest rate risks, while equity securities are subject to price risk. These risks are regularly monitored by Trustees of the employee funds.

39.10 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:

	2018			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit
	(Rupees in '000)			
Increase in Discount Rate by 1 %	(339,995)	(53,510)	(12,302)	(192,419)
Decrease in Discount Rate by 1 %	374,943	60,738	13,461	233,280
Increase in expected future increment in salary by 1%	-	65,318	-	-
Decrease in expected future increment in salary by 1%	-	(58,374)	-	-
Increase in expected future increment in pension by 1%	73,603	-	-	-
Decrease in expected future increment in pension by 1%	(63,569)	-	-	-
Increase in expected future increment in medical benefit by 1%	-	-	-	209,302
Decrease in expected future increment in medical benefit by 1%	-	-	-	(178,603)

Although the analysis does not take account of the full distribution of expected cash flows, it does provide an approximation of the sensitivity of the assumptions shown.

39.11 Expected contributions to be paid to the funds in the next financial year

The Bank contributes to the pension and gratuity funds according to the actuary's advice. Contribution to the benevolent fund is made by the Bank as per the rates set out in the benevolent fund scheme. Based on actuarial advice, management estimates that the expected contribution and charge / (reversal) for the year ending December 31, 2019, would be as follows:

	2019			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit
	(Rupees in '000)			
Expected contribution	-	148,986	-	-
Expected charge / (reversal) for the year	115,678	148,986	(15,003)	236,146

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

39.12 Maturity profile

	2018			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit
The weighted average duration of the obligation (in years)	7.67	6.84	4.07	10.56

39.13 Funding Policy

The Bank endeavours to ensure that liabilities under the various employee benefit schemes are covered by the Fund on any valuation date having regards to the various actuarial assumptions such as projected future salary increase, expected future contributions to the fund, projected increase in liability associated with future service and the projected investment income of the Fund.

Asset Volatility

Only three Schemes out of the all the Schemes are funded: Pension; Gratuity; and Benevolent Fund. The combined investment of the three funds is Rs 9.4 billion. Almost 65% is invested in Government Bonds with a maturity that is less than the maturity of the corresponding liability.

The asset class is volatile with reference to the yield on this class. This risk should be viewed together with change in the bond yield risk.

There is an insignificant equity exposure of around 1%. While 32% is invested in corporate bonds giving rise to settlement risk, the bonds are, though, high quality.

Changes in Bond Yields

There are two dimensions to the changes in Bond yields: first, as described above; second, the valuation of the Gratuity Liability is discounted with reference to the government bond yields. So, any increase in Bond yields will lower the Retirement Benefits Liability and vice versa, but, it will also lower the Asset values.

Inflation Risk

The salary inflation (especially the final salary risk) is the major risk that the Gratuity and compensated absences liability carries. In pension fund the increased been determined by the Supreme Court does not carry this risk as the benefit is practically no longer related to future salary increases. Some of the post-retirement medical benefits are capped to a proportion of Pension, thus carrying no salary inflation risk. However, the hospitalization benefit is susceptible to medical inflation risk.

In a general economic sense and in a longer view, there is a case that if bond yields increase, the ensuing change in salary inflation generally offsets the gains from the decrease in discounted gratuity. But viewed with the fact that, for gratuity, asset values will also decrease; the salary inflation does, as an overall effect, increases the net liability of the Bank.

Life Expectancy / Withdrawal Rate

The Gratuity and Compensated Absences are paid off at the maximum of age 60. The life expectancy is in almost minimal range and is quite predictable in the ages when the employee is in the accredited employment of the Bank for the purpose of the Gratuity and Compensated Absences. Thus, the risk of life expectancy is almost negligible. However, post-retirement benefit given by the Bank like monthly pension, post-retirement medical gives rise to a significant risk which is quite difficult to value even by using advance mortality improvement models. Thus, this risk carries valuation risk as well.

The withdrawal risk is dependent upon the: benefit structure; age and retention profile of the staff; the valuation methodology; and long-term valuation assumptions. In this case, it is not a significant downside risk as higher withdrawal, although troublesome for the Bank, will give rise to a release in the liability as retirement benefits for unvested due to earlier withdrawal.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

Other Risks

Though, not imminent and generally observable, over long term there are some risks that may crystallize. This includes:

- Retention Risk – The risk that employee will not be motivated to continue the service or start working with the Bank if no market comparable retirement benefit is provided.
- Final Salary Risk – The risk, for defined benefit gratuity, that any disproportionate salary merit increases in later service years will give rise to a multiplicative increase in the gratuity liability as such increase is applicable to all the past years of service.
- Model Risk – The defined benefit gratuity liability is usually actuarially valued each year. Further, the assets in the Fund are also marked to market. This two-tier valuation gives rise to the model risk.
- Operational Risk related to a separate entity - Retirement benefits are funded through a separate trust fund which is a different legal entity than the Bank. Generally, the protocols, processes, and conventions used throughout the Bank are not applicable or are not actively applied to the retirement benefit Funds. This gives rise to some specific operational risks.
- Compliance Risk – The risk that retirement benefits offered by the Bank do not comply with minimum statutory requirements.
- Legal / Political Risk – The risk that the legal / political environment changes and as a result, the Bank is required to offer additional or different retirement benefits than what the Bank projected. Specifically, in the light of recent Supreme Court decisions, this risk has materialized.

40. OTHER EMPLOYEE BENEFITS

40.1 Defined contribution plan

The Bank operates a contributory provident fund scheme for 10,039 (2017: 7,394) employees who are not in the pension scheme. The employer and employee each contribute 8.33% of the basic salary to the funded scheme every month.

41. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive Officer		Directors		Executives	
	2018	2017	2018	2017	2018	2017 Restated
----- (Rupees in '000) -----						
Fees	-	-	64,348	48,721	-	-
Managerial remuneration	124,100	201,483	-	-	4,104,263	3,275,649
Charge for defined benefit plans	22	732	-	-	233,152	259,734
Charge for defined contribution plan	4,583	4,167	-	-	73,487	81,414
Rent and house maintenance	2,987	4,361	-	-	484,598	374,695
Utilities	1,423	1,456	-	-	193,945	162,528
Medical	-	22	-	-	96,269	80,652
Conveyance	367	-	-	-	383,943	277,509
Others	1,236	4,011	-	-	428,962	1,271,786
	<u>134,718</u>	<u>216,233</u>	<u>64,348</u>	<u>48,721</u>	<u>5,998,619</u>	<u>5,783,967</u>
Number of persons	<u>1</u>	<u>2</u>	<u>8</u>	<u>10</u>	<u>735</u>	<u>732</u>

The Bank's President / Chief Executive Officer and certain Executives are provided with use of Bank maintained cars and household equipment.

Notes to and forming part of the Unconsolidated Financial Statements
For the year ended December 31, 2018

42. 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.

42.1 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:

		2018			
	Carrying / Notional value	Fair value			
		Level 1	Level 2	Level 3	Total
		(Rupees in '000)			
On balance sheet financial instruments					
Financial assets measured at fair value					
- Investments					
Government Securities (T-bills, PIBs, GoP Sukuks and Eurobonds)	392,484,077	-	392,484,077	-	392,484,077
Foreign Bonds - Sovereign	34,242,507	-	34,242,507	-	34,242,507
Foreign Bonds - others	6,839,803	-	6,839,803	-	6,839,803
Ordinary shares of listed companies	16,718,226	16,718,226	-	-	16,718,226
Debt securities (TFCs , Sukuks)	948,128	-	948,128	-	948,128
Investment in REIT	499,863	499,863	-	-	499,863
	451,732,604	17,218,089	434,514,515	-	451,732,604
Financial assets not measured at fair value					
- Investments (HTM, unlisted ordinary shares, preference shares, subsidiaries and associates)	334,642,722	-	-	-	-
	786,375,326	17,218,089	434,514,515	-	451,732,604
Off-balance sheet financial instruments					
Forward purchase and sale of foreign exchange contracts	583,708,769	-	1,628,749	-	1,628,749
Interest rate swaps	1,674,764	-	(22,082)	-	(22,082)
FX options - purchased and sold	1,159,752	-	-	-	-
Forward purchase of government securities	13,619,209	-	(53,425)	-	(53,425)
Forward sale of government securities	2,326,880	-	(672)	-	(672)

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

	2017				
	Carrying /	Fair value			
	Notional value	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----				
On balance sheet financial instruments					
Financial assets measured at fair value					
- Investments					
Government Securities (T-bills, PIBs, GoP Sukuks and Eurobonds)	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
	733,743,434	18,777,236	714,966,198	-	733,743,434
Financial assets not measured at fair value					
- Investments (HTM, unlisted ordinary shares, preference shares, subsidiaries and associates)	358,043,192	-	-	-	-
	1,091,786,626	18,777,236	714,966,198	-	733,743,434
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)

42.2 Certain categories of 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 as disclosed in note 11.

42.3 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.

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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

43 SEGMENT INFORMATION

43.1 Segment details with respect to business activities

	2018						
	Corporate / Commercial	Treasury	Branch Banking	Islamic Banking	International branch	Others	Total
Profit & Loss	(Rupees in '000)						
Net mark-up / return / profit	29,169,912	38,054,781	(21,778,872)	2,256,974	8,531,476	-	56,234,271
Inter segment (expense) / revenue - net	(25,119,792)	(32,293,809)	55,328,232	-	-	2,085,369	-
Non mark-up / return / interest income	2,945,167	9,172,158	9,989,431	206,059	2,045,808	713,186	25,071,809
Total Income	6,995,287	14,933,130	43,538,791	2,463,033	10,577,284	2,798,555	81,306,080
Segment direct expenses	1,171,679	565,182	24,150,372	1,514,278	6,962,460	9,061,368	43,425,339
Inter segment expense allocation	433,840	62,153	4,200,757	95,788	660,416	(5,452,954)	-
Total expenses	1,605,519	627,335	28,351,129	1,610,066	7,622,876	3,608,414	43,425,339
Reversals / (Provisions)	(408,496)	(1,229,209)	468,714	(7,276)	(11,568,920)	(168,890)	(12,914,077)
Profit / (loss) before tax	4,981,272	13,076,586	15,656,376	845,691	(8,614,512)	(978,749)	24,966,664
Balance Sheet							
Cash & Bank balances	25,660	51,299,328	79,947,294	13,483,155	60,363,310	1,694,309	206,813,056
Investments	7,213,391	653,902,739	-	30,746,758	88,243,845	6,268,593	786,375,326
Net inter segment lending	2,249,966	-	880,425,313	-	1,202,781	37,278,794	921,156,854
Lendings to financial institutions	-	23,499,887	-	10,066,732	374,927	-	33,941,546
Advances - performing	449,219,279	26,411	65,893,889	22,580,996	160,439,827	5,107,633	703,268,035
Advances - non-performing net of provision	1,777,079	-	262,540	15,068	10,586,944	27,065	12,668,696
Others	27,761,067	21,515,106	12,478,295	625,250	19,888,592	64,264,177	146,532,487
Total Assets	488,246,442	750,243,471	1,039,007,331	77,517,959	341,100,226	114,640,571	2,810,756,000
Borrowings	45,688,288	196,540,422	4,171,413	143,000	21,580,910	-	268,124,033
Subordinated debt	-	-	-	-	-	9,000,000	9,000,000
Deposits & other accounts	38,238,653	35,170	993,358,839	73,434,945	259,572,141	1,420,300	1,366,060,048
Net inter segment borrowing	377,589,646	543,078,514	-	488,694	-	-	921,156,854
Others	24,033,549	10,691,578	34,324,820	922,413	14,528,536	10,644,221	95,145,117
Total Liabilities	485,550,136	750,345,684	1,031,855,072	74,989,052	295,681,587	21,064,521	2,659,486,052
Equity	2,696,306	(102,213)	7,152,259	2,528,907	45,418,639	93,576,050	151,269,948
Total Equity & liabilities	488,246,442	750,243,471	1,039,007,331	77,517,959	341,100,226	114,640,571	2,810,756,000
Contingencies and Commitments	415,595,186	252,604,420	21,489,804	340,262	426,945,992	1,923,829	1,118,899,493

Segment details with respect to business activities

	2017 (Restated)						
	Corporate / Commercial	Treasury	Branch Banking	Islamic Banking	International branch	Others	Total
Profit & Loss	(Rupees in '000)						
Net mark-up / return / profit	20,185,214	46,064,385	(19,627,225)	1,127,850	8,458,526	215,630	56,424,380
Inter segment (expense) / revenue - net	(15,792,691)	(30,807,574)	45,141,057	-	-	1,459,208	-
Non mark-up / return / interest income	2,448,710	7,387,572	8,228,303	117,148	3,125,768	854,641	22,162,142
Total Income	6,841,233	22,644,383	33,742,135	1,244,998	11,584,294	2,529,479	78,586,522
Segment direct expenses	1,097,822	616,477	22,450,416	938,828	6,459,010	4,655,703	36,218,256
Inter segment expense allocation	361,441	74,233	3,759,778	(45,332)	695,439	(4,845,559)	-
Total expenses	1,459,263	690,710	26,210,194	893,496	7,154,449	(189,856)	36,218,256
Reversals / (Provisions)	1,525,275	(76,826)	1,756,873	(14,051)	(4,767,601)	(873,480)	(2,449,810)
Profit / (loss) before tax	6,907,245	21,876,847	9,288,814	337,451	(337,756)	1,845,855	39,918,456
Balance Sheet							
Cash & Bank balances	28,025	54,053,124	58,654,476	11,979,558	51,820,364	563,338	177,098,885
Investments	7,834,991	974,793,372	-	25,401,968	78,235,537	5,520,758	1,091,786,626
Net inter segment lending	7,192,612	1,273,806	831,512,169	-	-	25,166,962	865,145,549
Lendings to financial institutions	-	6,874,353	-	3,694,215	-	298,963	10,867,531
Advances - performing	356,645,367	28,173	54,691,150	22,101,684	176,537,821	4,549,560	614,553,755
Advances - non-performing net of provision	2,352,642	316	238,817	8,942	10,169,863	34,501	12,805,081
Others	25,038,114	19,107,147	9,690,949	721,793	10,574,595	60,689,458	125,822,056
Total Assets	399,091,751	1,056,130,291	954,787,561	63,908,160	327,338,180	96,823,540	2,898,079,483
Borrowings	32,114,222	459,164,420	4,584,439	1,500,000	15,287,384	-	512,650,465
Subordinated debt	-	-	-	-	-	-	-
Deposits & other accounts	49,621,139	200,730	905,659,402	59,775,999	256,361,152	1,169,402	1,272,787,824
Net inter segment borrowing	292,223,792	571,548,191	-	-	1,373,566	-	865,145,549
Others	22,066,726	4,900,354	41,411,599	789,666	7,321,818	11,698,435	88,188,598
Total Liabilities	396,025,879	1,035,813,695	951,655,440	62,065,665	280,343,920	12,867,837	2,738,772,436
Equity	3,065,872	20,316,596	3,132,121	1,842,495	46,994,260	83,955,703	159,307,047
Total Equity & liabilities	399,091,751	1,056,130,291	954,787,561	63,908,160	327,338,180	96,823,540	2,898,079,483
Contingencies and Commitments	421,838,014	181,543,951	22,966,778	142,799	322,857,427	1,408	949,350,378

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

43.2 Geographical segment analysis

Profit & Loss

Net mark-up / return / profit
Inter segment (expense) / revenue - net
Non mark-up / return / interest income

Total Income

Segment direct expenses
Inter segment expense allocation

Total expenses

Provisions

Profit / (loss) before tax

Balance Sheet

Cash & Bank balances
Investments
Net inter segment lending
Lendings to financial institutions
Advances - performing
Advances - non-performing net of provision
Others

Total Assets

Borrowings
Subordinated debt
Deposits & other accounts
Net inter segment borrowing
Others

Total Liabilities

Equity

Total Equity & Liabilities

Contingencies and Commitments

	2018				Total
	Pakistan Operations	United States of America	Export Processing	Middle East	
	(Rupees in '000)				
Net mark-up / return / profit	47,702,795	53,126	152,391	8,325,959	56,234,271
Inter segment (expense) / revenue - net	-	-	-	-	-
Non mark-up / return / interest income	23,026,001	10,769	40,131	1,994,908	25,071,809
Total Income	70,728,796	63,895	192,522	10,320,867	81,306,080
Segment direct expenses	36,462,879	1,067,600	17,600	5,877,260	43,425,339
Inter segment expense allocation	(660,416)	-	1,408	659,008	-
Total expenses	35,802,463	1,067,600	19,008	6,536,268	43,425,339
Provisions	(1,345,157)	(68,015)	-	(11,500,905)	(12,914,077)
Profit / (loss) before tax	33,581,176	(1,071,720)	173,514	(7,716,306)	24,966,664
Balance Sheet					
Cash & Bank balances	146,449,746	2,332,453	122,122	57,908,735	206,813,056
Investments	698,131,481	-	2,901,457	85,342,388	786,375,326
Net inter segment lending	919,954,073	443,157	-	759,624	921,156,854
Lendings to financial institutions	33,566,619	-	-	374,927	33,941,546
Advances - performing	542,828,208	-	1,450,864	158,988,963	703,268,035
Advances - non-performing net of provision	2,081,752	-	-	10,586,944	12,668,696
Others	126,643,895	-	166,890	19,721,702	146,532,487
Total Assets	2,469,655,774	2,775,610	4,641,333	333,683,283	2,810,756,000
Borrowings	246,543,123	-	-	21,580,910	268,124,033
Subordinated debt	9,000,000	-	-	-	9,000,000
Deposits & other accounts	1,106,487,907	-	3,889,543	255,682,598	1,366,060,048
Net inter segment borrowing	921,156,854	-	-	-	921,156,854
Others	80,616,581	437,251	21,865	14,069,420	95,145,117
Total Liabilities	2,363,804,465	437,251	3,911,408	291,332,928	2,659,486,052
Equity	105,851,309	2,338,359	729,925	42,350,355	151,269,948
Total Equity & Liabilities	2,469,655,774	2,775,610	4,641,333	333,683,283	2,810,756,000
Contingencies and Commitments	691,953,501	-	2,209,348	424,736,644	1,118,899,493

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

Geographical segment analysis

Profit & Loss

Net mark-up / return / profit
Inter segment (expense) / revenue - net
Non mark-up / return / interest income

Total Income

Segment direct expenses
Inter segment expense allocation

Total expenses

Reversals / (Provisions)

Profit / (loss) before tax

Balance Sheet

Cash & Bank balances
Investments
Net inter segment lending
Lendings to financial institutions
Advances - performing
Advances - non-performing net of provision
Others

Total Assets

Borrowings
Subordinated debt
Deposits & other accounts
Net inter segment borrowing
Others

Total Liabilities

Equity

Total Equity & Liabilities

Contingencies and Commitments

	2017 (Restated)				Total
	Pakistan Operations	United States of America	Export Processing	Middle East	
	(Rupees in '000)				
Net mark-up / return / profit	47,965,854	224,438	89,621	8,144,467	56,424,380
Inter segment (expense) / revenue - net	-	-	-	-	-
Non mark-up / return / interest income	19,036,374	239,305	23,636	2,862,827	22,162,142
Total Income	67,002,228	463,743	113,257	11,007,294	78,586,522
Segment direct expenses	29,759,246	414,801	12,630	6,031,579	36,218,256
Inter segment expense allocation	(695,439)	63,320	1,253	630,866	-
Total expenses	29,063,807	478,121	13,883	6,662,445	36,218,256
Reversals / (Provisions)	2,317,791	(3,760)	-	(4,763,841)	(2,449,810)
Profit / (loss) before tax	40,256,212	(18,138)	99,374	(418,992)	39,918,456
Balance Sheet					
Cash & Bank balances	125,278,521	2,124,184	98,396	49,597,784	177,098,885
Investments	1,013,551,089	-	1,914,777	76,320,760	1,091,786,626
Net inter segment lending	865,145,549	-	161,222	(161,222)	865,145,549
Lendings to financial institutions	10,867,644	-	188,859	(188,972)	10,867,531
Advances - performing	438,015,821	3,168,337	28,170	173,341,427	614,553,755
Advances - non-performing net of provision	2,635,218	-	-	10,169,863	12,805,081
Others	115,247,461	107,784	45,346	10,421,465	125,822,056
Total Assets	2,570,741,303	5,400,305	2,436,770	319,501,105	2,898,079,483
Borrowings	497,363,081	-	-	15,287,384	512,650,465
Subordinated debt	-	-	-	-	-
Deposits & other accounts	1,016,426,672	61,683	1,818,176	254,481,293	1,272,787,824
Net inter segment borrowing	863,771,983	2,641,115	-	(1,267,549)	865,145,549
Others	80,866,780	152,678	7,995	7,161,145	88,188,598
Total Liabilities	2,458,428,516	2,855,476	1,826,171	275,662,273	2,738,772,436
Equity	112,312,787	2,544,829	610,599	43,838,832	159,307,047
Total Equity & Liabilities	2,570,741,303	5,400,305	2,436,770	319,501,105	2,898,079,483
Contingencies and Commitments	626,492,950	941,817	2,721,358	319,194,252	949,350,378

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

44. TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities. However, it acts as custodian for some of the Term Finance Certificates it arranges and distributes on behalf of its customers.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

45. RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its associates, subsidiary companies, employee benefit plans and its Directors and Key Management Personnel.

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

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

	2018					2017				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)									
Balances with other banks										
In current accounts	-	-	1,145,818	-	-	-	-	826,843	-	-
In deposit accounts	-	-	4,393,498	-	-	-	-	2,150,574	-	-
	-	-	5,539,316	-	-	-	-	2,977,417	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	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 year	-	-	508,993	151,846	510,075	-	-	-	123,171	-
Investment redeemed / disposed off during the year	-	-	-	(537,680)	(221,523)	-	-	-	(4,217,836)	-
Closing balance	-	-	5,406,167	1,238,483	4,183,880	-	-	4,897,174	1,624,317	3,895,328
Provision for diminution in value of investments	-	-	882,587	-	91,007	-	-	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 year	13,479	190,046	-	-	4,123,007	11,574	132,389	-	-	65,331,493
Repaid during the year	(16,561)	(115,139)	-	-	(1,341)	(8,610)	(78,107)	-	-	(79,612,943)
Transfer out - net	-	(48,061)	-	-	(23)	-	(14,865)	-	-	(136)
Closing balance	2,221	160,405	-	2,155,149	6,747,749	5,303	133,559	-	2,155,149	2,626,106
Provision held against advances	-	-	-	2,155,149	-	-	-	-	2,155,149	-

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

	2018					2017				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)									
Other Assets										
Interest mark-up accrued	-	-	-	3,646	146,300	26	8	1,320	-	82,071
Receivable from staff retirement fund	-	-	-	-	321,349	-	-	-	-	632,808
Prepaid insurance	-	-	-	107,151	-	-	-	-	13,201	-
Dividend Receivable	-	-	45,855	-	-	-	-	-	-	-
Other receivable	-	-	17,141	7,992	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 year	-	-	814,511	2,364,689	244,000	-	-	3,285,075	474,532	512,650
Settled during the year	-	-	(778,629)	(2,839,221)	(231,600)	-	-	(2,419,684)	-	(679,750)
Closing balance	-	-	1,364,695	-	12,400	-	-	1,328,813	474,532	-
Overdrawn Nostros	-	-	-	-	-	-	-	619,456	-	-
Deposits and other accounts										
Opening balance	5,700,563	39,106	470,751	7,423,431	3,069,783	7,714,425	159,946	295,565	8,882,222	2,196,112
Received during the year	60,624,991	1,320,796	16,972,541	160,790,083	163,877,912	30,436,836	1,499,352	28,702,819	260,731,597	176,334,047
Withdrawn during the year	(59,950,273)	(1,357,397)	(17,022,841)	(156,544,689)	(158,692,710)	(32,458,694)	(1,501,217)	(28,527,633)	(255,237,393)	(174,752,255)
Transfer (out) / in - net	-	63,797	-	(30,181)	(3,541)	7,996	(118,975)	-	(6,952,995)	(708,121)
Closing balance	6,375,281	66,302	420,451	11,638,644	8,251,444	5,700,563	39,106	470,751	7,423,431	3,069,783
Other Liabilities										
Interest / mark-up payable on deposits and borrowings	40,343	59	48,388	53,416	49,821	40,412	47	1,919	42,810	27,740
Payable to staff retirement fund	-	-	-	-	962,984	-	-	-	-	17,251
Unearned income	-	-	248	-	12,608	-	-	903	-	11,462

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

	2018					2017				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
(Rupees in '000)										
Contingencies and Commitments										
Letter of guarantee	-	-	165,220	-	-	-	-	240,856	24,884	-
Forward foreign exchange contracts purchase	-	-	3,206,246	-	-	-	-	2,786,626	-	-
Forward foreign exchange contracts sale	-	-	3,193,824	-	-	-	-	2,760,430	-	-
Income										
Mark-up / return / interest earned	-	9,123	92,971	10,096	143,767	-	4,969	51,044	11,831	490,962
Commission / charges recovered	92	694	5,626	88,347	17,391	94	367	1,523	35,460	14,572
Dividend income	-	-	375,070	28,184	779,246	-	-	527,837	99,287	480,242
Net gain on sale of securities	-	-	-	31,964	44,297	-	-	-	330,367	-
Other income	-	942	1,400	100	234,406	-	1,909	1,273	300	12,716
Subscription fee	-	-	-	16,187	-	-	-	-	18,003	-
Management fee	-	-	87,214	-	-	-	-	160,028	-	-
Expense										
Mark-up / return / interest paid	161,640	2,060	61,449	609,869	158,220	126,120	1,074	28,467	537,815	64,187
Remuneration paid	-	651,348	-	-	-	-	803,447	-	-	-
Post employment benefits	-	19,109	-	-	-	-	22,728	-	-	-
Non-executive directors' fee	64,348	-	-	-	-	48,721	-	-	-	-
Net charge for defined contribution plans	-	-	-	-	306,837	-	-	-	-	264,844
Net (reversal) / charge for defined benefit plans	-	-	-	-	6,722,843	-	-	-	-	99,794
Other expenses	-	-	1,961	-	4,960	-	-	-	2,552	1,316
Clearing Charges	-	-	-	-	114,171	-	-	-	-	116,360
Seminar and Membership fees	-	-	-	-	9,405	-	-	-	-	5,545
Membership, Subscription, Sponsorship and maintenance charges	-	-	-	-	7,309	-	-	-	-	6,289
Custody Charges	-	-	-	-	5,775	-	-	-	-	-
Insurance premium paid	-	-	-	556,291	-	-	-	-	442,463	-
Insurance claims settled	-	-	-	395,987	-	-	-	-	206,675	-

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

	2018	2017
	----- (Rupees in '000) -----	
46. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	12,241,798	12,241,798
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	109,026,135	110,649,879
Eligible Additional Tier 1 (ADT 1) Capital	8,875,000	-
Total Eligible Tier 1 Capital	117,901,135	110,649,879
Eligible Tier 2 Capital	38,449,649	40,892,332
Total Eligible Capital (Tier 1 + Tier 2)	156,350,784	151,542,211
Risk Weighted Assets (RWAs):		
Credit Risk	729,807,059	666,405,810
Market Risk	9,991,738	174,331,695
Operational Risk	141,621,143	140,304,148
Total	881,419,940	981,041,653
Common Equity Tier 1 Capital Adequacy Ratio	12.37%	11.28%
Tier 1 Capital Adequacy Ratio	13.38%	11.28%
Total Capital Adequacy Ratio	17.74%	15.45%

The SBP through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid-up capital (net of accumulated losses) for Banks to be raised to Rs.10,000 million by the year ending December 31, 2015. The paid-up capital of the Bank for the year ended December 31, 2018 stood at Rs.12,241.798 million (2017: Rs.12,241.798 million) and is in compliance with SBP requirements. Banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10.0% plus capital conservation buffer of 1.90% of the risk weighted exposures of the Bank. Further, under Basel III instructions, Banks are also required to maintain a Common Equity Tier 1 (CET 1) ratio and Tier 1 ratio of 6.0% and 7.5%, respectively, as at December 31, 2018. As at December 31, 2018 the Bank is fully compliant with prescribed ratios as the Bank's CAR is 17.74% whereas CET 1 and Tier 1 ratios stood at 12.37% and 13.38% respectively. The Bank and its individually regulated operations have complied with all capital requirements throughout the year.

Furthermore, under the SBP's Framework for Domestic Systematically Important Banks (D-SIBs) introduced vide BPRD Circular No. 04 of 2018 dated April 13, 2018, UBL has been designated as a D-SIB. Under this framework, the Bank is required to meet the Higher Loss Absorbency capital charge of 1.5%, in the form of Additional CET 1 capital, on a standalone as well as consolidated level. The additional capital requirement shall be effective from the end of March 2019.

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

	2018	2017
	----- (Rupees in '000) -----	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	117,901,135	110,649,879
Total Exposures	2,423,130,058	2,880,164,756
Leverage Ratio	4.87%	3.84%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	404,144,218	414,579,250
Total Net Cash Outflow	212,338,866	255,636,947
Liquidity Coverage Ratio	190.33%	162.18%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	1,489,318,075	1,128,634,708
Total Required Stable Funding	1,181,920,887	1,086,955,065
Net Stable Funding Ratio	126.01%	103.83%

- 46.1** The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time are placed on the website. The link to the full disclosure is available at <http://www.ubldirect.com/Corporate/InvestorRelations/CapitalAdequacyStatements.aspx>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

47. RISK MANAGEMENT

This section presents information about the Bank's exposure to and its management and control of risks, in particular, the primary risks associated with its use of financial instruments such as credit, market, liquidity, and operational risks.

The Bank has an integrated risk management structure in place covering domestic and International franchise. The Board Risk and Compliance Committee (BRCC) oversees the entire risk management process of the Bank. Furthermore, Risk Management Committee has been formed which looks at all risks collectively at senior management level. The committee is chaired by the President and comprises of Heads of all Risk areas, Finance, Business etc. The Risk and Credit Policy Group is responsible for the development and implementation of all risk policies as approved by the BRCC / BoD. The group is organized into the functions of Market & Treasury Risk, Financial Institution Risk, Credit Policy & Research, Consumer Credit Policy, Credit Risk Management and Operational Risk & Basel. Each risk function is headed by a senior manager who reports directly to the Group Executive, Risk and Credit Policy. The role of the Risk and Credit Policy Group includes:

- Determining guidelines relating to the Bank's risk appetite.
- Recommending risk management policies in accordance with the Prudential Regulations, Basel II / III framework, Regulatory framework of foreign countries where the bank operates and international best practices.
- Reviewing policies / manuals and ensuring that these are in accordance with BRCC / BoD approved risk management policies.
- Developing systems and resources to review the key risk exposures of the Bank.
- Approving credits and granting approval authority to qualified and experienced individuals.
- Reviewing the adequacy of credit training across the Bank.
- Organizing portfolio reviews focusing on quality assessment, risk profiles, industry concentrations etc.
- Setting systems to identify significant portfolio indicators, problem credits and level of provisioning required.
- Establish an extensive Information Security (IS) Program and governance structure to manage the Security of the Information assets.

47.1 Credit risk

Credit risk is the risk that a customer or counterparty may not settle an obligation for full value, either when due or at any time thereafter. This risk arises from the potential that a customer's or counterparty's willingness or ability to meet such an obligation is impaired, resulting in an economic loss to the Bank.

The credit risk management process is driven by the Bank's Risk Management Policy, Credit Policy for Corporate, Commercial, SME & Agri, Collateral Management Policy, Credit Policy International, Credit Policy UAE and Credit Manual, which provides policies and procedures in relation to credit initiation, approval, documentation and disbursement, credit maintenance and remedial management.

Individual credit authorities are delegated to credit officers by the Group Executive - Risk & Credit Policy (authorized by BoD), according to their seasoning / maturity. Approvals for Consumer loans are centralized, while approval authorities for International, Corporate, Commercial, SME and Agri exposures are delegated at a Country / Regional level. Furthermore, credit authorities are also delegated to business teams in various regions for Commercial, SME & Agri lending. All credit policy functions domestic & international are centrally organized.

Concentrations of credit risk exist if clients are engaged in similar activities, or are located in the same geographical region, or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. The Bank manages, limits and controls concentrations of credit risk to individual counterparties and groups, and to industries, where appropriate. Limits are also applied to portfolios or sectors where the Bank considers it appropriate to restrict credit risk concentrations, or to areas of higher risk, or to control the rate of portfolio growth.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

47.1.1 Lendings to financial institutions

Credit risk by public / private sector	Gross lendings		Non-performing lendings		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Public / Government	4,800,000	6,058,883	-	-	-	-
Private	29,209,799	4,934,501	68,253	125,853	68,253	125,853
	<u>34,009,799</u>	<u>10,993,384</u>	<u>68,253</u>	<u>125,853</u>	<u>68,253</u>	<u>125,853</u>

47.1.2 Investment in debt securities

Credit risk by industry sector	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Agriculture, Forestry, Hunting and Fishing	-	682,513	-	913	-	913
Mining and Quarrying	-	-	-	-	-	-
Textile	229,264	229,262	229,264	229,262	103,090	103,428
Chemical and Pharmaceuticals	110,645	121,527	110,645	121,527	110,645	121,199
Electronics and electrical appliances	2,549	-	2,549	-	2,549	-
Construction	-	89,124	-	-	-	-
Power (electricity), Gas, Water, Sanitary	14,827,903	17,248,845	-	-	-	-
Exports / Imports	693,516	-	-	-	-	-
Airlines	1,792,177	2,175,183	1,792,177	2,175,183	-	-
Financial	761,993,686	1,038,415,048	301,197	656,540	301,172	615,039
Others	941,517	1,016,297	430,317	1,395	430,830	1,396
	<u>780,591,257</u>	<u>1,059,977,799</u>	<u>2,866,149</u>	<u>3,184,820</u>	<u>948,286</u>	<u>841,975</u>
Credit risk by public / private sector						
Public / Government	768,972,689	997,243,939	1,792,177	2,175,183	-	-
Private	11,618,568	62,733,860	1,073,972	1,009,637	948,286	841,975
	<u>780,591,257</u>	<u>1,059,977,799</u>	<u>2,866,149</u>	<u>3,184,820</u>	<u>948,286</u>	<u>841,975</u>

47.1.3 Advances

Credit risk by industry sector	Gross advances		Non-performing advances		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Chemical and pharmaceuticals	15,625,380	13,651,120	112,284	148,319	112,284	148,319
Agri business	10,434,276	61,820,554	461,798	426,525	347,506	321,387
Textile spinning	18,505,029	19,632,554	3,945,619	4,108,702	3,945,619	4,108,702
Textile weaving	8,518,471	8,064,605	418,026	318,110	417,764	317,384
Textile composite	33,893,395	29,260,256	3,963,152	3,997,470	3,961,202	3,970,378
Textile others	19,115,642	15,300,533	2,565,120	2,815,147	2,461,777	2,809,019
Cement	6,608,055	5,420,193	-	-	-	-
Sugar	10,106,270	23,037,545	426,992	80,712	426,992	80,712
Shoes and leather garments	2,351,335	2,774,178	2,214,605	1,958,526	2,214,700	1,010,093
Automobile and transportation equipment	15,891,527	18,285,949	130,307	164,904	128,250	164,226
Financial	68,351,156	68,002,072	3,400,989	3,283,651	3,461,379	2,816,331
Electronics and electrical appliances	14,230,576	13,388,390	7,348,585	2,884,904	5,356,833	1,557,519
Production and transmission of energy	226,812,720	139,830,523	5,185,374	5,506,846	4,710,194	4,823,734
Paper and allied	3,440,410	3,364,088	707,669	599,466	706,138	265,191
Surgical and metal	207,652	6,497	-	-	-	-
Contractors	5,107,914	5,964,159	-	-	-	-
Wholesale traders	37,710,707	25,319,424	6,255,138	4,412,121	6,239,271	2,938,015
Fertilizer dealers	14,480,378	16,219,433	47,698	65,759	46,675	65,759
Sports goods	691,643	45,499	-	-	-	-
Food industries	87,424,582	26,059,934	8,090,259	5,813,962	6,139,973	3,483,604
Airlines	8,076,546	9,706,217	-	-	-	-
Cables	994,870	1,041,023	-	-	-	-
Construction	31,200,714	27,252,802	2,728,125	2,175,146	2,702,656	2,175,146
Containers and ports	-	-	-	-	-	-
Engineering	22,793,296	16,440,176	1,117,263	1,134,465	49,720	67,145
Glass and allied	598,019	499,906	-	-	-	-
Hotels	1,420,315	1,897,497	596,050	589,060	596,050	589,060
Polyester and fiber	4,541,352	3,982,326	1,577,051	1,577,051	1,577,051	1,577,051
Telecommunication	17,805,208	19,791,165	-	-	-	-
Individuals	33,650,070	49,429,921	9,025,617	4,681,558	3,534,972	2,742,177
Others	55,684,833	44,567,161	8,244,000	5,504,287	6,756,019	3,410,658
	<u>776,272,341</u>	<u>670,055,700</u>	<u>68,561,721</u>	<u>52,246,691</u>	<u>55,893,025</u>	<u>39,441,610</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

Credit risk by public / private sector	Gross advances		Non-performing advances		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Public / Government	331,031,291	196,373,363	1,089,630	1,089,630	22,313	22,313
Private	445,241,050	473,682,337	67,472,091	51,157,061	55,870,712	39,419,297
	<u>776,272,341</u>	<u>670,055,700</u>	<u>68,561,721</u>	<u>52,246,691</u>	<u>55,893,025</u>	<u>39,441,610</u>

2018 2017
----- (Rupees in '000) -----

47.1.4 Contingencies and Commitments

Credit risk by industry sector

Agri business	84,806	29,386
Airlines	444,064	337,255
Automobile and transportation equipment	5,442,636	7,825,329
Cables	416,415	648,521
Cement	9,657,312	7,906,329
Chemical and pharmaceuticals	3,832,528	3,401,520
Construction	20,745,074	30,217,512
Containers and ports	1,092,000	1,092,000
Contractors	19,364,259	22,246,724
Electronics and electrical appliances	3,089,509	3,815,472
Engineering	19,369,801	17,371,474
Fertilizer dealers	5,133,758	5,458,328
Financial	714,168,003	565,602,405
Food industries	10,004,607	6,182,233
Glass and allied	380,484	191,961
Hotels	153,631	166,290
Individuals	3,721,732	9,388,264
Paper and allied	3,304,861	4,560,342
Polyester and fiber	6,498,849	2,396,842
Production and transmission of energy	132,743,634	105,102,591
Shoes and leather garments	95,932	528,579
Sugar	1,700,230	2,066,348
Surgical and metal	-	85,103
Telecommunication	11,070,166	12,212,381
Textile composite	5,075,008	5,944,634
Textile others	4,506,514	5,712,448
Textile spinning	5,472,684	5,870,989
Textile weaving	4,428,557	5,236,354
Wholesale traders	2,192,183	2,059,746
Others	<u>124,710,258</u>	<u>115,693,017</u>
	<u>1,118,899,495</u>	<u>949,350,377</u>

Credit risk by public / private sector

Public / Government	503,906,705	179,114,844
Private	<u>614,992,790</u>	<u>770,235,533</u>
	<u>1,118,899,495</u>	<u>949,350,377</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

47.1.5 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs 329,887 million (2017: 244,079 million) are as following:

	2018	2017
	----- (Rupees in '000) -----	
Funded	202,225,292	151,828,373
Non Funded	127,661,689	92,250,648
Total Exposure	<u>329,886,981</u>	<u>244,079,021</u>

The sanctioned limits against these top 10 exposures aggregated to Rs 377,954 million (2017: Rs 320,645 million).

47.1.6 Advances - Province / Region-wise Disbursement & Utilization

Province / Region	2018						
	Utilization						Disburse-ments
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan	
	----- (Rupees in '000) -----						
Punjab	189,383,006	189,383,006	-	-	-	-	189,383,006
Sindh	182,227,010	-	182,227,010	-	-	-	-
KPK including FATA	1,993,230	-	-	1,993,230	-	-	-
Balochistan	316,817	-	-	-	316,817	-	-
Islamabad	81,087,836	-	-	-	-	81,087,836	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-	-
Total	<u>455,007,899</u>	<u>189,383,006</u>	<u>182,227,010</u>	<u>1,993,230</u>	<u>316,817</u>	<u>81,087,836</u>	<u>-</u>

Province / Region	2017						
	Utilization						Disburse-ments
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan	
	----- (Rupees in '000) -----						
Punjab	133,494,133	133,494,133	-	-	-	-	133,494,133
Sindh	281,235,979	-	281,235,979	-	-	-	-
KPK including FATA	1,025,076	-	-	1,025,076	-	-	-
Balochistan	1,438,165	-	-	-	1,438,165	-	-
Islamabad	18,292,432	-	-	-	-	18,292,432	-
AJK including Gilgit-Baltistan	18,311	-	-	-	-	-	18,311
Total	<u>435,504,096</u>	<u>133,494,133</u>	<u>281,235,979</u>	<u>1,025,076</u>	<u>1,438,165</u>	<u>18,292,432</u>	<u>18,311</u>

47.2 Market Risk

Market risk is the risk that the fair value of a financial instrument will fluctuate due to movements in market prices. It results from changes in interest rates, exchange rates and equity prices as well as from changes in the correlations between them. Each of these components of market risk consists of a general market risk and a specific market risk that is driven by the nature and composition of the portfolio.

Measuring and controlling market risk is usually carried out at a portfolio level. However, certain controls are applied, where necessary, to individual risk types, to particular books and to specific exposures. Controls are also applied to prevent any undue risk concentrations in trading books, taking into account variations in price, volatility, market depth and liquidity. These controls include limits on exposure to individual market risk variables as well as limits on concentrations of tenors and issuers.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

Trading activities are centered in the Treasury and Capital Markets Group which facilitates clients and also runs proprietary positions. The Bank is active in the cash and derivative markets for equity, interest rate and foreign exchange.

The Market and Treasury Risk division performs market risk management activities. Within this division, the Market Risk Management unit is responsible for the development and review of market risk policies and processes, and is involved in research, financial modelling and testing / implementation of risk management systems, while Treasury Middle Office is responsible for implementation and monitoring of market risk and other policies, escalation of deviations to senior management, and MIS reporting.

The functions of the Market Risk Management unit are as follows:

- To keep the market risk exposure within the Bank's risk appetite as assigned by the BoD and the BRCC.
- To develop, review and upgrade procedures for the effective implementation of market risk management policies approved by the BoD and BRCC.
- To review new product proposals and propose / recommend / approve procedures for the management of their market risk. Various limits are assigned to different businesses on a product / portfolio basis. The products are approved through product programs, where risks are identified and limits and parameters are set. Any transactions / products falling outside these product programs are approved through separate transaction / product memos.
- To maintain a comprehensive database for performing risk analysis, stress testing and scenario analysis. Stress testing activities are performed on a quarterly basis on both the Banking and Trading books.

47.2.1 Balance sheet split by trading and banking books

	2018			2017		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	183,467,358	-	183,467,358	157,582,687	-	157,582,687
Balances with other banks	23,345,698	-	23,345,698	19,516,198	-	19,516,198
Lendings to financial institutions	33,941,546	-	33,941,546	10,867,531	-	10,867,531
Investments	684,810,713	101,564,613	786,375,326	366,163,020	725,623,606	1,091,786,626
Advances	715,936,731	-	715,936,731	627,358,836	-	627,358,836
Fixed assets	45,799,099	-	45,799,099	45,208,373	-	45,208,373
Intangible assets	1,757,033	-	1,757,033	996,191	-	996,191
Deferred tax assets	7,807,084	-	7,807,084	-	-	-
Other assets	91,169,271	-	91,169,271	79,617,492	-	79,617,492
	<u>1,788,034,533</u>	<u>101,564,613</u>	<u>1,889,599,146</u>	<u>1,307,310,328</u>	<u>725,623,606</u>	<u>2,032,933,934</u>

47.2.2 Foreign Exchange Risk

Foreign Exchange Risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates. Exposures are monitored by currency to ensure that they remain within the established limits for each currency. Exposures are also monitored on an overall basis to ensure compliance with the Bank's SBP approved Foreign Exchange Exposure Limit.

The Bank is an active participant in the cash and derivatives markets for currencies and carries currency risk from these trading activities, conducted primarily by the Treasury and Capital Markets Group (TCM). These trading exposures are monitored through prescribed stress tests and sensitivity analyses.

The Bank's reporting currency is the Pakistan Rupee, but its assets, liabilities, income and expenses are denominated in multiple currencies. From time to time, TCM proactively hedges foreign currency exposures resulting from its market making activities, subject to pre-defined limits.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

	2018				2017			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)							
Pakistan Rupee	1,528,881,285	1,332,249,233	(45,447,911)	151,184,141	1,663,524,378	1,474,785,303	(30,679,274)	158,059,801
US Dollar	188,482,131	105,377,856	(83,674,639)	(570,364)	213,845,211	114,777,825	(98,381,371)	686,015
Pound Sterling	908,675	25,083,810	24,503,084	327,949	1,705,174	19,910,188	18,563,742	358,728
Japanese Yen	26,277	8,804	(12,606)	4,867	1,196,948	1,182,636	(11,770)	2,542
Euro	1,172,096	7,178,589	6,049,138	42,645	2,767,898	9,587,369	6,959,689	140,218
UAE Dirham	128,464,510	211,071,317	80,270,598	(2,336,209)	102,898,239	193,641,497	89,151,353	(1,591,905)
Bahraini Dinar	13,581,751	25,327,298	12,252,900	507,353	13,708,941	22,243,314	9,037,609	503,236
Qatari Riyal	24,428,228	28,332,023	4,809,866	906,071	26,105,618	29,677,810	4,230,555	658,363
Other Currencies	3,654,193	3,700,268	1,249,570	1,203,495	7,181,527	7,820,945	1,129,467	490,049
	<u>1,889,599,146</u>	<u>1,738,329,198</u>	<u>-</u>	<u>151,269,948</u>	<u>2,032,933,934</u>	<u>1,873,626,887</u>	<u>-</u>	<u>159,307,047</u>

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account				
+1% change	-	-	-	-
-1% change	-	-	-	-
- Other comprehensive income				
+1% change	(15,664)	-	(7,572)	-
-1% change	15,664	-	7,572	-

47.2.3 Equity Position Risk

Equity position risk is the risk that the fair value of a financial instrument will fluctuate due to changes in the prices of individual stocks or the levels of equity indices. The Bank's equity book comprises of held for trading (HFT) and available for sale (AFS) portfolios. The objective of the HFT portfolio is to make short-term capital gains, whilst the AFS portfolio is maintained with a medium term view of earning both capital gains and dividend income. Product program manuals have been developed to provide guidelines on the objectives and policies, risks and mitigants, limits and controls for the equity portfolios of the Bank.

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% change in equity prices on,				
Other comprehensive income				
+5% change	860,010	-	938,862	-
-5% change	(860,010)	-	(938,862)	-

47.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB) - Basel II Specific

Interest rate risk is the risk that fair value of a financial instrument will fluctuate as a result of changes in interest rates, including changes in the shape of yield curves. Interest rate risk is inherent in many of the Bank's businesses and arises from mismatches between the contractual maturities or the re-pricing of on and off-balance sheet assets and liabilities. The interest rate sensitivity profile is prepared on a quarterly basis based on the re-pricing or contractual maturities of assets and liabilities.

Interest rate risk is monitored and managed by performing periodic gap analysis, sensitivity analysis and stress testing and taking appropriate actions where required.

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in interest rates on				
- Profit and loss account				
+1% change	-	3,724,417	-	2,783,786
-1% change	-	(3,724,417)	-	(2,783,786)
- Other comprehensive income				
+1% change	498,049	-	-	-
-1% change	(498,049)	-	-	-

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

47.2.4.1 Mismatch of interest rate sensitive assets and liabilities

	Effective yield / interest rate %	2018										Non-interest bearing financial instruments
		Total	Exposed to yield / interest rate risk									
			Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	
(Rupees in '000)												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.13%	183,467,358	17,755,203	-	2,777,240	-	-	-	-	-	-	165,712,155
Balances with other banks	2.98%	23,345,698	6,941,583	7,508,775	-	-	-	-	-	-	-	6,118,100
Lendings to financial institutions	5.38%	33,941,546	28,374,927	5,566,619	-	-	-	-	-	-	-	-
Investments	7.42%	786,375,326	172,967,388	81,281,141	65,392,596	67,917,169	90,116,152	84,905,076	76,741,411	113,687,053	5,596,807	27,770,533
Advances	7.03%	-	-	-	-	-	-	-	-	-	-	-
Performing	-	703,268,035	193,486,562	328,816,100	169,884,411	4,869,179	371,516	233,383	1,014,281	1,244,205	3,348,398	-
Non-performing	-	12,668,696	-	-	-	-	-	-	-	-	-	12,668,696
Other assets	0.00%	61,816,055	-	-	-	-	-	-	-	-	-	61,816,055
		1,804,882,714	419,525,663	423,172,635	238,054,247	72,786,348	90,487,668	85,138,459	77,755,692	114,931,258	8,945,205	274,085,539
Liabilities												
Bills payable	0.00%	27,249,136	-	-	-	-	-	-	-	-	-	27,249,136
Borrowings	5.80%	268,124,033	166,629,536	42,005,642	16,899,220	18,830,189	21,922,744	-	-	-	-	1,836,702
Deposits and other accounts	2.86%	1,366,060,048	572,876,771	63,236,229	70,102,471	30,908,455	9,089,230	4,988,256	12,093,280	18,200,782	-	584,564,574
Subordinated loans	0.00%	9,000,000	-	9,000,000	-	-	-	-	-	-	-	-
Other liabilities	0.00%	55,831,405	-	-	-	-	-	-	-	-	-	55,831,405
		1,726,264,622	739,506,307	114,241,871	87,001,691	49,738,644	31,011,974	4,988,256	12,093,280	18,200,782	-	669,481,817
On-balance sheet Gap		78,618,092	(319,980,644)	308,930,764	151,052,556	23,047,704	59,475,694	80,150,203	65,662,412	96,730,476	8,945,205	(395,396,278)
Net non financial assets		72,651,856										
Total net assets		151,269,948										
Off-balance sheet financial instruments												
Interest Rate Derivatives - Long position	-	1,674,764	-	495,632	1,179,132	-	-	-	-	-	-	-
Interest Rate Derivatives - Short position	-	(1,674,764)	-	(179,132)	(1,179,132)	-	(316,500)	-	-	-	-	-
FX Options - Long position	-	579,876	199,175	352,968	27,733	-	-	-	-	-	-	-
FX Options - Short position	-	(579,876)	(199,175)	(352,968)	(27,733)	-	-	-	-	-	-	-
Forward Purchase of Government Securities	-	13,619,209	-	3,809,411	-	-	-	-	-	9,809,798	-	-
Forward Sale of Government Securities	-	(2,326,880)	-	(174,199)	-	-	-	-	(2,152,681)	-	-	-
Foreign currency forward purchases	-	313,860,505	162,917,827	104,229,824	46,371,029	341,825	-	-	-	-	-	-
Foreign currency forward sales	-	(269,848,264)	(158,300,387)	(71,531,113)	(37,095,494)	(2,921,270)	-	-	-	-	-	-
		55,304,570	4,617,440	36,650,423	9,275,535	(2,579,445)	(316,500)	-	(2,152,681)	9,809,798	-	-
Off-balance sheet Gap		133,922,662	(315,363,204)	345,581,187	160,328,091	20,468,259	59,159,194	80,150,203	63,509,731	106,540,274	8,945,205	(395,396,278)
Total Yield / Interest Rate Risk Sensitivity Gap												
Cumulative Yield / Interest Rate Risk Sensitivity Gap												

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

Effective yield / interest rate %	2017											Non-interest bearing financial instruments
	Total	Exposed to yield / interest rate risk										
		Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years		
(Rupees in '000)												
On-balance sheet financial instruments												
Assets												
0.03%	157,582,687	14,646,863	-	-	-	-	-	-	-	-	-	142,935,824
1.87%	19,516,198	11,386,016	850,000	-	-	-	-	-	-	-	-	7,280,182
5.27%	10,867,531	7,516,953	-	3,051,502	299,076	-	-	-	-	-	-	-
7.39%	1,091,786,626	302,446,931	191,869,659	13,372,923	49,105,583	148,003,052	91,519,768	160,923,936	103,565,268	4,816,117	26,163,389	
6.20%												
	614,553,755	183,063,582	232,954,847	146,949,643	19,142,201	10,921,649	5,832,683	8,471,216	3,916,941	3,300,993	-	-
	12,805,081	-	-	-	-	-	-	-	-	-	-	12,805,081
0.00%	55,475,097	-	-	-	-	-	-	-	-	-	-	55,475,097
	1,962,586,975	519,060,345	425,674,506	163,374,088	68,546,860	158,924,701	97,352,451	169,395,152	107,482,209	8,117,110	244,659,573	
Liabilities												
0.00%	29,847,743	-	-	-	-	-	-	-	-	-	-	29,847,743
5.35%	512,650,465	447,089,202	36,319,852	7,718,255	2,674,198	18,281,748	-	-	-	-	-	567,210
2.63%	1,272,787,824	542,727,025	75,868,572	54,089,603	23,749,397	6,407,918	2,773,380	50,622,850	5,972,218	-	510,586,861	
0.00%	48,846,434	-	-	-	-	-	-	-	-	-	-	48,846,434
	1,864,132,466	989,816,227	112,178,424	61,807,858	26,423,595	24,689,666	2,773,380	50,622,850	5,972,218	-	589,848,248	
On-balance sheet Gap												
	98,454,509	(470,755,882)	313,496,082	101,566,210	42,123,265	134,235,035	94,579,071	118,772,302	101,509,991	8,117,110	(345,188,675)	
Net non financial assets												
	60,852,538											
Total net assets												
	159,307,047											
Off-balance sheet financial instruments												
	4,358,641	-	-	168,000	-	3,874,141	316,500	-	-	-	-	-
	(4,358,641)	-	(1,358,641)	(3,000,000)	-	-	-	-	-	-	-	-
	83,368	45,117	38,251	-	-	-	-	-	-	-	-	-
	(83,368)	(45,117)	(38,251)	-	-	-	-	-	-	-	-	-
	7,870,890	7,870,890	-	-	-	-	-	-	-	-	-	-
	(1,478)	(1,478)	-	-	-	-	-	-	-	-	-	-
	210,187,425	91,889,070	69,370,562	45,266,129	3,661,664	-	-	-	-	-	-	-
	(180,864,234)	(80,096,355)	(55,972,882)	(39,020,675)	(5,774,322)	-	-	-	-	-	-	-
Off-balance sheet Gap												
	37,192,603	19,662,127	12,039,039	3,413,454	(2,112,658)	3,874,141	316,500	-	-	-	-	-
Total Yield / Interest Rate Risk Sensitivity Gap												
	135,647,112	(451,093,755)	325,535,121	104,979,664	40,010,607	138,109,176	94,895,571	118,772,302	101,509,991	8,117,110	(345,188,675)	
Cumulative Yield / Interest Rate Risk Sensitivity Gap												
	(451,093,755)	(125,558,634)	(20,578,970)	19,431,637	157,540,813	252,436,384	371,208,686	472,718,677	480,835,787	135,647,112		

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

47.3 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

In compliance with the Regulatory Guidelines, an Operational Risk Division is established within Risk & Credit Policy Group. Operational Risk Division is primarily responsible for the oversight of operational risk management across the Bank. The operational risk management framework of the Bank is governed by the Operational Risk Management Policy and Procedures, while the implementation is supported by an operational risk management system and designated operational risk coordinators within different units across the bank. The framework is in line with international best practices, flexible enough to implement in stages and permits the overall approach to evolve in response to organizational learning and future requirements.

In accordance with the Operational Risk policy and framework, a database covering losses, control breaches and near misses is being maintained by the division. Major risk events are analyzed from the control breach perspective and mitigating controls are assessed on design and operating effectiveness. Quarterly updates on Operational Risk events are being presented to the Senior Management and Board Risk & Compliance Committee of the Bank. Periodic workshops are conducted for Risk & Control Self-Assessment and key risk exposures are identified and assessed against existing controls to evaluate improvement opportunities. Key Risk Indicators are also defined for monitoring of risk exposures. New products, systems, activities and processes, are subject to comprehensive operational risk assessments, before implementation.

Business Continuity Plans have been implemented across the bank, clearly defining the roles and responsibilities of respective stakeholders, and covering recovery strategy, IT and structural backups, scenario and impact analyses and testing directives. The outsourcing policy has also been augmented to address risks associated with such arrangements.

In the current year, an external investigation was conducted which highlighted certain bank accounts with unusual transactions. These accounts have already been closed by the Bank and necessary action has been taken.

47.4 Liquidity risk

Liquidity risk is the risk that the Bank may be unable to meet its obligations or to fund increases in assets as they fall due without incurring unacceptable cost or losses.

The Assets and Liabilities Management Committee (ALCO) of the Bank is responsible for the oversight of liquidity management and meets on a monthly basis or more frequently, if required.

The Bank's approach to liquidity management is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking sustained damage to business franchises. A centralized approach is adopted, based on an integrated framework incorporating an assessment of all material known and expected cash flows and the availability of collateral which could be used to secure additional funding if required. The framework entails careful monitoring and control of the daily liquidity position, and regular liquidity stress testing under a variety of scenarios. These encompass both normal and stressed market conditions, including general market crises and the possibility that access to markets could be impacted by a stress event affecting some part of the Bank's business.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

47.4.1 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the Bank

The maturity profile presented below has been prepared as required by IFRS on the basis of contractual maturities, except for products that do not have a contractual maturity which are shown in the first bucket.

2018

	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
	(Rupees in '000)													
Assets														
Cash and balances with treasury banks	183,467,358	-	-	-	183,467,358	-	-	-	-	-	-	-	-	-
Balances with other banks	23,345,698	5,778,933	3,435,374	282,148	3,224,060	6,447,798	1,338,694	2,838,691	-	-	-	-	-	-
Lendings to financial institutions	33,941,546	-	10,000,000	18,000,000	374,814	2,500,000	3,066,732	-	-	-	-	-	-	-
Investments	786,375,326	32,823,605	156,797,181	433,020	19,921,857	62,917,831	8,475,916	65,242,738	29,189,770	1,974,170	127,133,669	66,887,703	83,112,284	131,465,582
Advances	715,936,731	-	-	-	189,857,122	-	96,115,180	64,371,696	-	59,701,276	71,037,472	51,766,443	85,269,181	97,818,361
Fixed Assets	45,799,099	-	-	-	188,974	-	390,871	401,220	-	280,692	747,605	1,126,794	1,905,420	40,757,523
Intangible Assets	1,757,033	-	-	-	2	-	581	208,674	-	31,019	234,556	444,686	485,149	352,366
Deferred tax asset-net	7,807,084	-	-	-	7,807,084	-	-	-	-	-	-	-	-	-
Other assets	91,169,271	-	-	-	18,970,099	-	12,877,135	6,026,623	-	33,545,272	5,573,294	4,754,905	5,424,198	3,997,745
	1,889,599,146	38,602,538	170,232,555	18,715,168	423,811,370	71,865,629	122,265,109	139,089,642	29,189,770	95,532,429	204,726,596	124,980,531	176,196,232	274,391,577
Liabilities														
Bills payable	27,249,136	-	-	-	27,249,136	-	-	-	-	-	-	-	-	-
Borrowings	268,124,033	2,832,866	109,441,290	35,417,401	18,392,948	44,977,594	20,822,080	15,379,169	1,817	14,697	114,503	712,145	1,557,616	18,459,907
Deposits and other accounts	1,366,060,048	1,064,497,889	13,231,268	12,757,839	64,569,216	13,239,830	57,791,053	66,483,817	13,263,375	29,872,744	12,619,682	5,716,464	6,162,893	5,853,978
Subordinated debts	9,000,000	-	-	-	-	-	-	-	-	-	-	-	-	9,000,000
Other liabilities	67,895,981	-	-	-	28,878,267	-	8,703,291	6,720,531	-	7,144,270	2,630,469	2,266,686	5,211,000	6,341,467
	1,738,329,198	1,067,330,755	122,672,558	48,175,240	139,089,567	58,217,424	87,316,424	88,583,517	13,265,192	37,031,711	15,364,654	8,695,295	12,931,509	39,655,352
Net assets	151,269,948	(1,028,728,217)	47,559,997	(29,460,072)	284,721,803	13,648,205	34,948,685	50,506,125	15,924,578	58,500,718	189,361,942	116,285,236	163,264,723	234,736,225

Represented by:

Share capital	12,241,798
Reserves	54,439,238
Unappropriated profit	68,001,846
Surplus on revaluation of assets	16,587,066
	151,269,948

142 | United Bank Limited

142 | United Bank Limited

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

47.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank (ALCO)

Assets and Liabilities having contractual maturity dates are bucketed as per their respective maturities. The maturity profile of non-contractual deposits and bills payable is estimated using an Exponentially Weighted Moving Average model based on historical data. The maturity profile of certain non-contractual assets and liabilities which are related to specific assets and liabilities follows the maturity profile of the underlying asset or liability. The maturity profile of other non-contractual assets and liabilities is expected to follow historical patterns of behaviour. The methodology and the assumptions used to derive the maturity profile of non-contractual assets and liabilities have been approved by ALCO.

2018

	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
Assets										
Cash and balances with treasury banks	183,467,358	115,243,449	4,214,509	4,103,168	5,939,864	8,263,129	6,340,522	10,054,617	23,135,693	6,172,407
Balances with other banks	23,345,698	12,822,987	7,786,492	2,736,219	-	-	-	-	-	-
Lendings to financial institutions	33,941,546	28,306,674	5,634,872	-	-	-	-	-	-	-
Investments	786,375,326	177,416,699	71,672,063	62,115,054	88,522,344	88,688,878	83,828,023	88,425,577	119,165,389	6,541,299
Advances - Performing	703,268,035	189,857,122	96,115,180	64,371,696	59,701,276	71,037,472	51,766,443	85,269,181	66,672,690	18,476,975
- Non-performing	12,668,696	-	-	-	-	-	-	-	-	12,668,696
Fixed Assets	45,799,099	188,974	390,871	401,220	280,692	747,605	1,126,794	1,905,420	3,146,169	37,611,354
Intangible Assets	1,757,033	2	581	208,674	31,019	234,556	444,686	485,149	352,366	-
Deferred tax asset-net	7,807,084	-	-	-	1,951,771	1,951,771	1,951,771	1,951,771	-	-
Other assets	91,169,271	18,970,099	12,877,135	6,026,623	33,545,272	5,573,294	4,754,905	5,424,198	3,350,402	647,343
	1,889,599,146	542,806,006	198,691,703	139,962,654	189,972,238	176,496,705	150,213,144	193,515,913	215,822,709	82,118,074
Liabilities										
Bills payable	27,249,136	6,798,866	4,976,391	4,877,061	10,596,818	-	-	-	-	-
Borrowings	268,124,033	170,510,216	61,090,460	15,761,060	212,449	417,792	739,740	1,999,111	17,382,256	10,949
Deposits and other accounts	1,366,060,048	191,073,927	137,209,974	125,701,483	138,628,778	135,066,827	103,067,370	147,478,161	309,922,911	77,910,617
Subordinated debts	9,000,000	-	-	-	-	-	-	-	9,000,000	-
Other liabilities	67,895,981	28,878,267	8,703,291	6,720,531	7,144,270	2,630,469	2,266,686	5,211,000	1,599,077	4,742,390
	1,738,329,198	397,261,276	211,980,116	153,060,135	156,582,315	138,115,088	106,073,796	154,688,272	337,904,244	82,663,956
Net assets	151,269,948	145,544,730	(13,288,413)	(13,097,481)	33,389,923	38,381,617	44,139,348	38,827,641	(122,081,535)	(545,882)
Represented by:										
Share capital	12,241,798									
Reserves	54,439,238									
Unappropriated profit	68,001,846									
Surplus on revaluation of assets	16,587,066									
	151,269,948									

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

2017

		Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	157,582,687	89,913,377	2,654,124	2,601,148	3,765,496	5,238,298	4,019,487	6,373,987	10,278,978	32,737,792
Balances with other banks	19,516,198	14,602,634	1,048,963	-	3,864,601	-	-	-	-	-
Lendings to financial institutions	10,867,531	6,564,076	1,021,017	2,029,386	947,960	305,092	-	-	-	-
Investments	1,091,786,626	340,225,152	145,596,085	9,214,224	70,788,499	147,404,193	90,314,607	163,122,249	107,168,261	17,953,356
Advances - Performing	614,553,755	171,195,910	88,131,670	65,650,497	59,043,509	49,760,128	47,097,057	68,727,003	46,262,099	18,685,882
- Non-performing	12,805,081	-	-	-	-	-	-	-	-	12,805,081
Fixed Assets	45,208,373	158,232	1,737,376	2,627,449	309,792	542,468	977,409	1,657,897	2,436,603	34,761,147
Intangible Assets	996,191	8	268	1,027	9,974	37,425	320,237	440,661	186,591	-
Other assets	79,617,492	8,141,944	15,720,058	4,877,953	22,794,907	11,031,400	5,782,329	7,994,566	2,835,374	438,961
	2,032,933,934	630,801,333	255,909,561	87,001,684	161,524,738	214,319,004	148,511,126	248,316,363	169,167,906	117,382,219
Liabilities										
Bills payable	29,847,743	6,559,196	4,801,665	4,705,823	13,781,059	-	-	-	-	-
Borrowings	512,650,465	447,611,743	33,840,914	10,397,739	3,052,380	1,594,065	817,862	1,797,851	13,276,930	260,981
Deposits and other accounts	1,272,787,824	178,909,479	125,867,417	89,722,147	88,165,163	108,020,967	76,223,128	98,337,035	149,096,718	358,445,770
Deferred tax liability - net	2,611,941	-	-	-	652,985	652,985	652,985	652,986	-	-
Other liabilities	55,728,914	17,464,073	9,780,520	5,460,754	3,137,127	7,550,083	3,563,639	3,535,197	951,644	4,285,877
	1,873,626,887	650,544,491	174,290,516	110,286,463	108,788,714	117,818,100	81,257,614	104,323,069	163,325,292	362,992,628
Net assets	159,307,047	(19,743,158)	81,619,045	(23,284,779)	52,736,024	96,500,904	67,253,512	143,993,294	5,842,614	(245,610,409)

Represented by:

Share capital	12,241,798
Reserves	43,846,877
Unappropriated profit	70,912,406
Surplus on revaluation of assets	32,305,966
	159,307,047

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2018

48. NEW YORK BRANCH

As part of its global realignment strategy, UBL voluntarily closed its New York Branch (NY Branch) on January 28, 2019 and surrendered the license to the New York State Department of Financial Services (NYDFS). The Bank had earlier ceased commercial operations in its New York Branch in 2018 and has been providing US Dollar clearing services to its customers through multiple correspondent banking relationships.

UBL and the NY Branch had entered into a Written Agreement (WA 2018) with the Board of Governors of the Federal Reserve System (FRB) on July 2, 2018 upon termination of an earlier Written Agreement (WA 2013) dated October 28, 2013. Meanwhile, UBL requested the NYDFS that UBL intends to surrender the license of its NY Branch and notified FRB as well.

In pursuance thereof, UBL surrendered the NY Branch's license to NYDFS on January 28, 2019, in accordance with Section 605.11(c) of the New York Banking Law and the procedures prescribed by the NYDFS to facilitate an orderly liquidation of the NY Branch. UBL's NY Branch was thus closed as of January 28, 2019. As a result, costs including, among regular expenses, additional legal and consultancy costs, and staff severance costs and contract termination charges related to the closure of the Branch, the NY Branch incurred a net loss of Rs. 1,071.720 million for the year ended December 31, 2018 (2017: loss of Rs. 18.138 million). At this stage there is no indication of any financial impact in respect of post closure related regulatory matters including WA 2018.

UBL's decision to close the NY Branch was purely a commercial decision, which was taken after evaluating the commercial viability of continuing the operations of NY Branch. There will be no material impact on UBL's business related to Trade Finance and other Forex business activities as UBL has established multiple correspondent banking relationships with the renowned banks to provide continued U.S. dollar clearing services that were previously provided by the UBL's New York branch.

49. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

49.1 The Board of Directors in its meeting held on February 20, 2019 has proposed a cash dividend in respect of 2018 of Rs. 3 per share (2017: Rs. 4 per share). In addition, the Directors have also announced a bonus issue of nil (2017: nil). These appropriations will be approved in the forthcoming Annual General Meeting. The unconsolidated financial statements for the year ended December 31, 2018 do not include the effect of these appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2019.

49.2 Finance Supplementary (Second Amendment) Bill, 2019 laid down before the National Assembly of Pakistan on January 23, 2019, amended the rate of Super tax noted in the earlier Finance Act, 2018 and prescribed a flat rate of 4% super tax for all accounting years from 2017 to 2020. The changes proposed by the Bill are being deliberated and have not been enacted.

If the Bill is enacted in its proposed form, the potential impact of the revision in the rate of Super Tax for the accounting year 2017 would amount to Rs 1,650 million.

50. GENERAL

50.1 Comparatives


The comparative figures have been re-arranged and reclassified for comparison purposes. The significant reclassifications have been disclosed below and in notes 5.1.1 and 5.1.3 of these unconsolidated financial statements:


	Previously stated	Reclassification (Rupees in '000)	Revised Amount
Lendings to Financial Institutions	33,664,174	(22,796,643)	10,867,531
Advances - net	604,562,193	22,796,643	627,358,836
Deposits	1,289,247,251	(16,459,427)	1,272,787,824
Bills Payable	13,388,316	16,459,427	29,847,743


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


51. DATE OF AUTHORIZATION


These financial statements were authorized for issue on February 20, 2019 by the Board of Directors of the Bank.


Aameer Karachiwalla
 Chief Financial Officer


Sima Kamil
 President &
 Chief Executive Officer


Amar Zafar Khan
 Director


Arshad Ahmad Mir
 Director


Sir Mohammed Anwar Pervez, OBE, HPK
 Chairman

Annexure 'I' as referred to in note 10.6 of the Bank's Unconsolidated and Consolidated Financial Statements

Details of loans write offs of Rs. 500,000 and above

Rs '000

Sr. No.	Name and Address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the beginning			Written-off				
					Principal	Interest / Mark-up	Others	Total	Principal	Interest / Mark-up	Others	Total
1	Bismillah Textiles Limited 01-KM, Jaranwala Road Khurriwala, Faisalabad.	Abdul Hafeez Abdul Majeed Abdul Hameed	33100-0960636-5 33100-2860281-7 33100-1017362-1	Abdul Majeed Sh. Haji Lal Din Abdul Majeed Sh.	114,200	121,288	-	235,488	-	121,288	-	121,288
2	Phoenix Metal Ware Industries Toorabad Daska Road, Sialkot.	Shehnaz Akhtar Uzma Baig	34603-3405569-6 34603-1726845-2	Mirza Shaheen Baig Mirza Saleem Baig	42,259	24,176	-	66,435	-	23,935	-	23,935
3	Minhas Industries Vakil Khan Road, G.T Road, Kamoki, Gujranwala.	Munawar Hussain Minhas	37301-2358190-7	Muhammad Anwar	57,511	21,258	-	78,769	-	20,769	-	20,769
4	Shazco Traders A-129-A Site Super Highway, Karachi.	Syed Bilal Shah	42201-2187455-5	Azmat Shah	96,668	23,053	-	119,722	-	15,722	-	15,722
5	Rehmat Wazir Textile Mills Limited 2-KM Joyanwala More Lahore Sheikhpura Road, Lahore.	Naseer Sheikh Naveed Rehmat Tahira Bano	35202-5720954-7 35202-6016395-1 34501-1906716-0	Rehmat Ali Rehmat Ali Muhammad Ali	34,733	15,308	-	50,041	-	15,041	-	15,041
6	Goshi Spinning Industries Qabristan Road, Fareed Town, Gujranwala.	Muhammad Yousaf Rashid Yousaf Faisal Yousaf Adeel Yousaf	34101-3013029-9 34101-7354139-5 915090-125188-9 34101-9087008-7	Shah Muhammad Muhammad Yousaf Muhammad Yousaf Muhammad Yousaf	15,163	10,495	-	25,658	3,163	10,495	-	13,658
7	Sun Shine Cotton Ginning & Pressing Factory And Oil Mills Mirpur Khas Road, Khipro	Mohan Das Gopal Das Choit Ram Moti Ram	42301-9662222-9 42203-3280660-5 44202-8377157-5 42301-6728665-7	Huko Mal Huko Mal Huko Mal Huko Mal	12,404	9,424	-	21,828	-	9,328	-	9,328
8	Amir Cold Storage Link Bhogiwal Road, Baghbunpura, Lahore.	Muhammad Riaz	35202-2543363-7	Muhammad Jahangir	40,000	8,139	-	48,139	-	8,139	-	8,139
9	Sana Fabrics Private Limited Muslim Market New Anarkali, Lahore.	Bashir Ahmed Khan Shahid Bashir Khan Abid Bashir Khan Khalid Bshir Khan Ameer Khan Munir Khan	35202-9027237-7 35201-5130550-9 35202-9027332-7 35202-7198224-1 35202-1251493-3 35202-6396493-7	Abdul Aziz Khan Bashir Ahmed Khan Bashir Ahmed Khan Bashir Ahmed Khan Bashir Ahmed Khan Bashir Ahmed Khan	17,992	7,554	-	25,546	-	7,546	-	7,546
10	Azad International Clothing Private Limited Millat Road, Garden Town, Faisalabad	Akbar Ali Uzma Akbar	33100-0976894-7 33100-0881288-0	Ahmed Baksh Akbar Ali	23,569	8,559	-	32,128	-	7,490	-	7,490
11	Osprey International Private Limited House # 13, Street # 32, F-7-1, Islamabad.	Shahid Zafar Abbasi Yasmin Abbasi	35201-9078198-5 35201-8282134-8	Yousaf Abbasi Yousaf Abbasi	32,150	6,213	-	38,363	-	6,213	-	6,213
12	Makhdoom Jalali Hospital Plot # 1-7A/1, Drigh Township, Shah Faisal Colony, Karachi.	Sami Ahmed Mrs. Shagufta Sami	91509-0112009-3 91509-0108053-0	Fakhr Ud Din Siddiqui Sami Ahmed	1,930	8,693	-	10,623	-	5,623	-	5,623

Annexure 'I' as referred to in note 10.6 of the Bank's Unconsolidated and Consolidated Financial Statements

Details of loans write offs of Rs. 500,000 and above

Rs '000

Sr. No.	Name and Address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the beginning				Written-off			
					Principal	Interest / Mark-up	Others	Total	Principal	Interest / Mark-up	Others	Total
13	Al-Abbas Faiz Industries Jampur Road, DG Khan	Nazar Hussain Khadim Hussain	32102-4230019-9 32102-3092630-3	Both Sons of Mr. Khuda Buksh	2,859	6,805	-	9,663	-	5,613	-	5,613
14	Naeem & Brothers Kamoki, District Gujranwala.	Naeem Ashraf Naveed Ashraf Waseem Ashraf	34102-0432424-3 34102-0432422-7 34102-0432418-1	Muhamamd Ashraf Muhamamd Ashraf Muhamamd Ashraf	6,949	4,979	-	11,928	-	4,928	-	4,928
15	Khair Un Nass Medical Centre 2786, Sikandar Pura, G. T. Road, Peshawar.	Manzoor Hussain	17301-3261440-1	Gul Muhammad	2,000	2,913	-	4,913	-	2,913	-	2,913
16	M. Sana Ullah Co Private Limited Small Industrial Estate, Sialkot	Muhammad Ejaz Muhammad Javaid Muhammad Nawaz Muhammd Fayyaz Muhammad Amjad Umer Ilyas	34603-2164191-9 34603-2164017-7 34603-2148191-1 34603-2164192-3 34603-2164023-7 34603-2164197-9	Muhammad Sana Ullah Muhammad Sana Ullah Muhammad Sana Ullah Muhammad Sana Ullah Muhammad Sana Ullah Muhammad Ilyas	10,549	3,497	-	14,046	-	2,871	-	2,871
17	Pearls Multiple Services House # B-30, Block 4-A, Near Rajput Hospital, Karachi.	Anjum Jamil	42101-6011002-9	Jamal Ur Rehman Siddiqui	12,000	2,863	-	14,863	-	2,843	-	2,843
18	Zahid Enterprises K-Block, Model Town Near PSO Pump, Marian Stop, Lahore.	Muhammad Zahid Hanif	35202-9464651-3	Muhammad Hanif	11,000	2,343	-	13,343	-	2,343	-	2,343
19	S.F. Electronics Shop # 55, Saleem Centre, Block # 13, Gulshan-E-Iqbal, Karachi.	Intizaruddin Khan	42501-9584220-5	Sultan Khan	1,572	2,299	-	3,871	-	2,298	-	2,298
20	Diamond CNG Filling Station 6-KM, Sialkot road, Aroop More, Gujranwala	Malik Muhammad Sohaib	34101-2515221-9	Malik M. Insha	9,000	2,450	-	11,450	-	2,196	-	2,196
21	Zaib Flour Mills & General Mills MDA Disposal Suraj Miani, Multan	Muhammad Akhtar Uzma Azhar	36302-9906034-1 36302-4652163-8	Malik Muhammad Bux	9,495	2,509	-	12,004	-	2,004	-	2,004
22	Farooq Optical Co. Moti Bazar, Wazirabad, District, Gujranwala.	Muhammad Farooq Alam	35201-4494526-7	Muhammad Alam	5,750	1,877	-	7,627	-	1,876	-	1,876
23	Nadeem Traders Pull Bazaar, Sahiwal.	Munir Ahmed	36502-926262-7	Allah Ditta	4,000	1,822	-	5,822	-	1,822	-	1,822
24	Data Surgical Center & Medical Hall Medicine Market Town Hall, Multan	Muhammad Arshad Tufail	36302-0419902-5	Muhammad Tufail	3,600	1,983	-	5,583	-	1,711	-	1,711
25	Muhammad Sohail Chaudary House # 573/3 Phase II DHA, Lahore.	Muhammad Sohail Ch.	35202-2459961-9	Muhammad Ashraf	5,306	1,915	-	7,221	-	1,615	-	1,615

Annexure 'I' as referred to in note 10.6 of the Bank's Unconsolidated and Consolidated Financial Statements

Details of loans write offs of Rs. 500,000 and above

Rs '000

Sr. No.	Name and Address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the beginning				Written-off			
					Principal	Interest / Mark-up	Others	Total	Principal	Interest / Mark-up	Others	Total
26	Master Gloves Manufacturing Co. 570-Jinnah Colony, Faisalabad	Muhammad Ihsan Muhammad Azam	33100-3558810-7 33100-8079802-1	Khushi Muhammad Khushi Muhammad	2,800	1,340	-	4,140	-	1,290	-	1,290
27	Zaid Commission Shop Old Grain Market, Qila Didar Singh, Gujranwala.	Muhamamd Ihsan Akram	34101-2375983-3	Ch. Muhammad Akram	4,500	1,233	-	5,733	-	916	-	916
28	Mansoor Ul Hasan Flat # E-118, 1st Floor, Munir Heaven Block-17 Gulistan-e-Jauhar, Karachi.	Mansoor-Ul-Hasan	42201-4958527-5		2,316	750	-	3,066	-	750	-	750
29	New Lahore Rice Corporation Mandi Faizabad, Nankana Sahib.	Muhammad Afzal Abdul Rasheed	35402-4354314-5 35402-5343142-5	Abdul Majeed Muhammad Hussain	2,700	748	-	3,448	-	748	-	748
30	Khawaja Computerized Embroidery Mohallah Faisalabad, Gali # 6, Gujranwala.	Mateen Yousaf	34101-2331728-1	Kh. Muhammad Yousaf	2,000	783	-	2,783	-	730	-	730
31	Sadia Saghir (Ex-Staff) House # 56, Block # 14, Dera Ghazi Khan.	Sadia Saghir	32102-8756869-6	Muhammad Saghir Tahir	1,592	740	-	2,332	-	682	-	682
32	Shabbir Rice Dealer Old Garden Market, Qila Didar Singh, Gujranwala.	Shabbir Ahmed	34101-2476426-3	Bashir Ahmed	1,500	679	-	2,179	-	679	-	679
33	Waqas Industries 14-Bcolonel Plaza, Paissa Akhbar Markaz, Lahore.	Imtiaz Shaukat Ali	35201-01743217	Shaukat Ali	4,375	674	-	5,049	-	674	-	674
34	Azmat Cotton Industries Mehrab Wala, Ahmedpur East.	Muhamamd Shoukat Haji Afzal Ahmad	31201-6985334-1 31201-7839340-1	Muhammad Ramzan Muhammad Ramzan	6,855	587	-	7,442	-	586	-	586
35	Shehzad Ahmad H No 27, Ghalla Mandi	Shehzad Ahmad	3650229857027	Qutab Ud Din	-	-	-	-	1,101	252	43	1,396
36	Muhammad Murtaza Bilal Flat No Y-23, KDA flats sector 4 Surjani Town, Karachi	Muhammad Murtaza Bilal	4210120195811	Naqeel Ud Din	1,318	-	-	1,318	1,318	-	-	1,318
37	Atif Haider H # 552/ 1st floor, street # 68 I-8/3, Islamabad	Atif Haider	1310108196371	Haider	1,288	-	-	1,288	1,288	-	-	1,288
38	Imran Muhammad Ali H No 655/106 Jasawant Nagar Muslim Town, Khanewal	Imran Muhammad Ali	3610302570523	Muhammad Ali	1,091	-	-	1,091	1,091	-	-	1,091
39	Hassan Abbas H No 387 St No 36 Bilal Chowk Zakriya Town	Hassan Abbas	3610359463673	Abbas	972	-	-	972	972	-	-	972

Annexure 'I' as referred to in note 10.6 of the Bank's Unconsolidated and Consolidated Financial Statements

Details of loans write offs of Rs. 500,000 and above

Rs '000

Sr. No.	Name and Address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the beginning				Written-off			
					Principal	Interest / Mark-up	Others	Total	Principal	Interest / Mark-up	Others	Total
40	Afaq Sana Flower Building B Block, 6th floor flat # 606 Fuwara Chowk Near Muhammadi Masjid Garden Weast	Afaq	4230146181475	Muhammad Aslam	-	-	-	-	664	68	10	743
41	Arif Majeed Khan Khan House Imran Abad Ali Pur Road	Arif Majeed Khan	3230415354309	Khan	742	-	-	742	742	-	-	742
42	Saif Ullah H # 03 Madina Colony Bashir Abad Nr Madina Masjid, Peshawar	Saif Ullah	1710103964507	Ullah	737	-	-	737	737	-	-	737
43	Mehboob Ul Hassan Qasray Masoom House Muhalla Bahadar Pura, Pasrur	Mehboob Ul Hassan	3460207220057	Hassan Muhammad	-	-	-	-	569	50	29	648
44	Muhammad Rizwan H No 9/145 Deena Chakian Bazar Near Genral Post Office	Muhammad Rizwan	3420207102641	Maula Bakhsh	-	-	-	-	450	145	4	600
45	Sajjad Ahmed Head Sulemanki Road Muhalla Chowk Shaheedan Havaily, Lakha	Sajjad Ahmed	3530197632457	Muhammad Sharif	598	-	-	598	598	-	-	598
46	Muhammad Saqib Hussain H No P-463 St No 06-A Block Nazim Abad Near Babar Flour Mills, Faisalabad	Muhammad Saqib Hussain	3310051492079	Chaudhary Muhammad Hussain	550	-	-	550	550	-	-	550
47	Muhammad Haseen Khan Alif Engineering F-142 2nd Floor Rubi Plaza Preedy Street Saddar, Karachi	Muhammad Haseen Khan	4210117209731		500	-	-	500	500	-	-	500
48	Syed Wajid Hussain Gillani House No 4 Kohsar Colony New Chakra, Rawalpindi	Syed Wajid Hussain	3740590218655	Syed Zahid Hussain	1,148	-	-	1,148	-	489	108	598
49	Roohi Ahsan Ahsan Export P 41 Chenab Market Madina Town, Faisalabad	Roohi Ahsan	3310047629532	Ahsan Jamal	1,062	2,379	-	3,441	-	2,420	125	2,545
50	Mushtaq Ahmed H No A-97 Alfalah Society Shah Faisal Colony Near Railway Station, Karachi	Mushtaq Ahmed	4220157271661	Najbul Hussain	1,911	2,020	-	3,930	-	2,061	133	2,194
51	Roohi Ahsan Ahsan Export P 41 Chenab Market Madina Town, Faisalabad	Roohi Ahsan	3310047629532	Ahsan Jamal	1,062	2,379	-	3,441	-	2,420	125	2,545

Annexure 'I' as referred to in note 10.6 of the Bank's Unconsolidated and Consolidated Financial Statements

Details of loans write offs of Rs. 500,000 and above

Rs '000

At the beginning					Written-off							
Sr. No.	Name and Address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	Principal	Interest / Mark-up	Others	Total	Principal	Interest / Mark-up	Others	Total
52	Umer Daraz Orion Fabrics Shop No 54 Muhammadi Market Al Amin Plaza Rail Bazar, Faisalabad	Umer Daraz	3310097208673	Sher Muhammad	856	1,307	-	2,163	-	1,332	190	1,522
53	Irfan Wahid Bunglow No 91/2 Saba Avenue Phase V Extension DHA, Karachi	Irfan Wahid	4230134924421	Abdul Wahid	6,108	7,904	-	14,012	-	8,209	126	8,335
54	Abdul Sattar H # P-402-B, Canal Road, Amin Town, Faisalabad	Abdul Sattar	3310068911913	Abdul Rashid	338	1,333	-	1,672	-	1,336	107	1,443
55	Tanveer Jamshed H No 37-T Block 6 PECHS, Karachi	Tanveer Jamshed	4220143704235	Raja Jamshed Alam	8,662	4,025	-	12,686	-	4,025	68	4,093
56	Nadeem Aftab H No A-29 U K Apartments Phase I Gulshan-E-Iqbal, Karachi	Nadeem Aftab	4220120807409	Aftab Aziz	738	585	-	1,323	-	621	125	746
57	Muhammad Amin H No 178/A St No 1 Peoples Colony, Faisalabad	Muhammad Amin	3330167974703	Khushi M Qari	713	1,359	-	2,072	-	1,414	104	1,518
58	Malik Imran Talib Hawali Bahir Wali, Main Road Thokar Niaz Baig, Lahore	Malik Imran Talib	3520014536205	Malik Israr Hussain	1,200	9,215	-	10,415	-	9,318	152	9,470
59	Malik Mohammad Arshad H No E-3-1 Old Officer Colony Zarar Shaheed Road Cantt, Lahore	Malik Mohammad Arshad	3520229996157	Malik Shafi	7,488	6,977	-	14,465	-	7,481	157	7,638
60	Muhammad Nadeem Baig House No. 172, Block - C PIA Employees Cooperative Housing Society, Lahore	Muhammad Nadeem Baig	3520107593295	M Rafique Baig	3,465	2,132	-	5,597	-	2,437	134	2,570
61	Hasan Ali H No B-501 Block 14 Al Aman Apartment Gulshan-E-Iqbal, Karachi	Hasan Ali	4220190307131	Khawaja Ameer Ali	3,617	1,316	-	4,934	-	1,594	158	1,752
62	Ubaid Ur Rehman Sheikh Abdul Majeed Sheikh And Sons Khurram Chowk No 7 Naymat Colony, Faisalabad	Ubaid Ur Rehman Sheikh	3310046204413	Abdul Majeed Sheikh	11,401	20,626	-	32,027	-	20,979	177	21,156
63	Muhammad Sarfaraz Khan House 12D Street 13 F-7/2, Islamabad	Muhammad Sarfaraz Khan	6110119482093		113	478	-	590	-	480	49	528
64	Chaudhary Tahir Asghar House No.9, Street No.13 Farooq Gunj, Lahore	Chaudhary Tahir Asghar	3520258382063		300	408	-	707	83	421	46	550

Annexure 'I' as referred to in note 10.6 of the Bank's Unconsolidated and Consolidated Financial Statements

Details of loans write offs of Rs. 500,000 and above

Rs '000

Sr. No.	Name and Address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the beginning			Written-off		
					Principal	Interest / Mark-up	Others	Principal	Interest / Mark-up	Others
65	Umair Mushtaq Bhatti Qadri Chishti Marble Co Imam Bargah Street Quaid e Azam Marble Market 188 Ferozepur Road, Lahore	Umair Mushtaq Bhatti	3520157211269		259	426	-	111	448	49
66	Faisal Pervaiz Qureshi H No 237 Block N Sabzazar Scheme Multan Road	Faisal Pervaiz Qureshi	3520285654207		384	429	-	115	464	54
67	Mir Afzal H No E-81-91 Niclous House Labour Scq, Site, Karachi.	Mir Afzal	1310109943383		370	343	-	109	389	44
68	Muhammad Naveed Idrees H No 1122 Block B-2 Faisal Park China Scheme Gujjar Pura Near Faisal Chowk, Lahore	Muhammad Naveed Idrees	3520232513731		374	350	-	149	390	48
69	Muhammad Irfan Ward No 11 Mohalla Memon Naushero Feroze Mehrabpur	Muhammad Irfan	4530203438829		523	306	-	156	390	47
70	Maqsood Raza H No 1 Town Clinic Tohokar Niaz Baig, Lahore	Maqsood Raza	3520291327541		312	353	-	100	398	45
71	Rahim Aziz Ud Din H No Biv-17-S26 Farooq Azam Road Hafizabad	Rahim Aziz Ud Din	3430117019379		516	445	-	154	536	61
72	Syed Noor Ul Muneeb Ullah A-307 Akber Paradise Block 10-A Gulshan- E-Iqbal, Karachi	Syed Noor Ul Muneeb Ullah	4220106178675		453	330	-	132	419	48
					662,463	377,374	-	14,851	364,462	2,565
					1,039,837					
					381,878					

Annexure 'II' as referred to in notes 2.3 and 10.7 of the Bank's Unconsolidated and Consolidated Financial Statements

1. ISLAMIC BANKING BUSINESS

The Bank operates 94 (2017: 93) Islamic Banking branches and 158 (2017: 156) Islamic Banking windows.

The statement of financial position of the Bank's Islamic Banking branches as at December 31 is as follows:

	Note	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
ASSETS			
Cash and balances with treasury banks		8,000,891	5,428,040
Balances with other banks		5,482,264	6,551,518
Due from financial institutions	1.1	10,066,732	3,694,215
Investments	1.2	30,746,758	25,401,968
Islamic financing and related assets	1.3	22,596,064	22,110,626
Fixed assets		337,390	299,825
Intangible assets		2,468	125
Due from Head Office		-	-
Other assets		285,392	421,843
Total Assets		77,517,959	63,908,160
LIABILITIES			
Bills payable		430,122	400,973
Due to financial institutions		143,000	1,500,000
Deposits and other accounts	1.6	73,434,945	59,775,999
Due to Head Office		488,694	61,035
Other liabilities		492,291	327,658
		<u>74,989,052</u>	<u>62,065,665</u>
NET ASSETS		<u>2,528,907</u>	<u>1,842,495</u>
REPRESENTED BY			
Islamic Banking Fund		2,181,000	2,181,000
(Deficit) / Surplus on revaluation of assets		(135,282)	23,997
Accumulated profit / (loss)		483,189	(362,502)
		<u>2,528,907</u>	<u>1,842,495</u>
CONTINGENCIES AND COMMITMENTS	1.9		

The profit and loss account of the Bank's Islamic Banking branches for the year ended December 31 is as follows:

		2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
Profit / return earned	1.10	4,450,933	2,885,492
Profit / return expensed	1.11	(2,193,959)	(1,757,642)
Net profit / return		<u>2,256,974</u>	<u>1,127,850</u>
Other income			
Fee and Commission Income		167,229	81,376
Foreign Exchange Income		842	18,143
Gain / (loss) on securities		499	(438)
Other Income		37,489	18,067
Total Other Income		<u>206,059</u>	<u>117,148</u>
Total Income		<u>2,463,033</u>	<u>1,244,998</u>
Operating expenses		1,610,066	984,160
Profit before provisions		<u>852,967</u>	<u>260,838</u>
Provisions and write-offs - net		(7,276)	(14,051)
Profit for the year		<u><u>845,691</u></u>	<u><u>246,787</u></u>

Annexure 'II' as referred to in notes 2.3 and 10.7 of the Bank's Unconsolidated and Consolidated Financial Statements

1.1 Due from Financial Institutions

2018			2017		
In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total

(Rupees in '000)

Call money lending	7,000,000	-	7,000,000	585,000	-	585,000
Bai Muajjal Receivable from other Financial Institutions	3,066,732	-	3,066,732	-	-	-
Bai Muajjal Receivable from State Bank of Pakistan	-	-	-	3,109,215	-	3,109,215
	10,066,732	-	10,066,732	3,694,215	-	3,694,215

1.2 Investments by segments

2018				2017			
Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value

(Rupees in '000)

Federal Government Securities

-Ijarah Sukuks	11,910,472	-	(135,282)	11,775,190	15,945,263	-	23,997	15,969,260
-Bai muajjal with Govt. of Pakistan	8,300,566	-	-	8,300,566	-	-	-	-
	20,211,038	-	(135,282)	20,075,756	15,945,263	-	23,997	15,969,260

Non Government Debt Securities

-Listed	150,000	-	-	150,000	-	-	-	-
-Unlisted	10,521,002	-	-	10,521,002	9,432,708	-	-	9,432,708
	10,671,002	-	-	10,671,002	9,432,708	-	-	9,432,708
Total Investments	30,882,040	-	(135,282)	30,746,758	25,377,971	-	23,997	25,401,968

Note 2018 2017
----- (Rupees in '000) -----

1.2.1 Bai Muajjal with Government of Pakistan

Bai Muajjal Investment	11,420,000	-
Less: Deferred Income	(3,119,434)	-
Bai Muajjal Investment - net	8,300,566	-

1.3 Islamic financing and related assets

Ijarah	1.4	446,792	490,963
Murabaha	1.5	742,302	720,017
Musharaka		-	15,000,000
Diminishing Musharaka		19,902,278	4,358,154
Islamic Export Refinance scheme - Murabaha		126,849	-
Advances against Islamic assets			
Advances against Ijara		215,091	53,539
Advances for Diminishing Musharika		520,448	1,255,734
Advances for Murabaha		101,115	88,165
Advances for Murabaha - IERS		18,000	-
Advances for Istisna		48,321	-
Inventory related to Islamic financing			
Istisna		13,411	-
Profit and other receivables against financings		557,643	234,234
Gross Islamic financing and related assets		22,692,250	22,200,806
Less: Provision against Islamic financings			
- Specific		(82,088)	(81,671)
- General		(14,098)	(8,509)
		(96,186)	(90,180)
Islamic financing and related assets - net of provision		22,596,064	22,110,626

Annexure 'II' as referred to in notes 2.3 and 10.7 of the Bank's Unconsolidated and Consolidated Financial Statements

1.4 Ijarah

	2018					
	Cost			Accumulated Depreciation		Book Value as at 31 Dec 2018
	At January 1, 2018	Additions / (deletions)	At December 31, 2018	At January 1, 2018	Charge for the year	At December 31, 2018
	(Rupees in '000)					
Plant & Machinery	613,754	105,983 (209,061)	510,676	272,321	131,598 (188,155)	215,764
Vehicles	311,368	102,682 (151,639)	262,411	161,838	55,025 (106,332)	110,531
Total	925,122	(152,035)	773,087	434,159	(107,864)	326,295
						446,792

	2017					
	Cost			Accumulated Depreciation		Book Value as at 31 Dec 2017
	At January 1, 2017	Additions / (deletions)	At December 31, 2017	At January 1, 2017	Charge for the year	At December 31, 2017
	(Rupees in '000)					
Plant & Machinery	526,052	133,648 (45,946)	613,754	188,441	125,231 (41,351)	272,321
Vehicles	513,735	6,456 (208,823)	311,368	230,499	72,593 (141,254)	161,838
Total	1,039,787	(114,665)	925,122	418,940	15,219	434,159
						490,963

Future Ijarah payments receivable

	2018				2017			
	Not later than 1 year	Later than 1 year and less than 5 years	Over Five years	Total	Not later than 1 year	Later than 1 year and less than 5 years	Over Five years	Total
	(Rupees in '000)							
Ijarah rental receivables	225,343	233,144	-	458,487	254,209	220,449	-	474,658

1.5 Murabaha

	Note	2018 ----- (Rupees in '000) -----	2017
Murabaha financing	1.5.1	742,302	720,017
Inventory for Murabaha		-	-
Advances for Murabaha		101,115	88,165
		<u>843,417</u>	<u>808,182</u>
1.5.1 Murabaha receivable - gross	1.5.2	742,302	720,017
Less: Deferred murabaha income	1.5.4	(13,943)	(10,296)
Profit receivable shown in other assets		(10,949)	(5,372)
Murabaha financings		<u>717,410</u>	<u>704,349</u>
1.5.2 The movement in Murabaha financing during the year is as follows:			
Opening balance		720,017	242,391
Sales during the year		2,155,327	1,423,257
Adjusted during the year		(2,133,042)	(945,631)
Closing balance		<u>742,302</u>	<u>720,017</u>
1.5.3 Murabaha sale price		742,302	720,017
Murabaha purchase price		<u>(717,411)</u>	<u>(704,739)</u>
		<u>24,891</u>	<u>15,278</u>

Annexure 'II' as referred to in notes 2.3 and 10.7 of the Bank's Unconsolidated and Consolidated Financial Statements

	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
1.5.4 Deferred murabaha income		
Opening balance	10,297	1,477
Arising during the year	57,671	31,101
Less: recognized during the year	(54,025)	(22,282)
Closing balance	<u>13,943</u>	<u>10,296</u>

1.6 Deposits

Customers

	2018			2017		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
Current deposits	30,443,547	991,080	31,434,627	25,776,371	680,759	26,457,130
Savings deposits	14,925,879	-	14,925,879	11,839,659	-	11,839,659
Term deposits	6,776,543	-	6,776,543	982,345	-	982,345
	<u>52,145,969</u>	<u>991,080</u>	<u>53,137,049</u>	<u>38,598,375</u>	<u>680,759</u>	<u>39,279,134</u>

Financial Institutions

	2018			2017		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
Current deposits	1,768,824	-	1,768,824	34,506	-	34,506
Savings deposits	11,144,072	-	11,144,072	17,952,360	-	17,952,360
Term deposits	7,385,000	-	7,385,000	2,509,999	-	2,509,999
	<u>20,297,896</u>	<u>-</u>	<u>20,297,896</u>	<u>20,496,865</u>	<u>-</u>	<u>20,496,865</u>
	<u>72,443,865</u>	<u>991,080</u>	<u>73,434,945</u>	<u>59,095,240</u>	<u>680,759</u>	<u>59,775,999</u>

1.6.1 Composition of deposits

	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
- Individuals	35,863,410	30,094,247
- Government / Public Sector Entities	71,773	-
- Banking Companies	7,365,647	5,979,883
- Non-Banking Financial Institutions	12,932,249	14,516,982
- Private Sector	17,201,866	9,184,887
	<u>73,434,945</u>	<u>59,775,999</u>

1.6.2 This includes deposits eligible to be covered under insurance arrangements in accordance with DPC Circular No. 04 dated June 22, 2018 amounting to Rs 41,320.191 million (2017: Rs 31,325.716 million).

1.7 Charity Fund

	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
Opening Balance	121	648
Additions during the period		
Received from customers on account of delayed payment	2,976	793
	<u>2,976</u>	<u>793</u>
Payments / utilization during the period		
Health	(500)	(1,320)
	<u>(500)</u>	<u>(1,320)</u>
Closing Balance	<u>2,597</u>	<u>121</u>

1.8 Islamic Banking Business Unappropriated Profit

Opening Balance	(362,502)	(609,289)
Add: Islamic Banking profit for the period	845,691	246,787
Closing Balance	<u>483,189</u>	<u>(362,502)</u>

1.9 Contingencies and commitments

- Guarantees	56,416	15,741
- Commitments	406,643	202,377
	<u>463,059</u>	<u>218,118</u>

Annexure 'II' as referred to in notes 2.3 and 10.7 of the Bank's Unconsolidated and Consolidated Financial Statements

	2018	2017
	----- (Rupees in '000) -----	
1.10 Profit / Return Earned on Financing, Investments and Placement		
Profit earned on:		
Financing	1,449,673	589,516
Investments	1,819,915	1,217,266
Placements	961,726	839,348
Rental Income from Ijarah	219,619	239,362
	<u>4,450,933</u>	<u>2,885,492</u>
1.11 Profit on Deposits and other Dues Expensed		
Deposits and other accounts	2,182,712	1,693,806
Due to Financial Institutions	11,247	63,836
	<u>2,193,959</u>	<u>1,757,642</u>

1.12 Disclosures for profit and loss distribution and pool management

UBL Ameen (the Mudarib) maintains following pools which accept deposits on the basis of Mudaraba from depositors (Rabbulmaal). Pool funds are invested in Islamic modes of financing and investments. The profit earned on the pool is therefore susceptible to the same market and credit risks as discussed in note 48 to the unconsolidated financial statements.

Ameen Daily Munafa Account (ADMA) Pool

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

Special Pool(s)

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

Islamic Export Refinance Pool(s)

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

Treasury Pool(s)

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

General Pool

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

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

Annexure 'II' as referred to in notes 2.3 and 10.7 of the Bank's Unconsolidated and Consolidated Financial Statements

The Bank managed following pools during the year.

2018									
No of Pools	Nature of Pool	Profit rate and weightages announcement period	Average profit rate earned	Profit Sharing ratio	Mudarib fee / Musharkah share / Wakala Fee	Average profit rate / return distributed	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib share transferred through Hiba	
			%	%	Rupees in '000	%	%	Rupees in '000	
ADMA Pools	12	Mudarbaha	Monthly	4.57%	50.00%	7,846	2.76%	20.80%	1,631
Special Pools	109	Mudarbaha	Monthly	7.00%	10.90%	192,437	6.49%	33.80%	65,043
IERS Pools	11	Musharkah	Monthly	3.45%	71.58%	4,567	2.00%	0.00%	-
Treasury Pools	3	Wakalah	As required	7.27%	17.78%	212	5.97%	0.00%	-
Treasury Pools	2	Mudarbaha	As required	7.17%	25.46%	325	5.86%	0.00%	-
Treasury Pools	10	Musharkah	As required	7.40%	17.23%	1,180	6.12%	0.00%	-
General Pools	12	Mudarbaha	Monthly	6.37%	50.00%	455,725	3.76%	17.92%	81,647

2017									
No of Pools	Nature of Pool	Profit rate and weightages announcement period	Average profit rate earned	Profit Sharing ratio	Mudarib fee / Musharkah share / Wakala Fee	Average profit rate / return distributed	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib share transferred through Hiba	
			%	%	Rupees in '000	%	%	Rupees in '000	
ADMA Pools	12	Mudarbaha	Monthly	4.28%	46.05%	4,753	2.55%	33.01%	1,569
Special Pools	72	Mudarbaha	Monthly	6.25%	22.40%	341,515	5.50%	33.29%	113,692
General Pools	12	Mudarbaha	Monthly	5.98%	29.57%	248,070	3.52%	26.39%	65,476

1.13 Deployment of Mudaraba based deposits by class of business

	2018 ----- (Rupees in '000) -----	2017
Chemical and pharmaceuticals	650,754	769,053
Agri business	1,226,202	1,513,718
Textile	365,599	65,769
Sugar	-	15,173,178
Financial	15,486,630	9,765,643
Food industries	516,697	505,996
Engineering	-	788,210
Plastic	169,124	151,298
Individuals	1,134,008	1,220,035
Production and Transmission of energy	26,712,710	10,598,235
Government of Pakistan Securities	20,023,620	15,969,260
Others	1,768,268	686,414
	<u>68,053,612</u>	<u>57,206,809</u>

Annexure 'III' as referred to in Note 11.6 of the Bank's Unconsolidated Financial Statements

Disposals of operating fixed assets during the year 2018

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	----- (Rupees in '000) -----					
Items having book value of more than Rs. 250,000 or cost of more than Rs. 1,000,000						
Land & Building						
Leasehold Land	13,256	17	13,239	14,000		
	13,256	17	13,239	14,000	Auction	Various Buyers
Vehicles						
Accord 2017	4,155	724	3,431	2,089	Auction	Alfuttaim Automall
Land Cruiser 2013	8,241	8,241	-	3,084	Auction	Alfuttaim Automall
Land Cruiser 2017	8,887	4,449	4,438	5,214	Auction	Alfuttaim Automall
Mercedes	15,689	15,689	-	1,890	Auction	Al Asaad
Mercedes Benz E 200	11,830	6,743	5,087	4,800	Insurance	UBL Insurers Ltd
Mercedes Benz E 200	11,830	6,388	5,442	6,500	Buy Back	Asim Iqbal
Mercedes Benz E 200	11,830	6,921	4,910	4,910	Buy Back	Baqar Muzaffar-Staff
Mercedes Benz E 200	9,422	8,480	942	1,884	Buy Back	Zia Ijaz - Staff
Mercedes E300	7,372	6,389	983	1,840	Auction	Al Asaad
Toyota Corolla	2,457	1,451	1,005	1,121	Auction	Mohammed Waseem
Toyota Corolla	1,649	1,484	165	1,110	Auction	Saif ullah Quersh
Toyota Corolla	1,649	1,484	165	1,250	Insurance	UBL Insurer
Toyota Corolla	1,569	1,412	157	1,246	Auction	Ghulam Habib
Toyota Corolla	1,502	1,502	-	1,086	Auction	Wasim Mirza
Toyota Corolla	1,502	1,502	-	1,170	Auction	Khalid Anwar
Toyota Corolla	1,370	1,233	137	938	Auction	Ghulam Mustafa Quersh
	100,954	74,092	26,862	40,132		
Electrical, office and computer equipment						
Generator	1,458	1,458	-	25	Auction	Various Buyers
Generator	1,410	1,410	-	3	Auction	Various Buyers
Generator	1,382	1,382	-	25	Auction	Various Buyers
Generator	1,364	1,364	-	100	Auction	Various Buyers
Generator	1,305	1,305	-	150	Auction	Various Buyers
Generator	1,290	1,290	-	50	Auction	Various Buyers
Generator	1,282	1,282	-	25	Auction	Various Buyers
Generator	1,269	1,269	-	200	Auction	Various Buyers
Generator	1,243	1,243	-	100	Auction	Various Buyers
Generator	1,226	1,226	-	26	Auction	Various Buyers
Generator	1,226	1,226	-	3	Auction	Various Buyers
Generator	1,203	1,203	-	5	Auction	Various Buyers
Generator	1,195	1,195	-	50	Auction	Various Buyers
Generator	1,191	1,191	-	50	Auction	Various Buyers
Generator	1,189	1,189	-	5	Auction	Various Buyers
Generator	1,170	1,170	-	50	Auction	Various Buyers
Generator	1,152	1,152	-	800	Auction	Omni Agent
Generator	1,151	1,151	-	1	Auction	Various Buyers
Generator	1,112	1,112	-	100	Auction	Various Buyers
Generator	1,094	1,094	-	200	Auction	Various Buyers
Generator	1,088	1,088	-	3	Auction	Various Buyers
Generator	1,085	1,085	-	56	Auction	Various Buyers
Generator	1,033	1,033	-	5	Auction	Various Buyers
Generator	1,023	1,023	-	136	Auction	National Traders
Generator	1,006	1,006	-	136	Auction	National Traders
Generator	1,003	1,003	-	136	Auction	National Traders
Generator	1,002	1,002	-	136	Auction	National Traders
Atm Machine	1,064	1,064	-	65	Auction	NCR Corporation
Atm Machine	1,064	1,064	-	65	Auction	NCR Corporation
	34,280	34,280	-	2,706		
Items having book value of less than Rs. 250,000 and cost of less than Rs. 1,000,000						
Others	664,466	621,396	43,070	71,652		
Total	812,956	729,785	83,171	128,490		

INDEPENDENT AUDITORS' REPORT

To the members of United Bank Limited

Opinion

We have audited the annexed consolidated financial statements of United Bank Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S.No.	Key audit matters	How the matter was addressed in our audit
1	Provision against advances (Refer note 10 to the consolidated financial statements)	
	<p>The Group makes provision against advances on a time based criteria that involves ensuring all non-performing loans and advances are classified in accordance with the ageing criteria specified in the Prudential Regulations (PRs) issued by the State Bank of Pakistan (SBP).</p> <p>In addition to the above time based criteria the PRs require a subjective evaluation of the credit worthiness of borrowers to determine the classification of advances.</p> <p>The PRs also require the creation of general provision for the consumer portfolio.</p> <p>Provision against advances of overseas branches and subsidiaries is made as per the requirements of the respective regulatory regimes.</p> <p>The Group has recognized a net provision against advances amounting to Rs. 11,197.132 million in the consolidated profit and loss account in the current year.</p>	<p>Our audit procedures to verify provision against advances, amongst others, included the following:</p> <ul style="list-style-type: none"> ▪ We reviewed the design and tested the operating effectiveness of key controls established by the Group to identify loss events and for determining the extent of provisioning required against non-performing advances. <p>The testing of controls included testing of:</p> <ul style="list-style-type: none"> ▪ automated (IT system based) controls over correct classification of non-performing advances on time based criteria; ▪ controls over monitoring of advances with higher risk of default and correct classification of non-performing advances on subjective criteria;

S.No.	Key audit matters	How the matter was addressed in our audit
	<p>As at December 31, 2018, the Group holds a provision of Rs 61,020.611 million against advances.</p> <p>The determination of provision against advances based on the above criteria remains a significant area of judgement and estimation. Because of the significance of the impact of these judgements / estimations and the materiality of advances relative to the overall consolidated statement of financial position of the Group, we considered the area of provision against advances as a key audit matter.</p>	<ul style="list-style-type: none"> ▪ controls over accurate computation and recording of provisions; and ▪ controls over the governance and approval process related to provisions, including continuous reassessment by the management. ▪ In accordance with the regulatory requirement, we sampled and tested at least sixty percent of the total advances portfolio and performed the following substantive procedures for sample loan accounts;: <ul style="list-style-type: none"> ▪ verified repayments of advances / mark-up installments and checked that non-performing advances have been correctly classified and categorized based on the number of days overdue. ▪ examined watch list accounts and, based on review of the individual facts and circumstances, discussions with management and our assessment of financial conditions of the borrowers, formed a judgement as to whether classification of these accounts as performing was appropriate. ▪ We checked the accuracy of specific provision made against non-performing advances and of general provision made against consumer finance by recomputing the provision amount in accordance with the criteria prescribed under the PRs; ▪ Where the management has not identified indicators displaying impairment, we reviewed the credit history, account movement, financial ratios, report on security maintained and challenged the management's assessment based on our review of the credit file; and ▪ We issued instructions to auditors of those overseas branches and subsidiaries which were selected for audit, highlighting 'Provision against advances' as a significant risk. The auditors of those branches and subsidiaries performed audit procedures to check compliance with regulatory requirements and reported the results thereof to us.
2	<p>Valuation of investments (Refer note 9 to the consolidated financial statements)</p>	
	<p>The carrying value of investments held by the Group amounted to Rs. 831,159.100 million, which constitutes 41.51% of the Group's total assets as at December 31, 2018.</p> <p>The significant portion of the investments comprise of equity, debt and government securities.</p> <p>Investments, other than associates, are carried at cost / amortised cost or fair value in accordance with the Group's accounting policy relating to their recognition. Investments in associates are accounted for using the equity method of accounting. Provision against investments is made based on impairment policy of the</p>	<p>Our audit procedures to verify valuation of investments, amongst others, included the following:</p> <ul style="list-style-type: none"> ▪ Assessed the design and tested the operating effectiveness of key controls in place relating to valuation of investments; ▪ Checked on a test basis the valuation of investments in the portfolio, as recorded in the general ledger, to supporting documents, financial statements of associates, externally quoted market prices and break-up values;

S.No.	Key audit matters	How the matter was addressed in our audit
	<p>Group which includes both objective and subjective factors.</p> <p>We identified assessing the carrying value of the investment as a key audit matter because of its significance to the consolidated financial statements and because assessing the key impairment assumptions involves a significant degree of management judgment.</p>	<ul style="list-style-type: none"> Obtained independent confirmations for verifying the existence of the investment portfolio as at December 31, 2018 and reconciled it with the books and records of the Group. Where such confirmations were not available, alternate procedures were performed; Evaluated the Group's assessment of available for sale and held to maturity financial assets for any additional impairment in accordance with the accounting and reporting standards as applicable in Pakistan and performed an independent assessment of the assumptions and conclusions; and Considered the Group's disclosures of investments in accordance with the requirements of the accounting and reporting standards as applicable in Pakistan.
3	<p>Retirement benefit obligations (Refer note 41 to the consolidated financial statements)</p>	
	<p>United Bank Limited (the Bank) operates various defined retirement benefit schemes for its employees.</p> <p>Uncertainty arises as a result of estimates made in respect of verification of employees, long term trends and market conditions, including demographic and financial variables, to determine the value based on the Bank's expectations of the future. As a result, the actual liability may be significantly different to that recognised on the statement of financial position since small changes to the assumptions used materially affects the valuation.</p> <p>The provision for employee retirement benefits includes liability in respect of pension payable to eligible employees. During the year, the Honorable Supreme Court of Pakistan announced a judgement based on a proposal submitted by banks, including United Bank Limited, in which it raised the minimum monthly pension of employees. In accordance with the judgement of the Honorable Supreme Court of Pakistan, the Bank has commenced pension payments from the date of the judgement.</p> <p>We focused on this area as a key audit matter because the judgement of the Honorable Supreme Court of Pakistan in relation to pension was a significant development during the year. Also, the whole subject of valuation of retirement benefit obligations is complex and requires significant judgment in choosing appropriate actuarial assumptions including the involvement of management's experts.</p>	<p>Our audit procedures to assess the determination of defined retirement benefit obligations, amongst others, included the following:</p> <ul style="list-style-type: none"> Tested the fair value of the scheme's assets; Independently verified, on a test basis, the Bank's data used by the actuary in the calculation; Engaged an independent actuarial expert to assess the reasonableness of management's key assumptions and actuarial calculations; Reviewed Board minutes where the pension matter was specifically discussed to assess appropriateness of conclusions reached; and Assessed the disclosure made on this matter in the consolidated financial statements to determine whether it complied with the accounting and reporting standards as applicable in Pakistan.
4	<p>Change in format of the financial statements (Refer note 5.1.3 to the consolidated financial statements)</p>	
	<p>The State Bank of Pakistan (SBP) has amended the format of annual financial statements of banks. All banks are directed to prepare their annual financial statements on the revised format effective from the accounting year ending December 31, 2018. Accordingly, the Group has prepared these consolidated financial statements on the new format prescribed by the SBP.</p>	<p>Our audit procedures to ensure compliance with the requirements of the SBP's amended format of annual financial statements for banks included the following:</p> <ul style="list-style-type: none"> considered the management's process to identify the changes required in the consolidated financial statements to comply with the new format; and

S.No.	Key audit matters	How the matter was addressed in our audit
	<p>As part of this transition to the new requirements, the management performed a gap analysis to identify differences between the previous and current format. The adoption of new format required certain recognition requirements, reclassification of comparative information and also introduced additional disclosure requirements.</p> <p>In view of the significant impact of the first time adoption of the revised format on these consolidated financial statements, we considered this as a key audit matter.</p>	<ul style="list-style-type: none"> obtained relevant underlying supports relating to changes required in the consolidated financial statements consequent to the adoption of the new format to assess their appropriateness and verified them on a test basis.

Information Other than the Unconsolidated and Consolidated Financial Statements and Auditors' Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the unconsolidated and consolidated financial statements and our auditors' reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

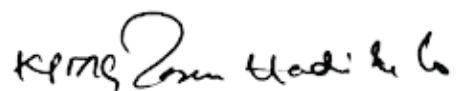
We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Salman Hussain (A. F. Ferguson & Co.) and Aryn Malik (KPMG Taseer Hadi & Co.).



A. F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: February 28, 2019






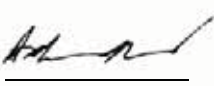
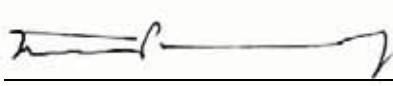
KPMG Taseer Hadi & Co.
Chartered Accountants
Karachi
Dated: February 28, 2019

Consolidated Statement of Financial Position

As at December 31, 2018

	Note	2018	2017 Restated (Rupees in '000)	2016 Restated
ASSETS				
Cash and balances with treasury banks	6	187,915,671	161,119,170	133,467,502
Balances with other banks	7	41,747,060	35,549,112	32,267,304
Lendings to financial institutions	8	35,346,551	13,097,277	27,027,006
Investments	9	831,159,100	1,124,921,300	838,262,274
Advances	10	754,551,722	665,303,363	546,239,726
Fixed assets	11	50,898,280	49,230,901	38,208,734
Intangible assets	12	1,876,094	1,153,176	1,090,193
Deferred tax assets	13	6,685,952	-	-
Other assets	14	92,312,444	80,538,689	68,260,888
		2,002,492,874	2,130,912,988	1,684,823,627
LIABILITIES				
Bills payable	16	27,272,967	29,852,405	37,285,182
Borrowings	17	279,918,125	517,082,159	205,865,131
Deposits and other accounts	18	1,448,324,041	1,349,698,487	1,220,265,446
Liabilities against assets subject to finance lease	19	10,000	4,375	3,558
Subordinated debts	20	9,000,000	-	-
Deferred tax liabilities	13	-	2,980,466	5,230,571
Other liabilities	21	69,343,882	56,801,334	52,444,515
		1,833,869,015	1,956,419,226	1,521,094,403
NET ASSETS		168,623,859	174,493,762	163,729,224
REPRESENTED BY:				
Share capital	22	12,241,798	12,241,798	12,241,798
Reserves		60,078,870	47,203,516	42,615,188
Surplus on revaluation of assets	23	16,992,906	33,146,476	35,319,489
Unappropriated profit		73,749,955	76,410,128	68,939,008
Total equity attributable to the equity holders of the Bank		163,063,529	169,001,918	159,115,483
Non-controlling interest	24	5,560,330	5,491,844	4,613,741
		168,623,859	174,493,762	163,729,224
CONTINGENCIES AND COMMITMENTS		25		

The annexed notes 1 to 53 and annexures I, II and III form an integral part of these consolidated financial statements.




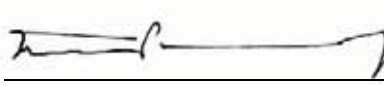
				
Aameer Karachiwalla Chief Financial Officer	Sima Kamil President & Chief Executive Officer	Amar Zafar Khan Director	Arshad Ahmad Mir Director	Sir Mohammed Anwar Pervez, OBE, HPk Chairman

Consolidated Profit and Loss Account

For the year ended December 31, 2018

	Note	2018 ----- (Rupees in '000) -----	2017 Restated
Mark-up / return / interest earned	27	117,363,124	110,579,895
Mark-up / return / interest expensed	28	59,115,489	52,487,753
Net mark-up / interest income		58,247,635	58,092,142
Non mark-up / interest income			
Fee and commission income	29	15,886,753	14,831,990
Dividend income		1,683,678	1,733,757
Foreign exchange income		3,662,854	2,150,117
(Loss) / income from derivatives		(87,716)	32,793
Gain on securities - net	30	4,484,066	4,799,893
Other income	31	1,014,156	747,535
Total non mark-up / interest income		26,643,791	24,296,085
Total income		84,891,426	82,388,227
Non mark-up / interest expenses			
Operating expenses	32	42,492,994	38,455,334
Workers' Welfare Fund	33	(2,163,314)	814,699
Other charges	34	114,798	59,688
Total non mark-up / interest expenses		40,444,478	39,329,721
Share of profit of associates	9.9.1	699,294	459,702
Profit before provisions		45,146,242	43,518,208
Provisions and write offs - net	35	13,101,543	2,628,801
Extra ordinary / unusual item - charge in respect of pension liability	36	6,657,216	-
Profit before taxation		25,387,483	40,889,407
Taxation	37	10,337,929	14,934,403
Profit after taxation		15,049,554	25,955,004
Attributable to:			
Equity holders of the Bank		15,483,051	25,948,717
Non-controlling interest		(433,497)	6,287
		15,049,554	25,955,004
----- (Rupees) -----			
Earnings per share - basic and diluted	38	12.65	21.20

The annexed notes 1 to 53 and annexures I, II and III form an integral part of these consolidated financial statements.




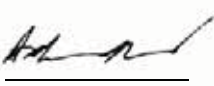
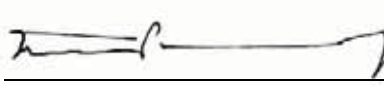
			
Aameer Karachiwalla Chief Financial Officer	Sima Kamil President & Chief Executive Officer	Amar Zafar Khan Director	Arshad Ahmad Mir Director
			Sir Mohammed Anwar Pervez, OBE, HPk Chairman

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2018

	2018	2017
	----- (Rupees in '000) -----	Restated
Profit after tax for the year attributable to:		
Equity holders of the Bank	15,483,051	25,948,717
Non-controlling interest	(433,497)	6,287
	<u>15,049,554</u>	<u>25,955,004</u>
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods		
Effect of translation of net investment in foreign branches and subsidiaries		
Equity holders of the Bank	11,379,285	2,031,733
Non-controlling interest	831,443	668,725
	<u>12,210,728</u>	<u>2,700,458</u>
Movement in deficit on revaluation of investments - net of tax		
Equity holders of the Bank	(16,127,636)	(8,707,466)
Non-controlling interest	(664,719)	163,878
	<u>(16,792,355)</u>	<u>(8,543,588)</u>
	<u>(4,581,627)</u>	<u>(5,843,130)</u>
Items that will not be reclassified to profit and loss account in subsequent periods		
Remeasurement (loss) / gain of defined benefit obligations - net of tax		
Equity holders of the Bank	(373,837)	(58,029)
Non-controlling interest	14,137	42,655
	<u>(359,700)</u>	<u>(15,374)</u>
Movement in surplus on revaluation of fixed assets - net of tax		
Equity holders of the Bank	38,913	6,584,350
Non-controlling interest	321,929	131,399
	<u>360,842</u>	<u>6,715,749</u>
Movement in surplus on revaluation of non-banking assets - net of tax	(6,672)	2,118
	<u>(5,530)</u>	<u>6,702,493</u>
Total comprehensive income for the year	<u>10,462,397</u>	<u>26,814,367</u>
Attributable to:		
Equity holders of the Bank	10,393,104	25,801,423
Non-controlling interest	69,293	1,012,944
	<u>10,462,397</u>	<u>26,814,367</u>

The annexed notes 1 to 53 and annexures I, II and III form an integral part of these consolidated 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 Statement of Changes in Equity

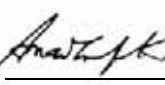
For the year ended December 31, 2018


	Attributable to equity shareholders of the Bank									Non-controlling Interest	Total
	Share Capital	General reserve	Statutory reserve	Capital reserve - Exchange translation	Surplus/(Deficit) on revaluation of			Unappropriated profit	Sub total		
					Investments	Fixed Assets	Non Banking Assets				
(Rupees in '000)											
Balance as at December 31, 2016 - as previously reported	12,241,798	3,000	27,300,858	15,311,330	-	-	-	68,939,008	123,795,994	4,227,693	128,023,687
Reclassification of surplus to equity (note 5.1.3)	-	-	-	-	14,604,825	20,604,254	110,410	-	35,319,489	386,048	35,705,537
Balance as at December 31, 2016 - as restated	12,241,798	3,000	27,300,858	15,311,330	14,604,825	20,604,254	110,410	68,939,008	159,115,483	4,613,741	163,729,224
Total comprehensive income for the year ended December 31, 2017 - as restated											
Profit after taxation for the year ended December 31, 2017 - as restated	-	-	-	-	-	-	-	25,948,717	25,948,717	6,287	25,955,004
Other comprehensive income - net of tax - as restated	-	-	-	2,031,733	(8,707,466)	6,584,350	2,118	(58,029)	(147,294)	1,006,657	859,363
Total comprehensive income for the year ended December 31, 2017 - as restated	-	-	-	2,031,733	(8,707,466)	6,584,350	2,118	25,890,688	25,801,423	1,012,944	26,814,367
Ordinary dividend relating to Non-controlling shareholders	-	-	-	-	-	-	-	-	-	(135,493)	(135,493)
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	(52,015)	-	51,363	(652)	652	-
Transfer to statutory reserve	-	-	2,556,595	-	-	-	-	(2,556,595)	-	-	-
Transactions with owners for the year ended December 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)	-	(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)
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 at Rs.3.0 per share	-	-	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
	-	-	-	-	-	-	-	(15,914,336)	(15,914,336)	-	(15,914,336)
Balance as at December 31, 2017 (Restated)	12,241,798	3,000	29,857,453	17,343,063	5,897,359	27,136,589	112,528	76,410,128	169,001,918	5,491,844	174,493,762
Change in accounting policy as at January 1, 2018 - note 5.1.2	-	-	-	-	-	-	-	(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	5,897,359	27,136,589	112,528	74,769,565	167,361,355	5,491,844	172,853,199
Total comprehensive income for the year ended December 31, 2018											
Profit after taxation for the year ended December 31, 2018	-	-	-	-	-	-	-	15,483,051	15,483,051	(433,497)	15,049,554
Other comprehensive income - net of tax	-	-	-	11,379,285	(16,127,636)	38,913	(6,672)	(373,837)	(5,089,947)	502,790	(4,587,157)
Total comprehensive income for the year ended December 31, 2018	-	-	-	11,379,285	(16,127,636)	38,913	(6,672)	15,109,214	10,393,104	69,293	10,462,397
Ordinary dividend relating to Non-controlling shareholders	-	-	-	-	-	-	-	-	-	(1,581)	(1,581)
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	(58,175)	-	57,401	(774)	774	-
Transfer to statutory reserve	-	-	1,496,069	-	-	-	-	(1,496,069)	-	-	-
Transactions with owners for the year ended December 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)	-	(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)
Interim cash dividend - June 30, 2018 declared at Rs.3.0 per share	-	-	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Interim cash dividend - September 30, 2018 declared at Rs.2.0 per share	-	-	-	-	-	-	-	(2,448,359)	(2,448,359)	-	(2,448,359)
	-	-	-	-	-	-	-	(14,690,156)	(14,690,156)	-	(14,690,156)
Balance as at December 31, 2018	12,241,798	3,000	31,353,522	28,722,348	(10,230,277)	27,117,327	105,856	73,749,955	163,063,529	5,560,330	168,623,859

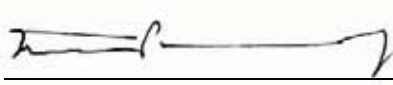
The annexed notes 1 to 53 and annexures I, II and III form an integral part of these consolidated financial statements.


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 Cash Flow Statement

For the year ended December 31, 2018


Note	2018	2017 Restated
	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	25,387,483	40,889,407
Less: Dividend income	(1,683,678)	(1,733,757)
Share of profit of associates	(699,294)	(459,702)
	<u>23,004,511</u>	<u>38,695,948</u>
Adjustments:		
Depreciation on fixed assets	2,466,344	2,151,157
Depreciation on Islamic financing against leased assets (Ijarah)	186,623	197,824
Amortization	562,568	436,392
Workers' Welfare Fund	(2,163,314)	814,699
Provision for retirement benefits	7,461,772	820,115
Charge for compensated absences	141,698	24,687
Provision against loans and advances - net	10,652,370	1,877,257
Reversal of provision against lendings to financial institutions - net	(57,600)	(8,260)
Provision for diminution in value of investments - net	1,831,048	719,845
Reversal of provision in respect of investments disposed off during the year	(599,110)	(55,525)
Charge / (reversal) against off balance sheet items	463,300	(599,097)
Gain on sale of fixed assets - net	(42,662)	(57,983)
Gain on sale of ijarah assets - net	(1,754)	(96)
Bad debts written off directly	130,830	187,443
Unrealized gain on revaluation of investments classified as held for trading	(8,524)	(2,207)
Finance charges on leased assets	-	570
Other provisions / write offs	75,072	147,954
Provision against other assets - net	6,523	303,659
	<u>21,105,184</u>	<u>6,958,434</u>
	44,109,695	45,654,382
(Increase) / decrease in operating assets		
Lendings to financial institutions	(22,191,674)	(401,074)
Held for trading securities	3,514,443	(96,681,848)
Advances	(100,284,394)	(107,059,262)
Other assets (excluding advance taxation)	(4,855,536)	(2,680,271)
	<u>(123,817,161)</u>	<u>(206,822,455)</u>
Increase / (decrease) in operating liabilities		
Bills payable	(2,579,438)	1,633,966
Borrowings	(237,164,034)	311,217,028
Deposits and other accounts	98,625,554	120,366,298
Other liabilities (excluding current taxation)	12,335,395	1,451,657
	<u>(128,782,523)</u>	<u>434,668,949</u>
	(208,489,989)	273,500,876
Payments on account of staff retirement benefits	(6,418,588)	(1,270,181)
Income taxes paid	(18,947,962)	(19,570,676)
Net cash flows (used in) / from operating activities	<u>(233,856,539)</u>	<u>252,660,019</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	233,876,065	(199,190,229)
Net investments in held to maturity securities	29,749,485	(8,969,936)
Net investments in associates	(26,806)	4,193,675
Dividend income received	1,711,181	1,768,502
Investment in fixed assets	(3,817,074)	(6,398,011)
Investment in Intangible assets	(1,253,605)	(366,945)
Sale proceeds from disposal of fixed assets	128,578	81,186
Sale proceeds from disposal of ijarah assets	67,966	72,260
Exchange differences on translation of net investment in foreign branches and subsidiaries attributable to:		
- Equity holders of the Bank	11,379,285	2,031,733
- Non-controlling interest	831,443	668,725
Net cash flows from / (used in) investing activities	<u>272,646,518</u>	<u>(206,109,040)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payment in respect of leased obligation	5,625	(2,078)
Receipts of subordinated debts	9,000,000	-
Dividends paid to:		
- Equity holders of the Bank	(14,799,574)	(15,479,932)
- Non-controlling interest	(1,581)	(135,493)
Net cash flows used in financing activities	<u>(5,795,530)</u>	<u>(15,617,503)</u>
Increase in cash and cash equivalents	<u>32,994,449</u>	<u>30,933,476</u>
Cash and cash equivalents at the beginning of the year	196,668,282	165,734,806
Cash and cash equivalents at the end of the year	<u>229,662,731</u>	<u>196,668,282</u>


39


The annexed notes 1 to 53 and annexures I, II and III form an integral part of these consolidated 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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

1. STATUS AND NATURE OF BUSINESS

The "Group" consists of:

- Holding Company

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 1,364 (December 31, 2017: 1,361) branches inside Pakistan including 94 (December 31, 2017: 93) Islamic Banking branches and 2 (December 31, 2017: 2) branches in Export Processing Zones. The Bank also operates 15 (December 31, 2017: 18) branches outside Pakistan. The Bank is a subsidiary of Bestway (Holdings) Limited and Bestway (Holdings) 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.

- Subsidiary companies

- United National Bank Limited (UBL UK) - 55% holding (2017: 55% holding)

UBL UK is an authorized banking institution incorporated in the United Kingdom. UBL UK was formed in 2001 from the merger of the UK branches of United Bank Limited and National Bank of Pakistan. The principal activities of UBL UK are to provide retail banking services through its branch network in major cities of the UK, wholesale banking and treasury services to financial institutions and trade finance facilities to businesses of all sizes. United National Bank Limited operates under the trade name United Bank UK.

- UBL (Switzerland) AG (USAG) -100% holding (2017: 100% holding)

UBL (Switzerland) AG is a commercial bank owned by the Bank. Founded in 1967, its main activities are in credit operations and trade financing. UBL (Switzerland) AG previously operated under the name, United Bank AG Zurich.

- United Executors and Trustees Company Limited, Pakistan - 100% holding (2017: 100% holding)

United Executors and Trustees Company Limited ("UET" or the Company) was incorporated in Pakistan in 1965 as an unlisted public limited company. The registered office of the Company is situated at State Life Building No. 1, I.I. Chundrigar Road, Karachi. Currently, the Company is engaged in the business of investments.

- UBL Fund Managers Limited, Pakistan - 98.87% holding (2017: 99.87% holding)

UBL Fund Managers Limited (UBL FM or the Company) was incorporated as a unlisted public limited company in Pakistan on April 3, 2001. The Company is licensed to carry out Asset Management and Investment Advisory Services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The principal activities of the Company are floating and managing mutual funds and providing investment advisory services. The registered office of the Company is situated at STSM Building, Beaumont Road, Civil Lines, Karachi.

- Al Ameen Financial Services (Private) Limited (the Company) - effective holding 98.87% (2017: 99.87% holding)

UBL Fund Managers has incorporated a wholly owned subsidiary Al Ameen Islamic Financial Services (Private) Limited on February 27, 2015. The principal activity of the subsidiary is provision of shariah compliant financial services including distribution of shariah compliant mutual funds. The registered office of the Company is situated at STSM Building, Beaumont Road, Civil Lines, Karachi.

- UBL Bank (Tanzania) Limited - 100% holding (2017: 100% holding)

UBL Bank (Tanzania) Limited (UBTL) was incorporated on March 13, 2012 and has commenced operations in May 2013. It is engaged in providing commercial and retail banking services.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

2. BASIS OF PRESENTATION

- 2.1** These consolidated financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BSD Circular No. 02, dated January 25, 2018.
- 2.2** In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing includes purchase of goods by banks from customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchase and resale arising under these arrangements are not reflected in these consolidated financial statements as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon. However, the Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards (IFAS), issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the provisions of Companies Act, 2017.
- 2.3** Key financial figures of the Islamic Banking branches are disclosed in annexure II to the consolidated financial statements.

3. STATEMENT OF COMPLIANCE

- 3.1** These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:
- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are 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 and the Companies Act, 2017; and
 - Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever 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 shall prevail.

- 3.2** The SBP, vide BSD Circular letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Moreover, SBP vide BPRD circular no. 4, dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standards (IFAS) 3, Profit and Loss Sharing on Deposits. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, 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 financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.
- 3.3** The SECP vide its notification SRO 633 (I)/2014 dated 10 July 2014, adopted IFRS 10 effective from the periods starting from June 30, 2014. However, vide its notification SRO 56 (I)/2016 dated January 28, 2016, it has been notified that the requirements of IFRS 10 and section 228 of the Companies Act, 2017 will not be applicable with respect to the investment in mutual funds established under trust structure.
- 3.4 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:

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
- IFRS 15 - Revenue from contracts with customers	July 1, 2018
- IFRS 11 - Joint Venture - (Amendments)	January 1, 2019
- IFRS 16 - Leases	January 1, 2019

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
- IAS 19 - Employee Benefits - (Amendments)	January 1, 2019
- IAS 28 - Investments in Associates and Joint Ventures - (Amendments)	January 1, 2019
- IFRIC 23 - Uncertainty over Income Tax Treatments	January 1, 2019
- IFRS 3 - Business Combinations - (Amendments)	January 1, 2020
	Effective date (periods ending on or after)
- IFRS 9 - Financial Instruments: Classification and Measurement	June 30, 2019

IFRS 16 replaces existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases Incentive and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

On adoption of IFRS 16, the Group shall recognize a 'right of use asset' with a corresponding liability for lease payments. The Group is in the process of assessing the full impact of this standard.

IFRS 9: 'Financial Instruments' addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'expected credit losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL has impact on all assets of the Bank which are exposed to credit risk. As detailed in note 5.1.2, the Group has already adopted IFRS 9 in respect of certain overseas branches and a subsidiary.

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

The Group expects that adoption of the remaining interpretations and amendments will not affect its financial statements in the period of initial application.

3.5 Standards, interpretations and amendments to accounting and reporting standards that are not yet effective

The State Bank of Pakistan (SBP) through its BPRD Circular No. 02 of 2018 dated January 25, 2018 has amended the format of annual financial statements of banks. All banks are directed to prepare their annual financial statements on the revised format effective from the accounting year ending December 31, 2018. Accordingly, the Group has prepared these financial statements on the new format prescribed by the State Bank of Pakistan. The adoption of new format required certain recognition requirements, reclassification of comparative information and also introduced additional disclosure requirements. Accordingly a third statement of financial position has been presented at the beginning of the preceding period (i.e. December 31, 2016) in accordance with the requirement of International Accounting Standard 1 – Presentation of Financial Statements.

During the current year, IFRS 9, Financial Instruments: Classification and Measurement, became applicable for certain overseas branches and a subsidiary of the Group. The impact of the adoption of IFRS 9 on the Group's financial statements is disclosed in note 5.1.2.

In addition, there are certain other new standards and interpretations of and amendments to existing accounting standards that have become applicable to the Group for accounting periods beginning on or after January 1, 2018. These are considered either to not be relevant or to not have any significant impact on the Group's financial statements.

4. BASIS OF MEASUREMENT

4.1 Accounting convention

These consolidated 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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

4.2 Critical accounting estimates and judgments

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

Significant accounting estimates and areas where judgments were made by management in the application of accounting policies are as follows:

- i) classification of investments (notes 5.5 and 9)
- ii) provision against investments (notes 5.5 and 9.3), lendings to financial institutions (notes 5.4 and 8.6) and advances (notes 5.6 and 10.3)
- iii) income taxes (notes 5.10 and 37)
- iv) staff retirement benefits (notes 5.12 and 41)
- v) fair value of derivatives (note 5.17.2)
- vi) fixed assets and intangible assets - revaluation, depreciation and amortization (notes 5.7, 11 and 12)
- vii) impairment (note 5.9)
- viii) valuation of non-banking assets acquired in satisfaction of claims (note 5.8)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year, except for changes explained in note 5.1:

5.1 Change in accounting policies

- 5.1.1** 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, 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 stated	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	27,966,388	241,585	28,207,973
Impact on Profit and Loss Account			
Provisions and write-offs - net	2,387,216	241,585	2,628,801
Profit after taxation	26,196,589	(241,585)	25,955,004
Earnings per share - basic and diluted (in rupees)	21.39	(0.19)	21.20
Impact on Statement of Comprehensive Income	20,338,085	(241,585)	20,096,500
Impact on Cash Flow Statement			
Profit before taxation	41,130,992	(241,585)	40,889,407
Other provisions / write-offs - net	287,473	241,585	529,058

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

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.

- 5.1.2** As per the accounting policy of the Group, the provision against balances with other banks, investments, lendings to financial institutions and advances of overseas branches and subsidiaries is made as per the requirement of the respective regulatory regimes. During the current year, IFRS 9 became applicable for certain overseas branches and a subsidiary of the Bank (i.e. UAE, Bahrain, Qatar and Tanzania). Accordingly, in respect of such branches and a subsidiary, the Group 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 and a subsidiary resulted in additional provisioning requirement of Rs. 2,497.087 million (net of deferred tax amounting to Rs. 1,640.563 million) 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:

	As at January 1, 2018		
	Provision required under IFRS- 9	Already recorded	Incremental impact
	------(Rupees in '000)-----		
Impact on Statement of Financial Position			
Balances with other banks	92,056	-	92,056
Investments	871,640	-	871,640
Advances	4,137,453	(2,815,306)	1,322,147
Other liabilities (provision against off balance sheet obligations)	211,244	-	211,244
	<u>5,312,393</u>	<u>(2,815,306)</u>	<u>2,497,087</u>
Less: related deferred tax	<u>(1,841,881)</u>	<u>985,357</u>	<u>(856,524)</u>
	<u><u>3,470,512</u></u>	<u><u>(1,829,949)</u></u>	<u><u>1,640,563</u></u>

- 5.1.3** The State Bank of Pakistan (SBP) through its BPRD Circular No. 02 of 2018 dated January 25, 2018 has amended the format of annual financial statements of banks. All banks are directed to prepare their annual financial statements on the revised format effective from the accounting year ending December 31, 2018. Accordingly, the Group has prepared these financial statements on the new format prescribed by the State Bank of Pakistan. The adoption of new format required certain recognition requirements, reclassification of comparative information and also introduced additional disclosure requirements. Accordingly, a third statement of financial position has been presented at the beginning of the preceding period (i.e. December 31, 2016) in accordance with the requirement of International Accounting Standard 1 – Presentation of Financial Statements. The adoption of revised format has resulted in following significant changes:

- Acceptances amounting to Rs 28,157.111 million (2017: Rs 25,670.558 million, 2016: Rs 23,081.367 million) which were previously shown as part of contingencies and commitments are now recognized on balance sheet both as assets and liabilities. They are included in Other Assets (note 14) and Other Liabilities (note 21);
- Surplus on revaluation of fixed assets, non-banking assets and investments which was previously shown below equity have now been included as part of equity (note 23). These surplus aggregate to Rs 17,331.441 million as at December 31, 2018 (2017: Rs 33,827.801 million, 2016: Rs 35,705.537 million); and
- Intangibles (note 12) amounting to Rs 1,876.094 million (2017: Rs 1,153.176 million, 2016: Rs 1,090.193 million) were previously shown as part of fixed assets (note 11) are now shown separately on the consolidated statement of financial position.
- Provision against advances, provision against investments, bad debts written off directly and reversal of provision against lendings to financial institution amounting to Rs 1,877.257 million, Rs 719,845 million, Rs 187.443 million and Rs 8.260 million respectively which were previously shown separately in the consolidated profit and loss account have now been shown as part of other provisions / write-offs in note 35.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

5.2 Basis of consolidation

5.2.1 Subsidiaries

The consolidated financial statements include the financial statements of the Bank and its subsidiary companies.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the date that control ceases.

The financial statements of subsidiaries are prepared for the same reporting period as the Holding Company, using accounting policies that are consistent with those of the Holding Company, except for non-banking subsidiaries in Pakistan which follow the requirements of IAS 39 and IAS 40, and overseas subsidiaries which are required to comply with local regulations enforced within the respective jurisdictions.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group recognises non-controlling interests (NCI) in subsidiaries at the non-controlling interest's proportionate share of the net assets. NCI in the equity of subsidiaries are shown separately in the consolidated statement of financial position, consolidated profit and loss account, consolidated statement of comprehensive income and consolidated statement of changes in equity.

5.3 Cash and cash equivalents

Cash and cash equivalents for the purpose of the cash flow statement consist of cash and balances with treasury banks and balances with other banks.

5.4 Lendings to / borrowings from financial institutions

The Group enters into transactions of reverse repos, repos and other short term money market lendings to financial institution at contracted rates for a specified period of time. Further, other long term lendings to Financial institution are classified in advances. These are recorded as under:

5.4.1 Purchase under resale agreements

Securities purchased under agreement to resell (reverse repo) are included in lendings to financial institutions. The differential between the purchase price and the resale price is amortized over the period of the agreement and recorded as income.

Securities held as collateral are not recognized in the consolidated financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability under borrowings from financial institutions.

5.4.2 Sale under repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in the consolidated financial statements as investments and the counterparty liability is included in borrowings from financial institutions. The differential between the sale price and the repurchase price is amortized over the period of the agreement and recorded as an expense.

5.4.3 Bai Muajjal

The securities sold under Bai Muajjal agreement are derecognised on the date of disposal. Receivable against such sale is recognised at the agreed sale price. The difference between the sale price and the carrying value on the date of disposal is taken to income on straight line basis.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

5.5 Investments

Investments of the Group, other than investments in associates, are classified as held for trading, held to maturity and available for sale.

Held for trading

These are securities which are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements and dealer's margin, or are securities included in a portfolio in which a pattern of short term profit taking exists.

Held to maturity

These are securities with fixed or determinable payments and fixed maturities, in respect of which the Group has the positive intent and ability to hold to maturity.

Available for sale

These are investments, other than those in subsidiaries and associates, that do not fall under the held for trading or held to maturity categories.

Initial measurement

All "regular way" purchases and sales of investments are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the investment. Regular way purchases or sales are purchases or sales of investments that require delivery of investments within the time frame generally established by regulation or convention in the market place.

Investments are initially recognized at fair value which, in the case of investments other than held for trading, includes transaction costs associated with the investments. Transaction costs on investments held for trading are expensed as incurred.

Subsequent measurement

Held for trading

These are measured at subsequent reporting dates at fair value. Gains and losses on re-measurement are included in the profit and loss account.

Held to maturity

These are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.

Available for sale

Quoted securities classified as available for sale investments are measured at subsequent reporting dates at fair value. Any surplus / deficit arising thereon is kept in a separate account shown in the statement of financial position as part of equity and is taken to the profit and loss account when realized upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. The break-up value of these securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. A decline in the carrying value is charged to the profit and loss account. A subsequent increase in the carrying value, upto the cost of the investment, is credited to the profit and loss account. Investments in other unquoted securities are valued at cost less impairment, if any.

Provisions for diminution in the value of Term Finance Certificates and Sukuks are made as per the ageing criteria prescribed by the Prudential Regulations issued by the SBP. Provisions for diminution in the value of other securities are made for impairment, if any.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Goodwill

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

5.6 Advances

Advances are stated net of specific and general provisions which are charged to the profit and loss account. Specific provisions against domestic advances and general provision against domestic consumer loans are determined on the basis of the Prudential Regulations and other directives issued by the SBP. General and specific provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries. If circumstances warrant, the Group, from time to time, makes general provisions against weaknesses in its portfolio on the basis of management's estimation.

Advances are written off when there is no realistic prospect of recovery. The amount so written off is a book entry and does not necessarily prejudice to the Group's right of recovery against the customer.

The Bank determines write-offs in accordance with the criteria prescribed by the SBP vide BPRD Circular No. 06 dated June 05, 2007.

5.6.1 Finance Lease receivables

Leases, where the Bank transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance lease. A receivable is recognized at an amount equal to the present value of the minimum lease payments including guaranteed residual value, if any. Finance lease receivables are included in advances.

5.6.2 Islamic financings and related assets

Receivables under Murabaha financing represent cost price plus an agreed mark-up on deferred sale arrangement. Mark-up income is recognised on a straight line basis over the period of the instalments.

Ijarah financing represents arrangements whereby the Bank (being the owner of assets) transfers its usufruct to its customers for an agreed period at an agreed consideration. Assets leased out under Ijarah are stated at cost less accumulated depreciation and accumulated impairment losses, if any. These are depreciated over the term of the lease. Ijarah income is recognized on an accrual basis.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

Diminishing Musharaka is partnership agreement between the Bank and its customer for financing vehicle or plant and machinery. The receivable is recorded to the extent of Bank's share in the purchase of asset. Income is recognised on accrual basis.

5.7 Fixed assets and depreciation

5.7.1 Tangible

Property and equipment, other than land (which is not depreciated) and capital work-in-progress, are stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses, if any. Land is carried at revalued amount less impairment losses while capital work-in-progress is stated at cost less impairment losses. The cost and the accumulated depreciation of property and equipment of foreign branches include exchange differences arising on currency translation at the year-end rates of exchange.

Depreciation is calculated so as to write-off the depreciable amount of the assets over their expected useful lives at the rates specified in note 11.2 to these consolidated financial statements. The depreciation charge for the year is calculated on a straight line basis after taking into account the residual value, if any. The residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date.

Depreciation on additions is charged from the month the asset is available for use. No depreciation is charged in the month of disposal.

Land and buildings are revalued by independent, professionally qualified valuers with sufficient regularity to ensure that their net carrying amount does not differ materially from their fair value. An increase arising on revaluation is credited to the surplus on revaluation of fixed assets account. A decrease arising on revaluation of fixed assets is adjusted against the surplus of that asset or, if no surplus exists, is charged to the profit and loss account as an impairment of the asset. A surplus arising subsequently on an impaired asset is reversed through the profit and loss account up to the extent of the original impairment.

Surplus on revaluation of fixed assets (net of associated deferred tax) to the extent of the incremental depreciation charged on the related assets is transferred to unappropriated profit.

Gains and losses on sale of fixed assets are included in the profit and loss account, except that the related surplus on revaluation of fixed assets (net of deferred tax) is transferred directly to unappropriated profit.

Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Normal repairs and maintenance are charged to the profit and loss account as and when incurred.

5.7.2 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. The cost and the accumulated amortization of intangible assets of foreign branches and subsidiaries include exchange differences arising on currency translation at the year-end rates of exchange. Amortization is calculated so as to write-off the amortizable amount of the assets over their expected useful lives at the rates specified in note 12.1 to these consolidated financial statements. The amortization charge for the year is calculated on a straight line basis after taking into account the residual value, if any. The residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date. Amortization on additions is charged from the month the asset is available for use. No amortization is charged in the month of disposal.

Gains and losses on sale of intangible assets are included in the profit and loss account.

5.8 Non-banking assets acquired in satisfaction of claims

Non-banking assets acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'surplus on revaluation of non-banking assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property are charged to the profit and loss account and not capitalised.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

5.9 Impairment

Impairment of available for sale equity investments

Available for sale equity investments are impaired when there has been a significant or prolonged decline in their fair value below their cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates, among other factors, the normal volatility in share price.

Impairment in investments in associates

The Group considers that a decline in the recoverable value of the investment in an associate below its cost may be evidence of impairment. Recoverable value is calculated as the higher of fair value less costs to sell and value in use. An impairment loss is recognized when the recoverable value falls below the carrying value and is charged to the profit and loss account. A subsequent reversal of an impairment loss, upto the cost of the investment in the associate, is credited to the profit and loss account.

Impairment in non-financial assets (excluding deferred tax)

The carrying amounts of non-financial assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is charged to the profit and loss account except for an impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the revaluation surplus.

5.10 Taxation

5.10.1 Current

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Bank and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

5.10.2 Deferred

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Bank is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

Current and deferred tax is recognised in consolidated profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

5.11 Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events which makes it probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Provision against identified non-funded losses is recognized when intimated and reasonable certainty exists that the Group will be required to settle the obligation. The provision is charged to the profit and loss account net of expected recovery and the obligation is classified under other liabilities.

Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimate.

5.12 Staff retirement and other benefits

5.12.1 The Bank

The Bank operates the following staff retirement schemes for its employees

- a) For new employees and for those who opted for the below mentioned conversion option introduced in 2001, the Bank operates
 - an approved contributory provident fund (defined contribution scheme); and
 - an approved gratuity scheme (defined benefit scheme).
- b) For employees who have not opted for the conversion option introduced in 2001, the Bank operates
 - an approved non-contributory provident fund in lieu of the contributory provident fund; and
 - an approved funded pension scheme, introduced in 1986 (defined benefit scheme).

In 2001, the Bank modified the pension scheme and introduced a conversion option for employees covered under option (b) above to move to option (a). This conversion option ceased on December 31, 2003.

The Bank also operates benevolent fund for all its eligible employees (defined benefit scheme).

Annual contributions towards defined benefit schemes are made on the basis of actuarial advice using the Projected Unit Credit Method.

For the defined contribution scheme, the Bank pays contributions to the fund on a periodic basis. The Bank has no further payment obligation once the contributions have been paid. The contributions are recognized as an expense when the obligation to make payments to the fund has been established. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Other benefits

a) Employees' compensated absences

The Bank makes provisions for compensated vested and non-vested absences accumulated by its eligible employees on the basis of actuarial advice under the Projected Unit Credit Method.

b) Post-retirement medical benefits (defined benefit scheme)

The Bank provides post-retirement medical benefits to eligible retired employees. Provision is made on the basis of actuarial advice under the Projected Unit Credit Method.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

Remeasurement of defined benefit obligations

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income when they occur with no subsequent recycling through the profit and loss account.

Remeasurement gains and losses pertaining to long term compensated absences are recognized in the profit and loss account immediately.

5.12.2 United National Bank Limited (UBL UK)

Defined benefit scheme

UBL UK operates a pension scheme (defined benefit scheme) for certain staff. This scheme is closed for new members and the accrual of benefits has ceased from January 1, 2010. Gains and losses on settlements and curtailments are charged to the profit and loss account. The interest cost and the expected return on assets are included in other liabilities and other assets respectively. Remeasurement gains and losses are recognised immediately in other comprehensive income.

The defined benefit scheme is funded, with the assets of the scheme held separately from those of UBL UK, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured based on actuarial valuations using the Projected Unit Credit Method. The actuarial valuations are obtained at least triennially and are updated at each statement of financial position date.

Defined contribution scheme

UBL UK operates a defined contributory pension scheme. The contribution payable in the year in respect of pension costs and other post-retirement benefits is charged to the profit and loss account. Differences between the contribution payable in the year and contribution actually paid are shown as either accruals or prepayments in the statement of financial position.

5.12.3 UBL Fund Managers Limited (UFML)

Defined benefit plan

UFML operates an approved funded gratuity scheme for all employees. Annual contributions to the fund are made on the basis of actuarial advice using the Projected Unit Credit Method. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income when they occur with no subsequent recycling through the profit and loss account.

Defined contribution plan

UFML operates an approved contributory provident fund (defined contribution scheme) for all eligible employees.

Employee Stock Option Scheme

UBL Fund Managers provides an incentive scheme for its top performing employees in the form of share options under the Employee Stock Option Scheme (ESOS). The scheme has been approved by the SECP.

5.12.4 UBL (Switzerland) AG

UBL (Switzerland) AG maintains a contribution-oriented pension scheme for employees who have reached the age of 25. It bears a large share of the costs of the occupational pension plan for all employees as well as their surviving dependents pursuant to legal requirements. The employee benefit obligations and the assets serving as coverage are outsourced to a collective insurance firm. The organization, management and financing of the pension plan comply with legal regulations, the deed of foundation and the applicable regulations of the benefit plan.

5.12.5 UBL Bank (Tanzania) Limited

All eligible employees are members of the Public Pension Fund (PPF) or National Social Security Fund (NSSF). The fund is a defined contribution scheme with the Bank having no legal or constructive obligation to pay further top-up contributions.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

5.13 Subordinated Debt

Subordinated debt are initially recorded at the amount of proceeds received. Mark-up accrued on subordinated debt is recognised separately as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

5.14 Borrowings / deposits

- a) Borrowings / deposits are recorded at the amount of proceeds received.
- b) The cost of borrowings / deposits is recognized on an accrual basis as an expense in the period in which it is incurred.

5.15 Revenue recognition

Revenue is recognized to the extent that the economic benefits associated with a transaction will flow to the Group and the revenue can be reliably measured. The following recognition criteria must be met before revenue is recognized.

5.15.1 Advances and investments

Mark-up / return / interest on performing advances and investments is recognized on a time proportionate basis over the term of the advances and investments that takes into account the effective yield of the asset. Where debt securities are purchased at a premium or discount, such premium / discount is amortized through the profit and loss account over the remaining period of maturity of the debt securities.

Interest or mark-up recoverable on non-performing or classified advances and investments is recognized on a receipt basis.

Lease financing

Income from lease financing is accounted for using the financing method. Under this method, the unearned lease income (defined as the sum of total lease rentals and estimated residual value less the cost of the leased assets) is deferred and taken to income over the term of the lease so as to produce a constant periodic rate of return on the outstanding net investment in the lease. Gains or losses on termination of lease contracts are recognised through the profit and loss account when these are realised. Unrealised lease income and other fees on classified leases are recognised on a receipt basis.

5.15.2 Dividend income

Dividend income is recognised when the right to receive the dividend is established.

5.15.3 Fee, brokerage and commission income

Fee, brokerage and commission income is recognized on an accrual basis.

5.15.4 Grants

Grants received are recorded as income when the right to receive the grant, based on the related expenditure having been incurred, has been established.

5.16 Foreign currencies

5.16.1 Functional and presentation currency

Items included in these consolidated financial statements are measured using the currency of the primary economic environment in which the Holding Company operates. These consolidated financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.

5.16.2 Foreign currency transactions

Transactions in foreign currencies are translated to rupees at the foreign exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the statement of financial position date. Forward foreign exchange contracts and foreign bills purchased are valued in rupees at the forward foreign exchange rates applicable to their respective maturities.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

Non-monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the date of initial recognition of the non-monetary assets / liabilities.

5.16.3 Foreign operations and subsidiaries

The assets and liabilities of foreign operations and subsidiaries are translated to rupees at exchange rates prevailing at the statement of financial position date. The results of foreign operations and subsidiaries are translated at the average rate of exchange for the year.

5.16.4 Translation gains and losses

Translation gains and losses are taken to the profit and loss account, except those arising on translation of the net investment in foreign branches and subsidiaries which are taken to capital reserves (Exchange Translation Reserve) until the disposal of the net investment, at which time these are recognised in the profit and loss account.

5.16.5 Contingencies and commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in these consolidated financial statements at contracted rates. Contingent liabilities / commitments denominated in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the statement of financial position date.

Provision for claims under guarantees

A provision for claims under guarantees is recognised when intimated and reasonable certainty exists that the Bank will settle the obligation. The charge to the profit and loss account is stated net of expected recoveries and the obligation is recognised in other liabilities.

5.17 Financial instruments

5.17.1 Financial assets and liabilities

Financial assets and liabilities carried on the statement of financial position include cash and bank balances, lendings to financial institutions, investments, advances, certain receivables, bills payable, borrowings from financial institutions, deposits, subordinated loans and certain payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy notes associated with them.

5.17.2 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when their fair value is positive and liabilities when their fair value is negative. Any change in the fair value of derivative financial instruments during the period is taken to the profit and loss account.

5.17.3 Off setting

Financial assets and financial liabilities are set-off and the net amount is reported in the consolidated financial statements when there is a legally enforceable right to set-off and the Group intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

5.18 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing particular products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), and is subject to risks and rewards that are different from those of other segments.

5.18.1 Business segments

(a) Corporate / Commercial Banking

Includes project, trade and working capital finance, import and export, factoring, leasing, lending, deposits and guarantees. It also include services provided in connection with mergers and acquisitions and the underwriting / arrangement of debt and equity instruments through syndications, Initial Public Offerings and private placements.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

(b) Treasury

It includes fixed income, equity, foreign exchange, credit, funding, own position securities, lendings and borrowings and derivatives for hedging and market making.

(c) Branch Banking

Includes deposits, lending and banking services to private individuals and small businesses including credit cards and branchless banking.

(d) Islamic Banking

Represents branch operations of Islamic banking window of the Bank.

(e) International Branch Operations

Represents Bank's operations in 5 countries including two branches in export processing zones in Karachi and Sialkot.

(f) Subsidiaries

Represents operations by Bank's subsidiaries.

(g) Others

Others includes functions which cannot be classified in any of the above segments.

5.18.2 Geographical segments

The Group operates in following geographical regions:

- Pakistan
- Middle East
- United States of America
- Export Processing Zones in Karachi and Sialkot
- Europe
- Africa

5.19 Dividends and appropriations to reserves

Dividends and appropriations to reserves are recorded in the year in which these are approved, except appropriations required by law which are recorded in the period to which they pertain.

5.20 Earnings per share

The Group presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

5.21 Acceptances

Acceptances comprise undertakings by the Bank to pay bill of exchange drawn on customers. Acceptances are recognized as financial liability in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

	Note	2018	2017
		----- (Rupees in '000) -----	
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		11,659,464	9,133,749
Foreign currency		4,182,154	4,757,384
		15,841,618	13,891,133
With State Bank of Pakistan in			
Local currency current accounts	6.1	46,699,046	47,566,242
Foreign currency current accounts	6.2	3,209,866	2,603,208
Foreign currency deposit account	6.3	8,304,054	7,374,423
		58,212,966	57,543,873
With other central banks in			
Foreign currency current accounts	6.4	34,761,763	34,049,196
Foreign currency deposit accounts	6.5	12,103,156	7,272,440
		46,864,919	41,321,636
With National Bank of Pakistan in local currency current accounts		66,936,342	48,257,470
Prize Bonds		59,826	105,058
		<u>187,915,671</u>	<u>161,119,170</u>
6.1	This represents current accounts maintained with the SBP under the Cash Reserve Requirement of section 22 of the Banking Companies Ordinance, 1962.		
6.2	This represents a US Dollar settlement account maintained with the SBP and current accounts maintained with the SBP to comply with statutory requirements.		
6.3	This represents account maintained with the SBP to comply with the Special Cash Reserve requirement. The return on this account is declared by the SBP on a monthly basis and as at December 31, 2018, it carries mark-up at the rate of 1.35% (2017: 0.37%) per annum.		
6.4	Deposits with other central banks are maintained to meet the minimum cash reserves and capital requirements pertaining to the foreign branches and subsidiaries of the Group.		
6.5	These represent placements with overseas central banks and carry mark-up at rates ranging from 2.24% to 2.50% (2017: 1.22% to 1.50%) per annum.		

	Note	2018	2017
		----- (Rupees in '000) -----	
7. BALANCES WITH OTHER BANKS			
Inside Pakistan			
In current accounts		3,216	3,674
In deposit accounts	7.1	4,492,852	5,879,308
		4,496,068	5,882,982
Outside Pakistan			
In current accounts		11,914,322	15,014,403
In deposit accounts	7.2	25,336,670	14,651,727
		37,250,992	29,666,130
		<u>41,747,060</u>	<u>35,549,112</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

7.1 These carry mark-up at rates ranging from 9.80% to 10.49% (2017: 5.60% to 5.7%) per annum.

7.2 These carry mark-up at rates ranging from 0.13% to 5.86% (2017: 0.13% to 5.25%) per annum and include balances amounting to Rs. 277.724 million (2017: Rs.220.834 million), maintained with an overseas bank against the statutory reserves requirement of a foreign branch.

	Note	2018 ----- (Rupees in '000) -----	2017
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call / clean money lending	8.2	7,000,000	585,000
Repurchase agreement lendings	8.3	23,500,000	6,931,953
Bai Muajjal receivable from State Bank of Pakistan		-	3,109,215
Bai Muajjal receivable from other financial institutions	8.4	3,066,732	-
Money market lendings	8.5	1,848,072	2,596,962
		<u>35,414,804</u>	<u>13,223,130</u>
Provision against lendings to financial institutions	8.6	(68,253)	(125,853)
Lendings to financial institutions - net of provision		<u>35,346,551</u>	<u>13,097,277</u>
8.1 Particulars of lendings to financial institutions - gross			
In local currency		33,634,872	10,694,308
In foreign currencies		1,779,932	2,528,822
		<u>35,414,804</u>	<u>13,223,130</u>

8.2 This represents unsecured lending carrying mark-up at a rate of 9.00% to 9.70% per annum (2017: 5.75% per annum) and is due to mature by January 2019.

8.3 Securities held as collateral against repurchase agreement lendings

	2018			2017		
	Held by Group	Further given as collateral / sold	Total	Held by Group	Further given as collateral / sold	Total
	----- (Rupees in '000) -----					
Pakistan Investment Bonds	5,000,000	18,500,000	23,500,000	-	-	-
Market Treasury Bills	-	-	-	6,931,953	-	6,931,953
	<u>5,000,000</u>	<u>18,500,000</u>	<u>23,500,000</u>	<u>6,931,953</u>	<u>-</u>	<u>6,931,953</u>

8.3.1 The market value of securities held as collateral against repurchase agreement lendings amounted to Rs. 23,496.797 million (2017: Rs. 6,930.423 million).

8.4 This represents Bai Muajjal agreements entered into with various financial institutions whereby the Bank has sold sukuks having carrying value of Rs. 2,992.934 million (2017: Rs. nil) on deferred payment basis. The average return on these transactions is 10.0% per annum (2017: nil).

8.5 Lendings pertaining to overseas operations carry mark-up at rates 4.25% per annum (2017: 2.61% to 6.02% per annum) and are due to mature latest by January 2019.

8.6 Category of classification

	2018		2017	
	Classified Lending	Provision held	Classified Lending	Provision held
	----- (Rupees in '000) -----			
Domestic				
Loss	68,253	68,253	125,853	125,853

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

9. INVESTMENTS

9. INVESTMENTS		2018				2017			
9.1 Investments by type	Note	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
(Rupees in '000)									
Held for trading securities									
Market Treasury Bills		99,942,759	-	954	99,943,713	104,501,276	-	1,563	104,502,839
Pakistan Investment Bonds		1,621,854	-	7,570	1,629,424	582,376	-	729	583,105
Term Finance Certificates		-	-	-	-	10,245	-	(85)	10,160
		101,564,613	-	8,524	101,573,137	105,093,897	-	2,207	105,096,104
Available for sale securities									
Market Treasury Bills		139,865,800	-	(22,440)	139,843,360	302,518,979	-	(3,034)	302,515,945
Pakistan Investment Bonds		133,585,814	-	(14,268,873)	119,316,941	229,560,472	-	6,285,489	235,845,961
Government of Pakistan Eurobonds		19,793,232	(203,676)	(867,162)	18,722,394	16,768,510	-	556,820	17,325,330
Government of Pakistan Sukuk		15,145,060	(49,844)	(176,154)	14,919,062	19,102,273	-	56,993	19,159,266
Sukuk		105,000	-	-	105,000	-	-	-	-
Ordinary shares of listed companies		18,018,247	(3,047,999)	1,747,978	16,718,226	18,362,340	(1,824,103)	1,780,431	18,318,668
Preference shares		482,687	(446,023)	-	36,664	391,315	(354,688)	-	36,627
Ordinary shares of unlisted companies		753,812	(121,989)	-	631,823	258,757	(128,758)	-	129,999
Investment in REIT		458,590	-	41,273	499,863	458,590	-	-	458,590
Term Finance Certificates		941,297	(97,278)	(891)	843,128	441,406	(97,616)	4,479	348,269
Foreign bonds - sovereign		67,706,652	(378,288)	(1,266,323)	66,062,041	38,492,705	(2,107)	717,210	39,207,808
Foreign bonds - others		15,675,281	(46,622)	(1,320,309)	14,308,350	18,150,879	-	(105,690)	18,045,189
		412,531,472	(4,391,719)	(16,132,901)	392,006,852	644,506,226	(2,407,272)	9,292,698	651,391,652
Held to maturity securities									
Market Treasury Bills		3,124,601	-	-	3,124,601	7,363,088	-	-	7,363,088
Pakistan Investment Bonds		275,079,334	-	-	275,079,334	311,766,517	-	-	311,766,517
Government of Pakistan Eurobonds		8,788,340	(127,994)	-	8,660,346	6,564,140	-	-	6,564,140
Government of Pakistan Sukuk		1,399,305	(11,264)	-	1,388,041	221,823	-	-	221,823
Bai Muajjal Government of Pakistan		8,300,566	-	-	8,300,566	-	-	-	-
Term Finance Certificates		6,023,053	(11,384)	-	6,011,669	6,626,766	(41,851)	-	6,584,915
Sukuks		11,921,801	(107,743)	-	11,814,058	10,512,247	(117,841)	-	10,394,406
Participation Term Certificates		437	(437)	-	-	437	(437)	-	-
Debentures		2,266	(2,266)	-	-	2,266	(2,266)	-	-
Foreign bonds - sovereign		17,251,054	(171,247)	-	17,079,807	15,208,115	-	-	15,208,115
Foreign bonds - others		1,497,873	(347,246)	-	1,150,627	6,098,955	(239,523)	-	5,859,432
Recovery note		428,009	(427,993)	-	16	340,333	(340,333)	-	-
CDC SAARC Fund		302	-	-	302	240	-	-	240
Commercial Paper		-	-	-	-	227,224	-	-	227,224
		333,816,941	(1,207,574)	-	332,609,367	364,932,151	(742,251)	-	364,189,900
Associates									
United Growth and Income Fund	9.9	-	-	-	-	264,763	-	-	264,763
UBL Liquidity Plus Fund	9.9	11,700	-	-	11,700	93,371	-	-	93,371
UBL Money Market Fund	9.9	32,069	-	-	32,069	11,455	-	-	11,455
UBL Government Securities Fund	9.9	-	-	-	-	265,325	-	-	265,325
UBL Stock Advantage Fund	9.9	207,469	-	-	207,469	210,149	-	-	210,149
UBL Financial Planning Fund	9.9	-	-	-	-	37,036	-	-	37,036
UBL Financial Sector Fund	9.9	119,529	-	-	119,529	-	-	-	-
UBL Income opportunity Fund	9.9	1,542,968	-	-	1,542,968	-	-	-	-
Al Ameen Islamic Cash Fund	9.9	-	-	-	-	367	-	-	367
Al Ameen Islamic Sovereign Fund	9.9	-	-	-	-	382	-	-	382
Al Ameen Shariah Stock Fund	9.9	-	-	-	-	320,894	-	-	320,894
Al Ameen Islamic Asset Allocation Fund	9.9	-	-	-	-	216,916	-	-	216,916
Al Ameen Islamic Financial Planning Fund	9.9	-	-	-	-	316,142	-	-	316,142
Al Ameen Islamic Financial Planning Fund II	9.9	-	-	-	-	45,123	-	-	45,123
UBL Insurers Limited	9.9	414,884	-	-	414,884	345,097	-	-	345,097
Khushhali Bank Limited	9.9	2,572,719	-	-	2,572,719	2,046,922	-	-	2,046,922
Oman United Exchange Company, Muscat	9.9	68,406	-	-	68,406	69,702	-	-	69,702
DHA Cogen Limited	9.9.1.6	-	-	-	-	-	-	-	-
		4,969,744	-	-	4,969,744	4,243,644	-	-	4,243,644
Total Investments		852,882,770	(5,599,293)	(16,124,377)	831,159,100	1,118,775,918	(3,149,523)	9,294,905	1,124,921,300

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

9.2 Investments by segment

	2018				2017			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	(Rupees in '000)							
Federal Government Securities								
Market Treasury Bills	239,808,559	-	(21,486)	239,787,073	407,020,255	-	(1,471)	407,018,784
Pakistan Investment Bonds	410,287,002	-	(14,261,303)	396,025,699	541,909,365	-	6,286,218	548,195,583
Government of Pakistan Eurobonds	28,581,572	(331,670)	(867,162)	27,382,740	23,332,650	-	556,820	23,889,470
Government of Pakistan Sukuk	16,544,365	(61,108)	(176,154)	16,307,103	19,324,096	-	56,993	19,381,089
Bai Muajjal Government of Pakistan	8,300,566	-	-	8,300,566	-	-	-	-
	703,522,064	(392,778)	(15,326,105)	687,803,181	991,586,366	-	6,898,560	998,484,926
Ordinary shares								
Listed companies	18,018,247	(3,047,999)	1,747,978	16,718,226	18,362,340	(1,824,103)	1,780,431	18,318,668
Unlisted companies	753,812	(121,989)	-	631,823	258,757	(128,758)	-	129,999
	18,772,059	(3,169,988)	1,747,978	17,350,049	18,621,097	(1,952,861)	1,780,431	18,448,667
Preference shares	482,687	(446,023)	-	36,664	391,315	(354,688)	-	36,627
Investment in REIT	458,590	-	41,273	499,863	458,590	-	-	458,590
Non Government Debt Securities								
Listed companies	3,493,655	(97,278)	(891)	3,395,486	3,504,334	(98,408)	4,394	3,410,320
Unlisted companies	15,500,199	(121,830)	-	15,378,369	14,316,257	(161,603)	-	14,154,654
	18,993,854	(219,108)	(891)	18,773,855	17,820,591	(260,011)	4,394	17,564,974
Foreign Securities								
Market Treasury Bills	3,124,601	-	-	3,124,601	7,363,088	-	-	7,363,088
Foreign bonds - sovereign	84,957,706	(549,535)	(1,266,323)	83,141,848	53,700,820	(2,107)	717,210	54,415,923
Foreign bonds - others	17,173,154	(393,868)	(1,320,309)	15,458,977	24,249,834	(239,523)	(105,690)	23,904,621
CDC SAARC Fund	302	-	-	302	240	-	-	240
Recovery note	428,009	(427,993)	-	16	340,333	(340,333)	-	-
	105,683,772	(1,371,396)	(2,586,632)	101,725,744	85,654,315	(581,963)	611,520	85,683,872
Associates								
United Growth and Income Fund	-	-	-	-	264,763	-	-	264,763
UBL Liquidity Plus Fund	11,700	-	-	11,700	93,371	-	-	93,371
UBL Money Market Fund	32,069	-	-	32,069	11,455	-	-	11,455
UBL Government Securities Fund	-	-	-	-	265,325	-	-	265,325
UBL Stock Advantage Fund	207,469	-	-	207,469	210,149	-	-	210,149
UBL Financial Planning Fund	-	-	-	-	37,036	-	-	37,036
UBL Financial Sector Fund	119,529	-	-	119,529	-	-	-	-
UBL Income opportunity Fund	1,542,968	-	-	1,542,968	-	-	-	-
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	-	-	-	-	216,916	-	-	216,916
Al Ameen Islamic Financial Planning Fund	-	-	-	-	316,142	-	-	316,142
Al Ameen Islamic Financial Planning Fund II	-	-	-	-	45,123	-	-	45,123
UBL Insurers Limited	414,884	-	-	414,884	345,097	-	-	345,097
Khushhali Bank Limited	2,572,719	-	-	2,572,719	2,046,922	-	-	2,046,922
Oman United Exchange Company, Muscat	68,406	-	-	68,406	69,702	-	-	69,702
DHA Cogen Limited	-	-	-	-	-	-	-	-
	4,969,744	-	-	4,969,744	4,243,644	-	-	4,243,644
Total Investments	852,882,770	(5,599,293)	(16,124,377)	831,159,100	1,118,775,918	(3,149,523)	9,294,905	1,124,921,300

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

	Note	2018 ----- (Rupees in '000) -----	2017
9.2.1 Investments given as collateral - at market value			
Market Treasury Bills		104,483,301	239,588,539
Pakistan Investment Bonds		55,064,705	211,713,424
Government of Pakistan Eurobonds		1,457,053	-
Foreign bonds - sovereign		2,938,477	-
Foreign bonds - others		1,167,508	-
		<u>165,111,044</u>	<u>451,301,963</u>
9.3 Provision for diminution in value of investments			
9.3.1 Opening balance		3,149,523	2,434,908
Impact on adoption of IFRS 9	5.1.2	871,640	-
Exchange adjustments		373,917	51,363
Charge / (reversals)			
Charge for the year		1,851,005	750,715
Reversals		(19,957)	(30,870)
		1,831,048	719,845
Reversed on disposal		(599,110)	(55,525)
Amounts written off		(27,725)	(1,068)
Closing balance	9.8	<u>5,599,293</u>	<u>3,149,523</u>

9.3.2 Particulars of provision against debt securities

Category of classification	2018		2017	
	Non Performing Investment (NPI)	Provision	Non Performing Investment (NPI)	Provision
	----- (Rupees in '000) -----			
Domestic				
Loss	2,136,944	219,107	2,563,729	259,952
Overseas				
Not past due but impaired	-	-	41,280	2,212
Overdue by:				
> 365 days	729,205	729,179	579,811	579,811
Total	<u>2,866,149</u>	<u>948,286</u>	<u>3,184,820</u>	<u>841,975</u>

	2018 ----- (Rupees in '000) -----	2017
9.4 Bai Muajjal Government of Pakistan		
Bai Muajjal Investment	11,420,000	-
Less: Deferred Income	(3,119,434)	-
Bai Muajjal Investment - net	<u>8,300,566</u>	<u>-</u>

- 9.5** Investments include securities which are held by the Holding Company to comply with the statutory liquidity requirements as set out under Section 29 of the Banking Companies Ordinance, 1962.
- 9.6** Investments include Rs. 118.000 million (2017: Rs. 282.000 million) held by the State Bank of Pakistan as pledge against demand loan, TT / DD discounting facilities and foreign exchange exposure limit sanctioned to the Bank and Rs. 5.000 million (2017: Rs. 5.000 million) held by the Controller of Military Accounts (CMA) under Regimental Fund Arrangements.
- 9.7** Investments include amounts aggregating to Rs. 1,792.177 million (2017: Rs 2,175.182 million) which have been classified as loss in accordance with the requirements of Prudential Regulations prescribed by the SBP. Provision has however, not been made against them as these investments are secured by way of guarantee from the Government of Pakistan.
- 9.8** Provision against investments includes impairment based on expected loss model under IFRS 9 amounting to Rs: 1,034.995 million.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

9.9 Investment in associates

9.9.1 Movement of Investment in associates *

		2018						
Note	Country of incorporation	Percentage Holding	Investment at the beginning of the year	Investment / (Redemption) during the year	Share of profit / (loss)	Dividend received	Share of unrealized (loss) / surplus on assets	Investment at the end of the year
(Rupees in '000)								
United Growth and Income Fund	9.9.1.1	Pakistan	0.00%	264,763	(260,089)	(5,846)	-	1,172
UBL Liquidity Plus Fund	9.9.1.1	Pakistan	0.11%	93,371	(87,017)	21,215	(15,869)	-
UBL Money Market Fund	9.9.1.1	Pakistan	1.92%	11,455	8,818	12,003	(207)	-
UBL Retirement Savings Fund	9.9.1.1	Pakistan	-	-	-	-	-	-
UBL Government Securities Fund	9.9.1.1	Pakistan	0.00%	265,325	(258,939)	(6,386)	-	-
UBL Gold Fund	9.9.1.1	Pakistan	-	-	-	-	-	-
UBL Asset Allocation Fund	9.9.1.1	Pakistan	-	-	-	-	-	-
UBL Stock Advantage Fund	9.9.1.1	Pakistan	3.31%	210,149	6,581	(8,573)	-	(688)
UBL Financial Planning Fund	9.9.1.1	Pakistan	0.00%	37,036	(37,289)	253	-	-
UBL Financial Sector Fund	9.9.1.1	Pakistan	32.57%	-	138,049	(17,947)	(573)	-
UBL Income Opportunity Fund	9.9.1.1	Pakistan	69.23%	-	1,501,942	41,026	-	-
UBL Special Savings Fund	9.9.1.1	Pakistan	-	-	(49)	1,752	(1,703)	-
Al Ameen Islamic Cash Fund	9.9.1.2	Pakistan	0.00%	367	(361)	(6)	-	-
Al Ameen Islamic Aggressive Income Fund	9.9.1.2	Pakistan	-	-	-	-	-	-
Al Ameen Islamic Sovereign Fund	9.9.1.2	Pakistan	0.00%	382	(379)	(3)	-	-
Al Ameen Shariah Stock Fund	9.9.1.2	Pakistan	0.00%	320,894	(347,030)	26,985	-	(849)
Al Ameen Islamic Asset Allocation Fund	9.9.1.2	Pakistan	0.00%	216,916	(222,682)	6,099	-	(333)
Al Ameen Islamic Financial Planning Fund	9.9.1.2	Pakistan	0.00%	316,142	(325,412)	9,270	-	-
Al Ameen Islamic Financial Planning Fund II	9.9.1.2	Pakistan	0.00%	45,123	(45,241)	118	-	-
UBL Insurers Limited	9.9.1.3	Pakistan	30.00%	345,097	-	69,787	-	-
Khushhali Bank Limited	9.9.1.4	Pakistan	29.69%	2,046,922	-	552,689	(26,833)	(59)
Oman United Exchange Company, Muscat	9.9.1.5	Oman	25.00%	69,702	1,846	(3,142)	-	-
				<u>4,243,644</u>	<u>72,748</u>	<u>699,294</u>	<u>(45,185)</u>	<u>(757)</u>
								<u>4,969,744</u>
		2017						
Note	Country of incorporation	Percentage Holding	Investment at the beginning of the year	Investment / (Redemption) during the year	Share of profit / (loss)	Dividend received	Share of unrealized (loss) / surplus on assets	Investment at the end of the year
(Rupees in '000)								
United Growth and Income Fund	9.9.1.1	Pakistan	8.14%	615,046	(347,046)	33,235	(31,887)	(4,585)
UBL Liquidity Plus Fund	9.9.1.1	Pakistan	1.41%	11,738	78,160	4,165	(692)	-
UBL Money Market Fund	9.9.1.1	Pakistan	1.62%	11,445	-	611	(601)	-
UBL Retirement Savings Fund	9.9.1.1	Pakistan	0.00%	30,654	(32,355)	1,701	-	-
UBL Government Securities Fund	9.9.1.1	Pakistan	9.36%	3,092,749	(2,852,278)	36,611	(11,757)	-
UBL Gold Fund	9.9.1.1	Pakistan	0.00%	86,734	(89,577)	2,843	-	-
UBL Asset Allocation Fund	9.9.1.1	Pakistan	0.00%	765,932	(716,196)	(4,339)	(45,397)	-
UBL Stock Advantage Fund	9.9.1.1	Pakistan	3.19%	186,565	64,317	(24,370)	(16,363)	-
UBL Financial Planning Fund	9.9.1.1	Pakistan	7.18%	-	32,668	4,368	-	-
Al Ameen Islamic Cash Fund	9.9.1.2	Pakistan	0.01%	12,862	(12,674)	195	(16)	-
Al Ameen Islamic Aggressive Income Fund	9.9.1.2	Pakistan	0.00%	31,923	(32,415)	492	-	-
Al Ameen Islamic Sovereign Fund	9.9.1.2	Pakistan	0.01%	59,360	(59,376)	419	(21)	-
Al Ameen Shariah Stock Fund	9.9.1.2	Pakistan	4.33%	363,868	25,655	(40,158)	(29,320)	849
Al Ameen Islamic Asset Allocation Fund	9.9.1.2	Pakistan	2.79%	128,665	115,159	(6,422)	(20,819)	333
Al Ameen Islamic Financial Planning Fund	9.9.1.2	Pakistan	4.54%	611,598	(259,627)	(35,829)	-	-
Al Ameen Islamic Financial Planning Fund II	9.9.1.2	Pakistan	0.36%	-	44,994	129	-	-
UBL Insurers Limited	9.9.1.3	Pakistan	30.00%	295,604	-	49,493	-	-
Khushhali Bank Limited	9.9.1.4	Pakistan	29.69%	1,606,377	-	440,524	-	21
Oman United Exchange Company, Muscat	9.9.1.5	Oman	25.00%	66,497	7,171	(3,966)	-	-
				<u>7,977,617</u>	<u>(4,033,420)</u>	<u>459,702</u>	<u>(156,873)</u>	<u>(3,382)</u>
								<u>4,243,644</u>

*Summary of financial position is disclosed in note 9.9.2.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

- 9.9.1.1** These represent open ended mutual funds managed by UBL Fund Managers Limited. These funds are listed on the Pakistan Stock Exchange and offer units for public subscription on a continuous basis.
- 9.9.1.2** These represent open ended shariah compliant mutual funds managed by UBL Fund Managers Limited. These funds are listed on the Pakistan Stock Exchange and offer units for public subscription on a continuous basis.
- 9.9.1.3** UBL Insurers Limited is an unquoted public company, whose principal objective is to conduct general insurance business.
- 9.9.1.4** This represents the Bank's subscription towards the paid-up capital of Khushhali Bank Limited. Pursuant to section 10 of the Khushhali Bank Ordinance, 2000 strategic investors including the Bank cannot sell or transfer their investment before a period of five years that has expired on October 10, 2005. Thereafter, such sale / transfer would be subject to the prior approval of the SBP. However these shares are still appearing as frozen as no approval has been obtained by the Bank to unfreeze these shares.

Khushhali Bank Limited is a microfinance bank. The principal objective of the bank is to provide microfinance services and promote social welfare through community building and social mobilization.

	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
Net Assets	8,210,192	6,439,915
Percentage holding	29.69%	29.69%
Group share of Net Assets	2,437,947	1,912,278
Government Grant	(351)	(479)
Goodwill	135,123	135,123
Carrying amount of interest in associates	2,572,719	2,046,922

- 9.9.1.5** Oman United Exchange Company LLC (the Company) is incorporated in the Sultanate of Oman as a limited liability company and is primarily engaged in money changing, issuing of drafts and the purchase and sale of travelers cheques.
- 9.9.1.6** As a result of exercise of a pledge in 2013, the Bank holds 20.99% of the issued and paid up capital of DHA Cogen Limited without any consideration having been paid. Consequently, DHA Cogen Limited is classified as an associated company.

9.9.2 Summary of financial position and performance

	2018				2017			
	Assets	Liabilities	Revenue	Profit / (loss)	Assets	Liabilities	Revenue	Profit / (loss)
	(Rupees in '000)				(Rupees in '000)			
United Growth and Income Fund	573,715	43,937	448,831	72,710	3,299,033	45,050	374,614	99,761
UBL Liquidity Plus Fund	10,480,588	113,902	978,359	839,619	6,683,601	75,089	279,725	173,339
UBL Money Market Fund	1,688,067	22,064	118,939	100,138	724,871	17,787	46,997	38,542
UBL Government Securities Fund	2,723,835	1,117,849	402,029	109,432	5,385,942	2,551,190	309,628	(10,097)
UBL Stock Advantage Fund	6,478,894	203,139	(273,310)	(498,435)	6,728,463	147,481	(528,583)	(683,292)
UBL Financial Planning Fund	-	-	-	-	518,173	2,068	10,572	9,798
UBL Financial Sector Fund	377,545	10,546	(47,336)	(57,293)	-	-	-	-
UBL Income opportunity Fund	2,236,876	7,964	95,065	90,711	-	-	-	-
Al Ameen Islamic Cash Fund	-	-	-	-	4,167,060	21,509	243,331	82,107
Al Ameen Islamic Sovereign Fund	7,383,020	39,224	392,705	178,970	6,389,388	331,327	161,947	(2,611)
Al Ameen Shariah Stock Fund	6,963,154	215,578	(263,002)	(496,756)	7,570,462	163,601	257,086	208,666
Al Ameen Islamic Asset Allocation Fund	5,246,439	68,707	285,508	95,325	7,859,580	85,572	(67,124)	263,886
Al Ameen Islamic Financial Planning Fund	2,425,280	14,657	127,908	117,774	9,514,590	100,333	(561,808)	(825,416)
Al Ameen Islamic Financial Planning Fund II	12,383,270	8,527	(1,424,065)	(25,933)	11,674,838	52,017	(651,228)	(666,092)
UBL Insurers Limited	4,795,524	3,412,698	1,412,471	241,327	4,180,839	3,026,792	1,062,464	169,206
Khushhali Bank Limited	70,461,754	62,251,562	8,846,637	2,431,676	58,978,610	52,538,695	6,971,272	1,876,462
Oman United Exchange Company, Muscat	309,105	35,481	181,955	(64,481)	371,264	92,455	166,714	(26,307)
DHA Cogen Limited	4,603,235	18,110,429	-	-	4,603,235	18,110,429	-	(822,551)

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

9.10 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows

9.10.1 Domestic Securities

9.10.1.1 Federal Government Securities - Government guaranteed

Market Treasury Bills
Pakistan Investment Bonds
Sukuk
Eurobonds

2018	2017
Cost	
----- (Rupees in '000) -----	
139,865,800	302,518,979
133,585,814	229,560,472
15,145,060	19,102,273
19,793,232	16,768,510
<u>308,389,906</u>	<u>567,950,234</u>

9.10.1.2 Shares

Listed Companies

Cement
Chemical
Commercial Banks
Fertilizer
Oil and Gas Exploration Companies
Oil and Gas Marketing Companies
Power Generation and Distribution
Technology and Communication
Textile Composite
Financial
Textile Spinning

2,180,204	1,842,819
861,004	915,931
337,311	337,311
5,661,660	5,661,660
593,890	1,555,238
579,373	579,373
5,975,088	6,196,611
665,808	658,156
543,543	-
36	36
595,323	595,321
<u>17,993,240</u>	<u>18,342,456</u>

Unlisted Companies

SME Bank Limited
First Women Bank
N.I.F.T
NIT (Equity)
Passco
Swift (Belgium)
Vis Credit Information Services
Mastercard International
Kay Textile Mills Limited
World Bridge Connect Inc.
Techlogix International Limited
Cinepax Limited
Tri Star Shipping Company
Pakistan Mortgage Refinance Co Limited

2018		2017	
Cost	Breakup value	Cost	Breakup value
----- (Rupees in '000) -----			
26,950	-	26,950	138
21,100	69,511	21,100	73,542
1,526	59,076	1,527	55,793
100	728,462	100	746,007
5,500	1,331,012	5,500	1,256,081
2,905	16,564	2,905	12,396
325	31	325	27
0	332	0	267
3,778	-	3,778	-
77,606	-	77,606	172,024
50,703	37,595	50,703	29,894
60,122	197,405	50,372	167,411
250	-	250	-
500,000	500,047	15,300	-
<u>750,865</u>	<u>2,940,035</u>	<u>256,416</u>	<u>2,513,580</u>

9.10.1.3 Others

Investment in REIT
Preference Shares

2018	2017
Cost	
----- (Rupees in '000) -----	
458,590	458,590
36,667	36,667

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

9.10.1.4 Non-Government Debt Securities

Listed

- AA+, AA, AA-
- A+, A, A-
- Unrated

Unlisted

- AAA
- Unrated

2018	2017
Cost	
----- (Rupees in '000) -----	
520,464	120,783
250,000	149,790
97,615	97,615
868,079	368,188
105,000	-
73,218	73,218
178,218	73,218

9.10.2 Foreign Securities

9.10.2.1 Government Securities

- Qatar
- Sri Lanka
- Jordan
- Bahrain
- Angola
- Egypt
- Kenya
- Nigeria
- Oman
- Portugal
- Tanzania
- Turkey
- United Arab Emirates
- Vietnam
- Ivory Coast (African Development Bank)
- Counsel of Europe Development Bank 2022
- Republic of Zambia
- United Kingdom
- United States of America
- Azerbaijan

2018		2017	
Cost	Rating	Cost	Rating
----- (Rupees in '000) -----			
3,762,165	AA-	3,098,194	BBB+
6,838,089	B+	4,248,655	B
3,415,357	B+	1,870,069	B+
4,957,369	B	3,960,322	BB+
-	-	316,848	B+
2,834,954	B-	1,703,546	B
2,236,569	B	1,587,223	B
1,819,221	B	1,091,132	B+
3,515,060	BBB-	1,332,940	BBB+
-	-	495,775	Unrated
1,287,857	B+	1,251,809	B
3,044,348	BB-	2,488,633	BB+
6,908,648	AA	3,674,450	A+
-	-	330,870	B+
2,659,053	AAA	750,385	AAA
1,061,703	AA+	892,596	AA+
924,364	B-	738,523	B
20,241,612	AA	7,535,637	AA
2,200,283	AAA	651,555	AAA
-	-	473,543	BB+
67,706,652		38,492,705	

9.10.2.2 Non-Government Debt Securities

Listed

- AA+, AA, AA-
- A+, A, A-
- BBB+, BBB, BBB-
- BB+, BB, BB-
- B+, B, B-
- CCC+, CCC, CCC-
- Unrated

2018	2017
Cost	
---- (Rupees in '000) ----	
611,172	214,582
-	497,560
3,177,868	6,541,934
3,085,094	4,542,659
5,317,795	3,760,217
823,059	665,821
2,660,293	1,928,106
15,675,281	18,150,879

9.10.2.3 Equity Securities

Listed

DP world - Bahrain

Unlisted

The Benefit Company B.S.C

25,007	19,884
2,947	2,341
446,020	354,648

9.10.2.4 Preference Shares

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

9.11 Particulars relating to Held to Maturity securities are as follows:

	2018	2017
	Cost	
	---- (Rupees in '000) ----	
9.11.1 Domestic Securities		
9.11.1.1 Federal Government Securities - Government guaranteed		
Pakistan Investment Bonds	275,079,334	311,766,517
Government of Pakistan Eurobonds	8,788,340	6,564,140
Government of Pakistan Sukuk	1,399,305	221,823
Bai Muajjal Government of Pakistan	8,300,566	-
	<u>293,567,545</u>	<u>318,552,480</u>
9.11.1.2 Non-Government Debt Securities		
Listed		
- AAA	-	2,250,000
- AA+, AA, AA-	2,560,858	661,390
- A+, A, A-	-	149,790
	<u>2,560,858</u>	<u>3,061,180</u>
Unlisted		
- AAA	10,018,430	8,522,230
- AA+, AA, AA-	2,345,018	2,224,643
- A+, A, A-	907,142	942,857
- Unrated	2,116,109	2,390,806
	<u>15,386,699</u>	<u>14,080,536</u>
9.11.1.3 Others		
CDC SAARC Fund	302	240
	<u>302</u>	<u>240</u>
9.11.2 Foreign Securities		
9.11.2.1 Government Securities		
	2018	2017
	Cost Rating	Cost Rating
	----- (Rupees in '000) -----	
- Qatar	1,660,619 AA-	1,065,501 BBB+
- Jordan	2,064,107 B+	1,209,330 B+
- Bahrain	1,656,666 B	1,795,459 BB+
- Egypt	2,702,499 B-	2,682,563 B
- Kenya	1,527,657 B	1,435,859 B
- Oman	1,390,286 BBB-	449,598 BBB+
- Portugal	621,824 BBB-	495,775 unrated
- Sri Lanka	3,173,601 B+	2,200,763 B
- Tanzania	1,479,863 B+	1,406,244 B
- Yemen	2,885,435 unrated	6,601,781 unrated
- Turkey	1,213,098 BB-	973,674 BB+
- Ghana	-	350,332 B-
- Republic of Nigeria	-	350,836 B
- UK Government	-	1,553,488 AA
	<u>20,375,655</u>	<u>22,571,203</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

9.11.2.2 Non Government Debt Securities

Listed

- BBB+, BBB, BBB-
- BB+, BB, BB-
- B+, B, B-
- CCC and below
- Unrated

Unlisted

- Unrated

	2018	2017
	Cost	
	---- (Rupees in '000) ----	
	55,545	953,857
	414,174	1,964,480
	553,362	2,346,383
	-	594,742
	173,595	-
	<u>1,196,676</u>	<u>5,859,462</u>
	301,197	239,493

9.11.2.3 Others

- Commercial Paper
- Recovery Note

	-	227,224
	<u>428,009</u>	<u>340,333</u>

9.11.3 The market value of securities classified as held-to-maturity as at December 31, 2018 amounted to Rs. 308,890.603 million (December 31, 2017: Rs. 372,139.379 million).

10 ADVANCES

	Note	Performing		Non-performing		Total	
		2018	2017	2018	2017	2018	2017
		----- (Rupees in '000) -----					
Loans, cash credits, running finances, etc.		662,493,705	564,097,136	66,422,459	51,202,694	728,916,164	615,299,830
Net Investment in finance lease	10.2	77,361	-	-	-	77,361	-
Islamic financings and related assets	10.7	22,595,094	22,106,385	97,156	94,421	22,692,250	22,200,806
Bills discounted and Purchased		60,902,866	69,457,105	2,983,692	2,784,397	63,886,558	72,241,502
Advances - gross		<u>746,069,026</u>	<u>655,660,626</u>	<u>69,503,307</u>	<u>54,081,512</u>	<u>815,572,333</u>	<u>709,742,138</u>
Provision against advances	10.4						
- Specific		-	-	(56,377,680)	(40,932,306)	(56,377,680)	(40,932,306)
- General		(4,642,931)	(3,506,469)	-	-	(4,642,931)	(3,506,469)
		<u>(4,642,931)</u>	<u>(3,506,469)</u>	<u>(56,377,680)</u>	<u>(40,932,306)</u>	<u>(61,020,611)</u>	<u>(44,438,775)</u>
Advances - net of provision		<u><u>741,426,095</u></u>	<u><u>652,154,157</u></u>	<u><u>13,125,627</u></u>	<u><u>13,149,206</u></u>	<u><u>754,551,722</u></u>	<u><u>665,303,363</u></u>

10.1 Particulars of advances - gross

	2018	2017
	---- (Rupees in '000) ----	
In local currency	579,185,614	443,712,686
In foreign currencies	<u>236,386,719</u>	<u>266,029,452</u>
	<u>815,572,333</u>	<u>709,742,138</u>

10.2 Net Investment in finance lease

	2018				2017			
	Not later than one year	Later than one and upto five years	More than five years	Total	Not later than one year	Later than one and upto five years	More than five years	Total
	----- (Rupees in '000) -----							
Minimum lease payments	-	108,634	-	108,634	-	-	-	-
Financial charges for future periods	-	(31,273)	-	(31,273)	-	-	-	-
Present value of minimum lease payments	<u>-</u>	<u>77,361</u>	<u>-</u>	<u>77,361</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

- 10.3** Advances include Rs. 69,503.307 million (2017: Rs. 54,081.512 million) which have been placed under non-performing status as detailed below:

Category of Classification	2018		2017	
	Non-Performing Loans	Provision	Non-Performing Loans	Provision
(Rupees in '000)				
Domestic				
Other Assets Especially Mentioned*	89,546	1,113	81,653	2,012
Substandard	969,495	240,790	1,062,286	258,707
Doubtful	428,909	202,116	1,452,224	783,804
Loss	26,432,231	25,394,410	25,596,353	24,512,775
	27,920,181	25,838,429	28,192,516	25,557,298
Overseas				
Not past due but impaired	3,623,373	3,064,280	4,061,438	2,132,525
Overdue by:				
Upto 90 days	7,986,841	2,731,329	1,938,276	750,984
91 to 180 days	2,152,622	2,090,614	1,396,595	401,056
181 to 365 days	2,327,966	2,000,233	3,274,572	1,010,167
> 365 days	25,492,324	20,652,795	15,218,115	11,080,276
	41,583,126	30,539,251	25,888,996	15,375,008
Total	69,503,307	56,377,680	54,081,512	40,932,306

* The Other Assets Especially Mentioned category pertains to agricultural finance and advances to small enterprises.

10.4 Particulars of provision against advances

Note	2018			2017		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
Opening balance	40,932,306	3,506,469	44,438,775	38,750,356	3,296,276	42,046,632
Impact on adoption of IFRS 9 5.1.2	-	1,322,147	1,322,147	-	-	-
Exchange adjustments	4,846,402	797,076	5,643,478	700,448	(25,487)	674,961
Charge / (reversals)						
Charge for the year	14,490,257	6,721	14,496,978	6,894,059	235,680	7,129,739
Reversals	(2,310,364)	(989,482)	(3,299,846)	(4,598,664)	-	(4,598,664)
	12,179,893	(982,761)	11,197,132	2,295,395	235,680	2,531,075
Amounts written off 10.5	(1,580,921)	-	(1,580,921)	(813,893)	-	(813,893)
Closing balance	56,377,680	4,642,931	61,020,611	40,932,306	3,506,469	44,438,775

- 10.4.1** General provision represents provision amounting to Rs. 303.132 million (December 31, 2017: Rs. 247.323 million) against consumer finance portfolio as required by the Prudential Regulations issued by the SBP and Rs. 4,339.799 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 explained in note 5.1.2. 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.nil (December 31, 2017: Rs. 49.088 million) as a matter of prudence based on management estimates.

- 10.4.2** The Bank has availed the benefit of Forced Sale Value (FSV) of certain mortgaged properties held as collateral against non-performing advances as allowed under BSD Circular no 1 of 2011. Had the benefit under the said circular not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 20.009 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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

10.4.3 Particulars of provision against advances

	2018			2017		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	25,749,531	303,132	26,052,663	25,185,167	296,411	25,481,578
In foreign currencies	30,628,149	4,339,799	34,967,948	15,747,139	3,210,058	18,957,197
	<u>56,377,680</u>	<u>4,642,931</u>	<u>61,020,611</u>	<u>40,932,306</u>	<u>3,506,469</u>	<u>44,438,775</u>

	Note	2018	2017
		(Rupees in '000)	
10.5 Particulars of write-offs			
10.5.1 Against provisions	10.4	1,580,921	813,893
Directly charged to profit and loss account		<u>130,830</u>	<u>187,443</u>
		<u>1,711,751</u>	<u>1,001,336</u>
10.5.2 Domestic			
- Write-offs of Rs. 500,000 and above	10.6	14,851	607,829
- Write-offs of below Rs. 500,000		<u>128,868</u>	<u>275,139</u>
		143,719	882,968
Write-offs in overseas branches		326,445	23,324
Write-offs in subsidiaries		<u>1,241,587</u>	<u>95,044</u>
		<u>1,711,751</u>	<u>1,001,336</u>

10.6 Details of loan write-offs of Rs. 500,000 and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written off loans or any other financial relief of five hundred thousand rupees or above allowed to a person during the year ended December 31, 2018 is given in annexure I to these consolidated financial statements (except in case of overseas branches and subsidiaries write-offs which is restricted by overseas regulatory authorities). This includes amounts charged off without prejudice to the Bank's right to recovery.

10.7 Information related to Islamic financing and related assets is given in Annexure II to the consolidated financial statements.

	Note	2018	2017
		(Rupees in '000)	
11. FIXED ASSETS			
Capital work-in-progress	11.1	944,233	4,410,426
Property and equipment	11.2	<u>49,954,047</u>	<u>44,820,475</u>
		<u>50,898,280</u>	<u>49,230,901</u>
11.1 Capital work-in-progress			
Civil works		585,087	3,662,319
Equipment		<u>359,146</u>	<u>748,107</u>
		<u>944,233</u>	<u>4,410,426</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

11.2 Property and equipment

2018								
Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Leasehold Improve-ments	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
----- Rupees '000 -----								
At January 1, 2018								
Cost / Revalued amount	6,433,625	21,883,262	4,935,576	5,710,714	4,147,158	2,075,897	11,677,083	57,373,700
Accumulated depreciation	-	(1,410)	(442,372)	(4,734)	(2,461,886)	(1,290,633)	(8,057,378)	(12,553,225)
Net book value	6,433,625	21,881,852	4,493,204	5,705,980	1,685,272	785,264	3,619,705	44,820,475
Year ended December 2018								
Opening net book value	6,433,625	21,881,852	4,493,204	5,705,980	1,685,272	785,264	3,619,705	44,820,475
Additions	-	244,774	2,481,259	1,246,377	743,166	406,895	2,092,312	7,283,267
Movement in surplus during the year	-	(348,300)	-	(15,849)	-	-	-	(364,149)
Disposals	-	(12,800)	-	(439)	(20,781)	(11,343)	(11,514)	(85,158)
Depreciation charge	-	-	(108,320)	(239,164)	(359,331)	(177,017)	(1,517,840)	(2,466,344)
Exchange rate adjustments	-	58	735,195	1,308	(11,742)	12	40,346	765,956
Closing net book value	6,433,625	21,765,584	7,601,338	6,698,213	2,036,584	1,003,811	4,223,009	49,954,047
At December 31, 2018								
Cost / Revalued amount	6,433,625	21,767,359	8,237,453	6,944,070	4,959,090	2,442,434	13,585,230	64,851,986
Accumulated depreciation	-	(1,775)	(636,115)	(245,857)	(2,922,506)	(1,438,623)	(9,362,221)	(14,897,939)
Net book value	6,433,625	21,765,584	7,601,338	6,698,213	2,036,584	1,003,811	4,223,009	49,954,047
Rate of depreciation (percentage)	-	-	2 - 5	2.5 - 10	10 - 20	10 - 25	10 - 67	20 - 25
----- Rupees '000 -----								
2017								
Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Leasehold Improve-ments	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
----- Rupees '000 -----								
At January 1, 2017								
Cost / Revalued amount	5,025,317	16,240,938	4,470,087	4,865,948	3,476,092	1,796,707	10,979,816	47,421,902
Accumulated depreciation	-	(1,337)	(448,235)	(146,370)	(2,077,189)	(1,170,164)	(8,053,745)	(12,218,350)
Net book value	5,025,317	16,239,601	4,021,852	4,719,578	1,398,903	626,543	2,926,071	35,203,552
Year ended December 2017								
Opening net book value	5,025,317	16,239,601	4,021,852	4,719,578	1,398,903	626,543	2,926,071	35,203,552
Additions	-	1,302,649	3,996	580,770	645,480	306,757	1,982,527	4,868,089
Movement in surplus on assets revalued during the year	1,408,308	4,353,002	14,661	590,178	-	-	-	6,366,149
Net Disposals (Book Value)	-	(13,413)	-	-	(1,860)	(393)	(3,228)	(4,291)
Depreciation charge	-	-	(70,602)	(184,970)	(357,202)	(159,174)	(1,307,155)	(2,151,158)
Net Exchange rate adjustments	-	13	523,297	424	(49)	11,531	21,490	557,028
Closing net book value	6,433,625	21,881,852	4,493,204	5,705,980	1,685,272	785,264	3,619,705	44,820,475
At December 31, 2017								
Cost / Revalued amount	6,433,625	21,883,262	4,935,576	5,710,714	4,147,158	2,075,897	11,677,083	57,373,700
Accumulated depreciation	-	(1,410)	(442,372)	(4,734)	(2,461,886)	(1,290,633)	(8,057,378)	(12,553,225)
Net book value	6,433,625	21,881,852	4,493,204	5,705,980	1,685,272	785,264	3,619,705	44,820,475
Rate of depreciation (percentage)	-	-	2 - 5	2.5 - 10	10 - 20	10 - 25	10 - 67	20 - 25

11.3 Revaluation of properties

The properties of the Bank were last revalued by independent professional valuers as at December 31, 2017. The revaluation was carried out by M/s. Engineering Pakistan Int'l (Pvt) Ltd., M/s. M. J. Surveyors (Pvt) Ltd., M/s Harvester Services (Pvt) Ltd., and M/s Iqbal A. Nanjee & Co. (Pvt) Ltd. on the basis of professional assessment of present market values which resulted in an increase in surplus by Rs. 6,366.149 million. The total surplus arising against revaluation of fixed assets as at December 31, 2018 amounts to Rs. 26,218.945 million.

The properties of UBL UK were last revalued by independent professional valuer, Quantum Valuation LLP, as at December 31, 2018. The total surplus arising against the revaluation of fixed assets as at December 31, 2018 amounts to Rs. 3,523.926 million.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

Had there been no revaluation, the carrying amount of revalued assets of the group at December 31 would have been as follows:

		2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
		745,657	745,657
		3,318,680	3,187,670
		3,472,062	1,347,946
		5,219,490	4,240,426
11.4	Carrying amount of temporarily idle properties of the Group	<u>82,420</u>	<u>62,572</u>
11.5	The cost of fully depreciated assets still in use		
	Furniture and fixtures	604,267	487,255
	Electrical, office and computer equipment	5,738,511	5,204,108
	Vehicles	84,903	84,442
	Building on freehold land	15,305	12,899
	Building on leasehold land	42,114	-
	Leasehold improvements	1,070,576	656,845
		<u>7,555,676</u>	<u>6,445,549</u>
11.6	Details of disposals of operating fixed assets		
	The information relating to operating fixed assets disposed off during the year is given in Annexure 'III' and is an integral part of these consolidated financial statements.		
12	INTANGIBLE ASSETS	Note	2018 ----- (Rupees in '000) -----
	Capital work-in-progress		224,823
	Intangible assets	12.1	1,651,271
			<u>1,876,094</u>
12.1	At January 1		
	Cost		4,537,089
	Accumulated amortisation and impairment		(3,440,523)
	Net book value		<u>1,096,566</u>
	Opening net book value		1,096,566
	Additions		1,085,392
	Disposals		(38,370)
	Amortisation charge		(562,568)
	Exchange rate adjustments		70,251
	Closing net book value		<u>1,651,271</u>
	At December 31		
	Cost		5,831,215
	Accumulated amortisation and impairment		(4,179,944)
	Net book value		<u>1,651,271</u>
	Rate of amortisation (percentage)		<u>10-33.33</u>
	Useful life (in years)		<u>3 - 10</u>
12.2	The cost of fully amortised assets still in use		
	Software		<u>2,168,950</u>
13.	DEFERRED TAX ASSETS / (LIABILITIES)		
	Deferred tax assets / (liabilities)	13.1	<u>6,685,952</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

13.1 Movement in temporary differences during the year

2018			
At January 1, 2018	Recognised in profit and loss account	Recognised in OCI	At December 31, 2018
(Rupees in '000)			
Deductible temporary differences on			
- Tax losses carried forward	559,243	(409,576)	83,693
- Post-retirement employee benefits	341,176	125,241	205,992
- Provision against advances, off-balance sheet etc.	1,107,929	1,184,320	-
- Surplus on revaluation of investments	(3,673,530)	-	8,634,001
- Others	640,615	181,651	301,739
	(1,024,567)	1,081,636	9,225,425
Taxable temporary differences on			
- Surplus on revaluation of fixed assets / non-banking assets	(1,209,979)	-	(202,065)
- Share of profit from Associates	(462,443)	(218,389)	-
- Accelerated tax depreciation and others	(283,477)	(217,383)	(2,806)
	(1,955,899)	(435,772)	(204,871)
	(2,980,466)	645,864	9,020,554
			6,685,952
2017			
At January 1, 2017	Recognised in profit and loss account	Recognised in OCI	At December 31, 2017
(Rupees in '000)			
Deductible temporary differences on			
- Tax losses carried forward	316,918	195,612	46,713
- Post-retirement employee benefits	366,317	(7,975)	(17,166)
- Provision against advances, off-balance sheet etc.	2,261,466	(1,153,537)	-
- Others	2,004,941	(1,240,859)	(123,467)
	4,949,642	(2,206,759)	(93,920)
Taxable temporary differences on			
- Surplus on revaluation of fixed assets / non-banking assets	(960,433)	27,228	(276,774)
- Surplus on revaluation of investments	(8,152,824)	-	4,479,294
- Share of profit from Associates	(497,230)	34,787	-
- Accelerated tax depreciation	(569,726)	(119,981)	406,230
	(10,180,213)	(57,966)	4,608,750
	(5,230,571)	(2,264,725)	4,514,830
			(2,980,466)

14. OTHER ASSETS	Note	2018	2017 Restated
		(Rupees in '000)	
Income / mark-up accrued in local currency - net of provision		22,185,596	22,796,215
Income / mark-up accrued in foreign currency - net of provision		4,407,074	3,444,165
		26,592,670	26,240,380
Advance taxation - net of provision for taxation	14.1	24,938,007	17,599,231
Receivable from staff retirement fund		321,349	632,808
Receivable from other banks against telegraphic transfers and demand drafts		88,354	270,941
Unrealized gain on forward foreign exchange contracts		5,205,860	2,798,197
Rebate receivable - net		1,055,900	529,870
Unrealized gain on derivative financial instruments		5,868	76,884
Suspense accounts		781,887	567,060
Stationery and stamps on hand		99,757	100,836
Non banking assets acquired in satisfaction of claims		1,597,124	1,602,606
Advances, deposits, advance rent and other prepayments		1,539,158	1,345,180
Acceptances	5.1.3	28,157,111	25,670,558
Others		2,842,330	4,172,926
		93,225,375	81,607,477
Provision held against other assets	14.3	(1,086,072)	(1,252,193)
Other assets - net of provision		92,139,303	80,355,284
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	23.3	173,141	183,405
Other assets - net of provision		92,312,444	80,538,689

14.1 The Income Tax returns of the Bank have been filed up to the tax year 2018 (accounting year ended December 31, 2017) and were deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (Ordinance) unless amended by the Commissioner of Inland Revenue.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

The income tax authorities have issued amended assessment orders for the tax years 2003 to 2018, and created additional tax demands (including disallowances of provisions made prior to Seventh Schedule) of Rs.13,119 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 2018 (financial year 2017) under the provisions of section 120(1) read with section 114 of the Ordinance and in compliance with the terms of the agreement between banks and the Azad Kashmir Council in May 2005. The returns filed are considered as deemed assessment orders under the law.

The tax authorities have also carried out monitoring for Federal Excise Duty, Sales tax and withholding taxes covering period from year ended 2007 to 2017. Consequently various addbacks and demands were raised creating a total demand of Rs. 995 million (2017: Rs. 919 million). The Bank has filed appeals against all such demands and is confident that these would be decided in the favor of the Bank.

The tax returns for UAE, Yemen and Qatar branches have been filed upto the year ended December 31, 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.

The Bank has received corrective tax assessment of QAR 1 M (Rs: 38.138 million) from the General tax Authority (GTA) in respect of tax year 2004 with no supporting calculations from GTA. Management has requested details for 2004 assessment from GTA, however to date no response has been received. Management is confident that the matters will be decided in favour of the Bank and the possibility of any outcome against it is remote.

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

	Note	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
14.2 Market value of Non-banking assets acquired in satisfaction of claims			
	14.2.1	<u>1,770,265</u>	<u>1,786,011</u>
14.2.1	The valuation of non-banking assets of the Bank acquired in satisfaction of the claims were carried out by Joseph Lobo, M.J. Surveyors (Private) Limited and Engineering Pakistan (Private) Limited from among the approved list of valuer of Pakistan Banker's Association as at August 2018.		
14.2.2 Non-banking assets acquired in satisfaction of claims		2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
Opening Balance		1,786,011	2,343,457
Additions		465,266	198,900
Transfer to fixed assets		-	(740,760)
Revaluation		49,604	(33,752)
Disposals		(563,165)	-
Exchange Impact		32,549	18,166
		<u>1,770,265</u>	<u>1,786,011</u>
14.2.3 Gain on Disposal of Non-banking assets acquired in satisfaction of claims			
Disposal Proceeds		568,592	-
Less:			
- Cost		619,701	-
- Impairment		(88,510)	-
		<u>531,191</u>	<u>-</u>
Net Gain		<u>37,401</u>	<u>-</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

	Note	2018 ----- (Rupees in '000) -----	2017
14.3 Provision held against other assets			
Advances, deposits, advance rent and other prepayments		571,597	695,685
Non banking assets acquired in satisfaction of claims		104,512	104,512
Fraud and forgery		409,963	451,996
		<u>1,086,072</u>	<u>1,252,193</u>
14.3.1 Movement of provision held against other assets			
Opening balance		1,252,193	1,179,861
Exchange adjustments		2,112	204
Charge / (reversals)			
Charge for the year		169,957	110,799
Reversals		(163,434)	(48,725)
	35	6,523	62,074
Transfers in - net		15,892	38,647
Amounts written off		(190,648)	(28,593)
Closing balance		<u>1,086,072</u>	<u>1,252,193</u>
15. CONTINGENT ASSETS			
There were no contingent assets as at the statement of financial position date.			
16. BILLS PAYABLE			
In Pakistan		26,724,282	29,427,939
Outside Pakistan		548,685	424,466
		<u>27,272,967</u>	<u>29,852,405</u>
17. BORROWINGS			
17.1 Particulars of borrowings			
In local currency		238,184,708	489,038,458
In foreign currencies		41,733,417	28,043,701
		<u>279,918,125</u>	<u>517,082,159</u>
17.2 Details of borrowings			
Secured			
Borrowings from the State Bank of Pakistan under:			
Export refinance scheme	17.3	28,120,012	19,375,930
Refinance facility for modernization of SMEs	17.4	11,204	10,250
Long term financing facility	17.5	21,871,486	17,312,481
		50,002,702	36,698,661
Repurchase agreement borrowings	17.6	133,315,545	453,224,580
Bai Muajjal payable to other financial institutions		49,878,076	-
		<u>233,196,323</u>	<u>489,923,241</u>
Unsecured			
Call borrowings	17.7	18,936,178	10,167,645
Overdrawn nostro accounts		1,936,041	577,014
Money market deals	17.8	25,849,583	16,414,259
		46,721,802	27,158,918
		<u>279,918,125</u>	<u>517,082,159</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

- 17.3** The Bank has entered into an agreement with the SBP for extending export finance to customers. As per the terms of the agreement, the Bank has granted the SBP the right to recover the outstanding amounts from the Bank at the date of maturity of the finances by directly debiting the Bank's current account maintained with the SBP. These borrowings are repayable within six months, latest by June 2019. These carry mark-up at rates ranging from 1.00% to 2.00% per annum (2017: 1.00% to 2.00% per annum).
- 17.4** These borrowings have been obtained from the SBP under a scheme to finance modernization of Small and Medium Enterprises by providing financing facilities for setting up of new units, purchase of new plant and machinery for Balancing, Modernization and Replacement (BMR) of existing units and financing for import / local purchase of new generators upto a maximum capacity of 500 KVA. These borrowings are repayable latest by February 2021 and carry mark-up at a rate of 2.00% to 6.25% per annum (2017: 6.25% per annum).
- 17.5** These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings are repayable latest by January 2029. These carry mark-up at rates ranging from 2.00% to 9.70% (2017: 2.00% to 9.70% per annum).
- 17.6** These repurchase agreement borrowings are secured against Pakistan Investment Bonds, Treasury Bills, Government of Pakistan Eurobonds, Foreign Bonds Sovereign and Foreign Bonds Others and carry mark-up at rates ranging from 3.27% to 10.35% per annum (2017: 5.75% to 5.85% per annum). These borrowings are repayable latest by February 2019. The market value of securities given as collateral against these borrowings is given in note 9.2.1.
- 17.7** These are unsecured borrowings carrying mark-up at rates ranging from 2.0% to 10.25% per annum (2017: 0.1% to 5.8% per annum), and are repayable latest by March 2019.
- 17.8** These borrowings carry mark-up at rates ranging from 3.25% to 4.64% per annum (2017: 2.57% to 4.80% per annum), and are repayable latest by June 2019.

18. DEPOSITS AND OTHER ACCOUNTS

	2018			2017		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	----- (Rupees in '000) -----					
Customers						
Fixed deposits	126,191,096	231,511,195	357,702,291	132,020,685	235,764,503	367,785,188
Savings deposits	392,861,499	45,176,640	438,038,139	354,414,556	33,736,099	388,150,655
Sundry deposits	11,768,321	1,055,683	12,824,004	11,895,126	1,153,691	13,048,817
Margin deposits	2,962,920	3,404,673	6,367,593	2,491,467	3,060,673	5,552,140
Current accounts - remunerative	965,509	7,089,695	8,055,204	1,335,274	4,679,025	6,014,299
Current accounts - non-remunerative	449,938,039	106,392,768	556,330,807	396,153,734	95,105,583	491,259,317
	984,687,384	394,630,654	1,379,318,038	898,310,842	373,499,574	1,271,810,416
Financial Institutions						
Current deposits	21,804,360	3,840,911	25,645,271	10,399,630	10,422,467	20,822,097
Savings deposits	30,509,483	-	30,509,483	44,373,428	-	44,373,428
Term deposits	11,301,901	1,549,348	12,851,249	12,421,333	271,213	12,692,546
	63,615,744	5,390,259	69,006,003	67,194,391	10,693,680	77,888,071
	1,048,303,128	400,020,913	1,448,324,041	965,505,233	384,193,254	1,349,698,487

	2018	2017
	Rupees in '000	
18.1 Composition of deposits		
- Individuals	838,746,377	845,191,118
- Government (Federal and Provincial)	57,839,039	47,728,180
- Public Sector Entities	74,543,165	81,032,506
- Banking Companies	14,897,848	21,379,448
- Non-Banking Financial Institutions	53,483,504	57,402,113
- Private Sector	408,814,108	296,965,122
	1,448,324,041	1,349,698,487

This includes deposits eligible to be covered under insurance arrangements in accordance with DPC Circular No. 04 dated June 22, 2018 amounting to Rs 813,924.260 million (2017: Rs 718,356.599 million).

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

These represent finance leases entered into for the lease of franking machine. At the end of the lease period, the ownership of the leased assets shall be transferred to the Group on payment of the residual values of the leased assets. The cost of operating and maintaining the leased assets is borne by the Group. The liabilities are secured by demand promissory notes, security deposits, and the franking machines which have been obtained under these leasing arrangements. The rate used for discounting future lease payments is 12.39% per annum (2017: 12.39% per annum). The amount of future minimum lease payments, and the periods during which they become due are as follows:

	2018		
	Minimum lease payments	Finance charges for future periods	Principal Outstanding
	(Rupees in '000)		
Not later than one year	4,955	733	4,222
Later than one year and not later than five years	6,748	970	5,778
	<u>11,703</u>	<u>1,703</u>	<u>10,000</u>

	2017		
	Minimum lease payments	Finance charges for future periods	Principal Outstanding
	(Rupees in '000)		
Not later than one year	2,343	249	2,094
Later than one year and not later than five years	2,281	-	2,281
	<u>4,624</u>	<u>249</u>	<u>4,375</u>

20. SUBORDINATED DEBTS

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

During 2018, the Bank completed the Pre-IPO with subscription amounting to Rs. 9,000 million. In January 2019, the Bank proceeded with the initial public offering amounting to Rs. 1,000 million, thus closing the total issue size of Rs. 10,000 million.

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

Issue Size	Up to Rs. 7,000 million with an upside option / green shoe option of an additional Rs. 3,000 million aggregating to Rs. 10,000 million.
Rating	"AA+" (Double A Plus) by JCR-VIS Credit Rating Company Limited.
Tenor	Perpetual (i.e. no fixed or final redemption date).
Security	The TFCs shall be unsecured and subordinated to all other indebtedness of the Bank, including depositors and general creditors. However, they shall rank senior to the claims of ordinary shareholders.
Mark-up Rate	The TFCs shall carry mark-up at the rate of 3 Month KIBOR + 1.55%.
Mark-up Payment Frequency	Profit / Mark-up shall be payable quarterly in arrears, on a non-cumulative basis.
Call Option	The Bank may, at its sole discretion, call the TFCs, at any time after five years from the Issue Date subject to the prior approval of the SBP.
Lock-in Clause	Mark-up on the TFCs shall only be paid from the current year's earnings and if the Bank is fully compliant with SBP's Minimum Capital Requirement (MCR), Capital Adequacy Ratio (CAR) and Liquidity Ratio (LR) requirements.
Loss Absorbency Clause	The TFCs shall, at the discretion of the SBP, be either permanently converted into ordinary shares or permanently written-off (partially or in full) pursuant to the loss absorbency clause as stipulated in the "Instructions for Basel III Implementation in Pakistan" issued vide BPRD Circular No. 6 dated August 15, 2013.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

	Note	2018	2017 Restated
21. OTHER LIABILITIES		----- (Rupees in '000) -----	
Mark-up / return / interest payable in local currency		12,352,461	12,547,094
Mark-up / return / interest payable in foreign currency		2,403,423	1,857,981
		14,755,884	14,405,075
Accrued expenses		4,443,787	4,612,561
Branch adjustment account		848,267	1,021,326
Deferred income		617,099	636,710
Unearned commission and income on bills discounted		1,297,833	1,500,844
Provision against off-balance sheet obligations	21.1	842,545	73,692
Unrealized loss on forward foreign exchange contracts		3,743,347	864,509
Trading liability		3,750,654	-
Payable to staff retirement fund		972,584	44,538
Deferred liabilities	21.2	3,685,997	3,380,920
Unrealized loss on derivative financial instruments		82,047	3,176
Workers' Welfare Fund payable		3,130,511	2,601,763
Insurance payable against consumer assets		410,466	331,840
Dividend payable		521,612	631,030
Acceptances		28,157,111	25,670,558
Charity fund balance		2,597	120,939
Others		2,081,541	901,853
		<u>69,343,882</u>	<u>56,801,334</u>
21.1 Provision against off-balance sheet obligations			
Opening balance		73,692	683,866
Impact on adoption of IFRS 9	5.1.2	211,244	-
Exchange adjustments		94,309	(11,077)
Charge / (reversal) during the year	35	463,300	(599,097)
Transfer out - net		-	-
		<u>842,545</u>	<u>73,692</u>
21.2 Deferred liabilities			
Provision for post retirement medical benefits	41.1.4	1,821,847	1,463,703
Provision for compensated absences		1,166,399	1,225,727
Deferred liability for outsourced services		207,963	169,466
Deferred liability - overseas		489,788	522,024
		<u>3,685,997</u>	<u>3,380,920</u>
22. SHARE CAPITAL			
22.1 Authorized Capital			
2018	2017	2018	2017
----- Number of shares -----		----- (Rupees in '000) -----	
<u>2,000,000,000</u>	<u>2,000,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>
Ordinary shares of Rs.10 each			
22.2 Issued, subscribed and paid-up capital			
2018	2017	2018	2017
----- Number of shares -----		----- (Rupees in '000) -----	
518,000,000	518,000,000	5,180,000	5,180,000
706,179,687	706,179,687	7,061,798	7,061,798
<u>1,224,179,687</u>	<u>1,224,179,687</u>	<u>12,241,798</u>	<u>12,241,798</u>
Fully paid-up ordinary shares of Rs.10 each			
Issued for cash			
Issued as bonus shares			
22.3	In 2007, the Bank was admitted to the official list of the UK Listing Authority and to the London Stock Exchange Professional Securities Market for trading of Global Depository Receipts (GDRs), each representing four ordinary shares issued by the Bank. The GDRs constitute an offering in the United States only to qualified institutional buyers in reliance on Rule 144A under the U.S Securities Act of 1933 and an offering outside the United States in reliance on Regulation S.		

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

Holders of GDRs are entitled, subject to the provisions of the depository agreement, to receive dividends, if any, and rank pari passu with other equity shareholders in respect of such entitlement. However, the holders of GDRs have no voting rights or other direct rights of shareholders with respect to the ordinary shares underlying such GDRs. Subject to the terms and restrictions set out in the offering circular dated June 25, 2007, the deposited ordinary shares in respect of which the GDRs were issued may be withdrawn by the GDR holders from the depository facility. Upon withdrawal, the holders will rank pari passu with other ordinary shareholders in respect of voting powers. As at December 31, 2018, 248,067 (2017: 1,318,827) GDRs, representing 992,266 (2017: 5,275,310) shares were in issue.

22.4 Major shareholders (holding more than 5% of total paid-up capital)

Name of shareholders	2018		2017	
	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
Bestway (Holdings) Limited	631,728,895	51.60%	631,728,895	51.60%
Bestway Cement Limited	93,649,744	7.65%	93,649,744	7.65%

As at December 31, 2018, Bestway Group (Bestway) held 61.46% (2017: 61.46%) shareholding (including GDRs) of the Bank.

22.5 Shares of the Bank held by its associates

	2018 ----- (Number of shares) -----	2017 ----- (Number of shares) -----
UBL Asset Allocation Fund	-	225,900
UBL Stock Advantage Fund	-	1,645,800
	<u>-</u>	<u>1,871,700</u>

23. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX

Note

	2018 ----- (Rupees in '000) -----	2017 Restated ----- (Rupees in '000) -----
Surplus / (deficit) arising on revaluation of assets - net of tax		
Fixed assets	27,117,327	27,136,589
Available for sale securities	(10,230,180)	5,896,699
Non-banking assets acquired in satisfaction of claims	105,856	112,528
Surplus / (deficit) arising on revaluation of assets of associates	(97)	660
	<u>16,992,906</u>	<u>33,146,476</u>

23.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets as at January 1	29,234,547	22,332,693
Revaluation against fixed assets during the year	74,294	6,627,435
Exchange adjustments	522,604	353,662
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(58,175)	(52,015)
Related deferred tax liability on incremental depreciation charged during the year	(30,399)	(27,228)
	<u>508,324</u>	<u>6,901,854</u>
	<u>29,742,871</u>	<u>29,234,547</u>
Less: Related deferred tax liability on		
Revaluation as on January 1	1,139,102	900,982
Revaluation of fixed assets during the year	152,745	205,109
Exchange adjustments	83,311	60,239
Incremental depreciation charged on related assets	(30,399)	(27,228)
	<u>1,344,759</u>	<u>1,139,102</u>
	<u>28,398,112</u>	<u>28,095,445</u>
Share of Non-controlling interest	(1,280,785)	(958,856)
Group's share	<u>27,117,327</u>	<u>27,136,589</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

		2018	2017	
		----- (Rupees in '000) -----		
23.2	(Deficit) / surplus on revaluation of available for sale securities			
	Market Treasury Bills	(22,440)	(3,034)	
	Pakistan Investment Bonds	(14,268,873)	6,285,489	
	Listed shares	1,747,980	1,780,430	
	REIT Scheme	41,273	-	
	Term Finance Certificates, Sukuks, other bonds etc.	(136,173)	28,475	
	Foreign bonds	(3,494,668)	1,201,338	
		(16,132,901)	9,292,698	
	Related deferred tax	4,960,471	(3,673,530)	
		(11,172,430)	5,619,168	
	Share of Non controlling interest	942,250	277,531	
	Group's share	(10,230,180)	5,896,699	
23.3	Surplus on revaluation of non-banking assets			
	Surplus on revaluation of non-banking assets as at January 1	183,405	169,861	
	Revaluation of non-banking assets during the year	28,611	32,647	
	Reversal on disposal / transfer of non-banking assets	(38,875)	(19,103)	
		(10,264)	13,544	
		173,141	183,405	
	Less: Related deferred tax liability on			
	Revaluation as at January 1	70,877	59,451	
	Revaluation of non-banking assets during the year	10,014	11,426	
	Reversal on disposal / transfer of non-banking assets	(13,606)	-	
		67,285	70,877	
		105,856	112,528	
		2018		
		UNBL	UBLFM	
		45%	1.13%	
		----- (Rupees in '000) -----		
24.	NON-CONTROLLING INTEREST			
	Assets	87,359,241	2,289,972	89,649,213
	Liabilities	75,046,256	565,459	75,611,715
	Net assets	12,312,985	1,724,513	14,037,498
	Net assets attributable to NCI	5,540,843	19,487	5,560,330
24.1	Key financial information			
	Income (Mark-up & Non-Markup)	1,864,531	1,164,191	3,028,722
	Expenses (including provisions)	(2,838,093)	(756,604)	(3,594,697)
	Profit for the year	(973,562)	407,587	(565,975)
	Other comprehensive income for the year	1,117,311	-	1,117,311
	Total Comprehensive Income	143,749	407,587	551,336
	(Loss) / profit allocated to NCI	(438,103)	4,606	(433,497)
	OCI allocated to NCI	502,790	-	502,790
	Cashflows from operating activities	2,110,392	3,915	2,114,307
	Cashflows from investing activities	(2,309,277)	(7,185)	(2,316,462)
	Cashflows from financing activities	(147,110)	(1,576)	(148,686)
		(345,995)	(4,846)	(350,841)

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

	Note	2018	2017 Restated
25. CONTINGENCIES AND COMMITMENTS		----- (Rupees in '000) -----	
-Guarantees	25.1	202,841,075	215,585,371
-Commitments	25.2	980,442,231	787,296,959
-Other contingent liabilities	25.3	15,592,385	16,975,751
		<u>1,198,875,691</u>	<u>1,019,858,081</u>
25.1 Guarantees:	Note	2018	2017
		----- (Rupees in '000) -----	
Financial guarantees		32,864,729	21,990,608
Performance guarantees		160,269,664	173,555,612
Others guarantees		9,706,682	20,039,151
		<u>202,841,075</u>	<u>215,585,371</u>
25.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit		180,088,337	169,532,554
Commitments in respect of:			
- forward foreign exchange contracts	25.2.2	650,576,446	455,265,957
- forward government securities transactions	25.2.3	15,946,089	7,872,368
- derivatives			
Interest rate swaps	25.2.4	1,674,764	4,358,641
FX options	25.2.4	1,159,752	166,736
- forward lending	25.2.5	129,068,240	148,112,725
Commitments for acquisition of:			
- operating fixed assets	25.2.6	1,928,603	1,987,978
		<u>980,442,231</u>	<u>787,296,959</u>
25.2.1 Commitments to extend credit			
The Group makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.			
25.2.2 Commitments in respect of forward foreign exchange contracts		2018	2017
		----- (Rupees in '000) -----	
Purchase		347,426,249	242,093,757
Sale		<u>303,150,197</u>	<u>213,172,200</u>
25.2.3 Commitments in respect of forward government securities transactions			
Forward purchase of government securities		13,619,209	7,870,890
Forward sale of government securities		<u>2,326,880</u>	<u>1,478</u>
25.2.4 Commitments in respect of derivatives			
Interest rate swaps		1,674,764	4,358,641
FX options - purchased		<u>579,876</u>	<u>83,368</u>
FX options - sold		<u>579,876</u>	<u>83,368</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

	Note	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
25.2.5 Commitments in respect of forward lending			
Undrawn formal standby facilities, credit lines and other commitments to lend	25.2.5.1	65,695,154	60,461,972
Others		<u>63,373,086</u>	<u>87,650,753</u>
		<u>129,068,240</u>	<u>148,112,725</u>

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

	Note	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
25.2.6 Commitments in respect of capital expenditure		<u>1,928,603</u>	<u>1,987,978</u>

25.3 Other contingencies

Claims against the Group not acknowledged as debts	25.3.1	<u>11,534,796</u>	<u>12,918,162</u>
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25.3.1 These mainly represent counter claims filed by the borrowers for restricting the Group from disposal of assets (such as mortgaged / pledged assets kept as security).

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

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

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

25.4 For contingencies relating to taxation, refer note 14.1.

25.5 For matter relating to New York branch, refer note 50.

26. DERIVATIVE INSTRUMENTS

Derivatives are a type of financial contract, the value of which is determined by reference to one or more underlying assets or indices. The major categories of such contracts include forwards, futures, swaps and options. Derivatives also include structured financial products that have one or more of the characteristics of forwards, futures, swaps and options.

The Bank, as an Authorized Derivative Dealer (ADD), is an active participant in the Pakistan derivatives market and offers a wide variety of derivatives products covering both hedging and market making to satisfy customers' needs. Where required, specific approval is sought from the SBP for each transaction.

The authority for approving policies lies with the Board of Directors (BoD) and the Board Risk and Compliance Committee (BRCC). The Risk Management Committee (RMC) is responsible for ensuring compliance with these policies.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

With regard to derivatives, the RMC is authorized to:

- Review the derivatives business with reference to market risk exposure and assign various limits in accordance with the risk appetite of the Bank.
- Review the Derivatives Business Policy and recommend approval to the BRCC / BoD.
- Review and approve derivatives product programs.
- Authorize changes in procedures and processes regarding derivatives and structured products.

Overall responsibility for derivatives trading activity lies with the Treasury and Capital Markets Group. Measurement and monitoring of market and credit risk exposure and limits and its reporting to senior management and the BoD is done by Treasury Middle Office (TMO), which also coordinates with the business regarding approvals for derivatives risk limits. Treasury Operations records derivatives activity in the Bank's books, and handles its reporting to the SBP.

Derivatives risk management

There are a number of risks undertaken by the Group, which need to be monitored and assessed.

Credit risk

Credit risk refers to the risk of non-performance or default by a party to a derivatives transaction, resulting in an adverse impact on the Group's profitability. Credit risk associated with derivatives transactions is categorized into settlement risk and pre-settlement risk. Credit proposals for derivatives transactions are approved by the Credit Committee. The credit exposure of each counterparty is estimated and monitored against approved counterparty limits by TMO on a daily basis.

Market risk

The Group, as a policy, hedges back-to-back all Options transactions. In addition, the Group does not carry any exchange risk on its Cross Currency Swaps portfolio as it hedges the exposure in the interbank market. To manage the interest rate risk of Interest Rate Derivatives, the Group has implemented various limits which are monitored and reported by TMO on a daily basis.

Liquidity risk

Derivatives transactions, usually being non-funded in nature, do not carry a specific funding liquidity risk.

The liquidity risk arises from the fact that in Pakistan, interest rate derivatives generally have a uni-directional demand, and no perfect hedge is available. The Group mitigates its risk by limiting the portfolio in terms of tenor, notional and sensitivity limits, and can also hedge its risk by taking on and off-balance sheet positions in the interbank market, where available.

Operational risk

The staff involved in the trading, settlement and risk management of derivatives are carefully trained to deal with the complexities involved in the process. Adequate systems and controls are in place to carry out derivatives transactions smoothly. Each transaction is processed in accordance with the product program or a transaction memo, which contains detailed guidance on the accounting and operational aspects of the transaction to further mitigate operational risk. In addition, TMO and the Compliance and Control Department are assigned the responsibility of monitoring any deviation from policies and procedures. The Group's Audit and Inspection group also reviews this function, with a regular review of systems, transactional processes, accounting practices and end-user roles and responsibilities.

The Group uses a derivatives system which provides an end-to-end valuation solution, supports the routine transactional process and provides analytical tools to measure various risk exposures, carry out stress tests and sensitivity analysis.

TMO produces various reports on a periodic basis which are reviewed by senior management. These reports provide details of the derivatives business profile such as outstanding positions, profitability, risk exposures and the status of compliance with limits.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

26.1 Product analysis

Counterparties	2018									
	Interest rate swaps		FX options		Forward purchase contracts of government securities		Forward sale contracts of government securities		Total	
	Notional principal	Mark to Market Gain / (loss)	Notional principal	Mark to Market Gain / (loss)	Notional principal	Mark to Market Gain / (loss)	Notional principal	Mark to Market Gain / (loss)	Notional principal	Mark to Market Gain / (loss)
(Rupees in 000)										
With banks for										
Hedging	179,132	1,170	579,876	-	-	-	-	-	759,008	1,170
Market making	316,500	(16,000)	-	-	3,809,653	(58,123)	-	-	4,126,153	(74,123)
	495,632	(14,830)	579,876	-	3,809,653	(58,123)	-	-	4,885,161	(72,953)
With FIs other than Banks										
Hedging	-	-	-	-	-	-	-	-	-	-
Market making	-	-	-	-	-	-	2,326,880	(672)	2,326,880	(672)
	-	-	-	-	-	-	2,326,880	(672)	2,326,880	(672)
With other entities										
Hedging	-	-	-	-	-	-	-	-	-	-
Market making	1,179,132	(7,252)	579,876	-	9,809,556	4,698	-	-	11,568,564	(2,554)
	1,179,132	(7,252)	579,876	-	9,809,556	4,698	-	-	11,568,564	(2,554)
Total										
Hedging	179,132	1,170	579,876	-	-	-	-	-	759,008	1,170
Market making	1,495,632	(23,252)	579,876	-	13,619,209	(53,425)	2,326,880	(672)	18,021,597	(77,349)
	1,674,764	(22,082)	1,159,752	-	13,619,209	(53,425)	2,326,880	(672)	18,780,605	(76,179)

Counterparties	2017									
	Interest rate swaps		FX options		Forward purchase contracts of government securities		Forward sale contracts of government securities		Total	
	Notional principal	Mark to Market Gain / (loss)	Notional principal	Mark to Market Gain / (loss)	Notional principal	Mark to Market Gain / (loss)	Notional principal	Mark to Market Gain / (loss)	Notional principal	Mark to Market Gain / (loss)
(Rupees in 000)										
With banks for										
Hedging	413,071	2,597	83,368	-	-	-	-	-	496,439	2,597
Market making	316,499	5,432	-	-	7,870,890	(1,155)	1,478	(2)	8,188,867	4,275
	729,570	8,029	83,368	-	7,870,890	(1,155)	1,478	(2)	8,685,306	6,872
With FIs other than Banks										
Hedging	-	-	-	-	-	-	-	-	-	-
Market making	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
With other entities										
Hedging	-	-	-	-	-	-	-	-	-	-
Market making	3,629,071	66,836	83,368	-	-	-	-	-	3,712,439	66,836
	3,629,071	66,836	83,368	-	-	-	-	-	3,712,439	66,836
Total										
Hedging	413,071	2,597	83,368	-	-	-	-	-	496,439	2,597
Market making	3,945,570	72,268	83,368	-	7,870,890	(1,155)	1,478	(2)	11,901,306	71,111
	4,358,641	74,865	166,736	-	7,870,890	(1,155)	1,478	(2)	12,397,745	73,708

26.2 Maturity analysis of derivatives

Remaining maturity	2018					2017				
	Number of contracts	Notional principal	Unrealized			Number of contracts	Notional principal	Unrealized		
			(Loss)	Gain	Net			(Loss)	Gain	Net
			(Rupees in '000)					(Rupees in '000)		
Upto 1 month	24	6,534,882	(58,795)	-	(58,795)	11	7,962,602	(3,176)	2,018	(1,157)
1 to 3 months	35	10,460,026	-	4,698	4,698	8	76,502	-	-	-
3 to 6 months	7	1,469,197	(7,252)	1,170	(6,082)	3	216,000	-	6,807	6,807
1 to 2 years	1	316,500	(16,000)	-	(16,000)	3	3,826,141	-	62,627	62,626
2 to 3 Years	-	-	-	-	-	1	316,500	-	5,432	5,432
	67	18,780,605	(82,047)	5,868	(76,179)	26	12,397,745	(3,176)	76,884	73,708

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

	Note	2018 ----- (Rupees in '000) -----	2017
27. MARK-UP / RETURN / INTEREST EARNED			
Loans and advances		45,651,365	35,119,920
Investments		65,848,463	73,010,272
Lendings to financial institutions		4,963,902	2,130,957
Balances with banks		899,394	318,746
		<u>117,363,124</u>	<u>110,579,895</u>
28. MARK-UP / RETURN / INTEREST EXPENSED			
On deposits		38,234,019	32,805,964
Borrowings		20,616,460	19,681,789
Subordinated Debt		265,010	-
		<u>59,115,489</u>	<u>52,487,753</u>
29. FEE AND COMMISSION INCOME			
Branch banking customer fees		1,896,993	1,724,460
Consumer finance related fees		879,076	763,760
Card related fees (debit and credit cards)		1,679,552	1,382,123
Investment banking fees		776,778	720,237
Financial Institution rebate / commission		394,299	268,242
Corporate service charges / facility fee		588,696	861,551
Commission on trade		1,650,930	1,722,513
Commission on guarantees		744,145	804,704
Commission on cash management		739,476	636,371
Commission on remittances including home remittances - net		2,781,604	2,222,507
Commission on bancassurance		1,592,076	1,162,456
Commission on Benazir Income Support Program		569,417	750,582
Management Fee		954,640	1,265,190
Others		639,071	547,294
		<u>15,886,753</u>	<u>14,831,990</u>
30. GAIN ON SALE OF SECURITIES - NET			
Realised	30.1	4,475,542	4,797,686
Unrealised - held for trading		8,524	2,207
		<u>4,484,066</u>	<u>4,799,893</u>
30.1 Realised gain on:			
Federal Government Securities		4,074,332	3,631,595
Shares		405,396	209,673
Foreign Securities		(4,058)	955,087
Other securities		(128)	1,331
		<u>4,475,542</u>	<u>4,797,686</u>
31. OTHER INCOME			
Charges recovered		407,138	377,891
Rent on properties		254,956	245,731
Gain on sale of operating fixed assets - net		42,662	57,983
Gain on sale of Ijarah assets		1,754	96
Income from sale of non-banking asset	14.2.3	37,401	-
Gain on trading liabilities - net		270,245	65,834
		<u>1,014,156</u>	<u>747,535</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

	Note	2018 ----- (Rupees in '000) -----	2017
32. OPERATING EXPENSES			
Total compensation expense	32.1	17,687,188	15,958,563
Property expense			
Rent & taxes		3,332,233	2,884,634
Insurance		229,512	235,300
Utilities cost		1,600,239	1,501,369
Security (including guards)		1,143,471	1,250,899
Repair & maintenance (including janitorial charges)		504,870	490,381
Depreciation		719,910	636,127
Others		53,294	25,632
		7,583,529	7,024,342
Information technology expenses			
Software maintenance		825,128	815,462
Hardware maintenance		384,662	329,755
Depreciation		652,663	556,420
Amortisation	12.1	562,568	436,392
Network charges		725,337	513,555
		3,150,358	2,651,584
Other operating expenses			
Directors' fees and allowances		64,348	48,721
Fees and allowances to Shariah Board		4,753	4,140
Legal & professional charges		1,076,745	695,059
Outsourced service costs including sales commission		3,779,944	3,603,045
Travelling & conveyance		343,734	336,430
Clearing Charges		186,221	197,695
Depreciation others		1,093,771	958,611
Depreciation on Islamic financing against leased assets		186,623	197,823
Training & development		146,557	170,653
Postage & courier charges		322,752	362,920
Communication		517,036	523,823
Stationery & printing		737,637	669,923
Marketing, advertisement & publicity		758,852	1,141,266
Auditors' Remuneration	32.3	134,024	105,495
Donations	32.4	203,790	110,250
Insurance (including deposit protection)		698,421	128,332
Cash transportation & sorting charges		1,037,377	895,186
Entertainment		197,209	222,821
Vehicle expenses		159,615	202,054
Subscription		123,026	163,638
Office running expenses		187,210	238,704
Banking service charges		1,351,302	1,101,737
Repairs & maintenance		527,410	439,480
Cartage, freight & conveyance		83,482	94,523
Zakat paid by overseas branch		27,748	75,828
Brokerage expenses		19,374	25,994
Miscellaneous expenses		102,958	106,694
		14,071,919	12,820,845
		42,492,994	38,455,334

32.1 This includes accrual of employee benefits in the form of awards / bonus to all permanent staff including the Chief Executive Officer and is determined on the basis of employees' evaluation and the entities' performance during the year. The aggregate benefit determined in respect of all permanent staff amounted to Rs. 1,351.824 million (2017: Rs. 1,520.435 million).

32.2 Total cost for the year included in Other Operating Expenses relating to outsourced activities is Rs 3,909 million (2017: Rs 3,772 million). Out of this cost, Rs 3,424 million (2017: Rs 3,241 million) pertains to the payment to companies incorporated in Pakistan and Rs 485 million (2017: Rs 531 million) pertains to payment to companies incorporated outside Pakistan. This includes payments other than outsourced services costs, which are disclosed above. Details of major outsourced services costs are as follows:

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

Name of service provider	Type of service	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
Paradise Press (Private) Limited	Cheque printing	43,108	42,534
Apex Printry (Private) Limited	Cheque printing	43,156	43,352
Printlink	Cheque printing	37,943	38,827
E-Access (Private) Limited	POS service management and card hosting	27,382	26,765

32.3 Auditors' remuneration

	2018			
	KPMG Taseer Hadi & Co.	A.F. Ferguson & Co.	Overseas Auditors	Total
	----- (Rupees in '000) -----			
Audit fee - Bank	8,051	8,051	47,646	63,748
Audit fee - subsidiaries	60	949	31,024	32,033
Audit fee - EPZ branch	348	-	-	348
Fee for tax and other certifications	9,103	21,180	1,004	31,287
Out of pocket expenses	3,444	3,164	-	6,608
	<u>21,006</u>	<u>33,344</u>	<u>79,674</u>	<u>134,024</u>

	2017			
	KPMG Taseer Hadi & Co.	A.F. Ferguson & Co.	Overseas Auditors	Total
	----- (Rupees in '000) -----			
Audit fee - Bank	8,051	8,051	27,007	43,109
Audit fee - subsidiaries	69	747	24,775	25,591
Audit fee - EPZ branch	250	-	-	250
Fee for tax and other certifications	9,925	5,724	11,434	27,083
Out of pocket expenses	4,629	3,863	970	9,462
	<u>22,924</u>	<u>18,385</u>	<u>64,186</u>	<u>105,495</u>

32.4 Details of donations

	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
Donations individually exceeding Rs. 0.5 million		
Diamer Bhasha Dam Fund Contribution	67,757	-
Abdul Sattar Edhi Foundation	30,000	-
Shaukat Khanum Memorial Trust	32,000	-
Namal Education Foundation	30,000	50,000
Memon Medical Institute Hospital	-	15,000
National University of Science	12,500	-
Lahore University of Management Sciences	10,000	10,000
Murshid Hospital & Healthcare Center	-	7,000
Forman Christian College	5,000	5,000
Shalamar Hospital	5,000	5,000
Hilal-e-Ahmer	-	4,975
Bahauddin Zakaria University	3,840	3,840
Education Trust	2,696	-
NFC Institute of Engineering & Technology	-	1,554
Pak Suzuki Motor Company (Ambulance donated to Hospital)	1,418	-
District Hospital, Gwadar	-	1,195
Nasra Schools	-	1,260
Akhuwat	-	1,000
Hisaar Foundation	1,000	1,000
SOS Children's Villages of Pakistan	980	980
Marie Adelaide Leprosy Centre	850	850
Donations individually not exceeding Rs. 0.5 million	<u>749</u>	<u>1,596</u>
	<u>203,790</u>	<u>110,250</u>

32.4.1 Donations were not made to any donee in which a Director or his spouse had any interest.

33. WORKERS' WELFARE FUND

The Bank has made provision for Sindh Workers' Welfare Fund (SWWF) based on profit for the years ended December 31, 2014 and onwards.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

The Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of Workers' Welfare Fund (WWF) were not lawful. The Federal Board of Revenue has filed review petitions against this order which are currently pending. During the year, tax authorities have allowed relief to the Bank in certain years for WWF. Further the management of the Bank obtained a legal opinion which confirmed that review petitions filed against the Supreme Court of Pakistan judgement have not been taken up for adjudication and the provision in respect of WWF can be reversed. The Sindh Workers' Welfare Fund was levied from the year ended December 31, 2014 consequent to the 18th amendment in the constitution. Accordingly, the provision for WWF charged till December 31, 2013 amounting to Rs. 2,692 million has been reversed in the profit and loss account for the year ended December 31, 2018 and provision amounting to Rs. 3,763 million pertaining to years 2014 onwards has been maintained in respect of Sindh WWF.

34. OTHER CHARGES	Note	2018	2017
		----- (Rupees in '000) -----	
Penalties imposed by the SBP		94,754	59,431
Other penalties		20,044	257
		<u>114,798</u>	<u>59,688</u>
35. PROVISIONS AND WRITE-OFFS - NET	Note	2018	2017
		----- (Rupees in '000) -----	
Provision against loans and advances - net	10.4	11,197,132	2,531,075
Reversal of provision against lendings to financial institutions - net		(57,600)	(8,260)
Provision for diminution in value of investments - net	9.3.1	1,831,048	719,845
Bad debts written off directly		130,830	187,443
Provision against other assets - net	14.3.1	6,523	62,074
Provision / (reversal of provision) against off-balance sheet obligations	21.1	463,300	(599,097)
Recovery of written off / charged off bad debts		(544,762)	(653,818)
Deficit on revaluation of assets	5.1.1	-	241,585
Other provisions / write-offs		75,072	147,954
		<u>13,101,543</u>	<u>2,628,801</u>
36. EXTRAORDINARY / UNUSUAL ITEM - ACCRUAL IN RESPECT OF PENSION LIABILITY			
On February 13, 2018 the Honourable Supreme Court of Pakistan announced a judgement based on a proposal submitted by banks including UBL, in which it raised the minimum monthly pension of employees. Based on legal advice and in accordance with the Honourable Supreme Court's order, the change in scheme is prospectively applied from the date of the judgement and the payments to eligible persons are being made accordingly. The bank has recognised an amount of Rs. 6,657.216 million as past service cost in this respect (note 41.1.8)			
37. TAXATION		2018	2017
		----- (Rupees in '000) -----	
Current		10,358,400	14,701,343
Prior years		625,393	(2,031,665)
Deferred		(645,864)	2,264,725
		<u>10,337,929</u>	<u>14,934,403</u>
37.1 Relationship between tax expense and accounting profit			
Accounting profit for the year		<u>25,387,483</u>	<u>40,889,407</u>
Tax on income @ 35% (2017: 35%)		8,885,619	14,311,292
Super tax @ 4% (2017 : 0%)		998,667	-
Tax effect of items that are either not included in determining taxable profit or taxed at reduced rates (permanent differences)		151,267	(211,185)
Tax - prior years (net of deferred tax)		(28,775)	727,266
Others		331,151	107,030
Tax charge		<u>10,337,929</u>	<u>14,934,403</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

	2018	2017 Restated
	----- (Rupees in '000) -----	
38. EARNINGS PER SHARE		
Profit after tax attributable to equity shareholders of the Bank	15,483,051	25,948,717
	----- (Number of shares) -----	
Weighted average number of ordinary shares	1,224,179,687	1,224,179,687
	Restated ----- (Rupees) -----	
Earnings per share - basic and diluted	12.65	21.20

38.1 There were no convertible dilutive potential ordinary shares outstanding as at December 31, 2018 and 2017.

	Note	2018	2017
		----- (Rupees in '000) -----	
39. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	187,915,671	161,119,170
Balances with other banks	7	41,747,060	35,549,112
		229,662,731	196,668,282

39.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	Liabilities					Equity			
	Bills payable	Borrowings	Deposits and other accounts	Subordinated loans	Other liabilities	Share capital	Reserves	Surplus on revaluation of assets	Unappropriated profit
	----- (Rupees in '000) -----								
Balance as at January 1, 2018 - restated	29,852,405	517,082,159	1,349,698,487	-	56,805,709	12,241,798	47,203,516	33,146,476	76,410,128
Change in accounting policy as at January 1, 2018	-	-	-	-	-	-	-	-	(1,640,563)
Balance as at January 1, 2018 (Restated)	29,852,405	517,082,159	1,349,698,487	-	56,805,709	12,241,798	47,203,516	33,146,476	74,769,565
Changes from financing cash flows									
Dividend Paid	-	-	-	-	-	-	-	-	(14,799,574)
Other Changes	-	-	-	-	103,360	-	-	-	-
Liability-related									
Changes in bills payable	(2,579,438)	-	-	-	-	-	-	-	-
Changes in borrowings	-	(237,164,034)	-	-	-	-	-	-	-
Changes in deposits and other accounts	-	-	98,625,554	-	-	-	-	-	-
Changes in subordinated loans	-	-	-	9,000,000	-	-	-	-	-
Changes in other liabilities	-	-	-	-	-	-	-	-	-
- Cash based	-	-	-	-	12,335,395	-	-	-	-
- Dividend payable	-	-	-	-	109,418	-	-	-	109,418
- Non-cash based	-	-	-	-	-	-	-	-	-
Transfer of profit to reserve	-	-	-	-	-	-	1,496,069	-	(1,496,069)
Total Liability related other changes	(2,579,438)	(237,164,034)	98,625,554	9,000,000	12,444,813	-	1,496,069	-	(1,386,651)
Total Equity related other changes	-	-	-	-	-	-	11,379,285	(16,153,570)	15,166,615
Balance as at December 31, 2017	27,272,967	279,918,125	1,448,324,041	9,000,000	69,353,882	12,241,798	60,078,870	16,992,906	73,749,955

	2018	2017
	----- (Number) -----	
40. STAFF STRENGTH		
Permanent	11,956	11,628
On contract	72	160
Group's own staff strength	12,028	11,788
Outsourced	2,569	3,748
Total	14,597	15,536

40.1 Number of employees working domestically 14,073 (2017: 14,773) and abroad 524 (2017: 763).

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

41. DEFINED BENEFIT PLANS

41.1 The Bank (Holding Company)

41.1.1 General description

The Bank operates a funded pension scheme established in 1975. The Bank also operates a funded gratuity scheme for new employees and for those employees who have not opted for the pension scheme. The Bank also operates a benevolent fund scheme and provides post-retirement medical benefits to eligible retired employees. The benevolent fund scheme and the post-retirement medical scheme cover all regular employees of the Bank who joined the Bank pre-privatization. The liabilities of the Bank in respect of these schemes are determined based on actuarial valuations carried out using the Projected Unit Credit Method. Actuarial valuations of the defined benefit schemes are carried out every year and the latest valuation was carried out as at December 31, 2018.

41.1.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2018 ----- (Number) -----	2017 -----
Pension fund	10,582	6,798
Gratuity fund	10,066	9,394
Benevolent fund	3,760	4,051
Post-retirement medical benefit scheme	9,652	9,804

The pension fund, benevolent fund and post-retirement medical benefit schemes include 9,512 (2017: 5,600), 2055 (2017: 2,124) and 8,133 (2017: 8,064) members respectively who have retired or whose widows are receiving the benefits.

41.1.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2018 using the following significant assumptions:

	2018 ----- Per annum -----	2017 -----
Discount rate / expected rate of return on plan assets	13.25%	8.25%
Expected rate of salary increase	11.25%	6.25%
Expected rate of increase in pension	5.00%	2.25%
Expected rate of increase in medical benefit	7.25%	2.25%

41.1.4 Reconciliation of (receivable from) / payable to defined benefit plans

Note	2018				2017			
	Pension fund	Gratuity fund	Benevolent fund	Post-retirement medical benefit	Pension fund	Gratuity fund	Benevolent fund	Post-retirement medical benefit
	----- (Rupees in '000) -----							
Present value of obligations	8,986,977	831,363	321,682	1,821,847	2,698,870	728,822	429,243	1,463,703
Fair value of plan assets	(8,168,441)	(805,576)	(461,597)	-	(3,176,096)	(711,571)	(494,386)	-
(Receivable) / payable	818,536	25,787	(139,915)	1,821,847	(477,226)	17,251	(65,143)	1,463,703

41.1.5 Movement in defined benefit obligations

Obligations at the beginning of the year	2,698,870	728,822	429,243	1,463,703	2,932,255	652,457	453,193	1,328,199
Service cost	6,664,292	128,450	6,340	1,639	8,196	106,921	6,630	4,250
Interest cost	123,457	61,861	33,128	117,080	123,653	52,899	35,702	111,493
Benefits paid by the Bank	(791,299)	(119,044)	(47,622)	(125,095)	(456,036)	(131,663)	(69,152)	(138,529)
Return allocated to other funds	56,192	-	-	-	98,242	-	-	-
Re-measurement loss / (gain)	235,465	31,274	(99,407)	364,520	(7,440)	48,208	2,870	158,290
Obligations at the end of the year	8,986,977	831,363	321,682	1,821,847	2,698,870	728,822	429,243	1,463,703

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

Note	2018				2017			
	Pension fund	Gratuity fund	Benevolent fund	Post-retirement medical benefit	Pension fund	Gratuity fund	Benevolent fund	Post-retirement medical benefit
(Rupees in '000)								
41.1.6 Movement in fair value of plan assets								
Fair value at the beginning of the year	3,176,096	711,571	494,386	-	3,077,541	711,805	501,671	-
Interest income on plan assets	260,509	60,493	38,294	-	233,079	57,468	39,434	-
Contribution by the Bank	5,900,000	145,585	2,165	-	1,595	103,679	2,468	-
Contribution by the employees	-	-	2,165	-	-	-	2,468	-
Amount paid by the fund to the Bank	(1,121,594)	(139,095)	(65,489)	-	(179,066)	(163,857)	(56,965)	-
Re-measurements gain / (loss)	(46,570)	27,022	(9,924)	-	42,947	2,476	5,310	-
Fair value at the end of the year	8,168,441	805,576	461,597	-	3,176,096	711,571	494,386	-

41.1.7 Movement in (receivable) / payable under defined benefit schemes

Opening balance	(477,226)	17,251	(65,143)	1,463,703	(145,286)	(59,348)	(48,478)	1,328,199
Mark-up receivable on Bank's balance with the fund	(22,804)	(297)	(3,396)	-	(12,645)	(658)	(1,068)	-
Charge / (reversal) for the year	6,583,432	129,818	(991)	118,719	(2,988)	102,352	430	115,743
Contribution by the Bank	(5,900,000)	(145,585)	(2,165)	-	(1,595)	(103,679)	(2,468)	-
Amount paid by the Fund to the Bank	1,121,594	139,095	65,489	-	179,066	163,857	56,965	-
Benefits paid by the Bank	(791,299)	(119,044)	(47,622)	(125,095)	(456,036)	(131,663)	(69,152)	(138,529)
Remeasurement loss / (gain) recognised in OCI during the year	304,839	4,549	(86,087)	364,520	(37,742)	46,390	(1,372)	158,290
Closing balance	818,536	25,787	(139,915)	1,821,847	(477,226)	17,251	(65,143)	1,463,703

41.1.8 Charge for defined benefit plans

41.1.8.1 Cost recognised in profit and loss

Current service cost	7,076	128,450	6,340	1,639	8,196	106,921	6,630	4,250
Past service cost	6,657,216	-	-	-	-	-	-	-
Net interest on defined benefit asset / (liability)	(137,052)	1,368	(5,166)	117,080	(109,426)	(4,569)	(3,732)	111,493
Return allocated to other funds	56,192	-	-	-	98,242	-	-	-
Employees' contribution	-	-	(2,165)	-	-	-	(2,468)	-
	6,583,432	129,818	(991)	118,719	(2,988)	102,352	430	115,743

41.1.8.2 This represents return allocated to those employees who exercised the conversion option offered in the year 2001, as referred to in note 5.12.1.

	2018				2017			
	Pension fund	Gratuity fund	Benevolent fund	Post-retirement medical benefit	Pension fund	Gratuity fund	Benevolent fund	Post-retirement medical benefit
(Rupees in '000)								
41.1.9 Re-measurements recognised in OCI during the year								

Loss / (gain) on obligation								
- Financial assumptions	19,563	24,101	(89,035)	364,520	(1,877)	1,099	(2,748)	(1,704)
- Experience adjustments	215,902	7,173	(10,372)	-	(5,563)	47,109	5,618	159,994
Return on plan assets over interest income	46,570	(27,022)	9,924	-	(42,947)	(2,476)	(5,310)	-
Adjustment for mark-up	22,804	297	3,396	-	12,645	658	1,068	-
Total re-measurements recognised in OCI	304,839	4,549	(86,087)	364,520	(37,742)	46,390	(1,372)	158,290

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

41.1.10 Components of plan assets

	2018			2017		
	Pension fund	Gratuity fund	Benevolent fund	Pension fund	Gratuity fund	Benevolent fund
	(Rupees in '000)					
Cash and cash equivalents - net of current liabilities	15,550	7,129	3,181	15,421	6,018	2,403
Quoted securities						
Ordinary shares	86,811	5,342	13,267	133,055	8,098	20,458
Term finance certificates	2,768,708	238,193	58,940	72,289	143,061	8,178
Mutual Funds units	-	18,279	-	-	18,275	-
Pakistan Investment Bonds	2,900,447	526,873	144,615	1,414,048	446,196	192,907
Market Treasury Bills	1,934,034	-	-	-	-	-
Special Savings Certificates	412,131	9,760	241,594	1,541,283	89,923	270,440
Term deposit	50,760	-	-	-	-	-
	<u>8,168,441</u>	<u>805,576</u>	<u>461,597</u>	<u>3,176,096</u>	<u>711,571</u>	<u>494,386</u>

41.1.10.1 The funds primarily invest in government securities and accordingly do not carry any significant credit risk. These are subject to interest rate risk based on market movements. Investment in term finance certificates are subject to credit risk and interest rate risks, while equity securities are subject to price risk. These risks are regularly monitored by Trustees of the employee funds.

41.1.11 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of a change in each assumption is summarized below:

	2018			
	Pension fund	Gratuity fund	Benevolent fund	Post retire-ment medical benefit
	(Rupees in '000)			
Increase in discount rate by 1 %	(339,995)	(53,510)	(12,302)	(192,419)
Decrease in discount rate by 1 %	374,943	60,738	13,461	233,280
Increase in expected future increment in salary by 1%	-	65,318	-	-
Decrease in expected future increment in salary by 1%	-	(58,374)	-	-
Increase in expected future increment in pension by 1%	73,603	-	-	-
Decrease in expected future increment in pension by 1%	(63,569)	-	-	-
Increase in expected future increment in medical benefit by 1%	-	-	-	209,302
Decrease in expected future increment in medical benefit by 1%	-	-	-	(178,603)

Although the analysis does not take account of the full distribution of expected cash flows, it does provide an approximation of the sensitivity of the assumptions shown.

41.1.12 Expected contributions to be paid to the funds in the next financial year

The Bank contributes to the pension and gratuity funds according to the actuary's advice. Contribution to the benevolent fund is made by the Bank as per the rates set out in the benevolent fund scheme. Based on actuarial advice, management estimates that the expected contribution and charge / (reversal) for the year ending December 31, 2019, would be as follows:

	2019			
	Pension fund	Gratuity fund	Benevolent fund	Post retire-ment medical benefit
	(Rupees in '000)			
Expected contribution	-	148,986	-	-
Expected charge / (reversal) for the year	115,678	148,986	(15,003)	236,146

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

41.1.13 Maturity profile

	2018			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit
The weighted average duration of the obligation (in years)	7.67	6.84	4.07	10.56

41.1.14 Funding Policy

The Bank endeavours to ensure that liabilities under the various employee benefit schemes are covered by the Fund on any valuation date having regards to the various actuarial assumptions such as projected future salary increase, expected future contributions to the fund, projected increase in liability associated with future service and the projected investment income of the Fund.

Asset Volatility

Only three Schemes out of the all the Schemes are funded: Pension; Gratuity; and Benevolent Fund. The combined investment of the three funds is Rs 9.4 billion. Almost 65% is invested in Government Bonds with a maturity that is less than the maturity of the corresponding liability.

The asset class is volatile with reference to the yield on this class. This risk should be viewed together with change in the bond yield risk.

There is an insignificant equity exposure of around 1%. While 32% is invested in corporate bonds giving rise to settlement risk, the bonds are, though, high quality.

Changes in Bond Yields

There are two dimensions to the changes in Bond yields: first, as described above; second, the valuation of the Gratuity Liability is discounted with reference to the government bond yields. So, any increase in Bond yields will lower the Retirement Benefits Liability and vice versa, but, it will also lower the asset values.

Inflation Risk

The salary inflation (especially the final salary risk) is the major risk that the Gratuity and compensated absences liability carries. In pension fund the increased been determined by the Supreme Court does not carry this risk as the benefit is practically no longer related to future salary increases. Some of the post-retirement medical benefits are capped to a proportion of Pension, thus carrying no salary inflation risk. However, the hospitalization benefit is susceptible to medical inflation risk.

In a general economic sense and in a longer view, there is a case that if bond yields increase, the ensuing change in salary inflation generally offsets the gains from the decrease in discounted gratuity. But viewed with the fact that, for gratuity, asset values will also decrease; the salary inflation does, as an overall effect, increases the net liability of the Bank.

Life Expectancy / Withdrawal Rate

The Gratuity and Compensated Absences are paid off at the maximum of age 60. The Life expectancy is in almost minimal range and is quite predictable in the ages when the employee is in the accredited employment of the Bank for the purpose of the Gratuity and Compensated Absences. Thus, the risk of life expectancy is almost negligible. However, post-retirement benefit given by the Bank like monthly pension, post-retirement medical gives rise to a significant risk which is quite difficult to value even by using advance mortality improvement models. Thus, this risk carries valuation risk as well.

The withdrawal risk is dependent upon the: benefit structure; age and retention profile of the staff; the valuation methodology; and long-term valuation assumptions. In this case, it is not a significant downside risk as higher withdrawal, although troublesome for the Bank, will give rise to a release in the liability as retirement benefits for unvested due to earlier withdrawal.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

Other Risks

Though, not imminent and generally observable, over long term there are some risks that may crystallize. This includes:

- Retention risk – The risk that employee will not be motivated to continue the service or start working with the Bank if no market comparable retirement benefit is provided.
- Final Salary Risk – The risk, for defined benefit gratuity, that any disproportionate salary merit increases in later service years will give rise to a multiplicative increase in the gratuity liability as such increase is applicable to all the past years of service.
- Model Risk – The defined benefit gratuity liability is usually actuarially valued each year. Further, the assets in the Fund are also marked to market. This two-tier valuation gives rise to the model risk.
- Operational Risk related to a separate entity - Retirement benefits are funded through a separate trust fund which is a different legal entity than the Bank. Generally, the protocols, processes, and conventions used throughout the Bank are not applicable or are not actively applied to the retirement benefit funds. This gives rise to some specific operational risks.
- Compliance Risk – The risk that retirement benefits offered by the Bank do not comply with minimum statutory requirements.
- Legal / Political Risk – The risk that the legal / political environment changes and as a result, the Bank is required to offer additional or different retirement benefits than what the Bank projected. Specifically, in the light of recent Supreme Court decisions, this risk has materialized.

41.2 United National Bank Limited Pension and Life Assurance Scheme for U.K Employees.

As part of the Shareholders' Agreement ("the Agreement") signed on November 9, 2001 between UBL UK and its shareholders, United Bank Limited and National Bank of Pakistan (NBP), it was agreed that UBL UK may participate as an associated employer in the United Bank Limited Pension and Life Assurance Scheme ("the Scheme") with effect from November 19, 2001, the date of completion of transfer of the businesses from the Bank and NBP into UBL UK (the Completion Date). The Scheme is classified as a defined benefit scheme providing benefits based on final pensionable salary.

Under the terms of the Agreement, UBL UK is responsible for the funding requirements of the active members whose employment was transferred to UBL UK on the Completion Date and for any new members admitted to the scheme after the Completion Date. United Bank Limited remains responsible for the funding of the deferred members upto the Completion Date. The scheme is closed for new members and the accrual of benefits has ceased from January 1, 2010.

Full actuarial valuations using the Projected Unit Credit Method are obtained triennially and updated at each statement of financial position date.

The last full actuarial valuation of the scheme was carried out by a qualified actuary. The major assumptions used by the actuary in the latest update as of December 31, 2018 are as follows:

	2018	2017
	----- Per annum -----	
Discount rate	2.75%	2.40%
Rate of revaluation of pension in deferment	2.75%	2.40%
Expected rate of pension increase	3.00%	3.00%
Retail price inflation	3.40%	3.40%
Consumer price inflation	2.60%	2.60%

41.2.1 The assets and liabilities of the scheme noted below relate to those employees for whom UBL UK has a funding liability.

	2018		2017	
	Return	Rupees in '000	Return	Rupees in '000
Insurance policy	2.60%	1,052,355	2.60%	889,924
Market value of assets		1,052,355		889,924
Present value of defined benefit obligation		(1,025,821)		(913,927)
Gross pension liability		26,534		(24,003)
Related deferred tax relief		-		4,075
Net pension liability		26,534		(19,928)

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

	2018	2017
	----- (Rupees in '000) -----	-----
41.2.2 Movement in surplus / (deficit) during the year		
Obligation at the beginning of the year	(24,003)	(124,973)
Interest expense	(9,735)	(3,397)
Employer contribution	6,490	-
Remeasurement gain	53,705	113,584
Exchange adjustment	77	(9,217)
Deficit in scheme at the end of the year	26,534	(24,003)
Related deferred tax relief	-	4,075
Obligation at the end of the year	<u>26,534</u>	<u>(19,928)</u>

No Directors were members of the defined benefit scheme during the year or as at December 31, 2018

	2018	2017
	----- (Rupees in '000) -----	-----
41.2.3 Analysis of the amount credited / (debited) to net interest income		
Expected return on pension scheme assets	23,040	18,749
Interest on pension scheme liabilities	(23,526)	(22,146)
Net expense	<u>(486)</u>	<u>(3,397)</u>

41.2.4 Sensitivity Analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligation under the benefit scheme. The increase / (decrease) in the present value of defined benefit obligation as a result of a change in each assumption is summarized below:

	2018 Rupees in '000
Increase in discount rate by 1 %	(115,867)
Decrease in discount rate by 1 %	(86,325)
Increase in expected inflation rate by 1%	8,314
Decrease in expected inflation rate by 1%	(26,534)
Increase in life expectancy by 1 year	(8,314)
Decrease in life expectancy by 1 year	(44,578)

Although the analysis does not take account of the full distribution of expected cash flows, it does provide an approximation of the sensitivity of the assumptions shown.

41.3 UBL Fund Managers Limited

41.3.1 Principal actuarial assumptions

UFML operates a funded gratuity scheme. The liability of UFML in respect of this scheme is determined based on an annual actuarial valuation carried out using the Projected Unit Credit Method. The latest valuation was carried out as at December 31, 2018. The main assumptions used in the actuarial valuation are as follows:

	2018	2017
	----- Per annum -----	-----
Discount rate	12.75%	7.75%
Expected rate of return on plan assets	9.00%	8.00%
Expected rate of salary increase	12.75%	7.75%

	2018	2017
	----- (Rupees in '000) -----	-----
41.3.2 Reconciliation of payable to defined benefit plan		
Present value of defined benefit obligations	55,624	48,483
Fair value of plan assets	(54,726)	(48,987)
Payable	<u>898</u>	<u>(504)</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
41.3.3 Movement in defined benefit obligation		
Obligation at the beginning of the year	48,483	58,634
Current service cost	14,109	12,515
Interest cost	4,150	5,766
Benefits paid	(9,193)	(30,045)
Remeasurement gain / (loss)	(1,925)	1,613
Obligation at the end of the year	<u>55,624</u>	<u>48,483</u>
41.3.4 Movement in the fair value of plan assets		
Fair value of plan assets at the beginning of the year	48,987	56,686
Return on plan assets	4,187	5,594
Contributions to the plan	14,725	18,865
Benefits paid	(9,193)	(30,045)
Remeasurement gain	(3,980)	(2,113)
	<u>54,726</u>	<u>48,987</u>
41.3.5 Composition of plan assets		
Debt securities	29,730	12,674
Cash	14,944	23,566
Mutual Funds	2,086	3,759
Equity securities	7,966	8,988
	<u>54,726</u>	<u>48,987</u>
41.3.6 Charge for defined benefit plan		
Current service cost	14,109	12,515
Interest cost	4,150	5,766
Return on plan assets	(4,187)	(5,594)
	<u>14,072</u>	<u>12,687</u>
Actual return on plan assets	<u>210</u>	<u>1,934</u>
41.3.7 Movement in net liability recognised		
Opening net payable	(504)	1,948
Expense recognised	14,072	12,687
Contribution to the fund made during the year	(14,725)	(18,865)
Remeasurement gain - net	2,055	3,726
Closing net payable	<u>898</u>	<u>(504)</u>
41.3.8 Maturity profile and expected future contribution		
Based on actuarial advice, management estimates that the expected contribution and charge for the year ended December 31, 2018, would be Rs. 14.072 million and Rs. 12.687 million, respectively. The weighted average duration of the obligation as of December 31, 2018 is 10 years.		
41.3.9 Sensitivity Analysis		
Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligation under the defined benefit scheme. The increase / (decrease) in the present value of defined benefit obligation as a result of a change in each assumption is summarized below:		

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

2018
Rupees in '000

Increase in discount rate by 1 %	51,025
Decrease in discount rate by 1 %	60,976
Increase in salary increment rate by 1%	60,657
Decrease in salary increment rate by 1%	51,215

Although the analysis does not take account of the full distribution of expected cash flows, it does provide an approximation of the sensitivity of the assumptions shown.

42 OTHER EMPLOYEE BENEFITS

42.1 Defined contribution plan

The Bank operates a contributory provident fund scheme for 10,039 (2017: 7,394) employees who are not in the pension scheme. The employer and employee each contribute 8.33% of the basic salary to the funded scheme every month.

UFML operates a contributory provident fund scheme. The employer and employee each contribute 10% of the basic salary to the funded scheme every month.

UBL Bank (Tanzania) Limited operates a contributory provident fund scheme. The employer and employee each contribute 10% of the basic salary to the funded scheme every month.

42.2 Employee Stock Option Scheme

UBL Fund Managers has an incentive scheme for its top performing employees in the form of share options under the policy of Employee Stock Option Scheme (ESOS). The options give a right to subscribe ordinary shares of the Company to the extent of the lower of two million shares or five percent of the share capital of the company as of the grant date. The scheme is divided into three phases and options are exercisable at their respective exercise price determined from time to time according to methodology provided in approved scheme. Each phase give a right to eligible employees to acquire options after a vesting period of two years, in two tranches i.e. 50% of the vested options are exercisable upon completion of vesting period, while remaining 50% can be exercised after one year. The last phase was completed in 2016 in which 18,121 shares were issued pursuant to exercise of the share options.

43. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive Officer		Directors		Executives	
	2018	2017	2018	2017	2018	2017
						Restated
	----- (Rupees in '000) -----					
Fees	-	-	64,348	48,721	-	-
Managerial remuneration	124,100	201,483	-	-	4,613,717	4,239,116
Charge for defined benefit plan	22	732	-	-	233,152	259,734
Charge for defined contribution plan	4,583	4,167	-	-	124,265	135,516
Rent and house maintenance	2,987	4,361	-	-	507,706	412,107
Utilities	1,423	1,456	-	-	201,648	173,379
Medical	-	22	-	-	103,972	95,386
Conveyance	367	-	-	-	383,943	277,509
Others	1,236	4,011	-	-	466,381	1,332,386
	134,718	216,233	64,348	48,721	6,634,784	6,925,133
Number of persons	1	2	8	10	817	826

The Bank's President / Chief Executive Officer and certain Executives are provided with use of Bank maintained cars and household equipment.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

44. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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:

		2018			
	Carrying / Notional value	Fair value			
		Level 1	Level 2	Level 3	Total
		------(Rupees in '000)-----			
On-balance sheet financial instruments					
Financial assets measured at fair value					
- Investments					
Government Securities (T-bills, PIBs, GoP Sukuks and Eurobonds)	394,374,894	-	394,374,894	-	394,374,894
Foreign Bonds - Sovereign	66,062,041	-	66,062,041	-	66,062,041
Foreign Bonds - others	14,308,350	-	14,308,350	-	14,308,350
Ordinary shares of listed companies	16,718,226	16,718,226	-	-	16,718,226
Debt securities (TFCs)	843,128	-	843,128	-	843,128
Investment in REIT	499,863	499,863	-	-	499,863
- Investments (HTM, unlisted ordinary shares, preference shares and associates)	338,352,598	-	-	-	-
	831,159,100	17,218,089	475,588,413	-	492,806,502
Off-balance sheet financial instruments					
Forward purchase and sale of foreign exchange contracts	650,576,446	-	1,462,513	-	1,462,513
Interest rate swaps	1,674,764	-	(22,101)	-	(22,101)
FX options - purchased and sold (net)	1,159,752	-	-	-	-
Forward purchase of government securities	13,619,209	-	(22,401)	-	(22,401)
Forward sale of government securities	2,326,880	-	(34,172)	-	(34,172)

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

	2017				
	Carrying / Notional value	Fair value			
		Level 1	Level 2	Level 3	Total
		----- (Rupees in '000) -----			
On-balance sheet financial instruments					
Financial assets measured at fair value					
- Investments					
Government Securities (T-bills, PIBs, GoP Sukuks and Eurobonds)	679,318,633	-	679,318,633	-	679,318,633
Foreign Bonds - Sovereign	38,490,598	-	38,490,598	-	38,490,598
Foreign Bonds - others	19,352,217	-	19,352,217	-	19,352,217
Ordinary shares of listed companies	18,318,667	18,318,667	-	-	18,318,667
Debt securities (TFCs)	382,425	-	382,425	-	382,425
Investment in REIT	458,590	458,590	-	-	458,590
Financial assets not measured at fair value					
- Investments (HTM, unlisted ordinary shares, preference shares and associates)	368,600,170	-	-	-	-
	1,124,921,300	18,777,257	737,543,873	-	756,321,130
Off-balance sheet financial instruments					
Forward purchase and sale of foreign exchange contracts	455,265,957	-	1,933,688	-	1,933,688
Interest rate swaps	4,358,641	-	74,865	-	74,865
FX options - purchased and sold (net)	166,736	-	-	-	-
Forward purchase of government securities	7,870,890	-	(1,155)	-	(1,155)
Forward sale of government securities	1,478	-	(2)	-	(2)

44.2 Certain categories of 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 as disclosed in note 11 and note 14.

44.3 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.

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

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

45. SEGMENT INFORMATION

45.1 Segment details with respect to business activities

For the year ended December 31, 2018							
Corporate / Commercial Banking	Treasury	Branch Banking	Islamic Banking	International branch operations	Subsidiaries	Others	Total
(Rupees in '000)							
Profit & Loss							
Net mark-up / return / profit	29,169,912	38,054,781	(21,778,872)	2,256,974	8,531,476	2,013,364	58,247,635
Inter segment (expense) / revenue - net	(25,119,792)	(32,293,809)	55,328,232	-	-	2,085,369	-
Non mark-up / return / interest income	2,945,167	9,138,842	9,983,805	206,059	2,045,808	930,617	27,343,085
Total Income	6,995,287	14,899,814	43,533,165	2,463,033	10,577,284	3,015,986	85,590,720
Segment direct expenses	1,171,679	565,182	24,150,372	1,514,278	6,962,460	9,061,368	47,101,693
Inter segment expense allocation	433,840	62,153	4,200,757	95,788	660,416	(5,452,954)	-
Total expenses	1,605,519	627,335	28,351,129	1,610,066	7,622,876	3,608,414	47,101,693
Reversals / (Provisions)	(408,496)	(1,229,209)	468,714	(7,276)	(11,568,920)	94,285	(13,101,544)
Profit / (loss) before tax	4,981,272	13,043,270	15,650,750	845,691	(8,614,512)	(498,143)	25,387,483
For the year ended December 31, 2017 (Restated)							
Corporate / Commercial Banking	Treasury	Branch Banking	Islamic Banking	International branch operations	Subsidiaries	Others	Total
(Rupees in '000)							
Profit & Loss							
Net mark-up / return / profit	20,185,213	46,064,385	(19,429,401)	930,943	8,458,526	1,667,763	58,092,142
Inter segment (expense) / revenue - net	(15,792,691)	(30,850,537)	45,141,057	42,047	-	1,460,124	-
Non mark-up / return / interest income	2,448,710	6,917,536	8,226,780	108,056	3,125,768	660,647	24,755,787
Total Income	6,841,232	22,131,384	33,938,436	1,081,046	11,584,294	2,335,484	82,847,929
Segment direct expenses	1,097,821	616,477	22,648,240	736,098	6,459,010	4,660,610	39,329,721
Inter segment expense allocation	361,441	74,233	3,759,778	64,487	695,439	(4,955,378)	-
Total expenses	1,459,262	690,710	26,408,018	800,585	7,154,449	(294,768)	39,329,721
Reversals / (Provisions)	1,525,281	(76,826)	1,756,873	(14,049)	(4,767,601)	(254,075)	(2,628,801)
Profit / (loss) before tax	6,907,251	21,363,848	9,287,291	266,412	(337,756)	2,376,177	40,889,407
As at December 31, 2018							
Corporate / Commercial Banking	Treasury	Branch Banking	Islamic Banking	International branch operations	Subsidiaries	Others	Total
(Rupees in '000)							
Balance Sheet							
Cash & Bank balances	25,660	51,299,328	78,569,366	13,483,155	55,969,812	28,621,101	229,662,731
Investments	7,213,391	653,902,739	-	30,746,758	88,243,845	47,339,783	831,159,100
Net inter segment lending	2,249,966	-	880,425,313	-	-	37,278,794	919,954,073
Lendings to financial institutions	-	23,500,000	-	10,066,732	374,814	1,405,005	35,346,551
Advances - performing	449,219,279	26,411	65,893,889	22,580,996	160,439,336	38,158,060	741,426,095
Advances - non-performing net of provision	1,777,079	-	262,540	15,068	10,587,435	456,931	13,125,627
Others	27,761,067	21,514,992	12,412,517	625,250	19,888,705	5,986,891	151,772,770
Total Assets	488,246,442	750,243,470	1,037,563,625	77,517,959	335,503,947	121,967,771	2,922,446,947
Borrowings	45,688,288	195,175,727	4,171,413	143,000	21,580,910	13,158,787	279,918,125
Subordinated debt	-	-	-	-	-	9,000,000	9,000,000
Deposits & other accounts	38,238,653	35,170	993,358,839	73,434,945	259,572,141	1,420,300	1,448,324,041
Net inter segment borrowing	377,589,646	541,875,733	-	488,694	-	-	919,954,073
Others	24,033,549	11,894,358	34,259,041	922,413	13,325,755	10,644,222	96,626,849
Total Liabilities	485,550,136	748,980,988	1,031,789,293	74,989,052	294,478,806	21,064,522	2,753,823,088
Equity	2,696,306	(102,213)	7,152,259	2,528,907	45,418,639	17,353,911	93,576,050
Total Equity & liabilities	488,246,442	748,878,775	1,038,941,552	77,517,959	339,897,445	114,640,572	2,922,446,947
Contingencies and Commitments	415,595,186	246,204,352	21,489,804	340,262	426,945,992	86,376,266	1,198,875,691

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

As at December 31, 2017 (Restated)							
Corporate / Commercial Banking	Treasury	Branch Banking	Islamic Banking	International branch operations	Subsidiaries	Others	Total
(Rupees in '000)							
Balance Sheet							
Cash & Bank balances	28,025	53,501,038	58,654,476	11,979,558	49,395,033	22,546,814	196,668,282
Investments	7,834,991	974,793,372	-	25,401,968	78,235,537	1,977,381	1,124,921,300
Net inter segment lending	7,192,612	1,273,806	831,512,169	-	-	25,166,962	865,145,549
Lendings to financial institutions	-	6,874,353	-	3,694,215	2,528,709	-	13,097,277
Advances - performing	356,645,367	28,173	54,691,150	22,101,684	176,537,541	4,549,840	652,154,157
Advances - non-performing net of provision	2,352,642	316	238,817	8,942	10,170,143	34,221	13,149,206
Others	25,038,114	19,107,147	9,670,329	721,793	10,574,595	5,132,141	130,922,766
Total Assets	399,091,751	1,055,578,205	954,766,941	63,908,160	324,912,849	104,830,242	2,996,058,537
Borrowings	32,114,222	458,544,964	4,584,439	1,500,000	13,958,571	6,379,963	517,082,159
Subordinated debt	-	-	-	-	-	-	-
Deposits & other accounts	49,621,139	200,730	905,250,448	59,775,999	256,300,624	77,380,144	1,349,698,487
Net inter segment borrowing	292,223,792	571,548,191	-	-	1,373,566	-	865,145,549
Others	22,066,726	4,900,354	41,411,599	789,666	7,321,818	985,277	89,638,580
Total Liabilities	396,025,879	1,035,194,239	951,246,486	62,065,665	278,954,579	84,745,384	2,821,564,775
Equity	3,065,872	20,374,196	3,074,521	1,842,495	46,994,260	15,186,715	83,955,703
Total Equity & liabilities	399,091,751	1,055,568,435	954,321,007	63,908,160	325,948,839	97,288,246	2,996,058,537
Contingencies and Commitments	421,838,014	175,996,895	22,966,777	142,799	322,857,427	79,183,185	1,022,986,505

45.2. Geographical segment analysis

As at December 31, 2018							
Pakistan Operations	United States of America	Export Processing Zones	Middle East	Europe	Africa	Total	
(Rupees in '000)							
Profit & Loss							
Net mark-up / return / profit	47,695,852	53,126	152,391	8,325,959	1,715,892	304,415	58,247,635
Inter segment (expense) / revenue - net	-	-	-	-	-	-	-
Non mark-up / return / interest income	24,258,020	10,769	40,131	1,994,908	1,006,163	33,094	27,343,085
Total Income	71,953,872	63,895	192,522	10,320,867	2,722,055	337,509	85,590,720
Segment direct expenses	(37,024,290)	(1,067,600)	(17,600)	(5,877,260)	(2,668,997)	(445,946)	(47,101,693)
Inter segment expense allocation	660,416	-	(1,408)	(659,008)	-	-	-
Total expenses	(36,363,874)	(1,067,600)	(19,008)	(6,536,268)	(2,668,997)	(445,946)	(47,101,693)
Reversals / (Provisions)	(1,081,982)	(68,015)	-	(11,500,905)	(394,817)	(55,825)	(13,101,544)
Profit / (loss) before tax	34,508,016	(1,071,720)	173,514	(7,716,306)	(341,759)	(164,262)	25,387,483
Balance Sheet							
Cash & Bank balances	145,581,894	2,332,453	122,122	53,133,332	27,503,086	989,844	229,662,731
Investments	697,489,218	-	2,901,457	85,342,388	43,632,468	1,793,569	831,159,100
Net inter segment lending	919,954,073	443,158	71,394	(514,552)	-	-	919,954,073
Lendings to financial institutions	33,566,732	-	1,291,416	(916,602)	1,301,215	103,790	35,346,551
Advances - performing	542,828,699	-	159,450	160,279,886	35,483,874	2,674,186	741,426,095
Advances - non-performing net of prov	2,081,261	-	-	10,587,435	198,123	258,808	13,125,627
Others	126,327,312	-	166,890	19,721,815	5,155,134	401,619	151,772,770
Total Assets	2,467,829,189	2,775,611	4,712,729	327,633,702	113,273,900	6,221,816	2,922,446,947
Borrowings	246,942,966	-	-	20,216,216	11,542,888	1,216,055	279,918,125
Subordinated debt	9,000,000	-	-	-	-	-	9,000,000
Deposits & other accounts	1,106,255,496	-	3,889,543	255,494,556	80,579,798	2,104,648	1,448,324,041
Net inter segment borrowing	919,954,073	-	-	-	-	-	919,954,073
Others	81,919,481	437,252	93,261	12,795,242	1,304,561	77,052	96,626,849
Total Liabilities	2,364,072,016	437,252	3,982,804	288,506,014	93,427,247	3,397,755	2,753,823,088
Equity	104,523,012	2,338,359	729,925	42,350,355	17,335,431	1,346,777	168,623,859
Total Equity & liabilities	2,468,595,028	2,775,611	4,712,729	330,856,369	110,762,678	4,744,532	2,922,446,947
Contingencies and Commitments	691,953,501	-	2,209,348	418,336,575	86,353,183	23,084	1,198,875,691

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

	As at December 31, 2017 (Restated)						
	Pakistan Operations	United States of America	Export Processing Zones	Middle East	Europe	Africa	Total
	(Rupees in '000)						
Profit & Loss							
Net mark-up / return / profit	47,970,316	224,438	89,621	8,144,467	1,377,113	286,188	58,092,143
Inter segment (expense) / revenue - net	-	-	-	-	-	-	-
Non mark-up / return / interest income	19,644,107	239,305	23,636	2,862,818	1,928,864	57,056	24,755,786
Total Income	67,614,423	463,743	113,257	11,007,285	3,305,977	343,244	82,847,929
Segment direct expenses	(30,332,477)	(414,801)	(12,630)	(6,031,579)	(2,101,748)	(436,486)	(39,329,721)
Inter segment expense allocation	695,440	(63,320)	(1,253)	(630,867)	-	-	-
Total expenses	(29,637,037)	(478,121)	(13,883)	(6,662,446)	(2,101,748)	(436,486)	(39,329,721)
Reversals / (Provisions)	2,937,204	(3,760)	-	(4,763,840)	(615,691)	(182,714)	(2,628,801)
Profit / (loss) before tax	40,914,590	(18,138)	99,374	(419,001)	588,538	(275,956)	40,889,407
Balance Sheet							
Cash & Bank balances	124,609,412	2,124,184	98,396	47,172,453	22,308,585	355,252	196,668,282
Investments	1,011,902,830	-	1,914,777	76,320,760	33,402,195	1,380,738	1,124,921,300
Net inter segment lending	865,145,549	-	161,222	(161,222)	-	-	865,145,549
Lendings to financial institutions	10,568,568	-	188,859	(188,972)	2,451,381	77,441	13,097,277
Advances - performing	438,015,821	3,168,337	28,170	173,341,427	34,846,022	2,754,380	652,154,157
Advances - non-performing net of prov	2,635,218	-	-	10,169,863	178,519	165,606	13,149,206
Others	115,689,682	107,784	45,346	10,421,465	4,302,801	355,688	130,922,766
Total Assets	2,568,567,080	5,400,305	2,436,770	317,075,774	97,489,503	5,089,105	2,996,058,537
Borrowings	496,743,625	-	-	13,958,571	5,847,624	532,339	517,082,159
Subordinated debt	-	-	-	-	-	-	-
Deposits & other accounts	1,016,017,718	61,683	1,818,176	253,558,133	74,830,054	3,412,723	1,349,698,487
Net inter segment borrowing	863,771,983	2,641,115	-	(1,267,549)	-	-	865,145,549
Others	81,484,735	152,678	7,995	7,161,145	856,011	(23,984)	89,638,580
Total Liabilities	2,458,018,061	2,855,476	1,826,171	273,410,300	81,533,689	3,921,078	2,821,564,775
Equity	110,642,996	2,544,829	610,599	43,838,832	16,078,528	777,978	174,493,762
Total Equity & liabilities	2,568,661,057	5,400,305	2,436,770	317,249,132	97,612,217	4,699,056	2,996,058,537
Contingencies and Commitments	626,789,074	941,817	2,721,358	313,646,987	78,648,349	238,920	1,022,986,505

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

46 TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities. However, it acts as custodian for some of the Term Finance Certificates it arranges and distributes on behalf of its customers.

47. RELATED PARTY TRANSACTIONS

The Group has related party transactions 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 year, other than those which have been disclosed elsewhere in these consolidated financial statements, are as follows:

Notes to and forming part of the Consolidated Financial Statements
For the year ended December 31, 2018

47.1 RELATED PARTY TRANSACTIONS

	2018				2017			
	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 year	-	-	6,148,157	510,075	-	-	1,365,953	-
Investment redeemed / disposed off during the year	-	-	(5,699,007)	(221,523)	-	-	(5,399,374)	-
Equity method adjustments	-	-	426,950	-	-	-	299,448	-
Closing balance	-	-	5,119,744	4,183,880	-	-	4,243,644	3,895,328
Provision for diminution in value of investments	-	-	-	91,007	-	-	-	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 year	13,479	245,272	-	4,123,007	11,574	149,324	-	65,331,493
Repaid during the year	(16,561)	(121,668)	-	(1,341)	(8,610)	(296,736)	-	(79,612,942)
Transfer out	-	(48,061)	-	(23)	-	(14,865)	-	(136)
Closing balance	2,221	280,911	2,155,149	6,747,749	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	-	-	3,646	143,767	26	8	-	82,071
Receivable from staff retirement funds	-	-	-	321,349	-	-	-	632,808
Prepaid insurance	-	-	107,566	-	-	-	13,201	-
Remuneration receivable from management of funds	-	-	87,358	-	-	-	85,289	-
Sales load receivable	-	-	19,154	-	-	-	26,527	-
Formation cost receivable	-	-	7,039	-	-	-	5,286	-
Other receivable	-	-	59,146	30,164	-	-	46,736	30,164
Provision against other assets	-	-	-	30,164	-	-	-	30,164
Borrowings								
Opening balance	-	-	474,532	-	-	-	-	167,100
Borrowings during the year	-	-	2,364,689	244,000	-	-	474,532	512,650
Settled during the year	-	-	(2,839,221)	(231,600)	-	-	-	(679,750)
Closing balance	-	-	-	12,400	-	-	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 year	60,624,991	1,629,709	160,790,083	163,877,912	30,436,836	1,716,576	260,733,762	176,336,654
Withdrawn during the year	(59,950,273)	(1,594,450)	(156,547,356)	(158,692,731)	(32,458,694)	(1,772,424)	(255,237,324)	(174,752,255)
Transfer in / (out) - net	-	63,797	(30,181)	(3,541)	7,996	(18,975)	(6,952,995)	(708,121)
Closing balance	6,375,281	165,303	11,638,646	8,254,030	5,700,563	66,247	7,426,100	3,072,390
Other Liabilities								
Interest / mark-up payable on deposits and borrowings	40,343	67	53,416	49,821	40,412	47	42,810	27,740
Payable to staff retirement fund	-	-	-	972,584	-	-	-	44,538
Unearned income	-	-	-	12,608	-	-	-	11,462
Contingencies and Commitments								
Letter of guarantee	-	-	-	-	-	-	24,884	-
----- (Rupees in '000) -----								
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
Income								
Mark-up / return / interest earned	-	12,528	10,096	146,301	-	10,503	11,831	490,962
Commission / charges recovered	92	694	88,347	17,393	94	367	35,460	14,572
Dividend received	-	-	45,186	779,246	-	-	156,874	480,242
Net gain on sale of securities	-	-	94,616	-	-	-	339,789	-
Remuneration from management of fund	-	-	922,809	-	-	-	974,183	-

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

48. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2018	2017
	Rupees in '000	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	12,241,798	12,241,798
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	116,182,214	119,204,419
Eligible Additional Tier 1 (ADT 1) Capital	8,305,439	70,857
Total Eligible Tier 1 Capital	124,487,653	119,275,276
Eligible Tier 2 Capital	40,708,238	43,928,861
Total Eligible Capital (Tier 1 + Tier 2)	165,195,891	163,204,137
Risk Weighted Assets (RWAs):		
Credit Risk	795,066,075	727,473,917
Market Risk	30,089,441	206,494,434
Operational Risk	147,604,598	146,435,868
Total	972,760,114	1,080,404,219
Common Equity Tier 1 Capital Adequacy ratio	11.94%	11.03%
Tier 1 Capital Adequacy Ratio	12.80%	11.04%
Total Capital Adequacy Ratio	16.98%	15.11%

The SBP through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid-up capital (net of accumulated losses) for Banks to be raised to Rs.10,000 million by the year ending December 31, 2015. The paid-up capital of the Bank for the year ended December 31, 2018 stood at Rs.12,241.798 million (2017: Rs.12,241.798 million) and is in compliance with SBP requirements. Banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10.0% plus capital conservation buffer of 1.90% of the risk weighted exposures of the Bank. Further, under Basel III instructions, Banks are also required to maintain a Common Equity Tier 1 (CET 1) ratio and Tier 1 ratio of 6.0% and 7.5%, respectively, as at December 31, 2018. As at December 31, 2018 the Bank is fully compliant with prescribed ratios as the Bank's CAR is 16.98% whereas CET 1 and Tier 1 ratios stood at 11.94% and 12.80% respectively. The Bank and its individually regulated operations have complied with all capital requirements throughout the year.

Furthermore, under the SBP's Framework for Domestic Systematically Important Banks (D-SIBs) introduced vide BPRD Circular No. 04 of 2018 dated April 13, 2018, UBL has been designated as a D-SIB. Under this framework, the Bank is required to meet the Higher Loss Absorbency capital charge of 1.5%, in the form of Additional CET 1 capital, on a standalone as well as consolidated level. The additional capital requirement shall be effective from the end of March 2019.

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

	2018	2017
	Rupees in '000	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	124,487,653	119,275,276
Total Exposures	2,550,548,720	2,986,924,335
Leverage Ratio	4.88%	3.99%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	404,144,218	414,579,250
Total Net Cash Outflow	212,338,866	255,636,947
Liquidity Coverage Ratio	190.33%	162.18%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	1,489,318,075	1,128,634,708
Total Required Stable Funding	1,181,920,887	1,086,955,065
Net Stable Funding Ratio	126.01%	103.83%

The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time are placed on the website. The link to the full disclosure is available at <http://www.ubldirect.com/Corporate/InvestorRelations/CapitalAdequacyStatements.aspx>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

49. RISK MANAGEMENT

This section presents information about the Group's exposure to and its management and control of risks, in particular, the primary risks associated with its use of financial instruments such as credit, market, liquidity, and operational.

The Bank has an integrated risk management structure in place covering domestic and International franchise. The Board Risk and Compliance Committee (BRCC) oversees the entire risk management process of the Bank. Furthermore, Risk Management Committee has been formed which looks at all risks collectively at senior management level. The committee is chaired by the President and comprises of Heads of all Risk areas, Finance, Business etc. The Risk and Credit Policy Group is responsible for the development and implementation of all risk policies as approved by the BRCC / BoD. The group is organized into the functions of Market & Treasury Risk, Financial Institution Risk, Credit Policy & Research, Consumer Credit Policy, Credit Risk Management and Operational Risk & Basel. Each risk function is headed by a senior manager who reports directly to the Group Executive, Risk and Credit Policy. The role of the Risk and Credit Policy Group includes:

- Determining guidelines relating to the Bank's risk appetite.
- Recommending risk management policies in accordance with the Prudential Regulations, Basel II / III framework, Regulatory framework of foreign countries where the bank operates and international best practices.
- Reviewing policies / manuals and ensuring that these are in accordance with BRCC / BoD approved risk management policies.
- Developing systems and resources to review the key risk exposures of the Bank.
- Approving credits and granting approval authority to qualified and experienced individuals.
- Reviewing the adequacy of credit training across the Bank.
- Organizing portfolio reviews focusing on quality assessment, risk profiles, industry concentrations etc.
- Setting systems to identify significant portfolio indicators, problem credits and level of provisioning required.
- Establish an extensive Information Security (IS) Program and governance structure to manage the Security of the Information assets.

49.1 Credit risk

Credit risk is the risk that a customer or counterparty may not settle an obligation for full value, either when due or at any time thereafter. This risk arises from the potential that a customer's or counterparty's willingness or ability to meet such an obligation is impaired, resulting in an economic loss to the Bank.

The credit risk management process is driven by the Bank's Risk Management Policy, Credit Policy for Corporate, Commercial, SME & Agri, Collateral Management Policy, Credit Policy International, Credit Policy UAE and Credit Manual, which provides policies and procedures in relation to credit initiation, approval, documentation and disbursement, credit maintenance and remedial management.

Individual credit authorities are delegated to credit officers by the Group Executive - Risk & Credit Policy (authorized by BoD), according to their seasoning / maturity. Approvals for Consumer loans are centralized, while approval authorities for International, Corporate, Commercial, SME and Agri exposures are delegated at a Country / Regional level. Furthermore, credit authorities are also delegated to business teams in various regions for Commercial, SME & Agri lending. All credit policy functions domestic & international are centrally organized.

Concentrations of credit risk exist if clients are engaged in similar activities, or are located in the same geographical region, or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. The Bank manages, limits and controls concentrations of credit risk to individual counterparties and groups, and to industries, where appropriate. Limits are also applied to portfolios or sectors where the Bank considers it appropriate to restrict credit risk concentrations, or to areas of higher risk, or to control the rate of portfolio growth.

49.1.1 Lendings to financial institutions

	2018	2017	2018	2017	2018	2017
Credit risk by public / private sector	Gross lendings		Non-performing lendings		Provision held	
	(Rupees in '000)					
Public / Government	4,800,000	6,058,883	-	-	-	-
Private	30,614,804	7,164,247	68,253	125,853	68,253	125,853
	35,414,804	13,223,130	68,253	125,853	68,253	125,853

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

49.1.2 Investment in debt securities

Credit risk by industry sector	2018	2017	2018	2017	2018	2017
	Gross investments		Non-performing investments		Provision held	
	(Rupees in '000)					
Agriculture, Forestry, Hunting and Fishing	-	682,513	-	913	-	913
Textile	229,264	229,262	229,264	229,262	103,090	103,428
Chemical and Pharmaceuticals	110,645	121,527	110,645	121,527	110,645	121,199
Automobile and transportation equipment	-	305,421	-	-	-	-
Electronics and electrical appliances	2,549	-	2,549	-	2,549	-
Construction	424,739	365,185	-	-	-	-
Power (electricity), Gas, Water, Sanitary	14,827,903	17,527,218	-	-	-	-
Airline	1,792,177	2,175,183	1,792,177	2,175,183	-	-
Financial	770,631,700	1,045,244,923	301,197	656,540	301,172	615,039
Others	40,180,411	28,409,800	430,317	1,395	430,830	1,396
	<u>828,199,388</u>	<u>1,095,061,032</u>	<u>2,866,149</u>	<u>3,184,820</u>	<u>948,286</u>	<u>841,975</u>
Credit risk by public / private sector	2018	2017	2018	2017	2018	2017
	Gross investments		Non-performing investments		Provision held	
	(Rupees in '000)					
Public / Government	768,972,688	996,878,754	1,792,177	2,175,183	-	-
Private	59,226,700	98,182,278	1,073,972	1,009,637	948,286	841,975
	<u>828,199,388</u>	<u>1,095,061,032</u>	<u>2,866,149</u>	<u>3,184,820</u>	<u>948,286</u>	<u>841,975</u>

49.1.3 Advances

Credit risk by industry sector	2018	2017	2018	2017	2018	2017
	Gross advances		Non-performing advances		Provision held	
	(Rupees in '000)					
Chemical and pharmaceuticals	15,625,380	13,804,379	112,284	148,319	112,284	148,319
Agri business	10,435,056	61,821,555	461,798	426,525	347,506	321,387
Textile spinning	18,505,029	19,632,554	3,945,619	4,108,702	3,945,619	4,108,702
Textile weaving	8,518,471	8,064,605	418,026	318,110	417,764	317,384
Textile composite	33,893,395	29,260,256	3,963,152	3,997,470	3,961,202	3,970,378
Textile others	19,153,131	15,508,311	2,565,120	2,815,147	2,461,777	2,809,019
Cement	6,608,055	5,420,193	-	-	-	-
Sugar	10,106,270	23,037,545	426,992	80,712	426,992	80,712
Shoes and leather garments	2,351,335	2,774,178	2,214,605	1,958,526	2,214,700	1,010,093
Automobile and transportation equipment	18,199,891	20,054,488	130,307	215,997	128,250	215,319
Financial	72,320,683	75,235,864	3,400,989	3,830,678	3,461,379	3,363,078
Electronics and electrical appliances	14,230,576	13,407,774	7,348,585	2,887,599	5,356,833	1,560,214
Production and transmission of energy	226,994,888	140,056,248	5,185,374	5,506,846	4,710,194	4,823,734
Paper and allied	3,440,410	3,364,088	707,669	599,466	706,138	265,191
Surgical and metal	207,652	6,497	-	-	-	-
Contractors	5,107,914	5,964,159	-	-	-	-
Wholesale traders	38,943,401	26,004,633	6,255,138	4,412,121	6,239,271	2,938,015
Fertilizer dealers	14,480,378	16,219,433	47,698	65,759	46,675	65,759
Sports goods	691,643	45,499	-	-	-	-
Food industries	87,493,084	26,122,327	8,090,259	5,813,962	6,139,973	3,483,604
Airlines	8,076,546	9,706,217	-	-	-	-
Cables	994,870	1,041,023	-	-	-	-
Construction	32,446,269	29,334,128	3,191,872	2,590,766	2,889,321	2,425,160
Engineering	22,793,296	16,440,176	1,117,263	1,134,465	49,720	67,145
Glass and allied	598,019	499,906	-	-	-	-
Hotels	1,420,315	1,981,164	596,050	589,060	596,050	589,060
Polyester and fiber	4,541,352	3,982,326	1,577,051	1,577,051	1,577,051	1,577,051
Telecommunication	17,805,208	19,791,165	-	-	-	-
Individuals	42,705,370	61,531,994	9,503,456	5,119,070	3,814,688	3,001,170
Others	76,884,446	59,629,453	8,244,000	5,885,161	6,774,293	3,791,812
	<u>815,572,333</u>	<u>709,742,138</u>	<u>69,503,307</u>	<u>54,081,512</u>	<u>56,377,680</u>	<u>40,932,306</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

Credit risk by public / private sector	2018	2017	2018	2017	2018	2017
	Gross advances		Non-performing advances		Provision held	
	(Rupees in '000)					
Public / Government	331,031,291	196,373,363	1,089,630	1,089,630	22,313	22,313
Private	484,541,042	513,368,775	68,413,677	52,991,882	56,355,367	40,909,993
	<u>815,572,333</u>	<u>709,742,138</u>	<u>69,503,307</u>	<u>54,081,512</u>	<u>56,377,680</u>	<u>40,932,306</u>

49.1.4 Contingencies and Commitments

Credit risk by industry sector

	2018	2017
	Rupees in '000	
Agri business	84,806	29,386
Airlines	444,064	337,255
Automobile and transportation equipment	5,442,636	8,048,576
Cables	416,415	648,521
Cement	9,657,312	7,906,329
Chemical and pharmaceuticals	3,832,528	3,401,520
Construction	20,745,074	30,217,512
Containers and ports	1,092,000	1,092,000
Contractors	19,364,259	22,246,724
Electronics and electrical appliances	3,089,509	3,815,472
Engineering	19,369,801	17,371,474
Financial	798,006,934	632,629,081
Textile spinning	5,472,684	5,870,989
Textile weaving	4,428,557	5,236,354
Textile composite	5,075,008	5,944,634
Textile others	4,506,514	5,712,448
Sugar	1,700,230	2,066,348
Shoes and leather garments	95,932	528,579
Production and transmission of energy	132,743,634	105,102,591
Paper and allied	3,304,861	4,560,342
Surgical and metal	-	85,103
Wholesale traders	6,017,812	3,890,303
Fertilizer dealers	5,133,758	5,458,328
Food industries	10,004,607	6,182,233
Glass and allied	380,484	191,961
Hotels	153,631	166,290
Polyester and fiber	6,498,849	2,396,842
Telecommunication	11,070,166	12,212,381
Individuals	3,725,963	9,391,658
Others	117,017,663	120,245,271
	<u>1,198,875,691</u>	<u>1,022,986,505</u>

Credit risk by public / private sector

Public / Government	503,906,705	179,114,844
Private	694,968,986	843,871,661
	<u>1,198,875,691</u>	<u>1,022,986,505</u>

49.1.5 Concentration of Advances

The Bank's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs 329.887 billion (2017: Rs. 244.079 billion) are as following:

	2018	2017
	Rupees in '000	
Funded	202,225,292	151,828,373
Non Funded	127,661,689	92,250,648
Total Exposure	<u>329,886,981</u>	<u>244,079,021</u>

The sanctioned limits against these top 10 exposures aggregated to Rs 377.954 billion (prior year: Rs. 320.645 billion).

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

49.1.6 Advances - Province / Region-wise Disbursement & Utilization

2018							
Province / Region	Disbursements	Utilization					AJK including Gilgit-Baltistan
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	
----- (Rupees in '000) -----							
Punjab	189,383,006	189,383,006	-	-	-	-	-
Sindh	182,227,010	-	182,227,010	-	-	-	-
KPK including FATA	1,993,230	-	-	1,993,230	-	-	-
Balochistan	316,817	-	-	-	316,817	-	-
Islamabad	81,087,836	-	-	-	-	81,087,836	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-	-
Total	455,007,899	189,383,006	182,227,010	1,993,230	316,817	81,087,836	-

2017							
Province / Region	Disbursements	Utilization					AJK including Gilgit-Baltistan
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	
----- (Rupees in '000) -----							
Punjab	133,494,133	133,494,133	-	-	-	-	-
Sindh	281,235,979	-	281,235,979	-	-	-	-
KPK including FATA	1,025,076	-	-	1,025,076	-	-	-
Balochistan	1,438,165	-	-	-	1,438,165	-	-
Islamabad	18,292,432	-	-	-	-	18,292,432	-
AJK including Gilgit-Baltistan	18,311	-	-	-	-	-	18,311
Total	435,504,096	133,494,133	281,235,979	1,025,076	1,438,165	18,292,432	18,311

49.2 Market Risk

Market risk is the risk that the fair value of a financial instrument will fluctuate due to movements in market prices. It results from changes in interest rates, exchange rates and equity prices as well as from changes in the correlations between them. Each of these components of market risk consists of a general market risk and a specific market risk that is driven by the nature and composition of the portfolio.

Measuring and controlling market risk is usually carried out at a portfolio level. However, certain controls are applied, where necessary, to individual risk types, to particular books and to specific exposures. Controls are also applied to prevent any undue risk concentrations in trading books, taking into account variations in price, volatility, market depth and liquidity. These controls include limits on exposure to individual market risk variables as well as limits on concentrations of tenors and issuers.

Trading activities are centered in the Treasury and Capital Markets Group which facilitates clients and also runs proprietary positions. The Bank is active in the cash and derivative markets for equity, interest rate and foreign exchange.

The Market and Treasury Risk division performs market risk management activities. Within this division, the Market Risk Management unit is responsible for the development and review of market risk policies and processes, and is involved in research, financial modeling and testing / implementation of risk management systems, while Treasury Middle Office is responsible for implementation and monitoring of market risk and other policies, escalation of deviations to senior management, and MIS reporting.

The functions of the Market Risk Management unit are as follows:

- To keep the market risk exposure within the Bank's risk appetite as assigned by the BoD and the BRCC.
- To develop, review and upgrade procedures for the effective implementation of market risk management policies approved by the BoD and BRCC.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

- To review new product proposals and propose / recommend / approve procedures for the management of their market risk. Various limits are assigned to different businesses on a product / portfolio basis. The products are approved through product programs, where risks are identified and limits and parameters are set. Any transactions / products falling outside these product programs are approved through separate transaction / product memos.
- To maintain a comprehensive database for performing risk analysis, stress testing and scenario analysis. Stress testing activities are performed on a quarterly basis on both the Banking and Trading books.

49.2.1 Balance sheet split by trading and Banking books

	2018			2017		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	187,915,671	-	187,915,671	161,119,170	-	161,119,170
Balances with other banks	41,747,060	-	41,747,060	35,549,112	-	35,549,112
Lendings to financial institutions	35,346,551	-	35,346,551	13,097,277	-	13,097,277
Investments	729,594,487	101,564,613	831,159,100	399,297,694	725,623,606	1,124,921,300
Advances	754,551,722	-	754,551,722	665,303,363	-	665,303,363
Fixed assets	50,898,280	-	50,898,280	49,230,901	-	49,230,901
Intangible assets	1,876,094	-	1,876,094	1,153,176	-	1,153,176
Deferred tax assets	6,685,952	-	6,685,952	-	-	-
Other assets	92,312,444	-	92,312,444	80,538,689	-	80,538,689
	<u>1,900,928,261</u>	<u>101,564,613</u>	<u>2,002,492,874</u>	<u>1,405,289,382</u>	<u>725,623,606</u>	<u>2,130,912,988</u>

49.2.2 Foreign Exchange Risk

Foreign Exchange Risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates. Exposures are monitored by currency to ensure that they remain within the established limits for each currency. Exposures are also monitored on an overall basis to ensure compliance with the Bank's SBP approved Foreign Exchange Exposure Limit.

The Bank is an active participant in the cash and derivatives markets for currencies and carries currency risk from these trading activities, conducted primarily by the Treasury and Capital Markets Group (TCM). These trading exposures are monitored through prescribed stress tests and sensitivity analyses.

The Bank's reporting currency is the Pakistan Rupee, but its assets, liabilities, income and expenses are denominated in multiple currencies. From time to time, TCM proactively hedges foreign currency exposures resulting from its market making activities, subject to pre-defined limits.

	2018				2017			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)							
Pakistan Rupee	1,532,411,442	1,332,445,342	(45,447,911)	154,518,189	1,661,907,088	1,469,184,363	(30,679,274)	162,043,451
US Dollar	210,730,070	117,600,788	(87,762,976)	5,366,306	269,512,064	166,754,123	(102,455,656)	302,285
Pound Sterling	51,697,946	70,657,807	26,749,191	7,789,330	35,787,001	47,270,176	21,872,240	10,389,065
Japanese Yen	27,226	8,821	(12,606)	5,799	1,232,985	1,216,966	(11,770)	4,249
Euro	3,070,085	10,644,026	6,396,344	(1,177,597)	6,541,667	14,104,607	7,290,575	(272,365)
UAE Dirham	123,875,311	211,071,317	80,270,598	(6,925,408)	102,905,913	193,310,246	89,151,353	(1,252,980)
Bahraini Dinar	13,536,697	25,327,298	12,252,900	462,299	13,708,941	22,243,314	9,037,609	503,236
Qatari Riyal	24,369,574	28,332,023	4,809,866	847,417	26,105,618	29,677,810	4,230,555	658,363
Other Currencies	42,774,523	37,781,593	2,744,594	7,737,524	13,211,711	12,657,621	1,564,368	2,118,458
	<u>2,002,492,874</u>	<u>1,833,869,015</u>	<u>-</u>	<u>168,623,859</u>	<u>2,130,912,988</u>	<u>1,956,419,226</u>	<u>-</u>	<u>174,493,762</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	----- Rupees in '000 -----			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account				
+1% change	-	-	-	-
-1% change	-	-	-	-
- Other comprehensive income				
+1% change	-	-	7,572	-
-1% change	-	-	(7,572)	-

49.2.3 Equity position Risk

Equity position risk is the risk that the fair value of a financial instrument will fluctuate due to changes in the prices of individual stocks or the levels of equity indices. The Bank's equity book comprises of held for trading (HFT) and available for sale (AFS) portfolios. The objective of the HFT portfolio is to make short-term capital gains, whilst the AFS portfolio is maintained with a medium term view of earning both capital gains and dividend income. Product program manuals have been developed to provide guidelines on the objectives and policies, risks and mitigants, limits and controls for the equity portfolios of the Bank.

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	----- Rupees in '000 -----			
Impact of 5% change in equity prices on,				
Other comprehensive income				
+5% change	860,010	-	938,862	-
-5% change	(860,010)	-	(938,862)	-

49.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB) - Basel II Specific

Interest rate risk is the risk that fair value of a financial instrument will fluctuate as a result of changes in interest rates, including changes in the shape of yield curves. Interest rate risk is inherent in many of the Bank's businesses and arises from mismatches between the contractual maturities or the re-pricing of on and off balance sheet assets and liabilities. The interest rate sensitivity profile is prepared on a quarterly basis based on the re-pricing or contractual maturities of assets and liabilities.

Interest rate risk is monitored and managed by performing periodic gap analysis, sensitivity analysis and stress testing and taking appropriate actions where required.

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	----- Rupees in '000 -----			
Impact of 1% change in interest rates on				
- Profit and loss account				
+1% change	-	2,347,327	-	(5,590,345)
-1% change	-	1,964,419	-	5,590,345
- Other comprehensive income				
+1% change	6,309,870	-	(11,792,500)	-
-1% change	(6,665,529)	-	11,792,500	-

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

49.2.5 Mismatch of interest rate sensitive assets and liabilities

	Effective yield / interest rate	2018										Non-interest bearing financial instruments
		Exposed to yield / Interest rate risk										
		Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	
%	(Rupees in '000)											
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.13%	187,915,671	21,046,667	-	-	-	-	-	-	-	166,869,004	
Balances with other banks	2.98%	41,747,060	5,336,258	12,878,822	10,030,769	1,687,965	-	-	-	-	11,813,246	
Lendings to financial institutions	5.38%	35,346,551	29,363,261	5,866,619	-	-	416,671	-	-	-	-	
Investments	7.42%	831,159,100	173,195,257	81,586,245	66,625,745	88,382,723	92,815,461	86,728,060	84,898,418	124,202,115	27,128,269	
Advances	7.03%	741,426,095	211,950,394	333,142,733	176,249,339	5,258,320	3,110,447	1,893,150	2,831,841	2,588,580	-	
Performing		13,125,627	-	-	-	-	-	-	-	-	13,125,627	
Non-performing		62,197,076	-	-	-	-	-	-	-	-	62,197,076	
Other assets		1,912,917,180	440,891,837	433,174,419	252,905,853	95,329,008	95,925,908	89,037,881	87,730,259	126,790,695	9,998,098	
Liabilities												
Bills payable		27,272,967	-	-	-	-	-	-	-	-	27,272,967	
Borrowings	5.80%	279,918,125	164,965,261	52,847,517	17,593,671	18,830,189	21,922,744	-	-	-	3,758,743	
Deposits and other accounts	2.90%	1,448,324,041	586,171,949	69,431,184	74,939,108	37,964,683	24,064,968	15,571,892	24,806,984	18,226,797	597,146,476	
Liabilities against assets subject to finance lease		10,000	10,000	-	-	-	-	-	-	-	-	
Subordinated loans	12.39%	9,000,000	-	9,000,000	-	-	-	-	-	-	-	
Other liabilities		28,100,972	-	-	-	-	-	-	-	-	28,100,972	
		1,792,626,105	751,147,210	131,278,701	92,532,779	56,794,872	45,987,712	15,571,892	24,806,984	18,226,797	656,279,158	
On-balance sheet gap		120,291,075	(310,255,373)	301,895,718	160,373,074	38,534,136	49,938,196	73,465,989	62,923,275	108,563,898	9,998,098	
Net non financial assets												
		48,332,784	-	-	-	-	-	-	-	-	-	
Total net assets												
		168,623,859	-	-	-	-	-	-	-	-	-	
Off-balance sheet financial instruments												
Interest Rate Derivatives - Long position		1,674,764	-	495,632	1,179,132	-	-	-	-	-	-	
Interest Rate Derivatives - Short position		(1,674,764)	-	(179,132)	(1,179,132)	-	(316,500)	-	-	-	-	
FX Options - Long position		579,876	199,175	352,968	27,733	-	-	-	-	-	-	
FX Options - Short position		(579,876)	(199,175)	(352,968)	(27,733)	-	-	-	-	-	-	
Forward Purchase of Government Securities		13,619,209	-	3,809,411	-	-	-	-	-	9,809,798	-	
Forward Sale of Government Securities		(2,326,880)	-	(174,199)	-	-	-	-	(2,152,681)	-	-	
Foreign currency forward purchases		347,426,249	196,483,571	104,229,824	46,371,029	341,825	-	-	-	-	-	
Foreign currency forward sales		(303,150,197)	(191,602,320)	(71,531,113)	(37,095,494)	(2,921,270)	-	-	-	-	-	
		55,568,381	4,881,251	36,650,423	9,275,535	(2,579,445)	(316,500)	-	(2,152,681)	9,809,798	-	
Off-balance sheet gap		175,959,456	(305,374,122)	338,546,141	169,648,609	35,954,691	49,621,696	73,465,989	60,770,594	118,373,696	9,998,098	
Total Yield / Interest Rate Risk Sensitivity Gap		175,959,456	(305,374,122)	338,546,141	169,648,609	35,954,691	49,621,696	73,465,989	60,770,594	118,373,696	9,998,098	
Cumulative Yield / Interest Rate Risk Sensitivity Gap		(305,374,122)	33,172,019	202,820,628	238,775,319	288,397,015	361,863,004	422,633,598	541,007,294	551,005,392	175,859,456	

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

On-balance sheet financial instruments

0.03%	Cash and balances with treasury banks	161,119,170	14,646,863	4,404,142	-	-	-	-	-	-	-	-	146,472,307
	Balances with other banks	35,549,112	7,404,479	-	3,866,128	1,500,506	-	-	-	-	-	-	18,373,857
1.87%	Lendings to financial institutions	13,097,277	9,382,220	-	2,752,426	299,076	331,778	-	331,777	-	-	-	-
5.27%	Investments	1,124,921,300	303,771,816	195,403,414	14,637,397	55,144,057	151,469,659	94,253,289	169,436,786	112,514,819	4,901,555	23,388,508	-
7.39%	Advances	652,154,157	197,132,959	240,368,025	152,043,170	20,834,701	13,889,309	8,120,289	12,547,770	3,916,941	3,300,993	-	-
6.20%	Performing	13,149,206	-	-	-	-	-	-	-	-	-	13,149,206	-
	Non-performing	36,613,980	-	-	-	-	-	-	-	-	-	36,613,980	-
	Other assets	2,036,604,202	532,338,337	440,175,581	173,299,121	77,778,340	165,690,746	102,373,578	182,316,333	116,431,760	8,202,548	237,997,858	-
	Liabilities												
	Bills payable	29,852,405	-	-	-	-	-	-	-	-	-	-	29,852,405
5.35%	Borrowings	517,082,159	444,348,792	41,735,972	7,939,440	2,674,198	19,816,546	-	-	-	-	-	567,211
2.63%	Deposits and other accounts	1,349,898,487	547,230,264	80,239,501	58,004,251	28,556,481	17,430,819	13,908,163	62,023,404	6,445,767	-	-	535,859,837
12.39%	Liabilities against assets subject to finance lease	4,375	4,375	-	-	-	-	-	-	-	-	-	-
	Other liabilities	23,642,619	-	-	-	-	-	-	-	-	-	-	23,642,619
		1,920,280,045	991,583,431	121,975,473	65,943,691	31,230,679	37,247,365	13,908,163	62,023,404	6,445,767	-	589,922,072	-
	On-balance sheet gap	116,324,157	(459,245,094)	318,200,108	107,355,430	46,547,661	128,443,381	88,465,415	120,292,929	109,985,993	8,202,548	(351,924,214)	-
	Net non financial assets	58,169,605	-	-	-	-	-	-	-	-	-	-	-
	Total net assets	174,493,762	-	-	-	-	-	-	-	-	-	-	-
	Off-balance sheet financial instruments												
	Interest Rate Derivatives - Long position	4,358,641	-	-	168,000	-	3,874,141	316,500	-	-	-	-	-
	Interest Rate Derivatives - Short position	(4,358,641)	-	(1,358,641)	(3,000,000)	-	-	-	-	-	-	-	-
	FX Options - Long position	83,368	45,117	38,251	-	-	-	-	-	-	-	-	-
	FX Options - Short position	(83,368)	(45,117)	(38,251)	-	-	-	-	-	-	-	-	-
	Forward Purchase of Government Securities	7,870,890	7,870,890	-	-	-	-	-	-	-	-	-	-
	Forward Sale of Government Securities	(1,478)	(1,478)	-	-	-	-	-	-	-	-	-	-
	Foreign currency forward purchases	242,093,757	112,945,973	80,219,991	45,266,129	3,661,664	-	-	-	-	-	-	-
	Foreign currency forward sales	(213,172,200)	(100,641,876)	(67,735,327)	(39,020,675)	(5,774,322)	-	-	-	-	-	-	-
		36,790,969	20,173,509	11,126,023	3,413,454	(2,112,658)	3,874,141	316,500	-	-	-	-	-
	Off-balance sheet Gap												
	Total Yield / Interest Rate Risk Sensitivity Gap	153,115,126	(439,071,585)	329,326,131	110,768,884	44,435,003	132,317,522	88,781,915	120,292,929	109,985,993	8,202,548	(351,924,214)	-
	Cumulative Yield / Interest Rate Risk Sensitivity Gap		(439,071,585)	(109,745,454)	1,023,430	45,458,433	177,775,955	266,557,870	386,850,799	496,836,792	505,039,340	153,115,126	-

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

49.3 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

In compliance with the Regulatory Guidelines, an Operational Risk Division is established within Risk & Credit Policy Group. Operational Risk Division is primarily responsible for the oversight of operational risk management across the Bank. The operational risk management framework of the Bank is governed by the Operational Risk Management Policy and Procedures, while the implementation is supported by an operational risk management system and designated operational risk coordinators within different units across the bank. The framework is in line with international best practices, flexible enough to implement in stages and permits the overall approach to evolve in response to organizational learning and future requirements.

In accordance with the Operational Risk policy and framework, a database covering losses, control breaches and near misses is being maintained by the division. Major risk events are analyzed from the control breach perspective and mitigating controls are assessed on design and operating effectiveness. Quarterly updates on Operational Risk events are being presented to the Senior Management and Board Risk & Compliance Committee of the Bank. Periodic workshops are conducted for Risk & Control Self-Assessment and key risk exposures are identified and assessed against existing controls to evaluate improvement opportunities. Key Risk Indicators are also defined for monitoring of risk exposures. New products, systems, activities and processes, are subject to comprehensive operational risk assessments, before implementation.

Business Continuity Plans have been implemented across the bank, clearly defining the roles and responsibilities of respective stakeholders, and covering recovery strategy, IT and structural backups, scenario and impact analyses and testing directives. The outsourcing policy has also been augmented to address risks associated with such arrangements.

In the current year, an external investigation was conducted which highlighted certain bank accounts with unusual transactions. These accounts have already been closed by the Bank and necessary action has been taken.

49.4 Liquidity risk

Liquidity risk is the risk that the Bank may be unable to meet its obligations or to fund increases in assets as they fall due without incurring unacceptable cost or losses.

The Assets and Liabilities Management Committee (ALCO) of the Bank is responsible for the oversight of liquidity management and meets on a monthly basis or more frequently, if required.

The Group's approach to liquidity management is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking sustained damage to business franchises. A centralized approach is adopted, based on an integrated framework incorporating an assessment of all material known and expected cash flows and the availability of collateral which could be used to secure additional funding if required. The framework entails careful monitoring and control of the daily liquidity position, and regular liquidity stress testing under a variety of scenarios. These encompass both normal and stressed market conditions, including general market crises and the possibility that access to markets could be impacted by a stress event affecting some part of the Group's business.

49.4.1 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Group (ALCO)

Assets and Liabilities having contractual maturity dates are bucketed as per their respective maturities. The maturity profile of non-contractual deposits and bills payable is estimated using an Exponentially Weighted Moving Average model based on historical data. The maturity profile of certain non-contractual assets and liabilities which are related to specific assets and liabilities follows the maturity profile of the underlying asset or liability. The maturity profile of other non-contractual assets and liabilities is expected to follow historical patterns of behaviour. The methodology and the assumptions used to derive the maturity profile of non-contractual assets and liabilities have been approved by ALCO.

240 | United Bank Limited

240 | United Bank Limited

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

2017 (restated)									
Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
(Rupees in '000)									
Assets									
Cash and balances with treasury banks	161,119,170	93,449,859	2,654,124	2,601,148	3,765,496	5,238,298	4,019,487	6,373,987	10,278,978
Balances with other banks	35,549,112	21,714,772	4,603,105	3,866,128	5,365,107	-	-	-	-
Lendings to financial institutions	13,097,277	8,429,343	1,021,017	2,029,386	648,884	636,870	-	331,777	-
Investments	1,124,921,300	341,326,637	149,878,710	10,411,870	73,819,428	150,829,999	93,048,128	171,508,017	115,484,962
Advances - Performing	652,154,157	171,854,384	95,912,285	68,385,393	62,704,361	56,397,297	52,921,782	77,453,534	46,800,251
- Non-performing	13,149,206	-	-	-	-	-	-	-	-
Operating fixed assets	49,230,901	4,122,589	1,737,376	2,627,449	309,792	542,468	927,153	1,766,326	2,436,603
Intangible Assets	1,153,176	8	268	1,027	9,974	37,425	477,222	440,661	186,591
Other assets	80,538,689	8,840,220	15,720,058	4,877,953	22,815,910	11,115,246	5,782,329	7,994,566	2,835,374
	2,130,912,988	649,737,812	271,526,943	94,800,354	169,438,952	224,797,603	157,176,101	265,868,868	178,022,759
									119,543,596
Liabilities									
Bills payable	29,852,405	6,563,858	4,801,665	4,705,823	13,781,059	-	-	-	-
Borrowings	517,082,159	444,871,333	39,591,848	10,618,924	3,052,380	1,594,065	2,017,847	1,797,851	13,276,930
Deposits and other accounts	1,349,698,487	205,705,937	129,042,519	91,267,770	86,523,690	119,346,962	88,100,250	110,458,440	151,733,516
Liabilities against assets subject to finance lease	4,375	4,375	-	-	-	-	-	-	-
Deferred tax liability	2,980,466	368,525	-	-	652,985	652,985	652,985	652,986	-
Other liabilities	56,801,334	18,418,422	9,780,520	5,460,754	3,137,127	7,550,083	3,563,639	3,535,197	951,644
	1,956,419,226	675,932,450	183,216,552	112,053,271	107,147,241	129,144,095	94,334,721	116,444,474	165,962,090
									372,184,332
Net assets	174,493,762	(26,194,638)	88,310,391	(17,252,917)	62,291,711	95,653,508	62,841,380	149,424,394	12,060,669
									(252,640,736)
Represented by:									
Share capital	12,241,798								
Reserves	47,203,516								
Surplus on revaluation of assets	33,146,476								
Unappropriated profit	76,410,128								
Non-controlling interest	5,491,844								
	174,493,762								

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

49.4.2 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the Group

The maturity profile presented below has been prepared as required by IFRS on the basis of contractual maturities, except for products that do not have a contractual maturity which are shown in the first bucket.

2018															
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years	
(Rupees in '000)															
Assets															
Cash and balances with treasury banks	187,915,671	-	-	-	187,915,671	-	-	-	-	-	-	-	-	-	
Balances with other banks	41,747,060	14,358,821	4,772,937	1,651,505	(3,303,215)	6,862,658	5,624,169	10,092,220	-	1,687,965	-	-	-	-	
Lendings to financial institutions	35,346,551	-	10,884,545	18,000,000	478,604	2,500,000	3,066,732	-	-	-	-	416,670	-	-	
Investments	831,159,100	34,205,559	158,760,552	433,020	26,421,920	72,461,584	8,781,020	66,475,887	29,189,770	2,636,196	129,832,978	68,710,686	91,269,291	141,980,637	
Advances	754,551,722	253,632	32,429	-	191,769,573	2,813,578	97,116,706	67,654,482	-	62,015,087	76,752,758	56,937,764	97,359,127	101,846,586	
Operating fixed assets	50,898,280	4,966,877	-	-	271,018	-	390,871	401,220	-	280,692	747,605	1,126,794	1,955,680	40,757,523	
Intangible Assets	1,876,094	98,612	-	-	19,028	-	581	208,674	-	31,019	234,556	444,686	486,573	352,365	
Deferred tax assets	6,685,952	-	-	-	6,685,952	-	-	-	-	-	-	-	-	-	
Other assets	92,312,444	738,384	2,080	996	19,345,891	-	12,877,135	6,026,623	4,284	33,545,272	5,580,063	4,762,561	5,431,410	3,997,745	
	2,002,492,874	54,621,885	174,452,543	20,085,521	429,604,442	84,637,820	127,857,214	150,859,106	29,194,054	100,196,231	213,147,960	132,399,161	196,502,081	288,934,856	
Liabilities															
Bills payable	27,272,967	-	-	-	27,272,967	-	-	-	-	-	-	-	-	-	
Borrowings	279,918,125	2,932,206	109,538,513	35,973,603	19,964,171	52,624,997	20,822,080	15,379,169	1,817	14,697	1,937,204	712,145	1,557,616	18,459,907	
Deposits and other accounts	1,448,324,041	1,087,928,640	13,888,884	12,901,769	66,146,980	19,040,953	58,184,883	71,323,107	13,842,461	36,414,256	27,595,420	16,300,100	18,876,597	5,879,991	
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Subordinated debts	10,000	-	-	-	-	-	-	-	-	-	-	-	10,000	-	
Other liabilities	9,000,000	-	-	-	-	-	-	-	-	-	-	-	-	9,000,000	
	69,343,882	1,257,484	106	382	29,064,301	22,159	8,682,386	6,723,174	-	7,144,270	2,630,469	2,266,686	5,211,000	6,341,465	
	1,833,869,015	1,092,118,330	123,427,503	48,875,754	142,448,419	71,688,109	87,689,349	93,425,450	13,844,278	43,573,223	32,163,093	19,278,931	25,655,213	39,681,363	
Net assets	168,623,859	(1,037,496,445)	51,025,040	(28,790,233)	287,156,023	12,949,711	40,167,865	57,433,656	15,349,776	56,623,008	180,984,867	113,120,230	170,846,668	249,253,493	
Represented by:															
Share capital	12,241,798														
Reserves	60,078,870														
Unappropriated profit	73,749,955														
Surplus on revaluation of assets	16,992,906														
Non-controlling interest	5,560,330														
	168,623,859														

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

2017 (restated)													
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
(Rupees in '000)													
Assets													
Cash and balances with treasury banks	161,119,170	-	-	161,119,170	-	-	-	-	-	-	-	-	-
Balances with other banks	35,549,112	7,501,023	220,834	-	10,940,267	5,453,105	3,866,128	1,553,154	3,864,601	-	-	-	-
Lendings to financial institutions	13,097,277	-	-	6,564,076	2,229,746	1,021,017	2,029,386	-	947,960	305,092	-	-	-
Investments	1,124,921,300	26,311,037	153,868,267	156,940,805	97,211,415	83,602,653	6,949,892	49,007,665	7,156,258	115,890,440	130,647,802	173,647,160	122,279,564
Advances	665,303,363	-	-	171,854,384	-	95,912,285	68,385,393	-	62,704,361	56,397,297	52,921,782	77,453,534	79,674,327
Operating fixed assets	49,230,901	-	-	158,232	-	5,759,905	2,627,449	-	309,792	542,468	977,409	1,657,897	37,197,749
Intangible Assets	1,153,176	-	-	8	-	157,253	1,027	-	9,974	37,425	320,237	440,661	186,591
Other assets	80,538,689	-	-	30,695,933	-	12,729,968	4,353,795	-	20,984,444	6,098,901	2,706,030	2,593,021	376,597
	2,130,912,988	33,812,060	154,089,101	527,332,608	110,381,428	204,636,186	88,213,070	50,560,819	95,977,390	179,271,623	187,573,260	255,792,273	239,714,828
Liabilities													
Bills payable	29,852,405	-	-	29,852,405	-	-	-	-	-	-	-	-	-
Borrowings	517,082,159	-	-	-	443,547,077	41,423,435	9,615,645	2,873,683	1,456,730	1,364,212	1,432,538	14,735,325	633,514
Deposits and other accounts	1,349,698,487	1,061,852,775	-	32,060,427	-	87,737,673	50,653,365	-	31,685,870	34,900,693	22,607,289	21,006,360	7,194,035
Liabilities against assets subject to finance lease	4,375	-	-	-	4,375	-	-	-	-	-	-	-	-
Deferred tax liability - net	2,980,466	-	-	-	2,980,466	-	-	-	-	-	-	-	-
Other liabilities	56,801,334	-	-	32,977,353	-	5,838,265	1,635,555	-	1,803,665	6,062,841	2,668,010	2,552,795	3,262,850
	1,956,419,226	1,061,852,775	-	94,890,185	446,531,918	134,999,373	61,904,565	2,873,683	34,946,285	42,327,746	26,707,837	38,294,480	11,090,399
Net assets	174,493,762	(1,028,040,715)	154,089,101	432,442,423	(336,150,490)	89,636,813	26,308,505	47,687,136	61,031,125	136,943,877	160,865,423	217,497,793	228,624,429
Represented by:													
Share capital	12,241,798	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	47,203,516	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	76,410,128	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	33,146,476	-	-	-	-	-	-	-	-	-	-	-	-
Non-controlling interest	5,491,844	-	-	-	-	-	-	-	-	-	-	-	-
	174,493,762	(1,028,040,715)	154,089,101	432,442,423	(336,150,490)	89,636,813	26,308,505	47,687,136	61,031,125	136,943,877	160,865,423	217,497,793	228,624,429

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

50. NEW YORK BRANCH

As part of its global realignment strategy, UBL voluntarily closed its New York Branch (NY Branch) on January 28, 2019 and surrendered the license to the New York State Department of Financial Services (NYDFS). The Bank had earlier ceased commercial operations in its New York Branch in 2018 and has been providing US Dollar clearing services to its customers through multiple correspondent banking relationships.

UBL and the NY Branch had entered into a Written Agreement (WA 2018) with the Board of Governors of the Federal Reserve System (FRB) on July 2, 2018 upon termination of an earlier Written Agreement (WA 2013) dated 28 October 2013. Meanwhile, UBL requested the NYDFS that UBL intends to surrender the license of its NY Branch and notified FRB as well.

In pursuance thereof, UBL surrendered the NY Branch's license to NYDFS on 28 January 2019, in accordance with Section 605.11(c) of the New York Banking Law and the procedures prescribed by the NYDFS to facilitate an orderly liquidation of the NY Branch. UBL's NY Branch was thus closed as of 28 January 2019. As a result, costs including, among regular expenses, additional legal and consultancy costs, and staff severance costs and contract termination charges related to the closure of the Branch, the NY Branch incurred a net loss of Rs. 1,071.720 million for the year ended 31 December 2018 (2017: loss of Rs. 18.138 million). At this stage there is no indication of any financial impact in respect of post closure related regulatory matters including WA 2018.

UBL's decision to close the NY Branch was purely a commercial decision, which was taken after evaluating the commercial viability of continuing the operations of NY Branch. There will be no material impact on UBL's business related to Trade Finance and other Forex business activities as UBL has established multiple correspondent banking relationships with the renowned banks to provide continued U.S. dollar clearing services that were previously provided by the UBL's New York branch.

51. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

51.1 The Board of Directors in its meeting held on February 20, 2019 has proposed a cash dividend in respect of 2018 of Rs.3 per share (2017: Rs. 4 per share). In addition, the Directors have also announced a bonus issue of nil (2017: nil). These appropriations will be approved in the forthcoming Annual General Meeting. The consolidated financial statements for the year ended December 31, 2018 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2019.

51.2 The Finance Supplementary (Second Amendment) Bill, 2019 laid down before the National Assembly of Pakistan on January 23, 2019, amended the rates of Super tax noted in the earlier Finance Act, 2018 and prescribed a flat rate of 4% super tax for all accounting years from 2017 to 2020. The changes proposed by the Bill are being deliberated and have not yet been enacted.

If the Bill is enacted in its proposed form, the potential impact of the revision in the rate of Super Tax for the accounting year 2017 would amount to Rs 1,650 million.

52. GENERAL

52.1 Comparatives

The comparative figures have been re-arranged and reclassified for comparison purposes. The significant reclassifications have been disclosed below and in notes 5.1.1 and 5.1.3 of these consolidated financial statements.

	Previously stated	Reclassification (Rupees in '000)	Revised Amount
Lendings to Financial Institutions	35,893,920	(22,796,643)	13,097,277
Advances - net	642,506,720	22,796,643	665,303,363
Deposits	1,366,157,914	(16,459,427)	1,349,698,487
Bills Payable	13,392,978	16,459,427	29,852,405
Non-controlling interest	4,810,519	681,325	5,491,844
Surplus on revaluation of assets	33,586,216	(681,325)	32,904,891





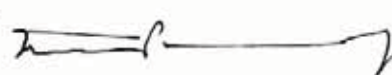
52.2 Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2018

53. DATE OF AUTHORIZATION

These consolidated financial statements were authorized for issue on February 20, 2019 by the Board of Directors of the Bank.

				
Aameer Karachiwalla Chief Financial Officer	Sima Kamil President & Chief Executive Officer	Amar Zafar Khan Director	Arshad Ahmad Mir Director	Sir Mohammed Anwar Pervez, OBE, HPk Chairman

Annexure 'III' as referred to in note 11.6 of the Group's Consolidated Financial Statements

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	(Rupees in '000)					
Items having book value of more than Rs. 250,000 or cost of more than Rs. 1,000,000						
Land & Building						
Leasehold Land	13,256	17	13,239	14,000		
	13,256	17	13,239	14,000	Auction	Various Buyers
Vehicles						
Accord 2017	4,155	724	3,431	2,089	Auction	Alfuttaim Automall
Land Cruiser 2013	8,241	8,241	-	3,084	Auction	Alfuttaim Automall
Land Cruiser 2017	8,887	4,449	4,438	5,214	Auction	Alfuttaim Automall
Mercedes	15,689	15,689	-	1,890	Auction	Al Asaad
Mercedes Benz E 200	11,830	6,743	5,087	4,800	Insurance	UBL Insurers Ltd
Mercedes Benz E 200	11,830	6,388	5,442	6,500	Buy Back	Asim Iqbal
Mercedes Benz E 200	11,830	6,921	4,909	4,910	Buy Back	Baqar Muzaffar-Staff
Mercedes Benz E 200	9,422	8,480	942	1,884	Buy Back	Zia Ijaz - Staff
Mercedes E300	7,372	6,389	983	1,840	Auction	Al Asaad
Toyota Corolla	2,457	1,451	1,006	1,121	Auction	Mohammed Waseem
Toyota Corolla	1,649	1,484	165	1,110	Auction	Saif ullah Quershi
Toyota Corolla	1,649	1,484	165	1,250	Insurance	UBL Insurer
Toyota Corolla	1,569	1,412	157	1,246	Auction	Ghulam Habib
Toyota Corolla	1,502	1,502	-	1,086	Auction	Wasim Mirza
Toyota Corolla	1,502	1,502	-	1,170	Auction	Khalid Anwar
Toyota Corolla	1,370	1,233	137	938	Auction	Ghulam Mustafa Quershi
	100,954	74,092	26,862	40,132		
Electrical, office and computer equipment						
Generator	1,458	1,458	-	25	Auction	Various Buyers
Generator	1,410	1,410	-	3	Auction	Various Buyers
Generator	1,382	1,382	-	25	Auction	Various Buyers
Generator	1,364	1,364	-	100	Auction	Various Buyers
Generator	1,305	1,305	-	150	Auction	Various Buyers
Generator	1,290	1,290	-	50	Auction	Various Buyers
Generator	1,282	1,282	-	25	Auction	Various Buyers
Generator	1,269	1,269	-	200	Auction	Various Buyers
Generator	1,243	1,243	-	100	Auction	Various Buyers
Generator	1,226	1,226	-	26	Auction	Various Buyers
Generator	1,226	1,226	-	3	Auction	Various Buyers
Generator	1,203	1,203	-	5	Auction	Various Buyers
Generator	1,195	1,195	-	50	Auction	Various Buyers
Generator	1,191	1,191	-	50	Auction	Various Buyers
Generator	1,189	1,189	-	5	Auction	Various Buyers
Generator	1,170	1,170	-	50	Auction	Various Buyers
Generator	1,152	1,152	-	800	Auction	Omni Agent
Generator	1,151	1,151	-	1	Auction	Various Buyers
Generator	1,112	1,112	-	100	Auction	Various Buyers
Generator	1,094	1,094	-	200	Auction	Various Buyers
Generator	1,088	1,088	-	3	Auction	Various Buyers
Generator	1,085	1,085	-	56	Auction	Various Buyers
Generator	1,033	1,033	-	5	Auction	Various Buyers
Generator	1,023	1,023	-	136	Auction	National Traders
Generator	1,006	1,006	-	136	Auction	National Traders
Generator	1,003	1,003	-	136	Auction	National Traders
Generator	1,002	1,002	-	136	Auction	National Traders
Atm Machine	1,064	1,064	-	65	Auction	NCR Corporation
Atm Machine	1,064	1,064	-	65	Auction	NCR Corporation
	34,280	34,280	-	2,706		
Items having book value of less than Rs. 250,000 and cost of less than Rs. 1,000,000						
Others	678,009	633,947	44,062	71,740		
Total	826,499	742,336	84,163	128,578		

Consolidated Statement of Financial Position

As at December 31, 2018

	2018	2017 Restated
	----- (US Dollars in '000) -----	
ASSETS		
Cash and balances with treasury banks	1,353,256	1,160,283
Balances with other banks	300,637	256,003
Lendings to financial institutions	254,545	94,319
Investments	5,985,509	8,101,008
Advances	5,433,828	4,791,115
Fixed assets	366,539	354,531
Intangible assets	13,511	8,304
Deferred tax assets	48,148	-
Other assets	664,779	579,991
	14,420,752	15,345,554
LIABILITIES		
Bills payable	196,404	214,979
Borrowings	2,015,802	3,723,715
Deposits and other accounts	10,429,960	9,719,718
Liabilities against assets subject to finance lease	72	32
Subordinated debts	64,813	-
Deferred tax liabilities	-	21,464
Other liabilities	499,373	409,049
	13,206,424	14,088,957
NET ASSETS	<u>1,214,328</u>	<u>1,256,597</u>
REPRESENTED BY:		
Share capital	88,158	88,158
Reserves	432,652	339,931
Surplus on revaluation of assets	122,373	238,701
Unappropriated profit	531,103	550,260
Total equity attributable to the equity holders of the Bank	<u>1,174,286</u>	<u>1,217,050</u>
Non-controlling interest	<u>40,042</u>	<u>39,547</u>
	<u>1,214,328</u>	<u>1,256,597</u>
CONTINGENCIES AND COMMITMENTS		

These figures have been converted at Rs. 138.8619 per US Dollar from the audited financial statements.

Consolidated Profit and Loss Account

For the year ended December 31, 2018

	2018	2017
		Restated
	----- (US Dollars in '000) -----	----- (US Dollars in '000) -----
Mark-up / return / interest earned	845,179	796,330
Mark-up / return / interest expensed	425,714	377,985
Net mark-up / interest income	<u>419,465</u>	<u>418,345</u>
Non mark-up / interest income		
Fee and commission income	114,407	106,811
Dividend income	12,125	12,485
Foreign exchange income	26,378	15,484
(Loss) / income from derivatives	(632)	236
Gain on securities - net	32,292	34,566
Other income	7,303	5,383
Total non mark-up / interest income	<u>191,873</u>	<u>174,965</u>
Total income	<u>611,338</u>	<u>593,310</u>
Non mark-up / interest expenses		
Operating expenses	306,009	276,932
Workers' Welfare Fund	(15,579)	5,867
Other charges	827	430
Total non mark-up / interest expenses	<u>291,257</u>	<u>283,229</u>
Share of profit of associates	5,036	3,310
Profit before provisions	<u>325,117</u>	<u>313,391</u>
Provisions and write offs - net	94,349	18,931
Extra ordinary / unusual item - charge in respect of pension liability	47,941	-
Profit before taxation	<u>182,827</u>	<u>294,460</u>
Taxation	74,448	107,549
Profit after taxation	<u>108,379</u>	<u>186,911</u>
Attributable to:		
Equity holders of the Bank	111,501	186,866
Non-controlling interest	(3,122)	45
	<u>108,379</u>	<u>186,911</u>
	----- (US \$) -----	----- (US \$) -----
Earnings per share - basic and diluted	<u>0.09</u>	<u>0.15</u>

These figures have been converted at Rs. 138.8619 per US Dollar from the audited financial statements.

Category of Shareholders

As on December 31, 2018

Particulars	No of Folio	Balance Share	Percentage
DIRECTORS, CEO & CHILDREN	14	22324456	1.8236
BANKS, DFI & NBFI	20	29521040	2.4115
INSURANCE COMPANIES	29	57983211	4.7365
MUTUAL FUNDS	60	41219472	3.3671
GENERAL PUBLIC (LOCAL)	20778	55426421	4.5276
GENERAL PUBLIC (FOREIGN)	1231	8822920	0.7207
OTHERS	113	43664315	3.5668
FOREIGN COMPANIES	182	838368380	68.4841
GOVT. OWNED ENTITIES / BANKS	2	1131714	0.0924
JOINT STOCK COMPANIES	178	124533271	10.1728
PUBLIC SECTOR COMPANIES	1	118628	0.0097
CHARITABLE TRUSTS	18	1065388	0.0870
MODARABAS	1	471	0.0000
Company Total	22627	1224179687	100.0000

Details of Mutual Funds & Modarabas

MUTUAL				
Folio No	Name	Code	Balance Held	Percentage
005371000028	CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	006	5,670,800	0.4632
005454000028	MCBFSL - TRUSTEE JS VALUE FUND	006	188,700	0.0154
005488000025	CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	006	257,100	0.0210
005645000024	CDC - TRUSTEE PICIC INVESTMENT FUND	006	1,314,200	0.1074
005652000023	CDC - TRUSTEE JS LARGE CAP. FUND	006	275,800	0.0225
005777000029	CDC - TRUSTEE PICIC GROWTH FUND	006	2,548,300	0.2082
005959000027	CDC - TRUSTEE ATLAS STOCK MARKET FUND	006	2,560,000	0.2091
006072000023	CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND	006	14,900	0.0012
006171000021	CDC - TRUSTEE FAYSAL STOCK FUND	006	30,000	0.0025
006197000029	CDC - TRUSTEE ALFALAH GHP VALUE FUND	006	422,500	0.0345
006213000025	CDC - TRUSTEE UNIT TRUST OF PAKISTAN	006	243,600	0.0199
006411000021	CDC - TRUSTEE AKD INDEX TRACKER FUND	006	112,929	0.0092
007252000020	CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND	006	18,000	0.0015
007377000026	CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	006	3,343,891	0.2732
009480000021	CDC - TRUSTEE NAFA STOCK FUND	006	5,916,040	0.4833
009506000026	CDC - TRUSTEE NAFA MULTI ASSET FUND	006	266,391	0.0218
010108000022	CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	006	3,000	0.0002
010603000021	CDC - TRUSTEE APF-EQUITY SUB FUND	006	174,560	0.0143
010660000025	CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT	006	69,600	0.0057
010728000027	CDC - TRUSTEE HBL - STOCK FUND	006	2,472,800	0.2020
010918000024	MC FSL TRUSTEE JS - INCOME FUND	006	36,500	0.0030
011049000029	MC FSL - TRUSTEE JS GROWTH FUND	006	295,000	0.0241
011056000028	CDC - TRUSTEE HBL MULTI - ASSET FUND	006	71,800	0.0059
011262000023	CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	006	1,727,100	0.1411
011809000026	CDC - TRUSTEE ALFALAH GHP STOCK FUND	006	1,012,800	0.0827
011924000022	CDC - TRUSTEE ALFALAH GHP ALPHA FUND	006	652,800	0.0533
012120000028	CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	006	2,212,602	0.1807
012195000021	CDC - TRUSTEE ABL STOCK FUND	006	2,777,900	0.2269
012310000025	CDC - TRUSTEE FIRST HABIB STOCK FUND	006	55,000	0.0045
012336000023	CDC - TRUSTEE LAKSON EQUITY FUND	006	909,650	0.0743
012625000027	CDC-TRUSTEE NAFA ASSET ALLOCATION FUND	006	487,603	0.0398
012880000027	CDC-TRUSTEE NAFA SAVINGS PLUS FUND - MT	006	92,200	0.0075
013367000029	CDC - TRUSTEE PICIC INCOME FUND - MT	006	4,700	0.0004
013607000028	CDC - TRUSTEE HBL EQUITY FUND	006	155,700	0.0127
013714000025	CDC - TRUSTEE HBL PF EQUITY SUB FUND	006	117,500	0.0096
013813000023	CDC - TRUSTEE ASKARI EQUITY FUND	006	16,500	0.0013
013862000028	CDC - TRUSTEE ALFALAH GHP INCOME FUND - MT	006	18,700	0.0015
013953000027	MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND	006	7,800	0.0006
014472000025	CDC - TRUSTEE UBL ASSET ALLOCATION FUND	006	298,800	0.0244
014514000028	CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	006	45,000	0.0037
014803000023	CDC - TRUSTEE FAYSAL SAVINGS GROWTH FUND - MT	006	7,700	0.0006
014902000021	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	006	1,698,599	0.1388
015388000025	CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	006	52,300	0.0043
016048000024	CDC - TRUSTEE FIRST HABIB INCOME FUND - MT	006	49,400	0.0040
016188000028	CDC-TRUSTEE NITPF EQUITY SUB-FUND	006	38,000	0.0031
016246000020	CDC - TRUSTEE NAFA INCOME FUND - MT	006	225,900	0.0185
016303000022	CDC - TRUSTEE ALFALAH GHP INCOME MULTIPLIER FUND - MT	006	1,300	0.0001
016360000026	MCBFSL TRUSTEE MCB PAKISTAN FREQUENT PAYOUT FUND	006	100,000	0.0082
016444000026	MC FSL TRUSTEE JS - INCOME FUND - MT	006	57,800	0.0047
016485000022	CDC - TRUSTEE FAYSAL MTS FUND - MT	006	133,600	0.0109
016535000024	CDC - TRUSTEE LAKSON TACTICAL FUND	006	180,498	0.0147
016634000022	CDC - TRUSTEE ALFALAH GHP SOVEREIGN FUND - MT	006	9,400	0.0008
016766000027	CDC - TRUSTEE UBL INCOME OPPORTUNITY FUND - MT	006	1,000	0.0001
017277000026	CDC - TRUSTEE FIRST HABIB ASSET ALLOCATION FUND	006	13,000	0.0011
017327000029	MCBFSL - TRUSTEE ALLIED CAPITAL PROTECTED FUND	006	12,000	0.0010
017442000025	CDC - TRUSTEE NAFA FINANCIAL SECTOR FUND	006	989,400	0.0808
017475000022	CDC - TRUSTEE ALFALAH CAPITAL PRESERVATION FUND II	006	59,500	0.0049
017483000021	CDC - TRUSTEE UBL FINANCIAL SECTOR FUND	006	242,800	0.0198
017541000022	CDC - TRUSTEE UBL DEDICATED EQUITY FUND	006	96,509	0.0079
017640000020	CDC - TRUSTEE ALLIED FINERGY FUND	006	352,000	0.0288
MODARBA				
Folio No	Name	Code	Balance Held	Percentage
00000015653	B.R.R. GUARDIAN MODARABA	017	471	0.0000

Pattern of Shareholding

As on December 31, 2018

NO. OF SHAREHOLDERS	<---- HAVING SHARES ---->		SHARES HELD	PERCENTAGE
	From	To		
4295	1	100	272166	0.0222
14068	101	500	6133105	0.5010
1228	501	1000	1035425	0.0846
1608	1001	5000	3932741	0.3213
413	5001	10000	3165540	0.2586
166	10001	15000	2111811	0.1725
95	15001	20000	1712836	0.1399
73	20001	25000	1675490	0.1369
57	25001	30000	1602309	0.1309
37	30001	35000	1208683	0.0987
43	35001	40000	1644989	0.1344
29	40001	45000	1250948	0.1022
28	45001	50000	1365189	0.1115
27	50001	55000	1430689	0.1169
24	55001	60000	1392758	0.1138
11	60001	65000	685245	0.0560
15	65001	70000	1024290	0.0837
13	70001	75000	952164	0.0778
14	75001	80000	1101893	0.0900
3	80001	85000	251000	0.0205
9	85001	90000	792407	0.0647
4	90001	95000	367000	0.0300
21	95001	100000	2078835	0.1698
10	100001	105000	1021926	0.0835
4	105001	110000	425821	0.0348
7	110001	115000	782705	0.0639
7	115001	120000	825928	0.0675
6	120001	125000	735134	0.0601
4	125001	130000	511369	0.0418
3	130001	135000	398800	0.0326
5	135001	140000	691600	0.0565
3	140001	145000	427500	0.0349
10	145001	150000	1485500	0.1213

Pattern of Shareholding

As on December 31, 2018

NO. OF SHAREHOLDERS	<---- HAVING SHARES ---->		SHARES HELD	PERCENTAGE
	From	To		
6	150001	155000	917642	0.0750
6	155001	160000	948057	0.0774
4	160001	165000	649737	0.0531
1	165001	170000	170000	0.0139
5	170001	175000	866254	0.0708
2	175001	180000	353200	0.0289
3	180001	185000	545298	0.0445
6	185001	190000	1134600	0.0927
3	190001	195000	580588	0.0474
5	195001	200000	992300	0.0811
6	200001	205000	1214303	0.0992
2	205001	210000	417200	0.0341
2	210001	215000	426394	0.0348
1	215001	220000	219110	0.0179
2	220001	225000	442639	0.0362
4	225001	230000	907600	0.0741
1	230001	235000	234000	0.0191
2	235001	240000	476415	0.0389
3	240001	245000	731348	0.0597
4	245001	250000	996500	0.0814
2	250001	255000	503200	0.0411
4	255001	260000	1031400	0.0843
1	260001	265000	260100	0.0212
2	265001	270000	532991	0.0435
2	270001	275000	545789	0.0446
1	275001	280000	275800	0.0225
1	280001	285000	282300	0.0231
1	285001	290000	289100	0.0236
1	290001	295000	295000	0.0241
2	295001	300000	594000	0.0485
1	305001	310000	308500	0.0252
1	310001	315000	312700	0.0255
2	320001	325000	647400	0.0529

Pattern of Shareholding

As on December 31, 2018

NO. OF SHAREHOLDERS	<---- HAVING SHARES ---->		SHARES HELD	PERCENTAGE
	From	To		
2	325001	330000	658800	0.0538
3	335001	340000	1011256	0.0826
1	340001	345000	344600	0.0281
1	345001	350000	348300	0.0285
2	350001	355000	705700	0.0576
2	355001	360000	715300	0.0584
3	360001	365000	1092390	0.0892
1	365001	370000	366600	0.0299
2	370001	375000	745500	0.0609
2	375001	380000	755990	0.0618
1	390001	395000	394000	0.0322
3	395001	400000	1199660	0.0980
1	400001	405000	403000	0.0329
1	405001	410000	408800	0.0334
1	410001	415000	410127	0.0335
1	415001	420000	418962	0.0342
2	420001	425000	844100	0.0690
1	425001	430000	429900	0.0351
3	430001	435000	1299900	0.1062
1	440001	445000	442600	0.0362
2	460001	465000	924843	0.0755
1	470001	475000	471200	0.0385
1	480001	485000	484700	0.0396
4	485001	490000	1949103	0.1592
1	490001	495000	494300	0.0404
2	510001	515000	1024843	0.0837
1	515001	520000	518100	0.0423
1	520001	525000	525000	0.0429
1	530001	535000	534000	0.0436
1	535001	540000	535400	0.0437
1	540001	545000	540600	0.0442
1	545001	550000	550000	0.0449
1	555001	560000	556245	0.0454

Pattern of Shareholding

As on December 31, 2018

NO. OF SHAREHOLDERS	<---- HAVING SHARES ---->		SHARES HELD	PERCENTAGE
	From	To		
1	560001	565000	565000	0.0462
2	575001	580000	1157058	0.0945
1	590001	595000	593000	0.0484
2	595001	600000	1200000	0.0980
1	610001	615000	610100	0.0498
2	630001	635000	1262600	0.1031
1	635001	640000	635300	0.0519
2	650001	655000	1304705	0.1066
2	655001	660000	1316750	0.1076
2	660001	665000	1324000	0.1082
1	675001	680000	679140	0.0555
1	680001	685000	681830	0.0557
1	690001	695000	690100	0.0564
2	695001	700000	1400000	0.1144
2	705001	710000	1416496	0.1157
1	720001	725000	722915	0.0591
2	725001	730000	1458036	0.1191
3	745001	750000	2249900	0.1838
1	750001	755000	753900	0.0616
3	755001	760000	2276799	0.1860
1	810001	815000	811000	0.0662
2	815001	820000	1638463	0.1338
1	830001	835000	832100	0.0680
1	895001	900000	900000	0.0735
1	905001	910000	909650	0.0743
1	915001	920000	916500	0.0749
1	920001	925000	924500	0.0755
2	925001	930000	1856500	0.1517
2	945001	950000	1896900	0.1550
1	950001	955000	950200	0.0776
1	975001	980000	975400	0.0797
2	985001	990000	1978100	0.1616
1	990001	995000	990283	0.0809

Pattern of Shareholding

As on December 31, 2018

NO. OF SHAREHOLDERS	<--- HAVING SHARES --->		SHARES HELD	PERCENTAGE
	From	To		
1	995001	1000000	1000000	0.0817
2	1000001	1005000	2000801	0.1634
1	1010001	1015000	1012800	0.0827
1	1025001	1030000	1028100	0.0840
1	1040001	1045000	1040800	0.0850
1	1045001	1050000	1050000	0.0858
1	1055001	1060000	1058336	0.0865
1	1070001	1075000	1074863	0.0878
1	1075001	1080000	1075600	0.0879
2	1125001	1130000	2258800	0.1845
1	1145001	1150000	1150000	0.0939
2	1180001	1185000	2361800	0.1929
3	1195001	1200000	3591992	0.2934
1	1245001	1250000	1250000	0.1021
1	1270001	1275000	1270500	0.1038
1	1300001	1305000	1303900	0.1065
1	1310001	1315000	1314200	0.1074
1	1365001	1370000	1367474	0.1117
1	1455001	1460000	1455640	0.1189
1	1510001	1515000	1510015	0.1233
1	1515001	1520000	1520000	0.1242
1	1595001	1600000	1596199	0.1304
1	1605001	1610000	1605100	0.1311
1	1610001	1615000	1613325	0.1318
1	1645001	1650000	1649700	0.1348
1	1650001	1655000	1655000	0.1352
1	1690001	1695000	1691164	0.1381
1	1695001	1700000	1698599	0.1388
1	1725001	1730000	1727100	0.1411
1	1790001	1795000	1792700	0.1464
1	1825001	1830000	1825300	0.1491
1	1865001	1870000	1865787	0.1524
1	1880001	1885000	1884573	0.1539

Pattern of Shareholding

As on December 31, 2018

NO. OF SHAREHOLDERS	<---- HAVING SHARES ---->		SHARES HELD	PERCENTAGE
	From	To		
1	1935001	1940000	1936000	0.1581
3	1995001	2000000	6000000	0.4901
1	2000001	2005000	2003678	0.1637
1	2045001	2050000	2048300	0.1673
1	2060001	2065000	2062700	0.1685
1	2095001	2100000	2099100	0.1715
1	2135001	2140000	2135190	0.1744
1	2195001	2200000	2200000	0.1797
1	2205001	2210000	2210000	0.1805
1	2210001	2215000	2212602	0.1807
1	2345001	2350000	2348870	0.1919
1	2355001	2360000	2357800	0.1926
1	2390001	2395000	2394492	0.1956
1	2445001	2450000	2448940	0.2000
1	2470001	2475000	2472800	0.2020
1	2495001	2500000	2500000	0.2042
1	2510001	2515000	2512900	0.2053
1	2545001	2550000	2548300	0.2082
1	2555001	2560000	2560000	0.2091
1	2585001	2590000	2587500	0.2114
1	2665001	2670000	2668800	0.2180
1	2680001	2685000	2684000	0.2192
1	2775001	2780000	2777900	0.2269
1	3075001	3080000	3078107	0.2514
1	3315001	3320000	3316763	0.2709
1	3340001	3345000	3343891	0.2732
1	3405001	3410000	3406500	0.2783
1	4060001	4065000	4062900	0.3319
1	4300001	4305000	4302900	0.3515
1	4355001	4360000	4357400	0.3559
1	4530001	4535000	4534000	0.3704
1	4560001	4565000	4564900	0.3729
1	4575001	4580000	4579500	0.3741

Pattern of Shareholding

As on December 31, 2018

NO. OF SHAREHOLDERS	<---- HAVING SHARES ---->		SHARES HELD	PERCENTAGE
	From	To		
1	5670001	5675000	5670800	0.4632
1	5850001	5855000	5850600	0.4779
1	5910001	5915000	5910301	0.4828
1	5915001	5920000	5916040	0.4833
1	5995001	6000000	5999900	0.4901
1	6030001	6035000	6034506	0.4929
1	6060001	6065000	6064800	0.4954
1	6180001	6185000	6183526	0.5051
1	6530001	6535000	6532400	0.5336
1	6780001	6785000	6783900	0.5542
1	7120001	7125000	7122300	0.5818
1	7205001	7210000	7209131	0.5889
1	8085001	8090000	8087400	0.6606
1	8835001	8840000	8836200	0.7218
1	9895001	9900000	9896699	0.8084
1	9915001	9920000	9915833	0.8100
1	12440001	12445000	12442568	1.0164
1	12550001	12555000	12553135	1.0254
1	28000001	28005000	28004700	2.2876
1	30425001	30430000	30429677	2.4857
1	31160001	31165000	31163426	2.5457
1	93645001	93650000	93649744	7.6500
1	631725001	631730000	631728895	51.6043
22627		Company Total	1224179687	100.0000

Shares Trading (Sale/Purchase) by Directors, Executives of UBL* and their Spouses and Minor Children

During the 01-01-2018 TO 31-12-2018

NAME	No. of Shares	Sale / Purchase
SYED MOAZZAM HAIDER	10,000	SALE
SYED ARSHAD ALI	10,000	SALE
MUHAMMAD NAEEM JAVAID	300	PURCHASE
SYED NAVEED UL ZAFAR	2,300	PURCHASE
SYED NAVEED UL ZAFAR	2,300	SALE
AHSAN MARCHANT	1,000	PURCHASE

Notice of 60th Annual General Meeting of United Bank Limited

Notice is hereby given that the 60th Annual General Meeting ("AGM") of the Shareholders of United Bank Limited (the "Bank" or "UBL") will be held on Thursday, 28 March 2019 at 09:30 a.m. at Islamabad Marriott Hotel, Islamabad to transact the following business:

Ordinary Business:

1. To confirm the minutes of the 59th Annual General Meeting held on 31 March 2018.
2. To receive, consider and, if thought fit, adopt the Annual Audited Financial Statements (consolidated and unconsolidated), Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017 of the Bank for the year ended 31 December 2018 together with the Directors' Report and Auditors' Reports thereon.
3. To consider and, if thought fit, approve and declare as recommended by the Board of Directors, final cash dividend at the rate of Rs. 3/- per share i.e. 30%, in addition to 80% interim dividend already declared/paid for the year ended 31 December 2018.
4. To consider and, if thought fit, appoint single External Auditors to hold office from this AGM till the conclusion of the next AGM of the Bank and to fix their remuneration. The retiring External Auditors namely, M/s. A.F. Ferguson & Company, Chartered Accountants have consented to be so appointed and the Board of Directors has recommended its appointment.

Special Business:

5. To consider and, if thought fit, approve/ratify the revision of the amount of remuneration paid/to be paid to the Non-Executive Directors of the Bank for attending the Board and/or Committees meetings and in that connection to pass the following resolutions, as ordinary resolutions, with or without modification, addition or deletion:

"RESOLVED that USD 12,500/- will be paid to each Non-Executive Member of the Board of Directors of UBL including Chairman upon their attending per set of meetings which includes Board meeting and / or Committee(s) meeting(s), as well as meetings of Special Committees of the Board, provided all the meetings are held consecutively before or after the regular Board meeting.

FURTHER RESOLVED that if a meeting of some Special Committee of the Board is held at a place and time other than the regular Board meeting, then a fee of USD 5,000/- will be paid separately to each member of the Special Committee upon their attending the meeting.

AND FURTHER RESOLVED that the following Daily Allowance will be paid to each Non-Executive Member of the Board of Directors of UBL including Chairman upon their attending per set of meetings which includes Board meeting and / or Committee(s) meeting(s), as well as meetings of Special Committees of the Board:

- A. Where UBL makes boarding and lodging arrangements in respect of the above meetings:
 - i. If meeting is held in Pakistan: PKR 5,000/- per day per person for maximum 03 days
 - ii. If meeting is held outside Pakistan: USD 250/- per day per person for maximum 03 days
- B. Where Directors make their own boarding and lodging arrangements in respect of the above meetings:
 - i. If meeting is held in Pakistan: PKR 10,000/- per day per person for maximum 03 days
 - ii. If meeting is held outside Pakistan: USD 750/- per day per person for maximum 03 days

Notice of 60th Annual General Meeting of United Bank Limited

AND FURTHER RESOLVED that the travelling expenses in respect of per set of meetings which includes Board meeting and / or Committee(s) meeting(s) will be borne by the Bank in Business Class of any airline for each Non-Executive Member of the Board of Directors including Chairman for their attending the above meetings.

AND FURTHER RESOLVED that the remuneration paid to the Non-Executive Directors of UBL including the Chairman during the year 2018, for attending the Board and / or Committees meetings as disclosed in the Note 41 of the Audited Financial Statements of the Bank for the year ended 31 December 2018, be and is hereby confirmed and approved on post facto basis.”

6. To consider and, if thought fit, approve transaction of asset and liability sale of UBL Bank (Tanzania) Limited to EXIM Bank Tanzania Limited, as approved and recommended by the Board of Directors of UBL, and pass the following resolutions, as special resolutions, with or without modification, addition or deletion:

“RESOLVED that the binding Letter of Intent received from EXIM Bank Tanzania Limited for an asset and liability sale of UBL Bank (Tanzania) Limited for TZs 9.1B (equal to \$3.96m) be and is hereby accepted. (The said price is subject to adjustment on the closing date of the transaction)

FURTHER RESOLVED that the Board of Directors of UBL be and are hereby authorized to complete all the related regulatory, legal and other formalities of this transaction and to further authorize person(s) to deal and negotiate, execute and implement the transaction with the party(ies) involved.

AND FURTHER RESOLVED that the Board of Directors be and are hereby authorized to initiate and complete the process for the winding up of UBL Bank (Tanzania) Limited subsequent to the consummation of this transaction.”

7. To transact any other business with the permission of the Chairman.

(Attached to this Notice is a Statement of Material Facts covering the above mentioned Special Business, as required under Section 134(3) of the Companies Act, 2017 and Statement of Material Facts covering the sale of the assets and liabilities of UBL Bank (Tanzania) Limited as required under S.R.O. 423 (I)/2018 dated 3 April 2018)

By order of the Board

Aqeel Ahmed Nasir
Company Secretary &
Chief Legal Counsel

Karachi, 07 March 2019

Notice of 60th Annual General Meeting of United Bank Limited

Notes:

1. The Share Transfer Books of the Bank shall remain closed from 20 March 2019 to 28 March 2019 (both days inclusive). Transfers received at M/s. THK Associates (Pvt.) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S, Karachi-75400, the Registrar and Share Transfer Agent of the Bank, by the close of the business on 19 March 2019 will be treated in time for the purpose of the above entitlement.
2. A member entitled to attend and vote at this AGM is entitled to appoint a person as a proxy to attend and vote for and on his/her behalf. A proxy need not be a member. The instrument appointing a proxy and the power of attorney/board resolution or other authority (if any) under which it is signed or a notarized certified copy of the power or authority shall be deposited at the office of M/s. THK Associates (Pvt.) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S, Karachi-75400, the Registrar and Share Transfer Agent of the Bank, not later than forty eight (48) hours before the time of holding the AGM, and must be duly stamped, signed and witnessed.
3. The CDC Account Holders and Sub-account Holders, whose registration details are available in the Share Book Details Report, shall be required to produce their respective original Computerized National Identity Card (CNIC) or original Passport at the time of attending the Annual General Meeting to facilitate identification. Such Account Holders and Sub-Account Holders should also bring / know their respective participation I.D. No. and the CDC Account No. and in case of proxy, he/she must enclose an attested copy of his/her CNIC or Passport. Representative(s) of corporate member(s) should bring attested copy of Board Resolution / Power of Attorney and/ or all such documents that are required for such purpose under Circular No.1 dated 26th January 2000 issued by the Securities and Exchange Commission of Pakistan ("SECP").
4. Members are requested to timely notify any change in their addresses and provide copies of their CNIC /NTN (if not provided earlier) to Bank's Registrar / Share Transfer Agent, M/s. THK Associates (Pvt.) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S, Karachi-75400.
5. Deduction of Withholding Tax on the Amount of Dividend:

As per the provisions of Section 150 of the Income Tax Ordinance, 2001 ("Ordinance"), different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. The current withholding tax rates are as under:

- | | |
|---|--------|
| (a) For filers of income tax returns: | 15.00% |
| (b) For non-filers of income tax returns: | 20.00% |

To enable the Bank to make tax deduction on the amount of cash dividend @ 15.00% instead of 20.00%, all the shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of the Federal Board of Revenue ("FBR"), despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of issuance of Dividend Warrants, otherwise tax on their cash dividend will be deducted @ 20.00%.

The corporate shareholders having CDC account are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificates to the Bank or Bank's Share Registrar and Share Transfer Agent, M/s. THK Associates (Pvt.) Limited. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective Folio numbers. Without the NTN, the Bank would not be in a position to check filer status on the Active Taxpayers List and hence higher tax of 20% may be applied in such cases.

As per FBR's clarification letters C.No. 1(29) WHT/2006 dated June 30, 2010 and C.No.1(43) DG(WHT)/2008-Vol-II.664 17-R dated May 12, 2015, a valid Exemption Certificate under Section 159 of the Ordinance is mandatory to claim exemption of withholding tax under Clause 47(B) of Part-IV of Second Schedule to the Ordinance. Those who fall in the category mentioned in above Clause must provide valid Tax Exemption Certificate to our Registrar and Share Transfer Agent, otherwise tax will be deducted on dividend amount as per rates prescribed in Section 150 of the Ordinance.

Notice of 60th Annual General Meeting of United Bank Limited

For shareholders holding their shares jointly as per the clarification issued by the FBR, withholding tax will be determined separately on "Filer / Non-Filer" status of principal shareholder as well as joint-holder(s) based on their shareholding proportions. Therefore, all shareholders who hold shares jointly are required to provide shareholding proportions of principal shareholder and Joint-holder(s) in respect of shares held by them to the Registrar and Share Transfer Agent in writing as follows:

Folio / CDC Account No.	Total shares	Principal Shareholder		Joint Shareholder(s)	
		Name and CNIC No.	Shareholding Proportion (No. of Shares)	Name and CNIC No.	Shareholding Proportion (No. of Shares)

The required information must reach the Bank's Share Registrar and the Share Transfer Agent within ten (10) days of this Notice, otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint Holder(s).

For any query/difficulty/information, the members may contact the Bank's Share Registrar and Share Transfer Agent, at the following address, phone/fax numbers or e-mail address:

THK Associates (Pvt.) Limited
Head Office, 1st Floor, 40-C,
Block-6, P.E.C.H.S, Karachi-75400.
UAN: 021-111-000-322.
Direct: 021- 34168270
Fax: 021- 34168271
Email: secretariat@thk.com.pk
Web: www.thk.com.pk

6. Urgent Provision of Valid CNIC Copy (Mandatory)

CNIC numbers of shareholders are mandatorily required for dividend distribution. Shareholders are therefore requested to submit a copy of their CNIC (if not already provided) to the Bank's Share Registrar and Share Transfer Agent within ten (10) days of the date of this Notice. In case of nonreceipt of the copy of a valid CNIC, the company would be unable to comply with SRO 831(1)/2012 dated July 05, 2012 of SECP and therefore will be constrained to withhold the payment of dividend of such shareholders. The shareholders while sending CNIC must quote their respective folio number and name of the Company.

7. Submission of Bank Mandate with International Bank Account Number (IBAN) for payment of Cash Dividend Electronically into the Bank Accounts of the Shareholders (Mandatory Requirement)

Under the provisions of Section 242 of the Companies Act, 2017 and the Companies (Distribution of Dividends) Regulations, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders.

Shareholders who have not yet submitted their International Bank Account Number (IBAN) are requested to fill in Electronic Credit Mandate Form available on Company's website and send it duly signed along with a copy of CNIC to the Share Registrar and Share Transfer Agent of the Bank, THK Associates (Pvt.) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S, Karachi, Pakistan in case of physical shares. In case shares are held in CDC then Electronic Credit Mandate Form must be submitted directly to shareholder's broker/participant/CDC account services.

Notice of 60th Annual General Meeting of United Bank Limited

In this regard UBL has sent letters to its shareholders. Besides, the Bank has published notices in newspapers requesting the shareholder to provide IBAN.

The link to get the Electronic Credit Mandate Form is as under:

[http://www.ubldirect.com/Corporate/InvestorRelations/Bank Mandate Form for e-dividend.aspx](http://www.ubldirect.com/Corporate/InvestorRelations/BankMandateFormfore-dividend.aspx)

8. Consent for Video Link Facility:

Members can attend and participate in the AGM through video-link. The Bank will provide the facility of video-link on demand of members residing in a city, collectively holding 10% or more shareholding in the Bank. Members who wish to avail this facility are requested to fill the below Video Link Form and submit it to the Company at its registered office at least seven (7) days prior to date of the AGM.

The Bank will intimate members regarding venue of video-link facility at least five (5) days before the date of the AGM along with complete information necessary to enable them to access such facility.

<u>Video-Link Form</u>	
I/We, _____ of _____, being a member of United Bank Limited, holder of _____ Ordinary Share(s) as per Register Folio No./CDC Account No. _____ hereby opt for video-link facility at _____ (Name of City) _____.	
<div style="text-align: right;">_____ Signature of the Member</div>	

9. Placement of Financial Statements on Website:

The financial statements of the Bank for the year ended December 31, 2018 along with reports have been placed on the website of the Bank:

<http://www.ubldirect.com/Corporate/InvestorRelations/FinancialStatement.aspx>.

Statement of Material Facts Under Section 134(3) of the Companies Act, 2017, concerning to the Special Business:

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of United Bank Limited (“UBL”) to be held on March 28, 2019.

Item No. 5: REMUNERATION OF THE NON-EXECUTIVE DIRECTORS OF UBL

As required under SBP Prudential Regulation G-1, total amount of remuneration paid/payable to the non-executive directors including the Chairman for attending the Board meetings and/or Committees meetings is submitted, to the shareholders for approval / ratification

Item No. 6: ASSET AND LIABILITY SALE OF UBL BANK (TANZANIA) LIMITED

UBL Bank (Tanzania) Limited (**UBTL**) is a wholly owned subsidiary of United Bank Limited (UBL). UBL and UBTL have entered into a Letter of Intent (LOI) with EXIM Bank Tanzania Limited (EXIM) for the sale of the undertaking of UBTL as an asset/liabilities sale, subject to all applicable corporate compliances and the regulatory approvals at both places i.e. Pakistan and Tanzania.

The entity of UBTL and its banking license will remain intact for the time being. Upon the disposal of all assets and liabilities of UBTL, the winding up process will be initiated under the laws of Tanzania.

This decision is a part of UBL’s strategy for global repositioning and realignment based on purely commercial considerations.

Material Facts covering the sale of the assets and liabilities of UBL Bank (Tanzania) Limited as required under S.R.O. 423 (I)/2018 dated 3 April 2018 are as under:

i.	Name of the subsidiary:	UBL Bank (Tanzania) Limited
ii.	Cost and book value of investment in subsidiary:	As at 31 December 2018 Cost: PKR 1,831 million Net book value: PKR 948 million
iii.	Total market value of subsidiary based on value of the shares of the subsidiary company:	Not Applicable (The entity is unlisted)
iv.	Value determined by a registered valuer and name of the registered valuer:	UBL has written to SECP regarding this requirement
v.	Net worth of subsidiary as per latest audited financial statements and subsequent interim financial statements, if available:	31 December 2017 – audited financial statements: TZs 15,717 million 31 December 2018 - Interim unaudited financial statements: TZs 21,511 million
vi.	Total consideration for disposal of investment in subsidiary, basis of determination of the consideration and its utilization:	TZs 9,107 million based on adjusted balance sheet value of assets and liabilities. This will be utilized to pay for any winding up expenses and residual amounts to be repatriated back to Pakistan.
vii.	Quantitative and qualitative benefits expected to accrue to the members:	The Directors believe the proposed sale is in the best interest of the company as it will facilitate an expedited winding up of the loss making subsidiary.

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*Mobile apps are also available for download for android and ios devices

The website link of JamaPunji is available at the website of UBL for the convenience and facilitation of shareholders and investors.

Form of Proxy

60th Annual General Meeting of United Bank Limited

I/We, _____ of _____ being a member of United Bank Limited ("UBL") and holder of _____ ordinary shares as per Share Register Folio No. _____ and / or CDC Participation I.D No. _____ and Account No. _____ hereby appoint _____ of _____ or failing him _____ of _____ as my/our proxy to vote for me/us and on my/our behalf at the 60th Annual General Meeting of UBL scheduled to be held on Thursday, 28 March 2019 at 9:30 a.m at Islamabad Marriot Hotel, Islamabad and at any adjournment thereof.

Signed this _____ day of _____ 2019.

Witness 1:

Signature: _____

Name: _____

CNIC No. or Passport No: _____

Address: _____

Witness 2:

Signature: _____

Name: _____

CNIC No. or Passport No: _____

Address: _____

(Signature should agree
with the specimen signature
registered with the Registrar)

NOTE:

A. General:

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a person as proxy to attend and vote instead of him/her.
2. The instrument appointing a proxy should be signed by the member or his/her attorney duly authorized in writing. If the member is a corporation (other than Government of Pakistan), its common seal should be affixed on the instrument.
3. The instrument appointing a proxy, together with Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited, with our Registrar/ Share Transfer Agents, **M/s. THK Associates (Pvt.) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S Karachi** not less than 48 hours before the time of holding the meeting.
4. If a member appoints more than one proxy, and more than one instrument of proxy are deposited by a member with the Registrar, all such instruments of proxy shall be rendered invalid.
5. Applicable stamp duty shall be paid/affixed on the proxy form in accordance with the place of execution.

B. For CDC Account Holders:

1. The proxy form shall be witnessed by two persons whose names, addresses and CNIC / Passport No. shall be mentioned on the form.
2. Attested copies of CNIC or the Passport of the beneficial owners of the proxy shall be furnished with the proxy form.
3. The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.

Affix
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Registrar

M/s. THK Associates (Pvt.) Limited,
1st Floor 40-C, Block-6, P.E.C.H.S,
Karachi-75400,
Pakistan.

پراکسی فارم یونائیٹڈ بینک لمیٹڈ کا ۶۰ واں سالانہ اجلاس عام

میں / ہم _____ سکنہ _____ یونائیٹڈ بینک لمیٹڈ (”UBL“)
کے ممبر کی حیثیت سے _____ عمومی شیئرز رکھتا ہوں / رکھتی ہوں / رکھتے ہیں، جیسا کہ شیئرز رجسٹر فو لیو نمبر _____ اور / یا سی ڈی سی
پارٹی سسپیشن آئی ڈی نمبر _____ اور اکاؤنٹ نمبر _____ میں درج ہے، یہاں پر _____ سکنہ _____
کو اور ان کی عدم موجودگی میں اس کی جگہ پر _____ سکنہ _____ کو میرا / ہمارا نمائندہ مقرر
کرتا ہوں / کرتی ہوں / کرتے ہیں تاکہ وہ میرے / ہماری جگہ پر ووٹ کا حق استعمال کر سکے اور میری / ہماری جگہ پر ۲۸ مارچ ۲۰۱۹ء، بروز جمعرات، صبح ۹:۳۰ بجے اسلام آباد میریٹ ہوٹل، اسلام آباد میں منعقد
ہونے والے یو بی ایل کے ۶۰ ویں سالانہ اجلاس عام یا اس کے ملتوں شدہ اجلاس میں شرکت کے مجاز ہوں گے۔

دستخط _____ ویں روز _____ ۲۰۱۹ء کیے گئے۔

گواہ ۱:

دستخط: _____

نام: _____

سی این آئی سی نمبر یا پاسپورٹ نمبر: _____

پتہ: _____

گواہ ۲:

دستخط: _____

نام: _____

سی این آئی سی نمبر یا پاسپورٹ نمبر: _____

پتہ: _____

(دستخط لازمی طور پر رجسٹرار کے پاس

رجسٹرڈ دستخط کے نمونے جیسے ہوں)

نوٹ:

الف۔ عمومی:

- ۱۔ اجلاس عام میں شرکت اور ووٹ کا حقدار ممبر کسی بھی شخص کو اپنی جگہ اجلاس میں شرکت اور ووٹ دینے کے لیے پراکسی مقرر کر سکتا ہے۔
- ۲۔ پراکسی کو مقرر کرنے کے دستاویز پر لازمی طور پر ممبر یا اس کے انارنی کے دستخط ہوں اور وہ تحریری طور پر تصدیق شدہ ہو۔ اگر ممبر کوئی کارپوریشن (حکومت پاکستان کے علاوہ دیگر) ہے، تو اس کی عام مہر بھی دستاویز پر چسپاں ہوں گی۔
- ۳۔ پراکسی کو مقرر کرنے والی دستاویز، پاور آف انارنی کے ساتھ، اگر کوئی ہو، جس کے تحت وہ دستخط شدہ ہو یا تصدیق شدہ مستند کا پی ہمارے رجسٹرار / شیئرز ٹرانسفر ایجنٹس، میسرز فی ایچ کے ایسوی ایٹس (پرائیویٹ) لمیٹڈ، پہلی منزل، 40-C، بلاک-6، پی ای سی ایچ ایس، کراچی، کو اجلاس سے ۲۸ گھنٹے قبل وصول ہونی چاہیے۔
- ۴۔ اگر کوئی ممبر ایک سے زیادہ پراکسی مقرر کرتا ہے، اور ایک سے زیادہ پراکسی کی دستاویزات رجسٹرار کے ہاں ارسال کرتا ہے، تو ایسی تمام پراکسی کی دستاویزات منسوخ قرار دیا جائیگا۔
- ۵۔ پراکسی فارم کے جاری کیے جانے والی جگہ کے مطابق اسٹپ ڈیوٹی ادا کی جائے گی۔

ب۔ سی ڈی سی اکاؤنٹ ہولڈرز کے لیے:

- ۱۔ پراکسی فارم پر دو افراد کی گواہی ہونی چاہیے، جن کے نام، پتے اور سی این آئی سی / پاسپورٹ نمبر درج ہونے چاہئیں۔
- ۲۔ پراکسی فارم کے ساتھ پراکسی مقرر ہونے والے شخص کے سی این آئی سی یا پاسپورٹ کی تصدیق شدہ نقول منسلک کرنا لازمی ہیں۔
- ۳۔ پراکسی کو اجلاس کے وقت اپنا اصل سی این آئی سی یا اصل پاسپورٹ پیش کرنا ہوگا۔

درست ڈاک
ٹکٹ چسپاں
کریں

رجسٹرار
میسرز ٹی ایچ کے ایسوسی ایٹس (پرائیویٹ) لمیٹڈ،
پہلی منزل، C-40، بلاک-6، پی ای سی ایچ ایس،
کراچی-۷۴۰۰۰،
پاکستان۔



UNITED BANK LIMITED

UBL Head Office
I.I. Chundrigar Road,
Karachi - 74000, Pakistan.
UAN: 111-825-888
Website: www.ubldirect.com